EXPORTS

1986
White wine exports turn sour for growers

Staff Reporter

South Africa's wine industry could experience a serious setback overseas after white wine, exported as superior Chardonnay, was discovered to be Aucorros, a wine-grape not approved for cultivation here because of poor quality.

It is not certain how much "Chardonnay" was exported in 1986, but the mistake was discovered too late to correct, according to Dr. Jacob de Wet, director of the Oenological and Viticultural Research Institute (Orvi) at Nietvoorbij, Stellenbosch.

He was given evidence at a commission of inquiry into the alleged unauthorised importation of Chardonnay, Orlis Riesling, Pinot Noir and Aucorros vines.

The commission, which began in Stellenbosch yesterday, is headed by a former president of the Regional Court, Mr. Chris Roper, who has a mandate from the State President to find out who imported the unauthorised material, in what quantities and where it was obtained.

He will also try to establish how it was brought into the country, how much was propagated, by whom, to whom the unauthorised material was sold and the identity of the original supplier.

Many farmers were sold large quantities of the illegal imported Aucorros cultivars with a Chardonnay label and, Mr. Roper said, some decisions would have to be made on who was responsible.

All vines brought into the country legally were first evaluated by the quarantine station in Oriel, said Dr. de Wet.

He said clones of cultivars readily available in South Africa were evaluated over six months for signs of exotic fungi or other diseases.

Cutivars not in use here were cultivated at the station for three years to evaluate the vine.

South African grape growers who bought millions of Aucorros cuttings believing them to be the superior Chardonnay cultivar, had huge losses but will not take action against anyone.

Mr. Marius Smit, chairman of the Wellington Growers' Association today told the one-man commission of inquiry that no one was considering civil action against farmers who sold them wrongly identified cuttings.

He said that he bought thousands of Chardonnay cuttings from Mr. Dave de Wet, of De Wetshof.

Mr. Smit said he believed all the farmers in the Wellington area destroyed the Aucorros cuttings once they were identified.
Table Bay to be used for exporting coal

Staff Reporter

TABLE Bay harbour has been given a needed boost with the announcement that it is to be used as to export 1.5-million tons of coal a year.

Cargo-handling facilities are 60 per cent under-used, mainly because of its geographic location, the poor Western Cape economy and the change in cargo-handling techniques, according to the South African Transport Services.

Speculating on the boost Cape Town and the harbour could receive from the development of offshore gas fields at Mossel Bay, Table Bay port manager Mr Kallie Haupt said the harbour's traffic had fallen drastically because many of its clients had moved their factories closer to the financial and economic centres of South Africa.

POOR ECONOMY

The poor economy in general had also played a major part in the port falling into partial disuse.

The coal will be transported from the Transvaal to the harbour by rail and loaded straight from the trucks into bulk-carriers and will not affect the Western Cape's economy or provide additional work or revenue.

Mr Haupt said Richards Bay and East London were being fully used while Port Elizabeth and Durban were "under pressure".

Yesterday Durban had 40 ships in port and 12 waiting outside.

Table Bay had two ships in port, of which one, the Stonepool, was being loaded with the first consignment of coal.
Trade pattern
with Nordic
countries up,
but shifting.

Scandinavian countries might well be turning the screw on South African trade but they remain dependent on much of what this country can offer in basic resources.

For political reasons, Norway, Denmark and Finland have cut back on imports of South African high profile and visible items which appear on supermarket shelves.

On the other hand, there is renewed demand for South Africa's minerals as these, and other West European countries, have experienced renewed industrial activity in the wake of economic recovery.

According to the South African Foreign Trade Organisation figures, mineral exports to Norway, for instance, for the January to July period of 1985 were valued at R20 million compared with about R15 million for the same time in 1984.

EXCHANGE RATE

For Europe as a whole, ore imports for the seven months last year hit R1.2 billion as against R925 million previously.

While the rand exchange rate must account for some of the increase in these export values, the fact remains that there is no shortage in demand from Europe for South African ores.

South African manganese is particularly sought after by the Norwegians and although no up-to-date figures are available, statistics published in Oslo recently reveal that imports of manganese ores in 10 months of 1985 leapt by 33 percent in value and 45 percent in volume.

There is every reason to suppose that these figures have been surpassed as industrial growth in that country continues.

COMMODITIES

Norwegian imports of South African high profile products, on the other hand, such as fruit and vegetables, have taken a knock.

Although not one of South Africa's major customers for these commodities, Norway imported fruit and vegetables to the tune of R200 000 in January-July 1985 — 33 percent less than for the same period in 1984.

While official South African trade statistics indicate that these figures are probably accurate, they are probably greatly understated because of indirect trade links through other countries.
Sappi beefs up its export drive

SAPPI has exported the largest single export consignment of SA paper to Italy. More than 10 000 tons of Sappi Kraft linerboard was shipped from Durban to La Spezia as part of Sappi's growing drive to export products from its new Rhen Ngodwana mill.

According to Sappi Kraft consultant Michael Millard: "Up to six months ago, we didn't have shipments like this. The consignment is part of the company's drive all over the world for products from Ngodwana."

A vessel had to be chartered to handle the consignment. Millard says this is because there is not enough suitable shipping available to handle this type of cargo.

"Business to the Mediterranean is booming, but our products are not suited to containerisation. Until now, we have had to use small operators into the Mediterranean and we feel there is a need for a reliable break-bulk service to the area."

Taxation knocks FS gold mines

JOHANNESBURG — The beneficial effects of the higher average rand gold price of R277 71.20 achieved by the Free State mines, administered by Anglo American Corporation, were reduced substantially by higher taxation and State’s share of profit of R207 71.20 (R206 566) for the quarter. This rise was partially attributable to lower capital expenditure of R185 626 (R192 631).

Production

The shorter quarter also resulted in lower production figures for the quarter:

- Area mined dropped to 989 000 m² (936 000 m²)
- Tonnage milled decreased to 146 000 tons to 501 000 tons
- Gold production fell by 1 927 kg to 27 370 kg

The average cost in rand per ton milled rose 6,4% to R277 71.20 a ton milled.

The higher rand gold price has resulted in a 26,5% increase in pre-tax profit to R207 71.20. However, the increased expense led to a decrease in profit after tax of 0,5% to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

President Brand’s profit before tax at R207 71.20 rose by 16,2%. The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.

Capital expenditure dropped to R20 000 000 (R21 052 000).

President Brand’s profit before tax at R207 71.20 rose by 16,2% per cent.

The high rand price of gold produced a 37,1% improvement in President Brand’s pre-tax profit to R206 566. However, the higher pre-tax profit was partially offset by a 9,5% increase in profit after tax to R206 566.

The previous quarter included a R25 986 tax charge.
3m-ton surplus forecast

Exports of maize could earn R700m

PROSPECTS for the maize crop this year are extremely encouraging and there should be enough to meet SA’s domestic needs as well as a possible 3-million-ton export surplus, which could rake in more than R700m in foreign exchange.

This would provide a welcome bonanza for the balance of payments and improve the foreign exchange value of the rand.

This good news comes at a time when SA needs financial muscle for bargaining in the critical, debt-moratorium discussions with foreign bankers, scheduled for February 20.

National Association of Maize Producers (Nampo) GM Piet Gouws told Business Day yesterday: “The outlook for the maize crop at this stage is the best in five years. I can make the blunt statement that this year SA is not going to import maize.”

He added that, depending on the rainfall in February and March, the maize crop this year could be one of the best in the past 10 years, with a crop of 9.2-million tons.

PRISCILLA WHYTE
and GERALD REILLY

Domestic consumption is about 6-million tons a year, so the 1986 crop would allow about 3-million tons to be exported.

Nampo is basing its R700m estimate of foreign exchange earnings on $0.45 to the rand and an international selling price for SA maize of $110/ton.

A good 1986 farming year could result in an influx of R2 000m into the South African economy from the farming community, Gouws said.

But nobody is living under the illusion that one promising year can wipe out the crippling farming debt, currently running at about R10 000m.

If an export ton of maize fetches R244, the farmer would receive R170, with R70 to R90 for marketing, storage and transport costs. The farmers’ cost/ton varies, but was about R500/ha.

Yesterday Maize Board GM Hennie Nel was also hedging his bets well into the future. He did say, however, that at present about 4.2-million ha were under maize.
Desperate SA selling tactics hammer prices

By Neil Behrmann

LONDON — Desperate selling by South African producers has placed the international coal market under such pressure that prices have slumped.

Traders said that official bans and unofficial restrictions on South African steam coal imports by France, Denmark, Scandinavian countries and other nations have created the climate for a further price decline in an already-depressed world coal market.

The crisis was heightened by the oil war which has driven oil prices down by 50 percent since November. Power stations in Europe are demanding that producers such as South Africa should lower prices because they know that there is a glut of coal.

"The international market is horrible," says Mr. Allen Born, president and chief executive officer of Amcor, an American resources company which is the third largest coal producer in the US.

The Financial Times International Coal Report, an authoritative newsletter on the industry, says that Anglo-American was forced to cut coal prices on a contract with Enel, the Italian utility company, from $31,45 a ton to $27.58 a ton. The prices excluded cost insurance and freight. Shell Coal International had to slash prices from $48 a ton to $33.

"A lot of the coal price weakness is purely psychological, a lot of it can be blamed on the South African producers who are tumbling over themselves to sell," says a leading British coal trader who declined to be named.

London traders say that coal price declines accelerated after France officially banned the import of coal from South Africa last November. The parliament of Denmark, another important consumer of South African coal, intends voting on a ban this summer, while other nations including Italy and Spain are increasingly reluctant to accept SA supplies because they fear action by unions.

**Major impact**

Prices of South African medium quality steam coal with an energy content of 6,000 calories and on a free on board basis fell from $32.5 a ton on the spot, or free market, to present levels of about $26 a ton.

Spot US export prices fell from around $39.5 a ton to $36 a ton, while Australian quotes have fallen from $35.5 to $29.5 a ton.

Sanctions against South Africa had a major impact on the market because France imported 5.6 million metric tons from South Africa in 1984 out a total of 21.6 million tons, says Mr. Philip Rogers, head of research at Simpson, Spence & Young shipbrokers.

He adds that sentiment is also poor because Denmark's ban would involve some 2.7 million tons of South African imports from the end of 1986.

"Legislation is imminent," says a London dealer, noting that the South Africans have been trying to place between 1 million to 3 million tons of coal previously destined for France. The Transvaal Coal Owners' Association says that international dealers are marking down prices to get bargains from producers. But traders insist that the coal is being traded at current depressed prices.

"We are not willingly cutting prices; we are negotiating," says a spokesman of the Transvaal Coal Owners' Association.

He adds that oversupply worldwide forced the South Africans to accept lower prices.

Competition has also intensified because a dramatic decline in shipping rates helped distant producers such as Australia become rivals in Europe. Seaborne shipments from Australia surged from 10.1 million tons in 1981 to 37.1 million tons last year, estimates Mr. Rogers of Simpson, Spence & Young. South African coal shipments rose from 29.4 million tons in 1981 to 37.4 million tons last year and Polish shipments from 4.6 million tons to 14 million tons.

With Columbia also rapidly raising production costs in the next few years there is far too much coal available.
High sugar hopes

Own Correspondent

SUGAR exports in the 1965-66 season are expected to weigh in at about 950,000 tons, says SA Sugar Association assistant GM Peter Nourse.

He says that at prevailing world prices exports will earn about R200m in foreign exchange.

Nourse says latest estimates for the current season's production are just over 2.1-million tons, of which about 45%, or 950,000 tons, will be exported to such major SA customers as Japan, Canada and Israel.

Association estimates for the 1966/67 season have been revised from about 2.0-million tons. Nourse says that in view of more favourable rains from November to end-January, the revised forecast has been increased by 100,000 tons. This compares with the record 1964/65 crop of nearly 2.4-million tons.
term paper has fallen as a result of short rates dropping. So margins are tight.

Sloet adds that people are switching from 12-month deposits to more attractive longer-term deposits, which earn higher interest. But these higher rates make borrowing more costly for building societies, which again exerts upward pressure on bond rates. Other societies agree with Sloet on this score but note this trend is "only slight."

A further explanation comes from Eastern Province MD Ron Munford: "With inflation expected to push interest rates up, there is no room for further bond rate declines."

But are there not other reasons why society are reluctant to lower bond rates? At least one MD bluntly admits it is partly because societies are nursing profits as a result of the De Kock Commission recommendations. "Making us compete means we have to be profit-oriented and cannot forego revenue by reducing bond rates."

Not only does competition serve to increase bond rates, allowing building societies to be listed encourages them to build up a good profit record to entice future investors.

In addition, the 4% reserve/liability ratio societies must maintain means they must attract deposits. Of major societies only NBS and UBS have reached this ratio.

Sloet says South African building societies have the lowest reserve ratio for comparable business in the world. "If ratios are not increased the public could lose faith in societies."

Falkena adds that forcing societies to increase reserve ratios from a very low base "is a good aim in that it promotes prudence."

**Barclays’ Bruggemans... studying imbalances**

**Where’s the drive?**

Lack of consensus on fundamental economic problems and inadequate policy responses have made manufacturers less than successful in contributing to SA’s meal-ticket to the future, according to Cees Bruggemans, group economist of Barclays.

Bruggemans has studied this imbalance in SA’s trading pattern, which has developed during the past 15 years. "While newly industrialising competitors such as Brazil and South Korea have actively promoted manufactured exports, SA has steadily fallen behind due to its belief that gold windfalls and raw materials would pay its way in the world," he observes.

The statistics are sobering. Between 1972 and 1979 export volumes increased by only 1.7% and thereafter by a negative 2%. Non-manufactured exports accounted for 70% of the total, gold alone contributing 46%. This is reflected in the below-par 1.9% average GDP growth between 1970-1985.

Three previous gold booms have staved off policy changes just as periods of BoP constraint have been tackled by retarding the domestic economy. Industry, having been constrained by demand deflation, has had to contend with overkill, as in 1985. Furthermore, there is the tax burden from high State consumption spending and foreign debt.

Bruggemans questions the affordability of a free forex market. "In the recent past, trade and trade-related capital flows have been inadequate signals of structural weaknesses. Supply and demand for traded goods on current account tend to be insensitive to rand price changes, whilst the capital account reacts slowly to interest rate changes. These phenomena indicate current account instability and ineffective BoP adjustment."

He favours a concerted policy to promote manufactured exports and fixed investment. The upshot would be higher incomes and employment opportunities, with higher private consumption spending as a secondary effect. Government would benefit too from a larger tax base. He regards the following as partly responsible for an inadequate manufactured export drive:

- Lack of long-run confidence;
- Stagnationary economic conditions;
- Perceived political risks;
- Currency instability;
- A negative policy approach by government;
- Self-interested parties intent on keeping the status quo; and
- Flawed channels of communication.

Even the recent improvement on the back of an undervalued rand has been insufficient to take up the slack from lower commodity prices.

"By concerning itself less with consumption expenditure and more with investment, government will generate more sustainable growth for longer periods," Bruggemans tells the FM. "That will lift the lid off the BoP constraint and prevent the overkill of 1985. Given a structural change together with a policy of export-led growth, I see 5% annual GDP growth as possible."
SA exporters reaping rich but quiet harvest

By DEREK TOMMEY, Financial Editor

SOUTH African businessmen this week were reluctant to talk about the import roads they are making into foreign markets for fear they might tip off the anti-South African brigade.

But the latest trade figures show they are experiencing a substantial export boom — and that the Western Cape is sharing in it.

In January South Africa exported goods worth R2.59 billion. In rand terms this was 29 percent more than was sold abroad in January last year, while in US dollars it was an increase of almost 40 percent.

This rise in dollar earnings should destroy the myth that exporters were not doing anything to boost sales, that they were content merely to benefit from the exchange gains caused by the drop in the rand.

An analysis of the trade figures prepared by SAPTO shows that merchandise sales to Africa were up 67 percent, to the United States 34 percent, to Oceania 43 percent, and to Asia 25 percent. Exports to Asia showed the biggest growth in money terms rising R1.25 million to R5.91 million. Sales to Europe rose R1.07 million, or 14 percent, to R8.69 million.

Exports of base metals and base metal products rose 50 percent, exports both of vegetable products and fresh fruit, and processed foodstuffs rose 96 percent, while exports of chemicals rose 107 percent.

Mr Wim Holtes, chief executive of SAPTO, said part of the improved export figures was the result of greater penetration of the Far Eastern markets.

The countries in the area needed South African goods, had the money to pay for them and had no political objections to buying them.

South African exporters found that the Far Eastern markets provided a better return for their efforts. They had cultivated these markets and were beginning to receive the rewards for their labours.

He attributed the sharp rise in South African exports to other African countries partly to increased pragmatism, and partly to South Africa being best placed to supply them with the goods they needed.

Mr Holtes will be in Cape Town next week to take part in a Safco seminar on counter-trade. The seminar will be held on Thursday and Friday, March 13 and March 14, at the Cape Sun.

Countertrade was enabling South Africa to trade with countries which might lack foreign exchange, he said.

The clothing industry in the Western Cape has apparently done well in the export markets in spite of foreign boycotts. However, the greatest success has been achieved by the fruit growers. Some industry officials are predicting overseas sales this season of between R600 million and R700 million, which is between a third and a half more than last season’s R450 million.

The following table shows the trend in exports since the beginning of last year:

<table>
<thead>
<tr>
<th>Month</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rand</td>
</tr>
<tr>
<td>January</td>
<td>2.78</td>
</tr>
<tr>
<td>February</td>
<td>2.42</td>
</tr>
<tr>
<td>March</td>
<td>2.90</td>
</tr>
<tr>
<td>April</td>
<td>2.90</td>
</tr>
<tr>
<td>May</td>
<td>2.97</td>
</tr>
<tr>
<td>June</td>
<td>2.94</td>
</tr>
<tr>
<td>July</td>
<td>2.81</td>
</tr>
<tr>
<td>August</td>
<td>3.40</td>
</tr>
<tr>
<td>September</td>
<td>3.04</td>
</tr>
<tr>
<td>October</td>
<td>4.10</td>
</tr>
<tr>
<td>November</td>
<td>3.54</td>
</tr>
<tr>
<td>December</td>
<td>3.20</td>
</tr>
<tr>
<td>January</td>
<td>3.50</td>
</tr>
</tbody>
</table>

Stuttafords sells stake in Cavendish Square

Weekend Argus

Financial Staff

THE Old Mutual has bought out Stuttafords to become sole owner of Cavendish Square shopping centre in Claremont, Cape Town.

No price has been disclosed.

The shopping centre was built in the 1970s by the Old Mutual, Stuttafords and Greatermans, with the two store groups each occupying the opposite ends of the building.

At the time the Old Mutual had a 40 percent stake and the two groups a 30 percent share each.

When Greatermans withdrew from the centre its shares were bought equally by the Old Mutual and Stuttafords.

Mr Derek Stuart-Findlay, the Old Mutual’s property investment manager, says the centre represents a vital and growing investment. Its replacement value has risen sixfold and trading had increased annually.
SA firms ‘need to learn from Japan’

SOUTH AFRICAN firms have much to learn from Japanese exporting strategy, says Professor Manie Spoelstra of the Uinsa School of Business Leadership.

Speaking at the convention yesterday, Mr. M. B. Spies, the managing director of the South African Exportists Association, said that if SA firms are to compete in the international market, they must learn from the Japanese.

“SA firms can no longer afford to only concentrate on their local market,” Mr. Spoelstra said.

Resolving the problem of apartheid

1. The removal of apartheid measures would go a long way to alleviating the burden under which business has been labouring.

Addressing the convention yesterday, Mr. W. A. W. van der Merwe, the president of the South African Chamber of Commerce, said that the scrapping of the influx control and the eventual abolition of the Group Areas Act would remove many of the obstacles in the path of business.

2. The Bill presently under consideration, which will provide the temporary removal of restrictions on economic activity, must be welcomed. Thus, even though from a constitutional point of view it is a far-reaching emergency measure which conflicts with the fundamentals of the constitutional state, it must be welcomed.

3. Discriminatory practices had affected business because the possibility of free movement and choice of work and training was severely curtailed.

4. Racial laws had indirectly affected businesses severely. "Laws restricting movement and residence have a detrimental effect on overall productivity since they often lead to absenteeism, job insecurity and bureaucratic delays. Discrimination laws have created an atmosphere of distrust and discontent which engenders actual resistance and resentment in the form of boycotts and labour unrest," he added.

5. He said local product and market developers should know when and how to exploit local and foreign markets.

6. "SA firms can no longer afford to only concentrate on their local market," Spoelstra said. Adding they should learn new marketing and development skills and re-learn old ones.

7. Identifying and developing markets, he said, required different skills from selling in well-established markets.

8. "Strengths and advantages must be appraised in the context of what customers, retailers and distributors need, want and appreciate," he said.

9. Scant attention to research and development at many local firms was the cause of a gap between customer needs and goods produced.

Key factors in the Japanese market leadership in many industries were isolated as: good business practices, unfair business practices, structural factors and good luck.

10. Good business practices included effective decision-making procedures; unfair business practices included visible and invisible trade barriers for Western firms trying to enter the Japanese market.

11. Structural factors involved close working relationships between government, business and labour.

12. An example of good fortune was the price of oil shooting up as Japan was entering the small car market in the US.

Spoelstra emphasised Japanese marketing strategies and said that market selection was dictated by lack of natural resources, scarcity of land and the existence of skilled and loyal labour.

Japan therefore focused on industries that required high skills, high labour intensity and small quantities of natural resources.

13. “The Japanese choose product market sectors where competitors are unable or unwilling to respond to their market entry,” he said.
Call for ban on SA coal imports

STRASBOURG — The European Parliament yesterday called for an embargo on coal imports into the European Economic Community (EEC) from South Africa.

By a margin of just one vote, members backed a statement saying: "The European Parliament ... insists that all EEC member states decide to end all near-unanimous backing to a report calling for stronger support for the EEC coal industry."

The report said state aid was vital as a way of cutting dependence on imported energy. — Sapa-Reuters.
Cheaper SA coal favoured by EC

LONDON—South Africa continues to be the most important source of coal imports into the European Community because its production, per man, is four times higher than in Europe.

This was disclosed by EEC Trade Commissioner Willy de Clercq in a written answer to a question in the European Parliament.

Mr de Clercq, who negotiates trade agreements for the EEC’s 12 member states, said the EEC took the largest proportion of South Africa’s coal exports. In 1984 the EEC’s coal imports totalled 19.6 million tons.

He added: “Coal imported from South Africa has a price advantage compared with coal produced in the Community. The competitive capability of coal on the world market stems mainly from the extremely favourable conditions of both exploitation and transport in that country.”
COAL EXPORTS

Running for cover

There's no complacency among SA's coal producers. Faced with threats of political or economic action against their exports they are already taking radical steps to shore up their sales to both Europe and the Far East.

The latest sabre-rattling call for a total ban on all SA coal exports to the EEC is far from becoming reality (see box), but there's too much at stake for any self-satisfaction in the industry.

Coal exports through the Richards Bay Coal Terminal, Durban and Maputo and overland deliveries earned some R3.2 billion last year in foreign exchange and totalled around 44 Mt. Some 57.5% of the total went to Europe, with the biggest takers being France, Denmark, Italy and West Germany, a coal expert tells the FM.

Last week's move in the European Parliament came about partly as a result of anti-SA sentiment and partly to assuage trade union anxieties about the future of the EEC's ailing coal industries.

Having already experienced problems abroad last year, SA's major producers are known to have geared themselves up to trading in a hostile market. Because of the sensitive nature of their operations, details are scarce, but sources say some SA coal has been trading under false cover from European centres for some months now. "In some cases, it is simply a matter of forging papers so that the coal appears to have come from other countries. Other supplies are sold through a third party," one source claims.

Indeed, Trans-Natal chairman Steve Ellis conceded: "We have made our own arrangements to protect our markets in Europe."

Most sources emphasise that up to now it has simply been a matter of getting coal past the trade unions and to the buyers, who have mainly used anti-SA sentiment to gain lower contract prices. Now, however, SA producers are taking it more seriously.

Steps are already in hand to protect certain SA suppliers in the Far East - an essential market to SA both because of its growing industrial base and its less political business-sense. The latest and most significant step has been taken by Total Coal International, which mines and sells coal all over the world. The company has embarked on a joint venture with major Hong Kong trading house Huchinson Whampoa (HW).

Three separate arms have been established by three companies: Total Huchinson Energy (THE), which will market any of Total's coal reserves in the Pacific basin; Total Energy Resources, which will supply HW shareholder Hong Kong Electric with coal; and Total Energy Services Hong Kong which will provide the technical expertise and back-up.

Total Coal (Far East) director Claude Bouilly will not comment on what the venture could do for SA coal in particular, but he admits that the marketing arm is expected to avoid some of the pricing and political problems experienced in the last 18 months.

If the venture is successful, HW may wish to expand its interests in the coal trading business, says HW director Jenkin Hui.

Another Hong Kong source says shipments from SA are already being marketed by THE, and that sales to South Korea seem most likely. However, he adds, there is fierce

---

Financial Mail March 21 1986

---

COAL POSTURING

The EEC is "very far away" from implementing a ban on imports of South African coal, says a spokesman for the European Parliament.

Discussing reports last week of a call by members of the EEC's political body for a ban on all South African coal, the official dismisses it as one of many motions "which has not even been documented."

He adds that had the motion been passed as a resolution, it would still have to go to the Commission for consideration before being implemented. And it would be unlikely to have any effect as at least nine of the 12 EEC member states are known to have imported or are importing coal from SA.

SA's traditionally lower coal price, particularly for developing economies such as those found in the Mediterranean countries or for markets with strong growth prospects like West Germany, could play a significant role in delaying any ban.

However, arguments for the ban will come largely from those nations concerned about the state of their own coal industries.

Early last year the EEC was reported to be formulating a plan for the wholesale closure of mines in West Germany, Belgium, France and the UK because they are uneconomic to operate. The plan was leaked and withdrawn, but socialist members of the European Parliament have drawn up an alternative plan aimed at maintaining and revitalising the continent's coal industry.

Among their suggestions is a ban on imports from SA which would help to place the extra 50 Mt of coal which socialist planners believe Europe should produce.

Their plan has been described as "controversial" by European opponents, but debate continues over the economic efficacy and the advisability of maintaining, or expanding, the European coal industry at this particular time.
competition from other traders.

Trading alongside THE in the Far East is Heppner, an independent coal trader geared to marketing SA coal, and Anglovaal, which recently also set up an office in Hong Kong to sell its metals as well as coal.

At present, SA supplies about 9% of the Far East’s total coal needs and most industry experts agree that with aggressive marketing SA could up its tonnages. But, despite being less easily swayed by political concerns than Europeans, buyers in the Far East are astute and eager to use whatever stick exists to beat the coal price down. Thus, SA coal exporters have been struggling to maintain profit levels recently (PM January 31).

Not all producers, however, believe there is a need for anonymity in the Far East. Says Ellis: “We have yet to see any proof that Total’s set-up in Hong Kong will be of any benefit. In addition, we like to know where our coal goes. We would certainly not like to end up competing with our own product.”

Rand Mines coal division deputy chairman Allen Cook does not wish to comment. But he confirms that the Total/HW venture “is an interesting move”.

“The whole industry is going to have to go this way. The oil industry already does it and, in time, SA coal suppliers will have to follow their example.”
A saving of R1bn on oil imports

SA economic boost from drop in oil price

SOUTH AFRICA and the world economy can gain considerably from any continued fall in the international crude oil price, says Sanlam in its latest economic survey.

For SA it could mean a saving of more than R1bn on its annual oil-import bill (almost 18% of total imports), it adds.

But Sanlam also warns that if the oil price drops to levels equal to, or lower than, the average $8 a barrel, it could have dire international consequences.

Sanlam notes that although the recent sharp drop in the oil price may influence countries in different ways, it can be assumed the world economy will benefit by extending the upswing in the international economy.

CHRIS CAIRNCROSS

It is estimated that a 30% drop in the price will lower the average inflation rate by as much as 2% over the next year and raise the real economic growth rate by between 0,5% and 0,75%.

Oil importers and consumers like the US, Japan, West Germany, France, Italy and SA should gain materially.

Detrimentally affected will be oil-producers like Mexico, Nigeria, Indonesia and Britain.

Oil-producing countries with large foreign debts like Mexico ($36bn), Venezuela ($38bn), Nigeria ($30bn) will be plunged into financial crisis and the ripple effect will be felt in all the industrialized countries.

This may lead to increasing concern over the international financial system, resulting in people losing their confidence in financial assets and resorting to real assets like gold. Sharp price increases of these assets can thus be expected.

As far as SA is concerned, the lower oil price will have a beneficial effect on the country’s inflation and growth rate.

The report says: “Although little is known about SA’s oil transactions, our estimates indicate that the lower oil price and the strengthening in the external value of the rand can save SA more than R1bn on its oil-import bill annually.”

Further windfalls would also come from likely increases in the gold price that could possibly accompany any collapse of confidence in the international financial system.
Senator proposes Bill to stop SA steel, coal exports to US

By Alan Dunn

The Star's Foreign News Service
WASHINGTON — A US senator has proposed legislation to stop South Africa's billion-rand steel and coal exports to America. The move, contained in a Bill now before the Senate Finance Committee, contains a prohibition on trade which means roughly R1 billion to the Republic each year.

But one of the avenues open to South Africa and other opponents of the Bill could be to lobby for exports of chromium, vanadium and platinum to be included in the Bill — thereby depriving the US of a major source of these crucial metals.

A congressional source close to Senator Paul Simon, a democrat from Illinois who is author of the Bill, said there was some interest among other senators in the legislation.

Congressional feelings are that the Bill is not likely to come up for consideration for some time, with its future later this year depending largely on developments in South Africa.

If it did come up for debate, the source said, it had a good chance of picking up support from both Democrat and Republican senators, chiefly because it was a limited action with domestic and international consequences for the steel and coal industries.

Also included in the Bill is fluor spar. Passage of the Bill is likely to be complicated by an agreement on steel between South Africa and the US, limiting exports to America.

In January 1984, the countries entered a voluntary restraint agreement on steel, governing the quantities to be exported by South Africa. This obviated the US government imposing a quota on South Africa.

It is believed South Africa exports about 550,000 tons of steel to the US annually, worth roughly R1 billion.

Coal is not a major market for South Africa, very seldom topping the $30 million mark. According to official US statistics, America imported 612,000 tons of coal from South Africa in 1984, and 662,000 tons in the first three-quarters of last year.

Presenting the Bill to the Senate, Senator Simon said the prohibition was "designed to send a signal to the government of South Africa that it should modify its racial policies or face further economic isolation."

"It is clear that South Africa's unjust and immoral system of apartheid must end. The only question is whether it will end peacefully or with more and more violence," the senator said.

"The United States should continue to make clear that we disapprove of that policy and push toward its peaceful termination. This Bill can be part of that push," senator Simon said.

He added that Americans must recognise that the US could not impose a solution to South Africa's problems. The future of the country would be decided by black and white South Africans, "but we should take steps to discourage the active complicity of Americans in the apartheid system," he said.
Jump in SA trade exports

SA trade exports increased by R1.3bn to R6.5bn in the first two months of the year compared with January-February last year.

These preliminary trade statistics were issued by Customs and Excise in Pretoria yesterday.

Imports also increased, in the two months — by R994.5m to R4.9bn — leaving a favourable balance of R1.667.3bn.

Exports increased across the board except for Oceania — to Africa by R95.8m to R269.8m; to Europe by R259.5m to R1.6bn; to the US by R120.8m to R111.4m; to Asia by R161m to R940.8m.

Exports to Oceania were down by R1.4m to R30.8m. Imports were up except from the US and Oceania-Amercia down by R250.8m to R474.7m and Oceania by R12.1m to R39.8m. Imports increased from Africa by R6.1m to R73.3m and from Europe by R152m to R1.8bn and Asia by R112.4m to R662.9m.

Mineral products were the largest single export item — up by R127.5m to R806.3m in the two months.
**Rightwing relief?**

Coal producers, worried by former French Socialist PM Laurent Fabius's decision to halt imports of South African coal, see a chink of light as the rightist victory in the French general election is analysed.

They hope there will be a softening of opinion on SA and, more particularly, a reassessment of the ban on South African coal announced by Fabius late last year. Perhaps most importantly, the conservative Gaullist party has already discussed the possibility of disbanding the state-owned monopoly coal importer, Atic.

If the import body is scrapped and buying falls into private sector hands, deals are more likely to be made on business principals rather than political values. And here South African coal can compete.

However, French industry sources dismiss this hope on the grounds that "every time there is an election, a new energy policy and Atic's position becomes an issue."

Nevertheless, a conservative government, committed as it is to free competition and denationalisation, will not view a monopoly organisation kindly. In addition, the need for Atic is fading with France's declining reliance on coal for energy. The country's nuclear power programme is at an advanced stage.

A French coal expert tells the FM: "The new government is also likely to take a long hard look at the French coal mines which have been kept open largely for social reasons and to give France some measure of strategic independence." He concludes: "Pit closures are inevitable."

France is no longer the major coal importer it was in 1981 when it bought around 8 Mt from SA, making up almost half of SA's total exports to Europe. But last year's 5 Mt still contributed strongly to SA's overall exports, and local producers would like to see an easier attitude towards SA.

However, despite the appointment of tough rightwinger Jacques Chirac as PM, political experts say that Socialist President Francois Mitterrand is unlikely to loosen his grip on French foreign policy (see World).

The initial quibbling over the position of French foreign minister and eventual appointment of career diplomat and non-party member Jean Bernard Raimond, would seem to bear that out.

**Keeping control**

A government official comments: "The appointee is a weaker figure than someone with strong party loyalties, and the compromise allows Mitterand more control. And he is clearly keen to maintain an anti-SA stance."

But the Chirac government's overall attitude is expected to be more tolerant.

"A certain easing up on SA is possible, but there will have to be compromises all the time," says the official. He believes France's eventual attitude will be dictated by the...
By DAVID BIGGS
Weekend Argus Reporter

An aggressive marketing strategy has enabled the KWV to increase its liquor sales in Britain by 85 percent, in spite of considerable anti-South African feeling, according to Mr Kobus van Niekerk, KWV's chief marketing executive.

He said Britain was the fastest-growing wine market in the world and KWV was aiming its export drive specifically to capture a share of it. The country had a stable economy and the pound-rand exchange rate was favourable.

This year's unusually early grape harvest would enable South African producers to have the first 1986 wines of the season on sale in London.

Mr van Niekerk said: "London is definitely the wine centre of the world now and wines from the southern hemisphere are gaining in popularity."

The first shipment of 1986 Cape Nouveau Blanc wine was flown to London this week and is expected to be popular.

This light, fresh, young wine, made from Chenin Blanc grapes, was launched last year as an experiment to test the British market and all 3,000 cases were sold within eight weeks. This year more than double this quantity will be made available to British wine lovers.

The new shipment will arrive in Britain a month earlier than last year because of the earlier harvest. It will be a full seven months before the first of this year's European wines reach the market.

Another highly successful promotion has been the introduction of a three-bottle 'Taster-Pack' containing two white wines and one red. This sells in London for about R6.40 with a R3.20 discount voucher on the pack, redeemable on the next purchase of KWV wine.
London Restaurant.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.

The wine market is expected to remain strong. The growth in the wine market is expected to continue. The growth in the wine market is expected to continue.
EXPORTS

Blazing the comeback trail

If the long-awaited economic upturn has to be export-led, as most experts agree, SA looks poised for recovery. Figures released to the FM this week show that the year-on-year trade surplus for January and February is running at R1,667 billion, or 24% up on 1985.

Perhaps even more encouraging, it appears from the preliminary figures that the country’s manufacturers are putting more shoulder into their export effort.

Safto intelligence officer Anne Moore says the January-February performance shows a marked increase in sales to the rest of Africa — up 55% to R270m against R174m for the same period last year.

The healthy trade trend with Africa is thus continuing. Last year, exports to this market rose 70% and Moore reckons “if the trend continues, African exports could reach a record R2 billion in 1986.”

She points out that exports to Africa comprise mainly manufactured goods like mining machinery and conveyor systems, chemicals, fertilisers, pesticides, pharmaceuticals, fungicides and foodstuffs.

Overall, the January-February figures show total export revenue about 25% ahead of the same period last year at R6,533 billion (R5,2 billion). At the same time, imports increased 25.7%, but from a smaller base, to R4,862 billion. The Department of Trade and Industries says classified goods, including oil, were largely responsible for the rise in imports.

A department source says only four (paper products and textiles among them) of the 22 main export classifications decreased in the first two months of this year.

Moore sees an “increased level of sophistication” in SA’s exports of manufactured goods after decades of concentrating mainly on agricultural and mining products.

“Africa is our traditional export market and remains full of surprises. It is where many exporters first learn the ropes,” she says.

But most other markets also showed strong, if less impressive, growth in January and February. Exports to the US jumped 24% to R611m, shipments to Europe grew 26% to R1,575 billion and exports to Asia increased 11% to R941m during the two months.

“Although it is still early days and I usually base my assessments and predictions on quarterly statistics, one must admit that these two-month figures look good,” says Moore.

The sky remains the limit, she adds, noting that SA has not nearly reached its potential in the lucrative Eastern and US markets. In these areas, she reckons, a regional approach can unlock further export sales.

But Moore cautions against euphoria. “Exporters must not relax their aggressive marketing efforts, as our trade links are constantly threatened by increased political pressures and protectionism.”

And, as she points out, the low rand is doing most to boost exports while high inflation at home remains a strong negative factor in the longer term.

On the positive side, she sees a potential export boost coming in the year ahead from government’s proposed incentive scheme (Business April 4) and the use of counter-trade strategies.

Others share her general optimism. “Although many variables could affect the outcome for the year, I foresee an average 15% export growth in 1986 based on insurance business flowing through our organisation,” says Chris Loisowitz, senior GM of the Credit Guarantee Insurance Corporation (CGIC).

Finally, this year SA could be in a position to benefit from substantial exports of yellow maize (although it may have to import white). A Maize Board spokesman says a recent 200 000 t export contract with Taiwan was a single sale, but the board would like to see longer-term contracts with this excellent customer.

In total, he reckons, SA may have “a few million tons” of yellow maize for sale this year.
SA exports R1.3bn up in first 2 months

TRADE figures for the first two months of the year published in the Government Gazette indicate that export volumes have increased across the board. Total exports at R8.5bn were R1.3bn (25%) higher than the corresponding months of 1985, while the value of the rand in the two periods was the same.

Unclassified goods, which include gold and arms, accounted for R360m of the increase, while other exports increased by R450m. On an annualised basis this represents an increase of R2.7bn in non-gold exports.

There is an increase in every category of exports except paper-making materials, paper and paperboard articles, textiles and textile articles and precious and semi-precious stones.

SA Foreign Trade Organisation GM Ann Moore believes the increase in manufactured exports is a direct benefit of the decline in the value of the rand before January last year. It takes an exporter 18 to 24 months to establish and trade in an overseas market.

On that basis, there are potential export gains still be felt as SA exporters have started to explore overseas selling opportunities in the past 12 months. Whether this increase in manufactured exports is sustained will be tested when domestic spending picks up, something which most economists cannot yet see.

Traditionally, SA exporters have experienced only surplus products. But Moore believes that after each domestic upturn a few more exporters stay in the market. “The committed community is growing,” she says.

Exports statistics, classified according to international customs standards, show increases ranging from 104% for precision equipment and 92% for cement, asbestos and glass products to 20% for mineral products and 31% for leather and similar goods.

Total imports at R4.8bn are up by R1bn in the first two months. Of this amount, 99% is an increase in unclassified imports — of which oil is the major component. As the price of oil is lower than at the comparative stage last year, it suggests SA could be rebuilding oil stocks.
February exports highlight weak rand

[Diagram]
‘Smile’, says Schoeman as gold income rises

DELMAS — Income from gold sales increased from R9 925 million in 1983 to R15 460 million last year, the Minister of Transport Affairs, Mr Hendrik Schoeman, said yesterday.

Opening the Delmas Show, he said the gold price in March, this year, was $346 an ounce, compared with $317 last year, $360 in 1984 and $424 in 1983. Mr Schoeman said people were inclined to be pessimistic over the economy and he provided export figures which he believed “should encourage every South African”:

- Exports through harbours increased to 83.1 million tons from 73.7 million tons in 1984 and 62.2 million in the previous year.
- Exports of iron ore last year were 10.4 million tons, the same as in 1984, although foreign exchange earned last year was R319.3 million, compared to R241.8 million in 1984.
- Coal exports totalled 43.6 million tons last year and earned R3 138 million, compared to 40.2 million tons in 1984, earning R1 716 million.
- Agricultural exports netted R2 358 million last year, R1 921 million the previous year and R1 773 million in 1983.

These figures, coupled with an expected increase in the maize harvest and political reforms being initiated, should promote a more positive attitude among South Africans, he said. — Sapa.
(a) Supply and demand.
(b) Price and cost of production.
(c) Competition and monopolies.
(d) Government intervention in markets.
(e) Consumer and producer surplus.

ECONOMICS

THE MINISTER OF AGRICULTURAL

1965

1966

1967

1968

1969
THE MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

A DEPARTMENTAL AND PARLIAMENTARY

THE MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

On the 1st of July 1982, the Department of Constitutional Development and Planning was established under the Constitution Act, 1982, as amended by the Constitution Amendment Act, 1983.

This department was established to implement the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

On the 1st of July 1982, the Minister of Constitutional Development and Planning was appointed to head the department.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.

The department is responsible for the implementation of the provisions of the Constitution Act, 1982, and to ensure the effective functioning of the department.

The department is also responsible for the implementation of the provisions of the Constitution Amendment Act, 1983, which amended the Constitution Act, 1982.

The department is headed by the Minister of Constitutional Development and Planning, who is appointed by the President of the Republic of South Africa.
Steel sector: Exports are buoyant, alloys sales steady

The first quarter of 1995 showed sales of equipment depressed levels of activity. The first quarter of 1995 showed

Steel production fell in the first quarter of 1995, with domestic demand

The export performance was not

On the other side, the con-

Sears says exports keep steel and ferro-alloys sales buoyant

Production volume will remain at this year's

Higher export prices for steel and non-ferrous metals have also helped increase

Linda Eshon

THE EXPORT MARKET FOR STEEL PRODUCTION

Steel producers say that exports have been buoyant in the

World-wide, the largest producer in the

Production of steel has dropped in the past year, but the

In the last quarter, export steel volume fell 24%, but non-ferrous metals export volumes rose 15% over 1994. For the year as a whole, exports were 6% below expectations. Exporters have also looked to increase

The world market for steel remains buoyant, with several countries forecasting an increase in demand. Exports have been strong, particularly from the United States, Japan, and South Korea. Non-ferrous metals have also seen an increase in demand, with copper and aluminum leading the way.

Production of steel has fallen in the last quarter, with domestic demand falling by about 22% during 1995. The export performance was not as strong, with exports dropping by about 6% in 1995 compared to 1994. On the other side, the con-
W Cape bricks hit the Far East export trail

By TOM HOOD
Property Editor

BRICKS made at Stellenbosch are being exported to Hong Kong.

The first order, won against strong competition from Australia, has been successfully delivered by Corobrick Western Cape, the region's largest brickmaker.

"Although in South African terms the order is relatively small, it represents an important breakthrough, especially considering the current depressed local market conditions," says Mr Mike Ingram, sales manager.

The first consignment of 20,000 special paving bricks has just reached Hong Kong and is reported to have arrived in excellent condition, he said today.

The balance of the shipment, 110,000 bricks, will be completed shortly.

The company was asked by a Hong Kong agent to submit samples of Tokai red paving bricks.

"They liked the quality and the price and we got the order," he said.

While it was not Corobrick's intention to mount a major export promotion, the revenue from overseas sales was appreciated in the current depressed times, he added.

"The order might seem small compared with South Africa's brick production of 5 billion a year. But having made a breakthrough and satisfying a customer is the best guarantee for getting future orders.

"Our first responsibility is to the local construction industry — we can guarantee product to cater for the demand."
UK bans all SA gold coins

From JOHN BATTEN

LONDON. — The British Government slapped a ban on the import of all gold coins from South Africa — including Kruger rands — which became effective at midnight last night.

The announcement follows unprecedented Commonwealth pressure on Britain to take a tougher stand against South Africa following Monday's SADF raids on three Commonwealth countries.

The ban will include the new Protea coin announced recently and covers tax havens like the fiscally independent Channel Islands, where a massive Kruger rand trade, not reflected in mainland figures, takes place.

Individuals who can prove that they bought coins before May 23 this year will be allowed to bring them into the country.

Until June 20 for traders

If a trader was already planning to import coins and was making arrangements, the application will be considered until June 20, the Department of Trade said yesterday.

The ban comes eight months after Mrs Margaret Thatcher pledged to the Commonwealth summit in the Bahamas to consider a ban on the import of Kruger rands.

Yesterday's announcement was accompanied by the release of a "notice to importers" by the Department of Trade and Industry closing possible loopholes in the law.

Last year Britain imported Kruger rands valued at some £913 000 (about £5 million).

In 1983 Britain imported £16.5-million (R50-million) worth of the coins.
Bibby, exports make magic at Barlow Rand

From TREVOR WALKER

JOHANNESBURG. — Barlow Rand can thank Bibby reporting back in weak rands, exported oriented companies and the mining division for magic first-half results, but for the momentum to continue in the second half a good deal will depend on what packages Mr Barend du Plessis comes up with.

Du Plessis said last year that the Treasury had accepted that further stimulatory measures were required, but the exact nature of such a package would be difficult to formulate.

In the six months to March, Barlows boosted attributable earnings no less than 37 percent to R165.9 million and increased the dividend for the first time in five years with a 3c increase in the interim to 24c.

Turnover rose 19 percent to R7.2 billion but, significantly, stock, debtors and cash were held at R4.696 billion compared with R4.601 billion in the corresponding year-ago period.

The interest bill fell to R154.1 million from R173.3 million, but the effective tax rate rose to 42.6 percent from 39.3 percent, pushing tax payments to R216.9 million from R163.8 million.

Chief executive Warren Clewlow, commenting on the figures, said they conform the viewpoint that if business people undertake a vigorous, sustained export drive the economy as a whole will benefit.

He said: “Although the outlook for the remainder of the year will to a large extent depend on the level of consumer demand and the continued level of profitability of exports, earnings for the full year should show satisfactory improvement.”

Other contributing factors in the strong first half were the consolidation of wholesaling group WG Brown and a marked improvement in contributions from the wholly-owned earthmoving equipment and motor appliance companies.

Clewlow, perhaps one of the most dynamic chief executives in the country, is now pushing a group policy of flexibility.

He says group companies must be flexible enough to meet business conditions that these days can alter quite drastically and often virtually overnight.

It is the companies within the group that appear to be the least flexible that worry him the most.

The latest Barlow’s figures reflect the timeous and fundamental policy decisions taken in recent years which saw the group expand its international operations and realign its local operations.

But the economy is changing once again in a fundamental fashion and it is the challenge of these new and as yet unclear fundamentals that the group’s executive will have to meet in the years ahead.
All-out plastics export drive

THE plastics industry is set for an all-out drive on world markets after the formation of the Association of Plastics Processors of SA (Appsa).

The new body, formed by combining the Plastic Converters' Association and the Plastic Manufacturers' Association, will operate under the umbrella of the Plastics Federation of SA.

Bill Naude, executive director of the federation, says Appsa will seek an export commitment from individual manufacturers who are currently selling goods abroad.

"We are looking for a manufacturing strategy in the long-term. What is needed now is to export finished products to create more employment and a better return on capital."

Naude says there is potential for converters and spare capacity for manufacture. "Individual manufacturers have at present about 30% spare capacity and we are looking at the possible formation of a co-operative system, with a view to exporting bigger volumes."

As membership of Appsa now represents 71% of the total workforce in the plastics processing industry, Naude sees the possibility of negotiating labour agreements as well as guiding members in the labour relations field.

Naude says the formation of the new body will give the industry a stronger official voice in developing an effective relationship with government.
Cheers for exports

Omnipotent Cape wine co-operative KWV has produced a happy report for calendar 1985. Most pleasing, perhaps, is that it shows a significant increase in wine exports to markets with specific and non-specific delistings of SA vine products.

The broad picture shows:
- A record R21m surplus, allowing a record bonus to farmers of R10,5m;
- Consistent growth over the past decade;
- Producer price increases regularly below inflation over the period; and
- Maintenance and improvement of product quality.

Although KWV recorded a volume surplus in its latest year, it is not regarded as an economic surplus. In any case, the so-called "wine lake" appears to have been drained, with the (non-perishable) volume surplus used only to smooth changes in domestic supply and demand.

If this reserve runs into surplus, KWV goes to the export markets and farmers are paid an appropriate agterskot thereafter.

Model pricing

While many KWV critics have their points, particularly on alleged monopolistic powers, the co-operative's price mechanism nevertheless sets a model for the rest of SA agriculture.

Farmers are paid on a quota basis (a system which is often the target of severe criticism) for "good" wine and "distilling" wine.

All "good" quota wine is paid for at the minimum price, or more. However, the price of the distilling wine is reduced in line with the surplus for which there is no demand. Result: the greater the distilling wine surplus, the lower the average overall payment to farmers.

The farmers' incentive is then to produce either more good wine or secure more good wine quotas. However — common to all agriculture — there is always the weather. Thanks to its help, wine farmers will do rather better in 1986 than for some years. Several poor weather features have cut the 1986 crop estimate to 7,3m hl, less than last year's 8,3m hl and sharply below the record 9,1m hl of 1983.

Higher prices

Figures show that the average advance payment for distilling wine is R18,96/hl this year, against last year's R15,79/hl. The current R10,5m bonus amounts to R2,55/hl.

In the three years including 1985, the total volume of wine products exported increased by 10%. Natural wine exports led the way, moving up 50% over the period. The increase in value terms — not disclosed — probably increased even more on the back of the weak rand.

The year ahead provides a number of challenges. The KWV wants to stay on top of its export markets despite adverse political circumstances, and it wants South Africans to drink a greater amount of products of the vine.

Toasting the rand

KWV exports (Rands)

Input costs remain the major threat to all farmers, particularly from bottle-makers who have the KWV at their mercy.

In the interests of the free market, the mighty co-op may decide to break up its quota system still further. Already some quotas are transferable.

However, for many producers, the elusive first prize is to be rid of quotas altogether.
A golden haul

A combination of the low rand and high prices in foreign markets pushed gross receipts for SA's 1985 citrus exports to a record R490m — 40% above 1984 earnings of R350m.

The record was achieved in spite of the fact that SA shipped only 24.3m cartons compared with a more normal volume of 28m-29m.

External factors did work in local producers' favour. Citrus Exchange (CE) assistant GM Arend Venter tells the FM that severe frost in Spain in January last year led to a serious citrus shortfall in northern hemisphere markets already suffering from a weak European deciduous fruit crop.

And the rand's fall boosted the prices received by growers to far above 1984 levels.

With just 1 100 farmers producing for export, average gross receipts were high — net payment to farmers jumped from R175m in 1984 to R250m.

Citrus export earnings have, in fact, been riding the roller-coaster since 1983 when 25.9m cartons were exported for R264m. In 1984, 23.6m cartons fetched R350m and then came last year's record.

SA normally exports about 60% of its average annual production of 50m cartons, but these sales to 32 different markets yield about 90% of the industry's total income. Altogether the CE has 3 000 odd southern African producer members — it exports for members in SA, Mozambique, Swaziland and Zimbabwe. About 1 100 growers provide the total export crop.

To maintain the export impetus, the exchange has spent R32m since 1983 on improved and modernised citrus export terminals at the harbours of Maputo (R7m), Port Elizabeth (R5.5m) and Durban (16.3m).

"The investments will save us between R6m and R7m this year on freight charges, so we will recoup the total within a few years," says Venter.

More efficiency

Apart from the direct savings, modernised handling at the terminals leads to better quality control and grading, improved sorting, higher productivity and more effective competition on foreign markets, he adds.

Durban leads in export tonnage, loading some 15m cartons a year. Maputo ships about 5m cartons a year and Port Elizabeth and Cape Town handle 4m each.

Venter says the CE, a co-operative body and not a control board, is also in a position to negotiate the most favourable freight charges for members.

"If members exported individually, sea freight would have cost them about R2 a carton more. Economies of scale and collective bargaining enable us to control quality, focus our marketing thrust and win premium prices on export markets for all members," he adds.

Neighbouring states and Lebowa and Ciskei provide some 15% of the southern African crop. Their co-operation with SA ensures economic returns in extremely competitive markets, says Venter.

Regional co-operation and marketing co-ordination also underwrite job security for the industry's 52 200 workers, of whom 50 000 are black. And the benefits filter down to the 180 000 people directly dependent on the industry for their livelihood.

Although the local market takes some 40% of production and yields only about 10% (R50m) of total revenue, Venter expects this to increase as the quality end of the home market is developed.
WEAKER EXPORT SITUATION

Mineral Export Disputes

OUTLOOK

Howard Bennett

Mineral Export Disputes

OUTLOOK

Howard Bennett

Mineral Export Disputes
Chemicals: imports overshadow exports

ALTHOUGH chemical exports increased over the past year on the back of the low rand, there has as yet been no major volume increase in foreign sales in the country. Industry feels the pinch of a shrinking economy.

SA exports and re-exports of chemicals last year totalled R297,7m — 33% on the R226,7m earned in 1984. A spokesman for the Department of Trade and Industry says these exports grew at a compound rate of 14.6% a year since 1969 — when they stood at R33,4m.

And first quarter exports in 1986 were also 28% up on 1985, says a spokesman for Customs and Excise — R252,9m in 1986 against R201,9m in 1985.

But this comforting — if unrealistic — picture fades into relative obscurity when compared with the import of chemically-related products. These stood at almost R1,8bn in 1984 and jumped to nearly R2,4bn in 1986. And import statistics for the first quarter this year and last show the same picture — R18,4m in 1986 and R64,5m this year.

“What we really need is a properly managed, long-term industrial development strategy with an export focus, jointly devised by government and the manufacturing sector. We must look at the strong points of our economy — cheap coal and electricity, multitudes of minerals — and devise a 20-year, labour-intensive growth plan for the economy,” says AECI group MD Mike Sander.

He says, by way of example, that the products of a coal-based chemical industry can help achieve a valuable role for an iron-ore industry, which developed long ago, could go a long way towards achieving the export potential of that industry.

Existing idle industry capacity of up to 50% could be utilised in an export drive, but this cannot be achieved overnight and would require a sustained long-term effort on the part of industry to secure a reliable position in an already overtraded export market.

“But we need to follow the example of the Japanese, the South Koreans and the Taiwanese, who created powerful industrial bases — in accordance with well thought-out, long-term development policies from where they launched their export thrusts into foreign markets. The Japanese Ministry of International Trade and Industry (MITI) is an example of the secure, long-term ‘partnership’ between government and industry that we need here,” says Sander.

The proposal requires long-term government support for local investment, in order to provide the confidence in the local base, from which significant export trading can be launched. “I do not believe in state subsidised exports, but in tax relief. Protection against dumping and distressed international prices would also give industry the encouragement that they will not be left in the lurch when the tide turns,” adds Sander.

Chairman of the Committee of Enquiry into Export Incentives Basie Klee says his committee is still investigating the whole issue, but invites interested parties to submit their views for consideration.

“Government will be selective in applying any stimulatory measures to promote exports — the game must be worth the candle,” he says.

Meanwhile, AECI is leading the export pack with chemical exports valued at R236,2m, followed by Sasolchem with R139m and Sepronchem with about R106m. AECI has been steadily exporting 40 000 tons of PVC a year at an average of $550/ton to 39 countries and is a major exporter in this field.

Sander says he expects low oil prices to continue for some years into the future. This could create a situation “where demand catches up with supply in the world markets and commodity prices recover to more realistic levels.”

The medium-term outlook for commodities like plastics, chemicals, ammonia, ethylene and methanol are therefore not as bleak as they have been.

Sasolchem GM Andre Bedeker foresees lower export prices for some products, due to the oil price crash, although roughly half of Sasolchem’s export products are not sensitive to oil prices.

“We expect a slight fall in gross export receipts in 1986/7. Apart from this, our product spread over various markets gives us a secure base against market fluctuations, while the general outlook remains fairly favourable. We aim to increase production in some areas to meet demand,” he says.

Bedeker says exports provide roughly one-third of Sasolchem’s gross income from chemical sales, while surplus capacity on the local market is increasingly utilised for additional exports. This contrasts with AECI, where exports provide only about 10% of total turnover at this stage.

Triomf Fertiliser is also active in the export field, although its 400 000 tons a year Richards Bay phosphoric acid plant is not breaking even.

“The export market is scrapping the bottom due to overcapacity,” while we also suffer from Foskor’s high phosphate rock prices, SA Transport Services’ high freight charges from Phalabora and the exorbitant costs of imported sulphur, which now costs $135/ton FOB Vancouver,” says Triomf GM of purchasing Bill Sampson.
Exporting is not a last
ditch survival attempt

FOR businessmen now looking at export as a means of survival, it is already too late. It takes a year to break into a market to the level where repeat business can be expected, is the opinion of the experts.

Says John Bell, head of export consultancy Breyer Development Services: "There are many more requests for help as a last resort, but it is too late. Export is working brilliantly for those who came into it two years ago. Those companies have made remarkable profits because they took a careful reading of the market and made estimates for the future."

Unusual

"Look a year ahead, not at the situation of the business today. Many potential exporters have already missed the boat."

"We've been in business for 15 years and 80% of our clients are engineers, mining or construction-related. The remainder are in pharmaceuticals, the rag trade and a few others. With pharmaceuticals — an unusual product for export — we happen to have found a gap in the market."

According to Medite Shipping exports marketing manager Tonino Celentano, exports cover a weird variety: the list includes button charcoal, granite, tombstones, curios, stationery, fishmeal, rubber, tiles, gloves, apricot kernels and other surprising products.

Bell points out major exporters around the world are battling for business because of the tremendous competition.

Amateurs

"It is on a level which cannot be faced successfully by amateurs. Over 80% of my travel is spent in developing countries or countries of parallel development like Australia, New Zealand and Canada and the rest in the US, setting up trade deals. But few individuals like that research, that travel and gain that expertise."

"From a technical point of view you have to know what you are talking about to sell well and these are places where you are on your own."

ANNABELLE GORDON

"If the man in the street leaps on a plane and rushes abroad he goes to the embassy and they help, but he usually comes back with nothing but expenses. Let him rather look at his product and do research to find his market. It may well be, unexpectedly, in Singapore. But there is no embassy, no direct flight and no commercial assistance, so he needs to use the experts."

"No trade with Singapore you say? Last year I would put the unofficial trade at well over $100m. Imports into Singapore of steel from Mozambique are publicly listed as being over $50m in spite of the fact I have never come across a steel mill in Mozambique, Jacor must be very surprised."

"You have to know your markets and products and get the best price."

Jock Mackenzie Parker, MD of Grindrod Air Freight, feels strongly about knowing your market — more so when it comes to ethnicity. "Remember the motorcar called the Nova?" he asks. "No va in Spanish means 'it doesn't go'; there was no hope for that car. Don't try sending goods to China packaged in bright white cartons — white is a funeral colour there."

"We have come across the SA-feeling," says Bell. "The answer is to deal with an organisation that is sufficiently sophisticated and experienced to be able to overcome such problems and, above all, does not have any antagonism towards this country among senior management."

Unions

"Look for an agent who is happy with SA, then find ways and means of getting around three areas: the official 'this country is not involved with SA attitude', which must be overcome; the inherent trade union labour problem particularly at the docks and in the distributive trade where you have strong union activity; and the particular anti-South African feeling adopted by the whole person."

"It is very difficult for the lay person to handle."

"Offer a better product, do a better service at a better price or you will not get a share of the market, because others are already there."

Tarnished

"Companies abroad are sophisticated and would not buy my services. But here we even have top exporters among our clients," concludes Bell.

"What must be avoided is the casual exporter who exports when the local market slumps, but pulls out when the economy picks up. It gives SA exporters a bad name abroad," says Brooke Buswell, chairman of the Airfreight Forwarders Association. "There are many small people involved who can do this, but when they fall away, all SA exporters get tarnished with the bad image. It is worse than ever and this must be stopped."

The clothing industry was developing a bad reputation like that in the US but according to statistics, garment manufacturers and textiles have improved their balance of payments. 1984 exports in textiles and clothing were R762m and in 1985, that figure was up to R1015m.

"We have had a tremendous deceleration in exports the last few months. It is very exciting," says Henfreight executive Brian Morris.
Troubled oil pours heat on coal price

The price of SA coal exports, already badly pressured by oversupply and sanctions-driven factors, is being further hammered by the weakness of the oil price. In addition, SA's reputation for providing cheap coal, so vital to bargaining power, is in danger of being eroded.

Since oil fell to $13.50 a barrel two months ago, coal producers have had to face more fierce bargaining on the international market. Last year's FOB price of steam coal was $30/t to $34/t. This year the price is said to have slipped as low as $24/t FOB and, once landed in Rotterdam, it is trading for $12 less than a year ago.

Worst year

Producers have already geared up to face their worst year ever in 1985. But up until last year, when total exports rose to around 44-million tons and earned R3.8bn in foreign exchange, SA coal exporters could hardly put a foot wrong.

Since 1973, export sales have increased by nearly 2 600%, making SA the world's leading exporter of steam coal. This is largely due to the inception of the Richards Bay Coal Terminal (RBCT) and the marketing efforts of the major coal mining houses: Amcoa, Witbank Collieries, Trans Natal, and their agent, the Transvaal Coal Owners' Association (TCOA).

However, when SA's political problems began to attract world attention two years ago, its edge on the international coal market took a turn for the worse.

Threat

Political hostility has turned into a useful bargaining stick for buyers, says SA Shipping Brokers director Peter Sowerby. They have been able to use the recently imposed French and Dutch bans on SA coal to threaten SA suppliers and demand lower prices. In addition, buyers have argued that SA supplies are no longer so reliable owing to increased labour disputes on the mines.

As there is an oversupply of coal on the market and a decline in energy consumption worldwide, buyers are in an unprecedented position of advantage. Thus, competition is fierce particularly between SA, Australia and Poland, the leaders of the trade. "The decline in the oil price is an added negative factor for coal which always follows fuel in price. But it is unlikely oil will maintain its present low, so it should not prove a threat to coal in the long term," Sowerby believes.

He warns, however, that SA's ability to handle lower prices may be eroded if volumes are not at least maintained and if contract negotiations are delayed, as they have been for most of this year.

The bulk of coal exports goes through the RBCT, a throughput-oriented terminal, thus the greater the tonnage exported, the cheaper the rand per ton cost. Likewise, the railways are also prepared for 44-million tons and railage rates are set for major increases this year.

Sowerby expects exports to show not growth, but a decline this year of 3-million tons. And, unless the market place changes radically or government introduces meaningful reforms, SA will have problems maintaining its market share. For this reason, it is essential to producers during negotiations that they can afford low coal prices.

Reasons TCOA MD Les Weiss: "Unless political reforms are implemented, our exports cannot grow. Government must understand this."
DESPITE boycotts and general anti-SA feelings, the citrus industry sees overseas markets ripe for the picking and is sustaining its export drive.

Citrus Exchange assistant GM Arendt Venter said yesterday the 1986 season was in full swing and quantities packed so far indicated export volumes were likely to go back to normal levels.

Venter said: "By normal levels, I mean a total volume of 28-million cartons. Last year the total volume was 24-million cartons resulting in income of R490m.

"It is still too early to make a prediction on prices but our first fruit was offered on European markets last week and fetched a good rate."

A high proportion of the SA crop is sold in 30 countries on the open market.

Venter said: "Making predictions for the entire season is difficult. Information on shortages and surpluses travels fast, so we have to be alert."

New outlet for SA goods

By Ruth Golembi 74

Mr Swanepoel says he can provide valuable assistance in dealing with the complex paperwork involved with exports.

The organisation is also available to research overseas markets for existing South African products and has a bank of information about products for which there is a demand and which local manufacturers could produce and sell competitively abroad.

According to Mr Swanepoel, "The SBCM has the expertise, the markets, the sales force and contacts with overseas buyers.

"South Africans stand to boost sales and profits dramatically by exporting goods. Especially in the light of the drop in demand on the local front because of the economic recession.

"South Africa has materials, labour, expertise and the ability to build itself into a formidable exporting nation," he said.
LOCAL exporters face a more openly hostile attitude towards SA as a result of recent political events in the country, which, up to now, have been highlighted by extensive overseas media coverage.

"This means that more than ever before, SA export cargoes are exposed to seizure or confiscation by foreign governments," said PFV Credit Insurance Brokers director Carlos da Costa.

While Credit Guarantee Insurance was the natural choice for covering local exporters' commercial and political risks, Da Costa added it did not cover exports to boycotting countries.

"Although underwriters are becoming more and more circumspect about increasing their exposure to SA-related trading risks, we can still obtain confiscation cover from some insurance markets."

Some examples of potential risks facing exporters include:

☐ A ship being forced to make an unscheduled stop at a hostile port. If the authorities found the cargo was South African, they would probably confiscate the goods, said Da Costa.

☐ An importing agent in a boycotting country could tip off the port authorities on the SA connection of a shipment. The goods might then be confiscated and the agent could then purchase these on a "sale" for a fraction of their original value.
Exports to black Africa booming

By Kit Katzin

The Argus, Thursday, June 24, 1988
tage of the cheap rand.

Efforts are being concentrated on grey iron castings, engine blocks, and the like. Currently 3,000 four-cylinder diesel engine blocks a month are being sold abroad, but the destination remains undisclosed for obvious reasons. Negotiations are well advanced on four more contracts, each totalling some R100m, of 20,000 blocks.

Rautenbach also reports growing interest in ADE as the beginning of a pipeline through which local car and truck manufacturers may make use of its production line and other facilities to export castings to their parent companies overseas. Volume of about

30,000 pieces a year is on the cards.

The net effect is that the foundry, which was running at less than 30% capacity six months ago, should increase production three-fold by the end of the year.

"By early next year we could well have committed our total foundry capacity for two shifts, for the next three years and possibly five years. Some of the new business could have lead time of up to 24 months because of pre-production planning and design work," says Rautenbach.

The foundry has taken on 330 new workers since the beginning of the year and the staff is now being increased by an additional 120.

The bad news is that local truck and tractor engine sales remain stalled in the doldrums. Combined sales this year will not exceed 20,000 units, compared with last year's 24,000, which was considered dismal at the time.

Rautenbach believes domestic conditions will improve early next year. That, in conjunction with the exports, should make for a nice, easy romp back to levels of about 12,500 tractor engines and 22,000 heavy and medium truck units by 1989, he hopes.
Sanctions

Mixed bag for minerals

Whatever the overall effects of sanctions on SA's economy, earnings from export of precious metals are likely to be boosted, at least in the short term. That, at any rate, is the positive view of Aiden Edwards, president of the Council for Minerals Technology (Mintek), a government-private sector body investigating beneficiation.

He tells the FM that the platinum price could double, and the gold price increase by between 10% and 50%, depending on the strength of the international sanctions packages.

"Subject to world perceptions of the seriousness of the South African situation, foreign exchange earnings from these two important commodity exports would appreciate considerably," says Edwards.

SA is responsible for about 90% of annual world platinum production and supplies some 50%-60% of the West's gold. Sales of gold accounted for 45% of the country's total exports of R33 billion in 1985. Given international demand and the many devious trade routes, particularly for gold, it would be virtually impossible to embargo exports of the two metals.

But, adds Edwards, there is a danger that users of platinum as a chemical catalyst in the motor, petroleum, nitric acid and other chemical industries would look for cheaper alternatives if prices shot through the roof.

Conversely, investment in platinum as a precious metal—Japanese jewellery purchases make up roughly a quarter of all sales—could increase.

"What we are looking at here is a short-term boom and thereafter, possible serious damage to the industry," says Edwards.

He points to the sudden jump in the gold price in the days preceding June 16 to illustrate the effect political uncertainties can have on the price of SA's single most important foreign exchange earner. Sanctions would increase this uncertainty, placing a solid platform beneath the international gold price.

"Gold is also an excellent instrument for international barter deals. It would be a major trade weapon in SA's arsenal," says Edwards.

Diamonds provided some 3% of the country's foreign exchange earnings in 1985, and it is difficult to project the effect of sanctions while De Beers' Central Selling Organisation virtually controls the international market.

Producers of other strategic minerals—chromium, manganese, vanadium and titanium—would probably not be as fortunate, as they are mostly easily identifiable bulk exports. Alternative producers would be quick to fill any gap left by SA's absence from international markets.

SA has about 75% of proven world chromium reserves and produces some 50% of the world's ferrochrome, which is essential for stainless steel manufacture.

A short-term price boom could be followed by degeneration of this important industry, in spite of the fact that SA is the world's cheapest producer.

"Zimbabwe, India, Brazil, Sweden, the Philippines and Turkey are all ready to step into the breach, and it could take the industry between 10 and 20 years to recover from imposition of sanctions," Edwards notes. But chrome, although an important export, provided only 4% of SA's foreign exchange earnings last year and a collapse would not be catastrophic for the economy, he adds.

Another option for SA is to increase local production of stainless steel: "Although most stainless steel producers jealously protect their own industries, the alternative does exist," says Edwards.

SA has the world's greatest reserves of vanadium, used in production of speciality steels and in the chemical industry. The 1985 earnings of R40m made up about 1% of total export receipts, but producers could be forced to ride the same rough road as chrome producers.

Alternative producers in Brazil, China and Russia are already waiting in the wings. But again, beneficiation, already successfully done by Highveld Steel and Vanadium, could provide some relief.

"The immediate impact of sanctions would therefore be an increase in foreign exchange earnings as world prices shoot up," Edwards sums up. "But this would be followed by the gradual deterioration of several industries as substitutes are developed or other producers take over SA's markets."

The sobering thought must be: where does this leave the workforce?
SA Sugar Association officials declined to divulge details of the arrangement to the FM, saying that as “nothing was set in concrete” the figures were subject to change.

Sugar prices on the international market have softened in the last few weeks to around US6.2c/lb after topping 9c/lb in April. However, brokers generally attributed the fall to the market looking for new direction after heavy speculation. They confidently expect prices to see out the year at about 9.5c/lb.

If that is the case, and given an average crop size of about 2 Mt, the industry is likely to see total proceeds for the 1986-1987 season top R1 billion while fixed and variable costs remain marginally lower, leaving a small surplus.

On the local front, Arddington says the changes in the cane transport system which place the cost of cane transport on the grower and the new multiple pool system have resulted in increased efficiencies.

A study by the National Productivity Institute has shown that the industry increased its productivity by 4% per annum over the past four years, resulting in annual savings of around R40m.

In addition, Arddington says growers are keen to move away from the concept of pricing cane in accordance with its sucrose content. A new price formula, based on the estimated recoverable sugar with built-in credits for by-products, has been devised.

The issue is, however, controversial as some millers could end up paying more for their cane inputs while others pay less, depending on the quality of the cane and the time it is harvested.

Arddington argues: “If growers are bearing their full costs of production, it’s only fair that they should receive a price that equates to the full value of their product.”

Although he admits there is likely to be some hard bargaining before the new pricing system is accepted, he would like to see it introduced within two years as a further means of improving industry efficiency.
Johannesburg. — In a year of considerable political and economic uncertainty, when many of the country's business operations experienced lean times, the Anglo American Corporation achieved most satisfactory results because of its substantial interests in the export-oriented mining sector, the directors said in their review for the year ended March 31, 1986.

The gold market reflected a general lack of interest in 1985 when investor attention was absorbed by strong stockmarket performance in all major centres, continuing real returns in the bond markets and movements in the currency markets.

The directors said that the investment sector of the market remained the determining influence on the price of gold in 1985, with gold supply continuing to exceed physical demand.

For the last nine months of 1985, the dollar price of gold traded within a narrow range between $308 and $335. Renewed market interest in 1986 has pushed the price to a new range of $330 to $360.

This price range has been sustained by investor concern over a combination of issues, including the lower dollar, political tensions in Middle Eastern countries and Libya, labour unrest in SA mines and the possibility of an international banking crisis in 1986 arising from a sharp reduction in world prices for crude oil.

Developments

Oil prices have not yet established a firm floor level, and the full effects of these developments remains to be seen in the oil and bullion markets, the directors said.

Sales by SA coal mines administered by Anglo American Corporation increased from 37,8m tons to 38,1m tons, about 23% of the national total, said the directors.

The market for internationally traded steam coal continued to grow in 1985 and prices under longer-term supply contracts were generally higher than in 1984.

However, increased availability from established suppliers such as Australia, SA and the USA and, more recently, from Colombia, has depressed spot prices. This fall in prices has continued into 1986 and has been accelerated by the sharp decline in oil prices.

SA coal prices have been further affected by the decisions of certain countries to lessen, or even eliminate, their reliance upon SA coal because of their unfavourable perceptions regarding the country's political situation — ironically at a time when the movement towards reform is gaining real momentum. — Sapa
Parts makers find export contacts

By DENISE BOUTALL
LIKE the smiling pensioner in the building society ad, Eastern Cape automotive component manufacturers who recently participated in an international exhibition in Switzerland all agree: "It's the contacts."

But unlike the happy building society investor, they are not smug about their achievements.
The six Port Elizabeth and Uitenhage companies and nine other component manufacturers were part of the National Association of Automotive Component and Allied Manufacturers' stand at the four-day 13th International Exhibition for the Suppliers of the Vehicle Industry (Sielv) held in Geneva at the end of May.

In interviews this week all were careful to point out that they had received no orders and admitted that potential customers questioned them about their ability to deliver the goods should the political situation in South Africa worsen.

But some have already submitted quotes and when pressed admit that they are fairly confident of getting potentially lucrative contracts.

Speaking from Johannesburg the director of Nacarm, Mr Des Bey, Vermeulen, said the exhibition was a first for Nacarm.

"I believe that in the medium term we will have very positive results from the exhibition, particularly in the Eastern Cape."

The decision to exhibit at the show had been taken because the local car market was relatively small and it was time South African manufacturers looked at exports rather than import substitution as a means of increasing turnover.

"We don't expect the local vehicle market or the value of the rand to increase overnight."

Mr Vermeulen said component manufacturers were making a long-term commitment to export.

"Our quality is very good and our prices are very competitive because of the large number of car makers and models manufactured in South Africa. We can supply a wide variety of motor manufacturers."

The sensitivity of South Africa's export drive prompted some of the participants to insist that neither they nor their companies be named and one company refused point-blank to discuss the matter.

But, said one who insisted on anonymity: "It was highly successful from our point of view. We have already submitted quotes and I'm pretty sure that some of the participants will be signing contracts over the next few months."

There are some participants who came back very excited.

It was also possible that some of the companies would be bringing customers to South Africa to look at their plants and acquire them with the situation.

One of the participants, Mr Hans Fischer of Hans Fischer Engineering in Port Elizabeth, said he thought he would get some business from the exhibition which was followed by visits to automotive plants in Germany.

He pointed out that South African component manufacturers had an advantage in that most local vehicle manufacturers worked to German drawings and that the components here were identical with many of those used overseas.

Mr Fischer, who has been in South Africa for seven years, specialises in designing and manufacturing roll forming machines as well as components.

Another Sielv participant who insisted on anonymity pointed out that South African component manufacturers were trying to muscle in on a market that was already being served elsewhere and it might take a long time before the results were felt.

He was, however, following up all the contacts made at the exhibition.

He saw the greatest opportunities for exports through local component manufacturers working through the automotive manufacturers they supply in South Africa.

Another possibility lay in supplying parts and accessories for models no longer made overseas but still in production in South Africa.

He added that people who wanted to get into export had to be very dedicated.

"We are very far from our potential markets and the logistics are complicated. In addition, we have the problem of potential clients not being confident that we will be able to deliver the goods should the political situation worsen."

Mr Rod McKeon, general manager of Shatterprufe Polyurethane Mouldings, a division of Pilkington Shatterprufe, said he had been inundated with enquiries about the company's encapsulated automotive glass components which drew a lot of attention, particularly from camera-wielding Japanese, at the exhibition.

He predicted that many exhibitors would return to the next Sielv exhibition in 1988.

One company which is already an established exporter is the Giestro Wheel Division of Derby Automotive Products.

But technical sales manager Mr Don Matthew is hoping his attendance at Sielv will help to boost plans to increase exports from the current 2% of production to 12%.

He too stressed the importance of an exhibition like Sielv as a place for making valuable contacts.

But it was also a chance to see how their products compared with others — "we are very competitive and our quality is very good" — and to get new ideas for development.

Like his Japanese counterparts, Mr Matthew admits he spent quite a bit of time photographing other exhibitors' stands. "We gained a lot of technical information."

Mr Matthew said exporters should observe at least six basic rules:

- Inquiries must be answered with the minimum delay
- Raw materials stocks must be kept at levels to meet the demand in good time
- Customers must receive goods at the time stipulated
- Exporters must be selective when appointing their representatives overseas
- Frequent visits should be made to overseas customers
- Stocks must be warehoused overseas for immediate delivery
Yen at record high may boost SA exports

Japanese goods, which have risen sharply in price in the past 12 months, will now become even more costly following the steep rise in the rand and dollar against the yen today.

However, South Africa's can take some consolation in the fact that the sharply appreciating yen should open the door to a further substantial increase in South African exports to Japan.

The yen and the Tokyo stock market index burst upward to record highs today in post-election buying euphoria sparked by expectations of a big win by Japan's Prime Minister Mr Yasuhiro Nakasone, reports Sapa-Reuters.

Early unofficial returns for yesterday's Lower and Upper House parliamentary elections, in which 71.4 percent of eligible voters cast ballots, indicated Mr Nakasone's ruling Liberal Democratic Party would have total control of the crucial Lower House.

Soon after the Tokyo foreign exchange market opened, the yen smashed through its previous record high of 159.99 against the dollar to reach 158.95. It was at 159.05 at midday. The yen closed at 159.99 on Friday.

The Tokyo stock market average soared 267.48 points to a record 17002.84 at one stage in the morning and at midday was up 159.59 at 17704.95.

The financial markets see a clear victory for Mr Nakasone as reflecting voter tolerance of the yen's rapid rise and support for Mr Nakasone's programme to switch the driving force of the economy away from exports to domestic demand.

With the election over, the markets also foresee more pressure on Japan from its trading partners to reduce its huge trade surplus through an even stronger yen and more domestic demand-led growth.

A dealer for the Dai-ichi Kangyo Bank predicted the yen could climb as high as 155 to the dollar this week.
Durban's coal-berth facility to start exporting soon

Finance Reporter

DURBAN Harboun's newly-converted R35m coal-berth facility on the old Alusaf site at Pier 109 is to start exporting coal shortly, a spokesman for the operators said yesterday.

The facility, which will be known as Pier 109 Joint Venture, has been formed by four of the five members of the Matola Exporters Committee (MEC) as an additional capability for South African coal exporters.

A spokesman for the managers, Grindrod Terminals, said yesterday the site had been re-developed after feasibility studies had ruled out existing crane facilities and the high cost of railage to other ports.

The site is being leased from SATS and will have an initial annual export capacity of 950 000 tons.

Main alterations at the facility have been the conversion of the 42m-diameter silo, which formerly stored bauxite. Reinforced sand fill has been used as a filter base with sloping concrete lining and a facing of steel in the top section. Conversion from a flat bottom to a cone-shape has given the silo a capacity of about 18 000 tons.

Other major works included reversing the conveyor belts which were previously used for offloading to an hourly rating of 500 tons and the installation of a railway truck tippler.

The facility will handle coal or anthracite for world markets.

Pier 109, with a draught of 11.5m, is able to handle ships of about 35 000 ton capacity.

Pier 109 will operate a two-shift system with a staff of about 40.
Iscor wants millions back after sour deal

The Argus Correspondent

JOHANNESBURG. — The State-owned Iron and Steel Corporation (Iscor) has begun legal action to demand payment of millions of rands it claims it is still owed from a business deal it struck to open new export routes into the Middle East.

The corporation confirmed today that it intends to battle in the High Court in London for the recovery of the missing millions that vanished when the deal went sour.

The court wrangle may uncover the second multi-million-rand swindle to hit a State corporation in international business operations — on the heels of the Escom round-the-world probe that ended in the sacking of former employee Gert Rademeyer over a R7-million scandal that was unearthed in complex uranium deals.

DECADE AGO

The Iscor case revolves around a deal it struck more than a decade ago to market its steel in Iran and elsewhere in the Middle East. It claims that a partnership was formed 13 years ago with two Iranians — Sami Abdalnabi and Aaszam Zanguenah, both now believed to be living in London — and agreement was reached to split all profits that stemmed from the deal.

It says they also agreed to take part as shareholders in a new company that was launched and incorporated in Iran, Iscor-Iran Ltd, that was intended to be used in the formation of offshoot companies to handle export sales.

Iscor now claims that it gave notice to the two Iranians of the termination of the partnership deal as from June 30 1980.

DISSOLUTION

And it has issued a writ seeking a formal declaration of the dissolution of the partnership and a legal inquiry into the assets and liabilities of the partnership.

The writ goes on to seek an order for payment of all sums owed to Iscor by the two Iranians.

Mr C.J van Vuuren, general manager of steel marketing at Iscor, today confirmed that legal action was being taken in the High Court in London. A date for the hearing had yet to be set.

"But we cannot discuss details of the case because it is all sub judice," he said.
Exporters boost trade balance to R6-bn

South Africa recorded a favourable trade balance of R6 131,6 million for the first six months of 1986, against R5 355,0 million in the same period of 1985, according to figures released here.

Preliminary statistics from the Department of Customs and Excise show that exports totalled R19 068,9 million compared with R16 579,6 million for the same period last year and imports totalled R12 957,3 million (R11 151,3 million).

The Minister of Trade and Industry, Dr Dawie de Villiers, expressed “satisfaction” at the country’s favourable preliminary trade balance.

In a statement in Pretoria he said this represented a 13 percent increase compared with the last year’s figure.

The increase of R2 509,3 million on exports over the figure for 1985 represented an increase of more than 15 percent.

Dr de Villiers said exporters deserved praise for their sustained efforts and that prospective exporters should exploit the market’s opportunities. — Sapa.
Loss looms for export maize

GERALD REILLY

LOSSES on the 2,2-million tons of maize to be exported this year could reach R360m if glutted conditions on world markets persist.

Maize Board GM Hennie Davel says maize is fetching $80 a ton (about R200). At this price he estimates losses on exports are running at about R170 a ton.

With the board's stabilisation fund in the red to the tune of about R260m, the losses will be borne by producers.

This year's production of R419m should be just about enough to break the back of expected losses.

Davel says substantial exports have already been made to Taiwan and Japan. He declines to give the quantities on contracts concluded by the board.

The balance of the surplus is earmarked for other destinations.

Nampo has warned farmers to cut back on plantings this year to avoid catastrophic losses on export surpluses. The warning is supported by the Agricultural Union.
COAL INDUSTRY

Export substitution

The R5 billion a year coal industry is anxiously awaiting the European Economic Community's (EEC) expected sanctions moves against South African coal exports. Meanwhile, the downward movement of international spot prices is doing little to lift industry morale.

Coal heads the list of South African imports which — along with iron, steel, and gold — the European Community recommends should be banned.

Following British PM Margaret Thatcher’s recent delaying action, a valuable three months' breathing space has been created for exporters. The EEC’s sanctions decision is expected by early October; but even without any EEC bans, the outlook is gloomy.

Apart from real and potential sales losses from international bans, spot prices have been moving steadily downwards. This follows last year’s strong price hike, when average export prices fell to R71/t — 58% above the R44.97/t average earned in 1984.

“We expect export sales this year to fall below 40 Mt, while current US dollar prices of $22/t should average out to some $26/t-$27/t for the year, compared with last year’s more than $30/t on the export market,” says Transvaal Coal Owners Association MD Les Weiss. “Nevertheless, Far East markets are looking more positive and could balance out some sales losses to the EEC.”

But, with the EEC representing some 50% of the total coal export cake, it would not be possible to find substitutes should all these markets be shut down to South African coal. The outlook therefore remains pessimistic, with falling prices an added negative.

With some 98,800 employed in the coal industry — 13,100 white and 85,700 black — it is evident that increased unemployment would follow should more countries follow the lead of France and Denmark, which recently banned the importation of South African coal. This would also knock last year’s strong sales growth into the hills.

A spokesman for the Chamber of Mines comments: “Last year’s export tonnage of 44 Mt was 6 Mt up on 1984 sales, while export revenues of R3.14 billion far exceeded the R1.92 billion earned from local sales of 124 Mt — almost three times the export tonnage. Any further export sales losses would seriously damage the industry.”

And with oil once again trading on international markets at below $10/barrel, analysts see little prospect of the coal price firming. South African suppliers are due to start negotiations with European buyers in the next quarter for deliveries in 1987, and Weiss predicts that once again “prices will be under pressure.”

Most disturbing to exporters at this stage is that prices currently being quoted are rapidly approaching their costs of production. Even taking into account rand receipts on sales in dollars, exports are looking more and more marginal. The problem is likely to be exacerbated once the increased rail tariff for export coal and other industry cost inputs starts to come through next year.

Says Weiss: “Prices are getting to the point where sellers are going to say — thus far and no further.” The implication is that if prices fall too far, they may have no choice but to withdraw from the market.

A lot will depend on just how effective international sanctions — if they are applied at all — will be in closing the door on SA’s coal exports. With a world coal surplus and new exporters like Colombia getting into the market, many believe the world could get by comfortably without South African coal.

Another school of thought holds that there will always be buyers for our coal — given the right circumstances and price. If European markets were closed to SA, it would merely then, they argue, be a question of switching to markets that are less politically sensitive, such as the Far East. Maybe.

For as Weiss says: “It’s going to be difficult to find a market for 40 Mt of coal.”

DIAMOND CUTTING

Looking for sparkle

SA’s infant diamond cutting industry — as with most of its minerals, local beneficiation has yet to take off as a major industry — could be at the beginning of bigger things.

While SA’s De Beers Diamond Corporation controls the world gem diamond market through its London-based Central Selling Organisation, SA still lags behind in the diamond cutting stakes. Change is, however, at hand.

“Legislation pending this year would make more rough diamonds available to the trade from producers other than the Diamond Trading Company (De Beers), who are the main suppliers and supporters of SA cutters,” according to the chairman of the Master Diamond Cutters’ Association Nick Jooste.

The government has already issued more cutting licences, Jooste adds, but the industry will have to play its part by training more labour and developing expertise to help expansion.

Fortunately, any plans to expand the local cutting industry are assisted by the recent — liquidity and confidence have improved. Proof of this confidence is De Beers’ recent 7.5% increase in the price of rough diamonds.

Jooste tells the FM that although local cutting has a strong international reputation,
Japan halts R80 m fruit imports

Mercury Correspondent

JOHANNESBURG—South Africa’s citrus exports to Japan, said to be worth R80 million annually, have been halted because of the state of emergency.

These exports can only take place if Japanese-appointed inspectors pass cargoes before shipment, and the Japanese Government is refusing to allow these inspectors to work in South Africa because it fears for their safety.

A spokesman for the Japanese Consul for Economic Affairs in Pretoria confirmed the decision and said his Government was worried about the security situation.

Asked if he thought there was personal danger in this country he replied: ‘My Government obviously reached its own decision.’

He said the inspectors, whose presence is vital due to strict Japanese phyto-sanitary regulations, may return once his Government is satisfied their safety can be guaranteed.

General manager of the Citrus Exchange Cameron McOnie confirmed that the embargo was costing the country millions of dollars in lost earnings.

He refused to be specific on the value of last year’s export volumes, but industry sources estimate the trade to be worth R80 million.

‘Our sales to Japan at the moment are zero. One of the requirements before any fruit is exported there is that food fly sterilisation takes place, a task which is supervised by Japanese inspectors.

The process entails putting the fruit in cold storage for longer periods than is normal for exports to other countries.’

Last year South African citrus growers predicted a 10% increase in exports to Japan.

Safari Services Shipping, which then operated three sailings a month, added another vessel to its schedule to cope with expected demand.

‘Japan buys mainly grapefruit and lemons from South Africa.’

In response to a question whether Far East markets would take up any surplus in the event of US and European sanctions, Mr McOnie said:

‘The East would be a much better market for us.’
Japan halts SA citrus imports

Dispatch Correspondent

JOHANNESBURG—South Africa's citrus exports to Japan—said to be worth R30 million annually—have been halted because of the state of emergency.

The exports can only take place if Japanese-appointed inspectors pass cargoes before shipment, and the Japanese Government is refusing to allow the inspectors to work in South Africa because it fears for their safety.

A spokesman for the Japanese Consul in Pretoria confirmed the decision and said his government was worried about the security situation.

The general manager of the Citrus Exchange, Mr Cameron McOnie, confirmed that the embargo was costing the country millions of dollars in lost earnings.

He refused to be specific on last year's export volumes, but industry sources estimate the trade to be worth R30 million.

"Our sales to Japan at the moment are zero. One of the requirements before any fruit is exported there is that food fly sterilisation takes place, which is supervised by Japanese inspectors."

Last year South African citrus growers predicted a 16 per cent increase in exports to Japan.

Safari Services shipping, which then operated three sailings a month, has since added another vessel to its schedule to cope with expected demand.

Japan buys mainly marsh grapefruit and lemons from South Africa.
Congress may end textile agreement

A DRAFT agreement which cuts SA's textile exports to the US by 80% — but would guarantee local manufacturers set growth-rates — could run aground.

The import curb is aimed at protecting the US textile industry from the sharp rise in landed SA textiles and finished garments, triggered by the weak rand.

"Senators may still torpedo the agreement when it goes to Congress next week," Textile Federation marketing economist Brian Brink said yesterday.

Announcement of the agreement was made on Tuesday as Congress was priming itself to pass a stiff sanctions Bill to pressure Pretoria into reforms.

Brink described SA's 4% annual growth rate of textile exports to the US over the next five years as "no great shakes".

Under the agreement, 10-million square yards of textiles and the same measure of finished garments can be exported to the US annually.

Brink pointed out that 100-million square yards of textiles and garments, worth R150m, had been exported to the US last year, compared with 42-million square yards (R75m) in 1984.

A "memo of understanding" has been exchanged between Pretoria and Washington, with the textile agreement still regarded as tentative. On paper, SA textile imports will remain unrestricted until September 1.

The president of AFL-CIO, biggest US trade union confederation, found it "incredible that the Reagan administration should be negotiating an agreement — evidently secretly — that rewards the apartheid regime with trade concessions".

He said SA was "not even entitled to consideration" because the country was not a signatory to the Multi-Fibre Agreement, a 50-nation group which establishes rules for the international textile trade.
US-SA TRADE

Tale with a sting

The US Commerce Department is embroiled in a nasty export tussle over South African lobster tails.

At the request of the SA government, the US customs office a month ago seized a $220 000 shipment of lobster tails that had been exported to the US by Durban-based Dominion Distributors.

The SA government asked for the US customs action because Dominion, which is run by non-whites, does not have the necessary approval of the Fisheries Development Corporation (FDC) to export lobster tails.

In fact, that honour — catching, processing and exporting the much sought after shellfish — belongs to just six SA firms, all white-owned and operated, which have been granted licences by the FDC, according to the New York-based attorneys for Ocean Harvest Seafood, the US company which ordered the Dominion shipment.

Although SA lobster export laws do not exclude non-whites, no non-white has ever been granted an export licence, attorneys say.

"The control of this commodity is clearly monopolistic," New York attorney, Carl Soller, wrote in a letter to William von Raab, the US Commissioner of Customs, copies of which were obtained by the Journal of Commerce. "It is beyond imagination that the US customs service has reacted to the extent it has in this case to enforce a South African law clearly contrary to the moral, ethical, and political policies of the US."

The US Customs Department, meanwhile, has not decided what to do with the 35 000 kg of lobster it has resting on ice in a New Jersey warehouse. Customs originally cited a violation of the Lacey Act, a US wildlife protection law, when it seized the shipment. The agency has declined to comment on the case.
Charcoal for abroad to go through EL

By KEITH ROSS

EAST LONDON — A local company will soon start exporting large quantities of charcoal through East London harbour to Europe.

The company's managing director, Mr J P Maritz, said this week he expected he would soon be exporting about 80% of his production.

"We are negotiating many overseas contracts and the potential seems enormous. We have already landed a contract to supply a company in Belgium and, from December, we will ship 24 12-metre containers of charcoal a month from East London.

"That is only the beginning. There is a huge demand for high-grade charcoal overseas for barbecues."

Mr Maritz is providing valued employment for the Kuni squatters living in a tent town near his plant after being forced out of Ciskei. His company is one of the few sources of employment in that area.

"Our process is labour-intensive and we intend keeping it that way. Everything, including the sorting, is done by hand."

His company employs 180 people, 165 of whom are women.

"We have a plentiful supply of labour since the Ciskeian Government dumped 8,000 people just down the road," he said.

He established his business nine months ago, after discussions with the director of the Border Metropolitan Development Corporation, Mr Ted Walsh.

Mr Maritz had to find suitable premises more than 10 kilometres from a built-up area.

"This is a noxious industry and has to be at least that far out of town. We rented a farm at Net's Camp, thinking it was in Ciskei, but found it was just outside the border. We also found we were outside the area in which the South African Government allows decentralisation concessions."

This is the end of the article.
Exporting Is Long-Term Exercise

Exporting is not a short-term activity, it is a long-term commitment with significant risks involved. The key to successful exporting is patience. It is not a quick fix, but a strategy to enhance your company's growth. The key is to start small and grow gradually. The export market is competitive, and a company needs to do thorough market research before entering. Developing relationships with local partners and building a strong network is crucial. The export process involves legal and tax considerations, which require careful planning. A well-defined export strategy can help you navigate these challenges. In summary, exporting is a long-term exercise that requires patience and strategic planning.
Looking ahead

Undeterred by the colder coal market, several groups of independent producers are forging ahead with plans to wring more export capacity out of Durban’s inefficient coal handling facilities.

One group, the Durban Coal Terminal Company (DCTC), comprising 16 producers, has been examining the feasibility of taking over the Bluff Coal Handling Plant from Sats, modernising it and using it to export coal “specials.”

At Durban’s Pier 109, the Matola Exporters Committee (MEC) — a consortium of five suppliers who export through Mozambique — have converted the old Alusaf bauxite handling facility to coal. Their first shipments are due to leave Durban in about a week.

DCTC chairman Lloyd Koch says the company has been examining the potential of the Bluff facility for some three years. It has examined a variety of proposals, calling for varying amounts of capital expenditure up to R81m, and has narrowed down its options. Consultants should be in a position to put a firm proposal to the board shortly.

The problems of the international coal market don’t seem to bother Koch and his associates. He says: “You don’t make this kind of decision on a snapshot in time. You have to look at the viabilities over an extended period of up to 30 years.”

At this point, producers within the DCTC seem to think that the difficulties in the market are only of a temporary nature. In addition, as Koch points out, the market for sized coal is completely different from that of ungraded bulk exports. Specialised handling is required — one of the reasons producers would prefer to go through Durban rather than the bulk facility at Richards Bay — and the cargoes are generally smaller.

One of the difficulties the DCTC has had with the Bluff project is that whatever scheme they settle on has to be closely interfaced with Sats’s own requirements as far as track layouts and line capacities are concerned. Any coal that is exported, will, of necessity, have to travel along the already congested main Durban-Richards Bay rail line.

“Each time our consultants present a proposal, the permutations change,” Koch says.

A final decision has not yet been taken, but the ultimate export capacity of the Bluff terminal could be anything from 3.5 Mt to 5 Mt a year.

The secretary of Pier 109 Joint Venture Company, Fred Knill, says the four MEC members who are participating needed an outlet other than Maputo through which to ship their additional allocation.

The old Alusaf terminal at Pier 109, although designed for importing bauxite, seemed suitable. After spending some R81m on reversing the conveyor system and additional storage, the group is now in a position to start exporting.

They are aiming at an initial capacity of general smalls and power station smalls of around 900 000 t a year. Again, they seem confident that it is achievable.
Many exporters who are taking advantage of the weak rand are falling prey to unscrupulous foreign agents and companies.

Dun & Bradstreet, the international credit information service, says exporters are losing thousands of rands by contracting shady dealers as agents.

Many companies which clinch the initial deals for the exporters are later found not to be companies or to be financially unsound.

In some cases the contact disappears after the goods have been sent and there is little chance of legal recourse.

Paul Edwards, marketing director of Dun and Bradstreet, says there has been a large increase in the number of exporters checking foreign companies.

"Exports have increased by about 30% this year and the number of inquiries we have regarding foreign companies has gone up dramatically.

"In a couple of hours we can establish the creditworthiness of almost any foreign company."
A spokesman for the Ball-Co., Ltd., said the shipment was released because there was no evidence of any illegal activity. The spokesman added that the shipment was sent to the United States at the request of the U.S. Department of Justice.

A representative of the U.S. Drug Enforcement Administration (DEA) confirmed that the DEA had been informed of the shipment before it was released. The DEA said it would conduct a thorough investigation of the shipment to determine whether any illegal activity had occurred.

The U.S. Customs and Border Protection (CBP) also confirmed that it had been informed of the shipment. CBP said it would conduct a thorough search of the shipment to determine whether any prohibited items were included.

The shipment was released on condition that the importer would sign a statement acknowledging that the shipment was for lawful purposes. The importer also agreed to cooperate with any further investigation by the DEA and CBP.

The shipment was released on May 15, 2011, and was scheduled to arrive in New York City on May 16, 2011.
PE poised to share in massive export drive by top glass group

By BOB KERNOHAN
Business Editor

PORT Elizabeth is poised to share in a multi-million export drive being undertaken by the country's largest glass manufacturer.

Mr Ronnie Lubner, joint executive chairman of Plate Glass and Shatterprufe Industries, said last night the company was planning to expand its R50-million-a-year export market.

Heading the drive will be PE executive Mr Chris Tinley, current managing director of Pilkington Shatterprufe, who next month takes up the new position of director in charge of the Glass South Africa group's export programme.

He will continue to be based in PE.

Mr Lubner said at a function to mark the 50th anniversary of Pilkington Shatterprufe beginning operations in PE, that exports were the "future lifeblood of South Africa".

Referring to the R50-million in export orders captured by the group last year — production of more than half of which took place in PE — Mr Lubner said this would be nothing compared to anticipated growth over the next 10 years.

He announced that Mr Chris Murray would take over from Mr Tinley as managing director of Plateglass Shatterprufe, which employs 1,500 people at its Neave and Struandale plants in the city, and a further 650 in other parts of the country.

An announcement by the company today said: "As a result of the tremendous growth of Glass South Africa's exports, and the long-term importance of maintaining and developing this area of business, it has been decided to appoint Mr Tinley as director of exports, Glass South Africa, from September 1."

"He will be responsible for developing and improving Glass SA's exports."

The group comprises the PE operations, plants in Springs and Garankuwa, and retail and wholesale sales and marketing.
SA sugar quota for the Philippines

Own Correspondent

WASHINGTON. — Natal sugar producers stand to lose about $33 million worth of export earnings under the sanctions bill passed by the United States Senate last Friday.

The bill transfers the 39,000-ton US import quota allotted to South Africa to the Philippines as a result of a unanimously adopted amendment offered by Massachusetts Senator John Kerry.

Though the measure has yet to become law, Senator Richard Lugar, chairman of the Senate Foreign Relations committee, pointed to the quota transfer in talks with the President of the Philippines, Mrs Corazon Aquino, in Manila this week.

The US is anxious to cement ties with the Aquino government to protect its key air and naval bases there.

The value of South African sugar imports into the US has rocketed from $1.5 million in 1981 to $33.2 million last year even though the US produces a surplus of its own, according to the US Commerce Department.
SA exports jump 36.7 percent

Financial Editor

SOUTH Africa's long-heralded but long-delayed export-led boom at last seems to be happening. Exports last month rose to R3.84-billion, their second highest level ever and a 36.7 percent increase on the year ago figure. (The record export figure was R4.1-billion set in October, last year).

This brought earnings from exports in the three months ended July to R10.6-billion, an increase of 23 percent on the R8.62-billion earned in the same period last year.

While some of the increase in this year's export earnings reflects higher gold and platinum prices, it also would seem to indicate an improvement in export sales right across the spectrum.

If this rate of export earnings is maintained it should not be long before other sectors of the economy also start to share in the gains being made by the export industries.

Imports last month were also sharply higher rising to R2.85-billion, an increase of 32 percent on the year ago figure of R1.87-billion — but only fractionally less than the record R2.96-billion import figure in January.

For those who are seeking a continued high balance of payments surplus, the jump in imports may be a little disappointing. But more encouragingly, it could be an indication that traders and manufacturers have noticed an increase in the economic tempo and are starting to rebuild their stocks.

However, one cannot be certain about this, as the increase in imports might just be the result of further stockpiling of petroleum products by the Government — the factor behind the record level of imports in January.

Altogether South Africa had a trade surplus of just under R1-billion in July which brought the trade surplus for the seven months ended July to R7.1-billion.

In the same seven months last year the trade surplus was R5.29-billion.

For those dearly wanting to see an end to the recession in South Africa, the July trade figures are the most satisfying foraer some time.
It's a nine-to-one ratio now

Export shipments far outstripping imports, says Sats

DAVID FURLONGER

EXPORT shipments through SA's main harbours are running at up to nine times the level of imports.

Figures from SA Transport Services show exports in July totalled 7.2-million tons, compared with imports of 970 000 tons.

Although official figures for other months this year include trans-shipment of local cargoes from one port to another, they show clearly the extent to which imports are lagging.

Trans-shipment is so small — of the total 8.38-million tons handled by harbours in July, only 175 000 tons were trans-shipped — that total figures give a clear picture of import-export levels.

In April, harbours imported 872 000 tons, compared with exports of 8.3-million; in May, the figures were 926 000 and 8.1-million, and in June 856 000 and 5.8-million tons.

Seaborne mineral imports in July, excluding trans-shipment, totalled 194 000 tons, of which nearly half — 94 000 tons — are listed under "other mineral products" as classified information.

Of the 1.5-million tons of minerals exported, 1.3-million tons are classified.

Other major imports included fruit, vegetable and grain products (160 000 tons); chemicals, plastics and rubber (190 000); and vehicles, aircraft and spares (89 000).

Leading exports, in tonnage terms, included fruit, vegetable and grain products (581 000); timber and paper products (597 000); and base metals (617 000).
Rand to the rescue

The threat of sanctions aside, exports through SA's ports are booming. Ever since the rand collapsed South African exporters have been vigorously exploiting the competitive position of their goods in overseas markets.

What's more, the general consensus is that little will change as long as the rand continues to trade at a substantial discount to the currencies of SA's major trading partners.

That is a scenario that exporters can probably bank on — at least in the medium term.

And ferro alloys are believed to have constituted the bulk of it. This leads to the probably justifiable conclusion that traditional foreign buyers are stockpiling against government intervention. Which is, of course, all to the good for South African sellers.

Tonnages loaded at Richards Bay, SA's premier bulk handling port, are equally significant. They have been sustained above the 3 Mt mark since the beginning of the year, with the exception of June when they slipped back to 2.8 Mt — possibly in reaction to earlier panic buying from overseas customers who feared the worst from sanctions.

Last month, however, the outward-bound tonnages recovered to 3.9 Mt.

Riding the wave

Given SA's need to maintain a surplus on its current account, for once the views of the Treasury and exporters on the desirability of a favourable exchange rate coincide.

Around the middle of last year export tonnages shipped from Durban, SA's major port of loading, topped the 1 Mt mark on a month-by-month basis. Since then, tonnages have been sustained well above 1 Mt in spite of seasonal dips. Last month the tonnage shipped topped 1.5 Mt — one of the highest figures so far this year.

Although there is no breakdown of tonnages on specific cargoes handled, steel, coal and ferro alloys are believed to have constituted the bulk of it. This leads to the probably justifiable conclusion that traditional foreign buyers are stockpiling against government intervention. Which is, of course, all to the good for South African sellers.

Tonnages loaded at Richards Bay, SA's premier bulk handling port, are equally significant. They have been sustained above the 3 Mt mark since the beginning of the year, with the exception of June when they slipped back to 2.8 Mt — possibly in reaction to earlier panic buying from overseas customers who feared the worst from sanctions.

Last month, however, the outward-bound tonnages recovered to 3.9 Mt.

Again, primary exports — in the form of coal and metal ores — made up the bulk of exports. Agents acting for exporters feel reasonably confident they can get around sanctions by employing all the usual ploys. "We can lose the South African identity by making goods come from Timbuktu, if we want to," says one.

However, they warn it will be all but impossible to disguise the origin of some commodities. South African coal is an example.

Destinations in Europe, they believe, should be easiest to penetrate. Other countries like the US and Japan, where business ethics are high, will be "chary about accepting dummy documents."

Of deeper concern to ships' agents is that they could be liable for fraud if they try to pass off cargoes using phoney documents. Agents are not covered for fraud under the normal indemnity insurance they carry. They say that shippers who want them to break the law will have to indemnify them against possible losses.
Sanctions threats by old friends give added point to Unicorn Shipping Line’s link with a Colombian line, which is designed to provide a regular freight service between SA and South American ports every five weeks. There is still great scope for trade with Latin America; it could become even more important as industrialised nations flex their trade muscles.

Against the trend, total exports to Latin America fell from R179m in 1984 to R164m in 1985, and the annual trade deficit with the continent runs to nearly R300m.

Some 84.3% of SA exports falls into four categories: iron, steel and other metals (41%), paper products (23%), artificial resins and plastics (12%) and minerals (8.3%).

Richard Kern-Martin, editor of the newly-launched Latin American Trade Courier, says SA’s export base to Latin America can be diversified: “It’s time our medium and small companies looked at Latin America. Social and economic circumstances are similar to ours, enabling us to understand market needs better than exporters from highly industrialised countries.”

He says this is particularly true of engineering, where SA has adapted Western technology to Third World conditions. As yet machinery and parts account for only 6.5% of SA’s exports to Latin America.

Brazil actually exports medium technology items to SA, many of them small orders of less than R30 000 a year, and local exporters should follow their example.

Kern-Martin is optimistic that Latin American countries will not impose sanctions on SA; only Costa Rica and Mexico have imposed boycotts in the past — and this has not prevented Mexico from running up a R2.5m trade deficit with SA.

The best export market in the region remains Chile, which buys South African goods worth more than R48m. But even that’s barely R4 a person and represents less than 1% of Chile’s total imports.

The growth potential in the two most important countries is even greater. Brazil, a country of over 130m people, imports SA goods worth just R35m a year; Argentina, with a population and per capita GDP almost identical to SA’s, imports goods worth less than R21m.

But, if political obstacles to trade with the region are minimal, economic hurdles are considerable. Two-way trade opportunities are hampered by import restrictions by South American countries such as Ecuador. These are designed to limit foreign exchange outflow. There is also restricted direct shipping from parts of Latin America to SA.

Gone are the 1976-1980 days when, as Kern-Martin puts it, “we used to receive inquiries for a great variety of merchandise from rootbors tea to clothing” during the high point of monetarism in Latin America.

Increasingly, SA’s exporters will have to rely on reciprocity. Deficits with SA were run up by Bolivia, Colombia, Ecuador, Peru, Venezuela and Mexico. Some of them say that trade with SA is hard to justify with an unfavourable balance of trade, and so delay or refuse import licences.

Exports to Latin America will therefore have to be closely linked with imports; when they feel they are benefiting from South African goods, they could become among SA’s most reliable customers.
A Fresh Completion

Putting a new face on exports

Success due to team spirit

Edited by Melanie Segaren

A Business Day Corporate Survey

helps local cosmetics

Poor brand performance
Now business must make up for not living

[Image of a person with a drink]
EXPORTERS venturing into new markets should exercise extreme caution when using foreign intermediaries to promote their goods. Dun and Bradstreet (D & B), specialists in credit information, has issued this caveat to inexperienced exporters. It warns of the risks of appointing foreign distributors without thoroughly checking their creditworthiness.

It says: "With sanctions pending, unsuspecting local exporters could be open to unscrupulous foreign companies offering to act on their behalf."

A comparable monitoring service is, however, available from Kreditinform, which packages similar information from its worldwide dealer network.

Banks can also be approached. But Credit Guarantee Insurance Corporation (CGIC) - the local agency covering political risk and stoppages on the movement of goods - says such cases are not on the increase.

CGIC does not protect against default by foreign agents. An exporter would use credit information to determine whether the foreign agent had the infrastructure to suit his needs.
SA coal may find secret export route

LONDON — Communist Eastern Bloc countries could provide South Africa’s coal industry with a secret passage to Western markets in the event of a European Community ban.

Bulgaria and Rumania are said to be among East European states willing to provide a backdoor route.

In Johannesburg, The Star financial staff report that a South African coal analyst said today he knew of one South African company which has sold more than 100 000 tons of low-grade coal at the high price of $27 (about R64) a ton to these two countries for their own use.

When Mr Steve Ellis, chairman of Trans-Natal Coal, was approached for his views, he said he was not aware of any company considering this route, but it was possible.

He added that at the moment coal companies were concentrating on protecting their markets by convincing customers it would be to their own detriment if sanctions were imposed, since world prices would almost certainly rise.

British traders say South African coal is distinctive and would be easily identifiable, even in a blend of other coals, and discerning buyers who are wary of the political risks would be unlikely to buy supplies laundered through Eastern Europe.

One coal trader said: “It is quite easy to identify the origin of a coal. Each variety has a specific profile.”

But traders agree that laundered stocks would reach the market through buyers who are unmoved by ethics and unconcerned about the risks — as long as the price suits them.

One trader said: “If the coal was sold for the right price on the basis of no-questions-asked, there would be buyers.”

The British Industry Committee on South Africa — a group opposing sanctions — has warned Britain’s all-party Foreign Affairs Committee earlier that sanctions will be ineffective because countries in the Far East and Eastern Europe are willing to open secret trade links with South Africa.
Changing wrappers

Resistance to easily recognisable South African goods, which has built up ahead of official sanctions, is forcing manufacturers to consider foreign finishing as a means of acquiring an acceptable tag.

"Made in Swaziland" is bound to arouse suspicion if the tiny kingdom's manufacturing capacity apparently explodes overnight. But relatively few South African businessmen appreciate just how easy it is for their products to acquire a "Made in England" label.

At least one South African export agency has already established a link with the UK-owned "finishing" factory in mid-Wales. Says local representative Jim Aston: "Provided at least 20% of the labour or component costs arises in England, then the product is officially made in England."

As the Welsh factory is in a Special Development Area it enjoys substantial benefits, including cheap rent and tax relief. Aston says once products have acquired an appropriate label, retailers are much more likely to turn a blind eye to South African origins.

And, even without sanctions, finishing in the UK or other European countries makes sense for many companies, giving them easier access to European Economic Community markets, for instance.

Aston says he has already shipped several thousand container loads of furniture components to Britain for finishing. Assembly will also start soon on small domestic appliances which will incorporate European-made thermostats and pilot lights to build up the local content.

However, trade experts say that in most cases using neighbouring countries or Mauritius for finishing work makes more sense than Europe. Anyway, new legislation overseas increasingly means that identifying the country of origin is no longer required.
Zimbabwe steel is shipped from PE

A SORTIE along the seaborne trade of the Republic confirms the belief that the nation’s seaborne trade is in good fettle, allowance being made for the worldwide down-turn and the effects of the low-rated South African currency.

Exports have been flowing out of the Republic at a rate of 94 million tons a year, and there is no sign yet of this volume letting up.

While the anti-South African rhetoric was coming forth fast and furious at the recent Harare conference of so-called non-aligned countries, thousands of tons of Zisco steel-laden on the wharves of Port Elizabeth awaiting shipment.

Wire, billets and reinforcing steel have been carried from Zimbabwe for loading in Port Elizabeth, and talk of moving the consignments through either Beira or Maputo must be dependent firstly on rehabilitation of the dock systems, and provision of armed guards along the track to prevent anti-Government factions blowing up the trains.

So far this year there have been 61 ore cargoes out of Port Elizabeth, loaded at Portsmasburg at a terminal appropriately named Hot as Hell. But a good deciduous season and currently encouraging citrus export business brought no fewer than 36 refrigerated ships to load at the cool chambers.

While comment is often heard in the city that the port has few ships at its wharves, it is important to recognise that carriers are today substantially larger than those which line the quays in former years and one 180,000-ton bulker today lifts the equivalent of nearly 10 general cargo liners of the 1940s and earlier.

According to statistics supplied to me by SATS this week, the Republic in the past 12 months imported 115 million tons and exported 83 million tons.

The advocates of sanctions against the Republic’s intent on reducing overseas markets for South African exports must come to terms with the economic advantages when the price of products is favourable, and rates of exchange provide a formidable boost to the virtues.

Not even the Russians allow political considerations to affect their business dealings, otherwise they would not be buying so much American wheat. By the same token Mainland China has been buying important cargoes in this country.

The western countries, all suffering considerable unemployment, are not enthusiastic about reducing exports to distant consumers merely because of political differences, and it is “vanselfspretend” that any negotiations about delivery of cargoes by deviating routes to South Africa, could well be conducted by the seller, not the buyer.

Shipowners everywhere can be relied on to badger their governments to resist sanctions against South Africa because trade everywhere is in a parlous state, and famous shipowners are suffering serious trauma.

On the route to the Republic from Europe the biggest container ships are having to opt out for periods to allow their associated Conference Line carriers secure break-even loads.

The German liner Transvaal, in Port Elizabeth this week bound down coast, is stemming to withdraw for a few months because of the reduced container volumes.

Rates of exchange are affecting the container imports, not sanctions, and because of the need for reducing ship operating costs, other long-established lines trading to this port are having to “flag out” to less expensive registers.

The two Norwegian freighters plying the Canadian trade are reported to be planning a switch to the Liberian register, using Norwegian officers and probably an

Asian crew. Norwegian Government hints at penalising its national carriers which serve the Republic are ineffective when the carriers are no longer Norwegian.

Port Elizabeth is still receiving about 40,000 tons of container cargo annually, compared to 31,000 tons of breakbulk. But the 60,000 tons of boxed exports contrasts with the 45 million export of breakbulk, including ore.

Durban, of course, remains the main marine terminal of the Republic and is operating at capacity.

SATS officials with whom I discussed the traffic this week, were most helpful, and when added to the exports of Richards Bay at 2.7 million tons a month, the output of Durban totalling 1.1 million tons monthly obviously makes every other harbour on the African seaboard envious.

Sanctions may not be such a serious threat to these heavy cargoes.
Prime Minister K.G. Venugopal

Anu-partnered India found to have SA Links

After a long period of silence, the Anu-partnered India found to have SA links. The incident has raised questions about the company's operations and its compliance with international regulations.

The Anu-partnered India, a company with significant operations in South Africa, has been found to have links with a South African company, SA Links. The discovery has sparked concerns about the company's activities and its adherence to international standards.

Prime Minister K.G. Venugopal has expressed concern over the findings, stating that the company's operations must be thoroughly investigated to ensure compliance with regulations.

The incident highlights the need for greater transparency and accountability in international business practices, especially in sectors where compliance with regulations is crucial.

Further investigations are underway to determine the extent of the links and the implications for the company's operations.

The Prime Minister has called for a review of the company's activities and has directed relevant authorities to take immediate action to ensure compliance.

Source: Prime Minister's Office
Keep away from Down Under

Finance Reporter

SOUTH African exporters of finished products should avoid seeking new Australian markets for at least 18 months, Mrs Carmen Otgaar, Natal regional manager of the SA Foreign Trade Organisation, said yesterday.

Mrs Otgaar, who has just returned from Hong Kong and Australia, said she had found the Hawke government concentrating on reducing all imports and encouraging home-grown products in a bid to lift the faltering economy.

Feeling

But, she believes the strong anti-SA stance is founded more on fear from the potential threat of a 'cheap' rand in terms of imports than from politics.

Mrs Otgaar said there was a general feeling in Australia that the Hawke government, which is being criticised over a new perks tax, will be replaced by a more liberal government at the next elections in 18 months.

"By then the economy should have improved and if there is a change in government I believe it will have a more reasonable attitude towards South Africa."

She had not encountered any anti-South African hostility in Australia, and the only reference on Sydney television to South Africa had been the recent Knysna disaster.

However, in Hong Kong, she said the picture for markets, especially for fresh food, was much brighter.

Representation by 12 South African companies at the recent Hong Kong Food Festival Fair, had drawn keen interest and "good orders," but the large number of small buyers made it essential for exporters to operate through the South African consul or a local agent.

She said the highly populated area offered an ideal shop-window to the Far East, including mainland China.
THE RAND

Exporters’ blight?

Whatever happens, there’s always someone who will complain. So it is that the rand’s healthy performance recently is upsetting some of the exporters.

A Reserve Bank spokesman says the Bank has been restraining the rand’s appreciation “to try to create an orderly market by avoiding too rapid an appreciation and to protect exporters.”

Indeed, the Bank is particularly concerned that new exporters should not be knocked out, one reason it has been taking the opportunity to stock up with dollars. But although over the last week or so the Reserve Bank has been a net buyer of dollars, thus boosting SA’s forex reserves, the rand has also appreciated considerably.

It was only on August 18 that the rand was wallowing at US$0.379. It has since appreciated by 20% to around 45.3c, before falling back to trade at 44.35c at one stage on Tuesday as demand built up and exporters were again taking cover (see Markets).

Describing the Reserve Bank’s actions, Barclays says it has “engaged in active two-way trading in an attempt to see the rand’s appreciation take place in an orderly and stable a market as possible. In view of the higher gold price, the Bank now has an increased dollar supply with which it can regulate the market.”

On technical considerations, the rand has “successfully broken out of its channel and any downward pressure is likely to be of relatively short-term duration,” says Standard Bank.

CitiBank’s Trevor Turner believes the supply of dollars, which pushed the rand up over the past two weeks, now appears to have eased. “This means that appreciation in line with the gold price will tend to more caution.”

But the rand has not only gained against the dollar. On August 19, £1 bought R3.95. By Tuesday, the rand had firmed almost 18% to R3.26. The rand, worth 39.13 Yen and DM0.78 on August 28 respectively, rose to 69.19Y (up 17%) and DM0.91 (up 16.7%) on Monday before easing back slightly on Tuesday. Standard Bank’s trade weighted index has jumped up to 54.74 — against 45.08 last Tuesday and 39.95 on August 19.

Compared with the rand’s earlier rapid appreciation when it reached 50.53c on March 5, the currency’s present appreciation is slower, more stable and, as Senbank economist Peet Strydom says, “more firmly based.”

This, in turn, means the currency is less exposed to downside risk. There are new positive factors involved compared to earlier in the year: the pace of capital flight has slowed; a debt agreement is now, of course, in place; gold is on a high, and the economy is beginning to show signs of recovery. Similarly, the present reversal in bonds and shares is more gradual and largely due to a change in sentiment, rather than to superficial changes. Importers are not covering forward immediately, but are now paying at the end of their credit period.

“Fewer importers are buying forward dollars. Thus, the leads are lengthening rather than the lags shortening,” says Currency Risk Management MD Dave de Kock.

Not only has the Bank gained more dollars, but its more professional method of intervention is increasingly being praised by participants.

The Bank no longer largely confines its deals to brokers, but more often deals directly with banks and quotes through the dealing screen, enabling the corporate sector to monitor the Bank’s actions. The consequence is improved communication and understanding. One dealer says the Bank knows when the market is long on dollars and no longer just sits. “They call us directly.”

Another observes that the Bank is not taking dollars out in large chunks causing the rand to fall, but is taking dollars out in patches allowing for gradual moves. This is important given that the Bank is the major market participant with substantial influence on the exchange rate. It now receives a substantial portion of its dollar accruals from the South African mining houses, who have had to convert all earnings to rands since December.

So, certainly, optimism has improved, but is it justified?

Sentiment suggests the rand can gain further in the short term, but structurally not much has changed. The same factors that caused the rand crisis are still present.

The political problems are far from solved; capital flight will not cease until genuine stability is attained; SA is still branded the pochid of the world and has to cope with the resultant pressures; reserves are still low; a large surplus has to be maintained on the current account to service foreign debt; inflation continues to erode the currency’s value and shows no sign of dropping to anywhere near the rates of our major trading partners. This is despite inflation overseas showing signs of increasing.

These factors must not be overlooked at a time of an appreciating rand, especially in view of the underlying political situation.

Furthermore, officials have consistently cautioned against a high rand, noting the adverse effects a strong currency will have on exports. There is also fear of the capital flight intensifying through the actions of “rand hostages.”

Says one dealer: “They learnt their lesson when the rand was last at US$0.3c.” In this light, the rand can be regarded as at a reasonable level.

MOTOR INSURANCE

AAI knock

One of the many problems to emerge from the AA Mutual Insurance (AAI) crash is the disruption of the “knock-for-knock” agreement, a development which leaves many motorists in the lurch.

On the one hand, insurers insist that AAI is still liable for claims under the principles of knock-for-knock, even if its insurers did not cause an accident. On the other hand, the liquidators are not sure whether to assume liability and have been “negotiating for some time to resolve the sticky problem,” as one insurer says.

The knock-for-knock agreement was an idea imported from the UK many years ago and has reportedly worked well. Almost all local insurers are party to it.

The principle is that insurers pay only for repairs to their own clients’ vehicles, not to those of third parties, irrespective of liability.

Rand pulling harder
E Cape could benefit from export drive

By DENISE BOUTALL

AN EXPORT foray by South African motor component manufacturers could result in contracts worth between R200 and R500 million and Eastern Cape companies are also expected to benefit.

On May 17 South African component manufacturers took part in the biennial international exhibition of component manufacturers, Sitev, in Geneva. Six of them came from Port Elizabeth or Uitenhage.

In an interview the director of the National Association of Automotive Component Manufacturers, Mr Denzyl Vermooten, said manufacturers were confident of new export contracts worth at least R200 million and possibly as much as R500 million a year.

Some of the work would definitely come to the Eastern Cape.

A spokesman for one of the Uitenhage-based manufacturers said today that his company had not received any firm orders yet, but was still negotiating and there was a chance of them landing a contract worth R5 million.

He said if the company did get new contracts, it would not publicise it because it could lead to political pressure on clients.

In PE the technical sales manager of the Guestro Wheels division of Dorbyl Automotive Products, Mr Don Mattheuw, said they had received numerous inquiries after Sitev, but no firm orders. They were busy with "very promising" negotiations.

No other companies' spokesmen were available for comment today.
Attractions abroad

Strategies to counter sanctions are being cooked up in corporate offices all over the country right now, but for the chairman of the Assocom-JCC export committee there's only one overall answer — exports.

Money earned abroad, reckons Rob Reurnert, is vital to creating new jobs, upgrading living standards and redistributing wealth.

"If we are going to have equitable standards in this country," Reurnert tells the FM, "we'll have to create more wealth. We cannot simply take money from one group to give to another."
All SA goods held up in US

From SIMON BÄRBER

WASHINGTON. — US Customs officers are holding up all South African goods arriving in the US at their point of entry, while the Reagan administration works out how to implement and what is covered by sanctions.

Mr Francis Keating, a senior Treasury Department official, said at the weekend: “We now have a complete halt on everything that comes in from South Africa.”

However, he said some of the goods may be released “within a short period of time…”

In overriding President Reagan’s veto last Thursday, Congress imposed an immediate ban on imports of SA steel, iron, agricultural goods and any product “grown, produced, marketed or otherwise exported” by a corporation or partnership owned or controlled or subsidized by the government of SA.

The Minister of Trade and Industry, Dr Dawie de Villiers, last night said from Pretoria that the US action was surprising.

“I am not aware — if it is so — that all South African products are being held up. It surprises me.”

He said the sanctions, as passed by Congress, had many vague points on which the US Commerce Department still had to give “clarification”.

“It was never proposed that the importation of all products should be limited until they sort out the issue…”

It is not in accordance with the sanctions legislation because the measures affect specific products.

“I accept that one can expect further clarification but what is happening now is not what we understood the legislation would entail,” he said.

As to comment on how long it might take to compile a list of products affected by sanctions law, he said it was difficult to say because the “drawing up of definitions” could be a “time-consuming process”.

Mr Keating said the administration as yet had no list of banned items and the Customs Service had accordingly been ordered to block all SA imports, even if they appeared to be legitimate.

The administration has accepted that this temporary overkill is necessary because of congressional suspicions that the new law will not be carried out wholeheartedly.

The White House is at present drawing up formal executive orderrgion how to implement the law.

In addition to the products already mentioned, imports of SA coal, uranium and textiles must cease within 90 days, new US investment in South Africa within 45 days and SA Airways flights to New York by next Sunday.

Meanwhile, the appointment of Mr Edward Perkins, the black diplomat who has been named to replace Mr Herman Nickel as US envoy to South Africa, was expected to be confirmed before the end of the week.
Strategic minerals outside sanctions net

US bans most SA imports with parastatal connections

By Neil Lurssen

WASHINGTON — A fortnight after the United States Congress voted for economic sanctions against South Africa, American bureaucrats are still sweating over a final interpretation of the Bill.

All goods imported from South Africa, including shipments that are not prohibited by the new law, continue to be frozen in the US.

Some of the goods are, however, being released into the custody of the American importers on condition that they are held in warehouses until authority is given for final release.

Section 303 (a) and (b) of the sanctions Bill is providing the officials with their biggest headache.

It bans any article that is grown, produced, manufactured, marketed or otherwise exported by a South African “parastatal organisation” and it defines “parastatal” as a corporation or partnership owned or controlled or subsidised by the SA Government.

Exempted from the restrictions are business entities that previously received start-up assistance from the SA Industrial Development Corporation but which are now privately owned.

There are also exemptions affecting goods produced by parastatals — such as strategic minerals that the US cannot get elsewhere, agricultural products imported during the next 12 months, and goods ordered by contract before August 15, 1986 and delivered to the US up to April 1 1987.

The problem facing the officials is to compile a complete list of parastatals and to establish which SA companies are getting subsidies and, if so, how much.

Adding a complication is a provision in the Bill that prohibits imports from third countries where an SA parastatal has been involved in the production or marketing of the goods.

As one official put it: Obvously, we cannot go to Pretoria and ask them to give us this information. Why would they want to help us put the screws on them?

The list of parastatals is being compiled by officials at the US State Department. Until it is completed, the present situation will continue, a spokesman for the US Customs Service said.

A State Department official said it could be days before the list can be sent to the US Treasury, the Customs, the Commerce Department and the Agriculture Department for enforcement of the sanctions.

State Department officials started work on the list before the sanctions became law in the hope that they would beat the problem. But much of the information they received was dated, it is understood.

Lawyers are keeping a close watch on the situation and are ready to file complaints should the final list turn out to be inaccurate.

Meanwhile, travellers who arrive in the US wearing or carrying gold coin jewellery from South Africa or the Soviet Union will have to prove that the jewellery was imported into the US before October 2, 1986 (when the sanctions were enacted) and that they are bringing the items back after taking them abroad.

But customs officers have been instructed to allow the jewellery into the US only if it is in small quantities for personal use and not if the quantities appear to be commercial.
Costs with SA coal

Europe is cutting power

Preliminary cost analysis for many major European power plants shows that SA coal is significantly more expensive than a number of other options. This includes the use of indigenous South African coal and imported coal. The cost analysis takes into account the various factors that influence the cost of coal, such as transportation, storage, and handling. The results indicate that the use of SA coal is not cost-effective compared to other options, and suggests that the government should explore alternative sources of power to reduce costs and increase competitiveness. The analysis also highlights the importance of diversifying the energy mix to ensure energy security and sustainability.
Big role seen for exports

GROWING emphasis on import replacement programmes should not deflect manufacturers from a more important target — export markets.

This was said by Board of Trade chairman Lawrence McCrystal who added that although industry was being encouraged to gear up for local manufacture of expensive imports, it should not lose sight of exports.

He said over the weekend government plans to stimulate import replacement had struck a responsive chord in industry.

"Industries are looking forward to it. It's releasing an awful lot of energy. And it's very good that people are looking at this — as long as they don't neglect exports.

"I am concerned that with all the emphasis on import substitution, we will take our eyes off the more impor-

tant ball — export contracts. We need not just maintain them, but must make them grow.

"A country or industry that only looks in on itself won't have a place in world markets."

McCrystal said the Board of Trade was actively investigating which industries were ripe for import substitution. While some form of tariff protection was likely to protect local industries from imports, he said the board would not encourage programmes in industries which could not maintain them — either through high costs or too-small a market.

"We are ensuring that when one does replace something, it is economically viable to do so," he said.
Firms Trading in SA Shares

Feas of ban on American

Hong Kong open 9.30 a.m. to 12.30 p.m. Monday to Thursday
9.30 a.m. to 12.30 p.m. Friday
9.30 a.m. to 1 p.m. Saturday

Analyst: do some speculation on your own.

Gold price in dollars

<table>
<thead>
<tr>
<th>Date</th>
<th>Price in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/2023</td>
<td>1,000</td>
</tr>
<tr>
<td>02/01/2023</td>
<td>1,050</td>
</tr>
<tr>
<td>03/01/2023</td>
<td>1,100</td>
</tr>
<tr>
<td>04/01/2023</td>
<td>1,150</td>
</tr>
<tr>
<td>05/01/2023</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Note: The data above is hypothetical and not intended to be an accurate representation of gold prices.

By Steve Longe
Europe determined to have SA coal ban

LONDON. - A new assault on South Africa's R2,3-billion coal trade with Europe is imminent.

The European Community's 12 Foreign Ministers are meeting in Luxembourg on Monday and Tuesday for the first time since agreeing in Brussels a little more than a month ago on bans on South African exports of gold coins, iron, steel and new investment.

West Germany and Portugal headed off a coal ban then, but Holland and Denmark emerged from the tough, protracted meeting promising to push for the ban at every opportunity.

They now feel their case is stronger, with the recently-imposed US measures — which, significantly, include a coal ban — in their favour.

The Dutch Foreign Ministry has confirmed that Foreign Minister Mr Hans van den Broek will make an attempt on Monday for a coal ban to be added to the European package.

Consensus

A spokesman said: "Our position remains unchanged. That is, that the EC package would be meaningful only if it included a ban on coal exports."

The Foreign Office in London yesterday said that Britain would not object to including the ban as long as there was consensus among the 12.

West Germany, though, remains rigidly opposed to it. The German Foreign Minister, Mr Hans Dietrich-Genscher, is undoubtedly under greater pressure this time, following the approval of the US measures.

Britain, holding the presidency of the EC, undertook in Brussels to "continue to seek consensus" on a coal ban, and will probably find itself again caught between opposing sides which are reluctant to compromise.

The question of a coal ban may, in fact, be subordinate to a wider debate on Southern Africa in general.
Citrus crop expected to earn R500m

By JENNY CULLUM

SOUTH AFRICA'S 1988 citrus crop is expected to earn well over R500 million - and 1987 crop prospects are favourable so far.

Among developments planned for next year are:

- Increased emphasis on the "easy peelers" - exotic soft citrus fruits.
- More attention to the local market.
- Investigation of local packaging alternatives to the familiar "pockets" of oranges.

Sales of valencia oranges are still in full swing on overseas markets, with total export volume up 5% on the previous season, although the crop dropped by 3%.

Early season varieties of navels, lemons and grapefruit brought record export prices, with favourable exchange rates for the first half of 1988 and a buoyant overseas market.

However, overseas markets are heavily supplied with competitive citrus fruit from South America, which has caused a price drop in valencias.

Export sales normally carry on till the end of November, when the market is taken over by Northern Hemisphere citrus.

The total crop topped R500 million for the first time last year and the Citrus Exchange is "cautiously optimistic" that the overall 1988 results will be satisfactory, in spite of the strong competition, says assistant general manager Mr Arend Venter.

The Eastern Cape's citrus areas - Sundays River, Gamtoos and Port Beaufort - produce 15% of SA's crop.

Citrus is the third-biggest agricultural revenue earner for the Eastern Cape and is expected to double production in the next five years.

The packing season, which began with the opening of Port Elizabeth harbour's new R8.8-million pre-cooling facilities, has just ended.

By next year a new R2.8-million packhouse will replace the Sundays River Co-operative's old building.

Prospects for the coming season are encouraging, with good irrigation water supplies, heavy recent rains and blossom setting on the trees.

Special attention will be given to boosting the production of "easy peelers" - exotic soft citrus varieties of clementines, ellendales, satsumas and minneolas - which are very popular overseas.

These were first exported in 1980 and the volume has increased relatively slowly. Total production is about 500 000 cartons.

Mr Venter said that growth would be more rapid from now on.

The industry has decided to pay more attention to the local market and to investigating upgrading the image of citrus fruit.

Local packaging is being probed and tests are being carried on a variety of containers, including cartons and bulk bins.
SA's exports to Israel were up 70% in the first four months of 1986 against the same period last year. Imports declined 10% over the same period.

The SA-Israel Chamber of Commerce said the rand's low value had caused a significant increase in SA manufacturers looking at Israel as a target market.

Inquiries from SA firms seeking Israeli industrialists as partners in joint-venture agreements were also on the rise, the chamber said in its annual report.

Exports to Israel continued to be dominated by mineral products (42% of total exports) and base metals (23%). Exports of base metals, mainly steel, jumped 95% over the previous year, it said.

The report targeted machinery, electrical equipment, vehicles and aircraft as exports which performed well and showed growth potential.

Leading the list of imports from Israel into SA were machinery, electrical equipment and parts, chemical and allied products. These accounted for about half of total imports.
Clothing exports deadline looms

Finance Editor

THE Government must give top priority to maintaining exports, says The Cape Chamber of Industries in a report which points out that December 30 will be the last day South African clothing and textiles will be allowed to be imported into the United States.

The South African embassy in Washington has told the National Clothing Federation that textile and clothing exporters will have 90 days from October 2 to deliver merchandise to the United States in terms of section 309 (B) of the Comprehensive Anti-Apartheid Act of 1986.

This means the last day of entry into the United States will be December 30.

The Director of US Customs says once the ship is within the limits of the port of entry documents can be presented to customs for clearance and that date will be declared "date of entry" even if the merchandise is offloaded at a later date.

The Chamber says that October has been characterised by an escalation in the debate on sanctions. This has resulted in the various Federated Chamber of Industries' committees dealing with foreign trade to discuss strategy to withstand the effects of boycotts and sanctions.

They have drawn up a course of action which includes:

- Re-evaluating the entire approach towards maintaining and expanding exports and according national priority;
- Aggressive action by the private sector to diversify export markets and develop new products;
- Continuous communication between Government departments involved in the export effort and the private sector;
- The work by the Kleu-Reyners Committee of Investigation into export support should be accelerated; and
- South Africa's undertaking to accede to the GATT code on subsidy and countervailing duties should be re-evaluated.
COMPANY ROUND-UP

<table>
<thead>
<tr>
<th>PRELIMS</th>
<th>Turnover (Rm)</th>
<th>% change</th>
<th>Profit (Rm)</th>
<th>% change</th>
<th>Earnings (c)</th>
<th>% change</th>
<th>Div (c)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romatex</td>
<td>489.5</td>
<td>+13</td>
<td>27.6</td>
<td>+128</td>
<td>64.7</td>
<td>+85.6</td>
<td>29</td>
<td>+73.3</td>
</tr>
<tr>
<td>INTERIMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barlows</td>
<td>n/e</td>
<td></td>
<td>100.7</td>
<td>n/c</td>
<td>148</td>
<td>n/c</td>
<td>71.3</td>
<td>n/c</td>
</tr>
<tr>
<td>Gresham</td>
<td>40.08</td>
<td>n/c</td>
<td>2.55</td>
<td>n/c</td>
<td>3.2</td>
<td>n/c</td>
<td>1.8</td>
<td>n/c</td>
</tr>
<tr>
<td>Edgars</td>
<td>423.02</td>
<td>+24</td>
<td>35.03</td>
<td>+134</td>
<td>853</td>
<td>+127</td>
<td>215</td>
<td>+72</td>
</tr>
<tr>
<td>Ziboard</td>
<td>18.09</td>
<td>n/c</td>
<td>2.56</td>
<td>n/c</td>
<td>2.9</td>
<td>n/c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ansell</td>
<td>293.5</td>
<td>+24.6</td>
<td>5.97</td>
<td>n/c</td>
<td>34</td>
<td>n/c</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Roumat</td>
<td>254.7</td>
<td>+20.2</td>
<td>7.79</td>
<td>+60.6</td>
<td>20</td>
<td>+700</td>
<td>14</td>
<td>-21.4</td>
</tr>
</tbody>
</table>

n/e — not enumerative  n/p — not provided  n/a — not applicable

Form-Scaff reaps a rich foreign harvest

FORM-SCAFF Industries has moved from the wasteland of South African construction industry and is conquering foreign markets.

It is increasing its diversification into fields like mining through its Natbolt acquisition.

Its results have been phenomenal. Jeff Liebesman, group managing director and chief executive, says it is only the start.

FSI’s annual report shows a 196% leap in pre-tax profits from R2.8-million to R8.5-million for the year to June. SA scaffolding and formwork business contributed only 12.5% of revenue. Earnings a share soared from 7c to 24c and the annual dividend rose from 2c to 6c.

By Ruth Golemba

"Our overseas companies are ready to capitalise on start-up expenditure. They are well positioned and established and are competing well in their markets. "We are ready for any improvement in SA. It would boost earnings." FSI's formwork and scaffolding division is one of the largest in the world after its acquisition of foreign and SA manufacturing, engineering and property companies from the unlisted Form-Scaff Investments.

FSI's 79% holding in National Bolts, which bought the industrial fastener businesses of Lennings, Rat Steel and Metal Bolts in the past year, is expected to lift earnings in the current year.

A 49% increase in earnings is predicted for Natbolt, which Mr Liebesman says is poised for growth as all expenditure and rationalisation have been completed.

The face of Natbolt has changed considerably.

Within three years it took over three major industrial fastener companies and turned them around from combined losses of R15-million to R15-million profit in the six months to last December. The group now dominates the SA fastener market.

Metro on course

IN spite of intense competitive pressures, Metro Group profits do not accrue evenly throughout the year. The bulk
Higher wages pricing SA out of export market

Unions 'must take part in Wesplan'

By AUDREY D'ANGELO
Assistant Financial Editor

THE trade unions must be involved in Wesplan — the campaign to create more jobs in the greater Cape Town area which was launched this week — if it is to have any hope of success, Plessey (SA) MD John Temple said yesterday.

Warning that the unions' cooperation was vital, Temple said that export orders and therefore jobs were already being lost because wage rises were pricing SA out of the market.

'Special export projects'

He suggested that, purely to provide jobs, there should be special export projects making little or no profit, with union representatives on teams going overseas to secure orders and helping in the costing to keep prices competitive.

These should be quite separate from the normal profitable business of the company, for which higher wages and salaries would be paid.

Temple emphasized, in an interview, that he was in favour of higher wages and living standards for SA workers and sought no confrontation with the unions in their efforts to secure this.

"I take the view of Henry Ford, who said he wanted the workers to earn enough to be able to afford to buy Ford cars.

"SA must pay people more so that they can spend more and pull the economy up by its bootlaces — but only if they are giving value for money on the export markets."

Temple said pressures in this country were pushing up labour costs, and it was not always possible to pass these on to the customer.

"We used to do a lot of exporting but next year we have budgeted to do none. We have been priced out of the export market."

"If a firm makes no profit on a product it drops it and if a product is dropped, job opportunities are lost."

Temple said it was cheaper to import a PABX switchboard than to make it in this country.

"This was not necessarily due to SA levels of productivity."

"At Plessey, SA, people are as productive as at Plessey anywhere in the world, as far as output per person goes, for the level of automation we have."

"But we cannot compete with the British level of automation so we cannot produce as cheaply."

This situation would change, he said, if export markets were sufficiently large to make more automation worth while.

To achieve this, unions and manufacturers must get together round a table and achieve a balance.

'More jobs'

There should be a two-tier structure. There should be a normal programme of giving people good wages for products which could be sold profitably when these were costed in, and there should be special projects when there was an opportunity to get a large export order providing work for less skilled people who would otherwise be without it.

"We can get large export orders for work that can be done by less skilled people, such as making cables. And if we can sit with the unions and agree to do it as a special project, telling them the price the market can stand, more jobs can be provided."
Exports helped in debt negotiations

The outstanding performance last year by South African exporters had laid a solid foundation for the successful outcome of the foreign debt standstill negotiations, the Deputy Minister of Finance and of Trade and Industry, Mr Kent Durr, said yesterday.

Addressing the annual meeting of the SA Foreign Trade Organisation in Johannesburg, he said the good performance was reflected in an export growth of nearly 50 percent, which had generated R20 billion in non-gold exports and produced a surplus of no less than R7 billion on the current account of balance of payments.

"This was a major reason why our short-term debt repayment could be negotiated so successfully after certain American banks tried to pull the rug on us."

Although foreign trade was the key to South Africa's national economy, the country's economic growth would have to rest jointly on two legs, the other being "inward industrialisation," said Mr Durr.

Anything that served to create the employment and wealth so desperately needed should be encouraged. "But let us be quite clear that exports will remain indispensable for many years to come."

"Our economic growth will have to rest on the two legs jointly, so we should avoid any undue emphasis of the one strategy over the other."

Of sanctions, Mr Durr said: "It would be unwise to over-rate (their) impact, but similarly, it would be shortsighted to under-estimate our ability to overcome these disabilities by good and solid advance planning.

"The message I wish to convey is one of optimism with respect to economic expectations for the immediate future... the present situation presents not only challenges but also greater opportunities for the South African business community."

Mr Durr said that, in view of the increasingly complex relationships South Africa faced internationally, any publicity about delicate topics such as methods of sanctions-busting should be avoided.

One of the dangers the export sector faced was that the threat of harsher sanctions could itself undermine confidence.
Hong Kong is getting its Coca-Cola from SA.

The Star's Foreign News Service

HONG KONG — South Africa is supplying much of Hong Kong's Coca-Cola because the weak rand has made it a cheaper source than almost anywhere else.

Coke is only one of a number of commodities in South Africa's Far East trade.

And now, a Financial Times report says, the prospect of increasing sanctions has prompted Pretoria to consolidate trade relations in Asia.

OPPENHEIMER VISIT

Hong Kong, as an important commercial centre for import and export and a no-questions-asked trade authority, is expected by many to play an important part in this consolidation.

The report suggests that Mr Harry Oppenheimer — who has just spent four days in Hong Kong, insisting it was a holiday — was there either to discuss possible acquisitions or was working to make sure pressure for sanctions does not mount in the territory.

Hong Kong is an important trading partner in its own right, with imports from South Africa — excluding gold — amounting to about £700 million last year and growing at a rate of about 40 percent in the first half of this year.

The territory is also a crucial conduit for South Africa's trade with Taiwan and with mainland China, which officially denies having any trade links with Pretoria.

The Hong Kong Government, true to its "hands off" policies, has signalled that it has no intention of imposing sanctions on South Africa.

At the same time, officials insist that trade with South Africa is tiny in the context of the territory's overall trade.
SA must stress export growth, says Clewlow

By Stan Kennedy

The chairman of the SA Foreign Trade Organisation, Mr Warren Clewlow, says in his annual report to end-June that export growth must remain central to the country's development policies.

South Africa's export performance in 1985/86 broke all records, with total gold and merchandise exports touching R38.2 billion — a 31 percent increase.

Non-gold exports increased by 35 percent to R22 billion and, although merchandise import volumes dropped, the value increased by eight percent to R24 billion, resulting in a substantial trade surplus of R14 billion at the end of June.

Mr Clewlow says: "Historically, economic growth has been export-led and this is borne out by the current signs of an emerging upswing in local business.

"This is the inevitable result of the superb performance by the export sector last year, especially of merchandise exports, which rose by 37 percent in value."

To sustain such a high export growth in the face of the likely domestic revival it is essential, he says, that there is new investment in plant and technology.

South Africa can no longer rely on foreign sources and will have to generate the necessary capital investment from its own sparse resources. He says recommendations on this aspect have already been made to the Government.

He says that only too frequently domestic revival leads to a traditional downturn in exports as more production is absorbed by local demand.

"There is a very real danger that unless there is new investment in export-dedicated plant, renewed domestic demand will result in reduced availability of products for exports."

"Without this investment there will be a calamitous easing-off of foreign exchange earnings and lost opportunities for economic growth and job creation."

Mr Clewlow says one of the dangers of the sanctions programme is that it could undermine current export buoyancy and lead to a loss of local business confidence.

EXCUSE

It could also provide an excuse to ease off on the export drive.

"The combination of sanctions threats and a domestic business revival could reinforce the wait-and-see attitude that the country can ill afford."

"An effective counter-sanctions strategy calls for South African companies to retain their commitment to their foreign business and, where necessary, to diversify into new markets."

Structural changes are emerging in world trade and there is a move away from bulk raw materials towards value-added products.

While the shift may present dangers to South Africa's traditional major exports, Mr Clewlow says it does indicate the direction which the export sector should take.
support furniture on international markets with the aid of new companies established in the UK and Mauritius.

Director and head of production Mike Edwards says GA is now studying approaches from 63 companies in 17 countries which are interested in selling or manufacturing the Remisystem range under licence. Just back from an international office equipment fair in Cologne, where the furniture attracted wide interest, Edwards tells the 'FM': "We are most interested in five approaches from UK companies, three serious inquiries from the US and three from Australia.

Right partners

"It's critical that we choose the right partners. We were astonished at the interest in the product at the fair — there's nothing quite like it on European markets. But we need the best support we can find in each foreign market to really succeed."

The international rights to the Remisystem range have been granted to UK-based Remisystem, which will appoint international distributors and licensed manufacturers. Components for the range, which has been specifically designed with container export in mind, will be manufactured by a joint-venture company in Mauritius.

"The whole package has been put together to keep SA out of the spotlight," says MD Grant Andrews. But the benefits will flow back from the sale of components, licence fees and the kudos that comes from any export success.

The venture will also help secure GA's position in the local specialist office furniture market, which has shrunk from R180m a year to about R120m a year in the present recession.

"We want to avoid being dependent on one market," Andrews explains. "We've always known we have the product and the expertise to succeed in other markets. I think we've now proved it."

Moving targets

There's more than one way of getting a foot into foreign markets, as South African office furniture manufacturer and supplier Grant Andrews (GA) has found.

The company is about to launch a locally designed and developed system of computer
Fruit Board a major currency earner

HUNDREDS of thousands of tons of deciduous fruit are exported from SA annually, making the Deciduous Fruit Board a major foreign-currency earner.

Last year the board exported 330 000 tons of fruit, compared with 261 000 in 1980. Gross turnover rose from R245m in 1980 to R490m in 1985, while payment to growers increased to R251m (R129m).

The board, which is 59 years old this year, handles the export of all apples, pears, table grapes, plums, peaches, nectarines and apricots. Apples comprise over 50% of all fruit exports.

There are 1 500 registered members of the board from nine farming areas, mostly in the south-western, winter-rainfall regions of the country. The executive consists of members elected from each of these areas.

Once the fruit has been passed for export and packed, the board assumes full responsibility for its export. The fruit goes through a system of interior cooling, and then transported to the ports. The board arranges all shipping procedures and ultimately the distribution overseas. Obviously, quality control forms an important aspect, because of the perishable nature of the product.

The major strength of the Deciduous Fruit Board’s export operation, giving us the edge over our competitors, is the single channel export system. Other southern-hemisphere producers and those from European deciduous fruit producing countries cannot match our system,” says the board’s CE, L B Kriel.

Reliability

The board has built up a reputation among its customers for quality, quantity, continuity of supply and reliability. Customers know a month in advance what fruit they can expect from SA.

Ten years ago the marketing season was from January to June. This has been extended from October to October.

Ongoing research into improved packaging and handling has also served to enhance the quality of South African fruit. The board is a leader in packaging material for its products. Not only do the new packaging methods protect fruit travelling more than 10 000km but they serve to prolong shelf-life.

SA is perhaps the only country in the world to be fully palletised in the export of deciduous fruit. Every carton is placed on a pallet, which has enabled the board to step up its exports.

Redesigning pallet height has increased capacity, since full use is made of the space on ships. A new apple cart has enabled the board to step up its exports.

The export spread, while extending overseas, also includes many African countries and new markets are being developed all the time.

However, a major task at the moment is to develop and promote the local market. Growers are competing with one another for the sale of the products in SA, with the board still monitoring quality.

THE SCIENTIFIC approach to agriculture is paying dividends to a major avocado pear exporter, and has more than quadrupled its output.

Avocado pear trees on the Westfalia Estate in Duiwelskloof have a very high yield. The estate produces 13 tons per hectare — compared with the industry average of about three tons — due mainly to research inputs.

Westfalia has its own research-laboratory team, which has conquered many soil diseases which often affect avocados. However, another aspect which has contributed to this increase is an irrigation system throughout the orchards.

Westfalia is a subsidiary of the Hans Mereneky Foundation, which is involved in timber and agriculture production. Avocados are the main export item but nuts and tea are also produced and exported.

At this stage, about 80% of the products are exported but it is hoped the local market will increase because, it is felt, it could be developed considerably.

About 60% of Westfalia’s avocado quota sold in Europe, 40% finding its way to British Columbia, Canada and the USA.

Westfalia GM D I Milne is confident avocados will increase in popularity and demand for the fruit will increase locally in future.

He says the major avocado producers are the Israelis who, by spending a lot of money on advertising and marketing, have greatly strengthened the SA industry, which supplies the European markets during the Israeli off-season.

SA’s contribution is too small to invest money in large-scale promotion. A major feature of Westfalia is the attitude towards labour.

With a workforce of about 1 200, Milne is using the Hertzberg theory of labour motivation, which calls for a greater involvement of workers in decision-making and responsibility. He says this has increased production considerably.

Entering the State President’s Export Award is part of Westfalia’s motivation programme to make staff feel they have achieved something special through their efforts.

Research ups Westfalia’s avocado crop

The closest markets are ‘the best markets’

Last year’s overall winner of the State President’s Export Award, Premier International, sees its future in SA and Africa itself, and is accepted by all the African countries the company does business with, reports MD ALBERT NELissen.

PREMIER International believes that the future of SA and Premier itself lies in Africa.

The closest markets are the best markets, according to MD Albert Neilsen. However, the company philosophy is not merely to export for its own sake, it needs to ascertain that the right products at the right price are used to the maximum benefit of customers.

The idea is not only to sell but to assist the countries concerned.

Premier only exports essential commodities such as food and agricultural foods.

When Premier considers an African country to which to export, a great deal of investigation is carried out into its economic structure.

‘The company has implemented a logistics network catering for every country’s requirements and to gain the trust of the country and its people before a marketing strategy is established.’

‘It is an aggressive marketing strategy through honest business and confidence,’ says Katerina Yiannakis, GM of Premier International, who has travelled extensively implementing such programmes.

Premier exports to many countries in Africa and, according to Neilsen, is accepted by all those countries.

The company systems have assisted in many agro industries on this continent. A team of personnel can visit customer markets at a moment’s notice and can call on the back-up service, which can access the necessary data and provide motivation not only for Premier but also other companies creating the infrastructure.

Basically Premier’s achievements have grown consistently from year-to-year in the four years it has been exporting.

Neilsen says the aim is to export a minimum of 15% of the group’s annual output.

Premier was overall winner of the State President’s Export Achievement Award in 1985.

Yiannakis says the award has motivated staff and added a certain credibility internationally.

In addition, Neilsen feels it highlights to government and those in the private sector which company is doing what, where and, hopefully, it will encourage others to enter the export market.
SA's total export industry has grown 20,6% a year at current prices between 1970 and 1985.

Since current export rulings were implemented, international trade circumstances had undergone enormous changes, Minister of Trade and Industry De Villiers said at the State President's Export Awards ceremony last night.

It had become clear that current measures were no longer adequate or cost-effective, and government had last year decided to investigate industry circumstances, he said.

A committee had been appointed to this effect, he said.

In the meantime certain bases for a new dispensation had been accepted. A new system of incentives would be based on structural adjustment assistance, tailored to meet the needs and circumstances of specific industries.

Measures to provide assistance would be selective and differentiated. The consideration of incentives for particular adjustment assistance would be a continuous process, and the system would be consistently monitored and adjusted where necessary.

Incentives would be introduced only after proper investigation and consultation with the industry concerned.

Incentives

Note would be made of the position of producers who had entered long-term export contracts on the basis of existing incentives. A notice period of 12 months would be granted to each sector to adjust to the new system. Industries would be able to change over to the new system immediately after the announcement of new incentives for their sector.

Over the past five years serious drought, changing international commodity prices and the relatively low inflation rates in SA's most important export markets had seen the composition of the export industry change, De Villiers said.

The drought meant SA agricultural exports had become a less important sector of this market, and exports of manufactured foods also suffered.

Manufactured goods exports were disadvantaged because of cost-pressure factors within SA, as well as the lower inflation rates of major trading partners.

But in 1984 the real value of certain categories of export — like non-precious metals — increased because of the rand's sharp fall on foreign exchange markets.

Mining too, showed growth and this trend continued in 1985 and this year, De Villiers said.

This contributed to a surplus balance of payments account in the first and second quarters on 1985 of R4,2bn and R6bn.

These improved conditions showed the SA export industry was able to overcome adverse conditions, De Villiers said.

Exporters succeeded, despite lack of business confidence and unfavourable international opinion of SA's not only keeping existing markets but in creating new ones for their industries.

"I wish to thank those who made 1985 one of the best export years in SA history," he said.

De Villiers said he would like to elaborate on export successes, but current international conditions meant it was better to remain silent about information of this nature.

"I believe under these circumstances it might even be necessary to take another look at the nature and form of this export award.

"There might be merit in shifting the focus from the winners and runners-up and giving this banquet a new form and content."

De Villiers said the promoting of exports remained a high government priority, but stressed the industry's driving force lay with the initiative and push of exporters themselves.

"The authorities can only support and strengthen their actions on a limited scale."

Awareness

The Minister said it was encouraging to note a growing awareness among manufacturers of the benefits to be derived from exporting.

"This greater export awareness is being promoted by three factors: the under-valued rand, which renders SA products competitive on foreign markets; the low levels of demand in many markets within SA; and the investment in additional capacity which took place in the period 1979 to 1981, much of which is now under-utilised.

"Exporters should not be discouraged by the actions taken against SA. On the contrary, these should be seen as a challenge to be met by greater and more aggressive and imaginative marketing efforts than ever before."

De Villiers said SA must increase its export efforts in every way to reduce foreign debt. This could only be done by generating a surplus on the balance of payments.

The economy's revival, which was underway, would also result in higher levels of imports which would have to be paid for. It was also important to note that sustained upturns in the economic cycle during the past two-and-a-half decades, had generally been those which were export-led, De Villiers said.

"I believe that we should set a target for ourselves to double the value of our exports (excluding gold) in real terms over the next decade."
Sappi overseas market
22% of production

SAPPI exports for the period under review represented about 22% of the company's total production.

Since the completion of the Ngodwana mill in 1966 and with the decline in demand from the local market, Sappi exports have assumed new proportions.

The paper products are acceptable internationally and are considered to be among the better quality papers of the world.

Sappi Limited CE Eugene van As says: "Customers are not too concerned that the paper comes from SA, provided they have security of supply."

Sappi paper is marketed in more than 30 overseas countries. "Care is taken not to supply too large a slice of any one market because of the possible political problems.

"It is also important as an exporter not to embarrass customers and expose them to being boycotted or blacklisted."

"While it would be nice to boast of large export orders, in the present political climate, it would be counter-productive," Van As explained.

SA is a competitive producer of paper products on world markets, and Sappi has world-scale production facilities.

In many SA industries the unit output or unit cost tends to be higher because of small production units, but Ngodwana is one of the biggest and most modern mills in the world.

The strength of the SA paper industry lies in the fast growth of the trees, making a quick turnaround and keeping the wood input costs lower than in the northern hemisphere.

"The disadvantage is that the fibre is not quite as strong, so more of the long fibre has to be used. From a raw materials point of view, the SA paper industry may be compared with the southern states of America, with the same kind of timber growing at the same rate.

In spite of being further away from overseas markets than other paper-producing countries, the distance is not significant once the goods have been loaded on to ship.

The cost of an additional 1 000km is small compared with the cost of loading and unloading.

In the manufacture of paper, the value added is almost entirely local with the exception of equipment and a few imported products forming a small amount of total production costs.

This is the first time Sappi has entered the State President's Export Achievement Award, because it is only since Ngodwana came into full production and the increased capacity at Enstra, that the company's exports have become significant.
Mugabe says SA planning to attack

An SA exporter has complained about the use of FAKE S WAZILAND labels to avoid sanctions.

The exporter, who requested anonymity, said the practice was widespread and the illegal goods were being sent to other countries. The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

SA Industry spokesman, William Smalberger, said the practice was a big concern. He said SA Trade and Industry would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.

The allegations come on the back of a new FAKE S WAZILAND bill passed in SA and SA says the act would act on any such cases.
Looking ahead

In a week in which the spotlight turned on exports, South African industrialists have come in for their fair share of praise.

The value of merchandise exports jumped by 37%, bringing non-gold exports up to R20 billion in the last year. And it was not all due to the low rand because exports by volume have also increased — by 20.8% over the last 18 months.

But already the alarms are ringing. The incipient revival in the local economy has sparked fears that growing domestic demand will swallow local produce that is now flowing into lucrative foreign markets. And, of course, more demand in the local market will push up imports, with a further negative effect on the balance of payments.

Industrialists are being warned that unless their sparkling performances are followed by further investment in productive plant and technology, the economic revival will kill the export drive. With sanctions already a reality, industrial leaders are determined that this should not happen.

The low rand, falling interest rates and surpluses manufacturing capacity created a highly conducive climate for the past year’s excellent export achievements.

“But there’s a very real danger that unless there is new investment in export-dedicated plant, renewed domestic demand will result in reduced availability of products for export,” says Safso chairman Warren Clewell. “This would mean a loss of foreign exchange earnings and lost opportunities for economic growth and job creation at a time when we need them most,” he tells the FM.

Safso has already made “innovative suggestions” to the government, designed to ensure the right climate for sufficient investment to be directed into export production in the years ahead.

As deputy Minister of Finance and of Trade and Industry Kent Durr told delegates to Safso’s AGM in Johannesburg last week: “There can be little question that SA’s foreign trade is the key to our national economy, with import and export of goods and services equalling two-thirds of our domestic product. Exports have traditionally led our economic upturns and are rightly regarded as a priority sphere in economic policy.”

As Durr says, exports also lay the foundation for the success of SA’s debt standstill negotiations and stimulate job creation in a non-inflationary way.

Government, it seems, is already aware of the dangers of losing export markets.

Trade and Industries Minister Dawie de Villiers says government has accepted “certain important principles” of the new export incentive dispensation being investigated by the Klei Commission.

Among the key issues are that incentives will be tailored to suit the needs of different industries, that there will be consultation with industries before incentives are introduced, there will be warning of adjustments and the position of exporters who have long-term contracts will be considered.

That will all improve confidence for export-orientated investments, and it could help SA meet De Villiers’ target of doubling non-gold exports in the next decade.
Coastal export industry 'can help SA expand'

DEVELOPMENT of export industries in coastal metropolitan centres can lead to long-term economic expansion for SA, says H P Langenhoven, economic planner for the Central Economic Advice Bureau.

Speaking yesterday at the Economy, Trade and Manpower Research Conference, he said an important question was whether economic development in SA should be export-oriented or import-replacing.

He favoured the development of the export industries.

"It is possible for SA to escape from the problems that hinder the export sector and general development processes," he said.

Coastal metropolises were 'excellent' for export development, but only if certain conditions — relating to labour, availability of raw material and transport costs — could be fulfilled.

Professor Lou van Wyk of Potchefstroom University, speaking on the contribution of privatisation and deregulation to economic development, said there was a potential for better economic development if privatisation was undertaken as a policy choice.

The authorities should make it easier for individuals to exercise their own initiative, thereby creating a positive climate in the private sector.

"Another requirement is the elimination of discrimination and the right of ownership for every individual," said Van Wyk.
throughout Holland.

Ban SA coal - call

SOWETAN, Tuesday, November 25, 1986
Page 7

EEF/1986/11279
Scheme aids new exporters

By AUDREY D'ANGELO
Deputy Financial Editor

A NEW scheme started by Repfin, a member of the Bankorp group, will make it easier for smaller and medium-sized firms to break into the export market and may also help their cash flow.

Repfin now has a tie-up with a large international factoring organization which will collect money from overseas buyers.

MD Allan Greyling, who has just returned from a trip to Britain and the US to negotiate the scheme, said yesterday that it offers far more than a simple factoring service.

It covers the risk as well as collecting money, and the exporter can receive up to 80% of the invoice value as soon as the goods have been despatched.

"This is of immense value to a smaller firm which has difficulties with cash flow if it has to wait up to 90 days for payment," said Greyling.

"In many cases a manufacturer is afraid of the complex paperwork that exporting can involve and is nervous of sending goods to an overseas buyer he knows nothing about.

"If he makes use of our services all he has to do is find a buyer for his goods, make them and send them off. We can look after everything else for him and our overseas associate will check on the credit-worthiness of the buyer.

"The manufacturer will, of course, benefit from the export incentives." Repfin makes a service charge of between 2% and 3% of the invoice value of the goods and, for the advance, charges above prime rate.

It does not find overseas clients for would-be exporters but Greyling said another company in the Bankorp group could help in this way.
New finance scheme will aid smaller exporters

BANKORP factoring subsidiary Repfin has devised a new financing scheme to help medium to small companies break into export markets.

The scheme represents an extension to Repfin's domestic factoring operations, and is being launched in conjunction with a major UK-based financial company.

Repfin MD Allan Greyling told Business Day yesterday his company had entered into a reciprocal arrangement with an overseas factoring house to provide advance financing for SA exporters.

The scheme provides certain added advantages on the usual methods of financing international trade via letters of credit, or those offered by organisations like Credit Guarantee Insurance Corporation (CGIC). The Repfin scheme covers the risk as well as the collection element, with exporters paid 80% of their end price up front once the goods are "on the water".

"The concept is quite straightforward," Greyling explained. "The SA exporter negotiates a sale directly with an overseas buyer, and then factors the debt via us.

"We, in turn, arrange collection of payment in the buyer's country through our new international associate," he added, declining to name the organisation."
The sanctions crunch

Don’t kid yourself. Effective sanctions do work, in the sense that they cause long-term deterioration in the economy. But they are not going to bring government crashing down. In this, the first of a three-part special report, the FM looks at some likely consequences of sanctions, with special reference to exports

into a de jure situation. It is not as if a significant net inflow of foreign capital is now suddenly to be shut off.

With the Reserve Bank’s gold and foreign exchange reserves of R3.6 billion in June to R5.6 billion in October and still rising, the economy is poised for recovery. The one thing it cannot afford is to write off exports. Indeed, a concerted effort to boost exports is more important than ever.

SA has a high propensity to import during times of economic expansion. Only 5.5% of manufacturing industry is geared to capital goods, so growth is impossible without rising imports of such goods.

In the past, we have financed much expansion from international loans, but for the foreseeable future SA is likely to be deprived of foreign capital. In this environment, ability to export places an absolute ceiling on ability to import. It cannot simply happen and enjoy the benefits of a higher gold price.

Scope, of course, exists for import substitution. A study by the Industrial Development Corporation concludes that at least R4 billion worth of imported products could be made locally. But while import substitution undeniably has a role (particularly in job creation), it is not preferable to export promotion at this stage of development. It is less efficient in an economy already at the limits of industrial viability, based on the domestic market.

An example of the incremental diseconomies of import substitution is the motor industry’s local content programme. To raise local content from the present minimum of 66% to 70%, according to Econtrumtrix economist Tony Twine, would require a 25% increase in tooling costs.

Twine points out, moreover, that over the past decade for each R1 of final product in the manufacturing sector there has been an import requirement of 68c of raw materials, intermediary goods or capital equipment. “Import substitution would therefore require additional imports,” he says. “It is not the simple solution that people think.”

If, as some argue, sanctions amount to no more than a tax on exports, the answer is to increase the efficiency of exports.

Moreover, it does not seem that there will be a total ban on imports. The pattern of sanctions so far is two-pronged: financial sanctions (disinvestment and divestment), and a boycott of exports non-essential to the West.

In this climate, import substitution could be counterproductive unless implemented with circumspection.

Comparisons with the sanctions era in Rhodesia are frequently made. True, SA is more self-sufficient, more diverse, more important a supplier of strategic and precious minerals, not landlocked and therefore independent of other nations to get exports out.

Against these factors, however, SA has captured the attention of the world in a way Rhodesia never did. Rhodesia was essentially a post-colonial problem, whereas SA’s internal policies are a continuing affront to racial sensibilities. Consequently, SA has become an internal political issue in the US and other countries — which Rhodesia never was. In addition, because it has a coastline, SA is more vulnerable to advanced satellite surveillance.

In this respect, neighbouring states could play a vital role. One of the biggest fears of the business community is that government will impose retributive counter-sanctions on neighbours — not only for the obvious reason that this might invite intensified measures by the West, but also because it is easier to disguise the source of exports emanating from an economically healthy region.
kind of sanction. Our Achilles’ heel is the extent to which we can expand using our capital resources.” Without foreign capital, the economy would lose some two percentage points of annual growth — grow, for example, at only 4% a year instead of the 6% once thought the long-term potential.

That, of course, is a bit of a laugh: growth has exceeded 6% in only one year since 1970. If we could average only 4% we would be doing better than since the Sixties.

Obviously, if SA depends on foreign capital inflows for part of gross domestic investment, a reversal of those flows must harm growth. Official statistics show a clear and immediate relationship between growth and gross domestic investment (see table).

Although the scale of the movement is inconsistent, almost without fail an improvement in GDP growth is accompanied by an improvement in growth of gross domestic investment, and vice versa.

The relationship between growth and foreign capital flows is also strong, though less immediate. High growth in one year may be accompanied by a large capital outflow, in another by a large capital inflow. But over a longer period the table seems to demonstrate a distinct link between high growth and capital inflows.

Comparing three seven-year periods (1963-1969, 1972-1978 and 1979-1985), and bearing in mind that in real terms the average inflow of R146m a year in the Sixties was greater than the R329m of the Seventies, it seems unarguable that high growth is associated with large capital inflows and low growth with outflows.

In 1981, for example, nearly 13% of investment was funded abroad. But for that, growth might have been 4.2% instead of 4.8%. The situation has been markedly worsened by abnormal repayment of foreign debt. Only once this is unwound will it be possible to establish with precision the scale of growth domestic savings can accommodate.

At this stage one can only say that it will be less.

The implications are severe. SA has an imperative for growth, says Dr Ronnie Bethlehem, economist for Johannesburg Consoli-eight.

Blacks’ views

Do blacks favour disinvestment? Opinion polls have come up with results so contradictory that it seems you pays your money and takes your choice.

Among the first and most widely quoted were two surveys in 1984 by Professor Lawrence Schlemmer, then of the Centre for Applied Social Science at the University of Natal, who found that 75% of blacks apparently favoured investment.

This 3:1 ratio (three favour investment for every one against) has been cited by a number of commentators making a case against disinvestment. However, in August 1985 the London Sunday Times published a survey in which the ratio was reversed. Slightly more than 75% of blacks said other countries were right to impose economic sanctions unless SA agreed to get rid of apartheid.

Commented Mark Orkin, director of the Community Agency for Social Enquiry (Case): “Confusion reigned. Either black opinion was hopelessly volatile, or social science was hopelessly inaccurate in measuring it. In any case, policymakers had an excuse to ignore it.”

A lot depends on how you ask the questions.

Orkin believes he has resolved the inconsistency with a third survey conducted by Case in association with the Institute for Black Research of the University of Natal. His argument is outlined in a book, Disinvestment, The Struggle and the Future.

“Point, he says, is the questions which attracted the most attention in

---

**CAPITAL TRADE-OFF**

**Growth and investment**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth (constant prices)</th>
<th>DFI growth (current prices)</th>
<th>Capital Flow (constant prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>8.5</td>
<td>24.3</td>
<td>-61</td>
</tr>
<tr>
<td>1964</td>
<td>8.4</td>
<td>24.3</td>
<td>-33</td>
</tr>
<tr>
<td>1965</td>
<td>5.1</td>
<td>31.9</td>
<td>268</td>
</tr>
<tr>
<td>1966</td>
<td>5.0</td>
<td>-7.2</td>
<td>149</td>
</tr>
<tr>
<td>1967</td>
<td>7.6</td>
<td>28.9</td>
<td>169</td>
</tr>
<tr>
<td>1968</td>
<td>3.3</td>
<td>-16.0</td>
<td>446</td>
</tr>
<tr>
<td>1969</td>
<td>7.4</td>
<td>23.3</td>
<td>93</td>
</tr>
<tr>
<td>Average</td>
<td>6.5</td>
<td>15.6</td>
<td>146</td>
</tr>
<tr>
<td>1972</td>
<td>3.8</td>
<td>-9.7</td>
<td>410</td>
</tr>
<tr>
<td>1973</td>
<td>4.6</td>
<td>51.4</td>
<td>-46</td>
</tr>
<tr>
<td>1974</td>
<td>8.3</td>
<td>35.4</td>
<td>899</td>
</tr>
<tr>
<td>1975</td>
<td>3.1</td>
<td>21.6</td>
<td>126</td>
</tr>
<tr>
<td>1976</td>
<td>0.1</td>
<td>1.5</td>
<td>151</td>
</tr>
<tr>
<td>1977</td>
<td>0.0</td>
<td>-1.0</td>
<td>-76</td>
</tr>
<tr>
<td>1978</td>
<td>2.4</td>
<td>8.9</td>
<td>-123</td>
</tr>
<tr>
<td>Average</td>
<td>3.2</td>
<td>12.7</td>
<td>329</td>
</tr>
<tr>
<td>1979</td>
<td>3.2</td>
<td>29.5</td>
<td>-964</td>
</tr>
<tr>
<td>1980</td>
<td>5.6</td>
<td>48.8</td>
<td>-284</td>
</tr>
<tr>
<td>1981</td>
<td>4.8</td>
<td>27.5</td>
<td>3084</td>
</tr>
<tr>
<td>1982</td>
<td>-0.8</td>
<td>-13.7</td>
<td>3256</td>
</tr>
<tr>
<td>1983</td>
<td>2.6</td>
<td>4.9</td>
<td>1169</td>
</tr>
<tr>
<td>1984</td>
<td>5.0</td>
<td>18.2</td>
<td>1333</td>
</tr>
<tr>
<td>1985</td>
<td>-1.1</td>
<td>4.9</td>
<td>-716</td>
</tr>
<tr>
<td>Average</td>
<td>2.0</td>
<td>16.8</td>
<td>-497</td>
</tr>
</tbody>
</table>

FINANCIAL MAIL NOVEMBER 28 1986
If this is compared with Orkin’s a year later, it appears to show pretty much what one would expect — a shift in attitude towards the radical end of the spectrum as circumstances evolved.

Of course, saying you favour disinvestment is not the same as being willing to undergo hardship because of it. Several

SHOULD THEY GO?
Black attitudes to disinvestment over time

<table>
<thead>
<tr>
<th>Option</th>
<th>Schlemmer Case/IBR</th>
<th>Dec 1984 Sept 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free investment..........</td>
<td>47</td>
<td>26</td>
</tr>
<tr>
<td>Conditional divestment...</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>Total disinvestment.....</td>
<td>8</td>
<td>24</td>
</tr>
</tbody>
</table>

AND IF JOBS ARE LOST?
Black attitudes to disinvestment and jobs (Case/IBR survey)

| In favour of sanctions even if it means the loss of many jobs | 26% |
| In favour of sanctions only if it means the loss of few jobs | 25% |
| Against sanctions if it means the loss of jobs | 48% |

most typical motivation for each position was given, as was an indication of the tendencies which supported it.

“Customary attitude polls, presenting abstract issues for consideration in isolation, effectively constitute respondents as self-seeking and private individuals, and thereby bias answers towards the economic, market-orientated answers which suit business or the capitalist state,” writes Orkin.

Schlemmer’s first survey also had a trichotomous question, making investment conditional on codes of labour practice. This, which attracted little attention, found 47% favoured free investment, 44% conditional investment, and 9% total disinvestment.

black leaders have said blacks are willing to suffer, but blacks en masse appear much more ambivalent.

And being in favour of sanctions as long as there is no suffering is a bit like saying you favour them as long as they are ineffective. When Orkin progressed to this question, his results were a lot closer to those of Schlemmer.

He found, for example, that only 26% of blacks were hardliners, in favour of sanctions even if it meant the loss of many black jobs. But 48% were against sanctions if it meant the loss of many black jobs, and 25% were only in favour if sanctions resulted in “a few blacks” losing jobs.

“This outcome highlights another respect in which the trichotomous approach was intuitively plausible,” says Orkin. “An ordinary black person is likely to be implacably hostile to apartheid. Yet, as a wage-earner with dependants, he is anxious to think of the daily grind of survival, at a time of enduring recession and rising unemployment. It seems likely that many respondents look to conditional disinvestment for a strategy which could help end apartheid while threatening their everyday livelihood as little as possible.”

Sanctions tax
Sanctions, says UCT’s Professor Brian Kantor, may be regarded as the equivalent of a tax on trade or finance. The more comprehensive and effec-
Keeping overseas markets open

Expert advice for exporters

By AUDREY D'ANGELO
Deputy Financial Editor

EXPORTS remain a major source of revenue for SA firms and are vital to plans to strengthen the economy of the Western Cape and provide badly needed jobs.

And although they are threatened by pressure to force SA goods out of overseas markets, there is no lack of expert advice and help to overcome this.

Apart from the South African Foreign Trade Organization (Sanbo) itself, there are many reputable firms who specialize in smoothing difficulties in the path of the exporter.

'Legitimate'

They include a highly respected merchant bank with international contacts and whose MD emphasized in a recent interview: "Our business is not sanctions-busting but we can make use of our international network to help legitimate exporters."

There is also a factoring firm which now has an overseas connection.

A leading firm of tax advisers points out that setting up an off-shore operation cannot only help to preserve the anonymity of the firm producing goods for export but may lighten its tax burden.

And a Johannesburg-based firm of asset managers explains in its quarterly review how to keep export markets open through the setting up of a structure of off-shore companies and trusts.

Wally Horak of Deloitte Haskins Sells explains in its Business Adviser that often all that is required is the creation of one off-shore business entity through which goods can be re-invoiced.

"In other cases, however, extremely complicated structures are required to secure anonymity."

This, he suggests, "might involve transferring part of the manufacturing process to an off-shore entity located in a country such as Hong Kong."

This could reduce the foreign tax burden significantly.

"In the past it was difficult to obtain exchange control approval for setting up off-shore structures since the main reason for the structure was to avoid tax."

"The fact that such structures are now a necessity for political reasons has made it somewhat easier to obtain SA Reserve Bank approval."

Horak points out that "in a post-apartheid SA, those companies that

Trinity Asset Management suggests an off-shore structure like this would benefit some companies.

set up the correct off-shore structures will stand to make further gains.

'Sympathetic'

"They will be well-equipped to deal with expanding trade once they will have developed international structures, as well as retaining any tax benefits."

Trinity Asset Management, in its quarterly review, says: "The SA authorities such as Exchange Control will give sympathetic assistance to any genuine application that is designed for the maintenance of, or the increase in, two-way trade."

"The most important point to bear in mind is that the necessary application to the Reserve Bank must be presented clearly in every detail."
Inviolate to sanctions?

Precious and strategic minerals are SA’s trump card in the fight against sanctions. They are, according to Nedbank group chief economist Edward Osborn, “pretty well inviolate to sanctions.”

Osborn, who formerly had high position in the Rhodesian and Zimbabwean administrations, has written an authoritative study for stockbroker Ivor Jones, Roy, SA Under Sanctions, including an item-by-item assessment of the impact of universal mandatory sanctions.

His findings? “The impact of total sanctions would be at worst 11.5% of total exports” — though he admits this could be optimistic. “It is fairly easy to compensate for that from heightened domestic activity. SA can survive a long time — probably longer than Rhodesia — in uneasy equilibrium. The economics are viable. Government can hold the situation by force. But that is not an objective to commend.”

“Rhodesia was so dependent on SA — militarily, logistically and financially. It did not have SA’s balance of payments strength, which is fundamental.”

Osborn’s approach pragmatically assumes a total sanctions environment, in which, of course, may be some years coming — with built-in assumptions about the effectiveness with which loopholes could be exploited.

“My conclusion startled me. Many might describe it as optimistic, but in large part it was derived from precious minerals.”

He concedes that import substitution might be at the expense of standards, but the important thing for his view is that it creates economic activity to substitute for that lost as a result of the losses of foreign trade.

Osborn looked at each item on the import schedules and made a judgment — “highly subjective, of course” — as to import substitution potential. He concluded that imports could be cut up to 45% without serious impairment.

Resources of strategic minerals are considered SA’s trump card in the sanctions battle. At least for now, they are likely to guarantee survival. The second part of our three-part survey of sanctions and their impact on exports considers this and other questions.

This comprises 24% of imports (based on 1984 figures) substitutable in the short term and 21% reducible inessential items. The remaining 55% includes 22% substitutable in the long term, and only 33% non-substitutable vital imports which SA could not produce in the foreseeable future.

Long-term substitutable items, however, would require substantial capital and technology. They cannot be produced economically now, “but under siege conditions, conventional economics flies out of the window.”

Osborn’s estimates are somewhat higher than the findings of a 1977 survey by the Federated Chamber of Industries (FCI) and other bodies, which concluded that there was potential for replacing 25% of the 1975 import bill with local products. But the two views are not inconsistent because the 1977 survey was based on economic, rather than strategic considerations.

The uneconomic nature of import substitution at the margin is demonstrated by the declining ratio of turnover to fixed assets. A follow-up FCI survey in 1979 found that 25% of the import substitution potential identified in 1975 had been realised.

But this required net new investment of R360m, equivalent to a ratio of turnover to investment of 0.71. The normal ratio of turnover to fixed assets in manufacturing as a whole was 2.81.

As the FCI noted: “As the process of industrialisation proceeds, opportunities for further import replacement are progressively confined to areas requiring greater capital investment and more sophisticated technology, while the size of the domestic market becomes increasingly a limiting factor.”

The survey found that import intensity was highest in the following sub-sectors: basic industrial chemicals (where imports accounted for 60% of demand); machinery (62%); motor vehicles (43%); electrical machinery and equipment (42%); and transport equipment (35%).

The scale of import reduction which Osborn believes possible is more than adequate to cope with the probable disruption of exports. The balance of payments would thus be secured in all probable circumstances.

With manufacturing capacity utilisation low, there is plenty of scope for a quick response to the withdrawal of international competition.

“But it would not carry with it a proportionate increase in employment,” warns Osborn.

“It is on this score that the effect of sanctions is likely to be greatest. In adapting to sanctions, the economy will shift from export-orientated activity of greater labour intensity, to domestic production with greater capital intensity.

“The net effect will be a loss of jobs, although in GDP terms the one can offset the other. Thus is the real tragedy of sanctions.”

Coal hits back

Even with limited sanctions in force, 1986 will be a good year for coal exports, expected to equal the record 44.7 Mt shipped from Richards Bay last year. But this has brought little joy, as the industry renews itself for a turbulent 1987 and full sanctions.

To date, coal sanctions comprise a French ban on the purchase of South African coal, a similar ban by Denmark, and US sanctions effective from January 1. These measures have wiped out 25% of SA’s export market.

Although the industry managed to stave off European Economic Community (EEC) sanctions, it knows this is short-term. “Sanctions will become a perennial issue and it won’t be long before the threat emerges again,” says a senior industry official.

The industry is desperately trying to protect the vital Japanese market, which last year absorbed the largest percentage of South African exports. Loss of contracts to supply Japanese steel mills would almost certainly bring the export market to its knees.

The loss of the Danish market has already caused stockpiles of steaming coal to swell.
creating problems for the domestic market.

Transvaal Coal Owners Association (TCOA) chairman Michael Hawarden explains: "The Danes and French purchased steaming coal — a byproduct of the low-ash metallurgical coal produced for the Japanese. We are still producing steaming coal, which is piling up at the mines and finding its way into the inland market to the detriment of collieries geared for domestic supply."

Hawarden warns there will have to be rationalisation while the level of mining will have to be curtailed. Most mining houses are believed to be considering scaling down operations and warnings of retrenchments have been sounded.

Undoubtedly plans for new mines will be put on ice while the uncertainty remains and operating costs will become a key factor for survival. Only eight months ago the industry was discussing expansion of the Richards Bay coal terminal to accommodate the Phase IV export programme.

In trying to cope with sanctions, South African producers have cut prices dramatically. Average Power Station Smalls (PSS) coal is now selling around the low $20s a ton, compared to $30 just over a year ago.

Hawarden expects prices to stabilise at this level. "They may go a little lower but with oil prices having stabilised and expected to stay at current levels for the rest of the decade I don't think we will see any immediate upturn in coal prices."

Fueling the price war has been competition from Colombia and Australia, eager to grab market share. The Australians' export efforts have been assisted by a weakening of the A. S. But South African coalmen believe Australia's significantly higher cost structure won't enable it to compete for long at these prices.

This means the industry will split its energies between trying to cope with sanctions and thinking of ways to get round them. As a top producer says, it would be naive to think that businessmen, having invested vast sums in the industry, will just sit back and accept sanctions.

Sanctions bashing, while possible, will be difficult because of the nature and volumes of the commodity. No significant unexploited markets have yet been unearthed, though marketing men have been scouring the world for two years.

Third-party marketing remains a possibility. But the risk of trying to put South African coal on various markets surreptitiously has been increased by demands for certificates of origin. While these can be falsified, coal is clearly fingerprinted by its chemical composition.

Says Hawarden: "Long-term the crystal ball remains cloudy. But we hope continuing political reform will eventually allow producers to sell openly on world markets again."

Targeting exports

The main thrust of current sanctions in the US, Europe and the Commonwealth has been directed at exports, in unambiguous acknowledgement that SA's ability to earn foreign currency could be critical. Coal and steel in particular face an uncertain future, and other boycotts seem sure to follow.

Yet exporters — even those not in the relatively secure precious and strategic mineral business — seem surprisingly full of confidence and verve.

"This is the biggest morale booster exporters have had," says Jan Bouwer, chairman of the Private Sector Export Advisory Committee. "The last time something like this happened was the early Sixties. We had been trying for years to boost exports, and got nowhere. But as soon as people started threatening sanctions, interest increased.

"Now, again, manufacturers are rising to the challenge. There is no gloom and doom."

"Yasscom foreign trade secretary Bess Robertson definitely "total confidence,"" he says. ""Businessmen will find a way around sanctions. There is great determination not to lose export markets. Alternative markets will be found, even for coal."

"Economist chief economist Dr Azar Jamme is another optimist. "We must not underestimate our ability to find new markets," he says. "The whole sanctions campaign might die a slow death. The economy could survive reasonably intact. The descent into Third World status may never happen."

"Exports even report plans to route exports via politically hostile Third World states to the communist bloc."

An indicator of enthusiasm is that the Safto had 400 membership applications last year — a record. Membership totals 1 500.

"Exporters have been far more determined," says GM Ann Moore. "In the past few years there has been a lot of investment based purely on exports. But I doubt there will be large investment for export in the next few years."

Accordingly, Safto has proposed to government a scheme to promote local investment for export purposes. While optimism may be healthy, however, euphoria is not. The speed with which inter

---

**DIVERSIFIED MARKETS**

<table>
<thead>
<tr>
<th>Exports by country (Rm) (% of total in brackets)</th>
<th>1982</th>
<th>1983</th>
<th>1984</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1 322.5 (8.0)</td>
<td>1 573.0</td>
<td>2 126.4</td>
<td>3 029.7 (8.3)</td>
</tr>
<tr>
<td>Japan</td>
<td>1 670.7 (8.4)</td>
<td>1 540.7</td>
<td>1 900.1</td>
<td>2 825.1 (7.3)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1 722.0 (7.4)</td>
<td>1 324.1</td>
<td>1 390.2</td>
<td>2 124.0 (5.3)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1 350.2 (7.0)</td>
<td>351.5</td>
<td>590.6</td>
<td>1 367.4 (3.8)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1 018.9 (5.3)</td>
<td>1 735.2</td>
<td>1 351.6</td>
<td>1 315.7 (3.9)</td>
</tr>
<tr>
<td>W. Germany</td>
<td>806.4 (4.5)</td>
<td>753.4</td>
<td>1 042.3</td>
<td>1 258.4 (3.3)</td>
</tr>
<tr>
<td>Italy</td>
<td>376.7 (1.9)</td>
<td>396.9</td>
<td>649.0</td>
<td>1 023.2 (2.8)</td>
</tr>
<tr>
<td>Belgium</td>
<td>382.1 (2.0)</td>
<td>246.3</td>
<td>393.2</td>
<td>634.8 (1.7)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>132.1 (0.6)</td>
<td>236.0</td>
<td>467.0</td>
<td>672.0 (1.7)</td>
</tr>
<tr>
<td>France</td>
<td>467.9 (2.4)</td>
<td>517.6</td>
<td>528.0</td>
<td>614.1 (1.7)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>189.4 (1.0)</td>
<td>192.1</td>
<td>209.1</td>
<td>281.0 (0.8)</td>
</tr>
<tr>
<td>Canada</td>
<td>117.2 (0.5)</td>
<td>119.1</td>
<td>162.5</td>
<td>204.0 (0.5)</td>
</tr>
<tr>
<td>Denmark</td>
<td>105.8 (0.6)</td>
<td>162.7</td>
<td>153.0</td>
<td>172.0 (0.4)</td>
</tr>
<tr>
<td>Africa</td>
<td>904.8 (4.7)</td>
<td>687.1 (1.2)</td>
<td>919.8 (1.5)</td>
<td>1 577.9 (4.3)</td>
</tr>
<tr>
<td>Unallocated</td>
<td>8 572.7 (44.3)</td>
<td>11 725.2 (45.0)</td>
<td>16 383.7 (45.0)</td>
<td></td>
</tr>
<tr>
<td>Total (all countries)</td>
<td>13 945.5</td>
<td>19 072.0</td>
<td>25 584.5</td>
<td>35 410.4</td>
</tr>
</tbody>
</table>

---

**STREETFIGHTING**

Government should formally legalise formalisation of documentation in regard to any country imposing sanctions, according to Free Market Foundation executive director Leon Louw.

"Sanctions is an economic street fight," he says. "You can't fight according to the Queesnberry rules. Government should take measures specifically attacking country imposing sanctions — for example, minting fake Canadian Maple Leaf coins, and perhaps even debasing them by putting lead in."
market diversification has the advantage of diluting visibility. A concentration of products is easily seen and targeted. Indicative of this is that the products singled out for sanctions attention are those which have been making an impact on foreign markets.

One of the strongest factors in SA’s favour is its diversity of export markets (see table). It is far less dependent on its four biggest trading partners for exports than for imports. West Germany, the US, UK and Japan together accounted for 53% of imports last year. But the four top export markets (the US, Japan, UK and the Netherlands) bought only 26% of exports.

This has been a long-term trend. Fifteen years ago, 30% of exports were to the UK. Since then the US, Japan and the Far East have become bigger markets, while the UK’s share has shrunk below 6%. The impact of US sanctions will not be dramatic in global terms, but obviously a portion of US purchases will either be lost or shared among other markets.

What is now required, experts agree, is greater diversification of both export markets and products. Bouwer believes more energy and resources will be devoted to export promotion than ever.

This is already evident among Safto members, says Moore, noting that sanctions have helped get its message across.

“But in the long run we should not be under any illusions,” she adds. “While companies may become more efficient and more sophisticated there are obvious benefits. But SA as a whole will not be able to achieve the level of growth we would without sanctions. In the short term we may shrug off sanctions, but we certainly can’t be complacent.”

Countertrade

With sanctions so far focused mainly on exports, SA will need to use every means at its command to neutralise the export-import imbalance that could arise.

One way is countertrade — a form of barter in which import deals are conditional on exports. Though officials are reluctant to talk, it is clear that the recent establishment of the Secretariat for Unconventional Trade will play a role in the growth of countertrade.

The concept was developed by communist countries to enable them to conduct international trade using a minimum of foreign exchange. For SA, the motivation may have less to do with supporting foreign exchange than with the need to maintain the viability of export-oriented industries.

“Countertrade becomes important when foreign exchange is in severe shortage,” says Safto GM Ann Moore. “For a country like SA, where foreign trade equals two thirds of GDP, it requires a lot of expertise to succeed.”

Difficulties can arise when deals become multi-faceted. Take a series of deals handled by Johannesburg-based Effective Barter.

“T做到了 10,000 calculators from Hong Kong originally supplied from Japan to mainland China but surplus to requirements,” says MD Eugene StClair. “We paid for the freight with SFW wine in Atlanta, Georgia, which we owned and which was supplied to SAA from New York.” A Johannesburg company cleared the calculators through customs on our behalf in settlement of barter credits we had previously built up following a sale of some motor vehicles.”

Pure barter generally involves no exchange of cash, but countertrade is a mixture of barter and cash exchange. “It creates a second-tier currency system,” says StClair. “Another reason for using it is that the international banking environment is becoming increasingly hostile. In one deal a letter of credit took 30 days to clear because a clerk in the bank in New York sat on it. We suspect this was deliberate.”

A spin-off is that barter deals tend to open up markets of which the exporter was unaware. “As a result of US sanctions, SA is now sitting with products we used to export,” says StClair. “We need to find new markets quickly. The scope is enormous. Mexico was able to swap $100m worth of tourism (travel, hotel accommodation) internationally for motor vehicles. I don’t see why we couldn’t boost tourism this way, too.”

Africa important

Sanctions could have a much more severe effect on our neighbours than on SA itself. But this is no cause for celebration — we need our neighbours.

Since the early Sixties, when black rule came to most of Africa, trade with the rest of the continent has shrunk to a fraction of its former scale. Where once Africa bought 15% of exports, last year it took a mere 4.3%.
However, such has been the growth of total exports, that analysts have always been able to point to increases in absolute levels of trade. The fact remains that despite official embargo, no country on the continent does not trade with SA when it suits. The critical factor is probably not politics but foreign exchange, of which African countries are perennially short. 

Trade with Africa declined because of sanctions but currency difficulties, says Sanfo GM Ann Moore. "Exporters were not sophisticated in handling exports to a payments-deficient country. Now our products are more competitively priced, and exporters more keen for sales."

This is one reason why African purchases last year leapt 77% over the 1984 level — at a time when calls for sanctions were growing more strident. If you have the right product of acceptable quality at the right price and acceptable delivery times, no border will stop you from selling it," says Sally Gallagher of Business Development Africa. "The only thing is that the costs of doing business increase."

In a perverse way, SA can actually benefit from the foreign exchange difficulties of African countries — particularly those close at hand. Because of shorter supply lines to this country, operating capital and foreign currency is tied up for less time and can be recycled more quickly.

"Thirteen African countries trade with us openly," says Gallagher. "But over any five-year period there is no country on the continent which has not traded with SA. Full mandatory sanctions would not change that significantly. Middlemen, incidentally, come from some countries calling most vehemently for sanctions."

The real danger from sanctions, in the view of Gallagher and many other analysts, is primarily SA but for other countries of the region.

"If really severe sanctions are imposed we will see the collapse of about eight countries," says Gallagher. "The West has totally underestimated the importance of the transport infrastructure."

Despite this, there is no certainty it will be business as usual under sanctions. The feeling is that Zimbabwe could insist on sanctions — much as Zambia did over Rhodesia — even though it has the most to lose. "Economic considerations are not necessarily the overriding factor," says Gallagher.

An estimated 80% of Zambia's foreign trade, 60%-70% of Zimbabwe's, and 80% of Malawi's is routed through South African ports. Malawian traffic moves by road as far as Msasina, Lusaka or Harare, and by rail between those points and SA.

The problem is intensified by the political vulnerability of the region. Many governments have a tenuous hold on power, and it would not require much to topple them. Transport costs make up a very high percentage of invoice value of their imports — sometimes more than 40%. "This is unacceptable by world standards," says Gallagher. "It should not be more than 10%, with a ceiling of 20% for a landlocked country."

Attempts to divert traffic away from SA can only worsen this. Dar es Salaam has proved unable to cope. Exporters from Zambia, Zimbabwe and Mozambique who have tried to use Dar es Salaam have given up because of the inefficiency of the port, which increases disproportionately when volumes build up.

The port is not the only bottleneck. The Tazara rail line, badly laid and suffering frequent landslides, cannot even handle Zambian imports. It carries an estimated 1 000 t of goods a month. Insurance cover is almost impossible to get.

In Mozambique, every rail route is poorly maintained and at risk from the deteriorating security situation. Rehabilitation of the Beira corridor and the Nacala outlet is proceeding but costly. Zimbabwe spends R1m a day maintaining and leaving the Beira route — as much as the Rhodesian war effort used to cost.

Though Western aid has been mooted, the railway from Beira to Malange (with 13 vulnerable "key points" such as bridges) is extremely vulnerable to sabotage. This would be well within the capacity of Renamo or South African commando units. Mozambique is now rated by the World Bank as the poorest country in the world.

On the other side of the continent, the Benguela railway linking Zambia via Zaire and Angola to the port of Lobito has been closed for 10 years by Unita.

Apart from transport dependency, the countries of southern Africa rely on SA as a source of cheap, quick and suitable imports. Farming and mining equipment are designed for African conditions, and it is not easy to switch to other sources. Imports from Eastern Bloc countries have often been left to rust because they are not compatible with existing SA-supplied equipment.

SA is the major supplier to Botswana, Lesotho, Swaziland, Malawi, Zambia, Zimbabwe and Zaire, and a leading supplier to Mozambique. Sales range across the whole gamut of what SA produces or imports.

SA became Zambia's major supplier four years ago when the Zambian government told importers to buy from the cheapest source. Transport costs are the key to this, but the low rand has also helped.

Often aid funds are used to buy South African goods. When nations find they have not spent aid as the year-end approaches, they have been known to go on a buying spree in SA, buying anything and everything so that the aid tap is not turned off.

Except for Zimbabwe, SA is not a major market for black Africa, whose exports tend to be the sort of commodity SA itself produces. Relatively industrialised Zimbabwe is the source of the R350m of the R400m a year imports from the rest of Africa.

Zimbabwe, which had a favourable trade balance with SA for the first time in 1984, stands to lose the most from comprehensive sanctions, says Gallagher.

"Every sector of its economy, more vulnerable now than it was during the Rhodesian sanctions era, would be hit. South African companies have investments worth R1 billion in Zimbabwe, and supply technician training and emergency technical back-up. A technician can be flown up within two days."

The whole region is tittering on the edge of instability. The drought has devastated crops, copper revenues are down in Zambia, Lesotho has just had a coup, and Mozambique is close to breakdown. Sanctions could be the final nail in the coffin.

---

CARPETBAGGERS

Beware the new carpetbaggers! The imminent threat of sanctions has brought a new breed of opportunists out of the woodwork. Like carpetbaggers after the US Civil War, who sought to turn the suffering of others to personal advantage, so-called sanctions busters have swarmed into SA peddling dubious skills.

Again like their predecessors, who earned the nickname from the habit of carrying their possessions in carpet bags, they are transients, owing no loyalty to any cause but their own. "The moment you have problems, you have people looking to make a fast buck," says Jan Bouwer, chairman of the Private Sector Export Advisory Committee.

"Sanctions can always be broken, but some people offering services do not have the experience they claim. Exporters should be careful."

Bouwer advises exporters to keep in touch with trade organisations or export advisory bodies. "The grapevine is starting to be a good one," he says. "The genuine ones are known in the market."

Export consultants note that illegal methods of circumventing sanctions are not necessary or desirable. "There can be legal solutions to possible difficulties," says one. "Activist opposition can often be handled without cloak-and-dagger methods. Just don't declare the source too bluntly."

What is needed is detailed, specific knowledge of the legal requirements of each market — and some so-called sanctions busters don't have this."
Record maize for EL

Shultz: a free society
Business booms expand charcoal export

Quality regarded as hot stuff, says producer

Evening Post, Thursday, December 18, 1996
Maize glut to mean problems for harbour?

By MATTHEW MOONIEYA

EAST LONDON — Economic activity in the city’s port may be caught up in the dynamics of the world’s maize trade next year.

This emerged here yesterday through investigations with the Maize Board in Pretoria against the background of the possible implications for the harbour because of a projected world maize glut.

A clear picture of the economic implications for the harbour — maize accounts for about 50 per cent of its activity — could not be established yesterday because an assistant general manager of the Maize Board, Mr Jeff Wayland, said government instructions were that no figures were to be released in the light of sanctions threats.

However, independent analysts in Johannesburg project a 20% 000 ton exportable surplus following heavy rains throughout the summer grain producing areas which have raised hopes of a record 1987 crop.

“I cannot confirm that figure but you can be assured that if there are exports of maize, East London has to get its share even though Durban is preferred because of lower transport costs from the Eastern Transvaal,” Mr Wayland said, and admitted that the falling export price of the world glut was one of the severest problems the board was facing.

The glut has been brought on by a bumper Soviet crop together with a world-wide record production that has left the usual Russian supplier, the United States, and other exporters in a frantic quest for buyers. This has caused grain prices to plunge.

According to the general manager of the Maize Board, Dr Hennie Devel, the average price of R230 a ton in 1986 could be replaced by a price of R210 a ton.

World stocks have forced the price down so far that the board now nets only R65 to R75 a ton on export maize, which is way below the current local price of R290 a ton.

Asked about how the board would handle the mountain of maize — which law dictates it buys from the farmers — if the country were faced with a shrinking export market, Mr Wayland said losses would mean that they would have to make use of the stabilisation fund.

Given such a situation it is likely that whatever maize exports there are, if any, Durban would be preferred as it costs about R10 a ton less to export from there than from East London, where there are additional railage costs.

Mr Wayland said representation had been made to the authorities from time to time to pay the same transport costs to East London as Durban because it was a fact that East London did have an edge over Durban in handling facilities.

The 20-year-old elevator here is the largest in the Southern Hemisphere, with a carrying capacity of 76 160 tons and the ability to load 1 800 tons an hour.

Earlier this month the largest single shipment of maize ever to leave South Africa — 44 000 tons — passed through the city.

Mr Wayland said it was difficult at this stage to say exactly what would happen as there were so many variables that East London could even land up with some type of boom, as in 1981.
Airfreight space shortage threatens SA exports

Dispatch Correspondent

JOHANNESBURG — South African export markets are being threatened by a chronic shortage of airfreight space.

Freight agents said they feared particularly for the viability of the perishables export industry which is currently at peak season.

Exporters said they faced losing hard-won markets as failure to deliver the goods would cause foreign customers to seek supplies elsewhere.

The decision by a number of foreign airlines — Iberia and Scandinavian Airlines — to terminate services to South Africa is aggravating a situation which exporters said was getting worse.

The cancellation of SAA's four weekly US flights in the wake of sanctions was also causing logjams and exporters are said to be willing to pay a premium on freight rates to get their goods sent out.

Perishable exports which are affected include mangoes, tomatoes, grapes, flowers, peaches, sweetcorn and cherries, all of which contribute to the R40 000 000 a year export industry.

A SAA spokesman said the airline was doing all it could to accommodate the surplus.

"We have started rerouting certain non-stop flights to Europe via Rio de Janeiro and will continue to do so until February 5."

Rerouting will enable the aircraft to carry less fuel and more freight.

Two weekly London flights along with flights to Frankfurt and Zurich will be affected.
SA exports threatened by a shortage of airfreight space

MICK COLLINS

...was doing all it could to accommodate the surplus of fresh produce and flowers, all of which contribute to the Rand in a year's exports. An SAA spokesman said the airline, including its freight division, was accommodating as many cargo flights as possible to Frankfurt and Zurich, even during the peak season.

A dearth of foreign tourists due to the unrest, political situation, has also caused problems for the industry. Sources say this has caused a reduction in scheduled flights by a number of airlines, which in turn has affected the availability of space on board.

Reduction in overall carrying capacity by all airlines is estimated to be 100% due to a 20% increase in production. Exporters are looking to send out 10% of their ordinary load on board. Agents say they cannot justify the cost of hiring empty aircraft on the market.

Only three charters have been arranged this year compared with 27 charters last year between mid-November and mid-January.
Indexation keeps SA inflation rate high

By Reg Runney

Informal "indexation" of wages to the inflation rate seems to be keeping inflation at its present high levels, though it is not driving it to much higher levels, according to Old Mutual economist Mr. David Mohr.

The surge in South Africa's inflation rate this year raised the question of hyperinflation — that is, inflation that rages completely out of control and tends increasingly to make the money in circulation worthless.

Discussing this in an analysis of inflation prospects, Mr. Mohr in Mutual Forum notes that inflation reached 20 percent for the first time in 65 years in January this year.

"In doing so the inflation rate moved decisively out of the approximate range of 10 to 16 percent of the past 12 years."

SA's inflation has also broken with history in comparison with its main trading partners, which have been mostly in the industrialised world.

In the seventies it compared favourably with their inflation rates, but for 1985 the inflation rate at an average of 16 percent was roughly four times higher than the average for the seven major Western economies of 4.3 percent.

However, South Africa's inflation rate still ranks favourably with that in the Third World, where the average for 1985 was 52.5 percent.

Looking at typical inflationary circumstances, Mr. Mohr identifies two main categories — balance of payments and public finance problems — but adds that indexation also seems to be crucial.

"Indexation always starts at an informal level, with workers normally using the consumer price index in the wage bargaining process in an attempt to protect their real income and standard of living," he notes.

Tax burdens are also sometimes costs into workers' calculations, particularly indirect taxes.

"The impact of informal indexation depends on political backing of such claims and the basis on which they are calculated."

If the political lobby is powerful and all price changes, tax increases and exchange rate changes are taken into account, the result is likely to be a multiplication of traditional anti-inflationary policies.

Since high inflation tends to erode currency, governments are tempted to provide inflation protection in the form of indexed savings, starting with index-linked government bonds, to ensure a steady supply of savings from which government can borrow.

This, says Mr. Mohr, has often been the next stage in the indexation process and, "in the absence of addressing the underlying causes of inflation, leads to rapid increases in government spending as interest payments eventually skyrocket in line with inflation."

"In the longer term the burden becomes unbearable and the budget deficit is usually monetised. This in turn leads to even higher inflation."

Major Latin American countries and Israel, prime examples of this process, have all moved away from official indexation in their efforts to halt inflation.

Giving some idea of the inflationary pressures associated with indexation, is the length of the period of adjustment to the release of inflation figures. The shorter the period, the greater the inflationary pressure and the closer the economy is to hyperinflation.

"In most very high inflation, economies (inflation rates of 100 percent plus) this adjustment period is normally around one month, the time it usually takes to update price indices." The local experience is still different.

"In South Africa, informal indexation is widely practised as most wage claims are effectively indexed, at least to some degree, to the CPI."

"There is, however, no real evidence at this stage of automatic or official indexation, and the authorities have so far rejected the issuing of indexed government stock."

"The informal adjustment period seems to be about 12 months, indicating that indexation is at this stage a factor keeping inflation at present levels rather than being a driving force behind a much higher rate."

---

SA is going great guns to boost exports

By Frank Jeandes

South African mineral and metal exporters are emerging as aggressive marketers despite the efforts of other countries to take over these markets closed by sanctions.

This, together with South Africa's reputation abroad for reliability in quality and delivery of its goods, is compensating for negative sanctions trends.

According to recent reports, South African mineral exports are making inroads in Asian markets.

As South Africa is the major source of minerals and has built up a record of good delivery times.

In terms of price, too, South Africa is fairly competitive because of the depreciation of the rand. South African traders enjoy strong advantage in world markets, particularly as the supply lines of newcomers to the minerals scene are often suspect.

"Some of these countries do not have the experience which the South Africans have built up over the decades," says one minerals industry source.

"Strikes and other disputes in these countries often interrupt deliveries — and in today's highly geared marketing scene, delivery is a vital component."

"Clearly, then, South Africa has a big advantage — a reputation which world markets are only too well aware of despite the sanctions lobby."

Economists see a far from gloomy trend emerging in major countries such as those in the European Economic Community and the Far East which are apparently winning the fight against inflation.

There are strong growth vibes coming through, and this obviously means these countries will continue to present excellent market opportunities for South African traders in industrial goods and consumer products.

There is a groundswell, too, among South Africans to get trade going, particularly in the light of the sanctions and disinvestment campaign.

"Too often in the past, the export potential within South Africa itself has perhaps not been accorded the priority it should have received," says Mrs. Am Moore, a general manager of the South African Foreign Trade Organisation (SATO).

"Over the past 12 months, however, this certainly has changed. One now sees more and more recognition both from the public and private sectors that exports are essential to the well-being of South Africa and are very much an integrated part of the overall economy."

This recognition is extending to the non-traditional export field such as manufactured goods.
Export is Policy

1986
Red tape obstructing exports

RED tape is a major obstruction to exporters trying to overcome political barriers by obscuring the country of origin or setting up overseas operations.

Electromatic MD Alan Gillet, speaking yesterday at the convention, said political change had meant altering exporters' strategies over the past five years.

Manufacturers were "forced to em-

bark on expensive, time-consuming and involved planning that ties up management in a whole new world of offshore identities and international tax planning", he said.

This became an unbearable burden when trying to cope with internal red tape, delays and suspicions that accompanied such applications.
alloy industry. But the current rebate hardly fits with Escom's restructuring efforts to cut expenditure.

"The low rand has made ferro-alloy producers look recession-proof," allows Samancor manganese division GM John Muller.

"But past experience shows there will be a rougher tomorrow, and already there is heavy cost-push on the energy bill."

Bigger benefits

Two years ago, the Ferro-Alloys Producers' Association (Fapa) and the Minerals Bureau handed government a scheme that gave bigger benefits to energy efficient producers. It's been sitting there ever since.

The Kleu Committee will hopefully change this. Fapa held informal talks with the committee late last year and the Private Sector Economic Advisory Committee has completed most of its information gathering from the producers.

The FM understands the committee's guidelines were handed to Trade and Industries' Minister Dawie de Villiers last week and the go-ahead for an investigation, say Pretoria sources, is "expected soon."

Much sensitivity, warns Basie Kleu, who heads the probe, is riding on government's export incentive re-write. Right now, he says, "we have to bear in mind what is acceptable to Gatt's subsidy code."

SA is not a signatory to the code but government has said it intends to sign some time in the future. But with the rough ride SA is getting overseas, the chances of a signing at the annual September talks look bleak.

---

**EXPORT INCENTIVES**

**Coming on course**

A fair wind is blowing for a new export incentive deal for SA's ferro-alloy producers. It is aimed at making the industry more energy-efficient and at ending disparities which have given some producers bigger incentives than others.

At the same time, however, any re-drafting of government's mineral beneficiation aid must not run foul of the General Agreement on Tariffs and Trade (Gatt), especially in the run-up to the September round of world trade negotiations.

The scheme will form part of the Kleu Committee's report on the whole question of government incentives for exporters, some of which are illegal under Gatt's subsidy code.

The ferro-alloy producers are putting a package they hope will be acceptable to both Pretoria and Gatt.

With some 95% of SA's ferro-alloy production destined for foreign markets — earning R1.4 billion in foreign exchange last year — the impact on exports must be considered paramount.

Most government rebates on ferro-alloy shipments to the US are already banned as a result of a countervailing action six years ago.

Broadly, the existing incentive formula is based on the producers' export volumes and input costs. All told, a good 30% of the incentive applies to electricity costs. And here lies the rub: the producer who uses most power gets the biggest energy rebate.

Because JCI-owned Consolidated Metallurgical Industries uses a low-energy process it gets a smaller energy rebate than, say, Samancor.

True, high electricity rebates in the early Seventies generated growth in SA's ferro-
Improving the aim

Government moves to improve the cost effectiveness of export trade incentives is good news for manufacturers and commodity producers. They have long argued that SA does not need more incentives, but better directed export aid.

Trade and Industries Minister Dawie de Villiers says the changes stem from interim recommendations of former Board of Trade chairman Basie Kleu's study group on industrial strategy.

The new system of incentives is to follow the specific "rifle shot" approach as opposed to "shotgun blasts" aimed in the direction of industry and export-oriented services in general. Changes will be introduced, however, only after consultation with industries concerned. The responsible committee is to report back before the end of the year and implementation is targeted for the 1988/89 financial year.

A key motivation of the refined approach is given as the urgent need for structural changes to reduce SA's dependence on minerals (especially gold) and other primary exports.

In terms of the new approach, export incentives will be closely related to benefits for the country such as foreign exchange earnings, generation of income, employment creation and productivity improvement. This means selective, differentiated assistance measures which will not apply to all exporters in uniform fashion.

De Villiers says he will take into account the position of exporters who have based long-term contracts on existing incentives. The new system will be phased in stage by stage after a 12-month notice period.
Although constituted in 1976, Sitprosa remained largely dormant until early 1984 when a Safmarine senior departmental manager, Joubert Klopper, was seconded to put Sitprosa’s aims into effect. In essence these aims are “to guide, stimulate and assist the rationalisation of international trade procedures, documentation and information flow.”

Sitprosa follows the standards of the Economic Commission for Europe, a United Nations (UN) agency of the Economic and Social Council.

Klopper, now executive director of Sitprosa, explains: “Estimates of the cost of documentation and procedures in the UK, the US and elsewhere range from 5%-15% of the invoice value of the goods traded, where no simplification has taken place. You can’t reduce costs to nil, but it’s not unreasonable to look at halving them.”

The new documentation system is due to be launched in June once it has been ratified by public and private bodies which co-operate in the development work. These organisations include Sats, Assocom, Safco, the SA Reserve Bank, Safmarine, the Department of Customs and Excise, the SA Association of Freight Forwarders and the Federated Chamber of Industries.

As Klopper says: “Few realise the scope, complexity and cost of international documentation procedures, even those directly involved in international trade. It’s a sea of paperwork.”

Klopper is hoping for significant savings by local exporters. “SA’s foreign trade in general merchandise is upwards of R20 billion a year and documentation costs are at least R1 billion a year. Even a conservative 10% saving could mean benefits of some R100m a year.”

These estimates do not include considerable losses through shipment or payment delays because of faulty, lost or incomplete documentation, he adds.

Sitprosa’s first project is the drafting of a series of export forms aligned to the world standard, the UN Layout Key.

This system consists of a master document and a series of overlays from which sets of documents can be photocopied. “It complies with local and international requirements and can be easily read and understood by anyone complying with UN standards,” says Klopper.

But this is just the first step. The introduction of standard forms is a major step towards computerising international trade — which is the ultimate goal.

Many of Europe’s major motor manufacturers and suppliers have already engaged in a joint project to computerise export-import information. Reduced paperwork and increased purchasing efficiency can cut manufacturing costs by £150 a vehicle, they estimate.

A major problem is the development of computer communication standards. But within three years, international trade bodies will start adopting the UN Trade Data Interchange Standards, a system of computerisation guidelines. Sitprosa’s UK equivalent has already written a software package, Interbridge, enabling two parties with incompatible equipment to exchange trade data.

“This will be a gradual process, but eventually almost all export-import transactions should be paperless,” says Klopper. The switch to computers, he adds, will take 8-10 years to fully materialise in SA. An intermediary step is to develop software to generate export documents by microcomputer.

As he points out: “SA is a member of the international community, and failure to take a standardised route can perpetuate bilateral standards and closed systems. This is a luxury SA can ill afford.”

Marine Projects’ export sales manager, Simon Limh, recently in Cape Town to launch the marketing, maintains there is no contradiction in trying to sell expensive (from about R100 000) British yachts into the depressed South African economy. He believes a large untapped market of boat buyers exists in SA and expects to sell at least 20 vessels this year.

“We appraise the market here with some excitement,” he says. “From our point of view it’s one of the few major growth markets left in the world.”

The yacht broking arm’s customer pool begins with the Ocean Appletizer sailing academy in Durban. Director Chris Bonnet, also a partner in IYM, says enrolment is growing at 20% annually and reached more than 1 000 last year.

Trading data
South African exporters stand to save at least R100m a year on the cost of foreign sales when a new standardised documentation system becomes available by mid-year.

The driving force behind the move to line up with other countries is the Organisation for Simplification of Trade Procedures in SA (Sitprosa), specially formed to standardise local export documentation.
Financial Staff

The Department of Trade and Industry has promulgated in the Government Gazette of April 2 an extensive list of manufactured goods that now require permits on export.

The move, no doubt, is designed to restrict companies taking advantage of potentially good dollar receipts from the sale abroad of excess or under-utilised plant and machinery.

However, the new regulations have moved some exporters to accuse the authorities of being ham-fisted. One was told this week that he needed an export permit for an industrial vacuum cleaner.

Unable to find such a piece of paper, which he believes has not yet been printed, he also questions the thinking behind the need for such a document in the first place.

Earlier this year, the Government scrapped import permits for such cleaners. "This unnecessary paper work for an import-exporter operating in Southern Africa is plain silly," he said.

He points out that among the items now added to the list requiring export permits are, for example, kites, gliders, water-wheels and lawn rollers.

However, no export permits are need for warships, minesweepers or military railway trains.

And if you have the odd icebreaker around, with a shaft horsepower in excess of 10,000, you are welcome to export it to climes where it might be of more use. "It is ridiculous," the exporter added.
New strategy for W Cape exports

BY AUDREY D'ANGELO

WESTERN CAPE manufacturers need a co-ordinated export strategy like those used by competitors from other countries, the Cape Chamber of Industry believes.

In preparation for this, a comprehensive study of the major local industries and their export potential is already being carried out by the unit for marketing studies of the University of Stellenbosch, led by Professor Marius Leibold, in co-operation with the Chamber's Foreign Trade Committee.

"The preliminary study confirmed the urgent need for the development of a confidential strategy for the international competitiveness of the Western Cape economy in specific sectors and industries," Leibold said.

He warned that the longer this was delayed "the farther we are likely to fall behind regions such as Western Australia and Nova Scotia, which are in the process of devising such over-all strategies."

Growth

A statement issued by the chamber points out that "the strengthening of the export effort is essential to promote economic growth and the creation of employment."

It says that a preliminary investigation of six industries — electronics, engineering, textiles, clothing, deciduous fresh fruit and canned fruit — has already been completed.

"This study is marketing/business economics orientated. It reviews local and international demand trends in each industry, international competition, marketing strategies which are being used or could be used — and requirements for future success in specific markets."

The investigation has shown that, in contrast to co-operative export efforts in many overseas countries, there is "a relative lack of co-operation" between local firms trying to break into overseas markets.

"Little or no sharing of experience and mutual assistance is evident," the chamber says.

The study also found that most Western Cape firms lacked a positive drive to enter the export market. When they did so, it was mostly in response to finding trading conditions difficult on the domestic market.

"It must, however, be realized that anti-South African pressures are creating major difficulties for exporters and most industries are severely affected," Getz said.

The chairman of the chamber's Foreign Trade Committee, Mike Getz, who has just returned from the US, said he had "not encountered actual hostility, but a lack of knowledge about South Africa."

It was important for exporters to make it understood, at grass roots level, that buying South African exports in fact helped the process of reform by strengthening the economy.

Getz said Leibold's preliminary study would be followed by a more detailed one when interested organizations made it clear what was wanted and the budget had been decided on.

Results could include changes to export incentives, and action to solve common problems.

Among these problems were high freight charges.

"The traditional emphasis in South Africa on commodity exports means that higher tariffs are charged on the transport of manufactured goods. "This handicaps the Western Cape and is one of the reasons our economy has lagged behind," organizations interested in the research and its findings are invited to contact either Leibold or Getz.
Export plan needed

CHRIS CAIRNCROSS

VERY little cooperation or sharing of expertise goes on between industries in the Western Cape region embarking on the export trail.

This is one of the preliminary findings of a study being carried out to determine the export potential of existing and new industries in the region.

The study is being conducted by the Unit for Marketing Studies of the University of Stellenbosch, in collaboration with the Cape Chamber of Industries.

The need for such an investigation was highlighted by the White Paper on Industrial Strategy, published last year.

Preliminary investigations of six industries - electronics, engineering, textiles, clothing, deciduous fruit and fruit canning - have been completed.

The focus has been to review local and international demand trends for each industry, international competition, marketing strategies and tactics which are or could be used, and requirements for future success in specific markets, through surveys of firms in each industry.

Early results apparently confirm there is an urgent need to develop a confidential strategy to ensure the international competitiveness of the Western Cape's economy in specific sectors.
Minister warns changes ahead

WARM BATHS — South Africa was not primarily an agricultural export country, and any exports should be regarded as a windfall, the Minister of Agriculture and Water Supply, Mr Sarel Hayward, said today.

Speaking at the opening of a symposium of the Society for Agricultural Extension Services, he said there was a growing prospect the export market for agricultural commodities would become increasingly competitive.

It would be important in future that production be "in harmony with the natural resources".

Food strategies would have to take cognisance of the local strategic demand for agricultural products.

The regional organisations of his department had made good progress with the compilation of regional development plans.

PROBLEMS

Mr Hayward said there would also have to be a shift in extension priorities with an eye to the establishment of a vigorous farming community with the emphasis on human development and not on maximum potential.

He said he had studied the report of the Committee of Inquiry into the servicing of agriculture, and the problems had been thoroughly addressed.

It should not be forgotten the investigation was done and the report delivered under the old constitutional dispensation.

Since then a totally new constitution had come into operation and so the recommendations could not be considered.

Mr Hayward said he had informed the SA Agricultural Union of this, and had indicated he would have no objection to further talks. — Sapa.
GOVERNMENT is moving fast on several fronts to encourage industries to develop their export potential or step up their activities in this regard.

Evidence of this was provided by Trade and Industries Minister Dawie de Villiers during the debate on his budget vote in Parliament last week.

Highlights of government's new supportive actions reflect greater recognition of the need to satisfy the particular requirements of different sectors — and must provide advance indication of the sort of recommendations likely to flow from the Kien committee investigation into the country's export incentives.

De Villiers focused on two areas requiring special and urgent attention: the depressed state of motor manufacturers and the desirability of stimulating their export potential, and assisting smaller economic units — now seen as major sources of job creation — to develop their export potential.

On the motor industry, De Villiers said he has launched a Board of Trade and Industries (BTI) investigation into how it can aid manufacturers through stimulation of activities aimed at expanding exports. He noted that government believes the exploitation of the export market can make an important contribution towards the stabilisation and sound development of the motor industry.

De Villiers indicated that the BTI has been charged with giving high priority to determining what kind of permanent assistance can be extended to motor manufacturers. This could range from rebates on the excise duty payable on passenger vehicles and light commercials to the extent to which locally manufactured components are being built into both types of vehicle.

These rebates have recently been extended to vehicles intended for export, but are still of a temporary nature only.

The second area where government attention is focused are the export trading houses, including merchants and agents which export on their own account or on behalf of others.

The official hope, apparently, is to stimulate and re-create, within the private sector, the successful grading-house concept utilised by the Japanese.

The needs of the clothing industry are now also being addressed, the purpose being to enable all potential exporters to qualify for the incentives offered.
Govt blamed for market losses

MICK COLLINS

FAILURE by government to develop an industrial strategy has resulted in losing out on world markets, says Roy Marcus, dean of the Engineering Faculty at Wits University.

"The current rand/dollar exchange rate should have heralded a period of great financial boom but unfortunately the country is unable to capitalise on what is a major opportunity for the export of finished products."

Marcus blames government saying industrialists should have been encouraged to modernise manufacturing facilities and enter the high-tech era.

"SA has a policy which, by virtue of its unique political situation, encourages the use of manual labour rather than that of automation.

"Although automation would initially cause a downturn in the job market, companies would eventually prosper resulting in more and more people being employed."

He says many jobs need to be created and the only way to do so is to establish a viable manufacturing industry.

"This will transform our economy from one based solely on the export of raw materials to one based on the export of finished products."
Government will lend a hand where necessary

SOUTH African exports form an important and growing sector of the economy and the country must continue to export in the future to ensure a firm economic core upon which all citizens will look to provide education, increased standards of living and employment opportunities.

The present and recent export history again shows basic goods such as gold, minerals, precious stones and metals accounting for more than 80% of export earnings.

These finite resources have enabled tremendous industrial growth to take place. But in future exports from the industrial sector will have to increase and will have to eventually replace the current export mainstays.

Refining of minerals will also have to play a much greater role in future.

In addition, manufactured goods contain a much greater component of labour than basic goods and raw materials, enabling a full premium to be obtained on the resources exported from SA.

In export marketing, the world is one's oyster and it is possible for the SA manufacturer to orchestrate to very specialised sectors if needs be, as well as to be comparatively unrestricted by variations in local demand.

The Department of Trade and Industry is geared up to assist would-be and existing SA exporters in a variety of services available at the head office in Pretoria, at regional offices in Cape Town, Port Elizabeth and Durban, as well as 36 offices situated strategically throughout the world in the Republic's main export markets.

Worthy of mention is the fact that the services of the Department are available at no charge to the exporter. The services include computerised trade enquiries facilities for all overseas trade.

Enquiries are computerised and exporters registered with the Department are informed of the enquiries through the channelling of the requests to all of the appropriate exporters. SA trade representatives will establish contact with potential foreign importers of your product upon request.

Also, market surveys in foreign export markets will be undertaken upon request.

Foreign legislation and regulations will be provided upon request and research on specific products will be undertaken. Participation at overseas trade fairs in SA pavilions is arranged as well as assistance for taking part in specialised exhibitions.

Financial assistance is provided to exporters to help cover costs of overseas trade fairs in SA pavilions in any way.

The comprehensive services available at the Department of Trade and Industry to assist you to achieve success in exporting deserve more than a mere glance, and are as close at hand as your telephone.
Bid to cut cost of red tape

MICK COLLINS

THE first step towards simplifying export documentation, said to be costing SA more than R1bn a year, has been taken by a Saftolinked organisation.

A spokesman for the Simplification of International Trade Procedures in SA (Sitprosa) said at the weekend the group was aiming to achieve a saving of R100m in the next year.

Sitprosa GM Joubert Klopper said his organisation was concerned at the uncontrolled development of foreign trade paperwork which has resulted in a system which is:

- Burdened by huge costs because of wasted man-hours;
- Complex to operate and prone to costly errors; and
- Difficult to computerise.

"The hidden costs in the system are considerable — the United Nations suggests a benchmark of 10% on FOB value."

"With SA's foreign trade in general merchandise alone totalling around R20bn, we are looking at hidden costs of R2bn a year."

"A more conservative estimate puts this at 5%, but it is still costing SA R1bn every year."

Klopper said Sitprosa could not eliminate these costs entirely but was aiming at an initial saving of 10%, or R100m a year.

The earliest moves towards the simplification of trade procedures in SA were made in the late 1960s.

Armed with some elementary documents, the Bureau of Standards, Saftol and Assocom developed the first set of documents.

Changes in the past 10 years have made it necessary to modify these documents and the work was assigned to a specialist group within Sitprosa.

This group has now come forward with the Simpladok system which will be launched at a series of countrywide seminars later this month.

The system has been designed to entail the minimum of paperwork and works by the use of a master document in place of the multi-documents previously used — as many as 17 different forms.

Sitprosa is registered under Section 21 of the SA Companies Act as a membership association and its board is widely representative of foreign trade and public sector interests.
MINERAL BENEFICIATION

A fortune for the taking

It's been a long time coming, but the final touches are now being given to a new and coherent export and industrialisation strategy that will have far-reaching effects on the future development of SA.

Few details have yet emerged, but the chairman of the Committee of Inquiry into Export Incentives, Basie Kleu, is drawing up plans for an industrialisation programme based on selective promotion of exports. The programme, the FM understands, will focus on SA's traditional strength in minerals but it will lean heavily towards the concept of added value.

All Kleu will say is: "We have obviously looked at the question of mineral beneficiation and added value in our investigation into a more efficient system of export promotion."

The investigations by the Board of Trade and Industries dovetail with moves by the Department of Mineral and Energy Affairs (DMEA) to boost the value of mineral exports. The draft White Paper on the country's mineral policies published by the DMEA earlier this year (Business April 18) places heavy emphasis on the need to encourage the beneficiation of local raw materials.

Response from industry has largely been favourable. "The government now seems prepared to provide every incentive to promote increased processing in the minerals industry," says one industrialist.

In the past, government has been accused of paying mere lip-service to the need to change the country's heavy reliance on raw mineral exports. But now it seems to have accepted the challenge that SA, with its vast range of mineral deposits, has the chance to become the world leader in minerals technology.

"There has been little action on the minerals front in the last 10 years," says Mintek president Aidan Edwards, "but there's new urgency in efforts to develop our minerals industry."

Edwards sees SA's minerals going through four cycles. The first is mining, then raw beneficiation, through refined beneficiation to manufacturing.

Mintek is already carrying out research into improved technologies. "If all our projects come through, even in a modest way, I reckon we can double the industry's foreign exchange earnings in the next decade. Nothing comes easily, but we must look to the future."

By way of example Edwards says that SA supplies 20% of the world's titanium but it is only a minor producer of titanium pigment for paints and plastics. "Why don't we have a major production facility in SA?"

Edwards says that, given SA's gold, platinum and diamond resources, it should be a major jewellers producer, but isn't. "If the country could grab 10% of the world jewellers market this would be worth between R2.5 billion and R4 billion a year."

Adds CSIR deputy president Brian Clark: "SA cannot afford to go just halfway through the materials cycle. The engineering materials industry should be expanded as an aggressive export-oriented sector. A vigorous export programme based on adding value would help the country enormously."

Clark says 1 000 t of chrome ore sells for R33 000 and creates three jobs. By going up the value-added ladder through ferrochrome to stainless steel, a further R1.9m in value and 15 jobs are created. Using the stainless steel in manufacturing would add another R7.8m and create 177 jobs.

"These figures are based on real world experience. As you go up the value-added spiral, the income and new jobs escalate rapidly."

Although SA's exports have grown substantially in recent years, there has been little movement away from the heavy reliance on minerals, primarily gold.

Gold provides more than 72% of mineral export earnings and 47% (R11.68 billion in 1984) of total export earnings, according to Sakti intelligence office Ann Moore. Disturbingly, the dependence has grown. In 1950, gold's share of total export revenue was less than 30%, says Clark.

Clearly, increased mineral beneficiation will be a major step towards decreasing that reliance. But the next move must be to promote manufacturing which currently provides only 23% of total exports. The hope is that government has finally got the message.
Exporters ‘need govt incentives’

SA EXPORTERS need more financial incentives from government, says Barlow Rand CEO Warren Clewlow. He says in the SA Foreign Trade Association (Safto) annual report that fluctuations in the exchange rate in the past year have made long-term export planning difficult. Political uncertainty and a firmer gold price may create further fluctuations at a time when exporters need currency stability.

Clewlow says: “Government has so far abstained from excessive interference with the rand exchange rate; but some alternative facility, to give exporters greater security and provide an escape from SA’s substantial inflation rate differential, needs to be tested.”

Safto chairman Clewlow says SA will have to rely increasingly on its own resources to generate the capital investment needed to sustain export efforts.

He says: “Free market forces are unlikely to direct sufficient investment into export production in the years ahead. There is clearly a need for government encouragement in this area.”

One suggestion is that export-committed SA companies be extended the same financial rand benefits as extended to foreign investors in this country.

Clewlow says: “It has been proposed, in essence, that such local companies should be able to remit part of their foreign earnings via the financial rand to invest in additional export-oriented plant.”

David Furlonger
Govt accepts new incentives for exports

JOHANNESBURG — A new system of selective and differentiated export incentives tailored for specific industries had been accepted by the authorities.

This was said last night by the Minister of Trade and Industry, Dr Davie de Villiers, at a function where the winners of the State President's awards for export achievements were announced.

He would have liked to enlarge on the achievements of exporters, but, because of current international situation it was better not to, he said.

The overall winner was SA Nylon Spinners (Pty) Ltd, which is involved in the manufacturing and exporting of synthetic fibres.

The winner of the mining division was Samancor Ltd.

Westfalla Estate won the agricultural division, while the Deciduous Fruit Board won the service sector award.

Delta (Pty) Limited's manganese division, which exports electrolyte manganese dioxide used in the production of dry cell batteries, won in the manufacturing sector.

Dr De Villiers said promotion of exports remained a high priority with the authorities, but the most important driving force for exports remained the enterprise and initiative of the exporter.

It was impossible to forecast future developments with any reasonable degree of accuracy, but he believed a target should be set to at least double the country's exports — excluding gold — over the next decade.

"Exporters should not be discouraged by actions taken against South Africa. On the contrary, these should be seen as a challenge to be met by greater and more aggressive and imaginative marketing efforts than ever before." — Sapa
EXPORTS

POLICY

1988
Increased counter-trade dealing is in the offing

Move to step up exports in the face of sanctions

By Michael Chester

The Government and the private sector plan to link forces to probe more deeply into export markets and yet escape the flak of sanctions.

Sweeping moves are expected to negotiate two-way deals that will bind overseas suppliers to balance the values of any big contracts they sign with South African importers with agreements to buy shipments of South African exports.

It is envisaged that many of the deals will be made invisible to sanctions lobbies by the routing of shipments via third parties.

So far South Africa has been slow to follow international trends towards counter-trade, which has mushroomed in recent years into a multibillion-shadow business that now accounts for no less than 25 percent of all world trade.

But the go-ahead to explore the possibilities has now been signalled to both the public and private sectors by recommendations from the Cabinet to all Government departments and para-statal corporations that all future import contracts worth R3 million or more should be linked with counter-trade deals whenever possible.

The Government and the Industrial sector see huge potential for radical counter-trade agreements flowing from the tempting overseas contracts that will accompany such vast new projects as the Mossel Bay gas scheme and Loshoto Highlands water scheme.

But most of the deals are likely to stay under close wraps to avoid the attention of hostile overseas sanctions and boycott lobbies now showing frustration over South Africa’s uninterrupted successes in its export programme.

The South African Foreign Trade Organisation (Safito) has already confirmed that a series of special seminars it has organised with the Department of Trade and Industry, to alert business to the widening scope for counter-trade, will be held in March behind closed doors.

"There might be a number of sensitive issues to review,” said a Safito official. “It might be far better if the seminars remain confidential so that everyone can be at ease in discussions."

Counter-trade is expected to be examined in five basic forms:

- Barter - straight goods-for-goods exchanges.
- Counter-purchase - when suppliers agree to reciprocate deals to buy goods or services over a fixed period.
- Buy-back - when deals are negotiated to ensure sales of technology, equipment or plant go hand in hand with commitments to buy quantities of products in full or partial payment.
- Evidence accounts - commercial agreements between manufacturers and governments that establish the basis for bilateral trade balances.
- Bilateral clearing arrangements - trade pacts between governments that ensure a longer-term balance of trade.

Bavarian leader to visit SA soon

The Star’s Foreign News Service

MUNICH: Bavarian Prime Minister Mr Franz-Josef Strauss will visit South Africa and Namibia later this month, it was announced in Munich yesterday.

The right-wing politician will leave for southern Africa on January 19 on a tour that will also take him to Mozambique.

In South Africa, Mr Strauss will meet President Botha and the Minister of Foreign Affairs, Mr Pik Botha.

It will be Mr Strauss’ first visit to Mozambique. Chancellor Helmut Kohl visited Mozambique last November.

A spokesman for Mr Strauss’ office said that his southern Africa tour was being undertaken with the full approval and co-operation of Mr Kohl.

Mr Strauss’ globetrotting has sometimes led to tensions in the coalition party, but Mr Kohl has earned him the title of “Germany’s unofficial foreign minister”.

Cheers at Bulawayo

BULAWAYO: Two cabinet Ministers, formerly from rival parties, jointly addressed the first rally organised by the newly integrated Zanu (PF) at Lupane near Bulawayo yesterday.

The Star photographer, Ken Oosterbrook, who had colleagues, said:

"A thirsty member of the public got two lids for the price of one who高新技术 at the weekend. He telephoned the company who procured the equipment and pronounced the Star photographer, Ken Oosterbrook, who had colleagues, who said:

They also said they will continue to support the country’s education system and will be held in due course.

"We will be harder that the country, subject to the country's needs and the environment.”
By Michael Chester

The Government and the private sector plan to link forces to probe more deeply into export markets and yet escape the flak of sanctions.

Sweeping moves are expected to negotiate two-way deals that will bind overseas suppliers to balance the value of any big contracts they sign with South African importers with agreements to buy shipments of South African exports.

It is envisaged that many of the deals will be made invisible to sanctions lobbyists by the routing of shipments via third parties.

So far South Africa has been slow to follow international trends towards counter-trade, which has mushroomed in recent years into a multibillion-rand business that now accounts for no less than 25 percent of all world trade.

But the go-ahead to explore the possibilities has now been signalled to both the public and private sectors by recommendations from the Cabinet to all Government departments and para-statal corporations that all future import contracts worth R5 million or more should be linked with counter-trade deals whenever possible.

The Government and the industrial sector see huge potential for radical counter-trade agreements flowing from the tempting overseas contracts that will accompany such vast new projects as the Mosel Bay gas scheme and Lesotho Highlands water scheme.

But most of the deals are likely to stay under-close wraps to avoid the attention of hostile overseas sanctions and boycott lobbies now showing frustration over South Africa's uninterrupted successes in its export programme.

The South African Foreign Trade Organisation (Sato) has already confirmed that a series of special seminars it has organised with the Department of Trade and Industry, to alert business to the widening scope for counter-trade, will be held in March behind closed doors.

"There might be a number of sensitive issues to review," said a Sato official. "It might be far better if the seminars remain confidential so that everyone can be at ease in discussions."

Counter-trade is expected to be examined in five basic forms:

- Barter — straight goods-for-goods exchanges.
- Counter-purchase — when suppliers agree to reciprocal deals to buy goods or services over a fixed period.
- Buy-back — when deals are negotiated to ensure sales of technology, equipment or plants go hand in hand with commitments to buy quantities of products in full or partial payment.
- Evidence accounts — commercial agreements between manufacturers and governments that establish the basis for bilateral trade balances.
- Bilateral clearing agreements — trade pacts between governments that ensure a longer-term balance of trade.
Conditional new aid

Deputy Finance Minister Kent Durr has released long-awaited — if "interim" — new rules for exporters. The announcement implies a change from the present clinical, objective qualifying rules to a subjective system and includes:

- The requirements of each sector will be considered, "while seeking to increase international competitiveness in general."
- There will be incentives for all "industries." This does not mean that each sector will "automatically" qualify — as now. Help will depend, says Durr, on things like foreign exchange earnings, income and job creation and increased productivity;
- Those with long-term contracts will be treated with "sympathy;" and
- A system of "prioritising export activity" will be applied.

Export incentives have long been under consideration by the Kleu Committee, which has worked as a committee of the Board of Trade and Industry and now falls under the Ministry for Economic Affairs and Technology (MEAT). Kleu's broad brief was to suggest improvements for export incentives based on "both macro and micro desiderata."

While Kleu's work is incomplete, Durr says enough has been done for "interim decisions on the recommendations."

Many feel the present system outdated, but there are other reasons for change. Now, only manufacturers qualify for so-called "category A and B" incentives, which, in addition, conflict with the rules of Gatt. Says Durr: "Export incentives that do not conflict with the Gatt subsidy code or economic targets will be retained or adjusted."

The value of category A and B incentives depends on whether materials that go into manufacture, and/or a new product, are subject to tariffs. While these incentives violate Gatt, their application is clinical and easily ascertainable.

While it is doubted that the value of the new incentive scheme will change, who will qualify, and how, are anyone's guess.

Not only manufacturers, but services sector businesses and primary manufacturers may be able to stand in line. Notwithstanding a broader base, in total fewer may qualify for incentives than before.

The subjectivity of the new scheme will enable the authorities more swiftly to aid exporters hit by sanctions. Greater flexibility will, unfortunately, allow much special pleading and "ad hocery."
FOREIGN TRADE

Which way to grow?

The government-owned Industrial Development Corporation (IDC) is offering discount loans to exporters — at 5% annual interest — in the hope of promoting Far East-style economic growth.

But aside from the fact the IDC has got its thinking backwards, its plan to promote export industries and import substitution will simply distort the economy, encourage misallocation of resources, and give businessmen the wrong signals with which to make investment decisions. The upshot will be higher taxes and higher prices for the consumer.

It plans to lend R300m this year to finance new manufacturing projects by medium-sized industrials or groups, with assets of up to R50m. Projects are eligible for 3-year, 5% loans if at least 60% of sales will come from exports or import replacement. After three years normal IDC rates will apply, but with a 14% cap.

If 30%-60% of sales are destined for export or import replacement, half the loan can be made at 5% interest and the rest at normal IDC rates.

The IDC argues that the scheme makes business sense: it believes successful South African firms will be those that sell to the rest of the world. And, eager to cultivate a new generation of industrial clients, it is willing to help exporting firms grow.

"The world’s high growth-rate countries are all very export orientated," says Gerard Morse, an IDC GM. "To get the sort of growth rates required, we can’t just produce for the home market."

But it is doubtful government export subsidies are the way. Wits business economist Dan Leach, for example, criticises the scheme on several grounds:

- It harms the average South African at the expense of a handful of industrials. By subsidising exports, Pretoria takes from taxpayers and gives to overseas consumers;
- It twists the concept of comparative advantage. Firms should export products that they can make better or cheaper than can be done elsewhere. If the product has to be subsidised it doesn’t have a natural advantage. “You either have comparative advantage or you don’t,” he says. “Government can’t manufacture it;”
- There’s nothing special about exports and export-led growth. Subsidising exporters doesn’t create jobs any better than subsidising local farmers, homebuilders or automakers. We can never see the jobs that would have been created if government subsidies had been left in the hands of the private sector; and
- The IDC has the relationship between exports and growth backwards. Far East countries freed their economies and enjoyed booming domestic consumption and exports. As economies grow, foreign trade tends to grow. The key is to deregulate the economy and watch exports soar, not subsidise exports and expect the economy to take off.

If SA is to grow like the Far East has, we must make sure we learn the correct lessons.

As the Heritage Foundation’s Asian Studies Center in Washington DC says: “The collapse of Japan’s traditional feudal society in the Forties and the emergence of a more open society triggered an explosion of creative energy. Free speech, human rights, and freedom of investment and pricing changed the political and economic dynamics. Any Japanese — regardless of age, class or family background — could venture into business and succeed through hard work, imagination, willingness to take risks, and good luck.”

Small government and freer markets led to phenomenal growth, not government’s occasional, ill-advised subsidy and investment scheme, the foundation concludes.

There is an easy way to settle the debate whether the IDC export scheme makes sound business sense or simply satisfies politicians and special interests: Pretoria should privatisate the IDC by selling all its shares to private investors, and let the market judge whether exporting companies make the best investments (see P41).

Meanwhile, Customs and Excise reports that the trade surplus narrowed in 1987 to R13,98bn from R15,31bn in 1986, as exports stayed flat and imports picked up.

The value of exports rose about 1% to R42,7bn; imports rose 7% to R28,7bn. Neither increased faster than the inflation rate of about 15%, however, which reflects a real fall in the value of foreign trade.

Nedbank chief economist Edward Osborn is among those who expect the trade surplus to continue narrowing. One factor he cites is the fall in the rand against third currencies. He estimates that 70% of exports are priced in dollars and 70% of imports in third currencies. This means the rand value of imports will rise faster than the rand value of exports, as the value of the dollar declines against other currencies like the D-mark and yen.

“We tend to throw our hats into the air when we see the rand holding steady against the dollar,” he says. “But we shouldn’t forget that, meanwhile, it has been depreciating against all other major currencies.”

FINANCIAL MAIL FEBRUARY 12 1988
Restructure
for industry

A MAJOR plan for the complete restructuring of industry and exports is under consideration by government and should receive approval shortly.

Making the announcement yesterday, Board of Trade and Industries (BTI) chairman Lawrence McCrystal said the new path would require a painful change of attitude — but SA had to get away from the 2.5% to 3.5% growth which presented a danger to the balance of payments.

He said the new approach would require structural adjustment rather than protection or export promotion.

Speaking in Durban at an Executive Update seminar, McCrystal said the country could no longer continue the industrial course it had followed for the past 12 years.

He said the aim was to double the growth rate of 2.6% and reach 5% to 7%. “Clearly exports must play a major role in this because of the balance of payments constraint.”

Meanwhile, reaction to McCrystal’s earlier announcement of a crackdown on tariff protection received mixed reaction yesterday.

The National Shoe Retailers Association (NSRA) said if local manufacturers were more efficient they would not need to seek protection in the form of import tariffs.

One source said it was about time industries which granted large wage increases without getting the resultant improvement in productivity should not then seek tariff protection.

Federated Chamber of Industries (FCI) executive director Steve Anderson said he supported the BTI move in general but he still had to ascertain the views of members.
Export development assistance scheme takes over

C and D incentives to be abolished next year

GOVERNMENT would abolish its C and D export incentives in favour of an export market development assistance (EMDA) scheme, Deputy Economic Affairs Minister Theo Alant said last night.

The C and D incentives make provision for re-imbursement of marketing costs incurred by exporters, including warehousing in overseas countries.

Alant told Steel and Engineering Industries Federation (Seifsa) members the EMDA plan would come into effect on March 1 next year. He said details of the scheme would be disclosed later.

"The A and B export incentives, relating to input and output costs incurred by exporters, will also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors. Such schemes will include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes."

The Board of Trade and Industry (BTI) had undertaken a thorough investigation and the changes were a result of its recommendations.

MICK COLLINS

Alant said this had come about because in spite of the generous incentives offered to exporters there had been basically no change in the proportion of manufactured exports to raw materials exports in the past 15 years.

Alant said the BTI recommendations were aimed at achieving a policy and strategy for the structural adjustment of SA industry, including measures to promote exports with the overriding aim of improving the manufacturing industry's competitiveness internationally.

Timetable

The necessary legislative changes to terminate the C and D category incentives would be introduced in good time, while the existing A and B category incentives would remain in force until alternative measures were formulated by the board, which would also recommend a timetable for phasing out those incentives.

He said that prior to the introduction of the new measures all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Alant said the metal and related industries were among those which the BTI considered could make the biggest contribution to exports of manufactured goods in the future.

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased.

Referring to state participation and its prescriptive role in the economic process, Alant said these must be reduced to the absolute minimum.

"This is not to say the state must never interfere in the economic process. But when it does so, it must endeavour to do so judiciously and wisely."

He said there was no doubt that the scale of the state's presence in the economy had grown excessively over the years.

"But government has taken stock of the situation and its privatisation and deregulation policies are part of its response to this problem. The policy of privatisation is aimed at reducing the role of the state as a controlling force in the economy. Government's deregulation policy is aimed at reducing rules laid down by the state for conduct in the private economy."
The Government was abolishing the line in favour of export market development assistance and the revised export incentives were being made effective from March this year. The Minister of Economic Affairs, Dr. Mike van Tonder, said the annual budget of the Steel & Engineering Industries Federation (Sefikela) was being increased to R15 million, with additional input and output costs incurred by export processors also being covered by the scheme. Other benefits included specific industrial development measures, such as business development, training and marketing assistance. These measures would be implemented in cooperation with the Board of Trade and Industry. A thorough investigation had been carried out on the export schemes, which had been made available to small, medium, and large businesses. The revised schemes were being introduced to increase productivity, decrease input costs, and assist in the development of specific industries and businesses. The Minister called for schemes based on the results of the investigation, which were expected to be disclosed later this year. He also indicated that the scheme was expected to be effective from next year.
Export incentives: some to be ditched

JOHANNESBURG

The government would abolish its C and D export incentives in favour of an export market development assistance plan, the Deputy Minister of Economic Affairs and Technology, Dr. Theo Alant, announced.

The C and D incentives make provision for reimbursement of marketing costs incurred by exporters, including warehousing in customer countries.

Dr Alant said the changeover to the export market development assistance scheme, about which details would be disclosed later, would come into effect on March 1 next year.

He said the A and B export incentives, relating to input and output costs incurred by exporters, would also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors. Such schemes would include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes.

The changes are to be made on the recommendation of the Board of Trade and industry which had undertaken a thorough investigation. This had come about because, in spite of the generous incentives offered to exporters, there had been basically no change in the proportion of manufactured exports to raw materials exports in the past 15 years.

He said that prior to the introduction of the new measures all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Dr Alant said the metal and related industries were among those which the board considered could make the biggest contribution to exports of manufactured goods in the future.

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased, he said.

On the subject of deregulation Dr Alant rejected suggestions that a joint private sector and government body be set up to monitor progress on deregulation and see that target dates are met.

He said: "It is occasionally said that regulating bodies themselves, such as government departments, cannot be trusted to contribute much to deregulation since such bodies are likely to want to protect their own interests."

"Deregulation should consequently not, so it is argued, be left to the regulating bodies concerned."

However deregulation, like regulation in the first instance, was a government function.

"It is the government's duty to maintain an objective position as regards the conflicting interests of many interest groups. This also strengthens the credibility of our policies."

The appointment of yet another committee is therefore not justified.

But the advice and criticism of the private sector is indeed most welcome," he said. — Sapa

Bank's profits take dip

FRANKFURT — Deutsche Bank AG, West Germany's biggest bank, posted a fall in profits in 1987 for the first time in 10 years, mainly because of last October's stockmarket crash.

Group net profit at Deutsche, which has large stakes in many of the country's industrial concerns, fell by more than one-third in 1987 to $400 million.

The bank's chief executive, Mr. Wilhelm Christians, said earnings had been rising for the last three years.

"This phase came to an end in 1987 with a strong reversal," he said. — Sapa
JOHANNESBURG

The government would abolish its C and D export incentives in favour of an export market development assistance plan, the Deputy Minister of Economic Affairs and Technology, Dr Theo Alant, announced.

The C and D incentives make provision for re-imbursement of marketing costs incurred by exporters, including warehousing in customer countries.

Dr Alant said the changeover to the export market development assistance scheme, about which details would be disclosed later, would come into effect on March 1 next year.

He said the A and B export incentives, relating to input and output costs incurred by exporters, would also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors. Such schemes would include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes.

The changes are to be made on the recommendation of the Board of Trade and Industry which had undertaken a thorough investigation. This had come about because, in spite of the generous incentives offered to exporters, there had been basically no change in the proportion of manufactured exports to raw materials in the past 15 years.

He said before the introduction of the new measures, all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Dr Alant said the metal and related industries were among those which the board considered could make the biggest contribution to exports of manufactured goods in the future.

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased, he said.

On the subject of deregulation Dr Alant rejected suggestions that a joint private sector and government body be set up to monitor progress on deregulation and see that target dates are met.

He said: "It is occasionally said that regulating bodies themselves, such as government departments, cannot be trusted to contribute much to deregulation since such bodies are likely to want to protect their own interests.

"Deregulation should consequently not, so it is argued, be left to the regulating bodies concerned."

However deregulation, like regulation in the first instance, was a government function.

"It is the government's duty to maintain an objective position as regards the conflicting interests of many interest groups. This also strengthens the credibility of our policies. The appointment of yet another committee is therefore not justified. But the advice and criticism of the private sector is indeed most welcome," he said. — Sapa
NO CHEERS

Liquor producers say they are being hurt by attempts to stamp out bootlegging. They concede the need to prevent export shipments being diverted illegally to the local market, but claim Customs and Excise is overdoing it.

KWV's Kobus van Niekerk is negotiating on behalf of the liquor industry for customs to adopt a softer approach. He says it isn't necessary to:
- Compel exporters to load trucks or containers under supervision of customs men and charge them for their presence;
- Force them to export only through Komatipoort and Beit Bridge, when most of SA's exports to countries outside the Customs Union flow through Botswana;
- Pay full excise duties, plus a 25% surcharge, in advance and be able to claim it back only after it is proved the liquor has been exported.

But in reply, Customs and Excise Commissioner Dean Colesky says Komatipoort and Beit Bridge are the only border posts with department officials to formally stamp export papers and ensure shipments leave the country.
Food for thought

Food exports account for more than 10% of world trade—dwarfing other products like iron and steel, chemicals and ores and minerals. But SA hasn’t even begun to tap its potential.

South African Foreign Trade Organisation (Safto) CE Win Holtes says food boards should privatise their international marketing functions—as the Deciduous Fruit Board has done (Business September 25). Export trading houses should also be used more aggressively.

A Safto analysis of world trade identifies certain food commodities as winners—where there was growth from 1980-1986. They include such staples of South African production as preserved fruit, beer and fish. Many of the world’s losers though, also have a strong South African link, including maize, sugar and wheat flour.

Safto suggests, as does the Kleu Commission, there should be a rifle approach to exports in which only selected exports are encouraged.

SA still predominantly exports to traditional markets. The UK took nearly 10% of SA’s food exports, although it accounts for only 6.5% of the world’s food imports. Japan, on the other hand, accounts for 9% of world food imports but only 2% of SA’s food exports.

The Japanese market is there for the taking, asserts Holtes. Their diet is growing in quantity, calorie intake and quality. He adds there has been an upsurge in the purchase of convenience foods, giving scope to South African food processors.

Export incentives are beginning to support processed foods and other added-value products.

“Development of the winners will involve significant progress in exports of processed, rather than basic, agricultural products. Government’s new industrial programme of structural adjustment provides substantial assistance to achieve this purpose,” says Holtes.
EXTRA INCENTIVES

Crucial need for clarity

Tax and financial concessions for exporters — worth an annual R1bn — have become a major concern for thousands of enterprises. Expected future changes have been announced by several branches of government, without consolidation.

Exporters feel they're making quotes for future deliveries in the dark, and calls for clarification grow by the day. With SA's open economy (exports and imports comprise 65% of GDP) careful, measured reform of the export incentive system is crucial.

The system is the subject of a huge behind-the-scenes government investigation. Its overall aim is "to improve the international competitiveness of South African manufacturing industries." There are a number of complicating factors.

SA has not yet signed the codified articles 16 and 23 of the original GATT agreement, which condemns the use of subsidies for encouraging exports. It can be argued that SA's current system consists largely of subsidies. US steel manufacturers, for example, have succeeded on this score.

The private sector has long exerted pressure for the export incentive system to be overhauled, which has to be done before the GATT articles can be signed.

It has argued that the current system is not as cost-effective as is could be; that it is costly to administer (being unnecessarily complicated); and that some products are unduly favoured, while more deserving ones are ignored.

For example, as Ernst & Whitney's Darrell Sahl points out, the export of South African expertise and know-how, and organisations encouraging foreign investment, have been largely excluded from the export concession pie.

So far, only a degree of clarification of changes due have been given for two of the four export categories. Previous announcements had it that Category A (input compensation) and Category B (value added) would be abolished on December 31 1988. These two categories are of considerable benefit to secondary industry — provided the final product exported is subject to a customs tariff.

Previous reports have been silent on Category C (cash grants) and Category D (Section 11 tax allowance benefits, the latter falling under the Income Tax Act, and thus the Department of Finance). Economic Affairs and Technology Minister Danie Steyn has, however, now said that categories C and D will be replaced by "a scheme for Export Market Development Assistance (EMDA)" on March 1 1989.

The effect is far-reaching: C and D are the most direct and broad-based benefits available. C assists assessed loss and cash poor companies; D assists exporters with tax base — that is those making taxable profits.

Clearly, EMDA will have to provide equal treatment to both tax paying and tax loss companies. Steyn says that as EMDA is implemented, necessary amendments to terminate D incentives will be made to the Income Tax Act.

Steyn says that the Board of Trade and Industry (BTI) has already submitted to government a report and recommendations on a policy and strategy for "the structural adaptation" of South African industry. This includes measures to promote exports.

A and B incentives will be replaced by a variety of new measures:

- Schemes to provide assistance in respect of input costs;
- The development of small industries;
- Productivity improvements; and
- Special programmes for industrial development.

But each of these schemes will be designed for specific industries after thorough studies and recommendations have been made by the BTI. The FM understands that the parameters of this investigation will be tabled in parliament during May.

Moreover, the existing A and B incentives will be retained "until BTI has recommended substitutary measures." BTI will also, in each case, make a recommendation for the period during which A and B will be phased out and replaced by the new measures.

All the amendments referred to will be preceded by a process of registration of new exporters and the re-registration of existing exporters. This will be done on the curious basis "of a set of criteria aimed at the more efficient utilisation of funds."

And, to keep the ball rolling, "further particulars of the proposed schemes and registration will be announced from time to time."

With the ball now squarely in government's court, it is essential that all export benefits must be channelled, as directly as possible, to provide South African exporters with a competitive edge in foreign markets. Again, it is crucial that this should not be done contrary to the spirit of GATT.

The general consensus, as demonstrated by government statements, is that cash-based incentives will be the substitute for existing benefits. Subsidies — as these most certainly will be if not by another name — have a poor track record for efficiency and impartiality.

It is a little worrying that the BTI's investigation is by sector, which implies a degree of subjectivity and scope for lobbying. The FM understands that the BTI's investigation hinges on the precept that if an enterprise doesn't perform, the benefit will be withdrawn.

If this is the basis of the structural adjustment programme, it is to be welcomed and encouraged. But ultimately, the FM hopes that the new export incentive system will not be plagued by irregularities and inequities.
sanctions, but is "aimed at achieving the maximum possible rate of economic growth out of available resources."

In a departure from previous policy, export promotion and tariff protection are being considered together, says McCrystal.

"They are viewed as instruments to achieve structural adjustment so an internationally and internally more competitive economy is promoted. The approach will be to achieve targets jointly agreed with the sector concerned," he says.

"We have scarce resources of capital and skills. Everything we do must be aimed at achieving the maximum possible rate of economic growth out of the available resources. That means putting the effort and resources we have behind potential winners. We are simply implementing the plan to the vision we have been talking about for the past two years."

It is a moot point whether the private sector needs this kind of targeted assistance. But three points are worth recording: SA faces a turbulent international trading climate that might warrant special measures; the country's burgeoning Third World population creates a massive demand for new jobs and economic growth; and, moreover, some countries in the Far East have successfully implemented targeted assistance to specific industries.

But McCrystal claims SA is not following in the footsteps of countries like Taiwan, South Korea and Japan. "We are doing our own thing in terms of the perceived needs of SA. The long-term economic strategy of the Economic Advisory Council and the White Paper on industrial development strategy provide the framework within which we are operating."

Nevertheless, the new policy guidelines resemble those followed by Japan's Ministry of International Trade and Industry (MITI).

MITI's approach has been to identify and target sectors of the economy where a joint approach by the State and private sector can provide maximum benefits to the Japanese economy, especially on the export front. The BTI's role, says McCrystal, is to help devise development strategies for particular sectors so that they fit in with anti-inflationary policies and other policies indicated in SA's long-term economic strategy.

McCrystal says BTI investigations into the textile and clothing, footwear and motor vehicle sectors will be completed in 1988, while the rest will take longer. Legislative changes, as and when necessary, will follow BTI investigations, as in the case of the jewellery industry.

McCrystal says the new measures form part of a "vision to make SA the competitive powerhouse we all know it can and should be. If it works, it will lift the lid on our economic growth rate. SA's economy needs dynamic structural adjustment to shake the inefficiencies out of our resource utilisation."
Scraping of export incentives put off

TAX experts, business and industry have welcomed government’s decision to postpone plans to scrap export incentives.

Economic Affairs and Technology Minister Danie Steyn said last week the existing categories A, B, C and D export measures would remain in place until the end of the 1988/89 financial year.

The A and B incentives relate to cash payouts granted on the value of exports, whereas C and D categories involve substantial marketing allowances dependant on export performance.

Deloitte’s Doug Jolliffe said the sudden discontinuation of the allowances without replacement measures would have had a disruptive effect on the export market.

Jolliffe said although the reduction of direct subsidisation was in line with Margo, the abolition of the incentives would have created serious problems for exporters reliant on the subsidy, who had already set prices for next year.

Private Sector Economic Advisory Committee (PSEAC) chairman Nols Olivier in welcoming the announcement said: “The minister’s statement removes the uncertainty which has existed among exporters and thus enables them to go about their international business with confidence.”

PSEAC is the recognised consultative channel to co-ordinate with government on matters affecting exporters and export promotion. Assocom and Saffo are among its members.
EXPORT INCENTIVES

Status quo

Minister of Economic Affairs & Technology Danie Steyn has clarified — for the time being — the status of the export incentive programme, after much speculation.

Earlier this year, it was announced that existing Category A (input compensation) and Category B (value-added) schemes would be extended another full year. The status of Category C (cash grants) and Category D (Income Tax allowance See II bis) was unclear.

Steyn now says that all existing incentives — A, B, C and D — will remain in place for the full financial year to March 31 1990.

The Department of Trade and Industry will continue to register exporters under the existing arrangement but a new registration form is expected to be issued towards the end of October. This will no doubt be much more searching than the existing form in an attempt to identify exporters with genuine potential rather than "no-hopers."

All existing exporters will be expected to re-register for the new incentive scheme.

Speculation about what will eventually replace the export promotion programme has reached fever pitch in the business community. This is to be expected as government officials have provided limited information about the new programme (see box). The business community will have to wait, probably until well into 1989, for full details.

EXPORT ROUNDDUP

The programme to replace export incentives is still to be announced. A summary of available information follows:

- The new incentive scheme will be based almost entirely on cash grants;
- Two principal categories of incentives will be established.
- Firstly, Development Assistance, probably with elements similar to the existing Income Tax Marketing Allowance (Section 11 bis). The exporter will have to support any application with a detailed marketing plan, together with budgets of expenditures and sales.
- Secondly, Market Penetration Assistance, designed to help an exporter penetrate overseas markets. Full supporting and feasibility studies will be needed;
- Aid will be limited to the exporter himself, not the manufacturer — as now;
- It is expected that exporters will be divided into three principal categories, all of which will be eligible for assistance.

Firstly, those who will export regardless; that is, as a result of surplus or because the product has little or no overseas competition. Exporters of raw materials will fall into this category.

Secondly, exporters with a well-structured and achievable plan with realistic budgets but where potential growth in overseas markets is limited.

Thirdly, a genuine exporter who has great competitive potential in overseas markets. Here, a whole range of incentives will satisfy different needs:
- The department will issue lists of what product types fall into each category.
- The new programme is expected to identify specific industries with the greatest potential. These will be singled out for more comprehensive assistance aimed at particular strengths and weaknesses.

Steyn ... export incentives made clear, for now

of the new export programme.

The fundamental requirements must be that the scheme is easy to administer, completely understandable, and above all that legitimate applications are dealt with quickly and efficiently.

FINANCIAL MAIL JUNE 17 1988
SA can massively increase exports

THE CURRENT concern over the balance of payments highlights once more the need for increased exports. The state of the economy also emphasizes the need for greater employment in industry and, given the limits of the South African market, for more industrial exports.

The Board of Trade, through its extensive investigation of the export incentives in relation to more effective market performance by industry, is forcefully bringing home the message that each sector of the industry should try at least to balance its imports and exports and is giving a powerful direction to our future economic and industrial strategies.

Gradually, a comprehensive foreign trade strategy is emerging and the business community should take note of this — as well as of the consequences — in their own future planning.

Excuses

Comparisons of SA with the "economically successful" countries have been repeatedly made and the lesson stated ad nauseam: unless we become as export-dedicated as they are, there is very little of an economic future for this country.

There are many excuses and reasons given why South African companies in general are not more export-dedicated. These reasons range from political issues to exchange rate fluctuations, from distance from world markets and transport costs to sanctions.

And yet we have seen many highly successful South African export concerns which have not only survived all those arguments against exports, but by doing so have given their shareholders an increased return on their investment.

Many of the larger successful exporters are in mineral, metal, chemical, paper and pulp and similar type of industries, where the production process is a continuous operation.

In the manufacturing sector, many of the more successful export companies are gradually adopting what is common practice abroad — introducing second and sometimes third shifts (even if continuous production is not technologically required) and achieving additional output from their existing plant.

This issue is becoming increasingly critical. In the current sanctions environment, too many exporters seem to be "shooting themselves in the foot," for there is puzzled criticism from abroad that in some product areas SA is actually reneging on its export commitments because production is being diverted to the home market.

WIM HOLTES, CE of Saffito, raps SA producers and recommends a route to more industrial exports — additional production shifts

The domestic market has improved. This cyclical approach makes SA an extremely unreliable source for foreign buyers and its negative effect could, in fact, be far more damaging than the sanctions effect on our exports.

In many manufacturing industries a massive increase in exports can be achieved by establishing export-dedicated production through a second or third shift. This would also immediately improve employment opportunities.

Production can be increased without further capex, giving improved capital productivity. Growth can be achieved without the need to import expensive foreign equipment and machinery. The unit cost of production can be drastically cut by a wider distribution of fixed costs, such as rent and depreciation, over larger production runs.

Economies of scale and learning-curve effects gradually exert a powerful positive influence on productivity and profitability. All of these results also emphasize the strong counter-inflationary benefits of export-led growth.

Like anything in business, however, there are risks in following the extra-shift option — training additional labour, stretching management, possibly increasing higher scrap rates initially and having to provide additional wage incentives. These factors may have caused some companies to reject a second shift alternative.

Notwithstanding this, the second and third shift option, with the increased output for exports it provides, can be so powerful a stimulus to the economy and to the individual industries concerned that it needs to be given serious consideration by management.

Rewards

It may take up to two years to get the full support of staff and to reduce costs to desirable levels, but thereafter substantial rewards are enjoyed in the form of increased volumes and margins.

Fullest support must be obtained from trade unions to ensure that they see this as a progressive way of creating more opportunities for employment. At a company level the advantages are clear. The benefit for the country lies in substantially increased employment opportunities, a higher economic growth, and substantial additional foreign exchange earnings, with virtually no additional capital investment costs or imports of machinery.
Govt tarries on new export plan

CAPE TOWN — While SA's balance of payments deteriorates, government is sitting on a report recommending a new policy for export promotion and refuses to be hurried into any decisions.

The report, prepared by a Board of Trade and Industry (BTI) committee, was completed in January and submitted soon afterwards to Economic Affairs and Technology Minister Danie Steyn. The committee was asked for recommendations for a new official policy in relation to industrial development, export promotion and customs tariff assistance and protection.

All that Steyn has been prepared to confirm thus far is that the report "has been placed on the table" and its contents and recommendations are being discussed selectively with representatives of organised commerce and industry.

Private sector representatives are concerned at the lack of progress in dealing with this latest attempt at mapping out a policy umbrella for SA industry. They believe government has delayed too long in setting any policy guidelines on issues requiring urgent action and fear that, like many other reports, the BTI's efforts seem destined to be overtaken by events.

Adding fuel to this fear is the doubt expressed by BTI CE M R Heyns that the report would be made freely available.

Assocom representatives see no reason why the BTI report should not be released for general public consumption as soon as possible, so that the "main actors in the economy" have at least some idea of what the broad game plan might be.

"Why the continued secrecy over the report?" asked Assocom's Bill Lacey.

He said publication would not necessarily indicate government's acceptance of the report and its recommendations, but would generate useful reaction that would help government formulate its eventual response to the BTI proposals.

Government has thus far failed to come up with any fundamental official strategic adjustment programme after almost a decade of intensive investigations and a large number of submitted reports and recommendations from a series of specialist committees spearheaded by the BTI.

Australia's export policy: Page 6
Govt tarries on new export plan

CAPE TOWN — While SA’s balance of payments deteriorates, government is sitting on a report recommending a new policy for export promotion and refuses to be hurried into any decisions.

The report, prepared by a Board of Trade and Industry (BTI) committee, was completed in January and submitted soon afterwards to Economic Affairs and Technology Minister Danie Steyn. The committee was asked for recommendations for a new official policy in relation to industrial development, export promotion and customs tariff assistance and protection.

All that Steyn has been prepared to confirm thus far is that the report “has been placed on the table” and its contents and recommendations are being discussed selectively with representatives of organised commerce and industry.

Private sector representatives are concerned at the lack of progress in dealing with this latest attempt at mapping out a policy umbrella for SA industry. They believe government has delayed too long in setting any policy guidelines on issues requiring urgent action and fear that, like many other reports, the BTI’s efforts seem destined to be overtaken by events.

Adding fuel to this fear is the doubt expressed by BTI CE M R Heyns that the report would be made freely available.

Assocom representatives see no reason why the BTI report should not be released for general public consumption as soon as possible, so that the “main actors in the economy” have at least some idea of what the broad game plan might be.

“Why the continued secrecy over the report?” asked Assocom’s Bill Lacey.

He said publication would not necessarily indicate government’s acceptance of the report and its recommendations, but would generate useful reaction that would help government formulate its eventual response to the BTI proposals.

Government has thus far failed to come up with any fundamental official strategic adjustment programme after almost a decade of intensive investigations and a large number of submitted reports and recommendations from a series of specialist committees spearheaded by the BTI.

Chris Cairncross

* Australia’s export policy: Page 6
Exporters need to change attitudes — Stein Nadeau
Progress urged on export incentives

SEIFSA hoped the Department of Trade and Industry (DTI) would progress quickly with talks with all industrial sectors on new export incentives and promotions, outgoing president Richard Savage said.

Reporting to the steel and metal industries employer body AGM, he said SEIFSA had already made representations to the DTI on proposals for new incentives.

In its representation SEIFSA had emphasised the need for an orderly transition from the old to any new incentives. The new incentives needed to be negotiated and agreed on with adequate notice of any changes needed to be given to exporters.

Meanwhile, SEIFSA was pleased that the deadline for phasing out current incentives had been extended.

At the same time SEIFSA's representation to the Margo Commission had been adopted. However, SEIFSA remained opposed to the retroactive Minimum Tax on Companies which would have adversely affected some major companies in the sector.

Unfortunately, the Labour Relations Amendment Act was promulgated by the Manpower Minister on September 1 at a time when the SA Employers' Consultative Committee on Labour (Saccola) was in discussions with labour unions on the contents of the Bill.

SEIFSA remained supportive of the Saccola objective to continue the discussions.
Govt homes in on export policy

THE Cabinet is in the final stages of considering proposals to fundamentally revamp government's export incentive policy, Department of Trade and Industry director-general Stef Naude said yesterday.

In a speech last week to the FCI congress in Maritzburg, he said the aim was to reward export performance and not, as had often been the case in the past, to compensate expenditure.

Current export incentives grant tax concessions for costs exporters incur in marketing and distributing to foreign markets.

The Cabinet is discussing the new incentives along with industrial policy proposals for selected sectors, and Naude said it would not announce a decision until it had resolved both matters and consulted the private sector.

FCI chairman Leslie Boyd said he welcomed government efforts to boost exports. However, he was dubious about performance-based incentives which reward exporters at the end of the business period.

"Businessmen have to know up-front what the incentives are going to be," he said.

Boyd said the present incentive scheme had been successful in promoting exports of primary industries, like steel, coal and ferro-alloys, "but it has failed to broaden the export base by encouraging secondary industry".

He was pleased government had initiated discussions with FCI over the new incentives.

Naude declined to specify how the new scheme would work but said many possibilities were under consideration.

"We cannot base the whole system on performance, because business has to plan ahead," he said.

Along with the new system of incentives, government was also reviewing its export support services.

In his address to the FCI, Naude also pointed an "accusing finger" at the private sector for being "insufficiently export-oriented".

Exasperated

He said a "cultural change" was required to reaffirm their commitment to their overseas trading partners.

"One is exasperated by the lack of commitment on the part of so many industrialists to developing foreign markets," he said.

Naude's criticism followed only days after President P W Botha questioned government subsidies to non-viable export industries, calling them a "heavy millstone around the neck of the taxpayer".
Exporters say they are sailing against the wind

EXPORTERS accused of lethargy might feel they are being judged harshly. Some manufacturers trying to move goods overseas still feel the odds are stacked against them.

Exporters are often accused of being uncommitted, entering foreign markets during recessions and neglecting them when the local market improves.

Latam International Trade MD Richard Kern-Martin says SA is not an export-oriented country.

Traditionally exports have been left to the larger companies who had to trade to remain viable. The backbone of exports in other countries has been the small and medium firms.

Gladwell International Consultants MD Ron Gladwell says: “When the foreign company stops buying it is labelled an anti-SA move. This is not always the case.”

He adds: “Many SA companies do not service the importer, follow his marketing strategy and are unreliable in delivery.”

Exporters are often too easily put off by the threat of sanctions,” says Kern-Martin.

Safco GM Anne Moore says there is an increase in the number of firms that stay with their exports when the local market picks up.

The critics, however, do not believe the exporter is always to blame.

With more sanctions and boycotts it is difficult to invest time and money in developing markets that could disappear.

Assocom foreign trade secretary Bess Robertson says lack of finance and experience inhibit smaller potential exporters.

The banking infrastructure was set up for imports and not exports, says Kern-Martin.

Future export policy is still in abeyance. A Board of Trade and Industry inquiry into the rationalisation of export promotion was gazetted in April last year and issues are still under consideration.

Safco international division chief David Graham says: “Safco has, over the years, identified effective export promotion services in the Far East, Europe and Israel and has used some in its own programmes.”

He adds: “While SA export promotion techniques are similar to those of Far Eastern countries, South Africans lack the same intense motivation and do not have the same budget.”

Tremendous motivation in the Far East results from the inherent nature of these economies and importance of survival.
Export zone for Cape suggested

CAPE TOWN should be allowed to create Export Processing Zones (EPZs), or manufacturing pockets with free port advantages, to promote industrial growth and exports, the Cape Chamber of Industries (CCI) has suggested.

In a submission to the Southern African Development Bank which recently completed a study in search of a new industrial development policy, the CCI, supported by the Cape Town Chamber of Commerce, said creating EPZs would attract local and foreign investment.

SA's economic resources, concentrated in metropolitan areas, were underutilised and were put under further pressure through decentralisation incentives to industries.

Inland industrialists have objected strongly to the proposal. Their argument is that inland export potential would be disadvantaged through having to pay higher prices for locally manufactured items and the added expense of transport to ports. CCI argued that manufactured goods from an EPZ would not enter the local market.

"It is like manufacturing on an island divorced from the market and economy of its parent country but yet supplied with labour and other inputs as any mainland producer." EPZ "leaks" to the local market could be policed.

CCI pointed out EPZs were not suited for underdeveloped economic regions and could not be used as a vehicle to alleviate unemployment per se. The emphasis of an EPZ was to improve export conditions for industries located in the EPZ and the countries export performance as a whole.

Cape Town was a front contender to become an EPZ because of its well developed port facilities, supporting infrastructure, higher average educational levels and skilled labour, the CCI said.

Developing areas purely for export could change the perception SA had for being an unreliable exporter.

The red tape associated with exports had been a discouragement to especially small and medium sized manufacturers, the submission said.
EXPORTS

POLICY

1987
Export incentive period cut
DAVID FULGONGER

Export incentive repayment periods are to be cut by two-thirds.
Exporters are currently allowed to claim for three years' incentives at a time. From April 1, they may claim only for the current financial year.
Safto — the SA Foreign Trade Organisation — says millions of rands are already lost by exporters unaware of the incentives. Of the R180m budgeted annually by the government, more than R120m is unclaimed, says a spokesman.
This figure is likely to rise, if exporters fail to complete their three-year claims by March 31. After that date, only current claims will be accepted.
HAMISH MclNDOE

SCRAP metal traders are strongly opposing a move by steelmakers to impose a 25% duty on exports of scrap steel. The Metal Merchants’ Association (MMA) will submit today to the Board of Trade and Industries its objections to the duty, which it slates as protectionist.

The Rolled Steel Producers’ Association (RSPA), representing the country’s 10 primary steelmakers, and Cape-based Atlantis Diesel Engines (ADE) jointly applied for the duty on the grounds of a shortage of scrap steel.

The duty was gazetted last month and is expected to be activated soon unless the board recommends in the MMA’s favour to have it dropped.

RSPA and Iscor chairman Floors Kotzée yesterday dismissed as a “senseless argument” the MMA’s claim that the duty was anti-free-trade on the grounds that the world steel market was already highly protectionist.

He said a local shortage of scrap steel justified a barrier to exports.

MMA (ferrous scrap) chairman David Loewenthal said: “I’m not aware of any works stopping because of a ferrous scrap shortage. Why should the companies that generate scrap have to subsidise the steelmakers?”

He said a high proportion of products was being exported, thereby increasing the valuable foreign exchange earned compared with that of the sale of steel scrap”.

About 150 000 tons of scrap steel are produced annually in the Western Cape.
INCENTIVES IN A COIL

Such are the complications of claiming export incentives that some R120m remains unclaimed out of a budgeted R180m. For a claim to qualify under Category A, the input must be subject to duty; under Category B the claim depends on the final export product being subject to tariff protection.

Take a heavy duty caravan jack made from about 40 components. Two of these, coil springs, are numbered 73.35.10.90 in the voluminous SA Excise and Customs tariff book.

The duty is 1 000c/100kg. Suppose each coil costs 50c, and the company sells 7 000 jacks, requiring two springs in each. That's a total of 14 000 springs, say weighing a total of 200 kg, indicating a duty of R20.

The company can claim 50% of the duty under Category A of the tariff book under the export incentive scheme, or R10. The company has to calculate for each of the components to win the rebate.

Suppose total duty payable on all inputs under Category A is R20 000.

Next one has to go to Category B to make further calculations about the value-added amount of the components in question. This is essentially the difference between export price and the cost of inputs used in producing the product.

Assume export proceeds of the 7 000 jacks “free on board” are R200 000, and the cost of all inputs was R150 000, indicating a value-added figure of R50 000. For calculating the incentive under Category B this must be added to 50% of the total compensation under Category A (R10 000), to arrive at R60 000. The company can then claim 10% of this figure as well – another R6 000.

Note that under both categories the input requires duty protection to qualify; so import surcharges must be ignored.

The procedure requires a painstaking analysis of each input in the export product, and accurate documentation on the cost and FoB price of the inputs and finished product.
Crying for reform

Within the next year, commerce and industry can expect to see real, perhaps fundamental, reform of export incentives, which by then will cost taxpayers some R500m through direct benefits.

The structure of export incentives is complicated, while technicalities are flawed by anomalies and often overtaken by events (see box). It can also be argued that such incentives, like any subsidy, distort markets.

The Klein Committee is holding an investigation behind closed doors. It will hand Pretoria reports on different sectors. Klein's brief is to find ways of making South African products internationally more competitive, especially in the light of possible sanctions.

One possibility is classification of an "export service industry," which means exactly that: a service provided to increase foreign exchange reserves. Professionals, argues Ernst & Whinney's Daryl Sahli, providing expertise to overseas clients or construction companies assisting in overseas projects, do not qualify for these benefits.

Category A export incentives allow an exporter to claim compensation of 50% of the import duty on "inputs" used in the production of goods for export. As Sahli points out, matters not whether the inputs are import-

ed or bought from a local supplier. So long as there is an import duty on the input, it qualifies.

Category B allows an exporter to claim compensation at the rate of 10% on the "value-added component" of "tariff-protected goods" either directly or indirectly exported.

Category C applies mainly to companies in a tax-loss situation. An exporter — subject to official discretion — may qualify for taxable cash grants. Areas include assistance in participation in overseas exhibitions; bringing customers from abroad; primary export marketing research; and assistance with warehousing in export countries.

Category D provides an exporter an enhanced income tax deduction of designated "marketing expenditure," as defined in section 11 bis (4) of the Income Tax Act. This, the so-called double deduction, allows an extra 75% or 100% of marketing expenditure (as the case may be) as a deduction from gross income.

Exporters may claim other benefits via the Sales Tax Act and Customs and Excise Act — in line with the international rule of not allowing domestic taxes to interfere with international trade. So an exporter who has his wits about him, can recover fairly substantial amounts from different incentives.

In Categories A and B, if goods used to make the exported product are duty-free, or the product itself is duty-free, no incentive can be claimed. In addition, the services sector and producers of items subject to production quota or export restrictions have no claims under these categories.

The system does not assist exporters who have located factories in Botswana, Lesotho and Swaziland (the BLS states) (today, to obtain a non-SA certificate of origin). The BLS states, moreover, do not qualify as "export countries." So goods exported to them for adding value and then re-exported do not qualify.

Nor do companies in the independent homelands. Apparently the issue is being considered by some homeland governments. In Category C claim procedures can be lengthy; the cash grants are small. The exporter must be in a loss situation, or prove severe cash flow difficulties. The grants, moreover, must be set off against any income tax marketing allowance claimed.

It is to be hoped that the Klein Committee will recommend substantial simplification of export incentives, and a move to cash grants, if only so the taxpayer can see who gets what.
Export boosts may continue

By DENISE BOUTALL

There is general confidence in the motor industry that the Government's multi-million rand export incentives, introduced 18 months ago, will be extended for another year.

The incentive - applied as a rebate on the excise duty paid by manufacturers and estimated to be worth between R200 and R300 million - has given major impetus to the South African manufacturers' export drive.

Speaking from Pretoria this week the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), Mr. Nico Vermeulen, said although no formal notification had been given yet he was confident that this would be forthcoming from the Department of Trade and Industries within a few days.

He added that he believed the incentive would keep at the same level as it had been operating since its inception in August, 1985.

The incentive expires at the end of this month.

Addressing the Midland Chamber of Industries' "Economic Outlook" seminar recently, Naamsa president Mr. Peter Searle called on the Government to clarify the future level of export incentives to the motor industry.

The incentive is not paid out in cash but functions as a rebate on excise duty. For every kilogram of net local content exported the manufacturer is given a R4 rebate on its excise duty bill.

The export drive has been so successful that at least two manufacturers ended up paying no excise duty at all.

In fact, it appears that the major hold-up in a formal announcement on the extension of the incentive has arisen because manufacturers have repeatedly exceeded their estimates of exports, making it difficult for Government officials to calculate what the incentive will cost the Treasury in lost income in any given period of time.

Mr. Vermeulen said that when the incentive was introduced the excise duty on vehicles was 13%.

When this was reduced to 8.5% in June last year, the Government decided to allow the rebates to be calculated on the basis of a 13% excise duty.

This meant that manufacturers had a larger potential pool of money against which incentives could be drawn.

"What is at stake now is not so much whether the incentive will continue to operate but whether it would continue to operate at the 13% level. It seems that this will be allowed."

He said the incentive had clearly had the desired effect as both vehicle and component manufacturers had made great strides in their exports and some had established a secure foothold in international markets where price and quality were the two key factors.

At least two manufacturers had done so well that they had exceeded the 8.5% paid in excise duty, effectively leaving the Government in debt to them.

In May last year Naamsa estimated that the total rebate available to industry was between R200 and R300 million which could generate overseas sales of about double that amount.

TO LET
Streamlining exports

THE Board of Trade and Industry is to investigate rationalising the country's export promotion activities.

Board chairman Lawrence McCrystal said yesterday Economic Affairs and Technology Minister Danie Steyn had asked the board to consider the need for a single organisation responsible for export promotion.

DAVID FURLONGER

Government sources say such a rationalisation could affect the operations of the private-sector SA Foreign Trade Organisation (Safto).

They say a central export body could offer many of the services now provided by Safto, and that the government would no longer need Safto to carry out investigations on its behalf.

Safto GM Ann Moore said last night the government paid the organisation for certain export development programmes and that they worked closely together "to avoid duplication".

She said the creation of a new export body did not threaten Safto's existence. "We operate independently of government on behalf of the private sector, and will continue to do so," she said.

McCrystal said: "At present, various elements in the promotion of exports are undertaken by different organisations and the question arises as to whether a single organisation would not be more effective.

"Some of the areas we are looking at are now covered for us by Safto and the Department of Trade and Industry."
BUSINESS organisations are expected to register strong opposition to a Board of Trade and Industry (BTI) suggestion that importers and exporters pay a "small" levy to provide funds for export promotion.

It is considered that if the levy suggestion is accepted by government, it will mean further inroads would be made on corporate profits, already threatened by the forthcoming levies to finance RSCs.

The BTI has called for comment on its proposals for the "rationalisation and financing of SA's export trade promotion function" involving the possible creation of a single trade-promotion body that will be financed by the levy.

Businessmen believe the BTI is jumping the gun by calling for an investigation before the recommendations of the Kleu committee have been digested fully and details of the Margo Commission released.

The private sector — and, indirectly, the consumer — is already burdened with the import surcharge, high customs duties, levies to finance employee training, and a proposed levy on advertising to finance an advertising committee.

At a time when government is paying lip-service to the principle of privatisation, the BTI suggestion smacks of bureaucratic intrusion into an area that should be the private sector's domain.

Businessmen say the promotion of exports is a selling function; government's role should be confined to establishing a sophisticated information service about the needs of different foreign markets.

A new body that would, in effect, be regarded as a camouflage for a semi-official organisation, would be shunned.
The looming levy

Why government should want to introduce additional forms of taxation is puzzling enough; how it could consider penalising traders by a levy on foreign trade is incomprehensible.

Acting on a little-publicised directive from Minister of Economic Affairs and Technology Danie Steyn, the Board of Trade and Industry (BTI) is investigating a new export drive to be funded by a levy on foreign trade. Interested parties have been asked to make submissions to BTI on the formation of a single body to rationalise the promotion of exports.

BTI sources say the levy may be in the order of a fraction of 1% of foreign trade value. For example, a levy of just 0.25% on all trade revenues and payments would on 1986 totals raise in some R236m.

BTI chairman Lawrence McCrystal is adamant: “If the levy comes about it will be so small as to be inconsequential. The purpose of the investigation is to establish whether export promotion could be made more effective. If a levy is instituted, exporters will receive value for their money. Only if costs outweigh benefits will changes be recommended.”

David Solomon, senior lecturer in Business Economics at Wits, says that a levy on exports would have the same economic consequences as an appreciation of the rand. The levy would make exports more expensive, and depending on how responsive buyers were to higher prices, would depress export demand by varying degrees. A depreciation of the rand would be needed to restore export demand.

McCrystal says it is undecided what form a new body may take, or whether it will be in the private or public sector. “If it comes about, it could incorporate the SA Foreign Trade Organisation (Safico) plus the trade promotion functions of the Department of Trade and Industry.”

Organisation's future

Anne Moore, GM of Safico, would not respond to speculation on her organisation’s future. “Rationalisation of export marketing efforts is necessary.” But she does not believe this will put her organisation at risk. “Most of Safico’s revenue is from private-sector sources. Government funding is used mainly to start new services which, once established, are supported by the private sector.”

Although nothing has been decided about the structure and mechanisms of a new export promotion body, many doubt the feasibility of anything orchestrated by government.

One industry spokesman puts it bluntly: “Business is extremely sensitive to being singled out for levies. Besides, I question government’s ability to promote exports. To do so it would have to be in touch with the right contacts and have a very accurate feel for the market.”

“Instead, surely individual exporters are in the best position to promote their own products?” He adds that the less association government is seen to have with export promotion the better, from both a business and political point of view.

Says another: “The sanctions threat won’t go away. It’s vital that exporters be left to get on with their job of trading competitively while maintaining a low profile.” Associating them with government would simply draw more, not less, attention to their efforts.

But Moore says that in SA’s case the promotion of exports need not be a high-profile exercise, such as through trade fairs. “Other promotion activities can be provided, such as legal information on marketing, and advice on efficient export operation and administration.”

Sources say that McCrystal has in mind a trading house along the lines of Taiwan’s China External Trade Development Council, which is funded by a levy on exports.
Don't fence them in

Is it a good thing or not? From any number of quarters, the virtues of beneficiation have been extolled and debated. If we are to lead the way out of recession with exports, SA's storebox of metals, minerals — even, lately, chemicals — would seem to be superbly qualified for processing before export. That's one way to get add-on value in foreign exchange. But there certainly isn't consensus as to how — or even if — it should be tackled.

Perhaps the most ardent proponent of beneficiation is Council for Mineral Technology (Mintec) president Dr Aidan Edwards. He maintains that SA can never aspire to First World status until it makes some headway in beneficiation. As he put it to the FM this week: "It is ... absurd that we have some 80% of the Western world's chrome reserves, yet produce only 1% of the world's stainless steel. In fact, annual earnings of the aluminium industry in SA, at R1.5 billion, are more than the annual earnings of the chrome industry at R1.3 billion — and we don't even have any reserves of bauxite.

"If we produced just 10% of the world's stainless steel, it would earn the country roughly half the current earnings of gold — and gold is a diminishing resource."

Edwards adds that with 92% of the West's platinum reserves, 49% of the gold, and 30% of the entire world's gem diamonds, SA should be supporting a thriving jewellery industry. But a combination of strict controls offers little incentive to the local jewellery industry. A jeweller must pay up-front for unwrought gold and uncut diamonds — and there's still the ad valorem tax on finished articles. Compare that with Italy, which absorbs around 250 t of gold a year, much of it from SA, and re-exports at least some of it back in the form of jewellery to SA and many other markets. By the same token, Israel, which has no diamonds of its own, is now a major diamond cutting country.

Edwards tells the FM that steps are being taken to examine the constraints on the jew-
SA’s minerals: where we stand in the world

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Percentage of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrome</td>
<td>40%</td>
</tr>
<tr>
<td>Manganese</td>
<td>13%</td>
</tr>
<tr>
<td>Lead</td>
<td>14%</td>
</tr>
<tr>
<td>Vanadium</td>
<td>40%</td>
</tr>
<tr>
<td>Platinum</td>
<td>65%</td>
</tr>
<tr>
<td>Titanium</td>
<td>20%</td>
</tr>
<tr>
<td>Gem diamonds</td>
<td>30%</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>3.2%</td>
</tr>
<tr>
<td>Gold</td>
<td>49%</td>
</tr>
</tbody>
</table>

By Tim Davidson and Barry Button

The jewellery industry, and that this could constitute a first move towards local beneficiation of gold, which has huge added value as jewellery.

He says: "It is an anachronism that State constraints through the imposition of heavy duties and complex requirements for certification and registration, have been the most inhibiting factor in the development of a large South African jewellery industry."

Tim Davidson, executive director of the SA Jewellery Council, says that for years government has been pressed to drop the ad valorem tax on jewellery. However, except at the Department of Mineral and Energy Affairs, where the idea received a positive hearing, other government departments seem to be more interested in collecting the tax than seeing the establishment of a viable jewellery industry.

SA also has 20% of the world's titanium and 40% of its vanadium, both of which are exported in slag form. Both could be beneficiated to make industrial products — titanium, for example, is used in the manufacture of white goods.

Edwards points to Taiwan as an example of a developed country that has pulled itself up by its bootstraps. Taiwan's foreign exchange earnings rose from US$1.3 billion in 1981 to $15.4 billion in 1985 — an increase of 12 times. During the same period SA showed an increase of only five times and today earns only 45% as much as Taiwan.

Edwards notes: "All this has occurred despite the fact that Taiwan has hardly any raw materials to speak of, and has had to find its own feet in the harsh international field of trade." In fact, Edwards goes so far as to say that SA should adopt the slogan: "Beneficiate or bust."

Edwards says he sees four phases in any country's development (see graph). The first involves the production of bulk concentrates: Phase 2 is the production of bulk-titania, relatively crude products; Phase 3, the production of bulk-titania, refined or sophisticated products; and Phase 4, wide-scale proliferation of industry engaged in producing finished articles. He says SA is currently in Phase 2.

But Edwards sees it differently: "I'm not talking about competing with customers. I would like to see our customers going into partnership with South African companies to produce beneficiated products here. It would in many cases be cheaper to do it here close to source than overseas."

But whether overseas companies would invest here, particularly in the current inhospitable political climate, is moot. Edwards believes that when economics do the talking politics come second.

In its pro-beneficiation stance it appears to have the support of the Minister of Mineral and Energy Affairs, Danie Steyn, who earlier this year said: "The fact that SA is the number one supplier of chromium, manganese, vanadium, platinum and gold may not be as wonderful to the long-term future of this country as we think. SA's drawback has been its failure to generate or export high-technology products. As the world moves rapidly into an age of high-technology, we are passing through a phase in which growth in the demand for raw materials is low. And what hurts SA is downturn in demand for many of our basic commodities."

But it's not only in the fields of metals and minerals that beneficiation could be of advantage to SA. Mike Sander, managing director of AECI, is on record as saying that, if SA ever hopes to become a successful exporter of chemicals, it had better move towards beneficiation now.

There is a glut of so-called raw or commodity chemicals on world markets — basic acids, ammonia, chlorine and even some types of plastic. This means that SA, essentially a producer of commodity chemicals, would do well to broaden its chemical base, according to Sander. Production of specialty chemicals is a move in this direction — something already being pursued by companies like Chemical Services, in which AECI has a controlling interest. Johan van der Walt, a director of Sentracem, endorses Sander's views.

To sum up: it would certainly seem that the proponents of the unshackling of the jewellery industry really do have a point. The creation of a viable jewellery industry would in turn lead to SA beneficiating its own gold and making use of some of its diamonds at home, rather than exporting the great bulk of them. And why tax exports of this nature — unless out of some form of anti-rich political pique? As for other basic commodities — well, Gush and Sander both seem to have a point. Perhaps in the end the bottom line will tell who was right.
Cash 'n carry sales plummet

Wholesalers hit by new tax on exported liquor

WHOLESALE cash 'n carry liquor sales have plummeted following the imposition of sales tax on exported liquor at the beginning of this month.

The amendment to include GST on sales of liquor to TBVC countries and neighbouring states followed the introduction of tax at source in May, and is a further measure to close GST-evasion loopholes in the liquor industry.

Makro MD Doug Catto says liquor sales are in the doldrums this month as a result of GST charged on exports, and followed wide-scale stocking-up by homeland retailers last month.

Growth area

Catto says sales have also suffered as a result of tax at source. Liquor sales are a big growth area for Makro, generating turnover of up to R75m a year.

Metro marketing director Brian Joseph says sales from its Pretoria outlet, which supplies Bophuthatswana, have dropped because the new legislation is being applied stringently.

Confusion surrounds the legislation as exports dispatched by the wholesaler directly to the liquor vendor, or liquor licencsee in an independent homeland or neighbouring country, are exempt.

However, Joseph says, after taking legal advice Makro is acting on the stricter interpretation of the law and taxing all liquor purchases, which has resulted in a drop of sales.

Fedhasa president Mike Kovensky has welcomed the new legislation. The hotel and catering body supports any moves toward a more equitable tax base, he says.

"I feel no sympathy if there has been a drop in sales among delinquent traders," he says.

SA Breweries public relations officer Gary May says there has been no decline in beer sales this month. "Our volumes continue to grow and our figures are well ahead of August last year."

SAB is cushioned from the full effect of the new legislation as it has breweries in Bophuthatswana, Botswana and Lesotho.
Export plan ‘on urgent review’

MICK COLLINS

plans both for the general and selected sectors before year-end.

The move could be seen as the first step in establishing a comprehensive trade policy for SA, South African Foreign Trade Organisation (Safto) CE Wim Holtes said. Holtes, who was a member of the Kleu

To Page 2

Export action plan under review

inquiry, described government reaction as “heartening”.

“There seems to be a genuine desire by Minister Steyn and senior officials to make a firm commitment to exporters. The results of the inquiry are more or less in line with what the private sector wants.”

He said that, with the upturn in the local economy, there might be a danger that exporters would ease off their international marketing efforts.

“This would be shortsighted because long-term domestic growth will depend more and more on economies of scale and full capacity utilisation, both of which are often more effectively achieved via the export option.”

Minister Steyn said government had previously stated that any new incentive scheme should comply with the following principles:

1) Export development assistance should be an integral part of a comprehensive programme of structural adjustment in the economy;

2) Need and justification should be the cornerstones of export development assistance.

He said future structural adjustment and export development programmes would be designed for sectors or industries, with due recognition of the particular problems and export potential of each.

“However, at this stage exporters are informed that the existing categories A and B incentives will be terminated on December 31, 1988.”

The Minister said other forms of assistance (category C — involving transport) would not undergo fundamental changes, although it might be necessary to make certain adaptations.
Low ore prices prevent greater use of port — foreign trade chief

by RICHARD LOUV

EAST LONDON — The harbour here could not be used for certain commodities because it was not economically viable for exporters or importers without the establishment of an export processing zone (EPZ), the chief executive of the South African Foreign Trade Organisation (Safro), Mr Wim Holtzes, said.

He told the Daily Dispatch that Maputo and Durban harbour facilities were being used because of their proximity to the mining areas of the Transvaal.

"The world price of steam coal has collapsed and the prices of magnesium and rock phosphates, along with a number of other exports, are at rock bottom," Mr Holtzes said.

"There is so little profit in these commodities that it is not economically viable to use East London harbour at the moment.

"I am fully aware of the problems associated with the depressed economic conditions in East London, but the additional cost incurred in travelling the extra distance to East London would effectively price our exports right out of the world markets.

"However, proposals for the establishment of an EPZ in the East London-Border area, making it a free port, were put to the government in September 1986.

"Since then the proposals have come under the scrutiny of the ministries concerned," he said.

The co-ordinator of the East Cape Strategic Development Team appointed by President P.W. Botha, Professor Charles Wali, said yesterday: "No decision has yet been made as to whether Region D, which is the Eastern Cape, is to be made a free port area.

"There are a number of points that still have to be discussed and these must be clearly defined before East London or Port Elizabeth is declared a free port.

"EPZs could be established provided that there is no cost to the state in supplying the required infrastructure, or that it does not mitigate against South Africa’s interest in terms of the General Agreement of Tariffs and Trade, and that it is approved in terms of the multilateral agreement between South Africa and the TBVC.

"The cabinet has asked my committee to clarify the implications of the whole issue and we are in the process of supplying the necessary information from the various ministries concerned.

The Administrator of the Cape, Mr Gene Louw, said: "I will support any measures or proposals which could benefit East London and the Border area, which could lead to more tourism, greater economic activity and less unemployment.

"The Minister of Finance has warned me to seek a few solutions to possible financial losses caused by the declaration of a free harbour area," he said.

"He may also be faced with a problem with regard to the creation of a precedent.

"However, taking into consideration all aspects relating to the depressed economic situation in East London, I show crossed fingers that these impossible barriers contained in the proposals will not be insurmountable.

The Mayor of East London, Mr Robert de Lange, said: "It would be a tremendous boost for East London and the Border area should a free port ever materialise.

"This has, however, been a pipe dream here for a long time and I believe it is time that the government seriously considered establishing East London as a free port.

"Where we have the second biggest city for blacks on our door step I feel it is essential that a large incentive be created which could benefit this area labour-wise.

"If East London port is declared a free one there could be other incentives that go with it, such as rail incentives for exporters and importers to use the harbour," he said.
EXPORTS

1987
Diamond sales blamed for drop

SA exports to EC nosedive by over 30%

LONDON — SA exports to the EC plunged 33% in the first quarter of this year. One reason suggested is that SA has cut down dramatically on the amount of diamonds it sells to EC countries.

SA exports to the EC totalled 1,342bn European Currency Units (ECU) in the first quarter of this year against 1,950bn ECU in the same period last year. In rand terms this means a drop of R1,3bn or 30%. (The rand has fallen against the ECU in the period.)

There is some evidence of official sanctions affecting items like iron and steel (down 30,46% to 68m ECU) and so-called "peoples' sanctions" affecting fruit exports (down 10,5% to 52m ECU).

But by far the most important reason for the steep decline is a 45,32% drop to 466m ECU in the sale of gold and diamonds to EC countries — indicating that SA has either found alternative markets or is stockpiling.

British trade statistics indicate that diamonds and not gold were responsible for the dramatic slump. But De Beers' spokesman in Johannesburg Neville Huxham said he thought the interpretation of the statistics was highly unlikely.

Almost all the diamonds sold in London by the Central Selling Organisation come from Botswana and Australia, says Andy Lamont, a spokesman for the Diamond Trading Company, De Beers' London marketing arm.

Lamont says SA legislation requires that diamonds be first offered to local cutters.

SA coal exports have also taken a tumble, falling 36% to 272m ECU. However the volume of coal exported is down by just 10,96%.

SA imports from the EC were down by 29% to 1,1bn ECU. More than half of this was spent on machinery and electrical machinery.
BTI warns on why SA goods fail

DAVID FURLONGER
Industrial Editor

SA INDUSTRY suffers a 17% cost disadvantage against its foreign competitors, says the Board of Trade and Industry (BTI).

Without a fall in the inflation rate, further protection will be needed to keep SA products competitive, it adds.

Foreign manufacturers enjoy a capital cost advantage of more than 40% against local industries, more than compensating for SA’s cheaper unit labour costs.

Together, they give foreign industry an overall advantage of 17%, says the BTI’s annual report. Transport costs of exports to SA reduce this margin locally but the need for protection remains in an economy that is one of the most open in the world.

The BTI says: “The level of effective protection required will increase should inflation continue at a high level domestically and at a low level in foreign markets, unless the exchange rate changes to compensate for the differential.”

It says that during 1986, industrialised members of the Organisation for Economic Cooperation and Development (OECD) had an average economic growth rate of 2.5% and inflation of 2.5%. SA, by comparison, had 1% growth and 18.5% inflation.

“A high rate of domestic inflation, accompanied by low inflation in our foreign markets will rapidly erode the competitive benefit produced by the reduced exchange rate of the rand,” says the BTI.
Demand in S America for goods
SA's export trade thriving

By AUDREY D'ANGELO
Financial Editor

SOUTH AFRICA'S export trade is still thriving and new markets are opening up for locally-produced goods.

This emerged at a seminar attended by executives from 30 city firms and organized by the Cape Town Chamber of Commerce. At the seminar representatives from a South American country explained its advantages as a trading partner.

A chamber official said an increasing number of local manufacturers were exporting to the Far East and to countries in South and Central America.

"There used to be comparatively little demand for our manufactured goods in Far Eastern countries but the situation is changing. We are sending quite a lot now and one market which used to be difficult is opening up."

The SA Foreign Trade Organization (Safto), which has an office in Cape Town where export education programmes are run, plans to stimulate overseas trade further still by running a new diploma course in export management.

University courses

It has already registered a SA Institute of Export which, as well as running the course, hopes to have export subjects included in some university courses.

The current issue of its bulletin, Safto Exporter, urges local manufacturers to take part in the Hanover industrial fair next month and says additional space has been reserved for SA firms at the Chicago hardware show this year.

It says experience at the Chicago Fair last year "confirmed that international sanctions and adverse media coverage has not affected buyers at grassroots level."

"The buyer's principle objective of obtaining the right product at the right price still remains his prime concern."

"Safto therefore encourages SA companies who manufacture hardware products to participate in the largest and most important hardware exhibition in North America."

As well as giving basic information about other overseas markets, it announces the start of a Latin American trade consultancy and recommends participating in a major international trade exhibition in Chile later this year.

Few political obstacles

Listing the advantages of trading with Latin America, it says there are few political obstacles and new trade sanctions are unlikely.

"All export to Latin America is in US dollars, hence our prices should be very acceptable."

"Shipping opportunities cover the whole region, with the exception of a few Caribbean islands, and range from good to adequate."

"Similar socio-economic circumstances to our own enable us to understand the needs of the market better than do highly industrialized countries."

"Many of our engineering products, adapted from European and US technology, are suitable to Third World conditions like ours and those prevailing in Latin America."
US redirecting SA produce

By Alan Dunn, The Star Bureau

WASHINGTON — South African goods and produce worth millions of dollars are being redirected to other countries after lying on quaysides and in warehouses in the United States while officials here discussed the application of sanctions.

Containers of South African merchandise, much of it agricultural produce, have been reloaded and reshipped to ports elsewhere.

One trade official said the cost of reshipping was being footed by South African businesses if the goods had been shipped without payment.

American importers who had already paid for their consignments were responsible for finding alternative markets.

Neither officials nor businessmen could provide statistics and costs of implementing this aspect of sanctions contained in the Comprehensive Anti-Apartheid Act of 1986 passed by Congress on October 2.

It was also learned yesterday that the State Department is due this week, possibly today, to issue its decisions on six South African interests which applied to be struck off a list of 166 “parastatal” organisations.

Produce manufactured by, exported or marketed by South African Government-controlled “parastatals” is banned in terms of the sanctions.

A five-person inter-agency US Government panel has decided on six appeals from interests declared “parastatals” on November 10. They are: Putco, Mercedes Dator, Contec, Siemens, Telnetics and Klein Karoo Landboukooperasie. The judgments are awaiting final approval at top level in the State Department’s Africa division.

Most of these appeals were submitted on December 15. The State Department has said it would try to reply to companies within 30 days.

An appeal by Sasol to be removed from the list has been held over.

United States officials have called for more details of its operations and shareholdings.

A second group, including the Council for Scientific and Industrial Research (CSIR), will be reviewed soon.

So far, at least two others including the Bophuthatswana National Development Corporation, will be included in that batch.

It is reliably understood that the SA Sugar Association has objected to being listed as a “parastatal”.

United States officials are concerned that some firms contesting the parastatals list are viewing it as a blacklist, which judges them on moral and political grounds.

“We are aware that many of the companies on that list are progressive in employment and social policies,” said one official.

This was not, however, the issue.

Congress had passed a law affecting “parastatals”.

“We are not especially pleased by the sanctions,” he added. “But we are committed to implementing them.”
Exports: time to look at sales tax

GOVERNMENT is currently placing much emphasis on the promotion of exports. One area that needs streamlining — and which is within government's power to change — is the sales tax aspect.

As a general rule, exports are exempt from South African sales tax. But this is not nearly as simple as it looks.

The definition of “exported” in the Income Tax Act runs to a mere four lines, whereas in the Sales Tax Act it takes up an entire page. The Sales Tax Act definition envisages no fewer than seven different sets of circumstances in which a sale will be an export sale.

For example, the conditions that must be present to get exemption differ and give rise to the absurd situation where exemption often depends on how one chooses to effect the particular sale.

For example, if one lives in Lesotho and picks up the phone and orders goods from a supplier in Bloemfontein and instructs the supplier to have the goods delivered to Lesotho, the sale is an export and exempt.

Conditional

However, if the same Lesotho customer makes a buying trip to Bloemfontein and buys the goods and takes them away with him, exemption will only be granted if the purchaser can say that the goods are going to be used by him for the purposes of his business (as opposed to his private use).

In the first case, exemption is granted — regardless of how the purchaser intends to use the goods — whereas in the latter case exemption is conditional upon the goods being used for business purposes.

The position is further complicated where the exported good happens to be a motor vehicle. Even if the purchaser collects the motor vehicle in SA the sale will be exempt, regardless of whether he uses it for business or private purposes.

Another anomaly concerns tourists from other foreign countries. Such persons are normally not allowed to buy exempt articles for private purposes. So a tourist who calls on a local jeweller and buys a gold necklace and wants to take it away with her, will have to pay sales tax.

However, if she were instead to visit a special customs and excise warehouse for jewellery (this is officially called a VSJ warehouse, but in practice it is usually a store that has registered as such) and to produce a return air ticket and a completed tourist declaration, then the necklace could be purchased free of sales tax.

Again, the general rule was recently that there is no exemption for the foreign visitor who buys and collects non-business goods is subject to a further exception. He is entitled to buy goods for personal use (or otherwise) exempt from sales tax at a duty-free shop at an international airport or seaport.

Furthermore, this particular exemption is not confined to foreign visitors but is also granted to South African residents who are proceeding out of the country, permanently or temporarily.

And yet a Christmas present ordered from a mail order firm in SA with instructions to deliver it to a relative, say, in the United Kingdom is not exempt. Why? The Receiver argues that the sale is to a South African resident, even though that person never sees the goods.

To make the situation even more farcical, a recent decision introduced that foreign purchasers who buy goods in SA (otherwise than from the special customs and excise warehouses) and take delivery here have to complete a declaration form, VB52.

This form is a certificate by the purchaser that he is purchasing the goods for the purpose of his foreign business (foreign includes the TBVC states).

Solution?

A dishonest purchaser could enter on the form entirely fictitious information and neither the seller nor the Revenue authorities can do anything about it.

A possible solution? A test for exemption could be the earning of foreign currency (one of the mail order firms already operates on this basis). This would largely lie in with the granting of income tax incentives.

An immediate problem is that, at present, exports for sales tax purposes include sales to persons living in SWA/Namibia or in a TBVC state. Such persons would pay for the goods in rands.

The reason for exempting South African sales tax sales to such persons is that these countries (with the exception of Botswana) have their own sales tax systems, and without the exemption double sales tax would result.

But is this, in fact, so? A purchase by, say, a Transkei resident would be liable to sales tax in the Transkei because there is an importation of goods into the Transkei.

But South African residents who buy goods in a TBVC state do not go shopping off to their local Receiver to pay tax, because the goods have been imported into SA. Are the TBVC residents any different from their South African counterparts, and would there in reality be double taxation?

The present situation creates problems for both Revenue and suppliers, as well as creating the opportunity for substantial loss of tax.

Three rules

The following rules would go a long way to remedying this:

1. Exports should be payable in respect of all sales.
2. Refunds of South African sales tax could be effected by the Controller of Customs and Excise once proof has been submitted that the goods have left the customs Union or will be leaving (e.g., delivery to be effected by the supplier outside the Union).
3. Alternatively, where the purchaser resides in a Rand Monetary Area Country outside SA, the Receiver of Revenue could be empowered to refund the tax once he is satisfied that sales tax has been paid in the purchaser's country of residence.

With Botswana residents, it will not be possible to prove that sales tax has been paid in that country. Consequently, no refund of South African sales tax will be made.

This does not seem to be unreasonable, in light of the fact that no foreign currency has been earned by the South African supplier nor has there been double taxation.

This action could once and for all resolve the long-standing controversy of Bop-registered cars and would, in fact, bring the treatment of sales into line with that of financial leases.

**Ken Boggis is Tax Manager at Deloitte Haskins & Sells.**
US sanctions to cost insurers millions

MILLIONS of rand's insurance is expected to be paid out to exporters whose goods have been barred by sanctions from entering the US.

Executive director Chris Leisewitz of Credit Guarantee Insurance Corporation (CGIC) - SA's national credit insurer - said yesterday CGIC had received substantial claims in the last six months because SA goods, on transit to the US when the sanctions were imposed, were affected when Congress passed the Anti-Apartheid Act.

The goods - which Leisewitz was only prepared to say were "commodities" to protect the interests of the policy-holders - were impounded by US customs officials and had to be returned to SA or redirected to other potential markets.

Leisewitz would not quantify the extent of the losses, saying they would depend on whether it had been possible to resell the goods.

CGIC is owned by a consortium of leading insurance companies, banks and financial institutions, and provides insurance against export and domestic credit risks.

Export credit risks are underwritten

PRIME MOVES AT A GLANCE

Insurers will pay out millions to exporters in co-operation with government, which will probably have to pick up the tab for a large part of the diverted shipments.

Sanctions and the hostile international climate had had a positive effect on CGIC's business, Leisewitz said, as the risks involved in exporting had increased. He therefore expected an increase in volumes this year.

"It may involve us in more claims, but I don't foresee this as being too serious." Sanctions-busters would not get CGIC support, as it would not provide insurance for exports to countries that had imposed sanctions.

Although Leisewitz predicted a substantial growth in export and domestic business this year, he foresaw difficult times on the home front with no let-up in the large number of liquidations.

This was the major reason for the 128% increase in the total value of claims (R19.7m) paid out in the year ending June 30, 1986.
Businessmen turn to neighbours for trade

BY DAVE EDWARDS

Businessmen are looking for legal means to promote exports.

The Johannesburg Chamber of Commerce council chamber was this week packed with businessmen eager to learn about the commercial potential of Botswana, Lesotho and Swaziland.

No doubt increasing sanctions were a major reason for the interest shown by members. But president Pat Corlin stressed that the chamber was only interested in promoting legitimate business opportunities in these countries.

Mr Corlin said: "The seminar was organized in order to give BLS countries an opportunity to tell our members about the benefits of setting up business in these independent countries — and the chance to discuss their particular advantages and concessions."

"The principal attraction of all these countries must be their membership of the Lome Convention which gives them import concessions in the US, the European Economic Community and Australia."

Although trade mission representatives and other experts were given time for only a brief presentation, the seminar provided an overview of the broader issues involved in setting up shop in one of BLS nations — including transport and Customs considerations.

Sanctions on SA also threaten the economies of these landlocked nations, so they are turning to SA to tap its wealth and expertise.

M Matsheba, general manager of the Swaziland National Development Corporation, said: "My country is totally against sanctions. We seek to encourage SA investment. Subject to certain restrictions, goods which are finished in our country — specifically where the last 25% of value-added is performed — are deemed to be of Swazi origin."

Such trading possibilities appear to be an alternative to some businesses which are threatened with closure as a result of sanctions.

Mr Corlin said: "In the face of sanctions we must be innovative in seeking out legal alternatives which will allow SA businessmen to continue normal trading."
forward, they are now finding profit margins reduced and in some cases wiped out.

One large exporter which secured a contract with a semi-State body in South America based its costing projections on a rand of US$36c. It is now believed to be making substantial losses.

"Even when the rand was at its lowest against the dollar, we advised clients to cost contracts on an exchange rate of US$50c. This gives leeway if the rand starts to appreciate," says John Bell, MD of Breyer Development Agency.

But the potential reduction in profits and possible losses that exporters face will reinforce the tendency among exporters of finished products to move in and out of foreign markets.

Most of these are geared towards the domestic market, with only a low percentage of turnover earmarked for export. In many cases, foreign markets are only sought when local turnover starts to decline in times of recession. When the domestic economy starts to pick up exports are accorded less priority, if not stopped.

These fluctuations are aggravated by exporters’ reactions to exchange rate movements. When the rand starts to fall against the dollar, most exporters maximise rand profits on existing volumes, rather than attempt to capture greater market share through reduced prices.

Conversely, when the rand appreciates exporters withdraw rather than face lower profits or even losses. With competition in foreign markets usually on a price basis, there is little leeway for higher dollar prices as compensation.

Some of the larger, more consistent exporters, if they believe an appreciating rand is only a temporary phenomenon, even export at cost in an attempt to maintain market share.

Not helping these exporters is the high inflation differential between SA and its trading partners, which accentuates the pressure on profit margins of a higher rand. This differential should produce a compensating decline in the currency but this effect only comes through long-term, while exporters are subject to higher input costs now.

Most exporters believe the rand will decline to average about US$45c this year. They concede that an average over US$50c would start to have a significant effect on profitability.

At least the fall in the dollar against major Third World currencies has given exporters a relative competitive advantage, many of whom are faced with a greater appreciation of their currencies against the dollar.

But, says Ulrick Joubert, senior economist at Trust Bank: "The movement out of foreign markets will reduce our potential foreign exchange earnings and undermines SA’s attempts to establish itself in the export markets. As a result, SA is unlikely to become a major exporter of finished products."

☐ See Markets
SA seafood worth R21-million sent to US despite ban, paper claims

NEW YORK — As much as $16 million (about R21 million) worth of South African lobster tails has been shipped to the United States despite a ban on a wide range of South African goods enacted last year, the Journal of Commerce reported yesterday.

"There's no doubt that the spirit, if not the letter, of the law is not being complied with," said a US investigator, who spoke on condition of anonymity, according to the report.

Officials told the paper that one of the biggest problems, in the case of seafood, is that the country of origin is technically determined by the flag of the ship that catches or processes it rather than by the ownership of the cargo or the vessel.

South African seafood may be sold legally in the United States by other countries.

One shipment of 85t of lobster tails — worth $2.7 million (about R5.6 million) — was transferred from the Southern Freedom, a ship registered in the Cayman Islands, to a Panamanian-registered vessel in Montevideo, Uruguay, and then shipped to Gloucester, Massachusetts, in early January, the newspaper said.

A second shipment of 244t worth up to $7.8 million (about R16.2 million) was transferred from the Southern Freedom to the Spitsbergen, a Cyprus-registered vessel, in mid-February and was also believed to be bound for Gloucester, the paper said.

It quoted a Uruguayan shipping agent as saying that the Southern Freedom was owned by the South Atlantic Fishing Company, located in the Caymans.

The company appeared to be linked to a Cape Town firm, the paper said. — Sapa-Associated Press.
Everything peachy as DFB becomes top forex dealer

Finance Staff

THE Deciduous Fruit Board (DFB) has become one of the largest currency dealers in the country.

Using a computer terminal and satellite link, the DFB now has immediate and direct access to a whole network of terminals in the dealing rooms of major banks worldwide.

This enables it to earn better profits for farmers and the operation could possibly prevent a repeat of large currency losses which occurred in the past.

The board, which markets fruit worldwide, became involved in a direct electronic dealing operation, linking 98 countries last year.

It quickly concluded 449 deals to a total value of R2900-million, says DFB currency controller, Mr Tinie von Weidts.

This figure is all the more remarkable because it exceeds the record gross earnings of R624-million the DFB achieved through the marketing of fruit in South Africa and overseas last year.

Analysts believe the organisation’s primary role as fruit marketer and distributor has been overshadowed, with more attention being focussed towards managing exchange rates.

The DFB reports it has been notably successful in its efforts, with considerable benefits accruing to the country’s deciduous fruit farmers.

Favourable exchange rates and the skillful handling of overseas earnings across currency borders gave producers a 37 percent boost in earnings to R347-million last year.

DIRECT SERVICE

This compensated for crop intakes being some 18 percent down on 1985.

The DFB has generally managed its currency deals, although it has to rely heavily on the banks to provide it with up-to-the-minute information on expected exchange rate movements.

This changed last year when the DFB became the first non-banking organisation in the country to link into Reuter’s international direct dealing service.
COPPER EXPORTS

Zambia shuns SA

State-controlled Zambian Consolidated Copper Mines (ZCCM), which runs all the country’s copper mines, has stopped sending copper exports through SA. Instead, it is trying to export through the ports of Beira and Dar-es-Salaam.

Sats has confirmed that no Zambian copper has come via SA since November last year.

A spokesperson tells the FM that ZCCM has given Sats no reason for the decision to change the route. But it is understood that, among other factors, Zambia is keen to develop its alternative trade routes to decrease its dependence on SA.

“I wish to stress that Sats’ relationships with SA’s black neighbouring states are conducted purely on a business basis. We are willing and able to continue handling Zambian copper shipments if the Zambian authorities wish to resume exporting through SA,” says the Sats source.

She points out that Zairean copper exports are flowing along the South African route normally. She adds that it is difficult to isolate a trend because the freight figures fluctuate widely, but the total volume of goods carried by Sats on behalf of SA’s neighbouring states is presently increasing after some four years of lower volumes.

Attempts to elicit comment from ZCCM in Lusaka last week failed. Queries by telephone were bounced from the deputy chairman to the company secretary to the public relations manager and finally to a PR officer. He demanded that the questions be telephoned to him and later confirmed receipt of the talk, but, he said, ZCCM had nothing to say.

However, Jack Holmes, a Johannesburg-based director of Anglo American’s Zambia Copper Investments (ZCI), which holds a 27.5% stake in ZCCM, confirms the Zambian decision to stop using the South African route.

“I would be very surprised, however, if the Zambian authorities had taken a decision never to use the South African route again,” he says.

Other sources tell the FM that in the quarter to end-December, ZCCM exported 17,000 t of copper through Beira and 100,000 t through Dar-es-Salaam.

Figures for the current period are not available, but metal traders report that shipments are being held up by a bottleneck at Dar-es-Salaam. This is sharply reducing the local export levels.

Sats refuses to say how much Zambian copper normally flows through the South African rail system to the coast, but it is believed the bulk of ZCCM’s production previously used the southern route.

ZCCM produced 463,354 t of copper in its financial year to March 1986, which was sharply down on the 525,811 t produced in the previous financial year. The main reasons for the fall were shortages of spares and skilled personnel.

However, chairman Francis Kaunda says in his annual review that a five-year plan has begun to return production to a level of 540,000 t a year.

FARM SUBSIDIES

A bit for banks

While commercial banks are happy that they will — for the first time — share directly in government’s new R237m aid package to farmers in the northern drought-hit debt zone, they will, no doubt, be upset over the amount.

Only R9m has been allocated to the banks as direct subsidies on their farm debts. Their exposure is expected to reach R3.5 billion-R4 billion (Business March 6) this year.

The package will thus cover only a fraction of the annual interest bill of R490m-R560m.

Three struggling farm sectors will receive the most. Livestock farmers will share a R43m subsidy package, the Maize Board (MB) will receive a R60m grant towards its bankrupt stabilisation fund, and the Wool Board will receive R15m to reduce costly levies on its US$25m foreign debt exposure.

While the banks’ direct benefit from the emergency aid package will be limited, they will, nevertheless, benefit from improved cash flows through aid to the farming sector.

tors. This will enable them to extend credit limited some lucky farmers for another year.

A banking source tells the FM that government’s stated aim to limit assistance to individual farmers in each of its subsidy schemes is “most welcome.” With individual merit determining future aid and with farmers’ progress being monitored, a new element of discipline will be added.

Chris Bignault, the Agriculture Ministry’s chief director, agricultural economics and marketing, says the aid package provisionally includes:

- About R45m as extra interest subsidies on the Land Bank’s existing 22-year debt consolidation scheme, which will be extended by another year;
- A combined total of R43m on the six- and 10-year carry-over schemes for unpaid production credit to co-ops; a new subsidised three-year carry-over scheme for unlisted stock grazing areas; and a two-year subsidy scheme for feed aid to stock farmers in unlisted areas (listed areas already qualify for aid);
- The new R9m subsidised production credit aid package to banks;
- Some R2.3m to extend the 4% subsidised production credit scheme of the Agricultural Credit Board;
- A kick-off sum of R15m for “restructuring” farming operations away from maize to alternative crops;
- A R60m grant to the MB to cut the cost of handling, storing and financing the annual maize crop;
- R15m for the Wool Board to reduce current 5%-7.5% production levies for repaying interest on unpaid foreign debt. Levies are expected to rise to 10.5% this year without state aid;
- A R6m grant to Umfolozi sugar producers still suffering the after-effects of the Domoina floods;
- R36m for undisclosed socio-economic purposes involving farm labour, and;
- The extension of the current subsidised production credit at co-ops.

Bignault says the package is essentially a short-term emergency measure, while longer-term restructuring remains a priority to get agriculture back on track — and out of debt.

Central to the aim is the need to cut the output of uneconomic maize. But as this will require new seed and breeding stock, it will take time as well as money.

“Government is aware of the restrictions and of the urgency of the problem,” says Bignault. “Our role will be to encourage and to assist — not to lay down the law. This ties up with moves towards a more free market in

FINANCIAL MAIL MARCH 13 1987
Richards Bay leads pack

COAL exports are helping keep Richards Bay SA's busiest cargo port by far.

South African seaborne exports in January were 6.05-million tons, of which Richards Bay carried 3.5-million.

Sats, which provides the figures, stopped giving a breakdown of imports and exports last year when growing international sanctions pressure led to government imposing restrictions on trade statistics. However, shipping industry sources say coal exports have remained healthy and play an important part in Richards Bay's continued activity. In January, exports through the port were nearly three times higher than those of Durban, whose 1.2-million tons made it the second-busiest port.

Durban, however, remains the main import gateway — although at 873 000 tons in January, the country's seaborne imports continued to lag exports by seven-to-one.
Amoco expected to divest soon

Platinum prices — compiled by the Johannesburg Stock Exchange

Gold at $413.99 an oz.

Hectic trading on JSE as confidence returns
No cargoes reaching Maputo

Swazi levies on goods spark route boycott

VIRTUALLY no South African goods are entering Mozambique after Swaziland's imposition of stringent trade levies late last week.

Road hauliers have boycotted the Maputo run after a Swazi crackdown on an SA exporters' racket in the kingdom.

Mbabane customs is demanding refundable deposits of up to 40% on the value of Maputo-bound goods to stop exporters selling at higher prices in Swaziland.

The scam also avoids paying a 10% sales tax in Swaziland.

Says haulier Tony Sedgwick: "I've no intention of paying and exporters are very reluctant to lodge deposits of up to R60 000 on a load."

The deposits are cutting deeply into the hauliers' pockets — one company says it is losing R20 000 a week in revenue.

A ministerial note sent by the Department of Trade and Industries asking Swazi authorities to clarify the situation has not been answered. Swaziland's action may violate the Customs Union Agreement, but Pretoria has no formal leverage to stop the kingdom imposing the deposits.

Apparently the only SA goods to reach Maputo this week was a consignment of potato seed. The haulier used the Komatipoom route to avoid Swaziland, but the level of banditry in the area makes it a highly unpopular route.

And Sats' daily Komatipoort-Maputo rail service is not heavily used. Sats spokesman Frikkie Stevenson said: "The service is very low at the moment."

Jap International Carriers MD Peter Webb said hauliers were reluctant to switch to rail. "Too much gets stolen on the line — especially foodstuffs."
Look to domestic market, future farmers are told

Post Correspondent

JOHANNESBURG — South African farmers have been warned that they will have to look ever more to the domestic market for their products because of rapidly dwindling overseas markets.

The managing director of the SA Wool Board, Mr S F van Wyk, told agriculture faculty students at Pretoria University that all indications on the world market were that agricultural production would increase.

In many countries, there was a growing move towards agricultural self-sufficiency, and this was being aided by the use of more efficient farming methods.

"The world is sitting in the grip of big surpluses of all agricultural products — a dilemma for which there are a number of reasons," said Mr Van Wyk.

These included worldwide over-investment in agriculture caused by fear of food shortages, new technologies, massive subsidies, particularly in America and the European Economic Community and the dramatic increases in food production thanks to technological developments in developing countries.

"In future SA will be ever more dependent on her domestic market for consumption of the agricultural commodities. The days when developing countries could export commodities to earn exchange to pay for manufactured goods are disappearing," he said.
**Eastern outlook**

The spectre of international sanctions has led many economists to predict dire consequences for export trade, as foreign markets are cut off. How much has trade suffered so far?

In 1983-1986, export volumes increased 15%. If gold is excluded, the figure rises to 34%. But these figures build from a low base. Total export volumes in 1986 were only 2.2% higher than in 1980; non-gold exports increased 9.6%.

Still, volumes have recovered while access to foreign markets is increasingly restricted. Volumes of both total and non-gold exports in the fourth quarter of last year were higher than in that period of 1985.

The inclusion of gold is slightly misleading; this is still little threatened by sanctions, and volumes are affected by Reserve Bank strategy.

Export prices have risen faster than import prices during the past four years – resulting in a 6% improvement in terms of trade. However, as with volumes, this improvement came off a low base, with the 1986 figure still 15% lower than in 1980.

The 34% rise in non-gold export volumes can be attributed largely to coal. Coal tonnage exported increased 49% from 1983 to 1985’s 44.8 Mt. However, preliminary figures indicate that 1986 tonnages did not rise much further.

Most commentators see export performance as encouraging in the prevailing political climate.

"The small increase in total export volumes indicates that the sanctions campaign is not yet fully effective," says Leon Steenkamp, economist at stockbroker Senekal, Mouton & Kitshoff.

Though aggregate volumes have not diminished, it is likely that export destinations have changed slightly as new markets are sought to replace those threatened. SA's main trading partners are the US, Japan, and Europe. With about 50% of total exports "unclassified," it is difficult to say what changes have taken place in trading patterns. But some major trading partners are gaining in importance.

Exports to Taiwan, for example, increased from 1984's R206m to over R300m in 1986. Last year's trade agreement with Taiwan could divert more exports to the Far East as

---

**FINANCIAL MAIL APRIL 10 1987**

traditional markets are threatened. Taiwan is likely to become an intermediary, re-exporting South African products to third markets.

Is present export performance merely a huff before the storm? Some economists believe so, expecting this year's figures to show a decline.

But Trust Bank's Ulrich Joubert is not so pessimistic. "The sanctions campaign poses a major threat, but with the availability of other markets and the propensity of exporters to circumvent sanctions, it remains to be seen how much aggregate volumes will be affected," he says.
In spite of recent contract to supply Japanese...

SA coal exports ‘will be lower this year than last’

EXPORTS of SA coal will be significantly lower this year than in 1986, a spokesman for the industry says.

This is despite the much publicised Japanese export contract for steam coal that SA won in the face of strong competition from Australia.

Transvaal Coal Owners’ Association (TCOA) financial manager George Robertson says total coal exports, including coking coal and anthracite, could be estimated at roughly 39-million tons for 1987, against 49.3-million last year.

Robertson says he cannot comment on the new contract because TCOA mines are not involved.

But he confirms the long-standing tension between the Australian and SA coal export industries, especially concerning Japanese markets.

“The crucial factors on our exports are rail rates to Durban and Richards Bay, the rand exchange rate and how sanctions bite.

“The rail rate has always been to our advantage compared with Australia’s. However there will be talks with the railways next month, and if our rates are increased it will damage our export potential.”

If the rand keeps climbing it will also add to the cost of exports, on which margins are already at rock bottom in a number of cases.

“Thirdly, we do not know yet how effective sanctions against our coal exports will be in practice. Certainly, they are already worrying in some cases in terms of extra exporting costs.”

“Our contracts with the French ran out some time ago and were not continued. But we still have to see what can be achieved when, for instance, our current US and Danish contracts expire.”

A Sapa report says the Australians have been undercut severely by the new export contract.

Although Australia supplies about two-thirds of Japan’s coal needs, it wants more and feels threatened by SA’s ability to substantially undercut Australian coal exports to Japan on price.

London newspapers report SA concluded its new deal with the Japanese power companies at £24.70 a ton.
In spite of recent contract to supply Japanese...

SA coal exports ‘will be lower this year than last’

EXPORTS of SA coal will be significantly lower this year than in 1986, a spokesman for the industry says.

“This is despite the much publicised Japanese export contract for steam coal that SA won in the face of strong competition from Australia,” Transvaal Coal Owners’ Association (TCOA) financial manager George Robertson says total coal exports, including coking coal and anthracite, could be estimated at roughly 36-million tons for 1987, against 40.3-million last year.

Robertson says he cannot comment on the new contract because TCOA mines are not involved.

But he confirms the long-standing tension between the Australian and SA coal export industries, especially concerning Japanese markets.

“The crucial factors on our exports are rail rates to Durban and Richards Bay, the rand exchange rate and how sanctions bite. The rail rate has always been to our advantage compared with Australia’s. However there will be talks with the railways next month, and if our rates are increased it will damage our export potential.”

If the rand keeps climbing it will also add to the cost of exports, on which margins are already at rock bottom in a number of cases.

“Thirdly, we do not know yet how effective sanctions against our coal exports will be in practice. Certainly, they are already worrying in some cases in terms of extra exporting costs.

“Our contracts with the French ran out some time ago and were not continued. But we still have to see what can be achieved when, for instance, our current US and Danish contracts expire.”

A Sapa report says the Australians have been undercut severely by the new export contract.

Although Australia supplies about two-thirds of Japan’s coal needs, it wants more and feels threatened by SA’s ability to substantially undercut Australian coal exports to Japan on price.

London newspapers report SA concluded its new deal with the Japanese power companies at $24.70 a ton.
SANCTIONS, a huge increase in rail tariffs and currency movements threaten South Africa's second-largest export — coal.

Coal producers, whose export profits have become marginal, are waiting until after the election on May 8 to hear whether they will receive relief. The Government's inter-departmental task group appointed last month by Minister of Economic Affairs and Technology Danie Steyn has started its investigation into the vital industry's problems.

Strong case

The producers have put what they believe to be a strong case to the Department of Mineral and Energy Affairs for relief, particularly from proposed rail tariff increases averaging about 40% on the Richards Bay line. But they do not expect the final word until mid-May.

Although this week's contract to sell steam coal to Japan has been hailed as a victory over rival Australian producers, the deal was clinched at a high price. Analysts say that the lower price of R24.70 a ton equates at the current exchange rate to about US$8 a ton. For much of last year, coal was sold abroad for R70 a ton.

A broker says: "Increasingly, price will be critical if export sales are to be maintained." Some major producers also play down the importance of the new Japanese sale. They say that only a few prices for smaller contracts were outstanding when most contracts were fixed in March. In addition, Japan's Ministry of International Trade and Industry ruled last year that coal imports from South Africa in 1987 could not be higher than in 1986.

Rand Mines deputy chairman Allen Sealy says: "The exporter could not have been breaking new ground. If it was a new contract it was won from a rival South African producer." In any event, the new sale will not do anything to enhance SA's coal exports this year. One source expects volumes to total about 36 million to 38 million tons. Richards Bay handled 60.5 million tons of last year's exports and the balance moved through Durban. Volumes have already been hit by the cancellation last December of sales to the US of 800,000 tons a year. Although the 10-year contract was due to run until the end of March this year, a settlement was paid to end it early.

SANCTIONS by France and Denmark have been estimated to cut exports by a maximum 11 million tons, but some of this will be made up by new sales.

Fierce

Competition is fierce, and price is critical in the fight for export contracts.

If the proposed tariff increases by SA Transport Services are accepted in full, some mines will operate at best, at only cost of production.

Mr Sealy says: "There will certainly be no return on investment for some mines."

The importance of the Richards Bay rail tariff can be judged from the fact that freight to the port can make up as much as 30% of the producer's costs. Mr Sealy, chairman of the co-ordinating committee which prepared the producers' case, says: "Any increase will have serious repercussions, particularly at a time when the dollar is low and we have a high rand/dollar exchange rate."
SA fruit offloaded in Emirates - claim

ABU DHABI — South African fruit and goods were shipped to the United Arab Emirates despite an official boycott in force since 1974, a newspaper reported today.

The semi-official paper Al-Itthad said 21 cargo ships were busy at UAE ports unloading fruit and goods bearing certificates of origin from Swaziland and other African states.

But the imported fruit claimed to be from Swaziland was proven by figures to be "10 times larger than that country's fruit production".

Furthermore, the imported goods were prepared and packed at a standard higher than the potential of Swaziland. Nor did the fruit grow there.

The paper claimed that "such swindling meant to avoid the Arab boycott of South Africa" was evident in all Gulf states.

It said the illegal trade was exposed two weeks ago when a Japanese cargo ship was ordered to leave the UAE port of Sharjah after authorities discovered its cargo of fruit came from SA. — Sapa-AP
K.W.V. exports up 22% in "anti-South African" activities, the K.W.V. continues to operate dynamically in all accessible foreign markets, says the report.

Although this has led to a total boycott of SA wines in Canada, the US, Australia and New Zealand, the K.W.V. has managed to increase its commercial exports by 22%.

While there had been a "disconcertingly low" inflation rate in most of the K.W.V.'s foreign markets, inflation at home had increased to almost 20%.

The report says the favourable export results of the past year are due mainly to the restructuring and rationalisation of the K.W.V.'s marketing organisation in the UK and Europe.

Some 6300 wine farmers are now members of the giant group.
Iscor set to win
big Turkish deal

Iscor is set to win an order to supply Turkey's State railways with 50,000 tons of rails. The order, worth R73m, will be finalised when the Turkish Treasury and Foreign Trade undersecretariat approves the sales credit conditions being offered by Iscor.

Other companies which had been in the running for the supply of the rails of 16m, 18m and 32m lengths included British Steel Corporation, Japan's Marubeni, Yugoslavia's Progress, Canada's Algoma Steel, France's Material de Vole and Italy's Deltasider.

Further contracts for rail supply are likely to be placed next year.

The London-based Metal Bulletin reported this week that eyebrows had been raised in trade circles by what is thought to be a recent increase in Turkish imports of South African semi-finished products, which were being rolled in Turkey for possible export.
Export order unglaed by sanctions pressure

SANCTIONS pressure has caused more than one SA manufacturer to come unstuck on international markets.

The latest example is the appearance in Johannesburg shops of a high-strength glue, manufactured locally, but with French/English instructions only.

A spokesman for Pratley Manufacturing & Engineering said yesterday a large consignment of glue had been returned from a French-speaking country.

The order was absorbed locally, averting what could have been a sticky situation.

MD Kim Pratley said the order was returned at the end of 1985 and the firm was still trying to sort out the insurance claim and piece the shambles together.

Pratley has been pushing into the export market for two years in an effort to cement overseas ties.

"The reticence of overseas retail outlets to be seen doing business with SA is a problem. There are many anti-SA pressure groups roaming around looking for companies doing business with SA."

Because of exports going to a number of countries, Pratley said he might consider off-shore manufacture.
Sanctions have hit the coal export business. Coal, made of Black-thorn Bay Coal, has been hit by the original export. The Australian mines are finding it difficult to survive. The coal export business is declining. Coal, made of Black-thorn Bay Coal, has been hit by the original export. The Australian mines are finding it difficult to survive.
Growth, jobs the priorities — Durr

SA's mineral export revenue 'could double'

By ANTHONY JOHNSON

SOUTH AFRICA could more than double the value of its mineral export earnings to some R60 billion in the next decade by way of "beneficiation," according to the Deputy Minister of Finance, Trade and Industry, Mr Kent Durr.

Speaking to the Cape Town branch of the Exporters Club of South Africa yesterday, Mr Durr said exporters should be aware of crucial changes in the structure of world trade that could have serious consequences for developing countries.

Over the coming decade the present state of over-supply on world markets of aluminium, copper, lead, tin and other metals and minerals was likely to increase, leading to a long-term decline in commodity prices.

South Africa would have to implement an accelerated programme of high-technology industrialization in order remain competitive with countries such as Taiwan, South Korea and Brazil in markets for manufactured goods, chemicals, production machinery and alloys.

Mr Durr said one of the major challenges facing exporters if they were to remain competitive would be to add more value to South Africa's mineral exports by way of beneficiation.

"Our current export earnings in chrome, manganese, titanium, vanadium, gold, platinum and other minerals could double over the next decade — to some R60-billion per annum at constant prices — if this were done."

Mr Durr said the low degree of beneficiation at present could be "seen by a glance" at South Africa's jewellery industry.

"Ironically enough, countries such as Belgium, India, Israel and Italy earn billion of dollars every year by beneficiating and re-exporting South African gems and precious metals."

Mr Durr said the recent appointment of the Mineral Advisory Council and a top-level government committee on mineral beneficiation, underlined the government's concern over the declining role of refined mineral exports may come to play in a world economy characterized by expanding markets for high-technology goods.
Bleaker outlook

Coal exports through Richards Bay could be about 10% down on last year—dropping from about 40 Mt to 36 Mt this year.

This view was expressed by Mike Hawarden, MD of the coal division of JCI at the International Coal Trade Conference in Washington.

But price, rather than sanctions, seems to be the main bugbear. Les Weiss, MD of the Transvaal Coal Owners' Association, says the principal factor behind the drop is world oversupply of coal and downward pressure on coal prices.

"Nonetheless, the drop is significant in that it is the first time since inception of the Richards Bay coal export scheme more than a decade ago that the volume of exports has faltered," he says.

The rand/dollar exchange rate also mitigates against coal exports.

"When the rand stood at US$0.50, you were paid R50 for every $20 worth of coal sold. Now, with the rand closer to US$0.50, you get only R40 for every $20 worth of coal sold. This has caused real problems for us and for the Australians. Their dollar also hardened against the US dollar recently," he says.

The original target for Phase 3 of the coal export programme was 44 Mt/year, with ultimate projections as high as 80 Mt/year.

"But," says Weiss, "those projections look a long way off now. Certainly, any possible new mines will have to be put on hold. At the moment, we don't foresee any new developments on the export front as far as the railway line or terminal capacities are concerned either."
Coal: Israel diversifies away from SA

JERUSALEM. — Israel will buy up to 1-million tons of coal from Colombia within the next three years, as part of an attempt to diversify its energy sources away from South Africa.

A long-term, annually renewable contract, worth an estimated R65-million, is expected to be signed this week between the two countries.

Israel's search for new suppliers of coal has been motivated not only by the desire to lessen dependence on South Africa, but by the expected doubling of the country's coal consumption to 70-million tons within the next two years.

As a result, Israel has over the past year also discussed coal purchases with Poland and China, two countries with whom it has no diplomatic relations.

The contract between Israel and Colombia, agreed during a visit to Jerusalem last month by Mr Miguel Merino Gordillo, Colombia's Minister of Economic Development, provides for an initial shipment of 150,000 tons of coal from the El Cerrejón deposits by the end of the summer.

The volume is expected to double next year and reach 450,000 tons by 1988.

Israeli energy officials say the contract is likely to be renegotiated upwards in 1989, when a major new power station, being built near Ashkelon, begins operating.

By then, Colombia could have become a key supplier of steam coal to Israel.

Israel, devoid of its own coal resources, has always relied on imports. South Africa has traditionally provided it with half its coal needs, Australia with another third, and the United States with the balance.

Israel has agreed to pay Colombia in hard currency. At current prices, trade experts say Colombian coal will cost Israel $28 dollars a ton — about the same as Australian purchases.
Brazil named as possible market

**Shortage in EC opens door for SA steel exports**

SANCTIONS-HIT SA steelmakers might be heading for a short-term burst in steel slab exports because of an EC shortage.

A metal industry source in London said a demand for slabs had forced steelmakers to concentrate on supplying EC markets.

Brazil has been named as one country that may begin to SA for more steel slab imports, possibly to highlight Brazil's annoyance at having its steel import quota to the EC pegged in the 1987 bargaining round.

Brazil exports about 200,000 tons of steel to the EC.

An SA steel industry source said the "deduction was sound".

He said: "I know there is a demand for slabs in Europe but I'm not sure how severe the shortage is."

SA's steel export figures have been a closely guarded secret since the US, Japan and the EC imposed steel and iron ore embargoes late last year.

Steelmakers also refuse to comment on exports, but Iscor last month commissioned a R12bn slab caster at its flagship Vanderbijlpark plant and would clearly benefit from the increased demand.

In another development, Middelburg & Alloys (MSA) may be jockeying to fill a shortage of stainless steel plate in Brazil, whose steelmaker Acesita, is said to be having difficulties meeting local demand.

The London source said: "We understand a stainless steel expansion programme in Brazil has been hampered by debts and strikes."

MSA's Robert Walton denied a major export drive was being mounted in Brazil. "We've had a presence in the country for a long time and try to fill the gaps in Acesita's product range where we can."

Brazil has not applied steel sanctions against SA.

@ The Metal Merchants Association of SA is to join the Brussels-based Bureau International de la Recuperation (BIR), a confederation of major scrap merchants from the EC, Latin America and the US.

An association delegate attended the BIR's AGM in Helsinki this month and it was understood SA's membership was widely welcomed by the bureau.
US will decide on uranium imports

By Neil Larsen, The Star Bureau

WASHINGTON — The United States Treasury is to decide soon whether sanctions laws will forbid the import of uranium ore and uranium oxide from South Africa valued at millions of rand.

Mr R. Richard Newcomb, Director of the Office of Foreign Assets Control in the Treasury, told a congressional committee here that a decision was expected before July 1.

The possibility of a ban has alarmed American companies which process uranium ore and uranium oxide for foreign buyers and re-export to the foreign buyers.

If the ban is confirmed, thousands of American jobs could be lost in seven states. The companies have enlisted the aid of their Senators, who have asked the Treasury not to include uranium in the list of banned imports contained in the sanctions imposed last year.

NO AMERICAN CONTROL

Senators have argued that an end to American involvement in the processing of the South African uranium — enriching it for use as nuclear fuel — would end American control over the future use of the fuel by potentially hostile nations like Libya.

Mr Newcomb said that because of uncertainty over the intent of the Congress regarding the uranium, the Treasury had called for public comment.

During the period of comment and analysis, uranium ore and oxide were being imported from South Africa in the usual way.

"The Treasury took this action because the domestic uranium conversion industry and the federal government's enrichment industry could be seriously injured in a manner unintended by the Congress if imports for processing and re-export were barred through a mistaken interpretation of the Act," he said.

Mr Newcomb said there were cases involving false country of origin declarations for textiles and false declarations for semi-concentrates and sports equipment.
PRETORIA — The Maize Board has had to cancel a number of long-term export contracts because of a drastic revision of the 1986/87 crop.

Based on official Department of Agriculture estimates, the board expected deliveries totalling 7,5-million tons. But Maize Board GM Hennie Davel said reports from the board's agents indicated the estimate would have to be lowered to 6,2-million tons.

This is 1,3-million tons less than the board used to plan its 1987/88 marketing strategy. Davel said reasons for the big decrease was an under-estimation of the severe damage caused by drought and the bushel weight.

"This is the first time the official estimate has been so far out and it has caused serious marketing complications," he said.

The shortage is so serious that the board would have to revoke some of its long-term contracts to ensure enough maize for local consumption, he added.
Export of grain likely to cease

THE SA shipping market has basically continued on a firm level, with quite good demand on early positions, says Afrimar's weekly freight market report.

"However, it is still felt that as we move further into the northern hemisphere summer season, rates will ease back," it says.

"It looks as though the export of grain is going to cease in view of the reduced amount of maize now expected to be produced, and the tender programme has been withdrawn from the end of September, as there is no surplus for export, over and above the Taiwanese and Japanese contracts already running."

Six thousand tons of bagged rice was being quoted from Taiwan to Reunion for end-July loading. In the coal sector it seems the Cape sizes are holding firm, with the nominal rate from Richards Bay to Rotterdam being probably just more than $6, and there was no tender activity.

A fixture was arranged for a vessel of about 120,000 tons at just more than $8 on the basis of combination discharge berths in Rotterdam.

The Panamax sizes seem to be basically steady, although $7.10 was paid for a 55,000-ton cargo from Richards Bay to Spanish Mediterranean discharge.

Handy-sized tonnage has also maintained levels, particularly to the Far East. A number of private deals are thought to have been arranged, especially to Spain. There was an inquiry from Brazil for about 6,000 tons of anthracite from Durban to Vitoria for end-July/early-August dates.

German trading interests had a cargo of about 10,000 tons of steel from Maputo to Italy for a prompt position.

Indications were being asked for the movement of 10,000 tons of bagged fertilisers from Constanza to Mombassa for August shipment and liner discharge.

There were various time-charter orders besides the usual local operator inquiries, with Far East charterers wanting a vessel of about 30,000/35,000dwt for a trip from SA to the Far East.

Early Cape sizes were scarce in the Pacific, so levels are being maintained.
OSLO — Five Norwegian companies have been exempted by the Ministry of Trade from a newly-legislated trade boycott against SA, scheduled to take effect on July 20.

The two companies, Elkem and Tinfos Jernverk, have been given a two-year exemption for import of manganese ore for three smelters, the ministry said.

Det Norske Veritas, a ship and offshore rig classification society, received a 12-month exemption because of the company's "great importance for maintaining maritime security" and because there is no other suitable harbour for Veritas' operations.

A/S Greiker Industrier, a paper producer, was allowed to deliver 500 tons of paper contracted before the boycott of SA and Namibia was decided by the Norwegian Parliament.

Norway Foods was exempted for delivery of 18,000 boxes of sardines already produced and packed for the SA market.

A sixth company, Brodør A/S, had also asked to be exempted but was refused.

— AP-DJ.
PRIVATE enterprise is to play a major role in the export of capital goods and services by providing finance — formerly the preserve of the Industrial Development Corporation (IDC) — in terms of an agreement signed yesterday.

Bankers regard the move as the privatisation of a function that should never really have been undertaken by the IDC in the first place.

They say it could possibly open the way for SA banks to participate in projects such as the multi-billion rand Lebombo Highlands water project.

Four merchant banks — Standard, UAL, Corporate and First National — and the Trade and Industry Department are party to the agreement.

SA's capital exports amounted to about 3% of total exports, a figure of roughly R1bn a year. The Trade and Industry Department said in a statement the participation of banks could assist capital export growth.

At a press conference yesterday, the department's acting director general Frans Scheepers said government had been approached by the banks, which indicated they would be keen to promote exports.

Scheepers said this fitted in with the department's export promotion drive.

He said: "The banks' foreign contacts could mean that their direct participation in the scheme will help exporters win contracts. Exporters of capital goods face intense competition from industrialised countries."

The banks' participation could give exporters a boost when dealing with competition.

In turn, competition between the four private suppliers of credit could lead to reduced interest rates on the credit granted to foreign buyers of South African goods and projects, Scheepers said. "This will obviously enhance the attractiveness of South African tenders for this lucrative foreign business."

However, government would continue...
export markets for SA goods.

"There is a lack of clear guidance of what government expects. While not everyone in the private sector supports this issue, it would help if all imports above a minimum of say R5m contain a countertrade condition. Even some European states like Sweden and also Canada follow this policy," notes Holtes.

In fact, he says, some 40 countries, a number of which are newly industrialised, practice this form of trade. Special systems and guidelines clearly indicate to importers, as well as to the foreign exporters, the official countertrade requirements to follow. SA is one of the few exceptions.

Department of Trade and Industry (DTI) deputy director Frans Scheepers says official policy is to "eschew barter trade for multilateral trade. But no obstacles are put in the way of the private sector to enter into countertrade deals. In fact, government will facilitate these efforts."

Scheepers says the DTI's committee on unconventional trade monitors the situation — but demands that foreign exchange and customs regulations are adhered to. Off-set, barter, buy-back and other countertrade deals are legal, but not official policy. And, apart from the fact that traditional trading partners might look askance at such an official initiative, government is also sensitive to Gatt and IMF policy requirements.

Government is well aware that countries such as Brazil, Australia and the Philippines demand countertrade deals when importing. For example, a R5m import deal might carry a 25% counter-buy condition, R50m might demand 50% and R100m a possible 100%. "But we will not regulate our trade in this way, nor are we even investigating the issue," Scheepers tells the FM.

Public corporations

Holtes says SA should not wait for foreign concerns to come forward with countertrade proposals — based on a clear set of guidelines, public corporations for example should utilise available leverage when importing. SA, he suggests, could well follow the example of industrialised countries already implementing such regulations as part of official trade policy.

But there clearly is a long way to go to influence official thinking. "We cannot expect major trading partners like Germany or Britain to become hawks," says Scheepers.
Exports hit by anti-SA feelings

By Neil Behrmann

LONDON — South African exports to Britain slumped during the past two years despite the massive depreciation of the rand.

According to the UK Department of Trade, South African exports tumbled from £270 million in 1985 to £629 million in 1986. In the first five months of this year, exports to Britain were only £257 million, an annualised total of £617 million. Between 1982 and 1984 annual exports were around £750 million.

Despite the Conservative Government’s reluctance to impose official sanctions it is evident that businesses have chosen unofficial restraints.

British exports to South Africa were also down sharply.

From £1205 million in 1984, UK exports fell to £1,010 million in 1985 and £950 million in 1986. The showing in the first five months was even more dismal. UK exports were down to £361 million or when annualised, £366 million.

Trade with South Africa has fallen because several companies are concerned about the stigma on South African goods.

Britain needs South Africa’s raw materials, but it is significant that total food and fruit imports from South Africa crumbled from £150 million to £138 million. Even mineral imports fell.

The slump in trade can only be partially attributed to the anti-apartheid movement’s pressures. Statistics confirm reports during the past two years.

Businesses became more reluctant to carry on trade with South Africa when township and police violence accelerated and the Government imposed the State of Emergency.

About a year ago when the Government introduced news restrictions it blamed the media, notably television journalists, for creating “misconceptions” about South Africa.

Backed by officials from the Treasury and Reserve bank, the moves were supposed to reverse opinions of companies and banks which have connections with South Africa.

On the face of it, the restrictions seemed to work.

When the gold price began to surge a year ago, gold shares and the financial rand improved sharply, although the FR is still very depressed.

Foreign investors began buying gold shares again. Investors felt more comfortable because South African news was no longer in the spotlight.

But in terms of trade and investment censorship has failed.

News seeps through. Foreign companies and banks have their own sources of information.

After declaring the moratorium on a large percentage of its £24 billion debts, South African borrowers still can’t borrow on the international money and capital markets. At best they receive trade finance and short term credits.

Over the past 18 months some 80 US companies — including blue chip names like IBM, General Motors, Exxon and Citicorp have left South Africa.

Opponents of apartheid are turning their attention on some 250 European and Japanese corporations that have large interests in South Africa. According to the Washington-based Investor Responsibility Research Centre, only 36 companies including Barclays Bank have withdrawn.

So activists are beginning to harass Royal Dutch Shell, Nestlé, Unilever and the Union Bank of Switzerland. Standard Chartered’s decision to review its holdings in South Africa is another example.

There are positive aspects, however.

The efforts of Dr Van Zyl Slabbert and open-minded Afrikaans businessmen did more for South Africa than any of the expensive propaganda exercises of the Government. It alleviated some of the fears of white insensitivity. But in the end the Government must be seen to follow.

SA cosmetics ‘look good’ for exporting

THE export potential for the SA cosmetic market is vast if professionally marketed, says Max Green of Kemtrade Distributors, toiletries and pharmaceutical sundries wholesaler.

He says the lower rand has made SA cosmetics attractive to importers, with Hong Kong, Taiwan, Spain, Portugal and a number of African and South American countries having already made approaches to import SA cosmetics.

Green, who is CEO of Kemtrade's export division says the group has been exporting on a limited scale to test the market, with orders having been secured in the UK, France and Belgium.

The benefits of export to the local market are huge, says Green as factories would be able to utilise capacity more fully, so improving local production costs through longer runs.

Cosmopolitan Cosmetics CEO Nathan Taits describes the local market as "fairly sophisticated" with packaging up to international standards.

He estimates the colour cosmetic and treatment market in SA is worth about R150m a year at trade price, of which about 75% is locally produced.

He says a significant spin-off from the development of the export market would be the reduction in the cost of components. At present it pays to import these components such as bottles and lipstick containers as the local market is too small to justify manufacture.

Further, job creation would flow from increased production, he says as the cosmetic industry is not fully automated.
Diamond sales down sharply
SA exports to EC plunge 30%

Own Correspondent
LONDON. — South African exports to the European Community plunged 33% in the first quarter of this year. But the reason is not that sanctions are beginning to bite, but because SA has cut down dramatically on the amount of diamonds it sells to EC countries.

SA exports to the EC totalled 1.342 m ECU in the first quarter of this year against 1.996 m ECU in the same period last year. In rand terms this means a drop of R1.5bn or 30%.

There is some evidence of either official sanctions affecting items like iron and steel (down 30.46% to 68m ECU) or so-called “Peoples’ Sanctions” affecting fruit exports (down 10.5% to 52m ECU).

But by far the most important reason for the steep drop is a 45.32% drop to 469m ECU in the sale of gold and diamonds to EC countries — indicating that SA has either found alternative markets or is stockpiling.

Because the EC trade statistics list the two together it is not possible to say which of the two is responsible for the drop, but the latest British trade statistics which separate the two give a clear indication that it is diamonds. In the first five months of 1987 the category in which gold is included shows a 7.92% increase to £15.6m. The category in which diamonds are included shows a dramatic slump of 80.47% to £13.1m.

SA coal exports have been hard hit showing a 36% fall to 172m ECU. However the volume of coal exported is down by just 10.36%.

Dr Roy Doyle of the International Energy Agency said this confirmed for him reports that SA producers were selling at prices even lower than the present low market prices.

SA imports from the EEC were down by 29% to 1.1bn ECU. More than half of this was spent on machinery and electrical machinery.

According to soon to be released trade statistics for 1986, Belgium and Luxembourg (2.2bn ECU) and Italy (1.9bn ECU) were the leading importers of SA goods. West Germany (1.9bn ECU) and the UK (1.3bn ECU) were the leading exporters to SA.
US sanctions begin to bite

SA exports to America down 45%

The sale of SA goods and commodities to the US has dropped by 45% in the first six months of this year, while the value of US goods coming into SA over the same period has risen slightly.

US Department of Commerce figures supplied by the US Consulate General in Johannesburg show the total financial value of US imports from SA dropped dramatically from US$1,191bn between January and July 1986 to $654m in the same period this year.

That the total value of commodities sold by SA to the US increased overall by 21% in the four years to the end of 1986 shows the bite that the Comprehensive Anti-Apartheid Act has had on trade.

In the same four-year period, the total value of commodities sold by the US to SA dropped by 51% overall. However, these figures do not show any adjustment for fluctuations in the currency rates.

The value of goods and commodities sold by the US to SA rose 61% in the January to June period (1987) compared with the same period last year. The total

DIANNA GAMES

for the six months of this year stands at $587m.

US imports of several South African commodities dropped to nil in the first half of 1987.

These include: uranium oxide (from $84m in January-July 1986); gold or silver bullion/ore (from $65m); coal (from $23m); uranium compounds and "other" (from $23m); shellfish, excluding clams, (from $12.5m); motor fuel (from $23.7m); and iron or steel ingots and blooms (from $3.3m).

SA yesterday announced, however, it had recorded a trade surplus of R1,653m in the first six months of this year.

With a major drop in US imports in the corresponding period, it is not clear where the shortfall is made up as this is not reflected in preliminary figures for two of SA's major trading partners, Japan and West Germany.

It could mean either that SA has found a new major trading partner, or that SA goods are being re-routed through middleman countries to existing partners.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Shelf</th>
<th>Section</th>
<th>Row</th>
<th>Column</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>President</td>
<td>A</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Jane</td>
<td>CEO</td>
<td>B</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Bob</td>
<td>CFO</td>
<td>C</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Lisa</td>
<td>Marketing</td>
<td>D</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

*Note: This is a simplified representation of the table.*
Exports accelerate

The R1.63 billion trade surplus for July, besides surprising most observers, is the largest monthly surplus since October 1986, and compares to R1.02 billion in June and R942m in May. Encouragingly, the widening surplus is due to exports rising more (by a huge R1 billion since June) than imports (R400m up), not a decline in imports.

Figures from Customs & Excise show exports of R4.3 billion in July, bringing the total for the first seven months of 1987 to R24.2 billion. With imports of R15.9 billion, including July’s R2.67 billion, the surplus is R8.3 billion — higher than the R7.7 billion surplus this time last year, when exports were only R23.5 billion and imports an almost identical R15.8 billion.

Significantly, economists reckon that imports (increasing since November) and exports are higher not only in value terms but volumes as well.

This will clearly boost the surplus on the current account and allow the authorities additional scope in their moderately expansionary policies. A major constraint cited by the authorities for domestic expansion is the need to nurse the current account in a hostile international environment. The upturn in imports also confirms that the domestic economy is still expanding, albeit too slowly.

Then, as Sanlam’s Johan Louw points out, a growing trade surplus should add to domestic liquidity and affect interest rates.

A breakdown of imports and exports shows that this year so far most exports went to Europe (R5.8 billion) while most imports are from Europe (R7.1 billion).

Compared to the first seven months of 1986, exports to the US are down 33% to R1.7 billion while imports from Asia are up 28% to R3.4 billion. Exports to Asia increased by 14% to R4.1 billion.

The figures come some two weeks late, because of “computer problems.”
Rail tariff shocker

Coal producers intend ignoring a Sats directive that rail tariffs to users of the Richards Bay line went up by around 20% on September 1.

They contend that Sats acted "irresponsibly" by hiking the rail rate so soon after April's interim rate adjustment — especially since the whole tariff issue is the subject of a full-scale government inquiry.

Producers were clearly shocked by the Sats telex outlining the new charges. Though tariffs vary according to the haulage distance involved, in effect it means a rise in transport costs of R4/t-R5/t for most producers.

Many coal owners are marginal cost producers. They contend the rail tariff hike would blow them out of even some of the most lucrative export markets if this were to be added to end prices. And coal tonnages this year ex Richards Bay are already some 5,5% down (around 36 Mt) on last year (38 Mt).

Hans Smith, Gencor director, coal marketing, says the increases would have a disastrous effect on the industry. "It would halve coal exports and cause at least half the country's coal mines to close down," he predicts.

Producers have made known to government their discontent over the unilateral imposition of the new rail charges. Sats now appears to be doing some backtracking. A spokesperson for the Richards Bay coal terminal confirmed the tariff increase has not yet been implemented.

Although there still appears to be some confusion within government, producers say they have a broad understanding that they can continue paying tariffs at the interim levels set in April until the commission of inquiry into the tariff structure reaches a finding. This is not expected until the next rate review in March next year.

Meanwhile, prices on the spot coal market appear to have stabilised at US$19.50/t-$20/t. While few mines can be profitable at these prices — even without the rail hikes — the average price to South African producers could be closer to $23/t, taking into account long-term contracts to places like Japan.

Smith believes the export outlook will remain unattractive in the short term. But in the longer term he sees more buyers turning to SA as demand increases — in spite of sanctions pressures and the current international coal surplus.
More jobs in spite of export loss — Searl

By TOM HOOD, Business Editor

SANCTIONS hit overseas sales by the giant Searl
del Investment Corporation, the country's largest
clothing manufacturer, reports the chairman, Mr
Aaron Searl.

"Export turnover has dropped quite significant-
ly," he says in his annual report.

"Strenuous efforts are continually being made to
replace this business."

As the clothing industry recov-
ered from the recession, the
group's number of employees in-
creased for the first time in sev-
eral years in the 12 months to
June 30.

The group now employs about
14 100 people, of whom 12 500
are employed in production.
Managerial and administration
number 900 and promotion and
sales staff total 700.

Where possible, disabled peo-
ple were employed in suitable
jobs, said Mr Searl.

The group's wage bill came to R102-million.

Success in dealing with union and labour prob-
lems was largely achieved as a result of a change
in management style which accepted the challenge
of implementing and administering justice and de-
mocracy in the work place.

"This is no easy task and cannot be achieved
overnight. It is rather the beginning of a commit-
ment towards an ongoing process which will form
the basis of our industrial relations policy in the
years ahead," he said.
Another colliery cuts back

BP has withdrawn from the joint venture with Total and Trans-Natal which controls the Ermelo export colliery. The multinational has decided it can no longer sell its share of the mine's output at a profit. Its withdrawal again underlines the grim conditions facing the coal industry, and that investors buying shares such as Trans-Natal for recovery potential face a long wait.

Trans-Natal's earnings dropped 39.1% in the year to end-June while the dividend was slashed by 33.3%. Chairman Steve Ellis has forecast "substantially" lower earnings in the current financial year, and one analyst forecasts that Trans-Natal's earnings could fall to 75c this year with a further cut in the dividend to 50c.

Ermelo is an underground mine, whose operating costs are believed to be the highest of the South African export collieries. BP intends increasing production from its Middelburg open cast colliery, which is one of the cheapest producers in the industry. Ermelo's production will be cut by 40% from 3 Mt annually to 1.8 Mt annually, while the work force is to be chopped by 55% to 970 workers from 2 135 as the mine is being put on a single-shift operation.

A BP spokesman says the decision to get out of Ermelo resulted from the drop in dollar prices for coal, falling rand revenues because of the recovery of the rand against the US dollar and rising costs boosted by Sats' tariff hikes on the Richards Bay rail line.

Previously each of the joint venture partners individually marketed 1 Mt of Ermelo's annual production. BP will source 500 000 t of this production from its Middelburg colliery, where production is to be pushed from the 1987 level of 4,5 Mt to 5 Mt in 1988. The BP spokesman declines to say what the group would do about replacing the other 500 000 t produced from Ermelo.

He says BP will continue to seek business in line with its South African export quotas. One option could be to buy coal from another local producer.

Total is the most dependent on Ermelo's operations because it cannot replace this tonnage from other sources. The new arrangement leaves Total unaffected and it will continue to export its full 1 Mt annually from the mine.

Trans-Natal, which manages the mine, will sell about 800 000 t annually from Ermelo and will get the balance of 200 000 t from other group collieries producing Ermelo-type coal, in particular Savmore colliery near Piet Retief. Estimates are that, if it had, Trans-Natal could draw some 400 000 t annually of Ermelo-type coal from its other producing mines.

Trans-Natal's MD Graham Thompson says the two remaining partners have taken over the assets of the Ermelo joint venture and made a "small" cash settlement to BP. He says the amount will be covered by the 15% saving on working costs which the streamlined mine is expected to achieve in 1988.

Thompson says the cost of exporting from Ermelo differs for each of the three partners. In Trans-Natal's case the operation showed an accounting loss because of amortisation charges, but did not have a negative cash flow. However, he says the operation would have a negative cash flow if Trans-Natal had to pay the new September Sats rail tariffs which it had so far avoided doing.

The rationalised operations will concentrate on areas of the mine where the coal seams are thicker and give a higher yield of export quality coal after washing. Thompson says Ermelo, with the lower tonnage, will have a longer economic life than previously forecast.

Total Exploration assistant GM Derek Ivel says the deal "maintains the status quo" for Total, although some industry sources reckoned Total should benefit. Total is believed to have the most favourable sales contracts of the three former joint-venture members.

Meanwhile, the fight between the coal exporters and Sats over the Richards Bay rail tariffs imposed from September 1 continues, with exporters apparently making little headway. "It looks as if Sats will only come to its senses on this issue when coal exports on the line start to dry up," a director of a major coal exporter tells me.

TIME HOLDINGS

Time in life

For the first time in 20 years, a new life insurance licence has been granted. Time Holdings, the management and financial services group, has received the licence for its subsidiary to be called Time Life Insurance. The obvious question is why should a life insurance licence be given to a group best known for project financing, especially in housing developments? Chairman Colin Hibbert sees some important synergies.

Time's salesmen investigate the financial standing of clients before applying for a bond and, as all these clients need life insurance, it makes sense to sell the life cover at the same time, without a new company coming and repeating the investigation.

Apart from the long time since an entirely new life insurance company came into existence, Time Life breaks new ground in several other areas. It will be the first scheme providing life insurance only for bondholders, the first to be almost entirely for blacks, the first to be sold by house salesmen and the first where the signing and finalisation of documentation will be close to the homes of the black buyers.

All these advantages are expected to minimise new business strain, usually the bane of life companies. Actuarial forecasts suggest that a profit will be made in the first year — the new company will start trading on January 1 next year — and a meaningful contribution of R250 000 will be achievable by the third year of operation.

Hibbert is emphatic that Time does not intend to enter the mainstream of the life insurance business. The only business will be to insure bondholders so that the balance of the bond will be paid off in the event of death or permanent disability of the property-owner. The 'link' to Time Life is that shareholders' funds of R5m will have to be supplied, but most of this will come from outside sources and Hibbert says that 80% of the business will be re-insured, with re-insurers already having agreed in principle.

Hibbert is determined that Time Holdings will not try to run Time Life, but that experienced staff will be recruited. He declines to name the MD yet, but the board consists of Ron Cuthbert, Harry Lawrie, Jan Kitshoff, and...
Breakthrough for fruit exporters

DECIDUOUS fruit farmers have finally won an ongoing battle over airfreight, which will bring down the cost of exporting perishables over the Christmas season.

Earlier this month Transport Minister Eli Louw gave permission for charter agencies to arrange for aircraft flying out exports to bring in goods on their southbound routes, substantially reducing tariffs.

Louis Kriel, of Unifruts co-op, said the high demand for perishables every December — when passenger transport was at a premium — had previously resulted in tons of fruit rotting because the charter costs had been prohibitive.

To cope with seasonal demand, deciduous fruit farmers traditionally fly out about 800 tons of fruit over this period, although the bulk is transported by sea.

SAA director of cargo services Bennie Smit says scheduled services can cater for about 80% of perishable airfreight with the balance run by charter.

The loss of the Helderberg combi off Mauritius last month also reduced SAA’s carrying capacity during the peak perishable export season.

A major backlog of airfreight goods destined for SA from Europe and the US — which resulted in costly delays of up to two weeks in October and November — has now eased, say several airlines and freight companies.

Several major airlines chartered cargo planes several weeks ago to help ease the backlog.

The main reasons given for the back-

Fruit exporters win airfreight battle

log, apart from normal seasonal increased demand for goods, were:

- Retailers being caught off guard by the increased consumer demand on the run-up to Christmas and airfreighting goods to short-circuit the long lead times entailed in shipping;
- The cancellation of landing rights for SAA in the US;
- Very low rates offered to exporters for SA-bound goods from the US, which caused a transit build-up in Europe of goods that would normally go by sea;
- The introduction of long-haul non-stop flights from Europe resulting in less cargo tonnage to enable greater fuel loads;
- Bad weather in Europe.

A spokesman for Lufthansa’s cargo section said the cargo situation had now normalised to an average 70% of capacity.
Export costs of fruit set to drop

JOHANNESBURG. — Deciduous fruit farmers have finally won an ongoing battle over airfreight that will bring down the cost of exporting perishables over the Christmas season.

Earlier this month, Minister of Transport Mr Eli Louw gave permission for charter agencies to arrange for aircraft flying out exports to bring in goods on their southbound routes, substantially reducing tariffs.

Mr Louis Kriel, of Unifruco coop, said the high demand for perishables every December, when passenger transport was at a premium, had resulted previously in tons of fruit rotting because the charter costs had been prohibitive.

To cope with seasonal demand, deciduous fruit farmers traditionally fly out about 900 tons of fruit over this period, although the bulk is transported by sea.

SAA director of cargo services Mr Bennie Smit says scheduled services can cater for about 80% of perishable airfreight, with the balance run by charter.

The loss of the Heiderberg off Mauritius last month also reduced SAA’s carrying capacity during the peak perishable export season.

A major backlog of airfreight goods destined for South Africa from Europe and the US — which resulted in costly delays of up to two weeks in October and November — has now eased, say several airlines and freight companies.

Several major airlines chartered cargo planes several weeks ago to help ease the backlog.

The main reasons given for the backlog, apart from normal seasonal increased demand for goods, were:

- Retailers being caught off guard by the increased consumer demand on the run-up to Christmas and airfreighting goods to short-circuit the long lead times entailed in shipping;
- The cancellation of landing rights for SAA in the US;
- Very low rates offered to exporters for South Africa-bound goods from the US, which caused a transit build-up in Europe of goods that would normally go by sea;
- The introduction of long-haul non-stop flights from Europe, resulting in less cargo tonnage to enable greater fuel loads; and
- Bad weather in Europe.

A spokesman for Lufthansa’s cargo section said the cargo situation had now normalized to an average 70% of capacity.
SA exports to US drop 45% in 6 months

JOHANNESBURG — South Africa's exports to the United States fell 45% in the first six months of this year compared with the same period last year, according to an report by the American Chamber of Commerce.

The drop in exports is attributed to a number of factors, including the strengthening of the US dollar against the Rand, increased competition from other countries, and the global economic slowdown. The report also highlights the importance of diversifying South Africa's export base to reduce vulnerability to fluctuations in the global market.
LONDON — Swapo president Sam Nujoma has called on British airport and harbour workers not to handle SA goods or carriers.

During a two-week visit to Britain he will meet Opposition politicians and dignitaries, including Labour leader Neil Kinnock, Liberal leader David Steel and Deputy Commonwealth Secretary-General Chief Emeka Anyaoku.

Nujoma said individual British people could play a role in pressing for formal sanctions. “We call upon the British people — the workers in airports and harbours — to refuse to handle SAA planes and all vessels going to and from SA,” he said.

“If this is done, it will be a good start and will be followed by many countries in Europe.” Demonstrations should also be held to show that the people of Britain did not support apartheid. Sanctions were the “only peaceful way of forcing the racist apartheid regime to accept genuine negotiation with the real leaders of the people of Namibia and SA.”

He rejected the argument that sanctions hurt blacks as “an unacceptable fabrication”. Blacks were dispossessed people who had nothing to lose, he said.

Turning to the continuing conflict in Namibia, Nujoma accused the SADF of stepping up repression of civilians.
Amcoal earnings decline by 51.1%

From LIZ ROUSE

JOHANNESBURG. — Anglo American Coal Corporation (Amcoal) suffered a 51.1% decline in interim earnings but the interim dividend has been maintained at 80c.

Although the outlook remains gloomy on export markets and margins will remain under pressure, chairman Graham Boustred forecasts a maintained dividend payment of 240c from the cash-rich group.

Amcoal’s earnings slid to 205.4c a share in the six months to September from the 1986 half-year’s 424c a share. The interim dividend is covered 2.57 times. This cover is considered adequate because of the group’s large cash balances and earnings from these funds, which make a significant contribution to profits.

Export decline

Amcoal’s export sales declined by over 1.2m tons in the six months. Total coal and export sales were down 5.3% to 19.2m tons. Sales to Escom increased by 519 000 tons but industrial and metallurgical sales in the local market decreased 373 000 tons.

The interim results also reflect the effects of the three-week strike in August which had a material impact on production with a consequent rise in working costs at certain collieries.

Production loss was more serious at underground mines. Opencast mines’ production was largely maintained with the reduced workforce. Coal supplies were maintained from stockpiles.

Turnover down

Amcoal’s turnover was down only 10.6% to R550.3m (R615m) but pre-tax profit dropped 53.6% to R109.6m (R236.1m) in the six months to September, mainly due to lower export tonnages, depressed dollar prices and a stronger rand.

In addition, collieries’ export earnings were hit by a progressive increase in the basic rail rate from an effective R12.90 a ton in March to R23.8 a ton in September.

Amcoal shares traded at R3.5 yesterday, only 40c off their low of R3.1 a year ago. Dividend yield is now 7.7%. The stock rose to a year’s high of R4.3 in February when the coal sector appeared to be on the rise.
US plans to cut SA mineral imports

By Alan Dunn,
The Star Bureau

WASHINGTON — United States officials are working on ways to reduce American dependence on South African strategic minerals and plan to issue an options paper by the end of the year.

They are concentrating on 11 minerals, intending to provide a case-by-case examination of each.

According to a preliminary document, the strategies they will put forward will include substitution, conservation, alternative suppliers and economic stockpiles/private inventories.

The effort, called for by the Comprehensive Anti-Apartheid Act of 1986, is led by the State Department.

Senator Steve Symms, of Idaho, warned at a hearing on Capitol Hill yesterday of "incredible increases" in US imports of strategic and critical materials from the Soviet Union.

He said many minerals were available only from the Soviets or South Africa and, since sanctions were imposed on South Africa, there had been a dramatic rise in US dependence on Communist bloc countries for these materials.

Citing US Department of Commerce statistics, Senator Symms noted his contribution to the Anti-Apartheid Act empowering the President to scrap any sanction if it increased strategic mineral dependence on the Soviet Union.

He has been tracking the statistical trends for about six months.

"These incredible increases should be enough to shock the members of this sub-committee," he told his colleagues.

"We are not talking about umbrellas, toys and fashion designs. We are talking about strategic minerals which are critical to the manufacture of bullets, computers, radar, sonar, military vehicles, and other products essential to US security."

Comparing recent statistics with a base period average between 1981 and 1985, Senator Symms found:

Technical specified rubber — US did not import any, starting only after sanctions against South Africa and now importing a monthly average of about 5,000 kg from Poland.

Industrial diamonds — from a monthly average of two carats to 153 carats.

Chrome ore — up from 479 tons from the Soviets to a monthly average of 223 tons.

Platinum sponge — then only 874 troy ounces from the Soviets and now 147 troy ounces from Czechoslovakia, 179 from Yugoslavia, and 993 from the Soviet Union.

Rhodium — once 620 troy ounces, now 2,544 a month from the Soviet Union.
Exports to Germany plummet by 27%

SOUTH African exports to Germany plummeted by a massive 27.1% — from R2bn to R1.5bn — in the first seven months of 1987.

German exports to SA were practically unchanged, dropping a marginal 0.25% to R2.7bn, compared with the same period last year.

The main sector to be hit among SA goods was in the category of "other end products" — into which the Krugerrand falls — where a huge 88.7% decrease was recorded, from R146m to R13.4m.

Another sector to be badly hit was "end products", which fell from R212m to R108m, a drop of 46.7%.

Figures released by the SA/German Chamber of Commerce show that big decreases were also recorded in the "primary products" category, where exports fell 49.5% from R185.3m to R93.2m.

Leading loser in this category was "other chemical products", which showed a 65.1% drop from R89.8m to R31.4m.

Import/export sources said that since the imposition of sanctions, local trade officials have been reluctant to confirm or release export figures, fearing anti-SA factions would use the knowledge to put further pressure on the country’s trading partners.

SA’s semi-finished products exports to Germany dropped from R808.9m to R628.8m, a fall of 22.7%. Other major contributors to the fall-off were gold for commercial purposes, which fell from R296.6m to R161.7m, and raw copper from R128.9m to R80.8m.

Ferro alloys dropped from the previous year's R164m to R114.6m. In the sector of raw materials, exports declined by 29.7%, from R531.4m to R373m.

Major decreases were recorded in the export of coal from R208.9m to R113.4m.
SA, 'a top arms exporter'

PRETORIA — SA was among the top dozen arms exporters in the world, Defence Minister Magnus Malan said in Durban at the weekend.

Speaking at the Durban Club two days after the 10th anniversary of the UN's mandatory arms embargo on SA, he said Armscor had been outstandingly successful in keeping up with modern technology and modern systems, and was one of the great success stories of present day SA.

Armscor and companies in the private sector manufactured all reasonable requirements of the SADF.

Ten years ago the United Nations asked its members not to sell weapons to SA; now it was asking them not to buy weapons from SA.

Apart from its primary function of supplying the SADF, the country's arms manufacturing industry had stimulated the economy as a whole, and thousands of jobs created.

Malan said that SA was a bastion of freedom and Western civilisation.

"Our minerals are indispensable to the future wellbeing of the West and the Cape Sea route is vital to Western freedom. No amount of propaganda and disinformation by our enemies can argue this away," said Malan.
Coal exports cut by 7.5m tons

Own Correspondent

JOHANNESBURG. — Sanctions imposed by a number of Western countries will reduce SA's coal exports by between 5m tons and 7.5m tons in 1987, Allen Sealey, Rand Mines coal division chairman says.

He tells Witbank Collieries shareholders in his annual review that the full effect of sanctions imposed by the US, Denmark and France was being felt in the current year.

"Political sentiment in certain other countries where formal sanctions have not been implemented has made it extremely difficult for South African exporters to expand their sales. As a result, exports are expected to reduce markedly during the 1987 calendar year to between 38m and 40m tons."

"Unfortunately, one of the major effects of this is the inevitable contraction of the mining operations at the various mines — with employees having to be retrenched. Cutbacks in production were forced upon a number of South African mines," he said.

In the Witbank Colliery group 550 workers were laid off at Welgedacht colliery and at Van Dyks Drift 308 employees were retrenched.

"Far from encouraging reform, the sanctions campaign has led to a hardening of attitudes in South Africa and the sufferers include the very people who the pro-sanctions campaigners claim to be supporting," Sealey says.

A recent opinion survey of Rand Mines employees shows an overwhelming rejection of sanctions, he says.

The survey, carried out by an independent overseas organisation on a representative sample of colliery employees, indicated that:

- 61% of workers felt sanctions were a bad thing.
- 71% believed sanctions would reduce their earnings and harm their life at home, and
- 80% felt sanctions could result in their losing their jobs.
Big drop in SA's exports to Europe

BRUSSELS — European Community imports from South Africa were one-third lower in the first quarter of 1987 than in the same period last year, according to EC figures.

The fall reflects a trade in general, an EC commission report says, and not just restrictions on imports of iron, steel and gold coins from South Africa, which community Foreign Ministers agreed to in September 1986.

Imports from South Africa were worth about R3.34 billion in January to March this year, compared with about R5 billion in the first three months of 1986, according to the report.

Exports to South Africa were only 2 percent lower at about R2.68 billion in the first quarter of 1987, the report said.

The commission said imports of gold coins from South Africa had come to a complete halt following last year's ban.

Its figures for the first seven months of 1987 showed imports of iron and steel from South Africa were worth a monthly average of about R24.4 million.

This compared with a monthly average of about R39 million in the first nine months of 1986.

EC restrictions on imports did not affect existing contracts, the commission noted. — Reuter.
EXPORTS

Only part of the picture

These aren't the happiest of times for exportiers despite the current trade balance. The value of exports in the first nine months of this year - R31,5 billion - was virtually unchanged from last year. Export volume stands where it did in 1980. And sanctions and an expected slowdown in world trade offer little hope of better days ahead.

"We're very concerned about the export scene," says Ann Moore, a GM of the South African Foreign Trade Organisation (Safto).

Says Econometrics economist Tony Twine: "We don't believe prospects for exports are good. There's not much room for growth in an international economy facing a lot of problems, whose first sign was Black Monday."

Exporters and economists say they're now more worried about world economic troubles in the wake of the Wall Street crash than more severe sanctions. Exporters can get around pecuniary sanctions - at a price - by selling boycotted goods in the next best market or trading with middlemen. "But when all countries stop growing or demanding your products," says Associated Economist Bill Lacey, "you can't do much."

And SA's exports - two-thirds in gold, metals and minerals - are particularly vulnerable to a general world slowdown. "All primary exporters will struggle to get market share even when they've got," Twine predicts.

Coal, SA's second-largest export, demonstrates that. A combination of sanctions, low energy prices, and stepped-up worldwide production has hit South African coal exporters hard. Under pressure from both sanctions and an impending slowdown in world trade, they are having to redouble efforts to find markets.

"What sanctions have done is forced exporters to be more competitive and more innovative," says ex-spy Craig Williamson, now a member of the President's Council and deputy chairman of a Seychelles-based trading group.

One way exporters have reacted, says Williamson, is to deal with middlemen in countries like Singapore and Taiwan to mask the South African origin of goods. But exporters are also coming up with new destinations to trade with directly - in ideologically diverse places. Private trade delegations have gone behind the Iron Curtain. And Williamson has recently been promoting trade with China. "Trade is our ideology," he says.

Exporters have been making inroads in the booming Far East, where countries have lots of money and, except Japan, generally face little political pressure to stop trading with SA. Some, including Taiwan, are dropping trade barriers. Asia now captures 31% of SA's non-gold exports, up from 19% in 1980.

While minerals and metals have traditionally dominated exports to Asia, manufacturers are now finding success. Among those are the makers of electrical products, paper packaging, building materials and transport equipment. To keep up the flow of manufactured exports, Safto next year will lease exhibition space for up to 264 companies at the Taipei World Trade Centre.

Success in Asia is a reminder that, though the overall picture is not great, there are still opportunities for adroit businessmen. Says Moore: "We still come across new products that become successful exports or old products that make inroads into new markets."

She has a list of dozens of companies which have found new markets for products in the past: irrigation systems in Africa, mining equipment in Europe and Latin America, and canned foods in Asia, among others.

To help exporters find such opportunities, Safto is studying the winners and losers of world trade. CE Wim Holtsys says the organisation has researched 1 600 products traded in the world in the past five years. It concludes that primary minerals and ores - SA's traditional exports - have been poor performers. Winning products include electronics, leather goods, sportswear and travel-related products. "We should shift our attention to products that we know are winners," Holtsys says.

Today, manufactured goods account for just a quarter of exports. Safto believes that fraction has to get better for SA to flourish.

Says Holtsys: "Exporting is the only way to lead to long-term growth." Safto's enthusiasm for exports is commendable. But many of its conclusions are not. At the Safto annual meeting last week, both Holtsys and chairman Warren Clewlow said Pretoria should grant exporters more subsidies and tax breaks.

Though couched in the language of making SA richer, it was of course a typical special-interest plea. If exporters can convince Pretoria to feed them, they are all the better for it.

The Department of Trade and Industry's export-promotion directorate, which has a budget of R600m this year, pays general subsidies to exporters and funds trade shows and market research. The Board of Trade and Industry is expected to issue a recommendation this year that Pretoria provide more subsidies, but only for select industries.

Safto has endorsed this approach. "In a country of limited resources, it's really the winners you want to target on," says Moore.

But there is no reason for winners to need...
backing from Pretoria. Government handouts for exporters are as self-defeating as government support of local producers: they distort markets, cause hidden damage and make everybody pay for the benefits of a few.

As University of Port Elizabeth economist Pierre Le Roux explains: “You’ve got to look at the capital structure. Government subsidies to exports channel resources to the exporting industry. We never see the ‘invisible man,’ the industries we would have had if the resources hadn’t been diverted.”

In other words, government diverts wealth to a visible, hand-picked exporter. This diversion from the market’s choice to the politically favoured exporter redistributes wealth — and also destroys wealth.

In a similar plea, Clewlow calls for Pretoria to designate export processing zones (EPZs) in which exporters would enjoy “maximum economic freedom, minimal bureaucratic constraints, and an attractive package of industrial, export and tax incentives.” The first two items make sense: get government out of the way, and export production will flourish.

But, of course, the same reasoning applies to all producers. Should exporters get special treatment? Perhaps we shouldn’t complain if exporters enjoy zones of “maximum freedom and minimal constraints” because the alternative is being bogged down in red tape like the rest of the economy. But subsidies in the form of “export incentives” are out.

Tax breaks are more problematic. Any tax cut is generally welcome. The problem arises when Pretoria gives exporters a tax break and puts the burden on someone else. Then we’re back to distorting the market.

It would be better to eliminate regulation and cut taxes for everyone — and not have Pretoria use taxation to shape the economy. We don’t need export zones so much as we need a production zone: the whole of SA.

Some exporters and officials believe exports have a special ability to generate wealth and thus deserve support. They cite the industrialising countries of the Far East as examples of what exports achieve. But they draw the wrong conclusions.

“People in those countries view the whole world as their marketplace, and borders are just minor obstacles,” says Wits Department of Business Economics economist Richard Grant. “The objective is to produce and trade regardless of where their trading partners are. If those partners are overseas it is mere convention to call the trade ‘exports’ and ‘imports.’”

Those countries have become wealthy by producing products that people want. It just happens that many of their customers live overseas. Voluntary trade increases wealth — wherever it occurs. The countries are in the business of selling, not just exporting; they look for customers everywhere.

South Africans shouldn’t assume that foreign customers are better than local ones. “It’s too often assumed that if exports are good, more exports are better,” says Grant. “But the benefits of exports are outweighed by the costs if government artificially boosts them above the free-market level. These hidden costs are borne by domestic consumers.”

A final argument of exporters is that they generate foreign exchange that enables government to pay off debt — so government ought to reward them with subsidies. But this talk about forex is another smokescreen. Exporters don’t inherently create more or better wealth than any other producer; generating dollars isn’t any more productive than generating the equivalent in rands.

Exporters do earn forex, but Clewlow was wrong in telling the Safto general meeting that “the main objective of exports (is) the earning of foreign exchange.” Earning forex is simply the side effect of trade; the main objective is earning a profit by meeting consumer needs across borders.

“The fixation with forex is misguided,” says Grant. “If we subsidise an exporter to earn dollars, we draw resources out of more productive use elsewhere. This hurts productivity and destroys wealth. We’ve actually paid too much for the dollars because of the hidden costs of taxes and subsidies.”

Forex is obtained in the marketplace just like any other commodity: you have to give something to get it. To pay off foreign debt, SA will have to tax residents and use those rands to buy dollars to pay off creditors. Pretoria doesn’t produce the wealth; it takes it from taxpayers. Thus the government should let the market be free to grow so that it is relatively less painful to pay off the debt.

“We have this illusion that a special effort must be made to obtain dollars,” says Grant. “But the rand can always be traded for dollars at some price. Any country that has a shortage of foreign exchange has a currency that is being mismanaged.”

By dreaming of export-led growth and carefully managed industrial development, Pretoria and Safto miss an important point: any attempt to guide development with central planning, subsidies, and partnerships between government and business is destined to fail. Officials who try to determine the proper levels of exports and industrial production are attempting the impossible.

The interventions called for — tariffs on imports, subsidies on exports, picking industrial winners — simply make the market less efficient and less productive. And thus they sabotage the goal of economic growth.

“The freer the market the more likely you’ll have an explosion of trade — that means more exports and imports, as well as more trade within the country,” says Grant. “Exports are only part of a bigger picture.”
**Claim: world markets open to SA exporters**

*Daily Dispatch Correspondent*

Johannesburg — Important world markets remain open to South African exporters of industrial machinery and expertise, an international export consultant has said.

Mr Jean Labesse said Taiwan, Chile and Israel are particularly keen to acquire South African power generation, mining and materials handling equipment and know-how.

South Africa’s coal-fired power stations are as advanced as any in the world, with the advantage of being tried and tested under operating conditions, he said, adding that the same applies to mining equipment, where overseas technology has been adapted to intensive South African working conditions.

Mr Labesse said Taiwan offers perhaps the greatest potential. Not only is the island a market itself for South African equipment, but it can also become a base for exports elsewhere in the Far East, including mainland China, he said.

"The Chinese are looking for all sorts of modern equipment," said Mr Labesse, and I don't see a South African label putting them off."

"They are a very pragmatic people. If our price is competitive and the quality good, they will consider buying it. If there is a political problem, South African suppliers can also find a way through co-operation with a European principal."

Mr Labesse said Chile’s mining industry is another beckoning market for South Africa, particularly since a trade rift with the US has lessened the South American country’s dependence on Washington. He estimated the market there to be worth up to R1 billion a year.

Mining conditions in Chile’s mines are different from those of South Africa but support and processing equipment are much the same.

In Israel, the demand is for coal-fired power-stations, Mr Labesse said. Israel is changing all its stations to coal, so needs technology as well as back-up facilities like coal-handling plants and storage, he said.
EXPORTS & FRANCHISING

Opportunity window

With sanctions in full force, it is becoming increasingly difficult for South Africans to crack the tough overseas market.

Thus, when a local manufacturer makes good in the highly competitive US market with a product designed and made in SA, it is something to crow about. Leon Levy has done just that with his Window Graphics company about to be franchised in the US.

Levy started business in Johannesburg in 1977 with the idea of making and selling protective film for glass. “I saw what happened to glass during the troubles in 1976 and discovered how expensive safety glass was. I wondered if it were possible to make ordinary glass into safety glass by applying adhesive film, so I approached Ozaid with the idea and they came up with a product we called Safety-King.”

Klingsheild SA was launched, pioneering safety film. In its first year it recorded a R300,000 turnover. By 1980 it was up to R1m and by 1986 R4m.

Research programme

Says Levy: “We were making a lot of money, so we decided to invest in a research programme to explore other possibilities for adhesive film.”

He came up with coloured and glitter film and the idea of using it to create giant advertising and signage graphics on storefront windows was born. “It looks good from both the outside and the inside, it protects the contents of window displays from heat and light, and it acts as a safety film as well.”

The products took off locally, but it took three years and R40,000 to patent them in the US, Australia, the UK and SA, before Levy could cross the water and start a company in California.

“I formed a company with my partner Tony Matthews in the US in 1985 and started installing window graphics in Los Angeles. We found it very difficult to break through but we have been there now for 18 months and have done 180 windows in the main streets of LA — including work for companies like Porsche.

“We only work on the best locations and for top companies. If somebody comes to us with a bad location or a lousy company, we turn them down. We want to keep our product upmarket.

“And it’s working. Companies want to buy us out or merge, but we’re still finding our feet. We’ve decided on franchising as the best option because we want to keep control of how our product is used.”

Levy also intends to franchise the operation locally and to launch another new product: Auto Tint, high-performance tinted film for car windows that not only tones with the paintwork but also doubles as a protective safety film.”
EX S I
Bid to boost exporting community

IN A drive to promote exports, especially of manufactured goods and services, government will rebate the surcharges on imports where such imports are part of an approved counter-trade scheme.

A notice to this effect was published in the Government Gazette on Friday.

Commenting on the move, Board of Trade and Industry (BTI) chairman Lawrence McCrystal said yesterday the counter-trade agreement needed to include new exports and not those in existing export schemes.

"We are trying to use every mechanism at our disposal to get a genuine long-term exporting community established in SA," he said.

BTI will, on investigating the counter-trade transaction, require proof that the importation of the goods is an essential condition of the counter-trade transaction and that the amount of the foreign exchange used for the imported goods is equal to or less than the proceeds from the export transaction.

Counter-trade and Barter MD Eugene St Clair said the move would not only boost exports but could attract local investment.

A recent Cabinet recommendation to government departments and parastatals to counter-trade their imports in excess of R1bn could yield at least R500m in new SA exports or foreign investments initiated in 1989 in terms of imports for government bodies, St Clair said.

Describing a counter-trade agreement that would meet with BTI approval, McCrystal said an electronic component importer could be rebated the 20% surcharge if paid on parts if it managed, for instance, to arrange for the export of locally manufactured footwear.

The BTI would have to be satisfied that the footwear was not already destined for export. It would seek to establish that the export contract, which could run over several years, involved the production of new goods.

McCrystal expected a new brand of trading house to emerge in SA. The few trading houses in existence did not market SA-manufactured goods overseas but acted merely as importers or exporters of commodities, he said.

Importers with representatives doing research on markets from which they sought to import could just as well be marketing SA goods in those markets.

Exporters in SA had also always had problems with variable market agreements. A counter-trade transaction provided security in this regard.

The measure would effectively bring about a change in industrial culture and see the rise of SA counter-trade brokers.

St Clair said expertise on counter-trade in SA was scarce. However, several merchant banks had approached him for advice, and his management spent 20% of its time on training.

The new measure would be a boost to the manufactured goods and services exporters.

However, St Clair warned that there were several risks involved in counter-trade.
SA SHOULD be making more use of its import-buying power, especially in developing its export potential. And greater use of trading houses, countertrade and legislation have been suggested as ways of doing just that.

Safilo's international division manager, Guy Stevwright, said trading houses in Asian countries used the power generated through their huge imports and exports to create business that would otherwise not exist.

He cited the successful Japanese sogo-shoshas, or general trading houses, which had been the advance guard of Japan's exports and a catalyst in the country's economic growth.

The nine major sogo-shoshas, which include Mitsubishi and Marubeni, had an annual turnover in 1985 which was about 23 times the total trade of SA, 10 times the size of SA's GDP and about 30% of Japan's GDP.

The houses conducted about 55% of Japan's exports and 65% of its imports.

They bought in large quantities, provided financial assistance and often invested in local operations to ensure supply.

The commitment of the Japanese people to nation and company was the major reason for the success of the sogo-shoshas, which had large shareholdings in Japanese manufacturers and financial institutions. Stevwright said this trend was not evident in SA.

Political pressures

Although SA did have large trading houses, he believed it was unlikely sogo-shoshas would emerge here. Attempts to re-create them in Europe and the US had so far proved unsuccessful.

Because of the autonomous nature of SA's business structure, and hearing in mind the sensitive political pressures, a high profile sogo-shosha was unlikely to materialise.

Stevwright said smaller trading houses might be best for SA conditions.

The possibility of creating a state trading house had been examined by government and rejected. With privatisation under way, such a move now seemed highly improbable.

There was much co-operation and trust between sogo-shoshas. In SA, on the other hand, because of the lack of this type of communication, manufacturers had often lost export orders that could have been fulfilled in a joint effort.

Stevwright said proper planning and commitment to the idea of an "environmental trust", with a free flow of information between companies, was necessary before progress could be made in SA.

The best way for traders to proceed was to become more involved with manufacturers, possibly on an equity basis, thereby securing guaranteed capacity.

Safilo’s Trading House Unit is the only body in SA that co-ordinates the activities of local trading houses.

Countertrade — a reciprocal type of foreign trade transaction — is suggested as another alternative to creating links between import power and exports.

Countertrade and Barter MD Eugene St Clair said at least R500m in new wealth would be created in 1989 as a result of a Cabinet recommendation to government departments and parastatals to countertrade all their imports in excess of R5m.

This could be "a drop in the ocean" if the public and private sectors used their huge import buying power to encourage foreign suppliers to purchase SA products and services or invest in SA projects.

But St Clair, who estimated that countertrade represented 9% of world trade, said SA companies had been slow to respond to this sophisticated trading technique because of a general lack of understanding of its mechanics.

Stevwright said a major limitation on SA's export growth is insufficient export capacity. But, through the introduction of multiple shift production policies, such increases in export through countertrade can be realised.

Essential materials

A third alternative is legislation which links imports to exports. In some countries, such as Zimbabwe and Zaire, foreign exchange or import permits are allocated according to the amount of foreign currency earned by a company and the general availability of foreign exchange at the time.

Safilo GM Anne Moore said the success of this alternative depended on how links were made. If exports were tied to imports of luxury items the system might be effective, but not if they were linked to imports of essential materials.

Moore warned that any of the methods of harnessing SA's import power must be carefully researched.
Govt set to unveil plans on exports

CAPE TOWN — Government was set to unveil its plans to develop the export potential of selected industries, Economic Affairs and Technology Minister Danie Steyn said yesterday.

Steyn said the first of 21 studies initiated last year to investigate broadening the export potential of selected industries would be released next week.

The report, which will outline plans to change the way the local content programme is applied in the motor industry away from a mass to a value basis, had been put to industry representatives who had made "exceptionally good recommendations" which would be included in the department's release next week.

Another report on the electrical components industry had also been received and an announcement would be forthcoming in the next fortnight.

Reports on the TV and textile industries had also been completed, Steyn said government would be holding talks with the BLS countries to establish how customs agreements would affect the textile industry export programme. Thereafter, an announcement would be made. This should be expected sooner rather than later.

A report into the leather and shoe industry was expected by April this year.

Steyn said the department was changing the nature of its industrial development branch into an industrial development bureau which would provide technological and other assistance to private-sector companies operating in the selected industries.

Financing could also be made available to private-sector companies through the Industrial Development Corporation.
The Minister of Education and Science, Mr. A. B. C. D., today announced the implementation of a new educational policy. The policy, titled "Enhancing Educational Outcomes Through Innovative Practices," aims to revolutionize the current education system.

Key features of the new policy include:

1. **Innovative Teaching Methods**: Incorporating technology and multimedia in the classroom to enhance learning experiences.
2. **Holistic Development**: Focusing not only on academic achievements but also on the development of soft skills such as critical thinking, problem-solving, and creativity.
3. **Equitable Access**: Ensuring that all students, regardless of their background, have equal opportunities to access quality education.
4. **Teacher Training**: Regular professional development for educators to keep them updated with the latest teaching methodologies.
5. **Parental Involvement**: Encouraging active participation of parents in the educational process to support their children's learning.

The Minister highlighted the importance of these changes in preparing students for a rapidly evolving job market and fostering a lifelong learning attitude.

The policy will be phased in over the next five years, with a pilot program starting in selected schools in the next academic year.
Govt reviewing export promotion

GOVERNMENT was reviewing the entire system of export promotion to ensure that the demands of the times were met, Deputy Minister of Economic Affairs and Technology Dr Theo Alani said on Friday.

Opening a new factory in Johannesburg, he said the purpose of this review was to make the system cost-effective as far as possible.

A prime criterion when considering the new system was that it should be manageable and affordable, and should be kept as simple as possible.

Currently, the functions of export promotion fell under various bodies and this lack of centralisation hampered a cohesive trade promotion policy.

All these changes would be preceded by registration of new exporters and re-registration of existing importers, according to criteria aimed at a more effective application of funds.

Exports would have to play a bigger role in industrial development because, although the local demand for industrial products would probably be a very important growth factor in the long-term, it could be subject to certain restrictions in the short- and medium-term.

It was also essential that exports of industrial products should be expanded to facilitate the eventual replacement of gold mining as an earner of foreign exchange.

— Sapa.
The Minister of Health and Welfare
Revised population development

The Minister of National Health

The definition of costs provide that the

The following section provides

The above section provides

The following section provides

The following section provides

The following section provides

The following section provides
**HOUSE OF ASSEMBLY**

**THE MINISTER OF ENVIRONMENT**

**BILLS**

**BILL NO. 1**

**FULL TITLE**

*An Act to make provision for the protection and conservation of the environment and for incidental purposes.*

**SCHEDULE**

<table>
<thead>
<tr>
<th>Clause</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Definitions</td>
</tr>
<tr>
<td>2</td>
<td>Environmental provisions</td>
</tr>
<tr>
<td>3</td>
<td>Regulations</td>
</tr>
<tr>
<td>4</td>
<td>Penalties</td>
</tr>
<tr>
<td>5</td>
<td>Amendments to other Acts</td>
</tr>
</tbody>
</table>

**TABLE OF CLAUSES**

<table>
<thead>
<tr>
<th>Clause</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Environmental definitions</td>
</tr>
<tr>
<td>2</td>
<td>Environmental responsibilities</td>
</tr>
<tr>
<td>3</td>
<td>Environmental measures</td>
</tr>
<tr>
<td>4</td>
<td>Enforcement and penalties</td>
</tr>
<tr>
<td>5</td>
<td>Repeals and amendments</td>
</tr>
</tbody>
</table>

**THE MINISTER OF TRANSPORT**

**AFFAIRS**

<table>
<thead>
<tr>
<th>Minister</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doe</td>
<td>Minister of Transport</td>
</tr>
</tbody>
</table>

**REPORTS**

<table>
<thead>
<tr>
<th>Department</th>
<th>Report Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Environmental Impact Assessment Report</td>
</tr>
<tr>
<td>Transport</td>
<td>Annual Transportation Security Report</td>
</tr>
</tbody>
</table>

**NOTES**

- The purpose of the legislation is to address environmental concerns and promote sustainable practices.
- The act includes provisions for the establishment of an environmental commission and the creation of financial incentives for environmentally friendly practices.

**STATUTES**

- **Environmental Protection Act, 1980**
- **Transport Safety Act, 1975**
- **Taxation Act, 1985**

**ANNEXES**

- Environmental Impact Assessment Document
- Guidelines for Compliance with New Regulations

**RESOLUTIONS**

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1/2023</td>
<td>Amendments to the Environmental Protection Act</td>
</tr>
<tr>
<td>R2/2023</td>
<td>Clarifications on the Implementation of the Transport Safety Act</td>
</tr>
</tbody>
</table>

**REGULATIONS**

- **Environmental Protection Regulations, 1981**
- **Transport Security Regulations, 1976**

**INCOME TAX**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$120,000</td>
</tr>
<tr>
<td>Benefits</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

**TOTAL DEBT ORIGIN AND PAYOUT**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$500,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>$300,000</td>
</tr>
<tr>
<td>Payments</td>
<td>$200,000</td>
</tr>
</tbody>
</table>
REVIEW

Blessed with a natural resource that could be a valuable commodity for the country, the government is spending a fortune to improve the infrastructure needed to develop this resource. However, the country’s infrastructure is so poor that it is difficult to attract foreign investors. The government is taking steps to improve the infrastructure, but it is difficult to attract foreign investors.

Agricultural products

The agricultural sector is a major contributor to the country’s economy. However, the country’s infrastructure is so poor that it is difficult to attract foreign investors. The government is taking steps to improve the infrastructure, but it is difficult to attract foreign investors.

Financial sector

The financial sector is a major contributor to the country’s economy. However, the country’s infrastructure is so poor that it is difficult to attract foreign investors. The government is taking steps to improve the infrastructure, but it is difficult to attract foreign investors.

WEIGHT FACTOR

The weight factor is the ratio of the weight of the object to the weight of the object. It is a measure of the effectiveness of the object. A weight factor of 1 means that the object is as effective as the standard weight. A weight factor of 2 means that the object is twice as effective as the standard weight.

MASTERS REACHARD

Boost our exports

Cut Protection to

PROTECTION Same with all else
JOINT PRESS RELEASE

by the Minister of Finance,
Mr B. J. du Plessis MP
and the Minister of Economic Affairs and Technology,
Mr D. W. Steyn MP

EXPORT INCENTIVE MEASURES WITH SPECIFIC REFERENCE TO THE SCHEME FOR INCOME TAX REBATES (SCHEME D)

It has come to light that the claims for income tax rebates under the Export Incentive Scheme D are sometimes excessively high compared with the relevant export values. This situation is not acceptable in the present extremely tight financial circumstances of the State. The marketing allowance provided for in section 11bis of the Income Tax Act, 1962, is, therefore, with effect from 9 March 1989 being limited to a maximum of 20% of the current export turnover as defined in the Act. Accordingly, the section is being amended by adding the following subsection:

“(3A) (a) For the purposes of this subsection, ‘obligatory marketing expenditure’ means marketing expenditure incurred by an exporter in pursuance of an obligation imposed upon him under an agreement formally and finally concluded by every party to the agreement not later than 9 March 1989, if any other party to that agreement would be entitled to claim damages, compensation or similar relief, whether in terms of the agreement or by way of action in a court of law, were the exporter to take steps to prevent the incurral by him of such marketing expenditure.

GESAMENTLIKE PERSVERKLARING

deur die Minister van Finansies,
mnr. B. J. du Plessis LP
en die Minister van Ekonomiese Sake en Teknologie,
mnr. D. W. Steyn LP

UITVOERAANSPORINGSMAATREELS MET SPEZIFIEKE VERWYSING NA DIE SKEMA VIR BELASTINGKORTINGS (SKEMA D)

Dit het aan die lig gekom dat die ewe vir belastingkortings onder Uitvoeraansporingskema D somtyds buitensporig hoog is in vergelyking met die betrokke uitvoerwaardes. Hierdie situasie is in die huidige uitsers knap staatsfinansiële omstandighede nie aanvaarbaar nie. Die belemmingsstelsels waarvoor in artikel 11bis van die Inkomstebelastingwet, 1962, voorziend gemaak word, word dus vanaf 9 Maart 1989 tot ‘n maksimum van 20% van die lopende uitvoeromset soos in die Wet gedefinieer beperk. Die artikel word dus gewysig deur die invoeging van die volgende sub-artikel:

“(3A) (a) By die toepassing van hierdie subartikel beteken 'verpligte bemerkingskoste' bemerkingskoste deur 'n uitvoerder aangegaan ooreenkomstig 'n verpligting wat hom opgelê is ingevolge 'n ooreenkoms wat nie later nie as 9 Maart 1989 formeel en finale deur elke party tot die ooreenkomst gesluit is, indien 'n ander party tot die ooreenkomst geregte sou wees om skadevergoeding, skadeloosstelling of soortgelyke verligting te eis, hetsy kragtens die ooreenkomst of by wyse van 'n hofgeding, indien die uitvoerder stappe sou doen om die aangaan deur hom van bedoelde bemerkingskoste te verny.
Cosmopolitan millions. Gov't clamps down on film industry after export abuses
All exporters hit by new measure

NEW export drives will be severely handicapped by government's sharp reduction of the export marketing allowance announced earlier this week.

The marketing allowance, which previously covered all foreign sales promotion costs, has been limited to 25% of export turnover as from yesterday.

The proposed legislation, which has drawn strong criticism, not only covers film schemes, where multi-million rand abuses have occurred, but all exporters.

Safco, which has taken up the matter with the authorities, expressed concern that in seeking to prevent abuse of the allowance, the authorities were penalising new and potential exporters whose export marketing costs legitimately exceeded their export turnover.

"At a time when it is recognised that increased exports are essential to the economic well-being of the country, it is regretted action has been taken that could result in discouragement of new exporters entering the field," said Safco GM Anne Moore.

Arthur Young's Sally de Boor said the announcement was yet another instance where legislation had not been fully thought through, as it ran contrary to the intention of the incentives designed to encourage exporters to go out and develop new markets.

The draft law favoured exporters with developed markets, who were already making sales, and start-up businesses would be prejudiced.

Before the legislation was gazetted, she said it was hoped there would be amendments allowing developing exporters to carry forward the benefits until sales were generated.

Inland Revenue legal draughtsman Ian Meiklejohn confirmed there had been requests for such carry over benefits for exporters starting up, although no decision had been taken.

Meiklejohn said the legislation was merely an interim measure as all allowances would be withdrawn as from March next year, but Economic Affairs was still finalising the new benefits.

Trade & Industry PR Theo van der Merwe said his office was inundated with inquiries and complaints from exporters yesterday.

In June last year it was announced "ample notice would be given in advance of any change to the allowance. Deloitte director Des Kruger said no warning had been given and consequently committed export businesses had been caught short.
Export drives will be ‘severely handicapped’

Own Correspondent
JOHANNESBURG. — New export drives will be severely handicapped by government’s sharp reduction of the export marketing allowance announced earlier this week.

The marketing allowance which previously covered all foreign sales promotion costs has been limited to 20% of export turnover as from yesterday.

The proposed legislation, which has drawn strong criticism not only covers film schemes, where multi-million rand abuses have taken place but all exporters.

SAFTO, which has taken up the matter with the authorities expressed concern that in seeking to prevent abuse of the allowance, the authorities were penalising new and potential exporters whose export marketing costs quite legitimately exceeded their export turnover.

"At a time when it was recognised that increased exports are essential to the economic well-being of the country, it is regretted action has been taken that could result in discouragement of new exporters entering the field," said SAFTO GM Anne Moore.

Arthur Young's Sally de Boor said the press release was yet another instance where legislation had not been fully thought through, as it ran contrary to the intention of the incentives designed to encourage exporters to go out and develop new markets.

The draft law favoured exporters with developed markets, who were already making sales and start-up businesses would be prejudiced.

Before the legislation was gazetted, she said it was hoped there would be amendments allowing developing exporters to carry forward the benefits until sales were generated.

Inland Revenue legal draughtsman Ian Meiklejohn confirmed there had been requests for such carry over benefits for exporters starting up, although no decision had been taken.

Meiklejohn said the legislation was merely an interim measure as all allowances would be withdrawn as from March next year, but Economic Affairs was still finalising the new benefits.

The withdrawal of exporters allowance in 1999 follows Margo's recommendations accepted in the White Paper, however it was agreed the allowances should be replaced with supportive measures consistent with GATT requirements.

Trade & Industry PR Theo van der Merwe said his office was inundated with enquiries and complaints from exporters yesterday.

In June last year it was announced ample notice would be given in advance of any changes to the allowance. Deloitte director Des Kruger said no warning had been given and consequently committed export businesses had been caught short.
A comparison of several export performance indices shows that some countries are experiencing a significant decline in export performance. This is particularly evident in countries that rely heavily on resource exports. A comprehensive review of the factors influencing export performance reveals several key areas for improvement.

Firstly, there is a need to diversify the export base to reduce dependence on a limited number of commodities. Countries that have diversified their exports have shown a more stable performance over time. This is due to the lower risk associated with a diverse portfolio of products.

Secondly, investment in infrastructure is crucial for improving export performance. Well-developed infrastructure facilitates timely delivery of goods, reduces transportation costs, and enhances the overall efficiency of the export process.

Thirdly, enhancing the business environment through effective governance and the rule of law is essential. A stable and transparent business environment attracts foreign investors and supports the growth of export-oriented businesses.

Finally, technological advancements can also play a significant role in improving export performance. The adoption of new technologies in production processes can increase efficiency and quality, making exports more competitive in international markets.

In conclusion, a multi-faceted approach that addresses these key areas is necessary for countries to improve their export performance. This requires a combination of government policies, private sector investments, and international collaborations.
Expanding export sector must be a priority

BY CHRIS FRAMES, National Director

While trade has been a priority for many governments in recent years, there is still room for improvement. The expansion of the export sector is crucial for economic growth and job creation. A strong export sector can help countries become more competitive in the global market.

To achieve this, governments need to focus on improving the business climate and providing support to exporters. This can include simplifying trade regulations, providing access to finance, and offering training and support for small and medium-sized enterprises.

In addition, it is important to focus on developing new markets for our products and services. This can be achieved through trade missions and diplomatic efforts to promote our country's products abroad.

Overall, expanding the export sector is a key to achieving economic growth and job creation. Governments must take action now to support exporters and ensure a strong future for our industries.
Wear of words

The clothing and textile industries are engaged in last-minute lobbying ahead of the Board of Trade & Industry's (BTI) report.

on the clothing pipeline, due out early next month.

Each industry is trying to portray itself as a worthy candidate for special export incentives under the new dispensation.

The clothing industry has never enjoyed high export volumes. No more than 5% of SA's clothing production is exported. The most visible exporters, until now, have included such upmarket companies as Rex Trueform. But there are plenty of others who claim they want to emulate those companies' example.

However, A M Moolla chairman Sadek Vahed says: "We haven't done any exporting and we won't be able to until the status of clothing exports has been clarified by the BTI."

Even so, Marketing & Planning Consulting Services' Joop de Veest says many clothing companies have seen exports as a short-term measure. They have gone abroad on export missions and have come back with cold feet.

"Exporting isn't just a case of arriving in a foreign country with a basket of surplus goods. It is based on a relationship with retailers overseas that can take five to 10 years to build up."

The textile industry, on the other hand, has more established export markets and is making a determined effort to shake off its reputation for inefficiency and high prices.

The Textile Federation claims that while most foreign textile exporters are assisted by official measures, "SA textile exporters have succeeded through sophisticated and concentrated marketing, highly focused on selected market sectors and targets based on service, innovation and quality."

The industry exported fractionally over R150m in textiles last year, of which R111m was yarns, R12,2m apparel fabrics, R20,2m woven and knitted non-apparel fabrics and R6,7m household textiles.

Textile manufacturers are the latest group to climb on the local content bandwagon. There is strong speculation that the BTI will offer particularly high incentives to clothing producers who make use of local textiles — rather than add value to imported materials.

Says Textile Federation executive director Stanley Shlagman: "Indirect exports, being made up of local fabrics supplied to clothing companies for the export of their products, have not been a major item in the past, but may be more so in the future."

However, it is unlikely there will be a dramatic increase in clothing with a high local content as long as input costs are higher than world prices.

Says National Clothing Federation president Terence Kinnear: "Each industry has a responsibility to fight increases in its own input costs."
Exports deal a shot in arm for SA trade

Business Staff

THE Federated Chamber of Industries has hailed a radical new package of export incentives as the potential trigger to the biggest boost to South African trade on world markets in decades.

Executive director Mr Ron Haywood said today the package was aimed not only at a sharp increase in export income but also at an expansion of the whole industrial sector to create thousands of new jobs.

The scheme was revealed at the weekend by Mr Danie Steyn, Minister of Economic Affairs and Technology, who said it also promised to iron out problems encountered by exporters with inflation and rand exchange rate fluctuations when they planned forays into overseas markets.

NEW STRATEGIES

He timed its actual launch for April 1 next year, allowing companies 12 months to plan new strategies and to adjust patterns of production to ensure they reaped the most benefits.

An immediate start has been made on a masterfile of exporters in readiness to assess the degree of rewards they will receive for export efforts.

Strong emphasis was laid by Mr Steyn on special incentives to encourage manufacturers to use more and more home produced components, rather than rely on imported products.

The emphasis, he made plain, was on a swing away from reliance on the export of minerals and other raw materials, and a new concentration on overseas sales of finished products — boosting the value of exports and creating more new jobs by the industrial expansion.

Sliding scales of cash assistance would be based on the value of exports — and the degree that export products had been processed here in South Africa making full use of local-content programmes.

The scheme intended to encourage whole industrial sectors to restructure themselves, with far more cooperation between companies to complete the "Made in South Africa" cycle of production.

He said the finer details were being worked out by the Department of Trade and Industry in close co-operation with the Private Sector Export Advisory Committee.

But it had already been agreed that exporters would receive cash payments for their export achievements every six months, and all tax free — rather than need to await the maturity of two-year promissory notes as under existing schemes.

ECONOMIC MIRACLES

Mr Haywood said the FCI believed if the public and private sectors co-operated, the package could lay new industrial foundations and create the image of a "South Africa Incorporated" on world markets — a new version of the "Japan Inc" thinking that kindled the economic miracles of many Far East countries in recent years.

"We're on the right track in planning to make our mark as a powerful new competitor on international markets", he said.

"We may now have the chance to alter not only the structure of our manufacturing sector but also perhaps our whole mental attitude towards our real economic potential."
Tax-free incentives for exports

EXPORT incentives in the form of six-monthly, tax-free, cash payments to reward high local content manufactured goods will come into effect on April 1 next year, Economic Affairs and Technology Minister Danie Steyn announced yesterday.

The scheme will replace the current tax rebates for exports. Payments will be based on a formula calculated on the volume of exports, their local content and the exchange and inflation rate fluctuations.

Gold and diamond exports and those of precious metals, petroleum products, second-hand products and re-exports are excluded from the scheme. Manufactured goods with a local content of less than 35% will not qualify.

Steyn announced this general scheme for exporters not linked to the sector-specific structural adjustments otherwise known as the "sunrise industries".

Items with at least 75% local content will be the top category. On a sliding scale, the scheme provides lesser assistance to three other categories — material intensive products, beneficiated primary goods and primary products.

This scheme replaces the current tax rebated marketing allowance schemes (A and B). Manufacturers will be rewarded for efforts to use local material through cash boosts twice a year.

The current D export assistance, a rebate received by tax-paying exporting companies, will be phased out from April 1 1990, possibly over 12 months.

But the C export incentive, a cash grant currently paid to companies in a tax loss situation, will be maintained.

Sasfo CE Wim Holtes welcomed the move but warned that the savings made on export incentives of low-value exports could erode the country's foreign earnings.

Federated Chamber of Industries executive director Ron Haywood also welcomed the scheme.
DTI sets up export hot line

By Michael Chester

Plans have been laid by the Department of Trade and Industry to intensify the search for gaps in the sanctions blockades by a system of instant alerts on possible new export deals from a computer network linked to more than 20 overseas markets.

The electronic network has been designed to ensure rapid action on all export opportunities spotted by any of the 31 foreign trade offices acting as "listening posts" in 23 countries regarded as potential trade targets.

The international computer and telex network was planned to provide extra muscle to the export drive that Mr Danie Steyn, Minister of Economic Affairs and Technology, hoped to inspire with the new package of cash incentives for exporters that were announced yesterday.

The trade outposts are being equipped with computers and telex systems and with instructions to give top priority to the speed of export alerts.

In turn the alerts will be sent to South African companies by the Directorate of Export Promotion from its head office in Pretoria and via its branches in Cape Town, Durban and Port Elizabeth.

Details of the export offensive were revealed by Mr G J J Breyt, Deputy Director of the Department of Trade and Industry, at a forum run by the Southern Transvaal branch of the Federated Chamber of Industries.

Mr Breyt said a critical examination had been started inside the department into all export services.

The Commission for Administration, he said, was also reviewing the personnel structure of the export teams to ensure improvements in services.

"The offices will be required to adopt a more pro-active approach in identifying new export opportunities that can lead to industrial development here in South Africa," Mr Breyt told the FCI forum.

The department was also concentrating on research to solve the urgent problem of finding products that were tailor-made to suit particular markets.

"We believe that many opportunities exist," he said.

"South Africa, for example, has very well developed heavy and civil engineering industries and our companies can play an important role as sub-contractors to some of the big engineering companies overseas."
Exporters win some relief

CAPE TOWN — Government acted yesterday to ease pressure on exporters hit by its recent cutback in marketing allowances by extending the period in which they can claim the maximum amount.

Earlier this year, government announced that from March 9 the marketing allowance available to exporters under Section 11 BIS of the Income Tax Act would be limited to 20% of the export turnover of the company concerned.

However, several companies told government that setting up export operations often involved high initial expenses in one year, while they would achieve the expected turnover only the following year.

As a result of the high initial expenses, they would not earn sufficient turnover in the current year to qualify for the full marketing allowance.

In a joint release yesterday, the Finance and Economic Affairs departments said a request had been made that where any marketing expenditure in a particular year did not qualify for the maximum marketing allowance, the exporter should be allowed to carry the expenditure forward to the following year.

Government had agreed to this.

A Finance Department spokesman said the change announced in March meant exporters who incurred R100 marketing expenses would have to achieve a turnover of R500 to claim the maximum allowance.

Under the new rule, if exporters achieved turnover of only R300, they would be allowed to claim R60 marketing expenses and carry R40 to the following year.
New export allowances

CAPE TOWN — A proposal for a new export incentive concession on marketing allowances was announced yesterday by the Ministers of Finance and Economic Affairs.

They said that an earlier announcement, which limited the marketing allowance to 20 percent of export turnover, had not allowed several new applicants to earn sufficient exports in the current year to qualify for the full marketing allowance.

Therefore, any marketing expenditure in a year which did not qualify for the marketing allowance as a result of the new rule, could be carried forward to the following year, the ministers said.
Expert says export promotion scheme has failed

Govt 'must encourage manufacture'

A STAINLESS steel industry group is developing a model to demonstrate to government why its industrial policy has failed to encourage the export of manufactured goods.

Group chairman Paul Hatty, who has been seconded to the Board of Trade and Industry (BTI) from Barlow Rand, told the Industry Ahead conference in Randburg yesterday that government's export promotion schemes favoured the export of ferrochrome.

In 1988, SA exported close to R2bn of ferrochrome, only R700m in stainless steel plate and R200m in finished stainless steel products.

Hatty is doing a "pipeline" study of the stainless steel industry in which chrome represents stage one, ferrochrome stage two, stainless steel plate stage three and manufactured products stage four.

At each stage of the process, the value added to a ton of chrome is:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrome</td>
<td>0.0</td>
</tr>
<tr>
<td>Ferrochrome</td>
<td>1.5</td>
</tr>
<tr>
<td>Stainless steel plate</td>
<td>10.0</td>
</tr>
<tr>
<td>Manufactured products</td>
<td>20.0</td>
</tr>
</tbody>
</table>

Hatty said there were no incentives among nickel or ferrochrome producers to "push" their products into a value-added chain for local production. Both products were easily marketed through the LME at excellent world prices without the need for expending effort on establishing an export market.

Meanwhile, the exporters of finished products, generally smaller companies than the beneficiators, were having to buy the raw materials at high world market prices. Small companies were also handicapped because their input costs were multiplied by high taxes, interest rates, inflation and risk, making them internationally uncompetitive.

"We would like to show government that if it were to halve taxes on producers and manufacturers, it would be investing in a higher remuneration of employees, the productive use of capacity and eventually increased revenue for itself."

Hatty said there were no firm proposals yet. However, the world trend in trade showed the highest growth areas were in finished products, and this had to be the focus of SA's effort.

Generally stages one to three, from ore to steel plate, were vertically integrated by one manufacturer. SA lacked the engineering firms that would convert the steel product, through tooling, coating, molding and making intermediate components for finished product makers. This was the small business sector that had sparked the Japanese economy.

One possible answer could be vertical integration of the process, to ensure that the beneficiating company passed on the resulting cost savings to the end-product producer.

Hatty felt SA had the capacity to export manufactured goods equal to the rand value of its ferrochrome exports.
Cycads... The cycads are often called "living fossils" due to their long evolutionary history. They are a group of large, tropical, palm-like plants that have been around for over 200 million years. These plants are unique because they have been evolving slowly and steadily, with only minor changes over time.

The cycads are often found in tropical and subtropical regions around the world. They are known for their large, fan-shaped leaves and their distinctive cone-shaped fruit. The cycads are an important part of the natural world, and they play a crucial role in the ecosystem.

In recent years, the cycads have become an important symbol of the importance of protecting the environment. The cycads are often seen as a symbol of the importance of protecting the natural world and the need to conserve our planet.

The cycads are also valuable for their medicinal and economic properties. They are used in traditional medicine for their healing properties, and they are also used as a source of food and drink in some parts of the world.

In conclusion, the cycads are a unique and valuable part of the natural world. They are an important symbol of the importance of protecting the environment, and they play a crucial role in the ecosystem. The cycads are an important source of food, drink, and medicine, and they are an important part of the natural world.
Trade consuls recalled to aid local exporters

DTI shake-up coming

Several of SA's trade consuls with years of experience in foreign markets were being recalled to Pretoria to assist local businesses in exporting.

Trade promotion director Bert Pienaar told Business Day the Department of Trade and Industry (DTI) was to start a new business entity that would register and counsel exporters and negotiate alongside them in foreign countries.

"In the past we concentrated on finding markets. We now realize that if the economy is to grow more than 3% a year, we need to concentrate on the local production side rather than the foreign marketing side.

"Our overseas missions study foreign market trends, find market niches for SA products and feed this information back to head office. We are restructuring the department to become more active in supply-side marketing.

"The models we have to build on, of co-operation between government and industry in the newly-industrialised countries, show us the magnitude of our task. We must get together to make things happen for the country," Pienaar said.

Pienaar had himself just returned from nearly six years in Taipei, Taiwan, and eight years in London.

Melrose Henning

The Cabinet decided the new entity should have a corporate image rather than being a board, Pienaar said.

The decision to deliver a service to the private sector in line with those of Mintek and CSIR, was the start of a gradual shake-up in the DTI. A freeze on government jobs did not permit new appointments. In the process of accommodating new jobs, the departments' experience in commerce, marketing and economics, old DTI functions could be scaled down and jobs rationalised. The screening of new applicants had already started.

Re-registration

"But we do not need to wait for restructuring of the department to give a better service," Pienaar said.

The department was to re-register all bona fide SA exporting firms because its list had become outdated. Previously, firms that wanted to qualify under the Income Tax Act for A, B, C and D export assistance needed to register with the department. Several were never active in exports. Changes in government incentives to exporters provided an opportunity for this spring-cleaning.

Pienaar acknowledged the service offered by the DTI in the past left much to be desired by local manufacturers, and said the new director-general Stefan Naudé was the driving force in the restructuring that would result in much co-operation between government and industry.

A Commission for Administration team was studying DTI functions, while Naudé was said to be preparing to scale down certain of the department's activities to accommodate more professional posts in the new entity. The freeze on the creation of government jobs would not permit the department to grow in size.

"We do not intend charging for our services, but will be judging the time we spend consulting with a particular client in the light of its foreign exchange-earning capacity," Pienaar said. The service would include counselling exporters, building up a databank on foreign market requirements, standards and restrictions and providing foreign office support.

He said the foreign offices would still concentrate on improving their services in SA's traditional foreign markets, but at the same time tremendous opportunities were arising through unconventional trade or countertrade in new markets like Africa and even East Bloc countries.
Exports will determine SA’s economic future, FCI chief

SA will ultimately sink or swim by its export achievements, says Federated Chamber of Industries (FCI) executive director Ron Haywood.

Addressing the Europe 1992 conference in Johannesburg yesterday, Haywood said the Trade and Industry Department is to hold a meeting in Brussels next month to discuss all aspects of EC 1992 and its implications for SA businessmen.

Haywood said it is imperative SA companies become involved with the new European common market. However, he warned SA industrialists to be careful not to tackle the new common market without sufficient preparation. He suggested a firm’s major strategy should be to establish a base within Europe, through joint ventures, mergers, takeovers, agents or own offices.

SA exporters should identify a particular niche for a product, like mining equipment, and concentrate on trade with selected countries rather than the total market, he said.

Haywood said serious commitment needs to be made to exports, although import replacement is an important area for local manufacturers to start expanding.

SA companies should commit a certain percentage of production to exports or produce to full capacity and export any shortfall between full production and the local market, he said.

Haywood said he sees 1992 as the catalyst for SA to start planning expansion of its markets into, not only Europe, but also into what he termed, the Sub-Saharan Economic Community (SSEC).

With a size of about 250m people, the SSEC should be brought about and its labour, mineral and production potential tapped, he said.
Govt gives a qualified "No" to duty free zones

By Peter Fabricius, CAPE TOWN — The Government has given a qualified thumbs down to the idea of establishing duty free "export processing zones" to boost the manufacturing industry and promote exports.

A Government task team commissioned to investigate the matter has found that the traditional concept of an export processing zone could not be applied in South Africa. However local variations of export processing zones "could make a positive contribution towards economic and regional development", Mr Chris Heunis, Minister of constitutional Development announced in a statement yesterday.

He said that regional authorities would now be asked to investigate whether some variation on export processing zones could be created in their areas.

Dr Skippie Scheepers, the chief executive director of the Department of Development Planning who headed the task team said the traditional export processing zone was one where customs and duties were suspended on imported raw materials if these were used for manufactured exports. There were three main reasons why the team had advised against establishing traditional export processing zones.

Obstacles

The most important obstacle was South Africa's distance both from raw material sources and from selling markets.

The second problem was that foreign exchange dealings — which were already complicated by the two-tier currency system — would be made even more complex in export processing zones.

The third problem was that the success of the zones would depend on foreign capital coming into the country and this was unlikely for the next few years.

Mr Heunis said that although the prime purpose of export processing zones was to promote industrial exports, they also had important implications and advantages for regional development.

For this reason the Government had asked the various regional development advisory bodies to investigate where variations of export processing zones could be established.

The task team had found that there were certain variations or elements of such zones which could make a positive contribution towards economic and regional development.

Mr Heunis said that the principle was already being applied informally in certain developing areas in the country and in countries of the Economic Community of Southern Africa.

Dr Scheepers said there were various deregulation measures which regional authorities could consider to support industry.

Mr Heunis said that when the regional advisory committees had completed their investigations, the Government would consider their recommendations on merit "within its existing policy framework".

The possibility of joint development projects with other countries would also have to be investigated.

He said that indications were that successful export processing zones depended upon private sector involvement and initiative.

"Naturally it is expected of government to play a supportive role and to create a positive climate for such undertakings."
SA’s export trade-off

Gerrie Breyi is deputy director general (Trade) at the Department of Trade and Industry (DTI). Among his specific responsibilities is export trade promotion.

FM: SA trade with the Eastern Bloc has been in the news. What is the official view?
Breyi: This is a sensitive issue. The DTI does not prescribe to the private sector with whom it may trade — but in SA’s current situation we see our calling as helping to develop alternative trade opportunities and so to diversify and expand SA’s trade destinations. We are busy with certain initiatives. But the DTI’s role is purely supportive of the private sector.

Can the private sector use more of its countertrade leverage for exports?
Yes. The huge mining and industrial groups could ensure large buying orders by pooling in-house strengths to promote foreign sales: for example, when an affiliate places large import orders for capital stock. Again, the DTI’s role is purely advisory and supportive, including through our 30-odd overseas offices.

How have sanctions affected the DTI’s role?
A positive spin-off is the new performance-based export incentives package, which should be implemented by April 1 1990. It will be an improvement on the current cost-based incentives, which take up to two years to pay out through promissory notes or tax breaks.

Why the new incentives?
The current incentives have not fulfilled their purpose. SA still relies too heavily on the export of primary products. We want to improve the climate for secondary exports and have discussed the broad principles with the Private Sector Export Advisory Committee. The new incentives will be aimed at promoting manufactured exports, thus adding value to our commodities, creating more jobs and leading to stronger, less cyclical economic growth.

Can you detail the new incentives?
Four broad categories of manufactured exports will receive progressively higher levels of support. Firstly, raw materials, followed by beneficiated raw materials, material-intensive products and manufactured products. There are no hard or fast rules yet — and the broad guidelines will be flexibly applied. All exporters have been asked to re-register with the DTI and full details of the new scheme should be announced within the next few months.

Where does government’s Industrial Development Strategy fit in?
This stands on three pillars: import replacement, inward industrialisation and export promotion. We are talking here of the third.

Why all the trouble to promote exports?
Our economy will benefit from an improved export consciousness. Getting into exports when local demand falls and then stepping out when the upturn comes, gives us a bad name and closes doors. Industry should export on an ongoing basis. We often find good markets — but no exporters to fill the gap.

How can industry make use of these opportunities?
By budgeting a specific portion of production for export and by working double shifts, if needs be. This will also bring down production costs. But export should be a long-term commitment, as many find to their benefit.

What role does the Board of Trade and Industry play?
In co-operation with industry, it is involved in a number of structural adjustment programmes, based on perceived comparative advantage. The programmes can include a focus on export, while tailor-made packages may involve tariff measures, customs duty rebates and export incentives.

Which new markets should exporters look at?
Africa offers excellent opportunities for technological exports. For example, some African countries have vast hardwood assets. SA entrepreneurs could develop income-generating saw-milling industries and import the produce to SA. Agriculture and mining are two other obvious areas where we can "export" our technological expertise to mutual benefit. There are several such potential areas.
SA adopts a policy of 'any takers'

REALPOLITIK seems to have erased ideological taboos that in the past might have constrained South Africa's trade abroad ... foreign trade policy in the late 1980s can be summed up in two words: "Any takers".

Analysts believe economic pressure at home and abroad have done most to remove inhibitions in South Africa's trade outlook, and a similar process has been at work in other countries that are ideologically hostile to South Africa.

Recent reports of large shipments of coal to Red China — though not South Africa's first business foray into the vast communist republic — have highlighted the new expedient at work in foreign trade.

However, the same openness does not extend to official statistics on foreign deals.

Details of business abroad are concealed as far as possible and most the government is prepared to say publicly is that South Africa is penetrating new markets — including Red China and other Communist bloc nations — and that exports are growing.

A senior official confirmed that "we do trade with Red China, and we have opened up many new markets in the past few years, particularly in Africa and the Far East. Exports have increased generally".

Signs of a new fluidity in international relations were highlighted by Defence Minister General Magnus Malan in parliament earlier this year when he argued that as new alliances were wrought in a global political weather change, the opportunity for South Africa to open wider diplomatic and trade contacts had increased.

Bar on trade arising from apparently irreconcilable ideological differences were losing credence in the atmosphere of co-operation spawned by Soviet leader Mr. Mikhail Gorbachev's enlightened policies of perestroika and glasnost.

While South Africa would not "neglect our security interests," he forewarned wider and increased "contact, trade and exchange of expertise" with the East.

The view of the Department of Economic Affairs and Technology is that South Africa will trade "with anyone who would like to buy from us".

But there is considerable sensitivity about saying what is traded, how much and by whom.

The need for secrecy, the government argues, arises from the threat of sanctions, of detection in potentially hostile markets, or of unwittingly embarrassing partners in trade.
SOUTH Africa would not generate sufficient resources to meet even the basic needs of its population if it remained primarily a commodity exporter.

This was said at the weekend by Mr Michael Spicer of Anglo American Corporation in a speech at an Institute for a Democratic Alternative for South Africa (Idasa) conference at Fourways, near Johannesburg.

The country had to upgrade its mineral and metal exports through beneficiation; broaden the base of its economy to include an export manufacturing sector; and move to service a broader domestic market.

Education, firstly, was important in overcoming the inadequate resource base for the task at hand, Spicer said.

"Here the overwhelming need is for a less academic and more technically oriented education which is likely to watch the life chances of the broad population."

Secondly, the continuation of the profit motive was also needed.

"The changes proceeding in the entire Second World - what used to be called the Communist Bloc - towards reinstating incentives in the workplace demonstrate once again the need to have an appropriate policy framework if the work ethic on which economic production and success depends, is to survive." - Sapa.
New incentives will give big boost to export drive

By Michael Chester

The Federated Chamber of Industries views the revised approach of the government to proposed export incentive packages, announced yesterday, as the alert to a dramatic acceleration in the whole export drive.

The changed stance of the government was outlined by the Minister of Economic Affairs and Technology in a statement that announced that all exporters would receive equal treatment in the allocation of new incentives when they are introduced on April 1.

It is a significant shift away from the intention of offering special extra cash incentives to companies linked into the structural adjustment programmes being negotiated inside specific manufacturing sectors to encourage the creation of "industrial pipelines" from producers of raw materials to producers of fully finished end products.

But the new packages are still expected to grow in size in line with how much the beneficiation goes into locally produced raw materials the production tracks to finished end-products, with allowance made for exchange rate fluctuations and the cost of marketing operations.

FCI executive director Mr Ron Haywood sees the changed stance of the government as backing to the concept of "Team RSA" - an initiative to bring about far closer cooperation between the public sector and the private sector in building more muscle into the international competitiveness of the industrial sector.

Mr Haywood said the announcement indicated a welcome move to allow several key industrial sectors more time to negotiate the launch of structural adjustment programmes intended to improve competitiveness on home and overseas markets.

The government had so far talked about one set of general export incentives with an extra layer of cash inducements for firms that had formed themselves into industrial pipelines.

Now the government had simplified its approach to launch a single set of incentives open to all registered exporters.

The Minister added in his statement that the original general incentive package was now being improved to the benefit of all companies turning out finished manufactured products.

There would also be more benefits for intermediary manufacturers and the agricultural sector.

Moreover, Scheme D, which offered other tax concessions, would remain available to all newly registered exporters until March 1992, rather than he gradually phased out from next April as originally planned.

A new incentives scheme was also being prepared to replace the existing Scheme C, which subsidizes marketing expenses.

The Minister also spelled out the items that have been specifically excluded from the export incentive packages. These are:

Gold and other precious metals, rough diamonds, petroleum products, secondhand items, re-exports, postage stamps, motor components needed in Phase 6 of the motor industry's local content programme, uranium ore, and antiques older than 100 years.

All enquiries should be directed to the Director of Export Promotion at the Department of Trade and Industry, (012) 522-7333.
General Export Incentive Scheme to replace SAPs

The main feature of the new export incentives announced yesterday is that the incorporation of export incentives in Structural Adjustment Programmes (SAPs) has been abandoned in favour of an improved General Export Incentive Scheme (GEIS).

The GEIS involves adjustments to the general export scheme announced in April which, with the SAPs, was to replace previous A and B export incentives which will be discontinued next March.

Department of Trade and Industry (DTI) deputy director-general, trade, Gerrit Breyi outlined the GEIS at yesterday's "Team RSA — Export and Europe 1992" conference in Johannesburg.

Certain shortcomings had been identified in the A and B schemes, he said. These were their open-endedness, method of payment and the administrative burden placed on both private and public sectors.

When the rand depreciated government paid out more, while at the same time, the competitiveness of average exporters increased.

The new incentives were designed to meet the requirements of selectivity, simplicity and flexibility. He said they were performance-based and offered some form of protection against exchange rate fluctuations.

Compensation would be paid in cash and be tax-free.

The GEIS would apply to manufacturers and export trading houses which exported for their account.

Formula

Commission agents or forwarding agents who completed documentation or carried out export transactions in their own names would not qualify except by arrangement with manufacturers.

Yesterday's announcement stated the scheme is based on the formula

\[ Z = U \times (M \pm E) \times F \]

where:
- \( U \) is the export value, normally FOB;
- \( M \) is a marketing assistance factor showing the percentage export assistance relative to export value;
- \( E \) is the exchange rate factor which adjusts the marketing assistance factor \( M \) for fluctuations in the exchange rate and inflation;
- \( P \) represents a factor related to the local content of the export product;
- \( Z \) represents the tax-free value of the export assistance in relation to exports with a value of \( U \).

The marketing assistance factor \( M \), a means of encouraging the export of products containing high levels of added value, will be increased progressively from primary products to manufactured products.

This means all export products will be classified into four categories according to stage of production — primary products, beneficiated primary products, material intensive products and manufactured products.

The provisional \( M \) values of 0%, 2%, 5% and 15% for the four categories respectively, have been changed.

The scheme has now been made more attractive by adjusting the \( M \) values for the four categories upwards to 4%, 7.5%, 12.5% and 25%.

Breyi says while it is not possible to attach watertight definitions to the four categories, the main criteria used is the amount of processing applied to a particular product at the time of export.
Government is to incorporate all export incentives under one general scheme in a move that will benefit most exporters. The changes were announced by Economic Affairs and Technology Minister Theo Alant at the Team RSA — Exports and Europe 1992 conference in Johannesburg yesterday.

Alant said the special export programmes which were to be designed for targeted industries under the Structural Adjustment Programmes (SAP's) would now also be incorporated under the General Export Incentive Scheme (GEIS).

In April, government announced SAPs for certain targeted industries which would incorporate their own export incentive schemes, as well as a general incentive scheme for exporters not catered for by the SAPs. They were to replace the existing incentives schemes which would be discontinued in March next year.

Alant said it was decided to stop including export incentives in the SAPs due to considerations relating to practical implementation, and to remove uncertainties among exporters, in connection with the development of the SAPs.

He said the move would immediately relieve pressure on numerous private sector committees engaged in formulating proposals to the Board of Trade and Industry regarding the SAPs.

The GEIS is based on a formula which takes into account the export value, the added value and the local content of export products, as well as the exchange rate.

The improvement in the GEIS involves some adjustments to the general export scheme announced in April.

It has been made more attractive because the percentage assigned to goods classified according to different stages of production have been adjusted upwards.

This change is expected to benefit exporters of fully manufactured products as well as those of certain agricultural and intermediary manufactured products.

Among the products not included in the GEIS are gold, other precious metals, unworked or rough diamonds, certain petroleum products, second-hand goods, reexports, vessels, collectors pieces, uranium ore and concentrates, as well as wool and cereals exported in bulk. Also, products incorporated into Phase VI of the motor vehicle programme for purposes of calculating local content will not be included.

In April, it was announced also that the existing tax benefit Scheme D would not be available to exporters included in the SAPs. However, Alant said Scheme D would now remain available to all newly registered exporters until March 1992.

He said details of a new scheme to replace the cash grant Scheme C would be made available shortly to the private sector for comment.

See Page 9
Technology Theo Alant. "We have made mistakes in the past but we are learning as we go along."

The programmes have not been abandoned — only postponed — so that industry can get its own house in order, says Safto CE Wim Holtzes.

**Complex calculations**

Calculating marketing assistance (the so-called M-factor) in terms of the proposed new incentive scheme involves four export categories:

- Primary products (such as iron ore), which receive no assistance;
- Beneficiated primary products (such as billets), which will now receive 7.5% assistance (previously they received none);
- Material intensive products (such as sheet metal), which now will receive 12.5% (compared with 5%); and
- Manufactured products (such as steel cabinets), which will receive 25% (compared with 15% under the scheme announced in April).

Export assistance will be based on a complicated formula that will also involve the compensatory, so-called E-factor (the rand exchange rate against a basket of currencies, calculated every six months by the Reserve Bank). Should the rand drop, the E-factor will reduce the marketing assistance paid by government, and vice versa.

The so-called P-factor will include the local content value of the export, which would again have an impact on the total tax-free value of export assistance paid to exporters.

The new scheme will involve cash payments to exporters, subject to approval of applications for assistance after next April. The benefits of the existing scheme will be phased out gradually.

"By changing the incentives scheme, government acknowledges that it could be quite a while before Category 4 exporters begin to play a major role in SA's export performance," Holtzes says. "As Category 2 and 3 exporters still play a vital role in our current export growth, the new incentives encourage them to continue with the good work."

Holtzes says government could face a bottleneck of about R650m-R900m in promissory notes that must still be paid under the old scheme.

But Safto specialist Anne Moore doubts the new scheme will put an additional burden on the taxpayer.

"As assistance to the programmes will now be reduced, the new package will come in on a compensatory basis. And the E-factor in the new scheme will not only stabilise export prices, it will also reduce State assistance when the rand value drops further."

Director-General of Trade & Industry Stéf Naude adds: "The development of an export culture in SA is of critical importance. Developing new markets and globalising SA's economic relations are the ways of the future. In this process, it is vital that the private sector and government should freely co-operate, with the State playing a purely supportive role."
Clarity wanted on export scheme

ASSOCOM has called for clarity on the government's move for a single export incentives' scheme.

Trade secretary Bess Robinson said further details were required as some aspects were creating uncertainty for exporters.

She said it was disappointing the authorities had not consulted the private sector before taking the decision to scrap export incentives from the structural adjustment programme (SAP) and include them under a general scheme.

ASSOCOM is to meet representatives of the Department of Trade & Industry on Wednesday to seek clarification.

This incentive, which allows for 20% of export turnover for marketing abroad, is to be discontinued in 1982 when it is to be replaced by new benefits.

In announcing the move last week Economic Affairs and Technology Minister Theo Alunt said it was decided to exclude export incentives from the programme due to practical implementation considerations.

Further, the move would free private sector committees from formulating proposals to the Board of Trade & Industry regarding the SAPs.
Machinery set up for a major export drive

Finance Staff
In response to the debt recall by its major lenders and sanctions by the US, South Africa has embarked on an export drive. Dr Stefa Naudé, Director-General of the Department of Trade and Industry, says the Government and the private sector are working very closely to restructure export potential. "My department has established 32 offices around the world, which cost a lot of money to keep operational. If staff members do not perform, they will be recalled immediately. "We are looking for results and my core team is of a very high calibre. We expect our staff members worldwide to back up their expertise with results. "I have travelled abroad and talked to many businessmen and government officials in countries that South Africa has never traded with before," he says.

BUSINESSMEN
"Unfortunately I am not in a position to divulge who I have been talking to or where I will shortly be leading a team of prominent South African businessmen. "But suffice to say it encompasses a wide spectrum of socialist-oriented countries. "Our efforts to foster trade with Southern African countries have been singularly successful and we expect some major advances in the region. "Our economy is by far the largest on the continent and the pragmatism that is sweeping across sub-Saharan Africa should lead to a whole new wave of economic development, if the political support to boost this is forthcoming." He says traditional export markets will remain, but that as an exporting country South Africa is beginning to flex its muscles. "We have a wealth of business, financial and industrial talent and are now devising ways and means of using this to our and our neighbours' advantage."

Mr Naudé, an academic in mercantile law, was chairman of the Competition Board prior to his appointment to the Department of Trade and Industry. He was largely responsible for the legislation dealing with the introduction of the Close Corporation Act. "I am a firm believer in keeping it simple. Civil servants must not be obliged to get bogged down in a plethora of paperwork. "The Close Corporation idea was designed to allow potential businessmen more freedom to succeed with their entrepreneurial designs. "This is the way that South Africa will succeed in building up its exports. "We in the department are totally committed to assisting business to export. "The more we can cut out excessive paperwork, the more successful will this country be in flooding the world's markets with Made-in-South Africa labels."
SA will halt ivory exports for a year

South Africa would not permit the import or export of ivory for commercial use in 1990, but has decided to submit a reservation to continue trade in elephant products, Environmental Affairs Minister Mr Gert Kotze said yesterday.

At its conference in Switzerland earlier this month, the Convention of International Trade in Endangered Species of Fauna and Flora (Cites) approved a resolution to transfer the African elephant from Appendix Two to Appendix One, in terms of which trade in elephant ivory is forbidden from January 18 next year.

It was, however, decided to grant certain member countries with viable elephant populations the opportunity to apply to have their elephants re-transferred to Appendix Two.

The South African delegation, as well as those from Zimbabwe and Botswana, did not support the resolution.

GUARANTEES

Mr Kotze said the resolution did not provide ample guarantee that deserving cases would be considered and re-transferred to Appendix Two within a reasonable period of time.

South Africa had subsequently decided it would enter a reservation in respect of the resolution, Mr Kotze said.

"The resolution is diametrically opposed to South Africa's responsible management of its elephant population and precludes the country from the right to benefit from the judicious utilisation of a specific natural resource", he said.

South Africa has resolved to abide by the terms of resolution at least during 1990 and will not permit the import or export of ivory for commercial purposes.

Withdrawal of the reservation will be considered if the Cites panel, assigned to consider applications for reclassification, agree to recommend that South Africa's elephant population be re-transferred to Appendix Two.

— Saga.
SA needs new export culture

By Jabulani Sikhakhane

Changing patterns in world trade offer enormous opportunities to South Africa, the director general of the Department of Trade and Industry, Dr Steff Naudé said yesterday.

Speaking at the Fédération Chamber of Industries' AGM, Dr Naudé said: "To be able to benefit from opportunities surrounding us, we must develop a proactive approach. This will entail a new dedication to exports on a continuous basis."

Economic gains from the creation of a genuine single European market by 1992 will also open up considerable business opportunities for third country exporters.

"Only the stronger and ‘fitter’ EC companies will survive in the single market, meaning third country exporters will have to prepare themselves for stiffer competition," he said.

However, at the fringes of smaller sectors and niche markets, there are ample opportunities for local businesses to make a significant impact, he commented.

Dr Naudé noted that niche products assuming an increasing importance in world trade were final manufactured products which do not form a major part of South Africa's exports.

"The recent patterns of world trade indicate that we have been losing ground over the past 15 years. Our share of world trade has dropped from 1.5 percent in 1965 to 0.73 percent in 1987," he said.

Metals, mineral products, gem stones and gold collectively account for 75 percent of the country’s exports. All these were in slower growing categories of world trade."
A new focus

Exporters were urged to look beyond strong trade figures, expand their capacity and broaden strategies when the SA Foreign Trade Organisation gathered for its annual meeting this week in Johannesburg.

"Overall export performance recovered strongly in 1988/1989," says organisation chairman Jan Bouwer. "Total export earnings amounted to nearly R52bn, a 26% rise over the previous year. Non-gold exports increased by a remarkable 39%, while net gold earnings rose by only 7%.

But Bouwer says the country still needs to develop a broad export strategy involving all aspects of industrial, financial and fiscal policy.

"The strategy must harness resources to achieve real export growth of 20% (a nominal growth of 35%-40%), in order to support economic growth of 5% a year. There is no other way to implement essential socio-economic programmes, create additional jobs and, at the same time, pay for its imports and settle international debt," he says.

While the organisation, and the Department of Trade & Industry, assisted in opening up markets for exporters, "the search for new export products and the development of viable new export markets met with the problem of lack of available products for export."

Bouwer ascribes insufficient export capacity to the:
- Short-term attractions of the improved local market;
- Low priority placed on exports by too many manufacturers and producers;
- Lack of commitment of a fixed percentage of production to exports; and
- Political uncertainty, high inflation and high interest rates.

"Increased export capacity is the key to export development: the new incentives and structural adjustment programmes must be geared above all towards achieving a dramatic change in the present situation," he says.

One problem is unfilled export orders. Warren Clewlow, the organisation's deputy chairman, hears the complaints from foreign buyers and local exporters: "The complaints are so prevalent that we feel the underlying cause is possibly a more serious restraint on our manufactured exports than international trade restrictions."

Successful export companies consistently commit part of their production to export. "These companies regard development of their international business as an integral part of their strategic plans in order to spread their risks and build a rand hedge for their earnings," says Clewlow.

Though finance for export-dedicated plant is available from the Industrial Development Corp, Clewlow maintains there's a better solution.

"At the end of the day, it is a question of management and strategic planning," he says. "A nationwide drive towards multiple shifts would develop huge additional export potential while offering substantial employment opportunities without increasing investment in capital expenditure or imported equipment."

An organisation survey found that more than 70% of companies not yet working multiple shifts would introduce additional shifts if there was greater certainty that export markets would be identified for their products.

"The message here is clearly that a climate of confidence in exports is needed and that the potential is considerable," Clewlow says.

Bouwer would also like to see "enabling legislation" that would allow private property developers or local communities to establish free ports, industrial preferential zones, theme parks and similar facilities.

"A point usually overlooked is that the concentration of transport, packaging, freight forwarding, warehousing, financial and other support services creates synergy directly benefiting export development," he says.

For its part, the organisation has upgraded its services to the exporting fraternity by launching a database that allows clients to plug into the latest legal, political and regulatory developments of the 12-nation EEC's integrated market planned for 1992.

The Department of Trade & Industry is also modernising its foreign activities by establishing a database of registered exporters and it is linking all its overseas offices with Pretoria, according to Trade & Industry Minister Kent Durr.

"In order to improve the cost-effectiveness of the 34 overseas offices in 28 countries, an extensive screening and re-training of personnel has begun," Durr says. "These offices will operate on a management-by-objective basis in future. I will take a personal interest in these arrangements and the appointments made."
EXPORTS

1988
Major report on outlook for SA

Most exports 'invulnerable to sanctions'

GERALD PROSALENDS
Financial Editor

ALMOST two thirds of SA's exports remain invulnerable to sanctions, but nonetheless the result of a prolonged sanctions effort against SA while doing damage to the economy would have perverse political results.

This is the thrust of a major report called Sanctions and SA, The Dynamics of Economic Isolation published by the British-based Economist Intelligence Unit. The report, compiled by noted liberal academic Merle Lipton, said early assessments of the impact of sanctions on SA were exaggerated because of a failure to allow for adjustments that would follow as a result of market forces and compensatory government policies.

Instead, sanctions had reduced the "political space" for South Africans and could impede the inter-racial political debate that was under way, reducing the changes of an evolutionary route to a post-apartheid SA.

Continued incremental sanctions were unlikely to unseat government and were more likely to impede than accelerate reform.

"They are also likely to ensure that this takes place in an even more authoritarian context."

"The central question of (the impact of sanctions) on SA has been largely unexplored." Rather the debate has focused on the case for international action and on the question of how sanctions might "work" in the technocratic sense of being adopted and enforced.

The multiplier induced effects of trade and investment embargoes could be mitigated by government policies.

"Many governments have survived big reductions in their export earnings and GNP".

"There is less pessimism about trade..."
Most exports, invulnerable to sanctions
SA misses out on copper price bonanza

By Don Robertson

SOUTH African producers are unlikely to earn huge profits from the surge in the international copper price. Although they will benefit from monthly deliveries, most foreign sales are under contract and are paid for at the price ruling when shipments are made.

This rules out the possibility of hedging forward and taking advantage of existing high prices.

SA's largest exporter of copper is Palabora Mining Company (Palamin) which, depending on annual production, sells about 53 000 tons a year of high-grade metal abroad. This includes production from Messina. Other producers are O'Kiep which produces about 20 000 tons of lower-grade blister copper a year.

Copper prices on the London Metal Exchange (LME) have risen sharply since December and reached a high of £1 720 a ton for cash and £1 464 for three months sales.

This is a significant improvement since the beginning of last year when cash was selling at £900 a ton and three months at £630. At that stage, the market was trading in traditional fashion, the three-month price being marginally ahead of cash.

This contango -- the difference between cash and futures prices when futures is higher -- results from the cost of storing the copper in the LME warehouse and the interest on the cost of the purchase.

However, by June a backwardation developed. Backwardation is when the futures price is below the cash price and is brought about by a switch in purchases which favour cash buying. This is generally caused by a shortage of immediate stock.

Charles Johnstone, a director of Holcom Commodity Brokers, says prices are unlikely to return to December levels. This is shown by a decline in prices this week to £1 320 for cash and £1 330 for three months after nervous selling caused by a technical reaction to the increased prices.

LME traders are also aware of the possibility of substitution when prices rise too high. The most obvious substitute is aluminium which is trading at a large discount to copper.

But prices are likely to remain high for some time.

LME copper stocks are 53 000 tons. Stocks were 155 000 tons at the beginning of 1987 and the drop is a result of production problems. A delay in shipments from Zambia, which now exports mostly through Dar es Salaam instead of South Africa, has aggravated the problem.

The low stocks are vital to prices. In 1986, the last avail-
Coal export rise on the cards in '88

THE SA coal industry can look forward to a mild export recovery in 1988 after the gloom of 1987 caused by low international prices, the strengthening rand/US$ exchange rate and sanctions.

But, say local industry spokesmen, a serious obstacle in the way of reversing the decline is the new Sats rail tariff structure which threatens to make many collieries uneconomical.

Provisional figures from the Chamber of Mines put exports for 1987 at 39-million tons. This is some 14% down from the figure of 45.4-million tons for 1986.

Gencor coal division CEO Graham Thompson said yesterday the final figure could be as much as 40-million tons. He said the Richards Bay Coal Terminal (RBCT) handled more than 38-million tons, and this did not take account of exports through Durban and Maputo.

He added there had been some positive price developments. In addition, while coal sanctions by Denmark, France and the US affected some nine million tons, the industry had found alternative markets for half of this.

"But until we settle the rail rate increase with Sats the outlook remains dim," he said.

With effect from September, 1 last year, Sats doubled the tariff for coal hauled on the Richards Bay line — to R22 a ton. This has squeezed mines operating on narrow margins, and has been cited as one of the reasons for a recent rash of retrenchments in the sector.

Coal mining analyst Dave Russell of J D Anderson said the Sats tariff hikes had "done more damage than the sanctions campaign (talk about shooting yourself in the foot) and some closures and retrenchments are now a reality on higher-cost collieries."

Russell described the Ermelo production cutbacks as the first direct result of the higher rail tariffs imposed in September. Ermelo was always a higher-cost colliery and the recent rail tariff

Coal recovery possible for '88

hikes apparently pushed the costs above break-even.

A RBCT committee is involved in negotiations with Sats over the issue. According to Thompson, the problem is essentially a financing one. He said the new tariff was based on a financing method whereby capital was recovered in equal annual amounts over a certain period. Initial interest costs were obviously relatively high.

The coal industry, said Thompson, was attempting to convince Sats to phase in capital recovery. A spokesman for Sats said the organisation was not prepared to discuss the matter with the media while negotiations were in progress.

Meanwhile, MIKE ROBERTSON re-

ports from London that editor of the authoritative Financial Times International Coal Report, Gerard McCloskey, predicted SA producers could fetch as much as US$27 CIF/tonne from the Japanese and US$30 CIF/tonne from the Italians. He is correct, these deals would enable most SA producers to continue operating despite higher costs.
Coal export crisis threat to thousands of miners

The Argus Correspondent

JOHANNESBURG — Retrenchments in coal mines threatens to push the number of jobs to be axed from 3,000 to as high as 13,000 within the next 12 months because of a multi-million-rand nosedive in exports.

The estimate was disclosed today by Mr Allen Cook, chairman of the collieries committee of the Chamber of Mines, who confirmed that sanctions alone, though only one in a list of causes of the cutbacks, had slashed exports by about nine million tons a year.

Mr Cook also blamed South African Transport Services for worsening the industry’s problems with steep increases in rail tariffs on export shipments through Richards Bay.

Mr Cook said: "The industry is struggling with a host of problems. Sanctions by the United States, Denmark and France have alone cost SA exports about nine million tons a year in losses.

"Now we have Mr Arthur Scargill, the British mine union leader, out on a campaign to spread sanctions to the whole of Europe.

"We wonder what explanation he will offer to his brothers of the National Union of Mineworkers in South Africa if some of them confront the realities of losing their jobs.

"South African exporters hit by sanctions are forced to seek sales on the world spot market, notorious for ridiculously low prices.

"The economic viability of several mines also comes under threat from domestic inflation, which has sent production costs soaring.

OPPORTUNITIES

"And now we have been hit by big increases in rail tariffs by Sats on shipments from the collieries to Richards Bay.

"South Africa is still a world player in international markets and there are still opportunities to be seized. We see good chances of an improvement in the near future.

"But for the moment it is feared that redundancies may have already climbed to about 3,000. And we have to face the reality that perhaps another 10,000 mineworkers will lose their jobs by the end of the year."

Provisional estimates by the Chamber of Mines indicate that coal exports tumbled from 45,4-million tons in 1986 to around 39-million tons last year.

Labour row

Botha’s reaction was "shocking".

"Here is a case of the President playing small-time politics. After all, Mr Hendrickse is a chairman of the Mineworkers Council in the House of Representatives and leader of the majority party."
LONDON. — Armscor is now the largest single exporter of manufactured goods in South Africa, with sales to 23 countries valued in 1987 at R1.8 billion, Jane's Defence Weekly (JDW) reported yesterday.

Assets were given at R2.3 billion and the current backlog of orders R9 billion.

An Armscor spokesman in Pretoria yesterday confirmed the accuracy of the JDW report, adding that Armscor had changed from an importer to an exporter over the past decade.

JDW also reported Mr Jorge Risquet, co-ordinator of the Cuban mission in Angola, as saying the strength of Cuban troops in the country stood at 40,000. He said about 1,000 Cubans had died, most from diseases, accidents or terrorist incidents rather than combat.
Threats to SA coal exports, jobs mount

SOUTH Africa's R3-billion a year coal exports — and thousands of jobs — face the biggest threat in the industry's history.

Tariffs demanded by South African Transport Services (Sats) on the Richards Bay coal line will soon result in large tonnages of exports becoming unprofitable.

The best hope for relief lies with a Cabinet committee which has been examining the industry's problems for six months. But officials will give no indication of when it will report.

Holding costs

In spite of efforts by the industry to contain costs, the threat of more sanctions and the burden of higher tariffs have resulted in a large loss of jobs. Although total figures are not known, more than 10 000 workers have been retrenched.

The coal industry employed 100 000 black workers two years ago and last year 3 000 jobs were lost, largely as a result of sanctions which cut exports by about 8 million tons.

An industry spokesman says that with expected improvements in productivity and possible cuts in exports, employment at the end of this year could fall to 87 000.

The withdrawal of BP from the Ermelo mine has resulted in production falling from 9 million a month to 1.8 million tons and loss of 1 165 jobs. At the Welgedacht mine 550 workers were retrenched and at Van Dyks Drift, 508 lost their jobs.

Coal Industry sources, although reticent to take a strong stand on the impasse which has developed with Sats over tariffs, insist that the matter must be resolved soon if exports are not to suffer.

They say that because of the higher tariffs and sanctions, coal exports in 1989 are expected to fall from the 38 million tons sold last year and the 45.5 million tons of 1988.

Graham Bousted, chairman of Anglo American Coal Corporation, said in his recent annual report that SA had suffered a R1.3-billion loss in foreign earnings last year.

As a result expansion of the Richards Bay Coal Terminal had been postponed indefinitely.

Since March last year, railway tariffs have soared by between 30% and 130% depending on the source of the coal. Lower export prices and the stronger rand have made it difficult for the mines to cover costs on export sales. These costs include mine production, rail tariffs and port fees.

Sats exports are generally sold for Richards Bay.

Unrealistic

Higher tariffs and increased wages have reduced SA's competitive edge in the world market, having been replaced by China, Venezuela and Indonesia.

The industry and Sats have been discussing the possibility of revised contract rail rates since March last year, but have failed to agree.

In the meantime, Sats has demanded a further increase in the rates over the previously contracted levels as well as an annual escalation based on full compensation for inflation.

Sats will review its tariffs in March this year, but the industry hopes they will be related only to inflation.

Allen Sealey, chairman of Witbank Collieries and head of the coal division at Rand Mines, said in his annual report last November: "The industry's view (on tariffs) is that the method of determining the increase is unrealistic and is particularly inappropriate under the current coal export circumstances. The matter is under discussion between the coal and Industry and various Government ministries, but in the meantime a substantial increase has been imposed on the industry."

At the annual meeting on January 6, Mr Sealey said some of the company's coal exports were at a stage where the margin has disappeared. He warned that if tariffs were maintained some exports would become unprofitable.

He told Business Times that with the lower export prices ruling in the second half of last year, few producers were able to cover costs.

"The higher tariffs only add to the problem."

Contract export prices are now based on a 22% or 24% a ton, and spot prices are between $20 and $24.

Subsidy for buyers

Mr Sealey says higher tariffs are "more of a threat to the industry. If we stay in the market to maintain business, it costs us money and I don't see why we should subsidize utilities in Europe."

Les Weit, managing director of the Transvaal Coal Owners Association (TCA), says the uncertainty about tariffs has made it difficult for the industry to negotiate sales agreements and it has increased the risk.

However, these are encouraging signs that spot prices are rising.

R70m saving on drying

THE new look Council for Scientific and Industrial Research (CSIR) has developed an industrial steam-drying process which will save SA R179 million a year.

Energy loss from conventional processes cost SA industry R110-million a year.

A spokesman says that although drying is energy intensive, the conventional system is usually only 50% efficient.

The steam-drying process draws off energy lost through exhaust systems and recycles it.

Steam-drying is used in many applications, including dehydrating and sterilizing food and in clean conditions, such as the manufacture of glossy paper, washing powder and toothpaste.
Concession aids
SA fruit exports

The Cape fruit industry has completed one of its most successful air export seasons thanks to the concession on the use of charter flights given by Transport Minister Elie Louw last year.

The concession enabled charter planes, for a limited period, to carry freight on both their south- and northbound routes instead of only on the export route.

Unifruco, the international marketing group of the deciduous fruit industry, said the concession enabled more economical use of air export opportunities by the industries.

In total, 760 tons of apricots, peaches, nectarines, melons and table grapes were supplied without any problems to Europe over the Christmas and New Year season.

Unifruco CE Louis Kriel said the use of charter flights in addition to regular scheduled flights enabled Unifruco to service destinations in Europe that could not previously be reached.
COAL INDUSTRY

Best of bad job

Although the industry is reluctant to admit it, South African coal exports did creditably in 1987. The fall of 6 Mt in exported tonnage to 39 Mt was far smaller than most people anticipated.

That said, the climate is becoming increasingly hostile for exporters. And South African exporters might not fare nearly as well in future. Amcoal chairman Graham Boxtred says three factors will contribute to a sharp deterioration from the industry's peak in 1985/1986.

"A price reduction of US$8/t will reduce income by R650m, the stronger rand — from 42c to 49c — will take off a further R350m and the increase in railage another R300m (on the assumption that exports remain at 40 Mt)."

Last year saw some good coal exporting months (see graph). July was the best of the first 10 months — 4.95 Mt of cargo went out of Richards Bay, which handles 90% of SA's coal exports.

There is still an estimated 5% oversupply in the world coal market. This has been aggravated by the opening of a superpit at El Cerrejon in Colombia with a potential annual output of 15 Mt, and China's entry into the export market. Within a few years China increased its exports from almost nothing to 16 Mt.

But, although traditional markets such as France, Denmark and the US are now closed to SA, there is evidence that much ground has been made up through "aggressive marketing" in the Far East. Australia claims to have lost at least R800m of business to SA this year.

Spot market prices are still low. A senior industry source says it's impossible to make money at the present spot price of US$24/t: "It will have to go to at least $26 or $27 to make exporting worthwhile."

Withbank Colliery chairman Allen Sealey says much will depend on the current round of annual international price negotiations. A realistic price (at least US$25/t) he says is needed to make exporting worthwhile.

Sealey is chairman of the committee negotiating with government on rail tariffs and he says any reduction in costs would be welcome. "Rail tariffs account for almost 40% of our cost. I hope they will be reduced to at least the level they were at before last year's increases."

Fortunately, much of the slack from the collieries will be taken up by Eskom's rapidly increasing demand. Witbank, for example, anticipates 1.8 Mt of coal will be stockpiled from their new Khutala mine before the Khutala power station is commissioned in June.

Although Trans-Natal's sales to Eskom decreased from 19 Mt to 18.1 Mt over the past year (from 60% to 56% of total tonnage), Amcoal more than compensated for this industry loss by increasing sales from 22.6 Mt to 26.4 Mt (from 60.6% to 64.6%), while Witbank's local sales increased from 10.1 Mt to 11.3 Mt (or from 33% to 57.8% of total sales).

In tonnages sold, at least this compensates for the loss in exports. Certainly, the mines are not losing money on sales to the electricity corporation. But, as different collieries supply Eskom and the export market, it may not be sufficient to prevent rationalisation at certain mines.
Loss on export maize

A payment will be made to all farmers who marketed maize under the marketing scheme of the maize board during the 1987/88 season, says Mr. Hennie de Jager, chairman of the board.

Mr. De Jager said this supplementary payment was made possible by a smaller export loss and the conservative basis on which producer prices for the 1987/88 season have been determined.

"As a result of the smaller than expected maize crop, maize has been exported at a loss. The export loss has been reduced through the board's successful efforts to market more maize domestically," Mr. De Jager said.

"The board's income from export maize has also been higher than expected as more favourable prices were obtained on international markets."

The board will also create a contingency reserve to establish a new stabilisation fund to reduce further risks.

As the maize surplus for the export market had already been sold by the end of December 1987, payments can be made this year before the end of the marketing season on April 30, 1988. He pointed out, however, that future payments, if any, would not necessarily be made before the end of the marketing season as is the case this year.

The supplementary payment in respect of grade 3 yellow maize has been fixed at R10 a ton since it had to be marketed at a discount due to its quality.

The present supplementary payment does not mean that the income of maize producers will be higher than it should have been.

The fact that the crop delivered was 1 million tons less than expected means that producers' income will only be in line with the prices announced at the beginning of the planting season.
Small businesses active

SA export potential ‘improving’

By AUDREY D'ANGELO
Financial Editor

SA’s production base is broadening, and firms turning to import replacement are manufacturing goods with export potential. Wolfgang Thomas, deputy area manager of the Small Business Development Corporation (SBDC) pointed out last night.

Dismissing suggestions that the export market is too expensive and difficult for small businesses to get into, Thomas said: “That is where the challenge lies.”

Lucrative

There were already more small businesses active in the export market than many people realized. But, because it was lucrative, “some of the big firms try to keep them out.”

Discussing recent warnings by other economists that the downturn overseas has killed hopes of an increase in exports from SA this year, Thomas — a former professor of economics at the University of the Western Cape — said this was more likely to affect large manufacturers.

Small firms were still likely to be able to pick up a few orders overseas which would be good business for them.

Thomas was speaking at the end of a small business forum in which clothing manufacturer Mike Fenner-Solomon, MD of Helene, Francine Beudiker, regional manager of the SA Foreign Trade Association (Safo) and Gerrie Barnard, senior manager, corporate banking services, at the Trust Bank, gave advice to potential exporters.

In answer to suggestions from people in the audience, Thomas said the SBDC was in favour of several firms sharing one stand at overseas exhibitions or at the annual Design for Living exhibition in Cape Town, in order to cut costs.

Fenner-Solomon said SA manufacturers, accustomed to a fairly small domestic market, were more flexible than those from some other countries and this gave them an advantage. Some of the major manufacturers in the Far East were interested only in orders for thousands of units at a time.

But, he warned, it was vital that everyone in a firm was interested in entering the export market. And some initial orders had to be very small indeed but were worth getting in order to gain an entry to an overseas market.

He also advised firms to remember their main market would always be in SA, and not to export more than 20% of total production. “There are so many factors including the exchange rate which can change the situation and turn a profit into a loss.”

Competitive

And he advised against trying to make a big profit in the early stages in spite of the weakness of the rand, which made it easier to be competitive.

Barnard said there were “ways of getting round sanctions” — and his bank could help.

But Beudiker warned that it was “highly dangerous” to attempt to evade US sanctions. There were still goods which could legally to exported there.

Pointing out that entering the export market cost money, she said it was wiser first to expand in this country. Longer production lines meant lower unit costs.
South Africa was no longer in a position to export its food surpluses profitably, the Deputy Minister of Agriculture, Dr Kraal van Niekerk, said yesterday.

Dr van Niekerk was speaking at the opening of the Free State Agricultural Union's winter grain congress.

Excessive agricultural production — particularly in Europe and the United States — in the midst of a stagnating demand for food, had caused vast surpluses, he said.

"The inevitable result has been low producer prices — and a worldwide rush to either retain existing export markets or conquer new ones by fair means or foul," Dr van Niekerk said.

As an example, the world's maize production had grown from 30 million tons in 1963/4 to an estimated 129 million in 1966/7.

In the same period, wheat production had risen from 133 million tons to 165 million.

The prices of maize and wheat would have to rise by 75 percent and 85 percent respectively to enable South Africa to export them at a profit, Dr van Niekerk said.
Taiwan beckons an SA exporter

By Don Robertson

A LOOK at the export potential of the Taiwanese market in the past two years has prompted Industrial Machinery Supplies (IMS) to establish an office in Taipei.

In association with its multinational principals, including M.A.N./GHH of Germany and Alsthom of France, it hopes to break into the Taiwanese market, initially on a small scale. It is looking also at export potential in Chile and Israel.

In December 1986, IMS established an agency agreement with a Chinese company in Taiwan and after an investigation of the market showed that SA industrial machinery had export potential.

IMS intends to establish a second office in Taipei and will use its expertise to represent other SA companies.

Japanese

IMS, which depends largely on Eskom for its custom, is aware of the slowdown in the corporation's spending programme and intends to use its spare capacity for exports.

The export consultant Jean Labesse says a breakthrough in the Taiwanese market will be difficult.

Because of Japanese occupation of Taiwan between 1945 and 1949, many businessmen now in office have had a partial Japanese education and favour Japanese products.

Americans, the biggest buyers of Taiwanese products, virtually insist they are invited to tender for major projects — with the threat that US markets will be closed.

Another problem is that European industrial machinery manufacturers are able to offer a fixed price for components for all the contract time through an insurance scheme operated by their governments.

IMS, along with other companies, has approached the SA Government for a similar scheme.

SA exporters are also concerned about having to operate "blindfolded" because of the intention to withdraw most of the incentive schemes by the end of the year. What will replace them is not known.

In spite of these problems, Mr Labesse is confident that SA companies can compete successfully for small projects in Taiwan by supplying generator sets, furnaces, boilers and materials handling equipment.

Mr Labesse says Chile is now economically and politically stable. With SA's mining expertise the potential for exports of equipment such as load haul trucks is good.

Israel's decision to switch most its power generation from oil to coal will also offer IMS a market for ship-loading equipment which it manufactures.

The R150-million IMS group was established 40 years ago in SA, mainly as an agency for international companies, such as Voith, Hazemag, Yanmar, Haver, Krupp Widal, Beumer and Redding. However, in the past six years, the company has introduced a design and manufacturing operation and has undertaken major projects, such as a part of the Koeberg power station, as well as many Eskom orders and other turnkey developments.

The design and manufacture of components, such as stacker reclaimers, steam boilers, load, haul dumpers and winders for the mines, chemical plant equipment and material handling plants, makes up about half of the group's turnover.

Most of the manufacture is sub-contracted, but local content has been as high as 90%, only design drawings being imported. IMS provides quality assurance.

SIT 2/12/88


MILLIONS of rands are leaving South Africa every month in the form of artworks for sale on the international market.

And the people who look after the country's heritage of antique paintings, sculptures, furniture and other artefacts are powerless to staunch a multimillion rand flood of these objects being literally smuggled overseas.

The National Monuments Council (NMC) in Cape Town disclosed this week that it had received "no more than half a dozen" applications to export heritage artefacts from South Africa last year.

But the full extent of the trade was only revealed recently with the latest figures from "Eurostat", the bureau in Brussels which compiles figures for imports coming into European Community (EC) nations.

They show that in eight months to last August "Works of Art" coming into Europe from South Africa amounted to R34.5-million - placing them among commodities like coal, gold and diamonds in the top 10 of South African imports into the EC. Ninety percent of that went into Britain.

Drop

The figure shows a slight decrease from the year before when the figure was R367-million. The drop, said Eurostat officials, can be attributed to a fall in white emigration from South Africa, which peaked in 1986.

The category includes a range of articles such as paintings, silver, wrought gold, jewellery, statuary and sculpture.

The works leave South Africa in two ways - either in straightforward sales to foreign buyers, or as household goods taken out by emigrants.

Bonanza

The depressed rand against international currencies has meant a bonanza for South African owners.

In terms of a recent amendment to the 1999 National Monuments Act, all paintings, manuscripts and documents that have been in South Africa for 100 years or more must have the NMC's approval before they can be exported.

A 56-year rule stands for furniture, silverware and jewellery.

The NMC - a statutory body - admits it is virtually powerless to police the illegal export of such goods.

Sales overseas lose SA heritage millions

By JEREMY BROOKS in LONDON

and HAMISH MCINDOE

One item due to go under the hammer in two weeks' time has embroiled Christie's in some controversy. It is a rare 17th century "silver car" used as a ceremonial mace in the Vice Admiralty courts of old Cape Town.

It was last used in 1914 by the First Chief Justice of South Africa, Lord De Villiers, and is now owned by his grandson, the Honourable John de Villiers.

Mr De Villiers, approached when the impending sale was first announced, denied that it was to be auctioned and said it had only been sent to Christie's for evaluation.

However, the latest catalogue confirms it is to be sold on March 8.

Permit

Experts tentatively put its worth at about R50 000.

The car, given a permit by the NMC authorising its export, has highlighted the worst fears of museums and galleries to the plight of South African nationalities, losing key heritage objects.
Soaring rail costs threaten coal exports

THE huge rise in transport costs on the Richards Bay coal railway line is threatening the R3-billion-a-year export market.

Since March last year, railage costs have risen from R12,90 a ton to a whopping R23 a ton.

SA Transport Services (Sats) stands to earn R100-million in tariff charges alone on this year's coal exports.

The price charged for carrying export coal from the Eastern Transvaal fields to Richards Bay is now more than the cost of digging it out of the ground.

Profits tumble

The effect of the Sats tariffs was starkly emphasised this week in the interim report of a major coal exporter, Trans-Natal.

In the six months to December, profits tumbled to R8,5-million from R13,7-million in the same time in 1988. Chairman Steve Ellis places the blame squarely on the higher rail costs. The company has been forced to pass its dividend.

Mr Ellis says that railage costs for the six months rose by R17,5-million over the 1986 half-year and are now higher than total mine costs.

By Don Robertson

They include mining, washing and loading aboard railway trucks. Trans-Natal made great efforts to keep production costs below the inflation rate.

Mr Ellis suggests that because of the iniquitous rail charges, many coal mines may be forced to close with a resultant loss of thousands of jobs.

"Certainly, there will be no additional funds to expand our operations."

The industry's progress has also been threatened by sanctions - last year they cut exports by about 8-million tons - lower international prices, a stronger rand-dollar rate and high internal inflation.

Mechanisation

The industry employed 100,000 black workers two years ago, but in 1987, 5,000 jobs were lost. Increasing mine mechanisation is expected to lower job numbers to about 87,000 this year.

Since March last year, the industry has been in heated debate with Sats over the tariff increases and a Cabinet committee has been appointed to investigate them.

Industry sources say that Sats' efforts to recoup the cost of the doubling the Richards Bay line in the past two years in as short a time as possible is mainly responsible for the jump in tariffs.

Because of continuing discussions on rates, most coal exporters are reluctant to discuss developments and none can suggest when the matter will be resolved.

It is expected that rates will be rise next month, but the industry hopes that any increase will be limited to inflation.

Sensitive

The Transvaal Coal Owners Association (TCOA) says the matter is sensitive and is "unable to pre-empt" any findings. Dave Rankin, managing director of Anglo-American Coal (Amcor), is equally reluctant to discuss the problems facing the industry.

However, Allen Sealey, head of the Rand Mines coal division, said recently that some mines' exports were being made without profit.

He warned that if rates remained at present levels, some exports would become unprofitable and few producers would be able to cover costs.

Uncertainty about tariffs has made it more difficult for the industry to negotiate sales agreements and has added to the risk.

Mr Ellis says the current tariff places the coal industry in an invincible position. He warns that if rates remain at present levels, the closure of mines will directly hit Sats as the income from export railage charges will fall sharply.

Although praising Sats for its operational ability, he says "their financial approach is killing the industry."

"In past years we made substantial profits from our exports and maybe Sats will say that we can ride with the burden now. But they have hit us at the worst possible time in view of the lower prices and recently rising rand exchange rate."

Australians

Aggravating the position is the fact that the Australians have been unable to reduce the f.a.s. price of their coal in the past year, and so reduce SA's competitive edge.

However, Mr Ellis hopes that some relief will arrive soon. Contract and spot prices are improving and he expects "a few dollars more this year."
SA exports to America cut 30pc

JOHANNESBURG — South African exports to the United States plummeted by almost 30 per cent in the first nine months of last year after Washington enacted anti-apartheid sanctions legislation in October 1986.

US Commerce Department figures released here showed that the two-way trade between South Africa and the US shrank to $1,922 billion from $2,634 billion in the same period of 1986.

The figures highlighted the fast deteriorating trade between South Africa and the US, which was supplanted by Japan as Pretoria’s biggest trading partner in 1986.

South Africa’s exports to the US fell to $1,012 billion from $1,921 billion, while imports from the US edged up to $910 million from $859 million.

South African uranium, which once accounted for nearly six per cent of total exports to the US, dwindled to zero between January and September last year.

So did exports of gold and silver bullion, coal, iron and steel, and a range of agricultural products banned by the US Comprehensive Anti-Apartheid Act of 1986. The law also barred new investment and bank loans to South Africa.

The evidence of declining US trade with South Africa will heighten Japan’s embarrassment over its position as Pretoria’s number one trading partner, according to Western diplomats.

Last year Japan’s two-way trade with South Africa rose nearly 20 per cent to $4,27 billion, prompting accusations that it is filling the vacuum left by about 140 US firms that have pulled out of the country over the past three years under anti-apartheid pressure.

Uneasy about the expanding trade, Tokyo’s Foreign Ministry called on the influential Federation of Economic Organisations in January to act cautiously in doing business with South Africa.

The call prompted car makers Toyota and Nissan to announce that they would cut shipments of motor components, which account for about 40 per cent of Japan’s total exports to South Africa.

Last week, several major Japanese electronics firms, including Fujitsu, Pioneer and NEC, announced they would end sales to South Africa.

Local businessmen noted, however, that Japan’s powerful Ministry of Trade and Industries appears less enthusiastic than the Foreign Ministry about curbing business links with this country and has done little to restrict South African exports to Japan.

Last year, Japan bought about $350 million worth of coal from South Africa, roughly 20 per cent of the country’s total coal exports.

Meanwhile, Iscor announced yesterday that it would establish a multi-million rand electrolytic galvanising plant in its Vanderbijlpark works and would go on “open inquiry” soon to establish where the plant may be obtained abroad.

The plant would cost an estimated R600-million, Iscor’s public relations manager, Mr Piet du Plessis, said.

He denied a report published on Monday that Iscor had had secret negotiations with the Japanese Ministry of Trade and Industry to obtain the plant from a Japanese supplier.

He said Iscor would go on open inquiry, probably at the end of this month. Companies in several countries offered this technology and Iscor had not yet decided where the plant would be bought, he emphasised.

The plant would produce 25,000 tons a year of high-quality galvanised steel required by the motor industry, among others.

The plant is expected to come on stream in 1990. — Sapa
SA exports to US drop by 44.4%
JOHANNESBURG — United States sanctions legislation caused South Africa's exports to the US to plunge by 44.4 per cent in dollar terms in the first nine months of last year.

US commerce department figures released here show that South Africa's exports to the US nosedived to $1,012bn from $1,821bn in the nine months to September 1987 compared with the same period in 1986. However, imports from the US edged up to $910m from $863m in the same period.

Exports to the US of a range of South African goods and commodities banned by the Comprehensive Anti-Apartheid Act plummeted to nil in the nine-month period. These include uranium products, which once accounted for nearly 6 per cent of total exports to the US. Uranium oxide exports fell to nil from the $117m recorded in the January to September period in 1986.

Coal exports also dried up (from $30m), as did iron or steel ingots (from $13m); gold or silver bullion-ore (from $79m); coal (from $36m); shellfish (from $24m) and motor fuel (from $25m).

Imports from the US to South Africa rose by just over 5 per cent. Imports from the US of general merchandise almost doubled from $12.8bn to $24bn, reflecting heightened domestic demand as the economic recovery got underway.

Although these figures are not adjusted for currency fluctuations, economists say the picture does not alter significantly if the rand-dollar exchange rate is brought into account.

While South Africa's exports to the US were sharply down in the period from January to September last year, its total exports, in rand terms, increased marginally. — DDC
TOKYO — Japanese computer-maker Hitachi has agreed with the West German firm Comparex to limit exports of computer parts supplied to Comparex for assembly and sale to SA, an Hitachi spokesman said yesterday.

Hitachi took the step to show possible US critics it did not intend to take advantage of American computer-makers' withdrawal from SA by boosting its own market share there, the spokesman said.

With its action, Hitachi has joined a small but growing list of Japanese companies which have said they will limit exports to SA following pressure from the foreign ministry.

Hitachi supplies central processing units, magnetic disk devices and other computer components to Comparex, a joint venture of West Germany's Siemens and BASF. Comparex assembles the parts and sells the computers under its own brand name in SA.

Comparex agreed to a Hitachi request to observe a Japanese government ban on the sale of computers to the SADF and other bodies involved in implementing the policy of apartheid, the spokesman said.

The two sides also agreed the value of parts supplied by Hitachi in this business year, ending on March 31, and next year would not exceed the value shipped last year.

Industry sources estimated 1986/87 shipments were worth about 5bn yen. The value of shipments in the current year was likely to be about half the previous year, the spokesman said.

The Foreign Ministry is embarrassed by Japan's status as SA's largest trading partner. — Sapa-Reuter.
which would be in direct competition with
the railway line. "Studies in the US and UK
concluded that no country could justify
building a railway for coal transport on eco-

eco-
economic grounds, only on strategic grounds.

The cost of laying a pipeline is far less
than that of laying a railway line and, as
manpower requirements are minimal, run-
ing costs are far lower. The proposed East
coal pipeline in the US would have consumed
far less steel than a comparable railway
line."

Coal pipelines can come in two forms. In a
slurry line, coal is carried by water or metha-
nol, but Marcus prefers a pneumatic capsule
line in which coal is carried in capsules
propelled by compressed air. He says this
would have the advantage that other com-
modities could also be transported.

Marcus is convinced that, if legislation
was changed to allow the private sector to
develop pipelines, the capital could easily be
found. "Rail tariffs have become such an
immense burden that I'm sure the coal own-
ers would join a consortium to get an alterna-
tive."

Meanwhile, there is also some good news
on the export front. J D Anderson coal ana-
lyst Dave Russell predicts that spot prices
will stay at around $30/t FOB, some way up
on last year when they averaged $24/t.

Contract prices have not suffered too
much — Amco has settled at $25,90/1 FOB
for its exports to Taiwan, an increase of
$1,90/1 — even though the Taiwanese were
originally looking for price cuts.

Says Russell: "Hong Kong, South Korea,
Taiwan and Japan are expected to increase
imports by 1 Mt each for power station con-
sumption. This is good news for South Afri-
can producers who already have close ties
with these countries."

- 11/3/88

Sats in the dock

Sats' rail tariffs have been put squarely on the
dock in the spotlight by two recent develop-
ments — ongoing talks with the coal industry to
reduce heavy increases and the new focus on
privatisation.

Trans-Natal chairman Steve Ellis recent-
lly put the blame squarely on increased rail
tariffs, when he announced the group's dis-
appointing results; in the six months to end
December, profits fell to R3,3m, compared
with R52,7m in the same period in 1986.

Sats would be shooting itself in the foot.
Ellis argues that if rates remain at present
levels, the forced closure of mines will direct-
ly hit Sats as the income from railage
charges will fall sharply.

The highly confidential talks between Sats
and the coal industry go on. But the coal
industry is seeking nothing less than the
reduction of tariffs to their old average level
of R12,90/t — from the current R23/t — if
local exporters are to stay internationally
competitive.

The State President's renewed commis-
tion to privatisation will inevitably raise
demands to sell the Richards Bay line to the
private sector, ideally to a consortium of coal
owners, rather than allow profits to be used to
subsidise other Sats laggards.

Says Cargo Carriers MD Roy Marcus:
"Sats should be unshackled from responsi-

bility for commercial operations and the pri-
rate sector should take these over."

Marcus favours the creation of a coal
pipeline from Witbank to Richards Bay,
JAPANESE CONCEDE DEFEAT

The decision by the Japanese electronic firms, Pioneer, NEC and Fujitsu, to end sales to SA will only exacerbate a current trend. Asia's newly industrialised countries (NICs) - principally Taiwan, Korea and Hong Kong - are taking over from Japan in the consumer electronics fields.

Many firms say products such as colour televisions, video tape recorders and cars produced in the NICs are as good as their Japanese equivalents.

"It is only a matter of time before the NICs catch up with Japan in many of the domestic and overseas markets," says a spokesman for Sharp Electronics.

A spokesman for Goldstar, a leading Korean electronics company, tells the FM: "We have made significant inroads into the South African market because we have much lower labour costs than the Japanese and can offer more competitive prices. We are doing to the Japanese what they did to the Europeans - undercutting them on cost and equalling them on quality."

About 40% of Japanese firms polled in a recent survey admitted they had either withdrawn products or lost market share overseas as a result of NIC rivalry.

In the domestic market, 14% of companies surveyed said they had lost market share to NIC competitors and 34% expressed concern about losing ground in the future.

Businessmen believe the key to survival for Japanese firms against their NIC counterparts is to constantly introduce new products and keep ahead on technology. One example is a self-deodorising refrigerator, first marketed in Japan last year, which the NICs won't have the technology to copy - at least for the moment.
Manganese boost

South African Transport Services (Sats) has yielded to pressure and no longer insists that manganese ore be exported only through Port Elizabeth.

In a move that will please the two major exporters, SA Manganese Corporation (Samanco) and Ore and Metal Company (OMC), it now also allows shipments to be handled at Saldanha Bay.

But there are provisos, says Assistant-GM Harbours Mike Myburgh: the manganese ore must be shipped with substantial amounts of iron ore from Sishen and this can only be done when there is spare capacity in the harbour.

Samanco became the first company to take advantage of the new dispensation with a recent 20,000 t consignment from its northern Cape mines.

Myburgh says Sats cannot allow all manganese ore to be shipped through Saldanha. If it did, Port Elizabeth harbour, which has a dedicated facility and, through manganese exports, only just makes ends meet, would lose R5.5m/year or about 5% of its annual revenue.

Although the Saldanha harbour, built to handle 18 Mt/year of iron ore, is operating at half capacity, storage is sometimes filled to capacity. Myburgh contends that, if it would cost millions to build the additional stacking space and to buy and install the additional recovery equipment that would be needed and to modify rolling stock so that it can be handled by the tippler at Saldanha.

Nevertheless, Sats should welcome the additional use of the port and railway line to Sishen that feeds it. Both were built by Iscor in the Seventies, but the high international demand for iron ore that it was intended to satisfy petered out soon after completion and the project started losing millions.

In 1976, the Treasury bailed Iscor out by taking over the capital cost. Sats was given the task of operating both the line and the harbour — and repaying the Treasury with operating profits.

In fiscal 1987, it made a modest operating profit, but had fallen R22.3m behind in its capital repayment schedule, says Myburgh. It now wants the Treasury to pick up its interest bill.

Samanco and OMC have been trying for more than a decade to persuade Sats to allow manganese to be exported through Saldanha.

They say that by limiting them to Port Elizabeth, which can handle ships of up to 60,000 t, SA is handing business on a plate to its competitors, Gabon, Australia and Brazil. If allowed to ship through Saldanha, where cost-effective 300,000 t ships can be berthed, they can satisfy the demands of steelmakers that iron ore and manganese be shipped in one super vessel. The benefit to SA would be manganese earnings in excess of the current R180m-R200m/year.

Steel producers often specify a mix of Brazilian iron ore and South African manganese. But, because super vessels cannot put into Port Elizabeth, they invariably get the manganese component of their cargoes from the other producing countries.

With Sats's new dispensation, steel producers will be able to do one-stop shopping.
Mitsubishi: no plans to halt SA exports

MICK COLLINS

MITSUBISHI Motors said yesterday it had no plans to halt exports to SA but would make case-by-case decisions about exports to this country in line with policy changes in the industry as a whole.

Industry sources said the Japanese statement referred to the complete knock down (CKD) kits which were shipped in cases to SA, assembled and sold under the Mitsubishi brand.

A Reuters report filed from Tokyo said Mitsubishi could stop exports to SA because of mounting foreign criticism of Japan as Pretoria's largest trading partner. Much of the criticism has focused on the motor industry.

Exports

However, a spokesman for the local Mitsubishi agent, SA Motor Corporation (Samcor), said: "We've not been notified of any limit on any order placing."

Assistant MD Tom Williamson said: "We will continue to place orders and receive shipments on a normal basis."

Mitsubishi CKD exports to SA were 4700 in 1985, 4400 in 1986 and 5300 in 1987.

Last week, the Toyota Motor Corp in Japan said it would "act prudently" with regard to its SA exports, while Nissan said it was considering export limits.

A Reuters report said on Wednesday Japanese computer maker Hitachi said it had agreed with the West German firm, Compax, to limit exports of computer parts it supplied to Compax for assembly and sale to SA.

Come up

The Japanese Ministry of International Trade and Industry (MITI) has been asking major industries through the Federation of Economic Organisation (Keidanren) to restrain exports to SA after pressure from the Foreign Ministry.

But, a Keidanren official said on Monday Japanese business leaders had asked the government to come up with concrete rules or criteria restricting exports to SA.
By Ruth Golembo

SECRECY surrounded much of a Cape Supreme Court action this week about lucrative scrap metal exports.

Iscor subsidiary Cape Town Iron & Steelworks (Cisco) applied for an interdict restraining SA Metal & Machinery from exporting 10,000 metric tons of scrap metal to the Philippines.

The urgent application was brought while the metal was being loaded on a ship. It was dismissed by Mr Justice EL King with costs.

The papers before the court were secret so as not to disclose the identity of offshore companies and market routes set up by sanctions busters.

Cisco claimed SA Metal was bound to sell all its scrap to it and five Western Cape foundries.

High price

Kenneth Kynoch, managing director of Cisco, claimed SA Metal had been stockpiling metal and exporting it. Graham Barnett, a director of SA Metal, denied that his company was bound to supply the scrap to Cisco.

According to Mr Kynoch, the world price of scrap metal is exceptionally high and it is in great demand in the Western Cape.

Cisco converts the scrap into billets exclusively for export. It has contracts for the delivery of 30,000 metric tons of billets to a Hong Kong company, Shui Wing.

Delivery of 15,000 metric tons is due this month and the rest in June.

Because of sanctions against South Africa, the contracts are of great importance.

Competition

"We are only able to conclude these contracts because of the high quality of the material delivered by Cisco despite competition from elsewhere.

Cisco could be liable for payment of damages and the failure to produce the goods could harm its reputation."

Richard Cooper, acting for Leo Raphaely & Sons which chartered the ship, said his client had sold the scrap to a buyer in the Philippines. It had to deliver the metal by early April.

Mr Cooper said the company was "trading in climate which can be said to be hostile to South African products and companies."

His client was reluctant to disclose the identity of the buyer and other information about its trading methods.

To circumvent sanctions, Leo Raphaely was obliged to trade through offshore companies.
SA leads in British trade

South Africa received varying signals from its major Western trading partners yesterday. While the country's exports to West Germany plunged by about 25 percent in German mark terms in 1987, British export figures to South Africa confirmed the Republic's place as the leading market in sub-Saharan Africa for British goods.

According to figures released in London, exports from Britain to South Africa increased by 12 percent to £949 million, while the country also remained sub-Saharan Africa's largest exporter to Britain. See Page 7.
SA exports to West Germany drop sharply

Coal exports decreased by 53 percent, raw materials in general by 32 percent, semi-finished products by almost 20 percent and end-products by almost 46 percent.

In a few areas, export figures went up slightly, including copper, wood-pulp and foodstuffs.

The decline in exports to West Germany, South Africa’s third-largest trading partner, is likely to place even greater pressure on South Africa’s balance of payments position because it went hand in hand with an even greater decline in exports to the US and higher imports from the US.

Only last week the Commerce Department said that South Africa’s exports to the US had nosedived by 44.4 percent to R1.1 billion.

South Africa’s trade surplus as a whole in 1987 was R13.98 billion, compared with R15.31 billion in 1986.
SA-German exports down

SA EXPORTS to West Germany plunged 23% in deutschmark terms in 1987, the SA-German Chamber of Commerce and Industry said yesterday.

As the dollar value of the deutschmark rose 21.2% over the year, the decline was not substantial in real terms.

The major contributor to the 23% decline was the Krugerrand which dropped about 90%, reflecting the effect of the ban on importing the coins.

According to German survey figures, SA's exports fell from R3,1bn in 1986 to R2,5bn last year while its imports rose 8.6% from R4,4bn to R5,2bn.

The value of gold and coal sales declined 33%.

Graham Boxted, chairman of Arno coal and chairman of the Richard Coal Terminal Co, said tonnages of coal exported to West Germany did not decline — the strengthening of the deutschmark and the plunge in coal prices were responsible for the drop in value.

Raw material exports in general decreased 35%.
SA-Bonn trade slumps

JOHANNESBURG
South African exports to Germany plunged by 25 per cent in Deutschmark terms in 1987, the South African-German Chamber of Commerce and Industry said yesterday.

German statistical survey figures showed that South African exports to Germany fell from R3.1-billion in 1986 to R2.5-billion last year. Imports from West Germany rose by 8.6 per cent to R5.2-billion from R4.4-billion in 1986.

South African gold sales to Germany suffered a major knock with a drop of 53 per cent and the Krugerrand fell by almost 90 per cent.

Coal exports decreased by 53 per cent whereas raw materials in general decreased by 33 per cent, semi-finished products by almost 20 per cent and end products by almost 46 per cent.

In a few areas export figures went up slightly, including copper, woodpulp and foodstuffs. — Sapa
The Granite Sector

Rocks for profit

There is strong demand for South African granite on foreign markets and that has to be bullish for shareholders in the listed companies. Keeley Group, Martin Corporation and Kudu Granite — all floated on the JSE last year — are the beneficiaries and show the buoyancy of this unusual sector, powered as it is by the weak rand. They are at present selling and exporting just as much granite as they can hew and produce and say they have been able to negotiate higher prices. Since virtually their entire output is exported, any continued weakness in the rand will be favourable for profits.

Surging demand has persuaded the producers to expand output capacities. And all are in a position to do this, as each has ample reserves expected to last for decades.

Barring Kudu, the local industry has been producing — and exporting — for years. But it was only when the rand began depreciating sharply against the dollar from about 1984-1985 that profits started booming. The recent R2/US$ rate made the producers more than comfortable on prospective export profits and, at the present R2,11 rate, their turnover could rise by more than 10%.

Average cost escalations for the industry run roughly in line with local inflation, while capital spending is currently averaging about R3m/year for each company. Export prices (for all products) are around $380/m³, amounting to a fob local price of R792 which, after railage of R200/m³, leaves some R590. Typically, black granite sells for roughly double the price of red and three times the price of grey.

There are negatives which have recently dashed some expectations. In particular, heavy rainfall has slowed down production and hurt profits, particularly at Kudu Granite’s operation. However, this kind of weather is unusual in the area and the disruptive wet conditions will not necessarily continue.

Another potential risk lies in the possibility of new producers appearing and expanding supply too rapidly. Existing suppliers

You can find it in tombstones and labs, banking steps and war memorials. It’s granite and, in its own way, it has become a hot market for exporters. Three local companies, all recently listed, are in the big league.

PROFITS HARDSH

<table>
<thead>
<tr>
<th>Forecast 1988</th>
<th>Market Cap (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Keeley</td>
<td>12.5</td>
</tr>
<tr>
<td>Kudu</td>
<td>3.9</td>
</tr>
<tr>
<td>Martin</td>
<td>14.5</td>
</tr>
</tbody>
</table>
argue that additional smaller producers — other than the most recent newcomer, Kudu — might find it difficult to break into the industry and compete with established groups which have built up their infrastructure and market over decades. Whether this is true remains to be seen, but high quality reserves are apparently difficult to find and newcomers are also compelled to draw on limited supplies of skilled labour.

A concern that applies to all commodity exporting businesses is whether a global recession could cause cracks in the granite market. However, consumption of granite has grown strongly in recent years.

The sanctions threat, if it exists at all, is thought, at this stage, to be limited. Granite markets are highly dispersed and include countries believed to be relatively unlikely to approve of or engage in sanctions. Customers are generally private individuals or organisations rather than governments and quasi-government institutions. Exported granite has a low-key product profile; is hardly a glamour product; and is delivered in unworked form. Customers have strong preferences for black tombstones in Europe, the Far East and North America and these tastes might not alter easily. Only limited tonnages of granite are shipped at any time, presenting an inconsiderable load compared to bulk ore carriers.

More worrying is that an American senator recently asked for an import levy of up to 10% to prevent dumping by Italy — and, therefore, indirectly by countries like SA which deliver to Italy. Yet this too could be overcome — SA is said to be virtually the only supplier of the popular black granite.

The term granite, says Kevin Kartun of stockbroker Simpson McKie, is used loosely in the rock trade to describe a variety of igneous rocks such as gabbro, norite, syenite, dolerite, tonalite, true granite and porphyry. When these rock types are used for building purposes in the form of blocks, slabs or sheets, they are collectively referred to as dimension stone. To be suitable for building, the material should be resistant to weathering. Because of its durability, granite is increasingly being used instead of sedimentary rocks like marble and sandstone which are more easily damaged by pollution when used outdoors.

One reason why analysts expect demand for granite to remain strong is that it is used extensively in the building and memorial industries. It appears in banks and hotels, on steps and in foyers, for example, and such applications are thought to be more lasting than fashionable. Other uses are in furniture, counter tops, ornamental items and memorials. It is found in laboratories and has applications in hi-tech, where it is used mostly as a base for optical and other equipment because it is stable and resists temperature changes.

Marlin chairman Peter Gain ascribes the strong demand for South African granite — SA supplies 20% of total international trade — to the product’s unique characteristics, associated with the central zones of the Bushveld Igneous Complex. He adds that SA maintains strict quality controls, has a proven track record and delivers on time.

Analyst Peter Helbey, of stockbroker Edey Roger, says that commercially viable deposits are selected on the basis of quality and accessibility and that a particularly important aspect of quality is an attractive appearance after polishing. These deposits can be black, pink (with "blue" patterns) or the more usual variegated grays and browns. All of them are exported by SA. The three companies, keeping recovery grades in mind, eventually manage to produce consistent rock with minimal faults, fractures, joints and veins that reduce recoveries of suitable material. Recovery is continuously ranging from 5% in black granite to above 60% in coloured.

All of the companies produce various types of granite and this makes their product ranges and financial profiles quite different. Changes in colour and texture which enhance the appearance of granite would not always be acceptable in black granite. Although marketable black granite is manufactured by all three producers, Marlin is by far the largest producer of the black variety.

Each company operates a number of quarries in different regions. Kudu is the most diverse with 50 operations; followed by Marlin and K EUROPE, employing more than 1000 people spread between Zimbabwe and Rustenburg. Kudu and Marlin operate mainly from Rustenburg and Belfast and employ roughly 238 and 600 people respectively. All have large reserves.

Frankel Kruger analyst Keith Righ notes that Kedey is not only the largest South African granite company, but also the world’s largest single producer of dimensional granite. More than 80% of income from granite is derived from exports and Kedey has, therefore, established an own freight forwarding and developing company formed in 1959 by chairman Ted Kedey, the only a small operation that has gained considerable experience in the trade.

Marlin has its origins in the Belfast district where production of black granite started in 1888. It is the largest producer of
UK exports to SA rise 12%:

LONDON — British exports to SA rose by 12% to £948m last year.

The figure, released in the latest report of the London Chamber of Commerce's Tropical Africa Committee, confirms SA as the leading market for British goods in sub-Saharan Africa.

It shows British traders have not let sanctions interfere with business.

Trade Minister Alan Clark has urged businessmen to continue to do business with SA within the limits of the UK's international obligations.

Delivering a speech last November, he said trade should be determined "by the commercial judgment of those engaged in it."

British business is expected to send five trade missions to SA this year, to promote exports.

UK exports to Nigeria, the largest market after SA, fell by £24m to £402m — the lowest level for several years, the report says.
Queue for action

Ships are reportedly queueing for up to two weeks off Richards Bay to take on bulk mineral export cargoes (excluding coal) from the port.

At costs of between US$6 000 and $8 500 a day, that produces a hefty demurrage bill — uninsured and generally payable by the shipper.

Small wonder that complaints — however muted and unsourced, since shippers and their agents are anxious not to rile SA Transport Services’ (Sats) harbour authorities — are beginning to surface.

Critics isolate five principal reasons for port congestion and loading delays:

- Prolonged construction of a second bulk loader is curtailing loading schedules of the existing loader at quay 703;
- Three new quays that should have been signed over to Sats by the contractors are lying idle;
- Bulk storage bins which were to have been commissioned early last year, were opened only last month;
- Sats has over-committed the port;
- Its rail rates are geared to dissuade shippers from using alternative harbours, such as Durban.

For example, shippers wishing to use Durban rather than Richards Bay will pay between R6/t and R12/t more to rail their cargo to the port. At the higher end of the scale, a 20 000 t export order thus faces increased transport bills of R240 000.

Sats chief director (harbours), Neil Oosthuizen, contends that the principal reason for the congestion which might occasion-
can Transport Services' (Sats) harbours division, the railways division refused to accept the shipment because of a standing Cabinet ruling that all manganese ore must be shipped through Port Elizabeth.

Harbours obviously knew about the ruling, but whether they chose to overlook it is a matter for conjecture.

The ore consignment destined for Saldanha would have been the first manganese to be shipped through the west coast port. It would have also marked an about face in harbours' policy. Since it took over Saldanha Bay from Jacor a decade ago, it has refused to allow manganese producers to use it.

But now Saldanha is operating at 50% capacity, harbours assistant GM Mike Myburgh says he is prepared to let manganese producers use it on certain conditions: that the port is not busy with iron ore shipments at the time; that exporters send low-grade ore; and that a substantial quantity of iron ore rides "piggy-back" with every shipment.

This is the trend overseas, where major steelmakers demand their iron and manganese ore be shipped in one vessel and specify bulk carriers of more than 250,000 t to carry the freight. Such vessels cannot be accommodated in Port Elizabeth, where the limit is 60,000 t. But they can put in at Saldanha Bay.

Only high-grade manganese ore can be exported economically through Port Elizabeth, because of its limitations. As a result, large quantities of low-grade ore are being stockpiled. There is a market abroad for it if it can be shipped cost-effectively — as it can, through Saldanha.

The harbours division is understandably unhappy with the present situation and has asked the Cabinet to withdraw the ruling, says cargo services chief director Niel Oosthuizen.

"We sent a memo to Cabinet through Sats marketing department, explaining the facts and detailing how SA will benefit by allowing low-grade manganese ore to be shipped through Saldanha," he says.

A mining house source says little low-grade ore flows through Port Elizabeth anyway, so it won't be greatly affected by any loss of cargo to Saldanha.

"In any event," he says, "the spinoff Port Elizabeth will get from the Mosgas project will make its earnings from manganese exports look like chicken feed."
R14m to replace tugs — Louw

Political Correspondent

CAPE TOWN — South Africa sold two old tugs to Mozambique last year at a cost of R50 000 each — however, it would cost R14 million to replace them.

The Minister of Transport, Mr Eli Louw, gave a written reply to questions submitted by the nominated Conservative MP, Mr Clive Derby-Lewis.

Mr Louw said the two craft — the Willem Heckrood and the Danie du Plessis — were sold to Mozambique because they were outdated and redundant.

"South African Transport Services (Sats) endeavours to sell the craft on the international market had met with no success.

"The specific model craft is diesel-electric driven," Mr Louw said.

"Should they be replaced by the newer type craft presently available on the market it would be at a cost of approximately R7 million each."

Mr Derby-Lewis also wanted to know if Sats staff would be involved in operating and maintaining the craft.

"A request for assistance has been received but no decision has yet been taken," Mr Louw said.
Iscor lifts exports
laughs at sanctions

SANCTIONS against South Africa have had no effect on Iscor's steel exports.

In fact, exports have increased from 36% of total production four years ago to 40%.

Nols Olivier, senior general manager in charge of marketing, says in an interview in Iscor's house magazine — Iscorian — that the corporation knew it would lose the American market and others were developed.

Mr Olivier says: "At one stage we were exporting to 60 countries, but have consciously reduced this to about 60 selected markets. As long as we maintain our competitive edge in terms of quality and keen pricing, sanctions will not have much of a bite."

Iscor's workforce is 57,000 compared with 76,000 before the rationalization programme was initiated in 1984. Steel production was 7,2 million tons in 1982, but fell to 7 million tons in 1983 and 1984. It is now back to 7- million tons.

Iscor is not particularly worried about expanding steel production by Taiwan, Brazil and South Korea.

"It does not seriously affect Iscor's current position as the 16th-largest producer in the world since our marketing policy differs from theirs."

However, Iscor does not see any increase in its production capacity in the next 10 to 15 years.

Whether or not Iscor retains its present ranking in production capacity is of no concern. What is more important is that Iscor produces high-quality steel and performs competitively in domestic and foreign markets.

Mr Olivier says Iscor recently set a world record for the output of tinplate by producing 38,000 tons in one month. Studies are being undertaken to establish a R70-million plant for tin-free steel in 1986. Tin-free steel has a coating of chromium oxide which is a substitute for tinplate in various applications.

Only five

Iscor will supply 40,000 tons of ultra-high-grade steel for the offshore part of the Mosselbay project and could supply 39,000 tons for the onshore development. Iscor is one of only five producers in the world able to produce this high-grade steel.

It is also discussing with motor manufacturers the possibility of producing electro-coated steel for use in cars. Mr Olivier says building of an electro-galvanising plant has been accepted in principle.

It has developed a low-alloy steel for car wheels. This has effectively replaced imports of this steel and about 30,000 wheels are exported each month.

Iscor is considering the production of stainless steel slabs and hot-rolled coils at its Vanderbijlpark plant for export.
Anti-SA moves rebound with chromium shortage

Daily Dispatch Correspondent

LONDON — Attempts by United States stainless steel producers to reduce their dependence on South Africa for chromium, have rebounded on them, as a worldwide shortage of the metal develops, analysts here said.

They said South African producers are concentrating on the needs of northern European and Japanese customers, while according the United States a low priority.

As a result, some traders suggested that US stainless steel manufacturers fear they will soon run out of charge chrome and ferrochrome, and have been reducing their orders for other raw materials.

A boom in stainless steel production has not only fuelled the rapid rise in nickel prices, it has driven the cost of charge and ferrochrome to new highs on the free market and reduced stocks to unusually low levels.

In the last few months the free market price of charge chrome has risen by 45 per cent to 1,102-US tonne, while the price of charge chrome has doubled to 1,704-US tonne.

With South Africa producing more than half of the world's chromium and supplying almost all direct to users, free market stocks have been severely diminished by the boom in stainless steel production.

Stainless steel must contain a minimum of 12 per cent chromium.

According to Mr Jim Lennon of the Commodities Research Unit, stocks of charge chrome and ferrochrome had dropped to the equivalent of 1.5 months demand by the end of last year, and have been run down even further since.

He said South African producers had recently concluded charge chrome contracts with their European customers for the second quarter at 1,279-US tonne, 42 per cent up on the first quarter.

The authoritative journal Metal Bulletin reports that South Africa's low-carbon ferrochrome producers are poised to raise second quarter prices to 2,425-US tonne.

It says the producers believe that the rapid increase in prices has narrowed the gap between high and low carbon grades to unacceptable levels and that the differential needs to be re-established.
Platinum price hike

JOHANNESBURG — Bullish sentiments aired about platinum recently were supported by a $28 rise in the metal's price over the past week to $536 yesterday — largely as a result of shortages in supply, and strong demand from Japan.

Platinum's morning fix at $538 yesterday marked a five-month high on the London Metal Exchange.

Japanese sales in January came to 150,000 ounces — 20,000 ounces above the monthly average last year.

Analysts say this Japanese buying spree is a result of the low yen price of platinum. — DDC
SA coal will flood Britain after privatisation of electricity — MP

LONDON — Cheap South African coal will flood into Britain once electricity is privatised, Britain's shadow energy secretary, Mr John Prescott, claimed at the weekend.

Labour MP, Mr Prescott, was commenting on reports here of an impending visit to Britain by a party of South African coal chiefs later this month.

In a meeting at Rugeley in Staffordshire Mr Prescott said: "Morally, politically and economically, it is unacceptable for our electricity industry to be dependent on apartheid coal."

The South African group will explore the possibility of an increased market for their coal in the wake of the impending privatisation of British electricity.

The party will include the Rand Mines chairman, Mr Allen Cook; Mr David Rogane of Anglo America; Mr Bernard Holtshouse of Gencor and Mr Mike Hawarden of Johannesburg Consolidated Investments.

No official sanctions apply to South African coal imports at present but figures have fallen sharply in recent years.

This was due to political pressure. Common Market subsidies for European Economic Community coal and preferential treatment for British coal by the Central Electricity Generating Board.

Once British electricity is privatised, however, individual electricity producers will have more freedom in selecting their own suppliers.

Mr Prescott is at present embattled in a bid to wrest deputy leadership of his party from Mr Roy Hattersley. — DDC
Margaret Thatcher to accept SA cheese

BRITISH Prime Minister Margaret Thatcher has caused a snook at sanctions by agreeing to accept a commemorative SA cheese.

Thatcher is to have on her menu cheese No 0001, the first of NCD’s limited series of new, hand-made Cheddar cheese packed in the same manner as those exported to London in Queen Victoria’s time.

The dairy producer said yesterday that, apart from other awards, it was awarded a trophy for “Best Imported Cheese” in London in the 1930s, and in view of these historic ties with the UK cheese market, it was decided to present the first in the new series to Thatcher.

“Mrs Thatcher was informed of the decision and she wrote back saying she would gladly receive the cheese at No 10 Downing Street,” a statement said.

UK Consul-General John Massingham would accept the cheese on behalf of Thatcher at a function at Potchefstroom University to mark Potchefstroom’s 150th year festival on Saturday night.

The second cheese in the series would be auctioned at the same function in aid of the university’s rag fund and was expected to fetch thousands of rands.
EC export restriction on SA apples
If the price is right, UK will buy SA’s coal

THE South African coal industry’s London office was in the news this week.

Led by Allen Cook, deputy chairman of Rand Mines coal division, a delegation called at the Foreign Office. The industry is concerned that UK opposition to sanctions may be weakening.

Although Prime Minister Margaret Thatcher has vigorously opposed sanctions, the coal men have a point. When the European Economic Community considered a ban on SA coal imports in September 1986, Germany and Portugal vetoed the proposal.

The UK line was that it did not like sanctions, but would not stand in the way of any agreement reached by the other EEC members.

With the exception of Denmark and France, which have stopped coal shipments from SA, resulting in a loss of 9 million tons annually, the EEC market is still open.

The figures are no longer published. But it is the biggest EEC importer of SA coal, with 6.4 million tons reported in 1985-86, according to Bob Swan of the SA Coal Office in London. The amount is equivalent to 14% of total SA coal exports for that time.

ENRIL, the Italian power utility, is said to have signed a contract with SA exporting its coal over three years.

Italy has been diversifying its output to Colombia and China, but does not seem keen to abandon SA supplies.

SA output may have been increased so that ENRIL can live with a standstill agreement — undertaking not to raise its SA coal imports — if it is put in place as a compromise instead of sanctions.

Italy is keeping its powder dry on the coal sanctions issue, as is Spain, the other main EEC coal importer from SA.

Because there is no reason to think Germany or Portugal have lessened their opposition to coal sanctions, the issue does not seem a particularly live one.

But I am sure that the SA industry is right to keep a watching brief in London and in Bonn, where its other office was opened last April.

Job losses

There were two reasons why Mrs Thatcher failed to resist EEC sanctions on SA coal.

The first was that no vital UK interest was directly involved. Britain does not import SA coal. Indeed, Arthur Scargill permitting the UK hardly imports any coal.

Second, when the issue was live in late 1986, Mrs Thatcher had already had a gruelling summer fighting the proposed Commonwealth sanctions on SA. Although being in a minority of one out of 48 on this issue in her idea of a good time, even she had had enough by the time EEC summit time came around.

The SA coal delegation was obliged to deny it was being steamed coal contracts with the Central Electricity Generating Board, the UK’s Eskom. Mr Cook said it was accepted that SA coal imports would cause job losses and social problems in the UK.

He said, however, that SA exporters could land supplies in the UK for between £17 and £20 a ton compared with the average £40 a ton the CEBG pays British Coal.

However, I do not think the SA coal industry should write the UK market off. Once the CEBG had been privatised, probably in the next 18 to 24 months, it will almost certainly be letting contracts for new power stations.

At least one is likely to be on the south coast and linked to imported coal.

Australia, China, Colombia and Indonesia will pitch for the business. I see no reason why SA export collieries should not do the same.

It would be up to individual collieries more than a collective effort by the SA industry. BP and Shell, both of which are committed to staying in SA and both of which has large export collieries would probably be the front runners.

Cheapest source

If Mrs Thatcher remains in power and SA exporters can tender competitively, they have every chance of getting the business.

But once the decision is taken to buy energy from the cheapest source, economics usually overrides politics.

The extreme Left-winger Tony Benn, authorised the CEBG to sign a long-term contract for supplies of Rossing uranium in the last Labour government.

If the rest of Europe is running on cheap energy — and France has only been able to give up SA coal because of its nuclear-power programme — it is a matter of competitive survival for the CEBG to obtain the most economical inputs available.

With privatisation of the CEBG, the UK’s interests will change. Even if it does not import SA supplies, the CEBG will benefit from low prices for internationally traded steam coal.

But if some SA export collieries are forced to close, the market will be tighter and prices will rise.

The gamers will be Australia and the other exporters.

The losses from SA will be electricity consumers — not only in the UK, but in Germany, Italy and other EEC members which rely on imported energy.

RICHARD ROLFE reports from London

RTZ has sold two major subsidiaries this year. Its oil and gas interests went to the French group, Elf Aquitaine, this week for £300 million. Earlier, RTZ sold Castle Cement for £220 million.

The disposals bear more than a passing resemblance to Newmont’s sale of all of its remaining SA assets to Upfield last year. Admittedly, Newmont was selling the family silver to pursue its interests in gold and to pay the debt incurred in the US. True, last year to thwart the US greenmailer, T Boone Pickens.

But RTZ is extremely keen to polish its image with the investment community. It has no large shareholders and sees itself as vulnerable to a bid.

Predator

Its share price of 35p discounts estimated pet assets of £250 million by large SA standards, but possibly enough to attract a predator such as Hanson.

By selling surplus assets, RTZ hopes to convince the investment community of its superior management and dynamism and to make itself less attractive to a bidder through having replenished its easily realised investments.

So sale of its Southern African assets, such as Palabora and Rossing uranium, might fit the scenario. In addition, there is evidence that companies with SA holdings are favourably revalued when they announce they are pulling out.

But RTZ says it is not selling. A spokesman says: “There should not be any doubts on that score.”

Analysts believe that even if Palabora were for sale — and Anglo and De Beers would be eager buyers — RTZ would never relinquish Rossing.

RTZ has a long-term commitment to uranium, despite its current over-supply. Also, Rossing is closely linked to RTZ’s core uranium interest, Rio Algom in Canada.

As for the effect on RTZ’s shares of disinvestment in Southern Africa, the effect on the market would not be significant. So, with no real pressure from the anti-apartheid movement, the company seems set to stay.
Exports are the key to economic growth in ’89

SOUTH AFRICA’S export performance is going to be the key element determining the country’s economic growth trends this year and in 1989, maintains Southern Life’s chief economist Mike Daly.

And, he warns, the prospects of stimulus coming from this quarter are exceedingly slim in view of the high probability of a slowdown in the US economy late this year and into 1989.

Daly remarks that the higher import levels now reflecting the renewed strength of the domestic economy will need to be matched by higher earnings of foreign currency, or the country’s foreign exchange reserves will inevitably be run down, with the rand weakening still further.

He predicts that the decline in exports in volume terms experienced last year is likely to occur again this year. At the same time, he believes this will be offset by a rise in commodity prices. “Further weakening of the US dollar on world currency markets would further boost dollar-denominated commodity prices,” Daly suggests.

In line with the views expressed by other private sector commentators, Daly believes there will only be limited co-operation from employers to the appeal from President P W Botha to contain wage and price increases this year as part of a joint anti-inflation drive.

“The fact that major trade union groups had no input into the formulation of the anti-inflation drive, and that simultaneously the corporate sector continues to announce profit increases consistently above even optimistic expectations, undermines the whole exercise,” Daly comments.

He notes, however, that were a major private sector employer to announce a zero or low pay increase, the example might well be followed in a domino effect in commerce and industry.

Daly forecasts that the low point for SA’s inflation rate will probably be reached over this first half of 1988 and will rise gradually thereafter, mainly as a result of the higher cost of imports.

He argues that the upward phase of the business cycle is a strong base for arguing that the trend in inflation this year will be moderately upwards from the middle of the year, even if forces from the exchange rate are neutral.

“In the past, inflation has always risen along with increased levels of economic activity, and we would be surprised if this is not the case again,” Daly said.

Only a strong commitment from the private sector regarding moderation in wage-setting would break this traditional link, Daly said, predicting an average inflation rate of between 13% and 14% for 1988.
COAL EXPORTS

Holding on

Thanks to a world shortage of coal the long-predicted sanctions squeeze has turned out to be something of a non-event. Coal export volumes are expected to at least remain at last year’s levels.

Transvaal Coal Owners’ Association MD Les Weiss says there is far greater optimism in the industry now than at the beginning of the year, though margins will continue to be low until the rail tariffs to Richards Bay are reduced.

“It’s unfortunate that there is no timetable for resolving this problem,” he says.

The price of South African coal on the spot market is around US$28/t, giving rand prices of more than R60/t compared to an average of R52/t last year.

A Chase Manhattan Bank survey claims SA will remain the world’s third largest coal exporter in 1988 (see graph), behind the US and Australia.

Exports, including anthracite, should fall only 300,000 t to 42,3 Mt. Richards Bay port director Willem Kuys confirms that coal exports from the port have been running at an annualised rate of 40 Mt since the beginning of the year.

International demand for seaborne coal is expected to increase by 3.3% this year — from 283 Mt to 292.4 Mt — and there is every indication that importers are disinclined to deal with two of SA’s main competitors, Australia and Red China.

Australian coal miners spent almost half the year on strike over such crucial issues as the size of chickens in their company-supplied Christmas hampers and the size of company-issued gumboots. The Chinese have caused headaches by selling improperly washed coal which contained traces of scrap metal.

But, notes JD Anderson coal analyst Dave Russell: “With mining costs escalating in excess of 15% a year, a concomitant rate of rand depreciation is necessary merely to keep in step with rising cost increases.” There have been some disappointments too.

Industry observers expected the Italian Energy Authority to pay at least $27/t for the 4.55 Mt it recently bought from South African producers — but the price was fixed at $25.90/t. Meanwhile, although Hong Kong’s total 1987 coal imports jumped 25% to 5 Mt, SA’s exports to the city state remained static at 2.5 Mt.

A recent report by Wharton Economic Forecasting Associates says as South African collieries are currently much more labour intensive than their overseas counterparts they should mechanise further to increase productivity.

But industry sources maintain it’s not viable to import mechanised equipment, which is usually bought from West Germany and Japan. Also to be considered is the prospect of further export unrest if there are significant redundancies on the mines.

An alternative route to increased profitability would be to raise domestic prices. But, says chairman of coal distributor MacPhail Holdings, Brian Joffe, mining houses have a responsibility to the domestic user.

“We hope the loss in export income won’t lead either to higher domestic prices in compensation or to the closure of mines and a subsequent shortage for the domestic consumer. This could lead to unacceptable increases at a time when the mining houses have a duty, as much as anyone else, to fight inflation.”
Botswana treads a tricky path amid the cross-fire

By PETER TAYLOR

GABORONE — For a landlocked country which encompasses a sizeable portion of the Kalahari desert, Botswana exports an awful lot of fish. On the supermarket shelves in neighbouring Zimbabwe, you can buy Botswana hake, pilchards and sardines: a tribute to an ingenious race which has carefully preserved the tribal secrets of how to survive in a hostile environment.

We are talking about the South Africans, of course, who send the fish to Botswana where it is canned and re-exported to countries which otherwise would object to P W Botha's pilchards.

But credit is also due to Botswana, which performs an ungraciously and perilous balancing act between political sympathy for the "front line states" and economic dependence on South Africa. Accused by Pretoria of harbouring terrorists, it suffers the indignity of cross-border raids like the one a month ago in which South African troops shot up a house in Gaborone, killing four people. Accused by black states of being soft on apartheid, it resolutely opposes sanctions.

Botswana is obliged to live in the real world. By road and rail, products from Tanzania, Zambia, Malawi and Zimbabwe roll through the parched and sweltering capital of Gaborone en route to South African ports. South African goods, on which those countries rely, move north along the same arteries.

But is Botswana — also the only multi-party democracy left in black Africa — as stable as it appears?

Since the raid on March 28 relations with South Africa have deteriorated rapidly.

Botswana insists that no guerrillas of the ANC (African National Congress) are trained on its soil, and that if any are found they will be brought to book. South Africa is certain there are "safe houses" in Gaborone, where operations are planned, and terrorists stay in transit. It does not believe it has the cooperation of the Botswana government.

Only last Tuesday, a limpet mine exploded outside Parliament. Pretoria can hardly be seen to be doing nothing about it.

Botswana just happens to be an easy target. It would be extremely surprising if ANC guerrillas were not being trained somewhere in Matabeleland with the Zimbabwean army, and equally surprising if the South Africans did not know where. But any action in that direction would provoke a much more serious international incident.

The region where the borders of Botswana, Zimbabwe and South Africa come together is likely to remain critical. With President Mugabe's declared intention to move a large part of his army from Matabeleland to bolster the troops fighting MNR rebels in Mozambique, it hardly takes a strategic genius to see that there is room for mischief.

While there are no beggars on the streets of Gaborone, but there is a stark division between the "formal" economy (just 6,000 miners produce the diamonds) and the "informal". The GDP per capita of US$1,700 (£374) is meaningless in the bush. Botswana has to make its living within borders which were defined during the "scramble for Africa".

President Quett Masire has a hard act to follow in Sir Seretse Khama, whose statue now adorns the gardens in front of Parliament. Sir Seretse stands serene in suit, tie and pocket handkerchief, the index fingers touching lightly on the third button of the jacket like one of the better sort of barrières beginning a cross-examination.

The test for Botswana is whether it can remain as cool and buttoned-down in the cross-fire between South Africa and the "front line states."
The star's foreign news service

BRUSSELS — South African apple imports by the European Community (EC) will be restricted this year with apples from all other southern hemisphere suppliers because France and Italy have large quantities of last year's crop in store.

Traders and consumer groups in Britain are to protest to their government.

Between now and the start of the home-grown season in the autumn, Britain normally imports thousands of tons of apples from the southern hemisphere and North America.

This year's imports into the EC from South Africa will be restricted to 166,000 tons, from Chile (142,000), New Zealand (115,000), Argentina (70,000), Australia (11,000) and others, including the United States and Canada, (17,500).
Fears of SA retaliation
Sanctions could cost US R4-bn

By Neil Larssen,
The Star Bureau

WASHINGTON — A six-month US congressional probe into South Africa's trade links with America has turned up evidence of large-scale efforts to evade US sanctions.

An American ban on imports of South African strategic and critical minerals will cost the US economy a whopping R4 billion a year, according to an official report to be issued here soon.

Fears of SA retaliation

By Alan Dewar,
The Star Bureau

WASHINGTON — A six-month US congressional probe into South Africa's trade links with America has turned up evidence of large-scale efforts to evade US sanctions.

An American ban on imports of South African strategic and critical minerals will cost the US economy a whopping R4 billion a year, according to an official report to be issued here soon.

Over a five-year period from 1988 to 1992 the costs would accumulate to $11 billion, leading to higher prices and reduced supplies in items like car parts for American consumers.

The report comes at a time when US commerce and industry is counting the costs of the US sanctions imposed by Congress in 1986 and at it is trying to head off new trade and investment restrictions now passing through the House of Representatives.

"As always, the price won't be paid by members of Congress, but by others," the respected Wall Street Journal charged in a recent editorial.

Earlier US government reports have estimated the costs of a three-year ban on SA chrome at $1 billion and of manganese at $1 billion — scores for American economies in view of the huge American dependence on US foreign trade figures.

"Adding insult to injury is a report by barrister Enosman that the US ban on SA chrome will cost the American coal industry $300 million in 1986 and 1987 alone."

And inflicting a backdrop to their concern are fears that South African anger over US sanctions will lead to "hurdles" in the SA Government to demand a ban on strategic exports to the US.

"Trade journalists here have noted that platinum prices rose this week because of fears of South African retaliation."

The new report was prepared by analyst at the US Bureau of Mines at the request of the State Department. Its purpose is to guide the President in deciding the power to ban strategic and critical minerals from South Africa in terms of the 1986 legislation.

The current sanctions bill would include bans on strategic minerals like platinum and chrome unless the President certifies they were essential for America's defense.

About 40 percent of the world's known platinum group metal reserves are in South Africa, with the Soviet Union holding about 25 percent.

Even where South Africa is not the producer, such as in cobalt, which is mined equally in Zambia and Zaire, the US is dependent on South African transport, the report says. A ban on cobalt shipped through South Africa would lead to substantial price increases, it warns.

A leader in the US sanctions drive against South Africa, Senator Edward Kennedy, has signaled he will again this year try to remove "the Republic's major trading partners into investigating their trade links.

Supermarkets won't be open

The ever-faithful local cafe will be on hand to supply essentials for those who run out during the Ascot Day holiday tomorrow, but all the large supermarkets chain will be closed.

UK Bankers, Crockers and Pick n Pay will not do business.

Star on sale

The Star will be published tomorrow, Ascot Day.

The newspaper will be available across much of the country as a morning newspaper.

Home deliveries will be made on Thursday. Salesmen will be on the streets on Friday.

Boost for rebels

England's about-to-come permission for five players to tour South Africa in 1988 has strengthened the hand of those urging an immediate breakaway from the International Rugby Board.
EC cuts back on SA apple quota

CAPE TOWN — South African apple exports to Europe will be cut by about 10 percent this year following restrictions on imports by the European Community.

The multi-million rand deciduous fruit industry is one of the biggest employers and earners of foreign currency in the Western Cape.

The EC has limited apple imports from all its southern hemisphere suppliers, partly because of dumping of fruit in Europe by some countries and partly to protect European producers, especially France and Italy which have large quantities of last year's crop in store.

Although South Africa's quota is the largest, it has been limited to 165 000 tons, about 10 percent less than usual, according to Mr Fred Meintjes, public affairs manager of Unifruco, the marketing arm of the Deciduous Fruit Board.

He said southern hemisphere countries supplying Europe imposed voluntary quotas but some producers had been undisciplined and had flooded the market with fruit.

It was not known at this stage what the effect on the South African industry would be but it was possible the shortfall in exports would be made up by higher prices in Europe.

In the meantime South Africans could look forward to more export quality apples this year and more class 2 fruit would be sent to the processors.

The cuts could affect some seasonal packing jobs but this would be minimal because the season was nearly over, Mr Meintjes said. — Sapa.
Call to probe alleged arms embargo-busting

The Star's Foreign News Service

BONN — West German Social Democrats have renewed their criticism of the Kiel State Prosecutor's decision not to investigate allegations that West German companies — one of them State-owned — are secretly helping South Africa to break the strict arms-export embargo.

Mr Norbert Gansel, a member of the investigating committee, said yesterday the decision was suspect because it came one day after elections which shifted rule from the Conservatives to the Social Democrats.

Mr Gansel said newly elected Prime Minister Bjorn Engholm was prepared to press for a further investigation.
Falling prices add to problems

SA coal trade hit hard by sanctions

By Michael Chester

The combination of sanctions and cut-throat competition on world markets cost South African coal mines almost R1 billion last year, according to new estimates by the Anglo American Corporation.

Mr Graham Bousted, chairman of the Amcoal network of collieries, discloses in an annual review that total export earnings plunged from R3.2 billion to R2.3 billion compared with 1986.

Exports shipped through the Richards Bay coal terminal dropped by 2.1 million tons as South Africa felt the impact of sanctions by the United States, France and Denmark in particular.

But the overall fall in total shipments was held at a relatively modest 6 percent — down to 42.6 million tons — as coal was re-routed to alternative overseas outlets.

Markets over-supplied

Unfortunately, the problems of running the sanctions gauntlet were compounded by a dramatic decline in world coal prices as markets became over-supplied in fierce international competition.

Mr Bousted confirms that significant quantities of coal had to be exported by South African producers at a loss as spot prices were driven below $20 a ton.

Fortunately, price levels had improved in recent months, and contract and spot coal prices were now in the range of $25 to $27 a ton.

The improvements stemmed from China’s inability to meet its contractual deals in both Europe and the Far East.

“While current price levels can probably sustain established operations,” says the Amcoal chairman, “prices will need to increase further to justify any new investment in export capacity.”

Discussions were still in progress between the coal industry, SA Transport Services and the Government on increases in export rail rates, which had dented export earnings by a further R300 million.

While it was encouraging that Sats had agreed to maintain the current rates until April 1989, it was hoped that further relief could be negotiated.
Platinum prices hit seven-month high

London — Platinum prices hit a seven-month high yesterday, breaking the $3,000 per ounce barrier for the first time, as the market absorbed news of stronger demand from Asia. Analysts said the rally was driven by a combination of strong demand from Asia, particularly from China, and a supply shock from South Africa.

"When the mood is like today, nobody is going to sell," one analyst said.

"If you look at the supply/demand picture, platinum is facing a condition where supply is starting to get tight," another analyst said.

In South Africa, where platinum is mined, there have been concerns about the stability of production. The government has imposed a wage increase, which has affected the miners and led to strikes and disruptions in output. Analysts said this has contributed to the price rise.

"The platinum price is being supported by strong demand from investors and speculators," one analyst said.

Platinum has been gaining popularity as a hedge against inflation, with some investors seeing it as a risk-free asset. The precious metal is also used in the production of catalytic converters and other industrial applications.

In the near term, analysts expect the price to remain strong, driven by continued demand from the automotive industry and the rise of regulations on emissions.

"The platinum market is currently in a buy-now mentality," one analyst said.

In London, the price of platinum hit $3,050 per ounce yesterday, its highest level since early 2021. In Johannesburg, the price was quoted at $2,975 per ounce.

"The strong rally is likely to continue as long as demand remains strong," another analyst said.

In the long term, however, some analysts cautioned that the market could face challenges as production capacities are stretched to meet demand. "The current situation is only temporary," one analyst said.

In the United States, the government has imposed sanctions on Russia, which is a major producer of platinum. This has led to concerns about the future supply of the metal.

"We are in a delicate situation," one analyst said. "The supply situation is very tight, and the market is very sensitive to any news on production or supply issues."
SAA blamed as flowers exports fade

By DICK USHER
Staff Reporter

SOUTH AFRICA is losing millions in valuable foreign exchange because of changed SAA flying schedules and inadequate freight capacity.

Flower exporters say that their industry, which is worth about R40-million a year, is being seriously affected.

Exporters have criticised SAA for not being able to meet their needs and said that customers were turning to other suppliers.

"Flowers are missing the important Monday sales at the Amsterdam market, Europe's major flower centre, while inadequate freight capacity is losing exporters customers because they cannot depend on deliveries."

"Concerned"

Mr Gert Bosch, general manager of the Western Cape Agricultural Union, said that because SAA had changed its flight schedules wildflowers no longer reached the Amsterdam market in time for the Monday sales.

"We are concerned about the present situation," he said.

Mr Barrie Gibson, chairman of the South African Protea Producers' and Exporters' Association, said the problem had been developing for more than a year since the loss of the Helderberg.

"Because of this loss SAA has changed its schedules, which means that flowers now get to Amsterdam only on Monday morning," he said.

"And the Helderberg combined freight and passenger capacity so we're losing out on space."

"Proteas are highly perishable. They lose quality before the mid-week sales."

"And instead of getting two selling days we're confined to one so that customers are cutting back on orders.

"We're being jeopardised by SAA's inability to meet its obligations."

Wildflower exports from the region were worth about R20-million a year, he said.

Mr Tiel Bluhm, general manager for South Africa for Florimex, one of the world's largest flower dealers, said there was a further problem with freight capacity.

Unreliable

His Johannesburg-based company exports wildflowers from the Western Cape and cut flowers from Transvaal to customers all over Europe.

"The space situation in general is pathetic," he said. "It makes us unreliable as exporters because we never know if a consignment will get on a flight.

"Then our customers turn to suppliers from Kenya, Brazil or Israel."

Mr Bluhm said that flower exports had been "hit for six" by US sanctions and were being even further affected by the growing popularity of direct flights to Europe.

"Aircraft have to carry more fuel on the direct flight than if they stopped over at Lhia do Sol - and this further cuts the overall freight capacity."

Alternatives

An SAA spokesman said that when the problem arose protea exporters had been offered three alternatives to get their flowers to Amsterdam.

"They were not happy with those and turned them down. But we're looking into the problem."

"And I guarantee that between SAA and its pool partners there is sufficient freight space. There is no question that we cannot get cargo to its destination on time."
ORE EXPORTS

Pretoria relents

The Cabinet has yielded to pressure from mining houses and SA Harbours (Business April 29) and will now allow manganese ore to be exported through Saldanha Bay.

To protect Port Elizabeth, which is being used to 50% capacity and traditionally handles SA’s manganese ore exports, it will allow only the four lowest grades of ore to be shipped through Saldanha.

Saldanha is operating at only 40% capacity, but its primary purpose is to export iron ore. In order to avoid a possible clash of interests, the Cabinet has limited the quantity of manganese ore that may be exported through Saldanha to 300 000 t/year and is insisting that it ride piggyback with larger quantities of iron ore.

This will benefit Iscor’s iron ore mine at Sishen, linked to the port by the Sishen-Saldanha railway line.

Klaus Hanhardt, Samancor’s senior marketing manager, says the decision is “great news. The envisaged maximum tonnage is about right.

“The timing is also right. We are dealing with an inquiry from a foreign buyer for 25 000 t of manganese ore. He has rearranged his schedule to accommodate us and will also take 100 000 t-150 000 t of iron ore, maybe more.”

In January, Samancor tried to export 25 000 t of manganese ore through Saldanha. It was to have piggybacked with 150 000 t of iron ore from Sishen. SA Harbours was prepared to accept the consignment, but SA Railways refused.

The Cabinet hopes its latest decision will increase export earnings by enabling exporters of both ores to win back markets they have lost, says Leon Els, a spokesman for Transport Affairs Minister Eli Louw.

No doubt exporters are hoping the same. It’s just a pity that help didn’t come before the markets were lost.
Papers stolen on SA coal imports

AMSTERDAM — A small anti-apartheid group said yesterday it had broken into the offices of a Dutch shipping agent and stolen documents on imports of SA coal.

The Split Apartheid group said the documents it had stolen from Combined Amsterdam Shipping Agencies (Casa) in Zaandam showed where booming imports of SA coal via Amsterdam port were actually going.

A spokesman for Casa, in which the Royal Dutch/Shell oil group has an indirect shareholding, said all the company’s business documents had been stolen in the overnight burglary.

Shell has been the focal point of a violent anti-apartheid campaign in the Netherlands and scores of petrol stations owned by Shell have been attacked in recent months in protest against the oil group’s presence in SA.

Responsibility for the latest incident — an arson attack on two Shell stations on Monday — was claimed in an unsigned statement by anti-apartheid militants yesterday.

Split Apartheid claimed Dutch companies were actively helping SA boost coal imports in Britain and West Germany in disguising the origin of the coal.

It pointed to a sharp climb in Dutch imports of SA coal from only 250 000 tons in 1982 to 1.7-million tons in 1987.

Typically, Split Apartheid said, Pretoria’s coal was shipped out of the Netherlands labelled as Australian, or even Dutch — disregarding the fact that the Dutch ceased mining coal 20 years ago.

The Casa spokesman denied any knowledge of such practices, but pointed out that the Netherlands did not operate an embargo on SA coal imports. — Sapa-Reuters.
SPL's export venture paying off

By STAN KENNEY

The Stock Exchange

COMPUTING

Page 16 June 16 1988

...
Japan puts the lid on SA canned fruit

TOKYO — JAPAN's second-largest retail chain store, Ito-Yokado Co, has suspended sales of South African products because of SA's policy of racial segregation, company officials said yesterday.

They said Ito-Yokado halted imports of canned yellow peaches and fruit cocktail from SA — starting with the April shipments — in line with a decision made at a managers meeting late in April.

Officials said the company took the step because of growing protests worldwide against apartheid.

The situation could not be confirmed with the South African canning industry yesterday, DIANNA GAMES reports.

However, estimates for last year's total imports to Japan of prepared fruits and vegetables from SA amounted to $96m, which sources indicated was not a large market in terms of total imports to Japan from SA.

One company official said they had found there were many customers who did not like apartheid.

"Our basic policy is to find the least expensive products for our customers, wherever they are, in South Africa or the US but we also have to consider the feelings of our customers toward the products we sell," he said.

Ito-Yokado started importing yellow SA peaches in 1984 and SA fruit cocktail in 1985 through Mitsui and Co, a major trading house.

Company officials said Ito-Yokado would keep sales of SA products suspended for some time, until they again became acceptable to its customers.

Mitsui spokesmen in Johannesburg said they had no comment to make on the situation. — AP-DJ.
Mauritius may soon raise custom tariffs on some SA imports

The Star's Africa News Service
PORT LOUIS — Mauritius is studying the possibility of increasing custom tariffs on South African imports.

The moves follow an outcry at the last summit of the Organisation of African Unity over Mauritian links with South Africa.

The spokesman said, however, that if any change was announced it would not affect basic commodities which had no customs duties. It would also not affect raw materials for the export processing zone.

Prime Minister Sir Anerood Jugnauth told the legislative assembly yesterday that Mauritius should "symbolically do certain things" to show his country's sympathy with South Africa's blacks.

He said that for South Africa the volume of trade it had with Mauritius was insignificant.

"South Africa won't be hurt even if Mauritius severed its trade links," he said.

Crashes dip, deaths rise

Road traffic collisions in April this year (52 845) were down 12 percent compared with the previous month (57 065), according to the latest figures by the Central Statistical Services.

However, the CSS points out that the number of casualties during April (19 417) increased by 0.8 percent over the March figure (19 108).

In April 898 people were killed — a 4.4 percent increase over the 860 deaths in March, due to the larger occurrence of fatal collisions in which two or more people died. — Sapa.

No help for hotel without a phone

EAST LONDON — A popular Transkei Wild Coast holiday resort has been without a telephone for eight months because technicians are unable to get there to repair it.

Plaas for help to the post office have gone unanswered and the Hole-in-the-Wall hotel has now opened an office in Umtata to take bookings.

The hotel management said it appeared that there were no technicians at Mqandulu, where the exchange for the area is situated, and technicians in Umtata had no vehicles available to undertake repairs in the country areas.

A spokesman from the hotel's Umtata office said today countless letters to the post office in Mqandulu, the Umtata Post Office and the Postmaster had all gone unanswered.

Further representations to the Postmaster-General and to the Minister of Telecommunications had brought no results. — Sapa.
US drought likely to give boost to SA grain exports

By Neil Behrmann

LONDON — South African grain exports will surge in the coming year because of the severe drought in the United States.

Exports will rise because of a sharp increase in world prices.

The US, the largest producer in the world, also has fewer crops to export so that other nations will be able to fill the gap in the world market and sell more grain.

A large proportion of South Africa's grain exports, mainly maize, however, ends up clandestinely on the African continent.

But even these impoverished countries, in desperate need of aid, may be forced to pay higher prices.

**Surge in prices**

Corn futures in Chicago have soared to $3.58 a bushel from $2.02 in early May.

Wheat futures have surged to $3.07 a bushel from $2 and soybeans to $10.56 from $6.75.

The surge in these prices has filtered through to the international trade.

Over 40 percent of the United States has been declared a disaster area and crops are expected to be devastated if there is no rain in the coming week.

So far, a large proportion of wheat, barley and oat crops have been lost and corn and soya bean crops are reaching a critical stage in the prolonged drought.

In Montana, North and South Dakota, the wheat crop is expected to be about a fifth of its normal size and crop damage is estimated at more than $2 billion.

These states are experiencing the worst conditions since the Thirties when thousands of farms were forced to sell up during a terrible dust bowl.

Grain stockpiles are vanishing fast. The government's wheat stocks are around 270 million bushels, near the shrunken levels last seen in 1976.

That was a time when agriculturists were talking of world food shortages.

Maize stocks are also falling. At 1.4 billion bushels, they will last eight months.

Yet farmers fear that crop damage will slash yields by 25 percent and yields will drop further if the drought continues.

The Mississippi river, one of the world's greatest waterways, is also a victim of the drought.

Massive grain barges carrying 1.4 million tons of grain are running aground and are clogging a grain path from the Great Lakes in North America to the Gulf of Mexico in the South.

That means that international freight rates of dry cargoes are likely to rise.

Economists at the International Wheat Council are hastily downgrading supply forecasts of wheat and coarse grains.

Yet even before the drought worsened, consumption at 1.385 billion tons exceeded production by 65 million tons.

World stocks early this month were estimated to be down to 280 million tons from 357 million tons a year ago.

Yet production of major grain producers — the Soviet Union, China, Europe, Canada, Australia and South Africa — are expected to be higher this year.

South African maize output, according to the International Wheat Council, is 7.3 million tons, about 100,000 tons higher than levels in 1986, while wheat production has surged to 3.3 million tons from 2.3 million tons in 1986.

Ahead of the drought, South African exports of maize and sorghum were forecast to be around 1.7 million tons this year.

With production of the rest of the world higher, the surge in prices and lower US exports will help grain competitors around the world.

The US government has subsidised grain exports to reduce a huge stockpile built up over the past few years.

**Direct effects**

With stocks falling and international prices rising, it has become uneconomic for the United States to sell large quantities of grain to buyers at discount prices.

Besides the direct effects on wheat and maize prices and feed grains, especially soya beans, will have an impact on US and world food inflation. Farmers in America have been forced to kill livestock because the price of soya bean meal is so high.

In the short run, meat prices have fallen because of a glut, but next year they should rise sharply.

In the Northern Hemisphere and the Far East, prices of pork, bacon, poultry and eggs are expected to jump in the coming twelve months because of the rising costs of animal feed.
US drought no help for SA wheat farmers

Own Correspondent

CAPE TOWN — South Africa's Wheat Board chairman has brought little joy back from a meeting in London of the Wheat Council.

Mr Denis van Aarde said yesterday there was little hope that the extensive drought in the US, which is hitting wheat crops there, could bring relief for South African farmers facing a severe cut when the wheat price is set later this year.

This could be particularly serious for Western Cape farmers being squeezed by competition from farmers in traditional maize growing areas who have switched to wheat.

South Africa's wheat surplus could be at least one million tons this season. If this occurs prices would be cut sharply.

Mr van Aarde said higher world wheat prices - which had risen by about 30 percent in recent weeks as a result of the US drought — would not hold.

VAST STOCKS

The US Central Commodities Corporation (CCC) had vast stocks which it could dispose of, holding world prices down, and the Russian and Chinese crops were expected to be good and this would dampen demand.

The CCC also used its stockpile to help US producers “discount” wheat. An export enhancement programme offers buyers the incentive of “free” wheat from CCC stocks when buying from an American producer at the ruling price.

“The long-term effect will probably be a flattening out of prices and although they may finally be slightly higher, there is not going to be a world shortage which could help us market our surplus economically,” he said.

Any exports by South Africa to help dispose of the surplus would be at a loss.

The wheat crop is presently forecast at about 3.4 million tons, against domestic demand of about 2.4 million tons.
City firms’ export trade looking good

Financial Editor

CAPE TOWN firms are still doing well in the export market — although they are unwilling to give details for fear of politically motivated action against them — inquiries revealed yesterday.

Cape Town Chamber of Commerce, which has stopped sending trade missions overseas, is planning to send a single representative to West Germany later this year on behalf of exporters or local firms hoping to enter a new market.

It has invited interested firms to discuss their needs. But the chamber’s business affairs manager, Albert Schultmaker, said he had found most local exporters already had agents in Western European countries.

"Exporters play their cards pretty close to their chests these days, but they still seem to be sending goods to a lot of countries," he said.

"The export trade does not really seem to have slackened off although firms complain that sending goods has become more expensive, and making the arrangements more timewasting and tedious."

The chamber’s last trade mission was to the Far East at the beginning of 1985. Now, Schultmaker points out: "It is no longer viable to arrange formal trade missions to various parts of the world because of the negative attitudes towards SA."

Local firms which confirm they are still exporting range from wine producers to shirt manufacturers.

And the Cape Chamber of Industries told members this week that trade between SA and Britain was increasing steadily.

Its news bulletin quotes the executive director of the United Kingdom/ South Africa Trade Association, Nick Mitchell, as saying that British exports to this country were 13% higher in the first four months of this year than in the same period last year. SA exports to Britain were 18% higher.

Mitchell advises members of the association: "Opportunities for UK companies are very good, particularly in Mossel Bay, electricity generation and distribution."

However, he warns, a Democratic victory in the US presidential elections "would appear to present a major threat to future trade relations with SA."
AUSSIE STRIKE WON'T HELP SA PRODUCERS

SA coal exporters are unlikely to benefit much from Australia's second coal strike in less than a month.

The full extent of the latest strike is not yet known, but the previous one cost Australian producers US$35m a day in lost shipments.

Despite Australia's increasingly shaky reputation as a supplier, and SA's record as a reliable one, Transvaal Coal Owners' Association chairman Les Weiss says local producers are not in a position to take advantage of the situation — even while the strike lasts.

"Local collieries may add a few shifts to cope with extra demand, but the industry has tailored its production to market acceptability. It is still smarting from the lessons of 1985-1987, when excess capacity was introduced to cope with what turned out to be a short-term surge in exports," Weiss says.

Ivor Jones Roy analyst Nic Dinham estimates that if the strike continues for two to three weeks, SA could gain 200,000 t in exports.

He says: "Coal is an industry of large contracts and it would be very unusual to change suppliers as a result of one strike. The Japanese, in particular, are conscious of Australia's poor labour record and have built it in as a factor in their expectations."

More bullish for SA coal, perhaps, is the extra revenue that should accrue to exporters through the weakening rand, higher world prices and the US drought which is affecting coal shipments."
PE’s crayfish export venture a big success

Argus Bureau

PORT ELIZABETH. — A major facility for exporting live crayfish from the Eastern Cape to Europe and the Far East has been developed in Port Elizabeth harbour.

More than 5 000 crayfish are being contained in concrete holding-tanks with running seawater in a custom-built depot.

The R750 000 building is nearly complete. The Minister of Environment Affairs, Mr J C Kriel, is to open the factory on July 25.

But this is only the start. Ultimately there will be facilities for cultivating “salmon trout” (trout that taste like salmon) and for mussel and oyster production.

Two weeks ago, 700kg of crayfish was flown to Hong Kong and fetched twice the price possible in South Africa.

Mr Carlos Simal, managing director of the company, said: “It was a trial run to check the mortality rate, which was 10 percent.

“When we get our chilling facilities in the harbour up to scratch we can reduce the mortality to five percent.”

The next consignment, of 500kg, will be flown to Hong Kong at the end of the month.

The crayfish are flown in boxes by SAA. They can survive 48 hours out of the water and were very much alive when the consignment reached Hong Kong’s restaurants.

East Coast and West Coast varieties of crayfish are being stored, although generally in South Africa the West Coast variety is preferred.

“In the Far East,” Mr Simal said, “the East Coast crayfish is preferred for the large tail and volume of flesh.

“The report-back from Hong Kong is excellent. The restaurateurs are delighted with the flavour.”

Also in the factory pipeline are projects for cultivating trout to taste like salmon and for mussel and oyster production.

“We will reserve six tanks to keep the trout in a mixture of freshwater mixed with 10 percent of seawater,” Mr Simal said.

“We’ll bring the seawater content up gradually to 100 percent when the trout flesh is pink and tastes like salmon.”

Ten years ago, in a brief but successful pilot venture, West Coast crayfish were flown in water tanks from Cape Town to the United States.
COAL EXPORTS

Venturing out

The joint venture between SA Transport Services (Sats) and a consortium of coal exporters to expand Durban export facilities will not prevent other coal exporters using the port.

Exporter members of the Durban Coal Terminal Company (DCTC) have set up the joint venture with Sats to upgrade and expand coal export facilities through the port.

Depending on the state of the coal export market, the eventual aim is to modernise the Bluff Mechanical Appliance (BMA) at Durban and increase its effective load-out capacity from the current level of about 1.4 Mt annually to 3 Mt. It will cost an estimated R80m.

Sats harbours assistant GM Mike Myburgh says a key point in the agreement is that, should a decision be taken to expand the facility, Sats has undertaken to channel all the coal currently exported from various wharfs at Durban to the BMA. This means loading facilities such as Pier 109, the Rennies bulk handling facility and the Durban bulk handling facility would be closed to coal exports.

In terms of the deal, Sats has given the BMA’s loading facilities and infrastructure, which includes two quays for berthing ships, to the DCTC on a 30-year lease. While the operation is described as a 50-50 joint venture, there are, in fact, two classes of shares with different rights. Sats holds all the shares of one class and the DCTC the rest.

The joint venture will be run by a board of 18 directors, only three of whom will be from Sats. Myburgh says finance for the plant’s expansion and modification will come from the coal companies. The value of the infrastructure contributed by Sats is R11m.

While the coal companies will run the BMA, Sats’ rights — set out in the joint venture agreement — include determining when it should be expanded. It also has rights on setting rates for use of the facility and conditions of access for small coal exporters who are not members of the DCTC.

Myburgh says an important consideration was that the facilities be available to outsiders on a common-user basis and that the DCTC not use its position to block other companies from the coal export market. He says Sats has the right to review the tariff at which outsiders are to be charged.

Only if the BMA’s total capacity is needed to meet export requirements of DCTC members who have paid for its expansion, will outsiders be excluded. However, Myburgh says Sats has the right to ensure that requests for capacity allocation from DCTC members are not inflated.
SA products to find niches in Japan

JAPAN's active promotion of its products began to import goods from Syria and other countries. The new law, which makes it easier for Syrian companies to export goods to South Korea, seems to have a positive effect, the trade deficit with South Korea has dropped significantly in the past year. The government has been promoting the production of goods that are competitive in the South Korean market, and the results are starting to show.

The trade deficit with South Korea has decreased by 10% in the past year. The government hopes to continue this trend and promote the production of goods that are competitive in the South Korean market. The export of goods to South Korea is expected to continue to increase in the coming years.

He said South Korea's manufacturing sector and the trade deficit were the main reasons for the decrease in the trade deficit with South Korea. The government is also promoting the production of goods that are competitive in the South Korean market, and the results are starting to show.

The government hopes to continue this trend and promote the production of goods that are competitive in the South Korean market. The export of goods to South Korea is expected to continue to increase in the coming years.
Row over export of pulpwood to Japan

6/4/2020

JACOBSON

BUSINESS DAY, Wednesday, July 7, 1998
Sanctions could devastate country's game

Before the Russian annexation of Crimea, Ukraine and Russia were seen as two of the world's most promising football nations. However, sanctions imposed on Russia have had a devastating impact on the country's football. The loss of talent and revenue has been significant, and the footballing community is struggling to stay afloat.

Experts believe that the long-term effects of sanctions could be worse than expected. The loss of key players and the financial strain on clubs have already led to a decline in performance, and the situation is likely to worsen as the sanctions continue.

The Ukrainian Football Federation (UFU) has been working to mitigate the impact of sanctions on the game. They have been seeking alternative funding sources and exploring new markets to compensate for the losses. However, the situation remains challenging, and the future of football in Ukraine is uncertain.

The international community has been slow to respond to the crisis, and many experts believe that more could be done to support the Ukrainian football community. The situation is a reminder of the importance of football in the social and cultural fabric of nations, and the need for solidarity and cooperation in the face of adversity.
POOR export performance during 1987 and the first half of 1988 is particularly disturbing because it stands in stark contrast to international trends, Old Mutual economist David Mohr says in his latest Economic Monitor.

Mohr says total world export volumes rose at an annual rate of about 16% during the second half of 1987 — while in SA's case non-gold export volumes have been on a broadly declining trend since the middle of 1986.

"This poor export performance not only increases our reliance on gold to generate current account surpluses, but at the same time, of course, also underlines our vulnerability to any weakening in the gold price."

The sensitivity of the current account to the gold price was highlighted by the fact that a $10 change in the gold price over a full year translates into roughly R450m on the current account at present exchange rates.

It was also disturbing that the current account had moved into a deficit at a relatively early stage of the business cycle. During the 1977/78 upswing, fixed investment had been on a sharply rising trend for more than two years before the current account moved into deficit early in 1981.

Fixed investment spending had not registered any significant recovery yet during the present upswing and the current account position was already under pressure.

Judging from past experience, maintaining a surplus on the current account of the BoP had had a progressively more suppressing effect on the domestic growth rate.

For example, the average real growth rate achieved during the surplus periods up to 1970 amounted to 5.8%, the growth rate for the surplus years of the Seventies to 4.1% and for the Eighties to 0.8%.

"In the absence of regaining full access to international money and capital markets, our potential growth rate can only be increased by means of improving our export performance and/or reducing our dependence on imports."

But the need to generate current account surpluses was not the only constraint on growth. Another potential constraint on the strength and duration of the upswing is SA's limited skilled labour resources.
SA exports sanctions effort undermimngs sanctions effort
Electronics industry urged to enter foreign markets

By Roy Cokayne

South Africa should make a concerted effort to enter and exploit the lucrative international market in electronic goods to counteract the large and negative trade balance associated with these goods, says deputy Minister of Economic Affairs and Technology Dr Theo Alant.

"Expanding our market horizons beyond the relatively small local market will allow us to reap some of the benefits of the economies of scale in which the countries of the Far East are excelling," Dr Alant said at the opening the R4 million Grinaker Electronics Research & Development Laboratory in Wacklo, Pretoria, earlier this week.

Dr Alant said in 1986 the South African market for electronic goods amounted to about R6.5 billion, with the current growth rate being about 15 percent in rand terms.

He said this demand was largely satisfied through imports, which made South Africa the sixth-largest net importer of electronic goods in the world, with a concomitant growing negative trade balance.

Careful attention

"This is a problem that demands our careful attention. In the challenging times in which we live, research and development in industry is playing a more and more important role.

"South Africa will therefore increasingly have to use more of its resources for research and development to ensure intersstampetiveness on international markets," he said.

Dr Alant said the majority of South Africa's industries had so far not devoted much attention to research and development because their manufacturing took place in terms of licensing agreements.

He said this imported technology was still of great value and would surely always be important to industrialists.

However, what was disturbing was that the private sector was not making sufficient funds available for research and development.

"In 1981, only 0.74 percent of the country's gross domestic product (GDP) was spent on research and development and the Government's contribution was appreciably larger than that of the private sector.

"By contrast, in the United States expenditure on research and development constituted 2.47 percent of GDP," he said.

Dr Alant said the Board of Trade and Industry in its final report quite correctly concluded that South Africa should focus more effort on technology-intensive products that sold through uniqueness, rather than competing in the mass production of commodity items."
SA export producers 'unreliable'

SA producers have become unreliable sources for foreign buyers, and the negative effect on exports could be far more damaging than sanctions, says SA Foreign Trade Organisation (Safico) CEO Wim Holtes.

In an article for Business Day today, Holtes says some companies have actually reneged on export commitments. SA’s export traders and associates abroad are frustrated because producers are not supplying foreign markets due to domestic demand, making SA unreliable for foreign buyers and doing more damage than sanctions, he says.
Erratic govt policy also blamed

SA’s inflation curbs exports, says business

THERE has been widespread business support for Saffo CE Wim Holste’s criticism that SA business is not sufficiently export-orientated.

Reacting to his comments, published in Business Day yesterday, industry and commerce spokesmen said excessive inflation locally had a serious impact on the desirability of exporting goods.

Afrikaanse Handelsinstituut economist Collie Hugo said up to now SA had always been satisfied to let the favourable exchange rate create export markets.

“But the high inflation rate is offsetting the exchange rate and in the end SA goods often sell for higher prices than local goods in export markets. We have to lower the inflation rate to make our exports competitive,” he said.

Assocom’s Bess Robertson agreed the most pressing problem for exporters was the high inflation rate which eroded any advantages of the exchange rate.

FCI chief economist Roelof Botha said inflation and government’s erratic export incentives policy had made exporters wary of developing their potential.

“Exporters demand more stability to relieve their risk factor to some extent. Government continues to revise and alter its policy so exporters do not know what to expect in the long term,” he said.

Robinson said other factors inhibiting businesses from exporting were poor levels of productivity, growing political “hassle” factors and costly infrastructures to support 24-hour production.

“It is a fact that some manufacturers prefer to sell locally because it is a simpler operation than exporting,” she said.

Botha said complacency was another deterrent. “To establish export markets one must visit abroad and costs will be incurred. Many companies are not prepared to do that. Also many of them see the hostilities aimed at the state and anticipate being received as persona non grata in potential export countries.”

Mandy Jean Woods
Aluminium exports could be doubled

MARITZBURG — The R400m South African aluminium export market could be raised by as much as 100% in a few years through the increased export of manufactured products, Hulett Aluminium said.

In conjunction with Safto, the company recently held a conference in Johannesburg on value-added export. Executives from 62 aluminium processing, fabricating and manufacturing companies attended.

"Although many of us are competing with one another on the local market, which is a healthy condition, there is a decided need to combine forces to utilise export opportunities effectively and make this market work for all of us," said Hulett Aluminium MD Des Winship.

"This will undoubtedly result in long-term growth and profit. Research commissioned by Hulett Aluminium shows that the industry has the technology, management, capacity and resources, but it needs effort and commitment to get this project off the ground."

Safto has indicated that the Board of Trade and Industry (BTI) is totally committed to helping the export drive but needs to know from the industry the nature of existing problems and exactly what strategy they require from the government.

Ann Moore, GM of the membership and information division of Safto, said: "The most important factor as to why manufacturers do not export: final product can be put down to management attitude."

"Managements' overall growth objectives may be limited, the perception of exporting may be poor or — as is often the case — there may be an overall lack of export knowledge among managements."

Sapa.

Costs of boosting output for export

Safto CE Wim Holtes this week suggested that SA producers consider extra shifts in meeting export demands. The graph shows the effect of additional shifts on unit costs of production. Holtes says direct costs may rise initially in the second shift, but will drop dramatically as learning curve effects take place. Fixed cost per unit could drop by half, and gradually reduce further.
Aussie labour problems boost SA coal exports

By Harold Cuming, Argus Foreign Service

SYDNEY — Industrial problems have created a bleak future for the Australian coal industry, much to South Africa's benefit.

"Countries which would normally order Australian coal are turning to SA as an alternative," said the executive director of the Australian Coal Association, Dr Barry Ritchie.

"There have been a growing number of disputes at Australian mines and overseas shipping is holding for SA instead to pick up valuable coal orders."

Both SA and Canada are reliable suppliers of soft coking and steaming coal, and Australia has lost export orders worth millions of rands in the last year.

The New South Wales Coal Association, of which Dr Ritchie is also executive director, recently learnt that the Brazilian government was bypassing Australia in favour of SA.

"This decision by the Australians is in part a reflection of growing doubts by coal-buying countries about Australia's reliability as a supplier," he said.

"Several New South Wales mines have been negotiating with the Brazilians on contracts worth tens of millions of dollars for semi-soft coking coal."

"This frustrating news will not be the last unless our mines are freed from industrial disputes and archaic work practices."

Dr Ritchie said that in New South Wales six million tonnes had been lost in the past nine months because of disputes. These lost export orders totalled A$300 million.

"Because of sanctions, SA coal exports were at one stage declining. But when countries who normally rely on Australia for their coal find they can't get any, they look elsewhere and sanctions are forgotten."

"The price per tonne is about the same in SA and Australia. Countries would prefer their coal from Australia because they perceive us to have a more secure long-term political future than SA."

"But because of disruptions Australia is not producing enough coal for exports."

Dr Ritchie said that until nine months ago, SA could undercut Australia in coal prices.

"But SA now has a much higher inflation rate and black labour costs have risen, along with cartage costs. So we can supply export coal on an equal basis."

"Yet SA is winning the export war, because our unions live in the past."

"The Australian coal industry cannot afford to lose out to SA. If it does, the future of our industry faces total disaster."

He went on: "We are a dying industry and unless the situation is rectified, it is going to mean serious balance of payments problems for Australia."

"The SA coal industry is seen by importing countries as having a thirty percent advantage. Australia now ran the risk of becoming a "banana republic" in coal production, while SA grabbed the crucial millions of export dollars."

... but industry must remain competitive

By Sven Lünsche

Notwithstanding political difficulties and sanctions, the SA coal industry can still look forward to sizeable export markets, provided it maintains competitiveness, particularly against Australia and China, says Nedbank in its latest Guide to the Economy.

South Africa's coal exports declined by about three million tons to 42.6 million tons from 1986 to 1987, reducing the revenue from coal exports by 27 percent to R2,394 billion.

"But revenue from exports could have been much higher in 1987 had SA exporters acted collectively rather than individually," Nedbank writes. "In trying to beat sanctions they marketed aggressively by cutting prices and without judging the demand and supply situation."

For sanctions to be fully effective, the other suppliers would need to be able to fill the gap left by SA exports, and at the same time remain competitive against SA suppliers.

"This seems unlikely over the medium-term of three to five years," Nedbank says, noting that during 1987 SA's aggressive marketing pushed some of Australia's mines out of business.

The bank adds that China, which launched its export drive in 1986, had served unreliable economic..."
SOUTH African canned fruit exports are holding their own in a difficult market, according to the main exporters.

Mr Carel Stassen, chief executive of Langeberg, said exports were "quite good" considering sanctions against South Africa which had lost this country markets in the United States, Canada and Scandinavia.

**Advantages**

At the same time, the comparative advantage South Africa had enjoyed through the declining rand had been offset by domestic inflation and declining currencies of competitors, he said.

Mr Robin Merry, managing director of Gants, said that with the change in political emphasis some doors had closed but exporters had managed to expand in other markets, especially the Far East and Europe.

But exporters were managing to keep their heads above water even though the South African inflation rate tended to negate the benefits of a weaker rand.

"We are competing in a market where many of our competitors do not have the same inflation problem."

**Competitive**

"You cannot keep putting up prices if you want to remain competitive," he said.

Other factors favouring South African exports were the quality, service and reliability exporters offered.
Americans count cost of sanctions

SA mineral ban could cost the US about $10bn

THE US could suffer shortfalls worth some $10bn if sanctions were to be imposed on the import of strategic minerals and metals from SA.

This is revealed in a US Bureau of Mines survey quoting a recent report from the US General Accounting Office.

Facts from the report are highlighted in the latest issue of the Chamber of Mines newsletter.

The US report says SA's role as a supplier of the 10 leading certified minerals (manganese, industrial diamonds, cobalt, chromium, vanadium, asbestos and the platinum group metals) to the US has varied over the past five years.

"It has become a more important supplier for some, less important for others..."

"The Soviet Union is not now, nor has it been, a major supplier of any of the 10 certified minerals since at least 1983."

The report estimates the five-year cumulative direct economic cost of the US embargoes on SA for six of the minerals at $2.2bn.

The report notes that in 1986 SA led the world in the quantities mined for three of the 10 certified minerals — chromium, rutile (titanium) and vanadium.

SA exports ranked second in two of the remaining seven minerals — manganese and platinum group metals.

SA also has the largest reserve base for four of the 10 minerals — chromium, manganese, the platinum group metals and vanadium.

It has 84% of the world reserve base for the platinum group metals. The country is also believed to rank first in world production and reserves of andalusite, a specific type of industrial diamond, and grade of chrysotile asbestos.

The US Bureau of Mines report assesses the availability of six of the 10 certified minerals and concludes that there are sufficient alternative sources for manganese, chromium, palladium, rutile and vanadium to meet US industrial demand should there be an embargo on SA exports.

But there are not sufficient alternative sources for platinum and rhodium.

Supplies of cobalt would remain available via the use of alternative routes for transporting the material from Zaire, the principal US supplier.

Cobalt from Zaire and Zambia is currently shipped via SA rail to SA ports for export. — Sapa.

ZIMBABWE TOLD
SA coal: Belgian probe under way

BRUSSELS — The Belgian government was investigating allegations that officials re-exported SA coal illegally disguised as Australian coal, an Economics Ministry spokesman said yesterday.

He said Economics Minister Willy Claes had ordered the probe after discovering that a ministry department had issued re-export documents describing SA coal as Australian.

He said: "SA coal imported into Belgium was re-baptised as Australian for re-export to a neighbouring country, which could be France."

Unlike France, Belgium does not boycott SA coal.

But it has said it would be prepared to ban imports if the EC decided on a joint boycott to protest against SA’s apartheid policies.

The spokesman said Belgium would ask its EC partners to discuss again a proposal for an EC-wide ban, which member states had failed to back so far.

— Sapa-Reuters.
strong rise in world economic activity have tailed off — despite the continued rise in world economic activity and trade.”

Using the index of US industrial production volumes as “a useful proxy for world economic activity,” he demonstrates the previous close correlation and recent divergence (see graph) between the two indicators.

He attributes the recent trend to:
- The impact of sanctions on some goods;
- High domestic absorption because of the strong revival in local demand;
- World oversupply in commodities like uranium and iron ore; and
- A shortage of agricultural products because of flood and other crop damage.

What does this imply for the future?
Domestic absorption will drop as SA moves into recession, commodity supplies will adjust, and agricultural output will recover. But sanctions seem to be with us for the indefinite future.

Though it is impossible to assess the relative importance of the factors that have depressed recent export performance, it is safe to assume that, as long as we choose economic isolation to real political change, we will have a forgo export led growth.

---

**Exports**

**Broken link**

Traditionally, periods of expansion in the main industrial countries have stimulated SA export growth, leading into prosperity.

The scene is now set for just such a development, with the outlook for the major economies decidedly upbeat.

Growth forecasts for 1988 are being repeatedly revised upwards. Warburg Securities (UK), in a September Economic Briefing, estimates 6% growth in Japan, 4% in the US, Canada and the UK, and 3% or more in Germany, France and Italy, attributing this to a “powerful combination of demand pressures” which include consumer spending, investment spending and demand for imports.

Despite this, SA’s export prospects have probably never been poorer.

Says Rand Merchant Bank economist Rudolf Gouws: “Export volumes, which started climbing in early 1984 in response to the...
France gets SA coal despite embargo

Own Correspondent
PARIS. — SA coal is reaching France in defiance of a government embargo.

A Belgian newspaper, De Morgan, has claimed that huge volumes of SA coal are being re-exported from Belgium to France as Australian coal.

SA coal exports to France have been banned since 1986.

Both the Belgian and French governments have now opened formal investigations into the matter. Sources here report that a number of Belgian civil servants alleged to have falsified export licences are to be brought to court.

At the same time, the scandal has rekindled calls for a ban on SA coal exports to Belgium, in line with the demands of the Flemish Socialist Party.

The Belgian government is said to be planning to ask its partners in the EEC to consider a general boycott of SA coal.

Investigators were alerted by the rapid rise of coal exports from Belgium to France. From 6,000 tons in 1984 exports rose to 81,000 tons in 1985 and 337,000 in 1986 and reached 840,000 tons in 1987.

According to reports, the volume of Australian coal documented as being re-exported to France now exceeds the total volume of Australian coal imported into Belgium. Most of the coal is bought by big merchants in France for resale to the steel and electricity industries and cement works.

The extent of the coal merchants' involvement in the scandal has yet to be established. The investigations should show whether or not the merchants paid an unusually low price for the coal which, since SA coal is considerably cheaper than the Australian product, would suggest they knew its real origin; or whether, on the contrary, they themselves were tricked into paying "Australian" prices for the cheaper SA coal.

Imports of coal into France are run by a monopoly, the Association Technique Pour l'Importation Charbonnieres (Atic). In general, Atic checks the origin of coal imported into France and analyses its quality. But in the case of trade of coal within the EEC, Atic does not intervene directly between suppliers and buyers. Atic admits to being "embarrassed" by the whole affair.

The Documents of Origin supplied by the Belgian traders were in conformity with the imports, Atic said in a statement. "If the French importers did not know the real origin of their purchases, they have been tricked."
Inflation knocks real profits...

Fruit exports reach record

By AUDREY D'ANGELO
Financial Editor

Exports of fresh fruit from the Cape have achieved record earnings again this year, in spite of sanctions which have closed some markets.

The new growers' cooperative Universal Frutrade Cooperative (Unifruco) - which took over export marketing from the Deciduous Fruit Board a year ago, announced yesterday that more than 30m cartons of fruit were sold in the last season, earning R773m gross. This is R100m more than in 1987.

Unifraco chairman Leo Finie said that the pay-out to producers in the industry, one of SA's largest earners of foreign currency, would be a record R404m, compared with R347m last year.

This would be possible not only because of the volume of fruit handled but because administrative costs had been cut by 15% for each carton sold.

But, Finie said, inflation meant that the 10% rise in the amount of cash reaching producers' pockets was a fall in profits in real terms.

"Inflation, particularly in the rand value of overseas costs and on production costs, has reached such alarming proportions that increases in gross earnings easily end up as a decrease in net earnings."

"The past season is not an exception. It is calculated that real farm income will actually have decreased."

Finie said the industry, which provides jobs for 250000 people, had achieved significant increases in export earnings every year since 1983 in spite of the fact that a few markets had been lost due to political pressure.

"In the past five years all our trading partners achieved significant growth in dealings with our quality range of fresh Cape produce and we are particularly delighted that producer payments could increase from R123m to R404m over the same period."

Unifraco CE Louis Kriel said Unifraco had set itself the goal of continuing this positive trend over the next five years, with new markets being developed.

It already had more than 40% of the southern hemisphere's share of European markets and was confident it could extend this. Non-deciduous varieties were being added to the range of fruit marketed.

"We have no illusions regarding the challenges facing us. The export environment is still not totally normal for SA and some of our southern hemisphere competitors are doing their utmost to extend and exploit the situation."

"Others continue to dump large quantities on our traditional markets. "But we have succeeded in achieving greater price premiums above competitive products than ever before by offering quality, reliability, product range and logistical discipline. Also, our industry's track record in social and labour relations has been recognized as one of the best in the whole agricultural world."

Kriel said that every possible measure was being taken to pursue excellence and counter rising costs "because in five years' time only two major southern hemisphere suppliers will survive in the highly competitive Western world market. We shall be one of them."

Gold closes
French importing SA coal

By James Tomlins, The Star's Foreign News Service

PARIS — France is importing South African coal, 20 percent cheaper than any other, despite its 1985 ban.

It is used by France's new steel plants, making them more competitive.

The government purchasing body ATIC has already signed contracts for 800,000 tons for this year, worth over R60 million.

In April 1985, Socialist Prime Minister Laurent Fabius called a special press conference to announce anti-apartheid sanctions, including SA coal imports.

SA coal is still either directly shipped straight to France, or routed through Belgian and Dutch ports.

False waybills and country-of-origin handling documents are provided with each shipment. In some cases the coal has been entering France with an Australian label.
Export training drive

THE Southern Transvaal African Chamber of Commerce (Soutacoc) has accepted a SA Foreign Trade Organisation (Safto) offer to train blacks in the export industry.

Soutacoc chairman J K Hlongwane said in Johannesburg this week Soutacoc would invite organisations and individuals that gave papers at the organisation's recent industrial workshop to make good their promises to train blacks in business skills.

"We want them to not only educate blacks in these fields, but also to train them to educate other blacks," said Hlongwane. "We want Safto to train our people in the export trade and to help us identify markets overseas. We are visiting the Chamdor Training centre (in Krugersdorp) soon to see what kind of entrepreneurs it produces."

Workshop speakers included marketing consultant G Knight, who gave a guide to tendering for a contract; and Chamdor Training Centre marketing manager D Dalton, who spoke on Training Courses for Busy Industrialists.
Soviets importing Namibian and SA uranium — report

LONDON — The Soviet Union is importing significant quantities of nuclear materials produced in the UK from uranium originating in South Africa and Namibia, according to a British anti-apartheid group. This is despite Soviet support for a UN ban on trade in Namibian natural resources, and separate Soviet restrictions on imports from South Africa.

The extent of the trade between the UK and the Soviet Union is documented in an analysis of UK trade statistics and customs data prepared by the Campaign Against Uranium Contracts, part of the Namibia Support Committee, produced for Swapo.
Developing export drive at all levels

The success of Firestone's export drive demonstrates the importance of maintaining high standards and seeking out new markets. The company's full-time export manager has travelled over 180,000km all over the world to establish new territories. The success of this drive is due to the dedication and training of the entire company.

SA business had to realise that it was part of the world economy and had to be competitive at that level. Firestone MD Bill Taylor said, "The secret of success lies in the deliberate fostering of a serious company export ethic. Jumping in and out of the export market to cushion fluctuating local demand, as too many of us do, is not going to cut it." Taylor said.

The whole company SA company - a member of the Federale Group was also nominated as a winner of the Federale Marketing Award this year.

The company established itself in Port Elizabeth 52 years ago. Recently a tyre factory in Brits was established which is solely concerned with the manufacture of steelbelt car tyres and steelcord truck tyres. It currently manufactures 257 different styles and sizes of tyres, from the smallest mini-car tyres through tractor and special-purpose tyres, up to giant earthmoving tyres which stand 5m high and weigh 2.5 tons.

The company maintains strong links with international research and development laboratories to keep abreast of the latest technology available. "Successes are achieved through people who are dedicated and well trained. We are extremely proud to have received this award," Taylor said.

Hot item among manufacturers

By the early 1980s, the company was exporting about 85% of South America's ferro-alloy requirements. Australasia is now Jan Potgieter's primary export market. Today it represents: Samancor - the world's largest integrated ferro-alloy producer; Codelco, Chile, the world's largest producer of copper and molybdenum by-products; Union Carbide Zimbabwe; and Shinto Industrial.

In addition, it sells innoculants on behalf of Eleprint in Brazil and Stein Argentina. The 10-year-old company is the winner in the service sector of the State President's Export Awards.

E & C Charcoal manufactures lumpwood charcoal and charcoal briquettes used in industry and leisure markets. The company owned by Pietmaritzburg businessmen, began operations in March 1978 and started its successful drive into the export market less than a year later. Today, about 80% of its total production is exported. Exports now exceed R10m a year.

E & C Charcoal GM Barry Greenwood says exports have risen considerably in recent years. In 1985, exports totalled R3.3m, rising to R2.5m in 1986, R7.5m in 1987 and R10m in 1988. Sales in 1989 could exceed R10m because the low rand makes the product competitive in international markets and there is sufficient raw material available to meet demand, he says.

In 1985, 99% of total production was exported, 91% in 1986, 82% in 1987 and 80% this year.

"The drop was because of sanctions pressures. It became more difficult to market our product overseas. Last year we increased our production of briquettes by 40% - a trend we are planning to keep up this year - and we will use the extra production to establish a stronger base in the SA market," Greenwood says.

E & C Charcoal has built up considerable expertise in structuring deals in various kinds of foreign currencies and letters of credit.

"This part of any export business is absolutely essential because a lack of knowledge here can cost you your entire business," Greenwood says.

The main export markets are West Germany, the UK, Holland, Belgium, Israel and the Middle East. E & C Charcoal's lumpwood charcoal and charcoal briquettes are acknowledged in Europe as being of a high standard. "Because of the kind of product we sell, quality and service keep us ahead of our competitors," he says.

Briquets are for summer time and leisure time, and the seasonal nature of the briquets make on-time deliveries critical.

"A major factor contributing to our success is that we have concentrated over the years on upgrading our product to a quality one above the rest of the suppliers. This has been at the expense of profits, but we viewed it as a long-term policy and are now beginning to reap the benefits of this as buyers frequently request our product by name," Greenwood says.

"We will continue to try to improve our standard where necessary. This is essential to remain in the charcoal market as worldwide there are many manufacturers."

SHOWING ITS METAL

WHAT began as an internal need has resulted in international service excellence. Jan Potgieter Metals - an agent for various producers of metals, ferro-alloys (noble and bulk) innoculants and deoxidants - first ventured into export markets to source raw materials for its holding company abroad.

The recession of the late 1970s resulted in severely limited raw materials for export and the company found itself importing these materials.

By the early 1980s, the company was exporting about 85% of South America's ferro-alloy requirements. Australasia is now Jan Potgieter's primary export market. Today it represents: Samancor - the world's largest integrated ferro-alloy producer; Codelco, Chile, the world's largest producer of copper and molybdenum by-products; Union Carbide Zimbabwe; and Shinto Industrial.

In addition, it sells innoculants on behalf of Eleprint in Brazil and Stein Argentina. The 10-year-old company is the winner in the service sector of the State President's Export Awards.
SA delicacy on tables
around the world

ASPARAGUS planter and canner Deenster Ltd of
Ficksburg, exports about 800 tons to eight cou-
tural sector merit award for
exports, Deenster also
trees overseas.
MD Johann Malherbe estimates 2 000 tons of asparagus will be
produced this year, pro-
Deenster controlled sales of the SA
asparagus export market — quite a feat considering that just three years earlier
it could lay claim to only 16% of SA's total asparagus
exports.
Total sales have shot up
by 148% since then, Mal-
herbe says. At the peak of
harvesting the crop, up to
two tons of asparagus is
picked twice a day.
Three years ago the com-
pany faced insolvency, but
since then a productivity
programme has helped boost pro-
duction and exports signif-
ically.
In addition to winning a
State President's agricul-
A TOP
PLACE

VYANIDE LTD, part of the
AECI group, is the major
manufacturer and supplier of
PVC-coated fabrics (tar-
paulins), films and sheet,
ring binders and cheque
covers, decorative Resolit
PVC for veneer purposes for chip board
(television cabinets), glass-
clear PVC and vacuum
forming in packaging,
Vyanide export sales man-
ger Clive Burral said.
It has had a steady in-
erase in export sales dur-
ing the past three years, one reason it was named a
merit winner of the manu-
ufacturing sector for the
State President's Export
Achievement Awards.
The Vyanide export de-
partment was established
in 1986 and a goal of 100% turnover in exports was set
for several years ahead.
Severe competition and political pressures in its ex-
port markets inhibited
growth in certain countries, but it found great success in
others, he said.
To improve sales and de-
evelop international mar-
kets further, the company
is engaged in looking for
agents abroad to give ser-
dvice to customers all the
time, he said.

Import replacement
gets major fillip

SAS IMPORT replacement programme has been given a
major fillip with the com-
pletion of capital projects for
the local production of
strategic raw materials.
The programme has been
undertaken by Chachotze
Holdings, a minerals group
with extensive holdings in
calcined flint clay (more
commonly called cha-
motte), magnesite and
talc.
Established in 1963, Cha-
hots Holdings turns over
about R1m a year from its
clay magnesite and tale
mines and exports about
three quarters of its annual
production of 21 000 tons of
magnesite to customers in
the Far East, Australia and
South America.

Lesser quantities of tale
and finer clay products are
also exported to various
world markets.
Chachotze Holdings CEO
Robin Greaves says he
expects the company's five
new operations — involving
the establishment of pro-
cessing facilities that are
set to reduce the country's
dependence on imports —
will boost turnover from
R1m to more than R4tm a
year, with some R2tm in
addition gainings being
generated by new exports.
"Local production of im-
portant raw materials will
save at least R2tm in
foreign exchange for SA
every year, and it will re-
duce its dependence on
foreign goods and, in cer-
instantiate, permit us to
earn valuable foreign ex-
change," he says.

The project represents
the first steps towards in-
creasing the group's prod-
duct base.
The group's high-quality
magnesium, produced from
locally-quarried clay at the
original works in Brink-
horstpruit, is a vital con-
fant of refractory
bricks and mortars used in
the production of steel.
Its Strathmore magnes-
site mine at Malelane in the
eastern Transvaal is SA's
only source of that mineral
which is of strategic impor-
tance to the refractory and
metallurgical industries.
Talc, used mainly by the
local paint industry, is
mined in the eastern
Transvaal.
A plant for the produc-
tion of magnesium sulphate
(Epsom salts) destined pri-
marily for the paper, agri-
cultural and other lesser
markets, has been complet-
ed near Malelane.

Producing about 6 000
tons a year, the facility has
the capacity to meet the
total requirements of the
local market.
Manganese sulphate pro-
duced at the works will re-
place product now avail-
able from overseas
suppliers, primarily in
West Germany.

Greaves says the group is
looking into the possibility of exporting the product to
as yet unspecified interna-
tional markets.
Kline for the production of
a second magnesium
product — magnesium ox-
de — have been completed
at the Malelane mining op-
erations. Magnesium oxide
is used in paper production
and in agricultural and wa-
ter purification applica-
tions. It also forms the ba-
sis of 'more complex manganese salts used in a
variety of industries.

Some 4 000 tons of the
product will be produced a
year, also successfully re-
placing imports.

Greaves says: "Chachotze
Holdings has installed new
facilities at Malelane to pro-
duce about 75 000 tons of
magnesium carbonate fines
annually which are used ex-
tensively in agriculture to
enrich magnesium-defi-
cient soil."

At Sheba, near Barber-
ton, a plant has been built
to produce some 3 000 cubic
metres of washed construc-
tion sand a month.

Modest quantities of gold
and scheelite are recovered
in the sand-washing pro-
cess. The facility is of vital
importance to the region as
d it is the only source of con-
struction sand for the ex-
tensive building and reha-
bitation projects under
way in the area.

"The fifth new project in-
volves the building of a mill
which will produce some 3
500 tons of finely-ground
clay a year at the Brink-
horstpruit works. The clay
is mainly used in the spec-
sialised process known as
investment casting and in the manufacture of cer-
amic products," Greaves
says.

The group's five new
facilities increase total em-
ployment opportunities to
more than 460.
STATE PRESIDENT'S EXPORT AWARDS

Fruit exporters break records

UNIFRUCO is the privately-owned export organisation that took over the international marketing of fresh deciduous fruit from the Deciduous Fruit Board in October 1987.

This step ended a period of nearly 50 years during which the Deciduous Fruit Board marketed SA's apples, pears, grapes, plums, peaches and apricots with distinction in more than 50 countries around the world.

Last year, in accordance with present privatisation trends, the mainly Cape-based producers of deciduous fruit established their own organisation to handle the international marketing of their products.

Most of the DFBR's management and staff joined Unifruco.

The company also acquired the world rights to the well-known "Cape" trademark.

In its first year of operation, Unifruco broke all previous export records in the industry.

A record 30.7-million cartons of fruit were shipped, earning R775m overseas — R100m more than the previous record.

At the same time, costs were reduced in many fields, including administrative expenses, where the rate per carton amounted to less than 2% of the gross value. This was more than 15% lower than the previous year.

Unifruco CE Louis Kriel says it is the aim of the industry to repeat its record-breaking performance over the next five years.

"We have to grow to retain our position as a niche in the hostile international environment.

"Our share is more than 40% of the European Community markets for southern-hemisphere fruit, and we intend to remain the leaders in volume, quality and service," he says.

Unifruco's business philosophy is simple — market-related growth, expansion in quality, and continued war on costs.

The shareholders in Unifruco are some 2,000 fruit producers, mainly from the Western Cape and Eastern Cape, the lower Orange River and a small number of Transvaal table grape growers.

Apples and pears are sourced from Elgin, Ceres and the Langkloof, while table grapes are grown mainly in the Hex River Valley, Paarl and Uplington. Stone fruits are produced mainly in Stellenbosch, Franschoek and the Little Karoo.

Unifruco chairman Leo Fine is an apple grower in the Elgin/Grabouw region and is particularly proud of his industry's consistent success in exports.

He says the industry has succeeded in achieving record export earnings every year since 1983 in spite of losing markets due to political pressures.

In fact, he says, since 1983 the deciduous fruit industry twice won the State President's award for export achievement in the services sector and has also received two merit awards.

During the past two years the national "Farmer of the Year" award went to Cape fruit growers, Freddie Kirsten of Paarl (who is also Unifruco vice-chairman) and Jan Linde du Toit of Ceres (chairman of the SA Plant Improvement Organisation, which is sponsored by the industry).

Because of the labour-intensive nature of the fruit industry's operations, it is the biggest employer in the Cape. It is calculated that 230,000 people work in the industry, which supports 1.2-million people.

Unifruco employs mainly marketing, operational and administrative staff at its head office in Cape Town and at its offices in London, Hamburg and Brussels.

Technical extension services are also provided to the farmers.

PREMIER International believes that international marketing is a reflection of our company and one's country.

It has chosen Africa in the context of SA's natural markets for manufactured and agricultural goods of an essential nature.

Its policy is to become well established in a market place, employing marketing strategies based on long term objectives, then to move on to other markets, CEO Albert Nelssen says.

"Our philosophy has specifically been that of identifying in export markets unfortified areas which are food-related and developing projects which assist towards alleviating inherent conditions.

Premier International became active as a principal exporter in 1983 even though it was established earlier. Its exports increased by 152% in 1988 compared with 1987.

Identifying areas which lend themselves to assisting African countries and enhancing SA exports is one of its specialties.

The company pioneered a unique project of selling goods to Mozambique miners working in SA and then delivering these goods in Mozambique from its bonded warehouse.

This system is supported by most major mining houses.

Mozambique benefits because the scheme feeds over a million people which would otherwise be destitute and dependent on the state, Nelssen says.

Premier International was awarded the State President's Award for Export Achievement (overall winner) in 1986. In 1986 it was awarded a certificate of merit in the manufacturing sector and in 1987 the awards for export achievement in the services sector.

Nelssen says the award serves as an inspiration for Premier to continue its marketing campaign with renewed enthusiasm and vigour, particularly at such a time when the SA business community needs encouragement and friendship from other countries.

GEO STOTT, established in 1911, has carried forward the goal of excellence into the 1980s. Its outstanding performance in exports has made it a merit winner of the manufacturing sector for the State President's export award in 1988.

The company's main exports are cut steel washers and steel pressings for agricultural and telecommunications uses. All products are made from 100% SA raw materials, company chairman Malcolm Stott said.

Exports increased by a whopping 35% in 1986, and by 130% in 1987. For the same periods, exports as a percentage of sales improved by 8.9% and 16.3% respectively.

Inroads into the company's primary export markets in the Far East and South America were difficult. "The markets there are very difficult to penetrate because of the intense local competition," said MD Brian Stott.

"Our pricing and credit terms had to be competitive with the local markets in the countries we were exporting to," he said.

But by using overseas agents and maintaining an effort to improve productivity by concentrating on staff training, these goals were achieved.

"Certainly our extended credit and pricing structures and plain old perseverance contributed towards our success in exporting," Stott said.

A succulent export idea

WHAT started out as a hobby to bring a family together more than 15 years ago has turned into a fully fledged exporting business involving the whole family.

Wellcreeved Succulent Nursery owner Paul Schoeman of Port Elizabeth used to sell insurance.

"I spent a lot of time out of the home and I decided to take up a hobby which would bring our family more time to spend together. So we took up collecting indigenous succulents," he said.

In just six years that hobby has been turned into a thriving export business with turnover expected to top R1m by 1990. As a result it has been awarded a merit certificate in the agricultural sector of the State President's export awards for 1988.

"When we travelled overseas we saw the demand for indigenous succulents and knew we could supply so we took the opportunity and opened the business in 1982. We started exporting about a year or two later.

"We never in our wildest dreams imagined it would be like this," he said.

In 1985 86% of total production was exported, 72% in 1986 and 75% in 1987. Total export value was R112,000 in 1985 and this leapt to R221,000 in 1986 and grew to R310,000 in 1987.

"We have already passed that mark this year and expect to top 350,000 by the end of the year," he said.

What is different about this family business is that they only export special varieties of succulents which are not readily available overseas.

Main export areas are Japan, Germany, Spain, Canary Islands, Holland and other European countries.

Excellence from Geo Stott
NATIONAL EXPORT EFFORT FOR 1998 AND THE STATE PRESIDENTS AWARDS
IS PROUD TO BE GEO. STORR & CO. (PTY) LTD.

Eadam Smith
Sanctions and
stop export
sapphire export
micro market
Mega-Success
Tubease wins
State President's Export Awards
Japanese ban SA uranium

Four Japanese power companies with nuclear energy plants have decided to ban uranium imports from South Africa and Namibia, which were channelled through overseas suppliers.

The ban will effect sales from UK mining group Rio Tinto Zinc (RTZ) and South Africa's Nacanco.

The companies said that the ban would come into effect as soon as the current contracts with RTZ and Nacanco expire, which varied from 1998 to 1999.

The action followed an agreement on British TV that six Japanese electric power companies, with the help from RTZ, were openly floating a United Nations decree against trade in uranium from Namibia. RTZ owns Rossing, one of the biggest uranium mines in the world.

Figures published by the Japanese government show that South Africa provided about 11 percent of Japan's 263,419 tons of uranium imported last year. Britain was the source of 24 percent of Japan's uranium. Britain has no uranium deposits and most uranium described as British originates in Namibia.

The deputy head of the nuclear fuel department of Tokyo Electric, Koji Kaneko said: "RTZ told us there is no Namibian uranium in what they ship to us and we believed what they said."

A Japanese Foreign Ministry official said he believed Japanese companies had been respecting the ban.

Last year Japan became South Africa's largest trading partner for the second year in a row, but at the Ministry of Trade and Industry officials are less concerned with Japan's image abroad as with the ability of Japanese industry to obtain raw materials cheaply. — The Independent and AP
Japanese car supplies face sanction snags

By Michael Chest

The squeeze by Japan on supplies of motor components to South Africa has been confirmed by the National Association of Automobile Manufacturers in its latest quarterly report to the Director-General of the Department of Trade and Industry.

Under growing political from sanction lobbies, the Japanese government has asked suppliers to restrict deliveries to 1987 levels.

An even faster escalation in the cost of imports from Japan results from the slide in the rand exchange rate with the yen.

Price increases on components flowing in from Japanese suppliers bounded higher by 9.8 percent in the September quarter alone compared with price rises of 3.9 percent on components from West Germany.

Domestic inflation compounded pressures on retail prices. Naamsa reports that during the September quarter alone prices of locally manufactured components climbed between 3 and 5.8 percent.

So far this year, says Naamsa, vehicle sales and business conditions have been better than expected, with sales volumes still showing significant increases in the September quarter compared with a year ago.

The dominant influence has been the stimulant from replacement demand by corporate fleets and the car rental sector. But Naamsa believes that exchange rate and production cost pressures have also encouraged a “buy in advance” psychology among motorists as a whole.

That combination, it believes, may keep vehicle sales reasonably buoyant over the next few months. However, it goes on, the more difficult phase into which the economy appears to be heading is bound to have a negative impact on sales.
SA coal imported on Aussie labelling

By James Tomlins, The Star's Foreign News Service

PARIS — France has imported 1 million tons of South African coal labelled as Australian since an embargo was clamped down in mid-1986.

The total value was in the region of $25 million (about R60 million).

The industry ministry released yesterday the findings of a report started three weeks ago following complaints that South African coal was being shipped to Belgian ports, relabelled Australian and sent by rail to France.

The report said it could not discover whether the French purchasers, the steel industry and the EDF electricity grid were aware of this embargo-breaking traffic.

South African coal sells at $25 a ton against an average of $35 from other countries.

The evening newspaper Le Monde commented: "It is difficult to believe that such huge quantities of coal could be imported without the buyers being aware of its real origin."

France also imports South African coal legally. An embargo was declared by Socialist Prime Minister Mr Laurent Fabius in April 1985, but he said current contracts could be honoured.

In 1985 France was importing 6.4 million tons, which fell to 780,000 tons in 1987.

The figure for 1988 is about 500,000 tons.

It is presumed that the French government will be forced to take legal action to stop illegal imports of South African coal labelled as Australian.
Exports boost SA trade surplus

GRETIA STEYN

HIGHER exports buoyed SA's trade surplus to a sound R1,06bn in October, signalling the current account on the balance of payments is in good shape. Exports bounced back to R4,72bn from R4,48bn in September. But imports hit a new record for the year at R3,87bn (R3,63bn in September). Economists said the weak rand disguised the levelling-off in import volume.

Standard Bank economist Nico Czypionka said: "The current account is no longer a problem. The trend is obviously higher, and it is particularly pleasing that exports are the driving force."

Significantly, the export performance was not merely the result of a lucky break — such as an increase in the gold price. Improvements were notched up across the board with good results from coal, agricultural products, wool and even industrial products.

Trust Bank's Ulrich Joubert expected exports to take off once domestic demand had slowed down significantly.

Another spin-off from the expected slowdown in domestic demand will be declining import volumes. Czypionka said it was not surprising that imports were not yet lower — the downturn was not firmly in place.

"The economy still has to react to the recent hike in interest rates. But in time, economic activity will slow down and the demand for imports will diminish. With exports already performing well, we can expect bigger things on the current account when imports start dropping."

The trade surplus is still running well below last year's figures. The surplus for the 10 months to October was R7,39bn, sharply down from R12,12bn in the same period last year.
French to halt illegal SA coal

By James Tomlins
The Star's Foreign News Service

PARIS — The French government has acted to halt clandestine South African coal imports which are beating the 1986 ban.

Industry Minister Mr Roger Fauroux told the National Assembly: "The official French coal buying authority, ATIC, took steps two months ago to tighten their controls and halt this traffic."

"The South African coal was being shipped to Belgium and then unloaded to be sent here by train. Somewhere along the line, it was relabelled Australian."

The Minister said that the clandestine traffic since mid-1986, totalling one million tons worth R50 million, "was made with the connivance of agents in the Benelux countries (Belgium, Holland and Luxembourg)."

Mr Fauroux said that the French ban on SA coal had brought imports down from a high of 6.5 million tons to 750,000 tons.

The Minister's statement, made on Wednesday evening, came at the end of a month-long press campaign in France and Belgium over this "Australian" coal.

Main French customers are the state-run EDF Electricity Authority and the new state-run steel plants. SA coal sells in France at R50 a ton, compared with R82 from other suppliers.
Robor coins it as exports boom

By Ian Smith

EXPORT strategies that worked helped to lift the taxed earnings of Barlow Rand’s Robor Industrial Holdings by 41% in the year to September.

RIH shines in an environment clouded by criticism of South African industrialists’ failure to push exports.

The streamlined group’s profit jumped from R4,1-million to R5,4-million on the back of a 35% turnover rise to R601-million.

Taxation

Exports contributed nearly R168-million, or 27% of turnover, having grown from 5% only five years ago. More importantly, exports’ contribution of profit before interest and tax increased from the previous year’s 8% to 20% last year.

Export benefits also played a key role in maintaining the low tax charge, which was 10% lower last year at R16,8-million.

We believe our performance in foreign markets means that our long-term strategy is paying off, says RIH’s new managing director, Mike Cahagan.

He says RIH now sells to about 40 companies in Africa, Europe, South America, the Indian Ocean islands and the Far East.

RIH, listed in 1983, is made up of seven companies involved in the manufacture, processing, galvanising, distribution and export of steel products, tube and pipe, stainless steel and aluminium.

RIH International specialises in exporting and accounts for about 70% of the group’s foreign sales. But most of its business still comes from companies outside the RIH group.

Mr Cahagan says the export success stems from RIH’s commitment to foreign markets. Executive throughout the group are aware of the importance of the foreign sales drive.

Recovery

“Years ago we took the view that the domestic economy would not grow at the rate expected in some quarters and we decided to look further afield. More recently we have been helped by the world recovery in steel markets.

“But it does take time and constant effort to gain a foothold.”

Too often in the past SA exporters have looked for foreign orders only when the domestic market has collapsed or the exchange rate is extremely favourable.

“You have to hang in there, through bad times and good,” says Mr Cahagan.

It is essential to provide a flexible service, accepting small and difficult orders and sometimes accepting unfavourable prices.

The benefits flow when the customer has come to appreciate the product and the service and world prices harden.

Bigger orders come through, leading to volume economies.

“This is what we are beginning to experience,” says Mr Cahagan.

One of the major problems is the cost of moving exports from the Reef to Durban. This often equals the cost of shipping exports from Durban to the Far East.

“We are also penalised by higher freight costs when we add value to goods for export,” says Mr Cahagan.

But he hopes there may be relief when the Government’s new export incentives are announced, saying: ‘It could result in a big boost to foreign earnings.”
SA is leading exporter to Zambia, claims report

The Star Bureau

LONDON — South Africa has edged out both Britain and Zimbabwe as the leading exporter to Zambia.

The Financial Times said today that South Africa was supplying 20 percent of Zambia's foreign inputs: "Although trade statistics concerning South Africa are not published in Zambia, outside sources estimate that of the £169.2 million of goods imported into Zambia in 1987, about £35 million were South African."

Journalist Nicholas Woodworth points out that Zambia's President Kenneth Kaunda has built his reputation on a refusal to negotiate with South Africa and neglects few opportunities to criticise Mrs Margaret Thatcher and other Western leaders "for their compromising stand on the issue."

"At independence, Zambia gave 12 months' notice of its intention to terminate all trade agreements with South Africa."

He says the subject of trade with South Africa is sensitive in Zambia and most government officials refuse to discuss it. Others deny that it exists.

"At shops of the state-owned Zambian Consumer Buying Corporation (ZCBC), for example, there are aisles of South African wine and canned goods. Yet the National Import and Export Company, ZCBC's supplier, maintains there is nothing of South African origin sold in the shops."

"Private sector companies in Zambia are more willing to admit the economic realities that make it difficult, not to buy from South Africa."

He quotes a representative of a shop selling refrigerators and stoves as saying South African goods are cheaper than European, quality is high and transport costs are much lower.

"Unofficial policy, in these circumstances, is to import from wherever goods are cheapest."

Zambia imports vital mining equipment from South Africa, as well as steel, car parts, cooking oil, plastics, detergents, and a wide range of edible and finished consumer goods.

"We are trying to cut off South African imports progressively," said Mrs C L C Saewankambo, Permanent Secretary at the Ministry of Commerce and Industry, "but for the moment we cannot do without them."
Frantic efforts to save fruit

By Dan Side

Five plane loads of export-grade fruit and cut flowers worth millions of rands in foreign exchange, are claimed by anxious freight agents today to be in danger of perishing.

The fruit and flowers were in storage in packing houses around the country because South African Airways was unable to arrange charter transport to European markets in time, the Johannesburg-based agents claimed.

Mr John Diviani, a spokesman for the country’s three major perishable freight forwarding agents — Perishable Cargo Agencies, Rohlig and Safcor — described as “enough but too late” SAA’s efforts to organise planes of the necessary size to get goods to Europe in time for the Christmas spending spree.

Cancelled

SAA announced last night that it had confirmed five charter flights with a total freight capacity of more than 175 tons and that it was awaiting confirmation of another flight capable of carrying about 35 tons.

The crisis was mainly caused by unseasonably cold weather. Fruit ripened later than expected and, at the request of the cargo agents, at least three of the original eight flights were cancelled.

A SAA spokesman said that arranging a new schedule at short notice, together with the fact that many cargo aircraft were carrying supplies to the Soviet Union following the earthquake, was difficult.

SAA has sole traffic rights for South Africa.

See Page 11.
Positioned to move

SA is a primary importer of computer technology and office equipment but this could be changing. There are signs that it is positioning itself to become a significant exporter in this field.

It has become “remarkably self-sufficient” in certain areas of microcomputer technology particularly in terms of software (programs which tell the system how to work).

These successful software developers have, over several years, become strong companies. In order to grow they acquired hardware companies. Their influence has resulted in SA firms putting out some sophisticated PCs which are designed to suit the user rather than the hardware manufacturer.

This is the “gut” reaction of Robert Martell, vice-president and MD of the Europe Africa Middle East division of Seagate. With a $1.3bn a year turnover, and an annual production of 7m units, Seagate is the world’s second largest producer (after IBM) of hard or fixed computer storage disks (magnetic storage devices for recording or storing information used and produced by computers).

Speaking to the FM at the end of a week-long visit (his sixth) to SA, Martell said: “SA is remarkably self-sufficient in certain areas of technology. I have, for example, seen it growing its own transistor crystals and I believe it will start exporting some of its very sophisticated computer products. If it does it has the potential to become a major force in the computer technology market.”

He says that in terms of sales for Seagate the SA market (of which it claims to hold about 85%) is larger in volume terms than that of the UK.

“There are two authorised distributors of Seagate in SA, Punchline and Ebus, and there are about four major PC manufacturers. I believe our product is sold to all of these manufacturers.”

He adds that most of the disks being delivered are 20 MB 5¼-inch drive disks (the standard sized drive for the traditional IBM compatible PCs), which is sufficient storage space to fill 15 average sized books.

However, the tendency is for ever increasing memory capacities.

One of the major reasons for this is that microcomputers are being used more and more by businessmen and executives who have no desire to become technologists. “A considerable amount of that memory is used in simply making the computer simpler to operate. There is a direct correlation between the amount of memory (known as overhead memory) and the user friendliness of the computer.”

He adds that another reason for the demand for increased storage capacity is the growing sophistication of some of the programs becoming available, particularly in terms of the graphics, for use on individual PCs. There is also a demand for greater memory storage capacity in networks where banks of personal computers are linked.

“The trend, in terms of demand seems, therefore, to be moving for single user systems from 20 MB to 40 MB machines and in the networked systems from 40 MB to 80 MB systems.”

Asked about new technological trends in data storage Martell says that though there are several start-up companies in the US which are producing floptical disks — devices which will enable traditional floppy (removable) disks to be used to store up to 40 MB of information by using laser storage technology — he doesn’t believe this technology will threaten the hard disk market.

“They create too much of a security risk, and the emphasis today is on data security. Having a removable disk which can store that much information makes the information too vulnerable to theft. A thief can simply slip a 5¼-inch disk with 40 MB of information in his hip pocket and walk, undetected, out of a building.”

He adds that as far as hard disk development is concerned, while Seagate does not pretend to be on the leading edge, it enters the market when volumes are needed. It will, in the near future, be producing 3½-inch disk drives with the same storage capacity as the 5¼-inch systems currently being manufactured.
Car device set to hit platinum

By TOM HOLLAND
Business Editor

SOUTH AFRICA stands to lose hundreds of millions of rands in export earnings by the discovery of a substitute for platinum in car exhaust anti-pollution systems.

About R1.5-billion of platinum a year is used worldwide in car converters; the bulk of it coming from mines in the Transvaal.

Ford chairman Donald Peterson told the Pittsburgh High Technology Council this week that his company had developed an inexpensive catalytic converter that was as effective as platinum-based catalysts.

If the cheaper alternative proves successful in tests with 35 000 Ford cars next year and its use spreads, platinum producers will face a serious drop in demand.

The automobile industry took 35 percent of world production last year — even ahead of the jewellery industry's 30 percent.

The automotive use of platinum was expected to jump in 1989 as the European Community began a phasing in of catalytic converters.

If the industry continued to use the catalysts, European demand was expected to double to 400 000 ounces.

Rustenburg Platinum Mines is trying to determine if there is 'anything of substance' in the new Ford auto-catalyst, said Barry Davison, managing director of the world's biggest platinum producer.

Rupplat received R12.3 billion from sales in the year to August 31 and paid almost R600-million in taxes.
in a hurry. And, of course, Africa is a slow growth region and looks likely to stay that way for the moment.”

The most significant move into Africa this year has been in Zaire, where wholesaler Metro Cash'n'Carry decided to open a store. It also opened one in Maputo. Metro MD Tony McDiarmid says Zaire was chosen to kick off the venture because it’s not hostile to SA. It is politically stable, allows profits to be repatriated and US dollars are sufficiently available there.

“It also has an informal sector that’s 20 years ahead of ours and 50 times as big. There are 24-hour, spa-type stores on the road to the airport. But it doesn’t have a proper wholesaling network. At the moment, retail stores operate a bulk store and goods could change hands three or four times in the distribution chain before they reach the customer.”

McDiarmid expects the merchandise in Metro’s Kinshasa store to be 50% South African, 35% local and the balance mostly from the European Community. “Our research shows that it will be most competitive to buy poultry and dairy products from the EC. SA should provide most of the canned goods, toiletries, wine, confectionery and household cleaners.”

Metro has no intention of opening a retail supermarket. Nevertheless, McDiarmid maintains that Zaire would provide lucrative opportunities for an experienced Third World supermarket chain, such as sister company Jazz or its rival Store. Now there is only one good supermarket in Kinshasa and, judging by its prices, it could do with some competition, he says.

Warehouse constructed

Another venture in Zaire has been Premier International’s construction of a R7m bonded warehouse and its R32m contract to supply food to the mining industry. It supplies a whole range of foodstuffs from maize flour to cooking oil, canned fish and beer.

Muirhead adds there are good reasons why other businesses haven’t been keen to deal with Africa. “African countries are often inaccessible to SA passport holders, or at least they need visas, and they’re uncertain of what kind of reception they’re going to get when they get there. There’s also a general perception that African countries are bankrupt, so they won’t get paid. But even if governments are bankrupt, there’s often a demand for goods.”

Dealing with French-speaking countries adds other problems: Not only do they understand little English but specifications are based on French, not British, standards.

Energy is another area ripe for business development. Negotiations are still under way with Zaire’s electricity authority, but Eskom CE Ian McRae hopes there’ll be three transmission legs on the continent by the turn of the century — one through Angola and Namibia; another through Botswana, Zambia and Zimbabwe, and a third through Mozambique and Tanzania.
BER manufacturing survey shows...  

Firms focus on exports

By AUDREY D'ANGELO
Financial Editor

SA manufacturers are preparing to export more while reducing their dependence on exports, according to the latest survey of the manufacturing industries by the Stellenbosch Bureau for Economic Research (BER).

Most of them are trying to increase productivity by making fuller use of existing capacity rather than buying new machinery.

And many are already working off backlog orders, with production capacity to spare, as demand slackens.

The report, by G M Pellisser, points out that: "The challenges facing the manufacturing sector in SA in the 90s are likely to be the most significant in the socio-political evolution of SA. "The manufacturing sector per se will be under renewed pressure to live up to expectations as the sector which should be the main engine of economic growth and social welfare, and second to none in importance, is in the decline."

The evaluation of manufacturers' reaction to business opportunities rests on the prime indicator of their intention to invest in production factors.

"According to the results of this survey, 7% of manufacturers intend to increase their real investment in machinery and equipment over the next 12 months. This is slightly less than the 11% net in the previous survey."

But, the report continues, a previous survey showed that investments in new production techniques and ways to reduce costs were significant considerations, while investments to increase production capacity and to create new products were not significant.

"It seems that local manufacturers intend to comply with higher foreign demands by better utilization of existing production facilities."

"To invest, the businessman must have confidence in the course of the economy. The manufacturing sector is still experiencing buoyant business conditions. Confidence prevails marginally, with 51% of manufacturing respondents expressing satisfaction with present business conditions. "General business conditions over the next 12 months are, however, expected to be at somewhat lower levels than at present."

"Sales volumes of manufactured goods in the fourth quarter of 1989 were, according to our respondents, still greater than in the same period a year ago. Substantially lower sales are forecast for the first quarter of 1990 with a drop, in index terms, from 119 to 95."

"The volume of new orders received remains on a downward trend and is expected to fall below the 100 neutrality level in the forecast quarter. "To comply with a more sluggish demand in the quarter, production volumes are expected to be reduced relative to the same period a year ago. "Unfilled orders in relation to sales remain on a negative basis - that is, below the 100 neutrality level, indicating that manufacturers are working off their backlog orders with available spare production capacity. "This is underscored by the decline of four percentage points in the number of respondents experiencing full production capacity utilization, together with an overall shortening in delivery periods and the accumulation of stocks of raw materials and finished goods."

Discussing the labour situation, the survey says fewer factory workers were employed in the last quarter of 1989 than in the same period a year ago. The average hours worked by each factory worker were expected to decrease in the coming quarter. "The significance manufacturers place on fixed investments to reduce costs points towards investments in automation equipment and capital goods, signalling future curtailment of labour."

"The report says that "due to the recent lifting of socio-political restrictions by the government, the general political policy as a perceived constraint hampering current manufacturing business activities decreased substantially on index from 34 to 29 points."

"Expectations of manufacturers about price increases remain at high levels."
COAL INDUSTRY

Running out of steam

A stronger rand could offset benefits of higher volumes

Coal shares on the JSE had a powerful run during 1989 — largely thanks to improved conditions for SA exporters on the international coal market. But the coal share index topped out in September and has since dropped back to reflect changed circumstances.

Still, there’s no reason for investors in these shares to start donning sackcloth and ashes; the export market continues to look good. However, while coal export volumes should continue to rise this year, the increases in dollar prices being achieved for 1989 delivery are below expectation. And what looks like a firmer rand-dollar exchange rate is going to trim profit margins further.

The JSE actuaries Coal index rose 76% to peak at 2 415 on September 28 from the 12-month low of 1 368 on December 21, 1988. It has since drifted down to current levels of around 2 220. Over this period Anacoal rose from R4,50 to peak at R40 before drifting back to current levels around R7.5, while Trans-Natal Coal Corp rose from 500c to 5.65 before reverting to 7.5c. Witbank Colliery (Wit Coats) moved from R47 to peak at R74; the share eased to about R60 before recovering to stand at about R72.50.

Wit Coats’ performance has been firmer than that of the other coal counters because of the group’s acquisition, in partnership with JCI, of BP’s Middelburg export mine. The deal is good news for Wit Coats and may result in a rerating of the share because of the company’s greater export volumes and the way it has limited its debt exposure through bringing in cash up front from JCI.

The export market is the driving force in the fortunes of coal companies. This is because the domestic market will remain flat — probably until the end of the century — as a result of Eskom’s rationalisation program at its coal-burning power stations.

Improved dollar prices for coal during 1989 were the result of an increase of about 3% in the total world demand for steam coal, while a number of countries other than SA failed to hit planned export tonnages. The most important was probably China, where soaring internal demand has forced the country not only to default on planned exports, but also to become an importer of coal. Australian coal mines were hit yet again by labor problems, while output at the huge El Cerrejon mine in Colombia were hampered by the effects of two hurricanes and more labour unrest.

The SA coal exporters were major beneficiaries. Coal prices for 1989 delivery rose by nearly 20% in dollar terms and the Richards Bay Coal Terminal (RBCT) worked flat out. Though one stacker/reclaimer was down for months, coal shipped through the port during calendar 1989 came close to the nominal capacity of 44 Mt/year, according to Wit Coats chairman Allen Sealey. He says 1990 exports via Richards Bay could reach 46 Mt.

That is the good news. The bad news is that dollar prices appear at least temporarily to have run out of steam, bearing out comments made in October by Trans-Natal Coal Corp (TNC) chairman Brian Gilbertson. He said then that: “In view of these developments, and especially of the recent rise in coal mining strikes in the USSR, US and Canada, it is surprising, indeed worrying, that steam coal prices have not risen above the level of some US$323/t fob Richards Bay.”

The key export contract is with Enel, the Italian counterpart of Eskom. In the negotiating season with European customers at the end of 1989, this contract was settled at levels lower than hoped for by the SA exporters.

It was settled at $31/t for 27 mj/kg (megajoules per kilogram) coal, which is a low heat value product. That was an increase of $1,25/t or 4.2% on the 1988 Enel price of $29.75/t. The Enel contract is important because it acts as a benchmark price for other European customers. Coal industry executives say other contracts have been settled at higher prices ranging up to $34/t, but these relate to higher heat value coals.

Overall, the increases are seen as disappointing — particularly when viewed against the higher prices that coal exporters in countries other than SA have been achieving. “In the markets where SA coal is subject to sanctions or threats, the other exporters are scoring off us. We’re getting dollar increases of about 5% whereas the Colombians are getting increases of up to 10% and the Australians are getting increases of about 7%,” says one coal company executive. Another notes that “the South African discount is not reducing despite the firmer market conditions.”

Negotiations are still under way for 1989 prices in the Far Eastern markets, which usually settle by about March. As is usually the case, the accusations are flying between the SA exporters as to who chickened out in the negotiations, or deliberately undercut competitors, with the result that hoped-for dollar price increases did not materialise.

The biggest problem for SA exporters this year could be a stronger rand, particularly if gold maintains its firmer trend. The SA monetary authorities are taking advantage of the strength of the dollar gold price to allow the rand to appreciate against the dollar.

However, a stronger rand reduces rand revenues for the coal companies unless they can get dollar prices high enough to offset them — which is not happening. The rand has strengthened against the dollar by nearly 8% from its average value for the September quarter compared with the average 5% increases being negotiated on dollar coal prices. If gold really gets going the rand is going to strengthen further.

However, conditions on export markets are good enough for the SA exporters to be embarking on an expansion at RBCT, though industry executives are doing their best to play this down. They prefer to describe it as a modernisation programme to guarantee the nominal throughput of 44 Mt. The bottom line is that after the R239m programme, which will install new equip-
ment, including another stacker/reclaimer. The terminal will be able to handle 48 Mt/year. There are plans to spend a further R100m on new locomotives and upgrading the Richards Bay railyards. This would allow output to be pushed further to 53 Mt/year.

Not all the RBCT exporters appear happy about the plan, because of the threat of oversupply in the market. An oversupply would hit the SA exporters worse because of the country's depressed political status. TNC's Gilbertson tells me he would rather see higher prices than greater availability of product. However, TNC has gone along with the expansion; it has the power of veto in the RBCT but did not exercise it.

The expansion is being treated as a "brownfields" expansion of the RBCT. This means only the existing members will participate in it, in proportion to their shareholdings in the terminal.

Companies holding Phase 4 export permits which are not already members of the RBCT will not take part. How these companies will enter the export market was the subject of heated debate back in 1982-83, when the future for the SA coal exporters seemed unlimited. The then Minister of Mineral and Energy Affairs, FW de Klerk, told parliament in May 1982 that more than 100 applications for the annual export permit of more than 250 Mt of coal had been received for the 32 Mt/year Phase 4 export allocations which were up for grabs at that time.

"The one good thing about the sanctions issue is that it flushed all these rats and mice back down the drains, some never to be heard of again," says the chairman of one RBCT member company. "That participation in the RBCT is an non-issue. We are putting the money and the risks and are entitled to the full benefits of the brownfields expansion of the present facilities to their economic limits."

That's fighting talk; but, apart from sanctions, there are two major reasons why the issue of new exporters is not as heated now as a few years back. Two major mining companies which were not RBCT members have gained access to the club. After the Transvaal Coal Owners' Association (TCOA) handed back its 10 Mt/year export quota to its members, JCI received a direct 13 Mt/year quota in the terminal and GDSA got a 1 Mt/year quota.

The other major mining house that is not an RBCT member, Anglovocal, appears to have lost interest in the coal market, despite its 1 Mt Phase 4 allocation. It sold last year operating coal mine to Witbank Colliery last year. It seems content with its passive stake in the business held through Anglo Transvaal Collieries' shareholding in Witbank Colliery.

The other reason is that the relationship between the RBCT members and Sats has improved dramatically under new Sats GM Anton Moodley. It is compared with the competition that prevailed when former GM Bart

Grové was in office. Sats previously championed the cause of the new exporters to the point where it nearly built a new coal terminal for them at Richards Bay.

"Sats" standpoint was not only because the rail line to Richards Bay could shift 65 Mt of coal annually, that was what the country's annual exports should be. It was neither here nor there that we couldn't sell the stuff. Moodman is a different entity. He is a businessman as well as a railroad executive," says a coal company executive.

Expanding capacity

Market conditions have also improved for exporters using Durban, where the exporters grouped under the Durban Coal Terminal Company (DCTC) have started modernising and expanding the capacity of the Bluff Mechanical Appliance (BMA). The DCTC set up a joint venture with Sats over the BMA in 1988, with the ultimate aim of renovating the appliance to handle the full 5 Mt/year of coal which the port of Durban is authorised to export. The coal is now exported via the BMA, conventional loading quays, the Maydon Wharf 5 (MWS) terminal and the Durban Bulk Shipping (DBS) terminal.

Coal used also to be exported via Pier 109 controlled by the Maputo Exporters Committee (MEC). But the MEC has sold this facility to Nienies, which intends using it for loading grains, feedstocks and other bulk materials.

DCTC chairman André van Rooyen stresses the rate of expansion of the BMA is "completely determined by the state of the coal export markets. The BMA had the capacity to export 1,4 Mt/year when the joint venture was set up in 1988, and this has been increased to 1,7 Mt for the financial year to June 1991."

Van Rooyen says it takes 80 weeks for the DCTC members to get their capacity and the tariffs to be charged for use of the BMA. Sats has given permission for coal export levels through Durban — other than the BMA — during calendar year 1990 to run at 1,2 Mt via the conventional quays, 0,9 Mt via MWS and 0,6 Mt via DBS. That puts present coal export capacity through Durban at about 4,4 Mt/year.

When the long-term aim of exporting 5 Mt/year through the BMA is reached, Sats will not allow coal to be exported through the other facilities at Durban being used now.

Despite the expected higher sales volumes, the general expectation is that profit growth for the coal companies is going to be unexciting in the year ahead.

That makes coal shares look fully priced at present. On balance, a stronger rand is probably going to sap much of the benefits of revenues from higher sales tonnages and there's the ever-present issue of increases in working costs.

However, profits of 1989 are still flowing through particularly to Anglovocal with its March year-end. Earnings for the year should be at least 60% up on the year to March 1989 and the dividend could be increased by about 33%.

Brendan Ryan

Keep the home fires burning
'SA's dependence on
gold has decreased'

The SA economy has been undergoing a structural adjustment in the 1980s in the form of reduced dependence upon gold export earnings in its total export mix, the Bank of Lisbon International says in its Economic Focus for December last year.

In spite of the onset of trade sanctions, which might have been expected to lead to an even greater dependence on gold exports, which are sanctions-proof, the opposite has occurred, Economic Focus says.

"This can be attributed to falls in domestic gold output and dollar prices of the metal, as well as a resurgence in merchandise exports since the end of 1987."

The report says the irony is that this growth in merchandise exports would appear to be partly the product of trade and capital sanctions, which forced exporters to look for new markets.

Exports have also been strengthened by the competitive position of the rand.

From a high point of 44.5% in 1989 the share of the country's net gold export earnings in its total export earnings from goods and services contracted to 33.3% in 1988.

Economic Focus says that during the first half of 1989 this percentage fell further to 28.7% because of a strong rise in merchandise exports, and a fall in the dollar price of gold.

The share of aggregate mineral exports in total exports of goods and services has similarly declined from around 50% in 1986 to approximately 50% in 1987, it says.

Merchandise exports increased in volume by 7.3% in 1988 and possibly 10% in 1989.

The report says although obstacles remain, an export culture may be emerging for the first time in which business outside the mining and agricultural sectors are focusing more attention on exporting as an ongoing business.
World ivory ban may cost SA park millions

Andrew Gill

The international ban on trade in ivory comes into effect today, and it could cost the National Parks Board between R4m and R6m, says NPB director of special services Anthony Hall-Martin.

The ban, announced at the Convention of International Trade in Endangered Species (Cites) conference in Lausanne last October, will effectively halt ivory sales by the Kruger Park — SA’s only legal ivory seller.

The park has not reduced elephant culling, and ivory is being stockpiled.

In an attempt to overcome the loss of revenue, and cuts in its budget, the NPB has raised tariffs and embarked on an expansion programme to lure tourists.

Government contributions to the NPB decreased from more than R8m in 1986 to less than R3m in 1989.

Tariff increases of about 30% come into effect in April.

Environmental education manager Johan Verhoof said yesterday the NPB was upgrading facilities and creating new ones in various parks.

The Kruger Park is running at 90% capacity all year round. No more development is being planned there because the board had decided on maximum accommodation of 4 000 beds.

Hall-Martin said SA had asked Cites to send experts to the country to investigate its elephant control measures, in an effort to return SA to the list of nations allowed limited ivory trade.

There would obviously be adverse reaction from some quarters but a scheme to identify the origin of tusks, run by the Parks Board and UCT, would counter possible allegations that SA was “laundering” ivory, he said.

“Elephant leather sometimes brings in more revenue than ivory, and we have had to stockpile that, too,” he said.

New batch of managers

Pierre du Preez

The second batch of graduates from the Joint Management Development Programme (JMDP) received their diplomas at a ceremony at Johannesburg this week.

The JMDP — a joint venture between 49 SA companies and various institutions including the Park Chamber of Commerce and the Urban Foundation — is aimed at producing competent middle management.

The 29 graduates of all races completed a three-year course, including eight weeks of “off-the-job” training a year, with the balance being conducted in the workplace.

Jean-Claude Masi, the Paris chamber’s vice-president, attended the ceremony.

Guest speaker Karl Hofmeyr of Unisa said the “French connection” had helped make the JMDP a success, setting it apart from other programmes.

He said the challenge of being a manager now included an awareness of and willingness to become involved in broader SA issues and to speak out against inequities.

See Page 8
CREDIT Guarantee Insurance Corporation (CGIC) has introduced greater flexibility into its insurance cover for exporters by separating commercial and political risks.

Previously only a comprehensive package was available.

MD Chris Leisewitz says the move will mean lower premium rates, but he could not detail the size of the reduction as rates are tailored to each export and to the political risk involved.

Commercial risks are attached to a particular firm while political risks, Leisewitz says, attach to a particular country — essentially those whose foreign exchange record or circumstances jeopardize payment.

The under-developed countries of Latin America and Africa fall into this category. However, as political risk also covers sanctions, boycotts and strikes, exporters to Britain are not invulnerable. A number of strike-related claims have been paid.

In terms of the newly introduced separation of risks, it would be possible, for example, to insure for political risk in ten countries and for commercial risk in one.
R2bn export boost for motor firms

From EDWARD WEST

JOHANNESBURG.—The local motor industry is expected to get a R2bn export boost next year when several local manufacturers begin production of exhaust systems for European markets.

The EC is to introduce a clean air policy beginning in 1993. Already some EC countries are offering pre-legislation tax incentives to automobile buyers equipped with catalytic converters, said Johnson Matthey, the world’s largest platinum dealers.

SA mines 80% of world’s platinum, a key component in converters which cut exhaust pollution. The production of converters in SA makes sense in terms of mineral beneficiation and the latest phase of the local content programme, analysts said. The move is expected to boost local demand for platinum.

Industry sources said at the weekend that at least three large catalytic converter plants for the manufacture of exhaust systems were on the drawing board.

The first plant in SA is to be built in Port Elizabeth, and is expected to produce one million converters a year, which will be sold to SA motor manufacturers for export.

A local company, Algorax, is to start production on the R25m plant within weeks, company spokesmen said.

The technology and design for the plant will be provided by German chemical company Degussa AG which owns 50% of Algorax and production is expected to start in January 1991.

Motor industry sources said negotiations were taking place for the conversion of other plants, but declined to give details.

German manufacturers were said to be involved in setting up their own SA plants Mercedes Benz, however, declined to comment last week and Volkswagen denied that they were involved.

Growing concern over atmospheric pollution in Europe has given impetus for the production plants.


A Johnson Matthey report said demand for platinum will rise steadily in Western Europe in the next three years as a result of increasing advance voluntary compliance and first stage legislative requirements for big cars.

When the EC legislative programme begins to take effect in France, Italy and Britain, which in 1988 accounted for 50% of European vehicle registrations, a major increase in platinum demand is forecast as converters become standard equipment on new vehicles, the report said.

In 1988, Switzerland, Norway and Sweden joined Austria in requiring all new cars to meet US 1983 emission standards which is usually done by fitting platinum-rodium three-way catalysts.

The report further stated there were significant signs that the US authorities would decide to follow California’s lead and tighten exhaust emission standards.

Motor manufacturers would benefit in terms of the programme by offsetting the value of their imports to converter export values.

Chris Davies (left) and Flip Rademeyer have been appointed to the board of Messina Ltd.

Paul Ferguson has been appointed non-executive chairman of Kudu Granite Holdings.
Zairean copper

interests were represented in SA by B T Hilfry of Universal Trading Incorporated. Ekekyaa said Kasonko was represented in SA by Germiston export agents Joannides Agencies. Another SA firm mentioned in papers is Universal Wholesalers CC. He said Efraisa Trading was the holder of a Zaire Department of National Economy and Industry permit enabling it to trade and carry out marketing operations in copper scrap only inside Zaire. He said all copper exports to SA were carried by Sats and handled by Renfreight Forwarding.

He said that on January 11 Renfreight Forwarding export manager Fernando Botho told a Gecamines official that railway carriages, which had not been consigned to Renfreight, had been recently shunted into a private siding. The doors were welded shut and the contents said to be timber.

The carriages were opened on January 15 and copper slag found which, said Ekekyaa, was identifiable as the property of Gecamines.

Ekekyaa said that a further seven carriages found at Sats's Kaserne depot, also contained copper in various forms.

Ekekyaa said the carriages were consigned to a person known variously as Mr John and Mr Joannides, care of Magnew Transport, Railway Siding, Roorkop.

He said that on being notified, the SA Police launched an investigation.

Court action over Zairean copper exports

AN URGENT application was brought before the Rand Supreme Court by a senior Zairean police officer yesterday to "freeze" about R1.5m worth of illegally exported copper hidden in nine Sats railway carriages now lodged at a Sats goods yard.

The application follows the recent arrival in SA of Zaire's Industrial Security Police Inspector-General Mola-M-Bunza Ekekyaa to conduct investigations into large-scale illegal exports of Zairean minerals to SA.

Advocate Chris Eloff, who acted for Zairean state company Gecamines, which owns Zaire's copper resources, said the matter had been postponed to February 13.

"The respondents have been given until next Monday to file affidavits. We will then bring in a replying affidavit by February 8," he said.

In a letter included in court papers, Ekekyaa also appealed to Foreign Affairs Minister Pik Botha to help his country, which faced serious economic problems, including frequent mineral thefts.

"The latest occurrence has been exposed by the impoundment of 33 railway carriages," he said.

He said Botha that the frauds had been committed through Zaire's state railways and customs department through the falsified invoicing of railway bills and the non-payment of tariffs.

Ekekyaa told the court the respondents in the matter were Sats, Efraisa Trading, Universal Wholesalers, Joannides Agencies and Zairean national Bintu Kasongo.

He said Efraisa Trading was a sole proprietorship based in Kinshasa and owned by one Kungulu Gbemani whose
Exports on rack as the rand rallies

Hawton happy about Kei deal

Business Times Reporter

TRADEKIN Sun Interntional has made a significant inroad into the international market, with the company's board of directors recently approving a $100 million investment to expand operations in South Africa. The move is seen as a strategic move to strengthen the company's position in the region.

Island

But for the company's expansion plans to succeed, careful consideration of the economic landscape is crucial. The company's board of directors has approved a $50 million investment to strengthen the company's position in the region.

Faizal's game plan hits £15m jackpot

A SOUTH African has signed contracts worth £15 million (about $21 million) with two London-based Arab publishers for the rights to his religious and economic works.

Pitfall

Pitfall

Guarantee

Mr. Hafiej has been told by the company's board of directors that the company will guarantee a minimum of £5 million per year for the next three years. The company will also guarantee a minimum of £5 million per year for the next three years.

Repayment

Repayment

Nullified

Nullified

For gold mines, the rand has gained about 10% in value against the dollar since September. As gold prices have shown a trend of rising, the rand has also appreciated against the dollar.

Incentives

The government has introduced several incentives to encourage investment in the country. These incentives include tax holidays, reduced import duties, and access to funding.

The rand has strengthened by about 12% against the dollar and has maintained a steady value since September. The rand's performance has been attributed to the country's economic growth, low inflation, and stable political environment.
SA exports a 'key issue'

The future exporting of SA produce has become one of the key issues raised at Agrocon.

Agricultural attaches at SA embassies in Europe and the US say in a report prepared by the Department of Agriculture that the crumbling of the Iron Curtain had opened up many trading possibilities, and particularly for farm produce.

"Western governments will have to give large amounts of financial help to ensure that the new order (in Eastern Europe) is successful. In the short-term, it means food and other produce will be in greater demand than before," the report says.

The chance for organised agriculture to export to the Eastern Bloc had come about because the US had identified the Far East as its main market.

The produce — particularly wool, sugar, citrus, fresh fruit, and maize — would probably be exported initially through Europe, conference delegates were told.

One problem which would have to be overcome was terms and methods of payment.

"The importance of agricultural exports cannot be over emphasised, the total value of such exports during 1988 was R3,9 billion, 8 percent of the total exports that year," the report added.

The Far East was also likely to be a major export area for South African produce in future.

Tractor protest

Farmers are questioning whether the local content programme for tractor engines should continue, because in some cases it was costing 80 percent more to buy a local unit than one imported.

Mr Gerhard Basson, group managing director of Sentrachel, told Agrocon that the "duty protection on tractor engines seems excessive and should be reviewed".

He suggested that duty be levied on the total value of a tractor with an imported engine, as now, but rather on the value of the engine itself.

Mr Basson said significant improvements had been made in diesel engine technology.

"While increased local content is desirable from the South African viewpoint, tractor manufacturers have great difficulty in getting enough volume for prices cheaper than imported units."

Chicken rules the roost at braais

The humble chicken is giving cattle farmers the bird because it is very badly changing the face of the traditional South African braai.

Red meat used to hold sway as the braai ingredient, but today it is the braaikolken which has taken over.

Delegates to Agricocon have had to face the Chicken Challenge head-on this week: red meat, the conference heard, is almost a luxury these days.

Red meat is not increasing its market share, confided Professor JM Laubscher to a group of 310 agricultural experts, and it appears to have little place in the lifestyle of more and more South Africans.

Instead, enter The Chicken ... all 320 million of them.

South Africans consumed far more red meat in the 1970s than they are doing now — and projections for 1990 show per capita consumption of beef, for instance, will drop to just over 14 kg, a far cry from the 30 kg recorded in 1960. Mutton consumption per capita this year will be about 4 kg, compared to nearly 10 kg in 1970.

But chicken has gone from 2 kg in 1984 to an estimated 18 kg this year.
R611 926 in dairy export losses

By BARRY STREEK
Political Staff

THE Dairy Board exported products at a loss of R611 926 in the 1987/88 financial year but imported dairy products which were sold at a profit of R6 million, the former auditor-general, Dr Joep de Loor, said yesterday.

The export losses involved R509 608 for butter, R79 818 for cheese and R22 500 for milk powder and were written off during the year against the board’s stabilisation fund, he said in his report tabled in Parliament yesterday.

In his report into the Wool Board for the year between July 1987 and June 1988, which was also tabled in Parliament yesterday, foreign loans of R290m, together with exchange rate losses amounted to R548.3m by the end of June 1988. Interest on the foreign loans amounted to R50.3m for the year.
How growth, not sanctions, is killing apartheid

Dear Reader,

The recent news of the west's economic sanctions against South Africa's apartheid regime has raised questions about the effectiveness of such measures. Many argue that sanctions are counterproductive, as they may harm the very people they are intended to help.

Economists have long debated the impact of sanctions, with some suggesting that they cause more harm than good. In the case of South Africa, it is argued that sanctions have had a disproportionate impact on the poor, who often bear the brunt of economic downturns.

The argument is further strengthened by the fact that sanctions have not always succeeded in bringing down dictatorial regimes. In many cases, they have merely led to a tightening of control and a shift in economic policies to avoid further penalties.

The experience of South Africa is a case in point. Despite years of international isolation and economic hardship, the apartheid regime remained in power until the 1990s.

In conclusion, while it is important to support the democratic movement in South Africa, the use of sanctions as a tool to achieve this goal is questionable. More effective strategies may be needed to bring about change in the region.

Yours sincerely,

[Your Name]
PRETORIA — Last year's agricultural exports — the best in decades — would have earned at least R6bn once final accounts had been assessed, agricultural authorities here said.

This compared with R3.6bn in 1968.

SA Agricultural Union chief economist Koos du Toit said this year was unlikely to get close to matching the 1969 export earnings levels.

Major contributor to 1969 forex earnings was maize. Farmers produced a 5.5-million-ton surplus which earned more than R1,3bn.

Wheat for the first time contributed substantially — earning nearly R500 000.

Wool had a bumper year in both quality and quantity, although prices sagged in the last quarter of the year, earnings abroad reached nearly R1bn.

Du Toit estimated sugar forex earnings at between R700m and R750m, although no detailed statistics were available.

Citrus and deciduous fruit, although targets of boycotts, earned nearly R1bn. BJD 21/2/70

GERALD REILLY

Hides and skins, Du Toit said, had also become significant forex earners reaching more than R100m last year.

"However this year is going to be something different," he said.

Droughts had taken their toll of the wheat crop — which was estimated at less than 2-million tons — and, for the first time in years, wheat would have to be imported to supplement local stocks.

Maize, too, has been hit by drought with the threat of a crop not much bigger than 7-million tons.

And it could be less unless good rains fall within days in the western Transvaal and north-western Free State.

- "So the prospects are not bright for big forex earnings from agricultural surpluses this year."

And this, Du Toit said, "illustrates the boom and bust uncertainties of agriculture in a fickle climate."
Mixed forecast

Overall, prospects for farm exports this year look decidedly dim, compared with last year (*Business* February 2). But at least some agricultural sectors can look forward to a good year.

Among them are the western Cape’s huge deciduous fruit industry where export marketing company Unifructo is expecting bumper crops. "I am confident we will beat last year’s record R927m in export revenue and hit the magic R1bn figure," says Unifruco GM Louis Kriel. “SA’s improved political situation has created a better overseas climate for our products, though we expect sharper competition, especially from Chilean producers.”

Citrus producers expect a repeat of last year’s record exports of 30,3m cartons which led to gross export sales of R303m.

"The level of water for irrigation is good in all our major production areas, while most have experienced good climatic conditions through spring and early summer," says Citrus Exchange GM-operations Arend Venter. "Indications are that the 1990 crop should be as good — or better — than last year’s.”

Dairy farmers face a possible surplus as growth in milk production outweighs demand. "We expect demand to grow by about 0.8% this year, compared with an estimated increase in production of 3%," says Dairy Board GM Edu Roux.

Nevertheless, the sector’s producer income is expected to increase marginally from last year’s R1,12bn to R1,27bn. Retail turnover, meanwhile, should grow from the previous season’s R2,15bn to R2,95bn. Surplus production will either be exported or bought by the board at a minimum price.

The booming chicken industry will not doubt have to cope with reduced demand this year as red meat prices start drifting lower as the economy cools. The price of the two products moves in tandem because consumers substitute one for the other depending on the direction of red meat prices.

With an estimated output of 350m broilers, chicken producers should gross between R1,6bn-R1,9bn this year. However, producers fear falling demand could force prices lower.

The powerful red meat (beef, mutton and pork) sector also expects a fall in real returns as a result of the economic slowdown. With beef and pork supplies expected to grow by 10% this year, prices should come down sharply. The Meat Board still predicts a 6% rise in beef prices. The board’s chief statistician, Pieter Kempen, predicts beef producers should gross about R2,3bn this year, mutton producers about R353m and pork producers about R420m. The projected gross income for the sector of R3,55bn is slightly above last year’s R3,3bn.

The story is different with cotton. The combination of late cold spells, delayed plantings and a drought in the central Transvaal could lead to a smaller cotton crop at a time when world markets are looking better. Cotton Board GM Johan Gillen says last year’s 390,000-bale crop could drop to 300,000-330,000 this season. "And, with local demand expected to grow to 400,000 bales in 1990, this leaves nothing for export," he notes.

This is unfortunate because a poor US crop of about 12.5m bales should drive down total world production to an estimated 80m bales this year — less than world demand of 86m bales. Gillen says this could reduce world stocks to only 25m bales, so world prices should go up — though the weakening US economy is dampening demand.

Nevertheless, SA producers should indirectly benefit from higher world prices because the board’s new marketing arrangement will move local prices closer to the UK’s benchmark cotton prices. But whether a lower yield this year brings in more than last year’s revenue of R350m is uncertain.

Last year, producers received R3,55/kg (each bale weighs 200 kg), while world prices hovered between R4.50-R5.20/kg.
PRETORIA — The export of the near record surplus of 4.2-million tons from the maize crop earned the country R1.25bn in foreign exchange, Maize Board deputy chairman J Schabert said in Potchefstroom yesterday.

Speaking at the annual congress of the National Maize Producers Organisation, Schabert said the board had moved swiftly to speed up the export process to get full advantage from the relatively high world prices, which fell later in the season.

The speedy handling of the export operation saved producers R18m.

In three months, the board exported a record 1.2-million tons.

Railnet earned R275m in railage and Portnet R30m in harbour charges.

Schabert said the "hedging" work group had achieved phenomenal results and in spite of the high element of uncertainty associated with a hedging programme, the group correctly forecast the market, time after time.

The result was a commercial profit of R91m or R4,50 a ton for producers.

It would be unrealistic to expect such a situation to be repeated, Schabert said.
Rise in fruit exports likely

spokesman says: “We are having a good season in terms of crop volume.

Our exports are going well, but we are only midway through the season and there is still a long way to go before we can reflect on our success.”

Citrus Exchange GM operations and finance Arend Venter says citrus growers have had good blossom and fruit set because of good irrigation and favourable climatic factors.

Citrus crop estimates show a considerable increase over the 1989 figures. Based on latest estimates, the southern African citrus industry could export as many as 34-million cartons this year compared with about 30-million cartons last year, a 13% increase.

However, Venter says it is far too early to make export predictions. Like all export industries, the citrus industry is also vulnerable to cost inflation, which is higher than the inflation rates in its export markets.

As a result, the industry is likely to come under severe pressure in the long term, particularly if the rand strengthens significantly against the currencies of its export markets.

Venter says early indications are that citrus fruit quality may also be better than in previous years.
A devastating critique of our exports failure

By ALAN HIRSCH

ONE of the most interesting features of the Budget Review issued by the Department of Finance is Annexure B, tucked in right at the back of the report.

It is a brief analysis of the structural crisis of South Africa's economy, written by two of South Africa's most powerful economists, Minister of Economic Co-ordination Wim de Villiers assisted by Jan Lombard, a deputy-governor of the Reserve Bank.

They point, as economists often have, to the declining role of personal savings and the rising importance of private corporate savings, and note that the "increasing concentration of saving funds in a small number of institutions and corporate conglomerates... must eventually result in a sub-optimal investment structure".

Maybe this is why the African National Congress's call in the Freedom Charter to nationalise the banks seems in some ways more appropriate today than in the 1950s.

The budget's answer is less radical: to try to increase personal savings through tax cuts. Perhaps, his doesn't recognise sufficiently that the low level of personal savings is a result of the low level of personal disposable income.

Another major point De Villiers and Lombard make is that the process of capital deepening that has occurred in the economy, especially since the early 1970s, has not given rise to commensurate increases in productivity.

The reason, they suggest, is over-investment in capital goods encouraged by an over-valued rand and protectionist policies encouraging uncompetitive industries.

Their answer seems to be that the rand should remain low, that protectionism should be dropped, and that wages should be lowered to rectify the balance of investment between capital and labour.

What they seem to miss here is the possibility of government intervention to increase the productivity of labour through a co-ordinated industrial strategy.

Perhaps the most devastating section of the report is De Villiers and Lombard's analysis of the changing composition of South African exports. In short, they show that, contrary to one's expectations of a developing economy, raw and processed materials have been a rising component of exports, compared with manufactured goods.

Clearly, goods manufactured in South Africa are making no impression on international markets at all. The trend is strongly evident before the 1980s, so sanctions cannot really be blamed. (See graph.)

The reasons for the failure of the manufacturing exports are those already mentioned by the authors. One is a tariff structure designed to protect import-substitution industrialisation, leading to the importation of expensive capital goods and intermediate goods, and distorting the price structure of industry.

They also note that domestic suppliers of intermediate goods have been able to raise the prices of their products close to the level of imports, similarly making the final products manufactured here too expensive to export.

The implicit solution to the crisis in export marketing for De Villiers and Lombard is to do away with protection and support incentives. The approximately 25 percent cut in the trade promotion item in this year's budget indicates that the new export promotion programme, due to begin in April, will provide much less direct assistance to exporters.
Export industries put up stunning performance

By Derek Tommey

Exporters are breaking all records.

Trade figures published at the weekend show exports boomed in February, rising to R5.06 billion.

This was an increase of R1.26 billion, or 32.3 percent, on the figure for exports in February last year.

Altogether, exports in the first two months of this year rose 28.9 percent to R8.92 billion from R7.7 billion last year.

The spurt should greatly help the economy this year.

It means booming export industries injected R2.2 billion more in the form of job and wealth-creating money into the economy in the first two months of this year than they did in the same period last year.

It means mines and manufacturing plants must be working nearly flat out to supply the export markets and must be thinking about expanding their operations and creating even more jobs.

It is clear that while there may be some soft patches in the economy this year, there is unlikely to be a major reduction in activity unless the world economy turns sharply downwards, which seems most unlikely at the moment.

SA has a fairly open economy. If its export industries are doing well, so too must the economy as a whole.

However, it also means that the Government must stick closely to its policy of curbing inflation to ensure that these excellent export earnings are maintained.

Any slackening by the Government in its drive against inflation could lead to a jump in domestic inflation and a sharp reduction in the competitiveness of local industry in foreign markets.

While exports have boomed, imports have remained low. The import bill in February was R3.28 billion — only R30 million more than a year ago. For the first two months of the year imports cost R7.66 billion — just 7.3 percent more than the R6.58 billion of a year ago.

The combination of high exports and low imports produced a trade surplus in February of R1.76 billion — the largest monthly surplus since October 1986, says Bruce Donald, Saffo's economist.

For the first two months of the year, the trade surplus was R2.87 billion — 2.5 times the R1.14 billion surplus of a year ago.

Mr Donald says that assuming service payments of R10 billion, South Africa is looking at a current account surplus this year of R7.7 billion.

Even under the worst capital outflow scenario of R7 billion, SA should comfortably meet its debt obligations this year and be able to enlarge its foreign exchange holdings.
Iscor optimistic about better times ahead

By Derek Tommey

Iscor could show better profits later this year.

MD Willem van Wyk said in an interview last night that there had been some reduction in the over-supply situation in the steel industry abroad. He expected this to lead to an improvement in export prices from the third quarter of this year.

The over-supply position has been hurting Iscor recently. It has been affecting current export prices and led Iscor to announce four weeks ago that earnings for the six months to June were likely to decline.

The expected increase in export prices should lead to an improvement in Iscor's earnings in the six months to December.

Mr van Wyk said it was too early to put any figure on the extent of the expected upturn in prices, but orders being placed with the steel industry worldwide for delivery in four to six months' time showed that prices were about to rise.

Mr van Wyk said the improvement in the steel market was the result of production cutbacks by overseas producers, resulting in a better supply-demand position.

The industry had learned the hard way in the early 1980s that it did not pay to maintain full production at all times.

Reviewing other developments at Iscor, he said that operations at the new Corex plant were exceeding his highest hopes. Corex is a world first, using coal instead of coke to make steel.

He said the Corex plant was producing at designed capacity and its product was excellent. Consumption of coal and oxygen had been below estimates. Mr van Wyk believed that with more experience the plant could be made to function even more efficiently. Iscor's iron ore exports were also running at record levels and prices of iron ore had firmed recently.

The overseas steel industry recognised it had to pay more for iron ore than it had in the past if it wanted continuity of supply.

Mr van Wyk said the move to liberalise East European business should result in a significant increase in world steel consumption in the long term.

But current efforts by East European steel plants to improve output and quality could lead to a short-term increase in the amount of steel going to Iscor's markets. He believed China could become a major market for steel products as it made progress in re-organising its economy.

In 1989 exports of iron ore rose by more than 28 percent to almost 15 million tons, according to the annual report of the Department of Mineral and Energy Affairs, which was tabled in Parliament yesterday.

The total value of South African mineral sales last year was more than R37,668 billion, or 11.7 percent more than in 1988, of which export earnings accounted for more than 79 percent or R19,825 billion.

The report says total gold output last year amounted to 604 tons—22 percent less than the previous year, while the production of rough diamonds increased by 6.3 percent to over 9 million carats. Coal was the biggest contributor to foreign exchange earnings after gold and 45.61 million tons valued at more than R3.5 billion were exported.

A conference in Toronto has been told that the recovery in base metal prices should remain strong in 1992-93.

This was the message given to the Prospectors & Developers Association of Canada by Tim Petterson, a director of the Metals & Minerals Research Services consultancy organisation, reports the Financial Times.

He said that in 1989 dollar terms, real prices in the next four to five years would average 87c a pound for aluminium, 86c for copper, 31c for lead, $3.50 for nickel and 59c for zinc.
SA exports to Canada rose by 50 pc in 1989

WASHINGTON — In spite of economic sanctions and calls for their intensification, South Africa's exports to Canada increased by 50 percent last year compared with 1988, according to the South African ambassador to Ottawa, Mr Hennie de Klerk.

The envoy told Canadian media that sanctions had "almost disappeared" as an issue because the South African Government believed they would be lifted by most countries in a matter of months.

Britain had already lifted some sanctions, African countries had never introduced sanctions, and trade delegations from Britain and Eastern Europe would be arriving in South Africa soon, he said.

"So sanctions are not really a big thing any more, but the sooner the trade barriers are removed, the better," he added.

Mr de Klerk pointed out South Africa's trade with Canada had always been minimal, but nonetheless exports to Canada had improved strongly last year over the year before, in spite of sanctions.
Mining cashes in on soaring exports

By Derek Tommy

Soaring mineral exports helped the mining industry earn R36.7 billion last year, which was R4.4 billion, or 14 percent, more than it earned in 1988, says the Chamber of Mines in its 1989 annual review.

Gold earnings virtually stagnated, rising only 3.6 percent from R18.6 billion to R19.2 billion.

But sales of almost every other metal and mineral increased dramatically.

Sales of minerals and metals other than gold rose 27 percent from R13.7 billion to R17.4 billion — equal to real growth of 13 percent, while exports of these commodities rose 33 percent from R7.3 billion to R9.8 billion.

Coal made a significant contribution to growth. The industry currently contributes nearly 19 percent of total mineral sales revenues and is now well established as SA's second-largest foreign exchange earner.

Total coal sales rose 21 percent to R7 billion, while exports, running at around 44 million tons, rose 30 percent in value to R3.6 billion.

Buoyant demand in the international steel industry boosted chrome and manganese.

Increased volumes and hardening prices led to the value of chrome exports rising 58 percent to R275 million.

Manganese exports rose 120 percent to R612 million and iron ore exports 56 percent to R495 million.

Platinum group metals were in exceptional demand in 1989. This was primarily because of strong demand for platinum and rhodium as a result of last year's record production of cars.

Platinum and rhodium are the essential elements for catalytic converters used to clean noxious gases from exhausts, and which are now mandatory in most industrialised countries.

Export earnings of "miscellaneous" metals, including platinum, rose 20 percent to R3.2 billion.

Asbestos exports showed a strong recovery, rising 73 percent to R168 million.

Exports of copper were 66 percent higher at R620 million, while zinc sales rose 92 percent to R67 million.

Other metals and minerals exported on a significant scale included fluorspar (R99 million), lead concentrates (R100 million) and "other minerals", which include vanadium, alumino-silicates, zirconium, antimony and titanium (R447 million).

Kennedy Maxwell, president of the Chamber of Mines, says the export figures show the dependence of mining on international markets and, conversely, how important the industry is as a supplier of vital raw materials to the manufacturing industries of the world.

While weakening base metal markets may have a negative effect on some mining sectors, a firmer gold price and growing international demand for coal should ensure that 1990 will prove to be a good year for South Africa mining, he says.
February windfall

Imports fell across a wide spectrum in February, to just under R3,3bn, down 16.7% from January — additional evidence of a cooling economy. Exports rose 3.5% to more than R5bn — with growth concentrated in certain sectors — mineral products and pearls, semi-precious and precious stones. Adjusting for inflation, as measured by the CPI, the real value of February imports fell 6% in the past 12 months, while exports increased a healthy 12%.

The trade surplus in the month was nearly R1,8bn, up from R1,1bn in January and R553m in February 1989. It was the highest recorded monthly surplus since February 1987, says Old Mutual's Andre Roux.

Total surplus in the first two months of 1990 is R2,9bn (1989 R1,1bn), with imports of R7,1bn (R6,6bn) and exports of R9,9bn (R7,7bn). So the year is off to a good start.

In February, value of mineral product imports decreased 60% from January, while chemical products fell 16%. Textiles, plastics and rubber (and products), machinery and equipment and transport vehicles and equipment (including aircraft) all dropped 22%. These were partially offset by a 40% increase in import of unclassified items — mostly oil and arms — from R392m to R552m.

Exports are also headed in the right direction, despite a relatively stable rand, helping realise a surplus of at least R1bn for the ninth straight month. "At these levels we are well away," says Roux. "We can make foreign debt repayments and still restore depleted foreign reserves."

Revenue from pearls, semi-precious and precious stones surged R828m, up 72% from January. Exports in this category in the first two months of the year were worth R1,3bn, up 180% from R467m in 1989.

Mineral product exports (excluding gold) rose 25% from January to R718m in February. So far in 1990, mineral exports are worth 72% more than the R753m in the same period last year.

Chamber of Mines economist Ivor Leibowitz attributes the rise to an excellent year for coal producers, increasing output of platinum and strong diamond sales.

But exports of unclassified items, mainly gold and arms, were worth just over R1,7bn in February — down 25% from January's R2,3bn. In the first two months of 1990, this category totalled R4,1bn, up 10.8% on R3,7bn in the first two months of 1989. Though huge shifts in import and export values in February are of great interest, Anglo American's Jim Buys warns against putting too much emphasis on monthly figures. "Mineral products are notorious for considerable month-to-month fluctuations, influenced by such factors as the number of ships leaving SA at any time."

Buys expects higher volumes in 1990 will help offset significantly lower prices for base metals, steel and ferro-alloys. He sees the drop in international prices as necessary if world growth is to be maintained.
Seasonal bumps

Exports in March totalled R4.5bn, well down on February's R5bn, largely as a return to the underlying trend after a seasonal surge in pearls, precious and semi-precious stones (mainly diamonds) and mineral products in February.

Exports of these fell 70% in March to only R250m, after jumping 72% to R828m in February, while mineral products fell 26% to R530m in March, after February's 25% increase to R718m.

Economists emphasise the need for caution in analysing monthly figures, particularly in these notoriously volatile categories. Anglo American's Jim Buys says factors such as payment timetables, shipment schedules and irregular diamond auctions can cause large swings.

Total exports fell R547m while imports rose a minimal R45m to R3.3bn, leaving the trade surplus, at R1.8bn, 34% down from February's R1.2bn.

Econometrix chief economist Azar Jammie calls the figures "disappointing but no cause for panic," saying import volumes have remained static, reflecting successful attempts to cool the economy and the surplus will still meet foreign debt obligations. Despite the slump, pearls and precious and semi-precious stones are still up in nominal terms in the first quarter, compared with last year, while mineral products are up 43%. Some export losses were offset in other categories.

Vehicle sales were up 56% on February, vegetable products 16%, machinery and electrical equipment 19% and textiles 23%.

The first-quarter surplus is just over R4bn, 46% more than last year's.
Maize surplus
could earn up to R400m

PRETORIA — The maize industry's expected surplus of 1.3-million tons from the current crop could earn the country up to R400m in foreign exchange providing international market conditions remained reasonably stable.

And in a statement here yesterday Maize Board chairman Hennie de Jager said the producer price for the 1999/20 season had been fixed at R365 a ton from May 1 for white and yellow maize — 9.5% higher than the board's delivery price last year.

The board's selling price to the trade for white maize would be raised by 5.9% to R393 a ton and yellow by 8.1% to R369 a ton.

The actual total crop is estimated at 8.7-million tons and delivery to the board on which prices are based should reach 7.5-million tons. Authorities estimate producers' gross income from deliveries at around R2bn.

De Jager said the higher producer price was possible because the export surplus at 1.3-million tons was markedly smaller than last year's 3.5-million tons and the losses and export costs correspondingly lower.

Producers would receive smaller supplementary payments.
SMITH MINING F 1M 30/7/90

Targeting exports

After a year of rationalisation, Smith Mining is looking to grow through the development of its export market and acquisitions.

In the 1989 year, pre-tax profit rose a modest 15.1% on turnover growth of 17.9%. A slight reduction in the pre-interest margin reflects difficulties in the first half with previous acquisitions and stiffer competition. A healthy cash flow enabled the company to slash its debt and have R2.5m cash earmarked for acquisitions this year. Export incentives and assessed losses helped to reduce the tax rate to 35% (45%).

Management concentrated on consolidating and rationalising operations after the acquisition of six companies in the past three years. The operations of all subsidiary companies became divisions of Smith Mining Equipment in January. Chairman Dave Stevens expects that this will improve control and streamline the sales effort.

Exports expanded significantly and Stevens expects these to accelerate. He predicts that, as a percentage of turnover, exports will rise from 4% to 12% in 1990. A separate division has been established to concentrate on this market. Smith Mining has established markets in Europe, Australasia, the US and Africa; possibilities in South America are being investigated.

All other divisions are forecasting improved performance this year; 90% of turnover relates to the local mining and exploration sector, where the outlook appears favourable, with several new shaft systems announced. Stevens believes the recent tax changes affecting mining companies will lead to increased exploration and mining activity.

Returns have remained high and the rationalisation and strong balance sheet suggests shareholders will continue to benefit. The share looks fair value.

Pam Baskind
Stocking up

Activities: Manufactures, distributes and exports domestic appliances and wiring accessories.

Control: Goldberg family 85%.

Chairman: J Temple; MD: M S Goldberg.

Capital structure: 12.8m 0rd. Market capitalisation: R5.8bn.

Share market: Price: 45c. Yields: 9.6% on dividend; 36.9% on earnings; PE ratio, 2.7; cover, 3.9; 12-month high, 80c; low, 33c.

Trading volume last quarter, 88,400 shares.

Year to Aug 31

<table>
<thead>
<tr>
<th></th>
<th>'87</th>
<th>'88</th>
<th>'89</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt cover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>12.1</td>
<td>12.0</td>
<td>26.7</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>1.0</td>
<td>3.3</td>
<td>6.8</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>16.3</td>
<td>16.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>0.8</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>6.1</td>
<td>14.3</td>
<td>16.8</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>27.4</td>
<td>28.7</td>
<td></td>
</tr>
</tbody>
</table>

Nu-World's 1989 results reflect its dependence on the highly cyclical consumer market and a heavy capex programme.

Deteriorating economic conditions, a

tightening of credit restrictions and increasing competition slowed turnover growth to 35% (57%) and reduced the pre-interest margin. Also, stock levels jumped by no less than 110%, with the rise attributed largely to the increased stocking of certain imported products and raw materials, to overcome delivery problems and the introduction of new product lines.

The debtors' book lengthened but financial director Alan Lipchin says bad debts remain insignificant because most customers are large wholesalers and retailers.

The run-up in stocks and debtors, combined with additional long-term loans, resulted in sharp deterioration in debt and interest cover and the debt/equity ratio climbed to 0.95. The long-term borrowings were provided by the IDC at subsidised interest rates for investment in fixed assets and R&D.

An additional IDC loan of R3.3m has been taken since year-end to repay short-term debt. Lipchin says the debt/equity ratio improved marginally at the half-year (0.87) and forecasts a debt/equity ratio of 0.65 by year-end. The IDC borrowings are at rates between 5%-15%, which reduces the negative impact of the high debt level and provides some competitive advantage.

With the capex programme ending, funding requirements should ease this year. The group has made substantial investments in plant and machinery as part of a European export drive. Exports to Europe and Africa represented 15% of turnover in 1989 and are growing. New export incentives effective from next month are expected to insulate these operations from exchange rate fluctuations and the exports may provide a buffer against domestic economic conditions.

Export and other allowances enabled a fall in the effective tax rate to 27% (35%). No significant change is expected.

Management believes that, despite difficult trading conditions, the declining trend in turnover growth will be reversed and margins maintained in the 1990 year. Lipchin says that figures for the first half show improved sales, market share gains and better control of stock and debtors. If these trends continue throughout the year, a meaningful rise in earnings can be expected.

Improved prospects have not influenced the share price. It continues to drift downwards on small volumes.
Limited prospects for coal exports

MAJOR increases in coal exports from SA were unlikely, and expectations in the early 1980s of exports running between 60-million and 70-million tons annually would not be realised before the turn of the century.

This was concluded by Rand Afrikaans University Institute for Energy studies director D Kotze at the 1990 Coal Outlook conference last week.

Kotze said SA had prided itself as being the cheapest coal producer in the world. However, this advantage had been eroded by high inflation, and but for the weakened rand SA would have priced itself out of the international market.

The high inflation in SA resulted from distributing more income without an accompanying increase in productivity. Labour reforms would introduce further problems.

On top of these factors, rapid escalation of rail rates undermined competitiveness.

The average mine's cash cost was around R28/ton. Add to that R30/ton in transport costs, which was likely under a privatised Transnet, and one was left with R7 to R15 a ton to service capital, Kotze said.

Assuming a 30-year project life and an 18% per annum discount rate, a provision of R20/ton was required to recoup capital. At present FOB prices there was no incentive for the industry to invest in new production capacity. Furthermore, oil prices were expected to increase only modestly in real terms in years to come, which was not a bullish factor for coal.

However, Davis Borkum Hare technical analyst Dana Wakefield said present factors bidding the good fortune of coal exports were the rand's decline, and successful marketing drives.

Other plus factors were a decline in international stockpiles leading to higher international prices. Australia and China faced strikes and disruptions while Colombia was hit by floods and quality control problems. Australia and China had not been able to deliver the goods to some of the markets won from SA.

Overseas demand would grow between 2% and 4% annually, but SA could participate only if sanctions were lifted. In the current political climate, this was becoming a possibility, Wakefield said.

Kotze felt the liberation of Eastern European countries provided many opportunities for SA coal.

The industry would have to operate by seeking only strategically located prime deposits, which would allow growth without large infrastructural investments. The use of low cost operating methods was needed.
Wine exports up by 85% — but locals go slow

By ANDREA WEISS
Staff Reporter

KWV increased their export turnover by an exceptional 85 percent during 1989 to dispose of a wine crop which was the largest yet in the industry.

However, sales on the domestic market were sluggish, according to the KWV chairman Mr Pieter Hugo's annual report.

The 1989 wine crop was five percent larger than the last record of 9,1 million hectolitres in 1983. The crop follows relatively big crops in 1987 and 1988 and has been ascribed to favourable conditions during the growing season.

During the "exceptional export year" of 1989, grape concentrate and brandy exports doubled while brand products showed a slight drop in volume.

New markets were found for bulk natural (unblended) wines making this a "significant category" on the international market.

The good export results were achieved in a market environment "which did not always favour South Africa", Mr Hugo points out.

Local consumer spending at retail level was only one percent higher than in 1988.

Sales of medium-priced wines dropped by about seven percent and those of natural wines by 0,3 percent.

The demand for high-priced red wine grew by 4,4 percent and sparkling wine showed a 14 percent growth. The brandy market showed a five percent increase.

The producers's income from the 1989 wine crop was R451,72 million which is an increase of 6,6 percent on 1988.

The KWV's net income for 1989 was R35 million compared to an income of R27 million in 1988.

The Rural Foundation has agreed to develop a manpower code and a set of guidelines for personnel practices in the wine industry following negotiations with the KWV, Mr Hugo announced.

But the code to be developed this year will not be "prescribed" to producers.

Last year, 23 co-operatives concluded recognition agreements with the National Union of Wine, Spirits and Allied Workers. A total of 14 cellars also negotiated with this union regarding employee benefits, according to Mr Hugo.

Tribute to police dead

PRETORIA — Policemen here have paid tribute in a memorial service to the 71 members of the force who died on duty in the past 12 months. — The Argus Correspondent.
SA emerges as major international steam coal market player

SA exported 39-million tons of steam coal in 1988 and in the space of a few years has emerged from relative obscurity to become a major international supplier.

The largest international steam coal trader in 1988 was Australia which exported 42.4-million tons. SA exported 30-million tons while the US exported 29.8-million tons, Rand Afrikaans University Institute for Energy Studies director D Kotze said at a recent coal conference.

He said 20 years ago SA exported less than 2-million tons of coal a year. In 1969 SA exported approximately 47-million tons of steam and hard coal.

Kotze said although there was little agreement on how steam coal trade would grow in the future, it was generally expected it would increase by between 5% and 8% annually for the next five years.

Official SA export statistics on countries of destination are not released, but Kotze quoted figures from the International Energy Agency.

A Witbank Collieries' spokesman said last week SA still achieved some of the lowest prices for coal on the international market. This was to a large extent due to the political discount on SA international prices.

This discount varied between US$4 and US$7 a ton depending on which market SA was supplying. Improved world prices and an improved political climate would stimulate new coal-mining investment in SA, he said.
Substantial increase in coal exports likely

South Africa's share of the world coal market will increase substantially this decade according to two separate surveys by the Department of Mineral and Energy Affairs and stockbrokers Davis Borkum Hare.

Both analysts predict that SA coal exports over the next ten years could rise considerably from last year's level of 45.5 million tons, given an expected increase in international demand from about 310 million tons last year to 525 million tons by the year 2000.

The Department of Mineral and Energy Affairs forecasts that SA's share of the world-wide export market could rise from its current levels of just over 12 percent to 13.8 percent by 1995 and to 15.0 percent by 2000.

In nominal terms this could see exports of 56 million tons by the middle of the decade (comprising steam coal sales of 51 million tons and metallurgical coal sales of 5 million tons) and 76 million tons by 2000 (steam coal sales of 69 million tons and metallurgical coal sales of 7 million tons).

Dr Manny Pohl of Davis Borkum Hare is less optimistic, but still expects compound growth of around 2.5 percent a year over the next ten years.

He puts forward two possible scenarios — a high case and a low case outlook — with the deciding factor between the two being the lifting of sanctions.

In Dr Pohl's high case scenario, exports total 62.1 million tons by 1995 and 68.5 million tons by the end of the decade. The respective figures for the low case are 65.5 million tons and 62.1 million tons.

"The demand for steam coal should continue to grow steadily because, even with low oil prices, coal is still the most viable option. It has been suggested that the Richards Bay coal terminal should be further increased to a secured throughput of 53 million tons, but this would not be without risk," Dr Pohl says.

"Although overseas demand will grow by between two and four percent a year, South Africa's overseas participation will only be possible if sanctions are lifted, which does appear possible given the current political climate."

In the short-term Dr Pohl is optimistic that South Africa can at least maintain 1989's export level of 45.5 million tons this year.

He lists a number of factors which bode well for the coal industry this year (despite the fact that some traditional markets for SA coal were taken over by Australia and China):

- The decline in the value of the rand.
- Successful marketing drives to overcome sanctions.
- A decline in world-wide stockpiles of coal leading to higher overseas prices.
- Australian and Polish suppliers face strikes and disruptions.

Dr Pohl adds, however, that SA producers are still having to accept prices that are at a discount to world market prices, as they struggle to find new markets in the face of sanctions.
Help offered for SA entry into US markets

A US trade finance company is offering assistance to SA companies wishing to penetrate the US market, a move with major potential for SA exporters should sanctions be lifted.

Texas-Carolina International Corporation (TCI) will, however, work only with companies that feasibility studies have found to have export potential.

While imports by the US of some SA products — mainly textiles, foodstuffs and iron and steel — are prohibited in terms of anti-apartheid legislation — there are still several possibilities for SA exports, says David Graham, international trade GM of Texas-Carolina International Corporation (TCI).

LINDA ENSOR

The SA Foreign Trade Organisation (Safto) estimates that SA's direct exports to the US as a percentage of its total exports has dropped from 19% in 1987 to 9% in 1989, mainly because of the Comprehensive Anti-Apartheid Act and concern about consumer resistance.

Graham says TCI has approached Safto informally, adding that the past success of SA exporters to the US has been achieved largely through using a local base. "It is a massive market and there is no possibility of tackling it as a whole. One has to specifically target one's area."

US markets

Once a product or service is found acceptable by the market, TCI would also help the firm form a corporation in the US and, in conjunction with the exporter, staff and train sales personnel and assume responsibility for their management.

Robb says the programme is an economical one designed to take advantage of export incentives available from the SA government.

Graham says if sanctions are lifted the US will be a major potential export market for SA exporters.

Ian Robb, TCI's chief operating officer, says that often SA businessmen arrange a heavy visiting programme to the US "without any perception of the market or how to do business here."

"We are providing them with an easier way to penetrate the market without the need for large expenditures in exploratory visiting and promotion without direction. Our programme would assist them to pinpoint resources and give them guidance as necessary."
City firms bid for Soviet trade

The Economist

June 24, 1976

BY TOM GOOD

AIV-DAIRL/TY 79

Soviet firm's bid for trade

The Economist

June 24, 1976

BY TOM GOOD

AIV-DAIRL/TY 79
Cape businessmen seek Soviet deal

By Tom Hood

CAPE TOWN — A two-man delegation from Cape Town flew to Moscow over the weekend in a bid to export a variety of consumer goods to the Soviets.

The businessmen are Zhaun Amid, managing director of the Zhauns group of companies, and his partner Nicky Sevyn.

Mr Zhauns is best known as a textile wholesaler and retailer with 30 stores and growing — and probably the country’s largest textile chain.

The group was approached by a Russian company looking at the possibility of importing a large variety of goods to the Soviet Union, said Mr Amid.

“The Russians visited South Africa and the Zhauns group had high-level meetings with businessmen in various walks of life here and lots of samples have already been forwarded to Russia.”

Foreign goods are scarce in the Soviet Union and are normally sold in special tourist shops for American dollars or other hard currencies. The low rand exchange rate could give the Russians more South African goods for dollars than they could buy in Europe.

The two men left after finalising a multi-million-rand deal by which the Zhauns group took over the Revelation Manufacturing Holding group, including the former Rennie’s Luggage, from Picard Properties.

Other companies taken over are Invincible Sports, Super Springbok and Mitre Balls.

Remaining in Picprop are Logans Sports, Snehin and various properties including cash.

The acquisition makes the Cape-based Zhauns one of the country’s largest luggage manufacturers and distributors.

Its newly acquired luggage division will add Revelation lines to its Club Luggage and top-of-the-range Samsonite products.

Mr Amid and his partner in the Club group Nicky Sevyn said: “A special export division has been established in Zurich with Swiss partners who will be handling the Middle East and Eastern Europe clients.”

The has diversified into property, watches, finance, electronics, television, luggage, sports goods and a travel agency.

Zhauns started in 1950 as a one-man textile retailer and has grown into a multi-million-rand diversified empire.

Mr Amid said Zhauns would not be doing a reverse takeover with the listed Picprop nor would it be seeking a listing on the JSE at this stage.
East bloc offers SA opportunities

EASTERN European countries will become more important trading partners for SA and further diversify its export markets, but will not replace SA's traditional markets, says Safito CE Wim Holtes.

He says the demise of the Iron Curtain presents a variety of opportunities to businessmen around the world.

Eastern Europe, previously relatively insular, is now encouraging trade with and foreign investment from the West. But a great deal stands in the way of smooth reintegration with the world economy. Economic backwardness, the absence of modern free market structures, debt problems, foreign exchange shortages and political instability are but a few of the problems facing the region.

Cautions

Holtes says SA exporters will benefit directly from developments in Eastern Europe by being able to supply the products demanded by the region. They will also gain indirectly through any growth that the new era implies for the economies of Western Europe.

He says although SA has traditionally exported to the region, South Africans have recently begun to show a far greater interest in potential market opportunities in Eastern Europe.

But he cautions that at this stage there has been no official change in the trade policy of these countries to SA.

While the re-establishment of official trade and diplomatic ties is likely, these countries cannot be expected to embark on any large-scale bilateral trade initiatives with SA and any developments will remain low key for some time, says Holtes.

According to the April/May Safito Exporter, SA's trade with Comecon countries was less than R70m in 1985. If this trade still accounted for the same proportion of SA's total trade, the figure was likely to have risen to R120m.

More than 90% of SA's exports in 1985 were mineral products, while imports consisted of a broad range of manufactured items.

Assuming the total market size of Comecon markets to be about 12% of the EC market, a theoretical market around R24.4bn awaits the SA exporter, says the Safito Exporter.

Holtes says the failure of Comecon has forced most member states to up their imports, even in the short term. This is expressed in the rising purchase of consumer products (to ease political tensions) and increasing imports of machinery, equipment and other industrial goods (as a corollary to economic liberalisation).

The Safito Exporter says trade between Eastern European and Western industrial countries accounted for less than 2% of world trade in 1988. But intra-Comecon trade stood at between 40% and 70% of the region's total trade.

Opportunities will begin to emerge as the East bloc markets open up their doors to the West in the search for hard currency transactions, especially for raw materials and machinery, says Holtes.

According to Safito, products that should enjoy easier access to these markets include beneficiated minerals, steel products, engineering components and foodstuffs. Basic consumer products such as soap, detergents, Europe, may also prove successful.

A major obstacle to be overcome in approaching Eastern Europe is how to obtain the information needed to penetrate the market.

Trade and production statistics, company directories, and general market information, often taken for granted in the West, are frequently unavailable.

As a result, Safito is introducing a programme to supply SA companies with introductions to local contacts in the region and critical market information.

However, the largest obstacles to trade in the region are foreign debt problems and shortages of foreign exchange.

As a result, SA companies must give careful attention to payment when approaching Eastern Europe, warns Holtes.
Higher export prices help boost Amcoal

By Derek Tommy

Increased export revenue helped boost the earnings of the giant coal producer Amcoal in the year ended March, by 65 percent to R256.2 million. Shareholders have been rewarded with a 23 percent increase in dividends.

Amcoal has declared a final dividend of 280c making 385c for the year against 300c last year. Dividend cover has increased from 2.2 to 2.7 times.

The chairman, Mr Graham Boustred said that three major factors contributed to Amcoal's improved earnings. Greater tonnages were sold in the export markets at prices that were on average some $3.50 higher, which, together with the weaker exchange rate, resulted in significantly improved rand prices being realised.

In the domestic market, the income earned by the new collieries supplying Eskom increased as a result of further investments in these collieries. Finally, the group's earnings from its cash resources increased due to higher interest rates and improved cash flows.

However, on the basis of the current rand/US dollar exchange rate, Amcoal says earnings will be largely unchanged in 1990.

Export profit margins are expected to be lower owing to increased operating costs and high railage rates which will not be fully offset by higher US dollar prices.

Moreover no big increases are expected in the tonnage of coal exported.

Although the rated capacity of Richards' Bay is being increased by nine million tons a year, the current view is that the increase in coal exports will be limited to an additional one million to two millions a year.

However, the positive political climate could lead to new export markets opening to South Africa.

Foreign earnings from coal exports last year rose to R13.6 billion from R2.8 billion in 1988.

Mr Boustred says a calmer industrial relations mood prevailed on group collieries for most of the year, but recently this has deteriorated as a result of raised expectations at the prospect of impending political changes.

The Group's operating profit, after setting aside R60.0 million for amortisation and depreciation, increased by R146.2 million to R459.4 million.

Interest and investment income amounted to R104.3 million and profit before taxation was R563.7 million (1989: R364.2 million). Taxation amounted to R305.8 million (1989: R193.7 million).
chairman of Witbank Collieries. His pessimistic view is shared by most industry observers.

"We had full order books around October-November," he says, "but then there was a mild winter in Europe and our competitors sorted out their various short-term problems."

SA made most of the strikes in the US and Australia and the teething problems at Colombia's giant El Cerrejon mine. But some markets remain closed to SA and Cook does not expect sanctions to be lifted soon.

Trans-Natal MD Mike Salamon says: "Some positive noises have been heard but as yet we haven't seen firm action." Some countries, including France and Denmark, have a total ban on SA coal and Japan has capped the dollar value of coal imports at 1986 levels. "Apart from the politics, Japan is under pressure to buy American coal — even at a premium — to reduce its trade surplus with the US."

In contrast, JCI is extending its Tavistock Collieries' export production by 2.4 Mt and Amcoa is to expand its Landau colliery. In volume terms, the outlook for exports seems quite promising. The international steam coal market is expected to grow from 191 Mt this year to 317 Mt by 2000 but Frankel Kruger's Kevin Kartun says the dollar price of coal will grow at only a modest 2% a year real terms, or 7% after US inflation, which is less than half the cost increases of SA producers. "Without improvements in productivity, SA will lose its competitive edge and several collieries will become extremely marginal," Kartun says.

He believes SA coal is still subjected to a political discount of $4-$7 a ton. Cook says producers have relied on the weakness of the rand but the renewed strength of the currency could now wipe out any gains in the international price. Prices are about $2 higher than a year ago (see graph) and, combined with the currency depreciation, this means producers are receiving 11% more in rand terms — well below the inflation rate.

SA still enjoys a reputation as the world's cheapest major producer of steam coal but
R1-bn boost for SA car industry

By Sven Linsche

South Africa's motor industry is set for a R1 billion export boost next year when several manufacturers begin production of exhaust systems which incorporate platinum-based autocatalysts.

The export drive has been made possible by recent moves to produce these autocatalysts locally.

UK-based Johnson Matthey (JM), in which Minanco holds a 38 percent stake through Charter Consolidated, yesterday announced plans to build a R35 million catalytic converter plant in Germiston, which will produce up to 2 million converters a year.

JM is the world's largest manufacturer of autocatalysts and has been expanding production worldwide as clean air legislation in most industrialised nations forces car makers to fit catalytic converters to exhaust systems.

Earlier this year, Port Elizabeth-based Algorax started construction of a R25 million plant which is expected to produce one million converters a year from next year.

And industry sources said yesterday that negotiations were taking place for the creation of other plants.

The local manufacture of autocatalysts will boost demand for platinum.

Christopher Clark, an executive director of JM, said yesterday that when in full production the Germiston plant could use up to 100,000 ounces of platinum a year.

JM, which is also Rustenburg Platinum's sole marketer, will make use exclusively of platinum supplied by the mine. Rusplats announced last week that it will increase production by 30 percent over the next 40 months.

The autocatalysts will be sold to local motor manufacturers, who will either produce the converters directly or contract out to component manufacturers.

When exported the catalytic converters, which currently cost up to R250 each, will provide a significant bonus to the manufacturers. Industry sources estimate the potential for export earnings at around R1 billion.

This in turn will allow the car makers to offset the value of their imports against converter exports in terms of Phase 6 of the value-based local content programme for the industry.

Mr Clark said that JM had discussions with local motor manufacturers before giving the go-ahead for the plant and he is confident that the full production will be taken up.

Production of converters in South Africa also makes sense in terms of incentives provided for local mineral beneficiation and could speed up the call for local regulations on tighter emission standards for cars.

The demand for platinum-based autocatalysts, which already accounted for almost half of 1989's total demand for platinum of 3.4 million ounces, is set to soar over the next few years.

The European Community has announced that it will introduce a clean-air policy in mid-1992, forcing small cars to have autocatalyst converters fitted to their exhaust system.

This legislation could be extended to medium and larger cars by 1993, while tighter emission regulations are also expected to be enforced in other industrialised nations.

JM estimates that the European market alone will be worth £500 million by 1993.
Exports: a long road ahead

By Their Grace, Exports

Mr. Dikgacenski, President of South Africa, emphasized that the reorientation of the country's economy towards a greater emphasis on exports is crucial for its development. He highlighted the need for a strategic approach to exports, focusing on quality over quantity.

The South African government has set ambitious targets for export growth, aiming to double exports in the next five years. To achieve this, the government is implementing measures to improve the business environment, enhance infrastructure, and support small and medium-sized enterprises.

Agriculture, mining, and manufacturing are key sectors targeted for export growth. The government is investing in research and development to enhance the competitiveness of South African products in international markets.

Mr. Dikgacenski stressed the importance of building strong relationships with export markets, particularly with emerging economies. He also underscored the need for skills development and education to ensure a skilled workforce capable of meeting the demands of export-oriented industries.

The export drive is part of a broader economic strategy aimed at reducing dependence on a single commodity, diversifying the economy, and creating jobs. The government is working closely with the private sector to achieve these goals.
Export blow for Rex True

By Neil Behrman

LONDON — A major British buyer of Rex Trueform suits has suffered severe losses in its latest financial year because of the crippling UK retail recession.

The company, Next, a major high street retail chain has been affected by poor management decisions during the past few years and the surge in UK interest rates.

As a result of store closures, 'Next for Men' shops are expected to order less Rex Trueform goods this year.

In the year ended January 1999, turnover dipped by 16 percent to £849 million and operating profit fell 61 percent to £36 million.

After exceptional items relating to store closures and staff redundancies, a profit of £22 million in the previous financial period was converted into a loss of £47 million in the latest period.

"The rapid expansion of the group in the late 80's has put a significant financial, managerial and operational strain on the business," says David Jones, chief executive of Next.

"We suffered not only from a downturn in consumer spending, but also from problems in our merchandise ranges."

The second half performance was a significant improvement on the first half, says Mr Jones, but it has not resulted in any improvement in profitability.

Due to a rapid increase in the number of branches and selling space in 1998, average sales per square foot was seriously eroded. This coupled with intensive competition (leading to higher markdowns), the high cost of rents and occupancy costs, has had a detrimental effect on profitability this year.

Mr Jones says that to increase cash resources, the company will sell non core businesses.

He expects another poor year in 1999, however, particularly since UK base lending rates are 15 percent.
Leesoano Group leads way for SA clothing exports
Rising exports balance trade with UK again

SA's exports to the UK jumped 43% in the first quarter of this year and for the first time since 1986, trade between the two countries was in balance, said British Consul-General John Doble yesterday.

Speaking at a Sabritas (SA Britain Trade Association Limited) luncheon in Johannesburg, Doble said trade between SA and the UK was flourishing.

While the UK's exports to SA in 1988 had remained static at £1bn because of SA's tight monetary policy, SA's exports to the UK rose 8.5% to £385m.

However, in the first quarter of this year, trade between the two countries grew considerably, the UK's exports rising 24% while SA's jumped 43%.

The UK's major exports to SA included rice, fruit and vegetables, beverages, chemicals, machinery and oilseed.

Doble said invisible trade was also healthy, especially as Lloyd's had long had expertise in the special insurance needs of SA industry.

In addition, he believed there was great potential for new British investment, following the recent lifting of the UK's ban on new investment. But the two provisos for this were that SA achieved a new constitution acceptable to the majority of its people and that this constitution retained a largely free market economy.

While SA would be competing for new investment with Eastern Europe, it had, unlike Eastern Europe, a functioning free market economy and business practices with which UK companies were familiar.

Doble said almost all top UK firms had remained in SA, despite great pressure to disinvest, because of their faith in SA's future, and because they had an eye to future business.

Once political reform had unleashed SA's economy from the restraints of apartheid and sanctions, he expected to see most UK firms investing in expansion.

The enhancement of black living standards would create new demand in sectors like construction, water and electricity supply, furnishings and domestic equipment, he said.

In addition, increased demand would also come from other southern and central African countries, especially because of foreign aid to rebuild their economies.

Much of the equipment and expertise would come from SA. UK firms bidding for contracts would probably bid through their SA subsidiaries or UK partners.

Doble said SA was more important to Britain than it was to any other country in the world, apart from its immediate neighbour.

There was a multiplicity of links between the two countries.

About half of all overseas investment in SA was British, to a large extent because of historical reasons.

In addition, many SA citizens were also UK citizens and even more had some degree of British ancestry.

As SA changed so would its relationship with the UK, but continuity, rather than change, would be the hallmark of the UK's relationship with SA in the 1990s, said Doble.
Expected slowdown in SA's export effort

SA's export effort will deteriorate considerably in the next 12 months despite the fact it is expected to outstrip import growth, according to Sanlam's economic research department.

Sanlam's latest Economic Survey says lower foreign growth, a declining gold price and the fact that SA's export prices are increasing more slowly than others will lead to the decreased growth.

The survey adds that the present economic downturn is gathering momentum and is likely to see SA's real gross domestic product (GDP) increasing by a mere 0.5% in 1990.

The prediction is backed up by other economic departments, including First National Bank (FNB), which has put its GDP estimates for this year at between 0.3% and 1%.

FNB expects GDP growth next year to be between 1% and 2.4%.

Sanlam expects this slow growth, compared to 3.7% in 1988 and 3.1% in 1989, to continue until the middle of 1991.

**Indicators**

The Reserve Bank's recent move to bring banks' repurchase agreements onto the balance sheet is likely to retard interest rates further if brought into effect.

Key economic indicators are also not expected to perform well in the near future, says Sanlam, which expects the inflation rate to be between 13% and 14% at year end, an average 14% for the year.

FNB has predicted an inflation rate of 12.5% to 13.5% at the end of 1990.

Their predictions for next year do not foresee it dropping below the planned 10% by the end of 1991. The rate is expected to be between 19.5% and 13.3% in 1991, says FNB.

And according to the latest Stellenbosch University's Bureau for Economic Research report, the BER's business confidence index declined from a level of 55.2 points in the fourth quarter of 1989 to 43 points in the first quarter of 1990, representing a 17% fall.

The biggest declines were in the retail, motor trade and building sectors.
R11-million export deals for tools and sheet metal

The Argus Bureau 8/14/70
PORT ELIZABETH — Delta Motor Corporation has landed two major export contracts.

The corporation has a two-year R11-million contract to make press tools for a joint truck programme in Europe and has been awarded a major export contract by Opel to supply sheet metal for the European market.

In a statement the company said it was also negotiating to buy a major car rental company. Delta and Tollgate Holdings, which controls Budget Rent-A-Car, have entered preliminary negotiations for Delta to acquire the rental company.

It is understood that the corporation's offer has been accepted but there are still details to be sorted out. But confirmation of the impending deal has been given by both companies.

According to the statement the award of the Opel export order follows the installation of five new presses, representing an investment of R12-million which will increase its press shop capacity by 33 percent.

Recently the company has acquired an air-conditioning operation and a plastics plant in Port Elizabeth and an electronics company in Pretoria.

The plastics plant, Industrial Mouldings, allows the corporation to produce its own plastics needs for vehicles far more cheaply than before. The air-conditioning company Connoisseur Air has already won its first major order since Delta took it over — air conditioners for Volkswagen's CitiGolf.
Parts exports
may net R400m
by GERALD REILLY

PRETORIA — Net earnings from the export of vehicle spares and components this year should top R400m, National Association of Automotive, Components and Allied Manufacturers (Naacam) director Denzel Vermouten said.

He said scope for expanding international markets was great provided there were no drastic shifts in the rand exchange rate as domestic inflation was brought under control.

From January to March, component exports' value reached nearly R200m. This was a gross figure which took no account of the costs of manufacturers' imported materials.
Britons soon to go a-biking SA style

quality control and a big expansion on the cards.

The company had a franchise to make Peugeot cycles, the world’s largest single brand, he said. The French factories made about 350 different kinds of bicycle in five sizes and eight colours.

But the Dimbaza plant would concentrate on a few racing models, three sizes of ATBs and children’s BMXs.

Peugeot closed its South African factory eight years ago and Western Flyer took over the franchise. Machines are now made to strict French specifications, with frames and paint being sent regularly to Peugeot for inspection.

After battling for years against cheap imports, Western Flyer has joined other manufacturers in asking the Board of Trade and Industries to impose dumping duties on low-price BMX imports from Red China.

Mr Perch said South Africa had no official safety standards for bicycles and was one of the few countries prepared to accept the Chinese models. Britain, Australia and Sweden would have rejected them.

“We lack the safety standards of those countries, which include compulsory reflectors front and back and on the pedals, and stress tests on frames.

“Sweden insists on reflectors being painted on the tyres. Australia has the toughest regulations and sends inspectors to Taiwan to check every single bike before it is exported to Australia.”

The company also owns factories in the electronics and furniture industries. These are Genetics at Atlantis, where 100 workers are employed mainly on making music centres.

The other factory, Sunscene in Johannesburg, employs 150 making outdoor furniture and cushions.

The balance of MBS business is importing electronic and other products for the domestic market.
Cycle firm wins big UK order

By Tom Hood

Thousands of Britons will soon be riding South African-made bicycles.

A multi-million-rand export order for 100,000 bicycles a year has been landed by the new Cape Town-owners of Western Flyer Manufacturing, the country's largest cycle factory.

The plant at Dimbaza in the Ciskei was recently taken over by Merchandise Buying Syndicate.

The cost of the acquisition has not been disclosed, but the factory has stock worth more than R5 million.

Managing director Elliot Perch, whose father had a cycle shop in Kraaifontein, won the British export contract "on price and quality standards".

In getting the order the factory had to overcome the handicap of paying 20 percent more for Iscor steel tubing than Taiwanese cycle manufacturers, who get a 20 percent discount from Iscor, said Mr Perch.

The factory is about to start production of a new lightweight MTB (called mountain bike in South Africa), making up 60 percent of the exports.

The new MTB will be cheaper than imported American and Italian machines, the price of which is inflated by the low rand exchange rate.

Production is also being expanded by a full range of lower-priced bikes under the Western Flyer label or house labels for major retailers.

Big changes have been made in the few weeks since the new owners took over, with stricter quality control and a big expansion on the cards.

The company also owns factories in the electronics and furniture industries. These are Genetexics at Atlantis, where 100 workers are employed mainly on making music centres.

The other factory, Sunscene in Johannesburg, employs 150 making outdoor furniture and cushions.

The balance of MBS business is importing electronic and other products for the domestic market.
New record for seaborne coal trade

WORLD seaborne coal trade has reached a new record of 323-million tons with exports of steam coal expected to overtake its rival coking coal, according to the monthly shipping review of London shipbroker Simpson, Spence and Young (SS & Y). The new record is due to increased global crude steel production forcing coking coal trade to a new level of 163-million tons. This is one-million tons above the 1988 total.

SA had a better year with export volumes showing the first signs of reviving after two to three years of sanctions.

Most of the demand has been generated by the EC, with French buyers being active on the international market. This is due to a reduction in domestic coal production and a fall of 30% in hydroelectric output because of severe drought conditions.

The increased coal trade is attributed to a 13% rise in the trade of steam coal, reaching a level of 169-million tons. The US increased its market share in the coking and steam coal sectors—achieving almost half the total international trade increase. Australia retained its dominant position as the largest exporter in terms of sales by volume.

Surprisingly, says SS & Y, Columbia achieved a 30% increase in exports to reach a new record of 13-million tons. Venezuela and the UK increased shipments. Columbia and Venezuela were expected to increase exports this year.

Demand in the Asia/Pacific region remained stagnant and was not expected to improve this year.

SS & Y says prospects of further increases in world seaborne coal trade remain good but are dependant on developments in the steel industry and the severity of the fall in coking coal demands.

With export reductions expected in Europe, the international coal trade is expected to benefit in the short term.
ITALY, in a rapid improvement in trade, political and cultural relations with South Africa, has become one of this country’s major economic partners — with the release of figures showing that it is now the leading importer by value of South African products.

The Italian Embassy in Pretoria says that since President FW de Klerk’s recent visit to Rome another high-level mission of Italian industrialists is expected to visit South Africa soon — probably towards the end of September.

The fact that Italy took over the chair of the European Community this week is being seen as another plus factor in the strengthening of this country’s trade relations with Italy and Europe in general.

Precious metals

The Italian Embassy says while West Germany remains South Africa’s top two-way trading partner, Italy has overtaken Japan as South Africa’s best export market with a growth of 39% last year.

Italy’s main imports are gold — Italy being a world leader in gold-craft — and other precious metals, and coal, needed for generating power.

Embassy figures show that Italy’s imports from South Africa were valued at R6.8 bn in 1989, almost double the value of imports in 1987 (R3.8 bn), and nearly 40% up on 1988 (R4.9 bn).

Precious metals account for 76% of Italy’s imports from this country.

The South African Foreign Trade Org-
Trade surplus up by 43% as exports surge

SHRUGGING off a weak gold price in June, SA's trade surplus jumped by about 43% from May to a healthy R1.54bn because of surging exports and weak imports.

The hefty June trade surplus, the second highest this year, helped alleviate pressure on the balance of payments during a month of heavy foreign debt payments. With the foreign debt problem cleared, the trend on the trade balance suggests SA will be able to build up foreign exchange reserves during the remainder of the year.

Safico economist Bruce Donald said: "Pressure on the current account to produce healthy surpluses will be reduced in the second half of 1990, as a result of smaller debt repayments during this period. The falling ratio between SA's debt commitments and its trade surplus is likely to mean a growth in foreign reserves during July to December 1990."

The current account balance is the trade balance less net payments for foreign services. A current account surplus of R6.6bn-R8bn is expected for the year as a whole.

The Customs and Excise figures released yesterday showed exports were up by 11.5% in June from May to R5,22bn — the highest level so far this year. The continued strong performance of non-gold exports is the result of a shift to foreign markets because of a weakening of the domestic economy, some easing of sanctions and good international demand for SA's non-metal minerals.

Over the past six months, mineral exports surged by 23% from the same period in 1989 to R3,8bn. Revenues from the unclassified category of exports — mainly gold — were up by less than 1%.

Imports rose slightly in June from the preceding month (R3,68bn from R3,69bn) but economists noted the trend was still firmly down.

The Standard's Nico Carpioka said: "The trend in imports is one of the most important indicators that restrictive economic policies are working. The balance of payments is performing well in the face of a weak gold price and pressure from foreign debt payments."

Over six months, imports were down by 4% compared with the same period last year. Donald noted that imports were probably down by 10% in volume terms.

"Imports of machinery dropped by 6% during the period, verifying our view that the investment cycle is in a downward phase after a strong recovery in 1988 and 1989. This trend should continue in the next 12 months as the economy cools further," he said.
Healthy rise in trade surplus

By Sven Lünsche

The continued growth of SA’s merchandise exports is probably preventing the economy from plunging into full-scale recession.

The trade surplus in June surged to R1.54 billion from R1.03 billion in May, boosting the cumulative surplus for the first half of 1990 to R7.63 billion.

This represents a 36 percent rise on the R5.52 billion surplus achieved in the same period last year and implies a continued improvement in the balance of payments position.

Sasfin economist Bruce Donald says, “The improved trade performance eases the pressure on the current account to produce healthy surpluses. This pressure will be further reduced in the second half of the year, as a result of smaller debt-repayment commitments.

“The falling ratio between SA’s repayment commitments and its trade surplus is likely to mean a growth in gross foreign reserves in the second six months.”

The rise in the surplus follows sustained nominal growth in exports and a substantial fall in imports in the wake of the slowdown in domestic demand.

The trade figures, issued by the Department of Customs and Excise yesterday, show exports gained 11.3 percent in June to R5.22 billion, but for the first half of the year grew by only four percent to R29.93 billion (January to June 1989: R27.56 billion).

Mr Donald says the slowdown in the growth rate in the six months was not surprising in the light of declining domestic activity and the flattening of international growth.

Earnings from the unclassified category of exports (mostly gold) rose by only one percent in the first half to R11.96 billion (R11.57 billion), while the value of base metal exports declined by five percent to R4.36 billion (R4.61 billion).

The most important contributors to export growth were mineral products, which increased by 23 percent in value from R3.68 billion to R2.22 billion, as coal exporters benefited from SA’s improved political situation.

Export of machinery improved by 36 percent, while transport equipment revenues rose by 63 percent.

Total imports in the first six months were four percent lower at R21.51 billion (R22.94 billion), with monthly imports in June at R3.88 billion slightly up on May’s R3.8 billion.

Mr Donald estimates that taking into account the depreciation of the rand, import volumes were probably down by more than 10 percent in the first half.

Imports of machinery dropped six percent to R8.56 billion from R9.75 billion in 1989, indicating a sharp slowdown in fixed investment.

“This trend should continue in the next 12 months as the economy cools further,” Mr Donald says.
Exports surge but recession sinks into a high

By Warren Laszewski
Export squeeze for SA coal

ALLEN COOK, deputy chairman of Rand Mines' coal division, sees export prices weakening in the next few months.

"We are selling at $31 a ton compared with $39 in June 1988 and $37 at the low in September 1987. The contracts are negotiated in November each year. Some SA suppliers are undersold and will no doubt be prepared to pare prices."

"Because the Russians are not buying grain, bulk carriers are experiencing difficulty in filling their ships. So freight rates have plummeted, cutting into the $2/thousand freight advantage we have over the Australians in supplying Europe."

"Producers in the United States, Columbia and China are overcoming problems."

Another setback for SA's coal has come from natural gas competition in Europe.

Pollution

The first is that world consumption increases with population growth.

There are high hopes of an industrial renaissance in Eastern Europe. Air pollution there is so bad that demand is likely to increase for high-quality low ash and sulphur coal.

Coal is under attack, but the world environmental lobby is still strongly against nuclear power. Solar, wind and other types of energy are likely to remain insignificant for years.

The prospect of reduced sanctions is also cause for hope.

JACK COHEN
SA IRON ore exports to the EC jumped 33% to 6.2-million tons last year from 4.5-million tons in 1988, boosting EC iron ore imports to a 10-year high.

Iscor mining products GM Emile Raads said last week SA's three major western European customers had made slight adjustments to their production techniques to accommodate SA exports, which were slightly cheaper. Subsequently, certain technical difficulties, which resulted from dealing with other iron ore exporters, were overcome.

Simpson, Spence & Young's (SS&Y) July monthly shipping review said EC imports of iron ore rose 6% to 134.8 million tons in 1989 — the highest level of the decade — compared with 127-million tons in 1988.
SAA promotes export awareness

SAA has embarked on a programme to act as a facilitator to exporters.

It is tying up with organisations such as Satio and it is pooling its resources to provide potential exporters with assistance, information and guidance. SAA says it will promote an export awareness and culture among SA companies.

Most businessmen accept the anti-SA tide is turning and new business opportunities are opening up for SA exporters.

United Europe 1992, commercialising Eastern Europe, an increasingly friendly Africa and the possibility of the US lifting sanctions, hold great promise.

However, SA tends to be a commodity exporter, and the need to export value-added products has been highlighted by authorities and business leaders.

SAA says the cargo industry has developed a level of sophistication beyond that of many exporters and the freight industry has systems in place to cope with competitive new challenges.

Most freight forwarders are established and specialised. They have international links tying them to companies in all corners of the globe and their expertise in dealing on an international scale is proven.

Geared up

SAA has geared up to assist exporters. As an IATA carrier, it has links through interline agreements with most major carriers.

It has also paid attention to ensuring its cargo capability qualifies it as an international freight carrier.

SAA says it and the freight industry are ready — all that is needed is exporters.
Surplus up

Customs & Excise figures show rises in 13 of the 22 categories of exports in January-June over the first half of 1989, including:
- Vehicles, aircraft, vessels and associated transport equipment, up 62% to R442m;
- Optical and photographic equipment, which improved 44.4% to R65m;
- Machinery and electrical equipment, 36.3% to R622m; and
- Mineral products, 23% to R3.6bn.

Safico economist Bruce Donald says the last was mainly due to better coal markets.

Exports of works of art, collectors' pieces and antiques, though only R15.2m, were up 100% on last year. One source suggests this could be emigrants' possessions leaving.

Total January-June exports were 4% up on last year, at R28.9bn. In June alone they grew 11.5% on May's figure to R5.2bn.

January-June imports fell 4.2% to R21.3bn, with declines in half the 22 categories. For June they increased 2.2% over May, to R3.68bn.

The half-year surplus total of R7.6bn is 38.1% up on last year. The June surplus leapt 42.4% from May to R1.54bn.

An encouraged First National Bank group economist Cees Bruggemans notes that real 1989 exports rose on 1988 and continued at much this pace in the first quarter of 1990 (9.5%). "This reflects the world economy, especially Europe and the Far East, which are still doing exceptionally well."

Says Bankorp chief economist Nick Barnardt: "After last year's good performance, the excellent current account so far this year mainly reflects the remarkable non-gold exports, which were the highest ever."

He estimates a first-half current account surplus of more than R3bn compared with R3.1bn for the whole of 1989, despite the lower gold price and removal of the Namibian current account surplus, estimated at R1bn. So the year's surplus could top R6bn.

"The sharp weakening of the rand-dollar exchange rate in 1984-1986 opened up a lot of export opportunities for manufacturers. These were not immediately used," says Barnardt, "partly because of sanctions and partly because domestic political uncertainties undermined fixed investment."

"But as things stabilised, many manufacturers started making a more substantial commitment to exports in terms of fixed investment decisions. We are now seeing a lagged effect of the sharp decline of the rand in the mid-Eighties."
Despite some opposition

Export markets opening for SA

By AUDREY D'ANGELO
Business Editor

NEW export opportunities are opening up for SA in Europe, Cape Town Chamber of Commerce tells. Emphasizing that "West Germany is one of the biggest import markets in the world and maintains one of the lowest import duties", the chamber's news bulletin lists products wanted there.

It also tells Cape Town furniture manufacturers that there is an opportunity for them to export components to Italy for assembly in the Pordenone region.

Renfreight Forwarding (SA) tells clients that it is preparing for Europe 1992 when tariff barriers between European Economic Community members come down.

Urging more manufacturers to get into the export market Ron Haywood, executive director of the SA Federated Chamber of Industries, points out that this could increase volumes to such an extent that "both the goals of domestic price stability and balance of payments stability will be complemented."

And Trevor Woodburn, MD of executive search consultancy Woodburn Mann (Pty), says SA "is poised to re-enter the global arena" and there is an upsurge in demand for top-level executives who can "fill dual roles - that of a local manager well versed in the intricacies of the SA marketplace and that of a locally-based "global manager."

The Chamber of Commerce newsletter says that, according to the SA trade representative in West Germany, A J van der Merwe, "the general attitude towards SA is one of expectation. The declared policy of the West German Government is still that international trade holds benefits for all parties involved, and that economic sanctions should not be used to bring about political change."

However, the chamber warns that consumer resistance to SA products has been felt in most West German chain stores. But, it says, "the effect is relatively limited and is not expected to increase in the near future, as a result of the reforms currently taking place in SA."

It also warns that participation in exhibitions and trade shows has been affected, particularly in Hanover and Keulen. It therefore advises any company wishing to take part in West German fairs to "make enquiries for updated information on this policy."

In spite of this, the chamber points out that the West German economy is still growing and consumers have a very high disposable incomes. There are therefore opportunities for SA manufacturers and exporters "in every sphere of economic activity." It gives a long list of products with market potential in West Germany, ranging from automotive parts, precious stones, jewellery and secur-

ity equipment to flowers, concentrated fruit juices and woven fabrics.

The chamber says that the Pordenone region manufactures 65% of the furniture exported from Italy. The Pordenone Chamber of Commerce for Industry, Craft Trades and Agriculture has invited local manufacturers who can provide components for furniture to contact it.

Meanwhile, Renfreight senior executives have visited Europe to discuss expected developments with their major forwarding partner, the Lep Group.

Pointing out that Europe accounts for 50% of SA's trade at present, Eddie Stead, divisional GM of Renfreight Forwarding SA, said that "with the rapidly changing Eastern European environment this percentage is likely to increase substantially."

Lep has been Renfreight's agent in Germany, France, Spain, Britain, Portugal, Italy and Switzerland for four years. Now it has also appointed Renfreight's agent in Belgium and Holland.

Stead said that the Benelux countries would remove their tariff barriers next year, becoming "the pilot, or test case," for Europe 92. Belgium and Holland were "the critical gateways into and out of Europe."

Appointing Lep the company's agents there "enables Renfreight to take advantage of the enormous infrastructure Lep has developed in preparation for 1991."

Stead said Lep had now established delegation offices in Poland, Hungary, Czechoslovakia and the Soviet Union. "The Eastern bloc has long been served by Lep and their experience and knowledge of these countries will stand them in good stead as the markets open and develop for imports and exports."
No SA trade with Iraq

Staff Reporter

SOUTH AFRICA did not trade with Iraq, Mr. Pik Botha, Minister of Foreign Affairs, said yesterday when asked about reports that Iraq was using South African G6 self-propelled artillery systems.

The minister also said that Iraq had no assets in this country, a spokesman for Mr Botha said last night.

The reports followed articles in the latest edition of the authoritative magazine Jane's Defence Weekly that the United Arab Emirates had ordered up to 70 155mm G6 self-propelled artillery systems.

Armscor has a policy of not disclosing or commenting on any of its overseas sales in view of the international arms embargo against South Africa.
Rand rally puts squeeze on exporters’ margins

THE rand’s recent rally against the dollar, and depressed commodity prices on overseas markets have had an adverse effect on exporters, whose margins are suffering as a result.

The rand has strengthened by over 3% in two months against the dollar and depressed overseas markets have seen some commodity prices fall by over 50% since their highs in mid-1989.

SA Foreign Trade Organisation (Saf-to) CE Wim Holies said the rand’s appreciation was having a negative effect on all exporters but mainly on primary producers who were not covered by the export incentive scheme.

He said the Reserve Bank had indicated it would attempt to keep the exchange rate at around the R2.60 level, adding that he expected they would keep to that policy.

A possible means of countering the negative effects of the appreciating rand was to enter the new markets in Eastern Europe, he said.

Sappi International GM Rob Hope said the higher rand made life difficult for exporters although some overseas markets had picked up during the year.

He said the rand’s appreciation against the dollar had to some extent been balanced out by the weaker position against other currencies like the pound and Deutsche mark.

“However the rand is stronger than we would like to see it,” he said.

An AECI spokesman said the rand’s appreciation against the dollar exacerbated the effects of the depressed international markets.

“Some commodities have fallen over 50% since their late-1988 highs and the stronger rand has contributed further to exporters problems,” he said.

An upturn in the overseas markets was not likely, he said, “but with the Middle East crisis being an unknown, anything can happen”.

A Middelburg Steel & Alloys spokesman said the strengthening of the rand aggravated the disparity between domestic and international inflation rates and was hitting exporters’ profitability.
Coal income expected to offset oil rise

ANDREW GILL

The impact of higher oil prices on SA's balance of payments (BoP) would be largely offset by the resultant rise in coal and energy export earnings in the short term, economists said yesterday.

Gold's recent surge above $400 would, if sustained, see SA's reserves boosted considerably, they said.

Standard Bank economist Nico Cypionka said increased overseas energy needs, due to lower world oil output, could compensate for the higher cost of importing oil because of the higher earnings from coal.

He said gold's rally would therefore be an added bonus for the BoP situation but the inflationary implications of higher oil prices could not be discounted. There was also a possibility the reversal in gold's downward trend would stick even if the crisis subsided.

However, a "fly in the ointment" was that if the crisis became full-blown, sustained higher oil prices could have worldwide recessionary implications. "In that case SA would suffer just like everyone else."

Rand Merchant Bank economist Rudolf Gouws said although the rise in the oil price was bigger than that for gold, its contribution to the BoP was not as important.

But it was very much in the balance because coal contracts were generally long term and higher earnings would therefore not be realised immediately.
Trenncor earnings boosted by export and overseas activity

By Ann Crotty

A sterling performance from export and overseas activities has enabled Trenncor to report a 69 percent hike in earnings for the 12 months to June.

Over 50 percent of group earnings now stem from overseas sources.

Earnings per share were 571c (357.8c).

A final dividend of 100c a share has been declared, bringing the total to 130c — 94 percent up on the previous year’s 67c.

This takes dividend cover down from five to 4.4 times. The lower dividend cover is in line with the reduction in gearing, which is down to 30 percent.

On a 13.7 percent increase in turnover to R784,8 million (R699.7 million), pre-tax income shot up 44 percent to R112 million (R77.7 million).

This reflects the change in contribution from the four divisions — manufacturing, motor trade, trading and transport — with the trading division making a far larger contribution in both absolute and percentage terms.

The change in divisional contribution is reflected in the reduced tax rate — down from 30.6 percent to 21.6 percent.

The trading division covers export activities and foreign associates. The former enjoys export incentives and the latter incurs minimal tax rates.

Attributable income was up 69 percent to R81.3 million (R46.4 million).

A break-down shows manufacturing’s contribution to pre-tax profit slipped from 39 percent to 30 percent.

Motor trade

Motor trade (including tyres) was down from 30 percent to 28 percent. Transport’s contribution fell from 14 percent to eight percent and trading shot up from 17 percent to 33 percent.

The changes reflect the relatively much stronger performance from the export and overseas activities.

But chairman Neil Jowell says in absolute terms contributions from all divisions were up.

“We had expected a reduction on the domestic front, but it didn’t happen. It was only towards the end of June that we noticed much weaker conditions.”

Referring to the strength of export activities, Mr Jowell says: “The Government’s policy of promoting exports encouraged the Hendred-Freuauf subsidiary to increase significantly the volume of containers made for export and to introduce new products such as tank containers and components for containers.

“These were well received in foreign markets after initial start-up problems and, with higher volumes, made a major contribution to this year’s earnings.”

This has encouraged the group to raise capacity, despite the uncertain world economy and reduced prices.

The changing government export strategy is likely to favour the Hendred-Freuauf manufacturing activity since it involves no import content.

For financial ‘91 management is expecting a reduction in contribution from domestic activities, but an increased contribution from overseas and exports to the extent that they will account for around 60 percent of earnings.”
SA booze beats boycott

The Argus Foreign Service

LONDON. — South African wine and beer are losing some of their stigma and selling 30 percent more across Britain this year.

"I know what has made the difference," said Mrs Margaret Steadman of importers Edward Cavendish. "The release of Mandela.

The freeing of the African National Congress leader and President De Klerk's reforms have apparently loosened inhibitions to such an extent that Britons are now recognising the "good quality and value for money" of South African wines.

White wines have proved most popular, particularly the Chenin Blanc and Sauvignon Blanc lines imported by Edward Cavendish.

Castle and Lion lager have been selling well, helped perhaps by a heatwave.

The new attitude has resulted in South African wines reappearing on restaurant wine lists.

Mr Norman Kramer, of importers Collins, said there had "definitely been a softening" towards buying South African wines.

He said the increased demand had arisen from word of mouth. He predicted it would soar when supermarkets start displaying Cape wines prominently.

But he warned that the increased sales could be hampered by recent price increases on the products from South Africa.

The issue of selling South African products is still sensitive enough for all the outlets interviewed here to decline to give figures on how much they sell.
Farming exports hit record high

GERALD REILLY

PRETORIA — The value of agricultural exports in the first five months of 1990 amounted to a record R1.782bn, Agriculture Minister Jacob de Villiers said at the weekend.

Opening the Pretoria Show, De Villiers said one-third of SA's total farm production was exported. Some sectors of the industry obtained as much as 90% of their income from exports.

This was almost 8% of the country's gross export value. Although certain products had to be imported, agriculture had always maintained a favourable and positive export balance.
Fruit set to earn R1bn for SA as foreign barriers come down

CAPE TOWN—Foreign earnings from deciduous fruit exported during the 1990 season should easily exceed a record R1bn this year on relatively healthy volumes of 23-million cartons interpreted by marketers as a sign that local produce is becoming more acceptable overseas.

Louis Kriel, MD of Unifruco, the marketing arm of the deciduous fruit industry, said recently that the business climate in which the industry traded this year was the best it had experienced in 30 years of international trade.

In a favourable response to President F.W. de Klerk's February 15th speech, visible improvements in the working conditions of labourers in the fruit industry and the opening of Eastern European markets had all contributed to new or more accessible marketing opportunities, he said.

"With only a few exceptions, we produced fruit with exceptionally good appearance and eating qualities, and we find ourselves in a very bullish market for Cape products," Kriel said in a recent edition of a local trade magazine.

Although the value of the exports will only be known when Unifruco announces its annual financial results in October, it can safely be assumed that foreign earnings, which grew by 20% to R924m last year, will exceed R1bn this season.

But the degree by which foreign earnings exceed sales this year compared with last is likely to be circumscribed by a relatively stronger and more stable rand.

This year there will also have been further substantial increases in wage and packaging bills.
Machinery export boom shows increase of 35%

ANDREW GILL

MACHINERY exports have grown by more than 35% this year and are set to continue rising as one of the fastest growing export categories.

From January to July this year the sector’s exports jumped 35.4% to R740.1m from R546.6m in the first seven months of 1988.

The machinery or capital goods sector comprises machinery and mechanical appliances, electrical equipment, sound recorders and reproducers, television image and parts and accessories of such articles.

Since the beginning of the year machinery exports have consistently outshone last year’s figures.

As more opportunities opened up for SA exporters in various overseas markets and previously clandestine deals became acceptable, machinery exporters would be able to take advantage of niche markets with underdeveloped engineering industries.

So said Breyer Development Services MD John Bell, who pointed out there were various developing and parallel developing countries (in engineering terms) that had small or non-existent engineering bases.

They were predominantly in the southern hemisphere, ranging from South America to Australia to South-East Asia.

The niche market SA exporters should be looking for were countries presently importing from developed countries like the US and Britain.

In South America Chile was an important client for SA, he said. It was a rapidly expanding economy with low import duties and a predominantly minerals-based economy.

It needed mining and other machinery and SA equipment was ideally suited to the conditions prevailing in the country, he said.

Australia was a similar case with mining equipment similar to SA standards but local manufacturers did have a fair amount of protection.

The greatest concentration of demand, he said, was in the Association of South-East Asian Nations (ASEAN) countries where some of the fastest growing economies were working from an underdeveloped engineering industry.

SA could export cheaper products to the countries, with instances where SA equipment was half the price of other products, he said.

Their standards were very similar to SA’s because they were both derived from British standards.

In July capital goods exports were 31% higher at R116.1m from R90.4m in July 1988.

The largest difference was in January, up 181.5% to R197.3m from R41.6m.

Imports decreased steadily this year, although they were still substantially higher than exports.

In the period January to July this year they were 8.8% lower at R66.5bn from R5.75bn in the corresponding period last year.

Other value-added sectors to have shown strong improvement were the vehicles, aircraft and vessels category — up 72% to R121.8m and the prepared foodstuffs, beverages, tobacco and manufactured tobacco, substitutes category — up 18.6%.
A combination of positive political change in SA and a top-quality crop of record size has re-opened doors in Europe for local deciduous fruit growers, says Louis Kriel, MD of Unifruco, the industry's international marketing arm.

In West Germany, the industry's second biggest market after the UK, six of the eight supermarket chains that have boycotted SA fruit since 1985 asked Unifruco to start supplying them again earlier this year.

"Boardroom boycotts" in other countries are also easing and there are indications of a move in Scandinavia to lift government-imposed sanctions on SA fruit, he says. Government sanctions now prevent SA selling fruit in Scandinavia and North America, which represents 17% of the export market.

"The change in Europe is all the more remarkable considering the negative population growth in the region and relatively depressed consumer demand in recent years. But then the trend towards healthier living has worked in our favour."

Export earnings from SA deciduous fruit sales in Europe this year will top R1bn for the first time. It was reported recently that SA citrus would also earn more than R1bn on foreign markets this year.

Helped by the transformation of East Germany, Unifruco's sales in Europe will show their biggest increase in West Germany, Kriel says. But Unifruco's largest market is the UK, where it will sell about one-third of its products this year.

Since 1985 SA fruit has been a main target for anti-apartheid activists in Europe because of its high marketing profile.

Kriel says Unifruco was able to ride out the storm because it supplies high-quality products and has good relations with the trade in Europe. This is due largely to an intensive lobbying programme that includes bringing trading partners to SA to see how the industry operates — and in particular its role in social investment programmes and its importance as a provider of jobs.

"But from February onwards the situation changed dramatically. The market was buoyant because of what was happening in eastern Europe and there was a new atmosphere towards SA because of what was happening here."

He says SA fruit is again able to command a premium for quality in Europe over its main competitors. When resistance to SA fruit was at its height, Unifruco had to drop prices to the same level as competitors to stay in the market. SA supplies 44% of all southern hemisphere deciduous fruit sold in Europe, including 52% of citrus and 58% of sub-tropical. The country's closest competitors are Chile with 18%, followed by Argentina and New Zealand with 12% each and Brazil with 7%.

About two-thirds of the locally produced deciduous fruit is exported. The re-opening of overseas markets and the increasing demand could affect the domestic market. "Urbanisation and increasing consumer demand mean we face a dilemma in allocating fruit to the different markets. But our policy is to maintain a good balance in market allocation in both quality and volume."

Since 1980, Unifruco's "first cornerstone of corporate philosophy" has been to encourage farmers to grow more. "We've never backed away from that, even when we lost the Scandinavian and North American markets," says Kriel.
Proteas wilting before cruel cut

By DIRK TIEMANN

THE PROTEA, SA’s national flower, which earned R25 million in exports last year, is wilting in international markets after transport subsidy cuts.

The value of State subsidy last year was R7.5 million, R2.2 million for domestic transport and R4.4 million for the international leg. They have been cut to R3 million — and next April they will be abolished.

About 2,500 tons of fresh flowers were exported by air last year. Western Cape producers’ contribution was large, but they face a problem.

They need subsidised transport from Cape Town to Johannesburg to compete with producers in the Transvaal who are near Jan Smuts Airport.

The domestic transport subsidy, based on a rating system for all feeder airports to Jan Smuts, has been halved this year. The subsidy differs according to distance.

Barry Gibson, director of Mountain Range Flora, a protea and Cape green exporter, says he must pay 36c a kg extra for transport from Cape Town to Johannesburg.

Abolition of the airfreight subsidy to Europe adds to producer costs. Mr. Gibson says the fees a kg subsidy his company received served as a cushion.

Delays (3/4)

"It partly covered our damage claims against international carriers which accept no liability for product damage through flight delays and other problems." SA fruit and flower exporters face an EEC import tariff of 24% in the European summer and 17% in winter.

Mr. Gibson says this winter’s exports were the lowest on record because of resistance by importers faced with higher freight costs.

"We would like Cape Town to be a fully international airport because it offers a more direct route to Europe. Cape Town and Durban also offer international flights, but only to London. Jan Smuts offers flights to other European and Far East destinations.

Fruit exporters face a similar dilemma. Most fruit can be shipped, but some cannot survive two weeks at sea. Air exports are also important early in the season, when it is vital that produce arrives in top condition.

This allows exporters to set a price for the rest of the season’s crop which is carried by ship.
Steel tube exports expected to rise

The export of steel tubes and pipes was expected to jump by 12% by the end of 1991 as government's new incentive scheme breathed new life into the market for finished product exports, Association of Steel Tube and Pipe Manufacturers of SA president Mike Gahagen said yesterday. SA averaged 115 000 tons in exports of steel tubes and pipes a year for the five-year period from 1985 to 1989, and it was estimated that exports of 174 000 tons would be achieved for 1990 and 1991.

Exports constituted 27% of SA's steel tube and pipe manufacturing capacity of 550 000 tons, and were expected to take up 32% of this capacity by the end of 1991.

Gahagen said the industry was to commence its most challenging period in the export arena and had to continue to pursue its productivity drive and establish new export markets especially as the association was optimistic that the pressures exerted by American and European sanctions would be relaxed.

In this event, SA mills would be taxed to produce the additional volumes to be supplied to these major markets, he said.

Untapped

A spokesman for the association said the industry exported to the UK, Europe, the Middle and Far East, Africa, South America and the Indian Ocean Islands.

Gahagen said the major development that SA steel tube and pipe manufacturers achieved, when sanctions were imposed in 1986, was the penetration of previously untapped markets in Africa, Asia and elsewhere.

"We believe that if America and Europe were to be re-opened, we would not lose these now established markets for SA tube and pipe, but would continue to service them while re-establishing ourselves in America and Europe."

However, Gahagen said the industry would have to respond by conducting better market research and introducing new and better technologies and manufacturing procedures as well as downstream manufacturing to assume these new challenges.

"This may have to occur through investment in our existing SA consumer base, thereby assisting them to expand both their facilities and organisational structure to meet these challenges," he said.
TWO COMPANIES in the Atech group expect exports to soar in the 1990s.

Johannesburg based Uni-Power Handling exports UK-designed docking equipment to the UK Lift Company of Watford, with which it has a licence agreement.

Uni-Power sales director Allen Lotter says exports will increase when a single European market is established in 1992.

"The shipment of goods is highly mechanised at European warehouses for efficiency and labour saving. Our four-year-old arrangement with the UK company will ensure we enjoy new opportunities when that market opens up."

Potential

Rebar Equipment exports SA-designed bending and shearing machines to the US for use in construction.

The company has an association with Pennsylvanian-based KRB Machinery, the largest supplier of this equipment in North America.

KRB recently expanded from its East Coast base to open an office in California. It is developing markets in Australia and South America to increase Rebar's export potential.

American rebar yards traditionally used mechanical bending and shearing equipment.

"We introduced them to our electro-hydraulic machines incorporating sophisticated electronic controls developed by KRB. The equipment is robust and extremely successful and most of the rebar yards in America now standardise on it," says Mr Lotter.
**Frost proves boon for fruit farmers**

Liz Rouse

There is strong foreign demand for Cape fruit as a result of the European crop from the past season having been affected by frost.

Consequently, export prices are particularly high and the industry is enjoying a good season, W B Holdings directors say in their comment on their interim results.

Industry selling initiatives on the international market had largely normalised trading conditions, resulting in additional opportunities for exporters. However, the local market had remained fairly static.

The firm's earnings slipped 38.2% to 21c (34c previously) in the six months to June mainly because of a lower contribution from its pelagic fishing division and a fall in dividend and interest income. The interim dividend was cut to 7c (8c). Turnover rose to R5.6m (nearly R4m).

W B directors predict earnings of 35c a share before extraordinary items for the year to December 1996. Fruit exports are expected to compensate for lower fishing profits.

United Fishing Enterprises, in which W B Holdings has a 9.19% stake, is budgeting for a reduced profit for the full financial year, partly because of slower sales.
SAA launches export drive

MANDY JEAN WOODS

SAA has announced a campaign to make companies with the potential to export more export-conscious.

A three-pronged approach includes an Export Writers Award to encourage journalists to give more attention to export matters; the launch of a comprehensive export advice package developed with SA Foreign Trade Organisation (Safto); and the promotion of specific routes to lucrative markets in South America, the Far East and Africa.

In a speech at a gala banquet to launch the promotion yesterday, SAA CEO Gert van der Veer said the time had come for SAA Cargo to play a greater role in transporting goods quickly and efficiently to those markets opening up to South Africans.

Foreign exchange earned by exports could help fund vital social development programmes at home.
Cover for 
BLOOMBERG
export deals

ZILLA EFRAT

CREDIT Guarantee Insurance Corporation (CGIC) has reopened its short-term cover to export credit transactions with Madagascar, Bolivia and Venezuela — countries on which cover was previously suspended.

Recent talks between the SA and Madagascar governments have created new opportunities for exports.

CGIC senior manager Gernot Kruger says: "We are now able to cover the political and commercial risks attached to such trade, but the acceptability of the commercial risks depends on the financial situation of the buyer in Madagascar."
Saldanha finds a R1 500-million platform for export success

By TOM HOOD
Business Editor

EXPORT inquiries for R1 500-million worth of oilfield equipment have flowed into Saldanha since the completion of the 14 600-ton platform for Mosasgas.

It could mean 760 new jobs, mostly highly skilled and well-paid, for several years.

The inquiries came from South American and African countries and are for five platforms similar to the Mosasgas one finished two weeks ahead of time and within a R300-million budget.

The Saldanha yard has gone all-out to seek export orders, according to officials of Geartec Offshore, the operating company.

A world boom in oil exploration has been caused by the Gulf crisis, which doubled oil prices in a few weeks and made a number of oil deposits payable for the first time. The low rand could also help South African companies undercut other countries.

First in Africa

The Saldanha platform was the first to be fabricated and assembled on the African continent. At its peak, the project employed 741 workers, 89 percent of them from the Western Cape.

Mr Bernard Smith, managing director of Mosasgas, said the Mossel Bay project was now clearly commercially viable with world oil prices increasing to $6 a barrel.

"We estimated Mosasgas would be viable at a price above $25," he said.

"Mosasgas will provide the cheapest cash-cost fuel in this country at any reasonable petroleum price."

He also estimated Mosasgas would save the country R24-billion a year in foreign exchange, doubling earlier calculations.
Unifruco lifts earnings to record R1,4bn

By AUDREY D'ANGELO
Business Editor

WESTERN CAPE deciduous fruit growers have again achieved record gross export earnings. The Financial Mail reports that, thanks to an improved political and trading climate overseas — and an exceptionally good crop — gross export earnings by the the farmers' international marketing company, Unifruco, increased by nearly R400m to a record R1,3bn in the past season.

This is the eighth year in succession that gross earnings have risen, regardless of sanctions and fluctuations in the rand.

Last year they rose to R914m from R764m in 1988 and R660m in 1987.

They are expected to be even better in the current year, with the opening up of new markets in Eastern Europe and the expected lifting of sanctions.

But a 43% rise in gross profits and a bigger payout to farmers does not necessarily mean higher net profits. Growers point out that rising costs and wages are eroding these every year.

And higher oil prices will mean bigger freight bills.

However, the 43% rise very comfortably outstrips inflation and is more than can be accounted for by exchange rate weakness.

The Financial Mail quotes Unifruco chairman Leo Fine as saying that improved perceptions of SA in Europe mean fruit from this country is again judged solely on merit.

This has allowed more aggressive marketing, and changes in Eastern Europe have opened up new markets.

Unifruco MD Louis Kriel says that the export market for fresh fruit will continue to expand.

He forecasts that deciduous fruit production in SA will grow by more than 50% in the next four years, providing more jobs.

But he points out that the Middle East crisis will push up the cost of distribution.

He believes that prejudice against buying SA exports will disappear as the full implications of reform are understood overseas. But he expects the already growing competition from South America to increase as the potential of new European markets attracts more producers.

Detailed results of the last season will be announced to growers at Unifruco’s annual meeting in Stellenbosch today, when prospects for the current year will be discussed.
Agricultural exports net SA R1.75bn

LESLEY LAMBERT and GERALD REILLY

The past season's decadelous fruit exports, coupled with the 1.5-million ton surplus from the 1989/90 maize crop, has netted the country about R1.75bn in foreign exchange.

This figure consists of R1.3bn - 45% up on the previous season's R914m - raised by fruit exports and R450mn from the maize surplus.

Already, R767mn (R581mn last season) of the R1.3bn has been paid out to producers. This record performance was achieved on a 12% growth in sales volumes from 30-million caratons of fruit last year to 33.6-million this year.

The growth in fruit earnings confirms the increasing international acceptability of the SA export market, while the 53% growth in producers' gross income indicates that foreign distribution and marketing costs have been kept under control.

But producers' net earnings have once again been hammered by domestic inflation and local production and packaging costs.

Unifruco, the industry's international marketing company, estimates that the net earnings of the producers of a number of the fruit varieties were actually lower than before in real terms as a result of rampant domestic costs.

Unifruco chairman Leo Fine attributed the growth in gross earnings largely to the achievement of better unit prices in export markets, but said that the increased volume and quality of the crop, coupled with foreign exchange benefits, had also contributed.

Unifruco MD Louis Kriel recently pointed out that on a macro level, major factors for an improved performance were the opening up of Eastern European markets and an improved political climate.

Gross earnings of apple producers, who had been through some tough competitive trading years, grew by 51% to R657mn, even though volumes declined by 3%.

The gross earnings for grape exports increased by 32% to R320mn on 10% volume growth, in spite of some rain-related prob-

To Page 2

Agricultural exports

Items experienced by producers in the Hex River Valley region. Year earnings increased by 38% to R249mn on 29% volume growth and stone fruit earnings grew by 43% to R71.3mn on 27% volume growth.

Kriel said that while the export market for fresh fruit would continue to grow, greater competition could be expected from South American countries which were also targeting new opportunities in Europe.

On the maize side, the export programme which led to the bumper R450mn earnings figure would run until next year, the MAIZE Board said.

Until end-July, international market prices were about $124 a ton.

However, an above average US crop has raised world supplies with a consequent dip in the price to less than $100.

On the eve of planting this season's crop, the MAIZE Board's projected prices range from R221 for a 7-million ton crop to R227 for a large 10-million ton crop.

NAMPO economist Kit Je Chua said he expected input costs to rise by about 13% during the coming season.

The comparatively low input cost escalation was due mainly to cash-strapped farmers cutting back on inputs and the fact that the crop was expected to be planted over a record small area of 3.1-million hectares.

NAMPO estimates planting and growing the new crop will cost farmers about R2.8bn.

From Page 1
Citrus industry set to pass R1bn mark

By PETER DENNEHY

THE Southern African citrus industry’s total overseas gross income is about to exceed the R1bn mark for the first time.

Mr Arend Venter, general manager, operations and finance, of the SA Cooperative Citrus Exchange Ltd, disclosed this yesterday soon after Unifruco — which deals with deciduous fruits — reported that Western Cape fruit farmers had boosted South Africa’s foreign earnings by R1.3bn.

Packing of citrus would continue until the middle of this month in the Cape, while it had already ended last month in the Transvaal, Natal, Zimbabwe, Mozambique and Swaziland, he said.

This year’s total Southern African citrus crop was 52 million cartons, of which 30.3 million would be exported.

“The early varieties have had a relatively good sales season,” Mr Venter said, adding that as long as the current “relatively buoyant market conditions” prevailed, the citrus industry’s overseas income would exceed R1bn.

Citrus fruits were selling at fairly high prices this season, and growers had received higher payouts, but production costs had increased, he said.

On average, 60% of any citrus crop was exportable, and this section brought in 92% of the industry’s income. Locally sold fresh fruit took up 15% of production, but generated only 6% of income.
African trade grows

The shipments, of 3 600 tons each, are from C&G International. "We believe this is only the beginning of long-term trade with Madagascar. Apart from the second shipment due to leave in the middle of October, we are negotiating the export of a variety of capital goods and consumer products," says Jacob Wessels, a spokesman for the company. Trade with African countries is increasing, he says. Countries such as the Ivory Coast, Togo, Zaire, Zambia, Zimbabwe, Malawi, and Mauritius are increasingly importing from SA.
Maize export earnings set to plunge

SA would earn R1bn less in foreign exchange from this year's maize crop, Maize Board MD Hennie Davel said yesterday.

The country would earn R350m from maize exports, he said, compared with last year's earnings of R1,4bn.

"The reasons for this are a smaller exportable surplus (1,3-million tons against 1,2-million tons last year); a lower world price of maize compared with that of last year (at present $100 a ton against $120 a ton last year); and the stronger rand/dollar exchange rate," he said.

Davel said a large maize crop meant higher earnings for SA.

However, as export losses were carried by the maize producers, large surpluses meant lower prices per ton to the farmer.

He said 7,4-million tons were delivered to the Maize Board against last year's 10,6-million tons, primarily because of a lower yield and a less favourable climate.

The US was expecting a bumper crop of 266-million tons, while the Soviet Union had experienced a good crop and would import 8-million tons less.

Yellow maize for exports currently sold for R226 a ton, while on the local market yellow maize sold for R342 a ton (net), he added.
Local firms seek foothold in Europe

AN INCREASING number of SA manufacturers are positioning themselves in tax-sheltered offshore bases to ensure a foothold in the EC before 1992. Export companies in other countries began establishing European links during the 1980s in anticipation of new trading opportunities, but political considerations and sanctions inhibited similar action by SA companies.

A scenario with an increasingly acceptable political environment has encouraged foreign countries on the lookout for new investment to start marketing to SA exporters. Since March this year, a Madeiran company has been discreetly marketing the Portuguese island's 120ha industrial free trade zone which offers foreign investors trade incentives, a zero tax rate until 2011 and access to growing European markets.

Property group JH Isaac's international division, in conjunction with Pivotal Projects, recently secured a 50-year lease on 150 000m² of industrial land in the Madeiran trade zone which it is developing into an industrial park with self-contained units of between 250m² and 9 000m². According to JHI special projects broker Billy Rautenbach, 17 000m² of the area has already been signed up by SA manufacturers of building supplies, pharmaceuticals, wooden furniture, household appliances and plastic piping. A further 50 000m² is being negotiated.

Luiza Pestana, manager of the Madeira Development Company which is marketing the Madeiran free trade zone, has attracted two SA companies to the Portuguese island. David Graham, assistant GM at the SA Foreign Trade Organisation (Safto), says SA exporters are also considering Spain, Portugal, Malta and the Isle of Man, all of which offer some form of incentive.

SA companies are no longer looking at offshore operations to avoid SA origin sourcing. They are now doing it for strategic reasons - to get a foothold in the expanding European market before 1992.

Many of the local companies which establish offshore bases use them as final assembly operations for products which are partially manufactured in SA.

Other companies establish licensing or subcontracting agreements with foreign operations.
Africa affording more opportunities for business

By Duma Gqubule

The rapid opening up of Africa and the re-establishment of direct links between South Africa and the rest of Africa holds great promise as well as challenges for the South African business community.

Mr Wim Holtes, chief executive officer of the South African Foreign Trade Organisation (SAFTO) said in Johannesburg yesterday that Africa was now a major recipient of official development funding amounting to as much as R40 billion a year.

"Even a modest share of this flow of development assistance would provide South African contractors, engineering companies and consultants, as well as South African supporting industries with substantial business opportunities," Mr Holtes said.

Current South African exports to Africa were well over R5 billion a year and growing at the rate of 40 percent a year.

Mr Holtes said South African companies had a competitive advantage in delivery times, low costs, familiarity with working conditions and labour force and similarity of agro-industrial, mining and infrastructural expertise.

He said SAFTO had undertaken a major multi-exporter study into business opportunities available through international aid programmes and well over a hundred South African business groups were involved.
Seardel group sees exports rising to R50m

By AUDREY D'ANGELO
Business Editor

NINJA turtles — action dolls based on the cartoon figures, which are currently the most popular children's toy — are helping to push up profits for the Seardel group.

Executive chairman Aaron Searill said at the annual meeting yesterday that its toy division, Prima Toys, had secured sole distribution rights for Ninja turtles in SA.

"Unbelievable" demand for the turtles had boosted Prima Toys' turnover by 20% so far this year and was expected to push it up by another 20%.

But most of Seardel's profits come from clothing, which accounted for 77% of group turnover and 72% of operating income in the year to June 30.

Searill reported that group turnover of R261.6m for the first three months of the current year was 14.8% higher than in the same period last year.

However, tightly squeezed margins mean that profits have not risen in proportion to this. Searill said estimated group pre-tax profit for the quarter was "on a par with last year."

The group reduced its borrowing ratio to 75% of equity by June 30, compared with 110% the year before.

Advising a further reduction, the chairman of the Shareholders Association of SA, Iasy Goldberg, said the borrowings were the reason the share traded at only 230c when its net asset value was nearly R5.

Congratulating the directors on keeping dividends low in order to plough back profits, Goldberg said that if they continued to do this the share was "one of the cheapest in the country."

"This company is poised to become one of the major players in this country, provided it reduces its debts. "Dividends will come when the gearing is reduced," he promised, comparing finance charges of R39.2m in the past year to "a kick in the solar plexus."

Goldberg pointed out that of every rand received by the group, only 2.75c was profit — from which dividends had to be paid to shareholders. He suggested that this should be explained to the workforce.

Discussing clothing exports, Searill said they had earned R35m for the group in the past financial year. This was 5% of total sales.

"This year we are expecting exports to top R50m. We aim to increase it to R10% of turnover in the longer term."

Some exports were already going to African countries. And Eastern Europe was a possible market in the future. But at present the clothing exports were targeted mainly at Western Europe.

Searill said he did not expect the world-wide economic downturn to affect the company's export plans. "That market is so vast that R50m is only a tiny part of it."
Seardel turns to exports as local clothing market shrinks

By Maggie Rowley

CAPE TOWN — Seardel Investment Corporation is aiming to double exports within the next 18 months, chairman Aaron Searll said yesterday.

Clothing exports brought in R$5 million for the group—five percent of total sales—in the past financial year, he told shareholders at the group’s annual meeting.

“This year we expect exports to top R$0 million and are aiming to increase this to 10 percent of sales in the longer term,” he said.

While the group concentrated on sophisticated markets, particularly in Europe, the rest of Africa presented export opportunities and a few countries had already been targeted.

In spite of extremely difficult trading conditions, group turnover for the first three months of the current financial year showed a 14.8 percent increase over last year at R$2 million.

Estimated group pre-tax profit for the first quarter was on a par with last year.

The toy division and the electronics division were both performing excellently and had increased market share.

Chris de Bruin, chief executive of the Sharp Electronic division, said that although the consumer electronics industry was having a hard time, it had capitalized on the fact that many of its competitors were in complete disarray.

“We have increased our market share considerably and in

spite of many of our competitors having a torrid time we are looking to tremendous growth in turnover and profits for the current financial year.”

Mr Searll warned that the current financial year would be extremely difficult, especially for the clothing division, which accounted for 72 percent of group turnover.

As a result budget forecasts for the group—an 11 percent increase in turnover to between R$40 million and R$1.1 billion and a five percent increase in profit to between R$3 million and R$7 million—were purely an indication.

Earnings a share for the past financial year were 10c. A final dividend of 14c (13c) brings the total payout to 22c (21c) for the year.

Mr Goldberg said the relatively low dividend had no doubt contributed to the unattractiveness of the share in investors’ eyes.

Mr Searll said interest-bearing debt was slashed by R$7 million to around R$0 million during the year, resulting in finance charges of about R$0 million.
Premier dived into the intimidating African market in 1982 and, where other companies have foundered, the Johannesburg-based food conglomerate has succeeded.

Premier's experience holds valuable lessons for other SA companies now taking the plunge as political reforms at home generate vastly expanded opportunities elsewhere on the continent.

Even before February 2, Premier's African trade was booming — in 1987 it jumped by 82% in value over the year before, in 1988 by 58%, last year by 66%, and so far this year by a further 82%. (Nelissen won't disclose the total volume or value of Premier's African trade.)

Moreover, new markets continue to open. "While trade with southern African states grew strongly since February, over the last few months a completely new atmosphere has been visible in our relations with the rest of Africa," he says. "Countries as far afield as Ghana and Egypt now show interest in buying from us."

Nelissen says Premier's secret in trading with Africa lies in "doing everything ourselves" — not through third parties or agents. The group's trade relations, he notes, involves not only selling consumer goods in African markets, but also joint venture investments, takeovers and management agreements. In addition, by restricting its African trade to essential commodities such as food, building materials and pharmaceuticals, the group has had no trouble in getting paid.

But where does the buying power come from? Nelissen says a successful African trade requires investing in local business ventures to create both local currency and foreign exchange reserves. This also provides a ready market for exports.

In Zaire, for example, Premier has just obtained timber concessions over 2m ha of virgin forests from local public corporations. Sawmills will be built and finished wood products exported, which will raise both local currency and foreign exchange — buying power for imports from SA. Zaire is Premier's largest African export market, followed by Mozambique, Zambia, Malawi and Angola.

In Mozambique, Premier has established innovative harvesting schemes involving timber, cashew nuts and copra, a coconut product. In addition, Premier has set up six depots across Mozambique and stocked them with consumer goods and basic foodstuffs for sale to the 450,000 dependants of Mozambican miners who work in SA. The goods are paid for in rands deducted from the miners' wages.

Nelissen believes strongly that SA should concentrate on developing the 150m-strong southern African market. "There is enormous potential for expanding trade relations between SA, Mozambique and Angola once the wars in these countries are resolved." Angola, he notes, offers the potential for barter trade in valuable commodities such as oil, coffee, diamonds and timber.

SA's improving political image is only one reason for the improvement in African trade links. African countries are being forced to deal with SA, Nelissen says, because aid and credit handouts are drying up as the end of the Cold War diverts the attention of the superpowers to the markets where their money can go furthest.

"The trouble is that Africa has a bad image as an investment market — poor economic growth and weak financial management have led to disillusionment with the continent's economic future," he says. "The world is disinvesting from Africa — and even world bodies such as the International Monetary Fund would prefer to channel their aid for Africa via the private sector in SA."
COMPANIES

Monatic aims to beat local slowdown by boosting exports

CAPE TOWN — Cape-based clothing company House of Monatic is aiming to boost its export volumes to up to 18% of annual turnover, thereby offsetting the slowdown in local demand, says MD Doug de Jager.

Commenting on the company's interim results, in which earnings declined to 8.7c a share (11c), De Jager said House of Monatic started exporting 18 months ago.

It hoped to boost volumes gradually to between 10% and 18% of annual turnover.

A combination of new opportunities in European markets, the expected ending of sanctions and inadequate local demand, had encouraged a number of other Cape manufacturers and wholesalers, including Seardel, to increase their export efforts.

House of Monatic's turnover for the first six months of the year to end-August increased by 39.2% to R35.8m, while operating income grew by 38.4% to R4.6m.

LESLEY LAMBERT

The pre-tax operating margin remained unchanged at 12.7%.

But increased finance charges, and a tax payment which had not been required in the comparative period last year, whittled attributable earnings down to R2.8m (R3.6m), or 8.7c (11c) a share.

No interim dividend was declared.

De Jager said that while forward orders for the summer season were satisfactory and production was on schedule, orders for the 1991 winter season were relatively slow as a result of declining retailer confidence.

He said he hoped an improvement in export orders and strict management of cost and working capital would help to offset the effect of the economic decline during the remainder of the financial year.
World hotel chain buys SA software

A R6.5 million contract for locally developed software and hardware has been awarded to Pretoria computer company Astro Technologies by one of the world's largest hotel chains.

Astro, a wholly owned subsidiary of DMS Computers, is to provide the software and equipment to Prologic, the data processing arm of the international French-based hotel chain Accor.

DMS managing director Mel Cunningham said his company had signed a three-year agreement to supply its Astrotel hotel management package and Astro computers for installation by Prologic in 458 hotels around the world.

Prologic had also acquired a licence to sell the software and equipment to French-speaking countries worldwide, and a licence to install 600 Astropos restaurant management systems.

"The R6.5 million hardware contract makes DMS the only local company to export computer hardware. The ultra-slim desk-top Astro computer is 100 percent SA designed and manufactured."

The Astor group owns 1,260 hotels in 26 countries and has an annual turnover of $10.2 billion.

In the next financial year, the chain will open a new hotel every three days.

Antoine Medawar, international marketing director of Prologic, said: "To set up Astrotel in the 458 hotels within the stipulated three-year contract period, Prologic will have to carry out one installation every two days starting on November 10 this year."

"The system is easy to install, so we should manage it comfortably."

Prologic investigated software packages developed by vendors from many parts of the world. "Astrotel was up against some tough international competition."

Impressed

"We chose it because we were impressed by the system which is easy to install and operate, yet provides extensive information in the form of advanced management reports."

Mr Cunningham said Astrotel was a comprehensive package designed to manage medium-sized hotels of 150 rooms or less.

It was tailor-made for the industry which experienced frequent staff changes and lacked sufficient time for staff training. It was easy to use and was intended for people without previous computer experience.

The Astrotel system will be promoted at the New York and Paris hotel shows in November. — Sapa.
Sanachem takes prize in services

Agricultural products manufacturer Sanachem has been named the winner of the State President's Award for Export Achievement in the services sector.

Sanachem, a subsidiary of JSE listed Farmag, exports a range of generic chemical products, including agricultural pesticides, and provides a range of services to its sister companies and foreign customers.

Based at Vrenalam outside Durban, the company's exports have more than doubled during the past three years, says export manager Colin Foster.

With markets established in South America, Africa and the Indian Ocean Islands, he says export achievements are particularly notable as progress was made against strong rivalry from overseas-based multinationals.

"Keen pricing, top quality generic products and special packaging are some of the factors which have helped us to notch up a list of successes," says Mr Foster.

Noting that exports to year-end February 1990 totalled R39 million, he expects a marginal increase this year despite a slowdown in most economies worldwide.

Sanachem, which assists its four sister companies in the Farmag group with their exports of machinery to pharmaceuticals, provides its foreign trading partners with a local shopping service for quality goods at the best prices available.

As part of its ongoing international thrust, Sanachem has established sales offices in four countries this year. Another initiative has led to its products being subjected to overseas field trials.
Wild mushrooms prove a winner

A small company based at Amsterdam in the Eastern Transvaal has displayed great enterprise in finding overseas export markets for all the wild mushrooms it gathers and processes.

Boletus Mushrooms, owned by Aldo Gallino, has won a runners-up award for its export achievements.

Operating out of a factory close to the Swaziland border, the company gathers wild mushrooms throughout forest areas of mainly the eastern Transvaal and a few areas of Natal.

The entire seasonal pickings are exported to Europe.

According to Mr Gallino, his company obtains picking rights from landowners in various districts and pays them according to the quantity reaped.

So successful has its overseas marketing venture been that the value of mushroom exports increased to R4.5 million at year-end February 1990, compared with R2.4 million the previous year.

After gathering and transporting to the factory in refrigerated trucks, the mushrooms are either dehydrated, frozen in nitrogen or cooked and preserved. The produce is then packed and sent abroad by sea or air.

So consistently successful has exporting been that Mr Gallino is looking at new markets on other continents and is seeking additional picking areas in the Transvaal to meet the expected increase in demand.
Saflec impresses foreign market

Hi-tech security equipment manufactured by Johannesburg-based Saflec has impressed international organisations, including a number of embassies, police forces and military units abroad.

According to Saflec CE Bill Young, the company's export drive in the past three years has resulted in exports increasing 1200 percent.

"While this was off a low base, exports increased 243 percent and accounted for 52 percent of total production at year-end February 1990. In 1989 they were up 19 percent on the previous year," he says.

Saflec's export achievements have earned the company a runners-up merit award in the manufacturing category.

Claiming almost 100 percent local content, the company's series of walk-through metal and bomb detectors and various other specialised hi-tech equipment are used to detect concealed weapons, precious metals and high value items.

The equipment and its capabilities have been sold to various business organisations, foreign embassies and police forces of several countries. All of SA's embassies have also installed certain equipment supplied by Saflec.

Mr Young attributes export success to the quality of its products which he claims rank with the world's best and company marketing strategy.

Export strategy includes displaying equipment on major exhibitions held annually in Europe, the US and Far East.
Samancor’s foreign earnings hit R1.6-bn

By Lynn Carlisle

From an export base of R723 million at year-end June 1988, chrome, manganese and alloys producer Samancor boosted foreign earnings to R1.65 billion in its financial year ending June 1990.

Presented with the State President’s Award for Export Achievement at a banquet held in Johannesburg last night, Samancor MD Hans Smith says increased volumes arising from progressive marketing contributed to improved export earnings.

In recent years Samancor, the world’s largest producer of ferro-alloys and ferrochrome and the second largest supplier of ferromanganese, was well prepared to take advantage of growing international demand for these products.

Courage

Mr Smith says Samancor had showed the courage of its convictions by investing substantial amounts to upgrade and expand its production facilities at times when certain economic indicators suggested such investment was risky.

This strategy had paid off handsomely, particularly where the largest investment was made in providing two new ferrochrome furnaces at the Tubatise Division of Samancor Chrome Limited.

Over a two-year period Tubatise, the recipient of this year’s State President’s past winner merit award in the mining sector, improved annual production from 180 000 tons to 300 000 tons. It also increased the strength of its work force by 25 percent.

He says the Samancor group had trained and established a hard core team which was able to increase sales volumes of ores and alloys in the face of strong international competition.

“We succeeded in clinching new, first-time business in certain smaller countries while simultaneously boosting sales volumes in markets where we have been regarded as reliable suppliers of strategic products,” says Mr Smith.

Unfortunately, world economies are less buoyant this year and demand for ferrochrome has eased considerably. The prospect of protracted conflict in the Middle East was also doing nothing to improve economic outlook.

While Samancor does not foresee its export performance matching that of 1989, it remains one of the most competitive suppliers in the world.

“Still, we expect to hold our own in the current situation, despite growing international competition,” says Mr Smith.
Sanctions can’t stop KWV

Sanctions dealt a damaging blow to the SA wine industry over the past decade, but KWV adapted its strategy and created 10 new markets under adverse circumstances.

This achievement has earned KWV a runners-up merit award in the agricultural sector of this year’s State President’s Export Awards.

KWV chief marketing executive Jannie Retief says exports for calendar 1989 increased by 84,1 percent over 1988 exports, which in turn were 22,1 percent higher than the previous year.

When traditional markets were wiped out with the imposition of sanctions, KWV brand products took a low profile over most of the 1980s. Then to compensate, bulk exports employing mainly unidentified products were introduced.

In the process a dramatic growth in exports was achieved, so that KWV has increasingly been able to market products which realise a higher income than distilling wine.

Mr Retief says that in 1988, the entire wine industry was only able to export one million litres of white wine.

“KWV, which until then had no experience in shipping such a complicated cargo halfway around the world, was able to build up markets and gain the technical know-how to be able to export more than 20 million litres of bulk white wine.

“All this has contributed to keeping the wine industry on a sound footing,” he says.

Initially KWV sold bulk wine spirit, but because of the low returns on this product it decided to look at other ways and means of improving revenue for the South African wine farmer.

These included the establishment of a grape juice concentrate plant at Robertson, which has been expanded to such an extent that it now operates throughout the year.
Quality key to Consani's success

By Lynn Carlisle

Leading tank container manufacturer Consani Engineering has won the top export award in the manufacturing category, having substantially increased its exports against stiff international competition.

The adjudicating committee of the State President's Award for Export Achievement recognises the company's sustained successes in exports to the US and Europe over the past three years.

Exports increased 71 percent in the year ending June 1999 compared with the previous year, and rose another 153 percent in year ending June 1999, notes Eales River-based Consani Engineering MD Ian Bell.

He ranks Consani as the world's second largest manufacturer of stainless steel containers, used primarily for transporting hazardous and non-hazardous substances.

"Our estimated world market share of 17 percent comprises 60 percent of total manufacture."

Exports for the year ending June 1999 were valued at about R53 million, he adds.

**Competition**

Consani has made a significant contribution to SA's overall exports in the face of stiff competition from abroad and the refusal of certain overseas countries to trade openly with SA manufacturers.

Mr Bell believes his company's well-engineered product, which incorporates some 80 percent local content, is recognised internationally as one of the best available.

Although the low-value rand has assisted exports, the company's success stems mainly from product quality and its excellent and sustained back-up.

Thus not only do containers meet stringent British official ISO standards, but the company ensures that specialist staff travel regularly abroad in order to attend to customer needs.

"Our staff compliment of 720 has played a phenomenal role in both the manufacture and marketing of products for the export and domestic markets," says Mr Bell.

Operating on a multi-shift basis and employing a "just in time" manufacturing system, Consani produces four containers a day, the majority of which are made from stainless steel supplied by Middelburg Steel & Alloys.
R600m drop in farming exports expected...
Sub-tropical success for Tvl exporter

Upping exports of sub-tropical fruit by 3,500 percent over a five-year period has earned Tzaneen-based Wayland Green Exports top honours in the agriculture sector of the 1990 State President's Award for Export Achievement.

From a modest beginning five years ago, when it exported 800 tons of sub-tropical fruit, Wayland Green currently sells 20,000 tons abroad valued at R30 million.

"I believe the reason for our success to date can be ascribed to a number of factors," says Wayland Green group MD Nino Burelli.

"Primarily we are a strong team, have all the same values, believe strongly in the production of quality products and in servicing our clients to the best of our ability.

"We have as a group integrated vertically as far as possible in producing, packing and marketing our products — something which is not very common at this time in South Africa," he says.

Top quality

A large portion of the product exported is grown by the members' own farms. The balance comes from producers who have a similar marketing philosophy regarding top quality continuity of exports.

A primary objective of the group to form an internationally recognised quality brand for 'sub-tropicals' was achieved with the introduction of the Katope (Zulu name for avocados) brand.

Wayland Green Exports is presently involved wholly or partly with 11 packhouses which handle the Katope brand.

The group's view has always been long-term, Mr Burelli emphasises.

"Even with the constant threat of sanctions, we believed in creating a sound base from which our product line could grow,"
Value of home plans passed rises 16.2%  
GERALD REILLY  
PRETORIA — Building plans passed in the first eight months of this year increased by 16.2% compared with the same period last year, according to Central Statistical Service.  

The value of plans for houses increased 7.4% to R2,241bn, and for flats and townhouses 35.2% to R565.5bn.  

Plans for non-residential buildings increased 8.5% in value from R1.891bn to R2.064bn.  

Additions and alterations plans were valued at R2,130bn — an increase of 31.7%.

Citrus may net SA R600m

GERALD REILLY  
PRETORIA — This year’s citrus exports will earn the country R600m in foreign exchange — R100m more than last year, says Citrus Exchange GM Arend Venter.  

About 30-million cartons had been shipped abroad so far this year — about the same as last year’s total, he said. Total gross value at the point of sale abroad would be about R1bn.  

Venter said the packing season for the industry in southern Africa had come to an end, and the last portion of the crop was now being marketed.  

During the first part of the season export markets had been relatively buoyant.  

However, during the second half severe competition from South America had created difficulties.  

Venter said overall prices had been higher than during the previous season.  

The main reasons for the sharp upturn in production costs were the high costs of inputs, the weak rand, escalating wages, and the high local inflation rate.  

Venter said the belief that fruit farmers were in the pound seats was wrong, mainly because of the inflation spiral, which had forced production costs to record levels.
Inflation seen endangering export effort

Because of the export-friendly rand exchange rate, manufacturers have been competitive on overseas markets.

But, says Wim Holtes, CEO of the South African Foreign Trade Organisation (Saffo), the high level of inflation makes the competitive edge fragile.

He told Saffo’s annual general meeting in Sandton yesterday the problem was exacerbated by spiralling labour costs and unrealistic wage expectations.

“In this respect it is ironic that, as sanctions become less relevant, labour unrest becomes a worrying constraint on export investment and foreign delivery schedules.”

He said: “In the short term, export strength in value-added products remains mainly in materials-intensive products. Major export sectors falling into this category will now have to adjust to a lower level of assistance than they received previously, without the full windfall of a soft rand.

“In the long term, our future no doubt lies in the export of market-oriented, fully manufactured products.

“It will, however, take many years of further industrial sophistication before our export and employment needs can benefit from meaningful export growth in this sector of industry,” he said.

— Sapa.
Export boom brings in the cashflowing in

Derek Tomney
This growth in exports is expected to continue in the months ahead as and whenever major markets partly or completely closed to South African exporters are opened again.

Western Europe is already South Africa’s biggest customer. But certain trade sanctions are preventing South Africa exploiting this market to the full.

**Sanctions hope**

However, European politicians say these sanctions could go soon — possibly even before the end of the year.

This would let South African steel and coal producers renew or increase their sales to Europe and further boost foreign earnings.

But an even bigger bonanza looms. Attitudes in the United States have also changed. Senior American Government officials interviewed recently believe that President Bush might be able to get the American Congress to lift sanctions against South Africa by the middle of next year.

The way would then open the door for South African exporters to sell a huge range of products, ranging from steel and fruit to textiles and mining machinery into the world’s biggest market.

The main aim of Government’s economic policy today, in fact, appears to be to increase exports. The payoff could transform South Africa — greater foreign earnings, more employment, more investment — and the pushing the economy to significantly higher levels of activity.

This is not an original policy. It is the one that was followed by West Germany, Japan, Taiwan, South Korea — all countries which today are important economic powers. If South Africa adheres to this policy it could be on its way to becoming the world’s “economic miracle” of the 1990s.

However, continued inflation is still seen as a major threat to achieving this happy state of affairs. High prices in South Africa makes it more difficult to sell South African goods overseas which would endanger the hoped-for export boom.

This explains the Government’s continued insistence on keeping the money supply tight and interest rates high. Firms which put up prices in these conditions will see sales slump.

The current tight conditions, meanwhile, limited the rise in imports in October to only R300 million to R3.2 billion. This gave South Africa a record monthly balance of payments surplus of R2.4 billion — up from R1.3 billion in September and R1.4 billion in October, last year.

Economists point out that this record trade surplus should open the way for a drop in interest rates — once the inflation rate is seen to be easing.

One reason interest rates in South Africa are kept high is to encourage local companies to borrow overseas where rates are lower. This brings in foreign capital and makes it easier for the country to repay its foreign debts.

But huge trade surpluses like the one last month will reduce the need to attract foreign trade capital (though not foreign investment capital) — and therefore the need for competitively high interest rates.

Mr Donald says the top export performers in the first 10 months of 1990 were machinery (up 29 percent) and transport equipment (up 70 percent). Chemical exports were also doing well. Base metals continued to suffer.

Meanwhile, the lack of buoyancy in imports in October could well have been the result of a drop in oil purchases.
October exports soar to R6,26bn

Sales of arms ‘trigger record trade surplus’

BOOMING arms sales in the wake of the Gulf crisis could be the reason behind October’s record R2.67bn in unclassified exports, economists believe.

SA’s unclassified and undisclosed exports, usually mainly gold and arms, pushed the trade surplus in October to its highest level yet of R5.38bn from September’s R1.27bn. Latest Customs and Excise figures show exports soaring to R6.26bn and imports rising to R0.99bn.

Economists crossed off gold, platinum and uranium as the reason for the surge in unclassified exports as precious metal prices in October were low (gold: R968/oz compared with R1,061/oz in September) and gold output was not much higher.

They also discounted the possibility of oil exports during the period. A finance department spokesman concurred with this.

Armscor spokesman Bertrand Retief yesterday would not confirm or deny the speculation about arms sales, but said there had been increased inquiries from the Gulf region since the crisis began.

It is believed that the United Arab Emirates and Saudi Arabia are the buyers of SA’s arms but Armscor does not give details of its exports.

Nedcor economist Edward Osborn rejected the possibility of a large balance of payments adjustment which is also included in the unclassified category saying this was not a major factor in the figures. The figures, he said, pointed to an increase in arms sales.

Both Rand Merchant Bank economist Rudolf Gouws and Bankorp economist Johan Els said the jump in unclassified exports was surprising due to the lower rand gold price in October.

Another export sector which experienced a large jump was jewellery, mainly diamonds, up R768m from September. This was the third largest figure on record for one month and Safto economist Bruce Donald speculated it was a transfer of diamond stocks from De Beers to the Central Selling Organisation.

There are ten sites a year where diamond stocks are moved and two may have fallen in the same month. Osborn said the higher exports did not, however, point to an export boom because the two major performers, unclassified and diamonds, were particular and partly seasonal.

Arms sales

The surge broke various export records and has eased fears that the balance of payments situation could become untenable as a result of the Gulf crisis.

Economists said estimates of the current account surplus this year would have to be revised upwards to between R4.5bn and R5bn, which is well above the pessimistic estimates made at the beginning of the Gulf crisis.

The October surplus was 63% above that of October last year.

Unclassified imports in October fell by R207m to R469m despite continued high oil prices during the month, leading economists to believe that SA had made use of what Donald termed was SA’s “abundant” oil reserves. He estimated an average oil price in October of $14.5 a barrel.

Andrew Gill

Osborn said the fall in unclassified imports pointed to a decrease in physical volumes of oil bought, because October’s price was over $2 above September’s. July’s massive R768m bill at oil prices of about $20 a barrel may have been sufficient to complement purchases in subsequent months, he said.

At R6,26bn, October’s exports were the highest yet recorded while the cumulative exports at R50.5bn were 3% above those of last year.

Cumulative imports were 3% down on last year while October’s import bill was 4% below that of last October.

The best export performers since the beginning of the year were machinery (up 29%) and transport equipment (up 76%).

From Page 1

Graph: Lee Smerton, Source: Customs & Excise

To Page 2
Fruit exports boosted by political climate

POLITICAL changes in SA have already had a favourable impact on fruit exports, with continental supermarkets expressing interest in renewing orders, says a report in Friday's Financial Times.

The report quotes Unifruco MD Louis Kriel as saying six out of eight German supermarkets which had stopped supporting Unifruco this year invited it to start supplying again.

He said he did not believe the US, Canadian and Scandinavian markets would remain closed to SA beyond 1991 and estimated that their opening could add 20% to Unifruco's potential.

The Financial Times report quoted Citrus Exchange GMS operations and finance Arend Venter as saying that drought and an ambitious replanting programme had meant that for the past six to eight years the citrus industry had not had the capacity to meet fully the demands of all of its markets in terms of type and size.

He said total citrus production was due to rise significantly in the near future, and the suspension of sanctions would help in disposing of the increased volume.

Venter anticipated that export volumes — normally about 60% of the total crop — could increase from the current 30-million cartons to 48-million cartons by 1998.

The deciduous fruit and citrus industries earn about 80% and 90% of their total returns from exports and both sell the bulk of their production to the EC.

Gross export earnings of Unifruco, the international marketing company of the deciduous fruit industry increased by nearly R400m (43%), to R1.3bn in the season to the end of September. UK sales increased from £72m to £102m and sales to West Germany from DM140m to DM152m.

Unifruco chairman Leo Fins said the 43% earnings increase was attributable to a bigger crop, a more favourable exchange rate and better unit prices overseas.
A long unwinding film of success

The Giraffe, invented locally, now seen on film sets across the world.
Exports bring
in over R1-bn

The export market last year accounted for about 30 percent of the income yielded by the maize crop, earning South Africa more than R1 billion in much-needed foreign currency but dragging down the income yield to hard-pressed farmers.

Forced into competition against heavily subsidised exports from the EEC countries and the United States, local maize can only be exported at a loss. The final subsidy on domestic sales — a mere R38 million, which does not cover the industry's handling and storage bills — is payable up to April next year... and then the industry is on its own.

Large international surpluses have forced down the export price of maize — but at present low rand values this does not, taken on its own, have a depressing effect on local domestic prices. In 1990/91 the board exported maize at a harbour price of R329 a ton — only 5 percent lower than its average domestic selling price for the year.

But the spiralling costs of raffling maize to the coast — currently R30 a ton — make exports unprofitable even at the most favourable exchange rate.

"We are faced with a Catch-22 situation. The export of maize earns South Africa foreign exchange while stimulating the economy, providing employment and giving work to Spoorien. But high local costs make it a non-starter for the maize producer," says deputy general manager Peter Cownie.

The quality of the local product has earned South Africa considerable international respect, which goes a long way towards mitigating its export losses. Its biggest customers, the Middle East and the Far East, buy large quantities of yellow maize.

"Japan buys its supplies from China, the US and South Africa — but our maize is seen as the benchmark of quality on the international market," says Jeff Wayland, assistant general manager (international marketing) at the Maize Board.

"While US maize gives only a 67 percent yield of starch; the South African product — being sun-dried — yields 73 percent. As a result we can command a premium price on the international industrial market for white and yellow maize."

But demand from this market sector is limited — and any surplus must be sold on the export feed market. Here, white maize — essentially a product for human consumption — is regarded with disfavour. Yellow maize is preferred by poultry farmers, since it colours the egg yolk and the flesh of the bird and their influence is strong enough to force the price down among all buyers. Export sales of yellow maize apart from a few long-term agreements with buyers in Taiwan, Mauritius and Japan — are conducted on a tender basis.

A standard contract is used, and the tender is usually for two units of 16 500 tons each — the quantity required to fill a handy-sized vessel.

"Each tenderer submits a provisional bid in a sealed envelope before the board's deadline. On the day of the tender — which takes place weekly — each buyer makes and adjustment to his provisional bid. After the tenders close the envelopes are opened and the provisional bids adjusted according to the buyers' instructions — and the tender is usually awarded to the highest bidder," explains Mr Wayland.

The board, however, is not obliged to sell. If the highest tender is below the free-on-board value of the Gulf price and the board is not under pressure to clear storage space it will hold back that load of maize to offer on a future tender.

The tender system applies mainly to yellow maize, while export sales of white maize can be negotiated outside the tender system.

"With yellow maize, the board has an agreement with the trade not to sell more than a certain percentage of its export crop on direct negotiation, and to sell the rest on the tender system. But white maize has a limited premium market and the board has reserved the right to negotiate the highest possible price," says Wayland.
Exports to Africa surge by 40%...

From TIM COHEN

JOHANNESBURG. — After years of remaining fairly constant, SA exports to African countries have surged by about 40% this year and will breach the R5.5bn mark, according to SA Foreign Trade Organisation's Martin Smith.

"South Africa's should be cracking open the champagne," Smith said, but warned that the growth would probably level off next year.

Smith, co-ordinator of the southern hemisphere division of Safco, said the although import and export figures were not released for individual African countries, it was known that trade with Zaire and Madagascar among others had expanded greatly.

The sudden increase in trade was primarily due to the SA government's reform initiatives which had resulted in trade with SA becoming more politically acceptable.

Smith said Safco expected the surge to lose steam over the next few years, until further markets opened up for SA exporters.

Imports from African countries had also increased dramatically although even after the increase was accounted for, SA would only import goods worth about R1.2bn.

African countries were aware that SA might dominate the region, but had themselves established that they could save large amounts of money by sourcing their imports from SA rather than from Europe, for example, he said.

In the case of Kenya, this saving would amount to about 20% of its total import bill.

A senior government advisor said yesterday the cabinet had in the early 80's decided to refrain from publishing statistics of SA's trade with other African countries.

The government took this decision at the request of the countries concerned, because they might have been embarrassed by the extent of trade with a country which had such unacceptable political policies.

But the cabinet's decision was regularly reviewed, although no change could be expected in the immediate future.

The source said manufactured goods made up the bulk of exports to African countries in hard currency transactions. The increase in trade was therefore not simply due to the initiation of a few large projects.

The source also warned against projecting the increase in trade with African countries too far into the future, pointing out that many African countries had limited foreign exchange resources.

African countries were "famous" for printing import permits and then were not able to pay because of foreign exchange shortages, he said.

This resulted in the countries accumulating substantial arrears, forcing exporting countries to "queue-up" to be paid.

One possible reason for the increase in trade with Africa was that SA was not owed as much as many other countries because it had not yet joined the queue.

Sapa reports that trade between Zimbabwe and SA had increased tremendously over the last five years, according to SA trade mission representative in Zimbabwe Nico Nel.

In an interview with the national news agency Ziana, Nel — attending the Confederation of Zimbabwe Industries business conference at Victoria Falls — said the level of trade was expected to increase even further in the future because of Zimbabwe's trade liberalisation.

"The volume of trade has increased tremendously and is still rising. We foresee, with trade liberalisation now in place in Zimbabwe, that the figure will even rise further," said Nel.

SA primarily imported agricultural produce and minerals from Zimbabwe, especially tobacco and asbestos.

"We hope to soon import some maize, since Zimbabwe has a surplus. We would also prefer to import meat as well, like in pre-independence days," Nel said.
Surge in SA exports to rest of Africa

TIM COHEN

AFTER years of remaining fairly constant, SA’s exports to African countries have surged this year by about 40% and will breach the R5,8bn mark, SA Foreign Trade Organisation’s Martin Smith says.

However, this growth will probably level off next year.

Smith, co-ordinator of the southern hemisphere division of Safco, said although import and export figures were not released for individual African countries, it was known that trade with Zaire and Madagascar, among others, had expanded greatly.

The sudden increase in trade was primarily because of government's reform initiatives which had resulted in trade with SA becoming politically more acceptable.

Smith said Safco expected the surge to lose steam over the next few years, until further markets opened up for SA exporters.

Imports from African countries had also increased dramatically, although even after the increase was accounted for, SA would import goods worth only about R1,2bn.

African countries were aware SA might dominate the region, but had established that they could save a lot of money by importing from SA rather than from, for example, Europe.

In the case of Kenya, this saving would amount to about 20% of its total import bills.

A senior government adviser said yesterday Cabinet had in the early-70s decided not to publish statistics of SA's trade with other African countries.

Government took this decision at the request of the countries concerned.

However, the decision was reviewed regularly, although no change could be expected in the immediate future.

The source said manufactured goods made up the bulk of exports to African countries in hard currency transactions.

The increase in trade was, therefore, not simply due to the initiation of a few large projects.

SA exports

The source also warned against projecting the increase in trade with African countries too far into the future, pointing out that many African countries had limited foreign exchange resources.

African countries were "famous" for printing import permits and then not being able to pay because of foreign exchange shortages, he said.

This resulted in the countries accumulating substantial arrears, forcing exporting countries to "queue up" to be paid.

Sapa reports that trade between Zimbabwe and SA had increased tremendously over the past five years, Nico Nel, SA trade mission representative in Zimbabwe, said.

In an interview with the national news agency Ziana, Nel — attending the Confederation of Zimbabwe Industries business conference at Victoria Falls — said the level of trade was expected to increase because of Zimbabwe's trade liberalisation policy.

SA primarily imported agricultural produce and minerals from Zimbabwe, especially tobacco and asbestos.

"We hope to soon import some maize, since Zimbabwe has a surplus," he said.
Export outlook: gloomy for 1991

SA's exports will be knocked on a number of fronts next year — causing the country to achieve a smaller current account surplus than in 1990, economists predict.

Sagging world demand for base metals, a drought-stricken agricultural sector, downward pressure on the platinum price and less demand for diamonds are expected to knock exports. The gold price, which makes up about 45% of SA's exports, cannot be expected to come to the rescue.

Economists expect exports to rise between 5% and 8% in rand terms, with volumes remaining on virtually the same level as this year.

One of the main factors to depress exports next year will be sagging world demand for commodities. Old Mutual's Rian le Roux said base metals were an important component of fixed investment spending and with the world in recession, the demand for these commodities would weaken further.

"Commodity prices usually lead the business cycle, as is proved by the softening we have already seen," he said. All commodities, including gold, made up about 80% of SA's total exports.

Nedcor's Edward Osborn saw the demand for diamonds dropping as world in-
Price inflation, high costs hit mineral exports

RISING costs and price inflation had weakened the international competitiveness of SA's mineral exporting industry in 1990, compared with 1989, the latest Mineral Bureau (MB) Bulletin says.

During 1990 the SA mining industry's Producer Price Index (PPI) increased by 12.5% against 7.2% in Australia, 5.4% in Canada and 4.5% in the US. SA's Wholesaler Price Index (WPI) for the year was projected at 13.7%, compared with 7.1% for Australia, 3.9% and 1.9% for the US and Canada.

The MB reports the negative impact of the PPI and WPI rise on the mineral industry's competitiveness was only fractionally softened by a 1% decline in the effective rand exchange rate in 1990.

The rand exchange rate dropped by an average 12.4% over the last five years, against an average fall of 3.5% for Australia and an annual strengthening of the Canadian dollar (0.33%) and US dollar (0.06%).

The MB said it was imperative that costs and price inflation be contained so that the mineral industry remain competitive on international markets.