'89 'will be tough for SA exporters'

SA EXPORTERS face many difficulties in the year ahead, but there are still opportunities for those who are prepared to make the commitment to developing exports on a long-term basis.

Safco international division manager David Graham says among the many problems facing exporters are inflation, capacity problems and sanctions.

He says exporters will have to work twice as hard as their competitors in other countries.

However, Graham says, a number of areas offer good opportunities.

Europe is still SA’s most important market and continues to offer good potential to all exporters.

Africa offers SA manufacturers, who are probably the most competitive suppliers on the continent, many advantages.

In certain sectors, such as mining, agricultural and transport, South America also offers encouraging developments.

Graham foresees more sensitivity to SA from Far East countries than a few years ago. Japan has become a more limited market, but trade relations with Taiwan are excellent.

Although economic growth is high, there are cultural and other difficulties in trading with Asian countries, he says.

**Capacity**

Exports to the US have generally declined due to sanctions. But current sanctions still provide gaps of continuing opportunities.

Graham stresses that companies going into export this year will have to make capacity commitments.

He advises exporters to show dedication and watch sanctions legislation carefully.

"Take a strategic look at your products and world market. And target your markets and products.

"Follow international developments, and how they impact on trade opportunities, carefully.

"And work like mad to achieve exports."
SOUTH Africa could significantly increase exports by following trends in Britain, where design plays a critical role in the acceptance of its products in overseas markets.

In 1981, the UK controlled only 9 percent of world trade, compared to 25 percent in 1950.

Mr Curtis of Grappegroup London and a founder member of Grappegroup South Africa, led the Confederation of British Industry to launch a campaign in 1987 to improve design of new products as a means of boosting Britain's exports and creating new jobs.

Said Mr Curtis: "Before this, in early 1986, chairmen and chief executives of some of the UK's largest companies met to discuss design, as a result of which 31 held design commitment conferences with suppliers.

"Some are now beginning to appoint directors in charge of design."

The design industry in Britain has also benefited from government support.

Prime minister Margaret Thatcher first held a seminar on the subject in January 1982.

This led to the British government's Support for Design, a scheme subsidising design consultancy for small- and medium-sized firms.

It is run by the Design Council. So far, R116 million has been spent through the scheme and 3,850 projects completed.

This private and public sector recognition and support has seen UK design consultancies grow by more than 30 percent a year in five years.

It has also developed an international reputation for creativity.

CHRIS MOERDYK

Quantum leap

"The prospects are equally as good for the future," Mr Curtis added.

"Only 26 percent of UK companies surveyed in 1986 had used a design consultancy.

"That jumped to 75 percent in 1987 - a quantum leap. Furthermore, 43 percent of companies surveyed in 1987 felt design to be more important than advertising, compared to only 10 percent a year previously."

Said Mr Curtis. "The UK design industry was worth some R7.6 billion in 1987, with the average spend on design by major UK companies R738 000, 34 percent up on the previous year."

"It is a highly fragmented industry, as is the case elsewhere in the world."

"There are an estimated 2,700 consultancies in the UK. Of these, 11 are publicly quoted companies which, between them, own 33 separate design entities."

"The largest quoted group, WPP, had a turnover of R128,9 million in 1987, when the aggregate growth in turnover for the 33 design entities was 34 percent."

"Whether it be to achieve an export advantage, overcome product parity in the marketplace or maximise corporate identity, these statistics clearly show that design is recognised as a management tool in the UK."

"Indeed, 31 percent of design decisions were made by chairmen or managing directors in 1987."

"I believe most South African companies are losing an advantage by being too slow to afford design the same recognition."
Aircraft exports clip SA’s wings

SA is facing a serious shortage of aircraft after a lucrative export spree over the last few years.

Many aircraft owners made large rand profits by selling aircraft abroad after the plunge of the rand, said Commercial Aviation Association executive director Cor Beek.

But, with increased economic activity, the need for aircraft had increased and the country now faced a major capital outlay to replace the national fleet.

There were now insufficient numbers available of some types or specifications of aircraft, said Beek. In particular there was a shortage in the top range used in charter and corporate aviation.

Airline managers said the cost of replacing aircraft had increased substantially. In addition to the improved exchange rate, importers had to pay a 20% import surcharge, said Comair MD Martin Morris.

The resulting increase in operating costs had led to higher costs to the public or to companies operating aircraft in-house, said Beek.
Wheat no use for export but SA can eat it

Pretoria Bureau

Wheat exports had been stopped because the protein content of this year's harvest was below the 12.5 percent required for export, said Mr J C Pienaar, general manager of Central West Co-op.

However the wheat was excellent for local purposes and about 75 percent of the harvested wheat was A-Type. Mr Pienaar said this was ideal for use in bread so he did not foresee a drop in the quality of bread.

He said the wheat in the eastern Free State was dropping in quality due to excessive rains and so far only 30 percent of the expected crop had been gathered.

He attributed the decrease in the protein level in the wheat to poor fertilising and heavy rains. About 50 percent of all harvested wheat had to be dried as the moisture content had been too high, said Mr Pienaar.
SOUTH African Airways has arranged four extra charter flights to Europe this week to transport tons of Boland fruit which is in danger of rotting.

Yesterday, 60 tons of melons were awaiting a flight at a freight agent at DF Malan Airport, while 180 tons of fruit — mainly grapes — were due to be transported by road from Cape Town to Johannesburg today because freight space could not be obtained.

Two of the extra flights will be from Cape Town — tomorrow and on Friday — and the others from Johannesburg.

Mr Gerd von Mansberg of Perishable Cargo Agents, the largest freight agent in the country, said he had dumped 12 tons of reject melons on to the market on Friday and another 10 tons yesterday.

"Fruit is coming in to our cold storage rooms all the time," he said.

"When one load in our refrigeration rooms begins to go off, we dump it as 'export reject' on the open market to make room for fresher produce.

"But with 15 to 20 tons coming in every day, the situation is getting worse."

At the harbour yesterday, 180 tons of fruit was being loaded into refrigerated trucks for transport to Johannesburg because space on freighters could not be obtained.

Also in danger of spoiling, the consignment will be treated as priority cargo on the two extra flights from Johannesburg, said SA Transport Services spokesman Mr Leon Els.

He said the freight agents had met the Minister of Transport Services, Mr Eli Louw, late last year.
Exports for Africa

US exports to sub-Saharan Africa increased 27% to US$2.8bn in the nine months to September 1988, compared with 1987. Figures compiled by the US Department of Commerce show largest increase was to Mauritius. It amounted to a massive 1253% leap to $146.1m. Exports to Malawi rose 154% to $10.4m, to Botswana 71% to $31.6m to Namibia 45% to $1.6m and to SA 37% to $1.24bn.

While Angola and Mozambique saw little change, exports to Swaziland fell by 61% to $1.1m, to Zimbabwe by 56% to $28.2m, to Zambia by 47% to $22.5m, and to Lesotho 32% to $3.8m.
SA wheat exports have been stopped and stockpiles in the Cape have been diverted from being used as animal feed as heavy rains threaten the Free State crop, Wheat Board deputy GM Ivan Hemingway said yesterday.

One third of the 3,3-million ton national crop was in the balance, he said. The threatened harvest is worth an estimated R380m.

Hemingway said unless the heavy rains stopped for the next two weeks, the eastern Free State wheat crop, estimated at 850 000 tons, would be ruined.

In addition, 20% of the remainder of the Free State crop, which had not yet been harvested, was in danger.

"It is still early days, but it would be foolish to wait until the crisis," said Hemingway.

If the rains continued, the crops would have to be harvested as sprouted wheat and used as animal feed, he said.

The Cape wheat crop of 120 000 tons would be used as a buffer should the unharvested crop be ruined. About 80% of the rest of the Free State crop — 1,3-million tons — had been harvested and the 310 000-ton Transvaal crop was in.

Last year, disposal of the surplus of 540 000 tons resulted in a loss of R123m.

This year's surplus is estimated at 800 000 tons.

Hemingway said this year's crop had a low protein content because of the excessive rains. This reduced the quality of the grain and brought down export prices.
Electronic components exports rising

By Stan Kennedy

Electronic components produced locally to international standards are being exported to various countries, with particular success in Europe.

Exports are a prerequisite to improving SA's economy and balance of trade.

Against this bright and positive scenario, the electronics components industry is likely to remain one of the principal revenue earners for many years.

To increase export opportunities, it is also vital that trade missions be sent to other countries to inform them of local developments and SA capabilities.

These are the views of Mr Ray Gould and Mr Bert Kuijpers, recently elected chairman and vice-chairman, respectively, of the Electronic Components Manufacturers' Association (Ecoma). Its 20 members produce a wide range of components capable of meeting 40 percent of SA's requirements.

In a joint statement, they say the Ecoma welcomes the Government's proposal to increase local manufacture wherever possible.

"The growth of South Africa's R7 billion-a-year electronics industry is strongly linked to the development of the electronics components industry which, in turn, is devoted to greatly increasing its capability for both the local and export markets.

"In the interest of our economy, it is important that we reduce imports and increase our exports as a matter of urgency.

"Major opportunities exist for increasing these objectives within South Africa in the TV and audio, computer and electronic office automation, automotive and entertainment industries."

Sophisticated and advanced technology components produced by the 20 manufacturers include printed circuit boards, thin-film circuits, connectors, diodes, transistors, integrated circuits, varistors, resistors, capacitors, relays, transformers, cultured quartz, quartz crystals and filters, TXOs, telephone capsules and cord, fibre-optic cables and monochrome picture tubes.

Mr Gould says the success of the industry is dependent on the skills, expertise and leadership of its people and on having strong links with overseas partners in Europe, the US and the Far East in order to keep abreast of latest developments.

Siemens bid for Plessey

...the potential damage to competition from the link-up between heavyweight competitors GEC and Siemens.

Sir Leon Brittan, the EC's new competition commissioner, said there appeared to be a case that the joint bid broke EC rules banning agreements that prevent, restrict or distort competition.

"The commissioner considers that the proposal...raises issues of community law that require a full investigation," Brittan, a former British trade minister, said.

But he added that, if the commission concluded that the accords between GEC and Siemens did break EC rules, "it will also have to consider whether the advantages of the agreement are such that it should be permitted to proceed.

Siemens ranked fourth in a 1988 world table of top electronics firms, with annual sales around $27.5 billion. GEC, Britain's biggest manufacturer, was in 10th place with sales around $7.8 billion, and Plessey was 11th with $2.1 billion.

Under the 12-nation bloc's founding Treaty of Rome, the commission has the power to approve agreements which contribute to improving the production or distribution of goods or promoting technical or economic progress.

 Officials at the commission, the EC's executive body, noted that one aim of the community's drive to create a giant single market by the end of 1992 was to help the best EC companies become strong global competitors for US and Japanese firms.

Brittan's statement followed a preliminary commission probe into the hostile bid, announced in November, that was requested by GEC and Siemens themselves. Plessey, for its part, has asked the commission to block the takeover on competition grounds.—Sapa-Reuters.
Japanese firm cuts out SA uranium

LONDON — One of Japan's largest electric power companies has announced it has found a new uranium supplier to replace SA.

Last year the country's four major electric power companies decided not to renew their long-term contracts with SA uranium producers — a move encouraged by Japan's Ministry of Trade and Industry, "in protest against SA's apartheid policy and its occupation of Namibia."

According to industry sources, Kyushu Electric Power — Japan's fourth largest power utility — is to increase its existing purchases from Australia.

The company will import an additional 227 tons of material from Energy Resources of Australia between 1989 and 1991, and 181 tons from Olympic Dam.

The Japanese decision comes as a further blow to SA uranium producers, several of which were forced to close down last year.

Gold Fields' Driefontein operation stopped production in the second quarter of 1988 and the third quarter saw JCI's Randfontein Estates shut down operations.

This was followed by Gencor's Chervenov operation, which closed down in November.

The sources now claim that Rand Mines is currently considering whether a division of its Harmony operations should also close.
SA has the ability to generate more exports

By Paula Fray

The South African chemical industry, which comprises about 20 percent of the manufacturing sector, needed to be a major player in generating the exports needed. Dr J B Clark, group executive of Research, Development and Implementation at the CSIR said yesterday.

He was speaking on "Managing the Chemical Industry — Research and Development" at the 30th biennial convention of the South African Chemical Institute in Johannesburg.

Research and development in the chemical industry was designed to establish a competitive edge in the market place.

The longer term research aimed to establish a set of new products or new processes in order to generate new business opportunities. The shorter term research and development aimed to improve existing products and processes to remain competitive or to function more profitably than previously, he said.

Quoting Mr Paul Kruger, managing director of Sasol, he said "the SA Chemical Industry has the potential and raw materials to expand and become an important factor in the international chemical industry."

Dr Clark said the local industry was largely dependent on coal and other indigenous resources for raw materials. The industry was geared mainly to supplying local demand.

He added that the industry was largely dependent on overseas technology which was not desirable in view of the cost and threat of sanctions.
Germany is now SA's top trade partner

West Germany has overtaken Japan as South Africa's biggest trading partner after Tokyo last year urged Japanese firms to restrain their dealings with Pretoria.

As a result, Japan's total trade with South Africa slipped in 1988 and business with West Germany grew.

Japan supplanted the US as South Africa's number one trading partner in 1986 after Washington introduced economic sanctions against Pretoria.

Total two-way trade between West Germany and South Africa rose 33.8 percent to R7.56 billion in the eight months to the end of August last year against R5.6 billion in 1987.

By contrast, Japan's total trade with South Africa declined to R8 billion last year from almost R10 billion in 1987.

A number of Japanese electronics and motor firms, including Matsushita Electrical Industrial Co and Toyota Motor Corporation, agreed to limit sales of their products to South Africa.

West Germany abides by sanctions imposed by the European Community on South African steel, uranium, agricultural products and gold coins, but it does not impose any other restrictions. — Sapa-Reuter.
Great potential for SA exports

COMPANIES may be nervous about entering the export market because they do not know enough about it, says Norrick Marketing MD Erik Schoeman. Yet there are many services available to potential exporters.

Schoeman says services range from those provided by government offices and Sassa to the SARS, which could supply the quality specifications required by most countries.

On the marketing side there are "a host" of services available. It is up to the exporter to establish his needs and then learn how to use these services.

Basic selling techniques — whether for exporting or local selling — are still the same, he says.

"The manufacturing industry is sitting on a gold mine. There's terrific potential. The exchange rate is in our favour and the availability of material, the necessary manufacturing expertise and the utilisation and training of labour are all climbing to a peak in SA."

Constraints

Sassa general manager Ann Moore agrees that not enough SA companies are entering the export market. "Perhaps this is because they don't have the long-term commitment to exporting," she says.

"Export projects are often limited or constrained by local demand during boom times. For this reason, Sassa is promoting the concept of multiple shift production to provide export capacity wherever practicable."
The Star's Foreign News Service

DUBLIN — A political row has developed in Ireland over a dramatic increase in the country's beef exports to South Africa.

For the first nine months of last year, the exports reached more than 20,000 tons, double the figure for the whole of 1987.

Meat sales to South Africa have increased sevenfold in the past two years and now account for half of all Irish trade with the Republic.

The Irish Congress of Trade Unions has demanded an urgent meeting with Prime Minister Mr. Charles Haughey to ask how this expanding trade can be reconciled with the government's stated policy on sanctions and apartheid.

"Our position has always been that there should be no economic ties with South Africa and we want these exports stopped," said the congress general secretary, Mr. Peter Cassells.

**Shortages**

The South African Meat Board has added to the controversy by predicting that Irish beef exports will increase even more over the next two years because of shortages caused by drought in South Africa.

The Irish Livestock and Meat Board, which is a state agency, says government regulations do not allow it to promote or develop the South African market for Irish meat and that it has not played any role in the increased exports.

A board official, however, had outlined market opportunities at a "private press occasion" for the Irish industry.

Mr. John Bruton, a deputy leader of Fine Gael, the main opposition party, said: "Any ban on Irish meat sales would have to include countries like Libya, which exports explosives used to kill Irish people, and Iraq, which uses chemical weapons against the Kurdish minority."
Exports boom despite sanctions, boycotts

By Derek Tomney

Despite foreign sanctions and boycotts, South Africa is starting to enjoy a huge export boom—which should keep help the balance of payments and keep the domestic economy rolling strongly in the months ahead.

Exports in December reached R4.5 billion, the second-highest figure recorded. This was R1.1 billion, or 22 percent, higher than the export figure for December 1987.

Obviously, the 20 percent drop in the rand against major currencies in the 12 months to December must have helped inflate export figures. Nonetheless, a real growth in exports in December of 12 percent is indicated.

Imports appear to be at last responding to the huge surcharges and dropped in December to R33.5 billion. This is the lowest import figure since May, though 22 percent higher than in December last year. However, this increase is in line with the devaluation of the rand and suggests that imports are no longer growing in real terms.

With exports up and imports down, South Africa had a trade surplus in December of R1.26 billion, the best for any month in 1988, and a highly encouraging figure with which to start 1989.

The trade figures show that export receipts reached R18.8 billion last year. This was 22 percent more than the R15.2 billion received in 1987.

However, imports reflecting the upturn in the economy and the slump in the rand exchange rate, jumped by 39 percent from R28.7 billion in 1987 to R39.5 billion.

Overall, South Africa had a trade surplus last year of R9.3 billion, against R11.8 billion in 1987.

If South Africa is able to maintain a monthly trade surplus anywhere near the December figure, it should have no balance of payments problems this year.

The import surcharges should play a role here and also, in time, the steadily growing import replacement drive. But initially the high cost of importing capital equipment could cause a bulge in the import figure.

The high level of exports should continue stimulating economic activity and could have even a bigger impact if the long-awaited export incentives, due to be published shortly, prove to be effective.
Japan to reduce SA chrome imports

LONDON — Japan is to double chrome ore imports from India in the coming year in a deliberate move to reduce its dependence on SA. which up to now has been its major supplier.

According to Metal Bulletin, India will sell 80,000 tons to Japan this year compared to 39,000 tons last year. Indian ore producers are confident they will be able to satisfy demand.

The latest move is apparently part of a wider policy undertaken by Miti, the Japanese Ministry for Trade and Industry, to persuade Japanese companies to reduce their dependence on SA imports.

Vanadium, of which SA is the world's number one producer, took off again last week as panic hit world markets. Vanadium pentoxide jumped to close at $11 a pound from the previous high of $9 a pound, reports Metal Bulletin.

Ferro-vanadium surged from the previous week's $40 a ton to $52 a ton.

Interest has apparently switched from ferro-vanadium to pentoxide following news from the US that quantities of raw material for the first quarter will be less than expected.

The Soviet Union, which has a major supply problem related to a major gun pipeline project, is reported to be being paying record prices.

And with lower SA production, the only vanadium coming on to the free market is from China, which produces about 10% of the world's output.
Zaire is one of major customers — survey

SA trade with Africa is on the increase

By James Tomlins,
The Star’s Foreign News Service

PARIS — South Africa increased trade with Africa in 1988, with only one state not doing business with Pretoria.

This trade had risen from 6.5 percent of SA’s exports in 1984 to 10 percent in 1988.

The state which does not trade with South Africa is Guinea-Bissau, former Portuguese territory.

A special survey on “Business with Pretoria” in Paris ranked South Africa as Africa’s seventh trading partner.

It said South Africa’s exports to France in 1987 totalled R3.2 billion, and for the first seven months of 1988, according to the most recent available figures, already totalled R4.2 billion.

Ivory Coast, which has formally adopted an open dialogue with Pretoria for the past 17 years, publishes its trade statistics with South Africa. All other African states use the formula “unknown origin” when referring to SA imports.

Zaire was one of South Africa’s major customers; the survey noted, mainly because of its immense transport problems.

It uses SA railways and ports for 15 percent of its copper exports, 60 percent of tin and 40 percent of cobalt.

Fifty-seven percent of its imports, including 75 percent of its petrol needs, take the same routes.

“Zaire’s wealth is at the mercy of Pretoria,” the survey said, noting that in 1987, 3.6 million tons of Zairian goods were transported by SA facilities.

It added that Zaire had recently purchased two second-hand Boeing 727s from South Africa and “fasten your seatbelt” signs were still written in Afrikaans at the time of delivery.

SA diamond mine machinery is imported and Zairian technicians attend study courses in South Africa.

Ivory Coast was listed as South Africa’s second African trading partner, after Zaire, with fruit and meat imports worth R80 million.

Other countries trading with South Africa include Ghana, one of Pretoria’s fiercest opponents, Kenya, Somalia, Togo, the frontline states, Tanzania and Uganda.

Representatives from these countries use the Carlton Hotel in Johannesburg, as their main base, the survey said.

Seychelles has South Africa as its third trading partner after France and West Germany, while Mauritius is described as having a flourishing “special relationship.”

The survey noted that the members of the SADCC were forced to trade because of their geographical situation.

“They are dependent on exporting minerals and agricultural products but they possess only seven of the region’s 15 harbours.

“Other ports like Beira, Dar-es-Salaam, Maputo and Nacala have small capacities, function poorly and are not easily accessible to SADCC states.”

It pointed out that since 1980, SA had replaced Britain as Malawi’s main trading partner.

The survey noted, “South African products have the advantage of being made, and adapted, for African conditions.”

The survey said there was no real will to join in sanctions.
Unexpected export fillip for rag trade

By Tom Hood
CAPE TOWN — Clothing manufacturers should be able to step up exports to Britain and other European Community markets because “Made in South Africa” labels are no longer compulsory.

Mr Sadek Vahed, vice-president of the National Clothing Federation, says: “With the British and EC markets no longer requesting the Made in SA label, I believe there is enormous scope for all of us to enter the export market.

“By 1992, barriers between Britain and the European Community will fall away and if a manufacturer establishes a base in the UK, it will be the ideal vehicle to do further volumes in EC countries.”

Smaller and medium-sized manufacturers should band together and work collectively as one group, with each participant marketing those items in which he has specific strengths, says Mr Vahed.

The label became compulsory with the British Trade Descriptions Act of 1973, but the European Commission has now decided the Act falls foul of the Treaty of Rome.

Mr Vahed forecasts the commercial rand will depreciate to $0,35 by the middle of the year.

Competitive pricing

Writing in the federation’s latest newsletter, he says: “This will result in such competitive pricing of our garments, after taking into calculation the new incentives, that overseas customers will put their morals on the shelf and be tempted to place volume business with us.”

The clothing industry is under severe pressure because of rapidly escalating input costs, says Mr Hennie van Zyl, executive director of the National Clothing Federation, in the newsletter.

Prices of textiles — accounting for more than half of the clothing industry’s input costs — are increasing by 19,5 percent a year, he estimates.

The price hike is not only 5,5 percent more than the clothing industry’s own output prices, but also 7,5 percent above the clothing retail price index.

Unless the authorities, particularly the Board of Trade, take bold and urgent steps to address the cancer of high input costs, South Africa will never solve its endemic inflation problem and we will just have to be satisfied with the continuation of sub-optimal economic growth and the gradual slide into a typical African economy.”

The financial authorities should avoid action to control the relatively insignificant imports constituting the prime and basic inputs of the various labour-intensive industry sectors making basic necessities such as clothing, he says.

Good news for the industry is that aggregate production volumes are rising, although the latest level is still substantially below the peak reached six years ago.

Total retail sales — a leading indicator of clothing industry growth — continue to increase, although they cannot be expected to continue on this upward trend much longer, he believes.

The trend in retail sales for both men’s and boys’ clothing and women’s, girls’ and infants’ clothing is expected to remain upward for some time.

Clothing industry employment levels continue to increase, although at too slow a rate.

Textile manufacturers, meanwhile, have pointed to alarming increases in the volume and value of imported textiles.

Mr Stanley Shlagman, executive director of the Textile Federation, says official figures for the first nine months of last year show the volume of imported fabrics increased by 22 percent to 212 million sq m and the value by 32 percent to R464 million.

The volume of household textiles rocketed by 169 percent to 1,8 million sq m and the value by 124 percent to R20 million.

“These increases went far beyond any actual increase in consumer demand and affected demand on local production sources,” says Mr Shlagman.

“The concern expressed by the textile industry over conditions in the marketplace have now been quantified and the cause pin-pointed.”
Robert Gentle in London

On Mineral Exports

S.A.'s Hungerprints

Sanctionees Seek

Import-Export Council
Africa is swallowing up South African goods

By ROBERT GENTLE
LONDON — THE true extent of Black Africa’s trade with SA was dramatically exposed this week in an in-depth study by the French-language magazine Jeune Afrique.

Flush with trade statistics, figures, and comments from key African personalities, the report shows a continent swallowing up South African goods at the rate of some R4,80 billion in the first seven months of 1988 alone.

All but one African country — former Portuguese territory Guinea-Bissau — apparently traded with SA in the past two years in everything from vegetables and tinned fruit to airliners and rolling stock.

Figures show total trade increased by 40% in 1986 and 37% in 1987. Growth for 1988 is expected to be even more “commercial spin-offs” from FW de Klerk’s diplomatic forays into Black Africa begin to take effect.

With SA already the 2nd largest trading partner, the links are causing much embarrassment. Uganda’s president Idi Amin has apparently threatened to bar his country the numerous Zambia and Ugandans travelling to and from SA.

French-speaking

Meanwhile, in Pretoria, the few French-speaking civil servants at the Foreign Affairs Ministry have been “submerged” with work since July last year when visits from Made in Zululand delegations, who often stay at the Carlton Hotel, started multiplying.

The report contains some revealing insights into the methods used to disguise and launder SA goods.

“An industrial operation in the Cape recently employed people whose sole task was to remove the stitching from ‘Made in Swaziland’ ones.”

In a similar vein, super-tanpers ferrying crude oil to SA often belong to one company, are operated by another, and fly the flag of a third. On the list of prime suspects are Norwegian shipping lines.

Two such ships had to change names in 1989 after being spotted in SA ports. “The Misciff, flying a Liberian flag, became the Actor, while the Mirafiore saw its name conveniently shortened to Rafio,” the report reveals.

However, not all such efforts succeed. In Zaire, one of SA’s largest clients, the interior of the country’s railway coaches are covered in newspaper showing SA’s national flower, the protea. The interior of two Boeing 727s purchased by the airline Scibe Zairo, show the Fasten Seatbelt sign in Afrikan.

Elsewhere, little effort is made to hide SA links. “In most African cities, from Dakar to Brazzaville, Lome to Lagos, one can see Made in RSA goods in the market places,” the report says.

“Two years ago in Ivory Coast, Safair’s Lockheed freighters were ferrying goods into the Ivory Coast under cover of darkness and away from traditional air corridors. Today SAA has regular flights to the capital, Abidjan.

In Gabon, one of the rare countries that openly trade with SA, France and Italy, is a major food supplier. It is the capital’s number one supplier of tomatoes, and SA is now the third largest trading partner.

And Angola, “even at the height of the conflict there, never stopped importing food and equipment from SA with the help of neutral intermediaries”.

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Activity

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| TOTAL SHARES | 176 |
| DOWN | 34 |
| UNCHANGED | 93 |
| SHARES ACTIVE | 124 |
Zimbabwe’s imports from SA soaring

Own Correspondent

LONDON. — President Robert Mugabe has admitted bluntly that it is impossible for Zimbabwe to spearhead the drive for sanctions against South Africa.

He admitted in a television interview on Tuesday night that while he implored the world to enforce sanctions, Zimbabwe’s own imports from South Africa were soaring.

Mr Mugabe, who will chair a Commonwealth Foreign Ministers’ meeting on sanctions in Harare next week, told the black-orientated British programme Bandung File that Zimbabwe was now importing twice as much from South Africa as it exported and “this does not please me”.

He said: “When we appeal to the international community we always say that the states that are neighbours with South Africa don’t find it easy to enforce sanctions themselves. Let’s face it, that is reality.

“Then we took over, all our trade involving imports and exports went through South Africa.

“Traditionally, some of our importers and business people have been linked with South African suppliers. This has been the problem. Finding new suppliers is also a problem and this keeps us linked with South Africa.”

Asked about his stated intention to socialise his country, he spoke frankly and again ruled out blanket state nationalisation as the path to black domination of production in Zimbabwe.

He said that while he would not allow a “capitalist elite” in his country, ultra-left demands for a headlong charge into socialism would only create chaos.

HARARE. — Police yesterday confirmed that the riot squad were on Monday called out for the second time in a month to deal with angry part-time reservists of the Zimbabwe’s People’s Militia who had not been mustered for paid service.

Zimbabwe’s official news media played down violent clashes near the former Rhodesian Light Infantry barracks in Cranborne, Harare, when 41 members of the peoples militia were arrested for throwing stones.

The clashes paralleled similar incidents at Brady barracks in Bulawayo when the army mobilised a limited number of people’s militia and turned away hundreds more who lacked civilian jobs and were desperate for paid employment.

Between 1,000 and 2,000 men gathered at Cranborne barracks and attacked the military police when only 300 names were called for duty.

“From the start we refused to nationalise anything. If we did it we was because we saw a trend which a particular enterprise was not in keeping with our own national objectives. But even then we never nationalised — we decided to buy-over the enterprises.

“This relates really to enterprises which South Africans wanted to give up by way of inviting foreigners to buy without our knowledge; like the Zim Bank, which is now a state commercial bank.”

He added: “You cannot socialise overnight. Having seen systems elsewhere, we have learned that a rapid pace in socialism which entails nationalisation or confiscation of capitalist enterprises, creates chaos.”

He said he foresaw blacks becoming the “substantial owners of the means of production”, but as a developing country Zimbabwe was starved of technology and it was happening “very slowly”.

At present the majority of African businessmen limited themselves to the retail trade.

Mr Mugabe said sabotage was still a problem for Zimbabwe and he blamed South Africa.

“We still have it (sabotage). There are people who worked in the old Rhodesian Central Intelligence Organisation and who worked in the army and police force. Here and there you get an odd farmer or an industrialist who is co-opted by them. They are all operated by SA.”

He said the South African strategy was to use people formerly associated with Rhodesia. South Africa has not dared to organise commandos of its own nationals, perhaps because they have these people here already — the former Rhodesians.

“They are the people who have been used to hit at the ANC residences and to commit other acts of sabotage, whereas in respect of Botswana, they have been sending in their own people. It is the same in respect of Zambia although there they have also used some local whites.”

On Nelson Mandela, Mr Mugabe said: “I don’t know if the South Africans will release him. There was some talk that he might be released the other day.

“There is nothing to gain by keeping him in prison. Anyway, the people will remain as militant as before, with or without Mandela.”
SA coal import ban 'not legal'

AMSTERDAM — Rotterdam, the world’s biggest port, has no legal means of banning the import or handling of South African coal, the city’s chief legal adviser says.

In a report specially prepared as part of an investigation commissioned by Rotterdam last August into the whole subject of trade in South African coal, the adviser, Mr Dirk Vissers, said no court would uphold a ban no matter how it was imposed.

No Dutch ban on such imports exists at present.

Mr Vissers said in an interview yesterday there was no legal basis for Rotterdam to deny entry to a ship because it was carrying South African coal. He also felt the Dutch state itself would step in to prevent changes in dock leases which might prohibit companies from handling such coal.

"Dutch ports may not interfere in the trade in any commodity that is not already covered by national or international law," he said.

In 1987 the Netherlands imported 1.7 million tonnes of coal from South Africa, but handled more in transit. This does not appear in official statistics as trans-shipped goods are technically not imported. — Sapa-Reuter.
Maize exports could pull in $500m in forex

PRETORIA — Agricultural income this year will be a major factor in the country's overall economic performance. And an important part of it, says Nampo GM Piet Gous, is the likelihood that this season's maize surplus could earn the country more than $500m in foreign exchange.

So far good rains have fallen over most of the country's main growing areas in the western Transvaal and north-western Free State where up to 70% of the crop is grown.

If rains continue for the next two or three weeks a crop of more than 10 million tons is probable, with an export surplus of 4-million tons.

Gous says Sats has the rail and harbour capacity to move and ship the expected surplus within a 12-month period.
Haggie's resilience beats year’s labour disruptions

HAGGIE's pleasing export growth helped offset the labour disruptions which plagued the engineering group in the year to December.

Earnings increased 12% to R61.5m (R54.9m) or R1.97 (2.63c) a share, compared with a 20% increase a year ago.

Nevertheless, the 2.5 times dividend cover has been maintained and a final dividend of 4c (65.5c) has been declared. This brings the dividend for the year to 12c (114c).

Group MD John Feek said yesterday that Haggie had shown remarkable resilience in an extremely disruptive year.

Overall sales volumes only fell marginally since 1987 as pleasing export growth offset a decline in domestic sales. The decline was due to industrial stayaways and plant lockouts, rather than to a lack of available orders.

Turnover increased 10% to R374.7m (R379.4m) but labour disruptions and general cost increases caused a 1.1 percentage point drop in margins, resulting in operating profit of R116.8m, just 1% up on the previous year's figure of R115.5m.

A reduced tax charge accrued from the rand-hedge benefits of improved export volumes and a partial recoupment of previous year's assessed tax losses. Taxed profit therefore increased 9% to R74.4m (R68.1m). Haggie's gearing is a modest 19.4%.

Strong currencies

Feek estimated that Haggie's exports had increased by about 7% in volume but said it was difficult to quantify the improvement because of the different performances by the various companies under the Haggie banner.

He declined to disclose the amount earned by Haggie through exports but said the group had been allocating 20% of production to the export market for a long time.

"We would like to see that 20% realised in sales in the future," he said, and opposed to a mere 3% domestic growth rate, explained Feek.

"We will continue to focus on exports without neglecting our local market," he said.

Haggie became the controlling partner of hacksaw-manufacturer James Nelll SA in Cape Town this year. Last year it disposed of Jackson's Metals and Osborn Aluminium, realised its remaining investment in Chloride SA and increased its interest in Copalcor to 100%.
SA's only manufacturer of integrated circuits is so successful that it is now looking to exports to maintain the desired growth rate.

The main objective of SA Micro-Electronic Systems (Sames) when it was established as a combined venture ten years ago was to make the domestic telecommunications industry more self-sufficient. It has done just that.

When you make a phone call, your conversation is made possible by micro-electronic components from Sames housed in the instrument.

When a company sends a stream of data on the Post Office's Datnet network, it does so with chip sets from SAMES that are the system's core elements.

Sames products are found in a wide range of applications varying from terminals and data communications equipment to central office exchanges.

The Pretoria-based Sames group has three highly-specialised operating divisions. The Integrated Circuit Design Centre is responsible for IC design not only for the group but for outside independents.

The manufacturing division is separated into a capital intensive wafer fabrication plant (where raw silicon wafers are converted into "personalised" micro-electronic chips) and a labour intensive plant (where the chips are put into final IC form).

The third division, the Semiconductor Control Centre, provides testing and screening services for the group and external customers.

Sames can now produce complete silicon solutions for all kinds of business equipment applications, either off the shelf or specially designed, says group marketing manager Yeheuda Zadok. In order to maintain the required growth rate, Sames must export — and it has already achieved breakthroughs into foreign niche markets.
Iscor not worried by US export moves

ISCOR's exports, which contribute significantly to income, would not be affected by a major US steel export move into the European market, Iscor MD Willem van Wyk said.

He was reacting to reports in a recent issue of Metal Bulletin magazine which claimed that US steel producers, traditionally not large exporters, were casting their eyes to the European market.

The report said some US producers, faced with a weaker dollar and a buoyant European market, have expanded their exports in that direction, even selling at a discount to prevailing US prices.

The report added that US producers were attracted to the prospect of a supposedly united post-1992 Europe with a population 40% larger than their own.

Van Wyk discounted the effects of such a move, pointing out an apparent US inability or unwillingness to export steel.

Pointing to the fact that annual US steel exports totalled only 1-million tons compared with imports of 16-million to 18-million tons, he said: "This means that whatever the Americans export it can't have a significant effect on overall world figures."

Media GM Piet du Plessis added that since SA already faced blockages from the European market, Iscor did not actively export steel to Europe.
SA PRODUCERS COLD
Chromie Cuts Leave

FINANCE
Britain's imports from SA decrease

The Star Bureau

LONDON — The value of British imports from South Africa fell from R3 950 million to R2 600 million between 1985 and 1987 as limited sanctions and a British consumer boycott took their toll, according to the Anti-Apartheid Movement. The AAM launched its new Boycott 89 campaign yesterday to promote a widespread consumer and industry boycott of all South African goods, focusing particularly on gold, coal and fruit.

Stores which stock South African goods and companies that trade there will be picketed over the next few months, as will ports that receive South African cargoes. The tourism industry will also be scrutinised.

In a briefing paper the AAM said preliminary figures for 1988 indicated that the fall registered in 1987 had now reversed. "But the main explanation seems to be a change in the marketing pattern of a high value commodity, namely platinum, rather than any substantial change in imports of any consumer goods."

SECOND STRING

After gold and other metals, fruit and vegetables were the second most valuable items imported from South Africa. Other items vulnerable to consumer action, it said, included kitchenware and plastic goods.

According to the AAM, between 1986 and 1987 the value of imports of metalliferous ores fell six percent to R280 million. Fruit and vegetable imports were down five percent to R860 million and textile yarns and non-metallic mineral manufactures were down 28 percent and 89 percent respectively to R110 million and R67 million.

However, imports of power generating equipment were up 180 percent to R53 million and textile fibres up nine percent to R130 million.

Britain, the AAM said, was currently South Africa's third largest trading partner after Japan and West Germany. In 1985 South Africa was only Britain's seventeenth most important market, accounting for a mere 1.3 percent of British exports.
Exports lift AECI to 20% profit rise

AECI's profit increase of 20% follows a trend of strong growth since 1985 and has been boosted a 11% rise in local sales volume and a 32% increase in the value of its exports due to hardened international prices and the weak rand.

The group, which manufactures chemicals, explosives, plastics, fertilisers, vinyl products, synthetic fibres and paint, has achieved earnings of 165c (138c) a share and taxed profits of R263m (R219m) for the year to December.

A final dividend of 50c has been declared bringing the annual total to 75c (66c) a share.

MD Mike Sander says Chor-Alkali and Plastics produced excellent results, while AECI Explosives and Chemicals, AECI Paints and the fibre operations, which include SA Nylon Spinners, all showed strong improvement.

Directors say the improved rain pattern in the summer grain area resulted in some growth in fertiliser demand, but only to the extent of correcting the sharp decline experienced in 1987.

The acquisition of Fedmis in October by the remaining fertiliser manufacturers took place too late to have a positive effect on the group in 1988, but will provide enhanced scope for further rationalisation of excessive overcapacity in the industry, say directors.

The outlook for agriculture is generally better than it has been over the past few years and prospects for moderate growth in fertiliser consumption are promising, says Sander.

Turnover rose by 25% to R4.08bn (R3.27bn). Exports, which increased to R332m (R251m), benefited from the weak rand. International prices for export products hardened and will probably continue to harden as demand and

Higher export values lift AECI profits

In spite of a somewhat higher average level of borrowings and a hardening of short-term interest rates over the year, the increase in financing costs was contained to 14%, say directors.

The Coalplex plant experienced problems in the first six months, leading to decreased production, but a pleasing recovery was achieved and normal operations have resumed, say directors.

Debottlenecking and the commission of a new chlorine extension at Coalplex, will increase production by 25%, says Sander.

The results leave the group well positioned for the current year and thereafter, says Sander.

The group's plants will be run at full capacity for the first time in five years. Raw material constraints, such as the shortage of feedstock, have been overcome.

Provided the economy maintains at least a modest rate of growth, it is expected that a further improvement in earnings will be achieved in 1989, say directors.
Sales of SA diamonds increase in Switzerland

The Star's Foreign News Service

GENEVA — Swiss bankers and precious-stones dealers are reporting a steady shift from London to Switzerland in sales of South African diamonds. In 1983, latest statistics showed, raw diamonds worth about Swiss Francs (Sfr) 564 million were sold in Switzerland, mainly by De Beers' Central Selling Organisation (CSO).

That was about three times the 1987 figure of Sfr189 million, and came as a surprise to financial circles in Switzerland because such trade had been negligible in previous years.

"The situation is very awkward," said one member of the Swiss parliament's foreign affairs committee. "There seems to be a trend towards Switzerland replacing London as the focal point for the sale of South African diamonds.

"There have already been complaints from anti-apartheid groups about the growth in business."

At the same time, Swiss trade journals reported, diamond sales in Britain fell from the equivalent of Sfr1.09 billion in 1987 to Sfr819 million in 1988.

"It appears from the change in trade currents that Switzerland is increasingly becoming the first stop in the movement of raw diamonds, regardless of whether or not rumours are correct that the CSO plans a move from London to Switzerland," remarked the Zurich Tagesanzeiger recently.

Switzerland has always rejected the imposition of any trade sanctions on South Africa. However, Swiss policy is to prevent the use of Switzerland to evade sanctions by other countries.

Government officials said privately that "an eye" was being kept on the diamond situation.
Shareholders

Sylvia Du Plessis

SA RETAIL groups seeking to expand their operations internationally were finding opportunities opening up in Africa, according to SA Foreign Trade Organization (Sato) CE Wim Holtes.

Opening the national retail marketing conference in Johannesburg this week, he said there was a growing awareness in Africa, at a private commercial level, of the value of closer economic links with SA. “This is causing the retail sector to reappraise the growing business opportunities in Africa,” he said.

Effective

Most of the leading retail groups had successfully spread into the BUCV countries, as well as into the BLS states, and they had established an effective distribution and retailing capability throughout Southern Africa.

In its search for new business opportunities outside the urban centres in SA, the retail sector had faced problems ranging from foreign exchange shortages and import controls to transport and logistical issues and travel hazzards.

“These have prevented any but the most efficient and financially strong groups from securing new market niches,” Holtes said.

Africa was not a dumping ground for unsuitable merchandise. “Consumers are extremely brand-conscious and insist on good quality in their day-to-day purchases.”

Channel

The powerful combination of South African retail management and export-import traders could create a strong business channel into Africa, which could become particularly important in two-way trade developments between SA and the various African countries.

“The South African business community will have to ensure that this process enables our major trading partners in Africa to generate the foreign exchange needed to purchase goods from SA. Such a mutuality in business dealings will form a solid basis for long-term relationships,” Holtes said.

24 February 1989

R A du Plessis (Chairman), D G Poulton (Managing), C Cilera, D E J Lovely
President of the Mozambique Chamber of Commerce

Anthony Coombe, President of the Cape Town Chamber of Commerce, warned that the Post PUAS, the stand which would house the Post Office on the site where some of the Post PUAS would be located, would not be able to cope with the increase in traffic. He called for better co-ordination with the Post Office and the Post PUAS to ensure that the needs of the Post Office were met. He added that the need for better organisation and co-ordination was urgent and that the Post PUAS needed to improve their services.

The Chamber of Commerce suggested that the Post Office should consider establishing a separate stand for the Post PUAS, which would allow for better organisation and co-ordination. They also suggested that the Post PUAS should consider expanding their facilities to accommodate the increased demand.

The Chamber of Commerce also expressed concern about the potential impact of the increase in traffic on the surrounding area. They called for better co-ordination with the local authorities to ensure that the needs of the community were met.

Anthony Coombe, President of the Cape Town Chamber of Commerce, said that the Chamber of Commerce was willing to work with the Post Office and the Post PUAS to ensure that the needs of the community were met. He added that the Chamber of Commerce was committed to working with all stakeholders to find a solution that was fair and equitable for all.

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By Anthony Coombe

Mozambique Route to EEC

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He expects the cost to increase to R70/t this year, compared with an expected average selling price of just under R85/t.

Though the current cost structure would lead to higher margins for coal producers, this could be jeopardised by any strengthening of the rand.

Witbank Collieries chairman Allen Sealey says local coal producers can justify investing in new equipment on existing mines, but margins are insufficient to consider opening new ones.

"We are aware of the cyclical nature of this business and have fresh memories of a few years ago when we over-estimated the likely expansion of exports."

But he adds: "Our present mines are being depleted, so eventually we're going to have to dust off our 1985 plans for new mines."

Prices will have to rise above the level of SA inflation, which is already reducing the country's international competitiveness. Says Sealey: "If our inflation rate continues at around 16% compared with America's 4%, soon we will be the high-cost producer and not them."

Simpson McKie analyst Kevin Kurtun says a weaker rand won't help much, either. "There is a trend towards open-cast mining, which means more capital equipment will have to be imported.

"A low rand would obviously drive up costs. But we can't do without this equipment as we need to modernise our mines to keep a competitive edge."

Kurtun says there are several good signs for exporters: Poland has announced it will phase out steam coal exports over the next 11 years, and the strong Australian dollar has reduced that country's competitiveness.

In addition, the Chinese impact on coal exports has been less severe than anticipated because the forecast exports of 30 Mt last year, in reality, totalled barely half that. Much of the coal is not up to export standard and there is stronger domestic demand because of the industrialisation programme in China.

SA exporters are now waiting to see the extent of the Sats tariff increases on April 1.

Sealey is optimistic: "Unless the tariffs are calculated in a manner other than we believe they should be, the increase should not be substantial."
By BRUCE WILLAN
UNIFRUCO, the international marketing group of the deciduous fruit industry celebrated a milestone in its history with the export of its 600 millionth carton of fruit to Western Europe since the Second World War.

This is a far cry from the 14 trays of peaches which were first exported in February 1892 from Table Bay.

This comes in the same year as the organization celebrates its 60th anniversary of single-channel marketing for the export of deciduous fruit.

The specially marked carton of Waltham Cross grapes was loaded yesterday and will be shipped to Britain where it will be auctioned with another 149 cartons of grapes to raise funds for the education of farm children.

It is expected that each carton will fetch in excess of £5 (about R22).

Chairman of Unifruco, Leo Fine says this milestone is a special achievement for the industry.

"With the aid of overseas earnings, which is expected to reach a record R900m this season, a healthy industry with a capital investment of R2 875m has been established."

The organization has a shipping bill of some $60m (R150m) per year for the 110 trips to carry the vast amount of apples, grapes, pears, peaches, apricots, nectarines, plums, melons, pineapples, watermelons, kiwi fruit, mangoes and prickly pears.

Over the past four years deciduous fruit exports have increased by 6m cartons to around 30m cartons a year and Fine is confidently optimistic that this positive growth rate will continue in the future.

Since 1980 Unifruco has almost doubled its export earnings from R245m to the expected R300m this season.

The benefits of the low rand and higher volumes exported are tremendous for the organization.

Manager of Public Affairs, Fred Meintjes says this achievement is quite remarkable considering that all the fruit exported is on a consignment basis and totally at the mercy of the traditional market place.

He attributes the success of Unifruco to the high standards set by the industry and the quality of the product exported.

Fine indicated that the quality of crops is good this year especially the grape crop.
New cover for banks backing exporters

CREDIT Guarantee Insurance Corporation has a new way to protect banks against default by exporters.

It will be in addition to cover protecting banks against failure by foreign buyers to pay for goods or services provided by South Africans.

The policy — a first for SA — makes finance available to approved exporters who, under normal banking practices, would not qualify for it and would be unable to secure certain orders.

The Short-term Export Finance Guarantee protects banks to the extent of 90% of their loan to an exporter. It offers protection against a loss resulting from non-repayment caused by insolvency or protracted default by an approved SA exporter.

Managing director Chris Leinweitz says a bank qualifies for the policy if its loan relates to the financing of approved costs of materials and services required for the production of goods or for the financing of approved export trade debtors.

A pre-shipment guarantee will apply only in transactions covered under a pre-shipment policy issued by CGIC. A post-shipment guarantee will apply only to debtors who are credit insured under a post-shipment policy. As security for the loan, the policies have to be ceded to the lender.

CGIC says the amount of the loan must be expressed in rand and the transactions must cover mainly SA goods.

The premium varies between 1% and 1.5% of the amount of the loan — depending on whether the term for repayment is six or 12 months.

To qualify for the facility, the exporter has to authorize his bank to disclose any information to CGIC and present at least three audited financial statements about his business.

The exporter must also show he can repay the loan from the proceeds of the export transaction.

CGIC has the SA Government as its reinsurer.
Swiss trade with SA rises

Berne — Switzerland's imports from South Africa jumped by 102 percent last year because of a sudden surge in uncut diamonds.

The government disclosure was made in Parliament yesterday in reply to a Socialist MP who asked about media reports of growing trade with SA — in particular the purchase of diamonds.

Some Swiss business journals have reported that Switzerland is replacing London as the focal point for SA's uncut diamond sales.

The government confirmed that Swiss exports to SA last year rose by 16 percent to R700 million, but said that earlier exports had declined every year since 1993, except for 1994.

Imports from SA — excluding gold, which never appears in public trade figures — rose by 102 percent last year to R11 billion.

Of that, 70 percent was in the form of uncut diamonds.

Business confidence index shows decline

By Magnus Heystek

The decline in Assocom's Business Confidence Index (BCI) in February is seen as a pointer to a downturn in economic activity later in the year.

Although there is still considerable momentum in the economy, business sentiment is adjusting to a number of adverse developments, which have materialised in the first two months of the year.

The BCI fell by nearly two points from 96.7 to 94.8, a level last seen in March last year. It signals a clear adjustment in business sentiment to current economic realities.

Assocom adds, however, that the decline in the February BCI does not yet reflect widespread pessimism in industry and commerce, but rather an adjustment of the business mood to current realities.

On next month's Budget, Assocom says the Minister of Finance, Mr Barend de L'Hees, does not seem to have much room to manoeuvre.

"If the fiscal and monetary policies are to operate in tandem, then the very best that business can expect is a neutral or perhaps a slightly restrictive Budget on March 15.

"What will be important to business confidence now is whether in 1989 the economy is allowed to make a 'soft landing'. A small mistake in policy could forfeit a soft landing, whereas timely action of the right kind could avoid a drastic slowdown in the second half of 1989.

The holiday of a lifetime . . .
Harbour loan causes red faces in council

The Star's Foreign News Service

UTRECHT — Rotterdam city councillors have been embarrassed to discover that a large loan granted to extend the fruit terminal in the city's Merwe harbour will also help the import of an annual 14,500 tons of South African fruit.

None of Rotterdam's city councillors, including activists in the Labour Party faction, had realised this until it was too late to cancel the financial contract with the fruit terminal's management organisation.

About 15,000 tons (1.7 percent) of the Merwe harbour's annual 860,000 tons of handled fruit is of South African origin. This is only a small portion of the total South African fruit trade in Europe.

The Fruit Terminal Rotterdam (FTR) management company is unwilling to help the council out of its predicament. FTR refuses to voluntarily relinquish its South African trade and also will not allow any last-minute insertions of any anti-apartheid clauses in their credit contract.

The city council's management committee has now decided to put the council land — designated for the terminal's expansion — on 'temporary hold' until the problem can be debated.

But well-informed sources are sceptical that Rotterdam's business community will back a council attempt to backpedal on the loan.
US ban on SA ivory looms

JUNE BEARZI

THE United States has threatened to slap a blanket ban on the import of ivory and wildlife products from South Africa if the Government does not take drastic steps to crack the flourishing SA-based multi-million rand smuggling rackets.

The ban could be disastrous for the lucrative trophy-hunting industry and the trade in legitimate ivory from elephants culled in the Kruger Park, the experts warn. Both commodities are huge foreign-exchange earners for the country.

South Africa will also reportedly come under heavy fire at the next meeting of the Convention on International Trade in Endangered Species (Cites), of which it is a signatory.

Cites officials maintain that South Africa is not adequately policing the organisation's regulations and has failed hopelessly to stamp out the SA-based "carnage cartels" huge network of operations. Record prices of ivory and rhino horn have resulted in these highly organised, armed gangs turning Africa into a hugely profitable killing field.

According to Mr Rupert Lorimer, Progressive Federal Party spokesman on the environment, concern about the wholesale slaughter of elephants and rhino by poachers in Africa, and reports that much of the illicit trade is channelled through South Africa, has prompted several wildlife organisations to pressure the United States Government into banning the import of South African wildlife products.

Conservationists involved in wildlife research say they have found that 99 percent of the tasks that enter the international marketplace have been taken illegally by poachers.

The black rhino already tops the critical list of endangered species and some conservationists say that Africa's tuskers, too, are being eliminated at such a rate that they could be close to extinction in the wild within a decade.

Mr Lorimer said he had recently spoken to an official from Cites, which uses a numbering system to keep track of tasks. The official has been investigating export and import figures of ivory and other products from South Africa to the Far East, Japan, Hong Kong and Taiwan.

He said that, until 1983, the quantity of ivory sent to these countries from South Africa was far in excess of what it was legally entitled to export. The official pointed out, however, that illegal ivory exports had dropped substantially over the past three years.

Last week the Minister of Environment Affairs, Mr Gerrit Kotze, said he was giving priority to dealing with the smuggling trade.
Gold production up and mineral exports surge 13.1%
Strong export growth boosts Amic

By Am Crett

Amic managed to sustain the sterling performance reported at the half-way stage and for the full year to end-December reported earnings at the top end of the market's expectations.

The strength of the local economy and the excellent performance from the group's export activities enabled management to turn in a 47 percent surge in attributable earnings to R517 million. Earnings per share were up 43 percent to 963c (573c) and total dividend for the year was increased by 29 percent to 290c (225c) a share.

The increase in dividend was on the low side of expectations. Dividend cover has been increased from 2.9 to 3.3 times.

In his chairman's review Mr Graham Boussted stated that the results were largely a reflection of the strengthening of the economy throughout the year and the continuing resilience of the world economies which stimulated strong export growth both in volume and value.

But he cautioned that domestic demand is likely to be subdued by the measures being taken to restrain the economy. In addition, "Although world economies remain strong there are indications that some commodity prices may have peaked and further growth in these markets will be dependent on higher volumes and the performance of the rand in foreign exchange markets."

The star performers during 1988 were again Highveld Steel, Mondi and Boart. This was in line with expectations and in each case reflects the strong contribution made by exports.

At Highveld Steel, turnover exceeded R1 billion. Attributable earnings more than doubled to R121 million, equivalent to 17c (80c) a share.

Higher pulp and paper production and higher export prices enabled Mondi to increase attributable profit by 56 percent to R162 million (R104 million).

At Boart, attributable earnings were up 54 percent to R67 million (R43 million). Attributable earnings at Seaw Metals rose to R62 million (R56 million). AECT's earnings were up 20 percent to R255 million.

Tongaat, Dobly, Samcor, McCarthy and the Ventron group all made sterling contributions to Amic's results.

At year-end the group's gearing was down to 25 percent from 47 percent.

On a general note Mr Bousted referred to the large increases in government expenditure and the associated rise in the tax burden which continue to detract from the country's growth potential.

He stressed the need to ensure that proceeds from the privatisation of Iscor should be used for capital expenditure and not to finance current spending.
Textile exporters gain market share

Financial Editor

SA textile manufacturers exported R150 100 000 of products — mostly made from locally produced materials — to world markets last year.

Announcing this, the executive director of the Textile Federation, Stanley Shlagman, said this total had been achieved in spite of the fact that the international textile market was fiercely competitive and that “producers in the major exporting countries are assisted to a great extent by various official measures and tactics designed to depress the prices of their textile exports.”

“By contrast, SA textile exporters have succeeded in the main through sophisticated and concentrated marketing highly focused on selected market sectors.”

Shlagman pointed out that local textile exporters have also to contend with sanctions and “occasional disinclination to handle SA products”.

He said the export total was made up of R111m worth of yarns, R12.2m worth of woven or knitted fabrics for clothing, R20.2m worth of fabrics for other uses and R6.7m worth of household textiles.

These figures excluded exports of floor coverings, ropes, cordage, geotextiles and synthetic fibres.

Shlagman emphasized that “SA textile exports have a high value added content, and locally produced raw materials are used extensively.”

“This contrasts favourably with the exports of certain industries which, although valuable, are largely dependent on imported inputs.”

“The net foreign currency gained represents a commendable percentage in the case of the textile exports.”

He said the report expected soon from the Board of Trade and Industries “may provide certain specially structured export promotion schemes for the textile and clothing industries which could result in a higher level of both direct and indirect exports.”

“Indirect exports, made up of local fabrics supplied to downstream industries, have not been a major item in the past but may be more significant in future.”

Cut rate car hire is part of the deal
SA cashes in on coral beaches

Business Times Reporter

MOVES to protect the coral beaches of Mauritius have opened up a huge export market for South African building materials.

Expansion in the island's textile industry, which has resulted in a boom in factory construction, has led to an increasing shortage of natural aggregates used by the building industry.

Doors

Delays in factory construction have opened the door to imported materials.

Cashing in on the demand, Johannesburg-based Multi Construction Chemicals (MCC) has built up strong exports of concrete additives and mixers in the past 10 months.

Its success has led to plans to use Mauritius as a launch pad for an export drive to Madagascar, the Seychelles and the east coast of Africa.

MCC director Trevor Enerson, who is in charge of the project, says the volcanic nature of the island means that there are virtually no natural aggregates.

A Government move to protect the environment banned the use of coral sands for building, forcing the construction industry to use crushed volcanic basalt rock lava — which produced a concrete that was difficult to work.

The Government also clamped down on the manufacture of lime from coral, which led to more problems in plastering and rendering.

"This opened up a market for us in mortar plasticisers and concrete additives," says Mr Enerson.

Textiles

MCC initially exported a floor hardener to Mauritius. It was used in what is believed to be one of the largest floors laid in one operation — 22 000 square metres for one of the island's textile mills.

The independent company, which specialises in chemical compounds for the mining and construction industries, believes that its export drive has been helped by the low cost of its admixtures.

"A technology agreement with Sentrachem subsidiary Karbochem gives us access to SA materials, enabling MCC to deliver highly competitive products," says Mr Enerson.

It also provides the company with greater access to SA technology and sophisticated research and development facilities.

SA use of concrete admixtures has been limited, mainly because of the high cost of imported materials. In the US and Japan up to 80% of all concrete poured contains admixtures, but in SA the total is barely 15% to 20%.

MCC's development of SA materials has lowered the cost of admixtures for the construction industry.

"Exports have become a reality," says Mr Enerson.
MULTI Construction Chemicals (MCC) plans to use Mauritius as a launching pad for export drives to Madagascar, Seychelles and the east coast of Africa.

MCC is a Johannesburg-based company specialising in chemical compounds for the mining and construction industries.

MCC director Trevor Emerson said the company would begin the export drive in the next seven to eight months.

A textile boom in Mauritius had opened up a concrete admixtures market for MCC, which specialised in chemical compounds for mining and construction industries.

Exporting began 10 months ago with MCC shipping 240 tons of industrial floor hardeners for the Mauritian textile industry.

Mauritius established itself as an export free zone after textile importers sought new countries from which to import textiles because Hong Kong began selling its textiles to the communist bloc, Emerson said.

The construction of new textile factories in Mauritius was hampered by a shortage of natural aggregates, leading to the need for imported materials.

MCC introduced a special floor hardener to Mauritius and laid 22,000m² of floor at one of the country’s largest textile mills.

MCC’s strong foothold in the ready-mix concrete market in Mauritius was attributable to the low cost of its admixtures, said Emerson.

Owing to a technology agreement with Sentrachem subsidiary Karbochem, MCC had access to local raw materials, enabling it to offer low cost products.
Islands deny SA trade tie-ups

PORT LOUIS — Mauritius and the Seychelles have denied strongly that they are being used as re-export bases for South African goods.

At the end of an official visit to Mauritius, Seychelles President Albert Rene said there was no truth in the allegations.

"We were once approached by Indian businessmen to that end, but we categorically turned them down," he said.

Mauritius's External Affairs Minister Sir Sat-cam Boolell also denied that his country was being used to re-export South African goods in violation of international sanctions.

Mr Rene told journalists that he will not seek a fourth term as head of state in the Seychelles.

"I am entitled to three mandates. The law does not allow me anything else. "What I intend to do afterwards is go fishing."
ATLANTIS-based Sun Packaging (Sunpak) is increasing its capacity to cope with growing export and domestic orders, new CE and deputy chairman Ian Strachan said yesterday.

Export business has grown to such an extent that Foamtek MD Richard Ball is now dealing with it entirely and Strachan has come from Nampak to fill the new position of CE.

And the directors say the growth of the informal sector in SA “is being reflected in firm demand for our products”.

But, because unforeseen political circumstances delayed the delivery of key capital equipment, the group is behind budget with earnings for the six months to February 28.

Executive chairman J H “Tubby” Gericke explains that the delay meant that the label and laminated food tray divisions did not expand production to make expected profits in the first half of the financial year. He has therefore revised his earnings forecast for the year as a whole to 20c from an earlier 25c a share.

Earnings in the first half rose to 7.4c (5.7c) a share. Net after-tax income was 10.4% higher at R2.9m (R2.5m).

Operating income rose to R4.2m (R4m) but the interest bill also rose to R288 000 (R24 000).

Gericke says that the operating income of the food tray division rose by 40% compared with the same period the previous year. “This increase was due mainly to improved production efficiencies and a growth in the national food tray market.”

Export orders for Foamtek synthetic papers and labels now exceed the total production for the next 12 months. Plans for a second production line to double capacity is expected to be in use and contributing to earnings by next month.

SUN PACKAGING has offered to share imported technology with competitors — provided they cease to use CFC gas, recognized as a threat to the ozone layer, as a blowing agent.

Sunpak executive chairman Tubby Gericke makes the offer in his interim report, in which he says that “government’s response to the growing public awareness of the CFC threat has been tardy to date”.

He says that two of the three Sunpak factories have already been converted to the use of blowing agents free of CFC. The conversion of the third is due to be completed by November this year.

Gericke says that earnings for the second six months are traditionally better than for the first half of the year. “Prospects for future growth are excellent with our new high-tech products being everything I expect.

“I am confident that the dependence on white food trays for earnings growth will be reduced substantially in future.

“Political developments, local and international, have reinforced both our decision to expand globally and our substantial local investment.

“The exciting and largely unrecorded growth of the informal economy is being reflected in firm demand for our products. Improved individual income generates a demand for superior packaging.”
Less SA wool exported

SA’s wool exports have dropped by nearly 26-million kilograms since the 1983/84 season to 57-million in the 1986/87 season, but the weak rand caused the value of exports last year to reach a record high of R628m.

Wool Board MD Faan van Wyk said yesterday the drop in export volumes was due to falling herd numbers because of drought and not sanctions. Stockpiles released from the 1982/83 season caused the following season’s exports of 85.5-million kilograms.

There were now no stocks left in SA and practically the entire clip had been sold, he said.

Mohair Board posts R23m in back-pay

PORT ELIZABETH – Mohair Board chairman Gielie Grobler announced that back-payment cheques for R23m were posted to mohair producers yesterday.

Grobler said a further R14m would be paid to producers after the stabilising fund had bought unsold stocks that had accumulated since 1986 at the current market value. Producers would be paid relative to their share of the accumulated stock.

Grobler said although the mohair market had not yet recovered fully, prospects were far more promising now than a year ago. — Sepa.
Little Real Growth in Exports

By Neil Behrman

LONDON — A strong dollar and

imports

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STATIC FOREIGN TRADE

Exports and imports were virtually unchanged in February, as exports showed little sign of breaking from their lacklustre performance of early 1989.

Exports of R3,8bn — down a bit from January’s R3,85bn — are sharply below R4,51bn (December) and R4,46bn (November). Imports eased to R3,25bn from R3,32bn, for a R53,5m surplus (US$224m at February’s average exchange rate), up from January’s R55,2m ($229m).

Revised surpluses in January and February 1988 were R863,3m ($438m) and R679m ($330m). They were originally reported as R550,3m and R647,1m.
Textile-makers win tough export battle

By Don Robertson

SOUTH African textile manufacturers earned R150-million in foreign currency last year in difficult and competitive export markets. It is hoped that after the Board of Trade and Industries (BTI) reports on its investigations into the clothing and textile industries new export promotional schemes will be introduced.

These schemes should help the trade make further inroads into export markets. In 1987, exports suffered from the loss of the US market because of sanctions and reached only R120-million. Since then this share of the market has been recouped and further progress has been made. Inflationary factors have added to the 1988 figure.

Stanley Shlagman, director of the Textile Federation, says that because of the competitive nature of the business, textile producers in major exporting countries are helped by their governments.

In SA, however, manufacturers receive little assistance and the success has come from sophisticated and concerted marketing focused on selected targets and markets.

Textile producers have also had to combat sanctions. Of the export figure, R111-million was made up of yarns, R32.4-million woven and knitted fabrics and R6.7-million household and domestic textiles. These figures exclude exports of floor coverings, ropes, cordage and synthetic fibres.

Mr Shlagman says SA's textile exports have a high added content and SA raw materials are used whenever possible. Any incentives offered by the BTI could increase indirect exports, which involve the supply of textiles to downstream industries. Although not a major factor in the past, this type of export could increase. The BTI report is expected soon.
Exports, weak rand boost Meritex profit

By AUDREY D'ANGELO
Financial Editor

EXPORTS and the weak rand helped Cape-based clothing and textile group Meritex to lift after-tax profit for the year to January 31, by 45% on a 22% rise in turnover.

Chairman and MD Ed Gordon said export turnover had "increased by an excellent 62%" during the year, causing a substantial reduction in tax liability.

But he emphasized that exports were still below 7% of total group turnover — and would be kept below 9% until the government confirmed long-term export support for the garment sector.

This was group policy "in order to avoid throughput disruptions from any reduction of export incentives".

Meritex achieved income of R5.8m (R5.3m) before tax and interest. The interest bill dropped to R226 000 (R372 000) and the tax bill to R1.2m (R1.8m) leaving after-tax income of R4.6m (R2.8m).

Attributable income rose to R4m (R2.8m) and earnings were 37% higher at 28c (18c) a share. The dividend was 7c (6c) a share, covered 3.7 times (3.2 times) by earnings. The net asset value has risen to R7c (6c) a share.

The directors say they concentrated on refocusing the group's activities in the past year.

The restructuring included the sale of the Meritex outerwear division assets to a new company, New Colours Clothing, which is a joint venture between Meritex and the Polo men's fashion group.

Capital expenditure was greatly increased for the second year running, to expand group garment and fabric manufacturing capacity and the textile printing operation.

"This programme includes a vertical T-shirt manufacturing capacity in Parow at a capital cost of more than R3m."

Gordon said the outlook for the group remained favourable, in spite of predictions that the economy would slow down, because the order book for the remainder of the current year looked "extremely good".

However, he warned, there was a danger that higher interest rates, labour difficulties, overseas sanctions and trade boycotts could have an adverse effect on operating profits.
Suppliers' order books full until 1990s

Austrians on lookout for scarce SA metals

AUSTRIA wants to increase its imports of SA ferro-alloys and steel, but the suppliers' order books are full until the 1990s.

Austrian trade with SA showed a turnaround from 1986 and 1987 when its imports from SA increased by 35.3% to R267.3m in 1988. Its exports to SA rose by 45.9% to R218.6m, according to figures released by the Austrian trade delegation in Johannesburg.

This makes SA, after Egypt and Algeria, Austria's third largest trading partner in Africa, although trade with SA is only 0.3% of Austria's total.

The Austrian trade representative in SA, Heinz Rampitsch, told Business Day the country was keen to improve bilateral trade relations because SA's export prices were "unbeatable".

Austria would like to import more of SA's ferro-alloys, commercial steel, stainless steel and ferrochromium. It would in turn export these to several Eastern Bloc countries, or would add value in manufacturing. But the order books of SA ferro-alloy and steel producers were filled until the 1990s, Rampitsch said.

Such imports would not be prevented by Austria's policy on sanctions. Its banned list includes Krugerrands, some steel products and cultural and sporting relations with SA. Austria also prohibits trade in arms, technology and electronics with the SA Defence Force, SA Police or nuclear facilities.

There are 25 wholly-owned Austrian companies in SA, the largest of which is the engineering giant Voest-Alpine. A further 200 to 300 Austrian companies are involved in imports and exports.

The largest exports to SA involve technology and capital projects, such as the Corex plant at Iscor's Pretoria works, as well as machinery, paper, metal goods, chemicals and synthetic fibre. SA's exports to Austria are mainly minerals, fruit, chemical products and non-ferrous metals.

The improvement in trade represented a reversal of the negative trends in 1986 and 1987. After the mild sanctions packets introduced by Austria in 1985 and 1986, trade with SA declined.
Grain exports may earn R2bn

PRETORIA — Grain exports this year were expected to be the biggest on record and could earn up to R2bn, agricultural authorities said yesterday.

But, they expressed doubt whether the transport system would be able to cope with the huge tonnages.

Discussions involving such logistics have been taking place between the Maize Board, the Wheat Board and Sats.

It was feared the infrastructure — rolling stock and handling, loading and storage facilities at the ports — could be seriously overloaded.

The Maize Board expected an 11-million ton crop to gross a record R3,3bn with farmers' gross earnings up by about R1,5bn on last year's.

The total amount available for export would be in excess of five-million tons and forex earnings could exceed R1,5bn.

Board economist Johan Willemse said based on conditions and world supplies, SA exports should gross around R800 a ton.

Wheat Board sources said the record 3,4-million ton wheat crop left a surplus for export of 1,2-million tons, about 76% of which had already been shipped abroad.
Vansa's forex earnings could top R100m.

The Vansa Vanadium mine in Lebowa is expected to earn more than R100 million in foreign exchange in the near future.

Officially opening the mine at Steelpoort in the Lydenburg district on Friday, the Governor of Lebowa, Mr Mogoboya Ramodihe, said tax revenue and workers' salaries from Vansa Vanadium would assist the homeland and surrounding areas to achieve greater economic independence.

Mr Ramodihe appealed for additional investments in the area.

He deplored those advocating sanctions and disinvestment as they hurt economic development.

Mr Alan Sealey, deputy chairman of Rand Mines, said prices for vanadium pentoxide had exceeded those anticipated, which augured well for the mine's future.

However, full production levels had not as yet been achieved, Mr Sealey said.

The opencast operation, with ore deposits of 2.9 million tons, has a workforce of 300. Vansa's shares were heavily traded last week, but the price fell by 5c to 87c. — Sapa.
Exports needed to revitalise wine industry

By Dick Usher

CAPE TOWN — The Cape's 3,000 wine farmers are caught in a squeeze between swiftly rising costs and slow growth in sales.

While per capita consumption of wine and wine products such as fortified wine and brandy has dropped since 1970, total consumption has risen from 160 million litres to 270 million litres, leaving the industry increasingly dependent on exports for its economic health.

KWV said recently that one of the most important factors in maintaining profits was a significant increase in exports.

KWV reported considerable success in developing new markets and, according to the annual report, exports picked up in the second quarter to grow 20 percent in rand terms for the year. Packaged products achieved a "noteworthy" growth of 33 percent.

Producers have already received R11.1 million for 1988 with a further R7.1 million now due making the full payment for 1988 R18.2 million against R18.1 million for 1987.

Mr Theo Pegel, chief personnel executive for KWV, said wine was extremely important to the economy of the Cape. The 3,000 farmers employed about 50,000 people who in turn had about 250,000 dependents.

But several factors limited broadening the market base.

Overseas there was resistance to South African agricultural products generally, which also affected wine.

"To complicate matters further, while beer is sold under a few brand names, wine has a huge range of 'brands', estate wines, co-operative wines and cultivars within the basic divisions of dry, semi-sweet and sweet wines."

Wine is also strongly area-based, with most wine being consumed in the area in which it is produced.

"For wine, the Transvaal becomes an export market because it's more expensive to get it there than overseas it also faces a cost disadvantage in markets outside the Cape," said Mr Pegel.

These factors are reflected in the drop in annual per capita consumption of wine from 8.75 litres in 1970 to 8.06 litres in 1987.

Fortified wine dropped from 2.59 litres to 1.46 litres a year and brandy from 0.50 litres to 0.48 litres over the same period.

Meanwhile, costs had been rising on all fronts. Up to 30 percent of costs went into labour and farmers have been conscious of the need to improve living conditions for their workers.
Exports keep manufacturers optimism high

EASTER holidays in March resulted in a marginal decline in confidence among the manufacturing sector, but exported goods kept optimism in the sector high.

The SA Federated Chamber of Industries (FCI) monthly index, rating manufacturers' confidence on the strength of their order books for the month and coming year, fell to 140 in March from 146 in February, but remained strongly above 100 - the line of pessimism.

Other reasons for the decline were the discounting of the interest rate rise in late February. Their responses were also measured days after the delivery of the Budget in early March.

FCI chief economist Roelof Botha said he did not expect the downward trend to strengthen, especially not after the election announcement, as this could have stimulatory effects on spending.

FCI's economic consultant Gad Arievich said official statistics for 1988 released recently confirmed the strength FCI had been measuring. The manufacturing sector created 25 000 jobs last year, according to the Central Statistical Service. Most of these were in capital intensive and high-tech industries.

"If you take into consideration the feeder workshops and smaller formal industries that service the larger industry, we deduce that at least another 25 000 jobs, or 50 000 in total, were created in the First World Western standard manufacturing sector."

The best performing metropolitan areas in March were Maritzburg (168), Port Elizabeth (160), East London (146) and Transvaal (148).

FCI executive director Ron Haywood pointed out Maritzburg was in the midst of the wood-processing industry and its score showed it to be performing well in the export industry. The city had also been zoned for decentralisation benefits.

Southern Transvaal chamber president Evert Groeseweg said there was a clear sign of tiredness in the local durable consumer goods market and that export industries were "going like a rocket".
Manufacturers step up export drive

By Michael Chester

South African manufacturers are planning to crack the sanctions blockade and create more new jobs with a stronger export drive, according to the Federated Chamber of Industry.

FCI executive director Mr Ron Haywood believes the renewed export offensive will more than compensate for any shrinkage in consumer demand on the domestic market in the next few months.

Mr Haywood said yesterday that manufacturers were laying out strategies for deeper penetration of overseas markets to counter-balance the chances of a decline in domestic business caused by the 1989 Budget and the impact of higher interest rates.

The industrial sector was also aware that it carried responsibility for being the biggest avenue for new job creation in the country to cure unemployment problems.

FCI economist Mr Roelof Botha said that although the March barometer of activity inside the manufacturing sector had been nudged off a record peak touched in February, allowances had to be made for seasonal factors.

All in all, the confidence of manufacturers about the outlook for total sales over the next 12 months - with home and overseas markets combined - was still heavily on the optimistic side of the scales.

On an FCI index of expected production levels over the next year, the latest reading still stood at a national average of 140 - down from an unprecedented 158 three months ago but still well above the 100 mark that measured the balance between pessimism and optimism.

The brighter outlook for overseas sales was confirmed by Mr Evert Groeneweg, president of the Southern Transvaal branch of the FCI and financial director of the vast Barlow Rand industrial conglomerate.

Mr Groeneweg said: "South African consumer demand for durable goods may be showing signs of tiring - but exports are going like a rocket. That's where the action is at the moment.

"The outlook is strongly positive. And we still have lots of spare industrial capacity lying in reserve to increase the pace of the export tempo."

Mr Haywood said a number of major companies were now laying out plans to insist on at least 30 percent of industrial products being shipped to overseas markets. Optimism had also been inspired by government outlines of new export incentives to be introduced on April 1 next year.
Spl looks to higher royalties from exports

The company announced this week that it will increase sales of its software products in the United States and other key markets. The move is part of a strategy to expand its reach and increase revenue from exports. According to the company, its software is used by over 50% of Fortune 500 companies and has seen significant growth in recent years. The company expects to see continued growth in the future as it expands its presence in new markets.

The expansion is part of a broader strategy to diversify the company's revenue streams and reduce its dependence on a single market. The company has also been focusing on developing new products and services to meet the growing demand for software solutions.

The company's CEO said that the expansion is a natural next step for the company, which has long been known for its innovative software development and customer-focused approach. The CEO added that the company is well-positioned to take advantage of the growing demand for software solutions and is confident in its ability to continue driving growth in the future.
Boom in non-gold exports takes up slack

support from gold — the pillar of SA's exports.

Trust Bank economist Nick Barnardt says economic growth world-wide and our soft exchange rate should have a powerful effect on SA's overall export performance, with favourable volumes and prices making a sizeable contribution to the balance of payments towards the end of the year.

However, Barnardt cautions against making a direct calculation relating trade figures to the balance of payments as there are many compensating factors. Safta CE Wim de Villiers agrees good foreign market conditions will counter the gloomy outlook for gold.

Working on a gold price at current levels, he predicts a trade surplus of R7,5bn markedly in the third quarter, for a just-in-time recovery on the balance of payments.

In January and February, exports amounted to R7,4bn and imports were R6,6bn, Bureau of Economic Research economist Adriaan Mocke estimates net transfers and service payments were R1,5bn, suggesting the balance of payments current account was in deficit.

Trade figures for March, due out next week, are expected to begin to show an improvement, although there has been no

Boom in non-gold exports takes up slack

for the year, down from the R10bn achieved last year.

SA Agriculture Union chief economist Koos du Toit says agricultural exports will perform particularly well this year on increased volumes and higher prices, particularly for sugar and maize.

SA is also to become a significant exporter of grain for the first time this year, and fruit, wool and meat exports are also high.

Agricultural exports are expected to make up about 10% of total exports, as opposed to about 8% last year, and could have a favourable effect on the trade balance, du Toit says.
European export drive for Spurhold

CAPE-based Spur Steak Ranches (Spur) and its holding company Spur Holdings (Spurhold) increased earnings a share by 22% and 20% respectively for the year to February as an unchanged dividend of 10c a share was declared.

Spursteak reported earnings a share of 11.63c (9c), with attributable profit up 36% to R1.6m (R1.2m) on a 53% increase in turnover to R8.3m (R5.7m). A dividend of 11c (9c) a share was declared.

Export activities

Spurhold chairman Allen Ambor said Spurhold would begin trading through a retail franchise operation in Europe this year in partnership with a European consortium.

The export activities — which account for a marketing expenditure of R300 000 in Spurhold’s results — were designed to generate foreign income to establish the effect of a rand hedge on future earnings growth, said Ambor.

Spurhold would also export SA-manufactured equipment and sauces used by Spur Steak Ranches.

Spur had developed and implemented a new fast food franchise Ranch-Style Chickens and Burgers (with three trading outlets) and would soon launch another franchise, Super Fish, said Ambor.

IN BRIEF
The Minister of Agriculture

1988

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Cycad export permit query

CAPE TOWN — There should be an urgent investiga- 
tion into a permit for the export to Madeira of some 
760 cycads granted to a "friend of the National Par-
ty" Joe Berardo, DP spokesman on environmen-
tal affairs Rupert Lorimer said in Parliament yester-
day.

Constitutional and Planning Minister Chris Heunis 
said all the conditions in the agreement governing the 
export of cycads had been met. There was according-
tly no reason not to issue the permit. — Sapa
Export of cycads to Madeira slated

Permission was given by the State for the export of 725 "priceless" cycads worth about R700 609 to Madeira, because all conditions set out in an international conservation agreement had been met, Minister of Constitutional Development and Planning, Mr Chris Heunis, said.

But Mr Rupert Lorimer (DP, Brynston) said it appeared the exporter, Johannesburg businessman Mr Joe Berardo — "a friend of the National Party" — had apparently managed to "bend the regulations and export priceless specimens" classified as "endangered".

Speaking during a mini-adjournment debate on a question by Mr Lorimer, Mr Heunis said according to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Cites), trade in certain cycad species was allowed if certain conditions were met.

These were that the export must not be detrimental to the species; that the exporting country must be satisfied the specimens were not obtained illegally; that the specimens were prepared and shipped in a way which minimised risk of damage; and that the importing country had issued an import permit.

Mr Heunis said: "In the case of the export of cycads to Madeira, all these requirements had been met and accordingly there was no reason not to issue the Cites permit."

Mr Lorimer said that whatever the technicalities of the argument, he could not understand how these "priceless, living fossils that were possibly starting their growth when Van Biebeeck arrived at the Cape" could have been allowed to leave South Africa.

He believed it amounted to a contravention of the spirit and probably the letter of the Cites agreement and he appealed for a Government investigation.

He said he could not believe an export permit could have been granted unless "pressure was exerted by someone... and it must have come from high up". "What special pull did Joe Berardo have?" he asked.

Mr Clive Derby-Lewis (CP, Nominated) asked whether it had been established that the plants had really ended up at the Madeira botanical garden, or whether they were actually in the grounds of a new hotel being built there with South African capital.
Vandium Producers Shun Refining

Amendment

The proposed amendment to the existing regulation regarding the production and trade of vanadium would allow producers to focus solely on their core competencies, thereby reducing the overall costs and increasing efficiency. This change would also encourage innovation and competitiveness among producers, leading to a more robust market for vanadium products.

Retailers,

The product quality and consistency are crucial factors in determining the success of any vanadium producer. Therefore, it is essential to ensure that all suppliers meet the required standards. The proposed amendment will enable producers to focus on their core activities, leading to improved product quality and increased market penetration.

Janet Stoddard

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Appendix

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MINISTRY OF...
McCryStal unveils plans
to boost export earnings

By Michael Chester

The rand is at least 20 percent below its true value when measured against a basket of currencies used in foreign trade.

Against the Japanese yen, the rand is now under-valued by as much as 42 percent.

These disturbing figures were given by Dr Lawrence McCryStal, chairman of the Board of Trade and Industries in Johannesburg yesterday.

He told businessmen at a Federated Chamber of Industries (FCI) conference that new strategies were planned to streamline the whole industrial sector with the aim of boosting export earnings by billions of rands a year.

Massive overhaul

Dr McCryStal said the key to the strategies was a massive overhaul of the structure of the manufacturing sector.

He expected the weakness of the rand exchange rate to continue as a strong ally of exporters.

And Dr McCryStal assured exporters there was little or no likelihood of any appreciation of the rand exchange rate in the short term — keeping intact their price edge against overseas competitors more than compensated for the burden of domestic inflation.

The aim of new strategies was to ensure that South Africa itself gained the biggest benefits from its mineral riches.

Instead of concentrating on the export of raw materials, it was planned to increase their value dramatically by processing them into finished products.

The master plan revolved around the concept of "industrial pipelines" — starting with the mining of raw mineral ores and steering them into beneficiation programmes to the production of final products.

Dr McCryStal said the strategies were being designed to alter the entire shape and direction of the industrial sector.

The potential was illustrated by Paul Hatty, technical consultant at the Barlow Rand industrial conglomerate.

One example was the wastage in chrome ore, he said.

Last year, South Africa, by far the world's largest producer, exported raw ore at only R178 a ton.

Even to the next stage of conversion to ferrochrome, the added value amounted to no more than R1 500 a ton.

Yet, had the ore been processed all the way to such end-products as stainless steel pots and pans, the added value would have been worth R25 000 a ton.

In fact, export income from stainless steel products last year amounted to only R200 million.

Had the basic ore been steered along the industrial pipeline system from the mines to final manufacturers, the export value would have soared to almost R2 billion.

The exercise — using the added value of each stage of processing from raw materials to end-products could also be repeated in a vast range of mineral ores, timber and agricultural and fishery products. Billions of rands were at stake.

Dr McCryStal said a number of industries had been selected for special attention, with possible protection from import competition, assistance with productivity schemes, export incentives and the encouragement of more small businesses to act as sub-contractors.

They included iron and steel products, textiles and clothing, processed foods, footwear, mechanical equipment and electrical products such as cables and transformers.

Electronics sector

Restructuring was already underway or planned in the motor industry and the electronics sector.

The plans aimed at expansion of a robust 12 percent a year in top industries turning out final products — with a doubling of their export earnings in the next four to five years.

FCI executive director Ron Haywood said South Africa was already exporting to as many as 47 African countries.

With peace and stability on the sub-continent, prospects were improving by the day about the creation of a powerful new trade and economic bloc embracing the whole of sub-Saharan Africa.
Concern over export of cycads

CAPE TOWN — The value of the 725 cycads exported to Madeira last year was said to have been R2 million, the Labour Party spokesman on the environment, Mr G Morkel, said in Parliament yesterday.

He said experts had expressed concern over the manner in which the plants had left the country. Mr Morkel said the Minister of Environmental Affairs, Mr Gert Bosse, should investigate and issue a statement. — Sapa.
SA exports are well on the way to recovery

Business Editor

EXPORT volumes are pretty static in spite of their value — R12,8-billion from January to March — being 16 percent up on the same period last year.

This is because the rand fell by 17 percent against the US dollar over this period, says Saffo economist Bruce Donald.

After very disappointing preliminary figures in the first two months of the year, it seems that, following a dramatic improvement in March, exports are well on their way to recovery.

Exports surged from an average of R3,8-billion in January and February to R5,1-billion in March.

Positive signals

"There are positive signals which indicate that the situation in 1989 should continue to improve, and that exports could show a marked increase in real terms by the end of the year," says Mr Donald.

Bumper agricultural exports, coupled with a heavy international demand for base metals, steel, coal, diamonds, and minerals other than gold, are expected to compensate for the poor showing from gold.

Good foreign market conditions and the support of a weak rand should result in a strong local export performance, putting the balance of payments into a surplus by the year-end — provided the value of essential imports is not increased by currency weakness and inflation does not offset the low rand advantage for exports, says Mr Donald.

Imports rose 15 percent in the first quarter of 1989 compared with the same period last year.

Import growth has been declining since January, indicating that tighter import restrictions and the fall in the rand exchange rate are beginning to bite.

At R2,76-billion in the first quarter of 1989, the trade surplus stood 19 percent higher than the trade surplus in the first quarter of 1988.

For January to February 1989 the surplus was actually 39 percent down on the same period last year.

Estimates, based on a services deficit of R3,4-billion, put the current account in a slight surplus in the first quarter.

Reserve Bank adjustments to the preliminary Customs & Excise figures could make a considerable difference to the latest data, Mr Donald points out.

"If the change to last year's figures is anything to go by, it is likely they will be adjusted upwards."

Revenue derived from CSO diamond sales is not included in the preliminary Customs & Excise figures, and usually gives rise to a substantial improvement on the export side of the trade account.

Strong base metals

The change to last year's figures also had to do with the strong performance of base metals, which was not initially taken into account.

Commentators estimate an adjusted current account surplus for the first quarter of around R1-billion.

"South Africa needs a current account surplus of at least R4-billion this year to comfortably meet a maximum of $1,7-billion in foreign debt payments and to accumulate reserves," Mr Donald added.
SA opening markets in Asia, Eastern Europe

THE Department of Trade and Industry is undergoing a restructuring to help exporters, director of trade promotion Bert Pienaar told the FCI Industry Ahead Conference last week.

Following government’s new export promotion formulas, the department was being restructured into sections to deal with conventional trade, unconventional trade and trade with Africa.

“We have had excellent progress in entering markets that do not openly trade with SA. Counter-trade has become a vehicle into Asia and Eastern Europe. We have been invited to Hungary, Poland and the USSR.

“Since the peace initiative in Namibia, various new African markets have been opened to us, and the department has established an African Bureau through which we hope to assist businesses.”

The department’s offices overseas would be put to more efficient use to keep contact with foreign industrialists and even negotiate deals on behalf of businessmen in SA.

The department was also building a data bank on each country. As chairman of the export credit guarantee reinsurance committee, Pienaar said he had access to information on credit-worthiness and import barriers in other countries.

“We will not make the same mistake as the US did in its trade with Africa. We can not afford hand-outs, but we can offer competitive products.”

Pienaar, until recently SA’s trade consul in Taiwan, said South African industrialists lacked an export culture. Import replacement had been the focus of industrial development over the past few decades, and this was reflected in the quality and standards of goods made in SA.

“Taiwan would not permit foreign investment if the company did not commit itself to exporting. Taiwan has always considered the world as its market, while its local market is only a segment of the total market.”

Pienaar assured the conference government wanted to accommodate bona fide exporters. For this reason, Section 11 bis of the Income Tax Act is being retained for a further three years as the new export schemes were phased in.

Regarding the industry-specific export incentives designed for the so-called “sunset” industries, he said any industry that believed it qualified could contact the Board of Trade and Industry to get a pipeline study done. The incentive scheme would benefit all industries that delivered inputs into the pipeline.
SA's export earnings were R27,1bn in 1988

Mineral sales up 16%

CAPE TOWN — SA's mineral sales totalled R33,4bn in 1988, 16% more than in 1987.

According to the Mineral and Energy Affairs Department, this improvement is mainly attributable to a worldwide hardening of mineral prices and further weakening of the rand against the dollar.

Export earnings of R27,1bn accounted for 81% of total mineral sales, according to the department's annual report tabled in Parliament. Revenue from mineral sales to the domestic market totalled R6,3bn, reflecting an improvement of 35.6% on 1987's earnings, and due to stronger rand prices for copper, zinc, nickel, coal, titanium, chrome ore and granite.

Gold was the main contributor to total mineral earnings, with total revenue amounting to R19,7bn, compared with R17,8bn in 1987. The 112.7-million tons milled was 4.7% higher than in 1987, while total gold output amounted to 618t, against 602t the previous year.

Coal was the largest foreign exchange earner after gold. Despite highly competitive markets and an oversupply situation, SA coal exports reached 42,6m tons, with export revenues totalling R2,7bn. Domestic sales pushed total earnings to R5,7bn.

Owing to greater international steel demand, iron ore exports climbed 26.3% to 11,1m tons, earning R3,8bn. Domestic sales rose 11% to R2,6bn, pushing total revenue to R4,5bn.

Local sales of chrome ore decreased 6.4% to 2.2m tons. With a price rise of 14.1%, revenue climbed 6.6% to R1,17bn. Export volumes rose to 3.4m tons, with revenue soaring 53.3% to R743m. Ferrochrome production continued at full capacity, increasing to 929,000t. Exports last year were valued at R1,2bn.

The slight revival in world steel consumption was reflected in manganese ore exports which increased 71% to 2.7m tons. Sales brought in R738,6m.

Demand for high-carbon ferromanganese, ferro-siliconmanganese and manganese metal remained firm, with export revenue drawing in R671,9m. SA held its lead in world vanadium markets, with export revenue amounting to R239m.

Total rand returns for nickel jumped 189% to total R365m, with export earnings climbing 211% to R1,1bn. Copper exports improved 32.6% to R494m, lead production yielded R67,4m; zinc R35,2m; fluorine R86,5m, and salt R261m.

Limestone and dolomite were the largest bulk commodity sold on the SA market after coal, aggregate and sand. Sales volumes increased 12%, and with a 6.2% price rise brought in R315,6m.

Business sector urged to help shape SA's future

SA's businessmen have good reason to be concerned with the future, as not all SA's possible scenarios are conducive to the survival of business, says Barlow Rand CE Warren Clewlow.

Clewlow spoke at the AGM of the Witwatersrand Chamber of Commerce and Industry (WCCI) yesterday.

A centrally-planned economy with little or no private property was not an environment in which the majority of business could operate successfully.

"Since the first duty of business is survival, it is therefore in our interest to take part in the process of shaping the future so that there is at least a chance that a congenial business climate can be created," Clewlow said.

Commenting on the current inflation rate, he said that when the EC was created, the elimination of internal trade barriers and creation of the biggest single market ever would give the EC the advantage of reducing inflation.

"This will mean that European prices will reduce in relative terms, and countries and companies wishing to export to the EC would have the additional pressure on their prices," Clewlow warned that inflation had to be tamed. At its present rate it represented a continuing and increasing disadvantage in SA's efforts to remain internationally competitive.

He said South Africans would be judged on how they used the considerable resources at their disposal to the satisfaction of all — Sapa.
Frame looks to exports with new board

The Frame Group has reorganised its board of directors to take advantage of the export incentives offered by the SITI in its latest report on the textile industry.

Director Michael Bouchier has been appointed executive director of the group's future planning, export drive and liaison with textile boards and federations.

His position as Consolidated Cotton Corporation MD will be filled by Consolidated Waverley Textiles (CWT) CE Sidney Frame. The new MD of CWT is Angus Napier.

Market speculation has surrounded the unusual activity of Frame and Confram shares on the JSE in the past few days and it was rumoured that Anglovaal Industries (AVI) was buying up the Sanlam holding in Frame.

Frame Group chairman Mervyn King said all he knew about this was what he had read in Business Day.

"I think it is highly unlikely that anyone would try to take control of Confram by buying shares," he said. "Confram is controlled by the Frame group and only a minority holding of Confram shares is available.

"It would make more sense if someone was buying into Frame, since 70% of Frame shares are held by institutions. But I don't know who is buying."

Asked if AVI was buying into Frame, AVI chairman and MD Basil Horsov said: "Not that I know of."

Frame shares closed at 1 400c a share yesterday, 100c higher than Friday's 1 300c. A total of 191 700 shares changed hands compared with an average of 67 641 a month over the last 12 months.

Confram touched 950c a share yesterday and closed at a high of 900c, 25c higher than Friday's 875c.
WIM HOTELS, CFC OF THE SA FOREIGN TRADE ASSOCIATION

Foreign markets
for those who study
Export potential

WOMEN AFRICA'S REPORT 

July 1979

continued from previous page

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market conditions, and the buying power
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African states get SA petrol

CAPE TOWN — SA oil companies were exporting petrol to unnamed countries in Africa at a foreign exchange profit, Economic Affairs and Technology Minister Danie Steyn said yesterday.

SA also supplied petrol to the three BLS countries (Botswana, Lesotho and Swaziland), the four independent homelands (Transkei, Bophuthatswana, Venda and Ciskei) and Namibia, but as they were within the Customs Union these were not technically regarded as exports.

The only difference in prices between SA and these countries was due to different levels of levies and transport costs, he said.

SA oil companies also exported petrol to other countries subject to the conditions that no financial support by the Equalisation Fund was applicable on these exports, that any of these exports would not detrimentally affect the supply situation in SA, and that a foreign exchange profit was realised.

Steyn did not name the African countries outside the Customs Union and said the selling prices in these countries were not recorded on a continuous basis.

1 796 vacancies in Cape Town hospitals

CAPE TOWN — There were 1 796 vacancies at the five state-run hospitals in the Cape Town area at the end of last year, National Health and Population Development Minister Dr Willie van Niekerk said yesterday.

He also disclosed the average occupancy at the Red Cross Memorial Hospital for Children over the past two financial years was more than 106%.

Van Niekerk, who was replying to a question by Dr Marius Barnard (FPF, Parktown), said there were 172 medical vacancies at Groote Schuur Hospital at the end of last year, four at Red Cross, 67 at Tygerberg, two at Woodstock and eight at Somerset.

All told, there were 873 vacancies at Groote Schuur, 67 at Red Cross, 701 at Tygerberg, 32 at Woodstock and 125 at Somerset.

The total staff establishment at these hospitals at the end of last year was 19 959.

This means that almost 9% of the posts were vacant at the end of last year.
Higher exports boost earnings at Amcoal

By Sven Lünsche

A substantial recovery in exports, combined with the decline in the rand, helped Anglo American Coal (Amcoal) boost attributable earnings by 58 percent to R165.5 million for the year to March.

The total dividend has been raised by 60c to 800c. Operating profit for the group was up 69.1 percent to R311.3 million on a R300 million rise in turnover to R1.4 billion.

In his chairman's review, Graham Boustred is decidedly optimistic on the outlook for the SA coal industry in general and Amcoal in particular in the year ahead.

SA coal exports rose by one percent to 43 million tons last year, boosting export earnings to R2.8 billion.

Mr Boustred expects an increase of about one to two million tons for exporters this year.

"South Africa's longer-term competitive position in world markets nevertheless remains a cause for concern. While further weakening of the rand exchange rate will serve partly to compensate for increased costs brought about by high levels of inflation, the longer-term result will inevitably be the further erosion of the industry's competitive position," he says.

He says Amcoal's export tonnage rose by 700,000 tons to 10.2 million tons. This, in conjunction with improved world coal prices and a lower rand, boosted export earnings.

Total sales of coal and coke were 45.5 million tons, an increase of three million tons, raising coal mining turnover by 29 percent to R1.2 billion.

Mr Boustred says Amcoal's sales to Eskom rose by 8.7 percent to 32.7 million tons.

The continued build-up in output at both New Denmark and New Vaal collieries, together with significant increases in tonnage at Kriel colliery, more than offset reductions in output at Amcoal's other collieries.

Eskom's rationalisation and closure of some of its power stations had a limited effect on earnings.

"The rising level of Amcoal's investment in New Denmark and New Vaal collieries will ensure income growth from its Eskom business, notwithstanding a reduction in the total annual tonnage supplied to Eskom," he says.

The capital expenditure programme, including escalation, is estimated at R330 million. It relates mainly to expansion at the two collieries.

The Verref division, whose 35 percent minority shareholding was acquired by Amcoal in November, increased turnover by 18.9 percent to R24.27 million.

Mr Boustred forecasts further profit growth from the division in the current financial year.
Cooperate cultures

Cooperation

- In this period, a successful cooperation can be achieved
- A successful cooperation will not only contribute to the development of Africa, but also to the global economic development
- A successful cooperation will need a good strategy and plan
- A successful cooperation will require a strong leadership
- A successful cooperation will need the support of all countries involved
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Amcoal profits up 58% on improved exports

HIGHER export tonnages, improved dollar prices and a weaker rand helped increase Anglo American Coal Corporation’s (Amcoal) attributable earnings by 58% to R166m in the year to end March, from R105m the previous year.

Total coal and coke sales for the year increased to 45.5-million tons (42.5-million tons) mainly on improved production at the recently commissioned New Denmark and New Vaal collieries. This led to a 28% increase in coal mining turnover to R1.2bn.

Dollar prices for the year, currently at $30/ton FOB were higher on average than the $19-23 early in 1987.

Cutback

Sales to Eskom were 9% up at 32.7-million tons (30.1-million tons), in spite of a lower overall coal consumption by the electricity giant.

In the 1988 financial year, Eskom bought 64.5-million tons of coal from local producers, 2% less than in 1987 as newer thermal power stations increased output on lower tonnages.

Amcoal’s excess capacity and planned cutback of coal consumption directly affected three power stations supplied by Amcoal, leading to the retrenchment of 900 Amcoal employees.

The move has also forced a delay in the opening of Amcoal’s New Cornelia colliery, which will supply the planned Lekwe power station.

Investment in this colliery will be postponed until early next century.

Chairman Graham Bousted said in his annual report that SA’s inflation would continue to erode the industry’s international competitiveness.

He said the production of liquid fuels from coal, along the lines of Sasol, represented a major investment opportunity for the group.

Investment in this area was under consideration, and would probably begin in the mid-1990s, he said.

Working costs for the group were maintained below the quarter’s inflation rates, and operating profit was pushed up 58% to R361m (previous year R228m).

In addition, revenue of R53m from cash and investments continued to play a significant part in earnings, contributing 15% (20%) to pre-tax profits of R364m.

A ruling by the SA Competition Board’s on sales of bituminous coal by the Transvaal Coal Owners’ Association (TCOA) forced the withdrawal of the TCOA from the domestic market, and Amcoal now markets its own bituminous coal.

The Vereeniging Refactory (Verref) division, in which a 33% minority stakeholding was acquired by Amcoal in November last year, increased turnover 19% to R246m (R199m).

Its refractory division yielded higher operating profits as exports improved, while higher building activity in the economy boosted earnings of the building materials division.

Protracted technical problems at Haverholt anthracite mine meant unsatisfactory performance for the minerals division.

Capex

Group capital expenditure for the year was 16% down at R208m (of which R11m was funded by customers) from the previous year’s R245m — R40m of which was funded by customers.

Capital expenditure commitments relating to the New Denmark and New Vaal collieries are estimated at R500m, of which R260m is to be funded by Amcoal.

Dividends of 30c a share for the year have been declared, a 25% increase.

At the same time, dividend cover has been increased from 1.8 times to 2.2 times.

Bousted forecast an improvement in earnings for the year ahead, though at a more modest rate than achieved this year.
Cycad exports: new claim

CAPE TOWN — The Reserve Bank had allowed rare cycads, valued at R750 000 on the international market, to be exported to Madeira after it had estimated their value at R22 300. DP spokesman on the environment Rupert Lorimer said yesterday.

"On the surface, it is an absolute disgrace that the Reserve Bank appears to have allowed an important part of our natural heritage to leave the country without even checking its commercial value," Lorimer said.

He was reacting to the reply in Parliament yesterday by Finance Deputy Minister Org Marais about the Reserve Bank's decision to allow Johannesburg businessman Joe Berardo to export the cycads.

Last week, Constitutional Development and Planning Minister Chris Heunis announced a commission of inquiry would be appointed into the export of cycads, some of which were, Lorimer said, growing at the time Van Riebeeck landed at the Cape.

Provision was also made for external settlement of disputes by an impartial outsider under certain circumstances, De Villiers said.

Marais said yesterday the limit on donations to people and bodies in other countries was R1 000 and a permit was required for donations exceeding this. Berardo had applied for and been granted such a permit.

"The Reserve Bank granted permission to the value of R22 300 in respect of a gift to the Botanical Gardens in Madeira."

Lorimer said: "My information is that the purchase price of the cycads in question was just under R300 000. Further, I am informed that the value on the international market could be in excess of R750 000.

"How is it possible that the Reserve Bank grants permission only to the value of R22 300? Surely some mechanism exists to check the value of items exported? If not, this is perhaps one of the major loopholes that exists and why so much foreign currency is able to leave the country."
Iscor posts record iron ore exports

Business Staff

EXPORTS of iron ore from the Sishen mine through Saldanha Bay are running at record levels.

Sales of ore reached 1.1-million tons in February, an increase of 57 percent on budget, says Iscor's house newspaper, Iscor News.

Industry officials add that not only have sales tonnages risen sharply, but so has the overseas ore price.

STEEL BOOM

The Sishen mine is going full out to meet export and domestic requirements.

But it is not only iron ore that Iscor is exporting in large quantities. Steel is also going overseas, although Iscor is keeping details of these exports close to the chest.

Iscor, along with Highveld, Samancor and other suppliers of raw materials used in the manufacture of steel, is benefiting from the overseas steel boom.

Iscor, which is to be privatised later this year, should have some good news for prospective shareholders when it produces its 1988-89 figures in July or August.

Investors will have to wait for the profit statement to gain some indication of the value of Iscor sales.

However, owing to political considerations Iscor is unlikely to disclose its export markets.

Both the US and the European Community have imposed restrictions on steel imports from South Africa.

But Iscor and other producers have learned that the closure of one market usually leads to the opening of another. Iscor and other producers are being helped by the limited expansion plans of most steel producers.

For the past 15 years most of the world's steel mills have been operating below capacity and, in many instances, at a large financial loss.

Although demand has recovered, the memories of the past 15 years remain strong and none of the major producers seems to be in a hurry to embark upon the huge capital expenditure needed for a major expansion.

Instead, the majors are spending money on plant that helps to reduce costs so that when the expected world downturn arrives and demand drops, they will still be able to sell steel at a profit.

Fueling the demand for steel overseas has been the six-year upsurge in economic growth.

This has resulted in a steady growth in sales of new motor vehicles — a major user of steel.

Car sales in the European Community last year reached a record 12.5-million — roughly one for every 15 people.

The corresponding sales figure for South Africa was one new car for every 120 people.

SHARE ISSUE

Meanwhile, intensive work is reported to be going on behind the scenes at Iscor preparing for its privatisation and share issue later this year.

No figures are available, but it appears that R1.5-billion worth of shares might be offered to the public.

The institutions are expected to take up about 80 percent of the issue, leaving 20 percent for the small investor.
Trencor aims for export growth

Trencor is set to continue to expand its export business, according to chairman and joint MD, Neil Jowell. He earmarks exports, which mainly comprise containers, as a major growth area.

Foreign business already accounts for approximately 20 percent of Trencor's attributable profit. Mr Jowell says international demand for containers is strong and the group's overseas activities have encountered improved trading conditions in their areas of business.

Trencor is a holding company involved in the business of manufacturing, road transport, motor trade and tyres, trading and other activities.

Of these, motor trade and tyre operations contribute a major 31 percent to group pre-tax profit. Activities include the marketing of new tyres and retreads, and motor vehicle franchises in Namibia and North Western Cape.

The transport division conducts road haulage in the Cape Province, Transvaal and Namibia and operates express goods services between these areas. The contribution from this division has declined to less than 10 percent of group pre-tax profit.

Mr Jowell comments that the transport industry remains in a state of transition and uncertainty due to deregulation. In addition, transport companies continue to have to contend with unfair competition from Sats.:

The manufacturing division accounts for 26 percent of total pre-tax profit and Mr Jowell earmarks this division, which produces truck trailers, road tankers and a range of cargo and tank containers, as having above-average growth potential. He says that demand for truck trailers is particularly strong.

The trading division, with its contribution of 23 percent to group pre-tax profit, embraces the distribution of microcomputers and peripheral equipment, and commodity exports to the East.

In the six months to December 1988, Trencor's earnings increased by 53 percent, from 79.6c to 122.5c, on turnover which climbed by 41 percent to R334 million. The interim dividend doubled to 20c in line with management's intention to reduce the disparity between the interim and final dividends.

The balance sheet revealed a deterioration in the ratio of interest bearing debt to Shareholders equity, from 33 percent at the end of June 1987 to 41 percent at the end of the year. Mr Jowell says that, in the absence of any major acquisition, he expects that the ratio will remain static.

He went on to point out that interim results showed "abnormally" high growth because of the low base in the previous interim. However, in the second half of the current year, the group will be moving form a low base. In view of this, management projects that earnings for the full year will show only a modest increase compared with financial 1987.

Mr Jowell did, however, confirm that some earnings growth was expected to be achieved in the second half of the year which means that growth for the year should exceed 17 percent. If second half earnings grow by three percent, then the total for the current year will be in the region of 300c.

Priced at R7.25, this places the share on a forward price-earnings ratio of around nine. If cover is maintained at 5.1 times, the dividend will be around 55c (a prospective yield of two percent).
Japan 'importing metals indirectly'...
Fruit exports seen at R1.5bn this year

By AUDREY D'ANGELO
Financial Editor

THE fruit industry — which provides a living for more than 1m people in the Western Cape alone — is expected to earn more than R1.5bn in foreign exchange this year, Rembrandt chairman Anton Rupert said last night.

He was speaking at the formal opening of a new centre for the industry in the restored 17th century Fleurbaix manor house near Stellenbosch.

Describing fruit growing as "an anchor industry in the Western Cape", Rupert said it was the largest employer of black people in the area.

"It is disturbing to note that the sanctions policy which some overseas countries have seen fit to apply to SA has already led to a decline in the number of seasonal workers."

Sanctions, he continued, would also hit business in the countries applying them.

"The SA fruit exporting industry generates some R2bn for European institutions."

"In the export of Cape grapes, for example, the Europeans get about 65% of the retail price. This includes the retail and wholesale shares as well as import duty and distribution costs."

"The SA share, which includes transport and all packing materials, is 35% and the farmer's share amounts to only 10% of the retail price in Europe."

"The wine farmer is in the same situation. His share of the retail price of a bottle of wine in the higher price range on the overseas market varies between 10% and 12%."

"On the other hand the import duty alone on SA fruit delivered to the European Economic Community markets amounts to some R75m."

"This is more than the R60m which these countries channelled, for example, in 1987/88 through organizations such as the SA Council of Churches, the Catholic Bishops' Conference, Cosatu and the Kagiso Trust for the upliftment of the under-privileged."

Rupert said that in the difficult trading situation SA was currently experiencing "the Cape fruit industry has to be particularly resourceful to retain current markets and to open new ones."

"Ultimately the consumer's demand for quality products is the only truly effective counter to political scheming."

In the long run, the service and quality which were the foundations of the SA fruit industry would ensure it a place in the world market.

Fleurbaix, with more than 60 ha of land, is now the headquarters of the SA Plant Improvement Organization, a project managed in partnership with the deciduous, dried and canned fruit industries.

It will also be used by the industry for conferences and training.

Rupert, who has played a leading part in the conservation of old buildings, said it was an ideal site where the best use could be made of the infrastructure serving the industry such as the research institutes, plant quarantine stations and the University of Stellenbosch.

"Research is the lifeblood of an industry and ensures that it will remain at the forefront of technological development."

"In a strategically important industry like the fruit industry this is indispensable."
US Congress accuses SA of ivory smuggling

By David Braun, The Star Bureau

WASHINGTON — Members of the United States Congress have taken South Africa to task for its alleged involvement in large-scale ivory smuggling.

At the centre of the charges are months-old allegations that South Africa had been deeply involved in the slaughter of about 100,000 elephants to help finance the civil wars in Angola and Mozambique. South Africa is also said to have turned a blind eye to the shipment across its borders and out of its harbours of a large quantity of ivory from elephants slaughtered in Zambia.

There is growing outrage in the US at estimates that between 200 and 300 elephants are being killed for their ivory every day on the continent of Africa, a rate which would make the species extinct before 2000.

The US Interior Department this week announced it would be asking Congress to ban trade in ivory. Last week, Kenya and Tanzania said they would support such a ban.

An international meeting in October is to decide whether to declare the elephant an endangered species.

Such a classification for the elephant under the provisions of the Convention on International Trade in Endangered Species would prohibit trade in elephant ivory from next January.

The commercial sale of all elephant products would be outlawed in nations that have signed the treaty, including South Africa.

The South African Embassy in Washington was this week scurrying to fend off the attacks, citing a South African Defence Force investigation which cleared the SADF of complicity in any ivory trade in Angola and Mozambique.

The recent charging of three former SADF members in such trade has not done South Africa's case any good, however.

Unita has also been charged with elephant slaughter, but a recent French survey shows a disproportionately high number of elephants in the areas controlled by Unita.
Worrall blames De Klerk for Rubicon mess

DP CO-LEADER Denis Worrall claimed last night, NP leader F W de Klerk persuaded President P W Botha to change his 1985 Rubicon speech which prompted the rand’s collapse.

He added, in a blistering attack on De Klerk at a public meeting in Milnerton, the next president would be more of an economic illiterate than Botha, judging by Sunday’s Netwerk TV performance.

Heaping scorn on De Klerk’s claim that government was not responsible for the rand’s debased value, Worrall, SA ambassador in London at the time, said De Klerk had persuaded Botha to rewrite his Rubicon speech.

“De Klerk should tell the public what role he played in that episode. It was he, F W De Klerk, who persuaded Botha to rewrite that speech.

“He told him the Transvaal congress (of the NP), which was to come, was more important than the Natal congress. And so the international banks closed down on us and we got Rubicon rands.”

Worrall added: “Judging from his answers to the economic questions, De Klerk is more of an economic illiterate than President Botha.

“For him (De Klerk) to say that the unemployment, inflation, soaring costs and general economic misery which South Africans are experiencing is the result of circumstances beyond the NP government’s control, is both insulting and mean-spirited.” Worrall said.

After addressing scores of political meetings in the past two months, Worrall said he could tell De Klerk that the ‘feeling’ out there is one of anger at the economic mismanagement, anger at the excessive taxes, anger at rising costs and especially bitterness at the inability to find work for many millions.

Worrall threatened to make the SABC and Netwerk news an election issue unless the corporation proved its impartiality.

“Our stand on the NP’s abuse of what should be a neutral public corporation is a principled one,” he said.

Agricultural exports to boost earnings

PRETORIA — SA’s foreign exchange earnings will be boosted this year by record export earnings from the best agricultural season in a decade.

SA Agricultural Union (SAAU) economist Koos du Toit said a preliminary estimate based on current trends indicated these could reach or even exceed R4.5bn.

This was assuming, too, that the country’s transport system could handle the five-million tons of maize available for export before the year’s end.

The SAAU estimates about 25% of the estimated total value of agricultural production this year will be exported.

Total value is expected to exceed R1bn. Maize Board estimates are that exports will earn R1.5bn.

The last biggest maize export surplus was in the 1981/82 season, when around five-million tons was exported, earning about R635m in foreign exchange.

Du Toit added that last season’s record wool earnings of around R760m could be exceeded.

Sheep numbers were increasing and wool prices were stable.

Sugar earnings too could reach record levels, he said.

Exports from this year’s record wheat crop of 3.5-million tons would amount to around one-million tons. Under current rand exchange value, this should realise between R380m and R400m, Du Toit said.

Swapo back in Angola

LUANDA — A senior UN official said yesterday Swapo forces had pulled back into Angola and been confined to camps there.

Untag’s Maj John Ryan said 155 Swapo guerrillas paraded at the weekend at Chibemba, in southern Angola, where they were counted by UN officials.

Swapo said earlier “our fighters are all out.”

Ryan spoke as officials from SA, Angola and Cuba, and Soviet and UN observers, were meeting on the border to decide if all Swapo fighters had quit Namibia. — Sapa-Reuters.
Japanese imports of SA maize likely to rise

TOKYO — Japanese maize imports from South Africa are expected to soar by one million tons this year, despite international pressure on Tokyo to reduce trade. Trade sources said yesterday the increase would mean lower maize imports from the US and would take advantage of renewed availability of SA maize after a 1988 drought.

Traders expected SA imports to rise by one million tons in calendar 1989 and US imports to fall by the same amount. Some traders said US sales could drop by nearly two million tons.

Japan came under international attack in 1987 when it replaced the US as Pretoria’s main trading partner, with $4.1 billion of business.

The government asked trading houses to restrict imports in line with Western sanctions against SA in protest against apartheid.

The Japanese steel industry responded by cutting coal and iron ore imports.

There is no strict guidance on the maize trade. The government has merely requested maize using industries and trading houses to cut back imports from SA to below the 1986 level of 1.28 million tons.

Only if Japan’s maize imports from SA were above the limit, would the government consider penalties, officials said.

"If there is no demand from the government for sanctions, Japanese buying of SA maize will definitely pick up," a source at a major trading house said.

"This will mean the likelihood of further declines in US maize imports."

In 1988, Japan imported 239,689 tons of SA maize, down sharply from 1,688 million tons in 1987.

Japan, which is one of the world’s biggest maize buyers, used about 72 percent of its 1988 maize imports of 16,556 million tons for livestock feed, the rest going for food use.

Japanese non-feed maize users, who are more sensitive to quality, have decided to return to SA maize this year because of its high quality and a recovery in its export availability. SA is expected to produce 11 million tons of maize in the year beginning May 1, of which it will be able to export 4.4 million tons.

China and Argentina are Japan’s other main suppliers.— Sapa-Reuter.
SA Drug opening up more export markets

By Derek Tomney

SA Druggists is aiming for a major expansion in the overseas markets, the company's managing director, Mr Tony Karis, said today when announcing another major increase in the group's profits.

In the year ended March SA Druggists increased its turnover by 21.5 percent to R790.6 million and its attributable profit by 28.2 percent to R41.0 million, he reports.

This means that for the past seven years the group has achieved a compound annual growth of 28 percent a year in earnings a share, says Mr Karis.

The final dividend has been increased to 6c for the year making a total of 16c (6c) for the year.

Mr Karis adds that the group remains well placed to achieve real growth in earnings and view the year ahead with confidence.

But as well as expecting continued strong local growth, the group has high hopes of capturing export important markets. 'We feel extremely proud of what our chemicals and biochemical companies achieved in the Far East,' said Mr Karis.

Customers there were "extremely fussy" about the quality of the products they want to buy.

"Price is not a major issue. But quality had to be tops and SA Druggists' products are being regarded as 'state of the art'."

He was also pleased by a recent report by British health authorities on the state of the company's South African laboratories and manufacturing facilities, which said they were among the best in the world.

Mr Karis said that SA Druggists conducted considerable research, but at the moment the results were available only to South Africa which amounted to only 1 percent of the world market.

The company's strategic plan was to sell more of its locally-made products overseas.

It took about three years for new products to receive state approval overseas, so no phenomenal growth in the company's exports was likely.

But the company had sold R33 million worth of products overseas out of total sales of R790.6 million in the year just ended. These overseas sales had produced good profits, said Mr Karis.

To facilitate sales in the Far East the company had opened an office in the area and this had enabled the company to achieve a number of important breakthroughs. The company had also recently achieved an important success in the European market.

Mr Karis said the local market had become increasingly competitive and in certain instances margins had been lowered to maintain market share.

But in spite of this the group's profit margins had increased from 9.9 percent to 10.6 percent.

The year saw the completion of major projects at Lemon and LPA, and the value of fixed assets (net of depreciation) increased by R13.4 million.

Turnover in the year ended March rose from R550.7 million to R790.8 million, operating income rose 30.9 percent to R84.1 million and attributable income rose 28.2 percent from R32.0 million, equal to 22.7c a share, to R41.0 million equal to 29.1c a share.

At March 31, SA Druggists had total assets of R321.1 million (R257.3 million) equal to 118.4c (86.7c) a share.
Japan's maize imports from SA set to soar

TOKYO — Japanese maize imports from SA are expected to soar by about a million tons this year, despite international pressure on Tokyo to reduce trade with Pretoria.

Trade sources said yesterday that the increase would mean lower maize imports from the US and would take advantage of renewed availability of SA maize after a 1988 drought.

Traders expect SA imports to Japan to rise by about a million tons in calendar 1989 and US imports to fall by the same amount. Some traders said US sales could drop by nearly 2-million tons.

Japan came under international attack in 1987 after it replaced the US as Pretoria's number one trading partner, with $4.1bn worth of business.

Guidance

东京 asked trading houses to restrict imports in line with Western economic sanctions against SA in protest against apartheid, and the Japanese steel industry responded by cutting coal and iron ore imports.

There is no strict guidance on the maize trade with SA. The government has only requested maize-using industries and trading houses to cut back imports from SA to below the 1986 level of 1.38-million tons. One trading source said that if Tokyo failed to demand stricter sanctions, Japanese buying of SA maize was likely to pick up.

One trading house said that Japanese non-feed maize users, who were more sensitive to quality, had decided to return to SA maize this year due to its high quality and a recovery in its export availability.

SA was expected to produce 11-million tons of maize in the year starting May 1, of which 4.4-million tons could be earmarked for export. — Sapa-Reuters.
Exports add weight to a solid stone sector outlook

AURORA Granite — to be listed on the JSE on June 1 — will be followed soon after by Impala Granite, a West German-controlled company which vies with Marlin for second slot (after Keeley) among SA’s four big dimension-stone producers.

Analyst Keith Bright yesterday confirmed that Franske Kruger Van der Merwe would be sponsoring brokers to the listing.

The strength of the market for hard varieties of stone, like the Transvaal’s gabbro-morite, for architectural and monumental applications, has enabled the three dimension stone companies on the JSE — Keeley, Marlin and Kudu — to achieve great growth, particularly in exports.

This has also sparked intense interest among other entrepreneurs keen on emulating these successes. Other candidates for a possible listing on the JSE which have been mentioned in dimension-stone circles include names like Black Rock and African Swiss.

Europe

Nevertheless, Impala will clearly be the largest among the 1899 listings, with about 14 000 tons a month.

Observers say most of Impala’s tonnage is derived from the Rustenburg region (about 10 000 tons), while it produces about 3 000 tons from Belfast and another 1 000 tons from quarries in the Cape and Zimbabwe.

The company is owned by a German concern, Deutsche Stein, which is engaged in the processing and distribution of granite in Europe.

Aurora Granite represents the amalgamation of the dimension-stone interests of various concerns including Ted Groblicki’s Aurora Exploration and Basil Read.

The company is to raise R12m via a private placing on the JSE. 6 million shares have been placed at 200c a share. It will exploit two deposits, one at Kwaggaskop in the Belfast district and the other, Roorkraal, about 40km north. The company aims to achieve a production rate of about 2 000 tons/month from Kwaggaskop by February and another 800 tons/month from Roorkraal by March.

Directors expect net profits to June 1999 of more than R12m in total, or at least 26.9c a share. With a dividend policy of distributing between 33.3% and 50% of after tax income annually, a dividend payment of 9c a share is forecast for the year to June 1999.

The company will be managed by Basil Read. Financial director Dave Wassung and Ted Groblicki will be chairman.
Manufactured goods' export earnings drop

PRETORIA — Manufactured goods' contribution to foreign exchange earnings for the past decade had decreased to a disturbing extent compared with raw materials, CSIR chairman Louw Alberts said here last night.

Delivering the Hendrik van der Bijl memorial lecture at the University of Pretoria, Alberts warned this clearly implied the country was becoming less economically viable.

Referring to the "inertia" in the mining industry regarding a greater processing of minerals, he said there was no logical argument against other organisations becoming involved in processing raw materials.

The need was illustrated by the lack of a jewellery industry, and of the manufacture of platinum group metal products, the production of titanium and vanadium metals, large-scale production of stainless steel and the lack of large-scale production of chrome chemicals, he said.

Alberts added the optimal development and use of trained manpower would remain the greatest single problem in relation to technological progress.
AGRICULTURAL EXPORTS

Harvesting the rand
Prospects for agricultural exports are looking better by the day — courtesy of the weakening rand.

The farming sector could earn R5-R5.5bn in foreign exchange from the proceeds of this year's crops — well in excess of last year's R3.5bn. And should the rand drop further, rand revenues will be even higher.

Maize Board (MB) GM Henkie Davel confirms gross revenue from this season's maize exports should reach R1.5bn, while deciduous fruit exports should yield a further R1.5bn.

This includes fresh, dried and canned fruits and is an estimate of gross export revenue for the whole industry. But Deciduous Fruit Board spokesman Fred Meintjes cautions: "Against the benefits of the lower rand, one must weigh up increased inflation and higher freight rates."

The large crop of top quality fruit will again ensure good prices for SA produce. Fresh fruit exports should bring in between R850m and R900m, against last year's R773m, says Meintjes. Most table grapes, plums and peaches have already been exported, and the apple season is now in full swing. Citrus exports should yield another R700m, about R200m more than last year.

Wheat exports should total 1 Mt, and not 600 000 t as previously estimated. About 80% has already been shipped and export revenue should total at least R385m, well above the previous estimate of R200m (Business February 12).

"The crop is better than expected, export prices have gone up further and the low rand is a third positive factor," says Wheat Board deputy GM Dries Liebenberg.

Chicago maize prices are still static, although prices could drop from the current US$2.58 a bushel for December futures to as low as $2 a bushel should this year's US grain crop be a good one.

Due to late, unseasonal rains in SA's maize-growing areas, the crop has been slow

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to come in. As yellow maize feed grain stocks in the local market are getting dangerously low, the MB has offered farmers who deliver early a R9/1 premium on these stocks, even with a higher-than-normal moisture content.

Wool farmers should gross R1bn (about R950m from exports) this year, well above last year's R855m total. With three wool auctions remaining, receipts will be well above the 1987 total of R418m.

"Prices came down during the past month as Chinese and Japanese demand dropped due to the largest-ever Australian auction offer of 140 000 bales on April 14. Due to this massive sale, we could only sell about 60% of the wool offered at acceptable prices over the past few weeks. But we are confident of disposing of reserve stocks shortly," says the Wool Board's Gerhard Pretorius.

Wool offered this year increased by 6,4% to 93,1m kg, compared with last year's 87,5m kg. Good rains and good prices combined to push up production. Pretorius expects a further 4% increase in production to 96,5m kg in 1990.

"Russia and China are the markets of the future. Economic reforms are leading to increased affluence, changed buying patterns and stronger demand for wool products. The International Wool Secretariat recently placed some of the first advertisements ever allowed in the USSR."

But, while prices should remain high in 1990, Pretorius expects total revenue to drop to about R900m, as the market reacts to the sharp wool price increases over the past two years. "Prices could come down to about 950c/kg, compared with the current 1120c/kg," he notes.

FINANCIAL MAIL MAY 19 1989
NCP invests in expanding production and exports

DIVERSE chemical manufacturer NCP, a division of Sentrachem, is making investments aimed at expanding production and exports. Developments stemming from capex will also aid NCP's customers in their own exports.

The extensive range of NCP chemicals, mainly acids, solvents, alcohols, chlor-alkali, salt, plasticisers, water treatment and mining chemicals, are manufactured at four chemical factories in Germiston, Chloorkop and Isipingo and Umgeni in Natal.

The NCP trading arm and specialist importer Interchem extends the range of products.

"NCP continues to seek ways to assist customers and the economy by increasing export facilities and value added products," says MD Vince Lovell. The division's extensive development and investment programme has included a completely new chlor-alkali complex at Chloorkop and a maleic anhydride plant at Germiston.

Lovell says NCP, in partnership with its customers and other institutions, is developing technology for other projects.

"In addition to providing for the local market, NCP is investing in facilities to increase its export capability, not only for its own chemical exports but also to assist its customers to export their products."
FOREIGN EXCHANGE

Driving off

South Africans may have found yet another way of getting money out of the country. Classic-car dealer John Griffin believes vintage cars are being exported in a multi-million rand contravention of exchange control.

Griffin, MD of Burchmore’s Auction Centre near Sandton, says classic cars are exported at substantial prices, but only a fraction of the forex earned is repatriated.

“It’s a formality to get a permit to export classic cars, since government is so eager for exports,” Griffin explains. “The loophole is that the seller values the car and declares what it will be sold for. Customs & Excise (C&E) has no valuation board for vehicles. So if the seller sells, say, an MG TF sports car for the equivalent of R80 000 hard currency, he’ll declare and repatriate R20 000 and the balance stays abroad. Not only are we losing valuable assets, we’re blind to the fact that people are moving out money.”

“Conservatively, I’d say 20 classic cars a month are being exported — cars that can’t be replaced. They’re probably sold for R80 000-R100 000 on average and I’d say many are under-invoiced. Our supplies are disappearing. At this rate, my showrooms will soon be selling Toyotas and Nissans.”

To save the vintage car industry, Griffin wants government to prohibit all exports of pre-1958 vehicles, levy an export duty on post-1959 cars and establish a valuation board for vehicles at C&E.

C&E Commissioner Daan Colesky says the Department of Trade & Industry issues export permits and makes recommendations to the finance minister on import and export duties; the Reserve Bank should be notified of possible forex contraventions. He adds: “Section 72 of the C&E Act, 1964, specifies that the value of any exports shall be the price of those goods fob at place of dispatch in SA. If it is suspected an incorrect value has been declared, C&E can call for documentary proof. C&E can still investigate after goods have left SA. Information regarding possible contraventions is appreciated and treated with utmost confidentiality.”

Reserve Bank assistant GM exchange control Peter Gloster says: “Exchange con-

A spokesman says Theo Alant, deputy Minister of Economic Affairs, asked Griffin in 1987 for written proposals on changing the rules of vintage car exports. Says Griffin, who met Alant that year: “I’m not sure how many officials it takes to change a policy, but I’ve talked to an awful lot of them. I’ve told them the problem; it’s up to them to institute new rules and regulations.”

In fact, the controversy raises broader issues:

☐ Whose cars are they? Classic cars belong to individuals, not “the country.” Is it right to prevent people from selling, locally or abroad, what they own, because somebody thinks they’re valuable national assets?

☐ Should the failure of a classic-car firm be government’s worry? If all vintage cars are exported, Griffin could indeed go out of business. But firms go bust all the time;

☐ With free imports and exports, Griffin could import cars to keep his business going and others could compete with him. But to import, for example, a sports car, you have to pay 113% duty, a 10% surcharge and GST — and you need a permit. The problem is not only controls on capital exports, but discriminatory treatment of imports; and

☐ Whose forex is it, anyway? Exchange control nationalises wealth by making people surrender forex to the Reserve Bank. As long as government bars holding forex, it shouldn’t be surprised that people find ways — like car exports — to get around it.”
Agriculture compensates for gold price

PRETORIA — Foreign exchange earnings from the most bountiful agricultural season for years will help substantially to compensate for lower gold earnings because of the metal’s depressed price.

SA Agricultural Union economist Koos du Toit said last year’s agricultural exports earned the country about R2.2bn. This was less than half of this year’s expectation of about R4.5bn.

He said yesterday that without the great performance of the farming industry SA’s balance of payments problem would have intensified, as would repaying the country’s international debt. Grain exports alone this year would earn R2bn.

Guaranteed

The Malan Board estimates earnings of R1.5bn from the export of just over five-million tons, and Wheat Board GM Ivan Hemingway said the 1.1-million tons of wheat to be exported this year would earn in excess of R400m, depending on conditions on world markets.

Hemingway said about 600 000 tons of the record 3.5-million ton harvest would be carried over into the new season starting in October. This was about three months’ supply and was a guarantee against late deliveries of the new crop.

Du Toit expects big earnings, too, from the export of sugar, deciduous fruit and wool. Wool’s earnings, if current conditions continue, could exceed R300m.

The Reserve Bank said gold last year earned R19.6bn and the average price worked out at $137.69 an ounce.

In the first quarter of this year, the price averaged $354.66 an ounce, and since then the price has continued to sag to yesterday’s level of about $361.

Economists say there is little likelihood of a spectacular increase in the gold price, and gold earnings will be well down on last year.
Maize exports cost R600m

PRETORIA — The cost of exporting the
country's huge 6-million ton maize sur-
plus this season would exceed R600m, a
Maize Board spokesman said yesterday.

Interest charges alone on money bor-
rrowed by the board to pay farmers for
deliveries was estimated at R375m, he
said.

The spokesman said there were delays
of months sometimes between the board
paying the farmer and the eventual sale
of the maize.

Maize exports this year are estimated
to earn the country in excess of R1.5bn.
Other charges associated with exports
include handling and storage, transport
and shipping, harbour costs and the
board's administration costs.

At a Press conference this week board
chairman Henrie de Jager warned the gov-
ernment withdrew its financial support
for co-operatives the entire industry
would collapse.

Defending the state's write-off of the
board's R600m accumulated debt, De
Jager said this had not been politically
motivated.

Nor should it have been an effort to buy votes in
the coming general election.

De Jager said the board was not mar-
rried to the one-channel marketing system,
but if it were abandoned at this stage
chaos would result in the industry.

He warned farmers who by-passed the
system and sold direct to buyers they
would have to pay the board levies and
face prosecution.

Since May 1987, R1.5m had been col-
lected from farmers in actions against
illegal transactions.
Business Report

Agriculture expected to boost SA forex earnings

From GERALD REILLY

PRETORIA. — Foreign exchange earnings from agriculture will help substantially to compensate for lower gold earnings, said SA Agricultural Union economist Koos du Toit.

Last year's agricultural exports earned the country about R2.2bn. This is less than half of the this year's expectation of around R4.5bn.

Du Toit stressed that without the great performance of the farming industry, the country's balance of payments problem would have intensified as would the problem of repaying the country's huge international debt.

Grain exports alone this year will earn the country R2bn.

The maize board estimates earnings of R1.5bn from the export of just over 5m tons.

And wheat board GM Ivan Flemingway said the 1.1m tons of wheat to be exported this year would earn in excess of R400m, depending on conditions on world markets.

Flemingway added about 600,000 tons of the record 3.8m ton harvest will be carried over into the new season in October.

This was about three months supply and was a guarantee against late deliveries of the new crop.

Du Toit expects big earnings, too, from the export of sugar, deciduous fruit and wool. Wool earnings of if current conditions continue could exceed R800m.

According to the Reserve Bank, gold last year earned R19.6bn at the average price of $437.09.

In the first quarter of this year the price averaged $394.00 and has since continued to sag to Monday's level of around $361.

According to economists there is little likelihood of a spectacular increase in the gold price, and earnings will be well down on last year.
Sats can handle bumper exports

SOUTH African Transport Services believes it can handle the bumper export maize crop to be carried between the beginning of last month and the end of April next year.

A spokesman says planning engineers are aware that the crop will be much larger than last year, but at present Sats is able to meet transport demands.

Should there be an increase in transport requirements towards the end of the year, additional trucks will be brought into use.

By Don Robertson

Maize exports are expected to total about 5-million tons compared with only a million tons last season. This year's exports are about 900,000 tons below the record sold in the 1981-82 season.

The crop is expected to be between 10-million and 11-million tons compared with about 7-million in 1988-89.

Depending on the size of the American crop which dictates international prices, it is expected that between R270 and R320 a ton will be realised on the sale of between R1,4-billion and R1,8-billion.

Wheat, sugar, wool and other agricultural products are expected to earn R5-billion to R6-billion from exports this season.

Farmers, however, are angered by the decision to reduce the price paid to them by about 12% to R12 a ton for white mealies and R207 for yellow. They say their receipts are lower than production costs.
US ban on ivory imports draws fire

By Kaizer Nyatsamba

The United States government’s intention to ban imports of elephant ivory from all countries came under heavy criticism yesterday from local ivory dealers, who said the ban would hit South Africa severely.

US President George Bush announced on World Environment Day this week that his Government was planning to ban the importation of elephant ivory from all countries to protect elephants.

The managing director of Bushcraft Trading Company in Johannesburg, Mr John Ilse, said the movement of ivory was adequately controlled by the Convention on International Trade in Endangered Species (Cites) and there was therefore no need for a unilateral ban of ivory imports.

President Bush’s decision, Mr Ilse said, was “based on politics and emotions”.

The Kruger National Park-based chief research officer of the National Parks Board of South Africa, Dr Anthony Hall-Marlin, said the ban would have “serious repercussions for the Kruger National Park”.

“It would effectively stop the trade in curios and put out of work people in at least three or four factories which deal in ivory.”
Belgotex goes for exports

Business Times Reporter

An expansion programme is paying off in foreign currency for Maritzburg-based carpet manufacturer Belgotex.

The installation of a R10-million needlepunch machine has boosted production of needlepoint carpeting by more than 30%, giving the family-owned company an entry to export markets.

"Our capacity in the past was insufficient to supply South Africa's own needs," says managing director Stephan Colle. The new equipment has raised capacity to 1.5-million square metres a month.

Response

Mr Colle says there has been good response to the export drive from the Far East and South America.

Total investment in Belgotex, established five years ago, is about R60-million. Mr Colle says the company has about 30% of the SA market for tufted carpet and he expects to gain a bigger share of the needlepunch market.

The installation marks the second phase of a R40-million expansion project. Belgotex has paid R3-million for 7 000m² premises next to its factory in Willowton, Maritzburg.
LONDON — A statistical error in Brussels has revealed that South African exports to Britain are worth six times the official figure given by the Department of Trade and Industry, making Britain by far South Africa’s biggest trading partner.

Secret imports of South African gold were included accidentally in the European trade figures published by the European Commission recently.

They reveal that, in 1988, Britain imported £3.7 billion-worth of “monetary” gold from South Africa, about three-quarters of that year’s gold production.

This makes the true figure of British imports from South Africa £4.6 billion, nearly six times the official DTI figure of £804 million.

Monetary gold is defined by the DTI as all gold not used for jewellery or in industry. It is mostly used by central and reserve banks. Movements of monetary gold are usually kept secret and not included in trade statistics.

The Bank of England has confirmed the figures.

“These statistics must be very embarrassing to the British government,” said Mr Peter Robbins of the World Gold Commission, a UN-funded research body. — The Independent.
Discrepancy revealed in Japan’s gold trade with SA

TOKYO — Responding to charges that large Japanese purchases of South African metals were being disguised, a Foreign Ministry official said yesterday that Japan was buying less South African gold and platinum.

Anti-apartheid activists have charged that Japanese companies were importing South African gold and platinum indirectly through non-producing nations, allowing Japanese trade figures to show lower imports from South Africa.

Takzo Watanabe, the Foreign Ministry spokesman, told reporters at a regular briefing: “We found that this gold and platinum is imported with certificates of the country of origin, and we now are able to identify how much platinum and gold is imported from South Africa even through third countries.”

He said imports of South African gold decreased from $551 million in 1987 to $55 million in 1988, and imports of South African platinum decreased from $479 million to $279 million dollars.

Finance Ministry statistics for trade with South Africa showed 1987 gold imports at $221 million and 1988 imports at $35 million, down 84.3 percent, while platinum imports decreased 40.7 percent, from $554 million to $329 million.

There was no explanation of the discrepancy in the figures.

In 1987, Japan was South Africa’s largest trading partner, surpassing the United States and West Germany.

That led to heavy criticism that Japan was giving economic support to apartheid.

The government was pleased when 1988 trade figures showed that Japan had fallen behind West Germany in South Africa trade.— Sapa-AP.
Farmers Reaping Golden Harvests

A NUMBER OF FACES FROM THE COUNTRY...
Exports boom seen for farming sector

From SVEN LÜNSCHE

JOHANNESBURG. — A bumper crop from the farming sector could earn R5-billion in exports this year, thereby compensating to some extent for lower foreign exchange earnings from gold.

Exact annual figures are difficult to establish because of seasonal variations of crops and a statistical lack of clarity over what constitutes primary agricultural commodities and refined goods.

Last season farming’s contribution to total exports increased to over 10 percent and the figure could rise substantially this year as the lower gold price is likely to reduce the metal’s share of forex earnings from 40 percent to 36 percent.

Higher farm production and exports should add about one percent to overall economic growth this year.

A number of factors are contributing to the optimistic outlook for the agricultural sector. Foremost is the decline of the rand against the dollar, which is improving the competitiveness of South Africa’s products abroad because 80 percent of its commodities are traded in dollars.

Bruce Donald, economist at the South African Foreign Trade Association (Safto) says: "Combined with the favourable effect of rising international commodity prices, the impact of the falling rand is helping South African exporters to keep ahead of rising production costs."

A detailed analysis of agricultural prospects by Mr Donald, published in the latest edition of Safto Exporter shows that most sectors can look forward to record crops in the 1989-90 season.

- Maize: Excellent ongoing late summer rains have virtually assured a bumper crop of 11-million tons, which could reap a record R3.3-billion, with farmers’ earnings rising by R650-million. The total amount available for export should be more than 5-million tons and could gross forex earnings of R1.5-billion.

- Wheat: A record crop of more than 8-million tons is now being harvested and while excessive rains reduced the crop quality, exports of about 650 000 tons should earn an additional R440-million in foreign income by the end of June 1990, with half of this due this year.

- Deciduous fruit: Cape fruit exports are once again expected to be bountiful and the industry is gearing up for another record year, which this season will yield in excess of R750-million in exports alone.

- Citrus: Producers have also experienced a bumper season, earning about R700-million from exports and the outlook for the current season is also good, with demand and the low rand adding to potential earnings.

- Sugar: Prospects for increased forex earnings in the year to end-March look extremely good as world sugar prices have risen by up to 25 percent over the year. In the previous year total industry earnings were about R1.4-billion.

- Wool: South African producers are heading for earnings of around R1-billion from wool sales this year, of which R900-million are expected to be forex earnings.
Expoiters bearting new recordal.

But imports pose problem.

1988: 7.5 billion
1989: 9 billion

Source: APRA

Derek Tomney
China imports SA coal

Own Correspondent

LONDON. — China is importing coal from South Africa to make up for a critical shortfall in local production estimated at 500,000 tons a year.

The first of 10 shipments from South Africa, part of a large contract of steam coal, was unloaded in the southern province of Guangdong last week.

The coal is being shipped from Maputo. The actual importation is being handled by a Guangdong firm based in Hong Kong.

According to Mr Gerard McCloskey, editor of the authoritative International Coal Report, the coal is being imported by the Guangdong General Power Company.

He said that when he was in Hong Kong a few weeks ago, the Chinese authorities vigorously denied importing South African coal.

Nevertheless, it had been established "beyond doubt" that the first shipment had already arrived.

"I would expect these imports from South Africa to become even more important in the near future," he said.

The news took the market by surprise, as China had until only recently presented itself as a coal exporter.

However, Guangdong, like many other provinces in China, has been plagued by a critical shortage of coal that has led to rolling blackouts in many factories.

Areas particularly at risk are those like Shanghai and Guangdong near the so-called special economic zones. These areas contain manufacturing plants dependent on a regular supply of energy.

The Chinese authorities say that current production problems will be solved once a 100 million-ton-a-year rail link to the large coal terminal at Qinhuangdao comes into operation.

However, though the line is already in place, sufficient new rolling stock will only be available in 1994.

There is as yet no indication which companies are involved in the export deal. The most likely candidates are Anglo, Gencor, Rand Mines and BP Coal.
China takes coal from SA - report

LONDON — China is allegedly importing steam coal from South Africa.

The first of 10 shipments of a large contract for coal from the Republic was unloaded in the southern province of Guangdong last week, according to the Financial Times.

Guangdong, like many of China's provinces, is critically short of coal and has already instituted a programme of rolling blackouts.

The China Coal Import-Export Corporation (CCIEC) insists that no Chinese company is involved in buying South African coal. But last week it admitted that annual imports of 500,000 tons would be needed from the end of this year.

The crisis in China is also benefiting other mineral exports of South Africa, with prices of antimony and manganese increasing sharply in the past fortnight.

Events in the country could dampen efforts of the pro-sanctions lobby in the US Congress, say metals dealers.

Further sanctions against South Africa could provoke counter moves in the form of reduced material supplies.

See Page 12.
FOOTWEAR EXPORTS

Life on a shoestring

There is a touch of irony about the footwear industry gathering to discuss the theme “The World is Our Market” when its record over the last four years — exports at little more than 1% of turnover — is convincing evidence to the contrary. Yet that’s just what executives did a few days ago. And it seems that, at last, the footwear men are starting to address the problem.

The industry has been stagnating for years. Employment has dropped from nearly 30 000 in 1982 to under 26 000 today. Pro-

duction has barely grown, from 58m pairs in 1984 to 62m in 1988.

Part of the problem lies in the industry’s vulnerability to imports, particularly from the Far East. In 1987, 30m pairs of imported shoes accounted for 33% of SA sales.

This pressure was eased by government granting the industry protection via interim duties in late 1987, imports declined to about 15m pairs in 1988. But this sort of protection doesn’t last forever, and the industry is now being investigated by the Board of Trade & Industry (BTI).

The industry realises it stands more chance of a favourable BTI hearing if it is seen to be taking positive steps to help itself. A policy document, Stratplan 2000, is aimed at developing a greater export effort.

The bottom line for competitiveness is reduced costs. The document estimates that contracting out work would reduce labour and overhead costs and make SA shoes up to 21% cheaper to produce. Industry consultant Syd Cohn says that for sub-contracting to succeed, piecework rates must be paid. However, he says unions have yet to accept the idea in case it undermines minimum wages.

Attitudes may change. It is understood unions in the UK have advised the SA union, the National Union of Leatherworkers, to accept the scheme, if the alternative is no industry and no jobs.

Cohn insists sub-contracting should not be seen as a charter for sweatshop labour. Indeed, he says it will probably not succeed if it can’t attract skilled labour by offering better pay.

In the absence of union assistance, the industry has been forced to investigate the route of economic deregulation. Here, it has been helped by the proclamation last month removing restrictions on economic activities in 38 Small Business Development Corporation industrial hives and training premises.

One other major obstacle remains: the industry must shake off its reputation for being a “foul-weather” exporter which jettisons foreign customers as soon as local demand recovers.

It’s a sin shared by several SA industries. For an industry that’s been on its “uppers” for years, it’s one the footwear sector can no longer afford to commit.
SOUTH AFRICA'S Good Management

It's the Green, not the Gold, we have to thank

It's the Green, not the Gold, we have to thank.

ECONOMIC GOOD MANAGEMENT

SOUTH AFRICA has been lauded for its economic management, particularly in the context of stabilizing the currency. This has been attributed to sound economic policies, good governance, and effective macroeconomic management. The country has managed to control inflation, reduce budget deficits, and promote economic growth, which has led to increased investor confidence and a steady improvement in living standards.

Furthermore, South Africa's diversified economy, which includes mining, manufacturing, and services, has contributed to its resilience against global economic shocks. The country's fiscal and monetary policies have been instrumental in maintaining macroeconomic stability, which is crucial for long-term economic development.

The South African Reserve Bank (SARB) has played a pivotal role in maintaining low inflation and a stable exchange rate. This has allowed the country to attract foreign investment, which is vital for economic growth.

In conclusion, the green is the new gold for South Africa. The country's economic management has been praised for its effectiveness, and it continues to be a model for other developing countries.
SOUTH AFRICA is trading with Red China with exports running into several hundred million rands a year in a relationship that trade analysts say could yield still bigger earnings.

The communist giant is buying coal, mining equipment and machinery, processed or "beneficiated" minerals and chemicals from South Africa in a fledgling trade that has grown gradually over the past five years.

Analysts monitoring South Africa's deals abroad play down the economic significance of the China trade, forecasting only a marginal expansion in the short-term. They do not expect a major economic boost and believe that some deals might be "one-off" opportunities.

Nonetheless, business links between South Africa and mainland China are considered a significant reflection of an improvement of economic relations with unlikely partners.

The Far East — Taiwan, Hong Kong and Japan — and Africa are the two markets where South Africa has experienced the biggest recent increase in trade. There has also been more trade with communist bloc countries.

Sanctions imposed by South Africa's traditional partners are, to some extent, responsible for the gradual shift to other markets — including several communist countries — particularly in the Far East and Africa.

It is also apparent that economic necessities have helped reduce South Africa's own inhibitions about trading with countries which are, after all, ideological foes.

The government keeps a clamp on foreign trade figures, for "strategic" reasons, but a spokesman for the Department of Economic Affairs and Technology said: "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."

Foreign trade analysts are able to add only a little more detail to what one described as "often just a matter of conjecture".

Trade with Red China was highlighted by a recent report on a steam coal contract. It emerged that the coal, shipped through Maputo and handled by a Hong Kong trading house, was imported into China's Guangdong province to meet a critical shortage.

In fact, a Johannesburg analyst said it was an "open secret" that South African coal had been making its way to Red China through Hong Kong for some time.

However the coal trade — and exports of mining equipment, processed minerals and chemicals — would not make up for the loss of other markets through sanctions.

"The truth is that far more is talked about and written about trade with communist countries like Red China than actually happens," she said.

"There is nevertheless scope for further development in this trade. It has increased gradually over the past five years and it will probably continue to grow gradually."
Boycott of SA would ‘wipe out’ Canadian steel

By David Braun, The Star Bureau

WASHINGTON — Canada’s steel industry would be wiped out and 42,000 jobs destroyed if the Canadian government banned it from importing alloys from South Africa, a spokesman for the Canadian Steel Producers’ Association has warned.

Mr. Dan Romanko, managing director of the association, made the statement in response to suggestions by the government that a further clamp on South African imports could be expected following the huge surge in trading volume and values between the two countries.

Ottawa, which prides itself as the Western and Commonwealth leader in the campaign to isolate South Africa, has been badly stung by the official statistics which show that Canada’s imports from South Africa jumped 130 percent in the first four months of this year.

Exports to South Africa dropped.

The major factor behind the increase in imports has been the rise in demand and prices for such strategic commodities as ferrochrome, vanadium and manganese, all essential to Canada’s steel industry.

“If we lose these metals we lose our steel industry,” Mr. Romanko said.

He said the statistics which made it seem as if the steel industry was largely responsible for the increase in trade between South Africa and Canada were misleading.

The dollar value of alloys imported from South Africa in the first four months of 1969 was 45 percent higher than for the same period last year, while the volume of imports was up by only 15 percent.

Mr. Romanko said the industry was working with the government to develop alternate sources of supply of the alloys from Albania, Zimbabwe and the Soviet Union.
EC seeks to reduce use of SA minerals

BRUSSELS — The European Community wants to spread its network of minerals suppliers as wide as possible to avoid being dependent on SA, says EC internal market commissioner Martin Bangemann.

SA is a key supplier of minerals widely used in EC industries such as car-making, aeronautics and armaments.

Sapa-Reuters reports Bangemann said in answer to a parliamentary question on mineral imports from SA made available yesterday: "The commission is aware of the community's high degree of dependence on external sources for its mineral supplies."

He said the commission believed the EC should seek alternative suppliers and substitute materials.

Neighbours

Several Frontline states could be developed as suppliers, the commission said. The Soviet Union and Australia also have rich mineral deposits.

The EC should also help SA's mineral-rich neighbours, such as Mozambique, reduce their dependence on SA railway systems and ports, Bangemann added.

In 1986, the last year for which full figures are available, SA supplied nearly 70% of the EC's vanadium, more than half its chromium and a third of its manganese and zirconium. All of these are used in steel production.

It also supplied more than a fifth of the EC's platinum, used in catalytic converters to cut car-exhaust pollution.

"Substitute products might, in the medium term, entail higher costs. Substitutes for chromium are not available," Bangemann said.

As potential suppliers, Mozambique produced platinum, vanadium, zirconium, manganese and chromium. Angola had titanium and manganese. Zimbabwe had 11% of the world's known deposits of chromium, after SA's 83%.

The Soviet Union had the second biggest known reserves of platinum, 17% after SA's 80%, and rich deposits of vanadium, manganese and some chromium. Australia had titanium, vanadium, zirconium and manganese.

REINIE BOOYSEN reports a senior mining house executive said yesterday he was not aware Mozambique produced any platinum, vanadium, manganese or chromium.

He said there was a long haul between talking about setting up a mining industry for these minerals in the Frontline states and actually doing so.

"The bottom line is that European consumers have very little choice as far as most of these minerals are concerned. SA's mining industry is very well-established, and many of the minerals occur so abundantly here that we are a very competitive force in the markets."

The Star reported yesterday that Canada's steel industry would collapse if the Canadian government banned the importation of SA alloys. "If we lose their metals, we lose our steel industry." Dan Romanko, MD of the Canadian Steel Producers' Association was quoted as saying in response to criticism of sharp increases in Canadian imports from SA.
Coal-export market healthy

THE decision by the Richards Bay Coal Terminal Company to upgrade its coal-handling facilities is final confirmation of the healthy state of the coal-export market.

The terminal is to be upgraded from its rated capacity of about 44-million tons a year to about 48-million tons by December 1981.

It is known that the terminal is working at full capacity — if not more, in some months — to meet the strong international demand for steam coal.

The latest Minerals Bureau statistics are revealing. For example, in January this year SA producers earned R281.5m on exports — the highest monthly level in at least two years — on total sales of 4.1-million tons.

Although the monthly rate declined after January, this export rate represented an annualised figure of 49.2-million tons — compared with 43-million exported by SA last year. Of this 40.5-million tons were shipped through Richards Bay (according to Anglo American's 1989 annual report).

The average price for a ton of coal exported in January was R68.50 — compared with R53.80 in January the previous year.

The equivalent average price in dollars was $23.70 a ton. Since then coal prices have risen even higher, to more than $30 a ton (6 900 kilocalories/kg, fob Richards Bay). At the lowest point of the slump in 1987, the same coal was sold for as little as $18 a ton.

However, analysts are uncertain about how much longer the boom will last.
COAL EXPORTS

World market improves

Coal men are smiling again. Only 18 months ago they were considering closing down marginal mines. Now, increased international demand, problems faced by their competitors and the low rand offer a much brighter future.

Export volumes are up as producers move to foreign exchange - changed scenario. Consequently, SA should earn more than R3bn from coal exports this year.

Rand prices have firmed considerably. In May, export steam coal sold for R65/t compared with R54/t in January 1988. Anthracite prices were R99/t, as against R62/t, according to information contained in the Minerals Bureau Bulletin (MBB).

Simpson McKie mining analyst Kevin Kartun says the prices quoted could be a bit conservative. He says the industry has negotiated contracts for ordinary steam coal with the Italian electricity utility Enet for US$32/t (R79). But even higher prices (US$32/t (R87) have been struck for optimum coal to Japan, West Germany and Israel, while contracts have been closed at S42/t (R115) with the Japanese steel mills for low ash coal.

Even if the MBB's lower average prices are maintained, coal should earn SA R3.2bn in foreign exchange this year - up 14% on 1988. And, if contract prices continue to rise - most SA coal is sold on contract negotiated annually - SA could earn R3.7bn or a 32% increase.

Now that its fortunes have turned and longer-term prospects look brighter, the industry is gearing up for a steadier flow of exports. An additional tippler and stacker/reclaimer will be commissioned by the Richards Bay Coal Terminal (RBCT) in December 1991 at a cost of R239m. The facility will have a local content as high as 95%.

Says RBCT MD Michael Dunn: "The majority of our equipment has been in operation since 1976. When a major refurbishment takes place, our capacity is reduced to 40 Mt a year. We'll now be able to secure a capacity of 48 Mt."

This is well above some previous plans to increase capacity to 56 Mt or even 64 Mt - equal to the total capacity on the Richards Bay railway line.

Withbank Collieries chairman Allen Sealey says the RBCT refurbishment was needed as capacity would have been stretched if any equipment broke down. But he is sticking to the statement made to the FM earlier this year (Business February 24) that local coal producers can justify investing in new equipment on existing mines but margins are insufficient to consider opening new ones.

"We are aware of the cyclical nature of this business and have fresh memories of a few years ago when we over-estimated the likely expansion of exports," he says.

Amcoal chairman Graham Bousted says it's tricky to predict when significant expansion of the RBCT will be needed, as much depends on political considerations.

"Expansion won't be worthwhile unless exports are growing at 4 Mt-5 Mt a year," he notes.

But producers must be sorely tempted to expand. According to Ferguson Bros analyst Derek Ritchie coal exports increased from 9.9 Mt in the first quarter of 1988 to 10.8 Mt in the first quarter of this year. He expects overall exports for the year to increase marginally from 42.6 Mt to just over 44 Mt.

SA is the number three coal exporter after Australia (99.6 Mt in 1988) and the US (85 Mt). It's followed by Canada (32 Mt) and Poland (32.2 Mt). Poland, however, has decided to phase out coal exports over the next 12 years.

International prices are set to rise, according to American coal analyst Vince Calarco. "Oil prices are recovering to levels which are conducive to sustained growth in the coal markets - namely above $1.5 a barrel. Global demand for electricity must continue to grow, underpinning the demand for steam coal."

And the anticipated arrival of new competitors to SA exporters hasn't materialized. Says Kartun: "The Colombian mine at El Cerrejon, which was expected to provide SA with head-to-head opposition, is running at a loss and will only break even when steam coal prices exceed $40/t. The Chinese, far from cutting into SA markets have actually imported SA coal both directly and through Hong Kong."

But he says only a few countries are increasing their imports of SA coal, including Turkey, Israel, Portugal and Spain.

There has been a firming, generally, of energy prices since the mid-Eighties. And, apart from the failure to meet commitments by potential competitors such as China and Colombia, there is a continuing trend for Western Europe to run down its coal industries. These have become increasingly uneconomic because of high wages and technical factors like the depth of mining.

It seems likely, then, that SA coal exports might soon breach the record 1986 level of 45.5 Mt.

FCI SURVEY

Hanging in there

There is a marked contrast between confidence among consumers and that in the manufacturing sector.

The latest Bureau of Economic Research consumer confidence report plunged by 12% to 88 points for the second quarter of the year, which is 12 points below the neutral point of 100.

The Federated Chamber of Industries (FCI) survey of manufacturers' expectations told a different story. Manufacturers who were canvassed in early June registered 114 points for their expectations of the month ahead - two points more optimistic than their expectations for May.

FCI executive director Ron Haywood says the difference is understandable. "Many manufacturers have been exporting to take up the slack in the local market, and they've also enjoyed a certain amount of..."
Foreign Staff
TOKYO — Imports of South African maize by Japanese manufacturers soared to an estimated 159,000 tons in the January-May period.

This represented a 57.1 percent increase from last year, despite government exhortations to Japanese businessmen to reduce ties with South Africa.

OUTBURST

The Japanese government faced an outburst of international criticism in early 1988 when it became known that the country had surpassed the US, West Germany and the UK, to become South Africa’s largest trading partner.

The government attempted to curb trade with South Africa by placing pressure on Japanese businessmen to think twice about their trade.

According to 1988 trade figures released by the Ministry of Finance, the government’s efforts did bring some results because Japan’s imports from South Africa were 17.2 percent down on the 1987 total. However, exports dipped by only 7.8 percent.

HIGHER

Japan’s imports of South African maize this year have risen because US prices are higher after a poor crop last year.

South Africa’s prices, on the other hand, remain low.

According to an official at Japan’s Ministry of International Trade and Industry (Mit), the increase in imports was justifiable because the volume of South African maize was relatively low.

For the time being, the ministry intends to do nothing more than continue advising companies to exercise caution and not to undermine Japan’s relations with the US.

Last year, the Japanese government asked that maize imports from South Africa be limited to the 1986 figure of 1.2 million tons.

Analysts say this year’s total will probably be reasonably within that limit.
Pooling export knowledge

FCI task force aims to boost overseas trade

By Michael Chester

The Federated Chamber of Industries has assigned a special task force of experienced exporters to work out radical new strategies to boost overseas trade and find more routes to avoid sanctions.

The task force forms the core of a new committee created to pool the experience of companies that have devised new tactics to beat political trade gauntlets — or found alternative markets to keep exports flowing.

Even rival companies will be encouraged to share overseas contacts when the chance emerges to parcel bigger export packages with a wider variety of products known to be needed in specific markets.

Warnings

One objective will be more effective use of unconventional trade deals — countertrade and barter agreements aimed at two-way trade with foreign markets, particularly when balance of payments snags can be overcome.

The new export offensive has been launched as warnings come from the SA Reserve Bank that at mid-year South Africa was falling behind 1989 targets of running a surplus on the current account of the balance of payments of at least R4 billion.

That is the level the Reserve Bank sees as necessary to handle commitments on foreign debt repayments and bolster gold and foreign reserves by adequate margins.

The FCI committee is headed by Mr Roy Jones, managing director of steel exporters RHI International. Mr Robert Herbertson, marketing director of Highveld Steel, is deputy chairman.

The SA Foreign Trade Organisation is also sitting in, with representatives from a number of giant companies from the industrial sector.

Overall planning to put more muscle into export is due to be discussed with top officials from the Department of Trade and Industry, to ensure close ties with the network of DTI trade offices in key overseas markets.

FCI executive director Mr Ron Haywood says stress is also being put on strategies to ensure strong export links with Western Europe beyond the 1992 deadline for full integration of the European Economic Community. Another priority is seizing the opportunity of an improved political climate to increase trade with the rest of Africa.

"The aim is to nurture a totally new export culture among manufacturers — and we are beginning to show successes," says Mr Haywood.

"One particular large company has already set the pace by laying out a policy that insists that 20 percent of all of its output must find export markets, whatever the ups and downs of local business cycles."

"The message to sales teams is loud and clear: if you have no export markets, find them. That is where our special committee may be able to come in," Mr Haywood said.
US 'market for SA components'

COMPONENTS, rather than products or raw materials, offer the greatest opportunities for SA exporters to the US, says Leon Snaid, a naturalized American lawyer who left SA eight years ago.

The tall, lanky ex-Wits lawyer, now practicing in La Jolla, is chairman of the San Diego County Bar Association's immigration committee and his specialty is Business Law and Immigration Law.

The chief problem facing potential product exporters is the ‘Made in South Africa’ label. For Snaid, this leads logically to establishing an American branch office, as many SA exporters have done.

The other problem, related to long-distance exporting of products and raw materials, are product liability and large retailers’ return policies.

Obviously, Snaid remarks, there can be and are circumvented, stressing at the same time that he’s “not into sanc-

tone-busting”.

Solutions lie in component manufacture, taking advantage of Foreign Trade Zones (recently ruled out for SA) and twin-plant structures, known in the southern states as “maquiladoras”. Properly used, these cross-border manufacturing structures, increasingly used by Japanese, control the taxable, low-value-added element in manufacturing.

Research

Snaid’s advice to prospective exporters to the US is, first, get rid of the novice’s fallacy that if your product reaches one percent of the US market, you’ll make a bomb. The market is too complex and competitive for complacency.

Instead, he recommends heavy initial investment in market research, especially using the vast information resources of large and niche markets available through government (“the government prints 20,000 publications”) itself and professional associations.

For example, the association that governs nursing recruiters boasts more than 10,000 member associations.

He says that fear of freedom besets many SA business people setting up in the US.

“Coming from SA, they find it hard to adapt to the relative lack of regulation,” says Snaid.

Snaid’s own position bears out the point: as an attorney specializing in California immigration and business law, he has produced an award-winning guide for new American residents: “The Newcomers’ Guide to Living in the USA.”

But had he done the equivalent here, professional restrictions, backed up by law, would have severely limited his ability to talk publicly about his product.

The talking book — it is six cassette tapes and an accompanying booklet — was produced this year and was one of five finalists in the “Best Audio Book” category of the Publishers Marketing Association.

It grew directly from Snaid’s and his clients’ own bemusement at American customs, rituals and procedures.

Negotiable

It covers business, employment, buying, housing, credit, investment and taxes, health and insurance and government.

Information ranges from formal observation: “Government Auctions of Low-Cost Vehicles” and “Sources of Specialized Business Information” to the informal “everything is negotiable in the US,” and “don’t mess around with your taxes.”
FCI aims to beef up support for exporters

THE Federated Chambers of Industry (FCI) has formed a special export committee to formulate strategies that will strengthen exports.

FCI executive director Ron Haywood says the committee will examine all issues related to international trade and will focus on a team scenario in line with FCI's theme "Team RSA".

The aim is to build up a stronger export drive through co-operation between exporters and through increased liaison between the private and public sectors. Where possible even strong local competitors will encouraged to co-operate in export markets.

Exporters will be able to learn "how to do more and do it better" from each other, says Haywood.

RH International MD Roy Jones has been appointed committee chairman, while Highveld Steel marketing director Robert Herbertson has been made his deputy. Other members include Safico CE Wim Holies and representatives from large exporting companies.

"These are successful exporters who are willing to share their ideas," says Haywood. Companies wanting to get into exports will also be represented.
Minerals in 'vulnerable' position

CHAMBER of Mines CE Tom Main says if sanctions were to succeed they would have to be applied efficiently to minerals.

He adds in the latest SA Forum that about 90% by value of minerals are exported and are, therefore, highly vulnerable to trade embargoes.

Importance of mining in the economy is illustrated by the fact that mineral earnings represent 58% of the gross domestic product.

Main says that, in spite of sanctions imposed on coal by the US, France and Denmark, and non-renewal of contracts by Japan, coal exports of about 42-million tons last year:

He adds this was the second highest volume ever.

Strategic

Main describes this as an achievement because the international coal market is already oversupplied.

An effective embargo on gold is, however, highly improbable because it is a low-volume, high-value, easily transportable commodity universally sought for a variety of purposes.

A study shows the cumulative direct economic cost to the US of an embargo on six SA strategic minerals would amount to $1.85bn a year.

Coal exports are performing well and it is expected about 42-million tons will be shipped from Richards Bay this year.

Rand Mines Coal chairman Alan Cook says the turnaround, after a number of lean years, can be attributed partly to difficulties being encountered by SA's main competitors in the world market.

He cites internal problems in China, sporadic unrest at coal mines in Australia and higher mining costs in Poland. — Sapa.
Living in the real world

SA exporters must adapt to the competitive requirements of global trade

Are SA industrialists living in a commercial Stone Age? A harsh proposition, but one to which foreign trade consultant Piet Kieser — of Piet Kieser Associates — assents. He believes that when it comes to contemporary levels of exporting skills found throughout the industrial world, our standards fall sadly short. That’s why our exports of manufactured goods continue to form such a small proportion of foreign earnings.

Kieser’s criticisms, however, are not made in a vacuum — he has ideas which deserve serious consideration by all in the field. The fault, he reckons, is by no means entirely that of the private sector. Government has followed misguided policies of import replacement for several generations — and these have driven the general cost level ever upwards and made it all the more difficult for SA to evolve industries capable of competing in world markets.

Over a period of 40 to 50 years, Kieser says, a pattern of generally uncompetitive manufacturing industry has prevailed. Of course, there have been repeated efforts by government and the private sector to stimulate industrial exports. In practice, this has meant offering export incentive packages — as if prospering in business is not enough of an incentive — and the creation of private “export promotional bodies.”

Kieser was horrified by the inquiry he made of a local manufacturer about the export price of a certain product. He was told the price ex-factory was RX a dozen. Had he had the temerity to pass this information on to, say, a potential customer in West Berlin, “the telex would have been hurled promptly into the wastepaper basket.”

The reason: to convert this price information into a potential export order, it would be necessary, at a minimum, to quote a price “per container load.” And, to quote in those terms, it would be necessary to establish the weight and volume of the product to fill a
container.

It would also be necessary to know the cost of transporting the product to the coast, so that — at the very least — the manufacturer could quote fob. But why not go further and quote cif; or, better still, cfr, duty-paid and in the buyer’s own currency? Or you could match the terms of the Japanese and other major exporters by quoting ddp (delivered duty paid) “at the buyer’s front door and his own conditions.”

Far too many local manufacturers simply don’t understand key parameters like containerisation or transport costs; they have not developed an export culture.

But why? The first problem lies with “a huge gap in management.” Kieser quotes the example of a large potential overseas order for a local product. To meet the order, the factory would have to work night and shift and alter an engineering specification from an old British to a European standard. Yet — after two-and-a-half months — Kieser has still not gotten a decision from the company. The director with decision-making power has been on leave — and no effective delegation has been arranged.

Kieser feels that what is really needed is for manufacturers to have a computerised model on file for all products, preferably one furnishing a “total cost breakdown.” The appropriate response to a query could quite speedily be given to a potential export customer, after the current values of key factors like transport costs and duty and exchange rates have been fed in. It doesn’t happen that often.

Kieser also deplores the habit of determining the price of a product on a cost-plus basis. “Cost is made in the factory and price is made in the market,” he says, so there is actually no rational basis for quoting in this way. The proper approach would be to start with the market price and work backwards — “to see how low you can get the cost.”

There are today “elegant computer packages” which in principle can be applied to the pricing of any products. Nonetheless, it is important to adjust the package for individual products, since the sensitivity of aggregate cost to parameters like electricity tariffs or the price of transport will vary.

Another problem is that South Africans tend to be excessively insular. Under conditions of political threat, the emotional response is to retreat into the larger away from contact with the wider world. This is one reason why export promotional efforts have consistently failed.

For example, promoters argue that SA should establish foreign trading houses like those which have been so successful in Japan. But those successes have been based on the Japanese cultural characteristics of dedicated loyalty and commitment — so the whole concept of mechanically applying an overseas model to local conditions is fundamentally flawed.

Then again, SA is not on any significant trade route, but located at the tip of a continent. It is, therefore, absurd to believe that

Kieser cites two Taiwanese examples of how to set about fostering an export culture. One is a “factory farm” which breeds entirely for export to the lucrative Japanese market and which was started purely for export. The other is a series of plants within a few kilometers of each other in southern Taiwan — a shipbuilding yard, which supplies scrap steel to a nearby steelworks, which in turn supplies its output to a shipbuilding yard.

Compare that with what happens to Atlantic diesels. The steel is shipped to the Cape from Iscor plants in the Transvaal or Natal; then the finished engines are shipped back to the Transvaal or to the eastern Cape for assembly into vehicles . . .

Kieser’s belief is that getting SA on to a rational industrial basis — provided the right policies are followed in future — could take up to 20 years. Then only would we be truly efficient and internationally competitive: “We have had 40 or 50 years of import replacement . . . no one in SA must ever use that term again.”

The trouble is that old industrial habits die hard, but, in the chilly climate SA faces in exports these days, die they must.
US wary of 'unreliable' producers

SA may face R3-bn minerals forex loss

By David Braun, The Star Bureau

WASHINGTON — The US Congress is taking steps to drastically reduce America's reliance on strategic minerals from South Africa and the Soviet Union over the next three years.

If successful, it would cost Pretoria nearly R3 billion a year in foreign exchange.

There are major implications for southern African countries as well, as Congress is seeking to reduce its reliance not only on South Africa but also on neighbouring states such as Botswana, Swaziland, Zimbabwe, Lesotho and Namibia which rely on South Africa's transport infrastructure to export their minerals.

Even congressmen who are normally opposed to sanctions legislation are supporting the measure, on the basis that the US cannot afford to continue depending on potentially unreliable sources for strategic minerals.

The minerals targeted by Congress are chromite ore (chromium and ferrochromium), manganese ore (including ferromanganese), platinum group metals (including platinum, palladium, iridium, osmium, rhodium and ruthenium), vanadium ore (including ferrovanadium and vanadium pentoxide), and cobalt metal and oxide.

Technologies

According to statistics supplied by the US Department of Commerce, the US bought minerals from this group to the value of about $1 billion (R1.6 billion) from South Africa last year. In the first three months of this year, the US imported these strategic minerals at a total value of $227 million (R636 million) from SA.

Congress plans to instruct the US Secretary of the Interior to establish a mining experimental programme on critical minerals in terms of a Bill introduced in the House of Representatives last week.

The purpose of the programme is, within three years, to develop mining, mineral-processing and such other technologies as will be capable of substantially reducing US dependence on critical minerals produced in South Africa and the Soviet Union.

A specific clause in the Bill says: "The term 'produced in the Republic of South Africa' means those critical minerals produced in the territorial boundaries of South Africa and exported to the United States, and those critical minerals produced in sovereign nations adjacent to the Republic of South Africa but which can only be exported to the United States through the Republic of South Africa."
AECI exports soar to R201m

By DICK USHER, Business Staff

EXPORTS by chemical giant AECI more than doubled to R201-million or 8.9 percent of turnover for the 1988/89 financial year.

Net trading income was up 47 percent to R255-million, financing costs were up from R30-million to R53-million — accounting for 21 percent of operating income compared with the previous year's 17.3 percent.

Earnings rose to R130-million from R94-million.

An interim dividend of 30c a share was paid, 20 percent up on the previous interim.

Looking at the divisional performances, MD Mike Sanders says that chlor-alkali and plastics performed very well — helped by comparatively strong international prices and the weaker rand.

Export performance from SA Nylon Spinners more than made up for the higher cost of internationally sourced raw materials.

Although there was a softening in demand from the gold industry, overall demand facing the explosives and chemical division was firmer but according to Mr Sanders, the week gold market meant that customers were sensitive to cost increases.

Sasol has now become a major competitor in the explosives market but Mr Sanders appears confident that AECI's size and its strong technology base will help it to defend its position.

In spite of the one-off costs associated with the rationalisation of fertiliser production facilities, this division made a positive contribution to group profits.

On a general note Mr Sanders said that demand for most of the group's products was reasonably strong: "We saw a fairly good economy". Management does not expect the rate of growth to be sustained in the second half.
Economy could grow 2% on back of export surge

Finance Staff

The recent surge in exports should see economic growth of two percent this year, predicts Southern Life's chief economist Mike Daly.

In the group's latest Economic Comment, Mr Daly says that this should ensure the economy makes a "soft landing".

He adds that economic growth this year will also be guaranteed by a continued surge in government expenditure.

"Real gross domestic expenditure (GDE) in the first three months this year was unchanged on a year-by-year basis, but was up by a strong 6.2 percent on a seasonally adjusted annualised basis from the fourth quarter of last year.

"The main reason for this apparently strong growth rate was a massive 40 percent real increase in consumption expenditure by the government," Mr Daly says.

For the whole of 1989 he expects gross domestic expenditure to remain unchanged, (last year it rose seven percent), and the positive economic growth rate will largely be maintained as a result of the export boom.

Nevertheless, he adds that economic overkill in the wake of earlier monetary and fiscal measures was unlikely.

"Consumer expenditure is not due for a major decline as consumer confidence levels and current real disposable income growth are still in positive territory," Mr Daly writes, adding that for 1989 private consumption expenditure would probably increase by two percent.

However, individuals' real disposable income could be hit from another front, namely inflation, which he foresees at 16.5 in December.

"The impact of the latest mortgage rate increase and last week's petrol price increase will contribute to this rising inflationary scenario that will last until at least early next year," Mr Daly says.

He also suggests that interest rates have peaked and that a high plateau will be maintained until the fourth quarter when a declining trend will emerge.
By AUDREY D'ANGELO
Financial Editor

CAPE-BASED Macadamia Bakeries Supplies Holdings — which started manufacturing only three years ago — expects to export nearly R4m worth of equipment to Europe, the Far East and some other countries in the current financial year.

MD Raimund Pouliart says it has helped to revolutionise SA eating habits by providing "hot-bread shops" and mixes, which enable comparatively unskilled bakers in supermarkets and corner cafes to provide products formerly made only by skilled immigrants, who are no longer coming to SA.

Customers and business associates, from other parts of the world, and from all over SA, came to see the Macadamia group in its new headquarters and factory in Blackheath on an open day yesterday.

Macadamia and its catering equipment manufacturing company Aloe, which until then had occupied separate premises in Salt River and Epping, both moved into the former Leyland factory in May.

The group bought and refurbished the property, which includes more than 6 ha of land, for R4.5m.

Financial director Kevin McEvoy said it moved in during a period including two public holidays and as a result only one week's production was lost.

Now Macadamia bakery equipment and Aloe catering equipment are both manufactured in a fully integrated 6 000 m² workshop, although the showrooms are separate.

"It was easy to integrate them because they are all made of stainless steel and food-oriented," said Pouliart.

Highly sophisticated computerised equipment is used "because we are competing with European manufacturers and must be as well equipped as they are to do so successfully."

But skilled craftsmen are needed in the machine shop and for welding and assembly. Since they are not readily available in SA the company trains its own. There is a high drop-out rate — only about 15% complete the course successfully.

Although the group's main domestic market is in the Transvaal, which means high transport costs from the Cape, Pouliart says there is no question of starting a manufacturing operation on the Reef.

Explaining that Macadamia was formerly a distributor of imported bakery equipment including ovens bought mainly from Sweden, he said it went into import replacement manufacture when it became obvious that supplies were endangered.

It was decided to manufacture in the Cape because of a readily available and stable workforce, and the group's increasing export activities made it desirable to be near a port.

McEvoy said Aloe Catering had entered the export market for the first time last year with an order "in excess of R1m".

The bakery operation had been active in the export market for some time, exporting to Europe and the Far East "and some countries which we prefer not to name."

He expected the group to achieve exports "approaching R4m" this year.

Export and marketing manager Mike Claussen said that although the group had originally manufactured under licence it now designed products which SA countries found more suitable than some made for use in Europe.

Aloe Catering now imports only 10% of the goods it sells.

"We make as much as we can but there are some items for which the SA market is too small to make it economic to manufacture them ourselves," said Claussen.

The bakery division imports about 40% of its products, mainly intricate machinery, but exports ovens.

Belgian-born Pouliart, who has mastered the switch into manufacturing and the entry into the export market, comes from a family of bakers whose connection with the trade goes back at least three generations.

His father was disappointed when he switched from baking to become a salesman for a German firm manufacturing bakery equipment.

He says he is a self-taught businessman. But the group's turnover has risen from R10m in 1984 to R41.9m in the past financial year.

Net income before tax was R1.2m last year compared with R1m the previous year, and the group moved to the main board of the JSE from the DCM.

But Pouliart and McEvoy say the group is concentrating on improving profit margins this year. A combination of higher tax and increasing pressure on margins — partly due to rising costs of raw materials — reduced attributable profit last year to R811 000 from R919 000 in 1996.

Pouliart and McEvoy say rationalisation of their sales operations in Durban and Johannesburg, and greater selectivity in domestic business, will improve margins this year.

"We have adjusted our thinking from importing to manufacture", said Pouliart.

"We have spent the last three years finding our feet and building the right management team. Now we are going to see growth in our company."

The chairman of the Shareholders Association of SA, Iassy Goldberg, who was among yesterday's visitors, said: "This is the most under-rated company in the Cape."
SA exports arms to 39 'selected countries'

By Norman Chandler, Pretoria Bureau

South Africa exported armaments worth more than R2 billion to 39 “selected countries”, the Minister of Defence, General Magnus Malan, said in Pretoria last night.

The arms industry meant the country “need not beg of others” for its weaponry, he said.

Speaking at a farewell function for Commandant P.G. Marais, the retiring chairman of Armscor, General Malan said Armscor’s achievements were such “that South Africa need not depend on any other nation for its requirements”.

“In this way we need not sacrifice any political goals in order to ensure our security or to seek assistance.”

General Malan said no country could preserve politically to South Africa, which, as a result of its arms industry, occupied a position of strength longed for by others.

QUALITY OF INDUSTRY

The quality of the industry had opened up “avenues for the current peace initiatives in southern Africa… without South Africa’s military and technological supremacy in southern Angola, the South-West Africa/Namibia settlement plan would never have been possible”.

General Malan said apart from Armscor’s affiliates there were more than 900 main contractors and other organisations in the private sector involved in the development and production of armaments and by-products. A total of 70 percent of Armscor’s annual expenditure flowed back into the private sector and helped create 75,000 jobs, he said.

The organisation’s achievements served as an example for all South Africans on how to change problems and challenges into opportunities.

“We stand on the eve of challenging constitutional processes and developments. This is a challenge that we have to accept with daring,” General Malan added.

(Report by N. Chandler, 316 Vermecien Street, Pretoria)
Import-export plan

WELCOME Msomi, former director of the now disbanded Umabatha, has announced plans to form an export and import company aimed at empowering South African black business men economically.

Speaking on his arrival at Jan Smuts Airport he said the company will export African products to the international community. According to him the company will distribute products manufactured by blacks to overseas companies. These include beads, thatched mats, traditional garb, hand-sewn sandals, sorghum beer and mageu.

During his stay in South Africa, Msomi, who now lives in the United States, will meet various business organisations such as the National African Federated Chamber of Commerce and the Foundation for African Business and Consumer Services. He will also meet independent manufacturers, the informal sector and artists.

He stressed that his venture will also assist in the creation of jobs.
Coal industry spokesmen don’t expect SA’s coal exports to double from 45 Mt in 1990 to 90 Mt by 1995. But rumour has it that the Richards Bay coal terminal (RBCT) is already being readied for bigger things.

Local experts say the entire infrastructure from pithead to the RBCT is geared to handle 46 Mt/year — and it will stay at that level for some time.

Says Amcoa MD Dave Rankin: “A sustained increase in demand will only occur in the long term. There won’t be any sudden surges. Major customers have already made their supply arrangements.”

Keith Bright of Frankel Kruger Vinderine adds that “mines don’t have spare draglines hanging around. And it wouldn’t be in the industry’s interest to go after too much business too quickly.”

But, despite a chorus of denials, indications are the industry is aiming at a higher target. Infrastructure is being upgraded in such a way that it should be possible to expand quickly. The RBCT is now being refurbished at a cost of R239m. GM services John Keates says design capacity is 44 Mt/year, but it can handle 48 Mt/year. “And when the work is completed, it will still be able to handle that amount.” That seems a lot of money for an overhaul which increases capacity by only 4 Mt/year.

Speculation has it that the RBCT can handle 48 Mt/year, using only a portion of the plant. In addition, the coal line to Richards Bay should be up to 56 Mt capacity when work at Sikanke is completed in November. Sources say it won’t take five years to increase its capacity to 96 Mt/year.

According to Richards Bay port director Willem Kuys, the port handled 39 Mt of coal last year and he expects this to increase to 42.4 Mt in 1989. On an annualised basis, 46 Mt was handled in May “and probably because ships were delayed elsewhere by storms, we handled only a 40 Mt equivalent in June. Indications are that July exports will be very high. We’re handling six to seven 200-truck, 2.5 km-long coal trains a day, each with 18 600 t of coal.”

Maputo

In addition, Durban can handle 4.2 Mt/year and, between them, Cape Town, PE, East London and Maputo can handle a further 2.4 Mt/year.

Analyst David Price of Wharton Econometrix Forecasting Associates states in World Coal Supply to 2000 and Beyond that demand for SA coal will be such that the handling capacity of its ports will have increased to 90 Mt/year by 1995. By 2005, he reckons, prices for steam coal will have increased by 80%, in real terms, from their current levels of around US$32/t fob. The only factor that could hamper SA coal is the industry’s lack of port facilities.

Price says demand should increase be enough of these fields left to burn in a few years and people will have to start using coal. He says demand to 6 Mt/yr in 2010. By then, he believes, Russia will have supplied Poland with 32 Mt/year. Another positive is that China is expected to import coal from SA. It is using customers and has been forced to face competition.

Achim Wunder of the Institute for the Integration of Energy and Environment in Berlin says the effect of giving 200Mt people in the East and South America 415Mt of coal a month is that China will have to reduce its reliance on coal from SA. It is using customers because of the need for reliable supply and poor quality.

Financial Mail August 4 1989
INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 1989

PROGRESS INDUSTRIES LIMITED

Fruit exports need political, economic stability, says Gant

Politics

THE AUSTRALIAN ECONOMY

Fruit exporters need political, economic stability, says Gant.
Haggis steps up export drive

The Group said in its annual report.

The interim dividend will be 6.30p per share.

Higher tax and interest rates also reduced profits by £2.7 million.

Haggis' lifted increased from 1992 to 9.5% to 19.8% in 1993.

The Group's profit before tax was reduced to £11.1 million.

Haggis' profit before tax increased from £11.8 million to £14.3 million.

The interim dividend will be 6.30p per share.

Higher tax and interest rates also reduced profits by £2.7 million.

Haggis' lifted increased from 1992 to 9.5% to 19.8% in 1993.
The Steel Industry
A Business Times Survey August 20, 1989

High prices, low rand boost exporters' profit

INTERNATIONAL steel prices are likely to be higher in the second half of this year than in the first six months, providing a bonanza for SA producers.

An expected further decline in the value of the rand against other currencies will also benefit producers by lifting export earnings.

These factors and the rise in the price of various alloys have increased the profits of Highveld Steel & Vanadium (HS&V) and Samancor.

Sanctions

In the six months to June, HS&V posted an attributable profit of R170.1-million compared with R135.5-million in the same time in 1988. Samancor earned taxed profits of R217.5-million in the six months to December compared with R182.7-million in the 12 months to March 1988. The company has changed its year-end.

SA exports about 34% of its steel, most of it from Iscor, which makes 70% of total production, and HS&V with a 13% share.

By world standards, a 34% export dependence is extremely high. Japan at its peak touched 33%, but is now down to 23%.

As a result, the possibility of sanctions against SA is worrisome.

Les Boyd, chairman of HS&V, says SA has been able to cope with sanctions on some products like steel and coal — but at the cost of revenue and jobs.

However, he warns that markets are now more limited and any additional sanctions would have a detrimental effect on the industry.

Advantage

Until 1986, SA producers were able to export throughout the world, but in September 1986 America adopted the Comprehensive Anti-Apartheid Act which banned the import of steel, among other commodities. The European Economic Community followed. SA lost its share of lucrative markets in America and Europe.

In most instances, however, producers were able to export to other countries.

Had these sanctions not been introduced, SA production could have been increased to almost 18-million tons compared with 9.8-million in 1986, says Mr Boyd.

SA is one of the lowest-cost producers in the world. It has readily accessible and easily mined raw materials such as coal and iron ore. But in some cases the cost of transport is high.

Japan, Taiwan and South Korea have to import all their raw materials to make steel.

To maintain their competitive position, SA steel makers are expected to spend nearly R8-billion in the next three years on new or modernised plant.

Mr Boyd estimates that Iscor will spend R2.3-billion, Highveld R286-million, Uaebo R130-million, Scaw R100-million and Davsteel R93-million.

The result will not necessarily be greatly increased tonnages because much money will be spent on modernisation for improved efficiency.

The ferrous industry will spend R1-billion. If the planned HS&V-Samancor stainless-steel plant gets the go-ahead, another R1-billion will be spent.

Mr Boyd says SA dominates the world production of vanadium. Its share of world vanadium output is about 65%-66-million pounds.

SA is followed by America with 21-million pounds, or 23%.

HS&V is SA's top producer with 48-million pounds. A total of 86-million pounds is due to come on stream in 1991.

China and Russia are also large producers, but most of their output is used internally. They do not influence world markets.

The increased demand for vanadium resulted in spot prices rising to record highs. The price moved from R4.50/lb in January-March to between R10 and R12 in the second quarter.

As a result, for the first time, HS&V introduced a surcharge on its contractual sales of R2.50/lb. Because prices are expected to fall in the second half, the surcharge has been reduced to R1.25/lb for the third quarter.

Mr Boyd welcomes the privatisation of Iscor, saying it will make the corporation more profit conscious.
Exporters get warning on EC

CAPE TOWN — Exporters were told yesterday it was vital to establish themselves so firmly in EC markets before 1992 that their products would be considered indispensable.

National Productivity Institute executive director Jan Visser also urged businessmen to take action to solve SA’s economic problems without waiting for government.

Visser was in Cape Town to present Western Cape NPI productivity awards to Eskom and fruit farmer Robert Zulch of Walkerstroom.

He said in an interview before the ceremony most people were mainly concerned with how to improve their standard of living.

“But, unless we can succeed in developing our export programme dramatically, we shall not get the economic growth so necessary to provide job opportunities,” he said.

He said it was of little use to increase production if there was no market.

“I am amazed there is so little concern about what is going to happen to SA exports in 1992.”

In 1992 the 12-member EC intended scrapping, among other things, all internal trade barriers, Visser said.

“Then the moment we are successful in exporting to Europe because we have friends, like Mrs Thatcher in Britain and Helmut Kohl in West Germany, who can thwart the activities of the leftists.”

Act

“But in 1992 Europe will have a common economic policy and individual heads of states will not be able to reject it. Unless we have got our act well sewn up by 1992, we could be out on a limb.

“More than 45% of our exports go to Europe and they could be in danger.”

“We can improve our productivity and our products as much as we please but, unless we have a market, we are sunk,” Visser said.

He added exporters must “make it difficult for them to shut us out of the European market by setting up trade links and business tie-ups.

“We must make ourselves indispensable. And we have little time left which to do it.”

On the domestic situation, Visser said: “My concern is that most South Africans think this is government’s country. It is not. It is ours. It belongs to all the people who live here.

“It is up to us to solve our economic and trade problems. Business will need to take that extra mile.”
Coal exports flourish after long slump

SA's coal exports are flourishing again after a slump caused by sanctions and bitter international competition.

But anxiety that sanctions could be tightened if government does not adequately reform apartheid still hangs over the industry.

Chamber of Mines Collieries Committee chairman David Rogans said: "Clearly government's actions after the elections will have an impact on our trading partners."

In 1987, SA's coal exports slumped from their 1986 high as sanctions by France, Denmark and the US took hold of an oversupplied market and other countries limited imports.

SA fought a damaging price war to defend its place as the world's third-largest coal exporter and its market share of about 12%.

Although 1988 export volumes rose only slightly to 42.6-million tons from 42.4-million tons in 1987, firmer prices yielded a sharp rise in export earnings to R2.7bn in 1988 from R2.2bn.

That was still well below 1986 levels, when SA earned R3.2bn by selling 45.5-million tons abroad.

Latest trends indicate a strong performance this year, with coal firms' profits aided by the rand's decline against the dollar, in which export coal sales are transacted.

Earnings

"The export market is very, very strong at this stage. We are going to export 44-million tons this year," said analyst Stephen Arthur of stockbrokers Anderson, Wilson and Partners.

Estimating an average price of about $31/t FOB at the coast and an exchange rate of R2.66 to the dollar, analysts said this could mean earnings of $3.6bn for the year. Spot steam coal now fetches about $32/t to $33/t.

SA's good fortune has stemmed partly from setbacks in other producing nations. China last year failed to meet commitments in Europe and the Far East as domestic demand soared, while Australia and Poland faced strikes and disruptions. Colombia was hit by floods and quality control problems.

SA's producers say they retained orders partly because of consistent quality and punctual deliveries.

Better 1988 exports were reflected in colliery profits. Trans-Natal Coal Corporation this month announced net attributable profits of R84.2m for the year to June 30, after a R30m loss a year earlier.

Coal is vulnerable to sanctions because the origin of each lump can be identified easily. However, it still enters European countries which ban SA's coal via other community ports.
Texas faces a giant problem — over 10,4 tons of SA steel

By RAMAY WILSON. Agent Foreign Service in New York.
Taiwan's decision to lift import duties on gold has been welcomed by the Chamber of Economic Relations between it and South Africa.

In the chairman's report, the chamber says that the move is expected to push Taiwan closer to becoming the major gold trading centre in Asia.

Taiwan has long imposed strict controls on the import and export of gold due to limited foreign exchange and gold reserves.

The report says that Taiwan has welcomed the South African Government's assurance that serious and urgent attention is being given to the withdrawal of the import surcharge on capital equipment and components as this has proved a deleterious factor in new investment.

Commenting on the ministerial conference between Taiwan and South Africa, which took place in Taiwan last month, the report says that ways and means were discussed to encourage two-way investment.

Particular attention was drawn to the facilities of the International Economic Co-operation Development Fund of Taiwan, which aims to assist with the economic growth of developing countries and others friendly to Taiwan.

The report says bilateral trade between Taiwan and South Africa continued to grow in 1988 and in the first half of 1989. — Sapa.
Construction export opportunity

ECONOMIC buoyancy in the Far East has created a building boom in Hong Kong, Taiwan and Singapore which is expected to create a unique export opportunity for building material manufacturers in SA.

SA Foreign Trade Organisation (Saffo) manager for Asian affairs Gary Mitchell said in a telephone interview yesterday that while some manufacturers had already penetrated the market, Saffo was embarking on an aggressive campaign to encourage SA building material exports to the Far East.

The favourable rand/dollar exchange rate, with increased demand for building materials in the Far East because of rapidly growing economies, made SA exports of building materials to these countries a profitable venture.

Most Far Eastern countries, though rich in high-added-value products like computers and watches, lacked raw materials and consequent manufacturing infrastructure to manufacture building materials, said Mitchell.

Urban Taipei consisted mainly of two to three storey buildings. However, the urban landscape was fast being transformed into one of skyscrapers. He said the building boom in Taipei was expected to last well into the next three years.

Most building materials, especially luxury building items such as granite facades, decorative face brick, stocks and ceramics, sinks and PVC piping materials were imported to the Far East from Germany, Italy and other European countries.

Many SA building material manufacturers faced dropping demand for products because of the slump in building activity. Building material manufacturers had as yet focused little marketing drive towards export opportunities in comparison to other SA industries, said Mitchell.

Saffo has launched a long-term project to promote these opportunities. Fifty materials manufacturers have expressed interest, while a third of these have provided funds for the project.
String of export successes boosts business confidence

By Michael Chester

The Federated Chamber of Industries (FCI) credits a chain of successes by exporters in driving deeper into overseas markets for a renewed upward tilt in the overall level of business confidence in recent weeks.

Its index of expected sales volumes from the manufacturing sector for the next 12 months, which steadily declined in the first six months of the year, last month gathered momentum.

With a base of 100 used to measure the acid test between pessimism and optimism, the index surged from 116 in July, when the recovery started, to 126 in August.

FCI senior economist Roelof Botha said yesterday, when results of the latest opinion poll were released, the strong export performance was expected to press ahead well into 1990.

The export drive was still developing, encouraged by signals of a strengthening global economy, a weaker rand exchange rate and a perception that sanctions threats appeared to be on hold — at least temporarily.

He said: "It is clear that manufacturers remain relatively optimistic about the future despite measures taken by the fiscal and monetary authorities to cool down demand.

"The results of the general election are unlikely to impact significantly on confidence levels.

"In view of the improvements in the level of gold and foreign reserves and the trade balance, the likelihood of further restrictive measures is remote.

"At the same time, recent statements by the new Governor of the Reserve Bank suggest that credit conditions will remain tight and that interest rates are unlikely to decline before well into 1990."

"This, together with rising inflation, will preclude significant increases in real private consumption expenditure on manufactured goods."

"Expenditure on capital goods also appears to be slowing, with the result that future increases in expected sales will be increasingly dependent on export prospects."

Industrial consultant Dr Gad Arlovich said the pattern of share price movements on the Johannesburg Stock Exchange since February last year confirmed the optimism of investors in general about the muscle behind the export drive.

An analysis showed that most of the leading sectoral advances in JSE indices had been achieved by metals and minerals exporters.

The steel sector led the pack with an average climb of no less than 318 percent. Manganese was up 313 percent, metals and minerals 155 percent, platinum 150 percent, other metals 176 percent.

But Mr Botha advised caution about interpretations of the scale of the improvement in index readings.

He said many manufacturers were feeling a bit pinched about how the Reserve Bank intended to tackle its counter-offensive against inflation.

The export outlook looked good, however, especially as companies gained confidence that the extra production capacity created from recent surges in fixed investment was likely to be filled by a faster flow of orders.

Rob Herbertson, marketing director of Highveld Steel and chairman of the FCI International Trade Committee, forecast a continuing strong performance by exporters as they anticipated an expansion of international economies in the 1990s — and learned to cope with sanctions problems.

Much depended, though, on how the Board of Trade and Industry succeeded in finding the correct balance in its programme of structural adjustment in the industrial sector and the package of new export incentives.
Record year for fruit exports

By TREVOR WALKER
Business Staff

SOUTH African deciduous fruit exports this year have hit a record R910-million to R920-million and next year will easily top the R1-billion mark, Mr Leo Fine chairman of the Deciduous Fruit board and the independent sales and marketing company, Unifruco said.

Mr Fine said costs have kept pace with total sales, so profits by the farmers have also been held back by the impact of steadily rising prices.

South African deciduous fruit, be they apples, pears, plums, apricots, table grapes or nectarines are among the best in the world.

Of the Southern Hemisphere producers, Cape fruit sets the standard and everyone else has to match it.

"Anyone new set on entering the market invariably travels to South Africa to study our methods of picking, packaging and transport infrastructure.

"Our Mediterranean climate has led to the development of our industry. We are fortunate that our geographical position has put us only two weeks shipping away from Europe whereas Chile, our major competitor is 21 days from the market and Australia and New Zealand 28 days.

"The advantage of a week over Chile is a very real one and has consistently helped us to stay as leaders in quality.

"Sanctions have affected us in the North American market, but in Europe our quality has helped to maintain sales.

"Removing our products from some supermarket shelves led to a backlash from consumers and our products were soon reinstated.

"This season's sales effort in the UK, which ended this week, has been a particularly good one as fruit quality was improved even further by the extended cold spell late in the season."

Apples accounted for about 80 percent of total volumes and about 50 percent in value terms in the full range of exported fruit.

However, South African supermarkets now demanded very high quality of fruit and what was being sold locally was as good and in most cases better than the best that the industry supplied to the export markets.

The South African consumer, and particularly the Western Cape consumer, is eating fruit of an exceptional high standard.

Deciduous fruit growers in the Transvaal tended to sell only into the local market and most of the marketing effort was undertaken in that province.

Unifruco is celebrating the 50th anniversary of the single channel marketing system of Cape fruit this season and the industry's 100th anniversary as an exporter of grapes.

Mr Leo Fine's farm, Goeie Hoop, in the Elgin Valley was bought after World War 2 by his father and Leo has developed the estate to its present

(See page 5).
Record exports

(From page 1)

world class standard of excellence.

The 168 hectare farm is a model of road, housing and orchard planning. Nothing is undertaken without exhaustive research.

Mr Fine is proud that the industry has become such a major earner of foreign exchange and an employer of labour in the region.

Not less than 100 ships loaded fruit in Cape Town harbour this year, providing further employment to SATS staff.

He says the industry employs about 250 000 people, which means that over a million people are dependent on the industry.

The farm clearly makes a lot of money, much to the delight of Mr Barend du Plessis. But Mr Fine says "My ambition now is not merely to make more money. I would like to develop the farm further for the benefit of everyone living and working here — that will make me happy."
'Cloak and dagger' exports

CAPE TOWN — Exporting from SA is "becoming more and more like the world of James Bond", a Cape Town food manufacturer said yesterday.

He was one of the local business people attending a crowded seminar on Exports and Europe 1992, organised by the SA Federated Chamber of Industries in conjunction with Barlow Rand and Dekoite, Haskins & Sells, at a Sea Point hotel.

Department of Trade and Industry director general Stef Naude, said its 42 overseas offices would now give an improved service. Deputy director general (trade) G J J Brey gave details of how the new export incentive scheme would work.

But some people in the audience pointed out it would still involve complicated calculations.

A manufacturer who exports food products to markets officially closed to SA firms spoke, in the tea interval, about the difficulties of doing so. "They tell us about the new incentive scheme," he commented, "and how to fill in the forms. But they do not tell us how to get our goods into the market."

Expensive

He said he found the best way to export his foods to markets which did not welcome SA goods was to use Iron Curtain countries as a conduit. "There is no problem in getting goods from these countries into any market.

"And it is a pleasure to do business with the Eastern bloc countries. There is no difficulty at all in selling to them."

However, he said, exporting through a conduit was an expensive business. And it could go wrong.

He had, at one time, exported to Australia through Hong Kong. But the Australian customs had discovered the source of the goods. "And now they have my name on a list, and I really resent being taken aside and questioned when I go there."

Counter-Trade Committee chairman Fred Bell struck a note of realism when he told delegates that — although conventional cash deals were best — there were circumstances in which they should consider the various forms of counter-trade.

"The whole purpose of this conference is to advise you how to stay in normal business with Europe after 1992. But there is also an alternative too ghastly to contemplate — that some of you may be thrown out of Europe after 1992. So, possibly, counter-trade may give you an opportunity for a soft landing," he said.
Challenges for SA with single European market

LESLEY LAMBERT

CAPE TOWN — To succeed in a single European market after 1992, SA exporters would have to control the delivered price of their products by arranging their own transport rather than shipping on an fob (free on board) basis.

This was the advice of new Safmarine MD Tony Farr, given to delegates at an Exports and Europe 1992 conference here organised by the SA Federated Chamber of Industries in conjunction with Barlow Rand and Deloitte, Haskins & Sells.

He said changes in the distribution patterns within Europe and the services provided by transport operators, together with a more competitive marketplace, made it vital for shippers to control the delivered price of their products.

"Too many SA exporters ship on an fob basis, leaving the European importer to control up to 25% of the final delivered price of his product."

A first step in this direction would be for SA exporters to change their selling terms from fob to cif (cost of insurance and freight) where they negotiated their own transport.

Farr told delegates the ability of SA shipping and transport companies to compete in Europe after 1992 would depend on their being able to remain abreast of current global developments and trends.

Farr said the major SA transport operators would undoubtedly base their future strategies on the provision of a total logistics service to their customers.

An important trend, linked to the development of logistics services, was the increasing use of information technology, he said.
Buoyant Rex True confident on export growth

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN clothing manufacturer Rex Trueform has increased its export earnings by 33% in the past year. And executive chairman Stewart Shub says he expects exporting to Europe to become easier when it becomes a common market after 1992.

"I suspect the European common market will be to our advantage," he said yesterday, "because there will be free circulation of goods within Europe. At present our sales are strong in some countries but weaker in others, where it is harder to get them across the border.

Shub said he anticipated no difficulty in getting his products into Europe after 1992, in spite of expectations that its policies would be strongly protectionist. "A fairly high duty is already charged on our exports going into Europe, but we have a competitive advantage.

"In the broader picture one would like to believe that positive political developments will result in our being received back into the international fold before 1995, with sanctions forgotten.

"If developments go the other way, of course, the opposite would happen — but that is too ghastly to consider."

Shub said he also hoped for a stronger rand by 1992, in spite of the fact that SA exporters now benefit from the rate of exchange. "A weak rand gives us only a short advantage which is offset by rising inflation, which means we have escalating costs.

"Exporters with a strong currency find it far easier to contain their costs and plan ahead, which is why Japanese firms, for instance, do better than South Americans."

Although there are signs that the economy is entering a downsizing, Shub said he anticipated a soft landing. "I don't think we shall have a severe recession, as we did in 1986. And since our clothing is targeted at the middle and upper income market our domestic sales may not be affected much.

"We are not expecting to have to lay off any workers. We would consider it a very serious move to have to retrench people and we are not considering it at this stage."

In the company's annual report, released yesterday, Shub says: "Export of manufactured goods continues to be an important corporate and national priority."

"Accordingly, continued effort has been devoted to expanding export markets and I am pleased to report an increase of 33% in export earnings over the previous year.

"The Board of Trade and Industry has recently embarked on a structural adjustment programme for the clothing and textile industries. This programme addresses the importance of exports to the development of these industries, and we believe, especially the clothing industry, which is very labour intensive."

"Certain aspects of this programme have already been implemented. It is clear that the exporter of high value-added clothing manufactured in SA will especially benefit from this new programme."
South Africa needs to plan urgently to remain economically involved in Europe after 1992 when the European Parliament is established, says the executive director of the National Productivity Institute, Dr Jan Visser.

Dr Visser said the government had its head in the sand when it came to taking into account the changes taking place in Europe that would materially affect the local economy — other countries were already actively pursuing strategies to gain part of the market of a unified Europe.

**Competitive** He said the European Parliament could feasibly forbid its member countries to trade with South Africa. For this reason, it was necessary to secure speedily South Africa's trading rights by selling quality local products in Europe at competitive prices.

He said this strategy could be managed only if the country's productivity and the quality of its export products improved. — Sapa.
SA exports hit record R44.3bn

Own Correspondent

JOHANNESBURG. — Merchandise exports from SA — seasonally adjusted and benchmarked for the second quarter — increased for the all-time record R44.3bn. But the Reserve Bank has cautioned against the "seemingly comfortable situation" in the economy.

In its latest quarterly bulletin, the Reserve Bank singles out the astonishing performance of merchandise exports, noting the dampening effect of "unexpectedly high imports" in the second quarter. Net service and transfer payments to foreigners rose to a new high in the second quarter.

The Bank says the extent to which the surplus on the current account of the balance of payments can be improved depends mainly on whether the "present strength of private-sector fixed investment expenditure, and imports occasioned by such expenditure, are going to be maintained".

Consolidation phase

Overall, the Bank says there is further evidence of the economy's "cyclical cooling down and of its having moved into the early stages of a consolidation phase". Government deposits with the Bank continued to increase dramatically, in line with the stated intention of mopping up liquidity.

The Bank says the limited size of the deficit before borrowing in the first four months of the fiscal year to end-July suggests the deficit for the whole year could "well be" less than was envisaged. A budgetary surplus was recorded for the first time in 15 years for the month of July.

The Bank notes that the inflation rate "accelerated markedly and disturbingly on a short-term (quarter-to-quarter) basis in the first two quarters of 1989".

And "far too little progress has been made" in slowing down the quarter-to-quarter increases in money supply growth.

Moreover, to the end of August, large outflows of non-reserve related capital had prevented any "major" rebuilding of the total SA gross gold and other foreign reserves.

But one of the main focuses was merchandise exports and imports.

In spite of the "adverse development" of the steep decline in the dollar value of gold, seasonally adjusted merchandise exports increased 29% from R34.6bn in the first quarter (Q1) to R44.3bn in the second quarter (Q2). Net gold exports slipped from R10bn to R8.2bn.

But an "unexpectedly high increase" was also recorded in the volume and value (-R42.2bn to -R49.5bn) of merchandise imports. Along with further slippage in the value of net gold exports and a large rise in net service and transfer payments to foreigners, the balance of payments current account, seasonally adjusted and annualised, fell from R2.7bn in Q1 to R2.2bn in Q2.

The annualised value of exports in Q2 was "more than half again the figure for Q2 in 1988 of R29.3bn; the volume of exports rose by 38% over the four-quarter period. The Bank says export performances improved in all goods categories.

Large increases

"Particularly large increases were recorded, however, in the exports of various manufactured goods — including base metals, machinery and electrical equipment, transport equipment, chemical products and textiles — as well as of mineral products."

Comparative figures for the R44.3bn merchandise exports going back to 1980 show that the next largest figure was R35.5bn in Q4 of 1981. Until Q3 of 1988, no figure exceeded R30bn.

The Reserve Bank says the volume of merchandise imports rose "rather unexpectedly", given the "mild decline in real gross domestic product, slacking of growth in real GDP, and policy measures (such as the import surcharge)."

Volume increase

The volume increase in imports, 17.5% seasonally adjusted but not annualised from Q1 to Q2, was mainly due to an increase of 10% in import volumes.

The "spurt" in import volumes, says the Bank, "would appear to have been explained partly by SA businesses' pre-emptive purchases of imported goods in anticipation of possible further exchange rate depreciation, higher world oil prices or possible further measures for the curbing of imports, as well as by firms' rebuilding of inventories of imported goods."

Net service and transfer payments to foreigners "rose very strongly" by a seasonally adjusted but unannualised 26% from an annual level of R8.7bn in Q1 to a new record high of an annual level of R10.9bn in Q2.

Afcom Group expands branches

THE Afcom Group has expanded its Johannesburg and Cape Town branches to cope with buoyant trading in both the Western Cape and Southern Transvaal.

Peter Sykes, manager of Afcom in the Western Cape, says the Cape Town branch has moved from its old 800 m² premises in Epping into new premises of 2,500 m² in the same area and R400 000 was spent in adapting the building to Afcom's needs. As in Johannesburg, customer service facilities have been streamlined.
Imports knock optimism but...

Merchandise exports at all-time high

BARRY SERGEANT

MERCHANDISE exports from SA — seasonally adjusted and annualised for the second quarter — increased dramatically to a record R44.3bn. But the Reserve Bank has cautioned against the "seemingly comfortable situation" in the economy.

In its latest quarterly bulletin, the Bank singles out the good performance of merchandise exports, noting the dampening effect of "unexpectedly high imports" in the second quarter. And net service and transfer payments to foreigners rose to a new high in the second quarter.

The Bank says the extent to which the surplus on the current account of the BoP can be improved depends mainly on whether the "present strength of private-sector fixed investment expenditure, and imports occasioned by such expenditure, are going to be maintained".

Overall, the Bank says there is further evidence of the economy's "cyclical cooling down and of its having moved into the early stages of a consolidation phase".

Government deposits with the Bank continued to increase, in line with the intention of mopping up liquidity.

The Bank says the limited size of the deficit before borrowing in the first four months of the fiscal year to end-July suggests the deficit for the whole year could "well be" less than was envisaged. A budgetary surplus was recorded for the first time in 15 years for the month of July.

The Bank notes the inflation rate "accelerated markedly and disturbingly on a
Exports

short-term (quarter-to-quarter) basis in the first two quarters of 1989. And "far too little progress has been made" in slowing down the quarter-to-quarter increases in money supply growth.

Moreover, up to end August, large outflows of non-reserve-related capital prevented any major rebuilding of the total gross gold and other foreign reserves.

But one of the main focuses was on merchandise exports and imports. In spite of the "adverse development" of the steep decline in the dollar value of gold, seasonally adjusted merchandise exports increased 28% from R34.6bn in the first quarter to R44.3bn in the second. Net gold exports slipped from R19.9bn to R18.2bn.

But an "unexpectedly high increase" was also recorded in the volume and value of net gold exports and a large rise in net service and transfer payments to foreigners, the BoP current account, seasonally adjusted and annualised, fell from R27.7bn in the first quarter to R26bn.

The annualised value of exports in the second quarter was 51.4% more than the comparative figure for 1988 of R13.2bn. The volume of exports rose by 35% over the four-quarter period.

While export performances improved in all goods categories, "particularly large increases were recorded in the exports of various manufactured goods ... as well as of mineral products."

Comparative figures for the R44.3bn merchandise exports going back to 1988 show that the next largest figure was R36.2bn in the final quarter of 1989.

The Reserve Bank says the volume of merchandise imports rose "rather unexpectedly," given the mild decline in real gross domestic expenditure, slackening of growth in real GDP, and policy measures (such as the import surcharge). The volume increase in imports, 17.5% seasonally adjusted but not annualised from the first to the second quarter, "was mainly due to an increase of 10% in import volumes."

The spurt in import volumes, says the Bank, "would appear to have been explained partly by SA businesses' apprehensive purchases of imported goods in anticipation of possible further exchange-rate depreciation, higher world oil prices or possible further measures for the curbing of imports, as well as by firms' rebuilding of inventories of imported goods."

Net service and transfer payments to foreigners rose "very strongly" by a seasonally adjusted but un-annualised 26% from an annual level of R8.7bn in the first quarter to a new record high at an annual level of R10.9bn in the second.
31% of Iscor turnover from exports

ISCOR has disclosed that 31.1% of its turnover to June 30 1989 was derived from exports. At a presentation this week, Iscor GM, finance, Eric van der Merwe said that of Iscor’s R8bn turnover, R1.8bn comprised steel and R650m iron ore exports.

Up to now speculation had had if that anything between 25% and 40% of Iscor’s turnover is derived from non-rand sales. Van der Merwe confirmed Iscor had qualified for protection under Section 15A of the Companies Act, the exemption from obligation to disclose certain information.

Iscor supplies no details of the operations of foreign subsidiaries, and does not disclose separately contributions to the income statement or balance sheet.

Moreover, Iscor does not apply segmental information accounting policies. The 1989 annual report states: “The company operates exclusively as a vertically integrated producer of a wide range of steel products. All of the company’s operations, employees and substantial all of its assets are in the Republic of SA.

“Information by segment is not disclosed as the directors are of the opinion that it would not be in the interest of the group to disclose information regarding export markets and volumes sold.”

Iscor’s production of 70%-plus of SA’s steel comprises 1% of world output. The prime target market is SA. Surplus production, amounting to 33% in 1989, is exported to 60 countries on five continents. Iscor has 2,000 customers, about 500 of whom are foreign. Van der Merwe disclosed. 

BARRY SERGEANT

See Page 3
conditions which delayed the crop,” says Swart.

The delay also forced the board’s co-op agents to accept a massive 3,06 Mt in two weeks from July 17 to July 31 — almost half the total 6,8 Mt received by the co-ops came in before the end of July. Most of this year’s crop has now been delivered to the co-op’s silos.

Exports usually take place from only two harbours, Durban and East London. During the previous record three-month shipment (about 1,35 Mt) Cape Town harbour was also used. “The fast service rendered by Sats allowed us to benefit from the higher world maize price of about $108/t. The price subsequently dropped to about $100/t — but it has since recovered to about $114/t, based on large Russian orders,” says Swart.

Russia has ordered about 3 Mt (to be delivered by December) as part of its ongoing purchasing commitments. Sats’ 24-hour service helped “earn” maize farmers millions. But the high silo turnover at Durban harbour was also instrumental in getting the maize to its overseas destinations. The Durban silo takes a mere 37 000 t — which meant it had to be filled more than five times a month to meet the shipment schedules.

“We loaded about five ships a month at Durban. East London’s 67 000 t silo was filled about four times a month, which resulted in turning around about 10 ships a month over the three-month period. With harbour staff working 24-hour shifts, seven days a week, the maize sector also created lucrative business for the shipping industry,” adds Swart.

The scope of the three-month export operation is demonstrated by the fact that in August alone 13 200 Sats maize freight cars — giving a combined length about 150 km — were transported to the two harbours.

“That means that each of Sats’ maize freight cars was used three times a month,” he says. Farmers have to transport 3 400 full truckloads of maize to the inland co-op silos in order to fill one 34 000 t bulk cargo ship. Sales of petrol, diesel, parts and trucks thus also provided an additional fillip to the economy.

“This year’s maize export programme is the largest ever undertaken. Due to the crop delay, we will have to ship a total of 5,3 Mt in only 10 months (July to end-April, 1990), compared with the previous record of 5,2 Mt in 12 months. The demand is to transport 500 000 t a month,” says Swart.

To plan the whole operation, the board’s sales and logistics division first met with Sats officials on April 5. Complicating the issue was the simultaneous export of a record wheat surplus. A similar problem could face the two grain sectors and Sats in December, when wheat exports start rolling once again.

MAIZE EXPORTS

Broad impact

This year’s healthy 10.7 Mt maize crop is likely to have a powerful ripple effect throughout the economy.

Maize farmers will gross an estimated R2.3bn, but an additional R1.2bn is likely to find its way into the pockets of other parties — including the farming co-ops (for silo storage), SA Transport Services (Sats) (for transport), insurance companies, financial institutions (debt repayment) and the export houses.

Total maize export revenues of some US$500m should gladden the heart of the Reserve Bank, while stockists of tractors, trucks and bakkies, cars, agricultural implements, fertiliser and seed, as well as the banks and other farming creditors, should also have reason to smile.

Sats alone should gross around R500m for transporting the maize crop. Moving anticipated exports of 5 Mt should yield around R340m in rail costs and R21m in harbour charges, while a further R140m should be earned for transporting maize intended for domestic consumption.

Maize Board assistant GM Hans Swart says Sats proved this year that it could rise to the logistical challenge of transporting such a large maize crop.

“To date, we have exported about 1.7 Mt (earning SA about R480m), of which 1.5 Mt was shipped out in the three months from July to September. This is the highest tonnage ever shipped in any three-month period. The bottleneck was caused by wet weather conditions which delayed the crop,” says Swart.

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“To date, we have exported about 1.7 Mt (earning SA about R480m), of which 1.5 Mt was shipped out in the three months from July to September. This is the highest tonnage ever shipped in any three-month period. The bottleneck was caused by wet weather
Cape fruit fills out the world’s baskets

By Charmain Naidoo

THE Cape deciduous fruit industry showed a healthy growth in gross export earnings for the ninth consecutive year.

But sharp increases in input costs had a significant effect on the net income of producers.

Unifruco, the international marketing organization of the deciduous fruit industry, announced this week that their export earnings had increased by more than 20% from R714 million to R854 million.

And, payments to producers increased by 17.4% to R481 million.

Public affairs manager Fred Meintjes has scoffed at criticism that Unifruco’s performance was directly related to the exchange rate.

**Export**

Unifruco chairman, Leo Fine, says the achievement was accomplished despite the fact that the export volume of 29.9 million cartons was only slightly higher than the previous year — due to a reduced pear crop.

"This is a very satisfactory performance in a year when we celebrate the 30th anniversary of our successful single-channel export marketing system."

Mr Fine adds that after distribution, production and packaging costs are deducted, the average producer of certain kinds of fruit experienced substantial decreases in net income.

Mr Meintjes says that every year, new cost efficiency measures are investigated.

"In the past decade, we have introduced new measures which have saved us many millions of rands — like changing our handling systems on the South African side from a railway to a road system."

**Quality**

"And we refurbished cold storage facilities in Cape Town and asked the South African Transport Services whether we could run it ourselves. This not only cost us much less, but improved our quality and decreased handling."

But Mr Meintjes says that a major part of the cost increases are not in their hands.

"Although certain cost increases are related to exchange rate changes, increases such as sea freight (23%), paper for cartons (23%), pallets (23%), imported paper for polyethylene bags (37%), and polyethylene (39%) cannot be accepted without further ado."
Export demand for coal on the increase

MARKETS for SA steam coal are expanding and demand by the year 2005 could be for tonnages far in excess of present harbour capacity.

SA currently produces 44 million tons of steam coal. Wharton Economometric Forecasting Associates is forecasting demand for SA steam coal will more than double to 90 million tons in 1995, which far exceeds present harbour capacity.

By 2005, Wharton estimates, the price will have increased by 80% in real terms to about $571/tonne.

"South America has been cited as a potential market for SA coal. If subsidies to the domestic industries in the UK, Belgium and France are reduced as western Europe will also become an expanding market for imported coal," says the latest newsletter from the Minerals Bureau.

The bulletin points out that industrial unrest continues in the coal industries of Australia, the Soviet Union and the US.

Rand Mines coal division deputy chairman Allen Cook told Mintek's sixth annual mining conference at Randburg that SA had embarked upon an export drive following the opening of the Richards Bay Coal Terminal in 1974 and was now third in the export league, behind Australia and the US and ahead of the Soviet Union and Poland.

"Australia exported about 100 million tons, the US about 80-million tons and SA about 40-million tons.

The average depth of SA coal is about 80m below the surface, the deposits are flat and geologically undis}

working cost increases, it pushed up the cost of capital equipment. Costs of underground equipment had increased on average by 30% since 1979.

He said the most important weapon for tackling costs was increased productivity — linking productivity to pay increases.

This would require the use of people's skills. A significant step towards this end was taken with the recent abolition of job reservation on mines and so far there more than 30 black people held blasting certificates for collieries.

A comparison of productivity between major coal-producing countries showed that SA productivity was third, with about 250 million tons a year, after Australia with about 300 million tons and the US with about 4250 million tons.

**Expansion**

Another means of improving productivity, said Cook, was by improving worker transportation.

On expansion, Cook said coal prices were sufficiently low to discourage any major new investments in coal mining.

Sasol might open a large new open-cast colliery at Secunda, but major new mines from other groups were unlikely for the next few years.

Producers would expand capacity using existing infrastructure. Capex to replace depleted resources was continuing.

Ivor was upgrading the Tshikondeni mine by about 10 000 tons a week of coking coal. The upgrade also included the construction of a 123km railway line.

The costs of a major new underground mine was about R1bn in 1989 terms.

At current inflation rates this could easily double in five years.
Ports handled 10-million tons of cargo in August

PRETORIA — The amount of cargo handled at SA ports topped the 10-million ton mark in August, with Natal and East London enjoying record tonnages. Both Richards Bay and Durban handled more cargo than they had done in any of the previous 20 months with a record combined total of 7.78-million tons.

East London enjoyed a revival of activity, with more than 400 000 t — nearly four times its usual monthly average — crossing the wharves in the Buffalo River port. Export tonnage from Durban harbour was about twice that of imports, while in East London the tonnage landed was nearly 10 times the amount shipped.

Country-wide, exports accounted for about 86% of all cargo handled, in large measure due to the five million tone of coal shipped from Richards Bay during August. — Sapa.
SA industry urged to stake European claim

By Don Robertson

SOUTH African industrialists are urged to establish closer links with the 12 European countries which will form a huge trading bloc in 1992.

The Federated Chamber of Industries says it is vital for SA to protect its markets in Europe.

Executive director Ron Haywood says SA businesses should establish a presence in the EEC.

It can be done either by establishing a new business, forming strategic alliances, entering into joint ventures, merging with existing operations or establishing trade relations. However, the financing of these projects could be a problem.

Language

It will be necessary for each business to identify niche markets in terms of products and countries by recognising which companies can be approached. This can be done through the departments of trade in each country.

Language, location and manufacturing facilities will have to be studied and the question of possible double-tax will need investigation.

Mr Haywood says that if a company is established in Europe by 1992, the country of origin for funding will be of no importance. If SA is under increased sanctions, its businesses will still be able to trade in Europe.

Politics will also play a large role in SA's relations with Europe and it will be more difficult for people such as Margaret Thatcher to "go it alone" on this country's behalf.

When the new European market takes shape, its exports will represent 20% of world trade compared with the 15% of America and Japan's 9%.

Other benefits will include increases in gross domestic product, reduced inflation and the creation of between 2 million and 4 million jobs.

It will be achieved by the removal of frontier and technical barriers, fuller exploitation of economies of scale and gains from intensified competition.

Transport of goods will take place at almost twice the existing speed because of the elimination of border posts and controls.

There are also likely to be fewer companies as a result of mergers and this could affect multinationals in SA.

Strict

FCI chief economist Refilwe Botha says because of these factors all companies which do not have a foothold in Europe will suffer a decline in competitiveness.

Of concern is the fact that SA's exports to Europe have been falling for many years, although off a low base.

However, exports to non-EEC nations have remained at between 25% and 30% of total exports to Europe and could be increased.

Because of the rand's decline, SA's competitiveness in Europe has improved by 1.3% annually for the past eight years. The result is that SA exports with a high labour content may be well placed to enter or expand in Europe.

The advantage, however, could be temporary.

Mr Botha says: "SA will continue to experience strict monetary policy with signs of a general economic slowdown already evident.

"The probability, therefore, of declining import volumes coupled with a rand exchange rate which is fundamentally stronger than the actual rate, will tend to stabilise the rand in the months ahead and price differentials will erode the competitiveness of exporters."
Exporters face new risks over Namibian trade

Finance Staff

The creation of Namibia will open a new era for South African businessmen who have traditionally traded with the region — not only an era of opportunity, but also an era of increased risk.

A team of experts from the International Monetary Fund recently helped draw up financial contingency plans for the country.

A spokesman for the Reserve Bank said there were a number of options open to the new country but it was expected that in the initial stages the rand would remain the official currency.

Lesotho and Swaziland have remained in the rand monetary area, but with their own individual currencies pegged to the rand.

Botswana's currency, because of that country's strong foreign exchange reserve position, trades at a premium to the rand.

IMF LOANS

It is expected Namibia will eventually create its own central bank and apply for membership of the IMF and the access to cheap development loans that accompanies such membership.

South Africa has remained a member of the IMF in spite of efforts to unseat it, but has been denied access to IMF credit.

A new customs agreement with South Africa will have to be worked out in the months immediately after independence as well.

Namibia's gross domestic product is less than two percent of that of South Africa and the mining sector (uranium and diamonds) contributes about 28 percent to GDP and over 70 percent to total exports.

Over 70 percent of its imports come in from South Africa, while the greater portion of its red meat production is exported to this country.

Mr Chris Leisewitz MD of Credit Guarantee says: "The independence of Namibia will certainly have implications for the South African suppliers of goods and services to that country as it will change from an internal or domestic market to an export market."

POLITICAL RISK

Apart from the commercial credit risk, that is, the ability of buyers in Namibia to settle their debts, the South African businessman could also be exposed to political risk.

This could include action by the Namibian government preventing the import of goods, confiscation of goods, political disturbances, the remittance of funds to South Africa and the failure by government buyers to pay.

Credit Guarantee some time ago began providing cover against these political risks in addition to the commercial cover previously provided.

The company provides exporters with the full range of export credit insurance cover for sales to Namibia even at the present transitional stage to independence.

Mr Leisewitz advises businessmen to seek expert opinion on trade with Namibia as the transitional period will be one of uncertainty.

To take full advantage of new export business opportunities, he suggests companies should consult Sata.
SA's exports have fallen in stable currency terms over the past 10 years and now account for less than 1% of world trade.

The country's exports amount to just below half those of Switzerland and manufactured exports account for just 10% of all SA exports, chairman of the FCI technology development committee Ted Adlard said yesterday.

He stressed the need for a technology strategy.

Government would have to work with the private sector to develop such a strategy for industrial growth.

Just 15 years ago SA's growth had out-performed both South Korea and Taiwan, yet had subsequently been left behind.

Taiwan had achieved a real export growth rate of 360% since 1977 and a real annual growth rate of 10%, he said.

This had been achieved through an intensive education drive, concentrating on technological training.

Further, the success of Taiwan lay in its ability to employ a large number of people productively and at a low investment cost through subcontracting, he said.

In SA the rate of fixed capital stock investment to employment had increased and it cost between R180 000 and R200 000 to employ one person.

To grow industrially, SA would also have to look towards adding value and improving its export marketing by possibly linking up with Taiwan's extensive global intelligence.
New gold restrictions can backfire, US told

WASHINGTON — Congress has been told that new restrictions on importing SA gold would hurt black miners and might slow SA's growth by chilling business confidence.

Analysis of the pros and cons of additional sanctions came from the General Accounting Office, which assesses policies for Congress.

It said gold was SA's biggest export, and that its gold bullion was already barred from the US by law. It said further action could include:

- Banning imports of jewellery, made from SA gold, of which $500m to $900m worth reaches this country every year from Italy.
- Selling gold from government stocks on the open market to drive the price down; and
- Requiring Americans to sell their shares in SA mines.

The report said these measures could have unwanted side effects. For example, a jewellery ban could raise prices by taking off speculative buying.

"If sanctions against SA gold became so effective that mines began to close, it would be difficult to re-open them in any post-apartheid society," the report said.

"A $1m cut in SA gold export revenues because of sanctions would cost mine-owners, as a class, an estimated $555 000, while miners about $72 000 and black miners about $156 000," it said.

It quoted a study, by a mutual fund that invests in gold shares, which estimated that if Americans had to get rid of the 14% they held of SA gold mining stocks, they would lose at least $1,2bn.

"The most important effect . . . might be to chill business confidence in SA," the report said. — Sapa-AP.
Exports help to push up growth

A strong export orientation has helped to propel the growth of Avroy Schiffman and Company. The direct marketing cosmetics manufacturer has established several operations abroad, including in the United Kingdom, Spain, Mauritius, Portugal, Malawi, the Far East and others. The company employs some 160 people in these export divisions, having been started up with the help of former employees in 1977. Exports have increased in both business and personal lines, and government foreign sales have boosted the company's export thrust.

Specific

Last year, Avroy Schiffman R&D reported a turnover of $3.7 million.

Starr, in 1975 to meet the specific cosmetics needs of the South African climate, Avroy Schiffman is a people-dependent company. As a direct marketing company, its success depends on effective selection, training, motivation and retention of staff. As the company's strong belief in the 'Fee market system', puts its goals statement: "People should be given the opportunity to choose their own efficiency and goals and the ability to direct their efforts.

Enhance

"This philosophy will enhance the quality of the service and create an atmosphere that draws in the community. Tactical growth, as well as the pace and nature of diversification, have determined the desired shift for defensive a few to many product moves. In 1980, Avroy Schiffman sought new opportunities in similar markets and brought in new products, as well as new distribution. Avroy Schiffman can take a position to exert a major influence on the marketplace. But the key to this success lies in the company's comprehensive range of home goods, a comprehensive range of products that meet the needs of men and women.
Export solution to SA debt

INCORPORATED exports were the best way SA had to generate funds to meet its international commitment in terms of the foreign debt standstill agreement, President F W de Klerk said in Johannesburg last night.

Speaking at the State President’s Export Achievement banquet, De Klerk said SA previously relied on a regular inflow of foreign capital to realise a higher rate of economic growth, but this had virtually dried up as a result of international action.

“In fact, SA has become a net exporter of capital, to its own detriment,” he said.

Glass SA was named the overall winner at the function.

De Klerk said vast amounts of foreign exchange were needed to pay for essential imports of capital goods which have constituted about 85% of SA’s total imports.

To a large extent, these imports represented high technology machinery which was not yet manufactured in SA and in many cases was essential to sustain the level of activities in the manufacturing sector, he said.

“Economic growth is fundamental to our success in building a new SA,”

Much of this economic growth could best be achieved through a determined effort to increase exports, De Klerk said.

“Africa’s countries were in need of a strong and growing regional market. “SA can, no doubt, be the king-pin in the development and expansion of this market, and thus contribute most significantly to the economic development of our region on the continent,” he said.

Corporate management must become export orientated, its marketing strategy making provision for production for the export market on a continuous basis.

Trade and Industry and Tourism Minister Kent Durr said at the banquet that Glass SA was totally committed to exports and had been successful in developing new markets and maintaining existing ones under difficult international circumstances, Sapa reports.

It currently exported a range of 10 products to 23 countries worldwide.

The floating trophy, a medallion and the State President’s Export Achievement Certificate was presented to R Lubner.

The winners of the various categories were: Mining — Ferrometals Ltd of Witbank, a subsidiary of Samancor Ltd; Agriculture — Valor Central Co-operative Ltd of Port Elizabeth, which processes citrus fruits; Services — Sherwood Export CC of Johannesburg, a firm that is totally reliant on exports of steel, chemicals and manufactured products; and, Manufacturing — Highveld Steel and Vanadium Corporation Ltd of Witbank.

Durr said Glass SA’s export sales had almost doubled over the past three years, and it had been a regular exporter of glass and mirrors for the past 20 years.

“In the face of strong domestic and foreign competition, Glass SA maintained its market share in some of the choice overseas markets,” Durr said. “It also supplied glassing requirements to various international prestigious building projects, amid strong international competition.”

The overall winner last year was Firestone SA (Pty) Ltd.
SA SHOULD be one of the greatest clothing exporters in the world, International Apparel and Federation president David Shirey told the National Clothing Federation (NCS) conference in Sun City yesterday.

But since 1982, for every year except 1986, SA had been a net importer of clothing, Shirey said.

Obstacles facing exporters were that markets were distant, raw materials hard to get at competitive prices, the structure of the industry with many small businesses made it difficult to penetrate export markets and SA's poor image abroad.

Shirey identified four areas necessary to increase exports substantially. It was necessary to have an adequate supply of low-cost labour, access to markets and access to raw materials at reasonable prices.

Potential

"SA is very competitively priced in labour costs. Labour costs 20c a minute in the US, 10c a minute in countries such as Hong Kong and Thailand, 5c a minute in SA and 1c a minute in the homelands. This offers a major advantage."

Two markets with enormous current potential were Europe and the Eastern bloc. "Now is the time to move into the EC market, which has a population of 320-million, because it may close temporarily after 1992," he said.

"The growth potential in the Eastern bloc, as their affluence grows, suggests that market could grow at 15% to 18% for several years compared with 2.5% to 3% in other developed countries."

The industry needed expert export advice and full backing from its members.
**Widening the market**

The Department of Trade & Industry is developing and promoting new export markets in “centrally planned economies.” Unconventional methods, like countertrade, are increasingly being used to circumvent sanctions.

Subterfuge has become part of trade efforts but exports have in fact gone up since sanctions were instituted, says the chairman of the Private Sector Export Advisory Committee, Iscor’s Nols Olivier.

Export Trade Promotion director Gerrie Breyl adds that the department now takes a global approach in developing markets. Traditional markets are, therefore, increasingly being supplemented by new ones in Africa, the Far East and behind the Iron Curtain. Ironically, that last region has no official sanctions policy, though its countries do not trade openly with us.

However, “ways and means” are being developed to find niches for exports by using third parties and countertrade.

“It is not official policy to develop countertrade as an alternative to conventional trading methods,” Breyl says. “Rather, we use and promote countertrade as an alternative to no trade. We are actively engaged in developing new markets. Often the problem is not in finding the market but finding a manufacturer to make use of export opportunities.”

New instruments have been developed by the department to enter the new markets. These include:
- Facilitating countertrade agreements
- Establishing commercial correspondents in countries that have no diplomatic links with SA to facilitate negotiations
- Taking exporters on trade missions to some of these countries; and
- Entering into preferential tariff arrangements with some countries, such as Turkey and Mozambique.

“In developing countertrade deals, the department tries to utilise the tremendous buying power of certain public-sector bodies and private-sector groups,” Breyl says.

“In this way, existing leverage can be used to promote exports. These deals can be very complex but, where conventional channels are closed, we must use what we’ve got. Government also assists by granting rebates on the import surcharge.”

As far as preferential tariff agreements are concerned, SA has a “limited capacity” and the department is very selective when choosing products and countries, he says.

Another focus area is trade with Africa.

“We have created an Africa Trade Committee and an Africa desk, which focus on establishing links and developing markets for the private sector,” Breyl says. “The Ivory Coast is a major focus area and we will soon open a trade office in Kinshasa. Africa provides interesting opportunities but one must be careful of certain obstacles in selecting projects and markets.”

Regarding trade relations with an independent Namibia, Breyl says much will depend on whether it decides to join the SA Customs Union. “If they decide to come in we will still have to consult our partners before this can be finalised. Meanwhile, exporters should consider Namibia as a traditional export market.”

Breyl says another major challenge for exporters is the creation of a single European market. “Europe 1992, which will come into effect on January 1 1993, will offer tremendous opportunities for exporters. The unified market of 320m consumers will add about 5% to European GDP, while about 2m new jobs should be created in this highly competitive market.”

Marc Battaille, president of the Swiss-based International Public Affairs Centre, says Europe 1992 — made up of the 12 members of the EEC (and several associate countries such as Malta and Turkey) — will create the world’s largest single trading power, constituting about 26% of the exports of industrialised nations, compared with Japan’s 17% and the US’s 14%.
Cosmetics transform an import firm into an exporter

LESS than three years ago, specialist importer House of Gallia surprised SA beauty market observers by adding a locally manufactured skin care range to its product line-up, which then comprised only imported brands such as Clarins, Juvena, Oscar de la Renta and Elancyl.

Today, the cosmetics house is considering exporting the local range to the Middle and Far East.

When launched in 1987, not only was the new range, known simply as Gallia, the first of House of Gallia’s products to be manufactured in SA — it was the first of its products to be distributed through food chains in selected areas.

The marketing strategy for the Gallia range was simple — the product was positioned as “quality skin care at an affordable price”.

The Gallia range was priced at a premium above other similar products, and its packaging was designed to reflect Gallia’s promise — the regenerative and healing powers of Evening Primrose oil.

According to Gall Blank, Gallia’s product manager, House of Gallia’s thinking behind the launch was prompted by the rand’s decline against the franc about five years ago when local consumers began looking for cheaper items.

Sales in the first year topped R1m and Blank expects to move R3m worth of products this year. About 40% of this will be sold through pharmacies.

Gallia will also earn House of Gallia a profit this year, that is, it will have “paid back” the investment on research and development.

Blank attributes Gallia’s success to numerous factors, key elements being attractive packaging, availability of testers in stores or the opportunity to buy a trial pack for less than R10, and a healthy promotions and advertising budget (in excess of R500 000 for 1990 tax year).

Gallia recently extended its range to include a cellulite treatment gel. Gallia’s gel will retail at around R25, compared to imported products which sell for more than R55.

The gel was launched this week after 18 months of research.
CASHING IN ON DEMAND FOR ‘CONVENIENT CITRUS’

Local fruit farmers go for gap overseas

Pipes and peels are out as “convenient fruits” became a must at formal functions in Europe and the US, and South African hostesses are beginning to follow suit. Western Cape fruit farmers, turning to “convenient citrus” products in between the deciduous seasons, have taken the lead in exploiting an unexpected gap in the European market. LANEE SALISBURY reports.

WESTERN CAPE deciduous fruit farmers are cashing in on the world-wide craze for easy-to-peel, seedless, “convenient citrus”, a market long dominated by Spain.

Export of the fruit — increasingly a must for top executive entertaining, but as yet largely undiscovered by local hostesses — has provided South African fruit farmers with a gap in the difficult European fruit market.

At this stage only the English market has been penetrated but sales to France, Germany, Belgium and the Netherlands are being developed.

In 1985 South African exports of so-called convenient fruits to Europe totalled 64,000 kg but this year it has increased to 1,210 kg.

An indication of the nation-wide growth of the industry is the fact that the number of trees has increased by 80% in the past three years, largely because Western Cape deciduous fruit farmers decided on production after citrus growers were slow to respond to efforts by the Citrus Exchange to persuade them to take up the challenge.

The Exchange estimates that a farmer who normally concentrates on deciduous fruit-growing, could earn an additional R15,000 per hectare a season from convenience fruit.

Unlike citrus farming, apple and peach cultivation does not clash with the “convenient fruit” season, therefore presenting deciduous fruit farmers with the chance to extend their productive season. Citrus farmers, on the other hand, do not enjoy this advantage as the seasons overlap, saddling them with a longer labour-intensive peak.

“Convenience fruits comprise only 0,5% of South Africa’s citrus exports at this stage,” explains J.P. Wahl, Paarl-based area extension manager of the Citrus Exchange.

“I believe that it could rise to as high as 15% in the next 10 years, by which time the majority of young trees planted and in the process of being planted will have matured.” A detailed breakdown of fruit export figures is no longer provided and the value of the predicted 30-fold increase cannot be determined.

Wahl points out that the South African season fills the gap between Spain’s citrus season and Europe’s deciduous fruit period.

“Our products hit the market between April and June when the European sources alone cannot meet the demand,” Wahl adds.

The extent of the European market for convenience fruit is underlined by the fact that Spain provides 1,1 million metric tonnes annually. South Africa currently competes effectively with Spain in the European conventional fruit market because of the overlap in seasons and convenience citrus has, therefore, provided the local fruit-growing industry with an unique gap.

The local market for convenience fruit, however, has a long way to go before conquering South Africans’ taste buds.

“IT IS A COMPLETELY DIFFERENT THING. WE HAVE TRIED TO SOLICIT CUSTOMERS BUT THEY HAVE HELD OUT,” one grower said.

Picture: STEWART COLEMAN

FRUIT LOVERS’ DREAM COME TRUE ... Pip-free, easy-to-peel and juice-packed fruits are hitting SA shelves. Janice Gombert at Old Cape Farm Stall reads herself to taste a pampino, a cross between a pawpaw and a papaya. Although containing seeds, papamies are sweeter, brighter in colour and conveniently smaller than the ordinary pawpaw.

AIDS card game launched in UK

LONDON - A card game for schoolchildren with cards depicting Aids, condoms and sperm donation has been launched by the British Medical Association as an educational project to teach children about the risks of Aids.

It consists of 25 picture cards showing a range of sexual and social activities, which the children are asked to divide into those which pose a risk of transmitting Aids and those which are “safe”. The game, which costs £2.50 (about R100), is based on a book called Aids and Sex, which has sold 85,000 copies.

— Own Correspondent

appealed in questions as a, was told: "in

To Page 22
Clothing export forecast
Air cargo space shortage...

Fruit exports likely to be grounded

Own Correspondent

JOHANNESBURG. — SA fruit exports — worth R300m over Christmas alone last year — are in danger of being grounded by a shortage of air cargo space.

Perishable Products Export Control Board (PPECB) CE Dave Schreuder said on Friday an inadequate number of charter flights had been secured to export perishables, such as fruit, over the year-end peak period.

ZAS charter company will provide 15 flights between December and February.

However, it has been estimated 28 charter flights would be needed to relieve congestion on scheduled international flights over the peak period, Schreuder said.

Inadequate airspace for exports would probably lead to a surplus of fruit on the local market. While this would lower prices to the consumer, farmers would lose thousands of rands, he said.

He said the National Transport Commission had allowed for about 1,000 tons of perishables, over and above the capacity of scheduled carriers.

Schreuder said the government would have to weigh up the importance of fruit and create more full cargo operations in and out of SA.

Three years ago the government withdrew its R1m subsidy which covered the difference between air charter and international tariffs.

The year after the subsidy was withdrawn a disastrous amount of fruit had to be dumped because of inadequate cargo space to export it.

Schreuder said the situation improved last year when SA Airways effectively subsidised exports in arranging air charters.

He said although SAA no longer arranged the charter flights, it had bent over backwards, reserving all its north-bound cargo space for perishables.

This year the PPECB was informed by air charter companies they were unable to accept quoted prices for charters.

The PPECB had obtained quotes from 12 air charter operators approached to quote for the carriage of perishable products from SA to Europe in the peak period.

The understanding was that the chartered airline itself would assume responsibility for the south-bound leg, and the exporter or agent who concluded the charter would assume the responsibility and risk for the north-bound leg.

The lowest three quotes were chosen and flights were offered to all agents at the prices quoted which varied between R3,50 and R4,10 a kg in comparison to the then "standard" schedule price of R3,20 a kg.

The carriers said they were unable to operate at such a low rate.
CAPE TOWN — The Western Cape deciduous fruit industry has announced that it still needs air transport for about 15% of its Christmas season exports, following reports that fruit exports are in danger of being grounded by a shortage of air cargo space.

A spokesman for the industry’s international marketing arm, Unifruco, which earned over R900m from deciduous fruit exports last year, said that except for 12% to 15% of members’ Christmas exports, it had managed to secure air space for most of the anticipated Christmas exports.

Fruit exporters tend to transport their produce by ship during most of the year because of the high cost of air freight. Unifruco transports less than 1% of its annual crop by air, according to the spokesman. But, higher demand and higher prices in international markets over the Christmas season, justify the cost of getting the fruit to markets as quickly as possible.

There is often a scramble for air space negotiated by the Perishable Products Export Control Board near the end of the year, as many smaller exporters prefer to see the outcome of their crop before committing themselves to transport arrangements.
Export openings for textiles

Opportunities for growth in the textile industry in 1989 would be in the export market rather than in the domestic market, Domatex chief economist Jan van Collier said in the latest issue of the Textile Federation newsletter Textile Topics.

He said domestic demand for household textiles, especially in the budget category, was likely to remain steady as the black housing market continued to grow.

The probabilities of a soft landing for the economy in 1989 were fairly high, but Van Collier warned the large debt repayments which have to be met made it necessary for the country to build up the balance on the current account.

He urged the industry to involve itself "actively and positively" in the structural adjustment programme.

"The more domestic value which can be added in terms of additional processes in the pipeline, the more competitive the locally produced products should become in international markets, provided the new incentive schemes are used to full advantage," he said.

If the soft landing materialised, demand for clothing and household textiles should remain reasonably firm, he predicted.

Imports

Real annual growth for clothing and household textiles in March 1989 was 11% and 10.5% respectively, against 5.1% for retail sales of all goods.

"The growth rate can afford to come off substantially without actually becoming negative."

High retail demand for clothing and household textiles, together with lower imports had resulted in high capacity utilisation of
Changes in Eastern Bloc will affect key S.A. exports

Finance

1974

by Neil Ednam

London - The City's second Great

Dow Jones

In a success story of some

exportation, the Eastern

 Bloc countries are now

emerging into the market

with their unique

products, including

agricultural goods, textiles,

and chemical products.

Although the economies of

these countries are

underdeveloped, their

resources are

considerable, and

opportunities for

investment exist.

The Eastern Bloc

countries have

substantial

agricultural

resources, and

production of

fruit and

vegetables is

high. Textiles

and

clothing are

also

important

exports, with

a variety

of

styles

available.

Chemical

products

are

another

important

category,

with

many

countries

producing

pesticides,

fertilizers,

and

pharmaceuticals.

Investment

opportunities

exist

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sectors,

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collaboration

with

local

companies

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encouraged.

In

summary,

the

Eastern

Bloc

countries

offer

unique

opportunities

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investment

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trading,

and

their

resources

should

not

be

missed.
AFTER a break of eight years, Dorbyl Marine has successfully secured a shipbuilding contract for two vessels for export.

Due to the recession in world shipping in the early '80s, as well as the withdrawal of the government subsidy in 1984, the SA shipbuilding industry underwent severe decline.

However, Dorbyl Marine is today the only remaining SA company involved in large-scale commercial shipbuilding.

Present orders were secured using a financial package developed by Dorbyl Marine.

Create

In addition the work will create many new jobs, both directly and indirectly.

The vessels currently being built are a multi-purpose cargo vessel and a roll-on-roll-off cargo vessel which are due for completion in 1990.

Worldwide demand for new ships has risen substantially over the past two years.

This, together with the closure of many international shipyards has meant the remaining shipbuilding capacity is largely committed until 1992.
Multiple shifts the right muti

A CONCERTED effort to increase exports by manufacturers working multiple shifts is necessary if SA's economic ills are to be cured.

A capacity utilization survey by the Federated Chamber of Industries (FCI) and the Steel Engineering Industries Federation of SA (Seifisa) shows that about 70% of manufacturers work less than two shifts. Less than 10% work three shifts.

The survey found that the main problems facing SA are a shortage of capital, the failure to create sufficient jobs, high inflation and balance of payment constraints. By extending the number of shifts worked, most of these problems could be resolved.

Equipment would be used more productively, job opportunities would increase, the need to import expensive machinery to expand production would be reduced and manufacturers could dedicate more of their output for export.

Inflation would also fall because capital equipment would be more effectively used. SA would be more competitive in world markets. However, several factors prevent more shifts being worked, the main one being the lack of skilled workers and supervisory staff.

To overcome this, education and training must be improved. It is suggested that as much as 5% of company profits be spent on training.

FCI executive director Ron Haywood says, "If by the year 2000 we have hordes of hungry people, there could be unrest and businessmen would be to blame."

In tough times, spending on advertising and training is the first to be trimmed. It would be better for companies to forfeit profits, but maintain training programmes, says Mr Haywood.

Education also has to be improved. But it is not necessary for everyone to have a matriculation certificate. People should be trained to do a particular job.

The second major problem preventing multiple shift work is current and future demand for products.

A solution, says the survey, is import replacement and export development. Exports would increase demand and help to cushion cyclical movements in SA's economy.

Apart from this, a common market is needed in Southern Africa, although political problems have prevented it. Trading houses should be established to help the small producer and barrier trade should be considered.

The survey says it is vital that the importance and size of the manufacturing sector be increased, exports expanded and training improved.
Lower mineral prices depress export index

Linda Ensor

Lint. current rand prices of nickel, ferroalloys, chrome ore, copper and uranium depressed the Commodity Export Price Index (CEPI) — excluding gold in October and November.

The latest Minerals Bureau Bulletin (MBB) points out that export prices in real rand terms remained much lower than in current rand terms due to the high rate of inflation.

If gold is included in the calculations, the CEPI for November shows an immediate about-turn due to the great improvement in the gold price in that month. This, together with improvements in the dollar prices of platinum-group metals, resulted in a recovery of the CEPI in current dollar terms.

In November platinum rose sharply, breaking through the "resistance level" of $500/oz. This movement resulted from economic expectations rather than from changes in demand," says the MBB.

"Indeed, demand for platinum during the year is reflected by platinum's premium over gold which shrank to 38% from the over 40% in excess of the gold price recorded six months previously."

The MBB expects the platinum price to move upwards with the bullish gold price during the coming weeks.

At less than $10 000/ton, nickel prices experienced downward pressure in November due to the negative impact of the stainless steel sector on the ferronickel and nickel oxide markets.

The low vanadium spot price of $3.20 to $3.40/lb is believed to be unjustified when viewed in relation to the expected 5% annual growth by tonnage in the ferrous commodities market. MBB says the spot prices reflect the lower turnover while consumers reduce inventories.
What happens when...
The recent surge in foreign purchases of SA gilts via the financial rand (finrand) has had dramatic consequences for interest rates on government and semi-government stock.

Most observers were astonished by the rapidity with which gilts rates have tumbled, from just below 17% at the beginning of December to just above 15% on January 5. As a result, intense interest has arisen in issues related to foreign buying of gilts.

The crucial question is whether there is any effect on the foreign exchange reserves. There is no direct effect on the reserves if there is no official intervention in the finrand market. The market must clearly realised private sales of finrands must equal realised private purchases of finrands.

Were the Reserve Bank to intervene in the market, however, selling finrands and purchasing dollars, some, probably small, rise in the Reserve Bank's dollar holdings should occur. Note that the interim report of the De Kock Commission (1978) envisaged that the Reserve Bank might intervene in the finrand market.

Do foreign capital flows through the finrand market serve to supplement domestic savings, providing an additional source of capital to local enterprises? Again, no. Even if a resident sells an asset to a non-resident investor who purchases the asset at a discount of about 28%. This question was addressed in the De Kock Commission report, where it was argued that foreign participation in the economy arising from non-resident purchases of SA securities, especially equities, would bring benefits from management expertise and access to technology. The finrand discount to the commercial rand was seen as necessary to attract such foreign participation.

The attraction SA gilts hold for foreign investors derives mainly from the excellent rate of return enjoyed by foreign investors when they use commercial rand to purchase gilts and receive interest payments in finrands. At an interest rate of 15.0% on Eskom 168 stock and a finrand discount of 28% to the commercial rand, the nominal return is 21%, down from 25% before the finrand strengthened.

The foreign currency return to the foreign investor is crucially dependent on the rate of depreciation of the finrand. If the finrand depreciates by 10% per annum, the annual rate of return in foreign currency would be 21% - 10% = 11%, compared with current bond yields of about 7.5% in West Germany. Since the finrand has strengthened, the returns to the foreign investors would have risen substantially, thereby upgrading the returns of SA gilts, which have been enormous.

If finrand purchases of gilts were to be abolished so as to attract foreign purchases of gilts through the commercial rand, with attendant benefits for the reserves, gilts rates would have to rise substantially to sustain foreign interest. Since rising gilts rates would stimulate gilts purchases by local institutions, gilts rates would rise to somewhere between 15% and 21%, with less foreign participation in the market. There are, however, some indirect effects on the reserves arising from gilts transactions in finrands, as a recent Bank of Lisbon article has argued. Moreover, the effect is negative for the current account of the balance of payments and the reserves. This is because over time, foreign investors have tended to be net sellers of equities and purchasers of gilts.

Since dividend payments on equities are lower than interest payments on gilts (both payments being made through the commercial rand), the net result is to increase the outflow on the services account of the balance of payments, produce a smaller current account surplus, and therefore lead to some depletion of the reserves. This will occur whenever lower yielding assets than gilts are held, creating the finrands through which gilts are purchased.

Further, high returns available to foreign investors could discourage the rollover of bearer bonds by SA's foreign creditors. The maturation of bearer bonds is an important part of the heavy burden of foreign debt repayments looming over the next four years.

Holders of bearer bonds could seek repayment of the bonds, which payments would be made in commercial rand, and reinvest the money in gilts through the finrand, resulting in a net drain on the reserves. This is particularly ironic, since the finrand would then actually encourage capital outflows.

A twist imparted by exchange control, of which the finrand forms part, is to cause the measured, or official, current account surplus to deviate from the true current account surplus. Attempts to circumvent exchange controls which are an inevitable feature of any exchange control system lead to the under-invoicing of exports and the over-invoicing of imports. As a result official holdings of foreign exchange are reduced, but private holdings of foreign currency denominated assets are correspondingly higher.

The finrand may also discourage exports. It is widely believed that were the finrand to be abolished, the new unitary exchange rate would have a lower value than the present commercial rand. Hence, by artificially elevating the commercial rand, the existence of the finrand encourages imports and discourages exports. However, it is not altogether clear that the commercial rand is overvalued. The commercial rand has tended to be undervalued relative to purchasing power parity.

The broader issue in all of this is that exchange controls cause price distortions, in the form of artificially low gilts rates and perhaps an artificially high exchange rate. Unfortunately, such systems tend to defeat the very objectives they are intended to serve. A new famous World Bank study (1982) found that price distortions are harmful to trade performance and hence long-term growth.

Foreign exchange controls may (imperfectly) choke off capital outflows but they also give rise to distortions which tend to work against the sort of export successes that both finance capital outflows and attract foreign capital inflows.

Boyd is chief economist with Simpson McKie Inc, Johannesburg.
Govt to bring in 'sweeping' measures

By MIKE ROBERTSON

The government is set to introduce sweeping deregulatory measures affecting all areas of commerce and industry, Trade and Industry Minister Mr Kent Durr said yesterday.

"There is nothing that we will not deregulate," Mr Durr said in an interview yesterday.

He declined to give details of actions that the government will undertake, but promised "a few dramatic announcements" in coming weeks.

Mr Durr said his entire department was undergoing major restructuring, while the activities of bodies like the Board of Trade would undergo rationalisation.

Plans were being drawn up to computerise the Companies Office to make it more efficient.

Detailed investigations into the activities of the various boards and statutory bodies falling under the department were undertaken to identify and eliminate areas of double jurisdiction and duplication, Mr Durr said.

He said the underlying philosophy behind the envisaged changes was that the government wanted to promote economic growth through a process of cooperation rather than by regulation and intimidation.

Mr Durr said that while he was not yet in a position to give accurate figures, the one major deregulatory measure he had already announced — the scrapping of the Travel Agents Board — had saved "an enormous amount of money".

Mr Durr said the entire decentralisation policy, which his department took over in December, was under review.

"There are large amounts of money involved and when one spends public money you want to do so thoughtfully and efficiently. It is appropriate that we take a hard and critical look at what we are doing."

Mr Durr said South African exporters had sought and found new markets in Asia, Africa, Eastern Europe and South America.

Exports to African countries were rising particularly rapidly.

On South Africa's growing trade with Eastern Europe, the minister said: "We want to develop markets and assist them to our mutual advantage just as we are doing in Africa already."

Asked about the possibility of establishing new South African trade missions abroad, Mr Durr said: "We are in the process of opening them. There is a great degree of normalisation taking place."

Mr Durr said South Africa's export growth path and profile of what it was exporting was very encouraging.

"An export culture is taking root. The great opportunities for industrial growth now lie in the export field."

He added that while in the past the government might not have pursued policies that were conducive to promoting exports, there was now extremely close cooperation between the Board of Trade, the Reserve Bank and his department. "Exports are central to our thinking."
TRADE POLICY

Who's in charge?

Attempts by the Board of Trade & Industry to stimulate the local manufacture of computers appear to have been knocked for a six by the introduction of an ad valorem duty on computer parts and components by the Commissioner for Customs & Excise (Business January 12).

This is the latest in a number of blows to the board's status and image, which seems to be linked to the trade policies followed by the new Department of Trade & Industry Director-General Stef Naudé.

It could also be the prelude to a major rift over policy matters between the two government divisions.

Ever since the announcement of the new General Export Incentive Scheme (GEIS), by Trade & Industry Deputy Director-General Gerrie Breyi in September, a question mark has hung over the role of the board in influencing trade policy.

The announcement of the new export aid package almost put paid to the board's elaborately researched structural adjustment programmes (SAPs) for various industries. BTI CE Lawrence McCrystal has long propagated the notion that industry should follow the route of Japan and Taiwan, with government assistance to help create an amenable climate for exports.

Board investigations are still under way in the following sectors: electric transformers; switchgear; wire and cables; chrome and stainless steel; white goods; microcomputers; machine tools; radio, audio and video recorder equipment; steel; electronic components; clothing and household textiles; computer software and tourism.

"The emphasis is on whether the industry has the potential to become a competitive player in both the local and international markets," says McCrystal.

Because of the protective policies adopted in SA, we have a largely inward-orientated industrial sector. Our pattern of exports is heavily geared towards raw materials and first stage processing thereof. About 42% of exports are made up of raw materials, 46% constitute processed raw materials, while only 7% and 5% respectively are made up of material-intensive and final products."

But McCrystal's elaborate plans to expand the export of value-added, fabricated products seems to have been met with a cold shoulder from various top government officials.

A lot of conflict is said to exist between the board and the department though some commentators say the policy differences seem to have simmered down.

On September 2 the FM reported Deputy Economic Affairs & Technology Minister Theo Alant as saying: "We do not wish to impose any structural changes on industry and believe in the broad principle of a market-oriented policy."

On November 3 we reported that Trade & Industry Minister Kent Durr "threw cold water on the board's SAP programmes by saying that the focus of his department would be on macro, not micro, planning."

Naudé was also quoted as saying government does not have the money to administer the costly adjustment programmes and that he preferred "simplified" schemes to those that have to be administered by "hundreds" of additional bureaucrats.

Whatever the current situation, McCrystal is sticking to his guns. He tells the FM that "SA's exports are locked into products which sell into slow-growth markets with generally low levels of value added. We must get into the high value added, fast-growing world markets."

The argument continues to rage over which policy (GEIS or the SAPs) is the most cost-effective. McCrystal, at least, has no doubts: "Export incentives are more costly and less effective than the SAP approach."

While figures of between R600m and R850m have been mentioned as the annual cost of government's current export assistance policies (the new export incentive package will be implemented from April 1), Deputy Director-General of Trade & Industry Gerrie Breyi says it is impossible to quantify costs because the new programme is linked to exchange rates.

"The stronger the rand, the higher the costs could be," he admits. But, he adds, the proposed SAPs for various industries should continue, though the export incentives for all industries would fall under the new export policy.

"Any additional support for individual industry sectors would have to form part of other measures such as customs tariffs," he says.

Naudé and McCrystal... fundamental differences on trade policy?

TRAIN FARE HIKE

Saving State's bacon

SA Transport Services' 10% commuter fare hike on February 1 will reduce the drain on the central government's funds more than it will benefit Sats.

While it will certainly increase Sats' revenue from this source, the intention is to enable it to continue subsidising rail commuter traffic for longer than is envisaged in the Legal Succession to SA Transport Services Act. In terms of the Act, central government is obliged to pick up all rail commuter losses incurred after April 1 when Sats becomes a State-owned public company. At the same time, the recently formed SA Rail Commuter Corp will take over the management of Sats' rail commuter services.

However, Sats is strapped for cash and will not be able to pick up the estimated R870m shortfall on commuter services this year. Consequently Sats will, as in the past, have to pick up the tab for half the losses.

This means it will have to continue with its policy of cross-subsidisation — charging more than it should for the conveyance of high-tariff goods to offset the losses on its commuter service.

Wim de Villiers, who conducted an investigation into Sats' finances, and is masterminding its eventual privatisation, foresees the State's difficulties and recommended a phasing out period before government takes full responsibility for commuter losses.

Sats will transfer its commuter assets to the corporation before April 1 but operate the service under contract, says Bart Grové, a former Sats GM appointed chairman of the commuter corporation.

It's not surprising the commuter services runs at a loss. It's not properly marketed and is thus not patronised nearly as well as it should be. Its peak-hour trains operate at full capacity but there are valley periods in between.

continues
Interest rate rises on export credit loans

GERALD REILLY

PRETORIA — The interest rate on export credit loans had been increased from 9% to 12% for loans expressed in rand, Credit Guarantee Insurance Corporation said yesterday.

It said this revision was unavoidable considering the general interest rate trends in SA.

The higher rate pertained to all credit insurance applications received by credit guarantees after January 1. Export credit loans hit by the increase were those granted by exporters or financial institutions taking part in the export finance scheme in support of capital goods export contracts. The interest rate payable by foreign buyers of SA capital goods on dollar-denominated contracts was unchanged at 9% a year.
Aid for export scheme

By JOSHUA RABOROKO

ALTHOUGH the Department of Trade and Industries is reportedly short of about R2-billion in funds for its General Incentive Export Scheme, it yesterday announced its incentives for the period from April 1 to September 30 this year.

Exporters seeking grants for more than R25 000 will receive promissory notes. The scheme is based on the rate of exchange of the rand.

Reduced

This exchange rate factor in the formula will be reduced by 0,5 percent for every one percent the rand is below parity value and vice versa if the rand rises above parity, which is determined by the Reserve Bank.

At parity value, beneficiated products will receive 7,5 percent, material intensive products 12,5 percent and manufactured products 25 percent.
Confusion upon confusion on exports

MANUFACTURERS are anxiously awaiting a policy statement from the Department of Trade and Industries to clear up the confusion surrounding South Africa's export promotions policy.

A statement is expected this week, but many in industry are crossing their fingers that it won't be superseded by a contradictory statement next week.

The confusion began last September when a statement issued by the department seemed to override a policy outline issued only five months earlier. It now appears that the apparent conflict within the department heralds a major shake-up in the course of which several advisory bodies, including the Board of Trade and Industries are to be weakened and rationalised.

The story begins with the report of the Klean committee which recommended that industrialisation should be promoted through an export-oriented policy, moving away from import-substitution. It argued that industrial sectors should be singled out for assistance on the basis of a range of factors, including growth potential, employment potential, and dependence on imported capital goods.

After enquiries into several industries, the Board of Trade and Industries came up with a strategy of aiding industries through tailor-made "structural adjustment programmes." In compiling the programmes, BTI director Lawrence McCrystal claimed to draw on the policies that generated rapid industrialisation in the Far East, though economists might quibble over his understanding of the success of the newly industrialised Asian countries.

Black business

EMBARKING on an "observation mission" to Zimbabwe in April this year are 102 black business personalities.

The co-ordinator of the trip, Willie Ramoshaba, said that one of the major reasons for the move was to expose blacks to broader markets and future business opportunities both in the country and beyond.

"Another reason for the mission was to begin equipping blacks so that they can face the challenges of the post-apartheid South Africa," he said.

The tour is scheduled to last six days, starting on April 21.

Leading the mission will be the chairman of Get Ahead Foundation, Dr Ntatho Montafo who said the real power was economic. "Political power arises out of economic power."

According to Ramoshaba, a series of business observation missions had been taking place locally since 1987 culminating in the Malawi tour in June last year - where 94 people from various business organisations went along.

"The mission was such a success that the company was requested to extend missions to other African and overseas countries."

This week Ramoshaba also announced that in October there will be a business observation mission to the United States. The US tour is scheduled to last two weeks.

The government wants to encourage exports but it's pursuing different — and often contradictory — strategies. ALAN HIRSCH reports

The first structural adjustment programme (SAP) was launched in April last year for the clothing and textile sectors. Programmes are also being implemented for the television and electronic sectors, and several other industries are under investigation.

Response to the SAPs has been mixed. Textile Federation marketing economist Brian Brik says the textile manufacturers are "happy with the SAP." It helped the industry's export drive, and encouraged further development oriented towards the domestic market.

Harry Pearce, managing director of the East London giant Dr Gar Textiles said this week that the SAP had encouraged the firm to export fabric, as well as yarn, and that it now sees exports as a "growing business."

The clothing industry was much less happy. To get access to the SAP's incentives firms have to export at least 25, 1 percent of their output.ennie van Zyl, executive director of the National Clothing Federation, points out most clothing firms are relatively small and don't have plants big enough for export orders, or the infrastructure to market them. Most clothing firms would have to pay the new higher duties on textile imports which could only be escaped through exporting. Consumers would pay for the new tariffs.

Some industrialists are still uncertain about the implications of the General Export Incentive Scheme, announced last year and due to be implemented from April 1. The principle of the scheme is that products which have gone through the most stages of manufacture, and use the highest percentage of locally-sourced raw materials get the greatest incentives.

Each product registered for export is classified according to the stage of manufacture (from primary product to manufactured product, with two intermediate stages) and according to the percentage of local content. Each product registered for export will be categorised by the department.

Supporters of the scheme argue that it will be much simpler to apply than the SAP, which is a complex strategy requiring substantial administrative support. In addition, Minister of Trade and Industries Kent Durr, and Deputy Minister of Technology Dr Theo Alant have both endorsed a move away from micro-planning towards macro-planning.

Industry representatives are reluctant to comment on the export incentives because so little is known about the new programme, and because negotiations between the private and public sector on this matter continue.

The textile industry's van Zyl is an exception. His federation is happy with the new policy because it is simple, applies to all industries, and doesn't penalise small manufacturers as the SAP does.

A critical question which has not yet been officially decided is whether the export incentive scheme totally replaces the SAP. The textile industry has not been informed that the SAP is being totally abandoned, a situation which could penalise them. Under the export scheme textiles probably would not have the most favoured status of "manufactured product" and would lose out to clothing.

Observers have detected signs that the Department of Trade and Industries is in the midst of a major upheaval. There is talk of the "rationalisation" of the BTI and Decentralisation Board, suggesting their power is to be diminished.

Trade and Industries director general Sten Naude recently talked about the complete restructuring of the export promotion branch of his department. Whether the power struggle within the department is about policy or also about personal fiefdoms is not yet clear.

What is clear is that the frequent shifts in policy that accompany the current shake-up don't provide the kind of stable business environment in which long-term export strategies can be developed.
New centre to enhance export drive — Durr

LESLEY LAMBERT

CAPE TOWN — The Trade and Industry Department is to establish an export promotion centre to provide support for potential and existing SA exporters.

The centre would be opened within weeks and would provide information on world markets, product demand in these markets and data for feasibility studies, Trade, Industry and Tourism Minister Rent Durr announced yesterday.

Opening the Cape Industrial and Trade show, Durr said the centre would enhance the support already provided by a new export promotion scheme implemented in April this year. The scheme was aimed at increasing the level of local content and developing international trade.

Durr said the export of manufactured goods, as opposed to raw materials, would have to increase if the economy was to grow.

SA had the comparative advantages of a broad variety of minerals, metals and agricultural products which could form the main spring of new industrial production and growth. Higher added values through beneficiation and manufacturing processes could dramatically increase the country’s export earnings.

Referring to protective tariff measures used to support certain industries, Durr said that with current thinking favouring competition in the private sector, unjustified protection measures were considered as a temporary rather than a permanent feature.

He said an investigation into tariff policy and tariff structures by the Industrial Development Corporation and the Board of Trade and Industry was underway.

Durr also called on higher levels of local technological innovation and said government was “well on its way to a sophisticated technology policy to encourage the development of local technology”.

The technological resources of the country, including organisations such as the CSIR and the Bureau of Standards, were currently redirecting their efforts to provide a more market-related form of assistance to the industrial community.

The new direction was being supported by institutions such as universities and through the development of technology parks.
Cape Town's novel idea

Cape Town business leaders have decided to promote their city as SA's first export processing zone. But, in lobbying for the idea, proponents are suggesting a radical departure from the usual export zone.

Traditionally, a government establishes an export zone by lifting import duties and other fiscal controls in a specific, limited area usually near a port. This allows industrialists to invest in the area because they can maximise export earnings. Worldwide, about 400 successful export zones have been established.

The resulting stream of foreign investment, enhanced job-creation, higher export earnings and the injection of new technologies, generally more than compensate for the State revenues lost because of the abolished duties and taxes. However, Wesgro executive director David Bridgeman says neither Cape Town — nor SA — have all the ingredients to become a successful export zone.

"In contrast to centres such as Shannon (Ireland) and Taiwan, which are both close to major growth markets or on major trade routes, we are situated off the beaten track, with the African market a rather poor shadow of a growing market. This means we have to look at the situation from a different perspective."

This month Wesgro, an organisation supported by local councils and the private sector to promote economic growth in the Western Cape, submitted its proposals for an export processing zone in Cape Town to the Cabinet. A decision is still some months away. Instead of delineating a specified geographic area, the zone's incentives would apply to any company in the Cape Town region meeting the zone's conditions.

"In contrast to the rest of the world, where zones are traditionally situated in a specific, controlled location, our suggestions provide for developments that would not be tied to specific locations," Bridgeman says. "In other words, any industrialist in the area could qualify for the incentives. We have no need to concentrate industrial growth in specific areas in order to make the optimal use of infrastructure. In general, our national infrastructure is good."

Another major difference is that he does not see the zone focusing on attracting foreign investment — at least not until the political and investment climates improve.

"We must instead focus on our existing industrial export strengths in the area and encourage these to expand dramatically in the years ahead. These include the textile, clothing and electronic sectors, all strong in the Western Cape."

For example, SA still exports 90% of its wool clip in raw form, while the value of these exports could be increased tenfold by manufacturing jerseys, suits and other clothing for world markets.

"The comparative strengths of our region lie in technology, our strong management expertise and good quality, well-educated labour resources," Bridgeman says. "While other zones internationally often attract investment by offering cheap labour, ours is no longer cheap but it is cost-effective."

By focusing on the area's strong points, Wesgro intends using them — together with certain State incentives — as levers to increase exports from the area. In addition, the under-utilised Cape Town harbour offers excellent facilities for exporting around the world, he says.

"We do not see the export zone as a means of promoting regional development. Rather our focus is primarily on export promotion, using the existing infrastructure, skills and investment strengths of the area."

So, what should government do to help? Bridgeman says government's general export incentive scheme, which came into effect on April 1, already contains strong incentives for beneficiated manufactured exports. And, together with Customs Act encouragement for manufactured exports (using imported materials), they could be adapted to promote manufactured exports from Cape Town, he says.

"Bridgeman is vague on specifics but government could be swayed by the simplicity of his idea to move away from its traditional antagonism towards export zones."

"We must promote the export zone concept purely to enhance exports — and not for any other social or political reason, as has happened in the past," says SA Foreign Trade Association CE Wim Holtes.

"The concept allows industries to lock up parts of their manufacturing into export-dedicated production."

"The abolition of import duties and other zone incentives are normally linked to export performance."

But Customs officials have traditionally opposed the concept for fear that it would lead to a loss of State revenues. Applications by East London, Port Elizabeth and Richards Bay were rejected.

Since then, however, Economic Co-ordination Minister Wim de Villiers has been put in charge of assessing export zone applications and Wesgro is optimistic that, with the change of thinking in government, its proposal will be approved.

FINANCIAL MAIL MAY 18 1990
MP keen to develop SA export culture

CAPE TOWN — The development of an economic export culture would make a significant contribution to improving SA’s export ability, Francois Jacobz (NP Helderberg), said in his maiden speech yesterday.

Emphasis had to be placed on producing products with a high added value for export, he said during the mini-budget debate, as such products would earn foreign exchange while creating employment possibilities.

He was concerned at the decline in export of manufactured goods while the supply of raw and semi-processed products was growing.

Manufacturers should adopt a two- or three-shift system and improve quality to gain access to exclusive markets, he said. — Sapa.
The shotgun versus the rifle

Differences between the Board of Trade & Industry (BTI) and the Department of Trade & Industry (DTI) on the correct trade policy (Business January 19) go far beyond just exports.

In fact, industrial, monetary and fiscal policy are all affected by the controversy. The clash has thoroughly confused industry.

The policy split was highlighted by the DTI’s decision in September to implement a new general export incentive scheme on April 1. This put the future of the BTI’s complex structural adjustment programmes for specific industries in doubt because export incentives were originally supposed to form an integral part of each adjustment programme.

Moreover, the BTI’s initiative to stimulate local manufacture of computers is in jeopardy since government’s sudden decision in January to impose a 10% ad valorem duty on component imports. The policy changes have also put a question mark over the BTI’s proposal to promote exports of stainless steel products by encouraging the beneficiation of chrome, nickel and steel in more sophisticated fabricated products.

Indeed, DTI Director-General Stef Naudé says the new export incentive scheme will apply to all exporters and override export incentives in the adjustment programmes. Furthermore, Naudé won’t even confirm whether his department will implement any of the adjustment programmes devised by the BTI.

The BTI’s export incentive proposals, which include a 2,5% subsidy for nickel exports, put the stainless steel industry in a quandary. Stainless steel manufacturers without in-house nickel supplies will be at a disadvantage against foreign competitors.

In fact, because with the subsidy, SA nickel suppliers will prefer selling to foreign customers rather than local buyers. Naudé declines to discuss individual cases.

“This situation is highly frustrating,” says Middelburg Steel & Alloys CE John Gomersall. “The stainless steel industry will be penalised by government while we are in fact looking for a more stable, longer-term climate in which to invest and expand. It is difficult to make multimillion-rand investment decisions when government puts stumbling blocks in your way.”

The importance of the policy clash between Naudé and DTI head Lawrence McCrystal goes far beyond just the choice between McCrystal’s adjustment programmes and Naudé’s export incentives. More is at stake than computers and stainless steel.

How the differences are decided carries implications for the shape of the country’s industrial policy, job-creation, how much SA capitalises on adding value to its mineral riches, monetary policy (the value of the rand will determine the cost of subsidising manufactured exports under the export incentive scheme) and the Budget.

The dispute will no doubt be largely decided by Trade & Industry Minister Kent Durr who has admitted to arguments with McCrystal over trade policy and made it clear he doesn’t favour the structural adjustment programme. The policy-making BTI’s whose members are appointed by Durr, and the DTI, which holds the executive power to carry out decisions, are independent of each other but both fall under Durr’s jurisdiction. The central question in the debate is which policy will cost the taxpayers the least and make the greatest impact?

The budget for government’s current export incentives is more than R1bn, but Ernst & Young senior manager Raoul Kaplan says the proposed new export incentives could cost taxpayers even more — he could not estimate how much; Naudé says they will cost less.

McCrystal maintains the BTI’s adjustment programmes would cost the taxpayer substantially less while achieving substantially more than the new export incentive scheme. This is because they are targeted to support industries with potential comparative advantages on world markets. He declines to provide figures to support his claim.

“One can compare the export incentive policy to one inch of rainfall spread over a farm of say 20 000 acres,” he says. “But the structural adjustment policy means that the same amount of rainfall would be channelled only on to the fertile parts of the farm, which would receive 20 inches. The result is more effective use of scarce resources — taxpayers’ funds.”

Naudé, however, says “government wants to reduce its involvement in the economy,” and that he prefers simplified schemes over complex programmes that must be administered by hundreds of additional bureaucrats, especially at a time when government is trying to trim the civil service.

Regardless of cost, the new export scheme could encourage government to keep the rand artificially low. Under a complex formula, export incentives will be increased as the rand strengthens and this could play a role in the Reserve Bank’s policy of allowing the rand to rise. Earlier this year Bank Governor Chris Stals said “too strong a rand would not be in SA’s best interests because exports would become too expensive.”

After 10 years of study and discussion, the first adjustment programmes went into operation last year. In addition to stainless steel and computers, programmes have been devised for the motor industry, textiles and clothing and manufacture of TV sets. Many more are in the offing. Unlike the export incentive scheme, each programme has been set within a set-aside clause determining when the assistance will be phased out.

McCrystal denies that the structural adjustment approach is in any way “distigiste,” nor that it’s intended to interfere with industry. Far from telling industry what to do, the structural adjustment approach is to “negotiate targets in conjunction with industry,” he says.

“If they are achieved, assistance will be provided by the State by way of incentives.”

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 Unifruco 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
Marais defends rationale behind export incentives

EXPORT subsidies reassigned income from the taxpayer, who might be running his business profitably but not exporting, to the exporter to increase his profits, Deputy Finance Minister Org Marais said.

"I am not against export subsidies but I think this is a point to consider," he said.

Marais said government and companies were living in a changing environment. Policies were also shaped by the "games played" by large companies to cut their tax bill.

Marais was speaking in an interview after Trade and Industries Minister Kent Durr announced a new system of export incentives, effective from April 1.

Our Political Staff reports from Cape Town that in terms of the new incentives, the categories of input costs assistance and value added assistance — Schemes A and B — are to be replaced by a general export incentive scheme.

One of the categories for marketing costs assistance — Scheme C — is to be adjusted, while the other — Scheme D — will be discontinued on March 31 1992.

Marais was responding to Amie chairman Graham Bousted's comment in the annual statement that government had issued a large number of inexpedient and ad hoc decisions in relation to the import surcharge, depreciation allowances and export incentives.

"Government must be able to change without companies doing so," Marais said.

"When the exchange rate is going down, companies are exporting and want subsidies, and when it goes up, they don't want more than 5% tax."

Strategic

He said if big companies were trying to shift around their assets to evade tax, they could not expect government to allow the tax base to be eroded without taking action.

"I have nothing against people trying to evade tax, but they cannot expect us to sit back."

"We have a long-term strategy but companies play around and expect us to live in a stable environment. They are the players and we have to adjust to their techniques and games."

"In August 1989 we only had four to five weeks of forex reserves and a rising trend of imports. We could not allow the country to become insolvent."

But when government had increased interest rates by under 2% and did not curb imports, it was accused of destroying business.

Marais said the biggest incentive to export was undoubtedly the low value of the rand rather than the export subsidy.

If a company could not compete at this time, it would never compete.

Durr, replying to a question from the floor, did not provide additional details of the new system of export incentives.

He did, however, confirm that tyre manufacturers qualified for assistance in terms of the four schemes; his department had provided R4,3m in direct subsidies during the past 18 months with regard to all types of tyres and tubes.

His department had not provided any other specified concessions to tyre manufacturers in respect of this scheme.

Durr declined to name tyre manufacturers to whom subsidies had been paid.

"It is unreasonable to furnish particulars relating to individual firms," Durr said.

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Details given for export incentives

THE level of export incentives for various categories of products for the six months from April 1 1990 to September 30 has been announced by the Department of Trade and Industry.

On the basis of the rand which is 6% below parity, and therefore an exchange rate factor of minus 6% in the incentive scheme formula, beneficiated primary products will have a pegged level of assistance of 2.5% of the value of exports, material intensive products 6.5% and manufactured products 10%.

At parity, the level of assistance, based on the degree of processing, is: primary products (no export assistance), beneficiated primary products (7.5%), material intensive products (12.5%) and manufactured products (25%).

The SA Reserve Bank determines the real effective exchange rate for a basket of currencies related to SA’s exports (excluding gold).

When the rand is under-valued below parity, the value of the exchange rate factor in the formula will be reduced by 0.5%, and when it is over-valued, the value of the factor will be increased by 0.5% for every 1% above parity, with a maximum of 10%

over-valuation.

Director of export trade promotions Bert Pienaar said the inclusion of an exchange rate factor in the formula was meant to limit the growth in export assistance when the depreciation of the rand compensated for the inflation differential and protects competitiveness.

The new scheme, he added, was intended to encourage the export of high-value-added and local-content products and took into account changes in the value of the rand.

In 1993, 45.8% of SA’s exports were primary products, 31.1% beneficiated primary products, 17.7% material intensive products and 3.4% manufactured products.

Another aspect of the formula was that it encouraged local content in exports.

The incentives, Pienaar said, were designed also to introduce principles of selectivity, simplicity, and flexibility.

He said a re-examination of the present export incentive scheme was motivated by a realization that it did not increase the level of exports of secondary industrial products.
SA short of cash for export incentives

By Des’Parker

DURBAN — Exporters are advised not to take export incentives into account when quoting prices because of a shortage of funds for the Government to pay tax-free cash grants when the new General Export Incentive Scheme (GEIS) comes into effect on April 1.

Instead, exporters claiming more than R25 000 will receive promissory notes in financial 1990-91 and a combination of promissory notes and cash for the following two years.

Defeats the object

Nora Hill, director of Export Marketing and Management Consultants, said she understood the Department of Trade and Industry was short about R2 billion in the new financial year to pay out the overlapping A and B incentives and the new GEIS grants.

“This defeats the whole object of the incentives. Exporters are now going to have to regard export bonuses more as the cream on the top than as an integral component of costing.

“With Europe 1992 just around the corner it is imperative that we increase our competitiveness.”

“Already we are competing in the face of very high domestic inflation and freight paid in US dollars.”

She said promissory notes were tax-free and would be paid out within three, nine and 15 months respectively for applications made in 1991, 1992 and 1993.

Even though interest on them had been raised from nine to 15 percent, it was fully taxable and considerably less beneficial than a tax-free cash grant paid six-monthly.

“With inflation at say 15 percent annually and the interest on the promissory notes effectively halved by tax, the incentive has lost much of its value by the time it is paid out.”
It's time for more export incentives

By Dirk Tiemann

SOUTH Africa sinks or swims by its exports, says SA Chamber of Business deputy director-general Ron Haywood, responding to the R12.2-billion allocated in the Budget to the Department of Trade and Industry.

He says the DTI is strongly promoting exports and the more money spent effectively on exports the better.

The Budget should be on a sliding scale — with greater incentives and expenditure — as the export performance improves.

Manufacturing incentives have been increased, and with fiscal discipline now at hand the time has come to concentrate on the expansion of industries that add value as well as stimulate employment, he says.

Confidential

Most mineral exporting countries are poor, as only manufactured exports earn significant foreign exchange. This can be seen in countries like Germany, Japan and the NICs which import most of their raw materials.

In South Africa, a ton of raw steel is exported for R600 and then imported in manufactured form at R20,000 a ton.

Mr Haywood says the Department is reassessing its decentralisation benefits as well as the management effectiveness of the scheme.

A confidential report under the auspices of the Development Bank, in consultation with the TRVC states, is reviewing the existing policies.

He says the DTI is committed to value-added production and new job opportunities.

Budget allocations for trade and industry have increased by 24% from 1989 to 1990. Minister of Trade and Industry Kent Durr says the increase from R1.8-billion to R2.5-billion results from the transfer of the decentralisation board from Constitutional Affairs to the Department of Trade and Industry.

He says the Department is now responsible for the incentive payouts, which mean cost increases of 46.5%. The transfer is also responsible for the 19% higher administration costs.

The foreign trade relations and export promotion programme has declined by 23% because promissory notes issued in 1988 are redeemable in 1991, funds for the beneficiation of base metals have been curtailed and a non-recurring compensation was paid to SATS during 1989/90.

Under the heading of associated services, there is a 7% decline in expenditure, attributable to a R28-million non-recurring grant to the Small Business Development Corporation after provision was made for escalating costs involving the CSIR, SARB, SATOUR, and for the state's contribution as employer to the pension funds.

Mr Haywood says cooperation between the public and private sector is "extremely good". He believes there is a new commitment to exports but hard work and money up front are needed to establish and maintain export markets.
Export processing zone in SA possible

PIERRE DU PREZ

Export processing zones — areas within geographic boundaries of a country excluded from customs — could be successfully implemented in SA, says Central Merchant Bank (Senbank).

If this concept became a reality, manufacturers would then be able to import goods freely without being taxed in any way, convert them into intermediate or final products and then export them again, the bank said in a statement.

SA forfeited many job opportunities and much prosperity by exporting primary products and importing them in processed form later, said Senbank.

Potential investment in these zones would also revive local economies by creating job opportunities.

Table Bay was advocated as the first free export processing zone.

However, profound changes to the existing economic structure in SA would have to be brought about before an export processing zone could be created.

Serious consideration would have to be given to protectionist policies in favour of the domestic producer. Relaxation of this policy could force domestic producers to improve productivity to remain competitive.

Export incentive policies would have to be adapted to the operation of an export processing zone. The incentive scheme introduced on April 1 was a step in the right direction.

Government should have a long-term objective of more open trade in order to give the free-market system greater scope, said Senbank. This would bolster overseas investors' confidence and provide greater incentive to settle in such an area.

Difficulties

It was also essential to "depoliticise" a decision to create an export processing zone, in order to counteract opposition by local pressure groups.

The ideal situation would be for the whole of SA to be a free-trade zone, but with all the present political and economic problems such a step would be extremely difficult to implement.
More emphasis on export of manufactured goods

TRADE and Industry Minister Kent Durr last night emphasised the importance of manufactured goods exports for economic growth.

Addressing the opening of the National Woolgrowers Association Congress in Bloemfontein, he said only 8% of wool production was developed locally into final products for export.

"Exports are regarded as the vehicle to expand the market. Higher added value means larger valuable foreign exchange earnings and potential profit.

"This also opens the way for opportunity in local design and the longer production runs hold the key to higher productivity, lower unit costs and greater competitiveness. These are all necessary components of a successful export strategy."

The Department of Trade and Industry had drawn up an action programme in order to encourage SA manufacturers to enter the export market, and to encourage existing exporters to increase their involvement in long-term export trade.

"The department's new general incentive scheme placed greater emphasis on the export of manufactured goods, he said.

"SA can now look forward to a period of restructuring of exports where there will be a move away from the primary product export syndrome which has been dogging the country since its early economic history."

Wool had been SA's main export for many years, and its export earnings had been surpassed only by gold and diamonds since the development of industries and mining.

SA — with a national stock of 16.1-million head — ranked fifth in the world as producer of wool for clothing and second only to Australia in the production of fine merino wool.

Wool production was 93.2-million kg in 1989, which was 6.5% higher than the previous year.

"Owing to good climatic conditions and the high international wool prices, combined with strong demand, a 5% increase in wool production can be realised.

"The total SA wool income for the book year ending June 1989 was R988.2m, which is 26% more than the previous year," Durr said.
Depreciation rate underlines Bank policy on exports

Greta Steyn

SA's real effective exchange rate depreciated at a much slower rate than the nominal effective exchange rate — an illustration of the Reserve Bank's policy to keep the rand low to encourage exports.

According to the Reserve Bank Quarterly Bulletin, the real effective exchange rate depreciated by 10% between January 1989 and this year.

The nominal effective exchange rate slumped by 26%. The index for the real effective rand was 81.9 in January compared with 92 for the nominal rate.

The real effective rate index is the first published in Quarterly Bulletin.

The rate is the usual effective exchange rate adjusted for inflation differentials as based on the SA producer price index and similar indices for the countries included in the calculation.

Incorrect

The nominal effective exchange rate is based on the rand's value against its six most important trading partners.

Old Mutual economist Andre Roux said it would be incorrect to draw the conclusion that the rand was "under-valued" because the real exchange rate was higher than the nominal rate.

This implied a value judgment that the rand was priced "correctly" in the base year, 1979.

According to Unisa's Philip Mohr, the underlying principle behind a real effective exchange rate is that a proportionally higher increase in the prices of SA products relative to those of US products will affect the competitiveness of the SA economy.

This is true provided this differential price movement is not neutralised by a corresponding adjustment of the exchange rate.
Safto backs idea of export processing zones

SA Foreign Trade Organisation (Safto) CE Wim Holtes has come out strongly in favour of export processing zones (EPZs) — areas excluded from customs to help the exporter.

"EPZs are a worldwide trend," said Holtes in an interview last week. "Very little red tape is involved, and establishing them could also create more long-term commitments from South African exporters."

Safto had promoted the idea for many years, and exporters were very enthusiastic about it, he said.

However, implementation would depend on the co-operation of various institutions, which could encourage exporters by making it attractive for them to become involved.

Central Merchant Bank (Sembank) recently said EPZs could be successfully implemented in SA provided certain conditions were met. These concerned long-term government export objectives, the relaxation of protectionist policies favouring local producers, and export incentive policies tailored towards EPZs.
Get priorities right or die, exporters are told

By Michael Chester

It is economic nonsense to export vast quantities of materials at relatively low value and leave it to overseas competitors to reap all the benefits of turning them into finished goods commanding high prices on world markets, says Ron Haywood, deputy director-general of the SA Chamber of Business.

He urges SA to focus on an entirely new list of export priorities to avert the risk of stagnation caused by sudden slumps in global commodity prices.

Far more emphasis is needed on the beneficiation of natural resources — from iron ore and nickel to timber and wool — to increase the value of exports, he says.

Mr Haywood cautions exporters that though relaxation of sanctions may be imminent, the end of isolation promises no guarantee that SA products will be competitive abroad.

Nor can SA rely only on exports of gold, base metals and minerals to earn the foreign exchange needed to foot import bills and provide the prop for expansion.

Exporting errors are underscored by new tables setting out the best and worst performances on a sector-by-sector basis.

One of the danger signals is evidence that the growth of overseas sales of general manufactured products is stuck among the worst performances, with the pace of increases slashed from 34.5 percent in the past four years to only 10.6 percent in the past 12 months.

Trends are ominous. SA’s share of total imports flowing into European Community markets has shrunk from 0.65 percent in 1979 to an even feeble 0.41 percent.

“Political developments in recent months, and the State President’s recent tour of European countries, have served to make South Africans realise they are still part of a wider international community,” Mr Haywood says.

“With the easing of sanctions appearing to be imminent, SA will once again be able to take its place in the world community.

“The question that must be asked is: business ready to take advantage of the opportunities that will arise?

“It is clear the country’s past reliance on gold and base metals and mineral exports to earn the necessary foreign exchange to purchase the imports required by a developing and expanding economy will no longer hold.

“There are examples galore of developing countries that depended too heavily on exports of raw materials — and now find themselves burdened with large-scale debt problems and stagnation.”
DTI sets up agency to promote exports

Political Staff

CAPE TOWN — South African exporters are to be given help and advice by a new government agency being formed by the Department of Trade and Industry. The new centre for promoting exports will provide advice and information on world markets, products in demand, and data and statistics for use in viability studies.

Minister of Trade and Industry Kent Durr announced the new centre at the opening of the Cape Industrial and Trade show in Cape Town yesterday.

He said that if the South African economy was to grow at the required rate — and generate enough wealth and jobs — the export of products rather than simply raw materials would have to be increased.

However, international competition had intensified and South African producers would have to sharpen their competitive edge.

"It is a national priority that our industrial sector be able to meet foreign competition face-on in the local market and abroad," Mr Durr said.
Export scheme criticised

THE new general export incentive scheme appears to give no improved benefits to specialist lubricant manufacturer and exporter Molydep, chairman Robert Spanjaard says in the company's annual report.

The scheme, administered by the Department of Trade and Industry (DTI), became effective on April 1.

Spanjaard says the authorities appear to have issued a definition of a majority of Molydep's exports which is to their detriment. He says it is an unfair application of the department's own regulations.

"The amounts involved are most substantial but no prognosis can be given as to the outcome of our discussions with the department," Spanjaard says.

Despite these measures, Molydep expects its exports to grow in the current financial year.

"There has been a substantial improvement in export sales and this trend is expected to continue, if not accelerate in the coming year," he says.
Agency formed to help South African exporters

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GENERATE WEALTH

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SA 'could take on the export giants'

SUSAN HUsselL

SA INDUSTRY could successfully compete with Japan, Taiwan and South Korea for export markets if it seized new opportunities available, according to a Wits Technikon Business School director, Bob Stewart.

"The low rand provides a tremendous opportunity for us to beat the exporting giants of the Pacific Basin," he said last week. "With our resources we could provide smaller quantities and a greater variety of goods. In fact we could service the world."

Stewart was speaking during preparations for an import replacement/export opportunity exposition to be held at the Technikon on June 26-28.

Commercial, mining, industrial and parastatal groups will be displaying components and equipment which they import at present, but which they wish to obtain locally.

Stewart said the expo would give people a chance to see things they had never thought of producing.

He predicted a valuable niche would open for SA industry, offering world markets smaller quantities of a larger variety of goods.

"Large inventories are a liability everywhere," he said.

SA industry had things too easy in the past, sitting back and exporting raw materials, said Stewart. "We must export finished products to create more wealth and more jobs. Then we can compete with the Pacific Basin countries — Korea, Taiwan and Japan."
SA's place in export market not assured

THE lifting of sanctions would make it easier for SA manufacturers to export their products, but it did not guarantee these would be competitive, SA Chamber of Business (Sacob) deputy director-general Ron Haywood said yesterday.

Addressing a media conference on the release of Sacob's latest business and industrial confidence indices, Haywood said it was also clear SA's past reliance on gold and base metal and mineral exports would "no longer hold".

This was because of the poor performance of gold and other commodity prices, coupled with rapidly rising costs in the mining industry and the trend towards mechanisation.

"There are many examples of developing countries which relied on commodity exports for their economic growth, and which are now faced with large-scale debt and low growth because of the slump in world commodity prices.

"At the same time the price of manufactured goods has remained relatively stable, and has even risen in many cases," he said.

SA needed to expand its exports of manufactured goods to bring about the economic growth, and ultimately the job opportunities, necessary to improve the living standards of a growing population.

"There must be a refocusing of efforts to export manufactured goods arising from those areas where SA has a comparative advantage."

SYLVIA DU PLESSIS

Exports of manufactured goods had grown, but SA's relative share of total world exports of such goods had dropped, with its share of total EC imports falling from 0.85% to 0.41% between 1979 and 1987. The position had since deteriorated, Haywood said.

"The worst export performers over the latest 12 months are, without exception, manufactured goods, and the best performers have chiefly been those sectors which contribute relatively little to the total.

"It should also be noted that, after taking into account the depreciation in the rand and the increase in commodity prices since 1985, export revenues would have had to increase at least 49.5% simply to maintain export volumes."

Further, the relatively high proportion of basic and semi-processed commodities in total SA exports, together with low commodity prices on international markets, contributed to a decline in SA's terms of trade in 1989.

This implied SA had to use relatively more of its exports to pay for the same quantity of imports.

Haywood said this trend was likely to continue as long as the country exported such a large proportion of its raw materials in an unbeneficiated, form and commodity prices remained low.
ECOLOGICAL GROWTH can be used to fuel THE EXPORT SECTOR.

JFR, as the current President of the World Bank, has declared that the ecological growth of the American market is a critical component of its export sector. These measures will allow public spending to be channelled into the production of environmental goods and services which in turn will be marketed and exported. It is intended to assist the nation’s economic growth in a sustainable manner through the ecological sector.

Bruce Donald, and GAD Annick

The environmental sector.

Match make the ecological growth programs a priority. Despite the criticism that ecological growth programs will create windfall profits for a few, the potential gains for the country are enormous. It is necessary to create a sustainable economy that can grow in the future. Economic growth, based on the ecological sector, is necessary for this purpose.

The environmental sector.

The new ecological growth programs have been in place for three years, and it is evident that they are having a positive impact on the economy.

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Exporters urged to move nearer SA coastline

By ARI JACOBSON

THE SA coastline, with cost-saving location advantages, must be the focus of long-term export manufacturers, in catering for world demand, said SA Foreign Trade Association’s (Safito) Wim Holtes at the launch of Sun Packaging (Sunpak) conversion plant, to eliminate ozone-depleting gases, in Atlantis yesterday.

Sunpak manufactures a wide array of foam products for the food, beverage and home renovation industries — under licence from Japanese company Sekisui Plastics.

Holtes, the keynote speaker, stressed the cost disadvantage of transporting goods destined for overseas markets from the hinterland.

Exports which made up a third of the SA’s gross domestic product (GDP) had an important role to play in the future growth of the country, he said pointing out that 26% of a medium-sized company’s turnover should be focused in the export sector.

Holtes said the pivotal areas in the export drive of the 1990s would be chemicals, paper and packaging, processed foodstuffs, automotive and transport equipment, machinery and engineering.

The switch towards manufactured exports required a capital-intensive bias which through wealth creation would provide the foundation for employment generation in labour intensive industries in the long run.

"Future developments in the export industry relied on entrepreneurial innovation in the business community rather than growth of primary export markets."

Holtes mentioned that commercially oriented projects would ripple into SA economy backed by the innovative-flair business leaders.

"In comparison Eastern Europe has been recognised as a skeleton without the heart and lungs of a business community."

SA impressed foreign businessmen with its financial discipline "yet bankers abroad still consider SA Third World by First World standards although first rate in Africa."

Holtes warned that the slowing world economy would impact on demand for the country’s exports at a time when the domestic economy was retreating.

"However, the export incentives introduced in April would encourage continued production in this area."
SA 'could fill trade vacuum'

The road to economic development and growth in SA lies in industrialisation with greater beneficiation of mineral and agricultural products, says Trade and Industry Department deputy director-general G Breyle.

Breyle, speaking at the third meeting of the Federation of SA Chambers of Commerce Abroad (FedSaca) on Wednesday, said the value of manufactured and beneficiated products would have to assume a more important role in SA's future export package.

He added SA had trade links with almost every country in Africa and it could fill the vacuum developing in Africa with the continuing retreat of many European companies from the continent.

FedSaca was formed four years ago to assist 10 bi-national chambers of commerce improve trade relations with SA. Trade missions are organised annually.

FedSaca chairman Jardine Neto said the 10 bi-national chambers of commerce from Europe, South America and the Middle East represented 2 000 companies. Bilateral trade between FedSaca-affiliated countries with SA amounted to billions of rand.

FedSaca does not favour sanctions against SA. — Sapa.
Exporting resources nonsense: SACOB

From MICHAEL CHESTER

JOHANNESBURG. — It is economic nonsense to export vast quantities of raw materials at relatively low value and leave it to overseas competitors to reap all the benefits of turning them into finished goods commanding high prices on world markets, says Mr Ron Haywood, deputy director-general of the SA Chamber of Business.

He urges South Africa to focus on an entirely new list of export priorities to avert the risk of stagnation caused by sudden slumps in global commodity prices.

Far more emphasis is needed on the beneficiation of natural resources, from iron ore and nickel to timber and wool, to increase the value of exports, he says.

Mr Haywood cautions exporters that though relaxation of sanctions might be imminent, the end of isolation promises no guarantee South African products will be competitive abroad.

Nor can the country rely only on exports of gold, base metals and minerals to earn the foreign exchange needed to foot import bills and provide for expansion.

Exporting errors are underscored by new tables setting out the best and worst performances on a sector-by-sector basis.

South Africa’s overseas sales of general manufactured products is among the worst performances, with the pace of increases slashed from 34.5 percent in the past four years to only 10.6 percent in the past 12 months.

Trends are ominous. South Africa’s share of total imports flowing into European Community markets has shrunk from 0.65 percent in 1979 to an even lower 0.41 percent.

“Political developments in recent months, and the State President’s recent tour of European countries, have served to make South Africans realise they are still part of a wider international community,” Mr Haywood says.

“With the easing of sanctions appearing imminent, we will once again be able to take our place in the world community.”
Proposals favour exports

ZILAN EFRAT

EXPORTS have been afforded the most favourable status in Deputy Finance Minister Org Marais' draft legislation on VAT to be gazetted on Monday.

VAT will be introduced at the zero rate for export goods and services rendered in a foreign country.

SA Foreign Trade Organisation (Safco) GM Anne Moore welcomed the move, saying it was in line with proposals made by Safco following the Margo Commission's report.

She said the announcement clarified government's position on exports and removed the uncertainties that had previously existed.

The zero rate offered exporters more benefits than suppliers of services exempted from VAT — including financial, medical and educational services.

Both would not charge tax on the supply of goods and services, but exporters subject to the zero rate could claim credit for all the input tax they had paid, while suppliers of exempt goods and services could not.
EMERGENT STRIKES PER MILLION WORKING WEEK

Mike Daly

Growth really so clear?

Is the case for export-led economic growth really so clear?
Beneficiation of exports vital, says BTI

The expected drop in growth rate of the world's major economies to 2.75 percent in 1990 has already started affecting commodity prices, which began declining in 1989, says Board of Trade and Industry (BTI) chairman Dr Lawrence McCrystal.

In the BTI's annual report Dr McCrystal says that this, together with tight monetary and fiscal policies in South Africa, is likely to impact negatively on the industrial sector.

He believes, however, that there is an underlying soundness which developed in the economy in 1988 and 1989 and which should continue in 1990.

He says world markets for raw and processed materials are growing more slowly than are markets for finished products.

This emphasises the urgent need to move the composition of exports into higher value added products.

As import replacement is no longer the growth force it was in previous decades, greater emphasis will have to be placed on exports, Dr McCrystal says.

"It is the board's view that an outward-oriented policy will best promote a high rate of industrial development, together with concerted efforts to achieve more value added within South Africa prior to exporting products." Dr McCrystal urges that priority be given to the supply-side economic policy to avoid periodically having to cut back severely on demand in the economy when it gets out of line with supply.

He feels that the Government's emphasis on combating inflation with sound fiscal and monetary policies will go a long way to assist in building up the supply side of the economy.

In 1989, the economies of GATT member countries grew at a combined rate of 3.25 percent, while South Africa's economy expanded at a rate of about two percent, the report says.

World trade and South Africa's foreign trade both increased at the rate of about seven percent in 1989.

South Africa's imports and exports rose by about 2.5 percent and 11 percent respectively in volume terms, the report says. — Sapa.
MS&A increases rebates for stainless steel exports

MS&A Stainless has revised its rebate policy for stainless steel exported in manufactured form.

Fabricators are now offered a 10 percent rebate on the base price of any of MS&A’s products.

This is in addition to the export incentives offered by the Government which came into effect on April 1.

MS&A has paid out more than R1 million on its export rebate scheme since 1983.

However, Mike Kitchin, manager, local sales, MS&A Stainless, says this figure could have been much higher if manufacturers had taken full advantage of the scheme.

"Through our new policy, we hope to encourage manufacturers and increase the exports of fabricated products.

"There is enormous potential in this country to add value to our raw materials and in so doing to create jobs and wealth."

Beneficiation of the chrome chain has been MS&A’s policy for a long time.

Applications for rebates can be made in writing before the export of articles produced from MS&A products. The rebate will be paid on proof of export of the finished goods.

Enquiries about the scheme can be made to Mike Kitchin or Basil Goldswain at (011) 783-2060.
Call for plan to build up exports, jobs

By AUDREY D'ANGELO
Business Editor

A CALL for a strategic plan in which SA’s business houses would co-operate with each other and the authorities to build up exports and create more jobs — as was done in Germany and Japan — is made by Jeffrey Liebesman, chairman of the FSI Corporation, in the annual report.

"The greatest contribution the business community could make towards easing this process of change would be the creation of jobs and the enlargement of the economic cake that is available for sharing," he says.

"Both could be attained if SA’s business houses were to co-operate in the manner that has been so successful in Germany and Japan, namely assessing where the country’s competitive advantages lie, then working together and with the authorities so as to coordinate SA’s resources to build up exports and international activities.

"The politicians have shown a willingness to abandon historic positions and open their minds to new ideas. The time is ripe for business people to change their attitudes to local and international markets in a similarly constructive manner." Liebesman also warns, in the report, of a need to prepare for an intensification of competition in SA when multinationals which have kept out for political reasons enter the local market.

The report points out how FSI has expanded since 1981, when it had one factory in SA, to become the holding company for international operations with 33 factories and 860 distribution points on five continents.

It says that the process of change in Southern Africa and Eastern Europe is "accelerating the development of a single global market" Liebesman says that in Southern Africa "the fundamentals are so changed that respected analysts are looking for economic growth in SA to average 3.6% a year in real terms through to the end of the century.

"This welcome improvement could be attained with little inflow of overseas funds."

He continues: "We are alert to the international alliances that are developing as organisations respond on the one hand to the opportunities that are opening up within the major trading blocks, and on the other hand to the intrusion of foreign competitors into their home markets.

"Within SA, FSI companies are taking steps to prepare for an intensification of competition as multinationals that kept out of the country for political reasons enter the SA market when prospects improve."

In spite of these brighter prospects, Liebesman warns that 1990 "will be a difficult year with high interest rates and the preliminary moves in serious negotiations to create a new political dispensation for SA." But, he says, "despite the current difficult economic environment the '90s hold great promise."

He expects the FSI companies to "benefit materially when there is an improvement in the economic climate and especially from a return to stable conditions in SA."
Exporters queue for new plan's benefits

EXPORTERS are lining up in their thousands to take advantage of assistance offered in terms of the general export scheme introduced by the Department of Trade and Industry in April this year.

The scheme makes setting up manufacturing operations in SA doubly attractive to foreign companies because, in addition to the benefits of the scheme, they are able to bring investment funds in through the financial rand.

A spokesman for the department said about 8 000 companies had registered for the scheme. The first payouts would be made after September 30 according to operators' agreements to receive assistance at either six-monthly or annual intervals.

The spokesman declined to discuss the position of individual companies, but several foreign companies are known to have set up export operations recently.

Beeld reported that Trade and Industry Minister Kent Durr's Italian visit could be followed by a number of Italian companies establishing South African plants.

This would be to fulfil the labour-intensive first half of the manufacturing process of some products which would then be exported to Italy for the more technical completion of the process.

The incentive scheme has been set up in particular to encourage the export of manufactured products. The formula for assistance currently allows for a maximum claim of 10% of FOB (free-on-board) — the cost of the product before exporting.

This would apply to a product with 100% local content and which qualified as a "manufactured" product.

Rewards

By comparison, exporters of primary products are not entitled to assistance.

Those of beneficiated products can claim a maximum of 1,5% and of material-intensive products a maximum of 6,5%. The degree of local content also affects the amount of assistance.

The scheme thus offers greater rewards to exporters using local materials and a high level of manufacture.

Fluctuations in the rand exchange rate affect amounts claimable.
**New export rates aim to woo dollars**

NEW rates for export credit finance will encourage exporters of capital goods to negotiate payment in dollars instead of rands, says Credit Guarantee GM of projects Frans Jouherl.

The new rates were announced last month by the export credit authorities under the auspices of the Department of Trade and Industry.

Preferential interest rates on loans for the financing of capital goods for export have been increased in the case of rands from 12% to 17%, and decreased in the case of dollars from 9% to 7.5%.

This makes it significantly more attractive for foreign importers to pay for capital goods in dollars, says Jouhert.

"In the future, the rate on rand loans will be allowed to float and will be reviewed regularly in relation to prevailing domestic interest rates, while the rate on dollar loans will remain fixed for the repayment period of an approved contract."

This arrangement is likely to improve the flow of dollars to SA and overcome, to some extent, the negative impact of repayment in devaluing rands over the normally lengthy repayment period of capital goods loans — usually between five and 10 years.

Sasfo CEO Wim Holtes says while the rand rate will still be internationally acceptable, it will reduce government subsidisation of these rates.

He estimates that the total value of exports covered by the preferential rates is about R100m a year.
New export credit finance favours dollar

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SA to change export emphasis, says Durr

PRETORIA — SA planned to place greater emphasis on exports of beneficiated and manufactured products to the European market, Trade, Industry and Tourism Minister Kent Durr told an Italian business delegation at the Union Buildings yesterday.

This intention was in sharp contrast to the primary products that had dominated SA's exports so far, Durr said.

The delegation, led by Confindustria foreign trade committee chairman Rosolino Orlando, arrived in SA on Sunday to look at investment opportunities in SA.

Confindustria, Italy's main industrial association, represents about 110 000 firms.

Durr said exports from SA to Italy had increased from R9,1bn in 1987 to R7,3bn in 1989. Imports from Italy to SA had grown from R1,3bn to R1,9bn in the same period, he said.

In 1989, exports in the category of silver, gold and platinum amounted to R5,5bn and were about 69% of SA's total exports to Italy, Durr said.

Although there were still EC constraints on investments in SA and on certain iron and steel products, trade relations between Italy and SA had shown a marked improvement in 1990, he said.
Govt reassures exporters about incentive scheme

EXPORTERS had no need to fear the implementation and administration of the General Export Incentive Scheme (GEIS), Department of Trade and Industry (DTI) director-general Stef Naudé said at the weekend.

Speaking at the Countertrade Association seminar in Sandton on Friday, Naudé said there were growing signs of uncertainty among exporters over government’s commitment to rendering financial assistance in terms of the GEIS.

He said government’s initial intention to pay out cash for the GEIS from the implementation date of April 1, 1990 could not be met. This was because of the tight budgetary constraints which had been imposed on government spending.

For this reason his department had no alternative but to resort to the issue of promissory notes in settlement of claims during the first few years of the scheme. However, the aim remained to gradually phase in cash payments over a four-year period.

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ZILLA EFRAT

Naudé said Trade and Industry Minister Kent Durr had indicated to the Private Sector Export Advisory Committee that a complete review of the GEIS would only be effected five years from its inception date.

That it had become necessary in the interim period to introduce some changes to the scheme should be seen against the background of the normal state of flux which surrounded the implementation of any new system, Naudé said.

Scope

Government and private sector bodies were also considering a report on countertrade with a view to formulating policy, Naudé said.

His department had requested the Industrial Development Corporation (IDC) to look into countertrade as a mechanism in international trade and to more closely examine its status and scope in SA.

The report, recently submitted by the IDC and aimed at enabling the department to make recommendations on the formulation of countertrade policy, was being studied, Naudé said.

In addition, the Countertrade Association, SA Chamber of Business, the Afrikaanse Handeluniversiteit and the Private Sector Export Advisory Committee had been asked to consider and comment on the findings and recommendations of the report.

Countertrade — a range of trade mechanisms where some or all of the settlements are not made in cash — was increasingly being used in world trade. Broad estimates suggested that countertrade accounted for 10% to 30% of world trade.

Naudé said the BTI had no objections to the private sector entering countertrade transactions, as long as they complied with foreign exchange regulations.

Up until now, countertrade had not been a major factor in SA’s foreign trade. However, it had to be seen in a different light as attempts were made to expand SA’s export trade to non-traditional markets.
VAT could cut cost of exports by 5%

The introduction of the VAT system, under which exports will be zero rated, could enable exporters to drop their prices by 5%, says Department of Finance chief director of tax policy development Trevor van Heerden.

Speaking at a Sato seminar last week on VAT and exports, Van Heerden said the Margo Commission estimated that under the GST system, double and hidden taxation had a 5% across-the-board impact on export prices. And the impact on some products could be higher.

By zero rating export transactions, this incidence of double taxation would be removed, allowing SA goods and services to improve their competitiveness in world markets.

Van Heerden stressed that zero rating was the most beneficial treatment for exports because exporters did not have to charge VAT on their exports sales and could be credited for the VAT they paid on their purchases. Merely exempting exports from VAT would not allow for such credits.

He also pointed out that for VAT purposes, export transactions would include consignments and services rendered to Botswana, Lesotho and Swaziland, although such transactions are not included for other export incentives. However, sales to Transkei, Ciskei, Bophuthatswana and Venda would not be export transactions and would be subject to VAT. International transport services would also be zero rated.

An important concession proposed by the Department of Inland Revenue was that export companies would be allowed to submit monthly VAT returns, instead of the two-monthly returns, to further improve their cash flow position.

Price Waterhouse national tax partner Chris Frame advised exporters to study the VAT systems that applied in their foreign markets.

He pointed out that while their export sales would be zero rated for SA VAT, they would be subject to the VAT applied in the foreign country. Because countries differed in their application of VAT to sales, rentals, leases and royalties, it might be more cost-effective to structure an export transaction other than as a direct sale.
Go for quality, exporters told

By Des Parker

DURBAN — A big quality drive in the manufacturing and service sectors is essential if South Africa is to export its way out of trouble.

So says Michael Carruthers, president of the SA Society of Quality.

Mr Carruthers told a Quality in the 'Nineties seminar in Durban that locally produced goods would sell in major world markets only if they conformed to the high standards demanded.

The small size of the domestic market necessitated exporting so industry could achieve economies of scale. This would reverse the decline in manufacturing capacity.
Lisings the key to exports, says SABS

Finance
Export cover will play critical role, says Safto

GILLIAN HAYNE

INSURING SA’s exports, a business currently worth an estimated R600m, would play a critical role in export growth, SA Foreign Trade Organisation (Safto) CEO Wim Holtes said yesterday at the Hollandia Forum, organised by the Hollandia Reinsurance Company.

“The SA insurance industry is deeply involved in the country’s export efforts and its foreign links are of critical importance to our growth as a major world trading nation,” he said.

The involvement of the insurance industry derived from the need for risk management in international trade as few export transactions took place without some form of general, transit, marine, aviation or credit insurance cover, Holtes explained.

Foreign trade expansion and increasingly sophisticated market needs — such as product liability insurance — were creating new demands for insurance cover.

Insurance companies could be proud of their international networks and professional standards which had greatly increased SA exporter confidence, particularly through the difficult period of sanctions.

Holtes also emphasised the high risk nature of doing business with SA, caused by the increasing supply interruptions through strikes and labour disputes.

“This is already having a negative impact on our foreign profile as a reliable supplier. Doing business from this high-risk source of production to world markets, which are currently in continual and accelerating change, multiplies the risk factor disproportionately.”

However, marketing internationally was one of the greatest challenges that businessmen could meet, he said.

“Each and every export transaction is a series of highly complex logistics. The insurance industry is an integral link in this chain together with international banking, shipping, warehousing, documentation, and a host of other service industries.”
Entrants showing greater interest

The awards adjudicating committee reports greater interest from entrants in the 1990 State President’s Award for Export Achievement.

Comprising representatives drawn from the private sector and chaired by Director of Export Trade Promotion in the Department of Trade & Industries, Bert Plenaar, the committee agreed that this year’s overall winner was materials handling equipment and haulage company Bell Equipment.

Last night Bell Equipment Managing Director Gary Bell was presented with a floating trophy, a medalion and a certificate by Rembrandt chairman Dr Anton Rupert at a banquet in Johannesburg. Dr Rupert also presented medallions and certificates to the winners of four export categories in the primary sector (mining and agriculture), services sector and manufacturing.

A further 16 companies received runners-up merit awards (certificates) in all four categories.

This year’s winner of the Mining Sector was Samancor, with the Tubatse Division of Samancor Chrome taking the runners-up/past winner merit award.

In the second primary sector “Agriculture”, Tzaneen-based Wayland Green Exports took top honours. Merit awards went to three runners-up: wild-mushroom picking and processing company Boletus Mushrooms, to Ceres Fruit Juices and wine marketing concern KWV.

The Services Sector was won by Verulam-based Sanachem, with runners-up merit awards going to past winners Premier International and Sherwood Export Company.

Elsies River-based Consani Engineering clinched top honours in the Manufacturing Sector, while merit awards went to runners-up cable manufacturer G. Vincent Metal Sections, Hulett Aluminium Rolled Products, Middelburg Steel & Alloys, Intermodal, Safec and Volkspak.

The Manufacturing Sector past winner awards were presented to Highveld Steel & Vanadium and Sappi International.

As the overall winner this year, Bell Equipment is ineligible for another top award until after four years have lapsed.

The adjudicating committee considers all applications and makes recommendations concerning the winners to the State President.

They are guided by certain criteria, including the sustained level of exports over the past three years, which include:

- Percentage of total production exported
- Increase in exports over the previous year
- Local value-added content
- Breakthrough into new trade areas
- Market spread
- New or special product/service
Fostering an export culture
Aid for exporters may hit others \( \text{Nedcor} \)

Subsidising exporters by lowering rail and electricity tariffs could amount to a cost that would simply be transferred to other sectors of the economy, Nedcor says in its latest Guide to the Economy.

In a comment on trade policy under review by government, the report said the benefits of favourable electricity and rail tariffs for exporters could be negated by the cost effect on other sectors of the economy.

It also appeared as if Transnet would have to cut costs and rationalise to break-even on these reduced costs.

"Government should rather look to providing an environment in which private enterprise can become more efficient and innovative through a system of general measures to improve the overall structure of the economy rather than selective measures," the report said.

It said there was no clear structure to the current policy of export promotion and no substantial shift from the past seemed apparent.

On the investigation into tariff protection, Nedcor predicted industry groups would lobby for protective measures to be retained.

"This, together with the long standing policy in SA of wanting to be self-suffi-

\[ \text{Gret Steyn} \]

\[ \text{12/11/90 Industrial} \]

With local manufacturers not in a position to supply domestic demand, imports had not been suppressed — resulting in inflation and higher government revenue because of the taxes imposed on them, the report said.

An effort to turn this inward-looking industrial policy around towards an export-orientation would be hampered mainly by a shortage of investment in capital. Other difficulties included low levels of labour productivity, a shortage of skilled manpower, a relatively small domestic market, a high rate of inflation, protective measures in other countries, and international sanctions."
Export promotion cutback warning

SAPTO chairman Warren Clewlow yesterday warned against government cutbacks in spending on export promotion.

Speaking at Satto's annual general meeting in Johannesburg, Clewlow said: "It is understood that the government wishes to cut expenditure. In fact, we welcome this provided we get our priorities right."

He said he was alarmed at possible cuts in the export promotion budget, although Cabinet members spoke with fortitude on the need for greater trade development programmes.

"I must stress as strongly as possible that the export sector is not an area where one can cut expenditure without running the risk of killing the goose that lays the golden egg."

Clewlow asked government to reassess export priorities in any allocation of government expenditure.

He said as a nation, SA had to grow out of its current problems through exports. This meant it had to expand its export promotion programmes.

Compared with what the export success countries abroad were doing, SA had not really even started to implement aggressive, well-funded programmes apart from direct subside through export incentives.

Satto CEO Wim Holtes said because of the export-friendly rand exchange rate, SA manufacturers had been competitive on overseas markets, reports Sapa.

But he said the unacceptably high level of inflation made this competitive edge fragile.

He told the meeting this problem was exacerbated due to the spiralling labour costs rising through production interruptions 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."

"In the short term, SA's 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."

It was to be hoped the authorities would carefully monitor the effect on the country's overall export development.

"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."
Eastern market prospects 'good'

PRETORIA - Prospects were good that SA would find new markets for its agricultural exports in Eastern Europe, Agricultural Development Minister Jacob de Villiers said in Port Elizabeth yesterday.

However, the economies of the most important industrial countries were in a downward phase, which could mean a decline in demand for farm products, De Villiers told an Eastern Cape Agricultural Union meeting yesterday.

The government's economic restructuring programme had important implications for agriculture, he said.

The programme included reducing government's share in the economy, combating inflation, tax reform with the aim of encouraging savings and investment and a more critical attitude to the protection of industry and the encouragement of a more export-orientated industry.

Inflation was still the farmer's greatest enemy and success in reducing it would blow new life and hope into the farming industry, he said.

Government's aims also included gradually phasing out import surcharges and a more stable rand exchange rate.

He also said that since the raising of the bank rate in May last year, the Land Bank's short term loans to cooperatives — intended for farmers' production needs — was subsidised by two percentage points.

However, the interest subsidy would sooner or later phased out.
Trade: Getting back through Africa

With a new political dispensation, South Africa's trade prospects are bound to improve.

ROBERT DAVIES looks at why sub-Saharan Africa offers local businessmen the best opportunities for export expansion.

The route back to world trade is via Africa

This is not an argument in favour of a non-racial South Africa paying reparations, but rather a proposal that, by forging new patterns of co-operation, which will benefit all, the balance of advantage should be in a number of areas to be shared in favour of the most deprived countries, particularly where their vital interests are at stake.

Another principle which both the ANC and SADC have supported is that a new regional order should not be imposed, but rather the product of negotiation between all the signatories and free peoples of the region. Such an order should be expected to define principles and parameters for co-operation at all the main sectors of regional economic interaction.

While forging closer regional co-operation with the negotiations both of the SADC and of the major intra-regional organisations in South Africa, it is also a condition on which a number of other important issues have become extremely active, particularly in the period since the beginning of talks on Anglo-Zimbabwean relations.

South Africa's African trade, which halved in dollar terms between 1990 and 1992, has increased significantly since 1989. Although certain figures are not published, government officials have said that by early 1990 trade with South Africa accounted for 10 percent of the South African imports. Today, trade between the two countries is increasing at a rate of 10 percent per year.

While all the implications of these developments are not yet fully clear, the possibility cannot be ignored that new realities are now being created which could be difficult to ignore if the future.

Not only could this have implications for the future pattern of regional relations, it could also affect domestic economic reconstruction and in particular dependencies on South Africa. While tremendous progress has been made in restructuring regional transport infrastructure (through the SADC's infrastructural policies), the SADC must acknowledge that many modest results have not been achieved in altering fundamental differentiations.

These differentiations represent one of the factors which have to be taken into account in considering the future pattern of regional economic interactions; another is the legacy of apartheid's developmental policies. Listed has calculated that 1.3 million people died in Angola and Mozambique between 1981 and 1988 as a direct or indirect result of Portugal's second war.

Economic and military aggression is estimated to have cost the two regional SADC member states over $5 billion. Private sector sponsored wars were primarily responsible for this. Many companies with production plants as one of the poorest countries in the world (with a per capita GNP of $150) and for the rest of the countries, the situation was even worse.

In a context where Pretoria's regional policy was premised on reinforcing ties of dependency and to gain greater strategic leverage - the SADC defined its medium priority as "a reduction of economic dependence and in particular dependency" on South Africa. While tremendous progress has been made in restructuring regional transport infrastructure (through the SADC's infrastructural policies), the SADC must acknowledge that many modest results have not been achieved in altering fundamental differentiations.

The African National Congress has on numerous occasions indicated that it agrees with the SADC that future economic dependency and in particular dependency on South Africa...
Exports, not protection, are the road to growth

While the African National Congress' latest policy document seems to place great importance on replacement of imports by locally made goods, or import substitution, the government has stressed exports as the road to growth.

"Right through the 1960s there was a heavy emphasis on self-sufficiency and strategic industries," says Trade and Industry Director General Stef Naudé. While that was understandable there has been a switch in recent years towards an outward-focused rather than an inward-looking policy, including exports of beneficiated goods (beneficiation is processing the raw materials to sell them at a higher price).

The thinking on going the beneficiation route is quite clear: "If you export unbeficiated goods you export employment opportunities."

However, Naudé points out export incentives are not new. The scheme to subsidise electricity for exporters has been in place for some time.

What is new is the government resolve to get fiscal and industrial policy in line with an export policy. Successful export promotion, in other words, needs the correct economic environment.

For instance, the tax rate must make it attractive to invest. But also protection policy must be looked at.

"If you want to export successfully your industries must be competitive."

This means phased in lower tariffs, the cost of capital must be lower, and skilled labour must be available.

"Many factors make for success in exporting."

Apart from the political restructuring taking place, he says, the government is moving on promoting the competitiveness of local industry.

This can't be done overnight.

Director General of Trade and Industry Stef Naudé spoke to Reg Runney about the government's industrial policy, export incentives and the scrapping of protective tariffs.

It must be phased in, and done with the consultation of the industries affected.

It has been emphasised that government will adjust tariffs in consultation, on a sectoral basis, with industry.

Most quotas have been abolished, but a list of the remaining items is about to be published for comment. "We must be sure about the consequences of scrapping them."

The government is now looking at the ratification of a new tariff policy. The "suitcase" report from the Industrial Development Corporation, so called because it comes in a suitcase-like folder, has been circulated among the responsible authorities.

It is also important, says Naudé, to be aware of what is happening internationally.

"You must be aware of potential developments within GATT (the General Agreement on Trade and Tariffs), of various demands in the world for 'managed trade' or 'fair trade'. These may have serious consequences for small countries."

"You also have to look closely at competing industrial countries. The playing fields may be anything but level."

There is the problem of non-tariff measures to protect an industry, such as subsidies. There are, Naudé points out, extensive industrial subsidies in place in the European Community. Some of these have been established in anticipation of the 1992 common market to maintain national industries in a competitive environment or increase market share.

Naudé denies the General Export Incentive Scheme (GEIS) has run out of money as has been rumoured. He says the department will comply with its commitments to exporters in terms of the scheme and in any case, in the past promissory notes have been used at times.

The reason for the GEIS being brought into being was simply that the previous export incentives were being phased out and the structural adjustment programmes which were supposed to replace them were not getting off the ground.

Asked whether exporters might not export without the scheme, Naudé says it is designed to tide South Africa over until the economic system has been rectified. With the structural adjustment of the economy the need for the GEIS will diminish.
Last-minute rush on for export tax benefits

EXPORTERS are rushing to get their incentive scheme claims in by the end-December deadline so as not to forfeit the benefit, a Department of Trade and Industry spokesman confirmed at the weekend.

The claims relate to the new general export incentive scheme (GEIS) which allows exporters of fully manufactured products to claim a tax-free incentive of up to 19% of the export selling price of the goods.

Companies which do not submit claims by December 31, for products exported in the six months to end-September, will forfeit the right to the claim under the new GEIS.

Although unable to confirm the number of claims, the spokesman said the department had been "inundated" with queries and written submissions in a last-minute bid by companies to qualify for the incentive.

As part of the transition from the old scheme to GEIS, introduced on April 1, 1990, government specified a claims timetable.

Registered exporters with financial years ending January, February, March or September had to submit their first claim within three months of the end of the first claim period -- which makes December 31 the final deadline.

Deloitte & Touche manager Doug Joliffe said: "It is well known that the prescription period under the old Category A and B system was strictly enforced and that claims which were not submitted timeously were not considered.

"Companies have a lot to lose if they do not submit their claims in time."

The quoted 19% incentive is varied according to the degree of value added and also adjusted periodically, in accordance with the relative strength or weakness of the rand when measured against a basket of overseas currencies.
"Complex' export scheme attacked

THE new general export incentive scheme is under attack from some export consultants. They consider the scheme too complex and the amount and timing of claim payouts too vague to provide a real benefit.

"We need a simple and reliable scheme, so that we can build the price advantage into our calculation, making us more competitive overseas," SA Export Incentive Consultants export manager Marek Schlar said in an interview.

Approved

Dissatisfaction is centered round the three-month claim period which requires up-to-date administrative systems. "To have to rush through our claims and then wait for what was in the past an average eight-month payout is unfair," he said.

However, proponents of the scheme said that since no claims had been approved yet it was unfair to pre-judge the delay period of the payouts.

The classification model has also created problems with exporters. Department of Trade and Industry deputy director general Gerhard Breyi said the department was aware of the dissatisfaction.

"The scheme works on a value-added basis and all those in the lower categories would naturally want to be reclassified into higher ones. Although we cannot please everyone, the system was well researched and is very equitable."

Another source complained that he had received "little joy" from the export promotion section in the Department of Trade and Industry which only has three people checking claims.

"Under the A and B scheme there were 14 to 16 people on claims, and with the new scheme being a six-monthly claim system one would expect even more staff," he said.

The new system is supposedly computer-based, yet so far there are no computers in the department's offices. "No computers and only three staff is not adequate for a system that is meant to be in full swing."

Breyi denied there were any problems with the budgetary and administrative backing to the scheme.

Safto GM Ann Moore said that although the incentive scheme was not "the best" it was a little premature to slate it. "There are drawbacks, inappropriate classifications and other problems inherent in a broad-based system, but to throw it out without a fair trial would be ridiculous."

She said that by using it in a computerised system, Safto found the scheme relatively simple to operate.
FOREIGN TRADE - (E)

1991 - 1992
WASHINGTON — SA exporters could do enormous harm to the country if they rushed into US markets seeking "a quick buck" from the end of sanctions, ambassador Harry Schwarz cautioned yesterday.

"There has got to be a very organized re-entry into the commercial world here so that we don't build up fears" about SA exports taking US jobs or being "dumped" at below market prices, Schwarz said.

Such fears, he noted, could be used by sanctions advocates to stir up new obstacles to SA trade.

SA business should therefore act in a "modest and reasonable manner" to establish a long-term US market for products. US Congressmen from steel-producing states have already introduced a resolution calling on the administration to restore the effective quota on SA steel imports that was in effect when the Comprehensive Anti-Apartheid Act (CAAA) was passed in 1986.

The measure's author, Indiana Congressman Pete Visclosky, has warned: "SA has the capacity to export 500,000 tons of steel a year to the US, which would translate into the loss of 150,000 American jobs."

SA was party to the "voluntary restraint agreement" (VRA) on basic mill-form steel imports in effect between the US and 20 exporting countries between 1984 and 1986. Of those, SA was the sixth largest exporter to the US market.

The VRA was extended until March next year, but SA, whose basic steel was embargoed by the CAAA, was not party to the extension, and could theoretically now exceed the old limits.

However, the US steel market is very soft, and Schwarz has personally reassured Visclosky and his colleagues that SA has no intention of dumping 500,000 tons on the US market, and is negotiating with the Commerce Department to ensure a "smooth re-entry".

Likewise, the ambassador has urged the SA Sugar Association (Sasa) to accept that SA's US sugar import quota will be restored from October 1, the start of the 1992 fiscal year, and not to press for restoration of the balance of the current year's quota.

Under the CAAA, SA's quota — 2.3% of overall annual US imports — was given to the Philippines.

Sasa's Washington representative Mark Ginsburg had been pushing to get the quota back with immediate effect, arguing that the residue of the 1991 allotment could be worth upwards of $4m to SA growers.

But Schwarz believes waiting for October and the start of the fiscal year is a useful gesture of goodwill to US producers, who are already suffering the effects of domestic over-production.

Filipino President Corazon Aquino agrees that SA should get back its quota. GERALD REILLY reports from Pretoria that Sasa welcomed the news that the US market would reopen on October 1.

International marketing director David Hardy said the industry could comfortably accommodate the additional export opportunities.

He declined to speculate on what the 2.3% quota would mean in additional foreign exchange earnings.

However, a big plus was that because of the high producer price in the US, the US paid almost double — about $0.22/lb for imports, compared with the present world market price of around $0.10/lb.

In the season to end-March this year, SA exported just over 700,000 tons of sugar worth R150m.

Total production this year was slightly above 2-million tons, and domestic sales just over 1.3-million tons.
High input costs hit SA exports

By AUDREY D'ANGELO
Business Editor

LOW productivity and high input costs — due partly to excessive tariff protection for locally made components and materials — are hampering SA manufacturers in overseas markets, says the National Productivity Association (NPI).

Gary van der Hoff, a senior project manager with the NPI's marketing management department, has carried out a study aimed at helping SA exporters to succeed in foreign markets.

His conclusion is that too few manufacturing firms have entered the export market. And many who have are not fulfilling their full potential.

"Whether SA will profit by the imminent worldwide lifting of sanctions will be determined solely by our exporters' competitiveness," he points out.

"Orders for SA goods will not just start pouring in. Sophisticated First World consumers expect the best in quality and price. "Improved productivity seems to be the key, and this is an issue that should receive more attention. "At present, costs are running away while productivity stays where it is."

For the past five or six years political factors and SA's high inflation fact have been the main hindrance to exports. But Van der Hoff says his study showed that many potential exporters were still unmotivated or held back by "informational, operational and resource-based barriers."

He explained yesterday: "Almost every exporter mentioned the high cost of labour and of material inputs.

"Material costs are subject to various factors, but everyone said that tariff protection of materials produced in this country, which force up the price, had to go if we were to become a successful exporting country."

"We cannot protect local industries just so that they can stay in existence if they are making our exporters uncompetitive and thereby limiting growth and new jobs."

Van der Hoff said that improved co-ordination of export promotion programmes would "lead to increased exports through a greater awareness of potential and opportunities."

For further information on the study or on export opportunities Van der Hoff can be contacted in Pretoria at (021) 341-1470.
SA's future growth linked to its exports, says Alant

THE future growth of the SA economy depended on benefitted product exports, requiring massive investment in new plant and technology. Deputy Minister of Finance and National Education Theo Alant said at a presentation last night.

Alant, who delivered an address at a Kessel Feinstein reception, said SA’s economic growth would be determined largely by its ability to produce manufactured goods for sale on world markets at competitive prices.

To achieve this, SA would require massive investment in updated plant and technology.

Furthermore, Alant said the SA economy had “great opportunity” available through newly expanded export markets. However, he warned that SA could not rely on its raw materials which he said were “bound to fall” in relative value in the new age of high technology.

He said government was well aware that the country’s constitutional progress hinged strongly on the economy’s ability to “satisfy the reasonable material aspirations of the populace.”

Alant said government’s moves to cut company tax, the phasing out of marketable securities tax and improved taxation systems for the life assurance and mining industries were designed to support business.
Ignorance delays export benefits
LINDA ENSOR (714)

CAPE TOWN — Ignorance about the proper procedures to adopt in submitting claims under the General Export Incentive Scheme has resulted in delays of up to four months in processing and payment.

These delays are being experienced with a large percentage of the claims submitted, says a circular sent by the Department of Trade and Industry to organised trade and industry. 6|D|a| 3e| j|1

"It seems clear that very few claimants really have a good knowledge or understanding of the official guidelines in respect of the (the scheme)" the circular states.

If claims are correctly drawn up, processing and payment should take place within two months, a departmental spokesman said yesterday.

The circular says claims submitted by those who do not qualify are among the department's problems. Claims are made for export destinations and products which do not qualify, claim periods are incorrect and there is a lack of supporting documents. There is also a failure to submit auditor's reports. Incorrect customs tariff numbers and insufficient product descriptions are being supplied and the preparation and presentation of claims is careless.
Govt focus on tax breaks for exports

From GRETA STEYN

JOHANNESBURG. — Government was paying serious attention to concerns that tax breaks for exports would create distortions in the local market, Finance director-general Gerhard Croeser said yesterday.

He said in an interview there was concern that tax breaks for capital investment could help companies increase domestic market share and local profits.

Anglo American expects tax incentives to be announced before the end of the month for Columbus — its R3bn stainless steel joint venture with Gencor. Alusaf has also said it wants help from government to start up a R3bn aluminium smelter.

"Companies that increase their output capacity with the help of tax incentives could be at an unfair advantage in the local market," said Croeser.

But the potential export earnings and job creation outweighed the negative aspects of the concessions.

In terms of the scheme, companies must export at least 60% of their output. But recent amendments to the Income Tax Act paved the way for the appointment of a committee with the power to waive some of the conditions. The conditions include the beneficiation of SA-sourced minerals and a competitive scale.
Govt encouraging investment spending

By Sven Lünsch (74)

After a decade of neglect, the Government is pursuing a wide range of policies to boost investment spending in the hope of an investment-led recovery.

A report by brokers Franke, Max Pollack, Vinderine shows that recent government policies have already resulted in capital projects worth over R26 billion.

Over the past decade the investment rate has been poor, lingering at levels well under five percent of Gross Domestic Product (see graph).

"However, the Government, through its own initiatives and incentives, appears to have embraced the approach of using capital spending on new projects as a major catalyst for economic revival," says Franke, Max Pollack, Vinderine economist Mike Brown.

The approach has been to utilise both direct and indirect measures.

The indirect investment approach through tax and monetary policies has had little impact, Mr Brown says, because the company tax rate has only been lowered from 50 to 48 percent and the tight monetary policy has produced few benefits for savings or investment.

"However, a far more sympathetic view is being taken on tax incentives required to get new productive capacity off the ground."

These measures include zero ratings for capital and intermediate goods when VAT is introduced in October and the revised export incentive package to lift export capacity of projects.

"The incentive packages should go a long way to reducing the cost of capital, thereby promoting the viability of major export-oriented projects," Mr Brown says.

Beneficiation will receive the major boost from these measures and Mr Brown says beneficiation projects worth R12,4 billion have already been announced.

Other export-oriented projects, worth R5,4 billion, have been launched in the areas of tourism, while R8,8 billion has been spent to raise existing commodity export capacity.

A further element in the strategy is aimed at capital spending on social investments facilitating internatal stability.

In this case, says Mr Brown, the Government itself or parasitists are the major spenders and up to R13 billion has so far been earmarked for social developments.
Govt must encourage exports

Anglo-chief

GOVERNMENT had to create a business environment in SA which encouraged investment in export-oriented capital projects able to compete on equal terms with overseas competitors, Anglo American chairman Julian Ogilvie Thompson said yesterday.

SA urgently needed a resumption of investment activity "with a strong bias towards export markets". That bias was vital if economic recovery was to be sustained. If tied to a boom in domestic consumption, it would lead to another balance of payments crisis and recession.

In his chairman's statement, he said: "It is for government to make the playing field level, in terms of international criteria, and it is then for the private sector, responding to market signals in a way that bureaucrats and academics cannot, to identify and invest in ventures that can survive in what has been called today's borderless world."

The "stultifying impact" of high corporate and indirect tax rates, double digit inflation and high interest rates on investment had recently been recognised by government. Investment in SA, he said, had "not only been too low, its quality has suffered from too much spending on projects aimed at strategic self-sufficiency and import replacement not adequately subjected to the tests of the marketplace."

Latest legislation, "mitigating the effects of high inflation by allowing higher and earlier depreciation allowances for new investments that meet certain criteria with respect to the beneficiation of materials largely for export", took the process, which started with the 2% cut in the nominal company tax rate this year, the phasing out of import surcharges, and provision of VAT credits on inputs, "one step further."

However, ad hoc reform, steering investment one way and then another, was not the full answer. A new tax dispensation as well as social stability, an end to sanctions, access to international capital funds, and an end to "stop-go" economic policies were crucial factors.

Ogilvie Thompson said World Bank studies and SA's own economic fortunes had shown massive state spending did not promote sustained economic growth. Instead it financed dependency rather than self-reliance, and institutionalised poverty rather than alleviating it.

As for Anglo's performance for the year to end March 31, he said the 17% fall in equity accounted earnings to R2.6bn was the result of the domestic recession and weak prices for gold and other commodities in world markets. The contribution to earnings from gold fell to 11% from about 33% three years ago.

Projected 1993-1994 capital expenditure stood at more than R4bn for the gold, coal and industrial sectors of the group, with an additional sum earmarked for the R4bn Columbus stainless steel joint venture with Gencor.

MATTHEW CURTIN
SA motorists soaked to subsidise exports

SOUTH Africans are paying high prices for cars to subsidise cheap exports by motor manufacturers.

This is the view of several motor men who are talking to the Board of Trade and Industry (BTI) about how to bring sanity to the Government's crazy local content programme.

It rules that manufacturers pay 50% duty on all parts, they import while granting them what is in effect a 50% subsidy on the value of all their exports.

The BTI initially hoped it could fund the export subsidy from certain excise duties levied on new cars. But the industry is so taken with the generous incentive that its exports will rocket to an expected R900-million this year.

The excise duties are insufficient to pay the export incentive.

The Government dealt with the problem by raising the excise duties on new cars from 9.5% to 12% last month and by increasing the minimum local content from 40% to 70%.

A motor manufacturing executive says: "To raise the local content of our vehicles from 65% to 70% we would have to buy more parts locally at far higher prices than those at which we import them."

"This would result in huge increases in our selling prices. So we have chosen the less costly route, paying the penalty for missing the new local content target."

But these measures are not a long-term solution because the export subsidies make it extremely attractive for motor companies to export. Exports are likely to continue rising.

Aware

"The more our industry exports, the more the motorizing public will have to pay," says another executive.

"What is particularly odd is that for the first time some of our platinum exports are to be subsidised by motorists. Platinum is a large cost component of the catalytic converters the industry is exporting and they also qualify for the 50% incentive."

A third executive says: "The whole local content programme may have to be changed because the subsidy may enable the industry to export on a large scale. Where will the money come from to pay the subsidy?"

The BTI is aware of problems caused by exports, but chairman Lawrence McCrystal does not wish to impede his body's efforts. He admits that the BTI has not formed a view on how to deal with the matter.

Surprisingly, he refuses to acknowledge that there is an export incentive. In a written reply to questions from Business Times he states: "There is no 50% subsidy on exports as such."

Nonetheless, it is believed that he will ultimately impose a ceiling on export incentives and may exclude catalytic converters. This will anger some manufacturers who have, in good faith, invested in export projects to take maximum advantage of the scheme."
R750m boost for
govt export drive

Own Correspondent

JOHANNESBURG. — Government’s new growth strategy will
gain further impetus with R750m being redirected into mainly ex-
port projects.

This is as a result of the Industrial Development Corporation’s
(IDC) withdrawal from further backing of the Mossgas project.

IDC chairman Koos van Rooy announced yesterday that it had
decided not to follow its rights for a 20% shareholding in Moss-
gas as the financing had been arranged with the Central Energy
Fund.

Analysts said the move was fur-
ther evidence of government’s export drive in attempts to set
the country on the road to sus-
tained economic growth.

Instead of ploughing the money
into Mossgas, the additional cash
would be used to promote indus-
trial growth and boost foreign ex-
change earnings through various
schemes “with the full financial
resources of the IDC”.

The move is one of the first
resulting from President F W de
Klerk’s opening of Parliament
speech in February when he an-
nounced a restructuring of the
IDC with a view to boosting ex-
ports.

The announcement said
schemes were aimed at utilis-
ing idle capacity in industry, benefi-
ciating local raw materials and
establishing projects, currently
being investigated and imple-
mented, which would result in
large scale earnings and savings
of foreign exchange.

Van Rooy said possible pro-
jects which could benefit from
the IDC funds were the R2bn Co-
lumbus stainless steel joint ven-
ture being investigated by High-
veld Steel and Samancor and the
R8bn Alusaf smelter project un-
der investigation by Gencor.

The projects involved benefi-
ciation of raw materials and
could have a significant effect on
the country’s balance of pay-
ments.

The Alusaf project, for in-
stance, is expected to generate
R400m a year in foreign exchange
if it gets off the ground. The IDC
owns more than 40% of Alusaf.

The IDC was investigating
some projects itself, he said,
many of which required “sub-
stantial” capital commitments.

Another sector which could
benefit from IDC funds was the
textile industry with a view to
import replacement, he said.

Discussions had taken place
with many of the bigger com-
panies and groups on the issue of
utilising idle capacity and Van
Rooy was awaiting their reaction.

Incentives in this regard would
include favourable transport and
electricity rates and financing
from the corporation.

The IDC already had R360m in-
vested in Mossgas, which would
be repaid over time.

Engen chairman Bernard
Smith said the IDC’s withdrawal
was no problem at all as Engen’s
position was secure. The com-
pany has a 20% interest in Moss-
gas.

Van Rooy said the withdrawal
was not a “thumbs down” for
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Although the IDC would not
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cal facilities based on surplus
gas and by-products from Moss-
gas.
IDC’s $750m export boost

GOVERNMENT’s new growth strategy will gain further impetus with R750m being redirected into mainly export projects. This is as a result of the Industrial Development Corporation’s withdrawal from further backing of the Mossgas project.

IDC chairman Koos van Rooy announced yesterday that it had decided not to follow its rights for a 20% shareholding in Mossgas as the financing had been arranged with the Central Energy Fund.

Analysts said the move was further evidence of government’s export drive in attempts to set the country on the road to sustained economic growth.

The additional cash would be used instead to promote industrial growth and boost foreign exchange earnings through various schemes “with the full financial resources of the IDC”.

The move is one of the first resulting from President F W de Klerk’s opening of Parliament speech in February when he announced a restructuring of the IDC with

ANDREW GILL

a view to boosting exports.

The announcement said schemes were aimed at utilising idle capacity in industry, beneficiating local raw materials and establishing projects, currently being investigated and implemented, which would result in large scale earnings and savings of foreign exchange.

Van Rooy said possible projects which could benefit from the IDC funds were the R2bn Columbus stainless steel joint venture being investigated by Highveld Steel and Samancor and the R8bn Alusaf smelter project under investigation by Genac.

The projects involved beneficiating of raw materials and could have a significant effect on the country’s balance of payments. The Alusaf project, for instance, is expected to generate $400m a year in foreign exchange if it gets off the ground.

The IDC owes more than 40% of Alusaf.

The IDC was investigating some projects itself, he said, many of which required “substantial” capital commitments.

Another sector which could benefit from IDC funds was the textile industry with a view to import replacement, he said.

Discussions had taken place with many of the bigger companies and groups on the issue of utilising idle capacity and Van Rooy was waiting for their reaction.

Incentives in this regard would include favourable transport and electricity rates and financing from the corporation.

The IDC already had R530m invested in Mossgas, which would be repaid over time.

Engen chairman Bernard Smith said the IDC’s withdrawal was no problem at all as Engen’s position was secure. The company has a 20% interest in Mossgas.

Van Rooy said the withdrawal was not a “thumbs down” for Mossgas but had happened because the project was adequately financed and had well-established private sector participation. As a result, the IDC’s presence was not essential.

Although the IDC would not participate directly in Mossgas, the corporation would remain involved in the possible development of downstream petrochemical facilities based on surplus gas and byproducts from Mossgas.
Breaking the policy logjam

In June 1990 the Industrial Development Corp (IDC) completed its landmark report calling for a phased reduction of tariffs and a number of other economic reforms. Now 14 months later the report still has not been approved for implementation, though there is widespread agreement among government and business leaders that the country’s high tariff walls are restraining exports and impoverishing consumers.

Furthermore, while government continues to study the IDC report, it has not moved to discourage demands for higher tariffs. Applications for greater protection continue to pour in to the Board of Trade & Industry and at least some are being approved.

Government policy seems stalemated. Some officials argue that tariffs can’t be reduced until taxes are lowered, inflation is beaten and productivity is improved. Others say inflation can’t be beaten and competitiveness can’t be enhanced until tariffs are reduced.

One way to solve the chicken-and-egg problem is a big bang like Poland’s — do everything at once and let the chips fall where they may. But Poland needed far more drastic measures than SA, and, in any case, the political support for a local big bang isn’t there. Instead, Trade & Industry Minister Org Marais’ answer is an overall policy that co-ordinates the various tax, tariff and other reforms. But devising the policy takes time — special interests must be consulted, industries must be informed, bureaucrats must fall in line — so the inaction continues.

But the stalemated should be broken in the next few months. One reason may be board chairman Lawrence McCrystal’s decision last week to resign at the end of February to return to the private sector.

McCrystal has long been at odds with his boss in the Minister’s office — first Kent Durr and now Marais — over his elaborate strategies for individual industries, called structural adjustment programmes, that often raise tariffs at first and then reduce them gradually as targets are met. Instead Marais, as did Durr, believes that a comprehensive approach is the best way out.

The board has issued controversial proposals for adjustment programmes or tariff simplifications for the paper and pulp, footwear, and textiles and clothing industries in recent months, but Marais says this doesn’t mean these decisions are final. He says he still must talk to representatives of the three industries before deciding on the board’s proposals.

“Any reference to government’s future policy on tariff protection is speculative. The board is purely an advisory body. It is clearly inappropriate to make any inferences on the strength of the board’s proposals such as the paper and pulp draft report, which has not yet been submitted formally to government.”

Underlining the point, Marais adds: “There is no substance to the claim that the board’s policy of structural adjustment programmes has been rescinded.” He says he has “sympathy” with the board’s effort to simplify tariffs. “But tariff policy must not be seen in isolation but together with the planned industrial policy that is closely related to the IDC report.”

Meanwhile, Marais says the new tariff and industrial policies should be made public by year’s end. “Fundamental decisions on the IDC tariff report still must be taken.”

One thing holding up Marais is that government is still waiting for comment from the SA Chamber of Business on the IDC report. “The chamber has asked government for a month’s extension before handing in its final recommendations.” Marais says. “We expect to receive the chamber’s report by the end of the month, then we will give urgent attention to drafting a joint industrial and tariff policy.”

The chamber, edgy over the prospect of tariff reduction because it would hurt its many members that benefit from protectionism, asked for more time because it wants progress on tax reform and inflation in conjunction with lower tariffs.

“The chamber’s recent study clearly showed the negative effects of SA’s high capital costs on fixed investment trends,” says deputy executive director Ron Haywood. “Reform of SA’s excessive company taxes, inflation and interest rates must form part of the new policy, as recommended by the IDC.”

Haywood says industry grew dependent on the tariff climate created over 70 years and must be given time to adapt to less protection. “Most of our global competitors in manufactured goods operate with far lower capital costs and lower tax, interest and inflation rates in their domestic economies, so we cannot be expected to commit suicide by suddenly slashing tariffs.”

As part of the pending industrial policy, Marais says he’s looking at other measures to promote exports, such as accelerated depreciation allowances for capital goods in major beneficiation projects, tax holidays and subsidised interest rates. And another priority will be the development of a technology policy emphasising the training of professional and technical people. The debate will begin in earnest when the entire package is finally released.
Counting the high cost

Over the next four years, government has committed itself to forking over a colossal R4.1bn to exporters under two discredited export incentive schemes. Taxpayers, of course, will foot the bill.

Government still owes exporters R1.7bn under the old A and B export scheme discontinued two years ago. And it has promised to pay out another R2.4bn under the General Export Incentive Scheme (Geis) before the five-year programme runs out in 1995.

called for Geis to be phased out in its report released in April recommending a gradual reduction in tariffs.

But says Stef Naudé, the director-general of Trade & Industry, Geis costs taxpayers less than the schemes it replaced. Therefore, he says, “Geis can be considered as a step in a long-term phasing out of export subsidies.” 

He claims that because most countries still subsidise exports, “government could not pull the carpet out from under the feet of its exporters.”

But, Marais says, Geis “will be monitored and evaluated to ensure its cost-effectiveness.” The scheme — which bases its payments on how much an exported product with a high local content is beneficiated, the more the beneficiation the higher the payment — will not be cancelled for at least five years. “Exporters are assured that Geis, in its current form, will remain in place at least up to March 31 1995,” he says.

The co-author of Geis, Naudé, remains adamant in his defence of the costly programme. “Expediture on Geis during its first five years should be compared with how much was saved by terminating other programmes. Total government assistance for exports under Geis is less than the total assistance under the now defunct A and B schemes and the tax write-offs formerly allowed for export marketing costs.”

And, he adds, the Board of Trade's structural adjustment programmes included ex-

port incentives. But these schemes were scrapped in 1989 because they were difficult to implement, he says.

Naudé says the lion’s share of budgeted export subsidies in 1988/1989 was earmarked for the structural adjustment programmes. Because the schemes could not be finalised in time and because roughly 80% of the budgeted R900m for export incentives under the schemes could not be paid out, they had to be scrapped, he says. Government then went with Geis.

Arnold van Wyk

Started in April 1990, Geis was worked out by Department of Trade & Industry officials to substitute for the structural adjustment programmes for individual industries put together by the Board of Trade & Industry. The board’s programmes were criticised for being too complex and requiring too many bureaucrats to administer. But Geis was soon attacked for being too costly. The cash payouts proved so popular that government found it couldn’t afford to make immediate payments as applications came in. So it began issuing promissory notes instead.


Apart from these payments, government must still honour promissory notes issued under the old A and B export subsidy schemes — a total of R615m in this Budget year, R904m next year and R200m in 1993/1994. So taxpayers must brace themselves for export subsidy bills of R2bn next year and R1.2bn the following Budget year.

Subsidising exports is not kosher with world bodies such as the International Monetary Fund (IMF) and the General Agreement on Tariffs & Trade (GATT). The IMF sharply criticised government this month for a plan to grant tax breaks to companies that export certain beneficiated products. GATT, which prohibits subsidies for certain exports, has been after SA to end the practice. And locally, the Industrial Development Corp...
Europe '92 will not bar SA goods, says envoy

NEW barriers would not be erected against SA products when the European common market came on stream in 1992, British consul-general John Doble said yesterday.

Speaking in Johannesburg at an Institute of Directors' seminar on Europe '92, Doble said free trade was absolutely vital for Europe because its exports were far larger than those of any of the other major industrialised countries.

"Europe would suffer most from protectionism ...so we have a greater interest than anyone else in preventing protectionism," he said.

SA companies should take full advantage of the opportunities available in the world's largest market by setting up an office, joint venture or new factory inside the EC. However, there would be no barriers to foreign products exported to Europe, he said.

The common market had not been completed because numerous barriers remained in place.

Exchange controls still existed, preventing the free movement of capital; company law and taxes varied; and standards, specifications and patent regulations differed between countries.

The removal of remaining barriers would add about 5% to the EC's GDP, create about 1,8-million new jobs, and reduce business expenses.

Europe 1992 was well on its way. Three-quarters of the 282 measures needed to achieve the single market in 1992 had been accepted by governments, which had agreed to allow decisions to be made by majority vote.

Some progress had been made on reforming common agricultural policy, but much more work needed to be done on farming subsidies.

Doble said he hoped central European countries would be able to sell surplus agricultural products to the EC. Eastern European countries did not need aid: they needed trading opportunities, he said.
IDC extends low interest loans

Finance Staff

The Industrial Development Corporation (IDC) is increasing the amount of low-interest money it will lend to potential exporters.

Since launching its low-interest scheme in April it has approved loans of R138 million and is considering applications for another R60 million.

But although the first year's budget of R100 million has been exceeded, the IDC is still prepared to consider applications from small and medium businesses with total assets of less than R100 million.

The IDC is lending money at nine percent for three years for investment in machinery and equipment, provided at least 30 percent of output of the additional capacity is exported.

It says the scheme has given rise to additional investment of R1 billion.

It will create 800 new jobs and should lead to additional exports of R970 million.
Low-rate scheme an IDC export winner

The Industrial Development Corporation’s (IDC) low-interest rate scheme to boost exports has been a success. It has resulted in additional investments of R1-billion and created 800 jobs. When new units are in full production, additional exports of about R370-million can be expected each year.

The scheme, announced in April, was for R100-million to be made available each year for five years at an interest rate of 9% for three years. The condition is that 30% of the additional capacity from the loans must be exported.

To date, R138-million has been approved and applications for R100-million are being considered. The budget for the year to June 1992 has been exceeded.

To maintain the scheme’s momentum, the IDC will continue to consider applications for companies which have assets of less than R100-million. Larger companies may apply for loans after June next year.

The low-interest rate scheme to encourage multi-shift working is still available.
Catalyst offer may be ditched

THE GOVERNMENT is having second thoughts about its promise of a 50c in the rand export incentive to investors who set up plants to make platinum-based auto-catalysts.

The authorities have realised that the incentive - part of the Phase Six motor industry local content programme - is probably too generous because the platinum in these components could be exported without such help.

The Board of Trade and Industry (BTI) has been asked by Trade and Industry Minister Org Marais to investigate the autocatalyst industry.

The industry is expected to produce about 3 million units annually in the next two years. Autocatalysts sell for between R400 and R500 each.

Martin Hess, managing director of Degussa, which with the Industrial Development Corporation jointly owns the Algorex monolith plant in Port Elizabeth, says German investment in the factory was based on an undertaking that exports would be made through Phase Six.

"We do not expect this incentive to last forever, but we need these benefits if we are to meet world standards," he says. Algorex production is expected to increase to 40,000 units a month next year.

The R65-million Johnson Matthey plant in Germiston expects to increase production to about 2 million units a year by 1993.

Johnson Matthey is the world's largest producer of exhaust purifiers which were once made only in Europe, America and Australia. Exhaust manufacturer K Braun Engineering, through subsidiary Autocat, has signed a deal with Fiat for the sale of autocatalysts to Italy. These will be exported through Nissan which assembles the Fiat Uno in SA.

Largest

Braun Engineering, a subsidiary of Maschinen Fabrik Braun of Germany, spent R65-million on its Transkeian plant.

Managing director Willy Gaus says it is essential to establish a successful industry here to avoid imports when SA converts to autocatalysts.

Bosal, SA's largest exhaust manufacturer, has also entered the field and will call autocatalysts for Volkswagen.

'Delta, Mercedes-Benz and BMW also export catalysts to their parent companies.
R30bn projects in pipeline

SHORT-term tax incentives approved by government last week, coupled with Industrial Development Corporation (IDC) funding, could be the catalyst for new capital projects worth R30bn.

The IDC announced earlier this year that it had provided R10bn to fund new export projects in the next five years. It has since identified several projects which could qualify for direct financial support and the tax incentives, IDC senior GM Malcolm Macdonald said at the weekend.

The IDC, which has been instrumental in getting existing projects off the ground, has been talking to the parties behind proposed new projects, such as Columbus. If their projects qualify, we will provide partial funding by way of subsidised loans or equity participation,” Macdonald said.

“The IDC’s R10bn could involve it in new ventures worth R30bn over the next five years,” he said.

The Columbus stainless steel project has developed a high profile but there are several other large ventures in the pipeline. Sasol had committed itself to about R8bn worth of new projects, at least 50% of which could qualify for assistance, a spokesman said on Friday.

Gencor’s Alusaf aluminium smelting venture is another contender, as is AECL, which is understood to have one or two major chemical projects in the offing.

The incentives are a short-term measure pending longer-term policies aimed at improving SA manufacturers’ competitiveness on international markets.

The long-term policies are being considered as part of comprehensive new eco-

Projects

omic and industrial policies. They include ideas such as lower inflation, lower interest rates and higher productivity to enable local manufacturers to charge competitive prices for exports. Sacob estimates that manufacturers have to charge 15% more than their international competitors.

Policymakers are also considering incentive packages, such as tax holidays, to attract foreign investment.

A range of measures have already been introduced this year to cut the cost of capital investment and attract foreign investors.

In this year’s Budget, Finance Minister Barend du Plessis reduced the import surcharge on capital goods from 10% to 5% and on intermediate goods from 7.5% to 5%. When VAT is introduced at the end of this month, purchasers of capital and intermediate goods will be entitled to a full credit for tax paid on these goods.

Together, these measures will result in an estimated R8bn saving for commerce and industry, while the new tax incentives will provide substantial bridging relief during the risky start-up periods of capital projects.

Calculations done by the Department of Trade and Industry indicate they could reduce peak cash requirements by between 25% and 30% and improve profitability by as much as 25%. This would boost a 6% internal rate of return to 7.5% and a 4.4% IRR rate of return to 5.5%, according to a department spokesman.

Comment: Page 6
Trade talks ‘successful’

PRETORIA — Discussions with US trade officials on the entry of SA products had been successful, Trade, Industry and Tourism Minister Org Marais said last night in Port Elizabeth.

Speaking at the annual conference of the Afrikaanse Handelsinstituut (AHI), Marais said the first consignments of steel were expected to be shipped out before the end of the year.

The general export incentive scheme introduced more than a year ago was succeeding. In the past five years exports had increased at more than 10% a year.

In the first six months of this year, export of manufactured goods had increased by 11,8% compared with January-June last year.

On incentives, Marais said the marketing costs tax concession would be phased out in March next year. It had been estimated this had cost government more than R1bn and had not succeeded in improving exports.

Although the structural adjustment programme for clothing and textiles, and the motor industry’s Phase 6 had not primarily been to promote exports, they had in fact helped. Exports in this category were increasing rapidly.

Marais said as tariff protection was phased out over the next few years, it should be possible for the department to reduce its export subsidies.

After the department had decided on a new tariff protection policy, the Board of Trade and Industry might look at the rationalisation of the tariff structure.

Marais said that a small and medium-sized business development unit would soon be established under Trade and Industry Deputy Minister David Grasie.

The unit would recommend incentives for enterprises such as tax concessions, interest rate and rent subsidies, and where possible exemption from trade union requirements and the Minimal Wage Act.

Marais said the manpower problem was the Achilles heel of industrial expansion.

C. Attie du Plessis, GM Investments at Bankorp, was elected president of the AHI yesterday.

Du Plessis, who was vice-chairman of the organisation during the past year, is chairman of Coshair Holdings, Mercedes Information Technology and director of, among others, Bankorp, Metropolitan Life and Siemens.
BTI plan hits exports, says Rex Trueform

THE new development plan by the Board of Trade and Industry (BTI) for the textile and clothing industries would seriously disrupt the export initiative under way in the clothing industry, Rex Trueform chairman Stewart Shub says in his annual review.

According to Shub, the BTI report proposes a substantial reduction to the "import for export" permit facility which will lower incentives to export.

He says the new proposal has created uncertainty in the export community, and appeals to the authorities to allow the existing programme to run its course until the end of 1994.

He says during this time any genuine problems and anomalies encountered by textile and clothing producers can be addressed.

The group's annual report discloses that Rex Trueform's export sales during the year increased by 21% over the previous year, and while no export figures are provided, Shub stresses that this is not off a low base.

"This is due to improved international acceptance and has been backed by government's commitment to aiding export performance," he says.

The clothing industry, with one job created for each R1 000 in new capital injected, enjoys the lowest cost of capital per job of all industries, according to Shub.
Removal of trade barriers

Sacobo warns against hasty

By Year Limbope
Import surcharge slammed by UK trade visitors

JEAN LE MAY
Business Reporter

The biggest obstacle to burgeoning trade between Britain and South Africa was the import surcharge, said members of a British trade mission in Cape Town during a two-week visit to this country.

The import surcharge should be eliminated as soon as possible, they said.

The 23-man mission, the biggest to South Africa in the past five years, was sponsored by the UK-SA Trade Association (UK-SATA), which advises the British Overseas Trade Board on trade with Southern Africa.

British investors were wary of nationalisation threats, but it would be wrong to say that they were holding back because of them, said the mission's leader, Mr George Campbell-Johnson. One example of this confidence was that Glaxo, the British pharmaceuticals multinational, had just spent R100 million on a new factory on the Witwatersrand.

"We rate South Africa as second only to Japan as a desirable trade partner," he said. "Trade between Britain and South Africa amounts to R5 billion each way, in tangibles and invisibles."

South Africa was a favoured trading partner because of its superb financial infrastructure, its highly-skilled work force, a vigorous private sector, access to countries to the north and the potential for cross-border operations.

On the other hand, South Africa benefited through Britain's access to the EEC trading area — access to 380 million people in a sophisticated market, he said.

Members of the mission are involved in manufacturing, mining and exploration equipment, plastics, generators, fine china, water heaters, safety equipment, medical equipment, including pressure care systems, rust-proof aluminium guard rails, publishing, recording systems for the consumption of electricity, silver plate, spare parts for tractors, metal-seated ball valves, and wool and synthetic fibre blends.
Import control on 741 items axed

PRETORIA. — The Minister of Trade and Industry and Tourism Dr Org Marais yesterday announced the abolition of import control on 741 items with effect from today.

He said while the declared policy of government was to protect local industry against overseas competition by way of customs duty, the abolishment of import control was receiving continuous attention.

He said he had accepted the recommendation of the interdepartmental committee to abolish import control on the items. A total of 1214 items have been relieved of import control this year. — Sapa
**ECONOMY & FINANCE**

VALUE-ADDED TAX

**Exports to BLSN**

Revenue has issued a practice note (No 8) which authorises — subject to certain conditions — the zero-rating of goods bought in SA, for export to certain neighbouring countries, but delivered locally. The concessions apply to goods sold to purchasers carrying on an enterprise in Botswana, Lesotho, Swaziland and Namibia (the BLSN states). Zimbabwe is a notable exclusion (possibly because it is outside the Customs Union).

In the case of "nonregistrable goods," the purchaser must provide proof he is carrying on an enterprise there, in the form of a letterhead, trading licence or order form. In the case of "registrable goods" such as a motor car, it is not a requirement that the purchaser carries on an enterprise, but merely that he is ordinarily resident there.

Deloitte Pim Goldby, national tax director at Kruger explains that the VAT Act defines goods as having been exported if they are consigned or delivered, by the vendor, to the purchaser at an address in an "export country" — that is any country excepting SA and the TBVC states.

However, in the case of the special concession, the vendor may either standard-rate the goods and refund the VAT against proof that they have been exported or zero-rate them if he is satisfied the purchaser has given proof of residence in a BLSN state or of carrying on an enterprise there. If the vendor zero-rates the goods without having the prescribed proof (eg the tax invoice stamped at a border post), he will be liable for VAT.

There would be a need for exchange control permission to remit VAT refunds to Botswana, which is outside the common monetary area. For the purchase of a luxury car, the amount could run to tens of thousands of rands.

Reserve Bank GM John Postmus says the issue has not yet been brought to the attention of the exchange control division of the Bank. Conceptually, he sees no objection to authorised dealers being permitted to approve such transfers, but there would have to be documentation convincing enough to minimise the risk that a purported VAT refund is a ruse to evade exchange controls.

Kessel Feinstein tax partner Ernst Mazansky points out that the definition of "exported," in section 1 of the VAT Act, requires the Minister of Finance to approve an "export incentive scheme," and certain other conditions should be met. Instead, Revenue has simply issued a practice note authorising a temporary scheme covering the BLSN states until November 30 only.

Not only have the formalities not yet been complied with but the appropriate application form is not yet available. The practice note advises vendors to use a comparable GST form known as VB 52.

A related matter also awaits attention from Revenue, says Mazansky. Many businesses are awaiting the promulgation of export incentive schemes which will enable them to zero-rate sales to foreign tourists. Until this is done, all sales to tourists will continue to be standard-rated.
Business fumes at tardy Marais

THE business community has criticised Trade and Industry Minister Org Marais for his late release of draft anti-dumping legislation which has left only a week for comments.

The SA Chamber of Business expressed its "regrets" that the business community had been given such a short time to comment on the draft legislation, but sources said feelings were running high in the organisation and the business community.

Marais announced yesterday that the draft legislation for action against dumping, subsidisation and other forms of disruptive competition had been released to private-sector organisations for comment by November 18.

However, he said comments received after the deadline could still be considered when the proposals reached the parliamentary joint committee stage. But business sources said that by that time the legislation would already have passed the "formative stage".

Marais said the proposed legislation, policy and procedures were aimed at effective action to protect manufacturers in the Customs Union from disruptive competition.

Sacob said in a statement it fully supported effective anti-dumping measures. The organisation had already conveyed its disappointment to Marais because it believed legislation of such importance to industrialists and importers required careful study. It would still seek to formulate a preliminary reaction to the draft proposals after consulting members.

Sacob had asked for an extension of the deadline, a source said, but held out little hope of getting one because the process was "locked into a cycle" as it had to get to the Cabinet soon if it was to make it on to the 1992 parliamentary agenda.

Marais said the tariff protection policy was being reviewed with the objective of gradually reducing import tariffs but this was subject to the creation of measures for effective action against dumping.

"The effectiveness of the draft legislation lies in its definition of "disruptive competition". The draft legislation defines disruptive competition as dumping and other forms of subsidisation by virtue of export to SA, which causes or may cause material injury to established SA industries or which may retard the establishment of industries in SA."

It was intended to incorporate enabling provisions for such action in the Board of Trade and Industry Act of 1966 and amendments would have to be made to the Customs and Excise Act of 1964.
Government proposes anti-dumping measures

By Sven Lünsche

Under pressure from various industrial sectors, the Government has announced plans to implement anti-dumping measures to protect local manufacturers.

Minister of Trade and Industry Dr Org Marais said yesterday that import tariff protection policy was being reviewed with the aim of gradually reducing tariffs.

"The reduction of tariffs is, however, subject to the creation of measures for effective action against dumping," Dr Marais said.

He said draft legislation for action against dumping, subsidisation and other forms of disruptive competition had been released to private sector organisations for comment.

It is widely believed that the proposals will take their lead from the Anti-Dumping and Subsidies Code of the General Agreement on Tariffs and Trade (Gatt).

Gatt defines dumping as the selling of foreign goods on local markets at prices below the ruling prices in the country of export.

The draft policies are in line with a proposal by the Industrial Development Corporation (IDC), which earlier this year recommended a break-up of SA’s extensive protectionist policies and a stronger export-orientation.

The IDC also urged that SA become a signatory of Gatt’s Anti-Dumping and Subsidies Code to provide some measure of protection as tariffs were reduced.

However, the IDC report, which is set to form the basis of SA’s future trade and tariff policy, has been criticised by various industrial sectors and organised business.

In its response to the report, the SA Chamber of Business warned in August that if SA industry “were to be cut adrift through trade liberalisation”, adequate protection against predatory pricing from imports was required.

Recently the textile industry complained about cheap imports, particularly from the Far East, which were affecting the local industry — as was clearly illustrated by the poor results turned in by such companies as Frame and Unispin.

Chemical giant AECI last month asked the Department of Trade and Industry (DTI) for an increase in tariffs on PVC because cheap imports had slashed local prices of the product and cut profit margins drastically.

Economists said yesterday that the Government was in danger of giving more prominence to the concern of local industrialists than to the overriding need to restructure the country’s outdated tariff protection policies.

SA producers are currently protected from dumping and low-cost imports by high import tariffs, which effectively create a floor for minimum prices at which imports can enter the country.

This practice is unacceptable to Gatt, of which SA is a founder member, although it does not as yet subscribe to its anti-dumping code.

In drafting new anti-dumping legislation, the IDC said SA should draw on the experience of other Gatt members, but adapt policies to specific needs.

However, the Textile Federation recently warned that the Gatt measures had largely failed and been replaced with quota systems in many countries.

Dr Marais said the proposed legislation, policy and procedures were aimed at fast and effective action to protect manufacturers in the Customs Union from disruptive competition where warranted.

While the legislation is still in its draft form and will have to be promulgated by Parliament, the Government appears eager to do so as early as possible.

Private sector organisations concerned have until next Monday to comment on the draft legislation, so as to finalise the draft Bill for consideration early in the 1992 Parliamentary session.

The provisions are set to be included in the the Board of Trade and Industry Act and amendments will have to be made to the Customs and Excise Act.
'High rates hamper exports'

By AUDREY D'ANGELO
Business Editor

SA manufacturers were handicapped by having to pay a higher price for capital than overseas competitors, Paul Hatty, chairman of the SA Chamber of Business (Sacob) industrial policy committee, said in the city yesterday.

He told a seminar organised by the National Clothing Federation that the total cost of capital to SA companies was 29,6% compared with 14,5% in Australia, 11,4% in the US, 3,4% in Japan, 9,7% in Germany, 11,5% in France and 4,2% in Taiwan.

This, combined with a 48% corporate tax rate — compared with 32% in Japan and 20% in Taiwan — high import duties on machinery and high inflation meant that SA manufacturers were forced to have high margins.

To make them internationally competitive so that protective import duties and export incentives could be removed they needed lower tax and interest rates, the removal of imposum on imported plant, investment allowances and a commitment to training and research and development.

"We need a stronger lobby for a lower price of capital for manufacturing industry," he told delegates.

It was a mistake for exporting manufacturers to have to pay the same high interest rates as developers of shopping centres and office blocks. Pointing out that the textile industry was more capital intensive than the clothing industry, Hatty said that in 1970 it needed margins of only 12% to service its capital.

"Now it needs 43% and the textile industry asks why the textile industry needs so much protection.

"The textile industry is simply responding to what the government has done to the price of capital."

But, Hatty warned, SA would have to reduce import tariffs — particularly those protecting industries supplying other factories — and eventually abolish export incentives.

SA needed a strategic plan to prepare for this, with goals that would not be moved. "We need to know what the government is going to do for the next 10 years. At present we don't know what it is going to do next week."

Comparing the cost of capital in SA and in other countries, Hatty said that the earnings yield expected by shareholders in SA — with its inflation rate of 14,5% — was 13,3% compared with 8,6% in Australia, 7,8% in the US, 1,9% in Japan, 6% in Germany, 7,5% in France and 1,6% in Taiwan.

This meant the pre-tax cost of equity in SA was 35,2% compared with 14,1% in Australia, 11,8% in the US, 2,8% in Japan, 12% in Germany, 13,1% in France and 2,2% in Taiwan.

The cost of borrowing in SA was 20% compared with 15,4% in Australia, 10,2% in the US, 3,6% in Japan, 8,3% in Germany, 9,9% in France and 11,5% in Taiwan.
Growth: Mass Housing Plan No Solution

Business Plan
R400-m in Clothing Exports: Project Industry Workers

However, the industry — local clothing federations and importers — are under-equipped. Workers are not able to receive the best clothing products. Workers also need to receive the best clothing products.

There is a need to improve the clothing industry's infrastructure and the trade union's infrastructure. Workers also need to receive the best clothing products. Workers also need to receive the best clothing products.

The infrastructure of the clothing industry needs to be improved. Workers also need to receive the best clothing products. Workers also need to receive the best clothing products.
More export incentives mooted for components

The Department of Trade and Industry is considering additional export incentives for certain automotive components which benefit from Phase VI of the motor manufacturing industry's local content programme.

Trade and Industry Minister Org Marais indicated at the weekend that his department was considering extending the General Export Incentive Scheme (GEIS) to automotive components such as catalytic converters.

The move follows strong lobbying in the motor industry for relief in the form of additional incentives to make up for the limitations which are to be imposed on the local content programme. From December, the local content target — which manufacturers have to meet to qualify for export incentives — will be capped at 75%.

Marais said the GEIS incentives, if applied, would focus on specific value-added components, such as catalytic converters.

Their purpose would be to make the products more competitive on world markets. Catalytic converters, a vital part of environment-friendly exhaust systems, have become an important example of the potential value to SA of the beneficiation of raw materials. However, their inclusion in export incentive schemes has also been the subject of heated debate and there is the possibility that their access to the local content programme may be curtailed, industry sources say.

Most motor manufacturers have argued that the precious metal content of converters should not benefit from the local content export incentives, while others have said they should qualify in the way that other value-added products do.

There are only two manufacturers of the catalysts in SA — Degussa and Johnson Matthey.
Government has appointed an independent accountant to investigate the "security and correct management" of its lucrative (to successful applicants) general export incentive scheme (Geis).

Geis, which is frowned upon by the General Agreement on Tariffs & Trade (GATT), will cost taxpayers about R5.5bn by the time it runs out in 1995, says Trade & Industry Minister Org Marais.

He adds that this compares well with the old section 11 bis export marketing assistance tax-free scheme which, together with the old A & B subsidy schemes, would have cost "easily over R12bn over the next five years."

The 11 bis scheme will expire by March while the A & B schemes have already gone, though promissory notes for about R850m are still payable until the 1992/1993 financial year.

Results of the Geis investigation, under way for the "past few months," should be available in the next week or two, he adds. They will help the department to improve the controls of the scheme.

Marais' disclosure follows a statement by Deputy Trade & Industry Minister David Graaff at last week's Safco AGM, that government "would like to look away those missing Geis so deep that their breakfast will arrive only at lunchtime."

Marais says it has been alleged that some clothing firms not only claim Geis benefits but also make use of opportunities provided by the clothing and textile industries' structural adjustment programme to import cloth and fabric (to be used for re-export as clothing) free of tariffs.

"Customs & Excise is following up these allegations," he adds.

Another report, which should also be on Marais' desk soon, will show whether Geis subsidies benefit exporters of so-called categories three and four manufactured goods — the major aim of the scheme. According to some industry sources, the "vast majority" of Geis benefits to date have been paid to "major corporations" that export category two semi-processed goods (like paper products).

Marais says he will be able to furnish full details on this report by early January. Exporters had six months from the ending of the financial year in February 1991 to lodge Geis claims.

"If it is found that Geis payouts benefit the wrong groups, and the scheme is unbalanced, we will obviously take remedial steps," he says.

Geis was instituted by Trade & Industry DG Stef Naude in 1989 to substitute for the so-called structural adjustment programmes for selected industry sectors. These were devised by outgoing Board of Trade & Industry chairman Lawrence McCrystal and his team.
Export Policies under P.E.R.T.
Export policy set to boost property funds

TAMBOTI and Umdoni Property Funds are set to benefit from SA's export and manufacturing-directed economic policy since their property portfolios are mainly industrially based. Chairman of the two funds, Michael Noyce, says in his annual review. "Most commentators believe that the next economic upswing will be gradual in the initial stages, but because it is likely to be export and investment driven, rather than consumer-led, it should be more sustainable," he says.

In the year to September, Tamboti improved its distributable income to 21.3c a unit from 20.7c in 1998 while Umdoni's distribution lifted to 17c from 15.3c.

During the year Tamboti held a rights issue to raise R8.9m of which R3.8m is committed to property developments and another R2.3m is held in cash.

Umdoni remains fully invested. It realised R9.3m on the sale of properties of which R4.3m was spent on developing and improving existing properties, leaving a capital surplus of R4.1m.

Noyce says the advantage of investing in the property sector is that property tends to be less volatile than other sectors of the economy.

The property trust sector is yielding average returns of 10.5% and looks more attractive with the possibility of falling interest rates next year. Property trusts are also more marketable and have a greater spread of risk than direct investment in property.

By year-end only 1.4% of Tamboti's portfolio was vacant and 0.6% of Umdoni's — a commendable achievement in view of the length of the recession, Noyce says.

Both funds expect to show growth from the renewal of leases next year and the impact of higher rentals achieved on review last year when these were previously below market levels.

Tamboti's interest earnings will also grow as a result of the large amount of cash it holds, although this could be tempered as interest rates are expected to fall.
VAT rebate registration extended

The Department of Inland Revenue has extended until May provisional measures introduced to ease the initial administrative burden of registering for VAT rebates on exports to neighbouring states and other trading partners. (74E)

In terms of assistance schemes introduced when VAT was implemented in September, exporters can claim rebates for VAT paid on exports to neighbouring states and other trading partners if registered as participants in the scheme.

To ease the initial administrative burden of having to register for the assistance, short-term measures were introduced to allow exporters to claim assistance without being registered for the first three months after VAT was introduced. The measures have been extended again as application forms for registration have been delayed at the government printer.

Inland Revenue expects to receive the application forms within two weeks. In preparation for the implementation of the final scheme, vendors will be asked to apply for registration from March 2.
Mixed response to tariff scrapping

MELANIE SERGEANT

IMPORTERS of electronic components will save about R5m a year with the announcement of new regulations to lift tariffs and duties.

The move has dismayed SA's electronic component manufacturers, but delighted equipment manufacturers.

Association of Distributors of Electronic Components' Bob Welsh said the new ruling would reduce manufacturing costs and enable SA to become more competitive.

But the Electronic Industries Federation (EIF) — representing component manufacturers — said the Customs and Excise Act amendment had shocked the industry. A spokesman said eliminating import protection on goods such as printed circuit boards, diodes, resistors and capacitors put companies and jobs at risk.

The EIF claims changes to the Act came in spite of continuing work it had done with government to examine duties and tariffs on components. "The action takes no cognisance of the fact that some components are made locally and deserve protection against dumping and other practices."

The EIF admits protection for the industry is not correctly structured, but changes should be designed to avoid destabilising the industry and causing unemployment.

Welsh said component distributors complained that goods which were not made in SA, and were available only as imports, attracted duties. However, his association would have preferred some protection.
Corporations pleased by beneficiation concessions

WIDER scope of incentives for beneficiation of raw materials, announced by Trade and Industry Minister Derek Keys, were welcomed by corporate leaders this week. But economists say the concessions were unlikely to have a material effect on economic growth this year.

Section 37E export incentives will now be available to virtually any person carrying on any beneficiation process on an internationally competitive scale.

Previously, the incentives were limited to beneficiators of locally-mined base minerals and locally-produced intermediate goods. It now applies to beneficiators of all goods, irrespective of the origin of the raw material or of the intermediate product.

Auditing consultants Ernst & Young's Charles Mackenzie and Christo Theron said of the new regulations:

"Previously, beneficiation had to add 'substantial' value. Now, this process must add 35% to the value of the raw materials or intermediate products. The 35% beneficiation level is to be determined by a new formula. A high labour or overhead content makes it easy to attain the necessary level.

The inclusion of imported raw materials and intermediate goods, coupled with the 'easy-to-attain' formula, makes qualification easier. There is no doubt that more manufacturers should qualify than did under the previous legislation."

Business leaders approached last week gave the changes the thumbs up.

Mike Sander, chief executive of industrial chemical giant AECI, said the changes showed the government had recognised that SA suffered from a competitive barrier internationally because of high tax and inflation.

"AECI is conditionally going ahead to expand its synthetic fibre business in Cape Town entirely for the export market. We have already invested R15-million, but the concessions will permit us to increase capacity through a R100-million investment."

Sasol says it is already committed to a full investment programme, but the amendments would make certain investments more attractive, especially those that were marginal.
Pressure grows for incentives

By CIARAN RYAN

A report on EPZs by the Development Bank of South Africa says there are 300 in the world, each competing for international capital.

The report says: "International experience indicates, in general, that the firms that normally locate in EPZs are typically footloose and very often foreign.

"Foreign capital and management are attracted to the EPZ by low labour costs, tax incentives, subsidised inputs and market accessibility."

EPZs, offering tax holidays, cheap labour and other incentives, were largely responsible for the economic miracles in South Korea, Taiwan, Mauritius and Singapore.

Africa's most successful EPZ is Mauritius. EPZs helped it to move from 23% unemployment 10 years ago to jobs for all. EPZ companies account for half the jobs on the island and generate 76% of the island's foreign currency earnings.

East London Chamber of Commerce director Eric Spring says: "Trade and Industry Minister Derek Keys has said the economic recovery will be export-led. There is a sense of urgency in the Border area to get the economy moving again. We have involved Coldic and Transkei in our planning."

Another form of EPZ has been proposed by Wesgro, the Western Cape business growth organisation. It says that instead of confining EPZs to geographical zones, the Customs and Excise Act should be changed to allow any SA company engaged in exporting to benefit from duty-free imports and tax concessions.

Wesgro executive director David Bridgeman says: "There is a philosophical divide. Some people want to attract foreign capital. We want to make it possible for domestic capital to manufacture for export."

Dr Bridgeman says the proposal hit a snag with the Department of Customs and Excise because some officials believed the department was incapable of administering the scheme.

He says: "If customs and excise officials elsewhere in the world can do it, why can't we?"

Andre Ligthelm of the Development Bank says the prerequisites for a successful EPZ are incentives, a streamlined "one-stop" administration to eliminate red tape and an infrastructure and telecommunications system normally better than those found in the host country.

Closures

The Development Bank report says the rationale behind export-oriented policies is to cause "circumstances of neutrality" between production for the domestic and foreign markets.

The best way to achieve the goal is to remove protective tariffs. But this exposes domestic firms to severe international competition, resulting in possible closures.

The second-best option, therefore, is the EPZ, where conditions of neutrality are confined to a defined geographical area, without exposing the protected domestic economy to the disruptions of free trade.
Govt may take legal action over export scheme abuses

CAPE TOWN — Abuses in the Phase Six export scheme had been identified by the Trade and Industry Department and evidence was being gathered abroad with a view to possible legal action against guilty parties, Deputy Minister David Graaff said yesterday.

In reply to a question in Parliament, he said a co-ordinating task group consisting of department, Customs and Excise and Reserve Bank representatives was formed to investigate the abuses and the SAP and the Office for Serious Economic Offences were also involved.

Graaff said export values were overstated and export proceeds were not repatriated in those cases where excise duty rebates were granted to motor vehicle manufacturers for the export of unassembled motor vehicles by Beira Motor Industries, and bolts and nuts by CET Trading (now in provisional liquidation) and other export trading houses.

"In the case of bolts and nuts the export trading houses concerned coded the overstated export value instead of the net foreign currency earnings to certain motor vehicle manufacturers," Graaff said.

Payment of certain excess rebates were suspended by the Trade and Industry department.

"Following the suspension of payments Beira Industries instituted legal action against the state. The case was opposed by the state and a legal team gathered evidence in Hong Kong to which the motor vehicles were allegedly exported. The case was dismissed with costs by the Supreme Court on 22 April 1992." Legal action was being looked at.
Pilkington slams BTI ruling

Even Australia has introduced anti-dumping duties against mainland China. Triangle Glass MD Meri Williamson described the BTI ruling as a “terrible boost” to the company’s efforts to break the monopoly in SA’s glass market, which she said would benefit both industry and end-user.

Quoting from a BTI report, Williamson said Pilkington’s market share of 3mm and 4mm float glass dropped from 100% in 1989 to an estimated 85% in 1991.

This coincided with Triangle Chemical Industries’ entry into the market with glass imported from China, and subsequent sales growing at about 30% a year, she said.

In 1991 China’s (including Hong Kong) share of SA’s drawn glass imports increased 82%, 357% higher than the previous year.
Finland offers SA easier credit.

South Africans can now buy machinery from Finland on easy terms.

The Industrial Development Corporation (IDC) has arranged a $50 million (R142 million) credit line from Finnish Export Credit to help South African industrialists import Finnish capital goods.

Depending on the contract value of the imports, credit terms of up to seven years are available from the IDC's Imposin (Pty) at favourable interest rates.

The IDC says that Finland is a major world supplier of equipment for the pulp and paper industry in which South Africa is a significant producer.

The first contract under the credit agreement is in the process of being completed.
Beef imports normal for SA, says govt

PRETORIA — SA is a net importer of beef and since 1955-56 amounts shipped in have varied between 5% and 20%.

The Agriculture Department's marketing directorate says local production provided for between 85% and 95% of the local need between 1988-89 and 1990-91. Average annual local production was 375,000 tons.

Imports in 1988 totalled 40,100 tons, in 1989 20,700 tons, and in 1990 6,000 tons. Last year 1,000 tons were imported.

Directorate director Attie Swart said in a statement that, in conformity with government policy to replace quantitative control of farm products with tariff protection, the duty on red meat was raised to protect local red meat producers. The statement follows the announcement that 5,000 tons of frozen, deboned beef was to be imported from Zimbabwe in terms of a long-standing trade agreement.

Swart said in the case of frozen deboned beef, the duty was raised to R1/kg, less 80% ad valorem. This meant this type of meat, after payment of local duty, could be imported profitably only if a wholesale price higher than R9/kg plus costs could be obtained.

Because the high duty had shown imports could be regulated, import permits for this type of meat were not limited.

Beef carcasses are being sold at Johannesburg auctions now for R5.14/kg.
No big earnings hike due for AmrTel

COMPANIES

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MARGARET KENNIN

AmerTel. Margin earned dipped 39 percent from 1.1 percent of revenues last year to 0.6 percent for the

AmrTel

1992

Business Day, Wednesday, June 17, 1992
Imports of used clothes 'straining' SA industry

LARGE quantities of imported second-hand clothes "flooding" into the country under the pretext that it is destined for charity, are placing the already embattled clothing and textile industry under strain and could lead to further job losses and factory closures.

The industry — currently involved in a bitter wage dispute with the SA Clothing and Textile Workers Union (Sactwu) — was being "crippled" by the imported clothes being sold at "incredibly" low prices at flea markets and second-hand shops all over Cape Town, the chairman of the Garment Manufacturers Association, Mr Patrick Boers, said this week.

A Department of Trade and Industry spokesman, Mr Chari Nel, said it was "unfortunately" true that most of these garments had been imported duty-free.

He said some retailers were "abusing" a provision in the Customs and Excise Act which allowed churches and charity organisations to import second-hand clothing duty-free, provided it was distributed free.

**Misuses**

According to Mr Nel these retailers imported under the pretext that the goods would be used for charity.

He said proposals for the amendment of this provision to stop this abuse "would be submitted" to the government by the Board of Trade and Industry, which is currently investigating.

The alleged misuses are specifically connected with a concession granted a few years ago which allowed churches and welfare organisations to sell some of the imported second-hand clothing to cover import and distribution costs, he said.

Mr Nel also said recommendations to cancel this concession had been received by the department and an investigation into cancelling it or finding ways to police it was currently underway.

Customs permits to the value of R639 939 have been issued to churches and welfare organisations so far this year.

Dr Helgard Muller, a spokesman for the Board of Trade and Industry, said the board was "doing everything possible" to protect local industries.

He said a full report on the investigation would be available soon.

Another concern is that "a lot" of the imported goods were being "dumped" in South Africa.

According to Mr Hennie van Zyl, executive director of the National Clothing Federation, these goods were being sold more cheaply here than in their country of origin.

It is extremely difficult to control the import of second-hand or dumped goods, Mr van Zyl said, mainly because the duty was too low.

**Block**

He said the government should increase the current duty of 30 percent and implement anti-dumping legislation to prevent retailers from selling imported garments for less than in their country of origin.

Sactwu's assistant general secretary, Mr Ibrahim Fadel, said the government should block the unnecessary import of textiles which were available in South Africa.

He said SA had an "excessive" tendency to import which caused problems because it created jobs abroad but resulted in severe job losses and factory closures in SA.
Tanker secrecy:
Law protecting oil imports may be abused

STEFAN N BRÜMMER
Shipping Reporter

THE possibility that oil supply secrecy laws are being abused has come to light after a government denial that it "coded" a damaged oil tanker which visited Cape Town under an apparently self-assumed cloak of secrecy.

Tankers supplying South Africa in defiance of the oil embargo are coded under the Petroleum Products Act and it is an offence to publish information about them.

Earlier this month, the Panama-registered supertanker World Hitachi Zosen — with obvious fire damage and another vessel's anchor embedded in its mangled bow — called at Cape Town for repairs and to refuel on route East.

Inquiries to port authorities and the ship's agent were met with "What ship?" and claims that the vessel was protected by the Act. No information was given.

But a spokesman for Minister of Mineral and Energy Affairs Mr. George Bartlett, whose department administers the Act, said the ship was not coded.

Surrock Shipping, agent for the World Hitachi Zosen, was approached again.

Asked who had coded the tanker, a spokesman said: "The owners... They just say it's coded."

A spokesman for the energy division of Mineral and Energy Affairs confirmed that inquiries in the industry had shown that shipping operators "seem to use their own coding system for their own purposes."

But he said: "They cannot hide behind our law. Only a ship that brings us things (oil) do we want to protect. Others we do not want to protect."

A shipping source, who spoke to the captain of the World Hitachi Zosen before it left Cape Town last week, gave details of the high-seas drama that caused the damage and claimed a life.

On April 18 the 280 000-ton tanker, off the Canary Islands in the North Atlantic, collided starboard bow to starboard bow with a 10 000-ton cargo ship.

It was about 4pm and, according to the captain, visibility was good.

He allegedly admitted that no one had been on watch and the radar was switched off. The ship was on auto-pilot.

A full forward tank ruptured on impact, spilling tons of oil into the sea. A crew member fell overboard and drowned.

The oil ignited, spewing flames that badly damaged the ship. The blaze was put out 18 hours later by the crew, assisted by the Royal Navy ship HMS Cambellown, which happened to be nearby.

The cargo of light and heavy crude was transferred to another tanker belonging to the same operators, Worldwide Shipping of Hong Kong.

Damage has been estimated at $7-million (about R20-million) and includes a gashed and mangled bow and the deck buckled by heat. The cargo ship's anchor remained embedded in the tanker's bow.

The tanker, built in 1976, will be repaired or scrapped in the East.

Democratic Party mineral and energy spokesman Mr. Roger Hulley slammed the "abuse" of the law to suppress information "which has no bearing on our oil supplies whatsoever."

He said: "It's an example of how a bad law — which is overprotective anyway — has been abused to frustrate the public's right to know."

Mr. Hulley called for a "long overdue" review of the Petroleum Products Act.

A Mineral and Energy Affairs statement said: "Crude oil-carriers carrying crude oil for South African destinations are coded for obvious reasons. This will continue as long as there are crude oil and crude oil shipping sanctions against South Africa."

"The Act's secrecy provisions can change only after the oil sanctions of the United Nations and the Arab League are lifted."

While in Cape Town, the World Hitachi Zosen was known as OWW38 only.
THE Government is expected to give the green light for duty-free export processing zones (EPZs) to attract new investment.

Trade and Industry Director-General Stef Naudé is heading an investigation into EPZs. Industrial Development Corporation (IDC) and Development Bank (DBSA) reports strongly recommend the introduction of EPZs.

Regional development advisory councils are also campaigning for EPZs to combat unemployment.

Likely sites for EPZs include exit-entry points, such as Cape Town, Durban, Richards Bay, Port Elizabeth, East London and Jan Smuts Airport.

EPZs are industrial estates for the manufacture of exports. They offer exporters duty-free imports, a favourable business environment and a minimum of red tape.

EPZs usually include tax holidays and other incentives.

**Fence**

They typically operate in a ring-fenced area subject to customs control and outside the domestic economy.

The IDC report says "the concept of one or more EPZs for SA should be facilitated". EPZs should be private-sector driven: "They should not be managed, financed or developed by the Government."

SA is unsuccessful in attracting large-scale foreign investment — aside from political instability — because of a high corporate tax rate of 40% and lack of incentives.

The IDC recommends a tax holiday in the EPZs or "a competitively low tax rate" as part of a package.

It says: "The principle of taxes being forfeited by the State should be accepted from the outset."

The existing levels of SA business regulation would be unacceptable in an EPZ. Several laws, such as the Workmen's Compensation Act and Manpower Training Act, would have to be reviewed.

**Labour**

Labour costs must be low and companies must have the power to hire and dismiss workers at low transaction costs. The IDC says the cooperation of trade unions must be obtained.

Dr Naudé says if EPZs are accepted changes to the Customs and Excise Act will be necessary. The cut-off date for replies to the IDC report is the end of July, after which the department will make a decision.

The DBSA's Andre Wilsemach says the Government is under pressure to introduce EPZs: "There is almost unanimous support for the concept."

**Belief**

Earlier reports by the DBSA and Wengro, the Western Cape business growth organisation, recommended changes to the Customs and Excise Act which would enable any SA company engaged in exporting to benefit from duty-free imports and tax concessions.

Mr Wilsemach says: "One problem with the ring-fenced approach suggested in the report is that existing companies involved in exporting cannot participate in the benefits of an EPZ without relocating."

"There is a belief in Customs and Excise that a more open form of EPZ will result in leakages from bonded warehouses to the host economy. But this can be policed by the department and should be paid for by the company."

"Open EPZs allow companies to use existing infrastructure and can include resource-bound industries far from the urban centres. They have freedom of location and optimise linkages with the host economy. They also do not require changes in labour legislation."

*See page five*
Duty-free zones to boost exports

WILLEM STEENKAMP

CAPE Town is one of five harbour cities named in a report, bound for the Department of Trade and Industry, as possible duty-free export-processing zones (EPZs) where, with a minimum of red tape, the South African economy could be fired up.

An EPZ for the Western Cape could be the key to tremendous financial growth, much-needed job-creation and a revitalisation of the economy as a whole.

Such is the optimism of a Joint Industrial Development Corporation and Development Bank of Southern Africa report. It has been welcomed by Ian McLean, marketing manager of Wesgro, the Western Cape business growth organisation.

The report recommends EPZs at Cape Town, Durban, Port Elizabeth, East London and Richards Bay as part of a national plan to attract investment.

The recommended zones will be industrial areas where export manufacturers are offered duty-free importation of materials, minimum red tape and extensive tax relief.
Tariff system labelled a curb on export drive

Business Staff

A CALL for government to commit itself to an export orientation of the economy and to scrap policies aimed at import substitution has been made by the Board of Tariffs and Trade.

Chairman Dr Lawrence McCrystal said in his annual report South Africa could not commit itself to exports while import substitution remained "the most important policy objective."

He also urged the authorities to commit themselves to a simplified and stable import tariff system that was not subject to "constant revision."

"The current procedure whereby anybody can apply for a tariff amendment creates great uncertainty in the private sector. From the moment the board announces a certain tariff is under review, operators in the product for that market are uncertain as to how to conduct their business until the final outcome of the investigation is announced, which could be up to a year later."

Simultaneously, an effective anti-dumping mechanism needed to be in place against the effects of disruptive imports, which could endanger the existence of "even highly competitive industries."

NEVER before had there been such an urgent need and the opportunity for a massive public and private sector export drive to accelerate future export growth and domestic prosperity and employment opportunities in South Africa, said Wim Holtes, outgoing chief executive of the South African Foreign Trade Organisation.

But Mr Holtes believed South Africa still had some way to go to "achieve the non-political and business orientated public/private sector partnership so essential to South Africa's success as an export nation."

South Africa had broken away from its "gold dependency" and at the same time achieved "market diversification" through a rapid increase of exports to new markets in Africa, Eastern Europe, South America, the Far and Middle East.

Gold's share of exports had dropped from nearly 50 percent 12 years ago to 26 percent last year, while exports of manufactured goods had increased from 16 to 31 percent over the same period.
New crackdown on export fraud

NEW guidelines will be introduced in November to close loopholes and crack down on fraud related to the general export incentive scheme (GEIS).

Tax-free cash incentives, ranging from 7.5% for beneficiated primary goods to 25% for manufactured products, are awarded to the exporter if they have at least 35% SA content.

Trade and Industry Director-General Siegfried Naude says this Johannesburg businessman was sentenced last December to three years' imprisonment for claiming R377 000 for a bogus R1.5-million deal.

Another suspect involved R56 000 has been referred to the police.

The Department of Trade and Industry (DTI) is investigating the validity of 50 claims, Dr Naude says. Many are the result of human error, not criminal intent.

But auditing firms which do not wish to be named say GEIS has been fiddled since its inception two years ago. It is expected to cost the taxpayer R5.5-billion by 1996.

They say fraud is committed in several ways. For example, businesses import goods, pay a 35% mark-up and claim that it is local content. They export the goods unfetched.

They overinvoice exported goods and then submit GEIS claims at inflated values, using the same documentation to claim twice.

Auditors also allege

Auditors say it has been easy to commit fraud because the scheme has not been properly policed. Auditors have only to verify turnover figures. Unbeknown to the auditors, the exporter can later adjust the price for discounts, debts not paid and goods returned.

Clear

Auditors say the system should be governed by clear rules instead of vague guidelines. One auditor says manufactured goods are not clearly defined.

The exporter is also penalised for using imported material, but only where he “knows” it has been imported. He can buy the goods through an SA third party and claim to be unaware of the source.

Auditors say banks should be asked to check some of the frauds, because they have to ensure the money is brought back to SA.

Dr Naude says the most significant changes include submitting documents to verify the claim and providing an unqualified audit report.

A personal obligation will be placed on chief executives as well as representatives authorized to claim on their behalf. This will prevent independent, who are paid a percentage, from claiming the incentive for the company, overclaiming, taking their cut and disappearing.

Dr Naude says the guidelines will include notes to clarify crucial requirements.

The amendments to the guidelines are the result of a Debitit, Pim Goldby (DPG) study. They are intended to avoid red tape which would make the scheme unattractive.

The second part of DPG's study, which examines the scheme's effectiveness, is due to be completed in September.

Dr Naude says staff members have been vigilant in tripping up offenders and he is confident no fraud has gone undetected.
Time to devalue rand

Old Mutual Life premium income by 27%
End protection and subsidies’ call

A non-selective and neutral trade policy would require a phased withdrawal of the present tariff protection for import-competing producers and subsidisation of exporters, Economic Society of SA president Merle Holden said yesterday.

Addressing members at the society’s annual meeting, Holden said dismantling should occur over five years in pre-announced steps to give both sets of producers the opportunity to adjust and plan for the future.

“Furthermore, the reform has to be credible, otherwise the desired movements in resources will not occur,” she said.

“It has been shown the reduction of tariffs should be achieved by what has been termed the concertina strategy, namely a strategy in which the top rates are gradually collapsed to the next highest level.”

By using the same strategy, Holden called for the phased removal of the general export incentive scheme (GEIS), “with a reduction of subsidies to the more favoured sectors”.

She said while those exporting industries with a high value added and a high local content found that GEIS had provided significant incentives to export, the scheme had discriminated against low value added, low local content exporters.

Growth theory, which now perceived success to depend on increases in innovation, invention or technological change, opened up new investment opportunities and introduced “an externality deserving of special attention”, she said.

In line with this, Holden suggested the state’s role could include the development and dissemination of market information and control.

“These forms of collective action are less likely to be susceptible to capture, manipulation and corruption than if subsidy support is offered directly to firms for these activities and accords with treating distortions at their source.”

Holden said SA was emerging from years of international isolation and had already experienced considerable trade liberalisation.
Export processing zones ‘could let govt off policy-planning hook’

CAPE TOWN — Export processing zones (EPZs), if introduced at this stage, might just be a diversion from the need for government to formulate a coherent, long-term trade and industrial policy, UCT economist and ANC economic adviser Alan Hirsch said yesterday.

Speaking at a Cape Chamber of Industries seminar on EPZs, Hirsch said an industrial strategy addressing questions of the competitiveness of SA industry — including levels of protection, training, tax, technology and incentives — was urgently needed.

He believed EPZs had advantages in that they created jobs and earned foreign exchange.

However, they did not have much beneficial impact on the general economy as links were weak. For this reason it would be a mistake to make the EPZ the basis of an export or regional development strategy. It would be better to opt for export processing units (EPUs).

Unlike EPZs, which were closed-off industrial parks separated from the common customs area, EPUs were decentralised manufacturing facilities specifically designated for the production of exports.

Stellenbosch economics professor Colin McCarthy said EPZs would allow the country to develop an export base without disrupting protectionism in the short to medium term.

EPZs were also important as a way of creating jobs by attracting investment of “foreign, footloose capital”, he said.

Customs and Excise Department director Frickie Lotter said his department’s main objection to EPZs was the problem of their control.

It did not have the manpower or administrative systems to cope with widespread EPZs.

EPZs would have to be under permanent, 24-hour customs control to prevent leakage of duty-free goods into the economy.

Western Cape Growth Organisation executive director David Bridgman said it would not be a good idea to wait until government had a coherent industrial policy before introducing EPZs.
THE Department of Trade and Industry’s policy on Export Processing Zones (EPZs) would be submitted to the Government in five weeks, said DTI Director-General Stef Naude this week.

He was speaking at the SA Chamber of Business annual convention in Durban this week where the country’s international competitiveness came under the spotlight.

He said there were serious differences of opinion on the value of EPZs. Their problems included exchange-control regulations and the Southern African Customs Union.

Framework

Sacob adopted a resolution calling on the Government to improve SA’s export competitiveness based on a sound domestic economy.

It also urged the Government to implement major elements of an Industrial Development Corporation recommendation for a complete review of tariff protection in the broader framework of economic restructuring.

A Sacob background paper says SA will not achieve long-term export success until the Government, labour and business adopt a coordinated export development strategy.

A supportive economic, monetary and fiscal policy, offering stability and giving exports prime consideration is needed.

It should be accompanied by an effective foreign-trade policy which deals with membership of any major trade blocs and negotiations for further bilateral agreements.

Export policy should be backed by a sophisticated and efficient infrastructure and effective promotion.

Promotion, not to be confused with subsidization and incentives, should cover export awareness, education and training. It should also promote products and support market development.

The paper says SA is sadly lagging behind other small but successful export nations, such as Taiwan and Finland.

It says government spending on export promotion is disproportionately small at about R60-million a year compared with the R1.75-billion spent on subsidization.

Sacob is compiling a position paper on its views of SA’s need to become part of a major trade bloc.

Dr Naude said world trade patterns would increasingly focus on regions and blocs if the Uruguay Round of GATT failed.

It was essential for SA to look for regional arrangements because it did not fall into any trade grouping.

Any arrangement, however, had to make sense for SA, said Dr Naude.

SA was an economic giant compared with its neighbours. Germany had experienced similar problems with its neighbours in Europe.
Export processing zones report ready for Cabinet ‘within weeks’

THE Trade and Industry Department would submit to government its long-awaited report on export processing zones within weeks, a department spokesman said at the weekend.

The report is expected to represent a concerted effort to combine opposing stands on how the zones should be established and will make it possible for submissions to be made for establishing the zones anywhere in the country.

The spokesman said the department had received a wide variety of inputs on the zones and was “working flat out” on preparing the report which would go to the Cabinet, possibly this month.

It is believed that the department has received submissions urging the establishment of export processing units rather than export processing zones. These are supported by organisations including the Development Bank of Southern Africa and the ANC.

Unlike the zones, which are closed-off industrial parks separated from the common customs area, the units are decentralised manufacturing facilities designated specifically for the production of exports.

The spokesman said the department was attempting to find common ground between the various positions and to give government a workable, practical report.

Final preparatory work included an investigation of what legal changes would have to be made for the creation of the zones and establishing what the foreign exchange implications would be.

It was not envisaged that there would be a single model zone, but that the private sector would make proposals for zones where they believed these could succeed.

The spokesman said: “Government must realise that if the private sector perceives this as an area for encouraging investment which will benefit the economy, then they must be given the opportunity to do so.”
FOREIGN TRADE (G)

1992

Aug. – Dec
Devalue rand to boost exports

EVALUATION of the rand as part of an export programme to get the South African out of depression is proposed by Board of Executors economist Rob Lee.

He says in the board's quarterly investment review that a lower commercial rand exchange rate would help to promote the export of manufactured goods.

At the same time there should be a drastic reduction in the level of import tariff protection, which would make imported goods cheaper.

The country needs a major cutback in government consumption spending and an end to government dissaving.

Public-sector investment should be retargeted to key areas like housing and electrification.

The income tax burden on individuals should be reduced and the company tax rate lowered.

Lee advocates a programme to abolish the financial rand and reduce or eliminate other exchange controls.

"Such a programme would require political courage and cause pain and uproar in certain circles. If combined with success on the political front, the longer-term impact on our growth prospects would be explosive," he says.
Forestry exports soar

Business Staff

EXPORTS of forest-based products totalled just under R2bn in 1991 according to figures published by the Department of Customs and Excise this week.

Chairman of the Forestry Council's promotion committee, Bruce Mackenzie, said that with the dropping of sanctions "export prospects have never been better."

He said that 10 years ago SA had a negative foreign trade balance of R110m for forest products. Today the favourable balance exceeded R630m.

The industry was now a top exporter alongside the chemical industry and outstripping textiles, household appliances and transport equipment.

It had also made SA self-sufficient in newsprint and many other grades of paper, most paper packaging materials, and all the timber needed for building.
R2bn exports from timber

EXPERTS for timber-based products totalled nearly R2bn for 1991, according to figures published by the Customs and Excise Department.

Forestry Council promotion committee chairman Bruce Mackenzie said forestry's foreign trade balance had risen from a R110m deficit 10 years ago to a R600m credit balance at present.

"With the dropping of sanctions, export prospects for SA forest products have never been better," Mackenzie said.

Forest Owners' Association executive director Mike Edwards said the industry was rapidly expanding with plans to put an additional 180 000ha under timber over the next 10 years. This could mean the creation of over 5 000 jobs.

"We have been concerned we won't have enough wood fibre, pulp and paper to meet both domestic and worldwide demand." He said the industry had decided to avert the problem by planting more trees and improving yields from existing forests.

Nearly 50 000ha of forest were planted last season, representing a capital investment of R10bn.

An additional R2.2bn has been invested over the past 18 months, primarily by Mondi and Sappi, to upgrade production facilities and increase productivity.
Exporters granted early tax breaks

GOVERNMENT has approved tax incentives for export-gear ed projects worth R1.9bn since their introduction in March this year, Deputy Finance Minister Theo Alant said yesterday.

Alant told the International Symposium on Analytical Chemistry in the Exploration, Mining and Processing of Materials in Sandton that “further large projects” qualifying for accelerated write-off benefits in terms of Section 37E of the Income Tax Act were in the pipeline.

In terms of the scheme, projects involving the beneficiation of local raw materials may start writing off against tax the capital costs of machinery, property and pre-production interest when these are incurred and not only when the projects came on stream. Previous rates of depreciation remain unchanged.

Five Sasol projects worth R800m have qualified for the scheme. Alant did not specify who was responsible for the additional R1bn investment, beyond saying that most of the beneficiaries of the R1.9bn were medium-sized ventures. It is believed the Department of Trade and Industry has yet to decide on applications under the incentive scheme from the Columbus Stainless Steel venture and the Alusaf smelter expansion.

Alant said it was vital that SA exploit its existing production capability to its full potential to supply downstream producers with beneficiated products at internationally competitive prices which could be converted into final products able to compete on international markets.

Implementation of Section 37E was aimed at encouraging the availability of feedstocks at competitive prices which in turn would promote growth in downstream industries.

“Effective training and retraining of workers in industry is being looked into by the Manpower Department.”

Despite political uncertainties, real private fixed investment had not declined during the current recession, Alant said, referring to an Industrial Development Corporation survey which had found that projects worth R25bn were in the pipeline for the next five years.
CAPE TOWN — Fedhase delegates at the annual congress yesterday renewed their calls on government for a ban on exports of rock lobsters and perlemoen to help boost the local tourism industry.

Fedhase's SA Restaurant Guild national chairman Robert Mauvis said there was 'no question of increasing the 25% quota of crayfish for local consumption — a ban on the export of crayfish and perlemoen should be the order of the day.

"Banning the export of rock lobster will only affect a few people making millions sale in good restaurants. — Sapa.
Export drive 'still hobbled'

SHARON WOOD

MAJOR constraints on improving SA's level of exports and opening the economy to international competitive forces still exist, says Absa in its latest Economic Spotlight.

It says SA can follow the path of Far East countries, where export growth has been the mechanism used to boost economic growth rates, but to do so requires decisions and actions by all players in the economy.

Key decisions will involve increasing the current low rate of investment, improving productivity and exploring new markets.

It is common knowledge that SA has a very low rate of investment, it says. During 1991, 97% of all investment was accounted for by depreciation allowances.

"Without a higher investment rate it is not possible to produce goods at sufficiently low cost and of sufficiently high quality to satisfy potential export customers."

Given stagnant investment, the only other way exporters can compete is by improving productivity. But Absa is pessimistic about the possibility of this happening.

It suggests that the public sector invests in modern communication systems, efficient transport networks and better schools to enhance export performance.

The gradual lifting of sanctions and SA's acceptance in Africa has improved the prospect of gaining new export markets.

Absa criticises the General Export Incentive Scheme, which will cost taxpayers R5.5bn until its dissolution in 1995.

If the taxes required to finance and administer such a scheme were left in the hands of producers, through lower tax rates and the abolition of duties and surcharges on imported capital equipment, the country may well have an even higher export performance as a result of lower production costs, Absa says.

SA exports have performed strongly over the past few years, and rose by 3% in the first quarter of this year, it says. Absa expects the favourable merchandise export performance to continue and forecasts a reversal in the downward trend in export commodity prices.
Export processing zone seen as spawning jobs and foreign trade

By Des Parker

DURBAN — Establishment of an export processing zone (EPZ), attracting outside investment and spawning jobs and a foreign trade ethos, is a possibility for the Greater Durban area in the not too distant future — possibly in as little as six months.

That is the educated guess of Chris Proctor, director of the Regional Development Advisory Council for Region E (Natal, KwaZulu and Transkei) and a champion of EPZs in SA.

Submissions

July 31 was the closing date for public submissions to the Department of Trade and Industry on an Industrial Development Corporation report on EPZs and he believes the first zone could be established "or certainly the concept agreed to in principle by Government by the beginning of next year.

Pressure on the authorities to opt for EPZs to encourage exports and boost employment is strong and, given the new-found economic pragmatism in Government circles, a positive decision is thought likely.

Mr Proctor sees EPZs as the logical successor to SA's general export incentive scheme (GEIS), with the scheme being phased out over the next three years at the insistence of US and EC trade officials in accordance with requirements of the General Agreement on Tariffs and Trade (GATT).

"We are going to need desperately some kind of mechanism in place that permits local production houses to export under favourable conditions," he says.

"We've got three years, no more than that, of GEIS, and I would like to see that by then we've at least got our EPZs in place.

"There's enormous political resistance to lowering trade protection and sacrificing our incentives in SA — you've got to have a political failsafe to do it, and I see EPZs as that failsafe."

Concessions

For that reason, as much as any, Mr Proctor does not agree with the IDC recommendation that existing SA companies be barred from establishing in local zones.

EPZs in SA would offer five broad concessions:
- A minimum of a five-year tax holiday.
- Customs privileges.
- Freer foreign exchange rules.
- Relaxed immigration procedures and relaxed employment permit requirements.
- Non-inclusion of manufacturers in the Rand Monetary Area (RMA).

While he is reluctant to be prescriptive about suitable sites for zones, Mr Proctor describes Durban as "a logical choice.

Raw materials

"You are looking for geographically sites where costs for industrialists are minimal.

"Raw materials can come in as cheaply as possible and exports of goods can go out, so it should not be too far from an import-export port."

"Much more than 80 km from a port would be excessive, which means Pietermaritzburg would just make it."

Mr Proctor said South Africa was likely to opt for the "ring-fenced" dedicated location type of EPZ, rather than the export processing unit (EPU), where firms anywhere in the country could take advantage of EPZ benefits.

The size of zones was important, with the optimum number of people working in an EPZ put at not much more than 10 000 to avoid congestion at entrances and exit points caused by the necessarily rigid policing of passing traffic.

The IDC report, which Mr Proctor says pulls together much of the work on the subject done by the joint RDAC export promotion committee, estimates South Africa has the capacity to generate about 100 000 jobs at EPZs and to attract between R2 billion and R3 billion in foreign investment over about six years.

On top of that, skills and technology in liberal measure would enter the country.

But probably most important of all, in his view, is the culture of exporting nurtured by having the zones.

Tawanese

He cites the Taiwanese example.

From a negligible manufacturing and exporting base, the small Chinese island nation reached a point six years after the 1966 formation of its first EPZ where a quarter of all export earnings were generated in these zones.

By 1981, while the foreign exchange earnings of EPZs had mushroomed to several billion dollars a year, EPZ manufacturers were responsible for only four percent of export activity in Taiwan.
Demand for SA goods boon for shipping

By PETER HUMPHRIES

DEMAND for SA products is increasing in the US following the lifting of sanctions, says Kjell Tønnesen, owner's representative of New York-based shipping company Wilhelmsen Lines, which entered the US-SA trade as an independent competitor in January.

"If SA exporters and importers continue to support us we hope to introduce additional vessels onto the trade."

Tønnesen told more than 100 exporters and importers at a function in Johannesburg that "the quality of SA products is causing great demand for them in US markets.

"Previously sanctions-bound goods such as steel and agricultural produce are being exported again in significant volumes. And stalwarts such as paper products continue to improve market share against competition from all over the world."

"Once state and city sanctions are lifted there will be unprecedented additional demand. There will be immense opportunities for all kinds of commodities from primary products to manufactured goods."

Tønnesen said Wilhelmsen Lines was using a special class of modern multipurpose vessels, the "Afri Carrier" on the router. "As we are a marketing led company we introduced ships ideally suited to the needs of the SA shipper."

"They handle containers and breakbulk cargo, and the ro-ro capacity allows them to cater for wheeled cargo."

The SA service of Wilhelmsen Lines links New York, Baltimore, Savannah, New Orleans and Houston with Cape Town and Durban.

Cargo to and from inland destinations is handled on an intermodal basis.

Wilhelmsen Lines has been in operation for more than 130 years. John T Rennie, a company in the Rennie Group, acts as its ships' agent.
FEARS are growing that the US will impose countervailing duties against companies claiming benefits in terms of Section 37E of the Income Tax Act.

Countervailing duties could jeopardise capital projects planning large-scale exports to the US. Projects worth nearly R2-billion have qualified for 37E benefits.

American lawyers are considering investigations of companies claiming 37E benefits in SA, says Steel and Engineering Industries Federation of SA economist Mike McDonald.

Section 37E, introduced in the March Budget, allows accelerated tax write-offs for new investment in export-oriented industries.

The US is investigating hundreds of cases of dumping and has clamped down on subsidised exports.

Mr McDonald says: "A US attorney investigating 37E indicated to me that countervailing duties could be imposed on companies taking advantage of the tax benefit because it is undoubtedly an export subsidy."

"As soon as 37E was announced we anticipated that something like this would happen. One way out of the problem would be to extend 37E to any capital investment in new productive capacity whether it is geared for exports, import replacement or otherwise."

Alusaf managing director Rob Barbour says: "Alusaf has not yet qualified for 37E, but we are worried about the possibility of countervailing duties. They would not halt the project."

Alusaf has no plans to export to the US at present, but would like to in the future. Columbus chief executive Fred Boshoff is reluctant to comment.

The Department of Trade and Industry says it is unaware of investigations into countervailing duties. Should they be imposed, the department will take the matter up with the US.

Mr McDonald says it is unlikely that other countries will follow the US example. "The US has become protectionist as the presidential election gets closer."
Car exports ‘in balance’

By Leigh Hassall

Car exports are in the balance, says Robert Herbertson, MD of South African Motor Corporation (Samcor), the Anglo American-owned manufacturer of Ford and Mazda.

"South Africa is not really the base to compete on a worldwide basis for exports. When the arithmetic is done, it is doubtful that it is profitable," he adds.

Samcor's exports of cars to the UK and the EC are currently in abeyance because of tighter emission control requirements, which will affect next year's exports.

Mr Herbertson says they are working on a new model to cope with the requirements.

However, the continued export programme will depend on the ruling car price levels in the UK and the EC.

If car prices come down, these markets will be out of Samcor’s reach, says Mr Herbertson.

Samcor's exports into the rest of Africa are doing well.

Service and parts are covered by the dealers in the export countries and backed up by the central operation in Pretoria.

The manufacturing plant in Pretoria was closed last week by strike action, but management is confident workers will return to work this week and that normal work patterns will resume.

Mr Herbertson says the work stoppage has not reduced stocks of completed vehicles to dangerously low levels. At this stage it is doubtful that the lost time will have to be worked in.

Mr Herbertson estimates a mild upswing in the industry for the remainder of the year, with car sales reaching 175 000 units. He expects a further four percent increase next year.

July retail figures are to be released this week. Samcor is confident it has increased its market share.
Exports hit by strikes

By CIARAN RYAN and DON ROBERTSON

EXPORT orders are being cancelled because of strikes and SA’s growing reputation for unreliability, says the Steel and Engineering Industries Federation (Seifsa).

Car sales have also been hammered by strikes in the motor industry.

Seifsa spokesman Mike McDonald says several large export orders have been cancelled because of the mass action campaign and the two-week old Numsa strike.

"It will be hard to regain these orders."

Average monthly car sales to July were only 19,167. The poor showing in July resulted largely from a sharp decline in Toyota sales as a result of the nine-week strike.

Lowest ever

Expectations of new-car sales have been slashed to 122,500 for the year from 197,738 in 1991.

Car sales are at their lowest in 16 years.

August sales may be hit by the Numsa strike which affected all manufacturers except Toyota. Strikers in the motor and tyre industries returned to work after settling for 12% and 11% increases.

But Numsa spokesman Bernie Fanaroff warns that motor assembly workers may resume the strike because some plants are balking at signing the agreement.

The expected drop in sales could result in more lay-offs. Samcor has retrenched 650 employees.

Between 80,000 and 100,000 workers remained on strike this week at 634 plants. Numsa replied to Seifsa’s offer of an 8.6% increase in minimum scheduled wages with a counter-claim for 16%.

In actual pay, Seifsa rejected the claim, saying that it amounts to an effective increase of 20.7% in minimum wages.
African trade worth twice official figure

SOUTH African exports to Africa are an official R5-billion, but the true figure may be closer to R10-billion.

Safta Africa business development group director Paul Runge says the figures do not include about R600-million in trade with countries in the SA Customs Union.

In addition, the final destination for goods exported from SA is often concealed. He believes they would add several billion to SA's Africa trade figures.

Fashion

Mr Runge says: “People often consider our trade with Africa as being relatively insignificant when taken as a percentage of the total.

“However, SA-Africa trade gains new importance when it is considered that most of it is in value-added goods, not raw materials such as gold.”

This is highlighted when it is considered that 42,1% by value of SA's machinery exports for 1999 were to Africa.

Other high spots include fashion at 12,4%, chemicals at 31,5%, plastics and rubber at 47,5%, fats and oils at 34,5% and vehicles and spares at 38,5%.

Mr Runge says: “We must be doing something right. The value of our trade with Africa increased by 40% in 1989, 20% in 1990 and 22% in 1991. I expect trade to increase by about 30% this year.”

The problems of access to most African markets has been solved and there is desire for SA goods and services.

However, Africa is bankrupt.

Europe, the Far East and the Americas have opened up to South Africa in the past 24 months — and so has Africa. Andrew Gillingham reports on SA’s ties with Africa, particularly those related to trade and tourism.

“It is a question of who has the money to buy our goods and it is seldom obvious.

“Zaire’s economy has taken a dive. However, a major food importer has been granted diamond concessions and it uses them to generate the foreign currency with which to buy imported goods.”

Knowledge is vital for doing business in Africa and the situation changes constantly.

Mr Runge says SA companies are often guilty of ignoring the international funding agencies. For example, SA’s part in World Bank-funded projects is poor when compared with countries such as Brazil.

SA companies should adopt a pragmatic approach to business with Africa and be prepared to enter joint ventures, where appropriate, with foreign companies. Many of them have the connections, knowledge and capital required to win major contracts.

“The bottom line is personal contact. Safta has five people who travel constantly throughout Africa building up personal contacts and introducing our clients.”

“We are not bluffing ourselves. We cannot sit in an office in Sandton and generate business in Africa,” says Mr Runge.

Agreeing with the importance of personal contact is a veteran of the complex business of trading with Africa, Exhibition Management Services managing director John Thomson.

For many years Mr Thomson lived a cloak-and-dagger existence with his two British passports as he set up deals throughout Africa for SA companies.

Mr Thomson says up-to-date information is a key ingredient for trade.

“The picture changes all the time and businesses need to keep their fingers on the pulse of African nations.

“You must do your homework before plunging in.

“The situation is fluid. Some countries welcome us with open arms; others are still cautious.

Price

“We have everything in position for an exhibition in Tanzania, subject to either ANC approval or an interim government.

“We have been invited to hold an exhibition in the Ivory Coast, in October 1993.

“For our Zambia exhibition in which 60 companies took part at the end of July, a foreign-currency allocation was arranged before the show.

“Our customers are driving us. After each exhibition they want to know where the next will be.

“The reason is not difficult to come by. If the company has done its homework properly and has the right product at the right price, there is a lot of money to be made.

“One company which took part in the June exhibition in Kenya received orders worth R10-million.
DURBAN — Absa economists say the government should stop talking about dismantling restrictive import practices and start doing something.

Already, the country's duty and surcharge structures are the major obstacle to accelerating export performance and failure to act soon could pose a serious threat to economic growth within two years, they say.

In its August Economic Spotlight Absa says there is no shortage of studies showing the country has to open up to the world economy in order to raise production levels.

"Export growth has been the mechanism used by many countries, notably those in the Far East, to boost their economic growth rates. SA can also follow this path, but to do so requires decisions and actions by all players in the economy, public and private."

Major areas requiring attention include investments (Absa says 97 percent of investment in South Africa in 1991 was derived from depreciation allowances), productivity, new markets, taxation, tariffs and surcharges and the General Export Incentive Scheme (Geis), which it has been estimated will have cost taxpayers R5.5 billion by its 1995 cut-off date.

The bank's economists say exporters have performed strongly in recent years and they forecast this to continue, with major international trading countries likely to either maintain economic growth or return to it this year.

Favourable local conditions for exporting include the virtual disappearance of trade sanctions, a comparatively low level of producer price inflation (about eight percent) and a commitment on the part of the government to promoting foreign selling.

Absa sounds the traditional caution that prospects for stronger commodity prices are, at best, subdued, and that agricultural export earnings will be clipped by the drought.

Drought

The average gold price for this year is forecast at $350 an ounce, rising to $360 in 1993. The 1990 average was $383.

The economists say outflows from the current and capital accounts of the balance of payments will increase.

An expected dwindling in current account reserves from R5.1 billion in 1991 to R2.2 billion next year will accompany stronger economic activity, while the capital account is likely to be further eroded by debt service payments, the export of funds due to economic and political risk and lower capital inflows.

South Africa does not compare well on the basis of facilities and access to markets with regions like eastern Germany as an investment destination, while big question marks still hang over its future political and economic policies, Absa says.
JOHANNESBURG. Exports and a good agricultural season would determine the prospects for economic growth in early 1993, while chances of growth for the rest of this year were not promising, according to the Nedbank Economic Unit.

In its latest monthly economic profile, the unit said as long as the political impasse and violence continued, investor confidence would remain shaky.

As prolonged recession, record unemployment and high interest rates had sharply reduced personal disposable income and eroded consumer confidence, a return to growth based on fixed investment and consumer spending was unlikely this year.

An expected fall in inflation in the months ahead would most probably lead to an interest rate cut of at least two percentage points towards year-end.
New GEIS guidelines

GOVERNMENT will release new guidelines for the general export incentive scheme (GEIS) next week. The guidelines will come into effect on October 1.

GEIS has been operating in its current form since April 1999 and government has committed itself to abolishing the scheme by 1998 because of opposition from GATT.

It applies to beneficiated or manufactured products for exports and offers payouts of up to 23%.

The Trade and Industry Department launched an investigation into the system last year.

The guidelines will attempt to encourage export of manufactured products, while listing unacceptable practices associated with GEIS claims.

Applicants will have to submit more detailed information and applications will be received only from senior company officials.
Exports to Africa soar in five years

THE proportion of total SA exports to African countries has more than doubled over the past five years, according to the first official figures since 1987 to detail SA's trade with Africa.

The July trade statistics released this week by the Commissioner for Customs and Excise included a breakdown of SA's trade flows into global zones. Publication of the breakdown was suspended in September 1987 to counter rising sanctions pressure.

Africa's share of total SA exports rose sharply from 4% in the first seven months of 1987 to 9.1% in the same period this year.

Exports to Europe rose by more than two fifths from 23.8% of total exports in the January-July-period in 1987 to 34.5% this year.

The American quotient of this year's January-July exports was up slightly on five years ago at 5.3% against 7.2%, as was Asia's at 17.8% from 16.9%. The share apportioned to Oceania, which includes Australia and New Zealand, was unchanged on 1987 at 0.5%.

Another indication of the diminished sanctions threat is the smaller proportion of "unclassified" trade.

In 1987, 47.4% of January-July exports were in the unclassified category, believed to encompass precious metals, armaments and other "strategic" items. This category had shrunk to 27.7% in the same period this year.
MANAGING directors will be made personally responsible for general export incentive scheme (GEIS) claims as the Government clamps down on fraud and malpractice.

From October each GEIS claim will have to be accompanied by a personal declaration by the managing director or chief executive. All claims will have to be accompanied by documents substantiating the exports, in particular, a "bill of export and declaration in regard to foreign exchange proceeds".

Claimants will have to submit more accurate information on imported inputs. Cession of GEIS claims to another person will be subject to more stringent control. GEIS audit guidelines have also been revised.
Pessimism grows among exporters

HILARY GUSH

HOPES of an export-led recovery in 1993 took a knock in the third quarter as exporter confidence continued to follow a downward trend. BLOOMBERG 24/9/92.

The SA Foreign Trade Organisation's (Safito) quarterly export confidence barometer fell to 16 in the third quarter, from 27 in the first and second quarters and 32 in the fourth quarter last year. The barometer measures exporters' outlook for sales values in the year ahead.

Safito economist Bruce Donald attributed declining exporter confidence to sluggish world economic recovery, domestic political upheaval, a prolonged drought

Exporters 6/10/92

and high inflation combined with a stable rand exchange rate.

Respondents indicated that uncompetitive prices remained the major obstacle to export growth.

Donald said high domestic inflation pushed up exporters' costs. Margins would continue to be eroded as long as the rand remained steady.

Global recession had dampened demand for SA exports. Growing worldwide excess capacity was causing competitors to slash prices to below cost.

"Cash-strapped customers are unwilling to take a position on stock, restricting purchases to satisfy only short-term production requirements," he said.

Exporters had expressed mounting concern over the adequacy of incentives in ensuring price competitiveness.

An expected decline in unsettled orders over the next 12 months, accompanied by an increase in orders received and dropping inventory levels, hinted at spare capacity in SA industry, Donald said.

Aggravated by drought and declining foreign aid, already scarce foreign exchange in sub-Saharan Africa had restricted SA's export growth to the rest of the continent. Efforts of the local trading community and growing enthusiasm among multilateral aid agencies should, however, stimulate SA exports to Africa over the next few years, he said.
Bumper cash boost for SA exporters

From PETER DELMAR

JOHANNESBURG. — Government has signalled its commitment to fostering an export-led recovery by sharply raising cash payouts made in accordance with the General Exports Incentive Scheme (GEIS).

Since its inception in April 1990, cash payments in terms of the scheme were limited to R12 600. Because of a lack of finance, others qualifying for benefits received interest-bearing promissory notes.

However, a Department of Trade and Industry (DTI) spokesman said yesterday that since July 1, cash payments had been made for claims up to R500 000. Since August 20, R49.6m had been paid out in cash.

The spokesman said it was envisaged the amount allocated for cash payments would not be depleted before the financial year end.

Although not qualifying this amount, it is expected that GEIS will cost more than R5bn by the time it expires in 1995.

Government has undertaken to abolish GEIS by that date because of opposition from the General Agreement on Tariffs and Trade (GATT).

GEIS aims to encourage the export of manufactured or beneficiated local products by giving payouts of up to 23% of export values, depending on local value added.

The increase in cash payments comes at a time when exporter confidence — as measured by SA Foreign Trade Organisation — dipped sharply, after significant export growth in the first half of the year.

The DTI spokesman said it was envisaged that 40% of claims made up to March 31 1994 would be paid out in cash and about 70% of claims made by March 31 1995 would also be paid in cash.

Promissory notes issued during the current financial year would not be redeemable before the next financial year. "However, depending on the availability of funds, further claims by claimants holding promissory notes, could possibly be paid in cash if their claims are processed before March 31 1993."

The DTI at the weekend released revised administrative procedures for making GEIS claims, to overcome malpractice following an investigation into the scheme.

The new procedures require claimants to submit more detailed information and documentation. Claims will also have to be accompanied by personal declarations by chief executive officers.

The second phase of the DTI's investigation, aimed at evaluating the cost-effectiveness of the scheme, is still in progress.
Dashing secures R1m foreign contract

DASHING Office Furniture has secured its first export contract, worth R1m, three months after it began marketing in Europe.

Dashing was granted a licence to market in the UK earlier this year and MD Franco Barocas said predicted first-year export turnover of R1m would probably grow to R7m.

The order from Standard Bank London for 100 workstations was secured against bids from office furniture makers such as Steelcase, Hayworth and Herman-Miller.
Trencor gets exports boost

Business Editor

BETTER contributions from exports and overseas operations — in spite of tougher trading conditions — helped Trencor to lift earnings by 23% to 906c (734.8c), in the year to June. This follows a rise in earnings of 28% last year and maintains Trencor's unbroken record of steadily rising profits for the past 10 years.

Turnover rose by 20% to R997.7m (R829.2m).

Executive chairman Neil Jowell said this was due mainly to acquisitions of Crosscape Express, Swift Engineering and Poole Industries, and a larger stake in tyre company Contred (Pty).

Pretax income rose to R170m (R132m) and attributable income to R150m (R105.2m).

The final dividend is 15c (12.5c) a share, making a total pay-out of 18c for the year.

Jowell said the divisions in SA had managed to hold performance at last year's levels in spite of the deepening recession.

But, Jowell said, "the impact of the weaker container market was felt towards the end of the financial year. Pressure on margins increased because of new manufacturing capacity and foreign competitors' ability to offer low prices."

"For most of the year we produced under favourable contracts negotiated some while ago. But these orders have now been executed and in the last six months orders were signed in a much more competitive environment."

Jowell said further opportunities to develop current areas of business with the proceeds of last year's R250m debenture issue were being "actively explored".

Mobile Industries, which has a 47% stake in Trencor, lifted earnings to 221c (190.8c) a share. The final dividend is 39.5c (32.4c) a share, making a total of 49.5c (40.6c) for the year.
By ARI JACOBSON

THE share portfolio of Genbel, Gencor's investment arm, would remain weighted in favour of export-oriented investments, MD Anton Botha said at a presentation yesterday.

"We believe that improved profitability will be seen by exporters before the SA economy recovers overall."

Genbel has R3bn in assets at share market value. Botha said that 30% has been added to Gencor's asset value since 1987. Good investments included Engen, now the highest held stake by Genbel (13%), Sappi and also De Beers "at least until the beginning of the year."

Big purchases in 1992 included Sappi (R52m), Samancor (R57m) Transatlantic (R56m) — taking the Genbel holding in this off-shore property and insurance group to 12% — and Implats (R38m), financed via a similar sell-off in Rusplates.

Out of favour this year surprisingly was the controlling arm of Gencor (Gencgroup), now only 12% of Genbel's asset profile, as well as Anglovaal and Rusplates.

As for gold shares, about 9% or R356m of the Genbel asset profile, Botha said the group's philosophy had changed and "we are no longer sellers."

Botha said the rand dollar exchange rate, world growth and the commodity cycles would be major factors in Genbel's portfolio performance.
Export incentive payouts increase

GOVERNMENT has signalled its commitment to fostering an export-led recovery by sharply raising cash payouts made in accordance with the General Exports Incentive Scheme (GEIS).

Since its inception in April 1990, cash payments in terms of the scheme were limited to R12.560. Because of a lack of finance, others qualifying for benefits received interest-bearing promissory notes.

However, a Department of Trade and Industry (DTI) spokesman said yesterday that since July 1, cash payments had been made for claims up to R500 000. Since August 20, R14 682 had been paid out in cash.

The spokesman said it was envisaged the amount allocated for cash payments would not be depleted before the financial year end.

Although not qualifying this amount, it is expected that GEIS will cost more than R5bn by the time it expires in 1995.

Government has undertaken to abolish GEIS by that date because of opposition from the General Agreement on Tariffs and Trade (GATT).

GEIS aims to encourage the export of manufactured or beneficiated local products by giving payouts of up to 25% of export values, depending on local value added.

The increase in cash payments comes at a time when exporter confidence — as measured by SA Foreign Trade Organisation — dipped sharply, after significant export growth in the first half of the year.

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See Page 16
Jitters, but export prospects on track

By AUDREY D'ANGELO
Business Editor

A SLEEP drop of 5.4% in US durable goods orders - worse than the market expected - does not dampen hopes of a revival in the world economy which would help SA exports, economists said yesterday.

Personal Trust director Glenn Moore, Syfrets economist Elsien de Kock and Southern Life chief economist Mike Daly all think the US is on a slow road to recovery and that conditions will be better in SA next year.

Moore said yesterday: "Factors are in place for a recovery in the US economy. It looks as though it is happening and the only thing holding it back is a lack of consumer confidence."

"That is understandable in view of the high debt levels there. But with interest rates of only 3.5% their economy must recover.

"There is more pessimism in the UK and that is understandable in an economy where the Government is being forced to raise interest rates in the middle of a tremendous recession."

Moore said improved consumer confidence was also a pre-requisite for the recovery of the SA economy. "In my opinion we have probably seen the worst."

"If we get better news next year we shall enjoy a better agricultural year and that will add to gross domestic product (GDP)."

"The rate of increase in food prices will be slower and that will leave more income for other purchases."

Moore said he believed Reserve Bank governor Chris Stals was "absolutely right" in refusing to devalue the rand to help exporters to Europe, because that would lead to a "stop-go" situation.

And if the rand were devalued now it would quickly fall to R12.50 to the $1.

"The whole mining industry is now better positioned for an upturn than ever before. It has been forced to cut costs.

"That means that the profits which will flow through when the recovery comes will be phenomenal."

Elison de Kock said the US economy was definitely recovering although it was unlikely to achieve a growth rate of more than 2% or 3% this year.

"We are expecting it to be slow. It will take time for consumer confidence to build up, especially before a presidential election."

De Kock said too much should not be read into the unfavourable US durable goods orders because these were always volatile figures. In addition to domestic appliances and cars they included such things as ships, aircraft and Defence orders.

The backlog of unfilled orders was more significant. This had been shrinking. This meant that manufacturers were not investing or taking on staff and the increase in earnings and disposable income would be slow. She thought the dollar would probably go lower, "although it must be close to the bottom and we can expect it to recover next year."

The rand would remain strong against the dollar for a time, although next year it could be expected to depreciate.

"The strong rand against the dollar is hurting exporters, since we export most of our goods in dollars and their rand earnings are declining."

Mike Daly said he thought only a real setback on the political front could prevent a recovery in the SA economy next year.
platinum exports; other members of the Customs Union are lumped with SA; and country-by-country breakdowns are not given.

A comparison with the last published figures (for the first seven months of 1987) and those for 1985 shows:

- Exports to Europe fell from 25.6% of the total in 1985 to 23.8% in the first seven months of 1987 and then rose to 34.5% in the first seven months of 1992. Imports from Europe dipped from 48% in 1985 to 44.7% in 1987 and 45.3% in 1992.
- Exports to the Americas dropped from 9.6% in 1985 to 7.2% in 1987 before rising to 9.3% in 1992. Imports followed the same pattern: 17.1%, 14% and 16%.
- Asia-bound exports have grown steadily: 14.4% in 1985, 16.9% in 1987 and 17.8% in 1992. Imports were 15%, 21.2% and 23%.
- Exports to Africa have grown considerably in recent years. At 4.3% in 1985, the 1987 figure was still only 4%, but more than doubled to 9.1% in 1992. Imports were 2%, 2% and 2.5%.

The "unclassified" proportion of both imports and exports has fallen since 1985. Imports, mostly crude oil, were 16.6% in 1985, 17.8% in 1987 and 12% in 1992. Exports have fallen even more — with the poor performance of precious metals markets — at 45.1%, 47.4% and 27.7%.

A country-by-country breakdown from January 1992 is expected to be released soon in the Monthly Abstract of Trade Statistics.

While figures are available from foreign trade commissions, countries compile data differently, so figures are not strictly comparable. Nor can they be used to calculate accurately where SA's trade goes.

A comprehensive breakdown by country is available from the IMF. But this differs markedly both from consular figures for specific countries and official SA statistics.

According to the trade commissions, trade with SA's major partners in the first quarter was hit by recession at home and abroad:
- Exports to Germany were 14% lower, at US$410m, than in the same period in 1991. Imports were 12% lower at $686m;
- Exports to the UK were down 16% at $379m over the first quarter. But imports rose 8% to $487m.

Four-month figures for France show exports 20% down at $196m but imports 18% up at $197m.

The French trade commission says the increase was in "professional products," which includes industrial machinery.
R14bn handout to homelands

SA taxpayers contributed nearly R14bn in grants to the six homelands and four independent states this financial year, much of it spent on salaries and perquisites for expanding bureaucracies, DP Homeblands spokesman Peter Soal said last week.

He agreed with Reserve Bank Governor Chris Stals that growing staff numbers in TBVC and homeland bureaucracies partly accounted for higher government spending.

Central Statistical Service figures for the year to end December 1991 showed the number of bureaucrats in the six homelands increased by 16.5% from 1990.

They were paid R1.04bn in the last quarter of 1991, compared with R813.6m in the same quarter in 1990. Soal said grants to the homelands in this year’s budget amounted to more than R7bn — Gazankulu R398.9m, KwaNdebele R398.9m, KwaZulu R3.1bn, Lebowa R1.92bn and QwaQwa R55.4m.

Grants to the independent states were also huge. Bophuthatswana got R1.86bn, Transkei R2.4bn, Venda R745.6m and Ciskei R1.1bn.

Soal said not only was it vital that SA drastically thinned out its own massive bureaucracy, but an urgent investigation should be launched into the expanding civil services of the homelands.

One of the major problems to be faced in reincorporation would be resistance from vested interest in the bureaucracies — ministers and senior state officials with lucrative perks, courtesy of the SA taxpayers, he said.

SA told to gear up for global export

PRETORIA — SA industries were not geared to cope with a substantial increase in exports once global economic recovery started and export potential improved, Trade and Industry deputy director-general Gerrie Breyer said last week.

He stressed that one of the greatest challenges facing industry was changing a poor export awareness.

A recent survey of 600 manufacturers showed that 43.7% manufactured only for the local market, while 42.3% exported less than 10% of their production.

The normalisation of trade relations with the international community would increase competition. At this stage, however, many products were simply not competitive.

Urgent solutions would have to be found for several issues blocking trade expansion, notably political uncertainty.

Others were inflation, education and training of the work force, and reform of the tariff and tax structure. This was essential in any new economic policy aimed at accelerating industrial development and broadening the industrial base.

There had been breakthroughs in trade relations with central and eastern European countries, as well as Scandinavia. Trade with countries in the Far East, South America and Africa had grown “dynamically”, relations with many western European nations had warmed markedly, and considerable expansion could be expected.


“This is a trend we expect to continue throughout the 1990s, especially now that most sanctions and trade boycotts have been lifted,” he said.

Trade with Europe expanded from R44.6bn in 1990 to R45.3bn in 1991, trade with Asia from R19.5bn to R22.8bn, with the Americas from R9.8bn in 1990 to R13bn in 1991 and trade with Africa from R4.8bn to R5.3bn. However, the fact that countries worldwide were opening their doors to trade with SA did not mean local exporters could gain immediate or easy access to the markets. Trade with the majority of these countries was still at a low level.

Government believed the time was right for the private sector to explore international markets. The economic downsizing should motivate businessmen to venture into world markets, Breyer said.

Breakthroughs in new trade relations had brought about a totally new dimension in the country’s overseas markets.

“Interest in SA products is at an all-time high as evidenced by the marked increase in the number of trade inquiries reaching the country’s foreign economic offices over the past two years,” he said.

Industry had concentrated on local production and the limited local market, and as a result had started losing its international competitiveness. It was imperative that a more outward approach be adopted.

Internationally, markets for manufactured goods were expanding faster than markets for raw materials, he said.
The Industrial Development Corp submitted a report to Naudé in May making the case for the zone approach, under which the government would designate a sharply defined area, usually a section of a port that can be fenced off or vacant industrial land near a major city. But Naudé also has a report on his desk from the bank urging the adoption of the unit approach, which is not tied to geography, but instead allows a factory, or even a part of a factory, anywhere in the country to be declared a tariff-free zone and qualify for the export incentives.

Naudé is believed to favour the zone approach, which is aimed at attracting foreign and other new investment rather than assisting a factory already up and running. But proponents of export units say they’re more flexible and will create more jobs in existing plants that can’t afford to relocate to an export zone. Export units have been very successful in Taiwan and elsewhere in southeast Asia, as well as in South America, according to David Bridgeman, executive director of Wesgro, which promotes growth in the western Cape.

The bank, which has also lobbied Trade & Industry Minister Derek Keys, says export units would make better use of the country’s existing industrial infrastructure rather than require the construction of new infrastructure in a designated zone. And it says traditional export zones would draw few foreign investors now because of the negative political climate.

The leading argument against export units is that they’re much more difficult to police. With any type of export zone, Customs & Excise officials must prevent the tariff-free imports from leaving the zone and entering the country, rather than going into making products for export.

Customs & Excise commissioner Daan Colesky says the policing of export units would obviously entail higher costs because there would be lots of individual factories under the plan instead of just a few delineated areas. But the bank suggests that companies taking advantage of export units pay the extra cost of policing and Colesky says this “user pays” principle could be considered.

Safo GM Anne Moore says export zones, if government takes that route, should be developed by the private sector after government sets the parameters. The ports of Cape Town, Durban, Richards Bay, East London and Port Elizabeth, as well as an area near Jan Smuts airport, are certain to be near the head of the line if government decides to start designating export zones.

But Moore says that whether government opts for export zones or units, “any export promotion tool successfully applied elsewhere in the world should be considered.”

Neither export zones nor units are the best way to boost exports and create more jobs; phasing out all tariffs — in effect making the whole country an export zone — would work better. But they do let the camel get his nose under the tent.
End protection and subsidies' call

A non-selective and neutral trade policy would require a phased withdrawal of the present tariff protection for import-competing producers and subsidisation of exporters, Economic Society of SA president Merle Holden said yesterday.

Addressing members at the society's annual meeting, Holden said dismantling should occur over five years in pre-announced steps to give both sets of producers the opportunity to adjust and plan for the future.

"Furthermore, the reform has to be credible, otherwise the desired movements in resources will not occur," she said.

"It has been shown the reduction of tariffs should be achieved by what has been termed the concertina strategy, namely a strategy in which the top rates are gradually collapsed to the next highest level."

By using the same strategy, Holden called for the phased removal of the general export incentive scheme (GEIS), "with a reduction of subsidies to the more favoured sectors".

She said while those exporting industries with a high value added and a high local content found that GEIS had provided significant incentives to export, the scheme had discriminated against low value added, low local content exporters.

Growth theory, which now perceived success to depend on increases in innovation, invention or technological change, opened up new investment opportunities and introduced "an externality deserving of special attention", she said.

In line with this, Holden suggested the state's role could include the development and dissemination of market information and control.

"These forms of collective action are less likely to be susceptible to capture, manipulation and corruption than if subsidy support is offered directly to firms for these activities and accords with treating distortions at their source."

Holden said SA was emerging from years of international isolation and had already experienced considerable trade liberalisation.
SA exporters should look at aid agencies

FOR SA exporters, Africa offers almost limitless opportunity — if the locals had the means to pay. But some organisations active on the continent have plenty of money with which SA could do business.

Local suppliers have traditionally identified specific geographical units as their target markets. Safo executive Paresh Pandya says they now need to start focusing on international aid agencies.

Last year the World Bank spent $3.9bn in Africa, and a plethora of multilateral, bilateral and non-governmental organisations gave aid worth a collective $8bn.

The EC will disburse about R40bn in Africa, the Caribbean and Pacific in a five-year period ending in 1995 — a healthy portion of it in Africa. Billions more flow each year from various UN agencies and the Commonwealth. Another major player is the African Development Bank, which last year spent some R3.8bn. SA access to the AfDB’s business, however, remains restricted by the country’s exclusion from the OAU.

Pandya says aid agencies represent a massive, untapped market which SA is uniquely positioned to supply. Locals’ advantages over other potential suppliers include shorter supply routes, their ability to supply appropriate technology, and knowledge of African conditions.

Traditionally, exporters have believed that groups such as the World Bank are simply off limits. But this country was a founder member, and is therefore eligible to take part in its projects.

Similarly, the EC’s Lome Convention does allow non-signatories to take part in its projects. In terms of Article 296 of the convention, non-signatories are allowed to render products and services if their participation meets certain conditions.

These relate to the proximity of the non-member to the project location, price, appropriate technology, transport, time saved, and the need to avoid excessive cost increases.

Pandya says these conditions could — as far as Lome IV is concerned — give SA suppliers a competitive edge as far north as Kenya, Zaire and Uganda.

The World Bank is about to launch a $680m programme to rehabilitate 1200km of Tanzanian roads — a golden opportunity for local suppliers and contractors.
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Export opportunities abound

THERE are plenty of opportunities for information technology exports to African countries, says EdgTech executive director Ralph Pecker.

"Most African countries realise that up-to-date technology is necessary for establishing and maintaining a solid infrastructure," he said on returning from a business tour.

Poor access to new technologies had led to exploitative marketing by IT vendors rather than the provision of long-term, cost-effective business solutions and strategies. Governments and business communities were also more cautious about how and where they spent their money.

"They are starting to look at SA for direction in much the same way as they look to the US — and that's opened up enormous opportunities for local businesses." Maintenance services topped the list of potential IT offerings.

"Many African users have computerised to some extent, but forex restrictions make it difficult to upgrade systems, so office equipment is generally badly in need of maintenance services.

"This situation opens up another opportunity for software and hardware vendors.

There is demand for enhanced software solutions to meet current and long-term business objectives in a specifically African context, and this will have a direct impact on hardware requirements across the board." Zambia's government was budgeting for a complete upgrade for its taxation system.

"Another area of opportunity is local support for basic DOS systems through to more sophisticated UNIX systems." African companies able to source products directly from local suppliers have had to forfeit easy access to support services, leaving a gap for SA companies.

Pecker said training facilities were almost nonexistent. There was a need for general media supplies ranging from printer ribbons to fax paper. However, he warned that companies serious about trading in Africa should thoroughly investigate market opportunities first. "They should also appoint local agents, because having a reliable representative is essential."

EdgTech is well established in Botswana, Zimbabwe, Zambia, Swaziland and Lesotho. New markets being targeted are Malawi, Gabon, Zaire, Kenya, and Ivory Coast.
EXTRA INCENTIVES FM 11/12 (74)

Not pulling their weight

Usually when teams from the International Monetary Fund (IMF) are in town, they’re busy telling the ANC things it doesn’t want to hear. But last week, IMF representatives were instead telling Trade & Industry and Finance Minister Derek Keys things he didn’t want to hear. One of the main things was that the General Export Incentive Scheme (Geis) is just not kosher.

But Keys is in favour of incentive programmes such as Geis and the 37E tax benefit scheme. He spent his career in business with the big companies that export on a grand scale, embark on huge capital projects and, at the end of the day, collect government benefits as their reward.

After his discussion with the IMF, he spoke at a dinner hosted by Dorbyl in Sandton and said he “begged to differ” with the fund’s criticism. “Naturally, Geis can be improved. It has a terminal date, which creates difficulties for long-term investment decisions. If we can improve the scheme, we will.” The impression was that Geis, which will expire by 1995, may be extended.

Internationally, Keys is clearly on the wrong side of this debate. And, locally, the controversial R11bn-a-year scheme has been attacked as ineffective, hit by corruption and regarded by some as a big waste of money.

Nedbank economist Kevin Lings says there are problems with Geis. These are:

□ It contravenes the General Agreement on Tariffs and Trade;

□ It encourages manufactured exports, though modernisation of the country’s ageing capital stock is prevented by factors such as import tariffs, the high cost of capital, high interest rates, a weak exchange rate and a lack of business confidence;

□ It provides assistance largely to companies that would have exported anyway. “Correspondingly, little encouragement can be given to first-time exporters as an enticement to produce for the export market”;

□ It is costly, with R1,16bn budgeted for the 1992-1993 financial year;

□ It does not assist the service industry; and

□ It will remain in place for five years, too short a period to encourage investment in export-driven business.

SA Chamber of Business deputy director-general Ron Haywood says that due to SA’s high capital costs — production costs are “substantially higher” than the average for industrialised nations — some compensation

What is clear, however, is that the scheme is highly popular with exporters, who benefit from its largesse. It also provides rich pickings for smooth operators. “A substantial number of double claims have been received,” Naudé says. “One person has been prosecuted and imprisoned for submitting a false claim and a further 50 cases are being investigated.”

This led to a tightening of administrative procedures with effect from October 1.

Possibly the sharpest criticism of the scheme comes from Industrial Development Corp MD Carel van der Merwe, who says the affordability of the R700m-odd cost of subsidising one category of manufactured exports valued at R3.7bn, or about 20c in the rand, “must surely be in doubt.”

Merle Holden, president of the Economic Society of SA, says: “Geis should be phased out in concert with a reduction of subsidies to the more favoured sectors.”
Rand holds out as exporters sell dollars. — The rand's strength was evident at the close of the New York session on Tuesday, reaching its highest level since the start of the year.
Hopes for upswing are on hold

WITH commodity prices low, an expert-led upturn in the economy is unlikely before 1994.

An export-led upswing in the local economy seems highly unlikely in the next 12 to 18 months, Sanlam Limited investments general manager Roy Justice says in his quarterly economic review.

The depressed world economy is likely to remain flat for the rest of this year and most of 1993, he says. Any hopes of an upward movement in the world economy stimulating the South African economy are unlikely to be realised until 1994, making the current depression in South Africa the longest this century.

"Most people are waiting for the United States to lead the economic upturn but in spite of the coming presidential election — ahead of which an upturn might be expected — the American economic indicators remain fairly neutral. The United States is paying for its 'guns' of the 1980s, and is going through a readjustment of the situation in many ways not unlike South Africa," Justice says.

"The United Kingdom would like to move into an upturn but is held back to a large extent by the rest of Europe, especially Germany, which is afraid of inflation. In a determined effort to contain inflation Germany recently pushed up interest rates, and that won't stimulate Europe's economy. A further rise in interest rates in the United Kingdom cannot be ruled out. Japan's economy is also frail, with low demand and the basics facing problems in the form of asset deflation."

"With a world situation like this, virtually all commodity prices will remain low. You cannot have an export-led upturn in South Africa if commodity prices remain at the bottom," Justice points out that unemployment is an international problem, and says the world is suffering a mild crisis of confidence. He does not see a change for the better until this attitude is neutralised and people get money into their pockets.

Difficult to visualise

On the local scene not much change is forecast in the rate of inflation. When the effect of the original imposition of VAT moves out of the calculations, the inflation rate might sag a little but will remain at an unsatisfactorily high level, he says.

It is difficult to visualise an inflation rate of less than 12 percent, particularly because — apart from other aspects — the effects of the drought will be felt for some time to come.

"Rates of interest will remain under downward pressure and we might see a further reduction of 1 percent during the next 12 months," Justice says that the lack of investor confidence means that there will be no significant investment expenditure and hence no new formal job creation. Even with a substantial improvement in the political situation, some time will elapse before fixed capital investment becomes a reality.

The South African economy cannot stimulate itself because people are not spending money. This is because they have no spare money, are worried about the uncertainties in the country, have no jobs or are afraid of losing their jobs. This attitude of uncertainty is likely to continue for at least the next 12 to 18 months. The outlook for 1993 is rather gloomy, with a zero economic growth rate likely.

"Against this background, share prices on the JSE still look high in relation to prospects for the short to medium term. We are faced with the situation where negative interest rates apply — interest rates at about 12 to 14 percent are below the inflation rate of around 15 percent. In spite of this it seems reasonable for investors to remain fairly liquid, with 35 to 40 percent of funds in cash."
widening the mental map

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1994-1995

SA must find niche in world markets
Exports up

EXPORTS rose R1-billion to R6.4-billion between July and August. Imports fell from R4.974-billion to R4.646-billion, widening the trade balance for the first eight months of the year to R1.1-billion.
Cover for exporters

CREDIT Guarantee's experience of credit risk in the Middle East has been relatively favourable. But it warns that the region is not without risk, such as that which arose from the Iraqi invasion of Kuwait.

This gave rise to a major claim on Credit Guarantee by a South African exporter. It was settled in full.

Credit Guarantee's Gernot Kruger, who will attend the SA exhibition in Dubai, says his company will look at underwriting both trade and project finance cover in the region.

"As usual, we will assess the credit risk of both the prospective buyer and the financing bank," says Mr Kruger.

"The latter is often taken for granted. However, the recent demise of the BCCI vividly illustrates that such an assumption could be disastrous."

209197.
Currency chaos good for exports

TURMOIL in the world currency markets could benefit South Africa by edging European economies back to the growth path.

The 10% devaluation of the pound against the dollar this week marks an interesting rate cuts in Germany will kick some life into ailing European economies.

The devaluation provides relief for UK exporters hammered by an overvalued pound and high interest rates under the exchange rate mechanism (ERM) of the European Monetary System.

The pressure for lower interest rates in Europe to revive economic growth allows Reserve Bank Governor Chris Stals more latitude for cheaper borrowing, says Board of Executors economist Rob Lee.

Flat

German Chancellor Helmut Kohl called on Friday for an emergency meeting to discuss the European currency crisis.

Currency dealers say a no vote or a slim yes majority in today's French referendum on the Maastricht Treaty would heighten disruption of currency markets. Chancellor of the Exchequer Norman Lamont is under pressure to drop UK interest rates to 8% to lever the economy out of recession.

It is widely believed the UK economy can withstand another cut in interest rates, given the flat demand for most of our primary exports, are priced in dollars. As the dollar strengthens, the rand value of our exports increases and our imports become cheaper — where they are priced in European currencies. This is anti-inflationary.

Nedbank chief economist Edward Osborn says exports to Italy and UK may suffer marginally as the rand strengthens against the pound. But any export-led recovery in the UK and Italian economies may benefit SA in the medium term.

Gold

"The outcome for SA depends on what level the pound and lira settle. Both will rejoin the ERM, but at different levels. It is also likely that the pound will recover against the Dmark and the Bundesbank will further cut interest rates."

The dollar reassured its safe-haven status this week, firming against all major currencies. It gained 2.4% against the rand and 4% against the Dmark.

The financial rand lost more than 5% this week, trading at R4.6 on Friday. A single large selling order was responsible for Friday's decline.

Dr Jannine says the gold price could benefit from the fragmentation of the European monetary system.

"Less monetary discipline is inflationary and that is good for gold."
Bulging purses to pay for goods

OF all the regions bucking South Africa as potential export markets, the Gulf states offer perhaps the most lucrative prospects.

Unlike many African countries, these states are well able to pay for their imports.

Although SA's traditional markets in Europe languish in recession, the Gulf economies are remarkably buoyant.

According to Fairs & Exhibitions and Bain Communications, which both operate in Dubai and are playing a major role in organising next month's SA exhibition, the Iraqi war soured business optimism about the Middle East.

They say the war was a fundamental cause of the current global recession. But the irony is that the Gulf is one of the few regions in the world not suffering from recession.

Share prices in the Gulf Co-operation Council (GCC) states have doubled in the past year and the weekly list of public-sector tenders has trebled in size since 1990.

Although economic activity is increasing, it is approaching only the levels reached in the boom of the late 1980s.

It should be noted, however, that the boom in the 1980s was largely based on construction projects.

Conditions in the 1990s are founded on wider economic diversity.

Anxious to expand into non-oil-related industries, the GCC states are developing general manufacturing.

Some, particularly Dubai, derive much of their income via re-exports to countries like Iran, Pakistan and India.

Wider

Saudi Arabia has invested aggressively in industrial development, spending $40-billion last year.

Bahrain has launched an international campaign to promote its industrial capacity and is establishing free-trade zones and expanding its airports and ports.

Iran, a huge and mostly untapped market, plans to triple the size of its private sector in the next decade.

The war interrupted the process of regional integration. Dreams of Pan-Arabism are now Pan-Gulfism at best.

However, internal political tensions remain and have done little to encourage any Arab state to lower its defensive guard.

Arab defence spending stands at more than US$56-billion and, in some cases, accounts for up to 30% of government outlays.

Iran, not an Arab state, will spend $10-billion on modernising its armed forces in the next five years.

To support economic development, Middle East states have poured huge resources into road, sea and air infrastructure.

The health sector throughout the Arab world is burgeoning. Dental budgets are increasing by 15% to 20% annually.

Saudi Arabia is building 18 hospitals. Lebanon has earmarked $22.5-million for reconstruction of health facilities and Qatar plans a $16-million hospital for children.
World Bank draws attention to plight of commodity exporters

By David Canning

WASHINGTON — South Africa shares the fate of the developing world in facing continued sluggish demand for its commodity exports, says Lawrence Summers, chief economist and vice-president, development economics, at the World Bank.

Speaking shortly before the Group of 24 developing nations made an impassioned plea to industrialised countries to stimulate growth and external trade, he warned at the weekend that the coming economic upturn in industrialised nations remained fragile and vulnerable.

He said: "This is the first time since World War 2 that low- and middle-income countries have experienced three consecutive years of negative growth in Gross Domestic Product (GDP) per capita."

"In fact, commodity prices are at their lowest in real terms since records started being kept 100 years ago."

"Nevertheless, some improvement in world trade and living standards should start to become evident," he said.

World Bank forecasts for sub-Saharan Africa show a tentative 0,5 percent growth in GDP per capita in 1993 after 1989's estimated decline of 0,4 percent. Africa's growth will be poor in relation to the sluggish 1,7 percent rise for all low- and middle-income countries. Asia, by contrast, can expect growth of 4,2 percent.

The World Bank estimates that the slowdown in industrial countries is costing middle- and low-income countries more than $50 billion a year in lost income.

This exceeds the entire aid programme for these countries.

While Dr Summers described world stagnation problems as very serious, he dismissed suggestions that trade barriers should be maintained for the benefit of lower-income countries.

Referring to the stalled Gatt talks, he said: "A Uruguay Round would certainly be better for developing countries than no Uruguay Round."

The World Bank figures show that real prices of metals and minerals (still an important part of SA's export basket) have declined 14 percent since 1980 and have halved since 1974.
### The First of its Kind in Africa

**The Hong Kong of Africa Exhibition**

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<tr>
<td>October 1998</td>
<td>Opening of the Exhibition</td>
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<td>November 1998</td>
<td>Closing of the Exhibition</td>
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### Growing Interest in SA Goods

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<th>Event</th>
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<td>1999</td>
<td>Increased exports of goods from South Africa</td>
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<td>2000</td>
<td>Continued growth in export trade with Hong Kong</td>
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### Export Opportunities

- **Agricultural Products**
  - Fruits and vegetables
  - Cattle and meat products
- **Manufactured Goods**
  - Electronic equipment
  - Textiles and clothing
- **Minerals**
  - Gold and diamonds

### Contact Information

- **EXPO-99 Expo Halls**
  - Address: Central Park, Hong Kong
  - Phone: +852-1234-5678
- **SOUTH AFRICAN EMBASSY**
  - Address: 123 Diplomatic Blvd, Hong Kong
  - Phone: +852-9876-5432

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**Note:** For more detailed information, please consult the official event brochure provided by the organizers.
Exports show some decline in real terms

Export growth remained at 3 percent in nominal rand terms for the first eight months of the year, compared with the same period a year ago.

The South African Foreign Trade Organisation (Safio) says this means that exports have fallen significantly in real terms this year.

These are the indications from the latest preliminary trade statistics released on Friday by the Department of Customs and Excise.

Overall import growth rose four percent in nominal rand terms, mainly reflecting a mild improvement in the unclassified and transport equipment categories in August after their massive declines earlier this year.

Nevertheless, Safio said in a weekend analysis of the figures that negative real import growth and substantial declines in a number of import categories continued to reflect the protracted recession.

With total imports at R4.9 billion, and exports at R1.8 billion, the resulting cumulative trade surplus was R11 billion — only 1 percent better than for the first eight months of 1991.

The monthly surplus of R1.9 billion in August was strong, according to Safio.

Exports were suffering the adverse effects of the general weakness of precious metals prices over the past year, it said.

"If the unclassified category (mainly gold and platinum group metals) is excluded, exports rose 15 percent in nominal rand terms for the first eight months of 1992, compared with the same period a year ago."

Exports were affected by the world economic recession, which was placing downward pressure on other export prices and volumes, especially in the commodity categories.

"Exporters are concerned about growing worldwide excess capacity, which is causing competitors to slash prices to below cost."

"At the same time, cash-strapped customers are unwilling to take a position on stock, restricting purchases to satisfy only short-term production requirements," Safio said.

Growth of the mineral products category, still relatively strong at 13 percent for the first eight months, continued to lose momentum in August.

Base metals remained at three percent, reflecting poor conditions in the steel industry worldwide.

However, some encouragement may be drawn from the positive nominal growth shown by nearly all categories of exports over the period under review, and the strong real growth of some, Safio said.

Export performance among the manufactured categories was particularly strong.

Manufactured exports doing exceptionally well were transport equipment (up 45 percent), plastics (38 percent), chemicals (42 percent) and machinery (25 percent).

However, Safio said there was some concern about the drop in the growth momentum of each of these categories in August.

In contrast with the performance of other minerals categories over the period, jewellery and precious stones (mainly diamonds) rose by 35 percent.

The jump in this major export category in August offset the declining momentum of a number of others.

Most agricultural categories were still showing strong growth, despite the drought.

These were fats and oils (21 percent), vegetable products (30 percent), and hides and skins (19 percent).

Growth of prepared food exports fell back to a dismal one percent for the first eight months of the year.

Also doing poorly was the pulp and paper category, which fell by four percent.

Agricultural imports, on the other hand, were already reacting strongly to the drought.

Fats and oils imports rose by 76 percent, vegetable products by 64 percent, live animals and animal products by 62 percent, and prepared foods by 17 percent.

Imports of major industrial materials declined in real terms, in line with declining levels of domestic production and pessimistic expectations among manufacturers, Safio said.

Nominal growth of minerals stood at three percent, plastics at two percent, chemicals at five percent, and base metals at six percent.

Growth of machinery imports was not as weak (8 percent), perhaps due to industry's continuing need to replace worn-out equipment. — Saps.
Export processing zones ‘could let govt off policy-planning hook’

CAPE TOWN — Export processing zones (EPZs), if introduced at this stage, might just be a diversion from the need for government to formulate a coherent, long-term trade and industrial policy, UCT economist and ANC economic adviser Alan Hirsch said yesterday.

Speaking at a Cape Chamber of Industries seminar on EPZs, Hirsch said an industrial strategy addressing questions of the competitiveness of SA industry — including levels of protection, training, tax, technology and incentives — was urgently needed.

He believed EPZs had advantages in that they created jobs and earned foreign exchange.

However, they did not have much beneficial impact on the general economy as links were weak. For this reason it would be a mistake to make the EPZ the basis of an export or regional development strategy. It would be better to opt for export processing units (EPUs).

Unlike EPZs, which were closed-off industrial parks separated from the common customs area, EPUs were decentralised manufacturing facilities specifically designated for the production of exports.

Stellenbosch economics professor Colin McCarthy said EPZs would allow the country to develop an export base without disrupting protectionism in the short to medium term.

EPZs were also important as a way of creating jobs by attracting investment of “foreign, footloose capital”, he said.

Customs and Excise Department director Frikkie Lotter said his department’s main objection to EPZs was the problem of their control.

It did not have the manpower or administrative systems to cope with widespread EPZs.

EPZs would have to be under permanent, 24-hour customs control to prevent leakage of duty-free goods into the economy.

Western Cape Growth Organisation executive director David Bridgman said it would not be a good idea to wait until government had a coherent industrial policy before introducing EPZs.
Slowdown for SA exports

By AUDREY D'ANGELO
Business Editor

BOTH the volume and price of SA exports have grown at an appreciably slower rate recently, the Sanlam Economic Comment for September points out.

"We foresee that the current account of the balance of payments (BoP) will show smaller surpluses and even, at times, deficits in the next 12 months." "In July the current account already showed an estimated shortfall of R800m as a result of an unexpectedly sharp increase in imports. Further maize imports on one hand, and the decreased exports of agricultural products, ongoing poor international trading conditions and weaker gold earnings will contribute to this.

"We estimate a surplus of about R5 000m on the current account of the BoP for 1992. In our opinion it could shrink to R3 000m or less next year.

"However, as the domestic political situation improves the capital account could perform better. "We should in fact be able to decrease our accrued foreign debt further and build up our foreign reserves to an even healthier level.

"The current level of our foreign reserves covers approximately 2.3 months of goods and services imports. The SA Reserve Bank considers a suitable level to be at least three months' imports, which means the reserves should amount to at least R17 milliard..."
Bleak time ahead for coal exports industry

Johannesburg. — Trans-Natal, one of South Africa's biggest coal producers, is not yet in a position to say whether its negotiations to buy a foreign company will come to anything, says chairman Brian Gilbertson in his annual statement to shareholders.

On September 3, Trans-Natal issued a cautionary notice advising shareholders that discussions about a takeover of a foreign company had been held, but that it was too early to say whether anything would materialise.

However, shareholders were advised to exercise caution in their dealings — another way of saying "don't sell your shares unless you have to".

Mr Gilbertson says the cautionary was issued after Press speculation about a possible Australian acquisition. The position detailed in the cautionary remains unchanged.

He says the outlook for South Africa's R5-billion a year coal export industry is deteriorating and that Trans-Natal does not expect to maintain earnings this year.

Trans-Natal exported 11.2 million tons in the 1991-92 financial year and is obviously concerned about the trend in overseas prices.

Mr Gilbertson says prospects for exports in the new financial year are less favourable than in the one gone by.

The depressed state of the major world economies and the increased supply of Russian and Indonesian coal have depressed prices in the spot market.

Trans-Natal has sold already sold a material portion of its export sales at more favourable prices and exchange rates than those now ruling.

But the company will not be able to maintain its current earnings in the 1992-93 financial year.

As a result, it is possible that the proposed construction of a coal washing facility at Koornfontein may be deferred, so that total capital expenditure will not exceed R200-million.

Managing director Mike Salamon says that the removal of sanctions has re-opened markets in France, Denmark, Germany, Holland, Japan and Korea.

But South African producers have not been able to benefit in the short term because they were not able to participate in the contract negotiations at the end of 1991.

Mr Salamon is optimistic about the outlook for exports after 1993, but says a price increase of R5 to R10 a ton is needed to justify any extra investment in coal production.

He warns that premature additions to South Africa's exports by way of the mooted "Red Terminal" could delay these price increases.
Tax amendments boost export environment

**Section 32RE**

The whole of Section 32RE has been broadened so that any eligible income tax deduction is based on the value of the export process product, and not just on the raw material input. This makes it easier for companies to claim deductions and encourages exports.

**Section 32EA**

In this amendment, the term 'innovation' has been defined more clearly to include the development of new processes or the improvement of existing ones, helping to stimulate innovation in the export sector.

**Incomplete**

Mr. Boffman, the Finance Ministry's spokesperson, said: "The changes made in the tax laws will help businesses to reduce their financial burden and invest more in export-related activities. We are confident that these amendments will lead to increased exports and boost the economy."

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The amendments have been widely welcomed by businesses, with many expressing hope that they will help to boost exports and stimulate economic growth. However, some critics have raised concerns about the impact on smaller businesses, who may struggle to comply with the new regulations. 

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In conclusion, the tax amendments represent a significant step forward in creating a more export-friendly environment. By reducing the financial burden on businesses, these changes will encourage companies to invest more in export activities, leading to increased exports and a stronger economy."
SOUTH Africa’s R1.5 billion general export incentive scheme (GEIS) may be good for company profits, but is relatively useless for boosting exports, an analysis suggests.

The cost of GEIS is equivalent to a 2% increase in VAT.

Delegates from the General Agreement on Tariffs and Trade (GATT) who visited SA last week criticised GEIS and SA’s high level of import protection.

A Department of Trade and Industry spokesman says the GATT delegation was nevertheless impressed with SA’s openness and honesty and the fact that we have no secret subsidies, as do so many other countries’

**Booming**

The assumption that manufactured exports are booming because of GEIS is challenged by Nedbank chief economist Edward Osborn.

Exports of transport equipment shot up 22.5% between 1990 and 1992 to R1.58 billion and by 45% in the first eight months of 1992 over the same time last year. Nedbank says 20% of these exports were containerised.

Vehicle parts and accessories — bolstered by rebates under Phase Six of the local content programme — accounted for a large but as yet unquantified part of the transport sector’s export growth. Vehicle assembly companies are encouraged to export components which count for the local content target of 75%.

Because of Phase Six, vehicle manu-

facturers do not qualify for GEIS, prompting calls by the industry for inclusion in the scheme.

Chemical exports were up 46.5% in the first eight months of this year to R2.6 billion. Mr Osborn says most of that increase is attributable to the mining and primary beneficiation of thorium oxide by Richards Bay Minerals which commissioned a smelter in 1991.

A large proportion of steel exports are classified category 3 under GEIS. Domestic users of steel complain that this is cross-subsidising its exports because of its two-tier pricing system. The system forces SA users to pay up to 60% more than the international steel price.

The maximum level of assistance under GEIS is 15% for fully manufactured products under Category 3. Materials-intensive Category 3 products receive up to 65%, primary manufactured products under Category 3 receive 65% and Category 1 primary products nothing.

Unwrought copper, lead, aluminium, zinc and tin are often counted in official statistics as manufactured exports, although nearly all base metals are subject to only primary beneficiation and do not qualify for GEIS.

GEIS will cost up to R2 billion a year until 1997 when SA will probably be required to comply with GATT’s anti-subsidy code.

“GEIS boosts the profits of some exporters,” says Bert Pienaar, director-general of export promotion at DTI. Higher profits may lead to the expansion of manufacturing capacity, product development and use of advanced technology. This is happening.”

University of Cape Town economist Alan Hirsh says: “Many companies are exporting only because they receive GEIS payments. It is questionable whether the benefits exceed the cost.”

**Strong**

“However, export stimulation for a short time is justifiable. The rationale is that by subsidising exports you learn more about the international markets and efficiency improves to the point where you can export without government support.”

Mr Osborn says: “We are burdening the Exchequer with all sorts of expenses which we should do only if there are worthwhile benefits.

“In current economic circumstances many companies with underused manufacturing capacity will turn to exports not because of GEIS, but to maintain production. They will invest in the domestic market when conditions improve.

“GEIS will not be sufficiently strong to overcome the high cost of labour and capital to encourage new investment, particularly export production, specifically for export production, particularly because GEIS is to be phased out.”
Can you afford to manage your own exports?

There is a need in SA for export management services. This country is regarded as a development nation, in terms of GATT, and our trading partners and exporters need to keep in contact with the progress of other developed nations if they hope to compete in world markets.

The service industry is on a steady growth pattern in most First World countries. Established exporters are becoming more aware of the value of having their exports managed by a professional export department.

R Watson & Associates (RWA) has successfully assisted exporters in benefiting from better management control of shipments and the documents relating to an export order.

SA has been traditionally an import market for goods and services, however, with the shift moving to the export of manufactured products the call for efficient administration and successful marketing methods is essential to achieve export growth.

Cost awareness is crucial to the profit margins, the department of trade and industry has export assistance available for approved in-market research missions and specialised trade fairs abroad.

Correct procedures must be adhered to by the applicant, this can be time consuming for management and at times these cash benefits are ignored.

RWA acts on behalf of the exporter and all savings are passed on to the exporter, clients benefit from utilizing this service as RWA does not act as an export commission agent.

Fees are based on time management and no matter where the exporter may be in its export programme RWA will be able to assist.

For further information RWA can be contacted at (011) 484 4145 or fax (011) 494 4156.
Subsidised export credit vital to trade

Although export credit loans subsidised by the SA government are currently relatively expensive when compared with the cost off-shore finance, most medium-sized foreign buyers, particularly those in the Third World, are not in a position to ignore this type of assistance.

Subsidised export credit is a valuable bridging mechanism for healthy two-way trade. It can take the form of a loan by a local financial institution to an overseas buyer, a loan to enable a local supplier to fulfill an export contract, or a credit line.

With SA exports, a loan to foreign buyers is the most common form of finance. The conditions for credit are laid down by the Berne Union. These conditions apply in the granting of subsidised export credit to foreign buyers of SA capital goods:

- **Financed amount:** A maximum of 85 percent of the contract value, including shipping, insurance and commissions if SA content is 70 percent or more. If local content is less than this, then the maximum finance available is 125 percent of the value of the local content.
- **Repayment terms:** A minimum advance or interim payment of 15 percent of the contract value made up as follows: 5 percent at close of contract, 10 percent at delivery, 85 percent on credit.

**Basic interest rate:** Credit is advanced in rands or US dollars at these rates: ZAR — 14.25 percent a year floating at about 4 percent below the SA prime rate. USAs — 8.5 percent a year fixed.

**Repayment:** Equal repayments of capital and interest, based on the diminishing balance, payable six-monthly in arrears, the first payment being due six months after the final delivery date. Interim interest payments during the delivery period payable half-yearly.
Most countries' statutory trade sanctions against SA have been repealed.

There are still some exceptions, in particular the imposition by state and city governments in the US, but the position is far more favourable than that prevailing before Nelson Mandela was released early in 1990.

A positive attitude will not of itself suffice to develop exports, particularly as the world is in economic recession, and this greatly impacts on SA's open economy, which imports and exports more than 50 per cent of its gross domestic product.

While an international economic recovery is necessary for sustained and growing exports, we have, over the past number of years, introduced a great variety of export incentives.

Certain of these are within the tax system, and certain out. The Income Tax Act's Section 11 has been terminated and its place, in the main, taken by the so-called GEMS (General Export Incentive Scheme).

Before considering these various incentive schemes in more detail, it is necessary to examine export structures and offshore companies which may have been set up during the dark days of sanctions. Structure tax bases have been formulated by the authorities during the period of "total en
demption" to cope with the situation unilaterally during the new conditions evolving today.

This development should also be seen against the background that moderate economies are moving towards substantially larger tax bases with a broader base.

The 11st Allowance was terminated on March 31, 1992, as the authorities believed that there were too many abuses to justify its continuance. Perhaps even more important, the scheme rewarded exporters on the actual end result of successful exports. At the same time, the somewhat roundabout 11th scheme was relatively safe from the threat of GATT.

In spite of 11th's termination, there is still scope for planning, as the Income Tax Act provides that any expenditure which was not claimable at the date of the Act may be carried forward for the period ended March 31, 1993.

GEMS points out tax manager Andrew Brickel points out on April 1, 1992. This scheme was to supplement and even-
Tariff Reductions
Trade not aid the key to economic upliftment

By JÜRGEN W. MOLLEMMANN
Federal Minister of Economics, Bonn

WHEN I visited South Africa last February — for the first time in 18 years — I was fascinated by the possibilities that have recently emerged for the country.

Land richly blessed by nature, with a first-class infrastructure of transport routes, ports, and energy systems, now has the opportunity to escape from the blind alley of apartheid and can shape its future in a positive manner by peaceful transition to a democratic system, embracing all parts of the population.

I naturally also saw the contrasts that still exist and that put the black majority on the minus side of the economic and social ledger.

Without the construction of more schools and training facilities, without social programmes, the country will not be able to move forward. Those who have thus far been disadvantaged must be able to feel the progress, to see that a new start is being made.

Upswing

With our experience in the Federal Republic's new states, we Germans can attest to the fact that it is of pre-eminent importance for economic growth and for meeting the needs of the population, that business and industry invest and create jobs.

This is missing in South Africa. In my opinion, it has been absent too long.

Not only foreign companies, but even SA's own business sector are showing reserve in the light of the uncertainties connected with political transformation.

Without investment, however, there can be no upswing. Nor does the State have the funds to finance infrastructure, housing construction and other social programmes.

The political forces in SA are therefore faced with the task of putting the uncertainties of the transitional period to an end as soon as possible for the sake of the population and of laying the roadbed for a predictable path into the future.

If the difficult undertaking of placing SA's market economy (a system that benefits all) on the track of growth succeeds, Southern Africa will also have the hope of climbing out of the continued slump.

At any rate, the neighbours would not only have the example of SA success but they would have the opportunity to intensify the regional trade in goods and services, in particular with a South Africa relatively strong in terms of capital and buying power and with industrial experience.

The region as a whole, including the states beyond SA's borders, would become an interesting economic partner for Europe.

On this basis of the standards it has already achieved, SA would doubtless be the development pole from which and with which Europe would have considerably better operational possibilities for fighting poverty throughout Southern Africa.

Against the background of decades of Western development assistance in Africa that has shown relatively meagre results, aside, not aid continues to be the principle showing the greatest promise.

I am certain and will work hard to ensure that as soon as a legitimised transitional government is in office, the European Community will extend its hand, offering a regional partnership similar to the partnerships already established with other economic regions in Asia and Central America.

The South African Development Community, supplemented by a new South Africa — and perhaps by additional responsibilities after unification with the Preferential Trade Area — could serve as the southern bridgehead.

Such a framework would have the priority task of promoting the private foreign investment that is so urgently needed in Southern Africa.

Lively

SA boasts an important position as world trading partner. This role must be sustained and developed. Germany is a good customer: in 1991 it imported goods worth DM3.2-billion, 10% more than in 1990.

With the goal of further increasing exports to Germany — for years a surplus item in bilateral trade with a level of DM1.5-billion in 1991 — the Federal Ministry of Economics held export promotion seminars for small businessmen, particularly black entrepreneurs, this past September in Johannesburg, Durban, and Cape Town.

The lively participation at these seminars allows us to hope that they will generate business.

In general, it is to be expected that SA, as dictated by circumstances, will try to boost its export of finished goods and will rely less on the export of commodities that have previously accounted for a substantial portion of German purchases.

We know, for example, that some companies producing high-grade steel are taking steps to expand capacity considerably and to manufacture car parts for export, in particular catalytic converters.

As it moves into the finished goods sector, however, SA will see itself increasingly confronted with the demand to play according to the same rules as its international competitors.

It must therefore lower the high levies on imports and eliminate export assistance. This is ultimately in line with the country's own interests, for behind the high walls of protection industries lose the ability to compete.

In addition, assistance is expensive.

The strong German-SA trade relationship is supported by a large number of German companies that have invested in SA.

More than 300 companies — besides nearly all of the well-known large firms, also a number of small and medium businesses — have become involved in the SA market. These and other companies are willing to expand their stakes in the country — or to invest for the first time if peace comes to SA and if the country practises an economic policy pointing to the future and containing the basic lines of the market economy.
INTERNATIONAL trade doors have opened for South African companies in the past few months and Harvey Roofing Products is promoting exports.

According to the company’s export manager, Louis Ferreira, now that sanctions have been lifted, many opportunities have presented themselves and the growth potential of the export market is exciting.

"For the high-quality management of the manufacturing process, we have been awarded the SABS 0157 mark of approval which in export terminology is called the ISO 9002 — the worldwide quality standard."

Mr Ferreira says: "We export to countries around the world under the brand name Tufftile.

"We're sending products to the UK where there is a large industrialised building systems market. Houses are built in factories and loaded on trucks for delivery.

"This industry lends itself to a lightweight product and Tufftile is an ideal solution."

"The home renovation market, particularly council houses and flat complexes, is an attractive market for our products."

"Elsewhere in Europe, in countries like France, Belgium and Germany, there are many old houses and again the home improvement market has considerable potential."

"We receive many orders from these areas."

"Israel is a country where there is an influx of people and many houses are being built. In settlement areas there are many Harveytile roofs."

"Our division negotiates daily with new markets and inquiries are coming from Greece, Poland and countries in South America."

"We are exporting to the Ivory Coast, Malawi, Burundi and Zambia. In the Indian Ocean islands, our products go to Mauritius, the Seychelles, the Comoros and Reunion."

"We're looking at new regions to improve company performance in the export market."
Group beating long recession

DUMA GOUTHUIE

AFRICAN & Overseas Enterprises, the holding company for Rex Trueform Clothing, is confident the expansion of its Queenspark division on the domestic front, and the broadened base of its export markets, will provide support for the group in the current financial year.

In his 1992 annual review, chairman Stewart Shub said the group's products had continued to achieve a high rate of acceptance locally and overseas, despite a recession that had lasted for longer than expected.

He said the group's export business, assisted by improved international acceptance and export incentives, had flourished during the past five years and was now more broadly based. Certain export incentives, however, were under review and in danger of being discontinued.

Representations had been made to relevant authorities and unless the position was clarified, Rex Trueform's export capabilities would be seriously threatened.

Shub said the group's Queenspark division had continued to expand during the past year and now represented an important part of Rex Trueform's business.

The growth of the division had required restructuring in certain areas of the company's operation.

Care had been taken to ensure funds for capital expenditure were channelled productively into the refurbishing of new outlets for the division, and in improving the quality of production lines.

Although it was not possible to forecast an improvement in earnings, the group's financial strength, broadly based product range and diversified distribution network meant that it was well placed to benefit from any upturn in the economy.

The group reported a 28% decline in earnings to R3.7m on an unchanged turnover figure for the year to June.
Metals dominate trade inquiries

ANIMALS AND ANIMAL PRODUCTS

1.01.06

(No text available)

FOODSTUFFS

1.01.06.13.80

(No text available)

Leather goods (including shoes)

1.01.06.21.20

The only significant trade inquiry is on meat from Brazil. Our correspondent has previously reported that the Brazilian government is considering imposing restrictions on the export of meat to the EU.

Tuna, and related products

1.01.06.22.10

Imports of tuna from Sri Lanka and the Philippines are expected to increase in the near future, due to higher prices and tighter quotas in the EU.

Metal and metal products

1.01.06.23.10

Economic growth in China and the US is expected to drive demand for metal products, particularly steel and aluminum.

In this section, we focus on the trade inquiries related to metal and metal products. These inquiries are significant because metals are essential components of many industries, including construction, manufacturing, and automotive.

We have separated the trade inquiries into the following categories:

1.01.06.23.10.10

Metal and metal products

1.01.06.23.10.20

Stainless steel

1.01.06.23.10.30

Aluminum

1.01.06.23.10.40

Iron and steel

1.01.06.23.10.50

Copper

1.01.06.23.10.60

Nickel

1.01.06.23.10.70

Zinc

1.01.06.23.10.80

Tungsten

1.01.06.23.10.90

Other metal and metal products

These trade inquiries are important because they can have a significant impact on the global economy and the markets for these products.

For more information and updates on these trade inquiries, please visit our website or contact us directly.

Additional trade inquiries

We are also monitoring trade inquiries related to other products, including electronics, machinery, and textiles.

These inquiries are important because they can affect the competitiveness of our domestic industries and the prices of imported goods.

For more information and updates on these trade inquiries, please visit our website or contact us directly.

Thank you for choosing our company for your trade inquiries. We look forward to serving you.

Sincerely,

[Company Name]

[Signature]
Small business talks to US

SUN CITY -- The SA small business fraternity, meeting in Sun City, was linked by satellite to the US yesterday.

US Small Business Administration (SBA) national programme manager John Bedris fielded questions from panelists of the Small Business Unity Workshop.

Chairmen of the four different conference workshops were: Keith Foster, CEO of the construction training agency and Sunnyside group (deregulation) chairman; Dick Robb of Barlow Rand and chairman of the Matchmaker services (sub-contracting/matchmaking); Willie Conradie of Volkskas and Trust Bank (financing); and Business Challenge (marketing) CE Phi Khumalo.

The link-up, sponsored by US Information Service, showed that the US had many of the same problems concerning small business as SA, but was tackling them.

Bedris said his organisation had the same problem when it came to training small business people.

Most of them would say that all they needed was finance; they did not need training, they said.

"We fight the same battle in the US and 80%-95% of the failures in business are due to lack of management training."

He advised SA to step up marketing of planning programmes.

However, the US had lower interest rates than SA, so there was no need to make concessions for budding businesses.

Another advantage when it came to starting a small business development programme was that the US had a good resource environment.

"We did not have to fight like you have to for your base," said Bedris.

He advised SA to train the small rural and urban communities to go for exports.

There was no point in people being trained to sell to their own communities, he said, because there was hardly any money in those communities.

Black businessmen told to build capital

SUN CITY -- The ANC urged black businessmen to think of building up capital instead of trying to ape whites with palatial houses and expensive cars, the organisation's trade and industry policy co-ordinator Tito Mboweni said at the weekend.

He was addressing the Small Business Unity Workshop conference, organised for the annual Small Business Week and hosted by Potchefstroom University's Small Business Advisory Bureau.

Mboweni urged government and parastatals to allocate contracts for undertakings such as the supply of stationery and computers. "This would go a long way towards promoting the development of small business. The black businessman grows on contracts."

However, he asked: "Are black businessmen ready to take up the task? Are they taking advantage of these packages or just squandering the resources?"

"There is a pattern among blacks. We have been excluded for many years from the good things in life. To equal whites, we build big houses and buy expensive German cars."

"That money which we could get from the SBDC or the banks could be used to build capital. We should pool our financial resources to buy shares," he said.

"Why can't we learn from Afrikaners who put all their money into Volkskas, their insurance into Sanlam and their buying power into Uniwinkel?"

Nedcor raises R2m for drought relief

NEDCOR Bank has managed to raise nearly R2m through its drought relief effort, The Harvest, despite the poor economic climate.

Launched by Nedcor in July, The Harvest has seen individuals, as well as corporations, pool their resources in an attempt to help SA's millions of drought victims.

Nedcor Bank public affairs GM Theo Coggan said the bank hoped to attract the attention of corporate investors during its final month of the drive.

"The Harvest is the perfect conduit for corporations which have earmarked funds for drought relief. Nedcor had the ability to channel funds directly to relief efforts without deducting administrative fees, a common practice."

Coggan said many corporations had already donated funds to The Harvest, including Murray & Roberts, LTA Construction, Highveld Steel and Vanadium and CG Smith Foods.

Nedcor's objective with The Harvest had been to support a sustainable and stabilising relief effort, he said.

In addition to the corporate funds raised, Nedcor had been donating 10c for each ATM transaction, amounting to R350 000 a month off the company's bottom line.

The credit card division had pledged 15c for every R100 spent, while Nedcor employees had been asked to donate up to 3% of their annual bonus, Coggan said.
Export schemes under scrutiny

WASHINGTON — The World Bank is casting a critical eye on SA's decentralisation and export incentive policies and believes they may be hampering the growth prospects of other members of the Southern African Customs Union.

In particular, the bank is concerned that Namibia's ability to create badly needed manufacturing jobs, already restricted by the smallness of its domestic market and past sanctions, may be being undercut.

In a comprehensive new study of the former colony's economic prospects, the bank argues that by extending generous export incentives to customs union members and non-members alike, SA has rigged the union in favour of itself, "the largest and wealthiest member".

"In most common market and free trade areas," the study notes, "the usual arrangement is to give more favourable treatment to least developed member countries."

Furthermore, "national export incentives usually are not applicable to trade flows between two member countries of a regional trading group. In the union, SA not only has the strongest export incentives, but they apply to exports to all markets."

This makes it difficult for Namibia to attract export-oriented investment in sectors other than fisheries and mining — both of which the bank feels have only limited employment growth potential — since it cannot afford to offer anything like the subsidies provided by SA.

SA's regional industrial development programme, under which the government offers a wide array of rebates, concessions, tax allowances, subsidies and outright grants to enterprises that will move to selected "industrial development points", is also putting Namibia at a competitive disadvantage.

While the Common Monetary Area guarantees the free flow of capital between members, and labour costs in Namibia and SA are on a par, firms that locate on the SA side of the border not only have closer access to the largest regional market, the development programme gives them "important subsidies" as well.

That said, the bank concedes that the programme has posted an impressive record of job creation in SA. Between 1982 and 1987, development programme employment "increased more than total employment ... Not only did (it) generate in net terms all the new jobs in the manufacturing sector of SA, but, in addition, it sucked in employment from existing sources."

But this is not good news for Namibia, which currently has up to 60,000 unemployed and which the bank believes may be able to create only about 3,000 formal sector jobs a year over the next five years.

Under present conditions, says the bank, the intriguing question is not why the Namibian manufacturing sector is so small (it contributes only 8% to GDP) "but why it exists at all."

However, the report stops short of recommending that Namibia pull out of the Southern African Customs Union, from which it earns higher customs receipts than if it were to collect them on its own and which enables the country's livestock producers to sell their meat in SA at 30% above world prices.
WASHINGTON — The US agriculture department has authorised $30m in export credit guarantees to SA for the purchase of wheat, vegetable oils, protein meal, rice, feed grains, tallow and pulses.

To be eligible for up to three-year coverage, sales must be registered by September 30, 1993 and shipped by November 30.

The foreign agricultural service has allocated $14m for wheat, $2.5m for vegetable oils, $2.5m for protein meals, $3.5m for rice, $3.5m for feed grains, $1m for tallow and $3m for dry pulses.

Exporters may apply for up to 95% coverage of port value.

The list of vegetable oils available for credit coverage includes cottonseed, corn, peanut, soybean, linseed and sunflowerseed oils.

Eligible protein meals include soybean, corn gluten, meat and bone, cottonseed and sunflowerseed meals.

Eligible feed grains include barley, malting barley, yellow corn, white corn, sorghum and oats.

Beans, peas and lentils are the eligible pulses. — Reuter.
SA exports lose millions

By BARRY STREEK
Political Staff

THE Maize Board exported mealies and maize products at a loss of R97.7 million in 1990/1.

And net trading loss on the purchase and sale of eggs — either locally or by export — that were surplus to local market demand, amounted to R11.3m by the end of June last year.

The Dairy Board, on the other hand, lost R479 943 in exports of butter and cheese between March 1989 and February 1990.

The losses by the controversial marketing control boards were revealed in Parliament yesterday, when reports into their accounts by the Auditor-General, Mr Peter Wronsley, were tabled.

The loss on the exports of maize and maize products by the Maize Board between May 1990 and April 1991 amounted to R97.7m as against R206.2m in the previous year.
A producer of export goods may deduct export marketing expenditure if it pays commission to another company to do the marketing. This holds even where the producer surrenders control of the products and marketing procedures to the agent. The latest issue of the *SA Tax Review* reports that the Transvaal Provincial Division of the Supreme Court recently upset a decision of the Transvaal Income Tax Special Court (which had gone in favour of the Commissioner of Inland Revenue) on the issue of export marketing incentives. The Commissioner is taking the case on further appeal to the Appellate Division.

The taxpayer (Wandrag Asbestos), a mining and producer of asbestos, sold its product to Gefco for export. Gefco paid the taxpayer a specific amount per ton on an fob basis, less a selling commission of 15% on the fob price. The taxpayer claimed the selling commission as a marketing allowance under section 11bis (4)(f) of the Income Tax Act.

The Commissioner disallowed the deduction and was upheld by the Transvaal Income Tax Special Court on appeal by the taxpayer. The Special Court held that the taxpayer was not entitled to deduct the commission because it was too remote to qualify as a deductible marketing allowance under section 11bis.

The Transvaal Provincial Division rejected this reasoning as the commission paid fell within the requirements of the section. The payment was made directly to Gefco, was easily identifiable, and was a selling commission based and calculated on orders received and executed for export products.

Furthermore, the Act does not stipulate orders have to be received directly from overseas. Nor does it require that the exported products may not be handled by parties other than the taxpayer before or after shipment en route to their destinations. Nor does it exclude products treated by others or blended with the products of others.

The allowance is granted to those who in exporting — pay a commission on orders for goods exported. How that commission is calculated or composed or justified by the agent, and whether it is reasonable or wholly out of touch with the market rate, is irrelevant — as long as it is a genuine business transaction. It is neither relevant that the taxpayer did not incur personal liability to the overseas importers nor that he had no control over the export operation and did not even know the names of the customers.

Without payment of the commission, the taxpayer would not have been able to conclude the contract with Gefco, would not have had a share in the joint export market and would not have been able to obtain orders for its products through the intermediation of Gefco.
Govt launches export aid magazine

The greatest challenge facing the Trade and Industry Department was the poor export awareness among SA businessmen, director-general Stef Naude said at the weekend.

Naude was speaking at the launch of a new magazine published by the department to provide information on export issues.

The magazine, Global Trade, was part of the department's effort to boost SA exports, including projects launched by its export centre.

The bi-monthly magazine would be sent to 10 000 SA exporters and cost the department R2 a copy.

To combat the poor export culture, the department was doing its utmost to ensure a change in emphasis from production for the local market to product development for the world market, he said. The department's aim was also to increase the level of beneficiation of raw materials and to broaden the base of the exports of SA's manufactured products.
FOODSTUFFS AND CONSUMABLES
04.02, 17.01, 20.05, 20.08, 31.02.10
day.
Powdered milk, sugar,
cauliflowers and vegetables, 
tuna — US, Dan Kockon,
Beckenham, tel: 01-816-71964,
fax 01-816-7073.
08.02.00.00.
Fresh cut flowers — Hong
Kong, Cheung C, 6, Ban
Fook Road, plant: 00928-268530,
fax 0928-032-2390.
08.09.30.
Dried and chemically pres-
erved flowers — US, Samuel
Loss; Pollanth, tel: 001-201- 
641-4006, fax 001-201-461-4009.
08.09.
Dried banana chips and plan-
tain chips — US, Sam Pama,
DCC Foods, Inc; tel: 001-417-
424-1374, fax 01-817-02555.
08.09.30.
Frozen poultry, venison car-
cass and cuts. Raw mater-
ials for feed meat products,
exotic fish for animal feed,
raisins — Austria, Wolfs-
gang Kwasch; Agrochem,
tel: 0494-555-355.
04.02.10. 15.16.20.
Milk, lactose, vegetable oil 
and coffee beans — Canada.
Dijan, Pejaz Investments,
tel: 041-816-7358, fax 041-
416-770 7165.
08.06.24.
Canned crab — Germany.
Friedrich, CTH GmbH, tel: 
0949-511-3308, fax: 0949-
511-3308.
METALS AND EQUIPMENT
26.01.20.00, 73.26.20.00.
Steel and iron — Hong Kong,
Carmen Lee, Cheung Pak 
26.04.00, 26.25.40, 28.25.25.00, 28.25.25.00.
Nickel ores and concen-
trates, nickel oxides and hy-
drides, copper oxides and 
hydroxides, sulphates of 
nickel, copper and zinc — 
Taiwan, Kang Shing Indus-
trial Chemical Co., tel: 00997-
322-2501, fax: 0997-
322-2501.
08.09.30.
Primary metals like magnesi-
um, zinc and aluminium al-
loys for die cutting and 
investment castings — Israel.
Moni Alon, El-Or Engineering,
tel: 0988-88-266 246, fax: 0988-
88-266 246.
70.03.
Glass for glazing — Brazil.
Andre Glass, Vence Ers e Ima-
portacions, tel: 0959-5171-
2295, fax: 0959-5171-3108.
HOUSING GOODS AND TEXTILES
41.07.30.
Tanned stingray skins — 
Japan, Hiroshi Noz Co, Yaa-
gi; tel and fax: 0981-587-23 
1185.
63.02.51.
Cotton and linen tea towels 
and handcloths — Canada.
Thomas Wardle, T A Wardle 
and Co., tel: 01-816-099 
2774, fax: 01-816-099 0823.
UNCODED EQUIPMENT
25.02.20.00.
Thousands of tons of grey 
Portland cement for Mauri-
tius — Netherlands.
Nigel Berry, IBN World 
Trading, tel: 0931-43-252891,
fax 0931-
43-299290.
73.28.20. 73.12. 73.14. 72.15.
12/10/72.
ANDREW KRUMM.
WANTED: marshmallows, stingray skins

There are export opportunities for a wide range of manufacturers and suppliers in the latest batch of trade inquiries received by SA embassies.

A potentially lucrative offer is one from Canada for the supply of 1 million tons of cement to a construction project in West Africa. The same trader wants quotations for the supply of 1 million tons of steel for reinforcing.

Judging from the list, there are many opportunities for SA companies to become involved in construction projects in neighboring countries, particularly when the principal contractor is based in Europe or North America. For instance, a Dutch businessman wants 500 tons of cement for delivery to Mauritius.

Businessmen wanting to take up offers in the list should make direct contact with the foreign company concerned. Where possible, the name of a contact person is given, along with telephone and fax numbers.

Most of today’s inquiries come from foodstuff importers and producers. A US company wants powdered milk, and there are prospects for exporting thousands of tons of canned beef to Switzerland.

Sweet boiled peach kernel for confectionery — Israel.
Shainon Zelvenosowitz, Pal-
mez: tel: 0997-23-3453, fax:
0997-23-3453.
Canned meat, vegetables and 
cauliflower — Turkey.
Mehmet Omer, SCD Ltd,
tel: 09992-32-3255, fax: 09992-
32-3255.
Dried apricots, prunes and 
other dried fruit, canned 
mushrooms, and various 
cauliflower — Germany.
B. Blume, Trasacco,
Water pipes with seam, pipe 
fittings, valves and valve parts — Argentina.
Giglio Giancarlo, Domestica,
tel: 0951-
1-331 8853, fax: 0951-1-331 8853.
Unrefined copper 
blanks, copper-zinc base 
alloys, and refined copper bars 
and rods — Taiwan. Chou, 
Sofen, tel: 09868-2-
77021, fax: 09868-2-
77021.
Perforated aluminum 
roofing — Taiwan.
Daihatsu Supermarkets,
tel: 0951-568-5800, 
0951-568 5800.
Ventilated "ultra" safes — 
Armin Kartagener, 
Waldhausen Supermarkets,
tel: 0951-568-5800, 
0951-568 5800.
Ventilated "ultra" safes — 
Armin Kartagener, 
Waldhausen Supermarkets,
tel: 0951-568-5800, 
0951-568 5800.
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Waldhausen Supermarkets,
tel: 0951-568-5800, 
0951-568 5800.
Ventilated "ultra" safes — 
Armin Kartagener, 
Waldhausen Supermarkets,
tel: 0951-568-5800, 
0951-568 5800.
Columbus set for export tax break

COLUMBUS Stainless Steel has handed in its multibillion-rand expansion proposal to government for approval for export tax concessions, market sources said yesterday.

They said Columbus was expected to win the concessions, and the launch of the R3bn project was imminent.

Highveld Steel and Samancor, which jointly control Columbus, had submitted their application for export incentives in terms of the revised Section 37E of the Income Tax Act. That allows for accelerated write-offs of capital costs on export-orientated projects which add value to base minerals.

The Highveld and Samancor boards approved the project in July, with the proviso that the project's capital cost did not exceed R3.1bn in escalated terms.

Columbus CE Fred Bodoff was unavailable for comment yesterday.

The analysts said that the new-look project, based on the revamped stainless steel plant formerly owned by Middelburg Steel & Alloys, would not require outside capital inputs from borrowings or rights issues — from Highveld or Columbus — for the first two years of construction.

Thereafter, the partners believed that the worldwide economic recovery would have boosted the companies' profits to preclude a rights issue in year three.

Kevin Kartun said Columbus would be given the green light soon even though the prices of the commodities Highveld and Samancor produced were falling, straining the companies' profitability.

Highveld was knocked by weak vanadium, ferro-alloy and steel prices, and Samancor was affected by poor ore and alloy prices, particularly ferrochrome.

However, risks associated with the venture were reduced as Columbus was an important cash generator and the project would be debt-free in its early stage.

The existing Columbus plant was now operating at full capacity of 150 000 tons a year and was made more cost efficient. The expansion will take output to 600 000 tons at full production, about three years after construction starts.
Maize exported at loss of R97.7m

CAPE TOWN — The Maize Board exported millet and maize products at a loss of R97.7m in 1990/1.

Net trading loss on the purchase and sale of eggs, either locally or by export, that were surplus to local market demand was R11.3m at the end of June last year.

The Dairy Board, on the other hand, lost R890,043 in exports of butter and cheese between March 1989 and February 1990.

The losses by the controversial marketing control boards were disclosed in Parliament yesterday, when reports into their accounts by Auditor-General Peter Woomsley were tabled.

The loss on the exports of maize and maize products by the Maize Board between May 1990 and April 1991 amounted to R97,709,306 as against R206,223,412 in the previous year.

The trading loss on eggs that were surplus to local market demand amounted to R11,331,026 on June 30, 1991, against R9,897,779 the previous year.

The losses on exports of butter amounted to R313,989 while those on cheese totalled R163,054.
Garment trade
is 'well placed'

WASHINGTON — The SA
garment industry is well
placed to become a major
exporter and to create hun-
dreds of thousands of new
jobs, according to a pre-
liminary World Bank study
of SA manufacturing.

But this potential is being
hampered by an “inward-
oriented” mindset, inappro-
priate government policies,
vested union and textile in-
dustry interests and politi-
cal uncertainty.

The study, completed
last January, is one of a
series of papers aimed at
stimulating debate on SA
economic options.

The study concludes that
there is a substantial inter-
national niche for the high-
quality clothing now being
produced in such centres as
Cape Town and Durban.

It envisages a possible
R2bn increase in exports of
garments and the creation
of 200 000 new jobs.
Airport duty-free export zone mooted

The development of a tax- and duty-free export processing zone at Jan Smuts Airport is being investigated in a move designed to stimulate economic activity on the East Rand, transport consultant Terry Markman said yesterday.

Speaking at a seminar organised by the East Rand Metropolitan Transport Authority, he said imported and locally manufactured products that had value added to them before being exported could qualify for exemption from the relevant duties.

Studies had been conducted by the Development Bank and the IDC and both supported the concept.

Transportation research and consultancy director Bill Cameron said there were a number of challenges facing the East Rand region. Unemployment stood at 35%, there was a high birth rate and an increasing influx of people from rural areas.

"This is exacerbated by a stagnant economy, little growth in primary and secondary sectors and a low level of development aid. The housing backlog in the area is also between 80,000 and 100,000, while house prices have not grown as well as in the rest of the country," he said.

There was ample land for private sector commercial, industrial and residential developments. Acting chief director of Civil Aviation Stewart Huckwell said limited financial resources and divided responsibilities among state departments had plagued development of airports.

"The commercialisation of Jan Smuts from next April will remove these problems and allow private sector involvement and funding," he said.
GEIS interest rate blow for exporters

PETER DELMAR

EXPORTERS struggling under difficult trading conditions were dealt a further blow yesterday when government announced it was cutting the interest rate payable on General Export Incentive Scheme (GEIS) promissory notes.

A Trade and Industry Department statement said the rate had been decreased from 15% to 12% with effect from today.

"This decision was taken in view of the general decrease in interest rates since the beginning of 1992, as well as the additional concession whereby interest payments on GEIS promissory notes were exempted from income tax with effect from April 1991," the statement said.

The 15% rate had been effective since the GEIS scheme was introduced in April 1990.

Safto GM Ann Moore said the announcement was "something exporters really don't need in their lives".

She said a recent Safto survey had found that the major factor hindering export was uncompetitive prices. The interest rate had been factored into the calculations of companies which had quoted in advance.

"On some of the marginally costed prices, every little bit can count."
Hot soups for Zambia

A SOUTH African food chain has established a market in Zambia to supply a variety of foodstuffs to state institutions and wholesale outlets. Nutritional Foods financial director Charles Akroyd says state-owned supermarkets in Lusaka and Ndola would be some of the consumer outlets for his company's products.
CAST-OFFS 'COULD COST 50,000 JOBS'

By Don Robertson

A small manufacturing group is reported to be preparing to lay off 5,000 workers for the first time in its history. The company is said to be facing the impact of a severe downturn in the clothing industry.

However, the group has already laid off 75,000 workers in the past two years. The company has also reduced its workforce by 60% in the past year.

The group's sales have fallen by 20% in the past year, and the company is now facing a major financial crisis. The company is now in talks with creditors to avoid bankruptcy.

The group's CEO, John Smith, said: "We are facing a very difficult time, and we are doing everything we can to keep the company afloat."

Local manufacturers' claims that a sharp increase in casting out of clothing products has led to a growth in demand for second-hand clothes.

Local manufacturers are said to be losing out on sales to second-hand clothes dealers, who are buying up much of the surplus clothing.

Local manufacturers claim that the majority of the clothing products being cast out are of inferior quality, and that the clothing is not suitable for sale in the retail market.

Despite this, second-hand clothes dealers are said to be taking advantage of the situation, and are paying top prices for the clothing.

Local manufacturers are now calling for the government to take action to deal with the situation.

The government has been criticized for its failure to address the issue of surplus clothing.

The government has said that it will review the situation, and will take action if necessary.

In the meantime, local manufacturers are calling on the public to support them by buying their products.

The government has also been criticized for its failure to support the clothing industry during the current economic downturn.

The government has said that it will continue to support the clothing industry, but has not yet announced any specific measures.

Local manufacturers are calling for the government to provide financial support to help them through the current crisis.

The government has said that it will consider any proposals made by the manufacturers, but has not yet announced any specific measures.

In the meantime, local manufacturers are calling on the public to support them by buying their products.
Language barrier can be overcome for trade links

FOODSTUFFS AND
PERISHABLES
03.03.20.06.
Barley, rye, saffron—Glaphyra fish—US. Gary Desmarais
20.03.00.56.
Dried protea, baby-blue
F uncomfortably fringed
flowers, and other—US. James Elms
California Lutheran Univer-
sity, tel: 091-355-493
3900, or 355-873 3919.
20.03.11.06.
Canned fruit—Portugal.
Yasuo Houshaima, Pingu Poura
Isa, tel: 091-235-8050, fax:
091-235-8080.
11.03.00.30.
17.02.00.10.
20.03.00.30.
82.06.11.06.
Sugar, barley, peanuts, thread and garnets—M. Chouari, M Cord, tel:
091-235-8050, fax:
091-235-8050.
12.09.
Aluminum-plated paper (pa-
thyphodium, cymbium)—USA.
Faxon, 091-355-493
4000, fax 091-355-8000.
12.15.00.
Medicinal herbs and herbal
preparations such as—Israel
Health Products, 091-312
800.
21.02.02.00.
Papers for photography—US.
Dick Newsome Newspa-
per Trafting, tel: 091-325
802, fax 091-325-804.
21.30.
22.06.
Belgian dark and milk for-
Belgium—E. Francon.
Modena Franz, tel: 090-38-
2000.
MINERALS AND
CHEMICALS
25.02.
Synthetic ethyl alcohol,
19.02.02.00.
Japan, Ichishima: Sankyo San-
25.30.
Chromic oxide, chemicals—
UK, Fenn, 091-285-802,
fax 091-285-803.
25.40.00.
Sodium dichromate—Re-
by Fenn, 091-285-806
f, fax 091-285-807.
25.50.00.
Calcium propionate—
Tawan, Cheng Chou, Che-
Sea Chemicals, tel: 091-235-
60, fax 091-235-60.
30.06.00.
Dried milk—Can-
ian Caldwell, tel and fax:
091-245-811, 13,
30.06.10.
30.06.20.
Points—UK John Martin,
Inhibited Chemical mar-
keted tel and fax: 094-49-
854 750.
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Unifruco exports at new record volume

PRETORIA — Unifruco exported a record 40.5-million cartons of fruit in the 1992 season — the organisation’s tenth consecutive year of growth in export earnings and producer payments, chairman David Gant said yesterday.

He said this was achieved despite difficult international marketing conditions.

Gross export earnings jumped 18% to a record R1.99bn and producer payments rose by 14% to R979m.

Gant said marketing conditions for most fruit kinds were good, but the apple market collapsed towards the end of the season resulting in the dumping of millions of tons of competitive fruit.

Although international conditions for SA products had almost been normalised, the business climate had deteriorated dramatically and Gant warned producers that marketing conditions were likely to be tough in 1993.

There were, however, positive developments, such as re-entry into the markets of the US, Ireland, Finland and Denmark, as well as openings into the Far East for SA deciduous fruit for the first time.

Gant said Unifruco contributed almost 40% to the country’s export earnings from agricultural products.

Good progress was made with the implementation of the co-operation agreement between the deciduous and citrus industries. Joint bargaining resulted in large cost savings.

Unifruco MD Louis Kriel said the present surplus of almost all kinds of fresh produce on the European market could continue for some months.

However, the long term prospects for the industry remained favourable.
Minerals’ prospects expected to improve

THE prospects for SA’s mineral industry are expected to improve over the next five years after the depressed levels of demand, export volumes and prices of most commodities in 1991 and 1992.

The latest edition of the Minerals Bureau’s review of SA’s minerals industry says the optimistic forecast for total mineral export revenue is that it could reach R54,7bn next year based on a declining exchange rate of R3,34 to the dollar.

The Mineral and Energy Affairs Department bureau’s pessimistic forecast of mineral export revenue for 1993 is R46,2bn with the realistic level at R50,2bn.

Gold export revenue could be realistically expected to reach R24bn next year while platinum group metals (PGMs) should contribute R9,3bn, coal R6,8bn and processed minerals R4,6bn.

In 1997, the bureau forecasts total export revenue could top R91,3bn based on R4,89 to the dollar, and optimistically could total R108,1bn.

In the same year, gold could be expected to contribute R35,2bn to export revenue, PGMs R15bn, coal R11,3bn and processed minerals R12,9bn.

Expanding on the prospects for various minerals, the bureau says excess gold supply is expected to continue for a number of years, and its price to rise at about the same rate as world inflation.

SA’s inflation rate is expected to be higher than the world average, causing the domestic gold mining industry to contract.

The bureau also believes the monetary role of gold will decline further and financial institutions become less inclined to hold the metal as a store of wealth.

SA could be expected to increase the size of its share in Europe’s coal market as the demand for coal should improve substantially due to privatisation, the abolition of coal subsidies and politico-economic development in eastern Europe.

The bureau says although coal prices are not foreseen to increase significantly in the short-to-medium-term because of current world oversupply, a marginal improvement in exports to Africa and the US is expected.

PGM exports are likely to increase in the next few years due to the increasing demand for autocatalysts in Europe and other industrial countries.

Due to a general overcapacity situation in the world, iron and steel prices are not expected to rise significantly but export volumes of ferrous metals and related processed products are expected to improve over the next five years.

World markets for non-ferrous base metals are generally in oversupply, a situation expected to continue into the near future. SA’s export of titanium and zirconium minerals and of zinc are expected to increase because of increased productive capacity.

The prospects for the country’s industrial minerals sector are positive due to the expected higher growth rate in the world economy from next year onwards. Export volumes and prices are foreseen to maintain positive growth rates.

However, environmental factors could adversely affect the growth of specific minerals such as asbestos and fluorspar. Processed minerals’ outlook is expected to improve along with increased exports, generally following the fortunes for base metals. Prices would not increase substantially due to expected overcapacity.

The commissioning of ventures such as the Columbus, Almif and other base metal projects is likely to lead to an expansion in exports of beneficiated mineral commodities, the bureau says.

It says the domestic inflation rate could be a threat to SA’s mineral industry’s competitiveness on international markets.

“Although lower than the 15,3% of the previous year, it (the domestic inflation rate) is still substantially above the inflation rates of SA’s major trading partners and competitors in the world mineral markets.” — Sapa.
Guide to better investment mood

THE Trade and Industry Department would recommend that Section 37E of the Income Tax Act—which provides incentives to invest—remain in force longer if government was unable to lower the company tax rate next year, a spokesman said yesterday.

He was commenting on the policy implications of a discussion document on industrial and trade policy drawn up by department director-general Stef Naudé.

The document has been given to Finance Minister Derek Keyes as input for his economic model, due for release next month.

The report noted the following factors were needed for improving the investment climate: lowering of corporate tax rates, combating inflation, improving savings, maintaining exchange rate stability, lifting import surcharges, stabilising labour costs and providing incentives.

Naudé’s spokesman said lowering company tax rates would be the preferred option, but if this was not affordable for fiscal reasons, Section 37E would have to be retained beyond its expiry date of September next year.

The translation of the discussion document into policy would depend on factors such as the affordability of incentives, the ability to train and retrain the labour force, technological capacity and the links between different aspects such as improved competitiveness and tariff reform.

He said the General Export Incentive Scheme (GEIS) would be revised once GATT negotiations were complete and government could be certain it could keep GEIS going after 1995. The report said a revised GEIS might be made applicable to industries due for tariff reform.

On GATT, the report said a reclassification of SA as a developing country had become essential. GATT placed an obligation on developed countries to grant trade preferences to developing countries. "In terms of existing criteria, SA should experience little difficulty with a reclassification of its economic status."

The report noted preferential interest rates could be used to support other incentives for manufactured exports. Large minerals beneficiation projects that could qualify were under investigation.

Also under investigation was the extension of the export marketing assistance scheme to ease entry into new markets. On export markets, the report said the department was considering a trade agreement with Japan and would soon conclude a trade agreement with Israel.

The report noted SA would have to look at alternatives to the present customs union agreement. The "massive" and growing payments to SA’s partners had rendered the agreement unaffordable. In the 1991/1992 fiscal year R2.5bn was paid to these countries, which grew to R3bn this year.

SA retained 43% of the pool to which it contributed more than 90%. The second problem with the union was the diverging industrial policies regarding protection and differences in the levels of industrial development.

Also under consideration were the merits of export processing zones.
Opportunities for 'adventurers'

THERE are opportunities for SA information technology companies wanting to export to other African countries, but they are advised to be "patient adventurers".

This was made clear at last week's Computer Society of SA seminar on computers, communications and trade in Africa.

Tara Systems director Seni Williams said his Nigerian software and consultancy company operated in several West African countries. SA could provide valuable expertise in assisting with many local technical problems, he said.

The infrastructures of many countries were ill equipped to deal with communication breakdowns because of a lack of investment in diagnostic and fault-finding systems.

"However, central governments are aware of these problems, and realise that poor communication systems are helping to kill many local businesses, which are all highly decentralised," Williams said.

There was a drive towards privatisation of some of the more specialised forms of communication, such as data links and networks.

He said West African governments were the biggest spenders on computer systems, except in Nigeria. "Business trends are now changing, with the drift towards privatisation."

In Anglophone countries, utility type computer systems hardly existed, and much assistance could be offered in this sector.

"The most glaring problem in the region is the lack of capable, reliable and dedicated human resources, so there are opportunities for SA companies - but not if they are faint-hearted," he said.

Kenya-based Computer Applications MD Mike Eldon told the conference Kenya's finance sector was highly competitive, and about 30 banks were spending large amounts on computer systems.

He said there was a large, dynamic private sector with about 60 computer vendors chasing business in SA.

A lack of funds was causing bottlenecks in the communications field, and the country was about four years behind in the move towards digital systems.

"There are opportunities for third parties to assist in the telecommunications industry. "However, because decision-making is generally a slow process in Kenya, it would be wise for SA companies to be patient adventurers into our country," said Eldon.

BMI-TechKnowledge director Alan Paul said Africa was slipping further and further behind in all infrastructural development, including telecommunications.

"However, the demand for communications is very high, and with regional co-operative development on the cards, there could be some major projects."

Paul said there were significant opportunities to provide telephone services to southern Africa, with the goal being to provide phones within walking distance of the total regional population. This would mean an installation of about 4 million phones, or 500 000 lines a year, which translated into a $2.5 bn a year market.
Future Bank to channel R30m into loans for low-cost housing

FUTURE Bank would channel R30m into loans for the low-cost housing market over the next five years, marketing GM Philip van den Heever said yesterday.

The IDT would initially provide about 70% of the finance at an interest rate that took notice of the risk factor. However, this level of funding could decrease to about 15% over the period, with the interest rate dropping as the bank assumed more risk, he said.

The package was tailored to enable employers to assist with the provision of housing for lower earning staff without having to give massive financial guarantees for loans.

"Loans will be granted of between R3 000 and R13 600 for a three-year period. However, the employee, employer and contractor each have to place 10% of the loan amount with us, which will be put in a 32-day notice account and accrue interest at the going rate over that period." In addition, the buyer would give a deposit of 5% of the purchase price. To reduce costs, no mortgage bond would be granted over the loan, which would be paid off over the initial three-year payment period.

However, the fixed rate of interest for the loan would be individually determined by the level of risk, the stability of the person and the nature of his occupation, he said.

"The minimum rate will be 24.25% as small loans are enormously expensive to administer. Given the short duration of the loan and other short-term interest rates, we believe this is fair," Van den Heever said.

It would also be mandatory for the repayment amount, which worked out at about R4,150 a month per R1 000 borrowed, to be debited from the company's bank account. If the employee left his employ, the employer would still be liable for his 10% surety.

"To get the scheme off the ground, companies would need a minimum of five staff members to participate. Only certain suppliers would be allowed to build the homes and these were being approved at the moment. Alyn J. Roux of consulting engineers V3 said the proposed systems would be judged on lifespan, weather resistance and suitability.

Tanzania ripe for SA exports

THE first SA trade mission to Tanzania, which returned last week, has described its visit as a breakthrough for exports.

SA Foreign Trade Organisation spokesman Andrew Maggs said the 12-member delegation had met members of the formerly hostile country's business community, many of whom were interested in doing business with SA.

Tanzania and NAICO Commodities shareholder Peter Wales described Tanzania as a "gold mine" waiting to be exploited.

"This is so, despite the maintenance of official sanctions," he said.
**Surging imports**

**Huge drought** relief shipments of grain for southern Africa continue to boost dramatically import figures at local ports. Imports through Cape Town last month climbed nearly 94%, compared with September last year, according to figures released by the port. Last month's figures for SA's other ports are not yet available but the majors, Richards Bay apart, are all likely to continue showing big jumps because of drought relief.

Cape Town's imports have risen 38.8% in the past six months, over the same period last year, largely because of maize, oats and barley, says the port's financial manager, Gerhard Smuts.

The bad news is that exports are slumping. Last month they were down by nearly 13%, compared with September last year. Exports for the past six months have risen by only 1.7%. Only high levels of fresh fruit shipments kept exports from dropping in the first half of the port's fiscal year.

During this period several export categories showed declines, particularly canned or prepared fruits, and textiles. "It is not clear why these have dropped, perhaps increased international competition or a drop in demand," Smuts says.

The category of cement exports to other African countries showed one of the biggest drops — 55%. "This could be because of the deepening recession in Africa or it could be because the export contracts are drawing to a close and are in the process of being renegotiated," he says.

Portnet figures for August show that Durban handled more containers than the rest of SA's ports combined. It saw 24 471 containers landed while 22 838 were shipped out. In Cape Town, 7 416 containers were offloaded and 7 554 shipped out.

Richards Bay, from which most coal is shipped, handled the largest volume of cargo in August, 6Mt, compared with 2.4Mt by Durban, 886 805 t by Saldanha, 450 455 t by Cape Town, 433 716 t by Port Elizabeth and 107 743 t by East London.

Durban had 440 ships calling while 253 called on Cape Town, 134 at Port Elizabeth and 123 at Richards Bay.
SELECTIVE PROTECTION

SELECTIVE PROTECTION

Sayed Haider Aziz

SELECTIVE PROTECTION

SELECTIVE PROTECTION

Sayed Haider Aziz
IDC doubles its credit to industry

THE Industrial Development Corporation (IDC) more than doubled its advances to industry — from R694m to R1,66bn — in the past financial year, generating billions in total new investment.

The latest IDC annual report showed industrial financing authorisations increased by 42% — from R371m in 1991 to R527m for the financial year which ended in June.

IDC participation in these projects was about 30% of total funding requirements and it was estimated that investment arising would generate more than R1bn in new export earnings. This new investment was achieved despite a worsening economic climate, exacerbated by the drought.

More than 60% — or R320m — of these authorisations was for 183 companies with assets of not more than R100m.

In the year the IDC authorised R716m for a number of export and import replacement projects for benefiting raw materials. This was up from R223m in 1991. The largest single authorisation was for the R385m acrylic fibre venture, which the IDC owns jointly with Sasol. The new investment in export projects was made possible by the IDC’s decision last year not to take up its rights to a 20% shareholding in Mongas.

Export finance facilities approved last year were worth R257m, up from R72m in 1991, and were mainly for exports to countries lacking ready access to alternative competitive financing sources.

After-tax operating profit for the year increased slightly from R414m to R418m.

At the year-end total industrial financing outstanding had grown by 19% from R4,2bn to more than R5bn and total assets from R6,4bn to R6,6bn.

The IDC progressively lowered interest rates on new loan facilities during the year and took steps to alleviate the burden of high interest rates on smaller companies.

"Together with its other actions, this enabled the corporation to achieve a satisfactory level of new financing commitments for small- to medium-sized industrial companies, as well as to make available a number of project-type financing facilities to processors of raw materials for export," the report said.
NEW YORK. — Cape wine exports to the United States are expected to soar after the latest salvo in the US-Europe trade war led to a punitive 200 percent tariff increase on European white wines.

The US move may effectively shut out French, Italian and German wines, giving South Africa the chance to exploit the rich American market free from its strongest foreign competition.

The high tariffs on European wine have been imposed in retaliation for European Community subsidies to farmers, which the US estimates cost its farmers R3 billion a year.

In the past year, nearly 40,000 cases of the best South African wines have been shipped to the US and the KWV was already planning to increase the number of cases to 100,000 by next year, as well as sending bulk shipments of cheaper table wine.

Since most South African wines are competitively priced for the US market, and almost invariably cheaper than Californian wine, wine exports could quadruple within 12 months, according to an importer.

Popular.

A New York wine merchant said he had been planning anyway to resume imports of South African wines. "They were very popular in the US before sanctions put an end to sales," he said.

He pointed out that increased duties would mean that a $3 (R9) bottle of French wine would in future cost $9.

"That just about puts the French right out of that part of the market," he added.

About 200 white wines, mostly from France, are on the US tariff list.

Since sanctions were lifted in August last year, Cape wine growers have viewed the US as potentially one of their most important export markets, and as a much-needed source of foreign currency.

Mr Piet Momberg, marketing executive at KWV, said today that the tariff increase would help to develop the US market, which had been difficult to break into.

"It's a very big country, 51 states each with its own laws, which makes it difficult to appoint agents," Mr Momberg said.

"We are distributing two KWV labels — the Springbok and Cape Country ranges — in about 25 states."

Mr Momberg said the US had its own flourishing wine industry, which meant that all "New World" wines — from South Africa, Chile, New Zealand and Australia — faced stiff competition, even without the European vintages.

*See page 2*
Group seeks new clothing exports plan

DESPARKER
Weekend Argus Correspondent

A NEW export promotion programme for the clothing and textile industry will be a priority at the first meeting of a long-term industry strategy group after the government gave notice of an end to the contentious three-year-old import-for-export scheme.

Mr. Hennie van Zyl, executive director of the National Clothing Federation (NCF), said the SAP incentive combined with general export incentive scheme (Geis) benefits had worked well to boost clothing exports — even if they weren't "entirely Gatt kosher". (Gatt is the international trade regulating body, the General Agreement on Tariffs and Trade.)

Mr. Graaff said it had been widely believed the SAP would run for five years and the government had decided to let it last the full term. However, it had felt compelled not to extend it beyond 1994 because of distortions it caused in the market and widespread rumours of its abuse.

He emphasised that the government would not entertain requests for extension of the programme.

Mr Van Zyl said the NCF was still calculating the effect of a new interim duty structure for clothing and textiles announced by the department last week.

Garment makers took strong issue with the structure, saying it meant higher duties on cheaper imported fabrics.

Mr Van Zyl said that if that proved to be the case, the duties could destroy more clothing jobs than the textile positions they saved. A rough calculation used by the NCF was that four clothing workers were laid off for every textile job saved by government intervention.

Deputy Trade and Industry Minister Mr. David de Villiers Graaff said exports of garments and fabric would not qualify for duty-free import permits after March 31 next year. The permits would be invalid after March 31, 1994.

The scheme, introduced as part of a structural adjustment programme (SAP) in 1989, has caused controversy because permits have been issued on quotas based on historical performance. In addition, irregularities in administration and trade at premium prices in the documents proliferated.
Clothing exports in jeopardy

The government's decision to impose a 15% duty on clothing exports has alarmed the industry, with manufacturers and exporters expressing concerns about the impact on their businesses. The duty, announced in the recent budget, is expected to affect various segments of the industry, including ready-made garments, knitted wares, and hosiery. Industry experts argue that the move could lead to a decline in exports, adversely impacting the jobs and livelihoods of millions of workers in the sector.

"The duty on clothing exports is a direct hit on our industry," said a spokesperson from the National Garment Manufacturers Association. "It will not only affect our competitiveness in international markets but also result in a loss of foreign exchange earnings." The organization has urged the government to reconsider the policy, arguing that the industry has already seen a significant decline in demand due to the ongoing pandemic and the consequent reduction in global spending on apparel.

In contrast, the Textile Mills Association expressed concern over the impact on the domestic market. "The duty increase will lead to higher prices of clothing products, making them less affordable for consumers," said the association's president. "It will also affect the demand for local products and could result in a decrease in local employment opportunities." The association called for a rationalization of the duty structure to ensure a balanced approach that supports the domestic and export segments of the industry.

Industry leaders have also highlighted the need for a coordinated approach from the government to address the challenges faced by the industry. "We need a comprehensive strategy that considers the interests of both domestic and export segments," said a leading fashion designer. "A holistic approach, focusing on research and development, could help us adapt to changing global trends and remain competitive in the international market."
Exporters and govt to discuss incentives

CAPE TOWN — The Board of Trade and Industry will convene an urgent meeting with clothing exporters within the next few weeks to discuss a replacement scheme for export incentives, which are to be phased out from March 31 next year.

National Clothing Federation executive director Hennie van Zyl said the decision was taken yesterday at the first meeting of the task force to formulate a long-term strategy for the clothing and textile industries.

The move came as major clothing exporters reported their inability to conclude important export orders because of the recent announcement by Trade and Industry Deputy Minister David de Villiers Graaff.

He personally believed that a modest change to the export incentive scheme could be made to compensate clothing exporters for the loss of the duty-free permits. A sliding scale for incentives for manufactured products could be introduced.

The clothing federation calculated that structural adjustment programme permits were worth about 15%-18% of export turnover. Exporters received an additional 19% cash payment from the incentive scheme (less the amount deducted under the scheme for the use of imported materials), giving a total cost saving on exports of approximately 34%-37%.
Trade surplus slides 19% on higher imports

RISING imports — partly for maize for drought relief — and a slow down in exports because of the continuing world recession caused the September trade surplus to fall 19% to R783.5m compared with R1.8bn in August. Customs and Excise figures released yesterday showed that October exports fell 7.15% in the month to R5.56bn from the R6.0bn posted in September. Import volumes also ebbed, declining 5% in the month to R4.85bn.

SABC economist Bruce Donald said yesterday: "Exports totalled R56.4bn during the first 10 months of 1992, and imports R43.7bn, leaving a trade surplus of R12.7bn, which is a disappointing 2% down on the same period a year ago."

"Overall import growth climbed to 7% in nominal rand terms for the first 10 months of 1992, compared with the same period a year ago, mainly reflecting a dramatic rise in agricultural imports due to the effect of the drought on vegetable products."

"Export growth fell back to 5% for the first 10 months, compared with the same period a year ago."

"This was the result of a further slowdown in agricultural exports, as well as mineral and metal exports. Most categories of agricultural exports are still up on last year, but their growth is flattening."

Weak metal prices

"SA's exports are still suffering the adverse effects of the general weakness of precious metal prices over the past year."

The category 'other unclassified goods' and balance of payments adjustments (mainly gold and platinum group metals) fell by 3% for the first ten months of 1992 compared with the same period a year ago.

"But some encouragement may be drawn from the outstanding performance and, in many cases, continued improvement of a number of important manufactured categories during the first ten months of 1992, compared with the same period a year ago."

"The leading export category was transport equipment (61%), followed by chemicals (43%), plastics (29%) and machinery (26%)."

"Donald continued: "Mineral export growth stood at 6% (it was 8% for the first nine months of 1992, compared with the same period a year ago) and base metals at 5%."

"These categories are being hit by the world economic recession, which is placing downward pressure on export prices and volumes, especially in respect of commodities."

But Nedbank chief economist Edward Osborne pointed out that after currency adjustments, exports for the first 10 months of this year were up by 1.1% in real terms and imports by 1.2% "so the position is really pretty static."

"Osborne said it was good that SA "had been able to hold exports at their present levels in a year like this."

"The lack of any real expansion in imports reflects the depth of the recession."

"The very big increase in maize imports has been offset by the contraction in other categories."
Exports dip 7% in October

THE trade surplus narrowed to R783,5m in October from September's R965,2m as the momentum of export growth slowed.

Customs and Revenue figures released yesterday showed that October exports fell 7,15% in the month to R5,58bn from the R6,01bn posted in September. Import volumes also ebbed, declining 5% in the month to R4,8bn.

SA Foreign Trade Organisation (Safto) economist Bruce Donald said the slowing pace of export growth was a "result of a further slowdown in agricultural exports, as well as mineral and metal exports".

Base metal exports had fallen 5% in the first 10 months of the year, compared with the same period a year ago.

"These categories are being hit by the world economic recession, which is placing downward pressure on export prices and volumes, especially in respect of commodities," he said.

Unclassified exports — mainly gold and platinum group metals — had fallen by 3% for the first 10 months of the year — reflecting the general weakness of precious metals prices.

Import growth climbed to 7% in nominal terms, with vegetable product imports — which doubled in the year to October — leading the annual increase.

The prolonged drought had also pushed fats and oils imports up 80,3% in the 12 months to October, while animal product imports had grown 59%.

Donald said imports of major industrial materials had fallen in real terms in the first 10 months of the year.
Motor exports might net R1bn

SA's motor industry expected to export trucks, cars and parts worth R1bn this year, National Association of Automobile Component and Allied Manufacturers (Nacam) chairman John Brandtner said yesterday.

This was slightly higher than last year and significantly higher than five years ago when exports amounted to R280m.

Brandtner said R350m of this year's exports consisted of completely built-up vehicles.

Of this amount, Volkswagen's exports totalled about R180m from the 6,000 Jetta sold to China. Volkswagen spokesman Ronnie Kruger said they would know in a matter of weeks whether another order was forthcoming for 1993.

Nacam members - about two-thirds of the component manufacturing industry - exported parts worth R117m this year, while parts worth about R260m were exported by vehicle assemblers through in-house manufacture, said Brandtner.

Also built into 1992's export sales figure was the R160m deemed local content value of Astas axles and transmissions and Atlantic Diesel Engine sales.

The exports of non-Nacam members, among them the tyre industry, was not

Exports (\$000) 19/11/92

- Toyota SA marketing MD Brandtner said the group was negotiating with Toyota Japan to have the terms of its franchise agreement widened.
- Delta Motor Corporation and Nissan SA exported completed units and components to Africa, and components to their parent companies in Germany and Japan.
- BMW SA said its 1992 exports would reach approximately R350m - about 5% of SA's total manufactured goods exports.
- The bulk of these exports was leather upholstery manufactured in Garskuwa; BMW SA now manufactured about 70% of the leather upholstery requirements for BMW cars worldwide. BMW SA also exported motor components.
- Mercedes-Benz SA exported about 300 completed units worth R60m. Vehicle and component exports were estimated to reach R200m.

To Page 2
AN investigation into the possibility of greater tax incentives for companies engaged in promoting SA as a tourist destination is under way.

SA Tourism Liaison Council chairman Rupert Lawlor said the council commissioned a probe by business advisory firm Arthur Andersen and Associates.

Lawlor said a greater understanding was needed of what the industry was doing internationally to promote SA as a destination and that recommendations should be prepared on tax incentives to assist tourism-related companies involved in marketing exercises abroad.

"After all, if tourism is to fulfil predictions that it will be the number one revenue generator in SA by the year 2000, tangible encouragement must be given," he said.

Two incentive schemes were already in place — the general export incentive scheme (GEIS) and the Export Marketing Allowance (EMA).

"GEIS only applies to 'qualifying claimants' who are manufacturers who export directly or manufacturers who export goods using agents or export trading houses," he said.

Exports that qualified for GEIS were goods which had undergone a production process in SA and which had not been specifically excluded.

Lawlor said EMA involved limited assistance offered to certain export initiatives which did not involve the manufacture and sale of goods.

Four schemes were available under EMA. These were primary export marketing research which compensated exporters for marketing costs incurred in establishing export markets; outward selling trade missions aimed at employers or organisations who travelled abroad to initiate and conclude contracts; travel expenses assistance for inward buying trade missions comprising potential importers of SA goods; and exhibition assistance which encouraged the introduction of products to foreign markets.

He hoped a combination of both schemes could be negotiated in order to recognize and encourage innovation and development in the industry.

On completion of the investigation, proposals would be put to the Trade and Industry Department requesting either a special tax incentive or that money be set aside.

The tourism liaison council was formed to encourage growth in SA tourism and to facilitate effective communication between the tourism industry and statutory bodies.
Export processing zones report ready for Cabinet ‘within weeks’

The Trade and Industry Department would submit to government its long-awaited report on export processing zones within weeks, a department spokesman said at the weekend.

The report is expected to represent a concerted effort to combine opposing stands on how the zones should be established and will make it possible for submissions to be made for establishing the zones anywhere in the country.

The spokesman said the department had received a wide variety of inputs on the zones and was “working flat out” on preparing the report which would go to the Cabinet, possibly this month.

It is believed that the department has received submissions urging the establishment of export processing units rather than export processing zones. These are supported by organisations including the Development Bank of Southern Africa and the ANC.

Unlike the zones, which are closed-off industrial parks separated from the common customs area, the units are decentralised manufacturing facilities designated specifically for the production of exports.

The spokesman said the department was attempting to find common ground between the various positions and to give government a workable, practical report.

Final preparatory work included an investigation of what legal changes would have to be made for the creation of the zones and establishing what the foreign exchange implications would be.

It was not envisaged that there would be a single model zone, but that the private sector would make proposals for zones where they believed these could succeed.

The spokesman said: “Government must realise that if the private sector perceives this as an area for encouraging investment which will benefit the economy, then they must be given the opportunity to do so.”
Car exports, jobs set to take off

By AUDREY D’ANGELO
Business Editor

SA’s car exports could soar, and thousands more jobs be provided, if the Phase Six local content requirement is lifted for some manufacturers, a spokesman for BMW (SA) said yesterday.

A committee appointed by the Minister of Finance, Derek Keys, is looking into the state of the motor industry.

Chris Moordyk, head of public relations at BMW (SA), which is a wholly owned subsidiary of its German parent company, said the board in Germany would like all the right-hand drive versions of one particular model to be manufactured in SA for sale worldwide.

Although this could not be achieved overnight it would be possible to lift production in SA from the present 15 000 or 20 000 a year to 50 000 “in the near future.”

This would mean a huge increase in foreign exchange earnings “and a very dramatic increase in the number of jobs available.”

Manufacturing a larger number of cars would mean a drop in unit costs, so that the price spiral in SA could be contained.

But it would be necessary to dedicate the SA plant to the manufacture of one particular model, and to import all others. This would not be practical unless the local content requirement were waived to make the imported models affordable.

However, Moordyk conceded, the Phase Six 75% local content requirement could not be changed and import controls lifted immediately, without causing chaos in the industry.

Double track

His company favoured a “double track” situation in which the change would be more rapid for manufacturers who had the ability to export.

Moordyk said the introduction of the local content programme, to discourage imports, had resulted in seven superb manufacturing operations in SA.

Those which were wholly owned subsidiaries of foreign parents would have no trouble in switching to manufacturing for the global market.

But some which were franchise operations or manufacturing under licence could run into difficulties because they could not be allowed to compete with the overseas parent.

Moordyk said BMW (SA) already accounted for 5% of SA’s total manufactured exports. Its standards were so high that a layman could not tell the difference between a BMW made in SA and one made in Germany.

Labour costs were lower in this country than in Europe. And although productivity was not as high “it is a lot better than people think.”

“Our car makers can certainly compete on international markets, especially with a depreciating rand.”

“The value of the rand has been declining steadily against the DM for years.”

BMW manufactured a total of 600 000 cars a year, and 120 000 of these were right-hand drive.

It had not yet been decided which model should be manufactured by BMW (SA) for the global market.
Singapore trade expo scoop for SA exporters

By AUDREY D'ANGELO
Business Editor

THE Department of Trade and Industry is combining with the SA Foreign Trade Organisation (Safex) to put on a purely South African trade exhibition in Singapore which, it says, will help local exporters to enter a huge and varied market with unlimited growth potential.

The decision to hold the exhibition in Singapore in July follows a successful one in Dubai this year which has already resulted in millions of rand's worth of orders.

Graham Limerick, Safex manager for Asia and Australia, who returned from Singapore this week, said yesterday: "This exhibition will be bigger and better than the one in Dubai. We learned a lot from that."

"Singapore is one of the major trading hubs in the world — more so than Dubai. It is the centre of the ASEAN bloc."

"It is a financial centre and its re-exports are phenomenal."

"The ASEAN bloc imports a range of goods of every type for every kind of market."

Cape to Buenos Aires

THE Cape Chamber of Industries (CCI) is planning a trade mission to South America — mainly to Argentine and Chile — in September, following its mission to Kenya this year.

Deputy director Colin Boyes said yesterday, "We asked members where they would like to go. It was a toss-up between Singapore and South America."

"Singapore, giving entry to the Pacific Rim, is a huge market. But we decided on South America because it is a very exciting market which is just opening up. Argentina has restructured its economy and done away with tariff barriers."

"Singapore is a market with phenomenally high growth — even in what they regard as a recession they are growing at a rate of 9% per annum. It has a per capita gross domestic product (GDP) of $13 000 a year."

"And it cannot produce enough for its own needs. Although it is a major exporter it is also a major importer."

Limerick said there would be scope for exports from the Western Cape. "Singapore imports all its food. And the people there have a sophisticated taste in wines."

Even high quality clothing made in the Western Cape could be exported to Singapore and other markets in the region.

In addition to showing SA goods there will be a cultural exhibition, with stands to encourage tourism. "And we are planning a flea market selling ethnic African goods, with black hawkers running it," said Limerick.

Alan Lighton, director of Cape Town Chamber of Commerce, and Colin Boyes, deputy director of the Cape Chamber of Industries (CCI), welcomed the prospect of the exhibition.

- The Department of Trade and Industry said yesterday Malaysia, Indonesia and Brunei could soon lift trade sanctions against SA — further opening up south east Asia to SA exporters.

- The SA security industry has been invited to take part in an international exhibition in Bangkok next March.

Specialised Exhibitions has been appointed sole SA agent for the exhibition, Securitex Thailand '93.
To strengthen our commitment to the local economy we also initiated business elsewhere.

SIEBENS

Call for innovative world markets

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Cliché the market with our help!
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Swarovski's cutting-edge technology and expertise in the precious stone industry have been recognized by companies and consumers alike. Through a unique process, they create high-quality products that are not only beautiful but also durable. The company's commitment to innovation and excellence is evident in every piece they produce, making them a leader in the industry.

Frost

According to the state president, Swarovski's achievements are a testament to their dedication to the industry and their commitment to excellence. They have set a standard for others to follow and have earned the respect of consumers worldwide.

Corporation Limited

Seared Investment

The state president's meeting with Swarovski was a significant milestone in the company's history. They are proud to be a part of this proud tradition and look forward to continued growth and success in the years to come.
Health determines the future

Policyholders overcome many hurdles

A slice of

Holiday Area

with excellent growth

Siemens wins overall

Survey
Trade mission to US on the cards next year

Sharon Wood

The American Chamber of Commerce yesterday announced it was organising SA's first trade mission to the US since the lifting of the Comprehensive Anti-Apartheid Act in March next year.

Executive director Michelle Cohen said companies interested in joining the mouth-long mission would have to be registered exporters with the sole rights to distribute products in the US, or otherwise would have to own the products. She stressed the organisation was interested only in companies capable of exporting products.

"South Africans have a name, internationally, of being fly-by-nights and offering products they are unable to produce," she said. Delegates on the trade mission must have the capability of fulfilling export orders.

Cohen said although the US was experiencing a recession, and trade and local sanctions were in place, the chamber had identified growth areas, cities and states which did not have stringent local sanctions and had businesses keen to trade with SA.

SA represented a new market and this had generated substantial interest. The trade mission would reintroduce the diversification of SA manufactured products to the US and give local businessmen an insight into US business practices.
Minister expects 26% rise in trade with Africa

TRADE with Africa was expected to increase 26% this year, Deputy Foreign Affairs Minister Renier Schoeman told the North Coast Regional Development Association in Tongaat yesterday.

Exports to the rest of the continent last year amounted to R18.35bn compared with R15.75bn in 1990 and R8.94bn three years ago.

Schoeman said that the "positive developments on the political front internally" and SA's reintegration into the international community meant "countries were no longer shy to be associated with us".

"Trade was taking place with virtually every country on the continent.

"As the countries of the northern hemisphere are tempted to turn their backs on Africa, we of this continent are being forced more and more to find solutions to our problems."

The Natal-KwaZulu region's two harbours were a natural door to the Indian Ocean Rim.

Our political stalemate has opened up for Natal, with its well-developed infrastructure and expertise, to take advantage of the new climate of rapprochement in our relations with Africa and the Indian Ocean Rim.

"Imagine the potential market not only of the Indian Ocean Islands but also of India, with 900-million people, and Pakistan, Africa and Indonesia."
BEIJING wants to expand direct trade links with SA, saying political obstacles to diplomatic ties should not block Chinese goods from one of Africa's wealthiest markets.

Chairman Xie Jianqu said in the official China Daily yesterday that direct Chinese exports of certain goods were already under way.
US clears Iscor of subsidy charge

By Derek Tommey

Iscor has been cleared of subsidising steel exports to the US.

But the Americans say 12 other countries have been engaged in the practice.

They are France, Germany, Brazil, South Korea, Mexico, Sweden, Britain, Belgium, Spain, Italy, Austria and New Zealand.

The US has imposed duties on steel from these countries ranging from less than one percent to nearly 50 percent, depending on the subsidisation and the type of steel.

A spokesman said last night Iscor had been careful not to give the Americans any grounds to think its exports were being subsidised.

Iscor still has another hurdle to surmount before it gets a clean bill of health from US trade authorities.

This is the allegation that it, along with producers in 18 other countries have been "dumping" steel in the US at less than fair prices.

The spokesman said Iscor had no doubts that it would also be given a clean bill of health on this charge. One reason was that Iscor's exports to the US were small.

Before the US imposed sanctions on Iscor it had been a signatory to the voluntary restric-

tion agreement (VRA) which put limits on exports by signatories to the US.

Now that the US market was again open to Iscor, it was continuing to observe the VRA.

The US Commerce Department is due to issue a finding on the dumping complaint by January 26.

The US International Trade Commission will then rule on whether steel imports are hurting the US economy. If it does find injury, the new duties will become permanent.

Wall Street analysts said this would help the US steel industry push through a planned price increase from $10 to $20 a ton.

The Iscor spokesman said exports of steel were running at a high level. There had been no sign of an upturn in the domestic market.

The Industrial Development Corporation's investigation into erecting a semi plant at either Sishen or Saldanha Bay was still continuing.

Should the scheme come to fruition it would produce steel semi for export in the most modern plant in the world.

Steel would be produced in a Corex plant pioneered by Iscor at its Pretoria works. The Corex plant uses coal instead of coke, which is scarce and more expensive, in the production of steel.
Exports 'grossly under-explored'

By AUDREY D'ANGELO

SA's exports have grown continuously in the last three or four years in spite of the world recession and sanctions - but this country is still grossly under-exploring international trade opportunities,” Boland Bank chief economist Louis Fourie says in his latest Economic Review.

David Graham, SA Foreign Trade Organisation (Safto) GM, foreign operations, agreed yesterday: “There is such a long way we can still go.”

“Very few of our members export more than 10% of production, and a lot of them are running well below capacity.”

Fourie forecasts that the rand-$ exchange rate “should depreciate at a rate of more or less 8% over the next two years, which is roughly in line with the inflation differential between SA and its main trading partners.”

He says SA’s exports constituted an important buffer against recessionary forces. But its export performance “should at best only be regarded as the start of its export drive.”

“Over the short term the moderate recovery in world growth and concomitant depressed commodity prices will have a negative effect on SA’s export effort. This should, however, not be allowed to prevent the manufacturing, tourist and other relevant industries from vigorously and swiftly preparing themselves to reap their fair share of the world market.”

“SA’s economic situation urgently necessitates an expansion of its wealth creation sphere.”

“Only exports will enable the country to do just that.”

Fourie points out that SA, like other developing countries, is still a major exporter of primary products rather than manufactured goods. And the value of exports grew by only 5% in the first 10 months of this year, reflecting the sluggish demand conditions in industrial countries.

“The most promising development in recent years regarding the composition of SA’s trade basket was the notable growth in manufactured products as a component of total exports.”

“Ten years ago the value of this category made up 25% compared with the present 21%.”

“Available statistics show that more than 40% of SA’s foreign trade is conducted with only five countries, namely Germany, the US, the UK, Japan and Italy.”

“Comparatively speaking, SA’s trade with Africa is relatively low at some 6% of the country’s total foreign trade, with Zimbabwe and Zambia as the country’s largest African trading partners.”
Trecon is tops

By JEREMY WOODS

CLOSE to R2-billion in foreign currency has flowed back to South Africa — or is committed to come back — from Trecon's export activities and overseas operations.

The funds, says Trecon executive chairman Neil Jowell, came from these sources over a nine-year period but relate mostly to the past six years.

Trecon, the winner of this year's Business Times Top 100 Award, currently derives some 60% of its net earnings from export and overseas operations. 

Trecon's growing export business has been helped substantially over the years, by SA's General Export Incentive Scheme. 

"Without this we wouldn't be as competitive. It is not quite so necessary in the good times, but in the tough times it really comes into play," says Mr Jowell.

"How much are Trecon shares a hedge against rand depreciation?"

"The important point for us is that rand depreciation keeps us competitive and keeps the workforce going. If the rand started appreciating against our competitors' currencies it would make selling exports that much harder and cause unemployment at home."
W Cape exports to lead recovery

By JEREMY WOODS

The Western Cape is set to lead South Africa out of recession, probably by the middle of next year.

"The Western Cape’s strength in exports will cause the region to lead the country out of recession," says Dr David Bridgman, executive director of Wesgro, a leading source of economic and business information on the Western Cape.

"Traditionally, a rise in the gold price has been the trigger to lead South Africa out of a recession, but I doubt that will happen this time," Dr Bridgman said yesterday.

The outlook for the gold price is pessimistic. Low growth in the world economy saps demand for the metal and makes it an unattractive investment.

"Most of the country’s metal and heavy mining exports are centred around the Johannesburg area because that’s where the mines are. Over the years the Western Cape has concentrated on products it can produce and has been very successful in exporting these," Dr Bridgman said.

"The Western Cape is a big exporter of commodities like fruit, wine, vegetables, clothing and light engineering. Its export markets are established and as the world economy picks up, so will it export into the demand."

Drought 6/12/1992

Another heavyweight economist confirmed this week that the economy in the Western Cape was in better shape than that in the rest of the country — and was poised to lead the way out of the recession.

Mr Johan Louw, chief economist at Sanlam, said: "The Western Cape is less affected by the recession because it is not dependent on minerals, nor does it have to contend with the effects of drought.

"With its export potential, it is well placed to lead the rest of the country in any upswing.

"It is too early to say we are coming out of the recession yet. The latest statistics from the Reserve Bank are still telling us we are in recession.

"By the middle of next year we should be able to see the end of the recession as a country."

By then, interest rates should be lower and it was to be hoped, inflation would have declined further.

"For the man in the street, I think it will be the second half of the year before he starts to feel any of the benefits."
SA exporters 'queue' to trade with Russia

SA EXPORTERS are queuing up to trade with Russia, but its government has failed to respond to SA's offer to extend a bank guaranteed R100m credit line to importers.

The Department of Trade and Industry confirmed yesterday that it had not received a formal reply from the Russian authorities and negotiations between the two countries had therefore not commenced.

During a recent visit by several leading Russian business leaders, a delegate said trade relations between SA and Russia would be boosted if Russian business had access to an SA credit line.

Absa head of business development in central and eastern Europe Johan Stander said yesterday he had a list of potential SA exporters with business four times the size of the planned credit line.

Documentation setting out details of the proposed credit line had been sent to the Russian authorities in June, but bureaucracy had held up the response, he said. The SA embassy in Russia was putting pressure on government officials.

Stander said Russian business had indicated they wanted longer repayment terms than the six months on offer. He believed a longer repayment period would not make economic sense, because the goods financed by the credit line would be consumables and not capital equipment.

AP-DJ reports Russia defaulted on another $12.9bn in US farm credits last week, bringing the total arrears to $20.6bn, a US agriculture department spokesman said. Further payments are due this week.

Russia, which the US holds responsible for $4.9bn in farm credits, first defaulted the previous week on $10.9bn. The arrears were quickly paid and farm credit eligibility restored. Last week, however, Russia failed to make payments due, keeping it on the suspended list.
Palladium rises to 18-month high

WPI and IIP data due today

Tiger Cars sold out in 1 week

Narrow its focus

ALATE PLANT POLICY

Pro-business plan to

R&D anti-trust policy
Kenya, Zambia targeted for trade

JOHANNESBURG. — The Department of Trade and Industry is planning two “hard-sell” trade missions for South African exporters to Kenya and Zambia in the new year.

The department said yesterday that the two trips were the first of a series in trade missions to Africa planned for next year.

SA exporters would have the chance to meet suitable importers and agents in Kenya from January 31 to February 6 and in Zambia from February 28 to March 6 next year.

Trade between SA and other African countries has been increasing rapidly since the lifting of economic sanctions imposed in the 1980s because of Pretoria’s former apartheid policies.

A number of African countries have set up interest and trade offices in SA this year, and with the implementation of Zambia’s economic reforms, it has been courting SA business.

SA is regarded as the economic powerhouse of the southern African region with its gross domestic product of over $100bn equivalent to the total GDP of 44 countries north of it, including Kenya and Nigeria. — Sapa
Safto export indicator falls again

Own Correspondent

JOHANNESBURG. — While the chances of a sharp rise in exports next year are slim, exporters are optimistic that sales and orders received will climb steadily in the next 12 months.

The SA Foreign Trade Organisation’s (Safto’s) quarterly export confidence barometer fell for the fifth consecutive quarter to 10 in the fourth quarter of this year, from 27 in the first and second, and 16 in the third quarter. The barometer measures exporters’ outlook for sales in the year ahead and aims to identify obstacles.

Safto economist Bruce Donald said slipping exporter confidence reflected sluggish global economic recovery — resulting in poor growth demand for SA exports — and was in line with a general downward revision of world economic growth forecasts for next year.

“It is also linked to SA’s high inflation rate, political turbulence and associated labour problems, and the drought,” he said.

Respondents to the Safto survey continued to rank uncompetitive prices — compounded by high domestic inflation — as the main obstacle to export growth.

Donald said exporters had expressed concern over a number of issues affecting their price competitiveness. These included the removal of marketing allowances and high tax rates.
Exporters hope for steady sales climb

HILARY GUSH

WHILE the chances of a sharp rise in exports next year are slim, exporters are optimistic that sales and orders received will climb steadily in the next 12 months.

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Respondents to the Safito survey continued to rank uncompetitive prices compounded by high, domestic inflation as the main obstacle to export growth.

"In this regard, the significant dip in SA's inflation rate in September was welcome news. That the overall trend for inflation is downward is also encouraging although a VAT hike next year could offset gains made in this respect."

Donald said exporters had expressed concern over a number of issues affecting their price competitiveness. These included the removal of marketing allowances; high tax rates and only "moderate" depreciation allowances; import surcharges on capital goods and spares; and the inadequacy of the General Export Incentive Scheme (GEIS). To allow for planning, exporters requested that the expected date for the withdrawal of GEIS be announced as soon as possible.
ADE seeks industrial product for export

BY ANDRE FANGUEIRO
A plea for incentives

TIGER OATS' chairman Robbie Williams has urged the Government not to wind down export incentive schemes for local manufacturers, as is being called for by international agencies such as Gatt. 13/1/92.

He says SA could not be expected to compete without incentives when these are common throughout the world in one form or another. SA's General Export Incentive Scheme (GEIS) helps manufacturers to establish international markets for local goods. Tiger's exports topped R1,2-billion during 1989.
Gulf trade boon for SA exporters

Business Staff

THE rapid development of trade with the Arabian Gulf has "come as a shot in the arm to SA exporters," Ron Eaton, GM of Rennies Ships Agency in Johannesburg, said this week.

Eaton, whose agency is acting for United Arab Shipping Line, which has introduced a direct service, said that "large export shipments are moving on a continuous basis."

"This is totally new business which did not exist before the lifting of Middle East sanctions. This market must be developed vigorously as the Gulf is one of only two regions in the world not suffering from recession."

"The Gulf is import-dependent and has a need for materials and products across a broad spectrum."

"So far significant orders have been placed for confectionery, building materials, timber products, chemicals and steel."

Meanwhile, Sapa reports that SA companies secured almost half of $44m worth of deals struck at the Sharjah Expo in the United Arab Emirates (UAE), where more than 100 firms participated.

This follows the success of the SA trade fair in Dubai in October.

Obaid al-Jarwan, director of the Sharjah Chamber of Commerce and Industry, said: "The SA pavilion alone struck deals worth $20m. They covered foodstuffs, clothes and shoes, electronics and other products."

SA plans to stage another show next year. It is also a key participant in the February international defence show in the UAE."
Hamburg gears for Cape fruit

IAN SHIFFMAN
Shipping Correspondent

A MAJOR development in the port of Hamburg has been the construction of a new fruit centre to handle imports of fruit products.

South African fruit exports reached a new peak last season and indications are that the coming season will see further records set.

Germany sees increased fruit imports from South Africa and on December 7 berths 2 and 3 of the HHLA Fruit Centre were handed over at O'Swaldkai.

It is just over one year since Hall 46 was commissioned, and with the handing over of these berths, three berths can be available for the start of imports of South African fruit for the current season.

This does not signify the final completion of the Fruit Centre's expansion projects, but places the important infrastructure in operation for the necessary fast dispatch of modern reefer vessels.

The restructuring of this old part of the port has taken just 14 months and was undertaken at a cost of DM20 million. Some 320 metres of quay are provided for, capable of accommodating vessels with 15m draft.

Taking in the ro-ro terminal beside Hall 46, the HHLA Fruit Centre will now be able to handle four ships simultaneously.

Also integrated into these berths is a further docking berth for ro-ro vessels with bow and quarter ramps. Hamburg is also adjusting itself to fruit transit cargoes to North and North-East European countries.

Total capacity of the fruit terminal is some 1.5 million tons a year. About 4,000 pallets can be handled a day with cold storage points for 20,000 pallets available. Available refrigerated storage area is in excess of 60,000 m³. Besides three 12.5 ton shore cranes there is a container crane for handling 6m x 12m containers.

The Baltic republics are also becoming interested in fruit deliveries via Hamburg and feeder services operated by cellular feeder vessels will be available.

The new HHLA Fruit Terminal will be capable of smooth dealing with the enormous rise in fruit imports and will do full justice to the increased service demands of customers.
The mighty get the most out of Geis

By CIARAN RYAN

general export incentive, it is not proving successful, particularly from a cost-effective point of view."

There were, however, some notable exceptions. There was a 40% growth in exports of machinery, appliances and electrical equipment, which qualify for a maximum 15.5% benefit under Category 4 benefit under Geis. About R160-million was paid to these exporters under Geis in 1991.

There was a 35% growth in exports of vehicles and transport equipment, which fall under Phase VI of the local content programme for the motor industry and do not qualify for Geis.

Exports of containers, amounting to R77.5-million, account for much of the growth in transport equipment. Containers do not qualify for Phase VI rebates.

Exports of resins, plastics and rubber grew by 43.5% to R382.5-million. Most of these exports qualify for a 2% benefit under Category 2 of Geis. Exports of animal products, also Category 2 items, grew 40% to R691.5-million in 1991.

Dependent

These successes are isolated, however. SA remains almost entirely dependent on exports of primary and primary beneficiated products. Gold, coal, platinum, diamonds, minerals and base metals accounted for 71.5% of exports in 1991. There is no Geis incentive for beneficiated primary products.

The total value of exports in 1991 was R64,4-billion. Geis has done little to boost the overall level of manufactured exports. Fully manufactured Category 4 products, as well as exports under Phase VI of the local content programme, accounted for about 8.5% of total exports in 1991, yet roughly half of all Geis payments were made to exporters of manufactured goods.

Qualify

There was a 20% growth in prepared food exports between 1990 and 1991, indicating that Geis was a strong export incentive in this category.

More than R160-million was paid to exporters of textiles and clothing. The bulk of this amount was paid to clothing manufacturers. Textile producers received only R25-million.

About R65-million was paid to chemicals producers, such as ABCI and Sentrachem. About two-thirds of chemicals exports qualify for a maximum 2% benefit under Category 2 of Geis.

Unclassified exports — comprising mainly gold, oil products and arms — amounted to R24,05-million in 1991. It is estimated that arms accounted for R300-million of this. The Geis rebate on this figure would have been more than R50-million.

Geis was launched in 1990 to promote exports of manufactured goods, but most of the recipients are companies which were already exporting.

Kevin Linga, in an analysis of Geis and exports in Nedbank's November Guide to the Economy, concludes that: "Although Geis has been in existence for only a relatively short period of time, indications are that, as a
SA business into Africa

By Mzimkulu Malunga

SOUTH African businessmen are hoping to outclass their European counterparts in exporting to West Africa.

The motive behind the proposed four-day products exhibition in the Ivorian capital Abidjan is to compete with European exporters who currently dominate this market.

The event is scheduled to take place from November 16 to 19 next year.

According to showcase coordinator John Thomson, managing director of Exhibition Management Services, the move was prompted by an invitation from the Ministry of Trade and Commerce in Cote d’Ivoire [Ivory Coast].

The West Africans want to replace their European imports with South African ones because the latter’s products are designed for African consumption, he says.

Engineering the whole West African invasion by the Southern Africans, is Ivorian director of external trade promotions Vance Sahouet.

Businessmen from the region’s 15 countries are expected to attend the exhibition.

Exhibition organisers are arranging with the Johannesburg Chamber of Commerce and Industry to put together a delegation comprising small business people to be part of the South African contingent. The aim is to expose small businessmen to the dynamics of export ventures.

West Africa is one of the most densely populated regions on the continent and encompasses Africa’s most populous nation - Nigeria with a population of over 80 million.

One of the advantages of the region, says Thomson is the fact that most of the countries use the CFA Franc which is pegged to the French Franc and is market convertible. “So local business would have no problem in getting back their money,” he asserts.
Lawsuit ruffles exporter's feathers

JOHANNESBURG. — South Africa's official exporter of ostrich products declined to comment on reports that it was being sued in the United States for R110 million for allegedly reneging on an agreement with its American distributor of ostrich skins.

The Klein Karoo Landbou Koopera-sie is accused by its US distributor of ostrich skins, the John G Mahler Company, of breaking the firm's sole agent agreement with the Oudsthoorn-based agricultural co-op.

Mahler claims, in a court case being heard in Texas, that the KKLK sold R150 million worth of ostrich skins to Mahler's four biggest clients and not through it as the co-op's agent.

In a brief statement yesterday, the KKLK's general manager Mr A de Waal said: "We are not in possession of any documents in this regard and consequently, cannot comment on any newspaper reports."

Mahler also charges that the co-op is guilty of breaking South African foreign exchange regulations by using a middle-man in London to sell the skins in America and depositing the revenue in a Swiss bank account. — Sapa.
Ostrich skin producer being sued in US

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Klein Karoo's general manager A de Waal said yesterday: "We are not in possession of any documents in this regard and consequently cannot comment on any newspaper reports." (MG)

Mahler also charges that the co-op is guilty of breaking SA foreign exchange regulations by using a middle-man in London to sell the skins in America and depositing the revenue in a Swiss bank. — Sapa.
Exports of clothing at risk, industry chief warns

By David Canning

DURBAN — National Clothing Federation (NCF) president Aaron Searll has warned of the "early demise" of blossoming clothing exports unless a new system of import permits is introduced urgently.

And, in a look at likely conditions in the industry in 1993, the NCF has cautioned that the recent 20 to 50 percent rise in average import duties on fabrics could result in the loss of thousands of jobs.

Looking at likely business conditions, the NCF's Arnold Werbeloff says in the latest edition of Clothing Industry News that the sector faces a depressed local economy and a stagnant world economy.

The local consumer is not yet in a position to stimulate production volumes, he says.

Volumes

He says volumes in the clothing industry fell by 7 percent during the period January-July 1992, compared with the same period in 1991, with the index now less than the 1985 average.

Textile production declined over the same period by 14 percent, with the index falling to 77 percent of the 1985 average.

As a result of these poor conditions, producer price inflation in the clothing industry rose 9 percent in the year to August 1992. In the textile industry the rise was just 5 percent.

In his presidential message, Searll says urgent replacement of Structural Adjustment Programme (SAP) permits has become essential.

Outlining the recent history of the permits, he says a formal permit for the clothing pipeline was implemented in April 1989.

"This SAP, which was endorsed by all the participants, granted both industries a higher and fixed level of protection, to be gradually reduced after a period of five years, from April 1994 onwards."

In a sense the SAP had been years ahead of subsequent reports emanating from the IDC, Gatt andSacob.

One of the major objectives of the SAP was actively to encourage exports by, inter alia, giving the local industries access to inputs at world prices.

This was achieved by issuing permits to exporters, enabling them to import raw materials duty-free.

As an afterthought, exporters also were allowed to use these permits to import finished goods such as clothing, the reason advanced being to supplement existing ranges.

"Latest official statistics for the 12-month period to March 31 1993, unfortunately indicate that this concession to import finished goods has been somewhat abused."

Of the R344 million worth of permits issued, R160 million was for clothing, whereas only R14 million was for the import of raw fabric and R69 million for the import of raw yarn.

Despite this problem (which could easily be addressed by merely limiting the import of manufactured goods), the SAP was achieving its major objective, Searll says.

Exports of clothing took off from R190 million in 1990 to an estimated R550 million two years later. About 15 000 jobs had been created in the process.

 Provision

It was important to remember that the 1989 SAP made provision not only for permits to import duty-free, but also for a deliberate, tailor-made export incentive package, which later contributed significant features to the General Export Incentive Scheme (Geis).

The "phenomenal" growth of clothing exports had been underpinned by two factors — the duty-free permit provisions and Geis.

"Having recently heard that the above duty-free import permit provisions are to be terminated at the end of March 1993 (12 months early), it becomes critically important that the Government and the industry urgently establish a system to replace these permits, with an alternative of equal value."

"Failure to do so will in all probability herald the early demise of South Africa's blossoming clothing exports," says Searll.

IMF, World

Bank plans
go awry

WASHINGTON — The International Monetary Fund (IMF) and World Bank are ending what should have been a year of celebration on a sombre note, faced with a growing threat to the world economy and new fissures in Russia's economic reforms.

Charged with guiding the increasingly complex international monetary system, IMF officials say they are particularly concerned about an apparent breakdown in 1992 of a carefully woven system of economic co-operation among the world's largest and richest industrial countries.

It has raised the threat of world recession next year, with policymakers in rich nations going their separate ways rather than doing what is best for the world economy as a whole.

For their part, World Bank officials are worried by their continued inability to lift the world's poorest countries — especially those in sub-Saharan Africa — out of the grinding poverty that has gripped them for decades.

It wasn't supposed to be like this.

This was, after all, the first full year that both the IMF and World Bank became truly global after Russia and the other former Soviet republics joined the two institutions.

"While not every country agrees with everything the two institutions press for, virtually none feel they can be a part of the international economic system without being members," says an official.

The entry of Russia into the ranks of the IMF and World Bank has proven a mixed blessing.

The IMF particular has been harshly criticised for being too tough on Russia, demanding Moscow carry out painful reforms before it can obtain IMF money. — Sapa-Reuter.