FOREIGN TRADE - EXPERT (GEIST)

1993

74 9
SA's export earnings the worst in a decade

By Derek Tommey

South Africa's real earnings from gold and other exports last year were the worst for at least 13 years, an analysis of figures shows.

Because prosperity is heavily dependent on export earnings, the slump in real earnings explains the duration and depth of the recession — highlighted by the sharp fall in Government tax revenue.

Unfortunately, with nothing in the way of a windfall in sight that could markedly improve export income this year, it seems that South Africans will probably have to accept another year of depressed economic activity.

Many people are aware that exports have been hard hit by the world recession and the slump in metal prices.

But the full picture has been concealed because export earnings are measured in rapidly depreciating rands.

As a result it is impossible to make valid comparisons. In current rather than real terms, earnings from commodity exports and gold in 1992 — based on figures for the first three quarters — should be around a record R66.8 billion, up R1.8 billion from 1991.

But in real terms — that is after adjusting the figures for inflation — 1992's receipts from gold and other exports are likely to be down more than 10 percent from 1991.

This slump in exports is nothing new, as the accompanying graph shows.

Since 1985, real export earnings have been sliding, falling in 1992 to 23 percent below what they were in 1979.

The disastrous situation can be blamed on many factors, including the imposition of sanctions, high inflation and the world recession.

But it is also clear that much more could have been done to boost exports and will now have to be done if economic conditions are to improve and enable SA to overcome the legacy of 4 million to 6 million under-employed and unemployed resulting from 44 years of National Party rule.

It is clear that South Africa needs policies that actively promote exports.

But it also needs policies that prevent developments — the possible increase in VAT in the next Budget and the petrol levy — that might harm exports.

The slump in tax revenue has prompted the argument that the Government must raise taxes if it is to have any chance of reducing its huge deficit.

But the counter argument is that most South Africans today are poorer in real terms than they have been for a decade and are in no state to pay more taxes.

Tax increases at this stage would depress the economy still further.

Instead, it has been suggested that the Government could do more to tighten its belt.

Instead of trying to save money through retrenchment, it could introduce a wage and spending freeze.

The policy would at least have the virtue of keeping people in work and eliminate the need for more taxes.

Public servants should not find a short-term wage freeze too onerous. According to the Reserve Bank their wage increases have handsonely exceeded those in the private sector at a time when 233,000 private-sector workers became redundant.

However, the biggest objection to an increase in the petrol price and VAT at this stage is that they would be inflationary and might further darken the flagging export effort.

Anything that makes life more difficult for exporters is surely the last thing South Africa needs in the current recessionary climate.
New Sasol plant will boost exports

THE construction of Sasol's R370m alpha olefins plant should boost the group's annual exports, currently about R600m, by about 50% after it comes on stream in February 1994.

MD of Sasol's newly established Alpha Olefins division, Harry Hyatt, said the plant, which would have a capacity of 100,000 tons a year in its first phase, would export 90% of its production valued at between R200m and R300m.

The remainder would be consumed locally.

Sasol had 450,000 tons a year available, but initially a capacity of only 100,000 tons a year would be used at the plants' two purification and separation units to produce the C5 and C6 alpha olefins, pentene and hexene.

These are used in the production of polyethylene plastics, and for a plasticiser to make PVC products more flexible.

Hyatt said C6 olefins were freely available worldwide at between $1,000 and $1,500 dollars a ton, while the C5 olefins were so costly to make that prices were more than $3000 a ton. Only Sasol could produce olefins cost effectively for the polyethylene market.

The marketing thrust of its C5 alpha olefins would be aimed at the Pacific Rim countries, where there were a number of new polyethylene plants and more plants were being constructed.

Sasol would be the closest supplier to these markets.

C5 olefins would be distributed worldwide, but Sasol would have to convince polyethylene producers that C5 olefins would enhance the quality of their plastics products.

C3 olefins had not been used before because of cost considerations, said Hyatt.

A major marketing advantage was that Sasol could produce olefins cheaper than most other international producers as they were a natural product of the synfuels process.

Also the commissioning of the plant was timed to coincide with an expected improvement in the world's major economies, Hyatt said.
R2.8bn exporter to quit SA

By JEREMY WOODS

A MAJOR exporter of SA goods is about to close his Cape Town office and pull out of the country because he cannot get an efficient cargo handling service to the rest of Africa.

Paul Santos, chief executive of Invest-Africa, a R2.8 billion-a-year trading and exporting group with interests throughout Africa, says: “The government is promoting an advertising campaign abroad to attract investors here, but the infrastructure and communications services the government run are so bad, I’m taking my business back to Europe.”

Already this week, Mr Santos switched a buying order for a shipload of frozen fish from Cape Town to Holland.

“It’s no good the government trying to attract investors here and claiming SA is the motor of Africa if the infrastructure is not there,” insists Mr Santos.

Stolen

Mr Santos, who exports to Zaire and Angola from Cape Town, says when he sends a shipload of exports to either country, one set of papers goes with the boat, and another is flown to the country concerned, for import approval.

“For years SAA has been running the service to Zaire with Air Zaire handling the ground arrangements at Kinshasa. We can never get our papers at the other end. They get lost, they get stolen, no one knows where they are.

“Meanwhile, I have a loaded boat sitting in harbour that I can’t unload because we haven’t got the approved import papers.”

Mr Santos, whose family has been trading in Africa for five generations, says he decided to pull out of SA when he saw how much the infrastructure delays were costing his company.

“I’m losing about R60 000 a month just on paperwork delays and goods going missing — and that’s without all the problems my managers have to go through to trace what’s been lost.”

Mr Santos says he believes
G-7 growth 'may aid SA exports'

TIM MARSLAND

SA exports should benefit from an expected 3.5% growth in G-7 countries' economies during 1993, according to Absa's Economic Spotlight released yesterday.

But it said the rise in volume and price of exports would be moderate.

SA gold mining output was expected to shrink 0.5% year on year in 1993 compared with 1.7% growth in 1992. This was because the low gold price was forcing marginal mines to concentrate on higher grade areas.

It has forecast an average gold price of $330 for the year, compared with $344 in 1992. It said the gold price was being tied down by low inflation in much of the world. Superior hedging instruments in financial markets were also keeping the gold price down, it said.

Non-mining production was likely to grow at 3.4% year on year in 1993 compared with 6.4% growth in 1992 on the back of the increasing economic growth of SA's main trading partners. However, the increase would be moderate because of more efficient production methods.

It forecast a maize crop of about 5-million tons, double that of 1992. However, SA would still have to import maize in 1993.

Internationally food prices were well below their 1985 levels and were expected to show only a modest increase in 1993 because of the large agricultural surpluses being produced by the EC and US. And the liberalisation of trade in agricultural products by the Uruguay Round of GATT, if completed, would increase competition, resulting in softer prices.

It said the maintenance of significant real interest rates by SA's main trading partners limited the extent the Reserve Bank would be able to reduce rates. It was likely the rand would depreciate proportionally to the inflation differential between SA and its main trading partners.
Exports of wine double to R500-m

TOM HOOD, Business Editor

WINE exports doubled last year to earn about R500 million for the Western Cape’s economy.

And they could surge ahead this year as more countries drop sanctions and open their doors to South African brands. Nations such as Canada, Norway, Sweden, Australia and New Zealand still refuse to buy South African wine.

A record 1.3 million cases (16 million litres) were exported, the SA Wine and Spirit Exporters Association reports today.

Table wine made up 80 percent of bottled exports, meaning spirits and fortified wines were no longer the top sellers.

The opening of closed markets such as the United States, Finland and Denmark featured highly in the increase of exports.

Exports to the Far East surged by 128 percent, said association chairman Dr Jannie Retief, who is also KVV’s chief marketing executive.

Germany and Britain remained South Africa’s top markets, taking 23 percent and 40 percent of exports respectively.

Business was helped by new entrants to the export market, including co-operatives, estates and wholesalers.
City clothing firm fashions a Middle East breakthroug

Herbert Gobel is the manager of the new clothing firm that is helping to break through the Middle East market.
Govt set to double export marketing allowances

Own Correspondent

Johannesburg. — Government intends to almost double export marketing allowances to SA exporters and foreign buyers.

A spokesman for the Department of Trade and Industry scotched speculation that the export marketing allowance scheme could soon be scrapped and confirmed that government was in fact considering extending it to service industries.

Last year the department allocated R4m to primary export marketing, which would increase to R6m in 1993/94.

Outward and inward trade missions will be sponsored to the tune of R4m in 1993/94, compared to R1.2m in the current year.

Collective market research spending would be increased from R67,000 to R90,000.

The total export marketing allowance budget will increase from R5.8m to more than R10m.

The spokesman said it was not possible to differentiate between spending on inward and outward missions as allocations were made on applications.
Govt to double export marketing allowances

PETER DELMAR 22/11/93

GOVERNMENT intends to almost double export marketing allowances to SA exporters and foreign buyers.

A spokesman for the Department of Trade and Industry scotched speculation that the export marketing allowance scheme could soon be scrapped and confirmed that government was in fact considering extending it to service industries.

Last year the department allocated R4m to primary export marketing, which would increase to R8m in 1993/94.

Outward and inward trade missions will be sponsored to the tune of R4m in 1993/94, compared to R1.9m in the current year.

However, the spokesman said he was unable to specify whether actual marketing allowance limits would be raised.

Collective market research spending would be increased from R27.6m to R30.6m.

The total export marketing allowance budget will increase from R5.5m to more than R10m.

Need

The spokesman said it was not possible to differentiate between spending on inward and outward missions as allocations were made as applications were received.

"From the reports which applicants are obliged to submit to the department after completion of their market research, it is clear that financial assistance of this nature fulfills an important need, especially among smaller to medium-sized exporters," the spokesman said.

On outward and inward trade missions, the spokesman said it was evident from participants' reports that this incentive scheme contributed to an expansion in SA's export trade.

In the 1992/93 financial year, 80 foreign buyers visited SA as part of 15 inward buying trade missions which were undertaken with financial assistance under this scheme.

These approved businessmen received the cost of a business class return airfare from the point of their departure to SA, business class air tickets inside SA and a subsistence allowance of R200 a day up to 10 days.

All visits lead to the signing of export contracts.

The qualifying businessmen came from Australia, the UK, US, Belgium, Singapore, Japan, Germany, France, Canada, Chile, Hungary, Taiwan, Thailand, Turkey, and Argentina.
Cape wine producers aim for UK

LONDON. — Cape wine farmers are negotiating with a top British chainstore to produce an in-house brand similar to those bottled for Woolworths here.

Mr Neil Ellis and Mr J "Boland" Coetsee, in Britain this week to promote their wines and meet distributors, said they were currently involved in talks with Marks and Spencer — a quality clothing and food store.

"We will be producing a wine for them soon. They are very, very keen but there are still a few things to sort out," they said.

Marks and Spencer has confined its in-house brands to only six producers so if the South Africans clinch this deal, it will be an important leap forward in the export market. The bottles will carry the producers' names.

More than half a million cases of South African wine (including sparkling wine) were sold in Britain last year and producers are now hoping that with added exposure to the market and improved distribution techniques, the market will grow.

However, one important obstacle that must be overcome is pricing.

"Supermarkets in Britain have become significant players in the wine market but you can't sell a bottle of wine costing more than five pounds (about R23) in a supermarket," Mr Ellis said.

"Realistically, your price range should be from £2.89 (about R3) to £3.30 (R38.50) to an absolute maximum of £5 (about R25) for a really good wine. The minute you go above that you can forget it," he said.

Unfortunately, bottling and packaging was very expensive in South Africa and exchange rates didn't help. "We can hardly tell our trading partners to feel sorry for us, we'll just have to find a solution," he said.

The country's biggest competitor in the UK at present was the Australians.

"The Australians have some good wines and their prices are low. They also got into the market a lot earlier than we did and have cornered a large slice of it," said Mr Coetsee.

He added that while South Africa's independent producers were relatively new to the export market, new vine material planted in the mid-80's was showing excellent promise. "We are going to see better and better wines in the next five to 10 years".

Suggestions that South Africa's wine farmers could not produce the volume needed by the export market were dismissed by both men.

While that may have been true in the past, South Africa's producers were now very aware of the importance of the export market and the need to prove the country's capabilities.

"Uncontrolled growth is a bad thing but I believe we can produce enough for our market and at reasonable prices," said Mr Ellis.

Another important aspect of the export market is identifying trends. "We live in a warm country so obviously our palates are different to those from people living in a cold climate. In cooler countries, they want wines with more flavour. We are working on developing wines specifically to suit the export market," said Mr Ellis.

That export market did not stop at Britain. "While I believe the UK has always been the world's wine centre, there should be no reason why our wines don't do well in Benelux countries," he added.
Rise in exports lifts trade surplus

TIM MARSLAND and SHARON WOOD

The trade surplus widened in December to R1.76bn from November’s revised R1.44bn as vehicle and minerals exports helped offset high agricultural imports.

Customs and Excise figures released yesterday showed imports in December dropped 14.9% to R3.78bn from November’s R4.44bn, while exports rose 1.7% to R5.50bn from R5.43bn.

For the year, the cumulative trade surplus declined by 3.8% to R15.54bn from R16.18bn in 1991. Imports rose by 7.7% to R51.98bn last year from R48.21bn, and exports trailed, increasing by 4.5% to R67.46bn from R64.36bn.

Nedbank chief economist Edward Osborn said this was satisfactory in view of low commodity prices, particularly among base and precious metals.

Absa economist Dominique Sutton said exports had done quite well in a tough year. He did not expect conditions to improve for exports this year because SA’s markets would be growing slowly or not at all, and prices would be under pressure.

Osborn said on a currency-adjusted basis, imports rose 2.1% year on year because of maize imports. Exports rose only 0.9% in part because of maize re-exporting.

Low commodity prices depressed base metal and unclassified exports (mainly gold), which made up about 52% of total exports. 2/1/93

Trade surplus


But exports of precious and semi-precious stones showed a healthy increase of 11.7% to R7.57bn from R6.89bn.

Mineral product exports (mainly coal) rose 3.8% to R7.36bn from R7.28bn.

Vegetable product imports more than doubled to R2.58bn from R1.14bn and live animal and animal product imports jumped 62.7% to R468m from R279.3m.

Sutton said a positive sign emerging from the December trade data and the revision of November’s figures was the increase in the year-end import cover to 2.4 months from October’s 3.3 months.

Govt debt ‘will not push up rates’

GOVERNMENT’s borrowing requirements in the new fiscal year were not expected to put upward pressure on long- or short-term interest rates, economists said yesterday.

They expected the government would not have to borrow more in the next fiscal year than it did in the 1992/93 year, when Finance Minister Derek Keys was expected to announce a deficit of 6% of GDP or about R22bn in the March Budget.

A 6% deficit would be achieved only by raising VAT to 13%, increasing the fuel levy by 10c/l, raising customs and excise duties and possibly increasing other taxes, economists said. They believed it was possible to cut back enough on government spending to avoid raising taxes, as Jacob suggested this week.

The organisations said pinning down the increase in spending to below 7% would obviate the need to raise taxes. Most economists expect an increase in spending of 8%-10%. Rand Merchant bank economist Rudolf Gouws said it would be difficult to get the increase in spending down to single digits. The state’s wage bill would rise by about 10%-11%, in spite of the 5% overall increase in public servants’ salaries, because of the effect of notch increases. He doubted Keys could announce an increase in spending substantially below 6% without endangering his credibility.

Without tax increases, revenue would rise by only about 5%, yielding a deficit of R38bn. At 8.5% of GDP, Gouws argued a R38bn deficit would be unacceptable and billions of rand in extra tax would have to be found to bring the deficit down to a more acceptable level. Most economists believed Keys would opt for 6%.

Sanlam economist Johan Louw said a 13% VAT rate with zero-rating of basic foodstuffs would be a major ingredient of a Budget strategy to avoid a deficit of more than 6% of GDP. At R22bn, the expected deficit would not place upward pressure on interest rates as the capital market could easily accommodate that level of borrowings. He said short-term interest rates such as the prime overdraft rate would not be adversely affected by the Budget, as the deficit would be lower than in the present fiscal year.

Economists are forecasting a deficit in the present fiscal year of about R20bn — excluding extra spending on drought relief. The possibility of huge spending on drought relief being reflected in this fiscal year could push the figure up to R25bn-R30bn.

Shortfall expected in Receiver’s income

PRETORIA – Government’s tax income problem is worsening by the month, says Absa senior economist Adam Jacobs.

He was commenting on the latest income tax and VAT collection figures released yesterday by the Finance Department, which show the total take from both sources in the April-December period was R44,7bn — R7bn short of the R51,8bn budgeted for the whole of the financial year.

Income tax revenue in the nine months was just more than R32bn and VAT revenue was R12,644bn. The Budget expectation for the financial year was R56,484bn from income tax and R21,819bn from VAT.

Although state revenue would be boosted by provisional tax payments next month, it would miss the Budget target by a substantial margin.

The recession’s effect on the business community was reflected clearly in shrinking company tax and VAT. In the first six months of the financial year, company tax was 19% down on year-earlier figures. Absa estimated that tax income at the close of the financial year would be R38bn below the budgeted figure.

GEIS fraud probe could involve millions

INVESTIGATORS in the Trade and Industry Department and the Office for Serious Economic Offences are investigating cases of alleged General Export Incentive Scheme (GEIS) frauds involving millions.

A department spokesman confirmed the investigations, but said it was impossible to attempt to estimate the amount involved.

It was believed, however, that the department was looking into several dozen cases. The spokesman said current investigations showed the revised GEIS guidelines published late last year had apparently closed many of the system’s loopholes.

The guidelines required more detailed disclosure of GEIS claims and attempted to tighten up on the accountability of senior company executives making claims.

“Claimants are (now) much more careful and attentive in completing their claims,” he said.

“As claims which have to comply with the revised guidelines are being processed only now, it is somewhat early to arrive at firm conclusions about their effects,” the spokesman said.

The Office for Serious Economic Offences spokesman said investigators checking allegations of abuse of the Phase VI vehicle local content programme were also looking at abuses of GEIS.

These GEIS probes were, however, incidental to the Phase VI investigations, he added.
JOHANNESBURG. — Exhibitions organised by Trade Access-West Africa is co-ordinating four exhibitions in Senegal, Nigeria, Ghana and the Ivory Coast with the intention of showcasing possible business opportunities between African countries.

France would prove tough competition for lesser developed African countries.

"But trade is a question of quality and price. The trade fairs aim to see what South Africa can offer and to put on the table what Cote d'Ivoire can offer," says the ambassador.

It would be wiser to integrate with South Africa than the European community, he believes.
WANTED: A MOUNTAIN OF CANNED BEEF FOR MOSCOW

TODAY's trade offers include a mixed bag of export opportunities, but concentrate on foodstuffs. Clothing and textile industries are also well represented.

SA's trade representative in Tokyo seems to have been over his head as the foodstuffs category is dominated by offers from Japan. Various Japanese businessmen seek unprocessed seafoods, fresh or frozen fruits and vegetables. Possibly there is scope for SA's increasingly liberalised farmers to export directly to this potentially huge market.

The most interesting — and possibly very lucrative — offer on today's list comes from an American businessman who wants 1-million cans of beef and/or pork for export to Russia. He says price is "very important". He also plans to break into Moscow's confectionery market — or perhaps he has done so already, since he wants between 20 and 60 tons of jelly beans, chocolate bars and similar products every week for delivery to Moscow.

Inquiries from the US and Britain dominate the clothing and textiles category, although many offers do not identify specific products and are probably general inquiries intended to price the SA export market.

Some specific inquiries are those for combed or woven wool fabrics, knitted apparel and African print fabrics.

There are the usual opportunities for the export of metals and metal/hy-tech products. Among the inquiries for steel bars, tractors and bronze tubing is an intriguing query for intercoms and alarm systems in Angola.

Potential exporters are urged to approach the Department of Trade through the offices mentioned on this page about possible legal pitfalls in taking up unusual offers.

To advertise on this page, call Janet Jadrivich on (011) 497-2543.

FOODSTUFFS

03.05; 03.07; 03.02; 21.06.

Unsalted dried pilchards, fresh and frozen octopus, cuttle fish, squid and crab as well as ice cream — Japan. Tominaga; Boeki Kaisa; Akiyoshi Tominga; tel: 098-3-857-0310, fax: 098-3-857-0315.

07.03, 07.04, 07.05, 07.09.

Fresh Shallot, leeks, broccoli, red lettuce, asparagus, mushrooms, celery — Japan. Showa Boeki Co: Gene Sone; tel: 098-3-441-8121, fax: 098-3-444-6609.

06.02, 09.09; 09.10; 29.09.

Proteus and currumma — Netherlands. Alni Co; MA Arnau; tel: 0981-909-945-7658, fax: 098-3-945-7669.

07.01; 07.14; 10.01; 08.11.

Fresh fruit and vegetables — US. RO Westley & Son; Barry Mannan; tel: 098-410-288-1100, fax: 098-410-228-5705.

07.03, 10; 08.05, 10.20, 30.08, 09.

Onions and citrus fruit — Netherlands. JJ van der Lann Int Fresh Produce; G van Doorn; tel: 0981-233-1609, fax: 0981-233-8992.

Tens of thousands of metric tons of Soda Ash — US. DK Inttrade; Manuel Kohn; tel: 098-3-213-6699, fax: 098-3-213-6689.

Chapters 39, 35, Restins, synthetic adhesives — US. F. P. Trayaran; tel: 098-3-71-794-1408, fax: 098-3-71-8709.

39, 17, 23.

UPVC pipes — Netherlands. Nyloplast Europe BV; D van Nugteren; tel: 098-3-1553-2044, fax: 098-3-1553-4499.

40.11, 10; 40.11, 20; 40.12.


NATURAL PRODUCTS AND PAPER

Chapter 44.


44.18; 76.10; 70.06; 32.08; 32.10; 84.28.

Doors, glass, paints, lifts — UK. IET Internation; Khal Elbach; tel: 0944-81-895-7725, fax: 0944-81-894-7715.


61.00.


61.60.


Chapters 61, 62.

Woven and knitted apparel — UK. Sarena designs; E Rehman; tel: 0944-908-200662, fax: 0944-908-231495.

Chapters 61, 64.

Woven and knitted apparel; and footwear — UK. Hopkins Impex; Andrew Downing; tel: 0944-206-860662, fax: 0944-206-950029.

Chapters 61, 62.


62.04.00; 64.05.00.

Clothing; leather boots; Sacramento Impex; Gillian Chichester; tel: 098-416-1535, fax: 098-416-852-0412.

63.03.42.00; 63.06.11.

Fibre glass insect screening mesh, cotton tissue for sun

73.03.


73.03.

84.70.90.90.

84.72.90.90.

Parking lot barriers, cashier systems and ticket dispensers — Israel. Adre B Limited; Ariel Adorman; tel: 0982-3-556-6522, fax: 0982-3-556-7979.

74.11.23.

Extruded bronze tubing — US. Metals for Industry Inc; Sam Keiser; tel: 0981-988-1779, fax: 0981-988-1882.

74.15, 73.18; 73.02; 73.18.

Nuts and bolts — UK. D. G. Feacocks Associates; David Day; tel: 0984-41-570-7738, fax: 0944-21-382-2849.

Chapter 76.


86.00.


85.17, 85.31.10.90.

Intercomm and alarm sys.

07.10; 10.10; 20.08.


10.08; 41.02.


16.08; 15.12; 15.16.

Groundnut, sunflower, safflower, cotton seed and soya bean oil products — Japan. Imanaka Ltd; M. Hayashi; tel: 0961-8-512-4571, fax: 0961-8-315-2255.

16.01; 08.08; 17.04.

Canned beef or pork (1-million case), candy, chocolate bars (260 metric tons a week) — US. For delivery in Moscow, Syreex; Laurens Damm; tel: 0961-315-445-8008, fax: 0961-315-445-9499.

17.04.09.

Sugar confectionery — UK. Darkorf Ltd; Prince Cole; tel: 0944-81-519-0058, fax: 0944-81-533-0965.

20.08; 11; 20.07; 04.09; 20.09; 20.02; 20.08; 07.10.

Peanut butter, fruit and vegetable purees and pastes, canned peaches and frozen vegetables — Japan. Yagi Tsusho Ltd; Bob Taniguchi; tel: 0961-6-227-6018, fax: 0961-6-200-7247.

21.04; 07.10.


21.05; 04.02; 16.04; 21.02.

Ice cream and powdered milk; canned mackerel; essence of egg white — Japan. Imanaka Ltd; M Hayashi; tel: 0961-6-312-4571, fax: 0961-6-925-0225.

22.0.

Wine — US. Lower Falls Wine Co; Chris Minervino; tel: 0961-97-332-3000.

MINERALS, CHEMICALS AND PLASTIC

25.28; 00.00.

Marble — Hong Kong. Dah Chong Hong Ltd, Wilson Ng; tel: 09652-540666, fax: 09652-540632.

Chapters 20-38; Chapter 27; 90.18.

Chemical components and petroli products; medical equipment — UK. International Spare Parts; Terry O'Shea; tel: 0944-322-294740, fax: 0944-703-237679.

28.36.
Weekend Argus and the Cape Chamber of Industries are backing a new drive to boost exports with the 1993 competition to find the Western Cape Exporter of the Year.

TOM HOOD, Business Editor

EXPORTS earn billions of rands for Western Cape farmers and companies. Without this business many firms would not have survived the recession, says Mr Colin Boyes, deputy director of the Cape Chamber of Industries.

Deciduous fruit alone brings in about R1 billion in foreign exchange while wine earned about R500 million last year.

The clothing industry has pushed its exports to about R600 million a year and saved the jobs of thousands of workers who would have been retrenched as order books shrank.

The clothing and textile industries stand to benefit from a new duty rebate scheme which starts on April 1.

Under the scheme a duty rebate equal to 30 percent of exports will be given on imports of clothing, of 15 percent on imports of fabric and 10 percent on imports of yarn.

It replaces a complex structural adjustment programme involving duty-free permits.

A new drive to boost exports is being spearheaded by the Chamber and Weekend Argus with the 1993 competition to find the Western Cape Exporter of the Year.

The competition aims at encouraging exporters by honouring those whose performances have been outstanding.

The competition will be featured every week in Weekend Argus.

Closing date for entries is March 26 and the five finalists will be announced on April 16.

Weekend Argus will publish articles on the finalists in successive issues.

The name of the winner will be announced at a dinner to be held at the Mount Nelson Hotel on Wednesday, June 2.

CCI deputy director Mr Colin Boyes emphasised the importance of the award as a distinct export culture rapidly gathered momentum in the Western Cape.

"It seems that companies with export profiles are holding up better in this downturn than those solely dependent on local markets."

He said this year's awards would include a Special Export Achievement Award for companies with a turnover of less than R10 million.

Special industry-based awards have also been included.

The criteria for judging exporters will be based mainly on:

- RESULTS ACHIEVED: History of export achievements, value of export sales, improvement in export sales and orders gained against competition.
- SUSTAINABILITY: Basis for future business, long-term contracts or one-offs, continuation of marketing efforts.
- INNOVATION: Breaking through in particularly difficult markets, development of new marketing techniques, product research and development.
- DOWNSTREAM IMPACT: Job creation, overall effect of the company and impact on the industry.

The competition is open to all manufacturers in the Western Cape who export products of South African origin. Judging will be based on the best export performance in relation to company size.

To obtain an entry form, fill in the coupon on Page 3.
Canned pineapples, fruit juices, instant coffee — Greece, Eurostar Intermathe Co, Vrilisias; B E Kyritis; tel: 0330-1-065 2975, fax: 0330-1-638 9146.

20.09. 21.06.
Fruit juices — Belgium, Tex- nebel; Bruxelles, Linferinas; tel: 0232-2-946 2975, fax: 0232-2-946 55258.

20.09.
Apple juice concentrate — Germany, Meinertuch; Munich; K Freisch; tel: 0949- 5771-54680, fax: 0949-5721-840 925.

22.04.
Wine — UK, Wines of West- orpe, Marchington, Alan Ponting; tel: 044-6-833 285, Fax: 044-6-833 651.

22.04.21; 22.08

22.04.21.10
Unfortified wine — Germany, Rabel & Hug Internationale; tel: 0496-781-71574.

31.01
Guano natural fertiliser — Israel, Agriman; Tel Aviv; Ruth Fishman; tel: 09972-3-961 1968, fax: 09972-3-961 9145.

39.03
Polyurethane granules — Brazil, Teuto Italiana de Adest.

41.08.00.
Chamois leather — Germany, Fritz Berger GmbH; Essen; Ulrich Leist; tel: 0491- 251-2506, fax: 0491-251-24923.

43.02.13.

WOOD AND PAPER
Chapter 44.
Menanti, other quality wood — Belgium, Vlieghe BVBA; Kortrijk, Mr Vlieghe; tel: 0332-55-940 640, fax: 0332-55-940 236.

44.03.10.30, 44.03.20.80.
Pine logs — Turkey, Marmara Otomotiv Ticaret Ve Sanayi, Istanbul; Erol Acar; tel: 0212-5321410, fax: 0212-5321410.

44.03.10.91.
Pine logs — Italy, Sotimco SA, Rome; J F Luci; tel: 0399-6-884 821, fax: 0399-6-884 8278.

48.02.62.
Photographic paper — Turkey, Fortune Turizm Endustri Ve Ticaret Ltd; Istanbul; Ferit Ogulmus; tel: 0909-9-2322263, fax: 0909-9-2349936.

TEXTILES AND CLOTHING
57.02.20.; 57.02.99.10.; 57.01.10.
Floor coverings, mats, carpets — Chile, Dienes Luz, Mendez y CIA, Santiago; Horacio Arredondo; tel: 0566-6-306 6094, fax: 0566-6-306 6094.

Chapters 55, 61, 62.

62.02.04.06; 62.03.42.31; 95.17.00.11; 97.05; 73.21.11.

62.09.10.90; 64.05.80.90; 87.15.00.10.

62.15.10.00; 62.09.10.00, 61.15.11.00.
Ties, socks and pantyhose — Greece, Mihadiis and Co, Themeloukis, C, Mihadas; tel: 0650-3-423 402, fax: 0650- 3-423 928.

METALS
72.04.28.
Scrap railway track — Swit- zerland. Thomas Landkating, Zurich; Thomas Landkating; tel: 0641-1-321 7355, fax: 0641- 1-321 7355.

72.13.10.
Iron and steel deformed bars — Belgium, Verduet Agencies; Overijse; G Verduet; tel: 0992-2-687 2909, fax: 0992-2- 687 4248.

73.00, 84.00, 84.14, 84.29, 36.00, 58.11.
Anchor bolts and frames, elevators, boring equipment, mine ventilators, loaders for stone quarries, explosive det- onators and filter cloth — Belgium, Sertra, Overijse.
Market glut hits top SA ferrochrome exporter

SOUTH Africa's ferrochrome exporters are suffering heavily from cut-throat and profitless competition in over-supplied world markets.

This has led to Consolidated Metallurgical Industries, one of the country's "big two" exporters, posting a loss of R21 million for the six months ended December against a loss of R190,000 for the same period a year earlier. CMI has again passed its dividends. These were last paid in 1960.
Robert Mugabe in the dock

ZIMBABWEAN president Robert Mugabe's call for continued sanctions against South Africa is out of touch with reality, the SA Foreign Trade Organisation said yesterday.

"Zimbabwe is South Africa's biggest trading partner in Africa," it said.

Business sources put the value of South Africa's trade exports to Zimbabwe at more than R1 billion last year, nearly a quarter of South Africa's exports to the rest of Africa.
Import protection results in higher food prices

GERALD REILLY

PROTECTION against the importation of essential agricultural inputs significantly affected production costs and resulted in inflated food prices, SA Agricultural Union director Piet Swart said yesterday.

He was commenting on the Board on Tariffs and Trade (BTT) report which said agricultural industry manufacturers' protection was a factor contributing to high food prices.

Agriculture Minister Kraai van Niekerk said in a related statement this week protection had given rise to monopolies in the tractor, agrochemical and fertiliser industries.

Swart said much of the justification for protecting what were once considered to be strategic industries had fallen away and boycotts and sanctions were crumbling.

He welcomed Van Niekerk's announcement that he would have input cost in the industry investigated.

"If we want to keep food prices down it is essential that barriers to necessary inputs which can be imported cheaper than the local product be lowered or removed," Swart said.

At a meeting last month with the National Maize Producers Organisation (Nampo), Finance Minister Derek Keys asked the organisation to find out which imported agricultural inputs were still protected.

A Nampo spokesman said Atlantis four- and six-cylinder diesel engines and spares had enjoyed huge protection for years, inflicting tractor and other agricultural machinery prices.

Nampo had proposed, with ADEE's support, the lifting of protection on importing six-cylinder engines. The Industrial Development Corporation had estimated the engines were 43% more costly than imported ones.

The spokesman said the protected agrochemical industry had asked the BTT for greater protection.

Nampo was also looking at protection given to the tyre manufacturing industry, which recently asked the BTT for greater protection.
Govt approves export incentive scheme

GOVERNMENT has approved the implementation of a limited export incentive scheme for the services sector during the 1993/94 financial year, the Trade and Industry Department said yesterday.

The scheme, which would be based essentially on the Export Marketing Assistance Scheme for goods, aimed to support financially suppliers of services to markets and the utilisation of their services overseas.

The department was preparing guidelines for the scheme, which would be operated on a selective basis. It would be introduced on or as soon as possible after April 1, a statement said.

SA Association of Consulting Engineers executive director Hennie Lemmer said the move represented an opportunity for SA consulting engineers to compete with overseas engineers who were granted incentives of up to 30% of the contract price by their governments.

SA consulting engineers hoped to receive a 15%-20% incentive on contracts awarded.

This would enable them to spread marketing costs and facilitate the award of overseas construction contracts for SA contractors.

Council of SA Banks chief Tony Norton said financial services were excluded from export incentives and, although the incentives were not expected to affect banks, it was a step in the right direction.

Sapa reports the department has supported the setting up of export processing zones to promote industrial development and exports.

Department director-general Stef Naude said yesterday a final framework for the zones was being negotiated.

After considerable research and international and private sector input, the department’s draft proposal put forward that export processing zones be set up according to the traditional fenced model, where the entire production of the zone is exported.

The zones would be based on private sector initiative and finance, with minimum administrative requirements imposed on government.

Government would, however, provide financial and other incentives to zone users while facilitating and monitoring the zones. Naude said several regions had shown “enthusiasm” for these zones. — Sapa.
Scheme for export zones to get exemption from VAT

THE government proposes exempting export processing zones (EPZs) from VAT, customs duties and export levies, according to a draft proposal released this week.

EPZ users will be subject to South African laws and all output must be exported from the South African customs area to qualify for EPZ benefits. No tax holidays are planned, as is common in many successful EPZs around the world.

The finance and operation of the EPZs will be left to the private sector. All EPZs must be located within 50km of an airport or international port and approval must be obtained from an EPZ Board.

Normal South African corporate tax rates apply, drawing into question the ability of the proposed EPZs to attract local and, particularly, foreign capital in competition with countries offering generous tax breaks, such as Mauritius, Argentina and Mexico.

The compensation is that EPZ companies qualify for General Export Incentive Scheme (GEIS) benefits, ranging from 2% to 10.5% of export value, the Regional Industrial Development Programme (grants equal to 10.5% of operational assets in the first two years and a profit-based incentive for three years) and the Export Marketing Assistance Schemes—all of which are currently available to South African businesses.

Only newly incorporated companies may establish in EPZs, eliminating the possibility of existing firms relocating to take advantage of the benefits.

Non-residents must invest through the financial rand in compliance with Reserve Bank regulations. Dividends, royalties and interest may be remitted in commercial rands.

The obligation to buy and sell assets through the financial rand is a frequently cited reason for SA’s inability to attract foreign capital.

Weak

Low interest loans from the Industrial Development Corporation and financing from the Small Business Development Corporation are also offered as incentives.

The draft proposal on EPZs is unlikely to attract a stampede of investors.

With the exception of exemption on customs duties on imports, export levies and VAT on imports of plant, equipment, raw materials and components—and the implied relaxation of restrictive regulations where this is accepted by local authorities, business and organised labour—the proposal has little new to offer investors and is particularly weak on incentives.

Plant and machinery qualify for 36% depreciation over five years, buildings for 5%, wear and tear on office equipment 10% and motor vehicles 20%. Scientific research qualifies for a 25% deduction, according to the draft proposal.
Lucrative offers for producers

FOODSTUFFS
03.03, 03.06, 03.07, 07.10, 08.11, 10.06.13.20, 14.05.20, 23.09.

04.02.14 — 42.
04.02.21, 01.04.01.
Powdered milk — UK: Ichi Ltd; T Basasul; tel and fax: 094-81-540 7856.

05.02.21.
Powdered milk — Romania: Naturamrl; Gheorghe Puiu; tel: 094-1-611 5701, fax: 094-1-611 7840.

06.02.20.

23.09.10.
Tons of tinted peaches a month — USA: Cates Tovick; Gilbert Gluck; tel: 091-714-786 8507, fax: 091-714-786 8524.
16.04.
Tons of tinted peaches a month — Austria: Andrea Czakos; tel: 0973-1-992 0414, fax: 0973-1-963 6714.

BUSINESS DAY REPORTER

INFORMATION in this feature supplied by the Export Centre of the Department of Trade and Industry.

Inquiries:
Manufacturers should contact the foreign company directly. Where possible a contact person has been named. If there are any problems, communicate with the Department's Export Centre, tel: (012) 310-9791, Fax: (012) 320-8157.

How to use:
The items on this page are listed number according to the harmonized tariff code system. Inquiries should be referred to the Department of Customs and Excise. The code gives specific details of the listed item.

Export services:
For general advice on exports and export incentives, contact the Department or its regional representatives in Durban, Port Elizabeth or Cape Town. It is strongly recommended that manufacturers new to the world of exports get in touch with the local office.

Warning:
SA firms should be aware that restrictions on the export of these products may be applied by the authorities.

- Steel Trade Handelsgei- 
- Unfortified wine — Germany: B. Freundemann; tel: 094-7472-25041.

24.04.
Wines — Italy: Lotus Avuje; E Taci; tel: 0939-7-400-9808, fax: 094-2-609 9386.
30.07, 60.12.
Animal feed pre-mixers, glass bottles and containers — Spain: Inquimex; J Tobesc; tel: 094-3-207 3585, fax: 094-3-207 0466.
23.09.10.
Dog and cat food — Italy: Illicio; Mauro Saro; tel: 0973-332 428 116.
34.08.
39.05.40; 39.11.10; 39.11.90.
Phenolic resin; petroleum resins — Japan: Kishimoto Sango Co; Ichibatsu; tel: 0981-3-3663-041, fax: 0981-3-3661-6959.
40.14.90.00.
Pharmaceutical raw materials — Hong Kong, Major Trading Co; Roy Tan; tel: 09832-859 4330, fax: 09832-877 1795.
40.15.10 — 20, 38.26.20.
38.03.28.10.
16.09.18.
Industrial gloves, Pvc gloves; workwear uniforms — Greece Zacharakis OE; Stefanos Zachara- kis; tel: 0931-1-992 0414, fax: 0931-1-963 6714.

ORGANICS, TEXTILES AND CLOTHING
41.02; 41.03.
Bovine and goat hides — Spain: Incota; Silvano Casanova; tel: 094-6-121 2468, fax: 094-6-121 2557.
Chapter 42.
Ostrich leather products; oriental leather; costume jewellery — USA: Ted Dillon; tel: 0911-313-347 5992, fax: 0911-313-587 8171.
44.12.
Plywood — Canada: East-West Trading Co; M Cohen; tel: 0911-543 5667, fax: 0911-543 5666.
44.13.
Wooden strips for picture frames; cast iron castings for wheel hub components; manholes covers — Italy: Onumar SRL; Leonardo Celli; tel: 0935-1-314354, fax: 0935-1-314307.
49.19.
Paper bags, boxes, envelopes — UK: Empire Trading UK; B Gamsi; tel: 0941-81-807 5551, fax: 0941-81-807 5551.
48.17.
16.09.19; 39.23.
Paper bags, boxes and envelopes, plastic carrier bags — UK: Reflex Packaging; John Collins; tel: 0941-808-7566, fax: 0941-808-7567.
54.07.42.40.92.
Peel nylons and thread — Italy: Anfora Zucchetti; Emanuele Bini; tel: 09932-869 5678, fax: 09932-869 3775.

Chapter 61, 62.
Clothing — UK: Madison Clothing Co; Tony Cooper; tel: 0911-757-0229, fax: 0911-757-0229.
62.05.20.
Shirts — Canada: Farcom International; Robert Burr; tel: 0911-514-3925, fax: 0911-514-3925.
METALS
72.02.20 — 92, 74.04.00.
Steel masts, copper cables, transformers — Germany: MEP mbH; Peter Weck; tel: 0949-6031-15491, fax: 0949-6031-15491.

18.12.10.
72.21.82.
Stove, wick-type, for heating — Italy: Rodimitex Ofc Sergei Rubin; Sergei Rubin; tel: 0993-2-3551 0657, fax: 09932-2-3551 225.
74.10.12.
75.02.12.
76.06.11.
Aluminium coils — Italy: Cenc Lavorazione; Meccani- che; tel: 0992-2-6060 0710, fax: 0992-2-6060 0710.

EQUIPMENT AND MACHINERY
84.10.18.22.40.56.
Mining equipment, shovels, loaders, shoveling machines, crushers, sieving machines — Morocco: Fins Trade; Laurent David; tel: 0922-2-25010, fax: 0922-2-25010.
84.03.10.
Water boilers for dairy and food processing plants — Germany: Doema; Pan- thors Engineering; Fr Pan- thors; tel: 0942-829-1945, fax: 0942-829-2041.
84.78.
Tobacco burning pipes — Malawi: Malawi Tobacco Wholesalers Ltd; Y K Aze; tel: 0928-640756, fax: 0928-640756.
84.79.81.00; 84.79.88.60.
85.16.32.00.
90.08.11 — 90.18.90.
Dental and medical products — Canada: Biro Sci- entific; tel: 0916-760-8600, fax: 0916-760-8600.
94.03.
95.07, 62.01, 62.02, 64.01.18, 64.03.15, 65.06.00, 65.09.80.
Articles for hunting and fishing; hunter's boots, hats, and garments — Italy: Ismar SRL; Mino Tavola; tel and fax: 0938-341-367 069.
HOUSE OF ASSEMBLY

17th February 1993

Mr. Speaker,

I have the honour to present the following report to you:

LANDS

The Minister of Regional and Economic Affairs.

Interception and Protection of Foreign Interests

Interception and Protection of Foreign Interests

Constitutional Barriers

To assist in the interpretation of the laws of the land, the position of the Attorney-General is that at any time, the Attorney-General, the Registrar of the Instruments and the Registrar of the Deeds...

The Attorney-General has been asked to prepare a report on the...
Elected govt ‘better able to tackle SA’s violence’

SA’s politicians needed to press ahead with multi-party talks leading to elections despite high levels of violence, the Commonwealth Observer Mission to SA said in its report yesterday.

The report said the mission was convinced “a government which enjoys the support of the majority of the population is in a far better position to address the issue of violence than one which is not”.

But the report also cautioned that it would be naive to assume that elections would lead to “an immediate cessation of this violence”.

Mission chairman Duncan Chappell said revelations by the Goldstone Commission of Military Intelligence’s continuing covert activities provided more evidence violence was being fuelled by “a so-called third force”.

The report called on government to coerce homelands into permitting free political activity. The mission spent much of its time in the Natal KwaZulu area.

Government also needed to “underake a major reassessment of its security apparatus to as to draw a distinction between external and internal threats,” the report said.

“The SAP has lost the confidence of the majority and particularly those who live in township areas,” he said.

More than 15,000 homicides had been committed in SA in 1992 — 50 murders per 100,000 South Africans — making it “one of the most violent countries in the world”, Chappell said.

He said only nine homicides occurred for every 100,000 US citizens, who only two were committed per 100,000 Canadians or Australians.

“Structural imbalances in the distribution of wealth” had also fanned the flames of violence in SA, which was “awash with firearms”, he said.

Chappell said it had been agreed with the Justice Department that Commonwealth observers would be able to visit prisons following extensive criticism of the justice process.

Visits to police stations and police cells had also been agreed to.

Meanwhile, British Overseas Development Minister Lynda Chalker would visit SA next week to gain a first-hand impression of progress being made with negotiations, a Foreign Affairs spokesman said yesterday. She would meet key players involved in getting multi-party talks going.

The spokesman said Chalker would arrive in SA on Tuesday and depart on Thursday.

Chalker last visited SA in September last year to attend the British South African Conference in Durban.

R136m export scheme fraud

CAPE TOWN — Thirty-six cases of fraud involving a potential R136m, in regard to the General Export Incentive Scheme (GEIS), have been brought to the attention of the Trade and Industry Department.

In reply to a question in Parliament yesterday from Lester Fuchs (Hillbrow, DP), Trade and Industry Minister Derek Keys said all cases brought to the department’s attention were investigated.

This was done in collaboration with the Reserve Bank and Commissioner of Customs and Excise, as well as the Office for Serious Economic Offences, the Attorney-General and the SAP’s commercial branch.

External verification of GEIS claims was undertaken on a continuing basis.

Keys said in cases of fraud under the GEIS, refunds were demanded from claimants who had acted illegally and the cases were referred to the SAP for further action. Where fraud was proved, exporters were deregistered.

Commenting on the Minister’s reply, Fuchs said SA was once again horrified by the plague of corruption sweeping the country.

The DP was particularly disappointed that a scheme introduced to encourage exports should have been so badly abused.

Replying to another question from Fuchs, Posts and Telecommunications Minister Piet Welgemoed said the department had accumulated bad debts of R65m last year.

About 98% of the amount represented telephone debtors, the Minister said.

Dr Welgemoed said part of the R65m could be attributed to the 087 service, but it was not possible to furnish a reliable estimate of the amount involved as the billing service does not provide detailed information in respect of calls made.

Ciskei coup plan alleged

PRETORIA — Details of a plan to overthrow the Ciskei government, allegedly drawn up jointly by Apla and Umkhonto we Sizwe, have been passed on to the Goldstone commission, a commission spokesman confirmed yesterday.

The Ciskei Council of State said a “comprehensive and detailed report” of the plan had been compiled and forwarded to the commission this week.

The report contains details of an alleged plan connected by the armed wings of the ANC and the PAC to bring down the government of Ciskei leader Brig Oupa Gqozo.

A Ciskei official statement issued yesterday said the report had been passed on to the commission only once it had agreed to take appropriate precautions to protect the sources named in the report.

After a series of commission hearings in Pretoria and Port Elizabeth, an interim report on Apla activities was being drawn up, the spokesman said.
R136m in exports fraud investigated

THIRTY-SIX cases of fraud, involving a potential R136 million regarding the General Export Incentive Scheme (GEIS), were brought to the attention of the Department of Trade and Industry.

Trade and Industry Minister Mr Derek Keys, told Hillbrow MP Mr Lester Fuchs, in reply to a question yesterday, that all cases brought to the attention of the department were investigated. External verification of GEIS claims were being undertaken on an ongoing basis by the department.

Where fraud was proved, exporters were being deregistered, Mr Keys said.

Commenting on the Minister's reply, Mr Fuchs said South Africa was once again "horrified by the plague of corruption sweeping the country".

Replying to another question from Mr Fuchs, Posts and Telecommunications Minister Dr Piet Welgemoed said the department accumulated bad debts of R65 million last year.

He said part of the amount could be attributed to the 087 service but it was not possible to give a reliable estimate of the amount involved.
GATT participation would put pressure on protectionism

FOR many years, during the sanctions era, SA's protectionist policy with its attendant high import tariffs, went largely unchallenged. However, with the demise of sanctions, SA is finding itself under pressure to bring its tariff and non-tariff barriers in line with those generally accepted by the rest of the world.

Acceptable levels of tariffs and import quotas are negotiated and agreed upon by members of the General Agreement on Tariffs and Trade (GATT).

The Department of Trade and Industry (DTI) confirms that SA has agreed to participate in the latest round of negotiations, known as the Uruguay Round, and has made a preliminary offer to lower certain tariffs. The Uruguay Round is concentrating on reaching agreement on trade in agricultural goods.

About 90% of international trade follows the guidelines set out under GATT.

Some 105 countries have officially acceded to the Agreement, while 30 other countries implement it on a de facto basis.

GATT came into effect in January 1948, following a war-induced era of widespread tariffs, import quotas and foreign exchange controls which had placed a heavy burden on the flow of goods and services and led to a distortion in international trade.

The initiative, was aimed at liberalising international trade and placing it on a secure basis, thus contributing to improved standards of living, ensuring full employment, developing the use of world resources, expanding production and exchange of goods and services, as well as promoting the progressive development of the economies of member countries.

How does GATT work?

The DTI explains:

The supreme authoritative body of GATT is the Session of Contracting Parties, held annually, comprising senior officials from member governments. In the intervening period between the meetings of the session, a council of representatives meets about nine times a year to act on routine and urgent matters.

The decision-making process of the Session of Contracting Parties and council of representatives is assisted by several specialist standing committees, which meet regularly to discuss various aspects of international trade.

They also establish ad hoc committees to consider issues such as requests for accession to GATT, as well as panels to examine and rule on trade disputes.

Safta GM, membership, Ann Moore explains that GATT does not dictate tariff levels to its signatories. Levels are negotiated between countries.

In general, all developed countries are given most favoured nation status by GATT signatories, while developing countries generally enjoy significant tariff preferences.

"In terms of the agreement, SA could not unilaterally raise tariffs on products as its trading partners would probably demand a trade-off which would mean the net effect is not diminished," she says.

If SA decides it wants to be recognised as a "developing nation", and be given more lenient treatment on tariffs and import quota levels, it will have to enter a series of negotiations with the member countries.
Getting hit on all sides

With the recession now well into its fourth year, the Department of Trade & Industry has come under increasing attack in recent weeks for policies that critics say discourage trade and hurt industry.

Its protectionist bent came under severe fire last week at a Johannesburg conference. Meanwhile, renewed attacks on the department’s expensive and unproven export incentive programme were launched; its decision to go ahead with export processing zones was met with criticism; and one group charged the department with “ad-hocracy” and said what was needed was an umbrella council that would direct all industry schemes.

At the Johannesburg Chamber of Commerce & Industries conference a trade, Webber Wentzel partner Leon Blumberg lambasted the department’s new anti-dumping legislation as “a dangerous derogation of Gatt principles,” and “open to abuse; they could be highly prejudicial to the importer and even to local producers.” The legislation was passed last year despite vociferous opposition (Business & Technology, May 1 1992).

Blumberg said SA has promised to sign Gatt’s anti-dumping code. “Yet the new legislation is clearly less in line with Gatt principles than the legislation that it’s replacing, which is causing some confusion and attracting a great deal of criticism.”

The legislation fails short of internationally accepted norms because local companies no longer must prove that they are being injured by the “dumped” goods, he said. Furthermore, the legislation introduces the new concept of “substitutive competition” that can be eliminated by “safeguard duties,” which provides “an open-ended mechanism for local producers against low-priced imports,” he said.

Meanwhile, Nedbank chief economist Edward Osborn continued the chorus of criticism of the R1,1bn/year general export incentive scheme (Geis) as “a waste of public funds” that merely rewards current exporters for their efforts.

“Geis receipts are mostly a gift” to exporters and are little inducement to export more, he says. Like the anti-dumping rules, Geis also is considered a violation of Gatt.

On another front, the department’s director-general, Stel Naudé, finally decided last week that his department would support the development of export processing zones, with incentives to locate export-focused production in the zones. But before the ink was dry on the announcement, there was criticism that the long-discussed concept was now two decades old and that only newer concepts would attract exporters.

The Nedbank and Old Mutual-sponsored Professional Economic Panel recommends that, instead of setting up defined zones, government should grant enterprise development status (EDS) to specific exporters.

“Properly targeted, EDS could go a long way to attract new industries...”

Awards Safilo former head Wim Holtes: “We can’t go back to a concept (export zones) that evolved 20 years ago and expect a flood of investment into SA.”

Also last week, the 70-strong economic panel released a 116-page report arguing that “the country needs a co-ordinated or unified industrial vision or strategy — something it sorely lacks at present.” It called for a “review of Industry & Trade Development Council — SA’s version of Japan’s famous Ministry of International Trade & Industry (Miti) — that would put together a long-term industrial policy and target important industries for development.

Though there is no clear proof that Miti has helped Japan’s development — and though the experience of other countries has shown that industrial policies are fraught with danger for all but the most homogenous and well-educated societies — the recommendation shows the depth of dissatisfaction with SA’s current mishmash of policies.

Naudé strongly defends his department. He says government is committed to trade liberalisation and that the department is rapidly phasing out import restrictions on volume. He says government is fully aware that the anti-dumping laws do not conform with Gatt but “we are developing the necessary systems and will, as we make progress, move closer to international norms.”

Adds the department’s deputy director-general, Gerrie Breit: “Government is serious about tariff reform but, in the light of our economic situation, it must be a well-managed exercise.”

MEDICAL SCHEMES

Discovering a cure

Health Minister Rina Venter this week scored her first major victory in reforming SA’s ailing health care services when parliament passed the Medical Schemes Amendment Bill. (FM 19/2/93)

The Bill, first tabled in parliament early last year and fiercely opposed by doctors because of what it might do to private practices, amounts to an extensive deregulation of private-sector health care.

“I knew we had a strong but difficult case, but I never hesitated that we were on the right track,” Venter says. But she warns that this won’t automatically cut costs. “We need to change the health care culture. Doctors, patients, all health care providers and the media need to evaluate health care in terms of cost — it’s also a commodity.”

In brief, the Bill gives medical schemes the clout to question claims and keep costs in check by ending guaranteed payments and minimum rates. It also opens the sector to competition by allowing schemes to run hospitals and clinics, and employ doctors.

Doctors have argued that as schemes acquire greater powers of discretion over the use and provision of services, doctors could find their professional and clinical judgment compromised in favour of cost considerations. They also fear that the schemes could put the private doctor out of business by limiting the patient’s choice.

But Venter says the aim is not to punish doctors. “The Act is designed to save the whole private-sector health-care system from collapse.” She says benefits paid by schemes have increased 28% a year over the past five years while the number of beneficiaries increased by an average of only 3,3% a year.

The Medical Association of SA wants doctors who contract with schemes to ask their professional councils to intervene when a contractual obligation interferes with their ethical responsibilities to the patient. But executive director Rob Speedie of the Representative Association of Medical Schemes points out that doctors should be aware of their ethical responsibilities when they enter into a contract.
Gulf region offers a host of opportunities

The Gulf region is one of the wealthiest in the world, with an annual import bill of US$120bn. In fact, 92% of its non-energy requirements are imported.

But, although the potential to trade in almost any manufactured product exists, SA may not find it an easy market to penetrate, Safko area manager Gyfford Pitchot says.

"SA is not schooled for exports. Protecting local industry has made SA companies weak and accustomed to fat margins, high mark-ups and inefficient production. Unionisation has also not helped," Pitchot says.

He adds that for SA to become competitive, tariff barriers must be reduced to between 10% and 20%, surcharges must be abolished and corporate giants must be unbundled. The Arabs see large corporations as inefficient, with money wasted keeping corporate superstructures alive. Small businesses are considered more efficient.

Dubai is the hub of the Gulf region. Statistics indicate that its population of 600 000 imported $12bn in 1992 — including 220 tons of gold. Per capita income in the United Arab Emirates (UAE) and Kawaii was recorded at $24 000.

The majority of interest in the Gulf is in straight trading, but in countries where oil deposits have dried up or are drying up (such as Bahrain) there are opportunities for joint ventures.

Apart from the dominant body in the Middle East — the Gulf Co-operation Council — Iran and Iraq also have the potential for being big consumer markets. However, current political tensions have stalled any penetration into those markets.

Pitchot warns that political fighting and intrigue is complex and those wishing to do business in the region must be aware of the history, culture and political influences which exist.

"Personal relationships are important; frequent visits, rapid follow-up and continuous communication is essential," he says.
Blame for SA’s woes lies beyond politics

The export boom which was expected to follow President FW de Klerk’s watershed speech in February 1990 has been slow in materialising, but it is not just political dithering to blame.

For years SA has relied on its precious and non-precious metals and its minerals to carry the export market. However, with the worldwide recession, low commodity prices and the poor performance of precious metal prices, growth has stagnated and put a lid on export earnings.

The limited export growth SA has experienced, has thus been reliant on manufactured items. But even their potential has been stunted by the lack of demand in foreign markets, reflecting the current international recession.

In a survey conducted by the SA Foreign Trade Organization (Safico) on SA’s top exporting companies, uncompetitive prices was identified as the main obstacle to export growth. The country’s inflation rate was identified as a major factor in exporters’ inability to compete.

Exporters also expressed concern over the adequacy of SA’s fiscal environment in ensuring their competitiveness. This included the negative impact of removing marketing allowances; high taxation combined with only “moderate” depreciation allowances; import surcharges on capital goods and spares; and the adequacy of the government’s General Export Incentive Scheme (GEIS).

Safico economist Bruce Donald says individual comments pointed to economic difficulties in both First and Third World markets. In Africa, while there was a great demand for SA products, this was frequently and increasingly not backed up with foreign exchange.

Cost and availability of transport, the unfavourable rand exchange rate, and political obstacles also warranted comment. Exporters said that unrest in SA not only disrupted work flows, but also affected the perception among overseas clients and potential clients of SA exporters’ reliability.

Unimportant

Uncompetitive product quality remained unimportant in the perception of exporters.

Despite the current economic constraints, there has been a significant rise in the export performance of some manufactured items. They have provided the impetus for export growth in recent years.

Statistics show that in 1992 the leading export category in manufactured goods was transport equipment, which rose 55% over the previous year, followed by chemicals (43%), plastics (29%) and machinery (27%). The footwear and headwear sector showed phenomenal growth of 61% compared with the previous year, while miscellaneous products rose to 20%.

By contrast, gold fell from comprising 30.6% of total exports in 1988 to 20% in 1991.

In addition to diversification, the emergence of new markets also served to dull the effect of poor conditions in international markets. While SA’s traditional markets of Europe, US and Japan continued to handle the majority of the country’s exports there was a surge of trade with Africa, the Gulf region and Eastern Europe.
Exports a lifeline for motor industry

IT IS projected that the SA motor industry will have earned R2,2bn from its exports in the 12 months to June 1993. This compares with the R400m it earned in the 12 months to June 1990 - the first year of its Phase VI local content programme.

However, the phenomenal growth has had its price. National Association of Automobile Manufacturers of SA director Nico Vermeulen says the cost of the local content, which is incorporated in the selling price of the vehicles, is substantial. Vehicles are 15% more expensive than they would otherwise have been.

Volkswagen SA chairman and MD Peter Searle says the need to export is great as the SA market is unable to support seven motor manufacturers.

"The market has shrunk from 301,000 passenger cars in 1991 to 193,000 in 1991. The industry can only secure its future with exports to niche markets all over the world," he says.

One of Volkswagen SA's export projects is supplying 12,000 left hand drive Jetta 11s to China by the end of this year.

The company started exporting components in 1986. It had to prove its quality standards were on a par with European manufacturers and overcome the perception that SA was a risky supplier.

Searle says that to counter the perception, Volkswagen brought purchasing, technical and quality personnel from overseas customers to SA to instill greater confidence in the company's ability to be a world class supplier.

The range of products for export includes press parts for SEAT in Spain, catalytic converters, latest model Golf 111 press parts for VW AG, and aluminium road wheels for Audi AG.
NAIROBI.—Kenya could soon lose out to South Africa on the lucrative horticultural export market.

That warning is contained in a report just released by two long range planners in the Kenya Ministry of Planning and National Development, Mr Kenethe Bita and Mr Emphams Waringa.

The report warns that the total removal of United Nations sanctions, expected to follow the continuing democratization process in South Africa, could have a devastating effect on the country's horticultural sub-sector.

In Kenya, horticulture ranks third to coffee and tea in agricultural exports, and offers employment to close to two million Kenyans.

It is expected to grow at six per cent per annum, implying that by the year 2000 production will be about 2.2 million tons.

The report explains that South Africa has an edge over Kenya on a number of factors. Because of its large domestic market, South Africa has been able to achieve economies of scale in marketing and processing which has provided it with a cost advantage in the export market.

According to the report, South Africa has also been able to forge closer links with major importers of horticultural produce from America and Europe, links which were maintained in spite of trade sanctions.

In 1989, the report notes, the European Economic Community imported 697,000 tons of horticultural products from South Africa, but only 49,000 tons from Kenya. But the report blames unreliable transportation handling and storage systems in Kenya as two of the problems that have hindered development in the horticultural export.
EXPORTS TUMBLE... Exports from Cape Town harbour fell by 36% last month, to 138 037 tons compared with 246 164 tons in January last year.

A spokesman for Portnet said that although fruit exports were going well steel exports to Europe were down by 80% and cement exports, mainly to Asia and other parts of Africa, were down by 90%.

Imports were 60.7% higher, pushed up by maize and other grain for drought relief.

They totalled 161 518 tons compared with 100 506 tons in January last year.

In the 10 months to January imports coming through the port totalled 2 335 396 tons compared with 1 471 263 tons between April 1991 and January 1992 — a rise of 58.7%.

Exports totalled 2 080 329 tons compared with 2 148 496 tons.
A scrap over scrap

By CIARAN RYAN

"We made recommendations to the Department of Trade and Industry on revising the tariff structure which applies to the industry. We feel there is good reason to do away with export controls and export tariffs."

There are approximately 200 smaller scrap dealers in SA, most of whom are obliged to sell their scrap to the two largest companies.

NFM, owned by the Lazarus family, is the smaller of the two operations.

Risk

The merger was motivated on the grounds that export sales would increase by R100-million over the next two years through improved efficiencies, rationalisation and economies of scale.

If the merger did not go ahead, it was alleged that both businesses were at risk of closure. Export sales from the two companies are currently worth R200-million a year.

The R650-million merger was to have been effected by means of a share swap, which would leave Haggie with 50% of the equity in a new holding company and the Lazarus family with the balance.

Neither company would exercise outright control for two years, but thereafter either party had an option to acquire a controlling interest. The board found that Haggie would in all probability end up with a monopoly of the non-ferrous scrap and industrial copper markets after two years.

The price of semi-finished and finished products are determined by import parity pricing, taking the London Metal Exchange price as the basis, adding transport costs and a 15% ad valorem duty to arrive at local prices.

The presence of two large competitors in the market maintained a degree of competitive pressure on prices paid to scrap metal suppliers.

The board found that competition would be eliminated if the merger went ahead, reducing competitive pressures on prices paid to suppliers.

The board had started to investigate the scrap metal industry prior to the merger after complaints had been received from scrap metal dealers.

The final decision on the merger rests with the Minister of Public Enterprises, Dawie de Villiers, but provisions exist for appeals to be made against ministerial decisions.
Theatre exports
New boost for

EDITH BY FRED ROFFEY
Exports fall to 12-month low

By Sven Linschooten

The value of exports fell in January to their lowest monthly level in a year, renewing fears of a sharp decline in foreign exchange reserves.

The sharply lower exports, coupled with a rise in imports, reduced the monthly trade surplus by almost R1 billion last month.

Figures released by Customs and Excise yesterday show that January exports fell to R5.1 billion from R6.44 billion in December.

This was their lowest level since January 1992 when R4.82 billion worth of goods were exported. Imports showed a sharp rise from R3.79 billion in December to R4.26 billion last month, reducing the trade surplus from R1.78 billion to R840 million.

The fall in the surplus comes at a time when economists have been warning that the declining level of foreign exchange reserves could force the Reserve Bank to raise interest rates towards the second half of 1993.

The lower level of export revenue has also put paid to hopes of an export-led economic recovery this year, as there is little evidence to suggest that, apart from the US, the economies of SA's major trading partners will improve markedly this year.

A comparison with January 1992 figures shows that the drought continued to have an adverse effect on both imports and exports.

Exports of vegetable products in January at R116 million were almost half the level achieved last year.

Imports of vegetable products rose from R74 million to R178 million in the same period.

Exports of manufacturing products were also mostly lower: chemical products fell to R145 million (January 1992: R261 million) and textiles to R104 million (R145 million).

Diamond exports dropped from R452 million to R401 million, but unclassified goods (mainly gold and platinum) rose from R2.1 billion to R2.44 billion.

Exports of mineral products were sharply higher at R658 million (R490 million).
Ailing spares sector in export expansion drive

PRETORIA — The country’s stagnant component spares industry was intensifying its drive to expand exports this year, National Association of Automotive Components and Allied Manufacturers (Nacam) director Denis Vermooten said yesterday.

Currently the focus was on the Middle East after members successfully participated in a Dubai trade fair last year.

But like the rest of the manufacturing industry, prospects for the year were firmly rooted in progress in reaching a political settlement without which the components and spares industry was likely to remain in the doldrums.

Retail sales in the motor vehicle industry last year amounted to R33,3bn — new vehicles R13bn, used vehicles R7,1bn, workshop revenue R4,2bn, spares and accessories R7,6bn and “other” R0,3bn.

During the year the component manufacturers supplied original equipment for vehicle building valued at R3,8bn — 9% up on 1991 and replacement spares and accessories R1,3bn — 17% up.

The value of total exports, including cars, reached R13,9bn — up 20%. Of this R450m was earned by components manufacturers — also up 20%.

“It illustrates the potential for expanding our niche markets in Europe and to a lesser extent in the US,” Vermooten said.

The recession had taken a toll on jobs. In the past three years numbers had decreased 20,000 to 54,000.
"Competition from East poses major threat"

MAGGIE ROWLEY
Deputy Business Editor

INCREASED competition from the East posed a major threat to many South African companies who would have to meet this challenge or face the consequences, says Professor Robert Schrire, head of political studies department at the University of Cape Town.

Schrire said in an interview that during the years of political and economic isolation South African companies had hidden behind a high cushion of inefficiencies and high tariffs.

Emerging from this isolation, he said, would be very painful, not least of all for organised labour which could as a result of this increased competition, become poorer.

Industries being and likely to be effected included the airline industry, textiles, electronic and communications and many service industries.

"Due to the hothouse of sanctions we have been engaging in activities which we should not have been trying to have a finger in every pie."

Due to circumstances it was impossible for SA companies to be competitive in some of these areas and they country had to focus on areas of strength and possible future growth such as tourism, he said.

Addressing a luncheon of the Institute of Directors earlier, Schrire said with the demise of communism much of the old framework which had governed the global scenario had crumbled.
Adjustment programme's legacy still a 'nightmare'  

SALT ROCK — The legacy of the structural adjustment programme — which would be finally phased out only in March 1994 — would have "nightmarish" consequences this year, the National Clothing Federation's Mervyn Shabason said yesterday.

He told trade union delegates at the clothing and textile conference that R600m worth of clothing exports for the year to end-March 1993 would translate into R420m in SAP permits for imports.

"The ramifications of what this is going to do to the manufacturing industry in the following 12 to 18 months is nothing short of a nightmare," Shabason said.

In terms of the programme, exporters are entitled to import duty free clothing and textiles to the value of 70% of the export order. The programme was abolished this year but permits will be valid until March 1994.

Shabason said manufacturers were selling their import permits to retailers who were using them to import clothing at the expense of local manufacture and job creation. In retail terms R240 worth of programme permits could translate into clothing sales worth about R1,2bn.

Shabason said corruption was rife in the industry and customs officials were being bribed by grant permits.

Other abuses included the over invoicing of exports to gain additional permits and the under invoicing of imports so more goods could be imported.

He said confidential discussions were taking place at government level to find ways of stamping out the corruption. Also, the new textile/clothing rebate system would result in a 30% drop in clothing imports.

Frame group executive chairman Mervyn King also hit out at the corruption and suggested three ways of combating the problem, namely: limiting the ports of entry of clothing and textiles to perhaps Durban and Cape Town; private sector involvement in the screening of imports with the trade unions also participating; and the simplification of documentation and of the export incentive schemes, as the more compensation there was, the greater the likelihood of corruption.

Shabason told the conference that the clothing and textile industries had reached an agreement to hold back any further applications for duties, at least until the publication of official quarterly figures for the industry in April.
FOREIGN TRADE

Export lags

January's trade figures showed a weak export performance and coupled with a steady import figure, squeezed the month's surplus to R838.5m. This is higher than that recorded last January (R720.4m), but less than the average recorded for 1992 of R1,3bn. It is also considerably lower than December's R1,8bn.

A bumper crop

Exports totalled R5.1bn, up from last January's R4.9bn, but less than the average for last year of R5.6bn. A number of categories recorded lower figures than either last January or 1992's average. These include:

- Vegetables, at R115.7m compared with R229.9m last year and an average for the year of R184.4m. Last year, the figure was boosted by a bumper deciduous fruit crop. Indications are that the crop this season will be smaller;
- Gems & precious stones, at R400.6m from R422m and R630.9m. This category is made up mostly of diamond transfers to the Central Selling Organisation in London. Some large transfers were made in 1992, but these fluctuated from month to month so it's difficult to gauge whether January's figure represents a trend for the year;
- Chemical products, at R144.7m from R260.3m and R273.9m; and
- Paper & pulp products, at R115.7m from R142.9m and R137.8m.

Others improved on last January, but were down on average:

- Base metals, at R634.3m up from R580.3m but down from R783.3m;
- Machinery, at R103.7m up from R89.6m, down from R177.8m; and
- Vehicles & transport equipment, R109.7m from R65.1m but down from R197.3m.

There was encouragement from the category unclassified items, which includes precious metals, and the category mineral products. The former brought in R24bn from last January's R2.1bn and an average for the year of R2.9bn. Mineral products brought in R658.7m from R494.8m and R629.9m.

Imports of vegetable products, swollen by maize and wheat imports in 1992 as a result of the drought, continued to grow in January. But they are tailing off, says the Maize Board. The category topped R178m in the month, compared with R74.4m last January but below the year's average of R212.8m.

The full quota of maize imports should be reached by the end of April and it looks for now as if maize will not have to be imported after that (see p65).

Unclassified imports, which include oil, were up, at R542m from R369.7m and an average R501.1m. Plastic products, at R203.7m (from R184.1m and R185.6m) and base metals at R220.3m (from R191.8m and R205.7m) were both lower than these levels.

Total imports reached R4.3bn, higher than last January's R4.1bn, but at the same level as the average for 1992.
Wine and fruit exports rocket

LONDON. — South African wine and deciduous fruit sales in Britain rocketed to an all-time high last year.

With major UK supermarkets now aggressively selling South African wines, the export volumes leapt up 96% from just over three million litres in 1991 to 5.9m litres last year.

Deciduous fruit farmers in South Africa are also "over the moon" with their record 48% increase in UK sales.

From November 1992 to last month, their UK turnover was R168m compared with R70.5m over the same period in 1991.

General manager of Unifruco's marketing, Mr Ronan Lennon, said sterling's devaluation caused South Africa's main southern hemisphere rivals to divert exports to other European markets with stronger currencies.

This caused the amount of fruit on offer in the UK to drop, pushing the price up.

However, he sounded a note of warning to fruit farmers. The European Community last week imposed a licence and quota system on southern hemisphere-grown apples — which make up 40% of all South African deciduous fruit exports.
Govt will soon be setting up EPZs

South Africa is on the verge of establishing export-processing zones, says Deputy Finance Minister Theo Alant.

This could give a tremendous boost to the local manufacturing industry.

Manufacturers in an export processing zone are allowed to import duty-free goods for processing, provided the finished articles are re-exported.

Dr Alant told officials at the German Technology Trade Fair in Johannesburg yesterday that increasing investment would be the key element in South Africa's economic reform plan.

The still-to-be-released economic plan drawn up by the ministry would "restore investment to its proper place in the macro-economy."

The government would take the lead by cutting back on consumption expenditure, freeing both public and private resources for investment expenditure.

Government investment spending would increasingly be directed into urban infrastructure such as housing, sanitation and water as well as educational and health facilities.

Furthermore, an industrial policy geared to expanding exports would be introduced. "We are already granting significant tax concessions for massive industrial projects with substantial implications for exports."

"Increasingly, our specific export incentives, such as GEIS, will be tailored to export performance."

Dr Alant said Germany was already a significant investor in South Africa's industrial sector and thus had a major role to play in the country's process of greater industrialisation.

There were more than 300 German companies in South Africa that held at least a quarter interest in a domestic company and provided employment for more than 60,000 people. — Sapa.
Mystery of export

 Warning on govt. issues

 Arms exports

 Barry Steen

 'If it had the ammunition in it, the guns would be really effective.'
...Continues casting copper, and aluminum rods, copper strips, aluminium strips, grain-oriented magnetic steel coils, insulated press span barad in sheets and rolls - Belgium Pauwels International. M. Biehe, tel. 0302-569-211, fax 0392-15-291 693.
74.11; 74.12. Copper tube for refrigeration systems - UK. Hilton Mercantile, Niki Barlow; tel. 0394-61-427 2777, fax 0394-61-427 2777.
74.16.20.9. Copper articles for house decoration - Portugal. Cimprex; tel. 0393-1-569 426, fax 0393-1-567 1790.
76.10; 82.07. A4.4.10. Aluminium ladders, hand tools for DIY and wood garage doors - Germany. Dovos Marketing, C. Henet, tel. 0394-261-6378, fax 0394-261-6309.
76.06.12.05; 72.13.84.11; 72.13.49.0. Aluminium sheets and strip (exceeding 0.2mm), wire rod to make nails, steel round bar in coils - Thailand, Drissen Aircraft. Interior Systems: Ulf Thepper; tel. 0396-2-315 1157/9, fax 0396-2-316 160.
76.11.10. Aluminium cookware - UK. Export Purchasing services; A. Favel, tel. 0394-1-691 8055, fax 0394-81-865 9224.

**EQUIPMENT AND MACHINERY**

82.03 - 82.05; 85.05. Garden power tools and electrical hand tools - UK. G. Import; G. Healy, fax: 0394-1-899 8792.
83.02.10; 83.01.30. Hinges and furniture locks - Chile. Industria Madrera; Dusan Smunovic, tel. 0396-391-42-33435, fax 0396-591-42-9706.
83.08.40.10. Refrigerating or freezing display counters, cabinets - Portugal. Jose Julio Jorge da Silva, Lda., Jose Lobo; tel. 0393-1-53-...
Business Editor

A 50% growth in exports cushioned KWV against a drop in domestic demand in the past financial year.

It ended the year with a net income of R55.5m compared with R55.1m in 1991 although the directors said, in a statement issued yesterday, that it had faced “exceptionally unfavourable conditions in the domestic market”.

There had been “a drastic drop in sales of brandy and wine spirits to domestic wholesalers, who considerably reduced stock levels”.

A spokesman said the SA industry had exported a total of 2,3m cases of wine last year, of which 1,5m had been bottled in this country with Britain the biggest market.

“We are also back in the US market where the response has been encouraging. It is a market with tremendous potential.”

The directors say that “due to an under-estimation of last year’s distilling wine pool, an excess of R18m — R4.12 per hectolitre at 10% alcohol/volume — was paid out to producers as a first instalment in 1992...”

This means that the board will recommend a bonus of R22.814 000 — less than expected — to be paid out next month to producers who contributed to the pool.

“This amounts to R5.01 per hectolitre at 10% alcohol/volume.”
Rand’s fall may help exports

Economists have welcomed the recent depreciation of the rand because it improved prospects for the export industry.

Safir chief economist Bruce Donald said recent surveys among the organisation's members showed exporters still saw the rand as an obstacle to export growth.

He said the recent decline in the rand did not compensate for the differential between SA's high inflation rate and those of its major trading partners. Exporters' margins were being squeezed by rising costs on the domestic front.

Nedcor Bank chief economist Edward Osborn said the declining rand was providing relief for exporters.

While export volumes would not increase because of the weaker rand, export income in rand terms would.

Commodities and precious metals accounted for about 70% of SA's exports, with the rest from the agriculture and manufacturing sectors.

Importers would be hurt to some extent. However, Osborn pointed out that about 70% of exports were in dollars and possibly 45% of imports were dollar-dominated.

Higher prices importers would have to pay would offset the advantages of the weaker rand to a degree.

Osborn put the rand exchange rate at a conservative R3.30 against the dollar by the year-end.

The basket is a formula used by the Reserve Bank in determining the value of the rand and is made up of the currencies of SA's key trading partners.

The dollar has the largest weighting, followed by the sterling, the lira, the Deutschmark, the yen and the guilder. The Bank has never published the exact formula. The graph is based on an I-Net generated formula.
SA must have an export-led economy

BRUCE CAMERON
Business Staff

THE government intends to shrewdly integrate regulations and industry protection measures to achieve the thrust of its economic blueprint of export-led growth for the economy.

The private sector and the government will have to invest billions in the next five years to meet the government's plan to resuscitate the economy to improve the living standards of all South Africans.

Investment in private sector manufacturing alone had to be increased by 80 percent a year over the next five years.

At 1985 constant inflation rates, it was estimated an extra R5 billion would have to be ploughed in for capital investment.

And it is recommended in the government's normative economic model unveiled this week that of every R100 in additional manufacturing production between now and the end of the century, R23 should be exported. The current level is R10 of every R100.

As a share of the gross domestic product (GDP), the government had to increase its share in capital expenditure from the 5.5 percent of last year to 7.8 percent by 1997 while private sector capital investment had to go from 11.4 percent to 15.3 percent.

This would give a total increase in capital investment in five years of 7.2 percent of GDP.

In the model, it is accepted the restructuring of industry, removing protection barriers to make it more export-oriented and competitive, "may fall heavily on the relatively highly protected labour-intensive industries".

In the model, a number of measures are recommended to get rid of what is termed the "anti-export bias" in current policies.

Options included:

- Export processing zones where imported goods could be processed for re-export.
- Improving the drawback and re-export system of imported materials, and
- Strengthening arrangements which would ensure suppliers offered materials at world prices.

It was found that export subsidies were an imperfect and partial solution to getting rid of the anti-export bias.

A number of measures are recommended for establishing new industries and revitalising existing ones. The measures include:

- Lower company tax rates and the provision of finance by development agencies for modernisation and new industries and also for working capital to introduce multi-shifts.
- State support for training and re-training schemes; and
- Government support for technological improvements.

Successful conclusion of the Uruguay Round of trade negotiations would safeguard South Africa's world market entry. A re-negotiation of South Africa's status from "developed" to "developing country" may benefit the country, particularly with blocs such as the European Community.

It is recommended that a number of steps be taken to reduce protective barriers. The steps include:

- The repeal of the import surcharges imposed in 1988.
- The scrapping of formula duties which should be replaced by anti-dumping measures; and
- The completion of the process of applying tariffs instead of import restrictions such as quotas: a review of the system of duty rebates and the standardisation and stabilisation of ad valorem taxes.
new watchword

Competition

The Market

Finance Minister, Mr. Keys

The general economic situation has involved us in economic

Market

new watchword

Competition

Market

Finance Minister, Mr. Keys
Exports on the road to growth — Safto

Own Correspondent

Johannesburg. — Non-gold exports should rise 2.5% to 3% in real terms over the next 12 months, Safto said at the weekend.

Releasing a poll in which 100 of SA’s top exporters took part, Safto said exporters were “cautiously optimistic” that export sales and orders would rise in the first quarter compared with the last three months of 1992.

The confidence was in line with the view that the US economy was recovering.

Exporters ranked uncompetitive prices as the main obstacle to growth, due largely to the effects of high local inflation. Some exporters “appeared to be experiencing difficulty in sourcing products at competitive prices”.

Exporters also pointed out the global recession was forcing them to cut prices because of the increased competition.

Another area of concern was the declining exchange rate, which exporters felt was not falling fast enough to offset local inflation adequately.

A slight drop in unfilled orders was expected in the current quarter, which would level out over the next 12 months.

“This clearly reflects the current spare capacity in SA industry caused by the domestic recession, particularly seeing as it occurs when incoming orders are expected to rise simultaneously.”
The weaker exchange rate threatens to exacerbate the already严峻的 economic situation. The currency's depreciation makes imports more expensive, burdening businesses and consumers alike. The government has attempted to stabilize the situation through interventions, but the impact on commodity prices has been significant. The weaker pound also affects the balance of payments, with exports benefiting in the short term but potentially leading to increased reliance on foreign currencies in the longer run. It remains to be seen how these factors will interact, shaping the future trajectory of the economy.
CAPE TOWN — Overseas buyers were demanding that products be inspected at source by an unbiased third party to avoid receiving poor-quality goods, SGS SA chairman Philippe Fatzer said at the weekend.

SGS SA is affiliated to the Swiss-based Société Générale de Surveillance, the world's largest commercial inspection company, and a member of the European Foundation for Quality Management.

Fatzer disagreed with the view of Canadian professor Ernie Love who said last week that quality assessment by inspection was outdated and added significantly to the costs of production. Love preferred total quality management programmes.

"SA manufacturers must realise that inspection is an integral part of total quality management and to ignore it would be to their detriment and prove very costly in the long run," Fatzer said.

Once total quality management had been implemented quality control and inspection costs were low in relation to total costs but achieved substantial savings.

"Inspection is still essential as it provides a manufacturer with the raw data to correct a problem through quality control and avoid recurrence through total quality management," Fatzer said.

"By ignoring this method the manufacturer is unable to monitor the final state of the product to be delivered."

Meanwhile, Arthur Andersen operational consultant in New York Neil Cameron said at an executive briefing last week that businesses could increase their profits up to 50% by re-engineering their businesses.

"Business process re-engineering requires a change in mindset from process management and in order for this to be successfully implemented, departmental barriers have to be broken down and staff have to learn to communicate with each other."
Exports expected to rise

NON-gold exports should rise 2.5% to 3% in real terms over the next 12 months, Sato said at the weekend.

Releasing a poll in which 100 of SA's top exporters took part, Sato said exporters were "cautiously optimistic" that export sales and orders would rise in the first quarter compared with the last three months of 1992.

The confidence was in line with the view that the US economy was recovering. In the past, the US served as "the locomotive of world economic growth". Other industrial nations would follow the uptrend, which would improve demand for SA goods.

Exports

Exporters ranked uncompetitive prices as the main obstacle to growth, due largely to the effects of high local inflation. Some exporters "appeared to be experiencing difficulty in sourcing products at competitive prices".

"In this regard, the declining PPI must be welcome news," Sato said.

Exporters also pointed out the global recession was forcing them to cut prices because of the increased competition.

Another area of concern was the declining exchange rate, which exporters felt was not falling fast enough to offset local inflation adequately.

Exporters complained about the high cost of transport, in particular the costs associated with moving goods from the PWV area to Durban.

Uncertainty surrounding the future of GEIS was also attracting attention and exporters complained of unpredictability in incentives policy.

A slight drop in unfilled orders was expected in the current quarter, which would level out over the next 12 months.

"This clearly reflects the current spare capacity in SA industry caused by the domestic recession, particularly seeing as it occurs when incoming orders are expected to rise simultaneously," Sato said.

The point was reaffirmed by the expectation that stocks for export would climb slightly over the same period.
Little change in R2bn for export incentives

CAPE TOWN — An amount of R2,007bn has been allocated to export incentives this fiscal year, little increase over the R2,005bn proposed in the previous Budget.

Of this amount R1,677bn would go to the revamped general export incentive scheme introduced on April 1, 1990 and the balance of R337m would be used for the redemption of promissory notes issued under former schemes.

Finance Minister Derek Keys said that the cash compensation under the revamped scheme would have to be phased in on account of the financial pressure placed on the budget by having to simultaneously redeem the promissory notes issued under the old scheme.

Claims of up to R500 000 had already been paid in cash from July 1 1992.

"This means that in 1993/94 in addition to cash payments, further promissory notes will be issued under the new scheme in part financing of the programme.

"As expenditure on redemption of the promissory notes issued under the old scheme begins to decline, there will be a shift to cash compensation under the new system," Keys said.

In his Budget Review, Keys said the present position of the balance of payments and the fiscus prevented government from pursuing its commitment to phase out import surcharges at this stage.
MARKET research is advisable for all exporters to South-East Asia but essential for South African suppliers, says Breyer Development Services managing director John Bell.

He says these markets are generally unknown but, of greater importance, SA is not recognised as a traditional exporter to the region. He cautions that South-East Asia is a diverse region comprising markets differing in culture, potential and, above all, business procedures. Business people must adapt to the requirements of each.

A small, specialised market, which does not command the attention of international suppliers, can provide the average South African exporter with very substantial orders - but only if the market has been thoroughly researched and the right contacts established before contemplating the first visit. "Contacts, in fact, are probably more important in South-East Asia than in any area in the world. Without them business is virtually impossible, but the correct ones will make the passage to success almost unbelievably smooth." In Mr Bell's experience, the biggest mistake local exporters make is to consider the region as one market run by "the Chinese".

There is an element of truth to this simplistic view. In Malaysia, for example, one will inevitably recognise the senior businessmen of Chinese descent, but they are a population minority and their dominant role is a sensitive point.

Contact

Similarly, the Thai businessman, despite his Thai name, will often be perceived as being of Chinese extraction but it will be impolite to refer to it.

Though a Singapore business contact will almost certainly be Chinese, he or she will be offended if this is referred to. They are Singaporean and intensely proud of it. Mr Bell cautions that names represent a minefield of possible error and though incorrect usage does not cause offence to the sophisticated, errors will identify the perpetrator as an amateur.

Although many business people in Singapore adopt a Western name - and in some cases, quite literally, a Christian name - their Chinese name usually appears on letters and business cards and considerable experience is required by visitors to determine the surname.

The executive director of the Singapore Manufacturers' Association is John Chin Teck Huat. He is addressed as Mr Chin. Western visitors on first name terms (never at the first meeting) would call him John whilst their Chinese equivalents would address him as Teck Huat.

The Thai Minister of Transport and Communications - an essential contact for many South African exporters - is Nkul Prachabunboh. Address him as Mr Prachabunboh and one may as well avoid future contact, says Mr Bell.

Mr Nakul will pass, but your Asian wise competitor will use the honorific title of Rhu and address him as Rhu Nakul.

Research

When greeting others he will also place his hands together, raise his fingers to his forehead and bow in the traditional "wai". If this is felt to be petty and unnecessary, Asia may as well be forgotten as an export region, says Mr Bell.

However, those who take it seriously and are prepared to research the business methods of each country and establish the appropriate contacts will be well on the road to success by the time the first visit is made.
McDonald's wants to say SO-beef

The supplier would be required to stop the meat to Kaua'i Lumag in 1982 and 1983, and to have the right to sell to Kaua'i Lumag and other suppliers

Stocked ABO Versa International offers an opportunity to supply beiden with absorbent and disposable peri-dine tissues. The offer is for 250 million cups a year to be delivered in 1982 and 1983.

Water treatment plants for cruft and industrial use — TACT Automotive Excavator, Inc., 1003-104-0811, 1043-104-0811.

The above advice on this page, call Anax Group Inc. on 011-917-8545.

THE REALITY OF EXPO 1984

TODAY'S list of international export opportunities includes a outlook of lucrative export markets, which come from countries only recently opened to US.

A prime example is the query from McDonald's restaurant chain in Singapore, which recently reopened.

The fast food retailer currently imports from Argentina and Australian, but is looking for a competitive 3rd country supplier of beef to be able to increase their market share.

McDonald's (Singapore) currently maintain about 700,000 of beef a year.

FODGETS

- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
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- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
- Excite electronics, cats and dogs — Portugal, Cevra & Serpa, Aparicida, Tel. 021-251-234, 101-320-0850.
Major Export Effort to Revive Economy
A model export plan

By REG RUMNEY

PROPOSALS in the government's Normative Economic Model to boost exports strongly resemble those in a recently released draft document emanating from the Southern Africa department of the World Bank.

The document on South African trade, drafted by World Bank economists Pedro Belli, Michael Fingers and Amparo Ballivan, was disseminated last month for discussion.

Both the document and model:
- Find an anti-export bias inherent in South Africa's trade policy. They both reckon this anti-export bias arises from the handicap on exporters of higher input costs from domestic suppliers than are available internationally.
- Come out against export processing zones.
- Suggest rationalising the plethora of complex and widely differing tariffs on imported goods.
- Recommend a gradual approach to trade liberalisation, starting with giving exporters access to inputs at more competitive prices, whether the goods are obtained domestically or abroad. Domestic industries would continue to be protected for the time being. Eventually import surcharges would be scrapped and duties scaled down.

However, the economists' document is much more explicit and detailed. The World Bank economists note that for the manufacturing sector as a whole, protection on inputs raises their cost by 12.6 percent compared to a free trade regime. The burden is not equally spread.

They also note the South African manufacturing sector is a close-knit microcosm of big companies and exporters mostly do not pay domestic prices for their inputs, but buy them at producers' export prices.

This does not apply to smaller companies, who cannot bargain down the domestic price of inputs and have to pay the full domestic price.

According to the economists' calculations, the combined effect of the General Export Incentive Scheme (GEIS) and free-trade equivalent prices on inputs produces, on average, a pro-export trade regime.

However, there is no guarantee inputs will be available at world prices, so these calculations only give an idea of what could be achieved if, in addition to GEIS, South Africa had a more effective system whereby duties paid on imports could be reclaimed by them.

As in the Normative Model, the economists note GEIS clashes with General Agreement on Tariffs and Trade rules and so has to go. Hence, in addition to competitive inputs they recommend a strongly interventionist role for the government.

They say the key to switching from an anti-export bias in other countries has been access to government support, particularly capital, being made conditional on export performance. They mention Korea as an example.

The economists do not go into the possibly painful political and other implications of this policy. Neither half of Korea is known to be a paradigm of democracy.
18.06.
Chocolates — Belgium. Chocolaterie van Dale, Van Dale; tel: 0932-14-971 463
19.06; 21.01; 21.04; 04.02.
Long-life bakery products, canned foods, soup packets and milk products — Switze
erland. Stedtler and Partner; Herbert Stedtler; tel: 0941-55-648 161, fax: 0941-55-
648 169.
22.06.10.
Local wines — Belgium. Richard Schofield; tel: 0932-
19-963 84.
Chapter 22; 38.23.
Superior local wines and chemical products — Bel
22.01; 22.09.
Mineral water and pure grape juice — Japan. Fujiya
Jyozo Co, Natori; tel: 0681-
552-633 359, fax: 0681-553-832
778.
MINERALS, CHEMICALS
25.07.00.10.
Kaolin for use in paper manu
facturing — Argentina. Cel
ulose Argentina; Roberto Raffo; tel: 0954-1-336 6012, fax: 0954-1-322 9301.
27.01.
Anthracite with low sulphur and nitrogen content — Ger
many. Eiro Rohstoffgesellschaf
t; H Eisel; tel: 0649-2272-
3043, fax: 0649-2272-2202.
27.13.
Petroleum coke — Spain. Con
solidatuir; J Fernandez; fax: 0634-1-429 001.
28.40.10.
Calcium carbide — Switzer
dl. Jean P DeNesy Con
sulting; Denesey; tel: 0941-22-
982 080, fax: 0941-22-796 189.
28.41.
Sodium bichromate — Czech Repub
71.03; 72.03.
Tiger eye, sugilite and blue chalcedony — Japan Furuya
& Co; Massahi Puruya; tel: 0891-553-351 203, fax: 0891-
553-324 707.
ORGANIC AND WOOD PRODUTC
41.04.21; 41.04.22; 43.01.20; 94.03.69; 94.03.69.30; 94.03.69.90;
Buffalo skin shoe leather, dry rabbit skins and wooden chairs — Czech Republic.
Faex Co, Pavel Raz; tel: 0942-2-301 6455, fax: 0942-2-
301 3400.
44.02.
Wood charcoal — UK. M Gu
44.07; 44.08; 48.02; 48.04;
73.18; 74.15; 75.08.
Wood, sawn lengthwise, Kraft paper and paper board, iron or steel screws,
Scrap import charges or face retaliation, says White House
WINE exports are being undermined by the high price put on bottles by Consol Glass, the virtual monopoly bottle maker in South Africa.

Wine makers, who are paying double the amount of their European competitors, are now searching for alternatives including bulk shipping of wine for bottling in Europe.

A wine bottle costs 30 cents in Europe against 60 cents in South Africa.

Mr Pietman Hugo, KWV chairman, said at the KWV 75th annual meeting this week that South African wine could be imported into the European community at a cost 15 percent lower than its European competitors, but packaging in South Africa was 85 percent higher.

Mr Ritzema de la Bat, managing director of KWV, said in an interview that negotiations were continually held with Consol Glass. The company however maintained that European bottle makers could effect economies of scale because of the enormous comparable demand for bottles.

BRUCE CAMERON
Business Staff

Mr De La Bat said that it was hardly worth importing bottles as with duties and shipping costs each bottle would be only one cent less than the cost of a South African bottle.

Last year South Africa exported 21,6 million bottles of wine for which the additional cost of the locally made bottles would have been R5 480 000.

A move has already started to export wine in bulk with bulk exports for last year being equivalent to 500 000 bottles.

But De La Bat said European wine importers were not in favour of bulk imports as there was a tradition to wines which had to be maintained.

He pointed out that the same tradition applied to corks although there were better and cheaper methods of sealing wine bottles. He pointed out that every proper cork was imported at a cost of 60 cents.
Grain of Hope in Store for SA

Imports were down in all the major products. The 1979-80 season was a good year for crop production, and the sun was shining down on the fields. However, the heavy rains in the fall of 1979 caused some damage to the crops. Despite this, the harvest was still good, and the country was able to meet its needs. The prices for grain were lower than in previous years, which helped to keep food costs down for consumers.
Cheaper inputs to boost exports

GOVERNMENT has tabled plans to turn the whole of South Africa into a giant export processing zone.

The plans — detailed in the Normative Economic Model — were discussed at a top-level all-day meeting of government and business leaders at the Reserve Bank last Saturday.

Those taking part included Finance Minister Derek Keys, Reserve Bank Governor Chris Stals and Trade and Industry director-general Stef Naude. About 100 businessmen attended, including 20 Nafec and Fabcen members.

The new export strategy, which is influenced by a World Bank report released earlier this year, calls for changes to the Customs and Excise Act so that exporters can buy all inputs used for manufactured exports at the keenest international prices.

Concerns

"Policies in place tend to make production for the domestic market far more profitable than production for export," says the draft World Bank paper.

NEM's authors have adopted these policy recommendations to boost SA's exports.

"We're trying to alleviate the anti-export bias in the economy," says Jopie Jacobs, special adviser to the Finance Minister.

"Exporters should not be forced to use local inputs, but to obtain goods at prices which are not too highly burdened with duties and indirect taxes," the NEM says.

"In this way they will become more competitive in international markets."

NEM says this pricing policy will help level the playing field with foreign competitors and transform the whole export industry into an export processing zone.

The new policy would address one-half of SA's problem of anti-export bias — namely, the high cost of inputs for exporters. The remaining half, the higher price of inputs in the domestic market, would be addressed as SA's export performance increases and duties for domestic producers are lowered.

NEM argues that this export pricing system could facilitate the phasing out of the General Export Incentive Scheme and open the way for the lowering of the import surcharge and duties in general.

These measures will have to be taken if SA undertakes to comply with the GATT conditions.

"GEM is viewed by the GATT as a countervailing subsidy which creates the danger of counter-actions from countries which import South African goods," NEM's authors say.

"They argue that the free trade regime will promote employment and not disrupt domestic production."

The Government/business meeting was called to present NEM to the private sector. It is understood that concerns were raised over Government's ability to control expenditure, especially by the homelands, but that the meeting was generally supportive of the NEM.

Tariff reform, the scrapping of formula duties, SA's commitments to GATT and the phasing out of the GEM also featured.

Dr Jacobs says similar meetings are planned with organized labour and regional economic forums.

"The presentation of the model got a very positive response," he says.

NEM has been tabled for discussion. Finance Minister Keys says it should be ripped to shreds and rebuilt so that the result is a plan which everyone can own and support.

Instruments which could be used to promote free export trade and which are already in operation include a system whereby exporters may obtain duty exemption or duty repayments in cases where tariffs and indirect taxes may be claimed back. Exporters are effectively given free trade access to more competitive imported inputs and capital goods.

NEM recommends that Sections 470.03 and 531.00 of the Customs and Excise Act be thoroughly revised and adapted so that the Act can be applied more effectively.

NEM wants a three-phase approach to liberalising SA's trade regime.

Firstly, a free trade regime is established for exporters. Then, as exporters become more competitive, import surcharges can be phased out or eliminated and, finally, duties can be scaled down in terms of commitments SA has already made under the Uruguay Round of GATT.

Costs

The World Bank paper says a free trade regime for the entire economy (as is the case of Singapore and Hong Kong) is not possible for SA because of high transition costs.

Bank staffers argue that export processing zones perform best in countries where there is no developed industrial sector. Hence they say the duty drawback system holds the most hope of the various policy options for SA.

They say that the proposal to create a free export regime does not mean that reform to the tariff book is unnecessary. "Unevenness in the duty schedule, an unduly complicated tariff structure and a highly unstable tariff structure need to be addressed quickly."
US may press SA on export tariffs

SA MAY be coming under increasing US pressure to liberalise its tariff structure, already targeted by US trade authorities as a barrier to a number of American exports, government sources say.

A Board on Tariffs and Trade (BTT) spokesman said at the weekend that even before the Clinton government, the US had tended to act bilaterally and outside of organisations such as GATT in trying to persuade trading partners to alter their policies.

However, the new US administration might be considering a more forceful approach.

Trade and Industry director-general Gerrie Breyi said the US had “all sorts of instruments which they could employ” against countries perceived to be discriminating against US companies.

US President Bill Clinton’s chief trade negotiator Mickey Kantor in a report released last week named SA as one of 44 countries with significant barriers to US exports.

The report alleged SA tariffs industries had damaged US exports of soda ash, poultry and “possibly washing machines”, while import surcharges had “impeded the US cigar industry’s access to SA’s market”.

It added that SA’s protectionist and “arbitrary” agricultural policies and an “extensive system of tariffs, taxes, surcharges, quantitative import controls and numerous marketing boards” were causing concern.

Breyi said it was difficult to judge at the moment how serious the US objections were.

The new administration appeared to be adopting a protective approach to trade issues, although it had not yet clearly enunciated its policies, he said.

Breyi said the latest US complaint was surprising given the fact that there had been no substantial complaints or pertinent questions raised when SA tabled its offer to GATT in terms of the latest Uruguay Round of negotiations.

The BTT spokesman said he did not know what the US complaint about washing machines was based on.

The Sua Pan soda ash facility in Botswana enjoyed moderate import protection, but US exporters of both soda ash and washing machines were active in the SA market.

Poultry imports were subject to an interim duty which was still to be confirmed.

Comment: Page 4
Feathers extended to find the deals

TRADE inquiries gearing the price-map of raw and semi-processed species of SA raw materials feature in today's list of export opportunities. The batch of this week, will be a useful contact for producers. The same can be said of Chartered Materials and Services, a well-known manufacturer in this field. The export of steel, raw materials and machinery is the project of a joint venture to up to 6% last week, and have numerous structures of the projects on the go. 

**FOODSTUFFS**

03.03.30. Frozen fish bone - Spain, S.A. de Acuaventura, Zonas del Mediterraneo, Jose Garcia; tel: 0103-34-737, fax: 2216, 03.06.13.10. 03.07.48.09. 08.01.30.09. 08.02.30.


03.16.20.00. 04.01.00.09. 04.07.00.09. 04.12.00.00. 04.18.00.00.

05.05.00.00. 05.06.00.00. 05.07.00.00. 05.08.00.00. 05.09.00.00. 05.10.00.00. 05.11.00.00. 05.12.00.00.

06.02.20.00. 06.03.20.00. 06.04.20.00. 06.05.20.00. 06.06.20.00. 06.07.20.00. 06.08.20.00. 06.09.20.00.

07.01.00.10. 07.02.00.10. 07.03.00.10. 07.04.00.10. 07.05.00.10. 07.06.00.10. 07.07.00.10. 07.08.00.10.

Free meat, fish, and vegetables, frozen fruits, canned fruits, canned vegetables, and fruits juice concentrates; but, margarine and sugar; US, Phoenix Beer, Gerald Biebel; tel: 0102-283-1750, fax: 011-343-2475.


16.08.00.10. Chocolate and sweets - Chile, Overseas Comercial Ltda, Manuel Diaz; tel and fax: 0108-2-4450.


Yoy Lam

**METALS, STONE**

68.02.22.00. Granit - Taiwan, Crystal Co, MS Chen; tel: 0998-4-350, fax: 0998-4-350.

44.10. 44.11. Particle board, Eucalyptus, with finger joints, and medium density fibreboard - US, Walter Kim; tel: 0108-7-450, fax: 011-718-786.


46.03.00. Pulps of fibrous cellulosic materials - Italy, Cartiera Favioli, Achille Monastre; tel: 0999-6-54722, fax: 0999-6-53527.


68.10. Ladies clothing and all sorts of jewellery - US, Barnwell, Harold Burnell; tel: 011-310-3833, fax: 011-310-200.

68.03. Ladies clothing and all forms of jewellery - US, Barnwell, Harold Burnell; tel: 011-310-3833, fax: 011-310-200.

68.07. Oil, seed, corn, and chicken feathers - Spain, Hiskaper, Eduardo Carretor; tel: 0104-48-922-244, fax: 0104-48-920-331.

**AGRICULTURE**


23.01.00. Plastic - Germany, Vink & Co, Rudiger Redzic; tel: 0109-4-3132, fax: 011-4-30131.


28.04.00. 28.13.00.10. Plastic and glass containers - Switzerland, Stanford Research Institute, Mario Jecchel; tel: 011-4-211-008, fax: 011-4-211-008.

29.10.00.00. 29.10.00.00. Thimber - Argentina, Argomen, SA; tel: 0109-4-3132, fax: 011-4-30131.

31.01.00. 31.01.00. Taiwan Trendway Products, Herman Tsai; tel: 0109-4-3132, fax: 011-4-30131.

31.01.00. 31.01.00. Various fertilizers - US, Contractor, Roland Ramos; tel: 0110-310-3833, fax: 0110-310-200.


40.10.20. 40.10.20. Tread and 跑得 tyres - Belgium, Petrox Project; J. Amden; tel and fax: 0103-2-673.

40.11.16.11. Letter rubber surgical and in-line gloves - US, Worldway International Trade, Mahsum Rahman; tel: 0109-7-4385, fax: 0110-7-695.

42.02. Paints, tooling - UK, Black Tool, Bob Scott; tel: 0104-772-724, fax: 0104-772-724.

**TEXTILES**

42.02. 42.02. 22.16.00. 96.08.10. Gloves, skis, and Christmas decorations - US, Worldway International Trade, Mahsum Rahman; tel: 0109-7-4385, fax: 0110-7-695.
A look at World Bank

Andrew Krumm

EXPORT funding could be a problem in trading with Africa, unless one is dealing with a multinational company or an organisation like the World Bank.

The SA Institute of Civil Engineers says this issue will be addressed at a symposium being held in Johannesburg on May 6 and 7, on World Bank opportunities in Africa.

Institute president Fred Hugo says two senior bank representatives will give an insight into World Bank loan procurement procedures and business opportunities in Africa.

The bank last year spent more than R70bn on development projects in Africa; about 70% of this on equipment purchases, 20% on civil works and 10% on consulting services.

"To date only a handful of consultants from SA are being used on projects in Africa, despite there being no restrictions when it comes to dealing with SA," says World Bank advisory agency manager Jack Thompson.

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Govt bodies probe
R830m in frauds

Own Correspondent

JOHANNESBURG. — Two government bodies are
investigating export incentive frauds amounting to
more than R830 million.

The probes are being conducted by the Department
of Trade and Industry and the Serious Economic
Offences Office.

This is in addition to the 22 800 dockets on white-
collar crime involving R3.8 billion that are being
probed by the police commercial branch.

Two of the cases under investigation involve
R656m in alleged abuses of government export in-
centive schemes.
SA must export processed goods

IT was with considerable surprise that South Africans read during the past week that the US government was complaining that SA was unfairly restricting the entry of American goods into its markets.

After all, Washington has been in the vanguard of the sanctions campaign against this country. Even today certain of its cities and states are still applying sanctions. It has been alleged that some are even considering the tightening of these sanctions.

Why?

Firstly, the US is running a massive deficit in its business dealings with the rest of the world. Even Washington seems to realise the only way to pay debts is to earn foreign exchange by increasing exports.

Secondly, we are part of a general group of 44 countries that stand accused by the US of unfair trading practices.

Thirdly, there is growing awareness in the US that increasing unity in Europe during the next decade will cause competition in international trade to become much tougher. At the same time southeast Asia is making rapid strides as a trade bloc under the leadership of Japan.

SA is not part of the three dominant trade blocs, but must somehow find its way among the industrial giants of the world.

So how should we approach Washington's accusation about unfair trade practices?

The old principle that there are no friends in international politics but only common interests should apply. It is as much in our interest to increase trade with the Americans as it is in theirs. So let us use the opportunity to take a careful look at how this can be achieved.

Another important point is that America, in contrast to Europe, expects a reasonable growth rate this year. It is important that we ensure that we benefit from this, because the US is a large buyer of many of the commodities we can supply.

However, we should bear in mind that while it is fairly easy to sell our relatively low-priced raw materials to the outside world, the real need is jobs for our rapidly growing population. And this will have to come from manufacturing and the local beneficiation of metals and minerals.

Let us bear this in mind when negotiating with the Americans and our other trading partners. These negotiations are going to be tough, because - make no mistake - while the Americans may be quick to cry foul they are far from being innocent of restrictive trade practices.
**KWV ups output of grape juice**

**TOM HOOD**

Newspaper Editor

**EXPORT** turnover of wine giant KWV rocketed by 50 percent last year, mainly through sales of branded products and grape juice concentrate.

Grape juice was also a big seller in South Africa and sweet-must bonuses paid to producers jumped three-fold to $35 million, say the directors in the annual report.

KWV is to step up its output of fruit juice, spending $35 million last year to build plants at Vredendal and Upington to meet ever-increasing demand.

Another $41 million will be spent this year to expand the grape juice concentrate plant at Robertson and upgrade maturation tanks and vats.

A 25 percent stake in Ceres Fruit Juices (Pty) was bought at a cost of $41 million.

About 25 percent of the 1993 wine harvest is expected to be processed into grape juice.

Exports of natural wine jumped by 25 percent, said the directors. New markets were opened and KWV now exported to more than 40 countries.

Several South African wine producers entered the export market so that exports of South African wine more than doubled to a record volume of 3.3 million cases.

However, all foreign markets experienced recessionary conditions, which forced consumers to buy down. In Britain there was an increasing shift to buying liquor at supermarkets.

Wine sales in South Africa stagnated, with big drops in sales of higher-priced wine, while branded sales dropped 5 percent and sales of gin, vodka and cane spirits fell by between 14 and 18 percent.

Competition from cane spirit producers hit the sales of gin, vodka and liqueurs, whose market share plunged to 20 percent from 35 percent in 1991.

**Zimbabwe to spend $1.5bn**

**HARARE.** Zimbabwe’s Industrial Development Corporation is considering investing with other partners in projects worth more than $2.5 billion.
Govt announces rebates

GOVERNMENT has announced what is believed to be the most extensive list of tariff rebates yet granted to export-orientated businesses.

The latest Government Gazette, contains 40 applications for rebates which the Board of Trade has supported. Affected products include manufacturing components, textiles, sunflower oil, engines, and packaging materials. Products to be exported include fertilizers, lobsters, yachts, safes, food processing machinery, garments and vehicles.

Board vice-chairman Helgaard Muller said the approvals were in line with the board’s policy of assisting companies in obtaining inputs at worldwide competitive prices. He was also in keeping with a drive to “clean-up the tariff book.”

Recently the board indicated it wanted to scrap duties on imported raw materials, and streamline and reduce duties on intermediate and finished goods. The Gazette showed two applications for duty increases had not been approved.
Large print: Peter Wehman

No Small Talk there with All Those Sit-Rep's
Exports spur
Sentrachem
earnings

Own Correspondent

JOHANNESBURG. — Sentrachem’s earnings
grew 25% in the six months to end-February
after a 62% growth in export sales and lower
interest and tax charges, MD John Job said.

Earnings a share climbed 25.6% to 32.2c (inter-
im 1992: 25.7c). The dividend was lifted to 7c (6c).

Turnover climbed 13.5% to R1,33bn (R1,17bn).

Operating income was marginally lower than
the same period in 1992 at R114,8m (R116,8m)
because of non-recurring items in the first half
of last year and lower margins on the increased
export turnover.

Exports of crop protection chemicals by the
50%-owned Sanachem, of automotive compo-
nents by Mega Plastics and of plastics by Safri-
poli, resulted in exports soaring to R189m (1992:
R117m), making up 13% (9%) of total sales.

A combination of lower interest rates and a
R67,8m decline in interest-bearing debt to
R423,1m (R490,9m), after strong cash flows and a
tight rein on investment spending, reduced
finance costs 14,5% to R35,4m (R41,4m).

The debt-to-fixed capital ratio fell to 0,47
(1992: 0,57). Job said the group aimed to achieve
a ratio of 0,40 in the second half by lowering
debt further. Tax dropped by nearly a third to
R26m (R36,5m).

A R15,3m extraordinary item related to R3m
expenses written off following an investigation
into Australian-based Chemplex and closure of
the Styrochem plant. The plan to acquire Chem-
plex for R350m was scotched in December.

The group planned to invest R24m in the Sa-
sol/Sentrachem alkylamines venture, R26m for
technology at Mega Plastics and R22m for a
fungicide plant this year.
R16m services industry export scheme delayed

IMPLEMENTATION of an export incentive scheme for the services industry has been delayed, and it is not known when Cabinet will give it its approval.

A Trade and Industry Department spokesman said yesterday R16.5m had been allocated for the scheme for the current financial year. However, despite Cabinet approval in principle for the scheme’s implementation on April 1, details were still being worked out.

Cabinet approved the scheme in February. The spokesman said the department was still holding discussions on its details with “specified groups within the services sector”.

“As soon as these discussions have been finalised, Cabinet will be approached for final approval.”

The spokesman said final details could not be made known. However, the scheme would probably be based on the principles of the Export Marketing Assistance scheme.

The services sector had responded to the proposals with enthusiasm.

Valuable contributions had been received, particularly from the engineering, shipping and tourism industries.

In terms of the assistance scheme, the department subsidises export market research, foreign selling missions and exhibitions, and incoming buying missions.
Iscor sees China as long-term target

Iscor

Share price, weekly close (cents)

J F M A

93 94 95 96 97

Graph: Lee Eberton Source: IML

Iscor PETER DELMAR

ISCOR said yesterday it had targeted mainland China as a new export drive. Deputy MD Nols Olivier said Iscor was “doing brisk business” as a result of China’s industrial growth.

But he said the steel company was being much more selective in its export efforts and aimed to halve the 70 countries to which it currently exported.

Analysts said China had already emerged as one of Iscor’s key markets, although as in most other markets, it was selling at prices which would only enable a contribution to overheads. But China’s...
Improved international trading conditions helped push Iscor shares to a high of 97c this week, compared with a record low of 61c in December.

Meanwhile, South Africa's first trade delegation is in China looking to expand economic links that pushed bilateral trade to R250m in 1992, the official Xinhua news agency said.

It quoted Danie Marais, director of the marketing division of KwaZulu National Marketing Initiative, as saying South Africa would give Chinese investors tax-exempt status for three years while simultaneously offering "basic subsidies" for factory shipments and purchases of equipment and raw materials.

Bilateral trade amounted to $250m in 1992, including $150m in imports and $88m in exports, Xinhua said.

— Sapa-Reuters
Specialty narrows gap

SPecialty Stores, holding company for Milady's, the Hub and Mr Price, deserves the 50% upward rating its share has received in the past year.

The group’s turnover increased by 25% in the year to February. Earnings grew by 21% to 84.3c after secondary tax on companies.

Analysts say this performance is impressive considering the trading environment of falling consumer spending power and tough competition for a slice of the shrinking business pie.

Joint managing director Stewart Cohen says the group is gaining market share.

In spite of the upward rating, analysts say the share is still trading at a discount to the retail sector. This gap will narrow only if the group fulfills its promise in the current year and achieves real earnings growth.

Listing the individual stores separately would improve tradability, but Mr Cohen says this is unlikely to happen for a few years.

Despite the high turnover, operating income increased by only 1%. Mr Cohen attributes this to the company’s markdowns and high promotional costs to keep stock moving.

The group, which has moved from department-store concept to targeting niche markets and going for higher turnover on a narrower range, continued its expansion.

It opened three Milady’s, one Hub and 12 Mr Price shops in the Transvaal and Natal. It will open 15 Mr Price stores and another three Milady’s in the current year.

Analysts say this rapid growth should be reflected in the bottom line once the economy turns.

Mr Cohen says expansion of the credit-based Milady’s chain is partly financed through the cash operations of Mr Price. This cash flow has alleviated the need for a rights issue.

He says the cash operations and improved working-capital management helped to bring finance costs to a 10% increase in the year after being 45% up at the half-year.

Cash sales will account for 40% of the group’s turnover in the current year. In 1990, they accounted for 25% of sales. The aim is to get a 50-50 balance between cash and credit sales.

The group has exercised strict control over stock, which increased by only 7% in the last year.

Mr Cohen says many things are starting to fall into place, such as people and systems. The group is poised to achieve real earnings growth.

If that is the case, analysts mark Specialty as a worthwhile investment.

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Company round-up

By TERRY BETTY

The following table provides an overview of financial data for various companies:

<table>
<thead>
<tr>
<th>PRELIMS</th>
<th>Turnover (Rm)</th>
<th>Profit before tax (Rm)</th>
<th>Earnings per share (c)</th>
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<td>Smart</td>
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<td>Abcon</td>
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<td>+15.0</td>
<td>+5.0</td>
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<tr>
<td>Combined</td>
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<td>+7.0</td>
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<td>Specialty</td>
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<td>Egoli</td>
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<td>+6.0</td>
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<td>SFR Gold</td>
<td>14500</td>
<td>+20.0</td>
<td>+8.0</td>
</tr>
<tr>
<td>Geotechn</td>
<td>17500</td>
<td>+25.0</td>
<td>+10.0</td>
</tr>
</tbody>
</table>

INTERIMs

| RMS     | 23.3          | +8.0                   | +1.6                   |
| Abs Hld  | 0.179         | -12.0                  | -0.23                  |

* Eight months

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Safto for Morocco

SAFTO will send its first trade mission to Morocco in June.

Morocco has become a major export market for South Africa in the past year and is one of its top 10 partners in Africa.

Safto believes SA companies will find opportunities in agriculture, packaging and mining, as well as in shipping, freight forwarding and banking.

Morocco has an average annual economic growth rate of 4% and inflation of 6%.
SA ‘will have to change thinking on exports’

When all sanctions are finally lifted, South Africans must become far more oriented towards exports, Safco chief Len van Zyl tells Foreign Editor
FREDERICK CLEARY.

At the time, Apartheid is fading into history. The constitutional bandwagon is lurching forward, and so, with South Africans no longer pariahs, our businessmen are now welcoming every breath of relief, with lucrative export contracts waiting to be picked up.

So some might think. The reality proves them different.

Sanctions still apply to many parts of the world, and only when Nelson Mandela gives the green light – probably when the Transitional Executive Council is formed and a general election date set – will doors be fully opened. Then we will have to fight hard to obtain a slice of a highly competitive yet fruitful market.

This is the view of Len van Zyl, chief executive of the South African Foreign Trade Organisation (Safco).

Flying the flag abroad, as Van Zyl and his 170-strong staff do, is one thing, but a handicap is the mentality of South Africans being foreign. Too many are not export-conscious enough.

“We never have really been export-oriented,” Van Zyl said.

“In the past we have always built our exports primarily on the stuff the Good Lord put right on the ground. We would settle for taking it out of the ground and selling it to those countries which were not so fortunate.

“Our effort in exporting manufactured goods leaves a lot to be desired, and always has.

“Thus, we never developed an export culture. We were far from the main markets. Africa took basic foodstuffs, so the economy was built primarily on the growing internal market.

“Many who did export did so only when they had a surplus. Consequently, the outside world formed a negative opinion about South Africa as a trading partner.”

True, attitudes have improved. But, said Van Zyl, South Africa is still not as vigorous an exporter as others, certainly not in the same category as Japan, other Oriental tigers and many European nations.

Political events over the past decade – sanctions and general hostility to this country – stultified whatever export growth developed. Now that this situation is changing, albeit slowly in many cases, a refocusing on marketing abroad is possible.

“We should study the Japanese. They did not say: ‘We have it, therefore we will sell it.’ They said: ‘What do the big markets in America, with its 260 million consumers, and Europe, with its 350 million, need? Whatever they need, we will make.’

“We do not do that. However, it is fair, with our industrial and technological development, to see what is happening. Taking our motor industry. We are selling cars to China and components to other motor manufacturers, e.g. BMW seats to Germany, and we are selling electronic and chemical components to Italy, and so the picture looks better. But it can improve a great deal.”

Probing

The global marketing scene is varied.

President Bush lifted federal sanctions 20 months ago, but in reality that did not mean much. America is not really one country. It is 50 little countries, each state very much auton- mous. At present, many states and cities do not deal with South Africa. They do not even deal with American companies that do deal with us.

Despite this complicated situation, South African trade delegations are probing into North America, although at a low-key level. For example, wines being shipped to some southern states such as Georgia.

“Conversely, American companies are not slow in seeking further trading opportunities here. Representatives of one of the major motor companies were here recently, sounding out the possibility of buying directly essential minerals such as chrome and platinum instead of working through New York agents.

“I worked in America for three years in advertising prior to joining Safco eight months ago and know the markets well. I am anxious to take a large trade delegation there, but the timing must be right.”

There is a problem with the European Community in that the Lome Convention – a favourable trading agreement the EEC has with developing African countries – excludes South Africa because of objections from other African countries.

Apart from adhering to the United Nations oil and arms embargo, Britain has never maintained sanctions against South Africa.

But Van Zyl accepted as justi- fied criticism that many South African businessmen have not ventured outside London, appointing agents rather than handling themselves in other regions and cities. This attitude needed to change.

“Sweden, the largest Nordic country, has not lifted sanc- tions, yet a colleague recently attended a seminar, which they arranged, where the theme was using South Africa as the gate- way to southern Africa.

“They appreciated that we know the sub-continent better than they do. They want to trade with and through us, but their government has yet to give them the go-ahead.”

There is an open-trade policy in the Arabian Gulf. “Last Octo- ber we took representatives of 100 companies there, and now two-way trade is thriving.

“Singapore has just lifted sanctions, so we are taking a team representing another 100 companies and we are using the island state as our gateway to south-east Asia.”

Where sanctions do not still apply, we have moved in rapidly to Africa, and have been most successful. But a major problem here is that few countries have the money to do business. Again, when the political climate changes, the picture should improve.

Sanctions still apply in India, Russia and China, but trade delegations from all three countries have been here and are gearing up for what would obviously be enormous two-way trade once the political barrier is lifted.

“That time is close,” said Van Zyl. “Hopefully, as soon as the TEC is formed and, presumably, when, and only when, Nelson Mandela gives the signal, South Africa’s whole foreign trading pattern can be transformed overnight.

“In the meantime our companies, particularly the medium and small firms, should be out there investigating these foreign markets. Generally, the major groups have established themselves.

“The competition is keen, the market is enormous and the re- wards are potentially consider- able. It is vital that we produce the right product of high quality and at a competitive price.

“Also, we must not overlook the fact that, if we can become a thriving export nation, in turn we can take up our present slack industrial capacity and thus help alleviate our unemployment.”
Turkish businesses look for links with SA

TRADE liaisons from Turkish companies, seeking goods from printing paper to plastic and magnesite separators dominate today's offers.

South African companies are also well represented, with companies from Argentina, Brazil and Uruguay. An offer from the Casa Minera seeks a wide range of mining equipment - goods which South African companies will need to supply.

Today's foodstuffs category contains a share of interesting offers. One from Swiss-based Borsum AG which seeks 80.000 kg of red wine is also as an agent for an unspecified amount of bottled red wine. Local agents might also note the inquiry for maize, dehydrated vegetables and tea by the Munich branch of Leomar R. As Leomar is a South African company, payment should not be a problem for the inquiry from Fresh Food from Singaporean firm P.P.P. Mathias.

Alas, Ika Ingenieur, Gatesfri Redomus, tel: 095-4-325 345, fax: 095-3-214 313, 31.07.91.


Canned abalone - Hong Kong, Evergreen Hotel, Cheung Chau, tel: 095-8-825 825, fax: 095-8-825 825, 31.07.91.

Vegetable soup, chicken soup - Chile, El Impulso, tel: 095-5-341 444, fax: 095-5-134 447, 31.07.91.

Olive oil, soybean oil, sunflower oil - Israel, Eilat Oils, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

Tinplate - Spain, Tinplate. Tel: 095-4-325 345, fax: 095-3-214 313, 31.07.91.

Textile, clothing - Philippines, Alabang Textile, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

Print and writing paper - Turkey, OII & Co., tel: 095-4-325 345, fax: 095-3-214 313, 31.07.91.

Ceramic tiles - Taiwan, Taipho Ceramic, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.


Metal - South Africa, TMS Metals, tel: 095-4-325 345, fax: 095-3-214 313, 31.07.91.

Glass - Spain, Pochon Parques y Infantiles, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

Radiator - Egypt, First Egyptian, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

Aluminium - Tunisia, SIC Val, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

Steel - South Africa, D lorex, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

equipment - South Africa, D lorex, tel: 095-7-431 431, fax: 095-7-431 431, 31.07.91.

The information in this feature is supplied by the Export Centre of the Department of Trade and Industry.

Importers: Manufacturers should contact their local company directory to establish local contacts. A contact person has been named if there are any problems, to communicate with the Export Centre, tel: 095-7-431 431, fax: 095-7-431 431.

Export services: For general advice on export and import matters, contact the department or its regional representatives in Durban, Port Elizabeth and Cape Town. It is essential that manufacturers of the world of exports get in touch with the local office. Warning: EA firms should be aware that restrictions on the export of certain products might be applied by the authorities. While every effort is made to maintain the accuracy of information in this list, the Department of Trade and Industry assumes no responsibility for any incorrect data. Nor will the department liaise on the firm's behalf with individual parties.

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SBDC offers help to aspirant exporters.

SANCTIONS and penalties may be applied for.

SBDC (Small Business Development Center) provides assistance and guidance for small businesses.

- Export Development
- Business Planning
- Market Analysis
- Financial Management
- Legal and Regulatory Compliance
- International Trade
- Export Credit

SBDC helps businesses to
- Identify export markets
- Develop export strategies
- Access export financing
- Overcome trade barriers
- Expand global presence
SA GIVES the impression of being far from aware of the implications of a move towards export-led growth.

That is according to early speakers at the conference on SA’s International Economic Relations in the 1990s, which is being held at the Mabula Game Lodge under the auspices of Idasa and the Aspen Institute of the US.

The conference has taken two years to organise and has brought together economists and executives of national and international financial agencies to examine economic factors faced by SA as it re-enters the world and simultaneously restructures domestically.

In his opening presentation at the conference, Prof Robert Lawrence of Harvard University said there was little point in participating in international trade simply to earn foreign exchange.

Re-orienting the economy for export-led growth implied an acceptance that trade was necessary to acquire skills and new technology through foreign competition.

While there might have been a time when GATT rules favoured developing countries, those days were gone.

Today there were pressures for reciprocity for which, according to Sheila Page of the UK’s Overseas Development Institute, inefficiencies and unawareness of the scope of foreign trade left SA ill prepared.

Ironically, according to Page, SA would benefit less from trade liberalisation than would other African countries.

SA’s main exports — gold, coal, platinum and diamonds — generally attracted negligible or no tariffs.

Accelerate

As a result, SA would gain little immediately by acquiring General System of Preference (GSP) status under GATT.

That would come later only as the country’s exports shifted away from primary products to secondary manufactured goods.

That greater trade activity, though, would lead to demands for adjustment to our own tariffs and import controls and the possibility of countervailing tariffs to eliminate the advantages of GSP, Page said.

And the pressures were likely to intensify, she added.

All this would oblige SA to accelerate the shift of its economic focus away from import replacement which, Lawrence believed, was proved by the Latin American experience to be an ultimately bankrupt policy.

Emerging at an early stage of the conference was the view that SA would be unwise to count on capital inflows to finance any restructuring directed towards export development.

It would have to rely for the most part on mobilising its own capital resources, said John Williamson, a senior fellow of the Institute for International Economics in Washington.

Taking that further, Benno Diulul of Kenya’s African Economic Research Consortium, added the requirement of good economic governance, underpinned by political legitimacy.

SA was short on that, one World Bank official indicated privately.

The longer political haggling continued, the greater the damage that would be done to the economy by inaction.

South Africans risked finding themselves in a downward economic spiral from which escape would be difficult.

Meanwhile the rest of the world would not be waiting for SA, he said.
CAPE TOWN — The state spent R1.6bn on the general export incentive scheme (GEIS) in 1992/93 and would spend about R1.7bn and R1.8bn in 1993/94 and 1994/95 respectively. Trade and Industry Minister Derek Keys told Parliament yesterday that GEIS was not an export instrument.

The final decision would be taken with full consideration of SA's treaty obligations in terms of GATT. Although GEIS stood no chance of making a dent in the investment climate, an independent study had just concluded GEIS was a vital export instrument.

The department would have to phase out GEIS if SA acceded to the Uruguay Round Agreement of GATT, in terms of which developed countries had three years, and developing countries six years, to phase out relevant export incentives. As the removal of the anti-export bias proceeded through tariff rationalisation, GEIS would be adjusted.
Hopes of exports helping economy 'have dimmed' (74¢)

CAPE TOWN — Hopes of an export-generated stimulus for the economy this year have faded as world economic recovery has been weaker than expected, says Old Mutual's Economic Monitor released yesterday.

"With world growth still sluggish and little chance of much rise in commodity prices in the short term, export receipts will only grow slowly in coming months," the Old Mutual economists said.

"And political risks have increased again following the assassination of Chris Hani. So the risks of continued capital outflows remain large."

The upswing in the US economy was losing steam with its 1993 Gross Domestic Product growth projected at 3% and Germany's between -1% and -2%. A fragile recovery was apparent in the UK.

The Monitor said it now appeared unlikely that the economic growth rate of the Group of Seven (G-7) nations would exceed last year's 1.5%, while a 0.5% decline in SA's GDP growth was expected for this year, compared with the -2.1% last year.

SA exports had been further hampered by the Reserve Bank's policy of keeping the rand strong. At the same time imports had remained high, placing foreign exchange reserves under pressure and keeping interest rates high. However, reserves were expected to recover in the second half of the year.

Except for agriculture, prospects in SA were poor, the general mood had turned more negative and real private consumption expenditure could fall by 1% or more this year.

Old Mutual economist Rian le Ropx said at a news conference.

He said Old Mutual did not subscribe to the bullish view on gold, believing there was little reason why total supply would not continue to match jewellery and industrial demand even if this demand grew more rapidly over the next few years and mine supply levelled off. The economists were pessimistic about gold's prospects for at least two years and did not believe the gold price would go much higher than $350.

A cut in Bank rate was unlikely until reserves picked up, perhaps in the second half of the year. However, the Old Mutual economists believed the downturn in the short-term interest rate cycle had merely been postponed and not abandoned. Rates would fall again, but probably only after a lengthy delay.

Inflation should be at about 9% by April next year and remain in single digits for a further 22 to 18 months.

The Monitor noted that investment rates had continued to fall, suggesting that any recovery would be gradual at best as there would be no capacity to raise production sharply.

"In fact, if the world economy recovers, SA producers could lose out on new export markets. Over the past few years they have skimmed on research, investment and technology acquisition, weakening their long-term prospects. They may have lost competitiveness."

The recovery would also be constrained by the critical state of foreign exchange reserves.
Govt's export zone blueprint 'a failure'

THE Free Market Foundation says government's recent blueprint on export processing zones (EPZs) has done little to attract investment.

"Our concern with the current proposal is that there is nothing in it that will give SA EPZs a competitive edge on investment opportunities, not only in other EPZs, but in entire countries," the foundation said.

The requirement that 100% of the production of EPZ firms had to be exported was unlikely to attract investors. "If they are subject to all SA laws and taxes, and have no more than the benefit of duty-free imports, they might as well invest in any one of the many more favourable zones elsewhere in the world, especially those closer to suppliers and markets, and those with more productive labour and lower taxes."

The foundation also criticised the blueprint for subjecting EPZs to exchange controls.

There was no benefit in the proposal that the zones had to be within 50km of an international airport. Location should be determined by labour, materials and infrastructure.
and labour productivity with government support. SA's best short term options. 

Jim Jones
SA exports up

SOUTH Africa's exports increased in value by 18 percent to R37.4 billion last year, says the Department of Trade and Industry's annual report.

*Report by Political Staff and Sapa (14.5)*
Expanded scheme to boost exports

CAPE TOWN — Exports increased by 4.8% last year and could be boosted further with the establishment of export processing zones and the expansion of the general export incentive scheme (GEIS), the Trade and Industry Department said.

The department's annual report, tabled in Parliament yesterday, noted that SA's exports rose to R57,468m last year over 1991.

The manufacturing sector showed particular success.

This increase took place in spite of the sluggish economies of major export partners, and was significantly encouraged by the GEIS, the report said.

About 52% of all GEIS payments were made to the exporters of manufactured products, and this was to be expanded to the services sector, it said.

The compilation of guidelines for the expansion of the scheme had been completed and would be implemented early in the 1993/94 financial year, the report said.

Exports to African countries, excluding Botswana, Lesotho, Namibia and Swaziland, continued to show a remarkable upward trend, increasing from R55bn in 1991 to R6,1bn last year.

SA trade relations with a number of Middle East countries was also strengthened last year.

TIM COHEN

The report noted that the draft policy and regulatory framework for export processing zones had been completed and was being evaluated further.

The envisaged model was a "traditional fenced model" in which export manufacturers who established themselves in a zone exported their entire production.

In view of the importance of SA's trade relations with the EC it was desirable that trade relations should take place on a more formal basis.

As SA's most important trading partner, the EC consumed 35% of SA's exports, the department said.

In the past, the EC had displayed a "noticeable lack of political will" to promote its relations with SA, although there were favourable signs that the EC might adopt a more favourable attitude in future.

There was a noticeable increase in bilateral trade relations with the US.

But negotiations between SA and other steel exporting countries and the US broke down last year. The negotiations would continue this year.

The report noted that negotiations for a trade agreement between SA and Russia should be finalised soon.

The agreement was similar to the trade agreements concluded with Poland, the Czech Republic, Romania and Hungary except that the agreement would not make
Strong yen making life hard for SA car-makers

By DON ROBERTSON

Phase six is based on the wholesale price of a vehicle. This results in most assemblers of Japan-sourced vehicles falling below the 75% minimum, requiring them to pay a surcharge of 50c in the rand to return them to the 75% minimum.

In many instances, manufacturers are able to compensate for this discrepancy through exports which earn an equal 50c rebate.

Unlike other manufacturers, Toyota chose to offset Phase Six regulations by increasing local content through a capital expenditure programme for component manufacture. It decided not to increase exports to make up the difference.

John Cuning, marketing and sales director of Delta, says local content of the Isuzu range has fallen to about 45%, but this is more than compensated by exports. The cost pressure on the Opel range, sourced from Germany, is not severe.

Isuzu prices are likely to rise by between 14% and 15% this year.

Stephanus Louwrens, managing director of Nissan, believes that if the rand continues to weaken, price increases this year will be about 15% compared with earlier forecasts of 12%. The June increase could be as high as 5%.

Nissan, like other Japan-sourced companies, will try to increase productivity to contain costs. This could be possible because of the more stable labour force.

Penalties

Peter Cleary, management board member for cars at Mercedes-Benz, says the declining rand means that higher local content penalties have to be paid on the Honda range.

He believes the price of Japanese-sourced cars will rise by about 15% this year.

Most manufacturers bring in, by value, about half of their parts for assembly. "Matt Genrich, head of public affairs at Volkswagen, says it is unlikely that German manufacturers will benefit from the cost differences."

Since mid-1989 until last year, "German-sourced vehicles suffered a similar fate to that now facing buyers of Japanese components."

Volkswagen expects price rises to be kept below inflation.

Car sales in April fell to 14,936 from 18,660 in March.

Figures in March were buoyed by pre-emptive sales ahead of the price increase. The decline of 20%, however, could have been worse had it not been for the extension of the "protection period" to April 25 for cars bought before April 7.

The commercial sector suffered more. Light commercials declined by 28.9% to 7,185 in April from 10,177 in March. Medium trucks lost 44.3% to 102 from 184. Heavy trucks and buses shed 39.7% to 375 from 602.

The National Association of Automobile Manufacturers of SA (Naamsa) forecasts poor sales in the current quarter.
SA wine sales growing in UK

by LEW ELIAS

Some products in stores...
Paper giants in row over prices

By CIARAN RYAN

THE printing industry is at loggerheads with Sappi and Mondi, saying that the paper giants are subsidising an export drive by squeezing local customers.

One printer says paper produced by Sappi and Mondi can be purchased in the US, re-exported to SA and sold for less than the local price after duties of 15% have been paid.

"This story has been making the rounds for 10 years or so," says Bert Ibertson, managing director of Sappi Pine Papers. "In countries we export to we have to meet the local prices and that often means selling overseas at below SA prices."

Printers say the high cost of paper is a major reason for the 15% decline in employment in the paper and packaging industry over the last year.

Sappi and Mondi say they enjoy "abnormally low" returns on capital of around 2% although they operate internationally competitive plants.

Both companies have had to endure high inflation and interest rates in a competitive world market. Accusations of price collusion have also been made against the paper producers.

The paper giants, along with other large exporters, have been warned that their overseas competitors are scrutinising SA companies for dumping violations now that the SA trade has opened up.

Imports

Mondi spokesman David Hathorne says the group sometimes exports at a loss, but export sales are necessary to keep plants running at capacity.

The high cost of locally produced paper is blamed for the sharp increase in imports, estimated to be worth 25% of the SA market compared to just 5% in the late 90s.

BoTT is also criticised for levying import tariffs on papers which are not manufactured locally.

"Computer paper can be imported from Korea and Singapore at 10% below local raw material costs," says Chris Sykes, executive director of the Printing Industries Federation. "If local printers had easier access to imported papers they could compete with overseas firms."

Pulp exports qualify for an average 2% benefit and paper 7% under the General Export Incentive Scheme (GEIS). But printers say the price difference between local and overseas prices is often as much as 20%.

Some claims by the printing industry are backed by the Costin-sponsored Industrial Strategy Project, which refutes Finance Minister Derek Key's assertion that Sappi and Mondi "compete the hell out of each other."

"Our research findings do not, in general, support this assertion. On the contrary they confirm the rather more orthodox view that suggests that in SA manufacturing a highly concentrated market is conducive to collusive rather than competitive conduct."

"Sappi and Mondi — in common with oligopolies in other markets — do produce some competing products, but, equally, major pulp and paper products are the exclusive preserve of one or other of these companies."

Sappi and Mondi deny charges of price collusion despite identical pricing in a wide variety of products.

Mr Ibertson says such pricing similarities are not uncommon where there are only two producers.

"If there were more producers I am sure the price differences would be greater."

Mr Hathorne says prices paid by customers rarely conform to the price lists because discounts and terms of payment differ.

The government's Normative Economic Model says the paper and pulp industry enjoys "effective protection" of 23%, after protection on inputs and outputs have been factored in. The average ad valorem duty on paper is 10%, 15% for carbonless paper and 25% for labels. Protection on uncoated paper was recently increased from zero to 10% and lowered from 15% to 10% for coated paper.

Mr Hathorne says this protection is lower than in many competing countries.

"The rising level of imports as a result of low tariffs is having a detrimental effect on the economy, not only in the paper and pulp industry, due to domestic production having to be curtailed and, as a result, employees being laid off."

CHRIS SYKES
Probes into Durban firms' export activities

DURBAN — The export activities of two Durban companies were under investigation by the Office for Serious Economic Offences, office assistant director Chris van Vuuren said. B10/M 12/3193.

The probe into garment manufacturer Two Way Clothing began in December and would continue for some time, Van Vuuren said, adding that his office recently began investigating another Durban firm, the 88 Group of Companies.

The 88 Group of Companies CE Rodney Brett said yesterday the company was not associated with Two Way Clothing. Companies in the group included Cashop, Southern African Retailers' Corporation and Hondring Manufacturers. (74-5)

Van Vuuren said the allegations against the companies involved export incentives, but he refused to give further information.

The Office for Serious Economic Offences said recently that offences involving about R2bn were being investigated, including cases involving nearly R400m in the clothing industry. — Reuter.
Heightened competition helps reduce cargo rates

IMPORTERS and exporters are enjoying lower cargo freight rates as freight forwarders and airlines become more competitive and strive to improve profitability.

International and domestic traders can expect to ride the crest of the wave for a while as freight services strive to offset profit margins under pressure until global economies improve.

These developments are deduced from an update on industry developments by SA Association of Freight Forwarders president Peter Kraftt and SAAFF executive director Alan Cowell.

Noting that 1992 might have been the nadir in the forwarding industry, Cowell says 1993 may begin to show slightly improved profitability.

"Every forwarding organisation is looking at all methods to improve efficiency and profitability and there are an increasing number of container groupage operators entering this highly competitive field.

"This has been fostered by the growing number of smaller shipments in consequence of the adoption of the just-in-time (JIT) inventory system by international traders."

He says JIT limits the holding of stocks to a minimum through ordering of more frequent but smaller quantities of supplies. These smaller shipments lend themselves ideally to groupage operations.

Kraftt says airfreight is becoming more competitive, with importers and exporters benefiting from the entry into the domestic market of competitors to SAA.

Expected results are greater efficiency, better attention to detail and a small measure of reduction in costs.

However, one area of concern to forwarders in the domestic arena is the consistent refusal by SAA to issue cargo manifests indicating what cargo is being carried flown by flight between points in SA.

"We regard these as essential as evidence that cargo offered for a particular flight was actually conveyed thereon. We hope that competition will motivate SAA to provide this facility."

Kraftt says the arrival of so many new foreign carriers at SA airports has substantially increased competition for international airfreight and softened rates on many air routes. While these benefits to importers and exporters, it also reduces the commission of many IATA-approved forwarders, who must thus sharpen their efficiency and improve their services.

Henneways Freight Services MD and former SAAFF president Pat Henegan says another benefit is that imports and exports are no longer subject to the advanced booking arrangements required by the five main airlines.

On the recent trend to integrated carriers, Kraftt says they appear to be quite successful in certain highly industrialised areas of the world.

In the SA context, however, they tend to fall by the wayside.

"This is because the volumes of airfreight in absolute terms do not justify the mechanism."

On the maritime front, Cowell says the "flagging out" of ships to register in convenience, where taxation and wage levels for crew are not so onerous, is becoming increasingly apparent.

"It is believed that even Safmarine is considering adopting this policy because of the intensity of competition in the seaborne trades.

However, he says the implications of this could be serious for SA citizens, particularly with current unemployment levels. An effort is being made to counter this by improving the training of deckhands, seamen and officers.

Again, these problems are increasing the price war in the seaborne trades.

"It is, however, not clear whether the consequences of these factors in the long term may lead to a deterioration in the quality of service offered or even result in higher risks of loss of, or damage to, cargo, which in turn could lead to an increase in insurance premiums."

Cowell says that despite couriers being highly competitive, the value of their services has been recognised over the years.

"The courier business is complementary to the broader forwarding business and is in a steady upward trend in respect of which there seems little reason to see any ceiling during the coming year."
GATT-acceptable industrial policy needed

A modest increase of about 2% expected in the growth rates of major industrialised economies bodes well for exporters and forwarders, says Credit Guarantee economist Lake Doig.

He expects maximum advantage to accrue provided SA can introduce a coherent, GATT-acceptable industrial policy.

Although world growth rates are looking up, the recovery is still patchy. The lack of synchronisation is aggravating the current lethargy within global economic activity. "The US, Canada and Turkey are showing robust signs of recovery, while Australia and New Zealand should begin to grow substantially later this year and into 1994. "The vast Pacific Rim countries are still showing real growth of more than 5%, while the Chinese economy is expected to grow by a real 10% this year. "Even a few Latin American countries — Chile, Colombia, Mexico and Venezuela — are showing vibrant signs of growth."

However, Doig says SA must get its industrial policy in order if it is to benefit fully from these developments.

"The absence of a coordinated, realistic and GATT-acceptable industrial policy within SA will handicap its potential as an exporting nation, and the formulation of such a policy remains urgent."

The philosophy underlying GATT is the elimination of import tariffs and export subsidies in order to expand unilateral trade. SA's import tariffs and EMA and GEIS regulations fly in the face of this and should be reduced or removed. In particular, subsidies resulting in export prices that are lower than domestic prices are totally at variance with free trade principles.

Doig says local business can no longer rely on protection from Pretoria, which has sheltered them from the harsh realities of an openly competitive world economy. However, the absence of a coherent and GATT-acceptable economic policy should not deter exporters from exploiting the many lucrative niche markets that currently exist or are developing abroad, says Doig.
Importers, exporters urged to take advantage of incentives

Importers and exporters should work closely with clearing agents to ensure they receive maximum benefit in terms of new opportunities and incentives for two-way trade.

It is vital to exploit the rapid expansion of trading opportunities as SA regains credibility internationally, says Deloitte & Touche senior manager (customs & international trade consultancy) John Clifton.

"Importers should be aware of the increasing number of trade agreements between the SA government and foreign governments that provide for preferential rates of duties on each others' goods on a reciprocal basis."

They should also obtain, where possible, relief of duty offered by industrial and general rebates of duty in terms of the amended Customs & Excise Act.

He says that to be fully cost-effective and competitive, importers should examine their tariff classifications critically and verify they are paying the correct rates of duties.

The customs tariff is extensive and its interpretation complex.

An error in classification could lead to overpayments in duties to the disadvantage of product competitiveness.

Equally important is to ensure the classification is correct to avoid the Customs Department having to call underpayment of duties and possibly impose penalties.

**Defer**

Bonded warehouses should also be used as they enable importers to defer payment of customs revenue and VAT until goods are removed from the warehouse.

Clifton says the exporter should be aware of and take advantage of the various incentive schemes such as QZIS, Section 37E of the Income Tax Act, the Regional Industrial Development Programme and at least five other incentive programmes.

"In addition, the Customs & Excise Act of 1964 as amended allows for various rebates, refunds and drawbacks of customs duties."

Government plans for the establishment of export processing zones will give rise to a wide range of financial and other incentives for users.

Among them will be exemption from import duties, excise duties and surcharge payments on plant, equipment, components and raw materials. VAT is also exempt payment, whether the items are sourced overseas or domestically.

There is unrestricted transfer of dividends, royalties and interest in commercial rand in accordance with Reserve Bank regulations and applicable tax provisions, says Clifton."
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"This has been fostered by the growing number of smaller shipments in consequence of the adoption of the just-in-time (JIT) inventory system by international traders."

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Expected results are greater efficiency, better attention

Kraft says the arrival of so many new foreign carriers at SA airports has substantially softened rates on many air routes. While this is beneficial, it is, however, not clear whether the consequences of this could be serious for SA citizens, particularly with current unemployment levels. An effort is being made to counter this by improving the training of deckhands, sea-

Again, these problems are services MD and former SAAFF president Pat Henegan says that the role of seaborne trade is, however, not clear, and imports and exports are no longer subject to the advanced booking of these factors in the long term arrangements required by the companies may lead to a deterioration in five main airlines. (L...) the quality of service offered.

"On the recent trend to internationalise even result in higher risks of crashed carriers, Kraft says, of, or damage to, cargo, which in turn could lead to an increase in insurance premi- nalised areas of the world-airfare rates."

In the SA context, however, they -...cull says that despite tend to fall by the wayside. Couriers being highly competitive, the volume of their services of airfreight in absolute terms has been recognised over the years.

On the maritime front, Cowell says that the "flagging out" of ships to registers of convenience, where taxation and wage levels for crews are not as onerous, is becoming increasingly apparent in the coming year."
SA wines top Chile, NZ in UK

LONDON. — South African wine producers expect to sell one million cases in Britain this year — a full year ahead of the target date they set themselves on entering this market two years ago.

Dr Jannie Retief, chairman of the South African Wine and Spirits Exporters Association, said at the third annual Wines of SA tasting in London yesterday that South African producers had outstripped Chile and New Zealand in exports to the United Kingdom.

They had used the wine-tasting expo to increase exports from 320 000 cases in 1991 to more than 680 000 cases last year. Dr Retief predicted that the one-million-case barrier would be broken by the end of this year.

Asked about South African producers who had begun exporting wine in bulk to bottle it in Britain and gain market advantage, Dr Retief said the monopoly held by Consol Glass in South Africa was "a problem": "We're against bulk because we have a responsibility to employ people — about 300 000 — and this could put them out of jobs," he said.
GENERAL NOTICES

NOTICE 399 OF 1993
DEPARTMENT OF TRADE AND INDUSTRY
MERCHANDISE MARKS ACT, 1941
(Act No. 17 of 1941)

PROHIBITION OF THE USE OF A CERTAIN NAME,
ABBREVIATION AND EMBLEM

I, David de Villiers Graaff, Deputy Minister of Trade and Industry, acting on behalf and by direction of the Minister of Finance and of Trade and Industry, hereby prohibit under section 15(1) of the Merchandise Marks Act, 1941 (Act No. 17 of 1941), the use of the name, abbreviation and emblem of the Benelux Trade Mark Office, only in so far as the words and letters are used together with the emblem, in connection with any trade, business, profession or occupation or in connection with a trade mark, mark or trade description applied to goods, other than the use thereof by the said office or its mandatories.

BENELUX-MERKENBUREAU
BUREAU BENELUX DES MARQUES

BMB = Beelux-Merkenbureau
BBM = Bureau Benelux des Marques

The above-mentioned mark was available for inspection at the office of the Registrar of Trade Marks pursuant to Notice 227 of 1993.
(14 May 1993)

NOTICE 400 OF 1993
CENTRAL STATISTICAL SERVICE

THE HEAD: CENTRAL STATISTICAL SERVICE notifies for general information that the Consumer Price Index is as follows:

- Consumer Price Index, all items (Base 1990 = 100)
- March 1993 = 139.6.

(14 May 1993)

ALGEMENE KENNISGEWINGS

KENNISGEWING 399 VAN 1993
DEPARTEMENT VAN HANDEL EN NYWERHEID
HANDELSWAREMERKE-WET, 1941
(WET No. 17 VAN 1941)

VERBOD OP DIE GEBRUIK VAN 'N SEKERE NAAM,
AFKORTING EN EMBLEEM

Ek, Dawid de Villiers Graaff, Adjunktminister van Handel en Nywerheid, handelende namens en in opdrag van die Minister van Finansies en van Handel en Nywerheid, verbied hierby ingevolge artikel 15(1) van die Handelswaremerke-Wet, 1941 (Wet No. 17 van 1941), die gebruik van die naam, afkorting en embleem van die Benelux Handelsmerkkeantoor, slegs in so verre as wat die naam en afkorting saam met die embleem gebruik word, in verband met enige handel, besigheid, beroep of bedryf in verband met 'n handelsmerk, merk of handelsomskrywing wat op ware aangebring is, uitgesonderd die gebruik daarvan deur die bogenoemde kantoor of sy gevolmagtigdes.

BENELUX-MERKENBUREAU
BUREAU BENELUX DES MARQUES

BMB = Beelux-Merkenbureau
BBM = Bureau Benelux des Marques

Bogemelde merk het ingevolge Kennisgewing 227 van 1993 ter insae gelê by die kantoor van die Registrateur van Handelsmerke.
(14 Mei 1993)

KENNISGEWING 400 VAN 1993
SENTRALE STATISTIEKDIENS

DIE HOOF: SENTRALE STATISTIEKDIENS maak vir algemene inligting bekend dat die Verbruikersprysindeks soos volg is:

- Verbruikersprysindeks, alle items (Basis 1990 = 100)
- Maart 1993 = 139.6.

(14 Mei 1993)
NOTICE 401 OF 1993 • KENNISGEWING 401 VAN 1993
PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE

VOORLIGE OPOGAVE VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS

Remark: The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments.

The undermentioned data entails the total foreign trade statistics of the common customs area of the Republic of South Africa, Botswana, Lesotho, Swaziland, Namibia as well as Transkei, Bophuthatswana, Venda and Ciskei.

N.B.: The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 and later years with those of previous years the possible differences due to the change-over should therefore be taken into consideration.

Opmerking: Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grotendeels aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans.

Die ondervermelde syfers omsluit die totale buitelandse handelstatistieke van die gemeinskapslike doeanegebied van die Republiek van Suid-Afrika, Botswana, Lesotho, Swaziland, Namibië asook van Transkei, Bophuthatswana, Venda en Ciskei.

L.W.: Die oorsakakeling na die Geharmonieerde Tarieffeteling met ingang van 1 Januarie 1988 het die indeling van sekere komoditate verander. Wanneer die afdelingstotale vir 1988 en later jare dus met die van vorige jare vergelyk word, moet die moontlike verskille as gevolg van die oorsakakeling nie uit die oog verloor word nie.

**PERIOD/TYPERK: JANUARY TO MARCH/JANUARIE TOT MAART 1993**

**TABLE A: TOTALS IN MILLIONS OF RAND ACCORDING TO WORLD ZONES AND SHIPS’ AND AIRCRAFT STORES**

<table>
<thead>
<tr>
<th>World zones—Wêreldstreke</th>
<th>Imports—Invoere</th>
<th>Exports—Uitvoere</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa—Afrika</td>
<td>414,9</td>
<td>330,5</td>
</tr>
<tr>
<td>Europe—Europa</td>
<td>5 831,0</td>
<td>5 544,7</td>
</tr>
<tr>
<td>America—Amerika</td>
<td>2 206,3</td>
<td>1 770,2</td>
</tr>
<tr>
<td>Asia—Asië</td>
<td>3 354,5</td>
<td>2 826,6</td>
</tr>
<tr>
<td>Oceania—Oosanië</td>
<td>168,4</td>
<td>122,0</td>
</tr>
<tr>
<td>Other unclassified goods and balance of payments adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings</td>
<td>1 521,4</td>
<td>1 364,8</td>
</tr>
<tr>
<td>Ships’/Aircraft Stores—Skeeps-Vliegtuigvoorraade</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Grand total—Groot totaal</td>
<td>13 597,4</td>
<td>11 988,6</td>
</tr>
</tbody>
</table>

**TABLE B: TOTALS IN MILLIONS OF RAND ACCORDING TO SECTIONS OF THE HARMONIZED SYSTEM**

<table>
<thead>
<tr>
<th>Sections—Afdelings</th>
<th>Imports—Invoere</th>
<th>Exports—Uitvoere</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Live animals; animal products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lewende diere; diertlike produkte</td>
<td>99,2</td>
<td>77,0</td>
</tr>
<tr>
<td>II. Vegetable products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planteaardige produkte</td>
<td>644,7</td>
<td>220,2</td>
</tr>
<tr>
<td>III. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diertlike of planteaardige vet en olies en splitsprodukte; voorbereide spynype; diertlike en planteaardige wassaa</td>
<td>108,3</td>
<td>104,4</td>
</tr>
<tr>
<td>IV. Prepared foodstuffs; beverages, spiritus and vinegar; tobacco and manufactured tobacco substitutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voorbereide voeselt; drankie, spiritus en asyn; tabak en vervaardigde tabaksurrogate</td>
<td>205,2</td>
<td>294,6</td>
</tr>
<tr>
<td>V. Mineral products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mineraal produkte</td>
<td>146,8</td>
<td>128,9</td>
</tr>
<tr>
<td>VI. Products of the chemical or allied industries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Produkte van die chemiese of verwante nywerhede</td>
<td>1 476,7</td>
<td>1 321,0</td>
</tr>
<tr>
<td>Sections — Afdelings</td>
<td>Imports — Invoere</td>
<td>Exports — Uitvoere</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>VII. Plastics and articles thereof; rubber and articles thereof</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plastieke en artikelen daarvan; rubber en artikelen daarvan</td>
<td>604,5</td>
<td>526,7</td>
</tr>
<tr>
<td>VIII. Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods handbags and similar containers; articles of animal gut (other than silk-worm gut)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ongelakte huiden en vellen, leer, pelshuiden en artikelen daarvan; zadel- en tulasmakersware; reisartikelen, handtassen en vergelijkbare houders; artikelen van dierschederij (uitgesonderd zijwurmsneer)</td>
<td>152,0</td>
<td>165,7</td>
</tr>
<tr>
<td>IX. Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw; of esparto or of other plaiting materials; basketware and wickerwork</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hout en artikelen van hout; houtskool; kurk en artikelen van kurk; fabrikate van strooi, van esparto of van andere vezelwerkstoffen; mandjewerk en vleegwerk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X. Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard of paper or paperboard;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pulp van hout of van ander vezelachtige cellosiose stof; afval en onschikt van papier of papieren; papier en papierbord en artikelen daarvan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>XI. Textiles and textile articles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tekstiel en tekkeltartikels</td>
<td>640,6</td>
<td>645,6</td>
</tr>
<tr>
<td>XII. Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schoenen, hoofddeksels, paraplu’s, zonneparaplu, wandelstokjes, zitstokjes, riemen, rijdrenners en delen daarvan; geprepareerde veren en artikelen daarvan gemaakt; kunstbloemen; artikelen van mensenhaar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>XVIII. Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine, mechanische constructies; elektrische apparatuur; delen daarvan; geluidscroners en herhalers, televisiescherm en geluidscroners en herhalers, en delen en accessoires van dergelijke artikelen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Optische, fotografische, cinematografische, meet- en controle, precisie-, medische en chirurgische instrumenten en apparaat; klokken en horloges; muziekinstrumenten; delen en accessoires daarvan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>XX. Miscellaneous manufactured articles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diverse vervaardigde artikelen</td>
<td>128,3</td>
<td>128,6</td>
</tr>
<tr>
<td>XXI. Works of art, collectors’ pieces and antiques</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kunstwerken, verzamelaarsstukken, en antieke</td>
<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
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(14 May 1993)(14 Mei 1993)
Boland Bank lifts profit

CAPE TOWN — Boland Bank has shown a 12 percent increase in profit, despite a rise in bad debts.

The group returned a profit of R24.1 million after tax and provision for doubtful debt (R21.5 million in 1992).

MD Gert Liebenberg says the economic environment showed a further weakening, resulting in limited asset growth for the bank.

"On the other hand, owing to declining interest rates and a decrease in compulsory investments in liquid assets, net interest income showed satisfactory improvement."

"However, the increase in bad and doubtful debt arising from a sharp increase in liquidations and insolvencies continued to put pressure on profits," Liebenberg says.

He adds that the rights issue in March had strengthened the capital ratio to eight percent of risk-weighted assets.

The total dividend has been lifted from 52c to 56c. — Sapa.

Langeberg breaks ice of US boycott

By Stephen Cranston

Canned fruit producer Langeberg had received its first orders from the US in eight years, MD Ray Brown said last night.

Speaking to a meeting of the Investment Analysts Society, Brown said that Langeberg had sold 75 percent of its crop, whereas at this time of year it had normally sold 90 percent.

Orders from America, and others from Scandinavia, however, promised to be the first of many.

Since the beginning of sanctions in the mid-Eighties, Langeberg had built up its market in the Far East from almost nothing to 29 percent of deciduous fruit sales.

In rand terms sales to Japan increased in value in the six months to March.

The European market, however, accounted for 59 percent of Langeberg's deciduous fruit exports.

Greece had a bumper season and so export prices were down.

Brown said that Langeberg was supporting its exports with brand-building advertising in selected markets because South Africa "is no longer a dirty word."

Langeberg's next aim is to produce tomato products which compete with the best internationally.

It launched a canned Italian tomato product on the local market which was so popular that it was out of stock within three months.

A new tomato and other vegetable plant will be commissioned in Messina on Monday, which will offer better yields and lower expenses.

The pineapple division continues to make losses, but Langeberg plans to reduce this by reducing costs, improving quality and yields and by minimising production of concentrates where margins are negligible.
MASSIVE fraud involving export incentives has been uncovered by the Department of Trade and Industry, as well as plans to defraud hundreds of millions of rands more.

This was revealed in parliament by the Minister of Trade and Industry, Mr Derek Keys, when he introduced his department's budget vote.

Mr Keys said yesterday the General Import Incentive Scheme (GEIS) had given rise to many attempts at fraud, 61 cases of which were still being investigated by the Office for Serious Economic Malpractices, the commercial branch of the SAP and his department.

On the advice of the department's director-general, Dr Stef Naudé, a firm of chartered accountants was appointed to investigate alleged malpractices perpetrated under Phase VI of the GEIS scheme.

One of the cases of fraud was allegedly perpetrated by the German/Swiss company Contrax Eurobolt Technoseit (CET).

The accountants had reported that "it was due to the diligent efforts of Dr Stef Naudé and the Department of Trade and Industry that the massive CET fraud, as well as the significant, related and other fraudulent rebate claims, were uncovered and terminated," Mr Keys said. Further acts of fraud had also been prevented.

The chartered accountants were instructed to investigate the double claims, over-invoicing and foreign currency irregularities by CET and others.

One of the defects they had found in the Phase VI rebate scheme was that it had been conceived by an autonomous statutory body - the former Board on Trade and Industry - which had no obligation or responsibility for its decisions and advice.

Furthermore, Customs and Excise carried sole responsibility in terms of the Excise Act for the quarterly excise accounts while the Department of Trade and Industry had neither right nor access to Customs and Excise's classified records.

- Sapa
Police to quiz wine exporters

over champagne labels scam

Pull quote: "Police to quiz wine exporters over champagne labels scam."
Cheaper rand crucial, say analysts

DEVALUATION of the rand would be a key factor in an export-led economic recovery in SA, economists said last week. Exporters were struggling to compete overseas because the rand was overvalued against other currencies, said Board of Executors economist Rob Lee.

Previously, economic growth had been propelled by mineral exports. Now a new pattern of economic growth, including industrial development and exports of manufactured goods, was needed for SA to compete internationally, said Afrikaanse Handelsinstituut economist Nick Barbardis.

This view was supported by the SA Foreign Trade Organisation's (Safto) latest survey identifying major impediments to export growth in the first quarter of 1993. The importance of the rand exchange rate had increased considerably to third place from the previous quarter, behind uncompetitive prices and slack demand. This indicated that the rand was not adequately offsetting high inflation, said Safto economist Bruce Donald.

Nedcor Bank economist Edward Osborn agreed the rand value had a negative effect on export growth. He said the extent of the current recession was due to the relative stability of the rand from 1988 to 1990 and weak metal and commodity prices.
Export activities help steady rand

TIM MARSLAND

THE rand gained about 7% against the trade-weighted basket of currencies in the past five trading days as a result of export-related activity, dealers said yesterday.

The rand had benefited from the dollar's rise against major global currencies during the past few weeks, while maintaining its own strength against the US unit because of the surplus of dollars in the market from export-related activity.

Another dealer said the rand's strength was of an artificial and temporary nature.

The rand ended at R3.1783 to the dollar yesterday from Friday's R3.1806 close, and at R4.8651 to the pound from R4.8800.

Dealers said the dollar's rise was attributable to better prospects for the US economy.

The firmed was back on an even keel after its recent gyrations, ending the day at R4.6775 from Friday's R4.7200.
Go for the gap, exporters told

South Africa's Commerce

WHY products of certain trades are

Studies show...
Food Sector Suffers Sales Slump

Ethiopian Fights to Save

European Union Emissions Reduction

Ethiopia's National Food Policy

The Ethiopian government has implemented a series of policies to boost the country's food sector, which is crucial for its economic development. However, recent data shows a decline in sales, impacting the sector's growth.

The government has increased efforts to promote local production and reduce imports. Despite these initiatives, the sector faces challenges, including limited infrastructure and market access.

Food security remains a top priority, and the government is working to enhance the sector's resilience to external shocks. Efforts are ongoing to improve agricultural productivity and ensure a stable food supply.
Manufactured exports down sharply

By Sven Linsche

Exports of manufactured goods showed a surprisingly large decline in the first quarter of this year after reporting strong growth in 1992.

The Industrial Development Corporation (IDC) says in its quarterly report on economic conditions in the manufacturing industry that exports decreased by 17 percent, compared with the preceding three months.

Last year, manufactured exports, supported by the General Export Incentive Scheme, showed growth rates ranging from 20 to 33 percent.

At the same time, imports continued their recent steady rise, with a five percent quarterly increase in the first quarter.

The decline in exports, a reflection of the recession still affecting SA's major trading partners, comes at a time when local manufacturers should "take advantage of opportunities in export markets" to offset poor domestic conditions.

"It remains unlikely that growth in local demand will pick up significantly over a broad front for some time to come," the IDC says.

"In the light of the major increases in fully manufactured export products that were achieved last year, this aspect of the economy holds potential for making short-term gains with positive balance of payments consequences."

The quarterly decline in exports was led by chemical, non-metallic mineral and basic metal products.

Other sectors—textiles, pulp and paper, processed foods and tobacco—continued to boost exports, and their production volumes increased.

Manufacturing production increased by three percent in the first three months of the year after falling by the same percentage in calendar 1992. (see graph)

Capacity utilisation subsequently rose to 81 percent from the seven-year low of 77 percent reported in the preceding quarter.

The IDC says employment levels are at their lowest since 1979.
Cape Town seeks first export zone

By CIARAN RYAN

NINE exporters and several institutions are backing plans for SA's first export processing zone (EPZ) in Cape Town. Gateway Park, a management company specialising in EPZs, expects it to be operational in a year.

Marketing director Frans Badenhorst says that once the EPZ is successful, the company will look at similar ventures in Durban, Richards Bay, Port Elizabeth and Kempton Park.

The combined estimated turnover of the nine companies, which include Rainbow Chickens and several small entrepreneurs, is R285 million. More than 1 000 jobs could be provided from the processing of wood, meat and fish.

EPZs are areas where exporters are allowed duty-free imports and in many cases they would pay the prevailing corporate tax rate of 40% and submit to local-authority and trade-union rules.

Foreign EPZs offer 10-year tax holidays and a deregulated business environment.

Mr Badenhorst says the Government is reviewing its refusal to allow tax holidays and other incentives.

"We have little choice but to offer incentives if we hope to attract foreign investors to SA rather than, say Sri Lanka. We must be able to compete with overseas EPZs."

"It costs the country nothing to offer a new investor a tax holiday. He invests capital and creates jobs which we would not have if he did not come."

Managing director of Gateway is Neels de Villiers, son of former Cabinet Minister, the late Wim de Villiers.

Dr Neels de Villiers is a founder of the SA Special Economic Zones Association (SA-SEZA). Two foreign experts, Peter Ryan and Dick Bolin, will advise Gateway. Both have been involved in setting up more than 40 EPZs.

Dr de Villiers says Gateway Park's plans are based on Mexican and South Korean models.

Mr Badenhorst says Gezi benefits could be converted to tax holidays and so conform with the General Agreement on Tariffs and Trade.
Rashad Cassim and Alan Hirsch

Trade Is Liberalised

Intervention Has


ORGANIC PRODUCTS, WOOD
41.01. Leather hides - Greece. S Lambraniou. Fax: 237-3019.
42.02.19.00; 62.18.09; 95.06.10. Handbags, gloves, coated or covered with plastic or rubber; decorations - US. Mountcastle International, Anna Desano. Tel: 091-413.

44.03.20.00; 44.07.10.10. Pine wood in logs (50000m3 a month) and timbers - Taiwan, Green Way Co., M Huang. Tel: 09886-8-701-0391; fax: 09886-8-702-0115.

44.03.10.10; 44.07.10.10. Pine wood in logs and timbers - Taiwan. Arki Corp, Gino Chang. Tel: 09886-8-561-1000; fax: 09886-8-524-4256.

44.07: 44.08. Sawn pine - Taiwan. Mazzurra Enterprise Corp, Ruy-Chen Chu. Tel: 09866-2-535-5556; fax: 09866-2-588-6201.


TEXTILES


68.03.00.10. Roofing slate - Germany. Dachdecker Einbank Wetterberg, Mr. Knorr. Tel: 0491-7141-750-2122; fax: 0491-7141-75021.

70.13: 91.06. Glass aquariums; tropical fish - Greece. Eleutheria Loukides. Tel: 0930-1-586-6391 (does not speak English); fax: 0930-1-581-1110.

70.13.21; 69.11.10. Glassware; porcelain ware - Greece. International Polytrade, Jamil Bour. Tel: 0930-1-921-6695; fax: 0930-1-921-6756.

71.05.10.10. Dust and powder of industrial diamonds - Taiwan. Safe R Us Inc, Jimmy Lin. Tel: 09886-3-425-8286; fax: 09886-3-425-7690.

METALS
72.08.20. Iron ore, pyrite (for Asia) - Italy. PHW SRL, Mr. Wan. Tel: 0988-2-8912-3070; fax: 0988-2-8912-3973.

72.28.10; 72.27.10. Steel bars and rods - US. Time Trading International, Paul Segal. Tel: 091-310-212-3310; fax: 091-310-212-6590.

74.03.11; 74.02.00; 74.07. Copper cathodes; electrolytic copper; copper rod continuously cast - Greece. E Bagani Technicul Agency. Tel: 091-1-941-4309; fax: 091-1-942-302.

EQUIPMENT AND MACHINERY
76.10.10; 73.06.30; 73.10.
US Wishes Up Import Duties Against SA Steel

The US was considering imposing import duties against Southern African steel producers due to concerns that their products were unfair competitive. The steel industry in the US had been struggling, and the domestic producers were worried about the competition from abroad. The US Commerce Department was investigating whether the steel imports were subsidizing their producers. The investigation was expected to be completed by the end of the year.
April exports highest for 18 months

By Sven Linschoten

The balance of payments crisis has been temporarily relieved by April exports, which surged to their highest level in 18 months. Customs and Excise figures show that April's trade surplus powered to R2.19 billion from R777 million in March.

The surplus was achieved on the back of a 12 percent fall in imports to R4.68 billion (March: R5.29 billion) and a R800 million recovery in exports to R8.87 billion.

The April performance has improved the overall trade picture. Export growth in the first three months was virtually static. But, including April, exports at R23.41 billion were eight percent up on last year.

However, with imports 13 percent above 1992 levels, the cumulative trade surplus for the first four months at R5.9 billion was eight percent down on last year.

The April fillip came from improved performances of metal and mineral exports.

Exports of mineral products for the first four months were 29 percent up at R2.86 billion, jewellery and precious stones two percent at R2.35 billion and base metals three percent at R3.05 billion.

Unclassified

Safta economist Bruce Donald says the 12 percent growth of the unclassified category reflects gold price gains in April.

Some manufactured categories continued their exceptional long-term growth trend, including transport equipment, up 41 percent to R823 million, and machinery, up 25 percent to R717 million.

However, exports of chemicals dropped six percent and plastics 10 percent after average annual growth of more than 20 percent in the previous four years.

The monthly drop in imports was most noticeable in agricultural categories. While still high at 86 percent in April, imports of vegetable products showed 193 percent growth in the first quarter.

Donald warns, however, that imports are likely to remain buoyant.

Strong growth occurred in a number of industrial and manufacturing categories — plastics 15 percent up at R634 million, chemicals 12 percent higher at R2.01 billion, machinery seven percent up at R5.23 billion and transport 25 percent higher at R2.44 billion.
Export breaks for small business

Deputy Business Editor

SOUTH AFRICA's export and small business organisations are joining forces for the first time to promote export opportunities for small businesses through the establishment of a South African Market in Singapore.

The market is to be launched to coincide with the first SA trade, tourism and business fair in South East Asia later this year.

David Graham, GM of SA Foreign Trade Organisation (Safio) International division said the South African Market would showcase the wares of small producers to create export opportunities for them.

A group of 30 stalls displaying SA handicrafts and products, based on a market concept, will take place from August 31 to September 3 in the atrium of the multi-level Raffles City Convention Centre, near the Singapore exhibition hall where SA business will participate in SA's trade fair A New Link: South Africa and South East Asia.

Among organisations supporting the small business promotion organised by Safio in conjunction with the Department of Trade and Industry and Department of Foreign Affairs are Operation Hunger, the SBDC and the SA Import and Export Association.

"With the valuable role which small business has to play, it is vital that we support these emerging entrepreneurs and that we provide them with international opportunities in exciting new markets," said Graham. He said 60% of exhibitors in the SA trade fair had already confirmed.
SA exports soar to record R6.9 billion

DEREK TOMMEY

JOHANNESBURG. — The silent devaluation is beginning to work.

Exports in April rose 30 percent to a record R6.9 billion in the teeth of poor economic conditions overseas.

This should make economists happy because higher export earnings should impact favourably on local economic activity.

Nothing has ever been said officially about a rand devaluation.

But soon after Derek Keys became Minister of Finance last year the rand began sliding against the currencies of main trading partners.

Whether this was planned or just happened is still a moot point.

But the rand is now 8.9 percent lower against the dollar than it was a year ago, 12.4 percent lower against the mark and 22.6 percent lower against the Japanese yen.

However, as most South African exports to Japan are priced in dollars, the gain there is not as great as it might seem. In contrast, the rand is about 2 percent higher against the pound.

Economists say the cheaper rand must help exporters. Where products are priced in dollars, it should boost their local incomes.

And it should lead to higher export volumes and revenue in the case of products priced in rand.

Part of the reason for the huge increase in exports in April was a jump in precious stone (diamond) sales to R884.1 million from R157 million in April last year.

As the monthly diamond sales figures tend to be erratic, one must accept that the April figures were distorted to some degree.

Nonetheless, after excluding diamond sales, the balance of April exports was R6 billion — still a useful 17 percent above last year’s figure.

This rise significantly exceeds the price advantage arising from the rand’s devaluation, suggesting that export volumes are increasing along with export receipts.

One of the highlights of the April export figures was the 74 percent jump to R38.1 million in receipts from sales of timber products.

A number of manufacturers have been trying to break into European and US markets with pine furniture and it is possible this figure reflects their efforts.

Another surprising figure was the 44 percent increase in textile sales to R192.9 million — probably as a result of increased sales by SANS and Saiscor.

Exporters of mineral products (mainly coal) had a good April, with earnings rising 35 percent to R448.6 million.

Rivalling them were exporters of machinery and electronic equipment who earned R228.6 million — 31 percent more than a year ago.

This is a comparatively new export area for South African firms and shows that they can really compete.

Animal exports rose 20 percent to R72.8 million, chemical exports were 19.4 percent higher at R320 million, while exports of "other" items, which includes gold, uranium and probably platinum, were 17 percent up at R25.7 billion.

Vehicle exports were 16 percent higher at R173.9 million and base metal exports 15.5 percent higher at R975.6 million.
Silent devaluation begins to bring in substantial benefit

By Derek Tommey

The silent devaluation is beginning to work. Exports in April rose 30 percent to a record R6.9 billion in the teeth of poor economic conditions overseas.

This should make economy-watchers much happier because higher export earnings should impact favourably on local economic activity.

Nothing has been said officially about a rand devaluation.

But soon after Derek Keys became Minister of Finance last year the rand began sliding against the currencies of SA's main trading partners.

Whether this was planned or just happened is still a moot point. But the rand is now 8.9 percent lower against the dollar than it was a year ago, 12.4 percent lower against the mark and 22.5 percent lower against the Japanese yen.

However, as most SA exports to Japan are priced in dollars, the gain there is not as great as it might seem. In contrast, the rand is about 2 percent higher against the pound.

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One of the highlights of the April export figures was the 74 percent jump to R58.1 million in receipts from sales of timber products.

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Another surprising figure was the 44 percent increase in textile sales to R192.9 million — probably as a result of increased sales by SA Nylon Spinners and SAEcor.

Exporters of mineral products (mainly coal) had a good April, with earnings rising 35 percent to R448.8 million.

Rivaling them were exporters of machinery and electronic equipment who earned R125.6 million — 31 percent more than a year ago.

This is a comparatively new export area for SA firms and shows that they can really compete.

Exporters of scientific equipment also scored with a 23 percent rise in sales to R19.5 million.

Animal exports rose 20 percent to R73.6 million, chemical exports were 19.4 percent higher at R320 million, while exports of "other" items, which include gold, uranium and probably platinum, were 17 percent up at R2.52 billion.

Vehicle exports were 18 percent higher at R179.9 million and base metal exports 15.9 percent higher at R97.8 million.

Exporters of most other products had a poor April.
Export Spotlight on Sub-Saharan Africa

By Magdy Romany

The main theme of this article is the importance of Africa in the global economy and the opportunities it presents for exporters. The article highlights the growth and potential of the African market, with a focus on the economic benefits and opportunities it offers for businesses.

The article discusses the potential for increased trade and investment in Africa, and the need for more strategic approaches to doing business in the region. It also emphasizes the need for closer cooperation between African countries and the wider international community to create a more conducive environment for businesses.

The article concludes with a call to action for businesses to explore the opportunities presented by the African market and to consider investing in this region to benefit from its growth potential.
SA tariffs ‘jeopardising co-operation’

By Bruce Caramus

CAPE TOWN — South Africa is jeopardising future co-operation with Zimbabwe by maintaining tariff barriers against Zimbabwean textiles, the governor of the Zimbabwe central bank, Dr K J Moyana, has warned.

In an interview Dr Moyana, who is attending a conference of southern African bankers in Somerset West, said Zimbabwe had invested heavily in the textile and travel goods industries and now that the investment was starting to pay off South Africa had closed the door.

"Now we are told, no. This is difficult as over the past two years South Africa has become the major supplier to Zimbabwe.

"We have shifted away from Europe and Japan. Now we are being given a slap in the face. This is jeopardising future co-operation in other areas."

Dr Moyana said Zimbabwe was prepared to sit down and resolve the problems. South Africans should remember the strength of the European community came not from trade with other areas but from trade between the member states.

In a speech earlier to the conference, Finance Minister Derek Keys said he was aware the countries such as Zimbabwe saw South Africa as a threat.
Exports up a gutsy 30pc

The Argus Correspondent

JOHANNESBURG. — Exports in April rose 30 percent to a record R6.9 billion in the teeth of poor economic conditions overseas.

Part of the reason for the huge increase in exports in April was a jump in precious stone (diamond) sales to R84.1 million from R157 million in April last year.

But disregarding that, even the remainder was R6 billion (17 percent) up on last year's figure.

@ Full report, page 21.
& Industry falls far short of what is needed to attract foreign investment.

In Cape Town this month the SA Special Economic Zones Association was launched to help entrepreneurs setting up in export zones. CE Neels de Villiers, who also heads Gateway Park, a Cape-based management company focused on special economic zones, believes that the first zone could open within a year and that it’s therefore essential to agree on a strategy to channel foreign investment into export-led industrial development.

Cape Town, Durban and East London are considered the most appropriate locations for the first zones. The department says they must be within 50 km of an international port or airport, which opens the way for a zone in the PWV region as well.

The department does not favour export-processing units. Though more difficult to administer, export units provide more flexibility for manufacturers and reduce start-up costs. A conventional export zone requires land to be set aside and fenced. Manufacturers must relocate or establish new plants in the zone. Access is strictly controlled. The costs of land, preparation, administration and relocation can be considerable.

Export units operate from existing premises but proper control by the authorities over raw-material-and-component imports and finished products can be difficult. The department believes that zones should be restricted to new companies, with relocations considered on merit. The entire production must be exported.

Proposed concessions include duty- and surcharge-free imports, certain tax breaks, unrestricted transfer of dividends, royalties and interest in commercial rands, Regional Industrial Development Programme and General Export Incentive Scheme benefits, and the relaxation of certain legal provisions. The final package is expected to be approved by Cabinet this year.

The SA Chamber of Business believes that the plan lacks important ingredients, including tax holidays that have proved a major attraction for investors in successful zones in other parts of the world. It also wants a provision for export units. The chamber’s comments are echoed in part by the Free Market Foundation, which says the department’s proposals provide no international competitive edge for local zones. It also questions the need to force manufacturers to export 100% of production.

De Villiers argues in favour of special economic zones, which combine the advantages of export zones and export units. The structure is controlled through a computerised barcode system. Similar systems operate successfully in Mexico and the US. He says export zones aim to attract manufacturers serving global markets from SA while export units tend to serve manufacturers who want to export.

Investors in export zones tend to create more jobs and inject more capital into a country than manufacturers in export units. For example, he says in the past 25 years.

Mexico’s export zones have attracted 2 000 foreign firms, created 500 000 jobs in export manufacturing, and exported US$12bn worth of goods.

Cape Chamber of Industries deputy director Colin Boyes believes that a distinct “export culture” already exists in the region’s manufacturing sector, which positions it well for an export zone.

The establishment of an export zone, however, should not be seen as a magic formula to boost economic growth and must not be allowed to cloud the issue of the support that local exporters need to enable them to compete on world markets against highly organised export economies.

He says there are many disparities that undermine SA’s export competitiveness, not least of which is the tax structure. The success of export zones will also depend on an understanding with trade unions. They will have to be shown that the intention of the system is not to exploit workers.

Stellenbosch University economics professor and export-zone authority Colin McCarthy says that while zones are a relevant concept for an economy such as SA’s, expectations of a huge inflow of “footloose foreign capital” after zones are set up are unfounded. The real beneficiaries will be local manufacturers.
Small exporters get bigger chance

A SPECIAL award recognising the efforts of small exporters in the Western Cape will be made at the Weekend Argus/Cape Chamber of Industries'Exporter of the Year dinner.

The Safmarine Trophy for Outstanding Achievement in Exporting will be given annually to a company whose total turnover does not exceed R10 million.

Judging in the has traditionally been based on the best effort in relation to the size of the company to ensure that all exporters stand the same chance of winning the competition.

The Exporter of the Year will be announced at a banquet at the Mount Nelson Hotel on Thursday July 22.

The five finalists are Consani Engineering, Libra Sales, Louvreflex Agencies, Macadams Manufacturing and Petrel Engineering.
VW seals another export deal with the Far East

MARC HASENFUSS  
Business Staff

VOLKSWAGEN of South Africa (VWSA) has sealed another major export deal — worth R500 million — with the Far East.

The Uitenhage-based motor manufacturer will export 17,000 left-hand drive Jetta's to China. The deal follows last week's visit by the Board of directors of Volkswagen China to the Uitenhage plant.

About a year ago VWSA shipped the first consignment of vehicles to China. To date, 10,000 Jetta's have been shipped.

VWSA managing director Peter Searle said the increased order protected about 700 jobs at the assembly plant and "many more in the component industry".

He said a crucial factor in fulfilling the order was the uninterrupted supply of vehicles to the required quality standards.

Further business opportunities are expected with Volkswagen China as the group's new Changchun factory is still in a start-up phase.
Zambia buys fuel from SA

LUSAKA — Zambia has started importing all its petroleum products from South Africa. The decision to import fuels from South Africa was precipitated by the temporary closure of Zambia's only refinery, Indeni Oil Refinery, in Ndola on the copperbelt, for reconditioning. — Sapa (Aug 30)
New Chinese VW order saves 700 from lay-off

VOLKSWAGEN SA will supply a further 17 000 left-hand drive Jettaas to China, preserving refreshment of about 700 workers.

The order, worth more than R500-million, follows one signed last year for 13 000 Jettas. The company will supply Jetta for VW-Volkswagen (FAW-VW), a venture between Volkswagen of Germany and the Chinese Government.

The first shipment of this R400-million consignment was made in May and 10 000 cars have been delivered. It is expected that deliveries for the new semi-knocked-down order will begin next year at a rate of about 1 000 a month.

Trade between China and SA has been in favour of the Chinese. Last year, SA imported goods worth R700-million from China and exported R400-million, most of which was Jettas.

Chairman and managing director Peter Searle says: "We believe exports to be of crucial importance to the present economic situation in the country. The increased order also protects about 700 jobs at VW-SA and many in the component industry."

Because of the stagnant motor industry, VW-SA recently held negotiations with unions about possible forced retrenchment of between 500 and 1 000 workers. A voluntary retrenchment and early retirement programme is still in operation.

Lin Ganwe, president of FAW-Volkswagen, and his board visited the Uitenhage plant and announced the contract.

He says: "We are pleased to be able to continue our relationship with VW-SA and see further opportunities for business. The Chinese economy is developing fast and we require this volume to support us through the start-up phase of our factory in Chang Chong."

The deal will go a long way to restoring VW-SA's profitability. In its report for the year to December, Volkswagen AG said VW-SA suffered a small loss.

Engen going for a London listing

By ZILLA EFRAT

ENGIE plans a London Stock Exchange listing, possibly before the year-end, to boost its international expansion.

Engie investor relations manager Abbas Ganji says the proceeds from the listing are to raise the company's international profile and to have structures in place so that it needs to raise capital.

"Opportunities knock on our door frequently and we want to have everything in place so that we can take advantage of them quickly."

But the proposed listing is not linked to any specific project or acquisition at this stage, he says.

Engie is believed to be evaluating acquisition options involving oil in West Africa. Its evaluation includes funding its growing exploration in the area.

Engie boss Rob Angel was in London two weeks ago introducing the company to the press, investment analysts and institutions. The group expanded its London office by moving part of its logistics division there a fortnight ago.

Mr Ganji says the listing is in line with Engie's wish to be involved in the exploration and production of half of its crude throughput.

Alfa takes on the biggies

By JEREMY WOODS

prices are comparable — and prices are comparable — and in some cases more competitive. We believe the discerning buyer will prefer a locally supplied Alfa Romeo to the more expensive imported European-built car to one built here.

Franchises to sell Alfa Romeo are "being snapped up at a premium" both for SA and other African countries.

BUSINESS BRIEFS

Russian gold forecast

RUSIA lifted its veil of secrecy over gold production and exports, forecasting a steady 1993 production and promising a "balanced and moderate approach" to selling gold on world markets.

Yevgeny Bychkov, chairman of the precious metals committee, told a rare news conference that Russia had produced 524 tons of gold in 1992 and expected to produce the same in 1993.

Exports totalled 56 tons in 1992 and the country, a major gold producer, had sold 270 tons of gold abroad for the year.

"We do not think sales of gold will change substantially," Bychkov said. "The government has a balanced and moderate approach to the matter."

Figures for gold production, exports and reserves were for a closely guarded secret in the Soviet Union.

Eskom to help Cahora Bassa

The Government has accepted a proposal by Eskom to help finance rehabilitation of the Cahora Bassa hydro-electric scheme in Mozambique. Energy Affairs Minister George Bartlett.

The scheme on the Zambezi River was financed by South Africa, Zimbabwe and Portugal in 1983, but has worked for only a few weeks.

Zambia buying SA petroleum

ZAMBIA has started importing its petroleum products from SA after the temporary suspension of imports.

Indal Oil Refinery in Ndola is being reconditioned. Zambia Deputy Energy Minister Colonel Patrick Kafunwakwa says the supplies from SA have already started arriving in Zambia, which intends changing some of its petroleum products suppliers to SA.

Nigeria at SA exhibition

A MAJOR promotional programme was held in Nigeria and the Middle East to attract high-level businessmen to South Africa's largest technology show ever, The Africa Initiative.

Nigeria, which still has sanctions against South Africa, is expected to send the largest delegation to this five-day business opportunity to be held at Johannesburg's National Exhibition Centre at the end of August.

SAA heads back to Angola

SAA, in association with Angolan carrier TAAG, willresume weekly flights to Luanda from next Monday. Flights started between Johannesburg and Luanda in April 1992 but were suspended in October due to the unrest in Angola. SAA said new flights would leave Johannesburg at 1:35am on Mondays arriving in Luanda at 11:30am.

Racy under investigation

A TRADE AND INDUSTRY inspector has been appointed to investigate the affairs of Racy, which sold its assets to three directors at a discount to net asset value earlier this year. The inspector follows the legal recourse offered disgruntled minority shareholders.
New Chinese VW order saves 700 from lay-off

VOLKSWAGEN SA will supply a further 17,000 left-hand-drive Jetta to China, preventing retrenchment of about 700 workers.

The order, worth more than £40 million, follows a single long-term order, of 12,500 second-generation Jetta cars, awarded to FAW-VW, a venture between Volkswagen of Germany and the Chinese Government.

The first shipment of this £400-million consignment was made in May last year and 10,000 cars have been delivered. It is expected that deliveries for the new semi-knocked-down engine will begin next year at a rate of 1,200 a month.

The arrangement between China and SA has been in favour of the Chinese. Last year, SA imported goods worth $126 million from China and exported $468 million, most of which was Jetta.

Chairman and managing director Peter Searle says: "We believe exports to be of crucial importance to the present economic situation of the country. The increased order also protects about 700 jobs at VWSA and many more in the component industry."

Because of the stagnant motor industry, VWSA recently held negotiations with unions about the possible forced retrenchment of between 500 and 1,000 workers. A voluntary retrenchment and early retirement programme is still in operation.

Lin Guanwei, president of FAW-Volkswagen, and his board visited the Chongqing plant and announced the contract.

He says: "We are pleased to be able to continue our work with China but also to see further opportunities for business as the Chinese economy is developing fast and the government is willing to support us through the start-up phase of our factory in Chongqing."

The deal will go a long way to restoring VWSA's profitability. In its report for the year to December, Volkswagen AG said VWSA suffered a small loss.

Engen going for a London listing

By ZILLA EFRAT

"To do this will involve major capital."

Chairman of a London listing is that it could help to overcome the increasing foreign-exchange difficulties that SA companies face when making acquisitions abroad.

Mr Gani says Engen will be listed in London only when the political climate in South Africa is conducive.

He says Gencor's proposed unbundling is regarded favourably by British investors because it will improve the tradability of Engen shares.

Once Gencor and Genbel release their 70% stake, the number of Engen shares in public hands will jump from 29.5% to 94.5%.

Sanlam is likely to be the largest shareholder with 29.5%, followed by Rembrandt Group and Old Mutual.

Gencor's unbundling may result in its selling its 9.5% stake in the Alba and Britannia oilfields in the North Sea because they do not fit in with its core mining business. Engen holds a 2.5% stake in the venture.

Mr Gani says Engen might be interested in buying these interests "if the price is right." It will depend on prospects for crude-oil prices.

Russian gold forecast

RUSSIA lifted its veil of secrecy over gold production and exports, forecasting a steady 1993 production and promising a "balanced and moderate approach" to selling gold on world markets.

Yegorov Bychkov, chairman of the precious metals committee, told a news conference that Russia had produced 146 tons of gold in 1992 and expected to produce the same in 1993.

Exports totalled 98 tons in 1992 and the country, a major producer, had sold 21 tons of gold abroad so far this year.

"We do not think sales of gold will change," Mr Bychkov said. "The government has a balanced and moderate approach to the matter."

Figures for gold production, exports and reserves were for long a closely guarded secret in the Soviet Union.

SAA heads back to Angola

SAA, in association with Angolan carrier TAG, will resume weekly flights to Luanda from next Monday. Flights started between Johannesburg and Luanda in April 1992 but were suspended in October due to the current Aids outbreak in Angola.

A flight would leave Johannesburg at 9.30 am on Mondays, arriving in Luanda at 11.30 am.

Alfa takes on the biggies

AS covers were whipped off imported Alfa Romeos in showrooms round the country this week, Brian Taylor, managing director of Alfa Romeo Concessionaires, said: "We are out to null sales of BMW and Mercedes Volks.

Alfa Romeo has returned with a range of cars not seen in South Africa before."

Mr Taylor says: "If our prices are comparable — and in some cases more competitive — we believe the discerning buyer will prefer a fully imported European-built car to one built here."

Franchises to sell Alfa Romeos are "being mapped out on a franchise scale" for SA and other African countries.

Nigeria at SA exhibition

A major promotional drive is under way in Africa and the Middle East to attract high-level business to South Africa's largest technology showcase ever, The Africa Initiative.

Nigeria, which still has sanctions against South Africa, is expected to send the largest delegation to this week's business opportunity to be held at Johannesburg's National Exhibition Centre at the end of August.

Trading under investigation

A trade and industry inspector has been appointed to investigate the affairs of Racy, which sold its assets to three directors at a discount to net asset value earlier this year. The investigation follows the legal recourse offered disgruntled minority shareholders.
Britain opens the way to the Continent

THE UK has become home for most international companies exporting to Europe, says Safto senior manager, international division, Mike Veyesie.

Total foreign investment in the UK is valued at about $100 billion, representing more than a third of American investment in the EEC and a third of Japanese investment.

SA investment in the UK, always one of their liabilities, amounts to R35 billion, far exceeding its stake in any other EEC country.

Lack

The EEC has always been a primary market for SA trade, accounting for 59% of exports, says the Department of Trade and Industry. But SA’s share of EEC imports has fallen consistently.

In 1988, SA was ranked 26th in EEC imports compared with ninth in 1986. Overall, SA accounts for about 2% of EEC imports, highlighting the potential for growth.

Mr Veyesie is surprised that SA companies have not been more vigorous in expanding in the EEC, which has more than 460 million consumers and a market based on gross national product of about $4.2 trillion a year.

He ascribes this largely to the lack of competitiveness of SA exports.

However, logistical problems of exporting over long distances, language and cultural barriers deter SA business from doing business with Europe. Europe’s single market has made it a “trade fortress”, also a stumbling block for SA.

Several UK concerns wish to market and distribute SA products in the EEC.

Mr Veyesie says the UK offers many benefits to SA companies looking for a stepping stone to the EEC. Besides the cultural and language advantages, SA business practices are largely based on those of the UK system.

A company operating from the UK also benefits from the tariff-free structure of the single market.

The strong interest shown by business in the UK has led to a novel concept of a SA International Trade and Export Centre (Intec) being formed in Dover by TMC and the Kent Chamber of Commerce. The project is endorsed by Safto.

The Intec concept works along the lines of timeshare, says Mr Veyesie. The centre provides SA exporters with infrastructure, including office space, communication links, administrative and marketing facilities, showrooms and storage, all of which they can rent.

“The savings on start-up costs can be enormous.”

Mr Veyesie says the centre is also ideally located for travelling to London and provides easy access to the Continent.

Safto highlights some of the advantages in using the UK as an export base:

- Its government and economy have been consistently stable over the years compared with some of its European counterparts.
- It is a low-tax rate country and offers generous capital allowances.
- It is one of the top five exporting nations in the world. Roughly 25% to 30% of the country’s gross domestic product comes from exports.
- Freight costs between the UK and the Continent are low because of the high level of commercial traffic.
- The cost of skilled labour is low compared with many other European countries and the number of labour disputes has dropped sharply.
- The UK, through development of its export industry, offers important worldwide marketing and trade links.
- Tariff-free access to the European market.
- A common language and lifestyle.
Volkswagen gets second Chinese order
Finance Staff

DURBAN — Volkswagen has secured an order for a further 17 000 Jettas to be exported to China — saving 700 jobs which were in jeopardy and boosting the Eastern Cape economy.

The order comes on top of another for 12 800 Jettas shipped to China some time ago. It is expected to realise R500 million in turnover.

Chairman Peter Searle said at the weekend the order for 17 000 vehicles would not only benefit 700 VW workers, but also a further 1 400 within the total supply industry.

Components sourced from local industry, which stands to make R156 million from the deal, include engine blocks, tyres, glass, interior trim material, brakes, suspension, exhausts, wheels and body pressings and electrical components.

"Our quality standards have to be in line with Volkswagen's worldwide quality standards and the Chinese have reserved the right to review the order in the event that supply is interrupted for whatever reason.

"They do not want their production lines brought to a halt by any problem in South Africa. This has important implications for labour relations and our unions."

The vehicle market in China is the fastest growing in the world and VW has a dominant share of the market.

It is expected that 400 000 cars will be produced and sold in China this year alone.
Zimbabwe likely to buy more SA power

HARARE — Zimbabwe can expect to import more electricity from South Africa by year-end, Eskom chief executive Ian McRae said in Victoria Falls at the weekend.

Addressing delegates at the 54th congress of Zimbabwe’s Chamber of Mines, McRae said the survey for the construction of the 400 megawatt line using the Matimba-Bulawayo link had reached an advanced stage.

Zimbabwe already imports a small amount of electricity from South Africa following its severe energy crisis last year when hydro-electric generation was scaled back because of the drought and problems experienced at its thermal power stations.

"However, you should not be reliant on anything that comes from outside because you have the ability to generate enough power to meet your own needs," McRae said.

He said there were considerable primary energy resources in Southern Africa which could be used for economic development individually and collectively, Ziana news agency reports.

He said all countries in the region should work towards establishing common grids to help each other with power deficits.

South Africa, by far the largest and most industrialised economy in the region, is expected to have exhausted its current power supplies by the turn of the century.

Eskom has led the formation of a Southern African power grid, which should enable SA to import power from its potentially energy-rich neighbours. — Sapa.
Russian cement imports planned

By David Canning

DURBAN — A consortium of disgruntled Natal cement users and merchants is hoping to import cement from Russia in a bid to bypass the sole local producer, Natal Portland Cement (NPC).

Behind the move is the Singh family of Singh's Hardware and Electrical in Stanger. The family have interests in a number of businesses, including the Tambotwood furniture and building materials.

However, Raymond Weber, managing director of NPC, said he was not concerned about the possible competition as he did not think the project was economically viable.

It is understood the plan for imported cement was discussed at a recent meeting of builders and merchants upset about NPC's "closed shop attitudes and higher coastal prices, compared with inland prices."

They said there had also been problems in getting supplies on time. The Singh family was reluctant to talk about their plans but promised to give details in due course.

Weber said he believed the move could be traced back to a disagreement between Praven Singh and NPC, but he was unwilling to give details. According to Weber, rumours of possible importation have been around for six to eight months.

He said the consortium would have to capture a fairly large slice of the local market of 50,000 to 60,000 tons a month because a shipload could average around 15,000 tons.

NPC itself had been offered supplies of foreign cement and had investigated the possibilities. It believed continuity and delivery would be a problem.

NPC theoretically had been offered cement around R5 a bag — well below the local and foreign cost of production. Local merchants sell cement at around R13 a bag.

There are no barriers to importation of cement, except for the low buying value of the rand and extremely high transportation costs.

Weber said NPC's coastal prices were affected by transportation costs. Clinker from the South Coast travels 120 km to Durban while slag from the Transvaal comes 350 km.

A major price war erupted in Natal in the mid-80s when Spanish cement was imported. At the time the rand weakened and the importers ran out of steam.

Weber said NPC had not been affected by the recession.
SA to revise offer on GATT tariffs

SA was about to make a new provisional offer to GATT on the country's tariff policy. Trade and Industry director-general Stefa Naudé told a meeting of the world body's trade council in Geneva this week.

Naudé and other government officials yesterday completed two days of evaluation of SA's trade policies by 46 member countries. He said SA had reviewed its policy and the new offer would bring SA into line with the objectives of the Uruguay Round of negotiations.

Naudé said SA's new provisional GATT offer would bind 55% of its tariff lines to GATT agreements. Previously, less than one-fifth of SA's tariff was bound in GATT. In terms of SA's latest offer, the simple average tariff for imported industrial products would decline by a third and the percentage of duty-free tariff lines would rise from less than 20% at present to more than 25%.

Naudé said that since the offer was made, it had been found that SA's existing industrial tariff offer "does not provide an adequate base for fundamentally rationalising the present tariff structure".

"A revised offer that would also aim at meeting the Uruguay Round objectives is therefore under consideration. The proposed revised offer would require some tolerance from our trading partners in view of the transitional process in SA."

The general export incentive scheme (GEIS) was considered essential to overcome the anti-export bias, a view which Naudé said was supported by an unpublished World Bank report.

Despite facing questions from 23 countries, the SA delegation apparently elicited widespread understanding for the transition the country was undergoing politically and the need to concentrate resources in socially desirable projects.

PETER DELMAR

In a report published yesterday, GATT said SA's trade regime had undergone "welcome changes in the past decade".

"Tariffs have been lowered and the extent of import controls has declined considerably. However, the tariff structure and the review mechanism underlying it are far from stable or transparent."

It said SA's potential as a market, supplier and host for new investment, given political stability, was "considerable."

Experience in other countries at a similar level of development to SA which had undertaken trade liberalisation "showed that autonomous liberalisation could bring "notable and sustained economic growth and development".

The report urged that reform be more rapid, but it "recognised that the SA economy was subject to many constraints. With sanctions largely dismantled, SA, as a country undergoing significant transformation, should make every effort to align its economy fully with the multilateral trading system."

Sapa-AP reports that the report said sanctions had cost SA about $46bn between 1985 and 1989, the equivalent of 13% of GDP. Since 1989, 1-million South Africans had lost their jobs in the country's longest recession. About 40% of the labour force was without proper employment.

This was partly due to previous drives to promote domestic production and cut reliance on imported goods.

The report said that between 1980 and 1991 SA's rank among world exporters fell from 16th to 30th and its rating among importers slumped from 25th to 30th.

A fall in the gold price cut gold's share in merchandise exports from 30% in 1989 to less than 30% in 1991.
NEW VENTURES . . . Cape Town-based electronics company Rhomberg-Bräslé Holdings has a factory in Santiago to serve the South American market, and the consul general of Chile, Eugenio Parada (left), was among guests at the formal opening of its new R4m headquarters and factory in Retreat. Others at the function were, from left, Belantina Parada, Gabriella Biebler, Rhomberg-Bräslé MD Peter Bräslé and Rhomberg-Bräslé chairman Peter Bieber.

Business Editor

CAPE TOWN-based Rhomberg-Bräslé has successfully carried out Phase 1 of its campaign to penetrate European markets, concentrating on the smaller national economies, and is now preparing to move into Britain, Germany, France, Italy and the US.

MD Peter Bräslé said yesterday that its corporate mission was to become a world player in the industrial process control markets.

Its Slimline range of 11-pin plug-in modules for industrial automation control already has more than 50% of the SA market, between 30% and 60% of this market in Chile and about 45% in Argentina "where we have been selling for only two years."

Rhomberg-Bräslé is also the leader in the SA proximity sensor market with its locally designed and made Detehler range.

The company exports more than 45% of its present production worldwide, to 20 countries and has an international co-ordinating sales force based in Zurich.

To meet the demand for its products, it moved its head office, new product development department and factory to new 4 000 square metre premises in Retreat earlier this year. Bräslé said it had bought adjoining land to allow for further expansion.

Discussing plans for expansion into new markets he said: "At this stage it is envisaged that trading operations in each targeted country will be established either through joint-venture partnership companies with well-established industrial trading organisations or through the formation of wholly owned trading subsidiaries."

Bräslé said company products were designed and developed through in-house know-how and technology.
Exports boost buoyant Metcash earnings
SA wins Hong Kong order

FORM-SCAFF, the W&A scaffolding subsidiary, has beaten international competition by winning a R4-million contract for the girder, shoring and support system at Hong Kong’s new Chek Lap Kok airport. The system, containing 1,000 tons of steel, was designed and made in SA by Form-Scuff. The consignment will be shipped in 38 containers from the middle of this month.
SA's subsidies 'could fall foul of EC'

THERE was a strong likelihood that SA's high tariffs and export subsidies could attract unwanted attention from the EC, a leading European trade lawyer said last week.

Keith Hendry, a partner of Brussels-based Clifford Chance, told a Johannesburg conference organised by attorneys Werksmans that these measures might increase the likelihood of certain EC policy instruments, particularly anti-dumping and anti-subsidy measures, being directed at SA exporters.

To date, SA exporters had been affected little by EC anti-dumping proceedings.

"However, it is likely that as SA exports to the EC grow, exporters of particular products will become subject to proceedings.

"Certain sectors will be more vulnerable, for example iron and steel products. This is borne out by recent investigations into ferro silicon and manganese steel wear-parts, both of which were started in July 1992.

"It should also be realised that the fact that SA has traditionally protected its industries through relatively high customs tariffs may increase the likelihood that certain exports are found to be dumped."

"Such protection may have allowed producers to charge inflated prices on the SA market, though this may be counteracted by SA exchange rate policy."

Hendry said the EC had traditionally been reluctant to use its anti-subsidy powers, possibly because its member states made wide use of subsidies themselves, particularly in the coal, steel and agricultural sectors.

Although Europe accounted for half of SA's exports, the country was still outside the EC's system of preferential trade which applied to about 60% of its imports.

"The principal beneficiaries are the Favoured Trading Nation countries, certain GSP countries (for example, Brazil and China), the Mediterranean and Lome countries and various eastern European countries."

"SA needs to consider its position. A possible way forward would be to negotiate a trade agreement with the EC. Joining Lome is a possibility, but its limitations must be understood."
Barriers, Industry Leaders Tell
Face harsh reality on trade

By Dees Potter

The world trade is bracing for a significant slowdown. About 90 percent of the world's trade is conducted through the industry, and the trade deficit is expected to continue growing. This is not just a concern for the United States; it's a threat to the global economy. The problem is that the industry is becoming increasingly protectionist, with countries imposing tariffs and quotas to protect their domestic industries. This is creating a backlash against globalization, and it's time for the industry to take a step back and consider the broader implications of its actions.

In the United States, the situation is particularly dire. The trade deficit has been steadily increasing, and it's clear that something needs to be done. The industry must work together to find solutions that benefit all parties involved. It's time for a new approach, one that prioritizes collaboration and cooperation over protectionism. Only then can we hope to overcome the current challenges and build a more stable, equitable global economy.
'Foreign' purchases sold locally

Millions lost in huge food exports scam

Major food manufacturers and government have lost what may amount to hundreds of millions of rands in a scam which abuses the R1.8bn General Export Incentive Scheme (GEIS).

Although industry is aware of the fiddle, there is little it can do and police have a tough time securing convictions because of the difficulty of obtaining proof.

The scheme involves syndicates which buy goods for export — purchasing them free of VAT and with an export discount from manufacturers who will receive a GEIS rebate — and then sell them locally on the black market.

The taxpayer loses through the payment of export incentives — designed to stimulate foreign exchange earnings — to manufacturers who mistakenly believe the orders have been exported. The manufacturers in turn find themselves competing with their own discounted goods locally.

The scheme relies on fraudulent proof of currency transaction and of export or receipt in a foreign country, mostly neighbouring states. Manufacturers say the documentation is either forged, sometimes with the help of officials in other countries, or obtained through bribes.

Not only do the syndicates benefit from the GEIS discount (19% on raw goods that are fully processed before export), they also do not pay VAT on goods for export. The total advantage is about 35%.

Manufacturers say Mozambique has been a major problem with many of the "exports" to that country turning up on the local market. There appear to be also a number of unpolliced exit points along SA's borders which the syndicates can use.

One source said less than 10% of exports were checked by Customs and Excise.

SAP commercial branch Capt Danie Kriel confirmed police were investigating a number of these schemes, but declined further comment.

Most of the goods are sold on the black market in Johannesburg, although the problem is believed to be countrywide.

Bakers Biscuits operations director Robin Kitchin said Bakers now only allowed shipments to Mozambique that went by ship and had its agents check the shipment in Mozambique. Bakers had tried marking boxes that were to be exported, but these also arrived on the local market. He said the scam had harmed Bakers' reputation on the local market and damaged its legitimate export business.

Nestlé financial director Jos Mendes said his company had first encountered the problem about two or three years ago and had printed special labels for its exports, but these had still found their way onto the local market. Nestlé had handed

To Page 2

Exports

Evidence to the police, the Trade and Industry Department and Customs and Excise for investigation. "It is taxpayers money that is being stolen. It is also harming our business because at the end of the day, we are competing against our own products on the local market," said Tongoa-Hulek group MD Colin Savage.

Savage said he was aware his company's sugar and edible oil products were used in the scam. The Trade and Industry Department (which administers GEIS) had been approached and was investigating, he said. It was also considering reducing tariff protection on certain goods such as edible oils, which Savage said would help reduce the temptation to commit the fraud.

Beacon Sweets vice-chairman Eddie Berkowitz said his company had encountered similar problems. To limit the damage Beacon now supplied goods only to exporters that it believed were legitimate.

Sources say there is little police can do to stop the fraud. Even if a sting operation were placed under surveillance, prosecution could involve only that shipment, and the fine for conviction would be minimal. Customs and Excise is powerless to act since the goods do not leave SA.

From Page 1
SA trade, industry scoops SITEF pavilion

Business Editor

THE Department of Trade and Industry will have a national pavilion at the SITEF international technological fair in Toulouse, France, for the first time this year. The fair, from October 19 to 23, is held every two years and in 1991 730 companies from 120 countries took part. Their stands were seen by 60 000 visitors.

Forum

Urging local companies in the fields of computers, robotics, electronics, micro-electronics, energy, transport, civil engineering, bio-technology, telecommunications and the environment to take part, the department says: "SITEF is regarded as an excellent forum for establishing contacts in the fields of high technology and for keeping abreast with the latest trends in research and development."

It says that Toulouse is "the heart of the French aerospace industry and boasts 400 research laboratories employing 10 000 people."

Companies interested in taking part can contact W du Plessis at Tel 012 310 9398.

Better deal

The department says in its newsletter "Global Trade" that it has negotiated a better deal with the Reserve Bank for SA exporters taking part in overseas exhibitions.

They can now spend up to Rs25 000 of overseas advertising and exhibitions through the commercial banks, and take trade samples worth up to Rs25 000, without obtaining Reserve Bank approval.
Export processing zones on the horizon, says analyst

IT is expected that government and trade unions will soon pave the way for the establishment of export processing zones (EPZs), Herbert Penny, MD Peter Penny says.

Last month the SA Special Export Zones Association was formed and once government and the unions approve the establishment of EPZs, the task will be to find international businesses that will see SA as an attractive base from which to manufacture.

"EPZs are usually allowed to assemble imported products for immediate re-export duty free. Factories are established to do this and value is added to the product."

"However, the processed goods are not allowed to be sold within the host economy and therefore do not compete with established, protected industries," he says.

This would have a positive effect on the property market as it could result in foreign investment and generate new factories, warehouses and distribution centres.

EPZs have been established throughout the world in countries that have protected industries, others have met with no success at all. The achievement of an individual EPZ will depend on its relative locational advantages such as accessibility to international markets, government reaction and labour conditions.

"Most of the industries setting up within EPZs will be foreign, although the factories are likely to be provided on a lease basis by local property developers," Penny says.

Foreign industrialists are attracted to EPZs by stable labour conditions where labour is available at a lower cost than in the home country of the foreign enterprise.

"If foreign industrialists encounter serious labour problems in an EPZ, they will simply pack up and go home. It is of extreme importance to obtain prior understanding with labour unions that labour costs must be competitive and labour conditions must be stable," he says.

Even if foreign industrialists withdraw in due course from an EPZ, they will leave behind a more sophisticated economy and a labour force with improved skills and upward mobility," Penny says.
Duiker wins big coal export deal

DUPIER Exploration, the Lonrho-owned coal producer, has won multimillion-rand export coal contracts with Taiwan Power Company which are set to run until 1998.

The supply contracts, which will nearly double the size of Duiker's steam coal exports, were valued at more than R500m for the supply of 4.4-million tons of steam coal over five years.

Duiker's export ambitions are at odds with its small allocation at the 49-million ton a year Richards Bay export terminal, and have led the group to back the construction of controversial new facilities, condemned by SA's leading exporters.

Amcoal, Randcoal and Trans-Natal, which export more than 30-million tons a year between them, have warned that an export drive by smaller producers will add to already-strong downward pressure on prices caused by the worldwide recession and fierce competition in the export coal trade.

The new project, the Coal Export Joint Venture, investigating a new 12-million ton a year facility, involves Anglovaal, Gold Fields, Sasol, Iscor, Agincoul, MacPhail and Duiker.

A company spokesman said yesterday the contracts provided for the export of 800 000 tons of coal during the next three years, and 1-million tons a year over the following two years.

Technical director Hugh Stoyell said in a statement the value of the contracts was "expected to exceed R500m at the FOB vessel level" at 1993 prices.

The group, the owner of collieries near Witbank and Vryheid, sold only 1.4-million tons of coal abroad in 1992, compared with 1.1-million tons the year before.

Stoyell said the contract price was satisfactory, adding: "In the light of the present oversupply situation in the world steam coal markets, the award of these contracts represents quite a coup."
THE private sector and Trade and Industry Department push for the establishment of potentially lucrative export processing zones (EPZs) is slowing down in the face of administrative, legislative, and political obstacles.

Departmental confidence that revised proposals would be ready for Cabinet approval last month has evaporated as the complexities of the scheme have emerged.

Instead, a department report on EPZs, including submissions from Sacob and the Reserve Bank, has been tabled at the National Economic Forum and will be on the agenda at this Friday's meeting of the forum's short-term working group.

A department spokesman reiterated government confidence that private sector support for EPZs was strong, but the forum's input on the subject was vital for the plans to proceed.

Sacob international trade official Bess Robertson said business was broadly in favour of the zones and the discussion process had gone smoothly to date. "EPZs are a method of promoting export-oriented business providing there is a right mix of incentives to encourage investors."

Their establishment would require special legislation likely to be passed in the next parliamentary session at the earliest. Important issues still had to be settled, such as the sort of incentives government would offer. Sacob favoured tax holidays.

Export zones... rather than export incentive schemes such as GED. Robertson said how the zones would be brought under the umbrella of exchange and monetary controls and how labour would be treated in the zones were key aspects requiring further discussion.

It is understood the Reserve Bank's reaction to the creation of EPZs has been cool. The Bank is concerned at the number of measures which would have to be introduced to monitor economic activity within them and to ensure they would not compromise exchange control regulations, monetary and banking policy in general.

A Bank source said: "SA is not like Mauritius which has been turned into one big EPZ. The business of setting up zones here is a minefield when one has to consider how and where they operate side-by-side with existing laws and infrastructure."
Govt looking at export controls

EDWARD WEST

GOVERNMENT was investigating scrapping export controls on ferrous and non-ferrous scrap metals, the Trade and Industry Department said yesterday.

Export controls, introduced three years ago to promote raw materials beneficiation, gave local buyers of scrap metals first option to buy the intended exports.

Local buyers were also granted a 15% discount on the LME price for non-ferrous scrap and a 7.5% discount on the free-on-board price of ferrous scrap.

The metals concerned included waste and scrap steel, iron, refined copper and copper alloys, nickel, aluminium and zinc.

Copalcor MD Piet Malan believed abolishing export controls would be detrimental to industry as the controls had been set up to prevent scrap metal from leaving SA.

He said abolishing the controls could push local scrap prices up.

The department said the investigation into lifting export controls would be completed in about two months, after interested parties had made submissions.

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No boost in business confidence — BER

There had been a relatively sharp fall in the volume of local orders, but the outlook for the third quarter was considerably better.

Most respondents had reduced production, because of slack domestic demand, but they expected to increase production during the third quarter, the bureau said.

It appeared the higher production was largely the result of an increase in exports.

Encouraging news was that foreign demand for manufactured products had surpassed expectations and was expected to be keener during the third quarter.

More goods were produced for export than a year ago and most respondents expected a further acceleration during 1983.

The indication that fixed investment was slightly higher during the second quarter and that the deteriorating trend in real investment may be bottoming out over the next year, were other positive factors, the bureau said.

The current low level of business confidence was unlikely to receive a significant boost from the local economy this year, Stellenbosch University's Bureau for Economic Research said yesterday.

Its nationwide survey conducted during May 1983 among 21 sectors of the economy showed the manufacturing sector continued to experience adverse business conditions.

Exports were picking up, but any improvement in the manufacturing cycle was unlikely to occur this year.

Adverse political developments, in the wake of the Chris Hani assassination and the March Budget, had knocked improving business confidence detected in the first quarter and affected consumer demand.

A majority of respondents said second-quarter business conditions were likely to be worse than those of the previous year and were expected to stay so in the third quarter.

Second-quarter domestic sales had not lived up to expectations expressed in the bureau's first-quarter survey.
Exports soften blow to SA manufacturers

By AUDREY D'ANGELO  
Business Editor

RISING exports are helping to cushion manufacturers against the effects of the continuing recession, the latest survey carried out by the Stellenbosch Bureau for Economic Research (BER) shows.

But domestic sales in the second quarter are not showing a hoped-for improvement, and most respondents expect this situation to continue in the third quarter.

Many report they will have to retrench workers, in spite of the number of jobs which have already been lost.

BER director Ockie Stuart points out: “The extent to which jobs are being lost is a cause for alarm. It could aggravate the violence and crime spiral and intensify the economic ills of the country.”

In spite of these continuing retrenchments some industries report a shortage of skilled workers, which is expected to intensify when the upturn comes.

Most respondents say the general political climate is hurting their business — only 12% said this was not the case.

Summing up, the BER economists say: “As a result of the slack business conditions, aggravated by an adverse political climate, our respondents do not plan to increase their productive capacity over the next 12 months.

“Business confidence is at an extremely low level and domestic demand is unlikely to boost it in any significant manner during 1993.

“Exports are picking up — but a turn for the better in the manufacturing cycle is unlikely to come to the fore during the current calendar year.”

The survey was carried out among firms all over the country, in 21 manufacturing sectors. The report says domestic sales did not come up to expectations. But there were indications that the decline in sales was bottoming out.

And “foreign demand for manufactured products actually outstripped previously held expectations and is anticipated to become more keen during the third quarter.

“More goods than a year ago were produced for the foreign sector and a small net majority of our respondents expect a further acceleration during 1993.”

In spite of this, the report continues: “It was disturbing to note that 48% of the participants had to retrench workers during the second quarter. It is even more disturbing to report that 42% intend doing so during the third quarter.”

In addition to the lay-offs, more people worked short time during the second quarter. The report says this situation “is expected to improve somewhat during the third quarter”.

Weaker demand meant that stocks of raw materials increased. “Finished goods in relation to domestic demand also tended to accumulate, but a keener foreign demand increased this ratio relative to exports.”

Discussing the labour situation, the report says that 39% of respondents said there was a shortage of skilled labour. “It would appear as if even a mild upturn in the economy could cause problems on the labour front which will undoubtedly be reflected in higher wages.”

The report says only 25% of respondents are not worried “by the relatively high short term interest rates”.

Industry chiefs fire broadside at concept of export processing zone

By Des Parker

DURBAN — Two top textile industry men have fired a broadside at the concept of export processing zones (EPZs) for SA.

Mervyn King, executive chairman of Frame and new president of the Textile Federation, and Textile Federation head Bruce Brink say the proposed zones — geographic areas where export manufacturers receive substantial tax and import tariff benefits — are likely to place an intolerable burden on Customs officials.

Legislation is expected to be enacted in the not too distant future to enable zones to be set up.

The recently formed Special Economic Zones Association has earmarked ports such as Durban and Richards Bay and those of the Western and Eastern Cape, as well as areas of the PWV, as potential EPZ sites.

The association, comprising business people, politicians and regional and local authority representatives, has said special customs and excise arrangements would need to be in place to "regularise and police" zones.

Brink, however, reckons EPZ protagonists are a "self-seeking lobby" and the concept just one more in a series of misguided export incentives that have had a woeful performance "at huge cost to the fiscus".

He claims adequate policing of SA's extensive borders and coastline to ensure products made in EPZs for export did not re-enter SA would be "highly impossible".

"Existing exporters located outside such processing zones will be disadvantaged and prejudiced, having to purchase higher-priced inputs, pay higher taxes and other fiscal commitments."

"They are also generally further from ports of entry and will therefore be subject to higher transport costs — all of which would lend fuel to the sometimes acrimonious regionalism debate."

Smuggling and corruption would flourish, placing an intolerable strain on already overstrained officialdom.

In addition, new fixed investment would be disrupted with existing exporting businesses being forced to move to EPZs.

Brink suggests the Government would be better advised to address the anti-export bias in existing duty-free provisions for imports used to manufacture goods for export, at the same time as awarding incentives for new investment in production and technology."
French banks to provide bulk of Alusaf's export credit finance

French banks would provide the bulk of export credit finance for the giant aluminium project Alusaf, finance director Paul Snyman said yesterday.

Alusaf has appointed three French foreign lead banks from which to source the major portion of export credit finance of R2 billion for imported technology and equipment.

Other lead banks in Germany, Britain and Japan were also involved in providing export credits to cover potential suppliers to the R7.2 billion Alusaf smelter expansion project, he said.

A consortium of the four major South African banks had agreed to provide guarantees for the R2 billion in foreign loans as well as approximately R700 million in local loan finance.

Although this would be one of the largest private sector facilities offered in South Africa, the facility had not yet been finalised, he said.

He pointed out that the foreign and local loan finance amounting to R2.7 billion was complementary to the R3.8 billion equity and shareholder loan backing which had been secured from Gencor, the Industrial Development Corporation (IDC), Eskom and various institutional investors.

Snyman said there would be scope in the future for creative financing arrangements as Alusaf's qualification for Section 37 (E) would ensure the project received the cash equivalent of tax deductions for capital expenditure as it took place.

— Sapa.
ADE scoops India on R110m export contract

Business Staff

ATLANTIS Diesel Engines — in the face of stiff competition from India — has won a R110m contract to supply unmachined engine block castings to a major South Korean manufacturer.

The blocks are for Mercedes-Benz diesel and petrol engines, and will be supplied to SsangYong, the fourth largest vehicle manufacturer in South Korea, over five years.

Fritz Korte, MD of ADE, said he believed this was the largest order ever secured by a South African company from South Korea.

It resulted from ADE's continual, worldwide search for potential business.

"SsangYong is investing R7.7m in tooling for ADE, which is clearly an indication of long-term involvement.

"ADE is already exporting some 30 different types of components, worth R150m a year, to countries as diverse as Argentina, Germany, France, England and Brazil."
THE END of political isolation and the chance to return to the hustle of normal world trade was greeted with champagne parties in the boardrooms of most South African companies. Now come the headaches.

The first shock is that renewed access to export markets does not mean a flood of overseas orders. Exporters are finding the old price edge they used to enjoy over many rivals has vanished — labour and production costs have rocketed because of political reform and inflation — and new rivals have encamped themselves in our traditional markets.

Even worse, the removal of sanctions has exposed the thick entanglement of trade barriers that protect numerous local industries from international competition. And in exchange for letting South Africa re-enter overseas markets, global trade partners are demanding the opportunity to trade on equal playing fields in South Africa.

Pressure to comply with the rules of global competition is coming from the General Agreement on Tariffs and Trade (GATT), a powerful secretariat that acts as a world trade policeman. All now hinges on how long GATT gives South Africa to adjust to its rules — given the special circumstances of dramatic political and economic reform.

A South African Government negotiating team travelled to Geneva recently to start discussions. Department of Trade and Industry director-general Stéfaud Naude found GATT was fully aware of the damage caused by sanctions — the GATT secretariat assessed the damage at no less than R40 billion — counting the combined losses caused by the shrinkage in export earnings, financial sanctions and disinvestment.

Even so, GATT remained highly critical of South Africa's tariff structures. It was true, a special report admitted, that South Africa had made a start on the removal of direct import controls. Out of a mountain of 12,660 tariff items, the number covered by controls had been trimmed down from 25 percent in 1985 to about 15 percent.

But tariff walls were still too high. The average level of protection over the industrial sector was no less than 27 percent — soaring over 60 percent in some pockets of manufacturing and a staggering 90 percent or more in textiles and leather.

South Africa is emerging from isolation and sanctions to encounter new pressure: the demand to dismantle walls of protection around local businesses in line with the rules of fair play in world trade, reports MICHAEL CHESTER.

were the shelters around the motor and chemical industries and the tobacco trade. All in all, less than one-fifth of South African tariffs were bound by GATT rules.

The Government was now volunteering to increase the number to a shade more than one-half. Also, South Africa was offering to lift the number of duty-free items in its tariff list from under 20 percent to more than 25 percent. Still on the agenda, however, was South Africa's system of "import licensing" that protected the agricultural, forestry and fisheries sectors.

Next under review came the issue of how the State Tender Board handled government procurement contracts, where individual department were able to award contracts up to R500,000 for construction and engineering projects. The GATT report said tenders were invited nor
Johannesburg. — Laser Optronics Technologies had secured a R300m order to supply locally developed and manufactured laser diamond cutting systems to China. Laser MD John Bond said at the weekend.

The venture was originally funded by a R6m grant from the Industrial Development Corporation in 1991 and a R29m technology transfer from Baasel Lasertech in Germany.

Bond said the system could earn SA billions of rand by adding value to rough diamonds. For example, SA exported 886,000 carats of unpolished stones and 12.7-million carats of rough diamonds to India, which had no diamond deposits. The country employed about one million people in its gem polishing industry and added value of about R2bn to imported stones.
GOVERNMENT is losing hundreds of millions of rands in VAT every year due to fake claims of exports of tobacco and other produce to neighbouring states.

The news comes hard on the heels of massive abuse of government's General Export Incentive Scheme (GEIS). Industry sources said that at the weekend syndicates in Johannesburg were purchasing tobacco products from wholesalers for export to countries in the Southern African Customs Union. They then forged the documentation required as proof of export and claimed the VAT back from the wholesaler, who by law had to refund it directly to the exporter before reclaiming it from Inland Revenue. The tobacco products were then resold on the local market.

cheaper than the wholesale price.
Lost turnover to Johannesburg retailers in a Lesotho-linked scam was estimated at R600m a year and the lost VAT at about R200m.

However, Transatlantic Tobacco Company executive chairman Jacques Kruger said the loss to the fiscus could be much bigger, because the same scam was being applied to other consumer products.

His company was investigating the Lesotho issue “to assist our franchised wholesalers”. But there was no proof of “a definite syndicate”.

Inland Revenue chief director Mike Du Toit admitted there was a problem with VAT claims on goods being exported to Lesotho because there were not proper custom controls at that point.

“We do not do our own VAT policing, we rely on customs to do this for us.”

He said that while he was not aware of the current scheme, the department investigated all claims of VAT fraud. Inland Revenue was looking into several cases and would be making “examples” of those found guilty.

A tobacco industry spokesman said manufacturers supplied directly to the wholesale trade (top clients received a 7% discount), who then sold the products to retailers. Some retailers were being offered products at far bigger discounts than wholesalers received.

“The only conclusion that can possibly be drawn from the situation is that products are obtained from illegal channels.”

He said the fraud had been made easier by a change to the VAT rules. Previously, proof had to be provided that goods were delivered to a country in the Customs Union. Now the seller was not obliged to ensure delivery.

Meanwhile, Trade and Industry said it was aware of allegations of malpractices regarding GEIS as reported earlier by Business Day.

“Everything possible is being done to avoid paying out fraudulent claims under GEIS,” a spokesman said.
Exports continue their upward trend

By Derek Tommey

Exports continued at a high level in May.

Figures issued by the Department of Customs and Excise show they amounted to R6.49 billion — the second-highest figure on record.

Although last month's exports were R309 million below the peak April figure of R6.87 billion, they were R1.25 billion, or 24 percent, higher than in April last year.

This reflects a strong performance by exporters, seeing that prices overseas of many of the company's traditional metal and mineral exports are depressed.

Imports last month amounted to R4.61 billion, which was slightly lower than April's R4.68 billion. This resulted in a trade surplus last month of R1.87 billion, against R2.19 billion in April.

While this is a most encouraging development for the balance of payments, it must be remembered that the figures are in somewhat depreciated rands.

Exports in the first five months of this year amounted to R20.9 billion (R27.4 billion in the same period last year).

Imports to the end of May were R22.9 billion (R20.1 billion a year ago).

The cumulative surplus for this year was R7 billion, which was 4 percent down on last year.

Safto Marketing Services says rising export growth in May was largely attributable to the improved performance of unclassified exports and a big jump in jewellery and precious stones exports.

The improvement of the unclassified category no doubt reflects recent positive trends in the gold price.

Growth of exports to Europe rose 5 percent for January to May 1993. The improvement could be related to better economic conditions in the UK.

Exports to America grew by 9 percent and imports from America by 25 percent.
Export hopes ‘are misplaced’

EDWARD WEST

EXPORTING was not a realistic way to stimulate the economy, Eskom commercial manager Dennis Cook told the Sapics manufacturing conference in Johannesburg yesterday.

Even if manufactured product exports tripled, the impact on GDP would be slight, he said. South Africans needed to invest in SA and replace old technology and machinery.

Cook cited Japan, which exported 9% and imported 8% of GDP, as an example of a country that had adopted an inward-looking strategy to stimulate local demand. SA exported 23% of GDP, mainly in the form of primary products.

He said the promotion of small businesses had become an economic necessity. In the UK government support of small businesses had led to the formation of 30,000 small enterprises between 1980 and 1991 and to the employment of 510,000 people. Fledgling formal sector businesses should be promoted.

Official SA unemployment figures indicated that between 6- and 7-million people were unemployed. A consumer society should be created.

The way to create jobs was through manufacture, as growth in available labour was exponential and the job market was dwindling. Large companies should adopt a small supplier for non-critical items to help small firms become competitive.

The key to this strategy was giving purchasing departments the latitude to negotiate contracts with small businesses. Large companies could appropriate a small share of budget to invest into these programmes.
Stumbling commercial rand, good news for exports.

BY ARTHUR JACOBSON

In January 1995 two rande correlated, weaker rand and improved margins by dollar strength.

The fall in the rand has been

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She said that a weaker rand

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SA exports to Africa thought to top R10-bn

Business Staff

The real value of South Africa's exports to Africa probably exceeds R10 billion—and is rising.

Paul Runge, the South African Foreign Trade Organisation's (Sato) senior manager for Africa, predicts that the visible value of exports to the continent will soon approach R6 billion—double the 1989 figure.

But that's conservative, given that disguised trade with the last of the boycott markets is not reflected.

Nor are "invisible" exports such as training, technology transfer and tourism.

Hence the estimated R10 billion statistic, much of it from beneficiated products such as chemicals, building materials and vehicle parts.

Runge regards the rapidly growing trade with Africa as remarkable, since, with very few exceptions, sub-Saharan countries are bankrupt.

"As they often lack the foreign exchange to pay for imports, payment is often far from secure, no matter how badly they want our products and services, or how advantageous are our weak rand, our proximity and our Africa-adapted goods."

He suggests that securing of payment is bedevilled by the low level of imports from Africa, which have remained at R750 million since 1989.

"Thus, while Africa's economic integration with the developed world has been declining, SA's unique position has given rise to our data going against the negative trend."

"As new markets open and African countries switch sourcing from Europe to SA (such as the flood of SA beer and fruit juice into Luanda that replaced European imports), so we are assured of a continued rise in our exports."

He says more SA companies are exploiting the advantages SA has in trading in Africa. They now increasingly seek joint venture partners instead of weaker agency agreements.

Yet, Runge cautions, behind this optimistic scenario lies a negative—SA's record in accessing aid funds to Africa.

As Africa's economic situation continues to decline, so the World Bank, EC and UN agencies continue to allocate huge funds for Africa. In the case of the World Bank the figure is about R4 billion a year.

Last year, SA reportedly accessed only about 0.8 percent of these funds, worth $71 million.

In 1991, SA's formal subscription to the World Bank stood at $1.6 billion, giving it a voting power of 1.35 percent. Yet in the same year SA accessed only $100 million in project work related to the bank.

Runge believes that although the World Bank still doesn't allocate funds directly to projects in SA, we can clearly do much more in the way of accessing cross-border projects in Africa.

"Formal business transactions in Africa have a ceiling because of the serious shortage of foreign exchange in the markets themselves."

"Aid money is in foreign exchange and is reasonably secure. The rules of the aid game must be learned fast."

"In the past three years Sato has been increasingly drawn into this game at the insistence of our clients and also because we predicted the need. This has led to increased interaction with the major donor agencies and a far better knowledge of how they work."

But there's yet another major gap to be filled—private sector commercial aid projects not covered by the World Bank, ADB (Africa Development Bank) and UN agencies, which deal with governments and thus infrastructural and social upliftment projects.

Runge says the major agencies have realized that working with governments as implementing agencies for their projects yields a limited project success rate.

Hence the emphasis is shifting towards promotion of commercially viable projects in African countries via the private sector arm of the World Bank and the ADB's private sector development unit.

These private sector promotion bodies have proved to be efficient and quick and their success rate has led to a deeper look at the whole question of private-sector promotion.

"In tune with the IMF's policy of boosting Africa's business ethic, the World Bank, the ADB and the UN Development Programme have pooled their resources to create the Africa Private Development Facility, which identifies projects for medium and small enterprises valued at up to about $5 million and then uses the muscle of its three powerful patrons in securing finance for approved projects."

"Given SA companies' good but limited human resources and insufficient finance, this concentration on smaller commercial projects holds much potential, especially in the agro-industry and small manufacturing sectors."
foreign interests

SAB disclosures

French deal

Samancor

Business Report
Nambisan Fish Guitars

Up for Expansion of Cold Storage Gears

By MAGIC MOMENT

The fish handling system at the fish farm was expanding with each passing month, providing employment opportunities for many. However, the current system was not enough to handle the growing demand. A new system was proposed to be implemented that would allow for better handling and storage of fish, thereby increasing efficiency and reducing wastage.

The system would include the following:

1. Improved fish handling equipment
2. Better storage facilities
3. Efficient transportation

The expansion project was expected to create jobs and provide a significant boost to the local economy.

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EL Port to lose R2m

EAST LONDON. — The East London Port will lose up to R2m in revenue over the next two years following a decision by Zambia Consolidated Copper Mines (ZCCM) to re-route its copper exports to Durban.

The Durban port manager, Rudi Basson, confirmed yesterday that ZCCM had approached the port and that a trial shipment had been received.

CT 24/6/93
The budget deficit problem is unlike any we have seen before. And the fiscal policies that went into effect in 1981 have contributed to the largest deficit in our history. But this year's deficit, although large, is expected to be about half the size of last year's.

The deficit problem is not just about the size of the deficit. It's also about the composition of the deficit. The deficit is largely attributable to a slowdown in economic growth and a rise in interest rates. This is in contrast to the situation in the 1970s, when the deficit was driven by large spending programs.

The combination of slow growth and high interest rates has created a fiscal situation that is unprecedented. The deficit is now a significant portion of the economy's output, and it is increasing at an alarming rate. The deficit is causing interest rates to rise, which is further slowing economic growth. This is a classic cycle of fiscal problems.

The deficit problem is not just a problem for the United States. It is a global problem. Countries around the world are facing similar fiscal challenges. The deficit problem is a reminder of the importance of fiscal discipline and the need for fiscal policies that are focused on long-term sustainability.

In conclusion, the deficit problem is serious, and it requires urgent and aggressive action. It is a challenge that we cannot ignore, and we must take steps now to address it.
Export trade magazine group for SA

Deputy Business Editor
THE world's largest export trade magazine company, the Asian Sources Media Group (ASM) has opened offices in South Africa and is reaping benefits for the country's exporters, says Cape representative Barbara Spencer.

ASM, which publishes eight monthly export trade magazines each with a subscriber base of about 30,000 in 24 different countries, has opened offices in Johannesburg and Cape Town.

"The response from SA companies in the export field has been very heartwarming with more than 50 large concerns taking out advertisements and many of these already reaping their first orders," she said.

She said ASM had recently published a book on importing from SA which covered all the regulations.

"In addition, we have bought out the first of what will be an annual magazine on SA exporters in which all those who have advertised get a free mention," she said.

The eight trade magazines in the ASM stable include Electronic Components, Gifts & Home Products, Hardwares, Timepieces, Fashion Accessories and Telecom Sources.

ASM is a US company based in Hong Kong.
Clothing exports soar to R460m

CAPE TOWN — Clothing exports have boomed to such an extent that the industry had a positive trade balance last year for the first time, says the latest issue of the National Clothing Federation newsletter.

Exports of clothing amounted to R460m last year representing 10% of the total value of clothing production, with 61% of the exports going to the UK (R106m), Hong Kong (R71m), Germany (R41m), US (R34m) and the Netherlands (R17m). Clothing valued at R238m was imported, with 62% coming from China (R96m), Taiwan (R43m), Zimbabwe (R49m), Hong Kong (R36m) and India (R22m).

Federation economist Arnold Werbeloff said that despite the favourable business conditions emerging, employment in the formal clothing industry in urban areas was declining.

Employment in the major urban concentrations of clothing manufacture fell by 13 000 to 53 000 workers in the first four months of this year. Natal experienced the largest job losses (7 600 workers), while Transvaal suffered the largest percentage loss (15%). Between January and April, 91 factories were closed, 36 of them in the Western Cape.

"The decline in urban employment has occurred despite a steady 4% real growth in retail sales of clothing in 1992. The implication is that retail chains and other formal clothing retailers are not channelling this demand to their traditional suppliers of clothing, but rather to the competitive suppliers locally and abroad.

"Destocking of goods from the urban clothing manufacturing sector has taken place at retail level and price competition is extremely tight," the newsletter said.

Clothing production output fell 7% last year while textile production declined by 10%. Clothing inflation at producer level averaged 9%, while that of textiles was 5%. These figures showed that the downturn in textile activity was more severe than in the clothing sector, in terms of output and producer margins.
Metro opening shops in Israel, Russia

By Stephen Cranston

Metro is planning to set up two cash and carry stores in Israel and another two in Russia by mid-1994, says MD Carlos dos Santos.

In a presentation yesterday to the Investment Analysis Society, he said Metro had sent a senior operational executive, Andrew Reitzer, to run the offshore operation.

In Israel, Metro’s partner will be Koor Industries, the country’s largest industrial conglomerate, which also has a controlling interest in the Co-op retail chain.

In Russia, Metro’s partners will be a steel mill, which is in a position to help with imports, and a bank to enable the group to convert roubles into hard currency at a favourable rate.

Wherever possible, Metro will export SA goods to its stores.

Dos Santos said he expected the stores to be profitable within a year of opening.

Metro already has a 40 percent interest in PTC in Malawi, which owns 23 cash and carry stores and 65 retail stores.

It also has two cash and carries in Lisbon and a sourcing and trading operation in Hong Kong.

Its export division, Metro International, trades mainly with African countries, but also sells to the Far East, Middle East and Russia, as well as providing an operation for miners in Mozambique, which enables them to buy goods in SA and receive them in Mozambique.

The expansion of global operations will be an important source of Metro’s growth.

Internally, the group hopes to improve profitability by increasing the proportion of non-foods and perishables in its stores.

It recently introduced fruit and vegetables and fresh and frozen meat into its stores.
SA export-led recovery UK broker forecasts

By Neil Bertram

Star 30/1492
SA trounces US wine exports to Britain

LONDON. — South Africa has become the fourth largest non-European Community country exporting wine to Britain, outstripping the United States for the first time this year, it emerged yesterday.

The country’s phenomenal increase in wine exports to Britain — from 190,715 cases in 1980 to 604,355 last year — saw her outstrip long-established wine exporters to the UK, like Chile and New Zealand, by last year.

Figures released yesterday by Britain’s Central Statistical Office (CSO) reveal that SA exported 151,456 cases of wine in the first three months of this year, compared to the United States’ 139,900, overtaking the predominantly Californian wine exports for the first time.

The top non-EC wine exporter to Britain is Australia, (545,967 cases), followed by Bulgaria and Hungary.

The CSO began recording monthly figures of SA wine exports from last June when the country began featuring among the top seven non-EC wine exporters to the UK.
Export figures published in the national accounts have been revised substantially downwards in the latest Reserve Bank Quarterly Bulletin. This follows revisions to trade figures, as from 1946, and the results of a census of foreign transactions, liabilities and assets which the Bank undertook in 1989.

The largest revisions are in the period from 1980.

As a result, there has been a change in the residual item — the amount subtracted from gross domestic expenditure to bring it in line with gross domestic product by income/output, published by the Central Statistical Service. This item is a source of anguish for analysts of national accounts. The size of the item, and the large revisions often made to it, highlight the difficulties of measuring GDP.

Other national accounts statistics are to be revised next year to bring them in line with Central Stats data. And a change in the base year, for calculation of constant prices, from 1985 to 1990, is also due soon.
As Sanctions Go
High Costs loom

MARK HANSENSUS Business Staff
FRESH Hake exports from Cape Town are set to take off after almost all the available air cargo space to Europe last week was taken by one of the largest consignments of wet fish ever to leave South Africa.

And this is just the start of what could turn into a complete cargo jumbo-load a week winging its way to the fish markets of Spain, if all goes well with a new scheme started by Spanish fishing entrepreneur, Pedro Erizalde.

Mr Erizalde, whose family has strong roots in the fishing industry in Spain, moved to Cape Town recently to start the business.

The project, which started at the beginning of the year, gives a welcome boost to the local fishing industry with between 50 and 70 tons of fresh hake a week being sent to Spain.

The fish is caught and shipped by Cape-based Marpro, in a joint venture with Mr Erizalde.

Hake is something of a speciality fish in Europe, and not as plentiful as in the Cape waters.

One of the advantages is that the export hake is sold with its head on — increasing the weight of each fish by about 30 percent.

**Logistics**

"It was difficult to find a supplier who had fish of sufficiently high quality to supply the quantity of fresh fish — and the logistics in getting the product to the markets within 24 hours were also horrific," Mr Erizalde said.

Getting cargo space on carriers from Cape Town was also difficult as the venture was new and experiments had to be carried out to see in what condition the fish arrived in Europe.

The fish is being flown out by Dutch carrier KLM, the French airline UTA and Portugal's TAP.

The company is gearing itself up to fly out 120 tons of fish a week which would allow it to use a cargo carrying jumbo jet — but the difficulty is getting a load from Europe to South Africa to make the trip cost-effective.

"We are looking at the possibility of filling planes carrying aid to places like Mozambique to return to Spain with our fish," Mr Erizalde said.
Export Venture

THE popularity of the SA-developed Toyota Venture has encouraged the company to seek export markets.

Certain proposals are being settled, including the export of diesel-engined and left-hand-drive Ventures, says Toyota Marketing managing director Brian Pretorius.

The success of the station-wagon type Venture in SA has created a high level of interest in other markets, particularly those in other African countries.

"It is quite clear there is an export market for the Venture and Toyota SA is moving towards satisfying this area of demand," says Mr Pretorius.

Toyota spent R56-million to tool up and promote the Venture. In March it became the biggest seller in the so-called minibus sector.
Winemakers waging fierce export war

By PATRICK MCDOWELL

NOT so long ago, making and selling wine was a game for the few who talked about bouquet, not shelf space in a supermarket.

No longer. From California and grace to Australia, Chile and South Africa, winemakers are waging a fierce import war to win over a dwindling market for a changing taste and competition.

Quality still counts, but the new game is about marketing. Producers in the next decade will go to those who understand pricing, packaging and public relations.

"My advise to the industry is to produce wine based on the need for the consumer, not on their wine cellar," said Timothy Wallace, a partner in California and Ellen Winery. "Wine is a package product, like a car or stove.

Buyers

Glen Ellen was one of 2,000 exhibitors from 42 countries in Bordeaux, recently for the biennial Vigneron, the world's largest professional wine and spirits show. They wowed buyers, stood up to competitors and tooled for a $7 billion market in 1981.

Fewer people drink wine with the same passion, perhaps due to health concerns and government restrictions everywhere, raising taxes and箪筑纳空手, and overcrowded cellars and distributors.

Throughout the 1980s, the industry opened new markets in Asia, especially Japan, to counter falling demand at home. Many Japanese put a cask in the wine for when their economy stabilized.

To stay alive, producers are elbowing into each other's turf. Long-time rivals France, Italy and Spain, who still dominate, are getting closer to competing on price and quality.

"We have a lot of winemakers thinking about what they want to drink, and how to get it," said Paul Mollmann, international marketing director for the San Francisco-based wine firm.

The key to success is keeping the wine in the market. If winemakers have it tough, wine drinkers are buying into those companies that have fallen 40 percent, and choosing from a bewildering array of producers.

Who are they? Take Florida. Although the United States planted vines there 2,000 years ago, vineyards suffered one after 1965 by Commi-nist policies, more interested in heavy industry.

The country has rediscovered its wine industry under the '80s, and more, and eventually higher quality, wines. Similarities hopes.

"For an image as the unduly man's good wine, it is possible to make a wine that shows a lot of the red".

Others try to appeal to the Soviet republics, stressing the history of winemaking from Russia in the 19th century. "It helps identify the country's culture," said Mollmann, "so people don't even know where Moldova is.

Winelandes offer more than good wine

The Cape winemakers have much more to offer than the advantage of buying wine at a good price.

Many of the estate wines and top winemakers offer different wines and a variety of wine-making processes. Others have built up comprehensive industries like cheese-making, while some have-Green willow, beautiful garden and historical exhibits that non-wine enthusiasts can wonder around.

Several estates have excellent restaurants that offer a variety of wine to traditional Cape tradition to sophisticated meal sets. To anger many offer light "different" lunches.

While Constantia, Durbanville, Stellenbosch, and Helderberg are the closest to Cape Town, you'll find excellent routes further afield at the Swartland, Tulbagh, Robertson, Worcester and Olifants River regions.

Remember, though, that each estate offers a different wine depending on the climate, soil type and climate.

Major wine routes are well gauged with ample information available at central information points. Several offer an opportunity to taste before you buy and varied scenery on your route.

Central wine routes in the Cape are given where available.

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Studies on zones to process exports

CAPE TOWN — The countdown to the introduction of export-processing zones has begun, underpinned by broad consensus on their merits and countrywide initiatives to determine which industries in each region are most suited for inclusion in the zones.

Municipalities all over SA were participating in feasibility studies to determine the best way to establish the zones, SA Special Economic Zones Association founder member Noëls de Villiers said yesterday. The association had already received 14 requests by entrepreneurs in Cape Town alone who wished to set up businesses in such zones.

Urgency has been given to the issue so as it was necessary to have channels for foreign investment in place once remaining sanctions were lifted.

De Villiers also on the National Economic Forum's export-processing zones committee as a representative of Sapoa. De Villiers said the zones subcommittee would submit its report to the forum for discussion on July 27.

Once the forum had approved final proposals, legislation would hopefully be submitted to Parliament during its September sitting. By July 27, the association hoped to submit its zone tax-incentive structure and draft legislation to the forum and its labour relations committee would then hopefully have established contact with trade unions.

By end-August the technical committee's report on Custom and Excise control and barcoding systems should be finalised.

Badenhorst said a crucial issue to be finalised was to identify which industries were most suitable on a regional basis for inclusion in export-processing zones and the association had established a special technical committee to look into this.

A 400ha piece of land around Vereneiging Airport had been acquired, by the municipalities of Vereeniging, Sasolburg, Meyerton and Vanderbijlpark, for a zone concentrating on steel, metal and allied products, plastics, PVCs and polystyrenes.

In the PWV area the East Rand RSC, and the municipalities of Kempton Park, Benoni, Boksburg and Springs, had appointed consultants to investigate the feasibility of an area around Jan Smuts Airport. Likely products were high-value, low-weight goods such as electronic and high-tech products, De Villiers said.

The East London and Port Elizabeth municipalities had had similar opportunities and studies into the best types of zone industries as had the Midland Chamber of Industries, while in Cape Town various bodies were participating in an investigation.

KwaZulu-Natal had also launched a study for Durban and Richards Bay. Feasibility studies were underway for a zone around the Pietersburg airport, with support being given by the Messina, Pietermaritzburg and Transmec municipalities and the Lebowa Development Corp.

Chicory industry latest in free market

PRETORIA — The chicory industry is to be propelled into the free market on September 30 when the chicory scheme is discontinued ending 33 years of control.

Agriculture Minister Kraai van Niekerk said yesterday he had approved the discontinuation of the scheme and said it indicated that organised agriculture was keeping pace with changes in the economic circumstances in which it operated.

"Chicory producers envisage having the assets of the Chicory Board taken over by a public company which has to be established and which will compete in a free market," the Minister said in a statement.

The name of the company will be Chicory SA Ltd.

Van Niekerk said most producers had voted in favour of the discontinuation of the chicory scheme and its replacement by a public company.

Chicory is mainly grown in its roasted form and used in blends with coffee. — Sapa.
China and South-East Asia clearly have a fast-growing market for mainline doors, with more than 25% of total Chinese imports coming from the Far East, especially in India.

In the past few months alone, SA Tyre (Pty) Ltd has exported 17,000 sets of tungsten carbide tools for more than R2bn, an order for 1,200 R300d, and a further order for 1,500 R300d.

Laser Optronic Technologies, a subsidiary of ADE, has signed a framework agreement with the South African development bank to supply R10m worth of equipment to China. The agreement will cover exports of R10m worth of equipment to China.

A licensed part built into a non-licensed vehicle, which can act as a further stepping stone to start moving outside the existing licence.

With this Korean calling card, De Vos adds, ADE will now be in a position to look for more export deals for components falling outside of licensing restrictions. "We intend discussing such options with Japanese vehicle manufacturers and see exciting opportunities to broaden the scope of our component exports to original equipment manufacturers of, for example, cylinder blocks, heads, crankshafts, camshafts and conrods." He says ADE already exports transmission-housing components to France's Eaton group outside of its main licensing agreement. "This could open the door for similar exports to the US, European and Asian markets.

For its part, Laser Optronic has grown its own market in China and sees great opportunities for global expansion. Its locally manufactured system serves for about US$140,000.

Says engineer Chris Moorhouse: "Our laser system provides enormous cost, time and labour savings because it can handle 15 diamonds at a time and, for example, cut a 10-carat diamond in 36 minutes, compared with more than a day using the traditional system. Low-skilled labour can operate the machines and we see great export prospects in the Far East, especially in India.

India now adds about R2bn a year in value to diamonds imported from SA and Moorhouse believes that much of this could be done locally and create thousands of jobs."

BUSINESS & TECHNOLOGY
Problems for SA Export Zones

Export Processing Zones (EPZs) — currently on the agenda at the National Economic Forum — can be seriously considered for South Africa if not constructed as a "back door" out of social responsibilities, according to Alan Hirsch, economist at UCT's Development Policy Research Unit.

Mr Hirsch believes EPZs must address the nature and cost of South African labour and the need for active training policies.

"They should also aim at manufacturing niches appropriate to South Africa's competitiveness and address regional development issues and avoid undue market distortions."

The South African Special Economics Zone Association (SASEZA) is to submit its incentive proposals to the NEF later this month.

Mr Hirsch says in the research unit's Trade Monitor that talk in regional development circles about setting up zone authorities representing the community, labour and business acknowledges the potential pitfalls of EPZs.

However, he still has some reservations about the viability of the zones in South Africa.

He stresses the tough competition in the EPZ market with well over 100 EPZs currently in operation worldwide.

Mr Hirsch argues that South Africa is not like Taiwan and Malaysia in which EPZs succeeded.

He points out that these countries had low paid, fairly educated workers, stability and were at an early stage of industrialisation.

South Africa, on the other hand, is more developed and has poorly prepared workers.

In addition, he says, countries like the Philippines and mainland China can offer workers who are paid as little as one-tenth of what South African workers are paid.

"We cannot reduce wages as much because of the high cost of living in South Africa ... therefore we cannot compete in the classic industries which are attracted to EPZs."

Under conditions where no significant new investment is being attracted to South Africa, EPZs could develop a syndrome similar to that which the decentralisation incentives of the 1980's brought about.

"Existing firms will find some way of moving operations into the new zones to exploit the incentives, but there will be little new investment."

If the government tries to stop this process, Mr Hirsch says existing exporters in the relevant industries will clearly be prejudiced.

The potential distortions introduced by EPZs are another problem, argues Mr Hirsch.

He says existing firms in the export market outside EPZs will object to "unfair competition", especially if EPZs are restricted to foreign investors.

"However, if you allow existing firms in the movement of existing plant from one end of town will add unproductive costs."

A further reservation is that the EPZ strategy looks like another quick-fix coming out of a government which has no coherent trade or industrial policy.

"An EPZ programme would allow the government to divert attention from the real challenge of broad-based comprehensive reform of trade and industrial policies."

"Equally important is the idea that EPZs in South Africa should exploit mid-tech niches rather than mass production."
**BRIEFS**

**Supplier-retailer price war**

SUPPLIERS of personal computers (PCs) appear to be heading for a price war after the link-up between IBM and retailer OfficeMart.

IBM products will be mass marketed for the first time through a retail outlet at reduced prices. To match this challenge, Olivetti and Acer have linked up. Other pairings are expected.

About R450 million of IBM computers and related products have been sold in the first two weeks of the IBM-OfficeMart partnership.

Olivetti and OfficeMart have objected to Acer's use of advertised prices which exclude VAT. The matter has been reported to the Advertising Standards Authority.

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**Chinese officials in SA**

TWO high ranking Chinese officials join top international businessman, Shouel Eisenburg in Johannesburg this week to officially launch the South African-Chinese Exhibition planned for Beijing in March 1994.

Shen Yonglie, president of Cofinde, a commercial division of the Ministry of Foreign Trade and Economic Co-operation and Wei Jiaqiao, deputy director-general of the Foreign Trade Ministry will launch the exhibition which hopes to show goods and services from about 250 South African exhibitors.

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**VW beats Chinese car ban**

CHINESE efforts to halt rising inflation, including a ban on car imports, will have no effect on Volkswagen SA.

In May, Volkswagen won a R500-million order from China for 17 000 left-hand drive Jettas. It followed a similar contract for 12 500 cars last year. The import ban refers to fully built-up (FBU) vehicles. VW marketing director Dave Malherbe says the SA exports will be delivered in semi-knocked down (SKD) form to the FAW-Volkswagen plant, a venture between Volkswagen AG and the Chinese government.

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Three major coal deals finalised

Coal consumers in three countries recently finalised deals with South African coal suppliers, according to the latest weekly newsletter, King's International Coal Trade, published in Tennessee, US. One deal represents the return of a customer previously lost because of sanctions.

Power utility Hamburgische Electricitats Werke AG, Germany, will buy 60,000 tons of steam coal from Total Exploration and Danish utility Eksam has bought 250,000 tons of steam coal from an unnamed supplier. Both deals were done on the spot market at prices in the range $23 to $24 per ton fob Richards Bay.

The Danish government lifted sanctions against South Africa early in 1992. Almost immediately, officials from Eksam and Denmark's other major power utility, Elkraft, opened negotiations with South African coal suppliers.

The Transvaal Coal Owner's Association will ship 600,000 tons of steam coal to Israel's National Coal Supply Corporation. The deal was reportedly done in the $26 ton fob Richards Bay range. — Sapa.
Tariff barriers harming SA

BRUCE CAMERON
Business Staff

TOUGHER competition board action and anti-trust laws to break up monopolies were required to make South African companies more competitive both at home and abroad, said Mr Neil Jowell, chairman of Cape-Town based blue chip, Tencor, this week.

At a conference on South Africa’s international competitiveness, delegates also strongly criticised the ad hoc protection given to business against international competition with tariff barriers and undue government interference in market forces.

The conference on South African competitiveness came in a week which saw the margarine price being raised as a result of government intervention, monopoly control and tariff barriers.

The Oilseed Control Board — in itself a monopoly single-channel marketing operation — was allowed by government to raise the price of oilseed by 11 percent to levels significantly above world market prices. The cost of locally produced seed oil is now more than R2400 a ton against a landed price of R1500 to R1600 a ton for imported seed oil.

Simultaneously, the government has refused a request by margarine manufacturers to lower a R550-a-ton tariff on imported seed oil.

At the competitiveness conference, delegates argued that protection dulled South African companies and made them uncompetitive on international markets.

Delegates pointed out that there was no method in the setting of tariff barriers against imports. Tariffs were set on an almost daily basis ranging from zero percent to more than 100 percent. One delegate said it depended on how much influence a company had in Pretoria.

Mr Jowell agreed with African National Congress economics department chief, Mr Trevor Manuel, that tough action was required to make South African companies more competitive.

Mr Jowell — who firmly supported private ownership — said competitiveness in South African industry had to be improved and tougher competition-board action and anti-trust laws would be required to compel South African industry to become more competitive.

Mr Manuel said South Africa’s conglomerate structure was anti-competition and anti-medium- or small-business. He said protection also had to be given to emerging black business and he issued a tough warning to South African Breweries to keep its hands off the National Sorghum Brewery.
13 000 jobs lost but exports help clothes industry

TOM HOOD and ALIDE DASNOIS
Business Staff

ALMOST 13 000 clothing workers countrywide have lost their jobs this year, including 3 800 in the Western Cape.

Losses in the industry would have been heavier but for record clothing exports which rose to R460 million last year from R322 million in 1991, reports the National Clothing Federation today.

Most of the exports went to Britain, Germany, Hong Kong, the United States and Holland.

Ninety-one factories closed down — 36 of them in the Western Cape.

The total workforce is now 92 500, down from 103 300 a year ago. Natal is the hardest hit with 7 000 job losses.

More than 130 000 workers were employed in 1982, the clothing industry's boom time.

The number of factories is down from 1 171 to 1 080.

Federation president Dr Aaron Searl said today that textile exports amounted to R1.3 billion and imports to R2.1 billion, leaving a negative balance of R800 million.

Clothing imports amounted to R382 million against exports of R460 million, leaving a positive balance of R78 million.

These trends were expected to accelerate for the rest of this decade to the advantage of South Africa, he said.

However, a disturbing trend was the 11 percent increase in imported clothing, which caused loss of business and factory closures.

Retail clothing sales grew by 4 percent last year, indicating that retail chains and other retailers were not channelling their business to local factories, said the federation's economist, Mr Arnold Werbeloff.

Millions of garments were being imported duty-free while rival clothing manufacturers located in rural and homeland areas were using attractive incentive packages.

Prospects for growth of the local clothing industry depended largely on a reduction in the level of violence, lower duties on fabrics, a continuation of the healthy clothing export trend, an upturn in the international and domestic economies and a satisfactory political settlement.

"If these conditions are met, rapid growth in clothing output and employment will result," Mr Werbeloff said. "If not, performance at the clothing factory level will be less than optimal and there will be little prospect of a return to the boom days of a decade ago."

The crisis in the clothing industry is reflected across the board with retrenchments accelerating throughout the country as the economic recession bites deeper.

A survey by consultants Andrew Levy and Associates found in April that more than 48 percent of companies had retrenched an average of 4 percent of their workforce since the end of 1990.
Weak rand may boost trade surplus

Economists expect the June trade surplus to hover around recent levels with some improvement in exports and a possible fall in imports as the lower rand begins to take effect. Figures are to be released this week.

In May the net trade surplus eased by R314m to R1,671bn as the fall in exports exceeded the decline in imports. Exports slumped 5.3% to R6,498bn while imports came down by 4.4% to R4,817bn.

Any substantial improvement is likely to come from the export side as imports have remained fairly steady over the past few months.

Safta economist Carlos Teixeira was hopeful of a higher export figure in June. He believed growth would come from the depreciation in the rand and the substantial improvement in gold and platinum metal prices.

"This should see percentage growth in exports reaching double figures in nominal rand terms for the first six months of this year, compared with the same period last year," he said.

The recent strong performance in manufacturing categories such as transport, equipment and machinery was also expected to continue.

Teixeira based his predictions on the bullish outlook of exporters as evidenced in the Safta exporters' confidence barometer which rose to its highest level in a year last month.

According to the survey, exporters were confident sales in US dollars would be higher in the second quarter than in the first as orders soared.

Analysts said the fall in imports in May could indicate the start of a declining trend as a lower rand placed a heavy burden on the ability of the country to pay for them.

These factors could indicate that the poor trade figures in the first quarter could be a thing of the past.

In the first three months the surplus on the current account deteriorated to R3,7bn. In its quarterly bulletin the Reserve Bank said merchandise imports had increased 5.5% in value terms while merchandise exports were down substantially by 4.5%.

The Bank said the higher import figure appeared to be a result of a significant increase in the volume of oil imports as international oil prices fell. The decline in exports was attributed to the slowdown in the world economy and the international oversupply of metals and minerals.

Economists were confident the longer term trend pointed to a recovery in the trade surplus this year to around R5bn. Although oil prices remained low, oil imports should slacken off as inventory levels reached their peak. Teixeira said exporter confidence suggested real growth in non-gold exports would be about 4% over the next 12 months.

Rand Merchant Bank chief economist Rudolf Gouws said although weakness in the world economies could put downward pressure on exports, some improvement could come from the higher gold price.

"Imports should weaken due to the recession in the domestic economy and the effect of the weaker rand,' Gouws predicted a healthy overall trade surplus for the year — much higher than last year's. "The improved surplus together with lower capital outflows in the second half of the year should take a lot of pressure off Reserve Bank Governor Chris Stals." Sanlam senior economist Pieter Calitz held a similar view. Export volumes should improve as remaining sanctions were dropped, opening up new markets for SA goods, he said.

Recent comments by Stals seem to support predictions of an improvement in the surplus. Last week he noted reserves had been increasing, but added it was too early to discern a trend.

US June housing starts are expected tomorrow. The May level was the highest since December's, but recent economic indicators have reinforced the impression that the US economy continued to recover at a snail's pace.

Consumer confidence took a dive, which could have affected housing starts. The floods in the midwest should also put a damper on figures.

Preliminary UK second quarter GDP figures come out on Friday. Economic output has been growing at an increasing rate since the middle of last year. In the first quarter of this year GDP was up 0.4% from the fourth quarter of 1992. Economists said this trend should have continued in the second quarter. "Industrial production has been increasing nicely while exports have benefited from the weaker pound," said Mathison & Hollidge economist Tracy Ledger.

UK June retail sales figures are scheduled for release on Wednesday. Economists did not believe the fall-back in sales in April and May was a reason for concern. Ledger said the decline appeared to be an adjustment for the unusually high growth that occurred early in the recovery. The annualised trend still indicated an upward movement in sales by between 2.5% and 3% this year.
THE SA Hosiery Company (SAHCO) is positioned to maintain growing export market and its dominant performance in the local hosiery industry, says group MD Allan Falconer.

He added that SAHCO had targeted 33% in total export sales next year.

He said while "sensitive to the responsibility" of its dominant position, competition was welcomed.

Falconer said export initiatives had been restarted in central Europe, along with substantial new capital investment. These included the upgrading of the company's facilities.

In spite of sanctions, the company's Burnose subsidiary had continued to export to Germany, Russia, Holland, Hungary, Poland, the UK, Ireland, the US, Austria and Spain.

Burnose represented 60% of the local hosiery industry and was the biggest supplier of hosiery in Tesco stores in the UK and US.

The company expected to export 10 million pairs of hosiery to another major European retailer in the year ahead.

Other three SAHCO-owned hosiery companies, included Berkshire, Golden Girls, and Arwa.

Through its international associations, the group was determined to maintain its competitive standard as one of the world's lowest cost manufacturers.

Falconer denied media allegations that "new hosiery importers had been blocked from obtaining listings within the major chains stores. He also denied SAHCO had attempted to keep the industry a closed market.

He said a variety of imported products from independent distributors were on retail shelves, while three small manufacturers were enjoying success.

MARTIN Jonker Holdings is well geared to capitalise on any improvement in the economy after ending an "extraordinary" year in a recessionary motor industry, chairman Martin Jonker says in the group's annual review.

The group had shown it could "weather the storms" of a difficult economy and a depressed motor market.

A rights issue of 12-million shares in December 1992 had resulted in a net R4m cash injection. The cash was used to finance expanded working capital and reduce debt.

Jonker said the group was aiming for growth in income attributable to ordinary shareholders in excess of inflation.

Turnover for the year to February climbed to R181.65m (R151.65m). Earnings were increased to 6.2c (0.7c) a share.

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Trade surplus soars 26 percent

By Claire Gebhardt

South Africa's monthly trade surplus soared by 26 percent in June to its highest figure yet this year.

Department of Customs and Excise figures show the trade surplus in June was R2.96 billion compared with May's R1.57 billion.

Economists welcomed the figures as yet another positive indicator that the economy was turning after five years of recession.

They were optimistic that the June trade surplus, combined with lower capital outflows in the second half of the year, signalled another cut in Bank Rate in coming months and a substantial surplus on the current account for the second quarter.

Exports were nine percent up at R7.09 billion while imports rose 24.3 percent to R4.72 billion from R4.61 billion in May.

Total exports in the first six months of this year of R32.68 billion were 11 percent higher than the same period a year ago while imports of R27.6 billion were 14 percent up.

Volkskas senior economist Adam Jacobs said that on a seasonally adjusted annual basis, the surplus on the current account for the second quarter could be a substantial R1.27 billion compared with a very low R0.6 billion in the first quarter.

Economists attributed the improved export performance in June to the depreciation of the rand, the higher dollar price of gold, and increased diamond sales.

Exports of precious or semi-precious stones and metals were 40 percent up at R4.79 billion in the first half of 1992 compared to R3.4 billion a year ago.

Growth in the imports of agriculture-related products slowed, following large increases early in the year due to the effects of the drought.

Most import categories registered nominal growth over the equivalent period last year, the figures showed.

Saffa economist Carlos Teixeira said it was important to note the effect of the depreciation of the rand on the figures and not to attribute everything to increased exports.

"But it does mean a stronger surplus and more room to manoeuvre for the monetary authorities."

"Our exporters' confidence barometer indicates that exporters' perceptions are positive and they base their predictions on orders."

"So this is a very good sign of what will happen over the next 12 months."

"Another bullish indicator is that imports of machinery and transport equipment have continued to show strong growth."

"Transport equipment is up by 32.4 percent and machinery by 30 percent."

"This indicates that companies are starting to invest back into capital equipment and a turnaround in the investment cycle signals a bottoming out of the recession."
Trade surplus

two months ago.

However, Sanlam senior economist Johan Louw said the figures suggested all was well with the capital account of the BoP. The current account surplus for the second quarter should be about R1.1bn while overall reserves were down R390m.

"This points to a substantial outflow of around R1.5bn in the second quarter," Louw said.

The figures indicated why Reserve Bank Governor Chris Stals had not yet cut interest rates. But interest rates could be cut by next month, he added.

Absa senior economist Adam Jacobs said it was only natural at this stage of the business cycle for imports to come down and exports to improve. There was also nothing on the horizon pointing to an improvement in domestic demand, which would boost imports.

On a cumulative basis, unclassified exports grew 17.3% in the first half of the year compared to the corresponding period last year.

The other major category contributing to export growth was precious stones. The June figures indicated these were up 46% in the first six months.

Gold export surge lifts trade surplus

KELVIN BROWN

A SURGE in gold exports helped lift SA's trade surplus by R500m in June to R2.37bn, raising hopes that a good trade performance will ease the way for a cut in interest rates.

Customs and Excise reported exports were up to R7.63bn in June from May's R6.69bn, while imports increased slightly to R4.72bn from R4.614bn. Economists attributed the improvement to the higher gold price and lower rand.

Unclassified exports, including gold, posted a substantial gain to R2.5bn from R1.6bn the previous month. Exports rose 11.5% in the first six months, while imports increased 14%.

"Sanlam economist Carlos Teixeira said the rate of increase in exports for the first six months was rising compared with the same period last year, while import growth had stabilised. He was optimistic export growth would continue firming.

"The improvement in Sanlam's export confidence barometer suggests a trend towards higher exports for the rest of the year. Economists said the trade performance pointed to a "significantly higher" current account surplus in the second quarter after the dismal R700m in the first quarter. The current account of the balance of payments (BoP) is the trade surplus less net payments for services. Economists predicted an overall current account surplus of R6bn for the year, substantially higher than was thought possible.

To Page 2
'real hard sweat' would be needed to achieve stable foreign reserves.

"SA needs to have forex covering three months of imports and for that reason I see interest rates staying high, possibly for the rest of the year."

He added that "there are tentative signs that the economy has already ceased contracting".

These signs included the real growth of retail sales and manufacturing production as well as the breaking of the drought, the rebound in new car sales and rising notes and coins in circulation.
Zimbabwe plea for textile concession

HARARE — Zimbabwe has lodged a special appeal with the SA government to reduce punitive import tariffs which have cut textile exports to SA by more than Z$20m and are threatening the viability of the industry.

SA Textile Federation CEO Brian Brink said in Johannesburg yesterday that senior Zimbabwean Industry and Commerce Ministry officials had visited SA to make a special appeal for concessions.

SA placed high tariffs on Zimbabwean textile and clothing exports last year to protect its own industry, which was struggling with low domestic demand and dumped cheap clothing from the Far East.

The high duties, and a drought-induced recession in Zimbabwe, which reduced local textile demand by 35% to 40%, forced the industry to retrench about 7 000 workers and virtually wiped out exports to SA.

Brink said the appeal was heard by a special panel established to solve the problems of SA’s textile and clothing sector.

He said: “It was a good appeal by Zimbabwe and I think it was well received. "The panel is understood to have recommended sending a team to Zimbabwe for a closer look. However, it will be some time before anything concrete is done.” — Sapa.
SA motor exports bring in the lolly

SOUTH Africa's motor industry is expanding its exports and sales in Southern and Central Africa are adding clout to the burgeoning business. Vehicle and component exports last year, mainly to Europe, earned R1,9-billion. European earnings were only R194-million in 1986. This year, exports are a projected R1,8-billion, reducing the trade imbalance in the industry as domestic sales sag in recession.

Value

A noteworthy aspect of exports is that a growing portion is made up of completely built-up units (CBUs) or partly assembled vehicles.

Figures from the National Association of Automobile Manufacturers of SA (Naamas) show that in 1992 about 19,900 CBUs or partly built cars were exported, plus 4,000 trucks and buses.

Their value was R230-million, but the figure was reduced because margins were pared to gain market share.

Exports of these vehicles are expected to earn R310-million this year.

Most of the sales, however, flow from a deal between Volkswagen SA and China for the supply of Jettas. A second order for 17,000 was negotiated recently.

Motor and component makers have taken advantage of the Phase Six export incentive programme and the easing of sanctions. All motor-makers now have dedicated export divisions.

The potential of markets to the north has taken on new importance.

SA manufacturers were prevented from exporting to Africa by their foreign parent or source companies. They kept the business for themselves and were helped by sanctions.

This has now changed and Mercedes-Benz announced this week that in the first half of the year, it negotiated the sale of 178 vehicles worth R230-million to Zimbabwe, Zambia and United Nations forces in Africa.

Toyota is looking northwards and has signed a distributorship agreement in Malawi. It hopes to announce distributorship deals with other countries soon.

Nissan is selling small sedans, light commercial pick-ups and diesel minibuses to Zimbabwe, Zambia, Mozambique and Malawi. It hopes to do business in Kenya, Tanzania and Uganda.

BMW sold between 250 and 300 cars worth about R380-million to sub-Saharan nations last year. BMW topped the list of exporters with sales of R400-million last year, made up mainly of leather seats for the international market.

Sanmor, manufacturer of Ford and Mazda, has also entered northern markets.

Figures

Atlantis Diesel Engines (ADE) has almost doubled exports from R37-million in 1991 to an estimated R65-million this year.

Naamas figures show that in the first five months of this year, Sanmor sold 160 cars to African markets, followed by Toyota with 105, Nissan 105, BMW 26, Delta eight and Mercedes-Benz with one. If commercials are included, Toyota was the biggest exporter with 463 units followed by Sanmor with 313, Delta 211 and Nissan 249.
SA won't sell uranium to US

PETER FABRICUS
The Argus Foreign Service

WASHINGTON. — South Africa is refusing to sell nuclear material and technology to the United States until it gets assurances that the material will not be used to make nuclear weapons.

Atomic Energy Corporation chief Dr Waldo Stumpf disclosed this after discussions with the United States government and other parties about nuclear co-operation and possible sales.

He said South Africa had not yet concluded a nuclear co-operation agreement with the US to replace that which fell away in the 1970s.

Dr Stumpf said the AEC was engaged in discussions with the US government to revive the agreement.

He said the AEC was not ready to sell the US the highly-enriched uranium (HEU) from its weapons programme.

The HEU was being used in the Safari Research reactor to produce valuable medical and industrial isotopes for commercial sale.

Dr Stumpf said the HEU itself had little commercial value because the world was flooded with it.

South Africa would get about R15 million for it. But the isotopes which were being made from it in the research reactor could be sold for between R400 million and R500 million.
Portnet handles record exports

JOHANNESBURG. — Portnet handled a record of 9,244 million tons of export cargo during June 1993.

This constituted 84.25% of the total volume of cargo handled by the eight South African ports, and was more than 9.69% up on the same period last year, Portnet said.

The main commodity contributing to the record exports figure was woodchips (267,22% up on last year's figure).

Portnet also handled a record number of 80911 TEUs (six-metre equivalent containers) during June 1993 — 0.37% more than during May 1993 and 20.68% more than during June 1992.

The increase in container traffic was due to an upsurge in East African trade which was currently being transhipped in Durban to Europe. Container volumes to the Far East also showed a steady increase owing to an upsurge in trade between SA and the Pacific Rim countries.

The total volume of cargo (10,872 million tons) handled by Portnet during June 1993, was 6.65% up on the figure for May 1993 and 6.33% more than that for June 1992.

Imports (1,403m), however, fell by 14.14% compared to last year's figure. — Sapa-AP
ERM crisis to spur demand for SA exports

By AUDREY D'ANGELO
Business Editor

THE EFFECTIVE collapse of the European Community's Exchange Rate Mechanism (ERM) — freeing member countries to stimulate their economies by lowering interest rates — is an encouraging development for SA, economists said yesterday.

They pointed out that it would speed up economic recovery in Europe, increasing demand for SA exports and helping to end the recession here.

Personal Trust director Glenn Moore said that, with the possible exception of Germany, most Western countries were now more concerned about bringing down unemployment than keeping tight control over inflation.

"Inflation is a battle that has already been won. Today's battle is the need to create more jobs," Moore explained.

"The philosophy today is very different from that at the end of the Bush-Thatcher era. Most countries are now going for growth."

"This will not be achieved quickly. An economy is a huge thing to turn around. But the US money supply is growing rapidly, Japanese fiscal policy is expensive and there are signs of an improvement in the UK economy."

"The only stick-in-the-mud is Germany where the whole psyche is anti-inflation. The trend overseas is now to deflate, and we are already seeing some of the implications for SA in the higher gold price."

"Although one reason for the rise in the gold price is its role as a safe haven at times of uncertainty about currencies, some people may already be looking ahead to the time when inflation will rise again."

"This is the way the world is swinging and it should be good for the SA economy, with increased demand for commodities. I think we have seen the worst of the recession and are now on the path to recovery. I think we shall see an improvement in the SA economy by Christmas." Board of Executors portfolio manager Ryk de Klerk said: "European growth can be under way a lot sooner than most people expected now the way is free for France and other countries to lower their interest rates.

"With commodity exports in mind prospects look very good for our economy."

Old Mutual chief economist Dave Mohr said he was glad it had been decided to widen the bands within which member countries of the ERM could fluctuate against each other, rather than have "a repeat performance of last September when countries had to jack up their interest rates even though this meant dampening down signs of recovery."

Mohr pointed out that widening the bands meant that the ERM was unlikely to survive in its present form, since its whole purpose was to narrow the bands in preparation for a single European currency.

The French franc fell to a historic low against the Deutschemark yesterday despite weekend action taken to rescue the battered European currency system.

The currency fell to 3.5350 to the mark in morning trading, the lowest in the 14 years of the system and well below its previous floor of 3.43. In later trading the franc improved to 3.5150 to the mark.
Exports soar for Monatic

TOM HOOD
Business Editor

CAPE clothing company House of Monatic has accelerated its penetration of export markets and 35 percent of total production is now exported.

This was disclosed by Lenco Holdings chairman Douglas de Jager at the annual meeting in Cape Town today.

Monatic, which employs 1,000 is the only clothing company not to have retrenched employees, he said.

The factory in Salt River has increased its capacity and is fully booked to the end of December.

Four hundred workers are employed fully on exports.

Lenco's plastic packaging company, Compak, was in negotiations to internationalize the packaging business, either through a joint venture or an acquisition.

Mr De Jager forecast a 15 percent rise in earnings for the six months to August 31, the improved performance coming from an ability to take up slack in the domestic markets with exports.
Sasol Fibres at start of export drive

BY SHIRLEY JONES

A trial consignment of acrylic fibres from Sasol Fibres at Prospecton, near Durban, was shipped to Mombasa, Kenya, yesterday.

The product of a venture started with the shipping to Durban and reassembling at Prospecton of a dismantled French factory, the consignment is expected to initiate export contracts worth R60 million.

Angus Napier, Sasol Fibre's marketing manager, says until the plant opened on June 24, acrylic fibre for the manufacture of knittedwear, knitting yarns, blankets, carpets and furnishing fabrics had to be imported by African states.

Now, the plant, with production in excess of the needs of the home market, will sell two-thirds of its output to local clients and export the remaining third. Napier says although Sasol Fibres has been producing about half of its range of fibres, the full range will be available by end-August.

Distributing samples on the local market coincides with the Mombasa shipment.
SA exports boost airfreight revival

Sheena O'Connell, sales manager at Renfreight's Cape Town office, said they had noticed a big increase in air freight with no corresponding drop in sea freight. It was due partly to competition between a growing number of airlines offering direct or non-stop flights from DF Malan airport - which meant that lower rates could be negotiated - and partly to the opening of new markets.

"Now we are busy sending goods by sea and air to the trade fair Safico is organising in Singapore at the end of this month. We expect this will be followed by a rise in trade with the Far East. "Goods we are sending there now range from marble tiles and rubber dinhngs to foodstuffs."

Renfreight's air freight cargo manager in Cape Town, Bobby Louw, said it was currently sending processed ostrich meat to a food fair in Los Angeles.

The exporter hoped that this would build up into a regular demand for between 10 and 20 tons a week.

When the new lobster season opened next month Louw expected to send between 20 and 30 tons a month to Europe.

Other unusual cargoes included live frogs for use in laboratories at European universities.

"And we are sending SA Tourism Organisation (Safico) brochures worldwide. We have just sent their 1994 calendars."

Phil Bruton, Cape Town branch manager of Grindrod Air Freight and regional manager of Fast Lane domestic and international air express service, said the company had noticed a significant increase in goods sent by air, including clothing.

He thought it was mainly due to the more attractive rates now available.
BMW puts R100-m into export drive

BY ROY COKAYNE

BMW SA is to spend R100 million — almost all of it at its Rosslyn manufacturing plant — to gear up to world competitive standards as part of a major export drive.

The investment will also boost employment at BMW’s Rosslyn plant and among BMW’s component suppliers.

This was confirmed by BMW South Africa chief executive Rainer Hagemann, who said approval for the capital expenditure was granted by BMW AG’s board in Munich a few weeks ago.

He said BMW AG’s board believed BMW SA had to make better use of its manufacturing facilities, which at today’s prices would cost about R1 billion to replace.

Hagemann stressed the investment would not be in automated equipment and robots and denied the importation of completely built-up units (CBUs) would result in job losses.

Hagemann said a vital facet to BMW’s plans was getting the South African Government to amend Phase VI to allow motor manufacturers to import completely built units (CBUs) duty free, provided they compensated for these imports with additional exports.

Motor manufacturers currently have to pay more than 100 percent in import duties on any CBUs brought in.

Hagemann said the target date for the first export of BMW CBUs was around the end of next year.

“We will start small and build up to bigger volumes”.

Hagemann said the government could clearly see the benefits to the country of BMW’s ideas, which conformed to the principles for exporting laid down in Minister of Finance Derek Keay’s national economic model.

He admitted there are differences of opinion between the motor manufacturers to this idea but they had now received the backing of all but two manufacturers.

“The government and by far all the major political parties support the concept because it is a win-win for almost everyone. We are hoping to have it in place within the next few months although it will probably only be introduced during next year,” he said.

Hagemann said BMW SA had been able to contain price increases more than other manufacturers because of the success of its export programme “which takes the pressure off us when we are not making money out of selling motor cars”.

He said BMW South Africa’s exports to its Munich parent company were now worth R400 million annually.

“Eighty percent of the leather trim in our cars worldwide is from South Africa. We also export components by granting orders to selective suppliers that meet our quality and reliability standards and have competitive prices, thereby giving them higher volumes,” he said.

BMW SA finance controller Clive Else estimated that in direct terms, BMW has increased the size of its workforce in the past eight years by about 30 percent because of its export programme.

“This means about 2 000 jobs in past eight years and, with a ratio of one person supporting eight people, it means putting food in mouths of 16 000 people,” he said.
Airfreight cost crisis

By Audrey Dangla

Exporters are facing the triple cost of

"Weighed down, we're not able to cope," says one exporter.
Door closing on export incentives

NEW applicants for government's general export incentive scheme (GEIS) were running into difficulties in getting approval because of financial strains.

Government warned at the weekend that financial restraints could force it to cut incentives to the export industry.

Although exporters had braced themselves for the phasing out of the scheme, Safco said they remained wary about when and where the axe would fall.

It said new applicants were already having some difficulty gaining GEIS incentives.

Trade and Industry Department director-general Stef Naudé said at the weekend that cost pressures on the R17bn-a-year scheme meant that including more sectors was "prohibitive".

The department, faced with opposition to GEIS from SA's international trading partners, was committed to deciding the fate of the controversial scheme by 1995.

But Naudé said the department had already begun studying means to cut GEIS back before that deadline—a drive to foster export-led economic growth.

"The cost to include more products on any scale in the GEIS is prohibitive," Naudé said. "The GEIS budget is strained to the limit and actions to study a scaling down of the scheme have already been launched. It is conceivable that it might be necessary to withdraw rather than extend GEIS benefits."

A decision on those sectors likely to be affected was still to be made, but Naudé said any cuts would be spread equally between new and current GEIS recipients.

Safco dismissed suggestions that a higher level of exports had increased demands on GEIS. Non-gold exports, which were valued at R64.6bn last year, were expected to rise by less than 4% between April 1993 and March 1994.

"There has been not that great an expansion of the export sector," said Safco economist Carlos Texeira.

"The pressure on GEIS hasn't gone up," he said.

The incentive scheme applies to beneficiated products, offering payouts on a sliding scale to a maximum 19.5% of the export value. The budget for this financial year has been set at R17bn, and for 1994/95 at R18bn.

The scheme, which was introduced in 1990, had been vaunted as a vital instrument in promoting exports manufacture.

But GEIS contravenes GATT principles. It has also been open to accusations that rather than fostering new exporters, it has merely presented bonus handouts to established exporters.
'Exports will lead upswing'

EXTRACTIONS will lead the upswing due to the benefits of a weakening rand and the improved outlook for international economies, Syfrets says in its latest issue of Money Matters.

Syfrets expects the recovery to come through in 1994, with growth remaining static this year.

Fixed investment could also show better growth next year, as various projects were in the pipeline which would lift it off a low base.

Consumer spending would take longer to improve as it tended to lag behind any recovery, Syfrets said. "Wage and salary increases are hardly matching the inflation rate and with various indirect tax increases and no relief for fiscal drag, in conjunction with high real interest rates, it is hard to see the man in the street taking on new debt with confidence."

Syfrets predicts the Reserve Bank would ease monetary policy in the second half of the year with a potential cut in interest rates as reserves looked set to improve.

Large gains in the value of the yen and dollar in recent months were expected to stabilise in the rest of the year. The benefits this would hold for the rand would reduce the lumps and lags effect that had played a major role in large outflows of short-term capital in recent months, Syfrets said.

The outlook for inflation over the next 18 months was positive.
European competition for Unifraco

The deciduous fruit export season will last about a month longer.

And although the soft fruit season was "extremely positive" exporters are battling to sell apples and pears in competition with a big European crop, a spokesman for Unifraco said yesterday.

"We are still in the thick of things," he commented. "We did remarkably well with our stone fruits and grapes in the first half of the season.

"But the apple and pear season has not been an easy one. We have had to contend with the recession, the European crop and undisciplined behaviour by competitors from the southern hemisphere who abandoned all efforts to maintain price structures — and are paying heavily for it."

Discussing the new company, Fruit Exporters of Southern Africa (Frusal) which Unifraco has formed with a Johannesburg-based company, Sikisa Trading Corporation to market subtropical fruits overseas, the spokesman said that although this was quite a small operation it had potential for growth.
Rand depreciation provides boost for exports to Japan

THE sharp depreciation of the rand against the yen over the past year has boosted SA exports to Japan.

The rand had depreciated 34.3% against the yen since August last year, and preliminary Savo figures showed exports had benefited.

Exports for the last quarter of 1992 totalled R651m against R957m in the first quarter of this year — a 33.1% increase.

Recent Japanese government statements had been upbeat in their forecasts of an economic recovery and this would further aid SA exports.

Savo economist Carlos Teixeira said the biggest export category during the 1992 first quarter was mineral products which showed a 27% increase over the last quarter of 1992.

The weakness of the Japanese economy was evident in the stagnant nature of exports when compared on a year-on-year basis.

In the first four months of 1992, SA exported R1,380bn worth of goods to Japan compared with R1,300bn during the same period this year.

The soaring yen had failed to put a damper on SA's imports, a fact which surprised economists. The 1993 first quarter saw imports 23.3% higher than the last quarter of 1992, at R853m against R709m.

Teixeira said the increase was attributable largely to a 47.5% rise in the import category of vehicles, aircraft, vessels and associated transport equipment, which was SA's largest import sector from Japan.

"The strong increase in these imports in spite of a weaker rand reflects the relative insensitivity of certain imports, such as vehicle components, to a depreciation in rand against the yen."

On the other hand, economists said the Japanese could be absorbing a certain amount of the cost increases attributable to the rising yen as these increases were not evident in imported price inflation.

The yen's surge — it rose to historic highs on Tuesday when it closed at 29.56 yen to the rand — had been largely on the back of the nation's huge trade surplus.

Economists said the yen would continue to rise against the dollar unless the government acted decisively to cut the surplus.

The dollar hit a post-war low of 100.40 yen on Tuesday in spite of intervention by the Bank of Japan.
Trade surplus

Trade surplus 'is still healthy'
KELVIN BROWN

SA's trade surplus remains healthy despite July's seasonal decline of just more than R300m to R2,66bn, economists say.

Customs and Excise figures released yesterday showed that imports were up 9.9% from June to R5,19bn, while exports grew 2.4% to R7,83bn.

There were sharp rises in imports of precious stones and coins, transport equipment and unclassified items, including oil. Exports lagged imports because of a fall in sales of chemicals, mineral products, plastics and base metals.

However, unclassified exports, which include gold, continued to grow, increasing to R2,58bn from R2,36bn the previous month.

Old Mutual economist Ursula Maritz said a seasonal jump in July's imports was usual. However, the trade surplus was still strong. In the past four months it averaged R2,1bn from R1bn in the first quarter.

Export growth was attributed largely to the rand's devaluation, which had also given the surplus a "technical boost" as it improved the rand value of the trade figures. The firm trade surplus looked set to continue as the overall trend remained healthy. Maritz expected the current account surplus for the year to be significant.

Surplus

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Early up at about R6,5bn (R3,9bn).

Saffo economist Carlos Teixeira said cumulative growth in exports had outpaced import growth for the first time this year.

In the first seven months exports grew 14.4%, while imports increased 12.7%.

Unclassified exports grew 26.2% in the first seven months, reflecting the higher gold price and the Reserve Bank's substan-
tial gold sales. Improved mineral product exports was related to higher coal sales caused by the rand's depreciation.

However, growth in imports of capital goods, transport components and equipment, and certain industrial materials remained strong, suggesting an end to de-stocking and a turnaround in the inventory cycle, Teixeira said.
Trade surplus slips 13 percent

BY CLAIRE GEBHARDT

The monthly trade surplus shrank by 13 percent in July to R2.1 billion from R2.4 billion in June. Department of Customs and Excise figures show imports soared by nine percent to R5.2 billion, while exports rose marginally by two percent to R7.3 billion.

For the first seven months of the year, exports were 14.2 percent up at R44.2 billion, compared with R38.7 billion last year.

Imports rose 12.7 percent to R32.8 billion, against R29.1 billion a year ago.

Southern Life economist Mike Dely said yesterday import levels were surprising, given the depth of the recession.

He attributed the higher import figures to perceptions that the rand would depreciate further, making imports more expensive.

"On the export side, the disappointing month-on-month figures indicate the ongoing lack of demand and poor pricing of international commodities."

"We are currently looking at less than six weeks of import cover, compared with about ten weeks at the same time last year."
Legal

For upgrade in tourism

Need to equip managers

Strong exports key
to economic growth
Special Export Zone law presents no threat

LOCAL companies and labour unions have nothing to fear if the special Export Processing Zone law is passed later this year, says an international expert on EPZs.

Mr Peter Ryan, of international management consultancy Peter Ryan and Associates, argues that local companies will not lose sales if EPZs are established in South Africa.

"In fact, many (local firms) will become suppliers to the EPZs and obtain benefits of the incentives. They will also need to employ more people to do this," he says.

He points out that zone investors do not sell their products in the local market, except by special request and licence.

Local firms can also form joint ventures with owners of advanced technology, or become suppliers to the EPZ.

"South Africa, with its well-developed industrial infrastructure, is well placed to export. But it needs modern technology, skills, and established markets."

Mr Ryan concedes that labour rates in South Africa are high by Third World standards, but stresses that this need not be a problem — providing productivity increases and strikes are avoided.

"National laws apply in all EPZs and labour unions have no concern on this score."

Mr Ryan says zone exporters, with their large existing overseas markets can employ far more people than domestic manufacturers. In addition, he notes that one EPZ job generates two more in the domestic economy.

South Africa will probably only have two main EPZs at major ports Cape Town and Durban and one airport-sited zone.

A detailed study is currently being undertaken through Gateway Park to select optimum sites for EPZs and for sub-zones in the main industrial areas.
No final decision on export assistance

NO FINAL decision had been taken on the scrapping of the export marketing assistance schemes in preparation for the country’s return to world trade, a statement from the Department of Trade and Industry (DTI) said last week.

The statement said no date had been set for the termination of the schemes which were administered by the DTI to assist local exporters in introducing their products to foreign markets.

This followed a statement by Finance Minister Derek Keys that the country had to lower its import tariffs, remove export subsidies and allow truer prices to prevail to participate in world trade.

About R14m was put aside in the current financial year for the export marketing assistance schemes (EMAS).

These included R13m for assisting local companies taking part in exhibitions to promote SA’s export trade. R1m would be used through the Primary Export Marketing Research partially to compensate registered exporters for costs incurred in developing new markets through personal contact with potential clients in world markets.

About R4m was earmarked to assist outward/inward selling trade missions which facilitated personal contact with trade and government circles.

This would assist them to acquire intimate knowledge of trade conditions in the markets being explored and to exploit new or additional trading opportunities.

The marketing assistance schemes are not part of General Export Incentive Schemes.
Unibank Homes It's Target

Sy's Townhouse is Spectacular! Tidy, the Townhome

in South Africa, offers a unique blend of elegance and practicality.

The spacious, open-plan design provides ample living space for

entertaining and relaxation. The sleek, modern kitchen features

counter space and ample storage. The master bedroom includes a

ensuite bathroom and a dressing area. Additional bedrooms are

perfect for children or guests. The outdoor area is ideal for
dinners al fresco or lazy afternoons in the sun.

The Townhouse is located in a prime location, close to
downtown Cape Town. With easy access to major roads and

public transport, commuting is a breeze. Whether you're a

professional looking for a convenient place to call home, or

a family seeking a place to raise your children, the Sy's

Townhouse is the perfect choice.
Bumper yields for SA from GATT deal

From ROBYN CHALMERS and TIM MARS GLAND

THE liberalisation of world agricultural trade policies envisaged by the General Agreement on Tariffs and Trade (GATT) will increase global agricultural prices by 22%, boosting SA's coffers by hundreds of millions of rands each year in terms of agricultural exports.

A study by Pretoria University's agricultural department showed the rise in world prices would be greatest for dairy products at 66%, followed by sugar prices at 54%, wheat 37%, rice 26%, coarse grains 26% and meat 21%.

"Since the '70s, government intervention in the agricultural sector, such as price and income supports, supply controls and barriers to trade and export incentives, has been pervasive in almost every country, including SA."

"These measures, combined with technological improvements, increased the international trade imbalances so that prices were distorted and various commodities piled up on the international agricultural markets," said the study.

Meanwhile, government announced at the weekend that SA had submitted a revised provisional industrial tariff offer to GATT. It had been submitted in terms of the Uruguay Round of multilateral trade negotiations.

Proposals at the current Uruguay Round call for a 30% downsizing of agricultural support policies over four or five years, with complete liberalisation an ultimate aim. Should the proposals be successful, the spinoffs for SA in terms of higher export revenue would be enormous.

A Boland Bank economist said the agricultural sector's contribution to SA's GDP amounted to about 5% while the sector's exports constituted about 16% of SA's total non-gold exports.

Agricultural exports outstripped imports by R3.1bn in 1991 and by an average of R2.4bn a year during the second half of the '90s. The drought put a dampener on exports during 1992, but they still outdid imports by R1.5bn.

The study said the EC and the US contributed the most to world price changes. Unilateral liberalisation of EC agricultural policies would raise world prices 11%, while sugar and grain prices would rise 23% and 12% respectively, should US support policies be unilaterally eliminated.

High priority

Agriculture was given a high priority in the 1966 GATT meeting in Uruguay, with four objectives drawn up aimed at correcting restrictions to reduce imbalances in world agricultural markets.

These were the improvement of market access through the reduction of import barriers; increased disciplines on the use of all subsidies and other measures affecting agricultural trade; compensation for trading partners for damage incurred as a result of changes in trade barriers; and settlement of trade disputes through negotiations using GATT guidelines.

GATT principles have been less successful in liberalising trade in agriculture than in manufacturing, and the Uruguay Round has placed agricultural trade at the top of its agenda for the first time.

SA needs to comply with GATT's requirements to ensure its goods and services become established in export markets.

Finance Minister Derek Keys said at the weekend that the draft offer to GATT had been debated by a task group of the National Economic Forum, a Customs Union technical group and the task groups of the automotive, textiles and clothing, and electronics industries.

The adjustments consisted mainly of subjecting certain sensitive products to a longer phase-down period and in a limited number of cases, rates were adjusted.

In a few sectors, the rates in the offer were submitted on a provisional basis subject to confirmation by September 15, to allow final checking.

There had been fears that the revised offer would be delayed because of resistance from the textile and motor industries. The textile industry feared large job losses should its tariffs be lowered.

Keys did not provide details of revised tariffs, but said rates in the tariff offer were ceiling or maximum rates. At the end of the implementation period, the rates applicable to the respective tariff lines would be bound against any future increase above these rates.

The new tariffs are expected to be implemented from early next year.

SA's revised offer is expected to result in the number of tariff lines being reduced from more than 12,000 to fewer than 1,000.
Trade with China on rise

BY THABO LESILO

There has been a marked increase in South Africa's trade with China and the former Soviet Union in the wake of the gradual lifting of sanctions, according to the Foreign Trade Organisation (Safico).

Saico economist Carlos Teixeira said yesterday that South Africa had imported R255 million worth of products from China in the first four months of this year, compared with R159 million worth last year.

The largest import category (R68 million) was textile and textile products.

In turn, South Africa exported goods valued at R223 million to China.

The bulk of these, R91 million worth, were in the vehicle, aircraft and component categories.

" Quite interesting is that we now produce whole cars for export," said Teixeira.

Another important export category to China was mineral products — R33 million worth.

In the same period, imports from the former Soviet Union increased from R12 million to R45 million.

The former Soviets increased their purchases of South African products by R5 million to R186 million.

South Africa bought mainly textile and textile products (R17 million).

Its main exports to the former USSR, R162 million worth, were in the unclassified category (gold and other precious metals).
Arms business could rocket

The Argus Correspondent

JOHANNESBURG.—There will be jobs for 40,000 people in the export business when the arms embargo is lifted, Minister of Defence Kobie Coetzee predicted.

He told a Pretoria armaments industry audience the value of arms exports could rise from the 'present R500 million to R2 billion a year, but South Africa would have to compete with "surplus armaments from all over the world".
Export zones ‘promising but need focus’

CAPE TOWN — Prospects for export processing zones (EPZs) in SA were exciting but would require co-ordinated input from many public and private organisations, British economist and EPZ specialist Peter Ryan said yesterday.

Ryan had assisted the UN and World Bank to establish EPZs in more than 30 countries, including Bangladesh, Costa Rica, Indonesia, Morocco, Sri Lanka, Egypt, Honduras, Mauritius and Korea.

“SA desperately needs the employment that EPZs bring, as well as the foreign exchange, but many underestimate the difficulty of getting the interest of foreign investors,” Ryan said.

He said SA had much under-utilised industrial space that could be of interest to foreign investors if properly marketed.

With consulting engineers Lichtenberg & Stander, he had completed an evaluation of sites in Cape Town, the Vaal Triangle and East London that could be suitable for EPZs, Ryan said.
COMPANIES

Export boost for Tiger Wheels

TIGER Wheels reported significantly improved earnings in the year to end-June from export led turnover growth and lower interest and tax charges, today's published results showed.

Turnover climbed by nearly a fifth to R164,3m (R137,5m), but margins were under pressure and income before interest climbed 6% to R9,9m (R9,5m). CEO Eddie Keizan said turnover growth was mainly from increased exports.

Tiger's local market share grew, but was adversely affected by heavy discounting in the market, oversupply and low demand. Interest paid fell to R1,4m (R2m). The tax charge fell to R200,000 (R745,000) after benefitting from accelerated plant write-offs and export and decentralisation allowances.

EDWARD WEST

Taxed income climbed 37% to R5,2m (R3,6m). Income attributable to ordinary shareholders climbed 44% to R5,4m (R3,8m). Earnings a share climbed 34% to 16,5c (12,5c). An annual dividend of 6c (5c) was declared.

Keizan said the group's alloy wheels were becoming accepted overseas and the expanded manufacturing business had begun to realise its potential.

He was cautiously optimistic about future prospects.

Tiger Wheels Holdings, which holds 80% of Tiger Wheels, earned 13,7c a share and declared a dividend of 4,8c compared with pro-forma earnings of 10c a share and dividends of 4c.
SA exports rise 15% but world share falls

SOUTH AFRICA'S EXPORTS IN WORLD CONTEXT

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<th>Country</th>
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By AUDREY D'ANGELO
Business Editor

EXPOSURES from SA rose by 15% in the first seven months of this year. But this country's share of world trade was only 0.65% last year, Boland Bank economists Louis Fourie and Francois Jansen point out in their September Economic Review.

They say that although there has been a sharp rise in exports, seen as the main source of economic growth for this country, world trade has risen faster so that SA's share of the total has declined (see graph).

But, they say, the hoped-for liberalisation of world trade should open up new opportunities.

Meanwhile, both Cape Town Chamber of Commerce and the Cape Chamber of Industry are preparing to send trade missions overseas on Sunday.

A South African trade exhibition in Singapore ended a few days ago and a spokeswoman for the SA Foreign Trade Organisation (Sato) said it had been "a huge success."

New exporters are preparing for the Contact West Africa exhibition in Abidjan, capital of the Ivory Coast, in November and the SA Chinese exhibition (SACEX) in Beijing in March.

Fourie and Jansen say in their Economic Review that "exports are regarded as the prime trigger for economic growth in the absence of traditional stimuli such as cheap credit, high government spending and continued rises in real wages and salaries."

World exports amounted to about $3.7 trillion in 1992. SA contributed $23.7bn to this.

Gold and manufactured products each accounted for 27% of SA exports, non-gold mining products 32%, agricultural products 12%, and other products 2%.

Fourie and Jansen point out that SA is "hampered by the typical drawbacks for developing countries — a great lag in technical labour skills. These skills are a vital ingredient in the process of adding value."

Europe was SA's biggest customer last year, taking 34% of exports compared with 38% sent to Asia, 9% each to North and South America and Africa and 30% to "other" destinations.

Cape Town Chamber of Commerce has had so many inquiries from would-be exporters that it has produced an import-export handbook, with detailed information, which can be bought at the chamber's headquarters.
Growth in exports slows

By TERRY BETTY

Weak international commodities markets resulted in an export increase of only 6.6% in August from July’s 10.9%.

Food imports have fallen with the respite from drought’s ravages a year ago.

Farm exports are expected to become normal by the end of the year.

Mr Teixeira says exports resulting from last season’s maize crop will boost trade figures.

In the first eight months of 1993 imports of chemicals, plastics, mechanical, electrical and transport equipment rose appreciably.

“This could be attributed to increased business confidence and expectations of continued depreciation of the rand,” says Mr Teixeira.

Sasfo’s export confidence barometer, at its highest since the fourth quarter of 1991, says real export growth, excluding gold, is expected in the next 12 months.

EXTRACTION continued to climb in August — even though growth slowed to 13.6%.

The August trade surplus of R1.8-billion was 11% lower on July and 22% lower than June’s high of R2.36-billion, says SA Foreign Trade Organisation (Safro) economist Carlos Teixeira.

A 2.3% rise in August imports to R5.8-billion cut the surplus. Imports have risen by 12.9% year on year.

Top export earners were precious stones and gold. Exports of precious stones, mostly diamonds, increased by 32% in the first eight months of this year over the same time last year.

Mr Teixeira says: “This category varies greatly, depending on how many diamonds go to the Central Selling Organisation.”

Gold sales rose by 22% in the first eight months.

The increase in exports in the first eight months to R11.4-billion from R10.5-billion in the same time last year came from higher volumes and a lower rand.
Exporters’ rebates to be overhauled

A MAJOR overhaul of the system of duty rebates for exporters as a first step towards phasing out GEIS is likely after IDC and World Bank recommendations.

It is understood the Trade and Industry Department is reviewing the duty rebate system and that the first changes could soon be made. However, phasing out of export subsidies in terms of GEIS is expected to take years.

JDC GM Flip Kotze confirmed at the weekend a first step towards trimming GEIS could be a major overhaul of the duty rebate system to give exporters duty-free access to imported inputs.

Kotze said perceptions were that SA’s present rebate system was cumbersome. The “hassle factor” prevented exporters from making extensive use of it. A more “user friendly” approach would enable government to make progress in eliminating GEIS subsidies. GEIS was expensive (at about R2bn a year) and was against the

provisions of the world trade watchdog, GATT.

Kotze said the largescale exemption of exporters from duties on imported materials would eliminate the need for GEIS to compensate for tariffs and other duties on material inputs. The move would have the added advantage of opening the SA economy up to the influence of world prices, forcing domestic suppliers of inputs to bring their prices in line with international conditions. He added, however, that a mechanism would have to be built in to limit duty exemptions to exporters.

Kotze said a major portion of GEIS would have to remain in place for some years, even after an overhaul of the duty rebate system. GATT had given SA three years to get rid of this system of export subsidisation from 1993, when GATT reforms were likely to begin.

GEIS was the main antidote to the anti-export bias inherent in the SA economy. But the planned simplification of existing import protection measures, and the gradual reduction of tariff rates, would reduce the anti-export bias by lowering the cost of inputs.

“...But this is essentially a long-term measure,” Kotze said. “Protection for local industry will for a long time continue to raise the input costs of exporters above world prices. This can be countered by establishing a free trade regime for exporters.”

SA would be able to scrap GEIS completely only once all the elements of sound trade policy were in place, including lower import tariffs, a realistic exchange rate, macroeconomic stability and measures to improve competitiveness, such as training and technological investment.

The World Bank noted GEIS had overcompensated for import duties in most cases, but under-compensated in others. The differences in the treatment of sectors were “enormous”, the bank said.
Overhaul of duty rebates 'likely'

Own Correspondent

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Encouraging growth in exports, imports

SA's monthly trade surplus narrowed slightly in August, but exports and imports this year have showed encouraging growth, according to figures released by the Department of Customs and Excise.

The monthly trade surplus eased 11 percent to R1.8 billion in August from R2 billion in July this year, as exports and imports rose considerably over August last year.

Exports last month at R7.1 billion trailed the previous month's R7.3 billion, while imports increased from R5.2 billion to R5.3 billion in the same period.

Cumulative exports for 1993 at R51.4 billion were significantly higher than January to August last year of R45.2 billion, as imports also climbed to R38.1 billion from R33.7 billion a year earlier.

Imports of agricultural products caused by last year's drought have all but abated and the categories' import levels have levelled off.

The export of mineral products, and precious and semi-precious stones continued to grow strongly this year, and total exports were bolstered by a healthy increase in the export of wood and wood products.

Imports of precious and semi-precious stones, mainly jewellery items, increased considerably.

Trade analysts expect imports to continue to grow as the four-and-a-half year recession bottomed out. They say exports should continue to grow. — Sapa.
Mineral exports expected to rise 14%

SA's total mineral exports are expected to increase by 14.7% in value this year, according to the latest Minerals Bureau review from the Mineral and Energy Affairs Department.

The review said improved income was expected from gold, platinum group metals and diamonds. Platinum group metals and diamond exports would increase largely because of higher mine production. An improvement in uranium oxide was essential to a return to previous levels.

Total mineral exports were expected to increase to R38,000bn in 1993 while total non-gold exports would rise 16.9% to R15,910bn. Gold exports would account for 52.3% of total mineral exports. — Sapa.
Malbak export drive to the East

LINDA ENSOR

BANGKOK — Malbak subsidiary Foodcorp has embarked on an export drive in the Middle and Far East, to raise the contribution of exports to total turnover from the current 5% to 10% over the next few years.

This planned export growth, in particular, frozen vegetables would offset to some extent the stagnant growth domestically. Foodcorp international marketing director Gert Schoonraad said yesterday.

Schoonraad, who is a member of a Saudi-led delegation of businessmen visiting Thailand, said it was Foodcorp’s long-term objective to become an international player spreading its exposure to the business cycle over several countries and benefiting from the rand-hedge advantage of such trade.

Foodcorp, which exports products worth about R150m annually, entered the Middle East market in July this year when it successfully exported more than 100 tons of frozen vegetables under the Table Top brand name to the United Arab Emirates.

Exports to Saudi Arabia were due to start in January next year.

Schoonraad disclosed that Foodcorp planned to start exporting frozen vegetables to Japan next year.

With its population of about 130-million people, Japan was the priority Far Eastern country for Foodcorp, Schoonraad said, adding it was also investigating opportunities in Hong Kong, Singapore and Thailand.
SA's mineral exports to increase by 14.7%.

JOHANNESBURG — SA's total mineral exports are expected to increase by 14.7% in value this year, according to the Department of Mineral and Energy Affairs' latest Minerals Bureau review.

However, the volume and prices of most commodities were not expected to change markedly from last year's globally depressed levels.

"The real rand revenue of export sales is, nevertheless, expected to improve by 4.1%, due mainly to improved income from gold, PGM and diamonds," the review says. The bureau worked on an inflation rate of 10.5 for 1993 in calculating the real rand value. — Sapa
MIX hopes to double non-domestic income

The Group's performance was well above expectations in the first quarter of 1999, with revenues and profits up significantly. The Group's global strategy of expanding into new markets and acquiring other companies is proving successful. The Group's shares are expected to perform well in the coming months.
Centring on exports

THE first permanent exhibition venue for trade and industry in the Western Cape was opened by mayor Clive Keegan last night.

The Cape Trade Centre, on the V & A Waterfront, will act as a platform for building export growth. Keegan called for a duty-free import system which would take into account raw materials and products used as inputs on locally manufactured goods destined for the export market.

"Government needs to create a competitive climate that encourages exports," Keegan said.

"Many of the more successful exporting nations like Japan, South Korea, Singapore and Hong Kong were developed by establishing similar trade centres to provide an export intelligence network."
**Mercedes nets R10m export contract**

MERCEDES-BENZ of SA (MBSA) has secured a R10m contract to supply the total auto catalyst requirements of the Honda Motor Company subsidiary in Thailand.

The agreement represents the first export of automotive catalytic converters by an SA manufacturer to the east.

Mercedes manufactures Hondas at its East London plant.

The catalysts are manufactured by Autocat in Butterworth, Ciskei and will be airfreighted to Honda Cars Manufacturing Thailand to satisfy just-in-time manufacturing principles.

The contract is to supply 30,000 catalysts a year to the Thai company from April next year.

The Honda Motor Company in Japan has also indicated that it is not limiting its activities to the catalytic converter project, but will look at ways to expand export potential in such a way as to benefit the marketing of its cars locally.

"This deal means that our Japanese partner, Honda Motor Company, has recognized the need for export compensation in order to offset local content costs, especially in the light of the yen exchange rate appreciation," MBSA management board member responsible for finance, Peter Senger, said. — Business Staff, Own Correspondent and Reuter
The foreign factor

The economy received a huge boost from foreign trade in the second quarter of 1993. Export volumes of goods and nonfactor services rose 45.4%, according to the latest Reserve Bank Quarterly Bulletin, the biggest rise since the 56% jump in the third quarter of 1988 — when the international economy was booming and world trade thriving.

The figures represent quarterly changes, seasonally adjusted and annualised. And they are derived from calculations in constant 1985 rands, which are used to quantify changes in real GDP. So they are not a reflection of higher rand income, after the SA currency's 4.4% fall against the dollar in the period. (The rand effect can be seen in balance-of-payments figures. These show that the value of second-quarter merchandise exports was up 18.9% in the second quarter and net gold exports up 5.4%. These figures are seasonally adjusted but not annualised.)

The biggest contribution to export growth came from diamonds, agricultural products and manufactured goods — particularly chemical products, machinery and electrical equipment.

The volume of imports fell 11.1% in the quarter. (The change is seasonally adjusted and annualised, as are all other quarterly changes discussed below.) This was mainly because of a reduction in oil and agricultural imports. The higher export and lower import volumes produced a second-quarter rise in foreign trade's contribution to GDP, of 85%.

This more than compensated for the fall of 11.3% in gross domestic expenditure (GDE).

The fall was almost entirely due to substantial destocking. Inventories fell by R1.1bn (in constant 1985 rands), after a first-quarter increase of R1.3bn. "The substantial rise in the volume of exports and the decline in the volume of imports were probably the most important reasons for the decline — except for agricultural stocks in trade which increased strongly owing to the harvesting of a significant portion of the maize crop."

There was also a swing in the residual item, which reconciles expenditure and output figures, from a positive R156m in the first quarter to a negative R728m.

However, there was little change in the other components of GDE.

Private consumption was up 0.4%, mainly on "semi-durable goods, such as motor-related equipment, as well as on nondurable goods in the category food, beverages & tobacco," says the bulletin.

Government consumption was up 0.1%, as "total real remuneration of employees decreased slightly, while real outlays on intermediate goods and services were only marginally higher." A plus for fiscal 1993-1994.

Gross domestic fixed investment fell only 1.3% — the smallest shrinkage since this component turned negative in the first quarter of 1990. This "was probably related to the start of spending on a number of major capital projects, encouraged by tax concessions on depreciation allowances, a fairly sharp recovery in the gold price, the need for replacement of machinery and equipment and growing expectations of a revival in world economic growth and trade."

Together, the three components constitute final demand which was virtually unchanged (at about R120.5bn in constant 1985 rands) in the second quarter.

The net effect of the spending changes in the domestic and export markets was a 5.1% rise in second-quarter GDP. This is the second-quarter rise which, technically, marks the end of the recession. But the figures are difficult to interpret because the drought in the summer of 1991-1992 and the recovery of agriculture this year, produced huge swings in the contribution of this sector. Changes in nonagricultural GDP have been less volatile — and, therefore, don't represent a turnaround.

Agriculture's contribution to GDP should remain high as the rest of the maize crop is harvested. Mining's contribution in the short-term depends on the gold price, as the prices of most other commodities remain depressed. And manufacturing will improve as soon as some stability is achieved in the political situation. Output in this sector contracted almost 0.5% in the second quarter, partly because of the strikes in the public holidays between March and June. Moreover, the assassination of Chris Hani in April pushed the number of man-days lost on account of strikes and other protest actions to 570,000 from 65,000 in the first.

First-quarter manufacturing growth of nearly 2% may be a better indication of the trend in this sector. If work stoppages subside, the upward movement should resume.

LIFE ASSURANCE

Battle lines drawn

Legal steps have been instituted, apparently aimed at the Rowand brothers, who managed ailing life office Crusader. Those shareholders who brought last week's application for Crusader's liquidation include such notables as Eric Ellerman, Benjamin Ribbinowitz and — famous for his role in insider trading — Greg Blank (though recorded in the court papers as Gregory Lex Bianie).

The crux now is to separate the interests of policyholders — who, all parties concur, should be protected from those of shareholders. If that can be achieved the shareholders who bought shares from the Rowands, directly or indirectly, might be able to use the Companies Act to find out just what went on with shareholder funds.

The signatories to the court application bought Crusader shares in April and May, when the Rowand family trust was unloading. Crusader shares then traded at around 320c. Today they are considered worthless. Blank, in an affidavit, says he bought 50,000 shares on April 28. Ribbinowitz, through Syfrets Nominees, owns 158,405 shares and Ellerine Bros say they bought 50,000 on May 10. They, with other shareholders, have applied to the Witwatersrand Divisional Court for the liquidation of Crusader. That application has been opposed by the curators of the company who are supported by the Financial Services Board.

Subsequently, attorneys for the shareholders owning 2.4% of the total Crusader equity, stated that they were unaware that the terms of the curatorship put a stay on any legal
Volkswagen SA had exported more than R1bn of components and semi-knocked-down vehicles since the introduction of the Phase VI local content programme in 1989, chairman Peter Searle said yesterday.

As part of a worldwide group, VW had been able to tender for the supply of components to sister companies in Europe and South America as well as cars to China, he said.

The company had exported 12 500 Jettas to China with a further 17 000 still to be delivered, said marketing director Graham Hardy.

VW would export pressed parts worth R65m to various European manufacturing plants this year and 400 000 catalytic converters to Germany and Spain in an export order worth R104m in partnership with Bosal Afrika and Algorax/Degussa.

The company also exported about 27 different motor parts of various types to Mexico, Germany, Belgium and Spain, said Hardy.
Distillers hikes thrust into export markets

ALIDE DASNOIS
Business Staff

SQUEEZED by heavy taxes and competition, Distillers Corporation is continuing its thrust into export markets, managing director Michiel le Roux said at the annual meeting in Stellenbosch. He said the group was considering setting up bottling plants in other African countries, which were the biggest potential growth areas.

Distillers’ products were also doing well on European markets, although brandy exports to the European Community were hit by prohibitive duties.

The lifting of sanctions would boost sales in Norway and Sweden. Mr le Roux said yesterday. About 21 percent of the Bergkelder wines were exported.

Distillers had also appointed a marketing director in Singapore to expand sales in the Far East.

The group reported a 9 percent increase in profits to R102 million in the year to end-June, on turnover of R1,062 billion. The current year would be one of consolidation, Mr le Roux said.

Distillers paid nearly R193 million in excise taxes during the year.

Mr Le Roux said prices of the group’s products had generally not kept pace with inflation. Competition from cheaper wine, whisky and white spirits had affected sales.

However the recent exemption of wine for export purposes from price control meant that the group could negotiate directly with the co-operatives, instead of having to buy at a fixed price.

Lower buying prices would be reflected in the current year’s results.

Furniture group Ellerine Holdings put in a strong performance in the year to end August, lifting attributable income 27 percent to R64 million, reports Marc Hasenfuss.

The dividend payout was increased proportionately to 29,6c a share, covered 3 times.

Sales soared nearly 30 percent to R758 million in spite of poor trading conditions in the furniture retail industry. This was achieved on the back of 17 new store openings in the period under review — bringing the number of stores countrywide to 371.

However, the profit gain at pre-tax level was limited to 14 percent due to additional debtors provisions and a more than doubled interest bill of R5,5 million.

Directors stressed that the additional bad debt provision was initiated by higher bad debts, but rather undertaken in light of prevailing high unemployment and political instability.

An extraordinary item, relating to an adjustment to deferred tax provisions in line with the reduction in the tax rate, added R12,2 million after bottom line. Directors said the focus on asset management was maintained and the balance sheet remained strong. Gearing remained satisfactory in spite of moving up to 23 percent from 17 percent previously as interest bearing debt was increased to R72 million.

They remained bullish about prospects in the year ahead, “Given the proven management team and the strong balance sheet, the company is well placed to face the challenges of the year ahead.”

Altron reported an 11 percent drop in attributable profits to R43 million in the half year to end August.
Exports boost M & R

MURRAY & Roberts has delivered creditable results in the face of 13 successive quarters of substantial and ongoing decline in real fixed investment.

Thus chairman Marinus Daling sums up the group’s 9 percent earnings gain (to 53c a share) in the year to June 1993.

In his annual report to shareholders, Mr Daling says M & R’s acquisitions and right-sizing processes of the past few years place it in a position to face the uncertain future with confidence.

"Nevertheless, we will have to continue on the premise that the economy is unlikely to help us prosper for a further 12 months, but we must respond to market opportunities whenever and wherever they occur."

Chief executive Dave Brink highlights the group’s 7.8 percent operating margin (below 1991-92’s 8.5 percent and way short of the 12.5 percent long term objective), which he views as “excellent” in the light of prevailing economic conditions.

He regards the export market as providing promising opportunities “as South Africa emerges from isolation”.

M & R is currently exporting goods and services to more than a dozen countries in Africa and more than a score of countries worldwide.

"The group is becoming more export orientated and has secured major long term export orders."

Mr Brink stresses that M & R has a strong focus towards activities which enhance the productive capacity of the economy, infrastructural development and provision of industrial, commercial and residential shelter.

"The time will come soon when these important aspects of South Africa’s economy again resume prominence. Whether this will happen to a significant extent in the year ahead is an open question."

M & R is budgeting to increase pre-tax operating earnings but will not enjoy the one-off tax break of 1993.

"This will probably mean a reduction of attributable earnings and consequently of earnings per share."

Given the recessionary climate of the past five years, M & R boasts an outstanding track record.

The 4.4 percent yield and 8.6 price-earnings multiple fall short of recognising this achievement and belie the potential for dramatic improvement when more favourable circumstances return.

Fraser Alexander’s performance for the past three years has not met its own expectations or those of the market, says chairman Peter Flack.

In his annual report for the year to June, Mr Flack suggests that by the standards of these troubled times, it has not, however, been that shabby.

Group businesses were not as immune from recession as he had once fancied, but the core operations remained essentially sound.

Of the loss-makers, coal had returned to profitability — the international coal trading and underground contracting businesses had been sold.
JOHANNESBURG. — Alusaf, the Genkor-owned aluminium producer building a R7.2bn smelter in Richards Bay, is three weeks away from finalising a R2.7bn offshore loan package including Canadian export credits brought into play with the lifting of sanctions.

At the same time, Columbus Stainless has announced that it has secured more than 90% of R1.2bn international loan finance for its R3.5bn stainless steel expansion project, with the remaining tranche likely to be settled by end-November.

Alusaf finance GM Frank Rivers said yesterday that much of “the spade work” had been done in tying up a multimillion-dollar package of export credits from Canada. The credits, which would be backdated, would cover 80% of finance relating to imports from Canada.

Seven out of eight agreements regarding export credits and finance from Europe, in the hands of a consortium of French and other European merchant banks, had been signed, with the full R2bn package likely to be completed by the end of this month.

Columbus said it had drawn down R500m worth of international loans since the project was given the go-ahead last December. Interest payments would be capitalised so it would use project finance to pay back borrowings only six months after the plant was commissioned in 1996.

Export credit loans, making up 85% of the foreign borrowings, would be repaid over eight and a half years, with the remaining offshore borrowings repaid “over periods of two to seven and a half years, beginning in March 1996”.

Seeking black gold abroad

An element of urgency has crept into Engen's ambitions to become a fully integrated oil company, spurred on by the possibility of petrol deregulation and consequently tougher trading conditions. CE Rob Angel promises greater detail - including progress on plans to expand upstream into oil production - with next week's year-end results.

It's already clear offshore expansion is an important element in future plans. So much so that marketing division MD John Roberts is working full-time on offshore acquisitions and how to finance them. Angel says this is necessary because Engen expects minimal support from the Reserve Bank for foreign purchases, even though SA's international economic relations have improved. Options include a listing on the London Stock Exchange "when the time is right politically."

Angel says he is repeatedly asked by UK bankers and analysts why, if Engen has such ambitious plans, gearing is so low (current debt/equity ratio is 8%). While opportunities abroad command serious attention, the main focus remains in SA, as evidenced by capex of R2.6bn in the past three years.

The upgraded Genref Durban refinery - soon to be an operating division rather than a separate company - contributes about 40% of earnings. Refinery production accounts for 55% of domestic sales and all exports.

Phase 1 expansion, completed last year at 4% below budgeted cost of R670m, raised production capacity from 67,000 to 85,000 barrels a day. Phase 2 expansion is under way at a cost of R800m and will increase production to 105,000 barrels a day when completed in March 1995.

Angel says phase 2 is financed from cash generated by the business and rejects suggestions Engen is considering a rights offer to help pay for the project. Genref GM Peter Dent says the most important aspect of phase 2 is that it will allow Engen to refine heavier and cheaper crude. The recovery of high-earning white products from lower cost crudes is expected to add significantly to bottom line performance.

Engen now exports 18% of the refinery's production to 20 countries, compared with exports to only one country when Mobil's tenure in SA was terminated three years ago. Exports as distant as Pakistan have been established. While not significant in size, they are profitable and that, says Angel, indicates the refinery's cost efficiency.

Exports remain part of Engen's long-term planning - they are not intended merely to dispose of surplus refining capacity which will be channeled into the local market if the obligation to purchase from the synfuel producers ever falls away. However, Angel concedes he would prefer to sell total production locally and consider other options for serving export markets, such as sourcing product from foreign refineries.

He claims oil industry profits in SA are not excessive. They are in line with industry trends east of Suez as well as profits made by other SA companies - but then, considering Angel's position as CE of a major oil producer, that's an argument it would be unusual for him not to embrace.

Chris Freemand
New products key to electronics export rise

SA's electronics industry could account for up to 4.5% of GDP this year, but exports are expected to make up only 6% of the industry's value compared to imports, which constitute 40%.

This is the finding of a Unisa School of Business Leadership MBL thesis undertaken by Christo Weder. The study shows that a key factor in attaining sustainable international competitiveness involves the successful development of innovative products. There have been repeated calls from the electronics industry for incentive packages to supplement the Department of Trade and Industry's support programme for industrial innovation and the GEIS scheme for exports.

Weder found that many organisations in SA's industrial electronics sector had increased their spending on research and development, but were spending far less than the 8% internationally regarded as necessary to be competitive.

The study said companies with explicit new product strategies, which defined target markets and technologies to be used, performed well, as did those with fully integrated manufacturing, sales and distribution functions.

The biggest problems facing organisations were shortage of marketing skills, venture capital and experienced engineers which was part and parcel of SA's isolation from the international community.

Weder found the Innovative Support for Electronics programme was proving effective for successful applicants. However, the scheme has been severely criticised within the industry for the low level of funds it has dispensed since its inception.

The programme has made a total of R60.3m available for 123 projects since it was started by the DTI four years ago and major recipients have been the large organisations such as Plessey Telemat and Grinker Electronics.
A spate of big export contracts and development deals have made the business mood in the Eastern Cape much more upbeat, reports Beverley Garson.

BUSINESS confidence in the Eastern Cape is on the upswing as millions of rands are pumped into the regional economy through export and development deals.

Export deals by Volkswagen are taking the lead, with executive director Peter Searle announcing last week that his company has exported more than R1-billion worth of components as semi-knocked down vehicles to China.

Mercedes-Benz, a major player in the region, has just clinched a R1-million deal to export catalytic converters to Honda in Thailand.

Other development projects being initiated include the Bay Waterfront development in Port Elizabeth, worth R50-million: the three-year contracts won by Autonet for a total of R100-million; Latimers Land Harbour in East London, worth R6-million for the first phase; rebuilding of Karoo roads, worth R26-million; and two export deals by ACS manufacturing and SA Bottling, worth R24-million and R20-million respectively.

This capital investment has raised hopes that there could be an early recovery of the depleted economies of the Border and Eastern Cape regions.

University of Port Elizabeth economics professor Charles Waite said the investments "can only benefit the economy."

The Eastern Cape and Border presently have to cope with the highest unemployment rates in South Africa.

However, despite the high levels of unemployment and poverty in the regions, they have been relatively free of violence. This can be related to the fact that the region is an African National Congress stronghold and that regional political players are working closely on numerous regional development projects.

One of these is the Regional Economic Development Forum. All major political role players, including civics, labour and the business sector form part of the forum.

The forum aims to create a regional "climate" to increase economic activity and employment. Forum co-ordinator Valerie Watson believes all the present investment is as a direct result of the forum.

All the developments indicate the growing confidence by the business sector in the region, he said. He feels the region's stability has created this confidence.

Waite believes this new surge of investment is psychologically good for the region.

"It creates a positive atmosphere. If people are thinking positive, it is good for business confidence," he said.

Waite said the Volkswagen contract is important to the region and that the Bay Waterfront development. In the short term, will mean further revenue and, in the long term, attract tourists.

Not only will these investments bring revenue to the region, he said, but they will also create much-needed job opportunities and alleviate unemployment.

Watson agreed with this view and said he believed the business commitment to the region was very important. — Ecna
**Deciduous Fruit Export setback**

Deciduous fruit exporter Unifruco has hit back at critics of its foreign marketing monopoly with claims that statutory regulation saved local growers from possible financial disaster this year due to an over-supplied and economically depressed European market and a smaller local crop.

Unifruco points to its main rival, Chile, where the deregulated fruit-export sector took a beating this year when it ran into Europe's protectionist policies. Unifruco argues that, armed with a raft of statutory powers, it was better able to cope with the maze of rules and penalties thrown up by Europe.

Foreign earnings for SA fruit dropped from a record R1.7bn last year to R1.37bn this season. Payments to growers were down from R985m to R682m.

Deciduous fruit has been the agricultural sector's star performer for the past decade, in spite of tough trade sanctions. In 1983, export revenue was only R258m and payments to growers totalled just R123m.

But the combination of a small local crop and tough marketing conditions for apples and pears, the two biggest crops by volume, burst the bubble. Total exports were 10% down on last year's 40.3m cartons. Unifruco chairman David Gant says that though growers were expecting a tough season, the important apple and pear markets were even more depressed than expected.

Part of the problem was that local exports were facing a huge stockpile of 97m cartons of European-grown apples, compared with an average of 80m cartons in a normal season. But the recession in Europe, erratic pricing by other southern hemisphere suppliers, protectionism against imported fruit and weaker sterling, which reduced rand earnings, also contributed to SA's misfortune.

Nevertheless, Gant says, SA emerged better off than Chile, where export marketing is deregulated. Attempts by myriad independent Chilean exporters to gain a share of a tight market resulted in price-cutting to levels consistently below the European Community "reference price," which triggers tariff penalties aimed at protecting European growers and is levied on the exporting country rather than individual exporters. The situation became so bad for Chile that the tariffs were eating up all earnings. Eventually, Chilean exporters stopped sending fruit to Europe, but not before the country's penalties reached US$100m.

In contrast, Gant says, Unifruco responded to the situation by replacing its guide-price system, which gives its wholesale distributors more flexibility in the marketplace, with a fixed minimum price and strictly managing weekly sales volumes to avoid falling into the reference-price trap. "The experience of the past season again showed the strength of the industry and its marketing organisation. Though we were battered and bruised, our competitors went down for the full count."

Unifruco CEO Louis Kriel says that while the confidence of some producers took a knock this year, growers are being encouraged to continue expanding their orchards in view of SA gaining a greater market share. Current projections show SA increasing exports from this year's 36.2m cartons to 52m cartons by 1997. The main growth area remains Europe, where the market is expected to grow from 30m to 39m cartons. But the percentage of the total crop going to Europe is expected to slip from 82% to 75% as new markets open up in Africa, the Middle East, the Far East and North America.
PORT ELIZABETH — In yet another multi-million rand coup for the East Cape region, Port Elizabeth-based manufacturer Industex yesterday announced a R55m joint venture with German company Corovin.

The latest announcement, described as a "great achievement" by MD Francois de Selliers, comes in the wake of several other positive business developments in the region during the past month.

The venture has the potential to create at least 25 jobs in the first phase — but will have a significant effect on job opportunities in related industries.

Export opportunities to south east Asia, Europe and Latin America could also arise from the deal.

Corovin is a world leader in the manufacture of non-woven composite textiles. The combined move makes Industex SA’s top technical textile manufacturer and the first company in the country with a major involvement in the manufacturing of spun-bonded roll goods from polypropylene.

The R30m first phase — a highly sophisticated plant and production line — will be erected in the Port Elizabeth-Uitenhage area.

Local operational and maintenance staff will be trained in Germany for six months and the plant should be on-line by late 1994 with an expected capacity of 2,000 tons annually.

Besides exports, this production line will also represent substantial import replacement.

The second phase of the venture entails a second production line due for completion by early 1996.
Food faces a resisting as trade walls fall.
SOUTH Africa’s exports to Mexico have risen since the central American country repealed its anti-apartheid sanctions in March last year.

Diplomatic relations between the two countries are expected to be announced before the end of the month.

In 1992, SA sales to Mexico rose by 228,1% to R58,5-million. In the first six months of this year they reached R25,4-million, up on the R14,5-million in the first half of 1992.

The Department of Trade and Industry (DTI) believes there is scope for further growth and is preparing to boost trade.

DTI officials visited Mexico in June to explore opportunities and look at the feasibility of holding an exhibition there.

An economics office should open in Mexico City soon and the trade show is part of DTI long-term planning.

Mr Solano regards mining and oil sales to SA as worthy of fostering. It also holds good prospects for SA coal.

The DTI says SA’s export opportunities lie in minerals and manufactured products. Of special interest are clothing, footwear, parts for trucks and cars and metal-working machinery.

Mr Solano says foreign investment in Mexico after its economic reforms has far exceeded government expectations.

Many opportunities opening up to SA result from Mexico’s far-reaching deregulation and diversification programme which has boosted economic growth.

Mexico, a market of 85-million people, is expected to become a powerful economic force in the 1990s.

It is well situated for entry to Latin American markets and recently signed the North American Free Trade Association agreement with Canada and the United States.

The DTI lists agribusiness, chemicals, petrochemicals, construction, electronics, computers, mining, steel, textiles, telecommunications and tourism as some of the areas with potential for joint ventures.

Many South Africans have tasted the Mexican beer and tequila now available on the market, but the balance of trade is clearly in SA’s favour.

In 1992, trade was R71-million with SA exports making up R58,5-million of this amount. SA’s imports in the first half of 1993 grew marginally.

Mr Solano says SA is interested in Mexico’s successful economic restructuring programmes, especially those that deal with the resultant socioeconomic problems.

Several SA groups have visited Mexico to find out what it has been doing. Mr Solano expects Mexico to cooperate with investigators.

Since the lifting of Mexican people-to-people sanctions against SA last year, Mr Solano’s work in Harare has soared.

Many SA business people and tourists now wish to visit Mexico.
Safto predicts 5% growth in exports

EXPERTER confidence has risen to its highest level in two years in the wake of the lifting of sanctions, according to Safto’s third-quarter exporter confidence barometer.

The index — compiled from data received from 450 manufacturing exporters — has risen steadily since it bottomed out in the last 1992 quarter.

Exporters predicted that in the next 12 months sales would rise and the level of unfulfilled orders would drop because of the removal of trade sanctions and improved world demand next year.

The trade organisation forecast 5% real export growth over the next 12 months on the basis of these trends, said Safto economist Carlos Teixeira.

"We also predict the current account surplus to be about R7bn for 1993, 70% up on last year’s surplus," he said.

In the past the link between the survey results and the actual trade figures had been strong.

Preliminary trade statistics indicated the surge in export growth seen in the second quarter of this year had continued into the third quarter, he said.

According to Safto’s poll, exporters were confident sales would be still higher in the third quarter.

KELVIN BROWN

Teixeira predicted the manufacturing sector would benefit most from the lifting of sanctions as there was a world market oversupply of base metals and mineral products.

"We cannot depend on commodity exports, due to poor international demand," he said.

Positive economic forecasts for next year had been made for the major industrialised nations, he said.

The US economy was expected to grow 2.8% this year, picking up to 3% in 1994. UK GDP was forecast to rise 1.7% in 1993 and 3% next year.

The poor growth of the Japanese, German, French and Italian economies was expected to turn around next year.

Safto’s survey found that the uncompetitive price of SA goods remained the main obstacle to increasing export volumes, but Teixeira said the continued depreciation of the rand could make exports more competitive.

International competitive pressures had increased after the investment boom of the 1980s as many companies had been forced to restructure and rationalise. The trend was likely to intensify as new players entered the market.
‘Long haul to build exports’

CT 18/10/93

Business Editor

The growth of manufacturing in low-cost Asian countries means that it will be a long, slow, business for SA to build up manufactured exports, says Old Mutual chief economist David Mohr.

"Countries such as China want to buy iron ore, some types of steel and coal from SA. But they are less keen to buy our added value products — they want to add the value themselves."

Mohr has just returned from a fact-finding tour of South-East Asia. He was struck by the fierce competition between Asian countries, and the search for those with lower wage and production costs.

New manufacturing areas are emerging to undercut those already achieving success — Burma is among countries likely to show strong growth.

"It is not a question of Asia competing with Europe and the US, but also of competition within South-East Asia itself."

If this continues, world inflation will continue to decline — unless there is a growth of protectionism.

Mohr thinks the high structural unemployment in Europe, and to some extent in the US, makes increased protectionism likely.

Meanwhile, he says, growth rates in the region are continuing at high levels although "they have been affected by the recession. But demand is high, particularly in China because of internal growth."

"Only in Japan "growth rates are becoming typical of Europe rather than Asia, at 2% or 3%," Mohr discovered that the Chinese demand for gold was not a sudden one. "They have been buying gold for years as incomes improved."

He considers India will be the next market to show major growth, from which SA could benefit."
Stagnant exports to blame

Trade surplus slips to seven-month low

BY CLAIRE GEBHARDT

Stagnant exports have pushed the monthly trade surplus to its lowest level in seven months.

Customs and Excise figures show the surplus fell 24 percent in September to R1.38 billion.

Economists say the figures are no cause for alarm, given the sluggish pick-up in activity of overseas trading partners.

Exports declined 3.7 percent to R6.9 billion from R7.1 billion in August.

Imports were 3.8 percent up month-on-month to R5.5 billion from R5.3 billion on what economists say is an indication of a slight pick-up in business confidence and a depreciated rand.

A pick-up in capital investment pushed machinery imports up 12.3 percent, while transport equipment and high-tech equipment were 33.9 percent and 21 percent up respectively.

Old Mutual chief economist Dave Mohr says the higher imports underline that there is little scope for a big rise in domestic spending when the upswing begins.

On a cumulative basis, exports for the nine months to September were R55.3 billion (R51.3 billion a year ago) — 13.6 percent up.

Imports rose to R43.5 billion (R39 billion) — a 12.1 percent increase.

Imports in the third quarter at R15.6 billion (R14 billion) were 14 percent higher than in the second quarter.

Foreign Trade Organisation (Safito) economist Carlos Teixeira says SA could end the year with a trade surplus of over R6 billion.

Expectations for the rest of the year have been boosted by the end to sanctions and improved export growth.

Figures show export categories remained subdued in September, apart from a 19 percent uptick in the unclassified category — mainly arms and gold.

Sanlam economist Johann Louw says a decline in unclassified imports of 19 percent could indicate that SA is importing less oil in an attempt to improve foreign reserves.

South Africa’s trade surplus so far this year.

Travelling light

Well-heeled South Africans, whatever lip-service they may pay to the coming new order, are hedging their bets.

Customs and Excise figures show they are increasingly investing in "portable property".

Imports of cultured pearls, precious and semi-precious stones, precious metals, imitation jewellery and coins have continued to soar every month this year.

In September, imports in this category were 350 percent up year-on-year.

Economists say though the figures are small in monetary value, the trend is indicative of political uncertainty.
SFW sales hit R1-bn as wine exports take off

TOM HOOD
Business Editor

SUBSTANTIAL orders for South African wines have come from Canada, New Zealand and Sweden, which recently lifted all trade sanctions, reported Stellenbosch Farmers Winery chairman Frans Davin today.

"The lifting of sanctions by almost all countries has boosted wine exports," he said at the company's annual meeting in Stellenbosch.

The abolition by KWV of the minimum price for quality wine for export was a step in the right direction and was lauded by all exporters.

This meant wine could be exported profitably — previously profits were negligible with the predetermined fixed price for quality wine.

When SFW called for tenders from producers and co-operatives for quality wine destined for export the tenders were oversubscribed tenfold.

Prices varied from 42c to 90c a litre as opposed to the current fixed price of 128c. SFW bought most of its export wine at 90c.

Sales increased by 13 percent to reach R1 billion for the first time.
No SA export boom forecast

CAPE TOWN — Improvement in SA's external circumstances in the coming year would be modest, and less than that of most other developing countries.

Economist Uri Dadush, chief of the World Bank's international economic analysis and prospects division, told the annual Sacob conference yesterday the short-term effect of the lifting of sanctions would be small and the structural adjustment and transition to an open economy would take years to achieve and at great cost.

Export volumes of SA's main commodities should pick up with an increase in world trade, but the forecast trend for key commodity prices was not strong and there could be declines in coal prices because of oil price weakness (21/10/93).

SA's commodity exports were the same as those of the former Soviet Union, which was expected to increase its net commodities exports significantly over the next few years to generate foreign exchange. Another dampening factor was that between 40% to 50% of SA's exports went to Europe, which would show an especially weak recovery in 1994.

A natural export market for SA manufactured goods was sub-Saharan Africa, which was a net importer of food. However, sub-Saharan countries were likely to lose their preferential Lome Convention status and could be net losers of $1bn a year as a result of the implementation of the Uruguay Round.

Another restraining factor would be the wait-and-see attitude of foreign investors.

In the longer term the prices of SA's main commodities were forecast by the World Bank to show average real growth of 2%-3% in the next 16 to 15 years.

However, if there was political stability, there were good reasons to be optimistic about SA's long-term growth potential as it had a low level of debt, a good financial sector, a developed infrastructure and a fairly good mix of commodities.

Dadush said the World Bank had scaled down its projections of world growth in GDP to 1.1% this year and 2.5% next year. Developing countries (excluding the former Soviet Union) would achieve high growth, with 4.5% forecast for next year.

Sub-Saharan Africa's 1992 growth rate was below 2% but was expected to rise to between 3% and 3.5% in 1993 and 1994 as the drought receded, commodity prices stabilised, world demand escalated and interest rates dropped.
‘Dismal’ export performance

CAPE TOWN — SA lacked an enthusiastic export culture — a fact apparent in the large number of complaints Safto received from foreign businessmen about the slow response of SA companies to their inquiries, Safto CEO Len van Zyl said yesterday.

Addressing a Cape Town Chamber of Commerce/Saccoc symposium on the National Economic Forum, Van Zyl said too few SA companies were serious about the international market and far too many regarded exports as a way of clearing out temporary surpluses.

He believed the whole business activity of a company — costing, production, planning and marketing — should be based on the international market.

SA had fallen badly behind in the ratings of world exporting nations. Whereas it had occupied 16th place in the world in terms of the size of its exports in 1980, it had fallen to the 30th slot in 1990. The relative contribution of exports to GDP had fallen to 25% from 28% over this period.

Van Zyl noted that a recent survey of more than 600 manufacturers had found that almost 45% produced only for the local market, while 45% exported less than 10% of their production. This meant there were only about 10% of SA manufacturers who exported more than 10% of their production — a dismal performance.

Some success had been achieved as a result of the opening up of new markets. Already about R1bn worth of business had been generated from the Safto-organised trade exhibition by 100 companies in Dubai last year. A trade fair in Singapore in September had also given rise to negotiations for orders worth more than R10m.

Van Zyl argued for a lower exchange rate to bolster SA’s competitiveness. If there had to be official intervention, this should be aimed at maintaining the rand’s stability at a low level rather than propping it up at an unjustifiably high level.
Optimism on motor exports

EDWARD WEST

MOTOR industry exports were expected to climb 20% this year to R1.8bn from R1.5bn in 1992, said National Association of Automobile Component and Allied Manufacturers executive director Densyl Vermooten.

About a third was expected to be cars and trucks, a third automotive components exported directly by local manufacturers, and a third automotive components exported through local motor manufacturers by components manufacturers.

Exports were expected to continue growing over the medium term, but long-term growth would depend on the restructuring of the local content programme and the economy.

Motor industry exports had risen sharply since 1986, when the industry first began exporting. Total exports had been valued at R136m in that year.

Vermooten said exports had grown since then as a result of international trade exhibition participation, the depreciating rand, a sluggish local economy which had forced manufacturers to seek other markets, incentives under the local content programme, productivity improvements, and the lifting of sanctions.

Relatively low-volume product sales to niche markets were supporting SA's export drive as major international automotive component manufacturers were not prepared to service these markets.

Sasmer was the largest exporter of cars and medium-sized trucks, with annual exports of 1,000 to 1,500 units, most going to southern African countries. Volkswagen was the largest exporter of cars.
**Export prices worsening**

Grim conditions on export markets have impaired Randcoal’s earnings and look set to continue. Prospects for the 1994 financial year appear poor, with tough negotiations on foreign supply contracts due to start soon.

CE Allen Cook sums up Randcoal’s position: “We’re surviving; I just wish we were surviving a bit better.” Turnover grew 2% in the year to September but operating profit fell 23% and attributable earnings 35%.

EPS figures are even worse thanks to the 26.5m new shares Randcoal issued to acquire assets from holding company Rand Mines. These included various management contracts, coal rights and the Eskom coal supply agreements for the Kendal and Majuba power stations. Despite the additional income from these assets, EPS slumped 45%. The dividend was chopped by a quarter.

Calendar 1994 could see worse conditions for SA’s main coal exporters. Further price cuts on vital export contracts loom. The major groups try to sell most of their coal on contract and put the balance in the spot market because contract prices are usually higher than those ruling on the spot market. Most contract customers will pay a premium for security of supply.

But spot prices have been so low for so long that the contract prices are in danger of being seriously eroded. The benchmark Enel price in Europe dropped to US$27.85/t for 1993 delivery, from $31.80/t in 1992 as a result of spot prices falling to around $24/t.

Since January, the spot price has fallen as low as $19/t for Richards Bay, depending on local quality. Exports at these price levels cannot be profitable. No company will admit to such sales, but still the coal goes out.

Cook says favourable developments include the long-running strike affecting parts of the US coal industry and the flood of coal from the Commonwealth of Independent States being stemmed as their ludicrously low railage rates have increased. “I believe spot prices will pick up next year but it will come too late to help us during the contract negotiations for 1994 delivery,” Cook says.

Rationalisation and restructuring which has taken place at Randcoal over the past year will continue. Last year saw the closure of the loss-making anthracite section of Welgedacht, which has resulted in an extraordinary charge of R20.4m.

Cook says the Douglas section of Douglas Colliery will be rationalised and will no longer be separate. The open-cut operation will be tuck under the Wolwekrans mine, while the underground workings will be run by Van Dyk’s Drift. Also, this year should see agreement on the plan to merge the operations of the Middelburg export colliery with the Duvha colliery, which is tied to Eskom’s power station.

Cook expects sharply higher sales in 1994 from Kuruman colliery to Eskom’s Kendal power station. Eskom has requested higher production but will not provide figures.

Financing costs have been slashed because of lower borrowings and interest rates as well as benefits from the restructuring of Rand Mines. That added up to a 40% fall in interest paid to R29.5m (1992: R48.8m).

Future capital commitments have dropped to R1,48bn, from the previous year’s R2.1bn, following the closure of Majuba.

It all helps, as does the rand’s depreciation, but the outlook still seems to be for a further fall in earnings in 1994. Brendan Ryan

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**DOWNWARD SLIDE**

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Clothing exporters use GEIS to compete

Business Editor

SA clothing exporters build the General Export Incentive Scheme (GEIS) benefits into their prices in markets such as Germany, and could not compete without them, Aaron Searll, chairman of the Seardel Investment Corporation, explained at the AGM yesterday.

He and joint MD Bernard Richards said uncertainty about how long the scheme would continue made it impossible to plan ahead.

Searll told shareholders that there had been "a modest growth" in group turnover in the first three months of the current year. It had grown to R299m compared with R231m in the same period last year.

Clothing exports had risen by nearly 10% last year to R77m.

Discussing export incentives and tariff protection, he said that although protective duties would be phased out in accordance with the General Agreement on Tariffs and Trade (GATT), this could not be done overnight. It would be phased in gradually over eight years.

Searll said a recommendation from the clothing and textile panel that the duty credit certificate scheme would be extended to March 1995, had not yet been confirmed by the Department of Trade and Industry.

This was "very worrying and unacceptable. Because exports require long term forward planning it is absolutely imperativo that this matter be confirmed as soon as possible so that commerce and industry be given their comfort of certainty in future years."

Discussing the Frame group, Searll said: "The group's input, together with that of our partner Gregory Knitting Mills, into the business operations of Frame Group Holdings has had a positive effect and the unacceptable losses that were incurred by Frame in 1992 have been drastically curtailed.

"We are hopeful that in this financial year the company will show a break even position or even a small profit."
Conlog wins R50-m order for immobilisers

By STEPHEN CRANSTON

Amor subsidiary Conlog has been awarded an export order worth more than R50 million in the first year to export immobilisers to Volkswagen in Germany.

To meet this and other export demands, Conlog is expanding its manufacturing facility in Durban and creating 100 new jobs.

Paul Lambert, director of Conlog's automotive electronics division, says: "The immobiliser is a local design based on know-how and expertise which Conlog has developed over the past six years in the South African vehicle security market."

"The device is patented worldwide and employs a highly sophisticated non-repeating encrypted code which prevents illegal scanning."

"The contract was won against European competition. Car theft is on the increase worldwide — 130 000 vehicles were reported stolen in Germany alone last year and the fitment of immobilisers is likely to become a standard feature of most European vehicles."

Potential

The European immobiliser market could be worth R3.5 billion.

"In 1990 we recognised the potential of these markets and with an edge in technology and experience over most European manufacturers, we began an export drive by exhibiting technology at various international exhibitions."

Conlog has invested R36 million in manufacturing plant and capacity expansion to meet export orders.

This year 25 percent of its sales will be into Europe, rising to 75 percent next year and 85 percent in 1995.

Conlog immobilisers are now being fitted to imported cars such as Mazda, Mitsubishi and Honda in Germany as an insurance-approved accessory.

Its immobiliser products, known locally as Scimitar, have been successfully launched in the UK market and total European sales are now running at 70 000 a month.
Constraints on Foreign Trade

Companies

Protectionism

Political uncertainty

Specifications

Marketing

Trade liberalization:

The European Union's goal is to create a single market where goods, services, and people can move freely across borders.

To achieve this goal, the EU has implemented a number of measures, including:

- Elimination of trade barriers
- Harmonization of regulations
- Facilitation of cross-border movements

These measures have had a significant impact on trade within the EU, leading to increased competitiveness and economic growth.

However, the protectionist sentiment has also been growing in recent years, with some countries advocating for increased trade restrictions.

Export Controls

The EU has implemented export controls to prevent the diversion of certain goods to non-EU countries. These controls are designed to ensure that sensitive goods are not used for military or strategic purposes.

These controls are managed by the EU's member states, and they are subject to periodic review to ensure their effectiveness.

In the context of the recent trade tensions, the EU has been increasingly vigilant about enforcing its export controls.

The EU's stance on trade liberalization and export controls reflects a balanced approach to promoting economic growth while also safeguarding national interests.
Exports muddle stymies

Rex True

ALIDE DASNOIS
Business Staff

UNCERTAINTY about export incentives is holding back sales, Rex Trueform chairman Stewart Shub said at the annual meeting in Cape Town today.

He said though the government was sympathetic to the need to keep incentives in place for the moment — and South Africa's status as an economy in transition in the GATT would allow this — no decision had yet been announced.

"We still don't know what the situation will be after April next year. This makes it very difficult to take orders from importers: we don't know what price to quote."

He said it would take five to eight years for the country to "join the real world" after decades of sanctions and high protective barriers.

Mr Shub said Rex Trueform was looking at ways of improving efficiency.
Exporting’s ‘the way to profitability’

By JEREMY WOODS

Western Cape manufacturers face the risk of going under if they don’t start exporting their products before South African trade tariffs are dismantled.

This is the view of Mr Nick Mitchell, executive director of the United Kingdom’s South Africa Business Association.

“There are enormous opportunities for Cape firms to export into Europe. Given the value of the rand and the substantial incentives available through the South African government’s export programme, exporters here have a wonderful chance to be extremely competitive.”

“But,” he added, “we just don’t see enough of the medium-sized manufacturing companies”.

Mr Mitchell said there was a lack of evidence that smaller firms in the traditional export areas like leather, paper, chemicals, and clothing manufacturers, were prioritising exports.

“There’s always scope for clothing if you have designs that catch on.”

Mr Mitchell, who brings British manufacturers to South Africa three times a year, believes the lack of exporting initiative by small and medium-sized manufacturers is as a result of the protected domestic market that many local manufacturers have previously enjoyed.

Importers

“The high tariff barriers of recent years have meant that foreign importers have been trading at a disadvantage,” he said.

The dismantling of SA’s high tariff barriers is set to change all that.

“As tariffs are dismantled in South Africa, local manufacturers will have to become more competitive. Unless they do, profits will be squeezed when overseas manufacturers start coming in here. The reality is, they will have to export or face going under.”

Mr Mitchell advised said the first step for exporters is market research.
IMF loan hits a new snag

Repeal Bill would also lift tariffs on SA exports to US

JOHANNESBURG. — South Africa's controversial $350 million International Monetary Fund loan has hit another snag — this time in the United States.

While South Africa's Economic Technical Committee is still battling to get the consent of all the political parties in order to beat the IMF's December 31 deadline, reports from Washington indicate legislation to lift the last of US federal sanctions against South Africa has run into difficulties.

This implies that approval of the loan, vital to South Africa's reserves in order to allow it to meet its foreign debt obligations, might be delayed until next year.

The South African Democratic Transition Support Bill, which repeals all remaining federal sanctions against South Africa, including the Gramm Amendment, which denies South African access to IMF loans, has become bogged down in the House of Representatives.

There is a chance the Bill might now be sent back to the Senate to begin the whole process again, according to Dan O'Flaherty, head of the US/SA Business Council — an affiliate of the National Foreign Trade Council.

Mr O'Flaherty said that under the US Constitution, only the House of Representatives could introduce a revenue bill. Because the South African bill was technically a revenue measure — it lifts the ban on the US giving South Africa preferential trade status, which could mean a loss in tariffs to the US — the powerful Ways and Means Committee in the House of Representatives is contemplating rejecting the bill.

A new loan could in theory be negotiated, but would most certainly be for a smaller amount.
Macadams gets export boost

CAPE TOWN — Bakery and confectionery equipment manufacturer and supplier Macadams generated an 83% increase in earnings to R5.7c (3.1c) a share in the six months to end-August. No interim dividend was declared in view of the company’s commitment to conservative growth and to reducing interest-bearing debt.

Exports boosted turnover, which rose 41% to R22.6m (R16m). MD Raimund Poullart said that developing markets in eastern Europe and the Americas and a rapidly growing African market had resulted in an 84% rise in exports.

Local sales increased 28%.

“There is still heavy demand for bakeries in rural areas and townships and once the political situation stabilises, the company is ideally positioned to take advantage of these opportunities,” Poullart said.

New markets were opening up in the Ukraine, Mexico and Canada and the company expected to maintain earnings at current levels.
Exports spur 80% rise in Macadamia earnings
IDC's Foskor gears up for export drive

Johannesburg. — Freed of sanctions constraints, IDC-owned phosphates and copper producer Foskor is gearing up for a renewed export drive after the collapse in its export markets in 1993 led to several hundred retrenchments at its Phalaborwa mining complex.

Foskor was eying the huge Indian fertiliser market for the first time. Phosphates are the main raw material for most fertilisers and India consumes 45% of world trade in phosphoric acid.

Director Fred Clarke said Foskor had delivered trial shipments to Indian chemical companies which could lead to large orders in six to nine months.

Progress with the R800m pilot study investigating the extraction of minerals from Foskor's waste products was encouraging. Should the green light be given to the scheme in mid-1995, a new R4bn refinery would supply a third of the expanded Alusaf aluminium smelter's alumina requirements and become an important magnesia and potash producer.

The IDC's 1993 report showed Foskor, which has stopped publishing its annual results, suffered a sharp fall in after-tax profit in the year ended June 30 to R18m (R70m). Plummeting demand for phosphate rock and weak copper prices hit turnover which fell to R429m (R517m).
Foskor gears up for renewed export drive

FREED of sanctions constraints, IDC-owned phosphates and copper producer Foskor is gearing up for a renewed export drive after the collapse in its export markets in 1993 led to several hundred retrenchments at its Phalaborwa mining complex.

Director Fred Clarke said yesterday job losses at the complex reduced the workforce by a third to 1,800, as its mining, refining and management structures were streamlined.

Foskor was eyeing the huge Indian fertiliser market which was open to SA for the first time with the lifting of sanctions this year. Phosphates are the main raw material for most fertilisers and India consumes 45% of world trade in phosphoric acid.

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Clarke said Foskor's markets had been blighted by several factors. Recession in the industrialised world had hit demand for fertilisers, made worse by a flood of supply from the former Soviet Union as domestic consumption declined.

This led to lower Foskor sales and lower fertiliser prices. Although phosphate rock prices had held up, prices for ammonia and sulphuric acid, the other main fertiliser ingredients, had crumbled.

Although fertiliser prices had firmed to about $150 a ton since June Foskor was hit by the slump in copper prices, at their lowest for many years. Clarke said sales revenue would be static in 1993/94 with improved after-tax profit expected.
PRETORIA. — Businesses established in Export Processing Zones would pay no company tax for ten years and would be exempt from Value Added Tax, import duties, excise duties and surcharge payments, the Department of Trade and Industry proposed yesterday.

The department's revised draft proposal on the establishments of EPZs in the country, also makes provision for the unrestricted transfer of dividends, royalties and interest through the commercial rand and allows for exporters to hold foreign currency accounts with South African banks.

Non-residents would be allowed to invest through the financial rand.

The draft proposal said recently incorporated companies with new manufacturing capacity could establish in an EPZ. The relocation of existing companies to an EPZ, if they were rationalising or expanding, would be considered on merit.

The entire production of each user in an EPZ would have to be exported to buyers outside the Southern African Customs Union.

Successful EPZs would provide a vehicle for investment in industry, stimulate export and foreign exchange earnings, create jobs and encourage improved productivity, the draft proposal said.

Approval

The establishment of an EPZ would require the approval of the Minister of Finance, Trade and Industry acting on the advice of the EPZ Board.

Applicants to the board must have, among other things, an acceptable business plan, suitable land within 100km of an international port or airport and an arrangement concerning the involvement of the local authority.

Local authorities might also, at their own discretion, provide further benefits in the form of lower rates and taxes. — Sapa
Dept details benefits of export processing zones

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The entire production of each user in an export processing zone would have to be exported to buyers outside the Southern African Customs Union.

The establishment of a zone would require the approval of the Finance and Trade and Industry Ministers acting on advice from the export processing zone board.

An applicant had to have an acceptable business plan and an arrangement concerning the involvement of the local authority. — Sapa.
BUSINESSES established in export processing zones would pay no company tax for 10 years, the Department of Trade and Industry has proposed.

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Monthly trade surplus up 23 percent

Better news on the export front

By Claire Gerhardt

The monthly trade surplus surged 23 percent to R1.7 billion in October on strong export growth.

Customs and Excise figures released yesterday show exports 10.7 percent up from September at R7.62 billion, while imports were 7.6 percent higher at R5.9 billion.

On a cumulative basis, exports for the ten months to October were 17.3 percent up at R66.87 billion, while imports were 12.8 percent higher at R43.51 billion.

Salto economist Carlos Teixeira said yesterday the latest figures reflected improved local and international trading conditions.

"On the export side every category except animal or vegetable fats and oils performed better in the ten months, compared with the nine months.

"Vegetable products, which reflect increased maize exports, were 6.7 percent higher for the ten months to October from 4.6 percent for the nine months to September.

"The unclassified goods category, which includes gold and precious metals, was 21.7 percent up, making a very big contribution to the export numbers," said Teixeira.

On the import side, all the agricultural categories showed reduced imports, except sugar, which reflects drought conditions in Natal.

"The unclassified category, reflecting the downward trend in international oil prices, was at -14 percent, compared with 19 percent up to September."

Teixeira said latest economic growth forecasts for 1993/1994 suggested a strengthening in both imports and exports and a current account surplus for the year of over R5 billion.

UAL economist Dennis Dykes said a 46.7 percent month-on-month rise in the vehicles and transport equipment category suggested some improvement in the fixed-investment cycle.
Record exports boost trade surplus

A STRONG turnaround in exports to a record level of R7.6bn last month saw SA's trade surplus bounce back to R1.7bn after falling below R1.4bn in September.

Customs and Excise figures released yesterday showed exports firming 16.7% from a previous R6.6bn -- the first increase in three months. The rise in imports was lower at 7.6% to R5.9bn in October.

The trade surplus had averaged around R1.6bn a month this year from less than R1.3bn in 1992. Economists predicted this would see the surplus on the current account of the balance of payments rocket to more than R7bn from R3.5bn last year.

Economists said the latest recovery in the trade surplus was a result of an improvement in the economies of some of SA's main trading partners, the opening up of new markets and better agricultural conditions in SA.

Safto economist Carlos Teixeira said almost every export category had improved in October. The only category that grew at a slower rate was animal or vegetable fats and oils. Imports fell in all the agricultural categories, except for prepared foodstuffs due to higher imports of sugar as a result of the drought in Natal.

The unclassified import category which included oil -- shrank 14% from a previous decline of 19%.

Exports of mineral products and base metals did particularly well considering that international markets for these products remain poor, said Teixeira.

Higher coal sales were behind a rise of 12.2% in mineral product exports in the 10 months to October, while base metal exports improved 5.3% due to better market conditions for semi-finished steel products.

Machinery and mechanical appliances as well as transport equipment maintained their export momentum, growing 30.4% and 19.2% respectively in the 10 months to

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Exports

Teixeira predicted exports would continue growing in the coming months as overseas economies were expected to improve while many new markets had been opened following the lifting of sanctions.

Old Mutual economist Ursula Maritz warned that the surplus could be lower next year as the pickup in the economy would strengthen the rising trend in imports. But the impact on the balance of payments could be limited by the build up in the balance of the current account this year. She said the current account surplus could easily reach R7bn for the year.

"We just need a trade surplus of R1.6bn in the last two months of this year to achieve this figure."
Naude warns on anti-export bias

By BARRY STREEK

The anti-export bias in South Africa's trade policies had to be addressed to give exporters effective free access to imported inputs and capital goods, the Director-General of Trade and Industry, Stef Naude, said yesterday.

The General Export Incentive Scheme (Geis), a tax-free subsidy to exports based on the value of exports, would also be phased out over a number of years and tariff reform would gradually removed the anti-export bias.

Naude spoke yesterday at The Strand on South Africa's evolving international trade policy at a seminar organised by the Centre of International and Comparative Politics at Stellenbosch University on economic structural adjustment programmes (Esaps) and the role of the IMF.

He also urged caution about South Africa joining regional economic structures and said any moves should be preceded by a thorough and open-minded economic analysis of the implications.

With the normalisation of South Africa's international relations, the country could realise its potential as a market, supplier and host for new investments.

"Growth from outward-looking, export-oriented and increasingly competitive industries is of fundamental importance to the economic and political future of the country. Hence a reform of trade policy is essential. It has begun, and is gathering momentum."

Naude said South Africa was determined to be reintegrated into the world trading system, and this had to be reflected in future trade policy.
Slice exports may cut may perks out may

PHOTOS OF CLOTHING EXPORTS

exhibit international

expansion and still successful

150 million in the U.S. have

and average 60,000 in the

and avoid exports to

The quick brown fox jumps over the lazy dog.
EXPORT achievingments are born of necessity.

SUNNY TIMES Business Times, November 2, 1999
IMF team to assist in overhaul of SA customs system

The economic model was the "European Economic Area" (EEA) and governments were

Journal of Commerce 23/11/93

The IMF team to assist in overhaul of SA customs system

John Annandale – 9A, JER

From Gertie Stein

A "shocked" Clementine in

National Economic Review

Heads of Johannesburg Chamber of Commerce and Industry

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9th February 94

The General Export Incentive Scheme (GEISM) and its various forms of export

export-

support successes in SA.

The new system which will run until

the EEC

practically, human capital.

The building of a

human capital is the building of a

socio-economic infrastructure and

therefore a building that provides

The need for the NEF's policy would be

progress towards our "city of


IMF to revamp SA customs

AN IMF team would arrive in SA in January to help overhaul the country’s customs system which was not succeeding in keeping track of all import duties and export subsidies, Finance Minister Derek Keys said yesterday.

He told a Johannesburg Chamber of Commerce and Industry luncheon that trade policy initiatives to adjust import tariffs and export subsidies depended “critically” on whether the customs system was working well. “From an organisational point of view, it is the single most important thing I have to put in place.”

The general export incentive scheme (Geis) and tariffs on imports required that goods going in and out of the country be subject to fundamental inspection. There was, however, proof that goods were slipping through the net. The National Economic Forum had asked government to improve the customs system and the request was taken seriously.

According to a National Economic Forum report, the short term working group had noted deficiencies in the customs and excise infrastructure. Substantial imports of manufactured goods had escaped the duty net, resulting in jobs being lost in local industries. The leakages had been caused by stuffing and infrastructural deficiencies and fraudulent behaviour.

Keys also said SA’s success as a trading nation depended on getting three sets of prices right—the rand exchange rate, the prices of imported inputs, and labour. He would not give up “the battle” on wage costs in the National Economic Forum, as there were hardly any exceptions to the rule that countries could build economic growth without low labour costs.

To Page 2

Customs

He noted one of the key differences between the ANC-aligned Macroeconomic Normative Economic Model and government’s Industrialisation Research Group (Merg) and government’s Industrialisation.

Keys emphasized the need to create an “investor friendly” economy which would attract foreign capital, and expressed confidence that the ANC agreed with this. The view SA was about to re-enter international capital markets and would be able to negotiate more favourable interest rates if it succeeded in creating a stable, friendly environment.

From Page 1
Exporters gear up for fight
go on to GEIS benefits. They claim government is going back on a commitment to maintain the scheme until March 31 1996.

A spokesman for Trade and Industry director-general, Stef Nande yesterday confirmed a proposed reduction in GEIS expenditure was under discussion. The department had briefed representatives from the International Trade Advisory Council (a private sector advisory body consisting mainly of exporters), Sacco and the AHI. He said alternative approaches to reducing the incentives budget had been discussed. It was decided that a joint business viewpoint would be formulated and would be handed to the National Economic Forum foreign trade task group. Government was waiting for a forum response.

The forum said the task force would meet tomorrow, and GEIS was one of the issues on the agenda.

The 1995/96 Budget provided for R1.67bn of spending on GEIS while a further R337m would be spent in terms of the export incentive scheme prevailing before April 1, 1995. Industry sources said government intended to cut the subsidies by about a third from the next fiscal year.

The Trade and Industry spokesman said the GEIS budget depended on the avail-

ability of funds. "Government is under pressure to keep state expenditure within certain affordable limits. This has certain implications for the level at which export incentives can be pitched in future."

Seifsa economist Michael MacDonald said exporters had not had enough advance warning of government's plans. The move would affect long-term contracts, especially where capital investment was concerned. "GEIS is built into some major projects." He said business had declined to consider any of the proposed alternatives and would oppose the move at the forum.

Saito economist Carlos Teixeira said the organisation's export confidence index showed uncertainty over GEIS was the issue of most concern to exporters.

It is understood that Trade and Industry is under pressure from State Expenditure to cut GEIS spending. Industry representatives told government it was breaking a promise, but Trade and Industry said the commitment to continue with GEIS did not extend to the amount of money allocated. It is understood that large cuts are in the pipeline for manufactured exports, while all subsidies on beneficiated primary commodities will be removed.

The biggest beneficiaries of GEIS are large corporations in base metals, paper and pulp and food and beverages.

Economists said GEIS was not a cost-efficient way of stimulating exports, and had done little to encourage new exporters of manufactured goods. However, it had underpinned SA's export performance.
The National Economic Council has released its first annual report. The report, which covers the past year, highlights the council's efforts to address economic challenges and promote growth. The council has recommended several measures to stimulate the economy, including increased investment in infrastructure and the development of new sectors. The report also highlights the importance of international cooperation in addressing global economic issues.
GEIS keeping textile, clothing sectors viable

CAPE TOWN — The textile and clothing industries were in dire financial straits, with operating losses being converted into pre-tax profits only by the addition of income derived from the general export incentive scheme (GEIS) and structural adjustment programme. This was said yesterday by Board on Textiles and Trade chairman Nic Swart at a National Clothing Federation seminar.

He said an analysis had shown GEIS income was treated as separate in the income statements of clothing and textile manufacturers.

"Costing studies by the National Productivity Institute on behalf of the panel appointed to formulate a long-term strategy for the clothing and textile industries showed that profitability had deteriorated since 1989-90," he said.

The study found that the difference between the operating loss and profit before interest and tax (1.5% and 3.9%) of clothing companies surveyed was mainly made up of GEIS and structural adjustment programme income. Swart said the interest burden of the two industries was also high, averaging 5.8% of sales for clothing and 4.7% of sales for textiles.

A comparison with the cost structure of UK clothing manufacturers showed their SA counterparts' major problem was the high cost of raw materials. In SA, raw materials constituted 51.2% of sales compared with the 33%-45% UK range. Direct labour costs in SA represented 14.3% of clothing sales, as against 18% in the UK, and overhead costs represented 33.8% of sales compared with 30%-38% in the UK.

Swart said the textile industry was hampered by an inability to obtain raw material at world prices landed in-house and to achieve a competitive labour cost/productivity balance for salaries and wages.

He said total new investment needed by the clothing industry for new technology was forecast at R72m, but the industry had invested only R46m in 1992 and R32m in 1993. Huge investments would be needed if the textile industry was to become internationally competitive.

Clothing industry employment had recently bottomed out after a year-on-year loss of 10 300 jobs was recorded in the January to September period. National Clothing Federation economist Arnold Werbeloff said in the latest issue of Clothing Industry News that the industry was estimated to have 90 000 workers, compared with 130 000 in 1984.

Clothing output continued to fall, although retail sales had risen, but a real 31% in the first seven months of 1993.

Third quarter figures showed that producer price inflation for clothing had increased by 6% and textiles by 4%.

Clothing exports in the first six months of this year amounted to R460m compared with R440m for the whole of 1992, indicating the possibility of total exports of R700m this year.

Court faces funds shortage

PRETORIA — The Industrial Court was facing the imminent unearthing of its responsibilities, but a lack of funds and accommodation was making its task difficult, court president Adolf Landman said.

While the establishment of a Johannesburg seat was a priority, the court could not secure finances or appropriate office space to open the branch.

"There is little government-owned accommodation available and, what little there is, is unsuitable for our needs," he said.

In the meantime, litigants would have to continue travelling to Pretoria for their cases to be heard, Landman said.

The court was preparing for a considerable increase in litigation emanating from a number of new Bills and Acts.

The Public Service Act of 1993, which came into effect on August 1, conferred about 19 functions on the court. "Unfortunately no additional financial arrangements were made by central government to cover these additional functions," Landman said.

The Education Labour Relations Bill, which was tabled this year, would entitle primary and secondary school teachers to...
Export incentives being eased out gently — Stef

GOVERNMENT would do its utmost to phase out the general export incentive scheme (GEIS) in such a way that as little harm as possible was done to exporters' confidence, Trade and Industry director-general Stef Naude said yesterday.

At the SA Foreign Trade Organisation's annual meeting, he said a reduction had been "threatened" in next year's Budget, and that publicity given to fraudulent GEIS claims had made politicians reluctant to allocate scarce government funds to these subsidies. "We are experiencing serious problems with dishonesty. We have to adapt the system to get rid of areas where fraud is perpetrated."

GATT's requirements would also have to be taken into account when restructuring the incentives. SA had not yet received clarity on the timetable the world trade watchdog set for phasing out GEIS.

Turning to SA's integration into Africa, Naude said economic considerations would have to be weighed carefully before decisions were taken. If SA became part of a common market which allowed free movement of labour, there could be serious economic implications. Decisions should not be based on political rhetoric.

Another issue that required attention was SA's anti-dumping legislation, which was still "slightly sinful". GATT would not allow SA to use formula duties to combat dumping. Although the Act had been cleaned up, there was still too much discretion. Sprucing up anti-dumping measures would be vital because trade liberalisation could leave SA vulnerable to dumping, as it was a small market. The issue was a focal point for the Board on Trade and Tariffs.

SA had "no choice" but to play by GATT's rules. The country would be in a "desperate situation" if the Uruguay Round of trade negotiations succeeded and SA was not part of it. Trade partners had been asked to "nip stick" as SA was offering fundamental reforms, but the EC and US could not accept certain aspects of SA's package. The National Economic Forum would play a vital role in formulating SA's response to their concerns, since trade reform had to be sustainable.
Export Perks Cut Looms
FOREIGN TRADE

Looking good

In the first few months of the year, export growth was lagging that of imports. Now the pattern has been reversed. In October, total exports for the year reached R65.9bn, which is 17.3% higher than in the first 10 months of

ECONOMY & FINANCE

1992. Imports have grown but at a slower rate — by 12.8% to R49.5bn. The surplus of R16.4bn is up more than 33% from the January-October figure for 1992.

In the month, exports totalled R7.6bn, the highest this year and imports R5.9bn, giving a monthly surplus of R1.7bn from R1.4bn in September. *Fm 26/11/93*

The acceleration in export growth occurred in:
- The unclassified item, the largest export category, which includes precious metals. This is due largely to improved prices in that period (see graph). The category has now grown to R25bn for the year, up 21.7% over the same period last year;
- Gems & precious stones (mostly diamonds from Customs Union States Botswana and Namibia), which has stayed above R700m per month since April and which brought in over R1bn in July and September. Its total is now R8.8bn for the year, up 48.4%; and
- Base metals. This category, which though only 5.3% higher at R8.3bn, has nevertheless recovered from shrinkage of 0.6% over the first six months of the year, compared with the first six months of 1992.

On the other side, a slowing in key import categories has helped boost the trade surplus. The unclassified item, in which oil imports figure prominently, totalled R4.7bn for the year, which is down 14.2% on 1992. This comes after a fall of only 1% in the first six months over the comparable 1992 period.

Two sides of a coin

Imports

Unclassified exports

This is due to price reductions.

And imports of vegetable products are 13.1% lower at R1.7bn, due to the impact of

good rains on domestic agricultural output.

On the other hand, the economic recovery in recent months has boosted imports in categories such as vehicles & transport equipment (R7.6bn, up 32.1%), machinery (R14.1bn, up 13.7%) and optical & other equipment (R2.2bn, up 19.7%).

Machinery includes various consumer goods such as electrical appliances, hi-fis and television sets. Vehicles & transport equipment includes freight containers and aeroplanes, among other things (the unusually high R1.2bn recorded in this category in October probably reflects a Boeing 747 purchased by SAA that month).

The upturn could place strain on the trade balance in the years ahead. Afrikaanse Handelsinstituut economist Nick Barnardt says the upturn at home should push up imports by about 25% between now and the end of 1993 and recovery abroad should boost exports by about half that — which would translate into a zero current account surplus by the end of 1993.

This, says Barnardt, emphasises the need for large capital account inflows in the next few years. Otherwise monetary policy will have to remain tight, hampering fixed investment which is needed to make SA more competitive in manufacturing, in particular.

"The priority in the first 18 months under the interim government must be to follow economic policies which are conducive to attracting foreign investment," he says.
Set to sew up profits, Jobs
Exports alternative to gold must be found

Business Staff

ALTERNATIVE exports would have to be found to replace gold. ANC president Nelson Mandela told international oil and minerals experts in Cape Town today.

At a conference on sub-Saharan oil and minerals, Mr Mandela said two-thirds of South Africa's gold reserves had been exploited.

Research commissioned by the ANC showed that at a price of $350 an ounce, gold output would drop from 614 tons in 1992 to 414 tons in 2007.

"This constitutes a loss of about R8 billion or 15 percent of total exports."

Mr Mandela called for a major foreign investment effort in oil and minerals in South Africa and on the whole sub-continent.

Major oil companies had indicated to the ANC that there was a hydrocarbon potential off the West Coast, Mr Mandela said.

"South Africa is renowned for its huge reserves of gold, platinum, chromium and manganese. In addition there is iron, coal, copper, nickel and zinc which are vital to industrial development.

"Unfortunately, this amazing wealth has been exploited almost exclusively for the benefit of a small racial minority."
US special deal on SA exports

From GRETA STEYN

Johannesburg. — SA and the US have started high level trade talks which could result in certain SA exports to the US being given special tariff treatment, Trade and Industry director-general Stef Naudé said yesterday.

Discussions had been initiated with a top finance and investment policy adviser in President Bill Clinton's office, Howard Reed, during US Commerce Secretary Ron Brown's visit. Urgent dialogue would continue in the run-up to the next session of GATT negotiations, scheduled to end on December 15.

Naudé said the US had linked the GATT negotiations to the granting of special tariff treatment for SA exports. The main topic of discussion in the talks with Reed had been a US proposal that SA lower the tariff protection for imports of industrial goods in the Uruguay Round. Linked to that was the possibility of US tariff preferences on a wide range of consumer goods. SA still had to study the goods that could carry tariff preferences in terms of the General System of Preferences, but the system covered 4 500 items.

The system had only recently become available to SA as a result of the lifting of sanctions and SA still had to be informed on how to apply for it.

Sources close to the GATT negotiations said discussions on the preferences system placed an entirely different slant on SA's approach to tariff reform in the Uruguay Round. The US and the EC had complained about SA's high protection for clothing, textiles and the motor industry, and SA had intended to respond by pleading it was a special case. Howevet, the latest call for flexibility in return for preference treatment could mean a change in tactics when negotiations were resumed in Geneva.

It was also possible that a multilateral approach be followed to the preference system, with more than one trading partner granting tariff preferences.

Naudé said once all the information on the system had been received, the matter would be discussed at the National Economic Forum.

The forum's trade task force has had a number of meetings to formulate a response to the US and EC's concerns. Labour and industry representatives maintained there was "little left" built into the reform offer and hoped to persuade SA's trading partners to soften their stance.
Pals to chase exports at quicker pace

MARC HASENFUSS

CLOTHING manufacturer Pals Holdings will continue to chase exports in the financial year ahead in a bid to offset tattered domestic trade.

Chairman Selwyn Kagan told shareholders at an annual meeting yesterday that exports would grow to 30 percent of group turnover in the financial year to end June 1994. Last year exports constituted about 20 percent of total sales.

Pals recently signed an order deal with a Liverpool company for a significant clothing consignment.

“Our exports to the UK have shown considerable growth, even though this market experienced severe pressures on its growth in line with the low value of sterling and high unemployment.”

However, Mr Kagan warned that the government was still undecided whether to maintain or discontinue export incentives.

Further growth in exports, coupled with a slight improvement in local trading conditions, augured well for the future.

“But our margins are still under extreme pressure from retailers, who see the way ahead through greater turnover at lower prices without... in the main... affecting their margins.”

The group’s muted enthusiasm is reflected in management’s decision to invest heavily in new machinery to cope with the changing requirements of new fabrics.

The group bucked the sector trend by staying in the black and reporting bottom-line profits of $740 000 last year.
Govt has second thoughts on GEIS

GOVERNMENT is to reconsider plans to cut the general export incentive scheme (GEIS) budget next year following a meeting between the National Economic Forum (NEF) foreign trade task group and Trade and Industry Minister Derek Keys at the weekend.

Last month government proposed reducing the GEIS budget for the new fiscal year in an effort to cut the size of the Budget deficit.

The matter was referred to the NEF for discussion after exporters protested, accusing the government of going back on a commitment to maintain the scheme until March 31, 1995.

Keys is to take the issue to the Cabinet for final resolution following the latest report-back by the NEF.

At the weekend meeting, the task force, made up of business and labour, was united in its recommendation that government should give ample notice of any changes to GEIS.

The group told Keys exporters' contracts and investment strategies were being seriously affected by the lack of certainty about the size of future GEIS payouts and the lifespan of the scheme.

KELVIN BROWN

Department of Trade and Industry deputy director-general Gerrie Breyi said that at the weekend meeting, Keys recognised exporters needed guarantees that the scheme would remain unchanged for some time to come.

"The Minister gave his commitment he would take the matter to Cabinet for a final decision as soon as possible."

It is understood the task force proposed there be a year's notice before any alteration to GEIS came into effect. Government should commit itself to maintaining GEIS in some form or another for several more years.

It is likely the problem of GEIS fraud was discussed and certain recommendations made about what could be done to reduce abuse of the scheme.

The Department of Trade and Industry has been reluctant to cut the GEIS budget but has been under pressure to do so from the State Expenditure Department looking for ways to trim the Budget deficit.

The major beneficiaries of GEIS are large producers of base metals, paper and pulp and food and beverages.
Govt reviews cuts to GEIS

Own Correspondent

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Keys, NEF in talks at weekend

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It is likely the problem of GEIS fraud was discussed and certain recommendations made about what could be done to reduce abuse of the scheme.

The Department of Trade and Industry has been reluctant to cut the GEIS budget but has been under pressure to do so from the State Expenditure Department looking for ways to trim the budget deficit.

The major beneficiaries of GEIS are large producers of base metals, paper and pulp and food and beverages.
BMW SA export plan goes ahead

BMW SA is to go ahead with its R100m expansion plan to beef up its export arm despite a slump in world demand.

Marketing director Chris Moerdyk said modification work had begun at the company's Pretoria plant.

He said there was a need to integrate the SA operation into the global market after the lifting of sanctions.

"We want to make the local subsidiary a world supplier," he said.

BMW AG was currently involved in more than 130 countries.

No decision had been taken on which models would be built at the export centre and to which overseas markets the cars would be exported.

Sluggish car sales in major markets would be taken into consideration by the German headquarters in deciding the model to be built at the plant.

An announcement was expected "within the next few months".

"The most important thing now is to get us ready for an export market, by setting up a proper infrastructure. As soon as we have this in place we will also decide whether the models will be left or right-hand drives," Moerdyk said.

It was understood the expansion programme would be financed locally through retained profits.

Production work would begin at the end of 1994.

The decision to invest in the expansion was taken after the appointment of Rainer Hageman as CE for BMW SA this year.

New jobs would be created, but Moerdyk did not expect these to be immediate.

The move was expected to double production from the 18 073 units sold in 1992.
VW resumes R500m export project to China

CAR producer Volkswagen SA would resume its R500m vehicle export programme to China next month, the company said yesterday. (4C)

The decision, which comes six weeks after the exports were halted, follows a weekend meeting between Volkswagen's German parent and its Chinese distributor, FAW/VW Automotive Company (FVAC).

VW SA chairman Peter Searle said production of left-hand drive VW Jetta for China — which accounted for about one third of total production — would resume next month. China halted the imports in November as part of a bid to cool its economy. Heavy use of foreign exchange, stemming from imports, had been central to the economic overheating.

The company would not say what effect the suspension would have on its earnings. Spokesman George Platt refused to disclose the terms of the deal, although he said developments looked positive.

VWSA was expected to deliver 30 000 vehicles to China by end-1994, producing about 1 000 a month. The Jetta was exported in semi-knocked-down form to FAW/VW, based in Chang Chung.

The suspension had affected the second phase of the programme, sparking fears of retrenchments among VWSA staff. This was averted by transferring employees to the Golf/Fox and Golf/Jetta production lines, which had fuller order books.
Trade pact boost for harbours

BY DES PARKER

Durban — The sealing in Geneva of the world’s biggest-ever trade pact promises a multi-billion rand prod for the South African economy — particularly the import-export sector.

Bustling quayside activity is in the offing for the country’s ports as exports and imports flow increasingly freely in the wake of acceptance by 117 trading nations of the Uruguay round of the General Agreement on Tariffs and Trade (GATT).

Durban, which receives and dispatches more manufactured goods than any other ocean transit point in Africa, in particular stands to gain.

The capacity of the port is currently being raised to around 40 million tons a year as part of a R1.4 billion upgrading and development programme.

Almost 27 million tons passed through the harbour last year, with 30 million tons expected in 1993.

While water tight figures are not available, because a few outstanding tariff arrangements have still to be settled in bilateral talks with trading partners, the Industrial Development Corporation (IDC) reckons economic growth and employment will both be boosted as GATT effectively cuts trade protection duties worldwide by an average of a third.

Sanctions

With sanctions out of the way, South African trade has picked up markedly.

The latest trade figures show exports up by 18.6 percent to R73.2 billion for the 11 months to November with the trade surplus for the period now at R18.4 billion.

The Government, in the model it proposed earlier this year for the revival of the economy, recommended that exports should be the driving force for growth.

Virtually all sectors of industry stand to export more as the GATT tariff limits are phased in — most of them over five years from January 1995.

However, some will ship hugely increased volumes of imports.

The IDC estimates clothing imports could rise by 20 percent — a hard blow for the Natal and Western Cape apparel factories.

National Clothing Federation president and Durban clothing doyen Sadek Vahed said this week he believed the industry could survive, provided duties on fabrics were reduced proportionately.

Vehicle imports, too, are expected to rise by about 10 percent as duties are cut from 100 percent to an expected 50 percent.

Both industries are putting great efforts behind sectoral export programmes, but sales abroad are highly unlikely to match import levels.
Education boost: SA calls for zero tariff on books

**Weekend Argus Reporter**

SOUTH AFRICA'S proposal to the General Agreement on Tariffs and Trade (GATT) talks in Geneva to bind the tariff on imported books at zero percent is good news for education.

It seems the storm over an application by the Printing Industries Federation (PiF) to the Board on Tariffs and Trade to institute a 20 percent import duty on all books has abated.

Charl Nel, spokesman for Deputy Minister of Trade and Industry David Graaf, told Weekend Argus yesterday there was an adaptation period for countries to comply with GATT. This adaptation period could take up to five to eight years.

"Eventually, when GATT gets into operation, we will have a zero tariff on books. In the meantime, the status quo stays."

Up to now, most books have had a zero tariff, while certain categories like directories, yearbooks, guidebooks and handbooks relating to South Africa were subject to a 20 percent tariff.

Mr. Nel emphasised that the PiF had merely made an application, which had to be investigated by the Board of Tariffs and Trade. After that, the board would make a proposal to Mr. Graaf, who would either reject or accept it.

"When considering the proposal, the board will take the GATT proposal into consideration. South Africa is a signatory to GATT and has proposed that there be no tariff."

Later, Weekend Argus spoke to Mr. Graaf, who said anybody could make an application to the board and that the application by the PiF had to be fairly investigated.

But, he added: "A tax on books is a tax on knowledge and knowledge is the most important commodity in any society."

Publishers Association of South Africa chairman Mike Peacock said: "Very rarely has any issue created such an outcry from the public and educators."

The reason for the printers' application was that they had to pay a 10 percent import duty on paper, while publishers printing books overseas, therefore, the country could bring the books in with no tariff.

But, the total value of books printed overseas by South African publishers probably did not constitute more than one percent of the total publishing turnover in South Africa, he said.

South Africa's offer to GATT was part of the country's submission to the final meeting of the "Uruguay round" of GATT talks aimed at reducing tariffs around the world and breaking down trade protectionism.
and they are then re-exported.

Lings' country analysis breaks down trade by category. Germany heads the lists of the major import items:

- Machinery and electrical equipment at R3.3bn ($1.2bn); and
- Chemical products at R1.1bn ($391m).

Japan tops the list for vehicles and equipment, at R2.5bn ($866m), with Germany next at R1.9bn ($669m).

The US heads the list for SA imports of vegetable products at R1.1bn ($393m), probably because of large quantities of maize brought in from there as a result of the 1992 drought.

Switzerland receives the largest exports of jewels and precious stones, at R5bn ($1.7bn).

The biggest purchaser of exports of unclassified items (where those are allocated by country) is the US, at R3bn ($704m). This includes exports of precious metals.

Japan is the biggest buyer of mineral products, at R1.2bn ($426m), and Taiwan of base metals R1.2bn ($433m).

However, much trade-related information remains under the veil. No figures are available for the years 1987-1991, for instance, so it's impossible to discern trends in trading patterns.

More important, the unclassified category, which includes imports of oil, exports of precious metals and sales of arms and military equipment, is still shrouded in secrecy. Movements by country in this category are only revealed at the authorities' discretion: otherwise they are listed as "unallocated." About R19bn ($6.6bn) worth of exports is reported as unallocated out of unclassified exports of R25bn ($8.8bn); and R6.2bn ($2.2bn) out of unclassified imports of R6.5bn ($2.3bn).

This distorts country figures, particularly on the export side. Were gold, for instance, included, it would probably change the order of SA's leading trade partners. It could also, conceivably, turn some of the trade deficits to surpluses.

Gold exports should at least be disclosed as a separate entry by country.

As with all international trade statistics, SA's figures often don't give the final destination of goods. The figure for diamonds through Switzerland is a case in point, as are the export figures for Zambia and Zimbabwe. SA is merely a thoroughfare for goods to these countries from overseas.

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**FOREIGN TRADE**

**Dance of the Veils**

In 1992, the US replaced Germany as SA's largest trading partner, according to an analysis of trade data by Kevin Lings of Nedbank's Economic Unit. Transactions with the US amounted to R12bn (US$4.2bn). Of this imports amounted to R7.1bn ($2.5bn) and exports R4.9bn ($1.7bn).

Germany dropped to second place with R11.6bn ($4.1bn). Imports were valued at R8.6bn ($3.3bn) and exports at R3bn ($1.1bn). Germany is the largest source of SA imports.

Lings' analysis is probably the first to be published since the veil of secrecy, placed over trade with specific countries between 1987 and 1991, was lifted.

Previously statistics had to be obtained from the trade commissions and embassies of the countries concerned, but are now available from the Commissioner for Customs & Excise.

A breakdown of trade balances by country, shows that SA runs a deficit with many of the larger industrial countries, the markets for most of our goods (see graph).

The largest surplus is run with Switzerland, which is the destination for the biggest proportion of exports, R5.4bn ($1.9bn). But this is simply because diamond exports are routed through the Lucerne-based De Beers' operation. The figure is further inflated by diamond exports originating in Botswana and Namibia, members of the Southern African Customs Union.

Also high on the list of surpluses are Zambia and Zimbabwe. These countries source the bulk of their imports through SA ports.
Keys extends Cape export perks to '95

TOM HOOD, Business Editor

EXPORT incentives which help Cape garment exporters to boost sales and provide hundreds of jobs will continue until March 31, 1995.

The current General Export Incentive Scheme (GEIS) benefit levels would continue until then, Finance Minister Derek Keys said in a statement yesterday.

However, due to fraudulent claims under the export promotion scheme certain products and transactions could be excluded in future.

These possible products and transactions still have to be specified.

Mr Keys said the Department of Trade and Industry (DTI) had been requested to introduce whatever measures were necessary to ensure the sound administration of GEIS as well as to reduce or eliminate abuses.

The government had considered terminating the export subsidy payments under GEIS ahead of schedule because of its substantial drain on State resources.

However, Mr Keys said following a meeting with the National Economic Forum (NEF) task force on foreign trade it was agreed that potentially disruptive changes should be avoided at this time.

"Government realises that a drastic cut in GEIS benefit levels may turn out to be counter productive and could negatively affect exporter confidence and stability in export performance."

South Africa is committed to phasing out the GEIS subsidy as it is incompatible with the Uruguay Round of accords on liberalised world trade negotiated under the General Agreement on Tariffs and Trade.

Mr Keys said alternative measures to reduce the financial burden on the government and meet GATT's criteria would necessitate funds "which are not available".

He said the DTI had been asked to investigate proposals in collaboration with business and labour in the NEF aimed at achieving a sound and competitive export sector.

These proposals would be finalised by June next year, and implemented on April 1, 1995, thus making it possible for the government to give a year's notice on changes to GEIS as had been requested by exporters.
Revised GEIS plan to clamp down on fraud

JOHANNESBURG. — Government would maintain the general export incentive scheme (GEIS) until the end of March 1995, but it would be revised to clamp down on fraud, Finance and Trade and Industry Minister Derek Keys said yesterday.

The announcement followed this month’s talks with the National Economic Forum’s task group after government indicated it was considering drastically reducing GEIS benefits in an effort to cut down on spending. The task group recommended at least 12 months’ notice be given of any alterations to the scheme to give exporters time to plan future contracts and investment strategies.

“Government realises that a drastic cut in GEIS benefit levels may turn out to be counterproductive and could negatively affect exporter confidence and stability in export performance,” Keys said.

The Trade and Industry Department had been given the go-ahead to introduce measures to ensure the sound administration of GEIS and reduce or eliminate abuse of the scheme. “These may include the elimination of certain products and transactions from the scheme. The forum’s task force on foreign trade policy agrees with this strategy,” Keys said.

Instead of giving a year’s notice of any changes to the scheme, government decided to finalise an alternative scheme by June 1994 for implementation from April 1, 1995. Trade and Industry would investigate alternative export incentive schemes. It had also been asked to make proposals for the development and maintenance of a sound and competitive export sector.

“Such proposals should be formulated in close collaboration with business and labour as represented within the task force.”
General export incentive scheme to stay but with tighter controls.
Export benefits to stay until 1995

The current General Export Incentive Scheme (Gels) benefit levels will continue until March 31 1995, says Finance Minister Derek Keys.

However, due to fraudulent claims, certain products and transactions, still to be specified, could be excluded in future, he said yesterday.

Keys said the Department of Trade and Industry (DTI) had been requested to introduce whatever measures were necessary to ensure the sound administration of the Gels and to reduce or eliminate abuses.

The Government had considered terminating the export subsidy payments ahead of schedule because of the drain on state resources.

But after a meeting with the National Economic Forum (NEF) task force on foreign trade it was agreed that potentially disruptive changes should be avoided at this time, he said.

"The Government realises that a drastic cut in Gels benefit levels may be counter-productive and could negatively affect exporter confidence and stability in export performance."

SA was committed to phasing out the Gels subsidy as it was incompatible with the Uruguay Round of accords on liberalised world trade.

Keys said alternative supply-side measures to reduce the financial burden on the Government would necessitate funds which were not available.

He said the DTI had been asked to investigate proposals in collaboration with business and labour in the NEF aimed at achieving a sound and competitive export sector.

These proposals would be finalised by June next year, and implemented on April 1 1995. — Sapa.
WINDOWS ON THE WORLD . . . CI Caravans, which is now exporting to Holland, has developed a new range to meet European requirements. From left, marketing director Vincent White, MD Richard Carde and export despatch controller Colin Liptrott discuss the double glazed windows considered necessary for insulation in Europe.

Business Staff

CI CARAVANS is believed to be the first manufacturer in the southern hemisphere to export caravans to the highly competitive European market. MD Richard Carde says it plans to dedicate 10% of production capacity to export volumes following a deal for fully assembled caravans with the largest distributor in Holland, MPH Rekreakie. Further long-term deals to export components and motorhome bodies to other countries are being discussed.

Carde said his company was recognised as a world leader in low-profile caravan design.

CI Caravans nets key European export deal

CT 23.12.13

It had developed the Saifarirange, based on the Sprite, for the European market. This offered a choice of toilet compartment, end kitchen and double dinette lay-outs. There was also an ultra-light model with a fully opening tailgate.

"As the end kitchen version is unlike anything available in SA, we are currently launching a limited edition locally."

Carde said that to meet climatic requirements the export caravans had double-glazed windows and insulated floors and body. European ventilation requirements to combat damp also made design modifications necessary.

"European road traffic regulations stipulate that caravans must have white riding lights above the front window to indicate a higher than normal vehicle to oncoming traffic."

"This is a feature we are now putting into our local Sprite models."
Exports to Africa ‘will surge’

SA exports to neighbouring African countries were expected to surge in 1994 following the recent improvement in political relations, trade sources said.

The prediction follows another year of soaring exports to the subcontinent. But the sources warned that SA’s trading relations remained severely imbalanced, with exports far outweighing imports from African countries.

Exports between January and October rose to R3,4bn from R4,7bn in the same period last year, while imports totalled R1,4bn (1992: R1,1bn).

Sacob international trade portfolio manager Bess Robertson said the economic diversification programmes undertaken by many African countries offered opportunities for contractual engagements.

Safico spokesman Andrew Maggs said: “Doors have been opened for our finished products and we will be steering our clients to the emerging markets of Mozambique, Tanzania and Ethiopia.

“In Africa our competitiveness is without doubt good because we know the markets very well and the geographical proximity gives us the edge over European competitors.”

Johannesburg Chamber of Commerce and Industries trade promotions manager Gordon Griffiths said a great export potential — previously unexploited — existed for SA in West African countries. He said African countries were retreating from expensive EC markets in favour of African products. “And they are impressed with our quality and the delivery period is better than that of EC countries.”
Plastics firm exports to South America

A CAPE Town-based plastics company has secured export orders for materials handling products from Chile and Argentina, fattening its order book after landing export orders from the European poultry industry in November.

Technoplastics converter Exactcraft's marketing manager Cedric Parker was tightlipped about the size of the order but it is believed to be worth more than R2m.

Reports last month said the company's European export order was a five-year contract. Parker said the South American exports were not contracts and had no definite life span.

The company's vertical blinds — awarded a 1993 Cellinan design award — and its materials handling equipment would make up the bulk of exports to South America, Parker said.

The company said the economies of these South American countries were growing at an annual 8%, which fuelled demand from the construction and materials handling sectors.

The company began exporting to Argentina's mining and poultry industry in 1987.
Explorers concerned of health

The production of more than 100 million people with an

resulted in the creation of a new export sector. The

excess production of iron, steel, and other materials

led to the growth of an export sector. This sector

contributed to the development of new export

markets, including Europe, the Middle East, and

the Far East. The export sector was an important

factor in the economic growth of the country.

The growth of the export sector was also

attributable to the development of new

marketing strategies and the expansion of

export networks. These developments led to

improved marketing and increased sales abroad.

The growth of the export sector was also

beneficial for the country's balance of payments,

as exports provided a source of foreign exchange

that could be used to finance imports. The growth

of the export sector was a key factor in the

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of the export sector was a key factor in the
Exporters expect healthy growth, says Safto survey

SA exporters are confident exports will continue to grow at a healthy rate next year, says Safto economist Carlos Teixeira.

Safto's exporter confidence barometer showed that expectations for the next 12 months were at their highest since the fourth quarter of 1991. This was the fourth consecutive quarter the index had risen.

Teixeira predicted that real growth in exports would be between 5% and 5.5% next year.

Exports would be fuelled by the opening up of new markets, higher growth rates in the economies of SA's traditional trading partners and the further depreciation of the rand.

New markets included eastern Europe, Russia, Asia and China.

Exports to Africa were up by a cumulative 13.6% in the 11 months to November compared with the same period last year while exports to Asia climbed 17.7%.

The rise in sales to foreign countries was expected to come from a broad range of categories with traditional primary product exports showing the best growth rates.

This year's main export categories were unclassified items — which included gold — followed by base metals, diamonds and mineral products.

"Traditional exports like gold and diamonds have supported our growth in 1993. SA will only export higher quantities of non-traditional items like manufacturing goods when local industries become more internationally competitive," Teixeira said.

The poor performer in 1993 were chemicals, textiles, pulp and paper and plastics, he said.

The manufacturing categories that showed improvement were exports of machinery, chemicals and transport equipment.

On the import side a steady growth was likely until the election, he said.

If the political situation turned out well, imports could increase sharply.

The category that was expected to show the largest rise was imports of industrial materials and capital goods, Teixeira said.

GERALD REILLY reports that Safto CEO Len van Zyl said an average of between three and five foreign trade missions a week had visited SA during 1993.

The private and government missions came from 32 African countries and 41 other countries worldwide.

Van Zyl said 1994 would see an intensification of interest with even more delegations arriving.

However, he cautioned against euphoria, saying expanded trade "will not just happen."

The hothouse industries that mushroomed behind tariff walls as part of a self-sufficiency policy would arguably have to become price and quality competitive or disappear.

International markets had opened up, but there was no easy route to an effective penetration.

SA was increasingly seen as the hub of a vast region of more than 100 million people with an almost incalculable pent-up demand for consumer goods.

Van Zyl said it was clear too that international donor nations which had ploughed billions of aid dollars into Africa were likely to use SA as a centre of expertise and financial and banking structure to help manage aid funds.

Van Zyl said a feature of an eventful year had been the 12-man mission to India which he had headed.

Interest in SA as a trading partner was intense, but like most other countries, India was eager to sell as well as buy.

Johannesburg Chamber of Commerce and Industry promotions director Gordon Griffiths said the chamber had hosted 60 delegations during the year. It was clear that interest in stronger trade links with SA was likely to continue even in a disturbed political climate.

However, investment was something else. This would obviously depend on greater stability and on a new government's economic policies.
FOREIGN TRADE - EXPORT (GEIST)

1994
Competition is keen for export zones licences

A NATIONAL Economic Forum decision on certain aspects of export processing zones is still awaited, but meanwhile there are about five contenders for the two or three zone licences expected to be granted this year.

Gateway Park export processing zone marketing director Frans Badenhorst, whose company is involved in their establishment, said the main contenders for the licences were Cape Town, the Vaal Triangle, East London, Pietersburg and the PWV. Although the zones were initiated by the private sector, the scale of the projects required them to fit in with regional planning.

Trade and Industry Department deputy director-general Gerry Breyi said no final decision had yet been made on aspects of zones such as sites, when they would come into operation, the requirements for businesses and the benefits they would offer.

In November the department published a revised discussion document which proposed that businesses established in the zones would pay no company tax for 10 years and would be exempt from VAT, import duties, excise duties and surcharge payments. These businesses might also be able to transfer dividends, royalties and interest through the commercial rand without restriction, while exporting companies could hold foreign currency accounts with SA banks.

The zones were aimed at recently incorporated companies with new manufacturing capacity, but relocation of existing companies would be considered on merit. The entire production of each user would have to be exported.

Attorneys Hofmeyr Van der Merwe said in their latest Tax Newsletter that zones worldwide were established to create job opportunities, encourage the export of manufactured goods by domestic manufacturers and encourage foreign investment in the domestic market.

It quoted a recent World Bank estimate which showed that about 80% worldwide had been successful, while 10% were partly successful and 10% clearly unsuccessful.

"Whether or not an export processing zone succeeds in achieving its stated purposes depends to a large extent on the benefits which may be derived by export orientated manufacturers," the attorneys said.

A conference on export processing zones and other trade incentives will be held in Midrand on January 27 and 28. Speakers will include Breyi, Steel Engineering Federation of SA chief economist Michael McDonald, Cosatu national campaign co-ordinator Jayendra Naidoo and Reserve Bank GM, exchange control, John Postmus.
SA exports to Britain post healthy increase

From LINDA ENSOR

LONDON. — SA exports to the United Kingdom rose by about 10% last year, executive director of the UK-SA Business Association, Nick Mitchell, said in an interview yesterday.

While the trade figures for December were not yet available, it appeared that UK imports from SA last year would amount to £950m. This compared with UK exports to SA of £1,1bn which represented an increase of about 3%.

Mitchell noted, however, that there were in addition about £1bn in invisible UK exports to SA annually in the form of shipping, insurance, consultative fees, banking and dividends.

He pointed out that the sharp rise in SA exports to the UK came off a very low base, as these had shown a significant fall of 10% in both 1991 and 1992.

UK exports to SA mainly comprised machine tools, power generation equipment, chemicals, and machinery.

Mitchell anticipated a growth in UK telecommunication and industrial electronic exports to SA in future. Also, the implementation of the new GATT rules could have a dramatic impact on UK-SA trade over time as the SA chemical and motor vehicle industries had been heavily protected in the past.

Mitchell also saw significant opportunities for UK exports in the development of SA’s tourism industry which would require luxury coaches, textiles and exclusive crockery.

He said that a mission of black and white businessmen was due to visit Britain next month, sponsored by the British and SA departments of trade and industry.

Mitchell knew of about 20 to 30 modest UK investors planning investment in SA but said major investors were waiting until the after the election.
SA exports to UK
rise 10% in 1993

LINDA ENSOR

LONDON — SA exports to the UK rose about 10% last year, UK SA Business Association executive director Nick Mitchell said yesterday.

While the December trade figures were not available, it appeared that UK imports from SA would amount to £350m. This compared with UK exports to SA of £1.1bn, an increase of about 3%.

Mitchell also noted that there were about £1bn annual invisible UK exports to SA in the form of shipping, insurance, consultative fees, banking and dividends. The sharp rise in SA exports to the UK had come off a very low base, as these had shown a fall of 16% in both 1991 and 1992.

UK exports to SA consist mainly of machine tools, power generation equipment, chemicals and machinery.

Mitchell expected a growth in UK telecommunication and industrial electronic exports to SA. Also, the implementation of GATT rules could affect UK-SA trade. He also saw significant opportunities in the development of SA's tourism industry.

A mission of black and white businessmen was due to visit Britain next month, the first of a spate of such visits.

Mitchell knew of about 20 to 30 modest UK investors planning investment in SA but major investors were waiting until after the elections. There was an awareness, though, that there were only a limited number of worthwhile investment opportunities, which would be rapidly taken up.
Call for free trade regime for exporters

From GRETA STEYN

JOHANNESBURG. — Trade reform in terms of GATT would have to be supplemented by measures to support export development, Industrial Development Corporation GM Philip Kotze said yesterday.

The impact of trade liberalisation was low — it would raise GDP only 0.35% — and its stimulus of export development could be overestimated if there were no positive measures to encourage exports.

Speaking at a conference on GATT, Kotze said SA would have to approach the phasing out of the general export incentive scheme by introducing a free trade regime for exporters. They should have duty-free access to imported materials used in export production.

Provision was already made for this in the Customs and Excise Act and adaptations to GEIS could be made to encourage fuller use of the measure. While GEIS incentives were based on local content, the formula could be changed to reflect neutrality between local and imported inputs.

Local suppliers of materials and components would have to sell at internationally competitive prices to exporters, Kotze said. A second way of supressing the level of GEIS could be reclassification of products at present enjoying GEIS benefits.

GEIS exports represent about a third of total exports, but if left unchanged, would rise to more than 40% in a few years’ time. GEIS had risen as a percentage of GDP from 0.3% in the 1990/91 fiscal year to 0.7% this fiscal year, he said.

"Tampering with GEIS does not serve the longer-term aim of becoming sufficiently competitive to be able to do without subsidies", and comply with GATT.

Meanwhile, in Brussels, the European parliament is insisting on the right to approve last month’s historic GATT agreement, threatening a lengthy legal wrangle which could delay enactment of the vast trade-liberalising accord.

The Strasbourg Euro-MPs say they will take the EC commission to the European Court unless it accepts their right to say yes or no to GATT, which is due to be formally signed by all 118 contracting countries in Marrakesh this April.

Jean-Pierre Cot, leader of the 198 Socialists who dominate the parliament, said Sir Leon Brittan, trade commissioner, must acknowledge the parliament’s rights at their session next week. "We will go before the Court," he said yesterday.

A Luxembourg legal action, which could take up to a year, would paralyse the ratification of GATT.

Unlike the Maastricht Treaty, the GATT can survive even if it is thrown out by one or more contracting countries; but it would be worthless without EC approval.
UK bought 1m cases SA wine

Own Correspondent
LONDON. — About a million cases of South African wine were sold on the UK market in 1993 — a target the industry expected to reach only in 1995.

The growth in consumption of South African wines has been spectacular since 1990, when only about 150,715 cases were sold. Wines of SA director Mr Rupert Ponsonby said yesterday.

The figure was 307,614 cases in 1991 and 504,355 cases in 1992.

Mr Ponsonby said consumption of South African wine in the UK had overtaken that of competing new wines from Chile, California, and New Zealand, but not yet reached the level of Australia.

By the end of October 1993, 7.2 million litres of South African wines had been imported into the UK, compared with 4.5m litres from New Zealand, 3.7m litres from Chile and 34.3m litres from Australia.

Total UK wine imports during this period amounted to 16.4m litres.

Wines of SA, originally set up by the KWV, is responsible for about 90% of South African wine sales in the UK.
Challenges and opportunities

Exports soared in the sanctions years. Now the outlook is even brighter.

By raising huge hurdles for SA businesses, more than seven years of sanctions may well have boosted export industries.

The pressing need for forex earnings since 1985 made exports a policy priority. And the steep devaluation of the rand after foreign credit facilities were withdrawn that year made SA goods more competitive.

These benefits came with a price tag: several years of high and rising inflation following the currency devaluation, and the cost to taxpayers of subsidizing export promotion schemes. But they explain, in part, the remarkable rise in exports over a period when many countries were trying to bar or reduce their imports from SA.

Working in SA's favour was strong international growth in the Eighties. The rise in demand proved stronger than political pressure to boycott SA. Nedcor Bank economist Kevin Lings, who is preparing a report on the effects of sanctions on nongold exports, says in the EC, particularly, there was lack of will to impose strict sanctions, except against coal and basic iron & steel.

According to SA Coal Report, purchases by the EC fell from 25 Mt in 1983 below 20 Mt in 1987. But sanctions were not applied uniformly. Chamber of Mines economist Roger Baxter says: “While some countries, such as France and Denmark, cut coal imports, more went to Germany and the Mediterranean countries.”

Only in the US was political will strong enough to impose effective sanctions, and then mainly on iron & steel — which, Lings

FINANCIAL MAIL  •  JANUARY 14  •  1994  •  19
Real merchandise exports to GDP: ratio

![Graph showing real merchandise exports to GDP ratio from 1983 to 1992.](image)

...and graphs) show strong growth in trade with the Far East and Africa — which accelerated when SA adopted a new political profile in the early Nineties.

According to Frank Dunlop of First National Bank’s International Business Centre, exports to Africa and Asia have increased, while import growth has been in trade with Asia, Europe and the Americas, particularly South America.

Lings says imports from Asia have climbed from 14% of the total in 1982 to 23% in 1992, exports from 13% to 18%. “Some growth has been with new trading partners like Thailand and Korea. They didn’t feature at all in 1982 but accounted for about 1% each of total trade in 1992.

“Asian growth has been primarily in traditional export items: coal, iron & steel, other minerals, and secondary mining products. To Africa, export growth has largely been in consumable items: food, beverages, tobacco products and the like.”

He believes growth in Asian exports wasn’t exclusively sanctions-related: “There may have been a shift in that direction, anyway, given the growth in those economies and their consequent growth in imports.”

Taiwan, which took 4.5% of SA’s nongold exports in 1982, bought 12% in 1992. Coal exports to South Korea, Taiwan and Hong Kong climbed from 5 Mt in 1985 to 13.8 Mt in 1989. These markets helped total coal export volumes rise 62.2% in 1981-1991.

Steel was another industry that exploited the Asian opportunity. Says Iscor PRO Nick Howitt: “When certain markets, like North America and Europe, closed to Iscor’s exports, we successfully developed other markets, particularly in the Far East/Pacific Rim countries, which enabled us to continue exporting excess capacity.”

Now that sanctions have ended, Iscor has been able “to reestablish marketing networks which were operative when sanctions were imposed. But our main exports are still to markets developed in the sanctions years.”

Post-sanctions opportunities emerged in the Far East — a fast-growing communist China, as it experimented with market policies and trade liberalisation, double its share of world trade in a decade. Once again Iscor benefited, says Howitt: “China’s crude steel production increased by 33% to 80 Mt in the past year. It is a major importer of iron ore, of which our Sishen mine supplied a substantial amount.” Iscor plans to open an office in Beijing “to ensure further development in this market.”

The benefits of SA-China trade move mainly in the opposite direction. Lings’ analysis shows a R154m trade deficit with China in 1992. SA’s largest import category is textile & textile articles — R140m.

By far the biggest export — R251m of a total of R498m — is in vehicles & equipment. Says Volkswagen communications manager George Platell: “With the 8100 Jetta supplied by VW SA in 1992 against an order for 12 500 received that year from a joint venture between VW Germany and FAW, a Chinese government-backed organisation.

“An order for 17 000 more Jetta, placed in mid-1993, was frozen in November, while China works out its forensics. It now looks as if it will continue. On completion, the total order would be worth R500m.”

Also showing interest in SA are India, Pakistan and Australia, says Gordon Griffths, of the Johannesburg Chamber of Commerce & Industry. Countries which imposed stringent sanctions and are now potential growth areas are Singapore, Malaysia and Indonesia, says Webber Wentzel international trade partner Leora Blumberg.

Of course many of our new customers are eager to establish export markets for themselves. “India,” says Griffths, “is aggressively marketing textiles, leather products, jute, tea and rice. And investors are interested in joint ventures — mainly in India.”

In 1992, SA recorded an R89.5m trade deficit with India, according to Lings. Of total imports from India worth R109.6m, R40.2m consisted of textiles & textile articles.

His analysis also shows a deficit in trade with Singapore — R352.8m. Of imports worth R645.2m, R299.3m was machinery & electrical equipment. There was also a R380m+ deficit with Malaysia. SA’s biggest import item was R154.5m fats & oil — mostly cottonseed and sunflower seed oil.

Overall trade with Asia, however, created a surplus of nearly R300m in 1992.

Trade with the Middle East is still comparatively small. SA has had dealings mainly with Iran and Israel, says Natal University’s Gavin Maasdorp. But there are opportunities in other states where Maasdorp sees “a competitive advantage in foodstuffs, steel and building materials.”

Baxter sees potential for arms exports to this region.

Trade with Africa has been significant. Says Lings: “In 1982 it was about 5% of the total; in 1992, 9%.” Customs & Excise fig-
Lings fears limitations to this market. “There’s little demand for the kind of goods we sell to industrialised countries. And exporters have had difficulty getting paid. A large proportion of exports to Africa are re-exports of machinery & equipment. This, together with food products, is likely to remain the predominant trading pattern.”

But a number of exporters are finding the continent profitable — among them Andrew Martalas, MD of Tiger Oats subsidiary Imex International. “We have seen strong and consistent growth in an undertaking started two-and-a-half years ago — exports of finished goods to Africa. Main destinations are Mozambique, Zambia and Malawi.”

Customs & Excise notes a R4,7bn trade surplus with the rest of Africa in 1992. Griffiths says that, in 1993, many of the 60 trade missions and delegations to visit SA came from Africa — Egypt, Ivory Coast, Congo, Gabon, Cameroon, Zaire, Ethiopia, Kenya and Tanzania.

Activity has accelerated in recent months, especially in December when, Griffiths says, “we were exceptionally busy providing certificates of origin — especially for goods bound for Mauritius, Zimbabwe and other African countries.” Lings research shows that, in 1992, SA had trade surpluses with these countries: Mauritius R379m; Zimbabwe R791m; and Zambia R1,1bn.

Main exports were: to Mauritius, R94m base metals & articles; to Zimbabwe, R384m base metals & articles; to Zambia, R212m machinery & equipment.

However, traditional trading partners remain the major players — the US, Germany, the UK and Japan. Lings established that total trade with the US and Germany in 1992 amounted to nearly R12bn each, with UK trade worth nearly R10bn and with
PORT ELIZABETH—Cadbury SA has been awarded a multi-million rand contract to export South Africa's Lunch Bar and Crunchie chocolate brands to Russia.

Managing director Mr. Piet Beyers said that the company, with its head office in Port Elizabeth, had already started exporting the chocolates.

Russians are now able to enjoy the "much more munch" of the uniquely South African Lunch Bar. The Crunchie line, an international brand, forms the other part of the contract.

Mr. Beyers also said the US-based Wrigley company had appointed Cadbury as distributor of its chewing gum brands in South Africa.
Russians munch SA-made Crunchies

PORT ELIZABETH — Cadbury SA has been awarded multimillion-rand contracts to export SA chocolate brands Lunch Bar and Crunchie to Russia. MD Piet Beyers said the company had already started exporting the chocolates. He would not disclose the value of the contracts. The chocolates are being distributed from St Petersburg and Moscow.

Negotiations with the Russians started last year and Beyers visited the country in September to explore this "very big chocolate market", that had tremendous potential for exports. (74C)

Cadbury won a six-month contract for Lunch Bars at the end of last year and the order was recently extended. The company was expanding its manufacturing capacity at its Port Elizabeth plant to cope with the increased volume, Beyers said.

The Crunchie contract had just been awarded and other inquiries for chocolate and sugar products were being negotiated. Beyers said the Chicago-based Wrigley Company had this month appointed Cadbury its SA distributor of chewing gum.
China resumes Volkswagen imports

Volkswagen SA yesterday confirmed that it was to resume exports of left-hand-drive Jetta to China. 

VWSA MD Peter Searle said an order for 3,600 units had been placed. 

The order followed uncertainty about further exports after the project was placed on hold at the end of last year. 

Worth about R125m, the order guarantees shipments until June and indications are that further orders may be forthcoming in the second half of the year. Since exports to FAW-VW China began in May 1991, VWSA has shipped 14,285 vehicles. 

"This comes at a time when VWSA has achieved a significant improvement in productivity and quality, and this further enhances the positive future forecast for 1994. It also secures the positions of about 720 employees employed exclusively for the China project for the duration of this contract," Searle said. 

The Jetta will be exported in semi-knocked down form to the FAW-VW Automotive Company in ChangChung city. The company is a joint venture between Volkswagen AG in Germany and the Chinese government. In terms of the original plan VWSA was to have exported 30,000 cars, worth about R500m, by the end of 1994. 

The Chinese government halted the imports in November in an attempt to stop the heavy use of foreign exchange, which was overheating its economy.
Motor industry's exports are soaring

FOLLOWING the lifting of sanctions, automotive industry exports soared 24% last year to R1.5bn, the National Association of Automotive Component and Allied Manufacturers (Naacam) said yesterday.

Exports of completely built-up vehicles accounted for R556m, while component exports were R1.3bn.

Total automotive exports were R1.5bn in 1992 and R900m in 1991.

Naacam president John Brandtner predicted that exports would continue growing, eventually making up more than 50% of the component manufacturing industry's output.

"The component industry's exceptional export achievement has come about via success in meeting international quality standards and the past four years' car market slump which has encouraged component manufacturers to find buyers elsewhere in the world."

The success was also a result of a commitment to skills training and excellent research and development.

"We have proven our industry's ability to address productivity and achieve global quality standards. This has helped us survive a four-year economic recession and has strengthened us to be more prepared and confident about our ability to face future challenges."

Brandtner said the motor industry development programme, which was likely to succeed the present local content programme, would encourage model rationalisation, which in turn would improve economies of scale in component manufacturing. This would further enhance the international competitiveness of component companies.

He said exports were still being hamstrung by factors such as the soon to be abolished Phase Six of the local content programme, which prevented component manufacturers gaining direct access to export incentives.

Also hurting the industry was the high cost of capital equipment and raw material protection, and the uneconomic production runs caused by the small and highly fragmented local vehicle market.

"We need increased material local content in SA motor vehicles in order to achieve longer component production runs, lower unit cost, less dependence on expensive component imports and less exposure to exchange rate fluctuations."

Brandtner said SA components were being exported worldwide to manufacturers using SA parts as original equipment in vehicle production, as well as to major international parts wholesalers and distributors.
'Demand for SA products grows'

By AUDREY D'ANGELO
Business Editor

GERMANY offers a growing market for SA food and wine exports, says its vice-consul in Cape Town, Jürgen Kurzhals.

A statement issued by the consulate this week quotes market analysts as saying: "As one of the leading African producers of fresh fruit and vegetables, processed food, meat and meat products, alcoholic and non-alcoholic beverages and fish, SA can benefit from the growing demand for these products in Europe."

A spokesman for Unifruco confirmed yesterday that Germany has become as big a market as the UK for SA fruit.

"Germany is now our biggest market for table grapes and they buy the full spectrum of other fruit from this country, from apricots to apples," Pamela Murray, who heads the SA Foreign Trade Organisation (Safto) European desk, said. "The German market has opened up tremendously, particularly in the last six months."

"In addition to selling

Wine sales to UK soar

Own Correspondent

LONDON. — Newly released figures on SA wine sales in the UK in November showed a dramatic increase in sales, with 1.47m litres being sold compared with the 844 974 litres in November last year.

In October last year 932 903 litres were sold.

The November figures bring total SA wine sales in the UK in 1993, including December, to 8.7m litres compared with 4.9m litres of Australian wine sold, 25.8m litres of Bulgarian wine and 10.4m litres of US wine.

SA wine sales were ahead of sales of wines from Hungary, New Zealand and Chile.

directly to German customers, some of the goods SA sends there are re-exported to other countries, particularly in Eastern Europe. Germany has traditional ties with Eastern European countries, particularly Hungary, Poland and Czechoslovakia.

"If there is a problem in exporting to these countries it is easier to go through a German trading house or exporter."

The statement issued by the German consulate in Cape Town this week says SA's participation in the Anuga World Food Market in Cologne in 1993 "helped to focus attention on the growing marketing potential in Europe for its food items and beverages."

The statement points out that the European Community is the world's largest market for food. And Germany accounts for the lion's share of food imports.

- The SA Tourism Organisation (Satoor), has been running a joint marketing campaign with German airline Lufthansa for the past year.

Lufthansa now has seven return flights a week between Germany and SA — three from Cape Town.

The latest figures available from Satoor show Germany in second place, behind the UK, in a list of the top 20 incoming tourist markets.
‘Static year for Langeberg’

CAPE TOWN — Unchanged deciduous fruit exports by Langeberg would probably offset a minor improvement in earnings from local sales, MD Ray Brown said yesterday.

Speaking at an Investment Analyst Society presentation, Brown said the group's export operating arm, Langeberg Foods International, foresaw no early demand increase from its major markets in recession-hit Europe.

Positive factors to affect exports would derive from measures taken last year to improve productivity.

The group's earnings fell 23.4% to 41.5c (31.7c) a share in the year to end-September 1993. The operating margin fell to 11% (13.9%).
Academic has doubts about export zones

MUNGO SOGGOT

EXlPORT processing zones (EPZs) would not solve SA's economic plight, Rhodes University lecturer Etienne Nel warned yesterday.

...He told the EPZ and other trade incentives conference that the "radical alterations in economic policy" which EPZs might require could threaten the needs of SA industry.

...He outlined some of the negative aspects of EPZs which had emerged from international experience. One of their disadvantages was that their contribution to national economies could be quite small, as in Taiwan and Korea where EPZs accounted for under 5% of total exports.

Another disadvantage was that profits from EPZ host countries often left the host country, limiting actual foreign exchange earnings. According to the Industrial Development Corporation, foreign exchange earnings could often be as low as 15%-

55% of the total national value of their exports. (Tt L.G)

"Arguably one of the most serious weaknesses of an EPZ-oriented policy stems from their inherent vulnerability to global economic trends," he said. The present potential for global recession threatened future EPZ-based strategies.

Nel said: "Probably the biggest single consideration which will determine the implementation and viability of EPZs in SA... is the labour issue." He said SA's labour movements were clearly not in favour of EPZs, making it imperative that government and business did not "steamroll the passage of EPZs".

However, EPZs could offer SA numerous advantages -- including greater international integration and the encouragement of foreign investment -- if they were set up with "due regard for their limitations and SA's employment needs and labour views".

They could help create jobs, introduce new skills and stimulate local retailing and services.

JOHN DLUDLU reports Gateway Park director Neels de Villiers said SA had to move quickly in establishing export processing zones to beat the 1995 deadline of the phasing out of export subsidies.

He said SA's planned EPZs should be fully operational by July next year when all export subsidies were expected to be phased out in terms of GATT requirements, including the general export incentive scheme administered by the Trade and Industry Department. By 1990 the country's export promotion policy should aim at "free trade status" in keeping with the Uruguay Round of GATT talks.
Wesgro chief calls for EPZs

MARC HASENFUSS

WESGRO executive director David Bridgman came out strongly in support of export processing zones (EPZs) at an EPZ conference in Johannesburg this week.

EPZ proposals are currently under consideration by the National Economic Forum.

Arguing that the Uruguay round of Gatt has brought about a fundamental change in South Africa's export environment, Dr Bridgman urged business and labour delegates on the NEF to put aside their vested interests and support EPZ proposals.

He said these were a first step in creating a climate for long-term economic growth.

"It is imperative for South Africa to become export-focused if we are to achieve sustained economic growth."

He said the EPZ proposals to the NEF were a major step forward — but he stressed that they would mainly meet the requirements only of new and, particularly, foreign investors.

"It is now necessary to focus more attention on the needs of domestic investors, addressing both export and local markets."
ANC assets threat 'no cause for alarm'

By KEVIN DAVIE

LIFE assures are making light of the ANC's threat to use prescribed asset requirements to compel them to invest in socially desirable projects.

They believe prescription will be unnecessary.

"I'm bullish that the industry can be part of the solution without prescription," says Sanlam managing director, Desmond Smith.

Mr Smith says the new government could provide guarantees to reduce risk and secure market-related returns for investors.

The latest draft of the ANC's reconstruction and development programme says that excessive risk aversion prevents major financial institutions from investing in socially desirable projects, the government "should consider some form of legislative compulsion such as prescribed assets".

Mr Smith says financial institutions can play a useful partnership role with government so that money goes to needy areas.

Life Offices Association (LOA) figures show that insurers had assets of R25-billion last June.

This included R14-billion in shares (including unit trusts), R13,8-billion in notes and deposits, R49-billion in public-sector stock and loans and R27-billion in property.

Assurers have R49-billion in government and para-statals.

Property was Sanlam's best-yielding investment last year. Only about 4% of Sanlam's property portfolio was unoccupied.

Mr Smith says stringent requirements have to be met before Sanlam makes new investments in property.

LOA director Jurie Wessels says it would be naive to believe that prescribed assets will not be on the agenda of the next government.

Mr Wessels says that with prescribed assets will come a bureaucracy to manage expenditure.

"There is no shortage of money, there is shortage of feasible projects. This can mean you get a pool of money which you can't spend. The bureaucracy then consumes the money."

The life business is looking to its Investment Development Unit (IDU) to assist through creating instruments to facilitate new investment in development.

Peter Barbe, formerly of BMW, was recently appointed chief executive of the IDU. He is under pressure from insurers to develop these instruments.

The IDU has with Eskom launched electrification participation notes to raise funds for the electrification of houses for low-income earners.

It is believed that the IDU is unlikely to launch development initiatives before the election.

Fraud delays Geis refunds

EXPORTERS face delays of up to nine months in receiving payments under the general export incentive scheme (Geis) as the Department of Trade and Industry clamps down on fraud.

A sharp increase in exports is also blamed for the delay. However, there are fears that some exporters could go under waiting for their money.

Dennis Jones of Prime Pine products, a timber exporter based in George, says he had to wait four months for a Geis claim of R600 000. His claim was settled after appealing to the Minister of Trade and Industry. He was told he would have to wait six to nine months for his claim to be settled.

A Department of Trade and Industry source says there are 4 000 backlogged Geis claims. Only 700 are processed each month.

"The delays are caused because of measures designed to clamp down on fraudulent claims," says Mr Jones. "But in the process, law-abiding companies are being put at risk."

Deputy director-general for Trade and Industry Gerrie Breyi says: "It is indeed so that claims where irregularities are discovered or suspected could be delayed for many months. Processing has been slowed down by extra control measures."

Mr Breyi says the normal processing time for claims where no fraud is suspected has increased from the three months to four months.

Geis is expected to cost the fiscus R1,6-billion this year, but the figure could be higher because of the increase in exports.
BMW SA set to export worldwide

MICK COLLINS

BMW SA is investing more than R100m at its Rosslyn plant in preparation for the export of fully built-up cars to world markets.

This move will see the company dramatically cut back the manufacture of its current model range in SA, with one source suggesting the production of just two models, down from 16.

BMW SA MD Rainer Hagemann said with the lifting of sanctions BMW in Munich would take full advantage of its investments in SA.

"It has been clear for many years that simply producing a wide range of models ─ everything from the 318i to the 850i coupe ─ for the domestic market did not make business sense. A major effort is being made by BMW SA to bring costs in line with world competitive standards.

"It is expected that BMW SA will start exporting cars to world markets towards the end of 1994, beginning with modest volumes," Hagemann said.

"It was essential then that BMW SA reduced its number of models. "This is the only option available to successful exporting. This would mean replacing those models that are no longer going to be built in SA with cars imported from Germany.

"And in order to ensure that our customers in SA benefit from our export project, these cars would have to be imported at preferential duty rates," he said.

"This in turn would depend on the outcome of the restructuring of SA's local content programme."

"With BMW SA now able to apply economies of scale in terms of volume production there is no doubt that this export programme will not only benefit BMW owners but the whole of SA."

"Higher-volume production will mean that car price increases will be slowed down significantly, given exchange rate and inflation rate stability. SA will also undoubtedly benefit from foreign currency earnings," Hagemann said. "Where BMW SA will export to is not yet known."

Last year the company's exports totalled R450m ─ about 25% of the SA motor industry's total exports."
EXPORT PROCESSING ZONES

Don't hold your breath for free-trade areas in SA. Export processing zones, one of the official names they go by, were investigated by official commissions in 1978, 1986 and 1992; there was a formal proposal to government in 1992 and hoped-for approval by parliament last year, until Gatt hogged the limelight.

Now the National Economic Forum is looking into them again. But "probably not before the second half of this year" will we see even the most preliminary export-zone action, says Seifsa economics division head Michael McDonald, a key player at the forum. "If not late this year, maybe next year. Maybe never."

Why, when there are export-zone success stories all over the world? When there's such a big push here to export in order to create jobs? When SA is clamouring for the foreign investment that a free-trade area would bring? When, according to Frans Badenhorst, of export-zone lobby group Gateway Park, an American aircraft concern is itching to produce planes here, if Gateway Park's proposed zone in Cape Town could get off the ground?

The answer is controls, McDonald says, meaning not enough of them. "There are already massive abuses of the General Export Incentive Scheme. If we don't have a proper monitoring system, what's happening with Geis will multiply twentyfold with export zones." But Customs & Excise commissioner Daan Coleski says the department has agreed to export zones in principle and "when we get the go-ahead, certainly we will be able to provide customs control. We will need additional staff, but it is not as if staff will have to double overnight." (Business & Technology May 28).

Trade unions are also opposed to export zones under the current proposals. "We don't believe export zones are the answer to the export-promotion problem," says Numsa's Alec Erwin. "They give short-term incentives that can easily be matched by any neighbouring country. We are looking at a whole package of policies to improve the general export environment."

Erwin says unions are particularly worried about the scrapping of labour legislation in any kind of free-trade zone. "He'll be participating in a meeting between business and labour to discuss export zones further and will report to the forum's trade policy task force."

But probably not soon. Export zones are only a small part of a long-term trade and industrial policy investigation that the forum is undertaking in order to make recommendations to government. Local industries still suffer under export-squeezing inflation, labour costs and tariffs.

So why aren't exporters piling on the pressure for the zones? Ove Arup consultant Terry Markman, an export zone specialist and lobbyist for a zone on the East Rand, says they will, soon. "The anti-zone lobby has become more lively recently. This will result in the pro-zone lobby realising that it can't sit back."

But McDonald and Badenhorst both say that many local exporters don't really want export zones. They're worried about losing their Geis benefits — under Gatt, Geis is due to be changed or phased out by the end of March 1995 — and at the same time facing competition from foreigners in export zones who get tax breaks and incentives they don't. They are concerned because SA companies may not be allowed to relocate to export zones, as has often been proposed.

Badenhorst wants export zones to replace Geis and pave the way for deregulation countrywide. "We're looking at export zones as a training ground for an open economy. Free trade is the name of the game. I've said it so many times it's getting boring."

Adds McDonald: "The reason to have export zones here is not to attract foreign investment but to change the current system, which is so heavily loaded against exporters. To try to set up an enclave that shows what all of SA should look like in 20 years."
OPTIMISM for South African products continues to increase with the latest news from Cape Town.

Singapore Airlines and Air-Malaysia will begin services to Cape Town next month, and other airlines have been shown the way by the increased demand for South African products over the past year.

The air cargo market has been buoyed by the increase in the demand for South African products, with a number of airlines increasing their services to the city. This has been further boosted by the increased demand for South African products in the international market.

The increase in demand has been particularly strong for products such as wine, meat, and fruit, with South African airlines reporting a significant increase in the number of passengers flying to the city.

The increased demand has also been reflected in the increased demand for cargo space, with airlines reporting a significant increase in the number of cargo flights.

The increased demand for South African products is expected to continue into the future, with airlines reporting a significant increase in the number of passengers flying to the city in the coming months.

The increased demand for South African products is expected to continue into the future, with airlines reporting a significant increase in the number of passengers flying to the city in the coming months.
Spare parts put exports into top gear

By DON ROBERTSON

2,549 light commercial vehicles, 74 medium commercials and 330 heavy trucks and buses, mostly from Mercedes-Benz.

But it will be a long time before exports rise sufficiently to balance the large amounts spent on imports. Motor imports last year cost R6-billion, of which R5,9-billion came from the sale of completely built-up vehicles and R1,33-billion from components.

Naacam president John Brandstater is confident that exports will eventually make up 50% of output from component manufacturers. National Association of Automobile Manufacturers of SA (Naamasa) figures show sales of completely built-up cars last year of 9,047, of which most were left-hand-drive Jetta's for China.

However, Phase VI may be replaced early next year under recommendations from the Motor Industry Development Programme. At present, vehicle manufacturers are able to gain foreign-currency for their own use through export rebates. Component makers, however, can negotiate the "purchase" of these rebates from manufacturers.

Other factors which affect component makers are the high cost of capital equipment and raw materials.

Mr Brandstater believes new legislation will encourage the rationalisation of models in SA. This could result in higher production of certain components and improve economies of scale.

He says: "We need increased local content in SA vehicles to achieve longer component production runs, improve unit costs, cut high-cost component imports and reduce the exposure to exchange rate fluctuations."
Iscor 'may suffer large export losses'.

Own Correspondent

JOHANNESBURG. — Steel producer Iscor could suffer large export volume losses after the shutdown of the N5 blast furnace at its Newcastle Works.

The furnace suffered a hearth burn-through late last month, after being relined recently at a cost of R1492m.

Sources close to the steel facility said loss of profits could amount to several hundred million rand. They said Iscor's insurance did not cover these losses.

They alleged the insurance company had indicated it would repudiate any claims relating to the shutdown. Iscor's management had been informed of the situation, the sources said.

However, Iscor MD Hans Smith denied these assertions and said the shutdown would not affect the company's bottom line. He added: "We have not yet submitted a claim, so our insurance company's reaction is still speculation at this stage."

He said such occurrences were adequately covered by self- and catastrophe insurance. The main contractor for the relining — Hoogovens of the Netherlands — was also adequately insured.

However, he added that Iscor could be responsible for the first R50m of any cost incurred — either through loss of production or repairs to the furnace itself.

"This amount will not come off our bottom line either as we have a contingency fund which provides for events such as these."

Once the furnace had been repaired it would be run at 75% of capacity for about two months to ascertain its performance. A further shutdown of between 45 and 60 days was envisaged after that.

"The total loss in production since the breakout to final repair could be between 300 000 tons and 400 000 tons," he said. But this was not catastrophic for Iscor as world steel markets were less profitable than the domestic market at present.

Iscor's marketing department had completed a rescheduling of production and while exports would have to be cut back, it was unlikely that local customers would be affected in any way.

An analyst said he did not expect the shutdown to have any significant effect on Iscor's earnings. Its interim results are due for publication later this month.
Unifruco expects record crop this year

CAPE TOWN — Fruit exporter Unifruco said it expected a record crop this year but wine grape producers were set for an average year.

Spokesman Fred Meintjes said although it was "still early days", it was expected that the number of cartons of pears, apples and grapes harvested for export would rise 20% to a record 44 million.

He said harvesting had started slightly earlier than usual because of the better weather conditions.

The constant early summer with hot days and cool nights also benefited wine grape producers.

KWV extension services manager Jan Booyse said that as a result the grapes had grown quickly and the harvest started two weeks earlier than usual.

Quality was also good but a record harvest was not expected. It was estimated that about 9.6 million hectolitres of wine would be produced compared to 9.1 million last year and a record 9.99 million the previous year. — Reuter.
Iscor lands lucrative Chinese export deal

IN A major boost for iron ore exports from its Sishen mine, iron and steel producer Iscor yesterday announced it had become a partner in the development and extension of a Chinese port at a cost of R45m.

The partnership is at the iron ore harbour of Qianwan in the Qingdao Port complex on the northeastern coast of the People's Republic of China.

Iscor has secured a dedicated iron ore storage facility for 300,000 tons and entered into a co-operation agreement with the Qingdao Harbour Authority.

Iscor iron ore business GM Johan Deetlefs said the venture opened up possibilities for future iron ore exports from Iscor's Sishen mine to China. The upgrading of the harbour facilities also created new opportunities for Safore - the shipping venture between Iscor and Safmarine.

Sishen exported 1-million tons of iron ore to China in 1999/00, and this year's exports are expected to soar to about 4-million tons.

In terms of the agreement a long-term working relationship has been established for the discharge, storage and reclamation of Iscor iron ore at the new Qianwan harbour, which is scheduled for completion by April 1.

"China's growth in steel production shows that it will surpass that of Japan (100-million tons a year) before the end of the century. "China has experienced substantial economic growth over the past five years and this is expected to continue over the next five years, albeit at a slower rate."

"China is Iscor's latest customer for Sishen iron ore and we want to be part of this dynamic development opportunity. I predict that any increase in Sishen ore exports will, to a large extent, be absorbed by our growing customer base within China. We intend doing long-term business with this country," Deetlefs said.

He said Qingdao harbour was strategically situated in relation to the many Chinese steelworks which used Sishen ore.

"The extension of the iron ore harbour of Qianwan ideally suits our future export needs to the northern part of China. "The harbour currently has a handling capacity of 68-million tons of cargo and the extensions will increase the handling capacity to 100-million tons a year."
Trade info by satellite

EXPORTERS in Cape Town can now be put in touch with prospective customers and suppliers all over the world, and exchange information about prices and requirements, through a computerized service supplied by World Trade Markets (WTM).

David Waite, the SA representative of New York-based WTM, has opened an office in Cape Town and plans to open others in Johannesburg and Durban.

He said yesterday that his company provides two services to subscribers:

The first is Active Search, which accesses WTM’s data-base in New York for lists of possible contacts. WTM agents all over the world then contact the companies which interest the client for further details, and the information is sent to the Cape Town WTM office by satellite.

In addition to this WTM offers an international mass mailing service directly out of New York at a fraction of the SA mailing charges.

The second service WTM provides is Trade Search. Subscribers to this receive a CD which gives clients access through their personal computers to a WTM data-base.
at Cisiki Prison
Hostage drama
The development began ...

Prisoners were not fed. Breakfast ...

at the Ciskei Central:
leaves and 3000 prisoners were ...
A Commissioner of Prison.

From Simon Abari

at Ciskei Prison
Hostage drama

The development began ...

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From Simon Abari
Holland to take 2 million tons of SA coal

South African coal producers will supply more than two million tons of steam coal to the Netherlands power utility NV-KWE in 1994, Kings Coal International reports in its latest publication.

Prices are expected to be around $27.50 FOB from Richards Bay.

The publication also reports that the 1994 negotiations of Japanese utilities with South African coal suppliers get under way shortly, but that there is a great deal of downward pressure on prices as demand for electric power declined in the latter half of 1993 and the utilities have substantial stockpiles of coal.

In the US, Southern Company is reported to be testing South African coal at its Gulf Power utility.

Hong Kong's China Light and Power is said to be looking for 500,000 tons of spot steam coal.

The utility bought 500,000 tons of South African steam coal on the spot market in August last year at $30 a ton.

However, the report says China Light and Power was unlikely to get such favourable prices again as the international market for South African steam coal was showing an improvement. — Sapa.
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Hong Kong’s China Light and Power is said to be looking for 500,000 tons of spot steamcoal.

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However, the report says China Light and Power was unlikely to get such favourable prices again as the international market for South African steamcoal was showing an improvement. — Sapa.
US to lift tariffs on SA exports

WASHINGTON — The Clinton administration is planning to remove tariffs on certain SA exports to boost the SA economy.

On Friday the US trade representative's office issued a notice in the Federal Register announcing its intention to designate SA a "beneficiary developing country" under the US generalised system of preferences (GSP). GSP permits the president to waive import duties on the theory that trade is a more cost-effective way of promoting development than outright aid, and can help open markets for US goods.

SA's eligibility to GSP benefits was restored last year by the SA Democratic Transition Support Act. Finance Minister Derek Keys signed a formal application for benefits on January 21.

Friday's notice invites comments to determine whether there are any objections to the application being approved. The deadline for submissions is March 23.

Ambassador Harry Schwarz said he was pleased the trade representative was "acting very quickly". He predicted the process would be completed within two months.

Grounds for rejection include membership of a commodity cartel, nationalisation without compensation, the granting of preferential treatment to other countries that has an adverse impact on US commerce, support of international terrorism and the failure to protect worker rights.

Not all products are eligible for GSP treatment. Exceptions include certain types of steel and glass, and textiles and clothing already subject to textile agreements. The president is entitled to declare any item "import-sensitive" and ineligible if he is persuaded by US manufacturers that GSP puts them at a disadvantage.

Simon Barber
Exporters told to go green
Metal exports tipped to rise 19%

BY STEPHEN CRANSTON

Metal industry exports are expected to increase by more than 19 percent over the next two years to R12 billion in 1994, says the CSI's Central Economic Advisory Service.

The Steel and Engineering Industries Federation (Seifisa) says the growth will be stimulated by the expected improvement in the world economy, a more competitive local industry resulting from the removal of certain tariff protection and the end to sanctions.

Exports have increased almost fivefold over the last decade from R2.1 billion in 1984 to R10 billion in 1993.

Exports of electrical and non-electrical machinery, motor parts and other manufactured products increased from R300 million to R2.5 billion.

Transport equipment exports surged from R170 million to R2.7 billion.

The export of fabricated and manufactured products was helped by the introduction of the General Export Incentive Scheme (Geis) in 1990.

Order intake levels in the metals and engineering industries are at their most favourable since the start of the recession in 1989.

Political uncertainty and the continuing high level of violence appear to be the only inhibitors to a major upswing this year.

The wide-scale infrastructure building required in housing, electrification, schools, hospitals and other services should provide the basis for growth in the metal and other industries.

Retrenchments continued last year but, at just under 23 000 in 1993, were at a lower level than either 1992 (32 000) or 1991 (34 000).

The numbers employed in the industry fell from more than 454 000 in 1981 to less than 250 000 in 1993.

Technological innovation has required a smaller, but better-trained workforce.

Seifisa expects some growth in job numbers, but it is unlikely to employ more than 380 000.
Metal exports ‘to grow 19%’

Own Correspondent

JOHANNESBURG. — Metal industry exports are expected to grow by more than 19% over the next two years to reach R12bn, according to the SA Steel and Engineering Industries Federation (Seifisa).

The growth, it says, will largely be stimulated by the expected improvement in world economies, changes in SA’s international trade policy, a more competitive local industry as a result of the removal of unnecessary tariff protection and the removal of virtually all international sanctions against SA.

Quoting figures supplied by the CSIR’s Central Economic Advisory Service, Seifisa says exports rose from R2.1bn in 1984 to about R10bn last year. Basic metals, including iron, steel and non-ferrous metals increased from over R2.1bn in 1984 to nearly double, R4.2bn in 1994.

“This remarkable increase was partially due to the sharp decrease in the value of the rand, but also to a major drive by metals producers to increase export performance at a time when local demand was particularly slack,” it says.

Exports of basic metals rose to over R6bn in 1989 and in 1993 peaked at just under R10bn.

“Ironically, this was achieved at a time when there was a world over-supply of steel of approximately 15% and prices for steel, aluminum and many other commodities were very low due to poor economic performance in most northern hemisphere economies.

“Exports of electrical and non-electrical machinery, motor parts and other manufactured products also increased considerably over this period from just over R300m in 1984 in the machinery sector to R2.8bn in 1993.

Transport equipment, including motor vehicles, parts and accessories shot up from around R170m in 1984 to nearly R2.7bn in 1993.”

On the domestic front, Seifisa says order intake levels are at their most favourable since the start of the current recession in 1989.

Seifisa says the encouraging downward trend in retrenchments in the metal and engineering industries is expected to continue during 1994 although “it is highly unlikely that employment will ever be as high as it was in 1981 when we had over 450 000 hourly-paid workers.”

“Probably even at major peaks in economic cycles, the highest number to be employed in the industry would be between 360 000 and 380 000 workers,” Seifisa says.
Fruit exports to rise

Own Correspondent

LONDON. - SA fruit exports to the UK and Europe were expected to show a sharp 20% rise to about 38-million cartons this year. Unifruco's marketing GM Ronan Lennon said yesterday.

Last year 32-million cartons of apples, pears, grapes and stonefruit were sold in these markets. However, most of this growth was taking place in the grape and plum categories as the European apple and pear market was still characterised by a glut.

Lennon said that SA apple and pear producers would face another difficult year. Last year, SA apple farmers suffered huge losses because of the overproduction of fruit in Europe.

Lennon cited the good crops in SA and the opening up of new markets as factors contributing to the substantial growth in overall fruit sales. Whereas five years ago, SA sold its products in nine European markets, today it was selling in 24 European countries.

New markets penetrated since the lifting of sanctions were the Scandinavian market which was expected to absorb about 1.5-million cartons of SA fruit this year, and Spain which was expected to take up about 750 000 cartons.

Lennon said Unifruco had established a network of agencies and receiverships in Eastern Europe and was busy expanding its operations in this region.

The two main sources of competition for SA fruit were Chile and Europe. Significantly higher volumes of Chilean fruit across all types were anticipated this year. Lennon noted that the price of SA stone-fruit was 30% higher than the Chilean product, grapes about 25-30% higher, and apples and pears 10 to 15 percent.

He said that in addition to there being a large carryover stock of European apples and pears, their rate of sale was slow. However, Unifruco had laid the groundwork for its marketing season which started in April and was fairly confident of being able to perform better than last year.
Sentrachem adds some wings to its export drive

By CHERILYN IRETON

SENTRACHEM has moulded subsidiary Sentrachem International to help achieve its goal of a quantum of all turnover from exports of South African-made chemicals.

Sentrachem has had representatives in the US and UK for several years, but sanctions forced them to concentrate on procurement of raw materials for SA manufacture.

With SA firms becoming acceptable trading partners, Sentrachem has bundled these operations and those of a new branch in the Far East under the Sentrachem International banner.

An aggressive export drive will go with the new visibility.

A key task for employees in Houston, London and Hong Kong will be to find markets for value-added products, says Sentrachem managing director John Job.

Areas of particular interest to the new Hong Kong office are China, Vietnam, South-East Asia and the Pacific Rim.

About 13% of Sentrachem’s sales of R3-billion are exports.

Mr Job says: “We’ve been driving exports hard from SA, but now we want to develop demand abroad. The three foreign offices will act as our eyes and ears.”

In recent years foreign activities have been piecemeal, “packaged in brown paper bags. The priority now is to make exports fly.”

Procurement of raw materials will continue to be an important function of Sentrachem International, particularly from the oil fields of the Gulf of Mexico.

“South Africa is not endowed with all of the seven most important petrochemical building blocks. We will continue to need materials to fill our various molecular jigsaw puzzles,” says Mr Job.

The R294-million rights issue is not intended for international operations.

The capital will go largely to strengthening the group’s balance sheet.

The export drive is being assisted by co-operation on pricing of raw materials by other chemical companies.

Mr Job says: “We are only interested in investing in and exporting products which are competitive.”

Trade and tariff reforms in line with those to be introduced under the Uruguay Round of the General Agreements on Tariffs and Trade will “ultimately help the South African chemical industry”, says Mr Job.

“There is no point in believing that the GATT deal will be neutral. We are already getting out of producing things that do not fly.”

This philosophy led to the closure last year of Sentrachem’s polystyrene manufacturer.

Sentrachem International’s US representative Roger Leedy says chemical markets in America are starting to rebound, albeit slowly. In general the chemical sector lags behind the general economic recovery.

But record low crude-oil prices are causing havoc in the chemical industry. Few producers can sell products without suffering a loss.

“Pricing in general terms is disastrous. But we hope the balance between supply and demand will tighten, particularly for specific by-products,” says Mr Leedy.
SA exports 'will perform better'

BY AUDREY D'ANGELO

EXPORTS — which rose by about 18% last year — are likely to perform even better from the middle of this year, says Sanlam chief economist Johan Louw.

But, he warns, violence, a lack of clarity regarding future economic policy and the continued strong outflow of capital could still restrict the future strength and extent of the upswing.

"Against this background it would appear that a higher gold price and faster overseas growth, which in the past were important elements in an export-led recovery in the economy, will play a less important role than political considerations and developments this time.

"We believe that peace, stability and greater transparency, as well as realism in the political and economic policy of the new government, are prerequisites for a strong and sustained growth phase.

"If these problems can be resolved satisfactorily the economy should have sufficient inherent strength to achieve a real growth rate of from 2% to 3% this year with a further increase in 1995." Louw expects the downward trend in inflation to resume after the slight uptick to 9.5% in December, "with a rate of about 6% being possible in April when the VAT effect disappears from the index comparison.

"A further reduction in the bond rates will have an additional favourable effect on the inflation rate. All in all we estimate that the average inflation rate will be about 7% this year."

Expected performance of the rand against certain foreign currencies (Foreign currencies per rand) January 1994 = 100

Discussing the balance of payments (BoP) this year, Louw forecasts a surplus of about R5.8bn on the current account.

But, he warns, "in view of the considerable debt repayments due in 1994 we believe that the capital account will remain a serious problem for some time to come — one which will place sustained pressure on our foreign exchange reserves and therefore on our economic growth.

"A more favourable political climate, with a resultant greater inflow of foreign capital and the possible rolling over of debt, could however go a long way towards relieving this situation during the second half of the year."

He points out that the effective exchange rate of the rand remained remarkably stable in the six months to the end of January.

During this period the rand fell by 1.3% against the US dollar, 0.7% against the DM, 2.4% against the pound and 0.6% against the yen.

He expects the weighted rand to weaken appreciably against the dollar over the next year "while a very slight depreciation is expected against the European currencies and the yen".

Discussing government expenditure, he says radical fiscal action is unlikely in the next Budget, which will probably be presented in August.

"Although the rate of increase of government expenditure could accelerate, revenue should also benefit from the faster rate of expansion of the economy.

"It would be realistic to expect a budget deficit of between 6% and 7% of gross domestic product (GDP)."
Trade surplus plummets

THE trade surplus plummeted 48% in January as volatile factors caused exports to fall while imports continued to rise because of improved economic conditions.

Customs and Excise figures showed the value of exports fell to R5,76bn last month from R6,27bn in December. Imports were up to R4,69bn (R4,29bn).

Economists warned against reading too much into the latest decline in exports as the erratic nature of precious stones and transport equipment sales was behind it.

Exports of precious stones were down 34% from December while foreign sales of transport equipment eased 74%. Together these two categories account for a large share of SA’s total exports.

Safto economist Carlos Teixeira said all the other categories recorded positive growth except for exports of textiles, which had been declining for some time. He remained hopeful that the trend in exports was up as the economies of SA’s main trading partners get to record higher growth rates in 1994.

But Teixeira said a higher trade surplus was unlikely this year as the economic recovery would cause imports to rise.

The pick-up in imports in January was masked by a significant fall in the unclassified category — largely made up of oil — which shrank 50% from December.

The recovery in the economy was reflected in higher imports of capital goods and industrial raw materials, he said. Machinery imports were up 30%, transport equipment 11%, plastics 21% and chemicals 5% from January last year.

Surplus

SAMANTHA SHARPE reports Old Mutual economist Ursula Maritz said even with pressure from rising imports the current account surplus should not be more than R1bn below last year. A firmer gold price, higher world growth and good agricultural exports would provide some benefit to the current account.

AHJ economist Johan Rossouw was reluctant to describe the January fall in exports as seasonal.

“One would have expected exports to show a steady increase as the result of inroads into international trade, which have followed the lifting of sanctions. There is also a strong export drive policy in SA at the moment, which should have contributed to rising exports,” he said.
January effect

The rise in imports in January, to R4.7bn from December’s R4.3bn, which squeezed the trade surplus to R1.2bn from December’s R2.2bn, is probably not due to an increase in domestic demand for imported goods — the figure is still below the aggregates for June-November.

The jump is probably a statistical overhang from the festive season with some December imports recorded only in January figures. (14, 7)

The latest figure repeats the pattern in previous years: in January 1991 imports surged by R1.7bn; in 1992 by R500m; and in 1993 by R500m. In all these months the surplus shrunk.

While the month’s figures, in some import categories, were higher than in the previous January, they were down on the average monthly figure for 1993 — among them vehicles & transport equipment, 11.1% higher than in the previous January, but down 28.4% on average.

Continued from page 17

Others show increases on both last January and the monthly average:

☐ Chemical products, 7.7% higher than in the previous January, and 1.7% higher than the monthly average;
☐ Plastics, up 21.5% and 9.7%; and
☐ Base metals, 22.8% and 11%.

The categories jewellery & precious stones (437.9% over the previous January and 55.3% over the average for 1993) and machinery (35.6% and 14%) show more substantial increases. The first of these seems to be a result of a change in diamond export policy, whereby rough stones are bought overseas, sorted and then re-exported (the export figure is higher as well).

The increase in the value of machinery may be the result of a weakening in the rand exchange rate.

However, these rises were offset by a number of important items, notably unclassified goods (particularly oil), which was down on both January 1993 and the monthly average (-80.4% and -76.7%) and vegetable products (-41.6% and -35.5%).

Exports in general were higher than in the previous January but down on the 1993 averages. The overall aggregate was R5.8bn, up 13.9% on January 1993, but 13.1% lower than the monthly average.

Of the major categories:

☐ Unclassified goods was higher on both a January-on-January basis, 8.1%, and on the 1993 average, 7.8%;
☐ Minerals (7.5%, -6.1%) and base metals (12.4%, -14.3%) were higher than the previous January but down on the monthly average; and
☐ Jewellery & precious stones (-30.9% and -67.2%) was down on January and the monthly average.
Wakis EPZ, unlikely to dent Cape Town

Business Report
ANC focus on mineral processing, beneficiation

JOHANNESBURG. — SA's future growth prospects would depend significantly on its ability to expand its mineral processing and beneficiation industries, an ANC minerals official said yesterday.

Speaking at a mining conference, Paul Jourdan, minerals and energy policy coordinator for the ANC, said: "The success of our whole growth strategy will be critically dependent on the ability of this sector to expand the value of its exports."

The export expansion needed to meet reconstruction goals would not come from opening new mines or expanding other resource industries such as agriculture or forestry.

This would require a deepening of minerals resource industries "going downstream through further mineral processing and... beneficiation."

"We would continue to support such projects through provision of equity from the IDC and appropriate tax incentives dependent on sales of the product to the local manufacturing industry at export parity or profit parity prices."
Exports from bumper crop could earn R2bn

PRETORIA — The 8-million-ton surplus expected from this year’s 12.8-million ton maize crop — the country’s second biggest on record — could earn SA well in excess of R2bn, according to Nampo sources.

The forecast was made following the publication by the National Crop Estimates Committee’s first summer crop report. This season’s expected maize crop compares well with 1280/81, when a final figure of 14.498-million tons was recorded, and is expected to be 29% better than last year’s 8.809-million tons, reports Sapa.

However, Nampo sources warned that the large crop could mean that producers would have to accept lower prices and foot the bill for big export losses.

Sources said a price-fixing tussle between the new government and producers was also unavoidable.

Nampo has recommended a policy under which producers can choose to sell to the Maize Board or market their crop directly to the trade.

Producers fear that an ANC government, in keeping with its policy of affordable basic food prices and under pressure from trade unions and consumer organisations, will set the lowest possible price. Maize farmers fear that the domestic price will be set as much as R120 a ton lower than the current R470 a ton.

Although the domestic price is certain to be lowered, the big crop could mean that producers would have to accept lower prices and foot the bill for big export losses.

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Although the domestic price is certain to be lowered, the big crop could mean that producers would have to accept lower prices and foot the bill for big export losses.

SA Agricultural Union economist Koos du Toit estimated that, depending on the extent of the general economic recovery, agriculture could contribute at least 6.5% in the 1994/95 financial year.

The National Crops Estimates Committee also forecast that the harvest of sorghum, groundbeans, sunflower seeds, soya beans and dry beans would all be substantially larger than in 1992/93.

However, the committee noted that the final wheat estimate of 195 600 tons on January 20 remained unchanged. Wheat farmers had cultivated 185 000ha during the season.

Meanwhile, Sapa reports that Wheat Board chairman Andries Beyers told delegates at a winter-grain producers’ conference in Douglas yesterday that the wheat industry had reached a crossroads.

Quantitative import control of wheat could replace with tariff protection and aspects of single-channel marketing would become less feasible, Beyers said.

Producers would have to take decisions not only because of the new agricultural and marketing policy directions, but also because of the recent signing of a new multilateral trade agreement.

Should statutory control still be possible in future, it would have to happen according to rules that would be laid down by a new government.
This month Saayman will investigate possibilities in China as part of an industry delegation to the first SA-China trade show in Beijing.

Imperial Cold Storage CEO Roy Smith says it will not be easy for SA, with its tiny 6m-8m cattle population that must be fattened at costly feedlots, to compete with big cattle countries such as Argentina, where 60m cattle range freely on the rich pampas and need little additional fattening feed, and Brazil, with 45m cattle. “We must not be naive as to the competitive realities of the global market,” he says.

Another issue concerns the need to upgrade local abattoirs to export-quality standards. But Abaoor MD Frans van der Vyver says the abattoirs at City Deep, Johannesburg; Cato Ridge, Durban; Pyramid, Pretoria; and Kimberley can all be certified for export at a minimal capital cost.

An export drive by local red-meat producers would start well behind the pack, but steps are being taken to close the gap. With a near-record maize crop expected this year (Business February 25), discussions are under way between feedlots, red-meat processors and the meat trade, on the one hand, and the Maize Board on the other. The meat industry wants the board to sell “export-focused” maize to feedlots and meat processors at a discount to the local market price. The maize that isn’t sold locally is already exported at far below the local price, so maize farmers would stand to make more money under the proposal.

“Feedlots mostly produce higher-grade meat that could be exported more widely — if our prices were right,” says SA Feedlot Association executive director Piet de Wet. “It would therefore make a lot of sense to export cheaper surplus maize in the form of meat, rather than selling it at an even larger discount on the export market. This means that maize farmers would get better prices than if they were forced to export maize at the current low world prices.”

De Wet says the major demand in the local red-meat market is for cheaper, standard-grade products that could be easily imported from the EC, Australia and New Zealand. Local producers could then focus on developing export markets for their more expensive cuts. “We now have high import tariffs on standard-grade cuts and lower tariffs on quality products. It should be the other way around.”

Trade-policy experts, however, say SA should have low tariffs on high-quality meat to provide the constant source of competition that any industry needs as a standard to test itself against.

In any event, tariffs will come down under GATT. A Meat Board committee comprising representatives of producers, the board and retail butchers last week submitted proposals to the Board on Tariffs & Trade “to reduce the currently high (up to 100%) import tariffs to more realistic levels,” says board GM Pieter Kempen.

For now, he declines to make the proposals

SA has never exported much red meat. In fact, it’s always been a net importer, but now the R1bn-a-year industry is suddenly realising that its future might lie with exports.

Several factors are contributing to this sea change in attitude among the country’s cattlemen, sheep farmers and other meat producers. The end of sanctions is opening up foreign markets. The excellent rains this year are replenishing grazing lands, allowing ranchers to increase their herds. Under GATT, SA has agreed to lower barriers to meat imports, which will force local producers to find new markets. Finally, an ANC government is expected to favour food consumers over food producers, which will also force producers to find new markets in order to maintain revenues.

Any strategy to become export-oriented overnight has, however, serious flaws. “We favour increased exports; we now ship a few tons each month to Switzerland and smaller quantities to some Indian Ocean islands, says Kandyce Fresh Meat MD Sakkie Saayman. “But one first has to investigate market possibilities and make sure that our prices are right. We now have difficulty in competing.”
TRADE WITH RUSSIA

Fruit, beer and wine

SA growers and brewers are breaking into the expanding Russian consumer market, following the agreement signed in June last year between the two countries to support the two-way trade in fresh produce and beer.

Murray Murray, SA's trade representative in Moscow says: "We have been developing the market for SA fruit, wine and beer here in Russia. Ouraim is to increase our exports by 50% over the next year, and we are confident that we will achieve this." Murray believes that the key to success is the availability of high-quality products and the establishment of strong business relationships with Russian retailers.

Murray says that the SA wine industry is well placed to compete in the Russian market, with a range of products that cater to different tastes and price points. "Our wines are well received in Russia, and we are working closely with local distributors to ensure that they reach the right consumers," he says.

As for beer, Murray says that the SA beer industry has been proactive in exploring opportunities in Russia, with a range of products that appeal to the local market. "Our beers are popular in Russia, and we are working with local breweries to develop new products that meet the needs of the Russian consumer," he says.

Murray believes that the key to success in the Russian market is the establishment of strong business relationships and the development of a strong brand presence. "We are working hard to build our brand in Russia, and we are confident that we will achieve success in the market," he says.

Murray says that the trade agreement signed in June last year has been a key factor in the development of the two-way trade in fresh produce and beer. "The agreement has provided a strong foundation for the growth of our trade relationship with Russia," he says.

Murray concludes that the Russian market presents a significant opportunity for SA growers and brewers, and he believes that the two-way trade in fresh produce and beer has the potential to grow significantly over the next few years.
Falling export prices bruise WB Holdings

CAPE TOWN — WB Holdings, which owns deciduous fruit farms and packaging and storage facilities in the western Cape, reported its first loss in the year to end-December 1993, mainly as a result of slidding export prices.

Turnover halved to R72.3m (1992: R144.1m) and the operating loss was R2.75m compared with a profit of R4.4m the previous year. A 30c a share loss compared with a 46c profit in 1992. The dividend, which totalled 15c last year, was passed.

Although there were indications that export price levels could be better this year, it was still too early to predict eventual prices for 1994, said MD Malcolm Prue.

The lower export prices were affected by a heavy carryover of fruit stocks in Europe as a result of their 1992 bumper crop, a worldwide overproduction of certain varieties and the world recession, he said.

This resulted in selling prices in the company’s high-volume varieties falling by as much as 80% against the previous year.

In addition, WB’s fruit crop volume was 15.4% lower than the previous year.

The lower fruit crop volume was caused by poor pollination, wind, sunburn and hail damage, said Prue.

Fruit juice prices were also weak, he said. However, crop volumes were expected to be higher than last year and expectations of a weaker rand could offer some respite, he said.

Orchard development and replanting programmes went ahead in 1993 and new apple and pear plantings were in line with the plan to increase crop varieties.

Thirteen hectares of orchards were developed and nine hectares were planted. Planned plantings in 1994 were reduced to 1.3 hectares, directors said.
JOHANNESBURG. — Sasol is to export fuel alcohol worth R350m to Brazil, the petro-chemical company announced in a statement yesterday.

Brazil, the largest consumer of fuel alcohol in the world, will receive 300,000 cubic metres during the 18-month contract.

Fuel alcohol, a by-product of Sasol’s synthol process, will supplement the sugar cane-based ethanol produced in Brazil.

Sasol signs R350m fuel alcohol export deal

The export contract would have no effect on the availability of petrol, as production at Secunda had increased, Sasol said. — Sapa
Institute forecasts big export gains

SA could bag an extra R3.7bn a year from exports by the year 2000 through the latest GATT agreement, provided SA industry cut costs, the National Productivity Institute said at the weekend.

But top economists questioned the figures, adding that gains hinged more on SA industry's ability to sharpen its edge than the lowering of trade barriers.

Senior institute economist Jan de Jager said that with the IMF's forecast that GATT would lead to a $200bn-a-year growth in world trade by the turn of the decade, SA exports would rise in line with its current 0.7% share of world trade.

Though uncompetitive SA industries would close down, their loss would be outstripped by growth in new competitive sectors.

"The net effect will be faster growth and employment creation, notwithstanding the short term losses," he said, writing in the institute's in-house magazine. "Many a gold mine lies hidden within our vastly protected economy."

But companies had to lift productivity as international competitors broke down the "cocoon" created around SA by sanctions and boycotts.

Other analysts said the institute's calculations were too simple, derived from dubious assumptions by the IMF and the Industrial Development Corporation (IDC).

Nedbank chief economist Edward Osborn said the figures were based on a controversial theory that a fall in input costs would lead to a proportionate gain in exports.

But this overlooked the impact of high wages, low productivity and high capital costs. "Our lack of competition does not arise (solely) from high input costs," Osborn said.

"These people (the institute, the IMF and the IDC) are guilty of gross oversimplification. Homing in on one insignificant factor is not going to bring about miracles."

Standard Bank group economist Nico Czyplecha said it was difficult to quantify the impact of GATT.

He said GATT would increase trade, but whether SA would benefit from the agreement remained to be seen. SA industries created as "import substitutes" would die off, "but everybody else has a fighting chance."

See Page 4
Exports set cracking pace

By SVEN LUNSCHE

EXPORTERS continued their strong 1993 performance in the first two months of this year.

Figures from the Department of Customs and Excise show that exports in the first two months of this year at R12.33-billion are 17% up on the R10.53-billion in January and February last year.

However, imports rose sharply by 25% to R10.18-billion from R8.14-billion, resulting in a cumulative trade surplus of R2.15-billion so far this year (1993: R2.20-billion).

The trade surplus in February of R1.09-billion was marginally better than January's R1.07-billion.

The high import bill was caused mainly by a R1.6-billion rise in the cost of machinery and mechanical appliances to R3.21-billion in January and February.

Economists expect exports to at least repeat last year's 6% growth.

Agricultural exports in particular should improve markedly. The Reserve Bank Quarterly Bulletin shows that maize production last year tripled to 4 million tons, allowing a surplus for export. The wheat harvest increased from 1.3 million tons to 1.4 million.

Precious metal exports should do well. Exports of unclassified goods (mainly gold) in January and February at R5.47-billion are already R2-billion up on the same time in 1993.
Exports set cracking pace

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Agricultural exports in particular should improve markedly. The Reserve Bank Quarterly Bulletin shows that maize production last year tripled to 9-million tons, allowing a surplus for export. The wheat harvest increased from 1.5-million tons to 1.9-million.

Precious metal exports should do well. Exports of unclassified goods (mainly gold) in January and February at R5.47-billion are already R8-billion up on the same time in 1983.
Exports bounce back from decline

THE country's trade surplus rose marginally in February to R1,09bn thanks to a recovery in exports, which firmed by more than R600m over the month.

Figures released by Customs and Excise on Friday show the value of exports bounced back to R6,6bn from R5,2bn the previous month, while imports fell further to R5,5bn from R5,7bn in January. Economists said the upward trend in exports appeared to be back on track after an erratic period at the beginning of the year when exports fell more than 8%.

In February exports were up in virtually all categories. The main contributor to the recovery was the unclassified category — largely made up of gold — which firmed more than 12% to R3,62bn.

But economists warned that this year's trade surplus was unlikely to be as high as last year's because of greater demand for imports fuelled by economic recovery.

Safico economist Carlos Teixeira said higher economic growth was causing a pick-up in imports of industrial materials and capital equipment.

Compared with the January-February period last year, there was increased momentum in the growth of base metal imports (44%); chemicals (20.9%); plastics (22.5%); textiles (21.6%); and stone, plastic, cement and glass (9.2%). Capital equipment — traditionally SA's biggest import requirement — also showed increased growth. Machinery imports were up 48%, transport equipment rose 39% and high-tech equipment firmed 22% over the first two months of the year compared with the same period last year, he said.

But import growth was still moderated by the continued decline in the value of oil imports. This was reflected in the unclassified category, which was down 33.4% compared with January-February last year.

Teixeira said the results of Safico's latest exporter confidence barometer indicated export managers were expecting last year's growth levels to be surpassed in 1994, but they believed growth in the first three months would be subdued.

This was confirmed by the January and February figures, which indicated export growth in the first three months could be lower than the last quarter of 1993, he said.
Confidence over exports soaring

CLAIRE GEBHARDT

JOHANNESBURG. — Saffo’s export confidence index, which measures expected export sales for the next 12 months in US dollars, is at its highest level since the end of 1991.

Saffo economist Carlos Teixeira says the index at 30 reflects highly optimistic expectations about trade on the back of good export sales in 1993 and forecasts of improved international trading conditions in 1994.

But the first quarter result remains at the same level as that of the fourth quarter survey in 1993 — the first time since the beginning of 1993 that the index has not risen in succession.

“Commentary by export managers reflects problems regarding high levels of international competition — both on price and quality — as well as political uncertainty, labour relations and productivity concerns as South Africans enter new markets.”
Safto predicts 5.5% growth in exports

By AUDREY D'ANGELO
Business Editor

REAL exports excluding gold will rise by 5.5% this year, SA Foreign Trade Organisation (Safto) economist Carlos Teixeira forecasts.

His Export Confidence Barometer for the first quarter shows that confidence remained at the same level as in the last quarter of 1993 -- when it was the highest since 1991. Teixeira says the fundamentals for improved exports this year, such as new markets opening up and growth in the economies of SA's major trading partners, remain strong.

But SA firms face high levels of international competition, both on price and quality, as they enter new markets. Expectations of higher sales and orders have also been tempered by political uncertainty and concerns about productivity and labour relations.

Production levels

However, the value of export sales and incoming orders are expected to rise above 1993 levels and exporters seem prepared to raise production levels. "On the basis of these trends Safto predicts a real export growth excluding gold of 5.5%".

Teixeira lists uncompetitive pricing at the head of obstacles to increasing exports, with cost and availability of transport in second place.

"The moderate recovery forecast for the major industrialised nations during the year should lead to an improvement in international commodity prices as well as increased export volumes from SA.

"Furthermore, import demand from Asian and Eastern European countries is growing at around 8% a year according to the Organisation for Economic Co-operation and Development (OECD).

"Finally, the International Monetary Fund's (IMF's) forecast for growth in Africa has been revised upwards to 5.9%. This region is beginning to pay political dividends for SA exports." Teixeira says uncompetitive pricing is a major obstacle to SA firms in Europe and North America.

Oil prices up

LONDON. -- Oil prices rose yesterday, helped up by disruptions in the North Sea oil fields caused by storms.

Futures for Brent Blend crude, the international benchmark, were seven cents firmer at $14.05 a barrel.

Waves over six metres high lashed the production rigs of Norway's Statfold and Gullfaks fields, preventing crude oil tankers from loading -- Reuters.
Anti-dumping

search Unit in London said the European duties would affect only a small proportion of SA's ferro-silicon exports.

"SA's main markets are Japan and the US, and Siltech, which has just come into full capacity production on 55 000 tons, is planning to sell most of its output to the Americans," he said.

SA production is estimated at between 130 000 tons and 140 000 tons with Highveld Rand Carbide accounting for 50 000-55 000 tons and Samancor for 30 600 tons. About 75 000 tons is consumed internally.

In Johannesburg, Highveld Rand Carbide said its European exports were "fairly minimal" and the impact of the new duties would be small.

Samancor chrome division GM Wilrich Schroeder said: "Since our sales into Europe are negligible, it will have very little effect."

Another industry source said the production of ferro-silicon in Europe was limited and the EU would have to source the material from somewhere else.
Zero growth in export confidence

THE SA Foreign Trade Organisation's (Safio) exporter confidence barometer has flattened out in the first quarter because of concerns about strong international competition, political uncertainty, labour relations, productivity and high costs of raw materials. The index—which reflects expected export sales in US dollars over the next 12 months—remained at 30 in the first three months of this year.

This was the first time since the beginning of 1993 that the index has failed to rise.

Although the index was flat it was still the highest since the end of 1991, indicating exporters anticipated higher sales over the next 12 months, Safio economist Carlos Telheiro said.

"The value of export sales, as well as incoming orders, are expected to increase above 1993 levels and exporters seem prepared to raise production levels to increase stocks to meet the higher demand."

On the basis of these trends Safio predicted real export growth—excluding gold—of 5.5%, Telheiro said.

But this increase was unlikely to come through in the first quarter of 1994 as exporters were expecting a drop in the level of unfulfilled orders and available stocks, due to subdued demand.

Telheiro said the index had failed to rise further in the first quarter as the euphoria following SA's entry into new markets had been tempered by the realities—both domestic and international—faced by exporters.

"As SA firms have entered new markets over the past 18 months, they have discovered that the worldwide recessionary conditions since 1989 have made price and quality competitiveness more intensive."

According to export managers, uncompetitive price was still the number one obstacle to increasing exports, particularly in trade with the US and Europe.

Several domestic factors had also led to uncompetitive prices for many SA goods. These included rising labour costs and high costs of raw materials due to "monopolistic pricing by certain large corporates".

Uncompetitive product quality had moved from ninth position to sixth in exporters' lists of obstacles. The lack of product uniqueness and limited technological upgrades have made SA's re-entry into world markets much more difficult, said Telheiro.

The impact political changes would have on productivity and labour relations this year had received a wide response from export managers. The possibility of disruptions during and after the elections was of particular concern.

But if these concerns were addressed, strengthening economic fundamentals pointed to a good year for exporters, he said.

The unfavourable rand exchange rate was less of an obstacle as the rand weakened for the fourth month in succession in February. However, export managers were concerned about the lack of exchange rate consistency and the volatile movements that had been experienced.
MARRAKECH. — The long overdue recovery of the South African economy would have to be export-led, Minister of Finance Derek Keys, said.

Mr Keys was speaking at the 124-nation GATT ministerial conference in Marrakech, Morocco, at the weekend.

"If we are to succeed in improving the well-being of all South Africans, the development of our manufacturing sectors into internationally competitive export sectors has to be a top priority of a future economic dispensation.

"It is thus of cardinal importance for South Africa to obtain adequate access to the markets of its trading partners, particularly for its manufactured goods," Mr Keys said.

He said the phasing out of existing measures which have caused the anti-export bias in South Africa's trade policies would be done in conjunction with the phasing in of tariff liberalisation and certain supply-side measures compatible with the rules of the World Trade Organisation.

"The purpose of these measures is to enhance South Africa's international competitiveness. The key to this process, however, remains the degree of productivity with which we apply our human and capital resources.

"These are aspects which will receive greater attention from the forthcoming government of National Unity," Mr Keys said.

He said the World Trade Organisation as successor institution to the GATT was "important for South Africa as it provides an international forum where small countries can endeavour to protect their international trade interests in accordance with internationally accepted rules".

Meanwhile with the signing of the GATT agreement Friday, the world has a new set of rules — on paper.

But the new policing organization that is supposed to usher in a brave new world of trade has a muddled mandate, no definite home and probably no leading light.

As more than 100 countries signed the Uruguay Round accord in a ceremonial chamber and received a royal blessing from Moroccan monarch, King Hassan II, a touch of cold realism blew through this balmy North African oasis.

The European Union trade chief, Sir Leon Brittan, said the new set of trade rules heralds an end to the "law of the jungle".

US Trade Representative Mickey Kantor forsook the formal handshake for an empathic embrace with the head of the General Agreement on Tariffs and Trade, Peter Sutherland, during the signing ceremony.

And Mr Sutherland himself, a former Irish attorney-general, said he felt like dancing one of his native jigs on the flower-decked tables.

But Mr Sutherland tempered his elation over the world's biggest ever trade bonanza with a warning.

"If the World Trade Organization doesn't acquire a credibility through being able to deal with trade problems, and to acquire an authority, then we will have failed," he told journalists.

The WTO is meant to start life next January 1 to implement the Uruguay Round accords, which are expected to boost global income by more than $200 billion in the next 10 years. — Sapa-AP.
SA wine back in Canada

SOUTH AFRICAN wines have returned to Canadian liquor store shelves with a vengeance.

After an absence of a decade because of United Nations trade sanctions, 37 South African wines are now available in British Columbia.

"I was floored by it," a Vancouver wine merchant told The Argus correspondent there.

"I thought they'd go for maybe 12 general and 12 specialty listings."

"I think the government's Liquor Board was as floored as I was. They got 400 applications from South Africa. I think they thought they'd get 60 or 70."

The most expensive table wine on the list is a 1990 Thelema Cabernet Sauvignon at R40. But there are a lot of wines in the R12 to R18 range and none cheaper than R11.

Among the table wines are a number of shiraz and pinotage labels, the country's mainstay reds, merlots, chardonnays and sauvignon blancs.

There are also fortified red wines, two sherries, a ruby port from Paarl and a brandy at R17.
Clothing exports
‘could grow 60%’

CAPE TOWN — Clothing industry exports, which had grown strongly over the past two years in spite of uncertainty regarding export incentives, could increase by over 60% a year, the Clothing Federation of SA said on Friday.

The value of clothing exports grew to R460m in 1992 from R106m in 1988. Exports for 1993 were expected to be about 15% of SA’s total production, compared with 10% in 1992.

Federation director Hennie van Zyl said the growth would have been higher had there not been uncertainty regarding export incentives. This could be resolved when a strategic plan for the clothing and textile industries was discussed at a conference this week.

The long-term plan, drawn up over the past 16 months, included industry strategy and specifics regarding tariffs and incentives. It also contained recommendations concerning the introduction of other export incentives which would compensate for a slight reduction in the General Export Incentive Scheme after April 1995, when the new GATT agreement would begin to be implemented, he said.

Clothing industry imports remained virtually static in rand terms for the first nine months of 1993 at R287m compared with the same period in 1992. In contrast, exports grew 39% over the same period to R516m (R371m).
Exports may save ailing industries

TOM HOOD

SOUTH Africa’s beleaguered clothing and textile industries could be rescued by substantial export opportunities to the United States and Europe.

This is the view of National Clothing Federation president Salek Vahed.

His company, A M Moola, one of the biggest privately owned manufacturers, notched up American orders for large quantities of various garments. But a serious problem for exporters is the late arrival of fabrics. The fabrics must arrive in time to meet tight delivery dates, he said in Cape Town this week.

"Markets are open to us because of our quota-free status. Potential customers are waiting on the sidelines and immediately after the election is over, droves will be coming to place volume business with manufacturers in the new democratic South Africa.

"We therefore need export incentive certainty so that manufacturers can know how to cost and market their products.

"The export potential for South African clothing is vast and could transform this country into the first African ‘tiger’.

By securing only a 1 percent market share in the US, Britain, Germany, France and Italy the South African clothing industry could double its current output from R4.5 billion to R9 billion. This would have a direct job-creating effect of 225 000 — 150 000 in clothing, 35 000 in textiles and 40 000 in the cotton-growing and wool producing sectors.

South Africa should follow the route taken by Mauritius which in seven years went out for an export-driven clothing and textile industry and created more than 60 000 new jobs in that period of time.

Clothing exports were worth R66 million six years ago and rose to just under R600 m last year, creating or saving 15 000 to 20 000 jobs.

A new export assistance system was needed and if action was not taken soon it could spell the death-knell of South Africa’s export momentum.

"If urgent action is taken to introduce a new export assistance programme, within a few years we could see clothing and textile exports grow into a figure of several billion rands. We must get cracking urgently."


Toyota falls short of target

BY STEPHEN CRANSTON

Toyota's results for the year to December, although they showed an 18.5 percent increase in attributable earnings, fell short of what had been expected at the beginning of the year, says chairman Bert Wessels.

Writing in the annual report, Wessels says that this was mainly because the rand weakened dramatically against the yen and that the average increase in the cost of imported components, and consequent reduction in rebates against excise account, was 30 percent.

Its Japanese principal, Toyota Motor Corporation (TMC), suffered a reduction in profit due to economic developments in Japan and the strengthening of the yen.

TMC was thus limited in its ability to assist Toyota South Africa to soften the effect of the substantial increase in the value of the yen against the rand.

There is no suggestion that TMC would like to take an equity stake in Toyota SA at this stage, but discussions continue on ways to help Toyota SA sell in the rest of Africa.

Agreements have been reached for limited exports to Malawi, Zimbabwe and Mozambique. Toyota is progressing systematically with the expansion of facilities, maintenance and improvement of the model range, and enhancement of the efficiency of production facilities.

The upgraded Corolla range was launched in September and this range alone had a 17.7 percent share of the total car market, though this was still below its 18.6 percent share in 1992.

The Toyota Hilux, however, increased its share of the one-ton sector from 34.7 percent to 37.3 percent.

Toyota underestimated the demand for its Venture multipurpose vehicle and could only partially meet demand, so final capacity is being expanded to increase production.

Wessels says that the potential for social, political and economic developments, this year, should show a reasonable improvement in the motor industry.

But competition will remain fierce, with unavoidable pressures on productivity.

Toyota has done well in its flat car market in recent years and it looks cheap on a P/E ratio of 11.2, compared with a 17.8 average in the industrial index.

But there is a perceived risk in the share in the future of the industry and its tarif arrangements have been cleared up.

Joint operation seeks to boost exports

BUSINESS STAFF

Saftie (South African Foreign Trade Organisation) has joined hands with Tradeplan, the largest trade plan facilitator in the UK, in an operation aimed at helping SA companies secure new export markets.

"In its own way, this operation is going to cause a revolution within the South African market place, affecting not only established exporters, but also new potential exporters who need to expand their customer base to other parts of the world," says local Tradeplan spokesman Michael Carvalho.

His Rivonia-based company, CMD International, holds the South African licence for Tradeplan.

Carvalho said yesterday Tradeplan kept an up-to-date information base of more than 20 million companies worldwide, and was able to find genuine trade partners for manufacturers or service industries in virtually any country in the world.

He said: "No other export operation can offer a success rate of over 97 percent achieved in finding export partners in the countries targeted." (F4-G)

He said the cost of Tradeplan's service for securing sales and finding new trade partners was often less than 50 percent of the cost of sending one executive on an export trip for 10 days.

Saftie now offered this service and could also offer a free advisory service on the most cost-effective way to ship goods and handle all the paperwork involved, said Carvalho.

He said the joint venture between Saftie and Tradeplan dated back six years to help members of the European Union find new markets for their products outside the common market.
Govt urged to cut cloth to fit a ‘faster track’

CAPE TOWN — Government should adopt a “fast track” approach and accept the latest clothing industry export incentive proposals to avoid stalling export growth, SA Clothing Industry Federation president Sadek Vahed said yesterday.

Vahed said the export incentive recommendations contained in the recent report by the clothing industry task force should be urgently adopted by government.

There was uncertainty regarding a firm export incentive scheme which was hindering strategic planning by exporters.

The report, released two weeks ago, had recommended the continuance of GECIS as long as possible and the extension of the duty credit certification system (DCC) to March 31 1995 from expiry on September 30 1994.

Other recommendations were that DCCs be transferable, that one customs union issue authority for DCCs, and that incentives be allowed on clothing exports based on imported inputs.

Reports last week suggested that the proposals had invoked a storm of opposition by clothing retailers, the Customs Union and small manufacturers. They claimed the task force had done little to advance the over protected clothing and textile industries.

But Vahed said that although there was industry opposition to certain aspects of the report such as tariff proposals, the industry was unanimous in its belief that the recommendations on export incentives be adopted as soon as possible and that the proposals would not injure any parties.

The value of clothing exports climbed to just under R600m in 1993 from R50m six years before, saving between 15 000 and 20 000 jobs.

If the recommendations were speedily adopted, industry employment of about 120 000 employees could treble within 10 years, he said.

With the lifting of sanctions the US market was wide open to SA manufacturers who could increase exports there substantially. The European Union had also recently lifted import quotas from SA, he said.
Diamond sales fire up the trade surplus

SAMANTHA SHARPE

DIAMOND exports rocketed last month to send SA’s trade surplus soaring to R2.56bn from February’s R1.96bn, Customs and Excise figures released yesterday showed.

March’s exports rose 26% to R2.26bn, while imports rose only 4% to R5.7bn.

The strong rise in exports surprised economists, who expected the growth of imports to outstrip that of exports. They said the negligible growth in imports suggested the upswing had paused for breath in March. It followed two months of robust growth in the import bill.

Diamond sales led the acceleration in exports, with precious stone sales abroad of R1.96bn in March (R491m), a movement economists described as exceptional. However, they said such sales were erratic.

There was a marginal increase in exports excluding diamonds. If precious stones were excluded from both months, exports were R6.35bn in March compared with R6.09bn in February.

A pick-up in commodity prices and gold’s resilience on international metals markets would combine with growth in the economies of SA’s trading partners to underpin export volumes, economists said.

The first quarter’s cumulative trade surplus was R4.75bn, which compared favourably to the same time last year when the trade balance was a positive R3.28bn.

The latest trade balance was of particular significance in the context of current balance of payment difficulties, said Ed Hofmeyr, economist Nick Barnardt. A consistently high trade surplus would help alleviate the problem of capital outflows.

Diamond (22/4/94)

which had been plaguing the SA economy.

Old Mutual economist Ursula Maritz warned that reserves fell significantly in March, despite the healthy surplus. The effect of the positive trade balance was insufficient to offset what must have been large capital outflows during the month.

SA Foreign Trade Organisation economist Carlos Teixeira said figures for unclassified imports suggested that low oil imports were keeping the bill down.

Another economist said the 44% rise in machinery imports over the first quarter suggested fixed investment spending was picking up as the recovery gained momentum. SA had a tiny capital goods industry, but it was encouraging to note that exports of machinery were also rising rapidly.
Wave of exports boosts SA trade surplus

Johannesburg. — South Africa's monthly trade surplus more than doubled in March as exports surged, figures issued today by Customs and Excise show.

The monthly surplus escalated to R2.556 billion compared to R1.088 billion in February, as the cumulative surplus improved 38 percent to R4.709 billion against R3.547 billion in the first three months of last year.

March exports surged by 26 percent to R8.255 billion from R6.579 billion in the previous month likely due to the depreciation of the rand and strengthening economic prospects for South Africa's main trading partners.

Exports in the first three months rose 24 percent to R20.588 billion compared to the equivalent period last year of R16.636 billion.

Imports last month were muted, growing by just four percent to R5.089 billion from R4.883 billion in February, but imports in the first three months of 1994 are 20 percent up at R15.88 billion against R13.228 billion in 1993.

Most import categories registered nominal growth over last year's figures, but the import of machinery, appliances and related items continued to increase.

The export category of precious stones and jewellery performed well in the year to March, while vegetable product exports were recovering.

However, the unclassified goods and balance of payments adjustments category, which includes gold, oil and arms, increased the most rising to R8.103 billion in the first three months of the year against R6.867 billion a year ago. — Sapa.
Higher exports augur well for good economic recovery

By Derek Tomme

Prospects for a strong upsurge in economic activity in the coming months — and even for a firmer rand — have been heightened by the rise in exports in the first quarter of this year.

Carlos Teixeira, Safilo's economist, reports exports in the three months to March rose to R20.8 billion, which was 24 percent higher than a year ago.

Exports grew by 25 percent between February and March to R33.3 billion.

While the devaluation of the rand accounts for part of the higher export figure, this does not alter the fact that increased exports are pumping a huge additional amount of money into the economy.

He says that the trade surplus jumped 135 percent between February and March to R2.6 billion, the highest since the R2.7 billion in October 1991.

The trade surplus for the first quarter was R4.8 billion. Imports rose 20 percent in the first quarter to R15.8 billion and grew by 3.8 percent between February and March to R5.7 billion.

Teixeira says the main export growth was in diamonds, base metals and machinery.

Exports of diamonds in the first two months of the year were down 19.6 percent on last year.

By the end of March they were 67 percent higher. He says that despite the erratic nature of diamond exports, sales should increase further this year, in line with higher demand as the world economy improves.

The 16.6 percent increase in base metals exports reflects the improved demand for metals overseas, resulting in metal prices rising by about 20 percent.

In spite of high levels of stocks around the world, the commodity cycle is turning and sales should improve.

Exports of chemicals were 61 percent higher and exports of plastics and rubber were up 12.2 percent.

These gains are probably the fruits of the big efforts being made by the major chemical producers such as ABCI, Sasol and Sentrachem to increase their overseas sales.

Sales abroad of pulp and paper rose 12 percent.

Sales of vegetable products increased by 105 percent.

Teixeira says that with the continued depreciation of the rand, the gold price some 16 percent higher than last year, and with South Africa's major trading partners achieving positive economic growth, all categories of exports should continue to improve.

The growth of imports of industrial materials, such as chemicals, plastic and base metals, and also capital equipment moderated in line with the slowdown in sales and production in the first quarter.

Imports in the "unclassified" bracket, were down 53 percent on a year ago.

He says South Africa's improved political links with the rest of Africa are beginning to pay dividends.

SA's exports were up 23 percent to other parts of the continent while imports were up 72 percent.

Trade with Europe is also up substantially, with exports in the first quarter up 33 percent on a year ago and imports up 59 percent.
Baking group wins bread with exports

RAIMUND POULIART

The group exported to Chile, Congo, Malawi, Israel, Germany, Canada, Mozambique and Mauritius last year. New markets have emerged in Poland, Spain, Thailand and Zambia this year.

He attributes the export success to the group's ability to compete with any overseas manufacturer. "Our customers recognise us as a force in the world industry as regards quality and price competitiveness."

Mr Pouliaart says the group has also remained flexible in its trading attitude. "We are able to give our clients a turnkey operation, which very few companies do."

The group's big sellers -- Rotary Rack and Deck ovens -- sell for around R30 000-R40 000 a unit, while a complete turnkey operation sells for R100 000-R120 000.

The 'Exporter of the Year' will be announced at a special dinner at the Mount Nelson Hotel on June 2. The guest speaker will be Clem Sunter.
FOR EXPORT: Julia Kukard and Nzeliswa Jordan of Just Exchange with some of the goods they hope will be snapped up on foreign markets.

It's a just exchange: SA crafts for overseas cash

ROGER FRIEDMAN

Staff Reporter

HERB containers from KwaZulu and KwaZulu-Natal crafts have little in common — apart from their manufacturers’ dreams of lucrative export markets.

Newly established non-profit company Just Exchange plans to transform those dreams into reality.

The European craft market — overflowing with goods of Far Eastern and South American origin — are worth millions of rands a year. The British markets alone bring in an estimated $12 million (about R60 million) annually.

Set up in October under the leadership of returning exiles Nzeliswa Jordan, and entirely funded by the British government overseas development agency, Just Exchange is designed to help disadvantaged and developmental businesses to get their goods overseas.

Ms Jordan said: “We are basically an enabling non-governmental organisation.

“Our initial goal is to ensure a 50 percent rise in exports by January.”

Marketing co-ordinator Julia Kukard said Just Exchange already working closely with 50 community-based businesses across the length and breadth of the country.

Just Exchange strictly adheres to the principles of “trade, not aid” and “fair trade”, or cutting out the middlemen, she said.

In present, the European market was particularly receptive to South African goods, given the withdrawal of sanctions and the country’s high media profile.

“It’s almost as if they want to buy South African as they feel they are helping the political process,” she said.

And, South African goods are popular in the United States, too. A containerload of craft will be exported for a special trade fair at New York’s Grand Central Station later this year.

But, it was up to South African manufacturers to get their collective act together ... and overcome Africa’s tarnished image regarding relatively high prices, erratic quality and unreliable delivery, said Ms Kukard.

Craft has developed beyond the heady 1970s when “white hippies” thought job-creation programmes were a good thing and developed a range of products for which there were no real markets”, she said.

These days, there were particularly good opportunities for “functional” products including food products.

Dried fruit, maize and tea might not be considered “crafty”, but, given the correct marketing, the sky was the limit.

And, this is where Just Exchange can help ... with product development, market information, contacts and export advice.

Ms Kukard said the technology available in South Africa made food exports extremely viable.
US concession good news for SA exporters

□ 'Breakthrough' as Clinton scraps tariffs

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — President Bill Clinton has decided to relax United States tariffs on many South African imports in a concession which the embassy here described as a major breakthrough.

The Administration announced yesterday that Mr Clinton had decided to add South Africa to the list of developing countries that qualified for the Generalised System of Preferences (GSP).

This offers duty-free access to the US market although some products do not qualify for the exemption.

South African ambassador Harry Schwarz hailed the move yesterday as a "major breakthrough" which would make South African exports to the United States more attractive and competitive.

This would benefit exporters and South Africa's balance of payments. "It's very good news," he said.

Mr Schwarz said that it was impossible to calculate just how much South Africa would save through the concession because this depended on how much extra trade it stimulated.

The timing of the move is being seen here as intended to send an encouraging signal on the eve of elections.

Mr Clinton has frequently committed himself to helping the new government get off the ground.

Duty-free status under the GSP is qualified by a list of exemptions designed to protect US businesses.

The main effect of the concession will be to give South Africa an edge over other exporters who do not qualify for GSP.

But it will also give South Africa an immediate advantage over other GSP countries since it has been competing against them without the tariff benefit.
From JOHN DLUDLU
JOHANNESBURG. — This week's first inclusive elections were expected to boost SA's exports into African markets, SA Foreign Trade Organisation (Safoko) CE Len van Zyl said yesterday.

Though SA companies had been exporting into Africa, Van Zyl said the elections would open the door to the "previously inaccessible" markets of the Southern African Development Community and the eastern African Preferential Trade Area.

Trade with both regions had been banned, pending the election of a democratic government in SA.

He was optimistic that the new administration would follow outward-looking economic policies, where economic growth came from exports.

"We need to build on the current trend of reducing protectionism to increase world competitiveness."

Van Zyl said the return of SA business expertise and experience would help alleviate poverty in the continent.

SA business would also be well placed to exploit supply and contract opportunities provided by world aid organisations.

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Boost for SA exports into Africa

From JOHN DLUDLU

JOHANNESBURG, 28

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FOREIGN TRADE

Favourable flows

The latest foreign trade figures are good news — and even better for coming at the same time as Inkatha's decision to take part in this week's general election. A Customs & Excise release shows that, over three months, exports were up 24% — a revenue bonanza; and imports were up 20% — welcome proof of accelerating growth in the economy despite the political disruptions.

With the possibility that political stability will slow or reverse the crippling capital outflows earlier this year, it seems we may be able to afford the boom that is looming.

In March, a R4bn surge in the export category, which includes diamonds, sent overall export figures soaring. The value of precious & semiprecious stones exported that month was close to R2.6bn, from R3.7bn in February. But a Customs & Excise official explains that the remarkable growth was due partly to a statistical overflow from previous months.

However, confirmation of export growth comes from the three-month figures. In the first three months, exports in the category precious & semiprecious stones amounted to R2.7bn which is two-thirds higher than the R1.6bn exported in the first three months of 1992. This indicates the steep rise in CSO sales recorded in 1993 is continuing.

Also in the first three months, base metal exports were up 16% to R2.4bn; the item "unclassified" mainly gold — was up 18% to R8.1bn; and vegetable products — an item which includes maize — was up 183% to R568m. Total exports amounted to R20.6bn in the period.

Says Old Mutual's Rian le Roux: "There are two possible reasons. The exchange rate has fallen, so the rand value of exports is higher. And commodity prices — particularly gold and platinum — are improving."

Imports totalled R15.9bn.

"The 20.5% rise," says Le Roux, "is mainly due to an increase in volumes of about 17%. January-February figures on import prices show they rose only 3%. "And this is despite the deprecating rand."

Economic recovery was reflected in purchases of machinery from abroad. This category jumped by R600m in March to R2.1bn. The value for the three months was R5.4bn — up 44% on 1993.

The trade surplus in the month was R2.6bn — the highest monthly level since October 1991, says Le Roux.

In the three months the surplus was R4.8bn — compared to R3bn in the first three months of last year. This will be countered by outflows on the services account "which are about R1bn a month," says Le Roux. "That leaves a current account surplus of about R1.6bn in March."

But he points out the vulnerability of foreign reserves which fell by R870m between February and March. "Given the trade figures and estimated service outflows, this implies capital outflows in March could have exceeded R2.1bn."

So the economy is in delicate balance and needs all the stability that the incoming government can provide to attract investment.

Export swing

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Import shifts

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Trade for trade’s sake

Export processing zones distort the rational functioning of the free market, argues
Maas van den Berg

Much has been said and written recently about the benefits of export processing zones (EPZs) to a national economy, especially one desperate to create jobs and sell goods which earn foreign exchange.

EPZs distort the rational functioning of the free market.

A recent Bank of Lisbon survey reported: “Growth in world trade exceeds growth in world production.” This suggests that countries are relying on trade rather than production to achieve economic growth. There is a further implication that this is a “good thing.”

On the contrary, this process can be cut down almost to a zero sum game in which for every winner there is an equal and opposite loser.

For maximum efficiency and real added value, the distribution chain should be kept as short as possible.

Trade for trade’s own sake can be wasteful and inefficient. Thus the creation of artificial centres of production tends inherently to be inflationary.

The Bank of Lisbon adds that EPZs should be designed to “take advantage of the underlying competitive advantage of specific sectors of the economy.” In practice, the incentives to be offered to go into an EPZ will provide a “hothouse” in which exotic industries can flourish which would otherwise wither and die outside the EPZ.

The benefits to which qualifying companies are entitled, unless handled very carefully, can create this “hothouse” environment. The one benefit that would do least to steam up the place is exemption from income tax. Why? Because it would apply only to profitable companies.

But we have instead a proposal to zero rate all supplies to EPZs for VAT purposes. This is misguided for at least two reasons. Companies are entitled to claim input tax credits for such supplies and their export sales are already zero-rated. The benefit of having their supplies zero-rated is therefore partly negated, and secondly more likely to benefit the exporters’ supplier than the exporter himself. VAT being an “inclusive” tax.

The requirement that an EPZ enterprise’s entire production should be exported is stated, so that non-EPZ competitors are not harmed in the domestic market by price-cutting subsidised, in the end, by the taxpayer.

It is easy to think of ways in which a holding company could support this requirement by setting up parallel operations for the local and export markets. By manipulating transfer pricing on raw materials or partially processed goods, the company could maximise profits on the export side of the business at the expense of the profit which would normally be made in the local market.

The Bank of Lisbon makes much of the fact that EPZs attract or even depend on massive foreign investment. This perverts the true purpose of an EPZ, which is to “take advantage of the underlying competitive advantage.” If that was perceived to be a realistic objective, local entrepreneurs would be beating down the doors to get EPZs set up. They aren’t.

Instead, foreign companies use EPZs as pools of cheap labour, usually to benefit commodities which would normally have been done “back home”.

This is why trade unions distrust EPZs. They know what happened in Ciskei, which in everything but in name was an EPZ.

They saw how new industries contributed little or nothing to the national or Eastern Cape economies, other than jobs at bargain-basement, subsidised rates.

Finally there is the General Agreement on Tariffs and Trade (GATT). Many proponents of EPZs point to the fact that the General Export Incentive Scheme is falling into disfavour.

EPZ fans appear conveniently to overlook that EPZs themselves are in conflict with GATT principles. Where countries use EPZs indiscriminately to foster artificial rather than organic industrial growth, their customer countries are just as likely to retaliate with high duties on the goods coming out of the EPZ.

Who could blame them?

Maas van den Berg is a partner at Werksmans Attorneys
Clinton rewards SA with export deal
T&N export strategy begins to bear fruit

AUTOMOTIVE, industrial, mining and manufacturing company T&N Holdings' strategy of channelling a significant chunk of its capacity into exports was now paying off, CE Bill Cooper said yesterday.

Commenting after the group's AGM, Cooper said: "We have continued to invest in capacity. When the upturn comes we will be able to supply both local and export markets. We intend increasing exports from 15% to 25% of our overall turnover."

Strong cash flow would enable the group — whose brand names include Silvertown Radiators, PHE Heat Exchangers, Payen Gaskets, and AE Engine Parts — to reduce costs.

Cooper said that without a strong export drive SA's economy would become increasingly marginalised.

"SA is driven by its balance of payments. We must not only become larger exporters, but we must also become more efficient and productive manufacturing exporters. This is the only way we will be able to create more jobs."

He warned that to do battle in the global arena, SA companies would have to have confidence in themselves and the future of the country.

He added that fast-moving foreign operators were already looking to secure niches in the local market.

"Upward mobility of black people in the workplace up to now has been extremely difficult. But I believe that a new dispensation and diminishing levels of violence will facilitate the creation of new opportunities."

"If we do not compete on an international scale, we will not be able to create the jobs that are so vital for the peace and stability that SA deserves," he said.

Cooper was upbeat about the future of the local car industry. He predicted car prices would remain stable, and some might even drop.

But less competitive players would be forced out of the market.
Amcoa Bullish as Coal Exports Surge
Narco set to be influential force

Impact and export boom looming

THE ANAWA

Influential Force

Narco set to be

Impact and export boom looming
'Huge US potential for Cape exports'

By AUDREY D'ANGELO
Business Editor

THE US — which has become SA’s largest trading partner in the past two years — offers huge potential for Western Cape exports, including goods produced by small and medium-sized businesses, P J Verwey, export trade promotion director at the Department of Trade and Industry, said in Cape Town yesterday.

He was speaking at a crowded seminar organised by his department and the SA Foreign Trade Organisation (Saflo) at a city hotel.

Urging local companies to take part in a “Big Bang” trade exhibition in New York’s Jacob K. Javits Centre in September, or in an arts and crafts show at Grand Central Station nearby, Verwey said his department offered help of up to R15 000 in meeting expenses.

He said the September exhibition, held at a time when the US market was opening up to SA, was designed “to put SA on display. ‘It will be an expensive exercise. We will offer SA in its entirety — its culture, tourism, manufactured and primary goods — at a time when we are in the news in the US.”

SA had exported R5.5bn worth of goods to the US last year, but there was potential for far more than this. The US economy was more than 21 times the size of SA’s and was the largest importer. It accounted for more than 14% of world imports.

To illustrate the size of its market, 15m cars had been sold there in the past 12 months compared with about 200 000 in SA.

But, Verwey said, SA manufacturers should not be frightened by the scale of this market. They should look for niche markets which they were able to supply.

Saflo’s trade fairs manager, Dee Reuvers, said there could not be a better time to enter the US market.

The exhibition would be preceded by five seminars on doing business with SA, in five major US cities.

Anton Espost of the Small Business Development Corporation (SBDC), who is organising the Western Cape contribution to the arts and crafts fair at Grand Central Station, said in an interview that its importance and potential should not be underestimated.

There was a great demand for handmade goods of original design — “things which people will actually use such as hand-painted fabrics.”

Individually made hand-crafted goods accounted for a major part of some countries’ GDP.

SA exporters should benefit from an upturn in the US economy, Saflo’s trade fairs department points out.

“Imports in 1991 totalled $509.3bn and included machinery, cars and car parts, consumer goods, industrial raw materials and food and beverages.”

SA exports to the US in 1992 amounted to $1.4bn, or 0.3% of their total imports.

“If we were able to raise this to just 0.5% of the rand value of our exports to the US would almost double to R2,46bn.”
SA to expand arms exports

PRETORIA – SA had grown into the 10th largest armaments supplier in the world and hoped to reap the full benefits of its expertise as soon as the UN arms embargo was lifted, Armscor marketing GM Peet Smith said yesterday.

The armaments procurement company had issued 631 export permits for arms worth more than R22bn over the past two years.

Smith told military correspondents at a briefing that SA would most likely become a member of the Missile Technology Control Regime by October and Armscor was positioning itself for this prospect.

SA was finalising a national arms control policy in terms of which all arms-related control measures would be centralised under the Defence Ministry, he said.

“Armscor has committed itself to becoming more transparent and accountable, especially regarding aspects such as its arms exports in international terms.”

But, Smith said, Armscor found it difficult to thoroughly police the final destiny and use of armaments manufactured in SA because of a lack of cooperation between government bodies such as the SA Police Services, Customs and Excise and the Trade and Industry Department.

However, Armscor was committed to adhering to government regulations and rules regarding client countries. Smith said it had a firm policy in terms of export clients and would under no circumstances export to certain countries.

He said the list of clients considered was classified, but, for example, SA had stopped supplying Rwanda several months ago when civil war broke out there.

Smith said although Armscor suggested clients to whom SA should sell its armaments, government had the final say in the matter. “After all, we are only civil servants.”

Smith agreed that Armscor, to a certain extent, had a credibility problem because of its operations during the sanctions years. But he said the company “never allowed anybody in the industry to break SA’s own rules and regulations”.

He said it was Armscor’s first priority to have the UN embargoes lifted, and to achieve that, it would not tolerate any transgression of any international regulation.
Govt to halve budget for export incentives

GOVERNMENT planned to cut the general export incentive scheme (GEIS) by about half its present budget in the 1995/96 fiscal year, a Trade and Industry Department spokesman said yesterday.

He confirmed that a R500m-R800m cut would be a first step towards phasing out the incentive scheme, which was in contravention of GATT. But at least some of the savings from eliminating GEIS would be used to finance supply-side measures.

A plan to achieve the cut had not been finalised and “several alternatives that differ substantially” were being discussed by the National Economic Forum’s trade policy task force. A decision was expected next month.

Industry sources said there was strong resistance from sections of the business community to an approach suggested by the Trade and Industry Department. It is understood the department wants to change the criteria for qualifying, rather than make an across-the-board cut.

The approach would harm industries that are especially dependent on the export subsidies, particularly the steel industry. A source said a battle was expected over the next few weeks.

It is also understood industry is hoping SA will negotiate an extension of the benefits beyond the December 31, 1997, cut-off. Talk is that SA’s trading partners are willing to allow the scheme to continue for up to another three years. The spokesman said an extension would have to be negotiated with the World Trade Organisation.

The demand for GEIS subsidies has been growing rapidly. The department said the R1.3bn budget in the past fiscal year would have been exceeded if it had not been for the “significant” backing of claims.

The NEF has set up a subcommittee to look at supply-side measures that could make up for the cut in GEIS.

These could include giving greater access to duty-free imports.
Exports: Scandinavia ‘ideal’

Business Editor

The Scandinavian markets are ideal for SA exporters "because they are quite small and will order in volumes our manufacturers can handle," Julia Hart, foreign trade officer at Cape Town Chamber of Commerce, said yesterday.

Julia will accompany a trade delegation organised by the chamber and led by a former president, Anthony Coombe, which leaves for Helsinki on Saturday.

It will go on to Stockholm and Gothenberg in Sweden. Some members will go to Norway and meet the rest of the mission in Copenhagen before coming home by way of London.

Meanwhile the Cape Chamber of Industries is organising a trade mission to Dubai.

And the Chamber of Commerce will send one to South-East Asia in October.

Johannesburg-based Artex says more than 150 SA companies will be taking part in a four-day exhibition it is organising in Kuwait in September.

"There are opportunities for all types of goods and services including inflatable boats, jewellery, sports and leisure goods, electronic and telecom equipment, lightweight construction material, toys and clothes," a spokeswoman said yesterday.
Atlantis Diesel Engines exports speeding ahead

ALIDE DASNOIS
Business Staff

EXPORTS are speeding ahead at Atlantis Diesel Engines, which qualified as a finalist in The Argus/Cape Chamber of Industries Exporter of the year award.

The value of exports has more than doubled since December 1991 to top R54 million last year.

ADE announced this month it was to convert a machining line to expand production capacity of Mercedes-Benz-type crankshafts, at a cost of R24 million.

Managing Director Fritz Korte said the expansion was necessary because of the growth in export orders. ADE had also negotiated an order with a major American automotive manufacturer for up to 10 000 crankshafts a year.

The company machines about 25 008 crankshafts worth R40 million a year. From 1997, when the new line will be in full production, the value of the export market alone will increase to R54 million.

Exports account for about 11 percent of turnover. The figure is relatively low because ADE is not allowed, in terms of its licensing agreements with Mercedes-Benz and Perkins of the UK, to export its most expensive product, engines.

It is only allowed to export components. Crankshafts and engine blocks are ADE's main exports.

Foreign markets for crankshafts are mostly in Germany, the UK, Indonesia and South America, while Korea, Germany and the UK are the largest markets for cylinder blocks and heads.

The company also exports transmission housings to the French subsidiary of US-based truck component suppliers Eaton.

ADE's success on foreign and local markets crowns an 11 year battle.

Founded at the height of international sanctions against South Africa in 1981, the company struggled for years against accumulating debt, until business took off in 1992.

ADE reported after-tax profits of nearly R20 million in the year to end-June 1993, wiping out its deficit entirely. This year, profits are likely to be maintained in spite of the company's self-imposed price freeze.
Big savings for SA exporters

It was estimated that about R847 million worth of South African exports to the USA last year would have been eligible for this duty relief, giving a saving of R36 million.

"This will help considerably towards making South African products more marketable" said Mr Millard.

The import limit for each tariff line was R338 million a year (or 50 percent of total US imports of that particular tariff heading) — at which point goods fail to qualify for GSP benefits.

South Africa joins 140 other countries which are beneficiaries of the system.
Sales soar as SA goods top Britian's shopping lists

The Argus Foreign Service

LONDON. — Sales of South African produce in Britain has soared in the past month following the country's political transition.

The fruit-marketing group, the Cape Organisation, reports sales up by £300 000 (R1.6 million) over the past four weeks, and, with former pro-boycotters now urging buyers here to support the new government, wine importers alone expect a £3.8 million (R21 million) boost this year.

Martin Dunnett, Cape's general manager for marketing in the UK, said that in 1997 the company sold fruit in only eight European countries, compared with 25 this year.

"There is now a certain kudos in buying South African fruit," he said.

Outspan expected revenue to rise by between 23 million (R44 million) and £10 million (R55.2 million) in 1994, and new markets, particularly in Scandinavia, to open.

According to promoters Wines of South Africa, sales have risen from 190 000 cases in 1990 to 307 000 in 1991, with a 1995 target of one million being reached last year.

In 1994 it expects to increase sales by 500 000 cases and attributes 20 percent of the expected increase to political changes.
**Russian woes to aid ferrochrome**

**JOHN DLUJO**

THE deepening crisis in the Russian economy looked set to underpin a recovery in the ferrochrome market, sources said at the weekend.

JCI's Consolidated Metallurgical Industries (CMI)'s marketing director Allan Kuhlert said the economic problems in Russia had put a serious setback on efforts to modernise ferrochrome plants.

Recently released economic figures suggested that Russian industrial production, which fell 25% in the first quarter of the year, appeared to be accelerating.

He said the infrastructural problems had translated into supply problems for Russian exporters.

Kuhlert attributed the recent rise in demand — which became noticeable at the beginning of 1994 — to the problems in Russia.

"These problems have pushed up the ferrochrome spot prices for suppliers in Zimbabwe, SA, India and North America," he said.

Sources said the affect of Russian suppliers on global markets could start showing up this year in ferrochrome suppliers' earnings.

Ferrochrome demand is expected to rise this year, fuelled by hefty gains in stainless steel production which last year lifted ferrochrome consumption an estimated 9% to 2.69 million tons.

Prices began to stabilise last year, at about $9.43c/lb in Europe and $9.47c/lb in Japan. They have dipped slightly in the first quarter of 1994, hit by aggressive marketing strategies by stainless steel producers. Prices were thought unlikely to move up before the end of this year.

Gencor-owned Samancor, which is one of the world's largest ferrochrome producers, was cautious about the affect of the Russian problems on the local industry.

Chairman Mike Salamon said it would take the next three to five months to determine the likely affect of the recent upturn in spot prices for other suppliers.

"Since CIS suppliers began selling less stocks to the market, the demand-supply has become balanced," Kuhlert said.

Kuhlert said the fortunes of local producers depended on whether the current infrastructural problems in the CIS had dried up all the stockpiles of ferrochrome in Russia.

CIS producers have been blamed for depressing the prices by flooding the market. "The thing with them (CIS) is that they care less about profit," a mining analyst said.

The problem of oversupply has caused a decline in earnings for local producers. Samancor was forced to operate at half capacity, while CMI cut its capacity 30%.

If the economic crisis spills over into social unrest in Russia, the support for better prices will remain.

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**Sentrachem set for export boost**

**MICHAEL COLLINS**

PETROCHEMICALS group Sentrachem was poised to beef up its export drive with the recent opening of another office in Hong Kong, the company said yesterday.

MD John Job said the company's offices in Houston and London were also shifting focus from procurement during the sanctions era to active sales in the plastics, agricultural and industrial chemical markets.

Group exports had already grown from R190m at last year's interim period to about R200m at the recent interim, increasing their proportion of turnover to 15%.

Job said the three operations were now operating under the Sentrachem International banner and an aggressive export drive would accompany the new visibility.

Areas of specific interest to the company's Hong Kong office are the Pacific Rim, China, Vietnam and Southeast Asia.

"The export programme goes on with the help of our international offices," Job said. "Exporting is a fundamental requirement for this country's manufacturing sector and Sentrachem is clear as to where it can be competitive."

Much of the company's capex of R170m for 1994 would go towards building plant for exports.

"We will be aiming to export 50% to 60% of the capacity created by these investments," he said.

"We have been driving exports hard from SA, but now we want to develop demand abroad. The three foreign offices will act as our eyes and ears."

Convenor of the Sentrachem Exporters Club Klaus Hudoferzsky said the company had to pursue niche markets.

The company planned to exhibit in Dubai, which it saw as a "gateway to the rest of the Middle East."
Trade surplus falls to R1,66bn

THE SA trade surplus fell to R1,66bn last month from March's R2,56bn, in line with economists' expectations. Customs and Excise figures released yesterday showed.

Exports fell 19% to R6,66bn, outstripping a 12% fall in imports to R5,03bn.

April's many public holidays and uncertainty prior to the election were the major culprits behind the fall in imports, said Ed Hern, Rudolph economist Nick Barnard. But he had expected depreciation of the rand in April to spur growth in exports. He was disappointed the surplus had not reached the R2bn level.

He said the need for a consistently large trade surplus was still urgent in the context of the drain on SA's foreign reserves in the first four months of the year.

SA Foreign Trade Organisation econo-
In perspective

While exports in the first four months of the year were substantially higher than they were in the same period last year, this reflects more the poor level of exports in the early part of 1993 than a strong performance this year.

Particularly hard-hit this time last year were vegetable products (the category which includes grain), chemical products and the category gems & precious stones. Not surprisingly, it was these three items which showed the strongest percentage growth this year, with vegetable products soaring 124.4%, chemical products 39% and gems & precious stones 29.6%. Overall exports, at R27.2bn, were 26.3% higher than in 1993.

Imports were 14.9% higher than in 1993, at R20.9bn. There were substantial increases in the categories: gems & precious stones (72.9%); prepared foods (55.3%); and machinery (34.7%).

These were dampened by declines in the levels for unclassified items (-51.2%) and vegetable products (-41.2%).

The surplus for April is R1.7bn, down from March’s R2.6bn. The cumulative surplus for the year is R6.4bn, compared with R3.4bn in the first three months of 1993.
PAYMENTS from the general export incentive scheme (GEIS) could be cut by at least a quarter, or R500-million, by April, writes ZELLA EFRAT.

Michael McDonald, Selfisa head of economics and a member of the National Economic Forum (NEF), says a decision could be made next month.

The cuts are being considered because of the need to reduce state spending. South Africa also has to phase out GEIS in the next three years — perhaps longer — in terms of its General Agreement on Tariffs and Trade obligations.

Some economists calculate that the cost of GEIS is 0.7% of gross domestic product, or about 8% of foreign sales that qualify for it. The percentage rises as exports grow.

No decisions have been made on how the incentives might be reduced, but it could involve trimming the rates applicable to different categories or by discontinuing certain benefits.

The decision rests with the Cabinet.

Mr McDonald says other measures that do not contravene Gatt rules are being considered to replace GEIS, some of which will not cost the fiscus anything.

The main thrust could be on making matters easier for exporters through more consistent government policies and a stable rand.

Emphasis could also be placed on supplying finance to new exporters and encouraging research and development to help companies remain competitive.
African export secrets come to light

CAPE TOWN — Details of SA's once-secret trade with Africa have been disclosed — and they show substantial growth in recent years and a healthy balance for SA.

Exports to Africa in 1992 totalled R17.3bn compared with imports of R4.1bn, the Pretoria-based African Institute has reported.

The institute disclosed the extent of trade with Africa in the latest issue of its journal, Africa Insight, and a special publication, SA in Subequatorial Africa: Economic Interaction.

In an article in Africa Insight, Rob Davies, now an ANC MP but former co-director of the Centre for Southern African Studies at the University of the Western Cape, outlined the possible benefits of SA's integration into southern Africa.

These included cross-border investments, mineral beneficiation projects, new niches for producers and industries in the region and changes in the pattern of production, with SA industries competing more directly outside the region.

Institute director Stel Coetzee wrote in another article that a surprising degree of integration and cooperation had already taken place. This had been borne out by the existence of the Southern African Customs Union, the multilateral monetary agreement and other agreements between SA and its neighbours.

Most of SA's 1992 exports to Africa went to the four customs union countries of Botswana, Lesotho, Swaziland and Namibia — totalling R11.4bn — but exports to Zimbabwe rose to R1.6bn, Malawi to R668m, Mozambique to R678.2m, Zambia R1.1bn, Mauritius R391.5m and R589.2m to Angola.


The institute said: "SA exports to African countries are largely manufactured and processed goods, especially steel products, chemicals, paper products, foodstuffs, motor vehicles and mining equipment.

"Between 25% and 30% of all SA exports of manufactured goods go to Africa.

"The corresponding figures for machinery and chemicals were 43% and 25.5% respectively."
Mineral export earnings rise

CAPE TOWN — SA's mineral export earnings rose by 22.5% to R36,9bn last year, the Mineral and Energy Affairs Department said in its annual report released yesterday.

The report said demand for most of SA's minerals and mineral products continued to decline in 1993 because of slow growth in the local and world economies. However, improved noble metal and mineral production and prices, and the weakening of the rand-dollar exchange rate, brought a 19.7% rise in SA's total mineral sales, to R46,7bn.

On domestic markets, mineral sales rose by 16% to R5,8bn. Prices of copper, manganese ore, nickel, coal and rock phosphate rose, but the largest contribution was from the higher income from diamonds.

Gold production increased by 9% to 616,4 tons, after a similar rise the previous year.

Production and sales of the platinum group metals increased by 29.9% during the year to 39,606kg.

Production of raw diamonds improved to 10,621 million carats, compared with 10,183 million the previous year. In terms of mass, local sales and exports increased, and this, with a significant rise in unit values, led to a large increase in earnings.

Silver production rose by 10.5% to 194.6 tons.

After gold, coal was again the largest contributor to foreign exchange earnings. Altogether 51.2 million tons, worth R4,4 billion, were shipped to overseas consumers.

These exports represented an increase of 2.2% and 1.2% in mass and value respectively over the previous year.

The report said SA's asbestos production shrank by 21.6% last year. This was because of continuing restrictions by industrialised countries on the use of amphibole asbestos.

Production, local sales and exports of chrysotile also declined during 1993, although better prices meant higher income for this variety of asbestos.

The department's mining branch said continuous attention was being given to pollution by asbestos fibre from abandoned asbestos mine dumps. — Sapa.

TODAY'S WEATHER

[Weather forecast graphic]
Export watchdog a poodle

WITH experts gearing up for a major debate on the future of South African weapons exports, the country’s arms manufacturers are discovering it doesn’t have any teeth. Exacerbating the problem is South Africa’s accession to a series of international treaties aimed at controlling the worldwide proliferation of weapons—much international prestige and credibility hinges on serious implementation of the agreements.

The agency responsible for controlling weapons sales abroad is, in an ironic twist, the same one which for three decades was responsible for sanctions-busting. Armscor, the National Defence Force’s procurement agency and the arms industry’s marketing organisation, is charged with issuing—or denying—export permits to companies selling anything from emergency flares to battle tanks and attack helicopters.

But with little formal co-operation with the South African Police Service, National Intelligence and the Department of Customs and Excise, Armscor says it is limited in its attempts to implement arms export controls tightened with the recent promulgation of new regulations.

“We need more cohesion with police,” said Armscor marketing chief Peet Smith. “The loss of the old railways and harbours police was a tragedy—they really knew how to open containers without anyone noticing.”

Smith believes his control task will become easier as South Africa forges diplomatic ties with an increasing number of countries. “We will be able to send our defence attaches to check the arrival of weaponry in the country which has said it is the buyer, and they will issue verification certificates.”

Until now, countries subject to international embargoes have been able to follow the old South African sanctions-busting example with relative impunity. For a fee, these international pariahs find countries willing to order weapons or ammunition ostensibly for their own use, which they then pass on to the embargoed country. South African weaponry, including the highly effective G-5 artillery gun, is believed to have reached Iraq and the Balkans via this route.

With the end of South Africa’s own outcast status, arms control has become an issue of prestige and international credibility. Membership of the lucrative international club of major arms exporters—South Africa is the tenth largest in the world—depends on playing by the rules set by the big guys—the United States, Britain and France. It is against this background that South Africa is seeking membership of the successor organisation to CoCom, the Paris-based group of Western high-technology manufacturing countries which watched over technology transfer to the former Soviet bloc.

Like CoCom, the successor organisation is likely to be as much about a small group of countries keeping their high-tech market advantage as it was about controlling weapons proliferation. South Africa is regarded as a leader in some high-tech areas as communications and encryption, both of which have enormous civilian potential besides their military applications.

M-Net’s decoders, for example, are a spin-off from locally developed military technology.

A classified cabinet list divides the world into three categories. Group one includes democratic countries such as the United Kingdom to which South African armaments manufacturers may export anything made by the local arms industry, group two those to which non-lethal equipment such as mine-resistant vehicles may be exported, and group three countries subject to an absolute embargo.

Armscor said this week it hoped the secret cabinet list would be published soon as a contribution to open debate on South African weapons sales.
Wine exports sparkle as sales to Britain bubble

Weekend Argus Reporter

ALL is set for a boom in the wine industry which could see sales soaring by another million cases a year to Britain alone, on top of the magical million the industry achieved for the first time last year.

South African Wine and Spirit Exporters' Association chairman Jannie Retief said the aim was to increase exports to Britain alone by a million cases a year over the next few years.

While an export drive to Britain has been in operation since 1991 and was mainly directed at the wine trade, promotion now includes the consumer and there are high hopes in the industry that the one percent of South Africa's market share of the British market will change dramatically.

Dr Retief, who has just returned from the London Wine Trade Fair, is in high spirits over the prospects, especially after watching visitors who in the past studiously ignored the South African stand, stop and learn more about Cape wines.

"In the past buyers usually expressed interest, but always said they would contact us with orders," he said.

He had no doubt the change in attitude could be attributed to political changes.

"The South African pavilion, which catered for about 20 exporters, was inundated with callers, while wine buyers, notably from Europe and particularly from Scandinavia, placed orders immediately," Dr Retief said.

South Africa could now present a serious challenge to Bulgaria and Australia, having overtaken Chile, New Zealand and Hungary in the past year.

The South African wine industry was self-sufficient and had no government subsidy to help with the funding of export drives, and while there was enough wine to meet both the domestic and export demand, money for an export drive was scarce, he said.

"When we look at the millions of rands most of our opposition get from their governments for their export drives, then obviously something needs to be done in this country."

Dr Retief said his association had introduced a voluntary levy for this purpose, but it was not enough.

"A lack of funds will put the brakes on any export drive. It should be seen as an investment in the future, in terms of securing and expanding job-creation at the Cape, as well as export revenue earned from the country as a whole."

"We need further assistance from the government and all other interested parties," Dr Retief said.
SA's BMWs for world markets

BMW SA will start exporting its cars early next year.

The German parent has given its approval for the move because its SA subsidiary's vehicles meet its own high standards.

About 1 000 3 Series cars will be exported to south and south-east Asia, initially in right-hand drive, but eventually in left-hand drive as well. The plan is to build up exports to between 5 000 and 6 000 within four to five years.

BMW will become the first, by far, of SA manufacturers to meet recommendations of the government-appointed Motor Industry Task Group (MITG), which among other proposals, requires that the industry become globally competitive and that exports be increased.

About R110-million has already been spent at BMW's Rosslyn production plant to upgrade facilities and a further R80-million to R100-million will be required

next year for the final touches.

BMW is the largest SA exporter in the industry and sales this year are expected to rise to about R650-million compared with the forecasts industry total of about R1,8-billion.

The SA operation is the largest supplier of leather seats to the BMW world market and is the only manufacturer of BMW cars outside Germany. A second world manufacturing plant will open in America next year and a third is being considered in Mexico.

"Our move into the world market is a healthy process and something we have to do if we are to survive in the long term. We cannot rely on protection forever," says managing director Rainer Hagemann.

It will, however, not be an easy process.

"Our product costs about R10 000 more than the German car a year ago. We have brought this down to about R5 000 and we hope to reduce the difference further. The cost of transporting cars to Europe would further reduce our competitive edge, hence the decision to sell to Asia, where transport costs are at about a break-even level," says Mr Hagemann.

It is hoped that the cost of local components will also be stabilised. BMW has spoken to suppliers and has asked them to keep prices down. This can be achieved if volumes are increased through exports.

"We have shown them how German component manufacturers have kept costs down. Some have come over, others have not. If they are unable to meet our demands, we import the components," says Mr Hagemann.

Labour costs more in Germany than in SA, but the lower cost of components far outweighs this benefit, he says.

The export of components from SA for inclusion in German vehicles has caused no problems in the past, but the export of fully built-up cars is another matter.

"The perception is that SA is at the bottom of the line in car production. We have researched this and we hope to overcome it as we have in the case of leather seats. Auditors come over from Germany every four to six weeks to check our quality standards. We also hope to be given the internationally accepted ISO9000 quality standard rating in July," according to Mr Hagemann.

"We will also have to prove that we can deliver, and on time."

Also on MITG proposals, 7 Series production will be discontinued towards the end of the year. The new 7 Series will then be imported in fully built-up form. The 5 Series will be run out next year.

This is in line with plans to stop the production of low-volume models.
SA wine exporters call for govt funding

PRETORIA. — Funding South Africa's wine export drive was a critical problem, SA Wine and Spirit Exporters' Association chairman Jannie Retief said yesterday. C.F. M.G.
Retief called on the government for further assistance.

"When we look at the millions of rand most opposition countries receive from their governments in support of their respective export drives, then obviously something needs to be done," he said.

"As exporters we have introduced a voluntary levy to help fund our activities. Together with the amount made available by the authorities, that is not enough to cover the costs involved."

SA and New Zealand had the smallest pavilion at the Wine Trade Fair in London last week because the two countries did not have the funds, said Retief.

"A lack of funds inhibits any export drive. Such funding should be seen as an investment."

Retief said for the first time in three years European buyers at the fair had placed orders immediately.

"In the past year SA wine sales in Britain surpassed those of New Zealand, Chile and Hungary and we were almost level with California." — Sapa
Carter Harris, the country's leading manufacturer of uniforms for the workplace, has won export orders to supply Kentucky Fried Chicken's Mexican franchises and Burger King's European, Middle Eastern and African outlets.

Group companies Estralita and Pro-Clo supply uniforms for national high-street retailers, banking staff, car rental chalets, hotels, hospitals, fast food outlets, restaurants, oil companies and messengers.

Managing director Jeff Gochin says the decision to seek export orders was taken when sanctions began to be lifted.

Financial director Charles Lab visited England's Wimpey chain, whose sit-down restaurants had been taken over by the world's second-largest fast-food chain, Burger King.

Mr Lab met a former Zimbabwean in charge of the uniforms who agreed to see samples of Carter Harris's products. It took 18 months, but a contract worth between R3-million and R6-million annually has been secured.

Mr Gochin says that in the two years Carter Harris has been supplying Burger King, the client has never been out of stock and not a single uniform has had to be returned. The potential to reach other countries served by Burger King is being investigated.

Not to be outdone, marketing director Roy Block last year visited the head offices of 10 multinational corporations in America, seeking opportunities in the supply of bulk corporate clothing.

He met Mike McBride, who at that time was with a $100-million-a-year uniform supplier Crest. Mr McBride and a colleague left Crest and became Carter Harris agents in North America.

Carter Harris has since won a R3-million contract to supply Kentucky Fried Chicken staff uniforms for Mexico, complete with Spanish labelling.

Carter Harris has been awarded another contract by Williamson Dickie, a $700-million a year corporate clothier, to supply R4,5-million of uniforms for the Sherwin Williams paint-shop chain, America's largest.

Mr Gochin says: "The American market is so enormous that one contract could tie up all our capital and production facilities for a year or more."

"We are not heavily geared, and already sub-contract to several workshops who mostly work purely for us, but we will have to be careful to maintain our quality and service and not take on more than we can handle."

"Customer service is our foundation and we could not begin to compete overseas if our domestic clients became dissatisfied."

Many of the workshops have been set up by former Carter Harris employees - mostly blacks - with the financial and technical help of the company. Mr Gochin says it has allowed many emerging entrepreneurs to come to the fore and collectively employ 700 people.

Carter Harris has bought its Johannesburg premises and doubled the floor space to cope with turnover, now, more than R30-million, has doubled in two years.

Mr Lab's wife Shirley runs Carter Harris's three up-market boutiques which were previously Hockey & Crane stores. The Lab's daughter Nikki scouts the world's fashion centres for exclusive styles and fabrics.

This elimination of a middleman has added depth to the customer base and, after initial losses, the shops now provide sweeteners to the group's bottom line. "We have gone from having no clients to a secure customer base that keeps on coming back," says Miss Lab.
Two-way trade soars

■ BY PATRICK WADULA

There is a real upturn in two-way trade for South Africa, despite all the pre-election jitters, says Grindrod Seafreight’s marketing manager Mike Millard.

Latest figures from the Department of Customs and Excise indicate a growth in exports of 24 percent by comparison with the same period last year. Imports grew 20 percent.

The nominal value of exports for the three-month period totalled R29.6 billion, while imports were R15.6 billion.

Statistics show that exports of diamonds in the “the unclassified category” — one of SA’s main exports in value — shot up by 87 percent.

General trade categories are also improving.

Vegetables

“Perishables are showing distinct increases, with vegetable products displaying a growth of 165 percent,” says Millard. The chemicals category is up 61 percent, plastics and rubber 12.3 percent and pulp and paper 12 percent.

The most significant item in general product terms is the 18.2 percent rise in exports of machinery and electrical equipment, he says.

Millard says South Africa can expect continued growth in both imports and exports for the rest of the year.
Pep plans exports to arm in UK

Business Staff

PEP's South African clothing factories will be getting an annual R50 million spin-off from the acquisition of the British Poundstretcher chain.

Deputy chairman Arnold Louw told the annual meeting in Parow yesterday that the 220-store Poundstretcher group would be supplied with clothing made in Pep's South African factories.

"We anticipate orders worth R50 million a year in the short to medium term," he said.

Shoprite and Cashbuild were all outperforming budgets with sales up more than 10 percent since the beginning of March.

Results for the first quarter were substantially better than last year, Mr Louw said.

Shoprite had boosted turnover by 15 percent and was looking to improve margins.

In line with Shoprite's policy of gaining market share through price competitiveness, the chain's prices were regularly the lowest on a basket of food.
Export incentive scheme — exemption will go

Tax exemption for assistance given to companies under the General Export Incentive Scheme would be withdrawn with effect from March 1, 1996, Finance Minister Mr Derek Keys said yesterday.

It was "unsound in principle and of small effect in increasing the incentive value of the payments".

The government has allocated R800,4m to the Small Business Development Corporation and a further R600,1m towards developing an industrial programme, as part of the job creation drive.
Exports set for 5.5% real growth

By AUDREY D'ANGELO
Business Editor

Exports excluding gold are likely to achieve real growth of 5.5% this year, says SA Foreign Trade Organisation (Safuto) economist Carlos Teixeira.

He bases this forecast on a survey showing that manufacturing exporters' confidence has risen to its highest level for two and a half years.

But his survey, carried out in the second quarter, showed that exporters were worried about the removal of the General Export Incentive Scheme (GEIS) and needed more access to up-to-date global information.

The survey was the twelfth to be carried out in the past three years, and showed the confidence level rose from 50 in the first quarter of this year to 31 in the second.

This, says Teixeira, is the highest level since the last quarter of 1991. "Improved export performance in the next 12 months is being supported by better world demand, slow local recovery and the continued depreciation of the rand — now expected to reach R3.80 to the dollar by the end of the year and to average R3.60 for the year."

He lists the main obstacles to increasing exports, in order of importance, as:

- Uncompetitive prices;
- Cost and availability of transport;
- Lack of demand;
- Production problems; and
- Production capacity limits.

"Significantly, for the first time in this regular survey, the exchange rate is in their favour," said Teixeira. "In the last five months the depreciation in the rand has accelerated and averaged R3.62 to the dollar in May.

"This is a 6% depreciation since January, when it was R3.40. The depreciation against the British pound since January has been 7% and against the yen 14%.

"Improved margins due to the depreciation of the rand, coupled with strengthening international prices, are providing an incentive for a greater commitment to foreign sales."

Incentive

"However, export managers continue to be concerned about the unpredictability and volatility of the currency."

"There is still uncertainty over future economic policy, particularly the government's attitude towards labour legislation and activity."

"There was also concern that, in the long term, rising domestic demand would put pressure on productive capacity."

Uncompetitive prices in international markets were a major concern. "Most of the commentary around this concerns the high cost of both local and imported raw materials and components," Teixeira explains.

"Nevertheless the elimination of non-tariff barriers and the process of reducing tariffs beginning on July 1, 1995, according to GATT should help to alleviate the cost of imports."

"In addition there is a need to upgrade the drawback and rebate of duty systems for imported materials used in export processing if the problem of anti-export bias is to be tackled effectively."

And "as the global economy becomes increasingly competitive, so international traders need access to more efficient and up-to-date information. While the use of published export directories and handbooks is still important, more rapid access to trade information is required if SA is to take full advantage of trade liberalisation throughout the world."

He pointed out that Safuto helped to fill this need with information upgrades Kompass and Tradeplan.
Backlog blues

Business Editor

SOUTH Africa is not meeting all orders for exports according to the South African Foreign Trade Organisation (Safito).

Safito predicted in its latest export confidence survey export earnings, excluding gold, would grow at 5.5 percent over the next 12 months but that the number of unfilled orders would continue to increase for some time.

The export confidence index for exports has resumed an upward trend after moving sideways in the three-month pre-election period. The index is based on expectations of export sales in US dollar for the next 12 months.

The index is at its highest level since 1991.

In the short-term exporters expect foreign sales as well as incoming orders to be higher in the second quarter than the first quarter. But because of political disruptions to economic activity in the second quarter the number of unfilled export orders is expected to increase and the levels of export stocks to decrease.

In the longer term the level of export stocks is expected to increase to meet higher foreign demand but this is still unlikely to decrease the level of unfilled export orders.

Improved export performance over the next 12 months was supported by better world demand, slow local recovery and continued depreciation of the rand.

Uncompetitive pricing is seen by export managers as the main obstacle to exports improving with the high cost of local and foreign raw materials and components taking most of the blame.
Billion rand crunch looms for exporters

Exporters could be R1 billion worse off if tax changes and spending cuts announced in the Budget go ahead, Acting Director General of Trade and Industry Gerrit Breyl said.

Addressing the parliamentary joint standing committee on finance yesterday, Mr Breyl said the department was concerned that the decision to tax general export incentive scheme payments from next year could cost exporters R600 million.

His department, moreover, had been instructed to cut spending by R500 million.

"I am worried about the effect that this will have on exports," Mr Breyl said.

Mr Breyl said he was still waiting direction from the Ministry of Finance about how the cuts should be made.

One of the main thrusts of the government's reconstruction and development programme was to promote value added exports and the department would be involved in several programmes, including a massive trade exposition in the United States.

Mr Breyl said that although GEIS had made a major contribution to the surge in exports in recent years, it was "very expensive" and anti-GATT.

Several MPs questioned whether GEIS had been the main reason for export growth, rather than depreciation of the rand and import compression.

Mr Breyl said the value of GEIS had even been recognised by the World Bank, but it was agreed to phase it out by the end of 1997.

MPs also asked for a greater emphasis on the development of small and medium-sized enterprises, saying that the development corporations that had been set up in the former homelands had "ripped off our people rather than helped them".

Mr Breyl said there had been so many organisations involved in this field that greater co-ordination was needed now.

Meanwhile Trade and Industry Minister Trevor Manuel is pushing for speedy re-negotiation and possible extension of the South African Customs Unions agreement.

Mr Breyl told the parliamentary standing committee that Mr Manuel wanted negotiations to start as soon as possible.

Mr Breyl said Finance Minister Derek Keys had also said the financial implications of the agreement for South Africa had "become unbearable and something must be done to address this". - Reuter.
Weaker rand raises exporter confidence

CONFIDENCE among SA exporters in the three months to June reached its highest level since the end of 1991, according to the SA Foreign Trade Organisation's (Safio) latest exporter confidence index.

The index - a barometer of exporter confidence among export managers - continued its upward path in the second quarter after showing signs of stagnation in the first three months of the year.

Improved export performance would be underpinned by stronger world demand, a slow recovery in the SA market and the rand's continued depreciation, which export managers said was starting to work in their favour, Safio said.

"In the past five months the depreciation of the rand has accelerated and averaged R3.83 to the dollar in May. "Improved margins due to the rand's depreciation, coupled with strengthening international prices, are providing an incentive for a greater commitment to foreign sales," Safio said.

But the threat of international competition and SA's uncompetitive prices in trade regions including Europe and the Far East still presented an obstacle to expanding SA exports, the survey showed.

Safio economist Carlos Teixeira said that for the first time since the inception of the survey "political obstacles" had taken a back seat in the hurdles facing SA exporters.

The relative political stability born from the peaceful transition to democracy had boosted export managers' expectations of an increase in export sales in the next 12 months, although there was still some uncertainty about future economic policy, Teixeira said.

"Production capacity limits" were higher on the list of obstacles confronting exporters in the second quarter compared with the first three months of the year.

These reflected the disruption to economic activity caused by the large number of public holidays in the second quarter and were exacerbated by fears that increased domestic and foreign demand would place pressure on the long-term production capacity of exporters, Teixeira said.
Exporters more confident

South Africa's exporter confidence index rose to its highest level in three years in the second quarter, according to SAFTO.

Quarter

The confidence index, which reflects expectations of export sales in US dollars for the next 12 months, has risen from 30 in the first quarter to 31 in the second quarter.

In the short term, export managers expect foreign sales as well as incoming orders to be higher in the second quarter than in the first quarter.

Improved export performance in the next 12 months is being supported by better world demand, slow local recovery and continued depreciation of the rand which is forecast to reach R3,80 to the US dollar by year end and to average R3,64 for the year.

Pound (£1.45)

Since January, the rand has depreciated by 6 percent against the US dollar, 7 percent against the British pound and 14 percent against the Japanese yen.

On the basis of these trends, SAFTO predicts real export growth — excluding gold — of 3.5 percent.
SA wine exports surge, says KWV

SA's wine industry could export 3.5-million cases this year, up 40% on output in 1993, KWV marketing director Jannie Retief said yesterday.

Retief said that exports had continued their surge since political changes swept SA.

In 1991, only 850 000 cases had been exported.

The UK, the biggest export market, had grown from 196 000 cases in 1990 to more than 1-million last year, with all the supermarket groups now stocking SA wines.

He said demand had increased to such a degree that SA wine sales had passed those of Chilean and New Zealand wines and were almost on a par with the Californian wines in terms of volumes sold.

He added that SA still faced strong competition from the Bulgarian and Australian wines, but a major marketing initiative to increase SA's market share was continuing.

Retief said SA's brandy exports were still growing but were small in comparison to sales of French cognac.

We have an agreement with France that our brandy products cannot be marketed as cognac.

"This is making it difficult for us to compete but we are trying to overcome this obstacle by developing new ranges and trademarks."

Retief, who is also the SA Wine and Spirit Exporters' Association chairman, said the recent excise increases announced in last month's Budget would hamper the export initiative.

He said the other major wine-producing nations had an edge on SA because they received substantial financial support from their governments to market their products.

"When we look at the millions of rands the opposition receives from their governments, then obviously something needs to be done in SA."

Retief warned that the devaluation of the rand was also putting pressure on marketing budgets, adding that he hoped the government would provide more financing than was presently allocated.

"A lack of funds will put the brakes on any export drive. We need more government assistance to grow export revenues and assist in job creation," he said.
Top level EU team meets key players to discuss trade barriers

Boost to earnings through talks

SA exporters hope for R400m
Export of wine up

By JEREMY WOODS

THE South African wine industry is planning to export some 3.5 million cases of wine in the current year — up some 40 percent on the previous year, says KWV marketing director Janie Retief.

More than a million cases alone will be exported to the UK, the biggest export market, where most supermarket groups now sell South African wine.

The UK market, said Mr Retief, had grown from export sales of just 196,000 cases in 1990.

However, South Africa's wine export initiatives faced strong competition from other new world wine producers like Chile, Bulgaria, New Zealand and Australia.

Mr Retief said other major wine producers had a competitive edge on South Africa because of the export subsidies they received for selling their wine abroad.
West Cape exporters set for boom times

By JEREMY WOODS

WESTERN Cape exporters are experiencing a bonanza during the traditionally quiet winter months which could see the region's exports rocket by as much as 40 percent this year.

"It started about the beginning of March, just before the election, and has been gathering pace since then," Mr Hennie Joubert, SAA's Western Cape cargo manager, said this week.

"We are battling for space to store cargo and to move the volumes. There is no doubt about it, these are boom conditions."

But, according to Mr Joubert, the significance of the current export bonanza is that it is taking place during the traditionally quiet winter months.

"Most of the Western Cape's exports, such as fruit and flowers, are seasonal. This is the quiet time. The major exporters in the Western Cape are not normally busy at this time of the year."

Mr Joubert said an increase of five percent had been targeted for exports in the current year. However, in the first 25 weeks of the year, exports were up by 14 percent.

"If exports continue at the current levels through to September, and then the seasonal exporters come in, we could be looking at an annual increase of up to 40 percent," he said.

Importers

But the traffic is not just one-way. Importers are also experiencing huge increases.

"The demand seems to be for high-tech equipment like specialist computers, heavy machinery, and particularly spare parts," Mr Joubert said.

A spokesman for Portnet confirmed that shipping exports were also buoyant.

"We are seeing a boost in export business, too. It's normally a quiet time of year, but ever since the election local exporters seem to be very busy with good order books."

Wesgro's Dr David Bridgman said: "We have been forecasting that the Western Cape would be led out of the recession by its exports. It is clearly happening and we are delighted. The type of imports are significant as they reflect that industry is gearing up to meet the demand. It's a very interesting economic picture."
R400m trade boost for SA exporters

EUROPEAN Union and SA government trade delegations have agreed that the EU will grant SA General System of Preferences (GSP) trade incentives worth about R400m to SA exporters.

Cape Town university academic Alan Hirsch, who chaired government's technical working group, said the GSP measures could be superseded by deeper, long-term arrangements between the EU and SA.

Hirsch said an optimistic estimate of the benefit of being granted GSP was that SA companies would gain about R400m in reduced tariffs. The sectors which would see the largest benefits would be agriculture and marine produce, chemicals, paper and iron and steel.

After two days of talks the delegations said in a joint statement that the SA delegation had expressed its concern at the need to accelerate the process of including SA in the GSP, and urged the EU to achieve this objective by the first week of August.

However, a Brussels-based European Commission spokesman said it would be impossible for the commission to finalise and implement GSP by August as requested by the SA delegation. EC officials expected the system for SA to be ready only by end-September or October.

He did not believe that the complex preparatory work necessary before GSP could be applied to SA would be completed by August. Furthermore, the proposals would have to be translated into nine European languages and be approved by the EC and EU authorities and member states.

The GSP — which allows duty free imports within quantitative limits — will be replaced next year by a modulated scheme of duties according to product sensitivity without quantitative limits. This change means that a GSP has to be formulated for SA in a way that will not involve too much disruption under the new system.

It would, for example, be unwise to allow sensitive products to come in duty free this year, only to have heavy duties imposed on them next year. To ensure continuity, quantitative limits would have to be imposed on sensitive products this year.

The GSP system was a single "take-it-or-leave-it" arrangement, without any reciprocal trade-related requirements.

G7 spotlight on unruly dollar
$14m in export cover

JOHANNESBURG — SA’s Credit Guarantee said it would provide export cover worth $14m for two major capital projects being undertaken in Zimbabwe by South African companies Bateman Project Holdings and Smith Mining Equipment.

Credit Guarantee said in a statement it hoped the projects reflected the resumption of long-term capital project trade activity between the two countries.

The projects cover reconstruction work at the Zimbabwe Iron and Steel Co Plant and the supply of 15 waterwell drilling rigs to the Zimbabwe government.
Premier SA wines for UK MPs

Own Correspondent
LONDON. — A selection of South Africa’s premier wines are being enjoyed by British MPs who dine in the House of Commons’ dining rooms.

The introduction of five wines, including a Rosé, a Chenin Blanc, a Chardonnay, a Cabernet-based blend and the popular Pinotage followed SA’s recent re-acceptance into the Commonwealth.

Catering services director Mrs Sue Harrison said the MPs had shown a great interest in the new wines.

The wines would be revisited regularly to enable MPs to taste SA’s wide variety.

Wines of SA director Mr Rupert Ponsonby added: “SA’s smooth and positive political transition has encouraged those previously holding back from South African products to try our wines.

“UK imports of South African wine topped one million cases at the end of last year, two years ahead of schedule, and recent import figures show a healthy increase of 30% on last year’s figures.”

Clothing exports looking threadbare

TOM HOOD

EXPORT business, which provides jobs for thousands of Cape clothing workers, has plummeted.

Official figures show clothing exports for the first four months of 1994 dropped to only R105 million — less than a third of the R336 million of garments exported in the first four months of 1993.

The National Clothing Federation estimates 1994’s total exports might not even hit R400 million — they were worth R616 million last year.

A disconcerting trend is that clothing imports for the four months rose to R185 million from R153 million a year ago and are estimated to reach R320 million by the year-end.

Last year’s exports sustained 14,000 clothing jobs at an investment cost of only R55 million, says federation executive director Henkie van Zyl.

Main reason for the drop in business was the lack of certainty about the government's policy to assist exports, he said.

The current duty credit certificate export scheme, which was essential to counter the country’s anti-export bias, was being renewed only on a short-term basis.

“The industry is required to quote export delivery prices for the second half of 1995, yet no certainty about export incentives extends beyond September 1994.”

Another reason was the delay by the National Economic Forum to reform the Geis payments system.

Exports were also affected by the political uncertainty prevailing before the April elections.

“The single most important requirement to solve the problem of promoting exports is for the government to implement decisions and enable the industry to do forward planning.” added Mr Van Zyl.”
Exporters urged to capitalise on GSP deal

The rush for exporters to take advantage of the newly introduced European Union’s Generalised System of Preferences (GSP), is encouraged by tax firm Coopers & Lybrand customs expert Angus Robb.

As much as 20% of SA’s exports into Europe — predominantly manufactured goods — are set to benefit from this easy access into a major international market.

Robb points out in a statement that “the potential benefit of using the GSP scheme correctly will be a direct increase to exporters bottom line profit or a reduction of the landed price of the goods in Europe”.

He explains that the GSP allows “qualifying goods” to be imported into the EU at a preferential rate of customs duty.
Govt dithering blamed for clothing export slump

CAPE TOWN — Clothing exports in the first four months of 1994 slumped to less than a third of exports over the same period last year, the National Clothing Federation (NCF) said recently.

The drop in exports followed five years of sustained growth.

NCF executive director Hennie van Zyl said latest official statistics showed clothing export sales in the first four months this year had been valued at R106m, compared with R328m in the corresponding period last year.

Based on these statistics, the NCF estimated exports this year would slump to about R466m, compared with R616m, or 11% of total local production in 1993. Clothing imports increased to R186m from R153m over the same period.

Van Zyl said the export figures were disappointing. If SA only exported 30% of its production — other countries exported up to 90% of production — 45,000 clothing and textile jobs could be generated at a fixed investment cost of only R4,000 a job.

EDWARD WEST

He blamed continuing uncertainty about government’s policy on assisting exports, and delays by the new government in effecting administrative changes, as the major reasons for the slump in exports.

The Duty Credit Certificate export scheme (DCC), essential to counter the economy’s anti-export bias, was being renewed only on a short-term basis, he said. A recent recommendation by the clothing industry task force was that the scheme should have long-term continuity, and only be phased down over the period negotiated with the GATT.

The task force also recommended that any reduction in GEIS benefits — as announced in the recent Budget — should be compensated for by an equivalent increase in the DCC scheme. This had not yet materialised, Van Zyl said.

The delay by the new government in making administrative changes was another reason for the low export sales. Although a government decision was taken in February to extend the DCC scheme to the end of September 1994, the practical implementation of this still awaited the signature of the Ministers of Trade and Industry and of Finance.

Other reasons for the low exports were the delay by the National Economic Forum to reform the GEIS system and political uncertainty prior to elections.

Van Zyl said government should implement decisions to enable the industry to do forward planning with certainty. The most urgent outstanding issue was the task force’s recommendation that the DCC and GEIS schemes continue to be phased down in conjunction with the phasing down of import duties.

In line with the RDP, the clothing industry could potentially generate more permanent jobs, more rapidly and at the lowest cost of any manufacturing industry. Housing projects would take longer and cost more to train the necessary workers, said Van Zyl.
Sondor set for major export drive

By MARC HASENFUSSE Business Staff

SONDOR — the Cape-based plastics and rubber manufacturer — is looking at a modest increase in earnings this year on the back of new product applications and a sustained export drive.

Sondor, in which Anglo American holds a 38 percent stake through Zimco, manufactures rubber and plastic products used mainly for sealing, insulation and cushioning by the motor and building industries.

Chairman Sonny Goldman noted in his annual review that the group had started selling rubber and plastic products in new applications. These showed promise of bulk sales in industrial outlets.

The group has further diversified by starting-up manufacturing processes aimed at securing a niche in the consumer market. Products will include Body Boards, Swim Aids, Aerobic Steps, Shin Guards, toys and other related products.

Mr Goldman also reported further progress in the group's export drive. "Our marketing director has visited countries in South America that could become importers of our material."

He pointed out that Sondor — albeit from a low base — had achieved a marked improvement in exports in the year to end March and that further improvements were expected in the current year.

Sondor is thinly traded on the JSE, with the bulk of the shares held by directors (over 50 percent) and by Zimco. The share has, however, shifted up to the current ruling price of 100c — well up on the 40c low for the year.

Sasol's unsponsored American Depository Receipts (ADR) on the NASDAQ exchange in New York have been converted to fully sponsored status.

The group appointed the Bank of New York to support its move from a conventional ADR listing to a sponsored facility, which will enable international investors to trade more freely in its stock, Sasol said.

Nationale Pers has taken another step towards a JSE listing with the approval by the Cape Supreme Court of a shareholders' meeting to discuss the increase of the company's authorised capital from 20 million to 40 million 10c shares, a five-for-one share subdivision and a change in the company's articles of association.

The meeting is to be held on August 12 in Cape Town.
Business

RDPP could upset export markets.
CLOTHING & TEXTILES

All dressed up and nowhere to go

The tremendous slump in clothing exports in the first quarter of the year — from R18bn to a mere R67m — has focused the spotlight on the Department of Trade & Industry and its new minister, Trevor Manuel. Manuel, who was travelling in North America this week and could not be reached for comment, is being taken to task for government’s delay in acting on a proposed new strategic plan for the clothing and textile industries.

Until a new plan is implemented the sectors will be plagued by uncertainty over the future policy on export incentives and tariff reductions, industry officials say. They have been waiting a long time: the 190-page report of the Panel and Task Group for the two industries was handed to former Minister Derek Keys in March after 18 months was spent on research. The uncertainty is blamed for the export slump, which could have grave repercussions for two industries already on the ropes.

For its part, the department says the criticism is unwarranted because the period for receiving public comments on the report ended only on June 30, so it has not yet finalised its own proposals and submitted them to Manuel. “It is unreasonable to criticise the Minister because he is still to receive our own report,” says a department spokesman.

The R18bn-a-year retail clothing and textile industries, which employ 50 000 at the retail level and 250 000 overall, have a symbiotic relationship. And, after fighting each other for decades over what the clothing companies see as excessively protective tariffs for the textile industry, they are now united in their criticism of the lack of any decision on how long and in what form will export incentives continue.

“We have been told that we could see the Minister only late in August,” says National Clothing Federation chairman Sadek Vahed. “Meanwhile, a crisis is brewing and everybody is in the dark on what to expect from government. This is after the clothing and textile federations, the SA Clothing & Textile Workers’ Union and panel chairman Nic Swart reached consensus and jointly asked government in March to treat the issue of future export incentives on a fast-track basis — separate from the panel’s other recommendations.” But the department says it is treating the proposals as one package.

Vahed says the department asked his federation to participate in a September trade fair in the U.S. “But how can we go to the fair if we do not know how to price or sell our goods? We must realise that the world is not waiting for us and trade is not coming to a standstill because we have an RDP.”

Both of the incentive programmes used by exporters, the Duty Credit Certificate system, which grants discounts against import duties based on the value of a company’s exports, and the General Export Incentive Scheme (Geis), expire on March 31.

With SA’s high textile tariffs forcing clothing manufacturers to pay high prices for their inputs, the subsidies are needed to prop up probably the bulk of SA’s otherwise uncompetitive clothing exports. Ending them without also slashing tariffs would spell disaster for the industry. Last week the National Clothing Federation made a formal request to government to extend the credit certificate system, and the acting director-general of Trade & Industry, Johan Lambrechtz, says now his department will push for that scheme to be extended. As for Geis, which violates the Gatt accord SA signed in April, the National Economic Forum is debating how it can be legally extended for at least a few more years.

The Textile Federation’s Brian Brink says he expects the decision in the Budget last month to tax the R2bn-a-year that companies receive in Geis subsidies lopped off about 40% of the programme’s value to exporters in one fell swoop. “We need long-term certainty on government’s plans, even if this is about taking away existing benefits.”

Panel chairman Swart says the tariff recommendations contained in his panel’s report are being finalised by the Board on Tariffs & Trade, which he also chairs, “and should be published within weeks.”

The parties involved in the minority report — which suggested reducing tariffs over five rather than 10 years — will then have another chance to make recommendations, in time for the board to finish its tariff proposals before the January 1 Gatt deadline.

“The balance of our recommendations rests with the department, and Minister Manuel has the final say,” Swart says. “But seeing that these are vitally important industries, this is an issue of great urgency and we cannot afford any undue delays.”

He is sanguine about Geis’s eventual demise and adds that supply-side measures such as low-interest IDC loans for upgrading skills and introducing modern technology could be the best way to help.

MAIZE MARKETING

Edging to deregulation

The single-channel maize marketing system that forces farmers to sell nearly all their maize to the Maize Board should move a step closer to the scrap heap next week, when the board looks at the recommended marketing system that may open the industry.

But the five-member committee appointed by Agriculture Minister Kraai van Nickerk to recommend a new system (Business June 17) still has a lot of work to do to find a compromise between the farmers — represented by the National Maize Producers’ Organisation (Nampo) — and the buyers, namely the main food companies Premier, Tiger Oats, Foodcorp, Genfood and Tongaat-Hulett, as well as major feed user Rainbow Chicken.

Committee chairman Attie Swart, who is the Agriculture Department’s chief director of marketing, says the old system will remain in place until next April, when the current marketing season ends. He expects the committee to hand in a recommendation to the board by the end of the month. The board then has to report to Van Nickerk by the end of next month.

A driving force motivating the changes is Gatt, which goes into effect in January. The worldwide trade agreement does not allow a country to ban all private imports of a product, as happens with maize in SA. To replace the protection afforded by import control, the maize producers are demanding a high tariff on imports. Naturally, the processors want to be able to import maize freely.

Nampo has proposed to the committee:

☐ A 35% tariff on imports;
☐ Free competition for imports, after having tariffs imposed in coastal areas;
☐ A protected inland market, where a formula price will be determined each year by the board (based on the tariff, import parity and cost of transport to Moritzburg); and
☐ A mandatory role for the board in getting rid of surplus maize, based on Nampo’s suggested, annually fixed, inland price.

No provision is made for regional prices, suggesting existing subsidies between areas should continue. Nampo also favours phasing in a new marketing system containing

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An export boost for trade surplus

BY CLAIRE GEBHARDT

The trade surplus jumped 142 percent to R1.5 billion in June as exports picked up, Customs and Excise figures show.

Economists said yesterday the figures were a return to normal after the drastic drop in May’s trade surplus to R623.6 million on a surge in imports.

The trade balance is seen as a means of offsetting the drain on reserves, given the vulnerable capital account.

June’s exports rose 21 percent to R8.1 billion from R6.7 billion in May, while imports rose 8.5 percent to R6.6 billion.

On a cumulative basis, exports for the first six months were 18.5 percent up and imports 25 percent up on the same period last year.

Safco economist Carlos Teixeira said this was cause for concern because imports were set to accelerate as the recovery gathered pace.

However, there was room for improvement on the export side, given rising commodity prices, better conditions among major trading partners and the rand’s continued slide.

Main contributors to the better export figure were machinery, transport equipment and diamonds.

Month-on-month exports of machinery were up 44 percent and transport equipment up 163 percent. Diamond sales showed a 165 percent rise.

Teixeira said the commodity categories remained disappointing in terms of exports.

“Reasons for this may include higher local consumption, contract prices and a full capacity situation not allowing for further production increases for foreign sales.”

Nedcor economist Dennis Dykes said imports were moving ahead at an alarming pace, but the good news was that this appeared to relate to capital goods such as machinery, electrical and transport equipment.

He said the R1.5 billion trade surplus was enough for a build-up of foreign reserves, provided there were no capital outflows.

“We are still very dependent on the capital account and have to build up reserves dramatically between now and year-end.”
Ostrich product exports top R161m

CAPE TOWN — Greater emphasis on marketing has resulted in a steady increase in ostrich product exports during the past five years to R161,4m in 1993, the Klein Karoo Landbou Kooperasie says.

Until October last year, when the industry was deregulated, the cooperative exercised tight control over the sale of products of the world’s biggest bird.

Its income from ostrich skins last year was R144,4m (1992: R132,5m), meat R31,4m (R28,0m) and feathers R14,1m (R14,3m).

The export share of the cooperative’s total income — about 85% — was more or less the same for all three product categories.

Income in rand terms during the past five years virtually doubled to R189,9m from R93,7m in 1989, mainly as a result of strong growth in the sale of skins to R144,4m from R68,1m in 1989. Income growth from feathers had stabilised during the past few years because of a shift in production from plucking birds to slaughter birds. In 1990 income from feathers was R10,7m; in 1991 it was R17,5m.

Ostrich meat’s low-cholesterol properties had made it popular in European markets. However, skins attracted a premium price of about R1,000 each. Each ostrich produced about 25kg of deboned meat.

Because SA’s export volumes to Europe had been easily absorbed, no major meat promotional activities had been undertaken.

Drought had made regulation of the industry virtually impossible, as many farmers outside the Klein Karoo turned to ostriches after other crops failed.
Tight customs control sought

The National Clothing Federation has called on government to tighten customs control measures.

Executive director Hennie van Zyl said yesterday that while the industry favoured the liberalisation of tariff duties — in line with GATT requirements — it was concerned about the amount of import penetration which suggested evidence of leakages in the customs control measures.

"We're not advocating that imports be raised so that will be swimming against the tide," he said. "All we want is customs policing measures to prevent leakages."

Raising import duties would provide only temporary relief, he said. The industry's long-term salvation was in beefing up the country's exports.

Clothing imports rose to R185m in the first four months of this year compared with R135m last year, while the import figure for the year could be as high as R260m — up from last year's R165m.

This rise took place against a slump in exports, which dropped in the first four months to R165m against R336m last year.

Van Zyl also slammed the delays in government's response to recommendations tabled by the textile and clothing panel.

The panel's recommendations included the adoption of a phased approach to export incentive schemes like the general export incentive scheme (GEIS) and duty credit certificate (DCC), which allowed manufacturers to claim up to 30% of the value of exports on subsequent import duties for items such as fabric.

He said the industry favoured increasing the DCC claim to at least 50% to cushion the effects of removing tax rebates available through GEIS.

He said the clothing industry was losing out as a result of the uncertainty about the continuation of the DCC scheme beyond March. Clothing manufacturers favoured the continuation of the DCC incentives beyond March. The problem was compounded by the fact that no provision was made for retrospective claims, he said.
FOREIGN TRADE

The jump in the trade surplus to R1.5bn in June, from R0.124bn in May, is due mainly to export categories which fluctuate widely from month to month.

One is the category gems & precious stones. This is made up largely of rough diamond transfers to the CSO in London, from producers in SA, Botswana and Namibia — transfers that are notoriously lumpy, as exports this year show. In June, the exports totalled R1.1bn but the figure has been as high as R2bn (in March) and as low as R0.7bn (in January).

The figures were also influenced by the extraordinary behaviour of exports in the category vehicles & transport equipment, which jumped to R7.3bn in June. This comes after five months in which the

ECONOMY & FINANCE

highest monthly figure was R3.26bn in March (see graph). But inquiries failed to pinpoint any exporter of goods under the category that would have made such a difference. Though Volkswagen has been exporting under a contract with Chinese importers, this would make up only about R30bn of the monthly figure. Equally, the burgeoning container industry included in this category is unlikely to have had such a big effect alone.

The jump could have resulted from an omission in May, with exports made late in that month being allocated to June.

Earnings under the categories that include SA's exports of metals and minerals are disappointing:

- Unclassified items, including arms and ammunition, but mainly made up of precious metals, have brought in 13.1% more in the first six months than in the same period last year, a cumulative R16.1bn. But this is down on May's 15%.
- Base metals are up 7.2% at R5.1bn, after a 13.7% increase in May; and
- Minerals are down 6.8% at R3.6bn, from 2.6% shrinkage in May.

But all of these may benefit from higher commodity prices later in the year.

Import growth is still dominated by the category that includes machinery. This cost R11.1bn in the year to June, 41% more than in the first half of 1993.

The unclassified item, which includes oil, is also growing. Though the cumulative amount, at R1.9bn, is 16.1% down on the value of unclassified imports in the first half of 1993, June imports of almost R3.5bn formed the highest monthly figure this year. The category will grow as oil price rises affect the import bill.

Total exports for the year so far are R42.1bn, which is 13.5% higher than in the first half of 1993. Imports, at R33.6bn, are 25.1% higher.
It's cheers for SA wine sales

ALAN ROBINSON
The Argus Foreign Service

LONDON.—South Africa's transition has had an astonishing effect on its wine sales in Britain, with exports from January to May up 36 percent on the same period last year.

Demand in both April and May exceeded one million litres for the first time, meaning that South African wine overtook imports from the United States and Hungary and widened the gap over New Zealand and Chile.

Dr Jannie Retief, chairman of the South African Wine and Spirit Exporters' Association, said: "Our wineries have really listened to the needs of the British wine buyers and we have risen to the quality/price challenge of the British market."
Export of weapons being reviewed

Political Staff

SOUTH AFRICA is to review its policy of exporting conventional arms and the cabinet would sanction an all-party parliamentary committee to probe the practice, Deputy President Thabo Mbeki said yesterday.

And Armscor said it wanted all secrecy in the acquisition of arms and the Special Defence Account to be removed, saying it would be up to Parliament to decide if any purchase of military equipment should be kept confidential.

Armscor chief Mr Tielman de Waal said in a month's time all its tenders and its contract awards would be made public.

The parliamentary inquiry into arms sales — South Africa exported R900 million in arms last year — and the Armscor's moves for greater openness will lift the lid on the country's defence industry which until now has been kept away from public and parliamentary scrutiny.

Mr Mbeki said the cabinet would discuss the matter fully at a future meeting.
Disruption feared from new export incentives

From Greta Steyn

Johannesburg. — Major exporters are fighting tooth and nail against Trade and Industry Minister Trevor Manuel's plans to restructure export incentives, saying his proposals would cause "major disruption" and be costly to administer.

While business accepts that the general export incentive scheme (GEIS) has to be phased out from next year, its representatives have objected strenuously to the way in which Manuel intends approaching the issue. Months of negotiations in the National Economic Forum failed to produce consensus — for the first time since the inception of the forum's trade and industry working group.

Sources said government's proposals would harm Leor the most, while other steel industry exporters would be knocked too. Also set for a blow were paper and pulp exporters, such as Sappi and Mondi, as well as deciduous fruit exporters.

Sefsa economist Michael MacDonald, who represents business on the forum's work team, said yesterday GEIS should be phased out in a way that caused the least disruption for business and for government's administrators of the scheme.

The route government and labour had chosen would cause "major disruption through unresearched recategorisation of important products — some of which are our major foreign exchange earners."

In terms of GEIS, different categories of products qualify for different benefits, depending on the value added to the exports. The change would place more emphasis on the value added than at present.

A spokesman for Manuel, Charl Nel, confirmed Manuel wanted to restructure GEIS by changing the categories to bring it more in line with the original intention of the scheme. Analysts said the intention had been to promote manufactured exports.

Nel noted Manuel was on record as saying: "There are certain fundamental imbalances within GEIS which must be addressed, for example the fact that only 30 exporters receive 33% of GEIS benefits while the remaining 47% is shared among 5,078 exporters."

Government wanted to free up resources to finance new supply-side measures to encourage exports. "It has to come from the same pool — we cannot draw new resources."

Government has yet to make a formal announcement on the new look GEIS, and exporters have been clamouring for a formal statement to clear up the uncertainty.

MacDonald said the possible effect of government's proposals on exports, on foreign exchange earnings and tax revenues, on unemployment and on the export potential of downstream manufacturers had not been adequately determined.
Exporters get helping hand

The important financial schemes in place to make our goods more competitive

BY CHARLIE GERAGHTY
Costly disruptions feared

Exporters up in arms over incentive plan

MAJOR exporters are fighting tooth and nail against Trade and Industry Minister Trevor Manuel's plans to restructure export incentives, saying his proposals would cause "major disruption" and be costly to administer.

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MacDonald said the possible effect of government's proposals on exports, on foreign exchange earnings and tax revenues, on unemployment and on the export potential of downstream manufacturers, should be completed by gradual and equally staged cuttings of the benefits over the following four years.

Business also suggested that the GEIS benefits should not fall to below 50% of current levels, he said.

It was unacceptable that taxation of GEIS benefits be followed by major recategorisation, which would severely reduce benefits to some major exporters and followed still further by a gradual phasing down of benefits on a yearly basis...
Export Incentive Benefits to be Cuts

The trade and industry department yesterday announced a move that will substantially cut benefits paid out in terms of the general export incentive scheme (GEIS) from October, signalling government's intention of changing the scheme radically from next April.

At a Johannesburg conference organised by the SA Foreign Trade Organisation and the SA Institute of Chartered Accountants, the department's foreign trade chief director Bert Pienaar told exporters that GEIS benefits would be reduced to take account of the depreciation in the real exchange rate. The GEIS formula would be adjusted from October 1.

The adjustment accounting for depreciation in the exchange rate takes place every year, but the level of benefits has been substantially affected this year because of low inflation and the rand's sharp depreciation. Pienaar expected the real exchange rate to continue sliding, obviating the need for other major steps to phase out GEIS.

Haggie Group MD Chris Murray said the adjustment meant exporters would lose 10% to 20% of benefits from October.

Income

Pienaar said trade and Industry was locked in a "tremendous" fight with the steel industry about changes to the GEIS system over and above adjustment for currency depreciation. Some products were "too basic" to qualify for benefits aimed at exporters of manufactured goods.

Aside from basic metals, certain food companies would also be affected by the planned restructuring. His list of companies that would feel government's scalpel the most included Iscor, Langeberg, Unifruco, Mondi, Highveld Steel & Vanadium, Scaw Metals, KWV and Sea Harvest.

The conference was characterised by outspoken exchanges between Pienaar and Seita economist Michael MacDonald. MacDonald said he could not understand why companies that had performed well had to be punished, while Pienaar accused him of "creating suspicion".

MacDonald said one of the spin-offs of the GEIS restructuring would be that benefits would no longer be passed to downstream manufacturers in the form of mill rebates, which effectively gave them steel at world prices. The effect of the change on downstream manufacturing and on unemployment had not been quantified.

Pienaar indicated a statement would be released soon providing details of the change in GEIS categories to reflect the emphasis on value added, as well as the phasing down.
By ARI JACOBSON

SOUTH Africa should focus on designing an Indian Ocean trade block and develop its expertise as an exporter of high-tech weaponry, said the University of Westville's political science professor John Daniel.

Speaking in a keynote address to Stellenbosch University's Institute for Future Research yesterday, Daniel said the country should avoid taking funds from the International Monetary Fund (IMF) as "we (SA) need to try go it alone".

SA should "carve a niche" in the defensive arms trade which would generate income and thousands of jobs.

He warned that "SA is not a significant part of the economic plans of North America, Europe or the Far East".

"World trade is dominated by the three continental economic blocks, North America (including Mexico and Canada), the EU and South Pacific — which leaves Africa marginalised".

Daniel said that the trading environment in these blocks was "harsh" and prone to double standards, which ultimately meant little support for countries not belonging to these units. "The answer is to develop a foreign policy with countries not tied to these trade blocks."

Here he suggested an "Indian Ocean trading block involving SA, East African coastal states (such as Kenya and Mauritius) and the Indian sub-continent".

"SA could also seek new markets in the Middle East and South East Asia". Daniel pointed out that the southern African region was "unstable and distressed economically".

SA must not dominate the region but seek "to reshape trade" by growing the surrounding regions while developing its own economy.
An orange glow over exports

Simon Segal reports on booming fruit export markets

SOUTH Africa’s citrus exports are now expected by Outspan, the industry’s international marketing arm, to be a record 34 million 15kg cartons.

This should earn R1.4-billion and is three million cartons higher than last season at a value of R1.2-billion, and two million more than the 1992 record.

By mid-July Outspan had already shipped half its expected export crop.

Outspan chief executive John Stanbury explains that the citrus season in the northern hemisphere ended earlier than usual and volumes were lower in South America.

Outspan exports 30 citrus fruit varieties, of which the largest are Valencia oranges (17-million cartons, 10 percent up on last season), navel oranges (8.5-million cartons, eight percent more than last season) and grapefruit (6.5-million cartons, 10 percent up). The two million lemon cartons are the same as last year.

The biggest growth is in “easy peelers” such as clementines, where output has doubled to 2.5-million cartons.

South Africa is the fourth largest citrus exporter in the world. Local deciduous fruit exporters are also having a successful season.

Exports, Unifruco estimates, should reach a record 44-million cartons this year and bring in R1.8-billion in foreign exchange.

Last year 37.3-million cartons earned R1.5-billion (of which farmers received around R700-million), down from the previous record year in 1992, when 41-million cartons were sent abroad and earned R1.7-billion, of which R885-million went to growers.

The industry is one of South Africa’s great export success stories.

In 1988 export revenue was only R764-million, from 30-million cartons.

Unifruco projects exporting 52-million cartons by 1997 and some 100-million by the end of the century, earning nearly R5-billion in today’s prices and at today’s exchange rate.

This means fruit is challenging coal, platinum and ferroalloys as South Africa’s biggest export after gold.

It will also replace maize as the largest contributor to total agricultural earnings.
SA BREWERIES would export more than 50,000 cases of Castle Lager a month to Tanzania Breweries (TBL) while the operation geared up to produce Castle itself, the SA company said yesterday.

TBL CEO Danie Niemandt said yesterday that the company — which is 56% owned by SA Breweries subsidiary Indol International — would begin producing Castle early next year.

Indol bought the 50% stake in TBL for $23m last year. SA Breweries is committed to supplying equipment to TBL plants in Dar es Salaam and Arusha.

The TBL plant in Dar es Salaam would soon commence a $6m upgrade and construction on a canning plant to bring the facility to a par with Castle production facilities in SA.

TBL, which was currently producing about 15,000 crates of beer daily, would increase capacity to about 25,000 crates when the upgrade was completed.

In the interim, TBL would import Castle to distribute in the country. TBL also planned to build another brewery in the Lake Victoria town of Mwanza, but no date had been set.

SA Breweries chief operations executive Graham Mackay said the Tanzania deal was part of the group's plan to market and enforce its brands in the country.

The SA Breweries and Anglo American joint venture in Zambia announced last week would also ultimately begin brewing Castle.

The brewing facilities would have to be upgraded to improve the plant's standards before the beer could be produced, but Mackay said he was confident that brewing would commence within the year.

He added that the group was investigating other investment opportunities elsewhere, but declined to give details because of confidentiality clauses signed with some of the parties involved.
Export orders are already moving
calls to develop an export
carefully and attract
foreign investors abroad at the
numerous investment confer-
ences, seminars or presenta-
tions that heralded in the new
South African economy.

Many experts were quick to
warn that meaningful in-
vestment or exports would not take
place without labour stability,
the abolition of exchange con-
trol and higher productivity.

But the cogs are turning, al-
beit slowly, and many compa-
nies are already taking advan-
tage of South Africa's rousing
welcome back to the world
stage.

Some recent international
deals include:

- John Thompson Africa —
a local subsidiary of listed en-
gineering group NEI Africa —
has made significant inroads
into African markets.

- Export contracts worth
nearly R40 million were re-
cently awarded to the Bel-
ville-based industrial boiler
manufacturer for the design
and production of waternart
boilers for Triangle Sugar Es-
te in Zimbabwe and Munis
Sugar Company in Kenya.

The contracts follow close on
the heels of a R3.2 million or-
der for two specially designed
shell boilers for Lever Brothers
in Malawi.

- Royal Beech-Nut South
Africa — a subsidiary of Del
Monte Royal Corporation —
has signed several export deal
in recent months.

- Largest and most spectac-
ular is its appointment by inter-
national giant Pepsi to pro-
duce a chewing gum for the
Mexican market — a deal
worth close to R2 million.

Meanwhile Royal Beech-Nut
subsidiary Riviera Biscuits has
attracted orders from Indian
Ocean islands and orders worth
more than R1 million for a
range of exports was received
from Eastern Europe.

- PWV-based financial ser-
vice group Multisure is set to
increase its operations in the
Western Cape on the back of a
deal struck with the Australian
arm of the Continuum organi-
sation.

In terms of the deal, Multi-
sure has the exclusive rights to
Continuum's Super Admin Sys-
them — a fund administration
system well suited to the local
market's insurance-linked and
other employee benefit pro-
grammes.

- The recently founded Fritz
Companies SA — the first Afri-
can venture for the R1.2 billion
a year US freight management
and logistics company — will
soon open a full service office
in Cape Town.

Joint managing director
Paul Horsfall said the group's
Johannesburg airfreight and
sea freight divisions were al-
ready on a firm footing and
Cape Town and Durban opera-
tions would open this year.
Denel in drive to double exports

JOHANNESBURG. — Denel, a South African arms conglomerate that sells everything from tanks to helicopter gunships, said it intended to double exports.

Denel, which employs 14,000 people and has a turnover of more than $700m, said the expansion would take place over the next three years in countries ranging from Chile to the United Arab Emirates.

The conglomerate, spun off from state arms procurement agency Armscor two years ago, said it paid $24m in dividends in the past two years to its only shareholder, the South African government.

The group's chief executive officer Johan Alberts said Denel's aim was to greatly expand exports, which rose by 34% to $179m in the year to March 31, compared to the previous financial year.
ECONOMY & FINANCE

FOREIGN TRADE

We can't afford to miss the export boat

Economic recovery, which started in Europe this year, and continued growth in the US and UK should have provided a bonanza for SA's trade account.

Unfortunately, disrupted production in the first half of the year depressed the volume of manufactured exports — neutralising the benefits of a higher gold price and the vastly improved agricultural trade flows. So, despite an improvement in terms of trade (export prices relative to import prices) of 3.8% this year, the ratio of export to import earnings remained stable at 1.3%, according to the SA Foreign Trade Organisation.

Safoto says that in June the value of total exports grew only 17.3% in rand terms compared with the previous June. After the substantial decline of the rand, the result was even more disappointing in US dollar terms, with growth of only 4.5%.

Over the six months from January to June, rand export value rose 13.5% (1.7% in dollar terms). Imports, on the other hand, fuelled by the economic recovery, have been growing at a great pace — 47% in rand terms (31% in dollars) June on June, and 25% (12%) first-half-on-first-half. The effect of rising demand as the domestic economy recovered was compounded by depreciation of the rand.

This brought a fall in the trade surplus to R18.7bn in the 12 months to June, says Safoto, down from more than R20bn in the 1993 calendar year.

According to the Reserve Bank Annual Report, the weakness came in exports of "chemical products, machinery & electrical equipment, paper & paper products, textiles and transport equipment — probably due to exceptional circumstances related to political uncertainty, labour unrest, strikes, work stoppages and special holidays leading to losses of production."

Fortunately, 1993 growth in net gold exports continued in 1994. Says the report: "The value of net gold exports, which had contracted at an annual average rate of about 2% from 1988 to 1992, rose by 21% in 1993 to R22.2bn. In the first half of 1994 a seasonally adjusted and annualised value of R22.9bn was registered. A rise in the price of gold was mainly responsible for this substantial increase."

However, the commodity sector performed disappointingly, says Safoto economist Carlos Teixeira, "given the increase in international prices and improving conditions in trading partner countries. This is reflected in export earnings of base metals, (steel and iron) and minerals, (mostly coal)."

"Perhaps contracts were settled at the start of the year and companies locked into prices agreed then. There may also have been a redirection to local market as demand increased." Teixeira has done a further breakdown — of categories into component parts — but only for the first five months of 1994.

"Iron & steel, an item which makes up 67% of the base metals category, was up nearly 23% over the comparable period last year. But export proceeds of other components fell: copper by 8.6%; nickel 21%; aluminium 3.8%.

An analysis of mineral products shows that coal, which comprises 63% of the category, rose 3.2%; while ores, slag & ash fell 4.9%; salt, sulphur, earth and stone increased only slightly.

``The outlook is good. Iscor, which published results last week, for the financial year ending June 30, reported that average steel export dollar prices in the past financial year were 6.3% higher. It also predicted: 'The international steel market is poised for further improvement. Consequently, dollar prices for steel are expected to firm while the rand/dollar exchange rate should continue to weaken.'"

The report adds that "iron ore export prices in dollar terms (which decreased on average by 10.9% (in the financial year) should improve in dollar terms."

"Improvement should also be seen in the category jewellery & precious stones, which includes diamonds, says Teixeira. This performed disappointingly in the first half (see graph) but "diamond sales are always very erratic. I believe they will do as well this year as they did last but the sales will come in bursts."

He suggests the impact of a healthier commodity market generally will be seen on the trade account towards the end of the year.

Meanwhile, the trade surplus is sliding as imports roar ahead. The Bank says categories that saw the strongest growth in the first half of the year were chemical products, textiles, machinery & electrical equipment, transport equipment and professional equipment.

A n i m p o r t a n t barometer of economic activity is the item which includes machinery and comprised more than 30% of the total June import bill, according to Safoto. It was up that month by more than 50% on the previous June. In the period May-June it was up more than 40%. Imports in this category also increased, but only by about 34% and 12% in the periods. This has pushed the deficit on the item from R14.6bn in 1993 to over R17bn in the 12 months to June.

Transport is another useful indicator. Safoto's figures show goods in this category made up more than 15% of June's imports: a 47% June-on-June increase was recorded and a 27% first-half increase. The deficit in the 12 months to June rose to R9.6bn from 1993's R6bn.

Trade has been the mainstay of the balance of payments since capital started flowing out of the country in the mid-Eighties. It helped accumulate an overall balance of payments surplus of R7.5bn in the four years leading up to 1992 but was unable to prevent the gains in foreign reserves being wiped out in 1993.

According to the Bank, net gold and other foreign reserves decreased by R10.3bn that year due partly to an increase in net service & transfer payments to nonresidents, from R11.8bn in 1992 to R13.5bn in 1993; and largely to a net outflow of capital of R16.3bn in 1993.

If the domestic recovery, which started in 1993 but was postponed while a new government was installed, is to continue, export earnings must be boosted by increasing production and SA must attract capital flows. These are essential to fund the rising import bill — an unavoidable consequence of every economic recovery.

The outcome of the current round of industrial disputes is critical on both scores.

TRADE: GOING NOWHERE

The larger the ratio the greater the external trade advantage

Export/import ratio 0 3 6 9 12 15

Animals & animal products 20 25 30 35 40 45

Vegetable products 12 months to June 1994 1993

Fats & oils 12 13 14 15 16 17

Prepared foods 12 13 14 15 16 17

Mineral products 12 13 14 15 16 17

Jewellery & precious stones 12 13 14 15 16 17

Base metals 12 13 14 15 16 17

Machinery 12 13 14 15 16 17

Miscellaneous manufactures 12 13 14 15 16 17

Art & antiques 12 13 14 15 16 17

Other 12 13 14 15 16 17

SOURCE: SAFOTO

42 • FINANCIAL MAIL • SEPTEMBER • 9 • 1994
Anglican bishops hit at arms exports

Johannesburg. — Anglican bishops have urged the government to halt soaring arms exports, describing as "obscene" plans by South African weapons manufacturers to double foreign arms sales over the next three years.

The Southern African churchmen, meeting in the Free State yesterday, said they were alarmed at the increasing sales of South African weapons to other African countries and further afield.

Among those taking part in the four-day conference was Archbishop Desmond Tutu.

After a meeting with officials from South Africa's state arms procurement agency Armscor, the bishops said in a statement: "We condemn the declared intention of the industry to double exports. This policy is obscene."

The bishops urged the government to turn swords into ploughshares and said the granting of contracts for arms manufacture should be gradually phased out.

South Africa's Denel arms conglomerate, which sells everything from tanks to helicopter gunships, said on September 1 it intended to double exports.

Denel, which employs 14 000 people, said the expansion would take place over the next three years in countries ranging from Chile to the United Arab Emirates.

The ANC opposed the arms industry before it came to power, but now accepts it as an important employer and revenue earner. — Reuters.
Deciduous fruit exports to double in next 5 years

ALIJE DAISGOSI
Business Staff

FRUIT exports from South Africa are set to double in the next five years, bringing a flood of much-needed foreign exchange into the country.

David Gant, chairman of the deciduous fruit industry's marketing arm Unifruco, said today deciduous fruit exports were expected to top 80 million cases in five-to-eight years' time, bringing in between R4 billion and R5 billion in earnings.

At present, about 40 billion cases of deciduous fruit are exported a year.

To deal with the growing market, Unifruco and citrus producer Outspan International have decided to merge their European interests into a single marketing network, Capespan International, to be based in Britain.

Capespan will market deciduous, citrus and subtropical fruit on the European market, where 80 percent of South Africa's fruit is sold.

Outspan and Unifruco will have an equal share in Capespan.

The companies' subsidiaries and branch offices will be merged in Britain, Germany, the Benelux countries, France, Italy, Hungary and Norway.

Agency agreements in 12 additional European countries will also be consolidated.

Mr Gant said the merger would offset higher export costs, especially shipping and packaging, bringing cost savings to South African fruit growers.

The agreement would mean better use of infrastructure as the combined marketing season of the companies is 50 weeks, compared to 35 weeks for Unifruco and 25 for Outspan.
Exports worry Rex Trueform

CAPE TOWN — Rex Trueform Clothing Company lifted earnings 39% to R202,2c (155.4c) a share for the year to June, despite lower sales stemming from the uncertainty surrounding export incentives.

Turnover fell 2.75% to R167m (R171.7m) as a result of lower export sales. Chairman Stewart Shub said the uncertainty was worrying for the company, which had been exporting for the past three decades.

He said government was reducing import tariffs and export incentives before the original reasons for those measures, the anti-export bias in industry such as high input costs, were being tackled.

Operating income was up 7.9% to R8.8m (R8.2m). Interest received amounted to R1.2m compared with the R775,000 paid out the previous year. Taxation was R1.7m (R994,000). Taxed income was 36% higher at R8.4m (R6.4m).

Shareholders could opt for capitalisation shares in lieu of the 70c (90c) dividend. The terms of the capitalisation issue would be approved at the annual meeting on Octo...
‘Exports slump could knock economy’

ALIDE DASNOIS
Business Staff

POOR export growth could abort the economic recovery. Old Mutual Unit Trusts warns in the latest Information Bulletin.

Import volumes have risen by 12 percent since the last quarter of 1992 to make up the difference between a 6.6 percent rise in real domestic spending and a 4.4 percent rise in GDP.

But exports have risen only 2.4 percent.

“Without rising exports, the recovery may have to slow down to a snail’s pace, to prevent a balance of payments crisis brought on by imports surging.”

Worse still, the recovery may be aborted, as with the mini-boom in 1984.”

But, says Old Mutual, this can be avoided.

Dollar export earnings should surge in the second half of the year, boosted by maize exports and rising world commodity prices.

“And the growth of domestic demand will probably ease over the next few months, due to the effects of labour disruptions and the 5 percent transitional levy on higher-income individuals and firms.”

Old Mutual has revised its growth forecast downwards to 2.5 percent this year.

But in spite of lower growth, short term interest rates are likely to rise. It says, under pressure from a weak balance of payments, rapid money supply growth and accelerating inflation.
SA wines given new life by exports

DURBANVILLE wine farmers have traditionally sent the majority of their harvests to large co-ops like KWV and Nederburg, but this could change as demand for South African wine in the US and Europe increases.

Mrs Eliza Parker of Altydgedacht has been handling the estate’s exports for the past few years.

Foreign demand

“Our initial exports were to Belgium, but in recent months demand has come from Canada and Britain, with Tangiers and Algeria being looked into,” she said.

“The European market has shown a marked interest in the chardonnay and pinotage,” she added.

“Altydgedacht currently sends 90% of its harvest to Nederburg, but should exports increase we will most certainly review that.”

Reds

Mr Tienie Louw of the farm Diemersdal agreed, saying that should export demand increase he would definitely retain more than the 10% of annual crop bottled at present.

Concentrating mainly on reds, his wines are aimed at a higher price bracket.

“The pinotage has done particularly well,” he said.
Exports spur Sasol profits

R100bn this year and was expected to detract R250m from the bottom line by next year. The group did not expect any further protection reductions.

The group's on-from-coal synthetic fuel business contributed R1.2bn or 47% to group profits. But without tariff protection (R1bn) the division's contribution would have been R199.7m.

Sasol is compensated by government for any loss in synfuel revenue calculated on the gap between world oil prices and a $31 a barrel crude oil reference price.

Kruger said Polifin — the group's joint plastics venture with AECI — would seek a JSE listing in the first half of next year. The venture was profitable but the effect of its earnings would be felt only once the PVC project had been completed in 1996.

Sasol Mining's contribution to operating income dropped to 14.4% (20.5%) at R364m. Sasol Oil maintained its contribution at 25.5%, bringing in R515.8m, while contributions from Sasol Chemical Industries rose to 17.2% (15.3%) at R483m.

Exports, boosted by a large alcohol sales contract to Brazil, rose 38.4% to R767m and were running at R1bn a year.

R. subdivision

Turnover was 11% higher at R9.8bn as results from a better performance in its synfuels division fed through. Increased dollar refining margins and a favourable exchange rate also helped boost results.

Operating income was up 29% at R2.5bn as lower interest charges of R75.3m (R120m) kicked in. The group was continuing to pay off government loans for the development of Sasol III.

Pre-tax profit came in at R2.45bn (R1.84bn), but a near tripling of the tax bill to R12.5bn (R3.87bn) drove the effective tax rate to 37% (19%). In order to cushion the impact the group transferred R50m to profit from its tax equalisation fund. Tax allowances relating to the Sasol III project and the Syferfontein mine project were fully used in the year.

Earnings a share were up 14.7% at 204.2c and a dividend of 48c was declared, bringing the total for the year to 58c (60c).

Shareholders have been offered a scrip alternative to the cash dividend and the number of shares to be awarded for every 100 Sasol shares will be announced soon.

MD Paul Kruger said the reduction in protection had cost the group

From MICK COLLINS

JOHANNESBURG — Petrochemicals company Sasol increased attributable profit 15% to R1.5bn in the year to June, following improved chemical sales volumes especially in export markets.
SA maize exported to African countries

SA was officially exporting large amounts of maize into Africa for the first time since the lifting of sanctions, industry sources said yesterday.

Leading export group Louis Dreyfuss said a large portion of this year's 5.5-million tons of excess maize was reaching African countries. Southern Africa alone was expected to have a shortfall of 2.46-million tons this season.

Maize Board sources said SA had sold 140,000 tons of high quality maize, at $10 above the world price, to the UN for food aid, bringing in revenues of about R14m.

German maize expert Erich Nuppenau said this week there was huge potential for further SA exports. So far, only Botswana was a regular importer of about 113,000 tons a year. Changing regional trading patterns would lead to increased sales to neighbouring countries.

Sapa-Reuters reports that the Southern African Development Community said this week it would set up a R30m revolving fund to help countries short of food buy from those with surpluses. SADC food security sector co-ordinator Reggie Mugwara said the fund was part of a bid to boost intraregional trade in staple food.

The SADC would set up a financing facility with R30m as seed capital and was looking for extra funding.
Huge SA maize exports to Africa since sanctions

Johannesburg. — South Africa was officially exporting large amounts of maize into Africa for the first time since the lifting of sanctions, industry sources said yesterday.

A large portion of this year's 5.5 million tons of excess maize was reaching African countries.

Maize Board sources said SA had sold 140,000 tons of maize, at $10 (about R36) above the world price, to the UN for food aid, earning R14 million in revenue.
Protective textiles in

The end of the general export incentive scheme and the government's rejection of protective tariffs has caught the textile industry in a tight fit, reports CIARAN RYAN.

Mr Manuel told textile producers at a recent conference that the government could not afford the R4.5-billion and that "protection on demand is dead for all time".

The textile federation believes it has had a bad press: "The public has been led to believe that the R4.5-billion will all go to textile producers," says Mr Britz.

Textile subsidies will get only a small portion of the amount.

Textile producers face a struggle to survive as a result of changes to govt. subsidies. Textile producers have been more than halved as a result of changes to govt. subsidies, says Brian Britz, Textile Federation's director.

Textiles account for nearly half the cost of a garment. A growing lack of small clothing manufacturers and SA textiles and untimely assistance for the implementation of a clothing and textile authority.

The DCC scheme will run for two years, to be funded by the government and industry. The DCC will award subsidies to domestic manufacturers, resulting in the establishment of a clothing and textile authority.

An anti-dumping unit and its consultative task force will cost R186-million for three years.

The DCC scheme will allow clothing exporters to import fabrics duty-free, up to 10% of the value of their exports. It's open to abuse.

"Without any discussion, the R4.5-billion assistance package has..."
Imports drag down SA’s trade surplus

MUNGO SOGGOT

AN ASTONISHING surge in imports in August dragged SA’s trade surplus down to R288bn, the lowest monthly level since October 1992, according to Customs and Excise figures released at the weekend.

Economists said the “shocking” low figure was probably a major reason behind Reserve Bank Governor Chris Stals’s decision to raise Bank rate. But the surge was in line with buoyant economic activity.

Exports rose only 0.3% in August to R83,38bn (R6,31bn), while imports rocketed 20.8% to R9,07bn (R6,68bn). The trade surplus in July was R1,65bn, while the average surplus for the year to July was a fairly healthy R1,49bn.

Economists warned the figure could mean the start of a sustained surge in imports, which would be exacerbated by the scrapping of import surcharges on capital goods announced in the Budget, and the lowering of tariff barriers.

The surge in imports in August stemmed in part from SA’s economic recovery, as well as the foreign sourcing of parts and products following strike action, they said. Safto economist Carlos Teixeira said the imports figure was particularly disturbing because the surge was “broadly based” with rises in imports in most categories. The largest rises were a 44% jump from July in the transport category, which included motor vehicles and components, and a 30.5% increase in textile imports.

He said the broad nature of the increase in imports could mean the start of a steady erosion in the trade surplus, but he said there was significant “room for improvement” in exports, which could help bolster the balance in months to come.

Teixeira said there had been a 13.8% growth in exports in the period January to August, compared with a year ago, while imports had risen 28.5%.

One economist said despite the general

Surplus

ly positive outlook for exports because of higher commodity prices, there was concern that diamond exports could fall further if the sale of Russian gems continued to threaten De Beers’ grip on the diamond market. Diamond exports fell by 12.5% from July.

Economists said the jump in motor imports stemmed in part from the five-and-a-half week motor strike.

But Econometrix economist Tony Twine said the imported vehicle parts which featured in the transport category would have been ordered at the beginning of the year, when manufacturers forecast an upturn in demand. Some manufacturers would have arranged with their overseas suppliers to hold back delivery of orders because of the build-up of stocks over the strike.

Economists said the low trade balance implied the current account was in a deficit of about R5bn in August. The current account is the trade balance less net payments for services such as tourism, freight and interest. They said the fact that the foreign exchange reserves rose strongly despite a current account deficit implied substantial capital inflows.
Exports decline as clothing industry is hit by shortages

CAPE TOWN — The clothing industry is suffering a shortage of raw materials due to the economic downturn caused by the rise in oil prices and the reduction of export incentives. The National Clothing Industry Council (NCIC) recently stated that the industry had to cut production by 25% due to a reduction in exports.

Retailers have reported a decline in demand for clothing, particularly in the high-end market. Many consumers have been looking for cheaper alternatives, which has led to a decrease in sales. The NCIC has urged the government to provide tax incentives to help the industry during this difficult period.

Some manufacturers have been forced to lay off workers, while others have been forced to reduce production. The situation is particularly severe in the provinces where the industry is concentrated. The NCIC is calling for urgent action to save the industry from collapse.
Arms trade put in the shade.

TOM HOOD
Business Staff

A CAPE precision engineering company that once made parts for the firearms industry has turned to more peaceful products — and is winning export orders into the bargain.

Its main line is a vertical blind system, Tiltrak, which brought a spate of inquiries from a trade show in Stuttgart earlier this year.

The company, Exactocraft, of Paarden Eiland, has established itself as a world leader in vertical blind systems, says marketing manager Cedric Parker.

Its latest order has been shipped to the United Arab Emirates to be marketed by Ovcon's Middle East trading division.

The Tiltrak system is claimed to be smaller, lighter and simpler than other systems and sells for less.

Using its strong German connections, the company has drawn on and refined the latest German technology, becoming a leading plastics converter instead of a purely engineering business.

Exactocraft also makes a wide range of technoplastic injection mouldings, which are used in a wide range of industries, including cosmetics, materials handling and mining.
SA wine exports booming

SOUTH Africa has overtaken California to become the third largest wine exporting nation, says KWV exports director Jamie Retief.

The bad news was that the industry faced "grave dangers" from rising bottling costs, Dr Retief told an export seminar in Cape Town yesterday.

In June, South African wine exports overtook those of California, leaving only Australia and Bulgaria as larger market players, he said.

All the major wine producing countries had surpluses — Italy’s was 2½ times larger than the entire South African crop — "but we managed to export every single drop of our surplus".

One indication of increased exports was South African wines' bigger share of the United Kingdom market. Sales had increased 528 percent since 1990 and the industry's target of a million cases by 1995 was achieved two years early.

Hungary, New Zealand and Chile also lag behind South Africa.

Dr Retief said high bottling costs in the Western Cape were a cause of major concern.

This had led to bulk exports of wine, where producers chose to bottle their wine overseas, rising to 40 percent.

Dr Retief, who said he aimed to get this figure reduced, blamed the high input burden partly on a monopoly in bottle production. Bottles which cost R1 here cost 35c in Europe.

He urged exporters to make the most of the "novelty value" South African products such as wine enjoyed overseas.

Exporters should use "discovery products and discovery prices" to introduce overseas consumers to their products.
Exports of chemicals looking buoyant

SA CHEMICAL exports of R2.8bn are 40% up on last year, with most producers reporting a surge in sales and analysts expecting the trend to continue as the global petrochemical cycle picks up.

Customs and Excise figures showed SA exported R2.81bn of chemical and allied products in the eight months to August 1993 against R1.94bn for the same period last year.

SA Foreign Trade Organisation statistics indicated chemical exports now accounted for about 11% of total exports. Analysts said most SA chemical groups were limbering up for a further expansion and most had either set up or were considering setting up overseas offices.

The lowering of US import tariffs was also likely to lift demand, said the analysts.
MFN duty for exports

Johannesburg, 13 Oct 94

SA exports to the US of products with Generalised System of Preferences (GSP) status will incur most favoured nation duty (MFN) until the GSP system is renewed, the Trade and Industry Department said.

The US announced last May that SA had been accorded GSP facilities, which provided for duty-free entry of more than 4000 products to that country.

In terms of US legislation, the GSP system has to be renewed for an additional 10 years by Congress as the latest programme expired on September 30. —Reuters
Non-gold mineral exports ‘must rise’

CAPE TOWN — SA needed to reduce its dependence on gold exports while increasing exports from the rest of its vast mineral wealth, Mineral and Energy Affairs director-general Piet Hugo said yesterday.

Hugo told a parliamentary select committee on the reconstruction and development programme (RDP) that SA had relied too heavily in the past on gold for revenue from exports.

“The heavy dependence on gold is like oil . . . and copper for some countries up north. We should not be that dependent on gold alone.”

A major slice of the world’s mineral resources was situated in SA, but this did not mean instant wealth, Hugo said. Minerals had to be recovered and exploited.

“The only way to really do this is to increase mineral exports. The dilemma we face is that the outside world can take only a certain amount of precious metals,” he said later.

In 1993, 896 mines and quarries in SA exploited about 40 different minerals which had been exported to about 81 countries. The total sales value of the minerals — including gold — was R6.6bn. Exports were in the region of R3bn, Hugo said.

Hugo said one of the major problems faced by SA was a lack of trained engineers and geologists.

The low level of technical expertise was linked to low rates of mineral beneficiation, he said.

The RDP could benefit from a sustained effort to increase the rates of beneficiation of the country’s minerals.

Housing director-general Billy Cobett told the committee that Housing Minister Joe Slovo would make a series of major announcements on the government’s housing plans in the next three weeks.

Cobett hinted at changes to the housing subsidy scheme to benefit the “poorest of the poor”.

New subsidy arrangements would apply more widely, and he hoped to get the banking sector involved again, he said.

Later this week, the government’s budget vote is to come before the National Assembly and the Senate.

Slovo will meet ministers responsible for housing in the nine provinces today to finalise a national strategy document which would clearly delineate areas of central and provincial responsibility.

The strategy document is part of the housing White Paper to come before Cabinet on November 9. A national housing summit will be held at Estabanelo, outside Bloemfontein, on October 27.

Cobett’s presentation was the first in a series of departmental presentations to the RDP committee. Evidence will be taken from the public next week.

Housing policy aimed to stabilise areas where local government had broken down and local communities were not paying for services. Banks had consequently withdrawn from lower income housing.

— Saps-Reuters.
US may refund duties on SA exports

From SIMON BARBER

WASHINGTON. — US Customs will refund duties paid on SA exports to the US resulting from Congress' failure to renew the Generalised System of Preferences before it expired on October 1, according to a bulletin gazetted in the Federal Register.

However, this depends on the Congress passing legislation to implement the General Agreement on Trade and Tariffs in a lame-duck session after next month's mid-terms elections.

GSP renewal was part of the trade bill blocked by a coalition of protectionist Democrats and Republicans seeking to embarrass President Bill Clinton in the run-up to the November vote.

In a show of support for Present Nelson Mandela's election, the Clinton administration announced last May that it was zeroing tariffs on some 4,000 SA products by granting SA GSP benefits.

US Customs has announced streamlined procedures to repay duties on eligible items imported after October 1, assuming that Congress agrees to make reinstated GSP benefits retroactive.

A further caveat: it is by no means certain that Congress will pass the overall trade bill because the GATT is strongly opposed by trade unions, environmental groups and certain industry lobbies.

The billionaire 1983 presidential candidate Ross Perot is also campaigning against it and is urging congressional candidates to sign a pledge to vote "no".

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The image contains a newspaper clipping with the text "US may refund duties on SA exports." The text is written by Simon Barber from Washington. The article discusses the possibility of US Customs refunding duties on SA exports due to Congress's failure to renew the Generalised System of Preferences before its expiration on October 1. The refund depends on Congress passing legislation to implement the General Agreement on Trade and Tariffs. The GSP renewal was part of the trade bill that was blocked by a coalition of protectionist Democrats and Republicans. In May of the previous year, the Clinton administration announced that it was zeroing tariffs on some 4,000 SA products by granting SA GSP benefits. US Customs has announced streamlined procedures to repay duties on eligible items imported after October 1, assuming that Congress agrees to make reinstated GSP benefits retroactive. A further caveat is that Congress is unlikely to pass the overall trade bill because the GATT is strongly opposed by trade unions, environmental groups, and certain industry lobbies. Billionaire Ross Perot is also campaigning against the bill and is urging congressional candidates to sign a pledge to vote "no."
Controls planned for wine exports

By GLYNNIS UNDERHILL

THE Department of Agriculture is planning to implement further quality controls on wine exported from South Africa in bulk and bottled in the country of destination.

An industry investigation has been launched after a random sample of local wine bottled and sold in Britain was recently pronounced to be "undrinkable".

Mr Andries Tromp of the Directorate of Plant and Quality Control said yesterday all export wines passed through the Department of Agriculture and the Wine and Spirits Board before leaving the country.

"It could be that the bottler doesn't painstakingly look after quality control like we do here," he said. Controls would be implemented to ensure the quality of the bottled wine, he said.

Mr Hugo van der Merwe, the secretary of the Wine and Spirits Board, said that there was "nothing wrong" with the wine that leaves South Africa.

A working group had been appointed to look into the control of bulk wine exports, he said.

Wines of South Africa director Mr Rupert Ponsonby said the import of large quantities of poor quality, cheap bulk wine could seriously damage the image of South African wine.

Threat to trade

He said wine exports to the UK were set to reach 1.5 million cases this year, a 36% rise over last year's 1 million cases.

But wine experts warned yesterday that the burgeoning trade was in danger of collapse if cheap bulk wines were allowed to dominate the market.

Mr Ponsonby said the monopoly in the South African glass industry had resulted in excessively high bottling costs so that it was cheaper for wine producers to export their wine in bulk and have it bottled overseas.
Uncertainty on incentives hits SA clothing exports

YURI THUMBRAN

UNCERTAINTY about export incentives has hurt clothing exports, which dropped to R187m for the seven months to July, the National Clothing Federation (NCF) has disclosed. 

The number of items exported was just over 519 million. The NCF did not have figures for the corresponding period last year, but deputy director Arnold Werbeloff said there had been a huge drop. Clothing exports were worth R516m last year, Werbeloff said they could drop below R300m this year.

Werbeloff said the phasing out of the duty credit certificate (DCC) — an export incentive — next year had caused uncertainty among exporters. However, sales in the local market had improved, which led to local deliveries enjoying preference over export markets because there was less risk.

The Textile Federation (Textfed), meanwhile, submitted its proposals on tariff restructuring to the Trade and Industry Department on Friday.

Sources said Texted's proposals — to be released publicly on Wednesday — would not differ from those proposed by the task group for the textile and clothing industries (the Swart panel).

The Swart panel recommended a tariff cut on fibre from 26% in 1998 to 7.5% in 2008, for yarn from 32% to 15%, fabric from 43% to 22%, household textiles from 55% to 30% and clothing from 20% to 15%.

The NCF proposed duties for fibre be cut to zero within a year and on yarns be removed in three years. It recommended a 15% duty on fabric in five years. For clothing, it suggested duties of 40% in 10 years.
GOVERNMENT has still to make a decision on the “super-exploitation” of KwaZulu-Natal through the use of large-scale foreign investment and the new law would not allow any meaningful protection for workers in the Province.

The State Security Agency has issued a warning that it would not take action against those who are engaged in the illegal trade of diamonds. The agency has also warned that anyone who is involved in the trade will be held accountable for their actions.

The government has been under pressure to take action against the trade, which is thought to be worth billions of dollars a year.

The warning comes after the government announced that it would be taking steps to clamp down on the trade.

The warning was issued by the agency’s chief, who said that the government was committed to taking action against those involved in the trade.

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Arms exports to Middle East up sharply

From TIM COHEN

JOHANNESBURG. — SA’s arms exports to the Middle East are expanding sharply while exports to Africa, Asia and the Far East have declined substantially, chairman of the SA Defence Industry Association John Temple said yesterday.

Temple also released for the first time figures for SA’s arms exports before 1992, which showed a dramatic rise compared to the 1991 figures.

Temple said exports between 1987 and 1988 were almost constant at about R200m, but then quadrupled to about R800m in 1992, rising again to R880m in 1993, he said. According to Armascor, exports for the 1994/95 financial year were likely to top R1bn.

Despite the increase, SA would only have a 0.4% share of world arms trade which was led by US which exported over $5bn, followed far behind by Russia, Germany and China which sold weapons worth about or just less than $2bn each.

In 1992, SA exported 33% of its arms to Asia, 22% to the Far East and 19% to Africa.

The following year, arms exports to the Middle East jumped from 11% of total sales to 61% of total sales while exports to the Far East declined dramatically to 7% of total sales.

Sales to Africa also declined dramatically to 5% of total sales while sales to Asia halved.

Sales to South America, North America and Europe all constituted small proportions of total trade. SA’s arms exports to North America were non-existent in 1992 but increased to 2% of total trade in 1993.

Temple showed a seminar on Defence Equipment Cooperation in Sub-Saharan Africa a list of potential African export markets which proposed that SA does not export to Zaire, Uganda, Liberia, Burundi and Rwanda, among others.

The largest potential markets SA could hope to sell equipment to were Angola ($220m of its existing imports of $322m), Ethiopia ($100m of $95m), Cameroon ($23m of $78m) and Zimbabwe ($21m of $82m).

Mandela’s straight talk with business

JOHANNESBURG. — President Nelson Mandela will launch a national crusade against malpractices in the private sector when he addresses business leaders at a Radio 702 Breakfast Club function today.

Business leaders will be invited to join the crusade to discourage illegal and semi-legal practices that cost the government revenue and make SA companies less competitive abroad.

Government sources said Trade and Industry minister Trevor Manuel had briefed Mandela on reports of malpractices, including tax evasion and transfer pricing.

The sources said Mandela was eager that the transparency his government has committed itself to was extended to the private sector.
Healthy increase in trade surplus

Star 24/11/94

BY CHARLOTTE MATHEWS AND SAPA

Lower imports in October after exceptional import expenditure in preceding months lifted the monthly trade surplus to R87,6 million from R167,6 million in September, according to figures released by the Department of Customs and Excise yesterday.

South African Foreign Trade Organisation (Safot) economist Linda Smith said the improvement in the monthly surplus was usual for the fourth quarter.

Local companies usually deferred their imports of equipment and materials until the new year because they did not wish to hold large stocks over the Christmas break.

Imports dropped to R6,8 billion from R7,4 billion in September, while exports volumes were slightly higher at R7,7 billion from R7,6 billion.

Martin & Co economist Deanne Gordon said the main reasons for the fall in imports were lower oil and motor vehicle purchases.

There had been some stockpiling of oil in previous months triggered by the crisis in Nigeria.

Higher motor vehicle imports in preceding months had resulted from the local motor industry strike.

Econometrix economist Tony Twine said the level of imports in September was exaggerated by pre-emptive buying on fear of a weakening commercial rand.

“This had slowed down by October because it was clear that the rand was not going to fall,” he said.

The total trade surplus for the first ten months of the year was R11,5 billion — some 7,9 percent above the R10,6 billion for the first nine months of the year.

Gordon said an extrapolation of the cumulative surplus for the year to December would be R13,7 billion.

If this was compared to the R1,2-billion-a-month service outflows evident from the latest Reserve Bank quarterly report for the first six months of the year, it suggested the country was moving towards a small current account deficit of around R700 million for the full year.

“This compares with an current account surplus of R5,9 billion for 1993.

Nedcor chief economist Dennis Dykes said the latest figures were disappointing because they meant that for the third consecutive month SA’s trade surplus was less than R1 billion.

SA required a monthly surplus of about R1,5 billion a month to achieve a reasonable surplus for 1994.

However, Dykes said relatively high imports indicated the economy was growing.

As long as it showed sensible spending on developing export capacity, rather than consumables, it was positive, he said.
Import dip leads to trade surplus rise

SA’s trade surplus grew to R847,5bn in October from R167,6bn in September, but the rebound was not enough to haul the balance of payments out of the doldrums.

Customs and Excise figures released yesterday showed imports had subsided after rocketing in August and September, while exports remained sluggish.

Economists said SA would almost certainly have a current account deficit this year. The current account is the trade balance less net service payments for “invisible” trade such as tourism, interest payments and freight charges.

The figures showed imports in October down at R6,84bn (R7,43bn), while exports rose slightly to R7,68bn (R7,59bn).

The figures showed a sharp drop in oil imports, which fell to R265m (R1,06bn), helping to cut SA’s import bill for the month. There was still strong demand for imports in most sectors.

Economists said the gathering pace of the recovery meant a significant drop in imports was unlikely for some time, so SA would probably turn to foreign loans next year to help finance the deficit on the current account.

Earlier this year economists predicted a current account surplus similar to last year’s R6bn, but their predictions have been topped by a dramatic jump in imports and a weak export performance in the second half of the year.

Economists were disappointed by SA’s

Imports

export performance, which was up only 3,5% on October last year despite the weaker rand and the uptick in the commodity cycle.

SA Foreign Trade Organisation economist Linda Smith said SA companies usually deferred their imports of equipment and materials until the new year so as not to have large stocks over Christmas. “Thus the improvement in the trade balance should be seen as a seasonal factor rather than a longer-term decrease in imports.”

Demand for machinery imports remained very high, up 48% year-on-year.

Economists said the capital-intensive Alusid and Columbus Stainless Steel projects were still responsible for the high figure, although the rate of increase in machinery imports had slowed in October.

Smith said a slowdown in the rate of increase in imports for the vehicles category suggested domestic production was back on track after strike action earlier in the year. Vehicle exports remained sluggish, but would probably pick up once the local backlog had been cleared.
SA fruit exports up 540% (745) - FRUIT

TOTAL cargo handled by SA ports rose to 11.9 million tonnes in September from 10.3 million tonnes in September last year, the Portnet harbour authority said.

According to its latest monthly summary of cargo handled, Richards Bay was once again the busiest port.

Among major imports and exports, deciduous fruit exports rose 540% to 18,684 tonnes from 2,950t, paper and paper products exports rose 107% to 75,722t from 36,488t and phosphate exports rose 85% to 112,900t from 60,900t.

The effect of the end of the drought was reflected in the fact that maize exports rose to 551,604t from a mere 27,388t in September the year before.

Manganese ore exports fell to 60,313t from 212,947t while chrome ore exports fell to 70,707t from 138,072t.

— Reuters
SA firms export cut-price petrol

A FLOOD of surplus fuel from local refineries has led to large quantities of petrol and diesel being sold at bargain prices on international markets.

Oil industry analysts said yesterday that with expansion at all four local crude oil refineries, excess capacity had forced the oil firms to turn to global markets.

One analyst said the exported fuel was fetching R0.10/l or less than if it was sold under SA's in-bond landed cost system. Local industry and consumers were subsidizing the exporters.

He said next year would see a 20% increase in capacity, which would lead to a further increase in exports. Oil companies had spent about R1bn on refinery upgrades in the past three years and most of these were on stream or nearing completion.

Increased production had been based on expectations of rapid GDP growth which had not yet materialised. Additional petrol capacity would be taken up only by about 1998. Surplus diesel capacity would be taken up by the turn of the century.

Petrol

on two upgrades on its Durban refinery, the last of which was due for completion next month. It exported to about 30 countries, mostly in the sub-Saharan region but also to Australia and Singapore.

Caltex said it was the leading exporter, but declined to give details of volumes or markets. A spokesman said Caltex was engaged in a R1bn upgrade of its Caldef refinery in Cape Town. This would bring it into line with acceptable environmental standards and also increase capacity.

The Sapref refinery in Durban, jointly operated by Shell and BP, was recently upgraded at a cost of R400m.

A Shell spokesman said exports for the year to December would amount to about 6.7-million barrels. This consisted of 35% petrol, 50% gas oil and 20% aviation fuel. Most of the exports went to Africa.

A BP spokesman said the company exported mainly diesel fuel, most of which went to Lesotho and Swaziland.

The Natref refinery in Sasolburg, operated by Sasol and Total, recently announced a R400m upgrade which would increase capacity and enable the refinery to increase margins. A Sasol spokesman said the refinery would rank among the most efficient in the world. The project would see the production of up to 95% of "white products" from a barrel of crude compared with the 65% to 70% of a conventional crude oil refinery. Under existing arrangements all of the company's exports were taken up locally.

Total said it was not a big exporter.
Grapes flown out — and Upington becomes a new export gateway

LIBBY PEACOCK  
Staff Reporter

UPINGTON became a direct export gateway to Europe when about 70 tons of seedless table grapes were flown to Luxembourg by charter flight.

Yesterday's flight was the first to take fruit directly from the Lower Orange River area.

Seven more flights — which will carry nearly 400 tons of grapes in total — will follow in the next three weeks.

In spite of teething problems — the Boeing 747 cargo aircraft only took off at 3pm, several hours later than planned — the bubbly flowed freely in the airport building as Upington locals, Unifruco staff and delegates from air freight agents Berry and Donaldson celebrated the breakthrough for the "oasis of the northwest".

It was the culmination of four years of negotiations by Unifruco with authorities, the Airport Company and other parties involved.

Most of the grapes are destined for the British market, the single largest outlet for South African seedless grapes.

The Orange River area last year delivered about 2.2 million cartons of Unifruco's total table grape export crop last year of nearly 19 million cartons.

And the production of seedless grapes was increasing in this area, according to Fred Meintjies, the marketing group's public affairs manager.

Unifruco chief executive Anton du Preez said the season for seedless grapes from the Orange River was later this year than last.

As the European market was particularly strong before Christmas, Unifruco depended on air freight to supply the market efficiently.

The freight agreement, which allowed for direct flights from the production area, saved time, but also eliminated unnecessary costs and handling.

Mr Du Preez said that while air exports formed only a small part of the nearly 48 million cartons that Unifruco would be exporting this year, it was very important in the early season to get the fruit into the market as soon as possible.
Forum in bid for exports boost

From JOHN DLUDU (JG)

JOHANNESBURG. — The National Economic Forum (NEF) task force on trade policy would ask government for a substantial increase in export marketing assistance, sources said.

The assistance could increase fourfold as “GATT-friendly” export promotion replaced the general export incentive scheme (GEIS), they said.

There was general agreement over enhanced export marketing assistance, but not over other measures to promote exports.

The Trade and Industry Department said this year’s budget was R164m. The largest share, R69m, was allocated for primary export market research; R45m was for trade missions; and R5m was for exhibition assistance.
Opening doors for export

Trade and Industry Minister Trevor Manuel is pushing hard for better access for South African exports.

Reg Rumney reports

TRADE and Industry Minister Trevor Manuel, just returned from Brussels, says he is hopeful that South Africa will get preferential treatment for exports in terms of the Lome convention.

Manuel was in Europe doing what he says is the government’s job: opening doors.

South Africa’s signing of the latest, or “Uruguay round”, of the General Agreement on Tariffs and Trade (GATT) has drawn flak from vested interests in South Africa because it means South Africa to reducing some tariffs sharply. Manuel says South Africa got a reasonably good deal, though.

GATT is the worldwide agreement which pushes countries towards free trade by binding them to reduce the taxes they use to hinder imports. Manuel says that while there is some semblance of commitment to reduce free trade in GATT and the World Trade Organisation that is supposed to replace it, there are a number of non-tariff barriers that will affect our exports into a range of markets, including the United States and Japan.

“You can’t get an apple into the Japanese market. They’ll tell us all about the Mediterranean fruit fly that was once around the apple-growing district of Ceres and which might spread to Japan. Those are the kind of issues we work through at government level.”

Last week in Europe, Manuel and his team made a bid to get preferential treatment for South Africa in terms of the Lome convention. “We made an appeal on the strength of South Africa being a developing country taking the full weight of GATT, with substantial industrial restructuring that will kick in only five years or more down the line, that preferential access is what we need to fulfill the needs of democracy.”

Secondly, South Africa argued access to Lome would counter harmful effects to our neighbours of “regional accumulation”. This means that neighbouring countries forced to use South African goods, such as packaging materials for fish products exported from Namibia to Europe, would lose the benefits of Lome. To stimulate regional industrial development, bypassing regional accumulation rules becomes important.

Thirdly, special development aid lines in terms of Lome might become available to South Africa.

These three benefits were focussed on to the exclusion of other facilities, such as stabilisation funds, available in terms of Lome.

The battle for support from developing countries was largely won, says Manuel, while there is still resistance to market access to Europe. There is still a fair amount of negotiation ahead.

What government can do in squeezing concessions out of the goodwill that exists towards South Africa now is short term, while GATT will have an erosive effect on long-protected and mostly inward-looking South African industry.

While the government can obtain market access for South African sectors like clothing and textiles, it cannot render industries more competitive, ruling out the kind of commandist distortions to shaping industry adopted by the “little tigers”.

On adjusting to the new competitive pressures presented by the demands of GATT, Manuel says business accepts the theory but there is a tendency to procrastinate. Some would like to take 10 years to adjust, but it makes sense to look at business now and not delay decisions. The issue is not GATT but competitiveness, and the hard business decisions needed.

“We can only deal with that on a sectoral basis,” says Manuel. And he adds, perhaps, even at the level of the firm.

Taking the Trade and Industry report on the clothing and textile industries as an example, Manuel says no agreement has been reached on all issues, such as technology upgrading, training and retraining of workers, worker productivity, product selection and market nicheing.

Key decisions were being made in the early part of the process. “It would be nice if (Mervyn) King could answer for the Textile Federation, but at least he can answer for the Prime Group,” similarly, the South African Clothing and Textile Workers’ Union lacks the capacity to monitor the programme on the shop floor.

Research at the CSIR: Providing the necessary competitive edge

The only instrument available to Trade and Industry has been tariffs, says Manuel. But the most recent industry reports, the Motor Industry Task Group and the clothing and textile report, have placed emphasis on the “supply side”, such as research and development.

This is far more important than the tariff issue. Manuel believes we could compete in an era of completely free trade if we got the supply side right.

The well known human resource problems could be addressed.

The dearth of research and development remains, but there are areas of strength, such as biotechnology and in agri-business. We have the mineral resources and the ability to add value to them, though he notes that in 1993 almost 64 percent of South African exports fell in the category of commodities or primary processed goods.

There are opportunities for “beneficiation” — the processing of goods to add value increasingly, that is in turning iron ore into first stainless steel then steel plate and then stainless steel pots and pans, with ever higher returns.

Manuel points to the upgrading of the Iscor operation at Saldanha Bay. Where iron ore was being exported, steel is now being produced. “The problem is that for the investment only 600 new permanent jobs are being created.”

The Columbus project will be the single largest installation producing stainless steel in the world, and makes South Africa the fifth-largest producer of stainless steel in the world. What South Africa lacks are the “downstream industries” where this steel is made into goods of a higher value.

“We must be far more engaged in the area of forward linkages,” says Manuel. “That must become a critical issue.” This in turn ties in with the lack of R&D, which the government is looking to encourage without turning to the ever-popular tax breaks.

Equally important is an appropriate pricing mechanism. Iscor, built up with taxpayers’ money, sells mild steel to the domestic market at the London Metal Exchange price plus one-way freight cost. What incentive is there to manufacture? You will be priced out of the market before you start.

Job creation and adding value and foreign exchange generating capacity have not mutually exclusive, says Manuel.

The argument has been that money for megaprojects should go into small-business creation. But within the category of small and medium-sized enterprises there is a lot of stratification and different analysis applies to each subsector. Small retailers have different needs from the service sector and from manufacturing.

Even within manufacturing, for example, small-scale textile firms are almost impossible because of the kind of capital required. Manuel points out.

The main problem for the SME sector is access to skilled people and technology. The only SMEs which have been able to use new technology are those owned by their inventors.

The other constraint is capital, and small-business people often do not have the necessary collateral to raise money. “We don’t believe you should just give money to SMEs,” says Manuel.

Instead, the government is considering a guarantee fund to provide collateral, using state resources to ensure access to support services.

As a mark of how seriously Manuel’s ministry is taking SME support, a discussion document has been prepared and 27 workshops, which have included a range of small-business people and organisations involved in SMEs, have taken place over the past few weeks to work towards a white paper to be placed before parliament early next year.

In March there will be a presidential conference on SMEs, with backing from the United Nations Committee on Trade and Development (Unctad). A number of countries will present “best practice” on SME development. Best practice can be distilled out of a process, however — such as that represented by the conference.

“The reason for Unctad’s backing is they feel globally a new course can be charted for SMEs and the way in which we’ve set about it might provide this new course,” says Manuel.
Outspan exports hit new high

OUTSPAN International has exported a record 39.9-million 13kg cartons of citrus fruit this year — 23% more than 1993's 30.9-million cartons and 24% more than the previous highest of 32-million in 1992.

Outspan MD John Stanbury said although the market had been sluggish and had not regained its normal buoyancy after the August holiday period, concerted market diversification efforts and continued promotions would result in gross export earnings for SA of R1.5bn.

"The early part of the season progressed exceptionally well, with prices for early-maturing cultivars, such as navels, on average 20% higher than last year."

He ascribed the early season success to the fact that there was very little overlap with northern hemisphere citrus supplies. Production of other summer fruits, which peaked in 1992, had also normalised, and South American competitors had experienced quality problems.

The opening up of the Eastern bloc had created numerous opportunities. Countries in which Outspan had established sales bases included Poland and Russia, and exports to Japan were increasing.

About 15% of the 900 000 tons produced every year were sold locally.

However, a major area of concern was the Northern Transvaal, where the drought had still not been broken. "This region now accounts for 20% of citrus exports, compared with 29% in 1992. Producers in the area have already lost more than 1 600ha of citrus due to the drought, and virtually all boreholes have dried up."
Steel export earnings to grow

STEEL product export earnings were expected to grow 5.5% in real terms to R4.2bn next year as the local industry made its presence felt on international markets, economists said at the weekend.

The implementation of GATT would open the way for the major liberalisation of the steel trade in global markets.

SA Foreign Trade Organisation economist Linda Smith said the international steel trade had been characterised by quota agreements. These were going to be phased out.

Markets such as the EU, the European Union, Japan, South Korea, Austria and Norway had agreed to lower tariffs on steel products, ultimately to zero.

"While local producers will face greater competition from low-cost producers including India, SA can score with value added products such as those coming out of Columbus and Iacos. This process will begin next year. Once tariffs are finally lowered, SA's steel beneficiation programme will be well in place."

Smith said steel exporters would reap the benefits of strong growth in use of its major markets. Asia, where growth rates of 5.5% to 7% were forecast. Important markets were Taiwan, Japan, Korea and Hong Kong.

A Columbus Stainless spokesman said with products from its expanded facilities coming on stream next year, production would increase from 151 000 tons in 1993 to 238 000 tons in 1996, most for export. Iaco MD Hans Smith said while demand for overseas markets would egressage

Steel 8012/12 94

challenges for business.

While it was unfortunate many exporters who relied on incentives would battle with the strain this entailed, non-direct export incentives were expected to offer support. These included greater access to information, pre-shipment finance for exporters, research and development, and technology transfer assistance.

"An efficient, competitive business climate operating with realistic pricing and efficient costs structures will have to replace the protective practices of the past," Wostenholm said.
Growing export success for Simonsvlei wines

SIMONSVELI winery in the Cape had this year boosted its exports of white and red wines to 33% of total turnover compared with 15% of total turnover two years ago, MD Kobus Louw said yesterday.

He said the winery had contributed 20% of all SA wine exported to the UK, the biggest importer of wine from this country.

"The future of SA wine exports looks very promising and could double over the next two or three years. Our target for the future is to export half of our total harvest without limiting our supply to the local market," he said.

The winery's most important market is Europe and the UK. Wines are exported to 20 countries throughout the world, with the UK, Holland, Belgium and Germany the most important takers.

Louw attributed the success to a preparedness to invest large sums of money in the right equipment, innovative wine makers and attendance at international wine shows.

"Due to the high percentage of Simonsvlei's exports, it is vitally important to keep up with standards of markets abroad," he said.

Value for money and effective export agents were necessary in ensuring export success. Louw said.

"Investment upgrading — including pneumatic bag presses, massed cooling and a new high-tech bottling plant — amounted to more than R3m," he said.

The winery was the winner of this year's President's Award for Export Achievement.
Motor exports 'set for growth'

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday that exports by the motor manufacturing and component industries were expected to grow 22% to a record high of R2.5bn for 1994, 

Component exports were projected to rise 23% to R1.5bn from R1.3bn in 1993, while the export of completely built-up vehicles was expected to grow 26% to R980m (R81m).

Naamsa forecast a 15% to 20% rise for both sectors for 1995, saying demand was being underpinned by light commercial vehicle (LCV) sales.

Director Nico Vermeulen said after "phenomenal growth" in the export sector, the association had formed a new unit to monitor and co-ordinate market trends.

The continued recovery in global economic growth would result in increased opportunities for exporters of locally made goods and materials. "A significant feature of developing countries' performance in recent years has been the exceptional growth in exports of automotive components, replacement parts and built-up vehicles."

New car exports were expected to reach the 10 000 mark for 1994, against 9 047 units in 1993. LCV sales were expected to more than double from 2 549 units in 1993 to

Motor exports

7 000. Heavy truck and bus exports were expected to rise 24% from 404 units to 500.

The bulk of the exports were going to African states but other overseas markets were also being developed.

"Phase VI of the motor industry development programme has often been criticised but its detractors overlook one facet of its success - exports and forex earnings. The momentum should be carried forward into 1995 when the new development programme, which complies with GATT, is introduced," Vermeulen said.

It would be a challenge for the industry to become more competitive internationally as export incentives were reduced.

Vehicle manufacturers, component suppliers and trade unions would be forced to focus on cost containment and cost reductions in all spheres of automotive assembly and export activities.

Labour and capital productivity would also have to improve substantially.

Econometrix economist Tony Twine said GATT did not frown on supply-side assistance. "This could take the form of government assistance in training labour. This is a possible avenue for the industry to raise productivity without raising costs."
Manuel 'backed down on tariffs'

THE National Clothing Federation has accused Trade and Industry Min-
ister Trevor Manuel of bowing to pressure from the textile industry and labour to keep tariffs in place.

The federation called on Manuel to grasp the nettle of tariff reform.

It expressed concern that he appeared to have second thoughts about trade liberalisation.

Federation president Sadek Vahed said yesterday the recently announced extension of the duty credit certificate scheme, which provides rebates on import tariffs, was not enough.

Most clothing manufacturers were small-to-medium size enterprises and had to look at imported fabric to manufacture clothing.

He had expected Manuel to speed-

ily move on the long-awaited tariff cuts for the industry.

"It seems that the Minister is having second thoughts and could possibly be considering a much longer phase-down period than that asked by the federation," Vahed said.

Vahed said Manuel's original view on tariff liberalisation — which would have seen drastic cuts on tariffs for yarn, fabric and fibres — boded well for the clothing industry.

He also said local textile manufacturers remained late with deliveries — estimated at between four and six weeks by the federation — which affected production.

Vahed said extension of the duty credit certificate scheme meant clothing exports could be expanded over the next three years. The scheme provided rebates on import duties for materials used to manufacture exports.

He said the emphasis placed on training was welcome. He said Manuel's condition that 4% of the wage bill should be spent on training, was not pegged, but a target to strive for.

Textile Federation executive director Brian Brink said textile and clothing companies could notch up between R150m and R170m in savings following the extension of the scheme, but the preconditions attached meant money would be diverted to training.

Manuel last week announced the extension of the scheme from April 1.
South African wines are the toast of Britain

LONDON - South African wine imports to Britain have almost doubled in the past year and sales in 1994 are heading towards the 1.75 million cases.

Wines of South Africa has announced that imports are up 88 percent in the first nine months of 1994, continuing the phenomenal boom that began with just 190,175 cases in 1990.
Exporters face disappointment

Own Correspondent

BRUSSELS. — South African agricultural exporters face deep disappointment after a pre-Christmas deal by European Union foreign ministers.

The agreement here yesterday has left them with far fewer concessions than they had been promised.

The ministers—led by the protectionist French, Italians and Spanish—voted to offer lower tariffs on just one fifth of the agricultural products under negotiation.
Bright prospects for wine exports

By AUDREY D'ANGELO
Business Editor

The future of SA wine exports looks promising and could double over the next two or three years, says Kobus Louw, manager of Simonsvlei Winery.

"Our target for the future is to export 50% of our total harvest without limiting our supply to the local market."

Simonsvlei, which won the President's Award for Export Achievement in the agriculture-industry division, lifted exports as a percentage of total turnover from 15% in 1992 to 25% in 1994. Its premium wine is exported to 19 countries and demand is increasing.

"There are a number of reasons for our success," Louw explained. "We were prepared to invest large sums in the right equipment, even when times were tough. We stay in touch with the latest trends by visiting international wine shows as often as possible."

Louw said more than 40% of all SA wine exports went to the UK and Simonsvlei contributed at least 20% of this.

The winery launched a range of Reserve wines, aimed at international markets, in October.

Exports Honoured ... Kobus Louw, manager of Simonsvlei Winery (centre), receives the President's Award for export achievement in the agriculture-industry division from State President Nelson Mandela, watched by the Minister for Trade and Industry, Trevor Manuel (left).
Government aid for exporters

MADDEN COLE

CAPITAL goods exporters would benefit from a new dispensation through which the Trade and Industry Department would subsidise overseas lending rates on export credit loans, Trade and Industry director-general Zavareh Rustomjee said yesterday.

He said the department had negotiated the dispensation with various financial institutions. (7R7)

To be competitive abroad, exporters had to include offers of export credit facilities at fixed lending rates over a contract’s amortisation period.

The prevailing domestic market-related interest rates were higher than those overseas. Rustomjee said this made it necessary to provide an interest subsidy to exporters.

It would subsidise the difference between fixed overseas lending rates and the prevailing interest subsidy reference rate.
Incentives needed for exports

Howard Pollack and Pieter Steyn

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Call for incentives to back-up exporters

By MAGGIE ROWLEY
Deputy Business Editor

THE Cape Chamber of Commerce and Industry is to make urgent submissions to the Department of Trade and Industry regarding state subsidies for outward selling trade missions, deputy director of the Chamber Albert Schuitmaker, said yesterday.

Schuitmaker said the chamber would be putting forward proposals for some form of allowance for participating exporters in trade missions to the DTI in January.

This follows the freezing of the Export Marketing Assistance (EMA) incentives a few months back which is expected to continue until high time as a strategic export plan is in place which could take many months, he said.

Schuitmaker said that, without some form of assistance to help offset the high costs involved, prospects for future outward selling trade missions were uncertain.

Exporters, particularly emergent exporters, were hesitant to incur the high costs involved as there were no guarantees of any return.

The chamber, he said, was in the process of organizing a trade mission to Australia in May.

"However, unless there are some sort of incentives in place, I am not very hopeful of the response we will have," he said.

Schuitmaker said that they would be seeking, in particular, some sort of assistance to enable members who had participated in prior trade missions to revisit these countries.

"It has become quite clear that dealing with many of these countries, for example Japan, requires at least three or four visits before talk translates into meaningful business and we will be seeking some compensation for this additional travel," he said.

One of the last outward selling trade missions to benefit from the ERA incentives was the chamber's mission to the Far East and South East Asia in October/November this year — the first to these countries since 1983.

Chamber president Ernest Wilson said the mission had been extremely successful and had resulted in millions of rand of orders being signed.

However, he said that most of this business had been written by those members of the 12-man delegation that had contacts in the Far East and had done business there before.

"Some, if not most, of these would have come to the fore anyway as these contacts were in place. What is evident now is that the new contacts that were made need to be followed up in order to establish lasting trade relationships with the East. These are not built overnight and will require at least 18 months to two years beyond trial orders to translate into potentially on-going business."

Wilson said a number of the countries visited by the mission, particularly Malaysia, had expressed interest in the possibility of setting up manufacturing outlets in South Africa and, as such, beneficite SA raw materials on the spot.

"This could happen quite quickly as many of these countries have low, if not zero, unemployment rates and they are looking for outside manufacturing opportunities. To date they have limited their sights to the likes of Indonesia where the wage rates are a third to a quarter of what they are in South Africa.

"Many of them have already been out here looking. However, they have indicated that before they will move on this front, clarification on the exchange control situation was needed — which we are hopeful will come in the next 12 months — and stability and productivity on the labour front."
SA goats exported to US

By WILLEM STEENKAMP

SOUTH AFRICA may have been getting their goat — more than 450 "emigrants" of a different kind left the country for ever yesterday aboard a DC-8 aircraft.

The 396 Boer goats, 14 Angora goats and 55 Dorper sheep are the first to be exported from South Africa to the US, and the first full load of livestock to be airfreighted out of the city.

Collected from all over the country, they first had to complete a 60-day quarantine period at Delft.

"The flight was unusual as livestock were normally transported by sea, which is cheaper, but it was far quicker and much safer for the animals," export agent Mr. Gerald Hagemann said at D F Malan Airport.

"The mortality rate from shipping is pretty high, up to 30%," said Mr. Hagemann.
FOREIGN TRADE — (EXPORT POLICY)

1993 - 1994
Approval for export incentives

Johannesburg. — The cabinet has approved in principle selective implementation of a limited export incentive scheme for the services sector during the 1993-4 financial year. Trade and Industry director-general Stef Naude said.

The Trade and Industry Department is preparing guidelines for the scheme, for implementation on or as soon as possible after April 1.

The scheme, which will essentially be based on the export marketing assistance scheme for goods, aims to financially support suppliers of services to market and use their services abroad.
Govt approves export incentive scheme

GOVERNMENT has approved the implementation of a limited export incentive scheme for the services sector during the 1993/94 financial year, the Trade and Industry Department said yesterday.

The scheme, which would be based essentially on the Export Marketing Assistance Scheme for goods, aimed to support financially suppliers of services to markets and the utilisation of their services overseas.

The department was preparing guidelines for the scheme, which would be operated on a selective basis. It would be introduced on or as soon as possible after April 1, a statement said.

SA Association of Consulting Engineers executive director Honnie Lemmer said the move represented an opportunity for SA consulting engineers to compete with overseas engineers who were granted incentives of up to 50% of the contract price by their governments.

SA consulting engineers hoped to receive a 15%-20% incentive on contracts awarded.

This would enable them to spread marketing costs and facilitate the award of overseas construction contracts for SA contractors.

Council of SA Banks chief Tony Norton said financial services were excluded from export incentives and, although the incentives were not expected to affect banks, it was a step in the right direction.

Sapa reports the department has supported the setting up of export processing zones to promote industrial development and exports.

Department director-general Stef Naude said yesterday a final framework for the zones was being negotiated.

After considerable research and international and private sector input, the department's draft proposal put forward that export processing zones be set up according to the traditional fenced model, where the entire production of the zone is exported.

The zones would be based on private sector initiative and finance, with minimum administrative requirements imposed on government.

Government would, however, provide financial and other incentives to zone users while facilitating and monitoring the zones. Naude said several regions had shown "enthusiasm" for these zones. — Sapa.
Scheme for export zones to get exemption from VAT

The government proposes exempting export processing zones (EPZs) from VAT, customs duties and export levies, according to a draft proposal released this week.

EPZ users will be subject to South African laws and all output must be exported from the South African customs area to qualify for EPZ benefits. No tax holidays are planned, as is common in many successful EPZs around the world.

The finance and operation of the EPZs will be left to the private sector. All EPZs must be located within 50km of an airport or international port and approval must be obtained from an EPZ Board.

Normal South African corporate tax rates apply, drawing into question the ability of the proposed EPZs to attract local and, particularly, foreign capital in competition with countries offering generous tax breaks, such as Mauritius, Argentina and Mexico.

The compensation is that EPZ companies qualify for General Export Incentive Scheme (GEIS) benefits, ranging from 2% to 10.5% of export value, the Regional Industrial Development Programme (grants equal to 16.5% of operational assets in the first two years and a profit-based incentive for three years) and the Export Marketing Assistance Schemes—all of which are currently available to South African businesses.

Only newly incorporated companies may establish in EPZs, eliminating the possibility of existing firms relocating to take advantage of the benefits.

Non-residents must invest through the financial rand in compliance with Reserve Bank regulations. Dividends, royalties and interest may be remitted in commercial rands.

The obligation to buy and sell assets through the financial rand is a frequently cited reason for SA's inability to attract foreign capital.

Weak

Low interest loans from the Industrial Development Corporation and financing from the Small Business Development Corporation are also offered as incentives.

The draft proposal on EPZs is unlikely to attract a stampede of investors.

With the exception of exemption on customs duties on imports, export levies and VAT on imports of plant, equipment, raw materials and components—and the implied relaxation of restrictive regulations where this is accepted by local authorities, business and organised labour—the proposal has little new to offer investors and is particularly weak on incentives.

Plant and machinery qualify for 30% depreciation over five years, buildings for 5%, wear and tear on office equipment 10% and motor vehicles 20%. Scientific research qualifies for a 25% deduction, according to the draft proposal.
Getting hit on all sides

With the recession now well into its fourth year, the Department of Trade & Industry has come under increasing attack in recent weeks for policies that critics say discourage trade and hurt industry.

Its protectionist bent came under severe fire last week at a Johannesburg conference. Meanwhile, renewed attacks on the department’s expensive and unproven export incentive programme were launched; its decision to go ahead with export processing zones was met with criticism; and one group charged the department with “ad-hocracy” and said what was needed was an umbrella council that would direct all industry schemes.

At the Johannesburg Chamber of Commerce & Industries conference on trade, Webber Wentzel partner Leoril Blumberg lambasted the department’s new anti-dumping legislation as “a dangerous derogation of Gatt principles,” and “open to abuse; they could be highly prejudicial to the importer and even to local producers.” The legislation was passed last year despite vociferous opposition (Business & Technology, May 1, 1992).

Blumberg said SA has promised to sign Gatt’s anti-dumping code. “Yet the new legislation is clearly less in line with Gatt principles than the legislation that it is replacing, which is causing some confusion and attracting a great deal of criticism.”

The legislation falls short of international norms because local companies no longer must prove that they are being injured by the “dumped” goods, she said. Furthermore, the legislation introduces the new concept of “disruptive competition” that can be eliminated by “safeguard duties,” which provides an open-ended mechanism for local producers against low-priced imports,” she said.

Meanwhile, Nedbank chief economist Edward Osborn continued the chorus of criticism of the R1,1bn/year general export incentive scheme (Geis) as “a waste of public funds” that merely rewards current exporters for their efforts.

“Geis receipts are mostly a gift” to exporters and are little inducement to export more, he says. The anti-dumping rules, Geis also is considered a violation of Gatt.

On another front, the department’s director-general, Stéf Naudé, finally decided last week that his department would support the development of export processing zones, with incentives to locate export-focused production in the zones. But before the ink was dry on the announcement, there was criticism that the long-discussed concept was now two decades old and that only newer concepts would attract exporters.

The Nedbank-Old Mutual-sponsored Professional Economic Panel recommends that, instead of setting up defined zones, government should grant enterprise development status (EDS) to specific exporters. “This differs dramatically from the older concept of an export/enterprise development zone. EPZs focus incentives on a specific geographical area. EDS, on the other hand, is a legal rather than a geographical concept. The concept is dynamic — a process rather than a place.”

Adds Safco former head Wim Holtes: “We can’t go back to a concept (export zones) that evolved 20 years ago and expect a flood of investment into SA.”

Also last week, the 70-strong economic panel released a 116-page report arguing that “the country needs a co-ordinated or unified industrial vision or strategy — something it sorely lacks at present.” It called for the creation of an Industry & Trade Development Council — SA’s version of Japan’s famous Ministry of International Trade & Industry (Miti) — that would put together a long-term industrial policy and target import- sary systems and will, as we make progress, move closer to international norms.”

Adds the department’s deputy director-general, Gerrie Breul: “Government is serious about tariff reform but, in the light of our economic situation, it must be a well-managed exercise.”

MEDICAL SCHEMES

Discovering a cure

Health Minister Rina Venter this week scored her first major victory in reforming SA’s ailing health care services when parliament passed the Medical Schemes Amendment Bill (F M 19/12/93).

The Bill, first tabled in parliament early last year and fiercely opposed by doctors because of what it might do to private practices, amounts to an extensive deregulation of private-sector health care.

“I knew we had a strong but difficult case, but I never hesitated that we were on the right track,” Venter says. But she warns that this won’t automatically cut costs. “We need to change the health care culture. Doctors, patients, all health care providers and the media need to evaluate health care in terms of cost — it’s also a commodity.”

In brief, the Bill gives medical schemes the clout to question claims and keep costs in check by ending guaranteed payments and minimum rates. It also opens the sector to competition by allowing schemes to run hospitals and clinics, and employ doctors.

Doctors have argued that as schemes acquire greater powers of discretion over the use and provision of services, doctors could find their professional and clinical judgment compromised in favour of cost considerations. They also fear that the schemes could put the private doctor out of business by limiting the patient’s choice.

But Venter says the aim is not to punish doctors. “The Act is designed to save the whole private-sector health-care system from collapse.” She says benefits paid by schemes have increased 28% a year over the past five years while the number of beneficiaries increased by an average of only 3.5% a year.

The Medical Association of SA wants doctors who contract with schemes to ask their professional councils to intervene when a contractual obligation interferes with their ethical responsibilities to the patient. But executive director Rob Speedie of the Representative Association of Medical Schemes points out that doctors should be aware of their ethical responsibilities when they enter into a contract.

FINANCIAL MAIL • FEBRUARY 19 • 1993 • 95
RICHARDS Bay Minerals has admitted receiving at least R300m in export incentives in the past 10 years — but has denied it was singled out for preferential treatment by government.

RBM also acknowledged that "the incentives — which were discontinued last year — were a factor in ensuring the company’s growth and competitiveness."

However, MD Roy MacPherson said as far as RBM was aware, it was subject to higher levels of corporate tax than any of its international competitors in Australia, North America, Asia or Africa.
**TABLE**

Name of trade union: East London Municipal Workers' Union.

Date on which application was lodged: 28 December 1992.

Interests and area in respect of which application is made: Persons employed in the Local Authority Undertaking in the Magisterial District of King William's Town.

For the purposes hereof—

"Local Authority Undertaking" means the undertaking in which employers and their employees are associated for instituting, continuing and finishing any act, scheme or activity which is undertaken by a local authority; and

"local authority" has the same meaning as that assigned to it by section 1 of the Labour Relations Act, 1956.

Postal address of applicant: P.O. Box 410, East London, 5200.

Office address of applicant: 39 Union Street, East London.

Attention is drawn to the following requirements of section 4 and 7 of the Act:

(a) The representativeness of any trade union which objects to the application shall be determined in terms of section 4 (4) as applied by section 7 (5) be determined on the facts as they existed at the date on which the application was lodged, and, as far as membership is concerned, only members who were in good standing in terms of section 1 (2) of the Act as at the aforesaid date shall be taken into consideration.

(b) The procedure laid down in section 4 (2) must be followed in connection with any objection lodged.

**NOTICE 169 OF 1993**

**DEPARTMENT OF FINANCE**

EXPORT INCENTIVE SCHEME IN TERMS OF THE DEFINITION OF "EXPORTED" IN SECTION 1 OF THE VALUE-ADDED TAX ACT, 1991 (ACT No. 89 OF 1991)

The Export Incentive Scheme which has originally been published as Notice 397 of 1992 in Government Gazette No. 13949 of 27 April 1992, has been amended by the addition of a fourth paragraph, as approved by the Deputy Minister of Finance, particulars of which are set out in the Schedule and are hereby notified for general information.

**KENNISGEWING 169 VAN 1993**

**DEPARTEMENT VAN FINANSIES**

UITVOERAANSPORINGSKEMA KRAGTENS DIE WOORDOMSKRYWING VAN "UITGEOVER" IN ARTIKEL 1 VAN DIE WET OP BELASTING OP TOEGEVOEGDE WAARDE, 1991 (WET NO. 89 VAN 1991)

Die Uitvoeraansporingskema wat oorspronklik as Kennisgewing 397 van 1992 in Staatskanselarië No. 13949 van 27 April 1992 gepubliseer is, is gewysig deur die byvoeging van 'n vierde paragraaf, soos deur die Adjunkminister van Finansies goedgekeur, waarvan die besonderhede in die Bylae uiteengees is en vir algemene inligting bekendgemaak word.

**G. C. PAPENFUS,**
Assistant Industrial Registrar.
(26 February 1993)

**J. W. HATTINGH,**
Commissioner for Inland Revenue.

**KANTOORADRES VAN APPLIKANT:** Unionstraat 39, Oos-Londen.

**Die aandag word gewestig op onderstaande ver-**
**eiste van artikel 4 en 7 van die Wet:**

(a) Die mate waarin 'n beswaarmakende vakvereniging verteenwoordigend is, word ingevolge artikel 4 (4), soos toegespas door artikel 7 (5), bepaal volgens die feite soos hulle bestaan het op die datum waarop die aansoek ingediend is, en wat die lidmaatskap betreft, word alleen gelede wat ingevolge artikel 1 (2) van die Wet op voorafgaande datum volwaardige lede was, in aanmerking geneem.

(b) Die prosedure voorgeskryf by artikel 4 (2) moet gevolg word in verband met 'n beswaar wat ingediend word.

**G. C. PAPENFUS,**
Assistent nywerheidsregisterateur.
(26 Februaire 1993)
4. PROCEDURES FOR THE SUPPLY OF GOODS AT THE ZERO RATE BY A RSA VENDOR TO A RSA EXPORT TRADING HOUSE

Definition

"RSA export trading house" means a person who is registered as a vendor for VAT purposes in respect of an enterprise which specialises exclusively in the export of goods produced or supplied by other vendors, who are not connected persons in relation to such RSA export trading house.

4.1 Introduction

In terms of this scheme is RSA vendor (the supplier) may supply goods to a RSA export trading house (exporter) at the zero rate, if the supplier has satisfied himself that the exporter complies with the requirements as set out below and the supplier ensures that he is in possession of the documentation prescribed hereinafter. The decision to supply at the zero rate (as set out in paragraph 4.2) is entirely at the discretion and risk of the supplier, having regard to his expectation of the likelihood that the exporter will perform his obligations timeously.

This scheme is only available to exporters who purchase goods from suppliers, who are not connected persons, for subsequent export. Enterprises involved in any form of manufacturing or production processes are specifically excluded from this scheme.

4.2 Supply of goods at the zero rate

A supplier may, at the request of an exporter, sell goods to such exporter at the zero rate provided that the following conditions are met:

4.2.1 The supplier must satisfy himself that the exporter is a RSA export trading house as defined above. Furthermore, the RSA export trading house must be registered as an exporter with either Customs and Excise or the Department of Trade and Industry, and must provide the supplier with documentary proof of such registration.

4.2.2 The exporter must furnish the supplier with a written order stating that the goods are being purchased for export purposes.

4.2.3 At the time of supplying goods to an exporter the supplier, who has decided to supply the goods at the zero rate (see paragraph 4.1) will, apart from the order form mentioned in paragraph 4.2.2 above, not have any documentation in his possession to substantiate the issue of a tax invoice at the zero rate.

The exporter is, however, under an obligation to provide the supplier with an affidavit (see paragraph 4.2.4) within two months from the date of the tax invoice. This affidavit will then serve as proof, for the supplier's purposes, that the goods have been exported and must be retained by him for record purposes.

4.2.4 The affidavit, by a responsible officer, must be on the exporter's letterhead and must contain the following information:

4.2.4.1 The exporter's VAT registration number;
4.2.4.2 a declaration that the goods have been exported;
4.2.4.3 a description of the goods and the quantity which have been exported;
4.2.4.4 a reference to the date and serial number of the supplier's tax invoice;
4.2.4.5 the serial number of the relevant export documentation, as well as the date and place of export;
4.2.4.6 the serial number and date of form F178.

4.2.5 On receipt of the affidavit containing all the above information the supplier has acquitted himself of all responsibility regarding the supply of the goods at the zero rate. If the information supplied in the affidavit subsequently proves to be false, the exporter will be liable for any outstanding tax, penalties and interest.

4.2.6 In the event of the affidavit referred to in paragraph 4.2.4 not having been received by the supplier by the last day of the tax period which ends after the expiry of a period of two months reckoned from the date of the relevant tax invoice, the supplier shall calculate output tax by applying the tax fraction to the consideration reflected in the particular tax invoice and shall include the amount of output tax so calculated in Block 12 of the return for remittance form VAT 201, rendered for the tax period in which the said period of two months ends.

4.2.7 In the event of the affidavit in respect of which output tax was calculated in paragraph 4.2.6 subsequently being received by the supplier within one year from the date of the transaction, the amount previously included in Block 12 of form VAT 201 in respect of that supply, shall be claimed as an input tax credit in Block 18 of the form VAT 201 for the tax period in which the affidavit is received.

4.2.8 The rate of tax applicable for purposes of paragraphs 4.2.6 and 4.2.7 shall be the rate of tax in force at the date of issue of the tax invoice.

4.3 The procedures set out in this part of the scheme shall be deemed to have come into operation on 1 February 1993.
| Name of trade union: East London Municipal Workers' Union. |
| Date on which application was lodged: 28 December 1992. |
| Interests and area in respect of which application is made: Persons employed in the Local Authority Undertaking in the Magisterial District of King William's Town. |

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(b) The procedure laid down in section 4 (2) must be followed in connection with any objection lodged.

G. C. PAPENFUS,
Assistant Industrial Registrar.
(26 February 1993)

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**KENNISGEWING 169 VAN 1993**

**DEPARTEMENT VAN FINANSIES**

UITVOERAANSPORINGSKEMA Kragtens die woordomskrywing van "Uitgeoer" in Artikel 1 van die wet op belasting op toegerveegde waarde, 1991 (WET No. 89 van 1991)

Die Uitvoeraansporingskema wat oorspronklik as Kennisgewing 397 van 1992 in Staatskoerant No. 13949 van 27 April 1992 gepubliseer is, is gewysig deur die byvoeging van 'n vierde paragraaf, soos deur die Adjunkminister van Finansies goedgekeur, waarvan die besonderhede in die Bylae uiteengesit is en vir algemene inligting bekendgemaak word.

J. W. HATTINGH,
Kommissaris van Binnelandse Inkomste.
SCHEDULE

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4.2.4.2 a declaration that the goods have been exported;

4.2.4.3 a description of the goods and the quantity which have been exported;

4.2.4.4 a reference to the date and serial number of the supplier's tax invoice;

4.2.4.5 the serial number of the relevant export documentation, as well as the date and place of export;

4.2.4.6 the serial number and date of form F178.

4.2.5 On receipt of the affidavit containing all the above information the supplier has acquitted himself of all responsibility regarding the supply of the goods at the zero rate. If the information supplied in the affidavit subsequently proves to be false, the exporter will be liable for any outstanding tax, penalties and interest.

4.2.6 In the event of the affidavit referred to in paragraph 4.2.4 not having been received by the supplier by the last day of the tax period which ends after the expiry of a period of two months reckoned from the date of the relevant tax invoice, the supplier shall calculate output tax by applying the tax fraction to the consideration reflected in the particular tax invoice and shall include the amount of output tax so calculated in Block 12 of the return for remittance form VAT 201, rendered for the tax period in which the said period of two months ends.

4.2.7 In the event of the affidavit in respect of which output tax was calculated in paragraph 4.2.6 subsequently being received by the supplier within one year from the date of the transaction, the amount previously included in Block 12 of form VAT 201 in respect of that supply, shall be claimed as an input tax credit in Block 18 of the form VAT 201 for the tax period in which the affidavit is received.

4.2.8 The rate of tax applicable for purposes of paragraphs 4.2.6 and 4.2.7 shall be the rate of tax in force at the date of issue of the tax invoice.

4.3 The procedures set out in this part of the scheme shall be deemed to have come into operation on 1 February 1993.
Probe into ‘racist’
incident not final

PORT ELIZABETH. — The allegedly racist conduct of a Uitenhage doctor is to be probed on a “higher level”, a hospital inquiry revealed yesterday.

Dr J E I de Swart was suspended last month from the Uitenhage Provincial Hospital after he ordered two black women out of their beds, replacing them in the ward with two of his white patients who had been placed in a ward with black patients.

The inquiry into the actions of Dr De Swart was held by CPA Hospital and Health Services deputy director-general Dr G S Watermeyer and CPA medical services regional director Dr Reg Simpson.

The two men interviewed Dr De Swart at the hospital yesterday, hospital superintendent Dr Philip Bothma said.

However, Dr Watermeyer did not make a final decision and it appears he will take the matter “higher up”, Dr Bothma said.
IDT defends its development role

AFTER coming under the spotlight in recent weeks, with protesting university students calling for its disbandment, the Independent Development Trust (IDT) is fighting back.

The SA Students Congress claims the IDT has failed hopelessly to meet students' funding needs — and their criticism is echoed by other organisations which say that despite the R2bn of taxpayers' money used up the trust two years ago, housing and education backlogs are still staggering.

But IDT communications director Jolyon Nuttall said in an interview that most of the trust's projects aimed at assisting "the poorest of the poor" were well under way.

Nuttall said that through a R300m venture, the trust hoped to reduce the backlog of 50 000 classrooms over the next two to three years. It also aimed to fund the building of 100 new clinics in rural areas, and to grant R120m over three years to welfare projects related to development.

The IDT had earmarked R70m over three years for pre-school facilities in the absence of government funding. Drought relief received R100m and tertiary education loans R80m.

By January, 92% of the projects were off the ground, and the 8% still to be activated were in "unreachable war-zones" such as Phola Park and areas near Maritzburg.

Call for export policies probe

PRETORIA — The export policies of multinational corporations now doing business in SA should be investigated by government, the SA Consumer Union has resolved.

Union chairman Lubert Moolman said the dumping of harmful or shoddy goods into SA could be detrimental to the health and safety of local consumers.

"There was the possibility that some "global companies now operating across national boundaries may be infringing consumer rights", Moolman said. This was likely where a company's export policies did not comply with the stringent laws operating within the country of origin.

Among problems identified by the union were multinationals exporting substandard technology with poor environmental and health effects, together with a lack of "genuine motive" to create jobs and stimulate production.

"All governments must be sufficiently alert to the possible situation where ethics are sacrificed for profits and when long-term consequences prove to be detrimental to the environment," Moolman said.

The consumer union called on government to sign and implement the 1985 UN guidelines for consumer protection.

"We need fair rules and minimum standards to be established to promote the good conduct of transnational corporations, to preserve our natural resources and to safeguard the health and safety of consumers," Moolman said in a statement.

The union recently resolved to request Trade and Industry Minister Derek Keys to urge government to sign the UN guidelines.
KEVIN LING and EDWARD OSBORN

Counterproductive Protection could be Scrapping Import
Textile industry wary on special export zones

CT 12/16/93

Business Editor

EXPORT processing zones (EPZs) could provide unfair competition to established SA exporters outside them — who would have to go to the expense of relocating to them — says Mervyn King, president of the Textile Federation.

And, he warns, they would provide opportunities for abuse which would be hard to police.

But David Bridgman, director of Wesgro, said yesterday that he thought the answer would be to set up Export Processing Units (EPUs) in factories geared to export, rather than forcing them to relocate in EPZs.

Bridgman said the success of EPZs in other countries had shown that it was possible to prevent abuse. An EPZ could contain the administrative headquarters for EPUs.

The government announced itself in favour of setting up EPZs last year. The SA Special Economic Zones Association was launched in Cape Town this week to act as a national forum for key players in the sector.

The meeting was attended by representatives of labour, government, financial institutions and manufacturers.

King says in the federation newsletter that SA textile manufacturers are handicapped by high taxation, exchange controls and inflation when competing in world markets with others who are subsidised by their governments.

The Department of Customs and Excise was shortstaffed and having difficulty policing regulations “more particularly having regard to the level of corruption involving imports.

“In this context, the proposal to start EPZs is one of concern. With SA’s lengthy borders and coastline it will be impossible to police EPZs.”

King continues: “SA has a well established industrial sector. EPZs have worked where the entire country has been declared an EPZ and new ventures have been financed by international financiers.

“In SA established industry would have to bear the burden, both industrially and fiscally, of supporting new exporters in EPZs.

“Operators within the zones will be subsidised on their inputs while the government will expect established companies outside the zones — who will not be receiving subsidies — to become exporters from SA.”
Industrial policy ‘less protected’

THE prolonged recession inhibited government plans to shift industrial policy away from protection to a more export-directed policy, Board on Tariffs and Trade chairman Nic Swart said in the 1992 annual report.

He said industrial policy had started to move away from protection to a more export-directed policy in the past few years, but rapid progress had not been possible last year due to the recession and weak international economies.

Subdued local demand and unutilised international industrial capacities had placed local industry under strong pressure.

Political developments also did not support the initiative away from protection, he said.

Economic growth was critically dependent on industrial development and a tariff structure promoting international competitiveness was essential.

However, to improve competitiveness further, other structural aspects like tax rates, exchange rates, training, investment and technology would have to be addressed, Swart said.

The board aimed to eliminate constant amendments to tariffs, simplify tariffs, eliminate import control — the tariff should preferably be on an ad valorem basis — and eliminate formulas and specific duties.

The board also aimed to reduce import duties on a planned and managed basis and to promote the competitiveness of exporters by means of drawbacks and duty rebates on inputs.

The reduction of tariffs and the elimination of formula duties could be achieved only if an effective anti-dumping unit was in place. The recently formed Directorate for Anti-Dumping would be further expanded this year, Swart said.

During 1992, the board initiated investigations into the audio/video cassette industry, the electronic components industry, the white goods manufacturing industry, the machine tool manufacturing industry and the tyre industry.

Price formation in the food industry and tariff protection on paper were investigated at the request of government during the year.

The board had also attended to 565 tariff applications during 1992, 140 of which were carried over from 1991. Of the 350 applications finalised during the year, it had supported 128 while 222 applications were rejected.

The board had supported 17 applications for greater protection of the 46 it had finalised, while the remainder were rejected.
Reef importers to get faster service

REEF-BASED importers are being offered a new faster import service whereby their cargoes are landed in Cape Town or Port Elizabeth instead of at Durban. The new service, known as Euroexpress, was decided on following a meeting held in Johannesburg recently.

The service offered by Renfreight, is aimed specifically at Reef based clients whose freight time is sensitive rather than cost effective and who ship out of Europe, North West Continent or the US on vessels that call at either Cape Town or Port Elizabeth.

The rationale is that cargo discharged at the first or second port of call reaches the Reef, on average, six to seven days before cargo landed at Durban. The freight can also be customs cleared at these ports which are arguably less stressed than Durban or Johannesburg. Existing agreed clearing and forwarding rates will remain the same, but the client will benefit in terms of time saving.

Importers may choose whether they wish to have their goods cleared at one of these two ports, or may choose to have freight consigned to final destination for clearing purposes.

The additional cost of transporting from Cape Town to Johannesburg, compared to Durban, is minimal and already figures released by Portnet, Cape Town show that over the past few month containers destined for Reef destinations landed at Cape Town have increased from 500 per month to 800 per month.
Farmers bid to prop up maize price

A ROW is brewing over an application by farmers to have a 35% duty slapped on maize imports.

The National Association of Maize Producers Organisations (Nampro) is accused of trying to take maize pricing out of political hands ahead of a new government.

Willem de Kok of millers Premier Foods says: "We will not accept higher prices for white maize because of an expected large crop this year."

The ANC's initial comment is that the proposed 35% duty is too high. Baleka Kgosi'sile says the ANC expects to decide on Nampro's application within 10 days.

David Cooper, of the ANC-aligned Land and Agricultural Policy Centre, says: "It is hard to understand why the application has been made when there is a surplus of maize."

The proposed tariff seems high and will not be in consumers' interests if it is an attempt to secure higher moving average prices for farmers.

Nampro is seeking a duty of the rand equivalent of 35% of $110 a ton—the long-term average world maize price.

The tariff would vary according to world maize prices. If world prices rose it would drop and vice versa.

No tariffs apply now because quantitative controls prevent imports and allow the SA price to be set much higher than the world figure.

Nampro's application is in line with the General Agreement on Tariffs and Trade requirement for the removal of quantitative controls on imports.

The current price of white maize sold to millers and animal-feed companies in SA is equivalent to about $160 a ton. The world price is a high $125 now because of a poor US crop.

With shipping costs of about $25 a ton from the US, the landed price in SA, including the tariff, would be about $173.

Because SA users of maize would have to pay port handling charges and transport from the coast, imports would be prohibitively expensive. If the world maize price fell, imports could become a proposition, but only for a rim of coastal buyers.

Nampro is apparently betting that in the long term the rand will fall sufficiently against the dollar for SA farmers to achieve higher domestic prices.

However, the potential competition from imports might restrain increases in the price of SA maize.

Farmers claim with some justification that tariffs on imported agricultural goods are fair because their counterparts abroad are heavily subsidised.

The price of maize is set by the Minister of Agriculture after consultation with the Maize Board and other parties. The interests of farmers, historically government supporters, are more important in the minister's decision.

Under a new government, the interests of black consumers are likely to become more important. The ANC has not decided whether to reimpose price controls on mealie meal and bread, but they are a possibility.

Nampro's tariff application provides four weeks for comments, allowing for duties to be imposed before the election.

Much of this summer's expected bumper maize crop of 19-million tons will have to be exported at a lower lower price than the domestic one.

Although Nampro apparently wants to abolish the existing pricing system before the elections, it does not want complete deregulation of the Maize Board, which is still the sole marketer of mealies. All maize sales and exports must by law be handled by the board.
foskor strikers will return
to work tomorrow — NUM

THE 500 striking NUM members at
Foskor's phosphate plant near Phala-
borwa are to return to work tomar-
row after a wage strike which began
on January 27, union regional secre-
tary Archie Pillane said yesterday.

A consumer boycott of Phalaborwa,
called in solidarity with the strikers over yesterday, was rejected. The paid cleaning lasted a week.

Pillane said the parties had re-
solved the dispute over the backdating of the effective date of wage increases with the NUM accepting a R400 ex gratia payment per member.

The 6% wage increase would be backdated to October 1, not July 1, as demanded by the union. A 1% shift allowance would be instituted from March 1 if a seven-day working week was implemented with the approval of the Mineral and Energy Affairs Department, which still had to ratify the agreement.

Illegal imports of dairy products rise

ILLEGAL imports of dairy products has risen over the past year, Agriculture Department deputy director of marketing and administration Dennis Farrell said yesterday.

Most of the illegal imports came via Namibia and Botswana. As members of the SA Customs Union, they were free to export their own produce to SA, but could not export produce from other countries.

Farrell said Botswana had trade agreements with Zimbabwe which meant it could import Zimbabwean dairy products cheaply. These cheap imports could then be exported to SA.

The department said 140 tons of cheese, 170 tons of milk powder and 45 tons of other dairy products had been illegally imported.  

Union must respond today
to Carlton offer

JACOULIE GOLDBING

THE Paper, Printing, Wood and Allied Workers' Union has until 4pm today to respond to Carlton Paper's 7% across-the-board wage increase offer.

The union was last Friday, but if management's offer is not accepted by workers, the union says it will revert to its initial 12% demand.

Carlton Paper MD Keith Partridge said if the offer was not accepted by the union, management would also revert to its 5% across-the-board offer.

About 850 workers went on strike four weeks ago for a wage increase, but personnel's maternity leave.

Four plants on the East Rand went on strike.

Carlton Paper and the union also agreed to three months' paid maternity leave after three years of employment with the company.

Management and the union agreed that shop stewards would be appointed at each of the company's six plants.

Shop stewards were allowed to take part in a national job grading committee which would investigate problems of job grading in the company.

The company would also appoint rep-

resentatives to the company and the union would be allowed to call on outside experts where necessary.

In the case of child care, workers abstaining from work would have to produce certificates stating rea-

sons for their absence, which would be treated on a no work, no pay, no penalty basis.
Korea concerned at ‘blocking’ of Hyundai

THE South Korean embassy is "gravely concerned" that the motor industry task group is trying to block imports of Hyundai motor vehicles from Botswana.

The vehicles are sold in SA at about 10% less than the SA equivalents.

Economic affairs first secretary Sun Heung Kim said yesterday that with the recent establishment of diplomatic relations between SA and Korea "our two countries expect to enjoy sound partnership and co-operative relations..."

But the motor industry’s reaction to Hyundai was frustrating and discouraging.

He said if government implemented the task group’s proposals it would be detrimental to trade relations, and against GATT requirements.

The task group was proposing that if the body was imported as a complete shell rather than being dismantled into panels — completely knocked down (CKD) — an additional non-rebatable 10% excise penalty should be charged.

"Should Hyundai intend avoiding the proposed 100% excise penalty, it would have to import CKD components which would mean a huge investment and make the whole project non-viable", causing the factory’s closure, he said.
MEDICAL SUPPLIES

The Board on Tariffs & Trade’s refusal to withdraw duty rebates on imported raw materials, used in the local production of bandages, and on imported made-up bandages and dressings could mean further cuts in the cost of medical supplies to hospitals.

The decision is seen as a significant victory for smaller manufacturers and importers over Pinetown-based market leader Smith & Nephew, which applied in 1992 for the rebates to be withdrawn.

The bandage and related products market is worth about R500m a year and Smith & Nephew supplies almost 90% of local needs. GM Neil Wallace said last year that the application for withdrawal of the rebate on made-up bandages and dressings was in line with the duty on bulk medical fabric and would therefore only correct an anomaly in the duty structure up the value chain (Business & Technology, March 26, 1993).

Nevertheless, MD Don McArthur of Cape Town-based manufacturer Macmed saw the application as an attempt to protect a virtual monopoly at the expense of consumers: “These are primary commodities in health care, not luxuries. Patients just can’t do without them and they should be made available at the lowest possible cost.”

Macmed supplies about 6% of the local market with products made from cotton and gauze imported in bulk, and with finished products imported mainly from China, South Korea, the US and France.

The board found that, because the present tariff structure on woven cotton fabrics used for the manufacture of medical textile products is part of a transitional plan that will be reinvestigated, the rebate should remain in force for now. It also concluded that imports of made-up bandages and dressings represented a relatively small percentage of local demand and were not a major threat to the industry. There was therefore no justification for additional protection.

McArthur says the board’s decision means Macmed will be able to make more of its products available at lower prices than Smith & Nephew. “When we entered the market there was a price decrease of up to 50% on some products. That was when Smith & Nephew asked the board for assistance. Rejection of the applications means there will definitely be no return to the old price levels.”

He says Macmed is already planning a R500 000 expansion to its manufacturing plant to meet the expected demand for cheaper products.

Macmed is still hoping the board will reduce or scrap the duty on imported syringes, which would dramatically reduce prices. Duty on syringes was increased about a year ago by up to 156% after a board investigation at the request of local manufacturer Promex, which supplies 85% of the R25m market. Promex MD Theo Pietersen denied at the time that the company simply wanted to corner the market and then push up prices.

McArthur says the board is now reviewing the situation and has invited objections to the possible withdrawal of duties. “There’s a definite change of attitude on the board. I believe it’s due partly to pressure from customers, many of whom are government departments battling to operate on tight budgets.”
The rise in imports in January, to R4,7bn from December's R4,3bn, which squeezed the trade surplus to R1,2bn from December's R2bn, is probably not due to an increase in domestic demand for imported goods — the figure is still below the aggregates for June-November.

The jump is probably a statistical overhang from the festive season with some December imports recorded only in January figures.

The latest figure repeats the pattern in previous years: in January 1991 imports surged by R1,7bn; in 1992 by R500m; and in 1993 by R500m. In all these months the surplus shrunk.

While the month's figures, in some import categories, were higher than in the previous January, they were down on the average monthly figure for 1993 — among them vehicles & transport equipment, 11,1% higher than in the previous January, but down 28,4% on average.

Others show increases on both last January and the monthly average:

- Chemical products, 7,7% higher than in the previous January, and 1,7% higher than the monthly average;
- Plastics, up 21,3% and 9,7%; and
- Base metals, 22,8% and 11%.

The categories jewellery & precious stones (437,9% over the previous January and 55,3% over the average for 1993) and machinery (35,6% and 14%), show more substantial increases. The first of these seems to be a result of a change in diamond export policy, whereby rough stones are bought overseas, sorted and then re-exported (the export figure is higher as well).

The increase in the value of machinery may be the result of a weakening in the rand exchange rate.

However, these rises were offset by a number of important items, notably unclassified goods (particularly oil), which was down on both January 1993 and the monthly average (-80,4% and -76,7%) and vegetable products (-41,4% and -35,5%).

Exports in general were higher than in the previous January but down on the 1993 averages. The overall aggregate was R5,8bn, up 12,9% on January 1993, but 13,1% lower than the monthly average.

Of the major categories:

- Unclassified goods was higher on both a January-on-January basis, 8,1%, and on the 1993 average, 7,8%;
- Minerals (7,5%, -6,1%) and base metals (12,4%, -14,3%) were higher than the previous January but down on the monthly average; and
- Jewellery & precious stones (-30,9% and -67,2%) was down on January and the monthly average.