FOREIGN TRADE
1983
JAN. - DEC.
Zimbabwe in secret petrol deal with SA?

Argus Africa News Service
HARARE — A secret deal under which Zimbabwe will get part of its fuel requirements from South Africa over the next three years is believed to have been reached after intensive negotiations at official level.

The key to the deal is thought to lie in Botswana where, according to informed sources here, the Zimbabwe Minister of Industry and Energy Development, Dr Simba Makoni, had talks last week.

Because of Zimbabwe's insistence that it will not talk to the South Africans at ministerial level — an attitude that was re-stated by the Prime Minister's office last night — the Botswana connection is seen here as a way out of the impasse.

CHRISTMAS

Dr Makoni is understood to have had talks in Botswana sometime between Christmas and New Year. No South African minister was present at this meeting which has enabled Prime Minister Mugabe to hold to his position of no ministerial contact.

The need to secure a reliable source of supply, reinforced by this week's fresh attack on the oil pipeline from Mozambique, led to the negotiation of an agreement to buy fuel from South Africa.

An increase in the price of fuel is expected here shortly, due partly to last month's devaluation of the Zimbabwe dollar.

RELUCTANT

While Zimbabwe has obviously been most reluctant to become involved in an agreement under which fuel from South Africa is imported, Dr Makoni did say recently that the Government was flexible and pragmatic and would review its policies in the light of circumstances at the time.

Although the blasting of the pipeline in Mozambique on Wednesday night is not expected to cause a delay of more than two days in getting it ready to pump again, the vulnerability of this route is such that the Zimbabwe Government cannot rely on it for regular use.
Shipping turnover falls 20pc

Finance Report:

SOUTH and South East African Conferences Lines' performance is about 20 percent down on this time last year, and there seems little likelihood of the trend reversing itself in the near future, according to Neil Semphill, South African chairman of the conference.

It seems this recession is hurting the conference more than the last. In that recession the economies of South Africa's major trading partners were either booming or on the verge of booming, and so needed much more of the commodities South Africa had to export.

That is not happening now. Our major trading partners are possibly in deeper recession than we are. Germany's unemployed topped the 2.2-million mark recently so they do not need more of our exports than they are already getting.

To add to the conference's problems, SATS's recent round of increases has pushed up the price of returning empty containers from the Reef to Durban enormously.

"I hardly think there is any way we can avoid increasing our rates," said Semphill. "We will have to recoup that somehow. We're still sending more containers with imports to the Reef than we are packing there for export."

One effect of this drop in volumes is that since November, SAECOS has been operating its service with seven instead of eight vessels. Table Bay was withdrawn as part of a complex vessel swap and it was transferred to the Europe-Australasia service. The City of Durban will also join that trade next month.

In exchange, the Nedloyd Hoorn will be transferred to the Europe-South Africa run. This vessel was originally built for this service, but was moved to the Scandutch-Far East service on completion because she was surplus to requirements at the time.

Semphill expects exports to perk up once the Cape fruit season gets underway, but that is seasonal and temporary.

He does anticipate a small increase in general exports and hopes we will be able to encourage the export of more fruit in containers. But he does not expect to see any improvement in the export of traditional commodities.

"The trend is down," he said. "We can expect an improvement only when the American economy starts to improve and when that improvement starts to benefit the South African economy. But the horizon seems to be going further back."
Imports double yet SA has less food

African agriculture must double by the turn of the century—a requirement that leaves even UN officials sceptical,” says the editorial.

Indications were that undernourishment would increase unless the discrepancy between agricultural and food production on one hand and the population increase on the other were checked, the article stated.

South Africa, which occupied 4% of Africa and had 8% of its people, produced 36% of its maize, 18% of its wheat and 10% of its meat.

Because of its position, climate, natural resources and infrastructure, South Africa could deal with the crises which seemed insurmountable elsewhere but education towards agricultural efficiency remained a priority in neighbouring states.

The establishment of food processing factories, particularly in the independent states, should accelerate to enable SA to cope with its own growing needs and those of its neighbours.
Despite sour political relations and world recession, African States are turning increasingly to SA to help them stretch their scarce financial resources.

Says Sally Gallagher, SA Foreign Trade Organisation (Safto) area manager for Africa: “Safto is receiving an increasing number of trade inquiries from African States, but further growth is being restricted by their lack of foreign exchange.”

Visible trade with Africa, excluding the countries in the SA custom union, hit a record R1 090m in 1980. It dropped to R1 038m in 1981 and stood at R813.5m in November last year. Unofficial trade probably adds 50% to the total. Gallagher says the decline reflects economic and not political restraints.

The advantages of trading with SA are obvious — it is closer than other major markets, it has better transport facilities and goods shipped through SA generally reach their destinations sooner.

“In some cases it is also cheaper to buy from stocks of imported goods in SA than to import directly from the source country,” says Gallagher.

SA’s main export rival on the continent is Zimbabwe. But it has not been able to regain the markets it lost during UDI, says Gallagher. She maintains that Zimbabwe lacks vital inputs for its manufacturing sector and that declining standards are a further problem. SA can also offer more attractive credit facilities than Zimbabwe, which is experiencing its own cash squeeze.

Competition from overseas is more serious, but SA firms can usually offer better backup.

“The big trading blocs are not wonderful on servicing because Africa is a small part of their overall market,” she says.

“SA is also attractive as a source of know-how because we have established successful agricultural and industrial sectors in similar conditions. All the assistance from the East and West has been unable to match this in other countries.”

Training is another SA draw for black Africa. Gallagher is understandably reluctant to talk specifics, but she says hundreds of people from “friendly and hostile” African countries are trained in SA every year. They learn everything from engineering to supermarket management.

“We are also getting more inquiries from African businessmen who want to educate their children here,” she adds.

Safto would like to see more reciprocal trade with Africa. Zimbabwe currently accounts for nearly all SA’s imports from Africa. And that, she says, is unhealthy.

There is an import trickle from other African States, she adds, but generally these countries do not produce enough to meet their own demands. Closer two-way trade ties will be encouraged, however.
Foskor exports beat world glut

By BRENDAN RYAN

PHOSPHATE Development Corporation (Foskor) cracked the export market for phosphate rock in the year to June 25, 1982, when it exported 415,000 tons (previous year 20,000 tons) in spite of a world-wide glut.

The chairman, Dr J P Kearney, says in his annual review: "Foskor was successful in selling at favourable free-on-rail prices in Europe, the Far East and in Southern Africa. This has been achieved notwithstanding the higher freight cost from South Africa compared with traditional suppliers to these markets from North Africa and the United States."

The export programme was undertaken to maintain Foskor's production at reasonable levels because of depressed sales on the domestic market which have not yet bottomed, according to Dr Kearney.

Because of the exports, total sales by Foskor declined by only 3% to 2,796,000 tons from the previous year's 2,721,000. Turnover rose 8.7% to R337,000, but net income after tax for the year dropped to R18,664,000 from R13,767,000.

Dr Kearney says worldwide recession has led to a surplus of almost all forms of fertilisers. Several large phosphate mines in the United States have been forced to close down or curtail production. In spite of these cuts the United States has a six-months' stockpile.

Phosphoric acid exporters Triumph Fertilisers and Fèdèrè mis encountered marketing problems in the year and exported only 230,000 tons as phosphorous pentoxide in 1981 compared with 430,000 tons in 1980.

Exports of phosphoric acid are not affected by exports of phosphate rock as Foskor is the only producer in the free world which can offer volcanic apatite on the world market which, because of its low organic content, is highly suitable for specialty phosphates.

Foskor claims it has made a significant contribution to South Africa's agricultural sector by keeping the controlled price of phosphate rock constant over the past three years. The price has declined by 32% in real terms in the four years to June 25, 1982.

The price contribution of phosphate rock to the average South African farmer's fertiliser cost is only 5.3%. Foskor's price is among the lowest in the world because of the company's policy of determining the price of phosphate rock for the domestic market on the cheapest source of rock.

This source is the phosphate-bearing tailings from neighbouring Palabora Mining and R30 million has been invested in mine development to make sure these tailings will be available from Palabora until the end of this century.
Foskor's big jump in exports

By Stephen Orpen

A PRODIGIOUS leap of 475% from 20 000 t to 115 000 t in phosphate-rock exports has been achieved by the Phosphate Development Corporation (Foskor) in its latest financial year.

This is revealed by chairman Dr P. Kearney in his annual report released this weekend.

New markets were developed in Europe, the Far East and Southern Africa, and Foskor is now the only producer in the free world which can offer "volcanic apatite" to the world market.

The cost of one of the most important inputs in the domestic fertiliser industry, phosphate rock, has been kept even in the past three years. Meanwhile, price has declined by 22% in real terms.

Foskor's consolidated net income after tax for the year to July 1987 was R12.7 million compared with R13.9 million the previous year after the decline in sales of phosphate rock had been limited to only 3% in spite of the collapse of the international phosphate-rock market.

Dr Kearney says that the worldwide recessionary conditions have led to a surplus of almost all forms of fertiliser.

Several large phosphate mines in the United States have been forced to shut down or curtail production.

Despite these cuts the US has a six-month stockpile.

The phosphoric-acid exporters, Triomf Fertiliser and Sentrachem's Fedmis, have had problems with marketing, leading to a further reduction in exports.

During 1986, 430 000 t of phosphoric acid was exported (250 000 t in 1985).

As a relief measure for domestic phosphoric-acid exporters, Foskor supplied phosphate rock at a lower-than-contracted price to Triomf and Fedmis as in the previous financial year.

Dr Kearney feels the domestic phosphate industry has yet to strike a floor.

In the short term it is difficult to forecast to what degree the wide-spread drought conditions together with the increase in interest rates will affect the local sales of fertilisers.

Present indications are that there will be little growth in this sector of the market.

Negotiations are continuing with Palabora Mining Company to make available the almost fractions of phosphate-bearing tailings from which Foskor will, then, be able to produce an additional 200 000 t of phosphate rock annually.

Foskor has already invested R30 million in mine development to ensure the uninterrupted availability of phosphate-bearing tailings from Palabora Mining Company to the end of the century.

During the year an increase of 3% was achieved in ore processed, with a corresponding increase in the production of concentrates to more than 3 million t.

Domestic off-take rose 2% to almost 1.27 million t. Sales of phosphate rock for the production of phosphoric acid for the export market decreased by 20% to 639 000 t.

Yet the direct export of phosphate rocketed to 115 000 t.
In the first 11 months of last year, South African exports to Britain totalled R1 256 million — R153 million more than for the whole of 1981. British exports to South Africa also held up "most encouragingly" to reach R1 899 million in the same period, says Mr Colin Brant, director of British Trade Promotion in South Africa.

This compares with R2 161 million for the whole of 1981. "Since South Africa is one of Britain's two largest markets, after Europe and North America, these successes — achieved against all the run of play in world trade — are most heartening," says Mr Brant.

"I firmly hope trade between the two countries in 1983 will continue at this high rate. Already no fewer than 16 British trade missions are booked to come to South Africa this year, and British participation in several trade fairs is under consideration."

The first mission — the Engineering Industries Association — will visit from January 28 to February 13.

It will be followed by the South Bucks and East Berks Chamber of Commerce and Industry from February 5 to 26, the Walsall Chamber of Commerce from February 19 to March 4, and the Association of British Mining Equipment from February 20 to 25.
SA in trade talks with Zimbabwe

HARARE CORRESPONDENT 29/1/83

A SOUTH AFRICAN Government trade delegation arrived here unannounced this week to discuss the future of the trade agreement with Zimbabwe.

Nothing is being said but it is understood that talks include ways to increase Zimbabwe's exports, which have dwindled.

There is also displeasure at Zimbabwe's continuation of the agreement through thrashing import duty on goods which are allowed to be imported duty free.

It is likely that Zimbabwe asked for the meeting as it is suffering badly while South Africa is benefitting.

The choice of Harare being chosen as the venue is political, sources say.

Central to the whole issue is the need to extend the treaty for a definite period. As has been pointed out continuously and monotonously, it is this uncertainty which has largely led to Zimbabwe's exports falling off.

The trade balance continues to swing in favour of South Africa, latest figures show that Zimbabwe's sales are slipping while South Africa's are climbing.

Unfortunately they are outdated and like most data coming from the government are falling more and more behind.

For the period to the end of August last year, exports to South Africa were down 28 percent to R137 million compared with 1981, while imports rose marginally to R192 million.

One point of discussion in the Harare talks also involves the recent 20 percent devaluation. The Zimbabwe team wants to know what goods are now attractive to buyers. In fact the drop is 24 percent since devaluation against the rand, because the currency is worked out on a trade weighted basis and South Africa is playing a much more dominant role.

It is also probably been pointed out to Zimbabwe that the private sector would gain if import duties were removed because production costs would be lower.

This would lessen the pressures on business and mean better job possibilities for the growing army of unemployed.

Official rhetoric is still directed at cutting off all trade ties with South Africa. President Banana said this week that eventually all economic ties would be severed. Maintaining links would mean the country could be held to ransom at any time Pretoria chose.

The president said the hope lay in developing the SADCC idea so that trade between black African countries could increase.

Little is being achieved on this. And questions are being asked as to how committed the nation is when rice imports are stopped from Malawi — and North Korea becomes the supplier instead.

Also Botswana continues to impose import duties on many Zimbabwe goods but being a member of the South African Customs Union, imports from there at much lower duties.

One subject not being covered in the South African talks is oil. It has been stressed that fuel supplies from South Africa are definitely not on the agenda.

Meanwhile, the fuel crisis continues to worsen and there is still no news on when the situation will ease.

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Students liable to disqualification and to possible exclusion from the University.
Dairymen want import duty on substitutes

Dairy substitutes are a growing threat to the dairy industry, Mr Eddie Roux, general manager of the Dairy Board, said at Agrocon. This was because large quantities of substitute products — including milk solids — were being freely imported.

"Import control is needed to protect the local market against unfair competition from milk solids from countries subsidising exports," he said.

Last year the dairy industry supported draft legislation to prevent deceptive advertising and labelling of dairy substitutes.

The law would prevent the use of words normally associated with dairy products — such as "creamier" or "milk product".

The proposed law renews the war between fresh milk producers and the manufacturers of dairy creamers, who have vowed to resist attempts to interfere with their industry.
Merged firm aims for 50 percent boost in exports

By Stan Kennedy

McKechnies and Denver Metals, recently merged, expects to increase exports by 50 percent in the next year or two and reports slightly increased US interest.

The group, with excess capacity, hopes to raise exports to about 3,000 tons a year. It has a R130 million share of the R250 million a year non-ferrous market in this country which has a throughput of about 50 million tons a year.

Bigger production runs and lower unit costs are the main aims of the new company formed by amalgamating the non-ferrous interests of Anglo-Transvaal Industries and Macdem.

From January 1, Macdem’s interests in McKechnie Bros SA and Maksal Tubes were merged with ATI’s interests in Denver Metal Works, through forming a joint holding company to acquire the three businesses and, at the same time, buy Macdem’s interest in SA Copper Alloys.

The total involved was R46 million, settled by shares and/or cash in the new company.

Macdem will manage the merged operation and its chief executive, Mr Murray Coutts-Trotter, is executive chairman of the new holding company. Both ATI and Macdem will be represented on the board, to be complemented by representatives of the three operating companies.

Mr Bill Keen, a manager of Anglovaal, said that capacity utilisation was the key to the merger.

“There is excess capacity in the market for extrusions and phosphor bronze, resulting in assets not being used economically,” said Mr Keen.

“Our future programme will include plans for longer runs of these products, to bring down unit costs and make us more competitive overseas.

“We also see on the horizon a threat of substitution of our products and we want to pool our resources to compete with this.”

Denver recently perfected the continuous casting of aluminium bronze in solid, hollow and shaped configurations and is believed to have the widest casting of phosphor bronze in Southern Africa.

The company has already received a US order and Mr Keen said the alloy was set to make a big impact on export markets.
By David Bamber
Mining Editor

Coal exports soared to a record high last year, earning South Africa more than R1 000 million for the first time.

Even more impressive is that the four-figure mark was reached in the first 11 months of the year.

Figures released by the Minerals Bureau show that coal exports in November amounted to R94,5 million — R13,6 million higher than in October.

This took the total for the 11 months to R1 023,5 million compared with the previous high of R977 million reached in the whole of 1981.

Fortunately for South Africa, this performance came at a time when gold sales were sagging.

By the end of November the lower bullion price had left exports of gold at R6 725,8 million — about R1 800 million short of the total in the previous year, and with only one month to reach it.

Earnings from gold accounted for 61.7 percent of the R10 897 million total exports of metals and minerals during the period under review.

This is a good deal lower than in 1981 when gold exports were 73.4 percent of the total.

Overall, there should be little difference in total earnings from metals and minerals.

December exports will probably have been about R1 600 million, taking the total for the year to about R12 600 million compared with R1 655 million in 1981.

Diamond sales in the 11 months were R300,4 million so it seems likely that exports in the full year will be lower than the R329,9 million a year earlier.

Iron ore did well even though sales tapered off towards the end of the year.

Nevertheless, in the 11 months exports reached R210,8 million — just R5,8 million short of the total in 1981.

Manganese already passed the previous year's figure by the end of October, and by the end of November exports were R6,2 million higher at R125,4 million.

Copper exports should comfortably pass the 1981 level. With one month to go, exports had reached R128,2 million compared with R133,4 million in the whole of the previous year.

But earnings from fluor spar and nickel will fall substantially short. In the 11 months nickel exports amounted to R35,2 million against R57,6 million in 1981 while fluor spar at R25,2 million is R20,1 million below the total for the previous year.

Talks on Witbank

By Geoffrey Murray

TOKYO — Talks between steel mill ing officials and the Transvaal Coal Owners' Association on the fiscal 1983 contract for Witbank coking coal have ended with nothing settled and resumed about February 20.

The Japanese want to pay less than 50 dollars (at present 57 dollars) a long ton. Sources said the South Africans at this stage want an explanation of how the Japanese mills will cut an excess supply of 18 million tons a year caused by declining steel production and the effect of some overseas mine projects for the Japanese market coming on stream.

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Clothing
firms eye fresh
pastures

An export drive for South African clothes is being considered by the National Clothing Federation and the National Textile Federation, writes Fred Roffey.

The national vice-president of the National Clothing Federation, Michael Getz, said that in the past orders had been lost because some local fabrics were so expensive that they priced garments out of the export market.

After discussions between clothing and textile manufacturers in various parts of the country, a joint export drive is planned, with more liaison between the two sides in the early stages of production.

"The strengthening of the rand will compel local industry to look at effective means of maintaining export sales," said Getz.

A meeting of the National Clothing Federation was held in Cape Town this week and more meetings would be held later this year.
IDC tells President's Council

Wage and trade policies are upside down

Surnan

First N:

Financial Staff

Date:

Wage and foreign trade policies are jeopardising the future of labour-intensive industry.

In a shock report to the Economic Committee of the President's Council, the Industrial Development Corporation in Pretoria says South Africa is largely an importer of labour-intensive goods and an exporter of capital-intensive goods.

It finds only 11 percent of imports are capital intensive and only 23 percent of exports are labour intensive.

This is contrary to what would be expected of a country with a large underdeveloped sector -- and of what is needed if South Africa is to meet the development challenge.

The IDC concludes that mechanisation has been pushed further than is desirable in South Africa.

Development economists commented that the shortage of skilled workers without an increasing the real wage of unskilled workers without an increase in productivity had encouraged undue mechanisation.

A rand-dollar rate that climbed with the gold price also drove South African exports from the world market.

An economic planning expert, Dr David Mullins, said Britain had fallen into the same trap as South Africa. North Sea oil income had kept sterling's value artificially high, making British exports uncompetitive.

South Africa was also artificially delaying economic recovery by allowing the rand to rise to levels where export industries could no longer compete. Labour-intensive products usually were first to suffer.

In the face of competition from low-wage countries, labour-intensive industries such as the textile sector were stagnating and unemployment was mounting, Dr Mullins said.

The exchange rate had to be managed properly and could not be left to the whims of the money market.

Professor D J J Botha of the University of the Witwatersrand said labour intensive industries could survive in a highly productive economy if labour was highly trained, better training was the way to improve the survival rate of labour-intensive industries.

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From exports to more in 130% more

Billiard Batters

Feb 1982

By Louis Beckering

Business Editor
Trade mission to SA under fire

London Bureau

LONDON. — Businessmen in Sheffield warned yesterday that hundreds of jobs could be at risk if the city cuts off trade links with South Africa.

Church leaders, trade unions and the city's Labour Party council have called for the Sheffield Chamber of Commerce to abandon a planned three-week trade mission to South Africa and halt all connections with the Republic.

They have declared Sheffield an "apartheid-free" zone.

But the chamber says this could lead to the loss of an estimated £24 million a year earned by Sheffield firms exporting to South Africa and would mean up to 300 more unemployed people in the city.

The chamber's assistant secretary Mr Peter Bolton said: "The main aim of the mission is to bring much-needed export business to Sheffield and keep as many people in jobs as possible.

"We do not condone apartheid, but if we restricted our exports to countries whose regimes we approved of, order books would be very thin indeed.

"Even if Sheffield did pull out of trading, it would be a fruitless exercise and would leave the way open for countries like France, Germany and Japan to step in."

Representatives of 23 countries, mostly in the steel and engineering tools industries, are due to join the mission to South Africa in April.

But next week organisations opposed to the move are launching a petition in a bid to persuade the chamber to cancel the trip.

One of the opponents, Mr Steve Howell, of the Sheffield Campaign Against Racism, dismissed claims that a trade ban would cost jobs in the city.

He said "the point is that there are alternative export markets that would make up for a trade ban with South Africa.

"We don't accept that the choice is between jobs in Sheffield or trade with South Africa."
Geneva. — Soviet moves to seek observer status in the General Agreement on Tariffs and Trade are causing concern among the major Western countries which believe a Soviet presence in Gatt will bring unwelcome political tensions, making the organisation less effective as a promoter of world trade liberalisation.

A Soviet delegation is expected to visit Geneva for contact with Gatt members.

It will then decide whether to apply formally for observer status, which would give it the right to attend all Gatt meetings and make statements. But, unlike full members, it would not be allowed to take part in Gatt decisions.

It would not be obliged to obey Gatt’s trade rules.

Although there is no precedent in Gatt for refusing a request for observer status, both the US and the EEC have indicated they are determined to prevent a Russian presence.

The Soviet Union took most Gatt members by surprise when it approached Mr. Arthur Dunkel, Gatt’s director-general, and delegation heads from major Western and developing countries to discuss procedures for becoming an observer.

Among other things, the US and the EEC believe communist states which are already full Gatt members – Yugoslavia, Romania, Cuba, Poland, Czechoslovakia and Hungary – will hesitate to speak their minds with the Russians looking over their shoulders.

The US has encouraged Eastern Europeans to enter Gatt as full members to weaken them away from Soviet economic and trade domination.

The US also thinks that the Russians may try to use Gatt to thwart Western trade sanctions.

It is feared the EEC members will be split over the issue with France arguing that Soviet presence in Gatt is desirable to tie the Russians more closely into the world trading system.

Most developing countries and several Western nations, including the Scandinavians and Canada, also think the Soviets should not be rebuffed. — Financial Times.

NOTE CAREFULLY

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2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.

3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

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By GORDON KLING
NON-RESIDENTS freed from exchange control for the first time since 1961, yesterday effectively gave the South African economy a strong vote of confidence, raising hopes for the eventual abolition of controls on residents as well.
"Developments have gone according to expectations," said the Minister of Finance, Mr Owen Horwood.
The scrapping of exchange control over non-residents, amounting to the abolition of the foreign investment-entering financial rand, saw the new unitary rand emerge at a rate about six percent lower against the United States dollar than the old commercial rand, but about 15 percent higher than the defunct financial rand.

Shares sag
Share prices on the Johannesburg Stock Exchange plunged by more than 10 percent in nervous early trading as non-residents downrated their holdings, before recovering substantially in pre-morning trading on encouragement from London.
Prices began to sag again later in the day, closing at or near previous lows.
Brokers noted, however, that the effective six percent devaluation of the rand would produce a similar improvement in the rand income of the country's gold mines and they believed a good reception by Wall Street to the abolition of exchange control on non-residents would eventually lead to an overall improvement.

South African shares on the London Stock Exchange appreciated in value by about five percent, reflecting the change in the exchange rate of the rand.
Mr Horwood said yesterday that he expected the exchange rate of the rand against the United States dollar to begin to appreciate again in the near future.
He was confident that the various rates and prices involved in the major change in monetary policy would settle into an equilibrium that would represent a fundamentally sounder basis for the economy.
And brokers, who said the share market downturn was probably assisted by a coincidental decline in the gold price, believed the move would be beneficial in the long term.

Organized commerce and industry agreed. "We see this as a further step towards the ultimate abolition of exchange control in its entirety, which will enable South African individuals and institutions to invest overseas as they see fit," said the director of the Cape Town Chamber of Commerce, Mr Brian MacLeod.
The executive director of the Federated Chamber of Industries, Dr Johan van Zyl, also hoped the measures, which included a relaxation in overseas travel allowances and an improvement in what emigrants could take out of the country, would be a first step towards abolishing controls on residents.
"Otherwise the economy may run into similar problems experienced in 1981, when a favourable balance of payments and a rising gold price bottled up so much liquidity behind a wall of exchange control that the authorities lost control over the money supply and hence, over inflationary pressures."

DIHES
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De samenstelwoorde mag net aan één kant van hierdie boek gekee word. Kliedwerk mag op die agtere
niet luister na die leesgeneeskundige kennis, maar die leesgeneeskundige skakelende alleen in aanmerking neem die voorkant gekee is.

Die kandidaat mag boeke of aantekeninge van lard oorkool of in die eksamenskamer bêre neem en lêer deur die skriftlike kennisgeving las en om bepaalde boeke mee te bring.

Kandidaat wat probeer om 'n ander kandidaat te beleef, mag ook in die eksamenskamer stok, alleen met die skriftlike kennisgeving las om bepaalde boeke mee te bring.

Die eksamenskrife deur die Universiteit vermag die eksamenskamer weggegaan word.

Die bladsye mag uit hierdie eksamenskrif t worde nie.
AN eleventh hour attempt to defer the protection deadline on the 407TI truck engine, produced by Atlantis Diesel Engines (ADE) has failed. Protection against imports comes effective, as planned, from the beginning of next month.

The attempted deferral of protection was made at the official request of a member of the heavy commercial vehicle division of the National Association of Automobile Manufacturers (Naamsa).

Naamsa sought the views of other manufacturers who have voted against deferring protection by the suggested six months until August 1. The 407TI is the last engine in the in-line six range to come under the 30% import duty, levied on the wholesale price of a truck chassis/cab containing an imported engine.

ADE's protection package is now virtually home and dry.

**Impractical**

The only question remaining is whether the Vee range, will be admitted to the official list of local engines.

In support of the deferral request, it was stated that the continuing downturn of the heavy truck market makes it impractical for truck manufacturers to enter into an emergency assembly programme in order to ensure that all previously imported engines are built into trucks by the end of this month.

The engines were bought some months ago when the market was in a buoyant state, and manufacturers have been caught with heavy inventories of engine imports.

Several now face a desperate situation in which the pressure to assemble imported units could create excessive inventories and cause plant shutdowns and further retrenchments of assembly line personnel.

Looking on the more positive side, the final vote does at least indicate that the majority of heavy truck producers have come to terms with the deadline set for the local content programme on engine.

This does not, however, extend to the hotly disputed protection of gearboxes and back axles.

Protection for these is by no means clear.

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Report ‘highly critical in parts

The Kleu study group report on industrial development strategy is highly critical of several facets of South African industry.

Economic achievements of industry did not meet the requirements which could be expected of a leading sector, the group found. Key shortcomings included:

- In contrast with the primary production sectors, manufacturing was a net consumer of foreign exchange.
- Industry was more capital intensive than the primary production sectors and the gap would widen unless steps were taken to encourage more labour-intensive production techniques.
- Manufacturing compared poorly with the primary sectors in terms of the productivity of its employment of capital.

“As things stand at present, therefore, there is no economic justification for developing industry at the cost of the primary production sectors.”

Efforts would have to be made to improve the economic performance of the manufacturing sector and it was recommended that immediate attention be given to the overhauling and refurbishing of technological policy.

The study group recommended that an intensive effort be made to raise the productivity of all resources in industry and that the government regard this as a matter of the highest priority in its financial support.
Mr. P. R. C. ROGERS asked the Minister of Foreign Affairs and Information: 11/2/83 Col. 108

What was the total amount which accrued to each of the (a) independent Black states and (b) foreign neighbouring states as a result of Customs Union agreements with the Republic in the latest specified financial year for which figures are available?

The MINISTER OF FOREIGN AFFAIRS AND INFORMATION:

In the 1982/3 financial year the following amounts have been paid as a result of Customs Union agreements with the Republic to:

(a) independent Black states:

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<tr>
<th>State</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Transkei</td>
<td>R 98,078,000</td>
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<tr>
<td>Bophuthatswana</td>
<td>R 182,367,000</td>
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<tr>
<td>Venda</td>
<td>R 13,882,000</td>
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<tr>
<td>Ciskei</td>
<td>R 46,882,000</td>
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(b) foreign neighbouring states:

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<tr>
<th>State</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Botswana</td>
<td>R 120,368,000</td>
</tr>
<tr>
<td>Lesotho</td>
<td>R 76,746,000</td>
</tr>
<tr>
<td>Swaziland</td>
<td>R 117,562,000</td>
</tr>
</tbody>
</table>
Harbour traffic down, exports firm

By Elizabeth Rouse

Harbour traffic declined by 6% in 1982 from 1981’s record level, but this sector of SA Transport Services remained a profit-maker.

Exports did not drop much — Richards Bay even increased ore exports — but imports came off sharply during the second half of the year.

Total cargo handled by the seven harbours, including transhipment cargo, amounted to just over 78 million tons, down 6% on 1981’s 83 million tons.

Profitable harbours such as Durban, Cape Town, Port Elizabeth and East London with their long-developed facilities kept SATS’s harbour division in the black.

Latest available figures from Pretoria show that total harbour income came to R477,568 million in the eight months from April to November against expenditure of R306,942 million.

That left a profit of R167,726 million over the eight months, making it unlikely that the harbour sector will run into the red at the SATS year-end in March.

Saldanha Bay’s iron-ore exports fell to 12.3 million tons from 13.3 million tons.

Activity geared down fastest at tiny Mossel Bay, which handled 17% less tonnage than in 1981.

East London’s tonnage fell by 15% to 4.3 million tons from 5 million tons, and Port Elizabeth’s came off 13.2% to 5.7 million tons from 6.6 million tons.

Durban’s declined by 10% to 19 million tons from almost 22-million tons and Cape Town’s fell by a similar percentage to 5.5 million tons from 6.8 million tons.

Figures are provided monthly to Business Times by SATS headquarters.
Always a need for skilled immigrants

Finance Reporter
SOUTH Africa will go into the next upsurge of its economy with more locally-trained skilled people than it has ever had before.

This is a factor that could make it possible for the next upswing to last longer than any of its predecessors, says Steve Naude, chairman of the National Training Board.

Naude warned, however, that he thought it unlikely that the country's entire demand for skilled people would ever be satisfied with locally-trained men.

"There will always be a need for us to entice immigrants to South Africa," he said.

"It will be healthier that way, because it will mean that we will be able to place all the skilled people we produce," Naude said that in 1981, when the country was still gripped by euphoria produced by the boom, the skills of about 400,000 people were improved by in-service training schemes. Last year the number was 500,000 and this year the pattern should continue.

But he does not believe that the shortage of skilled people is being exaggerated, as some people claim, or that the immigration programme should be put on ice.

"We can never have enough skilled people, and, far from turning off the immigration tap because we're in an economic downturn, we must try to get all the skilled immigrants we can and we must train as many of our own people as possible," he said.

"The time to train people, to have them ready to sustain the next economic upswing, is when the economy is in a downturn."

Naude's department has two counter-cyclical training schemes designed to improve the employability of work seekers. We believe that irrespective of race, creed or colour, everyone in South Africa must be trained to the highest possible level.

"His commission had asked the National Productivity Institute to do an in-depth survey on the country's manpower needs and how training is coping with the problem of filling that need.

The report has been handed to the commission, but its contents have not yet been made public.

"They won't be made public until we have shown the report to the minister, and until we have overcome our own manpower problem and can prepare it for publication," said Reyniers.

He added his organisation would be looking at immigration in the next few weeks.

"We'll publish our findings in our annual report, but that won't be before the end of April," he said.

Dr Johan van Zyl, executive director of the Federated Chamber of Industries, said the increased numbers being trained proved that the business community had reacted to the shortage of skills and was actually doing something about it.

"We will have to do away with the immigration into what we are doing locally," he said. "As we make more progress in producing our own highly skilled men, we will have to become more selective about the immigrants we allow into the country.

It is understood the Economic Advisory Council has appointed a sub-committee to investigate the country's immigration policy, with a view to streamlining procedures and improving the basic policy.
Aussie-SA trade is in jeopardy

PERTH — Australian exporters, who have seen their trade with South Africa grow 67 percent in the last 10 years to a record R157 million in 1981-82, are watching nervously the lead-up to the Australian general election on March 5.

The Labour Party — under its new leader, former president of the powerful Australian Council of Trade Unions Mr Rob Hawke — is ahead of the Malcolm Fraser Liberal Government in the opinion polls.

Labour needs to win 11 seats now held by Liberals to gain office. Of these, six need a swing of one percent or two percent to come Labour's way.

Under Mr Hawke the Labour Party is seen to have its best chance of winning an election since its last victory in 1972.

At that time Mr Hawke was president of the Council of Trade Unions, which has been responsible for boycotts of South African goods and airline services.

Exporters fear this trend will be increased greatly if the Labour Party wins.

While the Liberal leader, Mr Malcolm Fraser, opposes apartheid, he has never called for a trade embargo, except to stop Qantas flying to South Africa.

It is being predicted that Mr Hawke would be much more militant. Exporters are closing ranks and keeping quiet about what they export to South Africa.

Union spokesman have criticised Australian firms for importing from South Africa, saying this is unfair competition because goods are produced much more cheaply in South Africa than in Australia. Steel imports, which exceeded R6.5 million, have come in for special criticism.

Figures supplied by the Australian Bureau of Statistics show that exports to South Africa are limited.

Their approximate values were:
- Prawns and shrimps — R1.2 million.
- Copper matte, cement or precipitated copper — R3.2 million.
- Labour-saving oils from bituminous materials — R1.5 million.
- Inedible beef and mutton tallow — R7.5 million.
- Wheat gluten — R1.2 million.
- Motor vehicle accessories — R5.1 million.

It is estimated that West Australian exports to South Africa were worth R38.5 million in the 1981-82 trade year. Much of the credit for this goes to the trade mission organised by the Perth Chamber of Commerce last year.

<table>
<thead>
<tr>
<th>Aussie exports to RSA</th>
<th>1979-80</th>
<th>1980-81</th>
<th>1981-82</th>
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<tr>
<td>R85 million</td>
<td>R121 million</td>
<td>R132 million</td>
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| Aussie imports from RSA | R96.3 million | R100.7 million | R88 million |

There has been an increase of more than 40 percent in the value of exports from 1979-80 to 1981-82.
SA-built Ford does well in UK

EXPORTS of home-grown bakkies by Ford (SA) to the United Kingdom have proved a phenomenal success.

Figures released this week by Ford show that though the South Africa designed and built one-ton pick-up truck sold for only half the year, it earned top spot in the market place and in the process outsold the combined totals of second-placed Mazda and third-placed Datsun.

Our table (below), tells the full story.

<table>
<thead>
<tr>
<th></th>
<th>Ford 100</th>
<th>Mazda 1800</th>
<th>Datsun 720</th>
<th>Peugeot 504</th>
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<tbody>
<tr>
<td>Price ($)</td>
<td>R6 913</td>
<td>R6 468</td>
<td>R6 014</td>
<td>R6 495</td>
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<tr>
<td>Sales (total No of units and percentage share of market)</td>
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<td>June</td>
<td>34</td>
<td>57</td>
<td>103</td>
<td>115</td>
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<td></td>
<td>(5.7%)</td>
<td>(16.2%)</td>
<td>(29.2%)</td>
<td>(32.8%)</td>
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<td>July</td>
<td>245</td>
<td>29</td>
<td>61</td>
<td>44</td>
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<td>(61.7%)</td>
<td>(7.3%)</td>
<td>(15.3%)</td>
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<td>August</td>
<td>1 108</td>
<td>179</td>
<td>154</td>
<td>299</td>
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<td>(54.1%)</td>
<td>(10.4%)</td>
<td>(8.9%)</td>
<td>(12.1%)</td>
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<td>September</td>
<td>614</td>
<td>178</td>
<td>78</td>
<td>80</td>
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<td>(59.0%)</td>
<td>(17.1%)</td>
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<td>(7.1%)</td>
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<td>October</td>
<td>497</td>
<td>143</td>
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<td>35</td>
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<td>(56.9%)</td>
<td>(16.4%)</td>
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<td>(4.0%)</td>
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<td>November</td>
<td>657</td>
<td>86</td>
<td>117</td>
<td>103</td>
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<td>(60.3%)</td>
<td>(7.8%)</td>
<td>(10.7%)</td>
<td>(9.6%)</td>
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<td>December</td>
<td>338</td>
<td>34</td>
<td>55</td>
<td>123</td>
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<td></td>
<td>(56.3%)</td>
<td>(5.7%)</td>
<td>(9.2%)</td>
<td>(20.5%)</td>
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<tr>
<td>Total for year</td>
<td>3490</td>
<td>1493</td>
<td>1323</td>
<td>1233</td>
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<tr>
<td></td>
<td>(39.6%)</td>
<td>(16.8%)</td>
<td>(15.0%)</td>
<td>(14.5%)</td>
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New trade code

By Vera Beljakova

FROM July, South Africa will apply the GATT valuation code negotiated at the Tokyo round of trade negotiations in terms of which transaction values will be the primary basis for determining customs value.

This has been announced by the Afrikaanse Handelsinstituut, Assocom and SA Federated Chamber of Industries.

To ensure that the business community fully understands the aim and application of the new valuation system, the Afrikaanse Handelsinstituut, Assocom and the SA Federated Chamber of Industries, in co-operation with the Department of Customs and Excise, are holding a series of seminars in May in Cape Town, Durban, East London, Johannesburg, Pretoria, Port Elizabeth and Pretoria.
Tractor challenge by maize farmers

Financial Correspondent
PRETORIA — Maize farmers have issued a multimillion rand challenge to the government’s policy of protecting the tractor industry.

At a conference in Bothaville on Friday, the chairman of the Maize Board, Mr Crawford von Abo, showed three Fiat model tractors imported with private funds from Rumania and manufactured at the state-owned Brasov Tractor Factory.

Mr von Abo said nobody cared who bought South Africa’s wool or export maize. Some of South Africa’s best maize customers also had agricultural implements to sell, making it possible to get an excellent price for maize by organising a barter deal.

"Why should we care where the implements come from? The maize farmer is in a desperate position and must claw at every opportunity to remain solvent," he said.

Landed costs before import duty for a model 649 45-kW two-wheeled tractor was R6 220. With R2 460 duty it landed for R8 786.

The equivalent South African model 640 carried a cost of R18 300, Mr von Abo said. The world-market related tractor represented a saving of nearly R18 000. Similar savings were possible in the case of the two other tractors shown.

Mr von Abo said that the three tractors had not been bartered but did show what could be done. The Maize Board’s selling policy, including the barter deals, clearly had merit.

Agricultural economists said that with an annual market of about 10 000 tractors the Government’s protection policy had now been shown to add a total of R100 million to the annual cost of maize and other farm products — a bill ultimately paid by the consumer.

After the Bothaville demonstration, they said, it would be more difficult for the Minister of Industries, Commerce and Tourism, Dr David de Villiers, to carry on with his high-cost policy.
ADE adds 30% to truck price

By SIMON WILLSON

THE STRATEGIC decision to manufacture all diesel engine requirements in South Africa had led to cost pressures far beyond the rate of inflation, said Mr Colin Adcock, managing director of Toyota SA, yesterday.

In a speech read on his behalf at the opening of premises for engine reconditioners National Machinery Supplies in Germiston, Mr Adcock said the engines made by Atlantis Diesel Engines (ADE) had caused a 30% average increase in the price of heavy trucks.

"Major users of heavy trucks will, therefore, be seeking to renew their engines when the normal first life cycle has been completed. I anticipate that engine rebuilding, already a major industry in the country, will become even more important in the years that lie ahead," Mr Adcock said.

National Machinery's managing director, Mr Glenn Cartwright, agreed that the higher costs of ADE engines had influenced his company's decision to increase investment in automotive retooling.
Skok slams rival firm's tariff bid

By Priscilla Whyte

THE world of machine tools is once again a mine of protectionist controversy.

Strong objections are being lodged with the Board of Trade and Industries in reaction to a plea for tariff protection submitted by Continental Machine Tools of Chander.

The application specifies an import duty of 30% by value or R4 a kg. Robert Skok, chairman of Robert Skok & Sons said: "We have made an analysis of the effects of such an import tariff using the standard range of machines, which we import and have ascertained that if the tariff of R4 a kg is applied the resultant import duty will not be 30% but between 60 and 64% of the FOB cost of the machines, which we import."

Robert Skok... "tariff protection of this magnitude is absurd."

He continued: "We believe that import tariff protection of this magnitude is absurd and will have the most inflationary effect on the sale of such machines."

However Johan Arndorff, MD of Continental Machine Tools argued: "The success of our manufacturing programme will give more work opportunity to our labour force and it could positively help to get a better ratio on the Government's balance of payments and eventually result in a lower inflation rate."

Skok said that the application should be rejected out of hand "as there is no manufacturing industry involved. At best only an assembly operation can result."

Arndorff told Industrial Week: "We manufacture our bandsawing machines partly on our own premises and we also make use of subcontractors for certain parts."

He claimed that this local content can be extended from 44% to the region of "70% plus, if we are able to order local parts and hardware in quantities of 50 to 100."

Skok however contended: "In the case of horizontal bandsawing machines of the conventional type, we believe it will be possible to reach a South African content of no more than 40% by value."

He sees the application as being "lodged in order to secure a major share of the market, which they cannot obtain in open competitive market conditions."
Engine duty traps truck assemblers

TROUBLED commercial vehicle manufacturers have until next Monday to decide how they are going to dispose of the estimated 8,000 engines they have imported which have to be cleared from assembly plants to escape excise duties.

The duties come into effect from March 1 and could add up to R20,000 on the price of their vehicles. Assemblers will be carrying a minimum of 8,000 unwanted vehicles, loaded with about R120 million in excise duties, if the vehicles are used. The trucks will be un-salable, and some plants may close because of the excess stocks they hold.

A game of cat and mouse is taking shape, but the options for truck manufacturers are narrowing.

One source inside the industry told Industrial Week: "If assembly plants cannot build in these engines before the end of the month they will be caught by the excise of 30%, payable on the wholesale price of a chassis cab containing an imported engine."

Unfair

"Nobody will be able to sell trucks with that kind of premium, and the Board of Trade is not sympathetic to rebates since these are unfair to those who stayed with local engines instead of imports."

"They may have to re-export the engines to the source plants, which is costly because they are often adapted to South African needs."

"The second option is to strip them and put the parts and pieces into spares stock. Some assemblers feel that they will be able to recycle the engines as replacement rebuilds, even though they are new."

"But the Board of Trade is clear on this, too."
AN export colliery being developed by Exxon Corporation in Columbia could prove a formidable competitor for South African coal exporters to Europe at the end of the decade.

The Mineral Resources Bureau of the South African Department of Mineral and Energy Affairs says the first shipments from the mine are scheduled for 1986. Full production of 15 million tons a year, all for export, will be reached in 1989.

"Production may be expanded beyond this point," says the Minerals Bureau report.

The mine is on the northern block of the El Cerrojon coalfield in Columbia and is being developed by Intercor, the Colombian subsidiary of Exxon, in a 50-50 venture with the Columbian National Coal Corporation, Carbacol.

"Assuming that Intercor is correct in its assessment of reserves, mineability and quality, the north Cerrojon deposit is indeed an excellent one, better than most in South Africa," says the Minerals Bureau.

"The calorific value, without washing, is 30% higher than the in situ calorific value of South African export coal.

"It is as high as or slightly higher than most washed South African coal exported as power-station blends after a loss of 30% in cleaning.

"The ash content is about half that of the South African washed product and the sulphur content is just as low.

The exploration phase of the north Cerrojon project was completed in 2.5 years and disclosed mineable reserves of 780 million tons to 100 m depth and 1.6 billion tons to 200 m.

Sixty coal seams were found, of which 42 are thicker than 1 m.

The Colombian project has some transport advantages compared with Richards Bay. The railway line to the coast is only 146 km long across flat country compared with 900 km with steeper return gradients on the Richards Bay line.

The shipping distance to North-west Europe is about two-thirds that from Richards Bay to the same destination. Planned train unloading rates and shipping rates are similar to those at Richards Bay.

"The net effect on operating costs of railage and shipping should be a difference in favour of Cerrojon of R4 a ton, depending on the state of the fluctuating shipping market."

Against this the bureau reckons the capital costs of the railway, terminal and harbour for the export of South African coal to be lower than those estimated for Cerrojon because Richards Bay has higher capacity and needs only moderate investment for expansion.

"The capital charges on the difference in investment should approximately offset the operating advantages for the transport of the Colombian coal."

Overburden at Cerrojon will be moved in dump trucks compared with the draglines used on most South African export mines and the Minerals Bureau considers this will increase Cerrojon's operating costs for labour and fuel, probably offsetting the cost of washing and losses in washing South African coal.

"Therefore, on the basis of physical conditions and assuming the same costs for the same services Colombian and South African coal could be delivered to Europe at similar prices, the report says.

The bureau says Columbia has severe economic and political problems which may affect the proposed mine, but notes that the US$60-million El Cerrojon project is being planned and that production in 1986.

A report by the International Energy Agency's Coal Research Economic Assessment Service estimated Colombian coal could be landed in Europe more cheaply than South African coal and this would affect South African marketing in Europe.

The bureau agrees, but notes a more optimistic conclusion.

South Africa will supply more coal to the Far East in the future, not because of competition in Europe from Colombian coal, but because of rising demand by拿着 Europe, especially by Japan, for coal to power its large ships. Therefore, Columbia will be a factor to consider in world coal markets, especially in Europe, but seems unlikely to displace South Africa, even if worldwide demand is high when Cerrojon begins to produce."
Toyota slams SA local content

By Vera Baljakova

JAPAN’S motoring giant, Toyota, is critical of South Africa’s severe — by international standards — local-content programme imposed on local car manufacturers.

Toyota and Hino, Japan’s leading automotive and truck companies, have warned South Africa not to overdo it.

This message came from Toyota’s executive vice-president, Hiroyasu Ono, who says that “anything higher than the present 50% for passenger cars and light commercial vehicles could eventually become counter-productive for the local industry as a whole”.

“This is already a tough requirement, even by world standards. Anything higher will not promote local industry, when considering such aspects as increased costs that aren’t necessarily in the best interest of the consumer.”

Commenting on the introduction in South Africa of the locally manufactured diesel engines and transmissions for trucks, Mr Ono says:

“The negative aspect of this programme is the possible denial to South Africa of certain technological developments such as Hino had achieved with its new generation of highly fuel-efficient diesel engines.”

Hino, Toyota’s associate company, which leads the Japanese diesel truck and bus industry, has meanwhile devoted 18,000 man hours to meet the SA local-content programme’s new requirements.

“Today the emphasis is on fuel efficiency, and in Japan we are doing a lot of research into alternative fuels such as hydrogen, gas-turbine and battery powered cars, even though we believe that the petrol engine will still be with us for some years to come.

“Fuel efficiency is also having a marked impact on car styling coupled with the need for high performance. Stylists have had to meet these two requirements as a priority by improving aerodynamics and achieving weight reductions.”

Although the world car market is currently depressed, it is still running at about 40-million units annually and is expected to achieve 50-million units in the next few years.

The potential growth areas are in the Third World: Africa (including South Africa), south-east Asia and the Middle East.

Meanwhile, South Africa has emerged as a significant manufacturer and marketing entity in the arena of the international motor industry, says Toyota, whose largest overseas production facility is the 100% SA owned and run Toyota plant in Durban.
Cactus grabs made by WJ Engineering are being used increasingly in overseas shaft-sinking operations after proving their reliability in hard-rock conditions in South Africa.

Some have been exported to Canada, the United States and Britain in recent months. Initial reports suggest performance and durability make the equipment the best for sinking vertical shafts.

**BETTER PERFORMANCE**

Used for the loading of rock during shaft-sinking, the grabs are operated under rigorous working conditions for long periods. As speed is the most important aspect of shaft-sinking, downtime for maintenance must be kept to the minimum.

WJ (a subsidiary of Shaft Sinkers) made improvements to the old grabs enabling the equipment to operate for 30 shifts — compared with the previous 11 — before they are overhauled.

In addition to this, performance has improved by 50 percent, with the units showing increased digging power and rock removal.
SA's local content programme for passenger vehicles, and recently extended into a highly contentious commercial vehicle market, enters its 21st year with a number of doubts surrounding its future.

The National Association of Automobile Manufacturers of SA (Naamsa) is preparing a set of recommendations which might advocate a reduction in local content from the present 88% for passenger vehicles, and a total dismantling of the monopoly surrounding the production of diesel engines (Atlantis Diesel Engines), gearboxes and axles (Associated Transmissions and Steerings).

The National Association of Automobile Component Manufacturers (Naacam) is conducting a parallel investigation, which is expected to be completed by about September.

Naacam and Naamsa will then compare notes and decide what common ground there is if any, for a joint approach to the Board of Trade.

It is believed that Naacam advocates an increase in local content around 75% whereas Naamsa is inclined to stick at the current 66%.

Rod Ironside, acting chief executive of General Motors, and vice chairman of the Passenger Car division of Naamsa, told Industrial Week: "Taking the last few years of the local content programme, I think that the Government has been well wide of the mark."

"It has been too ambitious and there are indications that it is attempting to consolidate the situation in too much of a hurry, without paying due regard to the wider consequences."

"There are certain components of a car or a truck that are never going to be made in this country unless volumes increase by a factor of 10 or 15." He added that: "The economics just don't work out and we have to depend on overseas technology for much of what we plan for the future."

"We cannot cut ourselves off. There is a case for consolidation of the resources in the country."

"One cannot fault the original premise of broadening secondary industry. But the repercussions of pursuing strategic requirements have gone overboard."

"I believe that the industry has been imposed upon to a large degree by unnecessarily high costs, particularly in the area of the ADE engine where there is the high cost of the engine itself, and the imposition of the tax penalty on trucks, which is out of all proportion to what it should be," said Ironside.
Dairymen upset over imports

By Hannes Ferguson, Farming Correspondent 2/3/83

The dairy industry lives in fear of being turned sour by the Department of Industries.

This emerged at a Press conference yesterday when the chairman of the Dairy Control Board, Mr Jan van Vuuren, said there was a growing surplus of milk and dairy products — at present five percent of production.

To prevent producers leaving the industry, their costs had to be met and the surplus was therefore being stored as milk powder. A price reduction scheme was impossible in the circumstances.

Apart from the economic downturn, the main cause of the threatened glut was the uncontrolled import of milk solids from Europe and the United States.

The DCB had the power to regulate imports of milk powder but not the importation of the individual constituents. These came in — unchecked and uninspect ed — under blanket permits.

NEW NEGOTIATIONS

Mr van Vuuren said possible disease-carrying compounds, such as chemically de-odoured raw casein, whey powder, low grade skim milk powder and other milk solids were being mixed with artificial flavouring and sold freely as milk “blends”.

There was not even a health inspection rule, he said.

The products were heavily subsidised by their countries of origin and undercut South African dairy producers.

As dairying represented a long-term investment, the industry could not cut production today under the impact of imports and then expand tomorrow when imports became expensive.

Next week the DCB will negotiate again with the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers.
Local content accent may fall on engines

By SIMON WILLSON
Industrial Editor

BY THE mid-1980s motor manufacturers will probably revert to using engines as the main component satisfying the local content regulations.

This change of direction in the motor industry was forecast last week by the managing director of Toyota SA, Mr Colin Adcock.

For the past 10 years, he said, South African car-makers had looked for their 66% minimum local content weight in other areas, particularly body pressings.

He believed that manufacturers stopped using engines as their local content anchors when petrol rose sharply in price in the mid-1970s.

"The world's fuel crisis changed attitudes in this regard simply because all motor manufacturers began major new engine design programmes in the mid-1970s."

"We have, as a result, seen the regular introduction of lighter and far more fuel-efficient internal combustion engines."

To keep pace with the new overseas developments in fuel-efficient engine technology, South African manufacturers switched their local content emphasis from domestically produced engines.

To compensate for the inclusion of the new, foreign-made fuel-efficient engines, manufacturers built up to the local content requirement of 66% of vehicle weight by concentrating on SA-made bodyskulls.

But now that the petrol price has peaked, however temporarily, added weight has been lent to Mr Adcock's contention that most of the new domestic and overseas design work on engines will have been completed within the next two years.

As the average car engine has a life of more than 10 years against the five years or less of a bodyskull, the manufacturers' incentive for the switch back to engines as local content anchors is clear.

Mr Adcock identified another by-product of the cheaper fuel prices announced this week: increased demand for reconditioning of engines.

Reconditioning demand fell when manufacturers abandoned engines as local content anchors in their cars.

"I believe that, should the motor industry revert to manufacturing more engines in the country than is currently the case, this will again accelerate the need for engine rebuilding services," Mr Adcock said.

In another indication of the slack national car market, motor-vehicle retailers' trading revenue fell in the three months to the end of January.

Figures released by the Central Statistical Services in Pretoria show that retailers' revenue slipped 1.8% between November 1982 and January 1983 to R2 177 800 from R2 217 500 over the same period 12 months earlier.
THE recent decision by Government to abolish import control on new passenger vehicles could have disastrous consequences for prospective buyers of foreign cars according to the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers.

Speaking at the opening of a R5-million extension to the Karl Schmidt piston plant at Athlone last week, the Minister appealed to the motoring public to be on "the alert for possible pitfalls" when purchasing imported vehicles.

He said whilst the import control regulations concerned still had to be amended, it had now become a "mere formality" to obtain such permits.

"It is Government policy to apply the Customs Tariff as the prime instrument for promoting local industrial development. "Industry should therefore not rely on quantitative import restrictions as a means of protection. "As far as the motor industry is concerned the existing tariff structure is considered adequate to sufficiently protect the industry."

"This is why Government decided to abolish import control on new passenger cars as well as on new light and heavy commercial vehicles," he said.

Sounding a word of caution the Minister said some vehicles imported are not suitable for local conditions.

The most common complaint has been that importers would not assume responsibility for ensuring adequate after sales service and the availability of spare parts.

"Importers have not always ensured that vehicles were adjusted to fully comply with local road traffic legislation in respect of retro-reflector, seat belts, headlights, braking systems, windscreen glass and exhaust emission."

"One cannot have the best of both worlds and since the vehicle manufacturers, the dealers and the individual are now free to import the vehicle of their choice, I appeal to the public to be on the alert," said the Minister.

Speaking on foreign investment in SA De Villiers said it was heartening to note that the decision to expand facilities at Karl Schmidt had been taken during a recession.

"We are grateful to the manufacturers and countries, such as West Germany, who are prepared to enter into franchise agreements with local manufacturers and assist in the development and growth of our industries."

"Without their technical know-how our motor manufacturing industries would probably still have been in a much earlier stage of development."

"On the other hand, the franchising countries have benefited from the income derived which last year amounted to some R200-million of which a large portion was remitted to countries in Western Europe."

"These and other trade statistics prove that the Western world can derive great benefit in cooperating with SA in the economic and technical fields," said the Minister.

See Page 3
Big price cut for SA coal exports

Argus Correspondent

TOKYO. — The price of South Africa's Witbank coal shipped to Japan in the year beginning next month has been cut by $12.50 (R13.75) a ton.

In negotiations just completed here, representatives of the Transvaal Coal Owners Association were forced to accept the cut to protect their business with Japan.

As part compensation, Japanese steel mills agreed to moderate their demands for a cut in the tonnage to be shipped.

Steel mill sources said the settlement had been reached on a price of $44.50 (R48.60), a long ton job, compared with $57 (R62.30) in the present fiscal year.

ONLY 2-M TONS

The Japanese will accept only two-million tons of Witbank coal, compared with the 2,695,000 tons they contracted to take in the current financial year.

It could have been much worse.

The Japanese originally talked about a one-million ton reduction, later moderated to 800,000 tons.

One industry source said: "The final concession was quite generous in view of the heavy cuts being made in Japanese imports from other sources."

GLOOMY NEWS

The outcome of the Witbank negotiations will be gloomy news for other major coal suppliers like Australia and Canada because the Japanese mills had chosen the South African brand as the pace-setter for all fiscal 1963 contract negotiations.

The mills are due to start talks with the Australians early next week with a strong demand that they follow the Witbank example in price and tonnage cuts.

Such reductions are considered essential by the steel industry here if it is to cope with a crippling slump in worldwide demand. Many mills are now operating at less than 50 percent of their capacity.

GOT MESSAGE

Other coal suppliers have already got the message. The Chinese have virtually agreed to come down to the Witbank price.

The Americans are accepting similar price cuts of around two percent, ranging from $10 to $15. The benchmark price is $12 cheaper than in the current year.

American mines are likely to be shipping five-million tons less, down from 17-million.
Mr. R. W. HARDINGHAM asked the Minister of Finance:

What was the (a) actual and (b) estimated amount collected in customs and excise duties in 1982 in respect of (i) medicines for veterinary use, (ii) agricultural machinery and (iii) fertilizers?

The MINISTER OF FINANCE:

Customs Duty

(a) (i) Separate statistics in connection with revenue in respect of medicines for veterinary use are not available. Revenue in respect of medicines for human and veterinary use is as follows:

- Medicines: R4 330 784.

(ii) Agricultural machinery: R164 251.

The figure which is furnished is in respect of agricultural machinery classifiable in tariff headings 84.24, 84.25, 84.26, 84.27, and 84.28 of Part I of Schedule No. 1 to the Customs and Excise Act.

It should be noted that agricultural machinery is in most cases free of customs duty or subject to a relatively low rate of customs duty.

(iii) Fertilizers: R321 274.

Statistics for the year 1982 are not yet available and the above-mentioned figures are in respect of the period January to August 1982.

(b) Estimates of customs duty in respect of separate goods are not available.

Excise Duty

The above-mentioned goods are not subject to the payment of excise duty.
SA's poor maize harvest will hit other states

10/3/83 By GERALD REILLY Pretoria Bureau

SOUTH Africa's disastrous maize crop will intensify hunger and famine conditions in countries throughout drought-stricken Southern Africa, according to Pretoria sources.

South Africa is regarded as the granary of the region, but there will be no surplus to compensate for crop failures this year.

Botswana, Lesotho and Swaziland are part of a customs union, and are regarded as segments of the South African domestic market. The independent states — Transkei, Ciskei, Venda and Bophuthatswana — are also part of the customs union.

But South African maize also finds its way to Zaire, Zimbabwe, Zambia, Malawi and even to Tanzania.

The crop this year, according to the National Maize Producers Organisation (Nampo), will be less than 7-million tons — barely enough to meet the domestic demand. However, there is a carry-over from last season of 1 200 000 tons and it may be possible to scrape through without having to import maize.

It is understood that the Maize Board, which stopped all exports several months ago, is ready to import maize at prices about 40% above the local price of R154 a ton.

The general council of the SA Agricultural Union met in Pretoria yesterday in an atmosphere of crisis.

The council, which meets again today, is expected to recommend massive state financial aid for the industry.

It will call for the urgent financial rehabilitation of farmers broken by two consecutive years of drought.

Without this — and the aid has to be long-term and generous — hundreds of farmers will be ruined.

The SAU's chief economist, Mr Johan Willemse, said the drought and the desperate plight of producers could have a serious long-term affect on food production.

The 1982/83 season's production loans from the Land Bank amounted to about R90-million.

And the carry-over of Land Bank debts from the 1981/82 season was about R370-million. Mr Willemse said.
GENEVA. — Industrial countries must co-ordinate their policies towards indebted developing states before world trade can be revived after another year of decline, says the General Agreement on Tariffs and Trade.

Overall world trade fell 2% by volume last year and the fall in the total value of trade to $1 300 000 million from $2 000 000 million in 1981 was 6%, taking into account a rise in the dollar's value.

The 88-nation free trade forum said in its initial review of 1982 trade that current policies were working at cross-purposes, stressing that tightening in the debtor countries while denying them through protectionism, the export markets they needed to boost their revenue.

This had brought back fire on creditor countries, narrowing their export markets in the third world at a time when overall trade had declined after dropping by 1% on an annual volume basis in 1981.

"The inevitable domestic policy reforms in the debtor countries must be complemented — accommodated, so to speak — by corresponding policy changes in the creditor countries," the review said.

The problem was to ensure that enough debt servicing continued to keep the international financial system afloat while providing sufficient new funds for reasonable growth in the debtor states.

A first step would be better co-ordination in Western capitals among finance ministries, urging developing states to export more and import less and trade ministries using subsidies to induce them to import more.

Another step would be to move from short-term domestic concerns and emergency bail-outs for debtor countries to a longer-term view, worked out between debtors and creditors, aiming at identifying and solving the root problems, it said.

"If industrial countries remain preoccupied with "safe-guarding vital industries", "reconquering domestic markets" and "eliminating intolerable bilateral deficits", the best policy reforms that debtor countries could devise for themselves could not be considered very promising.

The review expressed regret that economic policy discussions over the past six months had almost ignored significant structural changes, such as the undermining of the free-price system by subsidies, cartels and import limits.

Highly protected sectors, such as textiles and steel, had attracted scarce investment funds, and this misallocation of capital could lead to further inflation once the incipient recovery "got going", it warned.

Surveying 1982 trade, the review said the 1% growth in agricultural trade was "the only source of strength in world trade last year, even though it was below the 4% growth of 1981. Oil exports declined by 3% compared with 1941 as consumption dropped in communist and developing countries as well as in the industrialised world.

Trade in manufactured goods slipped by 1% as exports among industrialised states stagnated, declined slightly to oil-producing states and fell by 3% to non-oil-producing, developing countries.

Prices for primary commodities dropped by 9% after a 7% fall in 1981, with the sharpest drop registered for non-ferrous metals (12%) and food (11%). Oil export prices were down by 5%.

Industriallised countries registered a 6.5% fall in gross domestic product after two years of 1% growth. Inflation was down to 8% from 10.3% in 1981. Their exports and imports fell by about 1% in volume because of reduced oil imports and lower exports to developing countries.

The sharp fall in oil sales led to export receipts for oil-producing developing countries plunging by 20%, double the fall in 1981. Imports were down by 3% in value after a 20% rise the year before.

The oil states' current account surplus was about $20 000 million against $315 000 million in 1980.

Growth in the non-oil producing third world was about 1% — the lowest in the post-war period. Exports and imports declined by 5% and 10% in 1982.

This import squeeze helped the non-oil producing third world to reduce its trade deficit to $60 000 million from $66 000 million in 1981. — Sapa-Reuters.
CUSTOMS UNION

Revenue impasse

How and when will the deadlock between Pretoria and its customs union (SACU) partners Botswana, Lesotho and Swaziland (BLS), apparently over a new revenue-sharing formula, be resolved? (Current Affairs December 10).

The issue seems to go beyond financial formulae, however, in the light of the “closer co-operation” SA has said it is seeking with the BLS states via the SACU. The SA call evidently places the BLS, who belong to the Southern African Development Co-ordination Conference (SADCC), but who receive a substantial proportion of their foreign exchange from the SACU, in a politically invidious position.

They are confused, too, since the revised formula was worked out by an all-party investigation nearly two years ago. It is not clear what SA means by closer co-operation.

The three small members called for a ministerial-level meeting with SA after officials failed to agree on a revision of the formula at last October’s meeting in Mbabane. “We failed at official level to agree on implementation of the revised formula. Now it’s over to the politicians,” said one BLS source close to the negotiations.

A meeting of the ministers was expected to be convened by January.

The SA Department of Industries and Commerce tells the FM that “the next meeting at ministerial level with Botswana, Lesotho and Swaziland is under consideration ... Meetings of this nature are customary under the agreement.” But, “the date and venue have not yet been decided.”

The minister primarily concerned with the matter is Commerce, Industries and Tourism chief, Dawie de Villiers, although “other ministers may possibly also participate.”

Asked how SA intends to increase the scope of co-operation, the department replied: “SA is continually looking for ways to increase the scope of its co-operation with the BLS countries within the framework of the SACU and it is to be expected that this aspect of our relations with those countries will also be discussed.

“It is, however, not possible at this stage to specify the fields or scope of further co-operation which may form the subject of future negotiations.”

The BLS members do not consider the matter (of the revenue-sharing formula) closed, and are seeking “substantial changes.” According to one source, “The formula is not achieving what it was intended to when it was worked out in 1976. The figures are distorted because the volume of our imports, excisable production and duties has increased since the Seventies. We also want something more stable so that estimates in preparing our budgets can be more meaningful.”

Another contentious issue appears to be the two-year lag in payments from the customs revenue pool.

A SA commerce official told the FM that the formula can never be exact, and, “as far as we’re concerned the formula is adequate.”
Mr. R. W. HARDINGHAM asked the Minister of Agriculture:

(a) What were the proceeds from South African exports of deciduous fruit in each of the latest specified three years for which figures are available and (b) what was the highest relevant figure for any specified year prior to the years referred to above?

The MINISTER OF AGRICULTURE:

(a) Gross proceeds:
   1979/80  R245.1 million
   1980/81  R201.4 million
   1981/82  R364.0 million

(b) Gross proceeds:
   1978/79  R206.4 million
Eggs ease export yoke

By Vera Bjoekova

SOUTH Africa's egg export losses of R7-million in 1979-80 were slashed to R1.5-million last year, making the egg industry attractive once again to newcomers.

The Egg Board says much is due to hens' increased productivity — and fertility. Egg numbers have increased and eggs are becoming increasingly popular as a food item.

South Africans swallowed 2.353.75-million eggs from mid-1981 to mid-1982 — or almost 11% more (in fact, 22.6-million dozen more) than the previous year.

According to the Egg Board's latest report, South Africa's per capita egg consumption rose by 11 eggs, following an increase of six eggs a person in 1980-81.

The egg retail price rose by 15.4% during the year compared with an increase of 22% in production costs.

Hen feed comprised 84% of the total production costs, and producers, who determine their own prices, were able to keep prices in check through higher productivity.

The average hen laid 7.8 more eggs than the previous year, increasing production to 270 eggs a hen a year; and better-bred hens have been responsible for a 50% increase in egg production over the past 12 years.
Maize chief warns SA tractor industry

By SIMON BLOCH

The local tractor industry must get its house in order if it wants to compete against imported products, according to Mr Crawford von Abo, chairman of the Maize Board, at a landed cost of about half that of similar tractors on sale in South Africa — and three more are on the way.

Mr Von Abo would not comment on speculation that the tractors were from Rumania, an Eastern bloc country, although plates on the engines and gearboxes indicated they were.

The landed price of an imported 45.8kW 640 tractor with two-wheel drive (including tax) was R8 769. An imported 45.8kW 640DT model with four-wheel drive cost R10 995 and the 36.8kW crawler R2 547.

Similar tractors sold in South Africa cost about R18 500, R21 000 and R21 500 respectively.

Just before the ADE programme — making it compulsory for new tracks, buses and tractors to have ADE engines — became effective, farmers went on an all-out splurge in a last effort to buy machinery with imported engines.

In the first eight months of last year tractor sales plummeted to 6 621 units from 15 822 in the same period of 1981 — a drop of 56.4%.
23 MARCH 1983

21. Mr. J. J. B. VAN AMEL asked the
Minister of Industries, Commerce and Tourism:

Whether any export concessions were
(a) curtailed and (b) suspended during
1982, if so, (i) which concessions and (ii)
why, in each case?
Austria key to SA trade with Comecon

By SIMON WILLSON
Industrial Editor

IF SOUTH African exporters could be converted to using the barter system, they would have easy access to the markets of Eastern Europe, according to the Johannesburg Chamber of Commerce.

The JCC wants to trade with nations behind the Iron Curtain and has found a route which involves bartering through an entrepot — an intermediate staging post for the exported goods before they reach their ultimate destination.

It is only through using barter and an entrepot that trade between capitalist South Africa and communist Eastern Europe can be sufficiently indirect to avoid political repercussions.

Mrs Giselle Krystall, manager of the JCC's domestic and foreign trade division, has investigated the market possibilities for South African exports behind the Iron Curtain, and has found a suitable entrepot — Vienna.

If sufficient interest can be generated among industrialists, Mrs Krystall hopes to lead a trade mission to Vienna next year to set up barter deals with Eastern European nations.

She says: "I am leading a trade mission to Berlin later this year, and we should get a good idea of how keen people are to crack the market behind the Iron Curtain."

Austria is proud of Vienna's status as a transit trade centre for East-West trade. Figures in a recent consultative report written in Vienna show that the use of the Austrian capital for transit trade has been a feature of East-West trade in the past few years.

Transit trade has also become an important factor in the Austrian economy. In 1980 Austria's transit trade was worth the equivalent of R225-million, R1200-million in transit exports and R1650-million in transit imports, leaving a gross profit of R150-million.

Transit trade is second only to tourism as Austria's biggest foreign-exchange earner.

Hungary, the Soviet Union and Czechoslovakia are the most important destinations for Austria's transit goods which originate mainly in the European Economic Community and Switzerland.

Mrs Krystall is convinced that South Africa, in spite of political difficulties, could join the EEC nations as a major beneficiary from transit trade through Austria.

She says: "Foreign markets are not as closed off or as dead as people think. By using transit trade through Vienna we can get around the political problems, and by using barter we can be paid in goods instead of money."

The foreign consultative report says that "Comecon countries are quite willing to import goods from South Africa ... they will only require that the transaction follows an indirect route."

"In the majority of cases it seems that the certificate of origin only becomes a factor when the goods being traded fall outside the various economic plans. Transit traders offer indirect channels to the countries which indicate their willingness to trade in this fashion."

Mrs Krystall says barter is the obvious way to exploit the Comecon market.

"Barter is openly talked about in official circles, and we think the Reserve Bank is now favourably disposed to consider export applications on a barter basis."
Import plunge underscores SA recession

SOUTH Africa's import bill tumbled to R1 060-million in February — the lowest in money terms since the beginning of 1980 and probably the lowest in real terms since the bottom of the 1975-77 recession.

The import plunge — which makes the balance of payments of position look healthy — shows the severity of the downturn in the economy.

This was clear from yesterday's Budget statement.

According to the preliminary figures from Customs and Excise, South Africa had a huge trade surplus of about R660-million in February. That was from exports of R 436-million and imports of R 505-million.

In January there was a surplus of R335-million with exports at R 639-million and imports at R 304-million.

The figures take in all gold sales, including Krugerrands, and purchases of oil and military equipment.

Precise comparisons with the position in the 1975-77 economic slump are complicated by the fact that these items were then mostly excluded from the Customs figures.

South Africa is running a monthly deficit of about R360-million on net service and transfer payments — dividends, interest payments, shipping, insurance, tourism, etc.

There was, however, a favourable trade balance of R206-million for the first two months of this year from exports of R 289-million (R2 614-million for January and February 1982) and imports of R 383-million (R2 870-million previously).

That means that the overall current account of the balance of payments was in surplus to the tune of about R286-million on the provisional figures from Customs.

This is how imports have declined in recent months:

- July 1982 R1 395-million
- August R1 513-million
- September R1 367-million
- October R1 506-million
- November R1 309-million
- December R1 429-million
- January 1983 R1 303-million
- February R1 060-million

In the same time period exports have followed a steadier but slightly downward pattern.

- July 1982 R 1 690-million
- August R 461-million
- September R 306-million
- October R 760-million
- November R 739-million
- December R 772-million
- January 1983 R 659-million
- February R 660-million

From these two tables it is evident that the major improvement in the current account of the balance of payments since the middle of last year has resulted from a sharp decline in import volumes and an upturn in the gold price.

Non-gold exports have been restrained by continuing low activity in the world economy.

A breakdown of the Customs figures shows that Europe remained the major importer of South African goods in January and February, exports totalling R903-million, reports Sapa.

This was followed by Asia, which imported goods totalling R367-million.

Exports to the rest of Africa were R119-million.

Europe also remained the largest supplier of goods to South Africa in the first two months of this year, the figure reaching R952-million.

South Africa imported goods worth R335-million from America and worth R35-million from Africa.
Productivity up, costs down for asbestos duo

Mining Editor

GENCOR's two asbestos producers, "Gefco and Msauli" expect improved results in 1983 from increased productivity and lower working costs.

Asbestos prices for the year ahead are not expected to rise to any extent because of intense market competition between producers and because of oversupply.

Mr. J. K. Jooste, chairman of amosite and blue asbestos producer Gefco, says in his annual report: "Although consumer stocks have been drawn down to low levels the economic climate remains depressed and no significant improvement in demand is foreseen in 1983.

"The temporary loss of Mexico as a stable market is expected, to a large extent, to offset improvement in demand in third world countries."

"No significant reduction in demand due to the health campaign has yet become evident and the main asbestos cement pipe market remains firm with no viable substitutes in sight."

Mr. Jooste says Canadian and Zimbabwean producers recently announced price increases for 1983, but because of oversupply of asbestos it is doubtful these increases will hold.

"It is unlikely producers will achieve any worthwhile increases in 1983."

"Taking into account the cost benefits of further intergroup rationalisation, improved productivity, a favourable exchange rate and lower capital expenditure envisaged for 1983, a better year than 1982 can be expected."

"Long-term prospects for a revival of the asbestos market in line with an expected upswing in the world economy remain good."

In his capacity as chairman of chrysotile asbestos producer Msauli, Mr. Jooste expects production will increase in 1983. This will follow benefits from the modified mining method in the form of improved availability of uncontaminated ore and the elimination of the need to mill tailings.

"Early indications are that the total output may be absorbed by the market. Although price increases will be difficult to achieve in view of the oversupply situation, profitability should however improve due to lower unit production costs at the anticipated higher production rate."
Triomf Fertilizer expects growth in foreign exports

Mercury Correspondent
JOHANNESBURG—Triomf Fertilizer Investments is to convert interest-bearing shareholders' funds in its operating company, Triomf Fertilizer (Pty.), into share capital, resulting in substantial savings in interest payments.

Mr Louis Luyt, Triomf's chairman, says in his annual review that the current year will be difficult because of the negative effects of the recession, inflation and the drought on agriculture.

Farmers will probably have to accept lower prices for their products this year in view of the continuing recession, says Mr Luyt, and the resultant reduction in consumers' disposable income.

Financing

However, financing of farm operations should be easier, with reduced interest rates and cash flows should improve, providing funds for the purchase of fertiliser.

A revival of agricultural activity will depend on the general economic revival expected next year, although an agricultural upturn could precede the general revival by a few months, which could in turn have a positive effect on the fertiliser market's peak period during the last part of the year.

Mr Luyt expects the Brazilian market for phosphoric acid to remain rigid for a few months until there are signs that world recession is abating.

An international aid programme to the value of several thousand million dollars has already been launched in Brazil, and because that country has no option but to move to economic health by way of agricultural exports, Triomf's exports of phosphoric acid to Brazil could rise more rapidly than expected.

Exports to other countries are expected to grow steadily, says Mr Luyt, and prices should improve in the second half of this year.

Mr Luyt says exports of solid fertiliser seem promising and Triomf Fertilizer (Pty) will strengthen its position this year with concomitant positive results.

Triomf's income statement shows a trading profit of R128 592 for 1982, compared with R7 305 223 the previous year, and after including an amount of R194 635 in respect of deferred tax retained profit for the year is R323 227 (R8 523 730), equivalent to 1.51c a share (26.74c).

The operating company registered a trading loss on fertiliser sales last year, but it ended the year with a distributable surplus of R13 155 601, much of which is believed to have arisen from profits earned on exchange transactions.

Out of the distributable surplus Triomf Fertilizer (Pty) paid dividends of R1 800 000—R1-million to ordinary shareholders and R800 000 on preference shares.

Further dividends may be declared later this year, depending on the state of the economy.
Recession hits farm exports

Financial Reporter

SOUTH African agricultural exporters are facing increasing problems in trying to compete overseas, according to the 1982 report of the Land Bank.

It says that South African agricultural exports were R2 645-million in 1981 against R1 237-million in 1976 and R401-million in 1970.

The report says: "Although certain branches of the agricultural industry produce mainly for the export market production in general has increased to such an extent that South Africa is on an increasing scale looking to markets abroad for the sale of surplus production.

"The stage has indeed been reached where the prosperity of the South African agriculturist is closely related to the success that can be achieved through competitive exports of his products.

"Today South Africa is one of the small group of food exporters in the world.

"Agricultural exports are, however, subjected to economic conditions prevailing in the importing countries.

"The serious recessionary conditions being experienced by South Africa's trading partners tend to have a depressive influence on exports and impede marketing abroad.

"In addition, South Africa must compete abroad against uneconomic price levels due to her own high production costs.

"Consequently those agricultural industries which are export-oriented have over the past few years been experiencing ever increasing problems in striving to export economically.

"The agricultural sector's importance in the South African domestic economy is not only related to export earnings.

"Agriculture has basically a threefold function – the production of food for the population, the provision of a means of livelihood for the rural population and the utilisation of natural resources.

"The worldwide demand for food is increasing with the growth in the world population and as far as South Africa is concerned this process is coupled with the continued improvement in the standards of living of the various population groups."

Farmers owed the Land Bank R838-million in long-term loans at the end of 1982 compared with R484-million at the end of 1978.

These amounts were secured by mortgage bonds and charges against fixed property.

On December 31, 1982, farmers had arrears with the bank totalling more than R18-million in unpaid interest and capital instalments.
toyota MD appeals for tariff cut

PLEDGING total support for SA's commercial vehicle local content programme, Colin Adcock, MD of Toyota SA urged Government to stop providing protection for component manufacturers.

We don't seek protection for ourselves, as manufacturers of commercial vehicles, and I do not see that it can be at all healthy for Government to provide the protection it does for those who supply various components," he said at the Durban launch of its new Hino F-series of commercial vehicles.

Toyota is striving through the National Association of Automobile Manufacturers of SA (Naamsa) to get Government to play a smaller role in local content development.

"We are opposed to any protective tariff for any manufacturer in the industry. In the US there are so many rules and regulations laid down by Government governing the sale and price of products that trade is becoming difficult. "It is going to be the same here unless we rethink the position," he said.

Naamsa, of which Adcock is national president, is hoping to see protective tariffs reduced in the future.

"I believe in the long term that Atlantis Diesel Engines (ADE), which enjoys full Government protection, would not be unhappy to have a competitor if somebody wants to get into that programme.

"We support local content technically, but would like to see fewer tariffs that restrict a vital element of competition which we must have if we are to trade in a healthy environment," said Adcock.

Toyota also announced that a formal contract has been concluded with Cummins SA for the supply of replacement ADE engines.

A total of 35 engines are to be distributed nationally to start the programme.

"Another important development for Toyota Hino has been the separation of the truck assembly factory from the car plant. "We are doing the same with the spares division and now have a separate costing unit devoted entirely to commercial vehicles," said Adcock.

"It is our ambition to become number two in commercial vehicles in SA," he added.

Severe water-splash testing formed part of the extensive research and development programme for the Hino F-series range of trucks specially engineered for SA.
TRADE \(74\) \(FM\ 84/83\)

Exports for Africa

SA's trade with black Africa remains substantial, although who buys and sells what remains secret. The trade is officially valued at over R1,3 billion in 1982 plus about R400m in direct exports (services) to more than 40 states on the continent. And SA imported R330m of goods from Africa in the same period. In any five-year period, says an informed source, SA trades with every country in Africa.

According to figures from the three Customs Union countries, where SA is by far the most important supplier, Botswana in 1978 took 87% (R477m) of its total imports from SA; Lesotho over 90%, or R300m; and Swaziland in 1976, received over 90% (R157m) of its imports from SA. Swaziland's share has grown since then. In 1981 its total import bill was around R370m, with the lion's share coming from SA. If the figures for the BLS countries are included SA exports to black Africa must be around R2 billion plus.

By contrast, the total exports of the nine nations of Southern African Development Coordination Conference (SADC) — Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe — were around R8 billion in 1981.

Holtes notes the "strong degree of interdependence" between SADC and SA. Economically, and in the short-term, he says, Sade can only survive and have a hope of growing through close co-operation with SA. "On the other hand, politically, SA needs a long-term understanding with Sade if it wishes to regard itself as part of Africa."

Holtes stresses: "SA's ability to further grow as a major supplier to Sade countries may in years to come be dependent on our sincere efforts in developing a more balanced two-way trade pattern with other African states. This would demand that SA go out of its way to create markets for Sade products in SA as we have so clearly demonstrated."
Envoy's aim to boost UK-SA trade
Booze war action call

By Michael Frith

THE Board of Trade should be investigating why local brandy costs nearly twice as much as French brandy and some of the lesser-known Scotch whiskies, according to sources in the liquor industry.

Their reaction follows the announcement last month that the board is to conduct an investigation into the competitive position of spirits—specifically grape spirits—with a view to assessing whether the local industry needs more protection.

The heart of the problem is that South African brandy, duty-free, is too expensive, say the sources.

The price in hand of local proprietary brandies is more than the fob cost of most of the major whisky brands.

Even though customs and excise on the imported product is slightly higher than on local spirits, there is virtually no gap between whisky and brandy prices.

In many cases, good-quality imported Scotch costs the retailer less than brandy.

The announcement of the inquiry was gazetted on March 1, and interested parties have until April 22 to submit depositions.

Sources point out, however, that it would be naive to suggest that the powerful wine-farming lobby, whose interests the inquiry is intended to protect, was unaware of the pending investigation. Accordingly, it is likely to have its case well prepared.

To an extent, the issue has already been decided. The terms of the investigation are to inquire into the competitive position of spirits to local brandy industry and to recommend, if necessary, increased protection measures.

The board is not being asked to examine the wine and brandy industry in order to recommend how it might become more competitive.

Clearly, the Cape wine farmers are seen as the victims of Europe’s exports, say the sources.

For some time the Cape wine farmers have been calling for some control on the import of whisky. Allegations that cheap Scotch is being "dumped" on the South African market abound.

South Africa’s position in the top 10 importers of Scotch is not an achievement that warms the hearts of the wine lobby.

For many years it has been impossible to impose tariff barriers against the import of whisky, as spirit duties are subject to Gatt agreements and thus cannot be increased without an identical increase on the local product.

The recent reaffirmation of the Gatt agreement by Dr Dawie de Villiers, Minister of Industries, suggests the Government would not want to abolish this accord.

Nevertheless, there has been substantial pressure to restrict the import of whisky, but, the sources ask, how is this to be achieved if not by tariff controls?

Outside observers are doubtful that the Government will get the right answers.

From Page 1

To Page 3
Imports drop 30% by volume

SOUTH Africa's imports seem to have been well over 30% down in volume in the first quarter of 1983 compared with the January to March level in 1982.

This indicates the severity of the economic recession.

It is clear that the 5% import surcharge — it was 10% when imposed early in 1982 — is being kept this year purely for revenue.

There is patent need to deter imports for balance of payments reasons.

The Minister of Finance, Mr. Horwood, said in his Budget speech: "Having already reduced the surcharge on imports by two successive amounts of 2.5% since December last year I do not propose to make any further adjustments at this stage.

"However, in terms of the agreement with the International Monetary Fund (South Africa arranged an IMF credit of more than R1.5 billion last year) I am expected to phase out the balance of this surcharge by the end of this year."

He said of the 1982-83 revenue estimate: "Receipts from Customs and Excise are expected to fall by 12.1% to R2.9 billion."

"This decline can be ascribed to an expected decrease in revenue from the reduced import surcharge."

Had Mr Horwood scrapped the surcharge he would not have been able to abolish the 5% loan levy on individual taxpayers — or at least not unless he was prepared to increase other taxes, or run a larger budget deficit before borrowing.

The cost of removing the levy was estimated at R220 million, much the same as the likely revenue from continuing the surcharge at 5%.

It seems, therefore, at this stage that what Mr Horwood will do is to keep the surcharge in operation until almost the end of 1983.

By HOWARD PREECE

In that way he will still satisfy his commitment to the IMF — but he will have to give up only a small amount of revenue over the fiscal year as a whole.

Of course, if gold picks up this year and the revenue account looks healthy Mr Horwood might then phase out the surcharge more quickly.

Such action would have some anti-inflationary benefits.

The Reserve Bank says in its latest quarterly bulletin: "Reflecting the slowdown in domestic economic activity and, more specifically, in gross domestic expenditure the seasonally adjusted value of imports declined by 18.5% from the first to the fourth quarter of 1982.

"Total merchandise imports in 1983 were, however, only marginally lower than in 1981. "Despite lower rates of inflation in the industrial countries, import prices in terms of rand rose by 17.5% in 1982 because of the depreciation of the rand during a large part of the year.

"On the other hand, the volume of imports, which had begun to decline from the third quarter of 1981, was 16% lower in 1982 than in the preceding year.

"From the first quarter of 1982 to the fourth quarter, the import volume fell by as much as 26.5% to reach a level that was equivalent to 15% of the real gross domestic product.

"This ratio was well below the average of 21.5% for the post-war period."

According to provisional figures from Customs and Excise, imports in the first two months of this year were down from R2.87 million to R2.36 million.

On that basis import volumes must have been, at least 30% lower in the first quarter of this year than in the January to March period last year.
commercial vehicles which may be rebated by the Minister of Industries, Commerce and Tourism, on the recommendation of the Board of Trade and Industries, is in operation since December 1982.

Protection in respect of manual gearboxes was granted in January 1982 by means of a customs duty but was replaced in December 1982 by an excise duty of R385 each, less 31 cents per kg of the mass of the gearbox in respect of commercial vehicles and motorbuses fitted with imported engines with a cubic displacement of 4,000 cm³ and more but not exceeding 22,000 cm³.

In respect of driving axles an excise duty of R1.65 per kg of the mass of the driving axle is applicable as from 1 December 1982 in respect of commercial vehicles and motorbuses fitted with imported engines with a cubic displacement of 9,000 cm³ and more.

The duties in respect of manual gearboxes and driving axles may be rebated by the Minister of Industries, Commerce and Tourism, on the recommendation of the Board of Trade and Industries.

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Registration: Applied

Port: E

Area of Operation: Port Elizabeth

Official: Secretary

Telephone: (041) 49111

Address: P.O. Box 4239

Ray Bos Workers Union
Cape export apples earn 30 pc less

GOLDEN Delicious apples from the Cape are being sold in Britain for twice the price of French Golden Delicious.

But, because of the glut of apples on the European market, and the fall in the value of the British pound, the price in rands is 30 percent below its level at this time last year.

Mr Louis Kriel, general manager of the Deciduous Fruit Board, said: "It is good news that our fruit has a 100 percent premium above the competition, and we are moving it in spite of the fact that the European market is overstocked.

"But prices are kept down because there was an all-time record apple crop in Europe which is still being sold, and the pound is worth 16 percent less in rands than it was at this time last year.

"The longer-term problem we face is that we have an inflation rate of 15 percent and we are exporting to a country where it is only four percent.

"We cannot in these circumstances expect to pass on our increased costs in the form of higher prices, as has been pointed out to exporters of other commodities.

"We are hoping that prices will improve towards the end of the growing season. We are not doing too badly compared with other agricultural industries which have been hit by the drought.

"But I believe there will not be much bottom-line profit for the fruit exporter this year."
'Up avos and aweigh!' The consignment of 40 000 Patensie-grown avocados is packed into a container in Port Elizabeth for their overseas journey to Europe.

EP Export Crop

A CONSIGNMENT of some 40 000 Patensie-grown avocados was shipped to Hamburg aboard the SA Winterberg from the Port Elizabeth harbour this week.

The R13 000 cargo was shipped by Avocado Ritz (Pty) Ltd, a company owned and operated by enterprising Dr J L Edmondson, who received a special mention during the presentation of last year's Evening Post Export Awards.

This week's single container shipment already surpasses the R12 000-worth of avocados exported from the Eastern Cape to Europe last year, and Dr Edmondson believes there is likely to be a second container-load shipped before the end of the season.

The export crop is currently harvested from a limited number of mature trees — only some 1 500. Within the next three years, once the remaining trees among the 12 500 planted in Patensie in recent years begin bearing, the export earnings could exceed R200 000 annually, Dr Edmondson predicts.
All aboard, up avos and aweigh!

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SA Breakthrought in Vehicle exports
July deadline looming for new GATT tariffs

CUSTOMS valuation in South Africa is presently based on three methods, namely the Basis of Value (BDV) which has as its basis the net cost of the goods and the value of the goods, the price the buyer would fork out for an open market transaction, and the new GATT valuation agreement with effect from July 1, 1983.

The enabling legislation is contained in the 1962 Customs and Excise Amendment Act, Act number 66 of 1962. The Agreement, or Code, as it has become commonly known, is already in use in the US, the EEC, Australia and by a number of other trading partners and differs from the BDV in that it has as its basis the Transaction Value (TV) or the Transaction Value (TV) Concept. That is to say, the primary basis is the actual cost at which the goods were sold under the Agreement is the TV of the imported goods.

1. The Agreement consists of three Annexes and a Protocol, of which only Article 1 and Annexes II and III are of direct relevance.

2. Methods of valuation, which must be applied in strict order, are prescribed. For example, if an appraisal must be made under method 1, method 2 must be applied, and so on. For example, should method 1 not be applicable, it is not permissible to resort to method 2 before method 1 has been eliminated.

3. Methods of valuation, which must be applied in strict order, are prescribed. For example, if an appraisal must be made under method 1, method 2 must be applied, and so on. For example, should method 1 not be applicable, it is not permissible to resort to method 2 before method 1 has been eliminated.

4. The Agreement states that the customs value of imported goods shall be the TV thereof, which is defined as the price actually paid or agreed to be paid for the goods adjusted in terms of Article 8.

5. Article 1 also prescribes rules for the acceptance or rejection of the price payable. For example, the price must be:

(a) no less than the net cost of the goods imported or payable at the time of importation or exportation, or
(b) no more than the net cost of the goods imported or payable at the time of importation or exportation.

6. Article 6 prescribes the basis of the customs value of goods by way of a so-called deductive method, but is to say, valuation proceeds from the price charged by the importer to the buyer in the Republic less certain elements as prescribed in the Article. These elements include:

(a) freight, insurance, processing costs, packing costs, advertising costs, and
(b) profit and general expenses.

7. Article 7 provides that the customs value of goods shall be determined by way of a so-called deductive method, but is to say, valuation proceeds from the price charged by the importer to the buyer in the Republic less certain elements as prescribed in the Article. These elements include:

(a) freight, insurance, processing costs, packing costs, advertising costs, and
(b) profit and general expenses.

8. Article 8 leaves Parties to the Agreement the choice of applying either the BDV valuation or the TV valuation. South Africa has retained the BDV valuation.

9. Article 9 deals with the currenny conversion for customs purposes and gives parties the option of retaining the rate at date of export or the date of importation. As far as South Africa is concerned, the value of foreign currency will not be altered.

10. Article 10 provides for the right of appeal against a determination by Customs. Article 11 provides for the right of appeal against a determination by Customs. Article 12 provides for the right of appeal against a determination by Customs. Article 13 provides for the right of appeal against a determination by Customs. Article 14 stipulates that Annexes II and III form part of the Agreement. The Agreement is to be read and applied in conjunction with these Annexes.

15. Article 16 defines various terms such as "Identical" and "similar goods", as well as "related persons". Parties may be deemed to be related if:

(a) they are suppliers of the other's goods;

(b) they are closely related in business;

(c) they are employer and employee;

(d) one party directly or indirectly owns, controls or holds 5% or more of the voting stock or shares in both parties;

(e) one of them has control of the other's operations;

(f) both of them are directly or indirectly controlled by a third party;

(g) together they directly or indirectly control a third party;

(h) they are members of the same family.

16. Article 16. Provides that the importer shall have the right to an explanation in writing from Customs as to how the customs value of its goods was determined.

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Seminar makes it so much easier

At a recent seminar, importers and exporters of commerce and industry were able to acquaint themselves with new import tariff regulations about to be introduced in South Africa. (See article on page 12 of this issue.)

As from July 1, 1983, the basis of Customs valuation of imports will be changed from the Brussels Definition of Value system to the GATT Value System. The new arrangement will involve significant changes in the way in which imports are cleared.

"The changes are not just different methods of documentation," said Mony Wood, managing director of Mitchell Cots Transportation group of companies, which arranged the seminar.

"They actually constitute a quite new state of valuing imports which can mean considerable savings for all those concerned.

"We think particularly important that South Africa's businessmen should be helped to understand the new principles as soon as possible so that they can benefit right away," he said.

Mr Wood went on to explain that the company had arranged for the seminar to be addressed by Keith Meyer, who, as a recent deputy director of the Customs Valuation Department, had been personally involved in the drafting of the new regulations.

"The response was very gratifying," said Mr Wood. "The whole exercise was very worthwhile, and we are pleased to have been able to provide this service to commerce and industry."

He added that the company is now investigating arranging similar sessions for Durban and Cape Town audiences."
Exports and imports to and from central African states when shipped through South African ports arrive at their destination much faster than when shipped through other African ports.

"This presents many opportunities for the South African freight industry, which could divert thousands of tons of freight from African ports to South African harbours," said Johan Rossouw, director of Intercept Carriers.

"What is needed, however, is greater co-operation between SATS and forwarding agents to negotiate favourable freight rates.

"Businesses in neighbouring states admit the transport system in South Africa has the necessary infrastructure and will operate effectively provided lower tariffs than available at present can be negotiated," said Mr Rossouw.

"There is a ready market for the South African transport industry which wants to be tapped. What it requires is for forwarding agents to carefully study the needs of exporters and importers in African countries and then negotiate favourable rates with SATS."

SATS is making concessions on certain consignments, but a less rigid tariff policy on its side would make considerable contributions to better utilisation of rolling stock and harbours.

"Each potential consignment should be taken on its merits rather than be rated according to the pages of a tariff book. By marketing our transport services on a competitive basis, following the principles of supply and demand, a great deal of import/export traffic can be attracted to our country," Rossouw said.

By setting up an integrated transit depot in Zeerust, offering freighting services to agents, importers and exporters, Intercept Carriers has made considerable inroads in the over-border freight traffic.

Taking 27,000 litres of diesel fuel to Malawi and returning with tea, in the same container, is an innovation in freighting being pioneered by Intercept on the central African route.

During the past few weeks trucks have been transporting several thousand litres of diesel from Sasolburg to Malawi, returning with tea, coffee, tobacco and other commodities which are destined for markets throughout the world.

Future consignments will be handled in conjunction with SATS, which will rail containers supplied by Intercept Carriers from South African refineries to the company's transit station at Zeerust. From there the containers will be taken by road to various destinations in central Africa.

On a similar basis, the "trumpack" system for conveying fruit juice concentrates and edible oils to Malawi is used. This system consists of a 1,000-litre capacity flexible tank fitted on a wooden pallet. It has been so designed that two of the packs stacked on top of each other exactly fit the height of the container. When empty it folds back and occupies a minimum of space. The trumpack costs less than five 200-litre drums and can be reused.

Mr Rossouw pointed out that companies like his own were continuously on the lookout for methods to effect savings in the high transport costs of customers in the southern half of Africa.

"It has led to increased business for ourselves and we find we are making a contribution to South African exporters to a better utilisation of the Republic's transport infrastructure," he said.

He mentioned the example of a Malawian sugar company which switched its lime business to Intercept Carriers after a South African supplier after Intercept Carriers did a feasibility study on central African transport costs. "We found that by railling lime from Lime Acres to Lusaka and ferrying from there to Malawi a lower overall cost resulted. It didn't take long to convince our customer to switch suppliers as the lime from South Africa is of a much higher grade," said Mr Rossouw.

The company is currently negotiating a number of bulk freight contracts in the area which will have the effect of filling rail trucks presently running back virtually empty.

At the same time MD Greg Wilson is on an extensive trip to Europe and North America to promote the use of South African harbours for exports into central Africa via the company's Zeerust transit facilities.
Cummins 'saved' on excise duty

CUMMINS diesel engines have won a reprieve from the Board of Trade which is allowing imports of the engines for heavy commercial vehicles with only minimal excise duty being charged.

Staff Reporter

specifying the 350 hp and 400 hp units (260 kW and 300 kW), have had applications against specific vehicle types approved, including imported gearboxes and local axles at duty levels that ensure them a future place in the competitive truck market.

Most manufacturers anticipated that imports of the 260 kW engine, which competes directly with the V10 engine produced by Atlantis Diesel Engines, would be effectively priced out of the SA market, due to 20% excise duties payable on the full wholesale price of trucks fitted with imported engines and transmissions.

The bigger 300 kW unit was expected to attract some excise duty sufficient to keep it well clear of the V10 market—whereas the Board of Trade has granted imports without any excise duty being payable.

A spokesman told Industrial Week that there was no clearcut guideline as to what would attract excise duty, and that applications would have to be made for specific trucks to determine excise duty payable in each instance.

"The V8 engines, known as the 422, although not on the list of locally manufactured engines, will not attract excise duties, even though specific application will still need to be made by truck manufacturers seeking exemption.

"The V10 engine, known as the ADE423, does not qualify for exemption, however, and will be treated the same as any other engine not manufactured locally.

"Special concessions may be made in certain circumstances for the V10, in the same way as concessions will be granted on other imported engines not featured in the ADE programme," said the spokesman.

The Board stresses, however, that there will be no specific ground rules, such as the industry has been seeking for several months.

"We have discussed this with manufacturers, ADE and the South African Bureau of Standards and there is no system that we have considered that would be workable.

"For the time being we will have to consider individual applications on merit."
SOUTH Africa had a favourable balance of trade of R1 580-million for the first quarter of this year. This compares with an adverse balance of R603-million for the same period of 1982.

The turnaround has come not from any great increase in exports which include gold sales and Krugerrands but from a drop in imports which include oil and military equipment.

Exports in the first three months were R5 215-million against R4 218-million in the first quarter of 1982. Probably the major reason for the higher exports this year was the increased price of gold. In 1982, the gold price averaged well below $400 an ounce. In the first quarter of this year the average price was in the high $500s.

Total imports in the first quarter amounted to R3 855-million against R4 618-million last year.

The trade balance increased each month of the current quarter. In January the positive balance of trade was R335-million; R920-million in February; and R644-million in March.

The drop in imports reflects the overall easing of demand in the economy because of the recession. In July last year, imports were R1 392-million, touching R1 420-million in December. In January they dropped to R305-million and reached what appears to be a nadir in February of R600-million.

In March they rose to R1 272-million, which could be accounted for by imports of military equipment and oil. All economic indicators suggest that the additional demand could not have come from industry and trade where the tendency is to destock.

Export earnings at R1 917-million in March were the highest for nine months. Although the higher average gold price was a significant contributor to this figure, it is probable that other mineral exports made a contribution, not through higher prices but through larger volumes as the industrialised countries slowly make their way to recovery.

Net service and transfer payments — dividends, interest, shipping, insurance and tourism — cost about R500-million a month, R580-million over the three months. This suggests that the surplus on current account for the first quarter is about R800-million.

The monthly breakdown of import and exports provided by the Department of Customs and Excise shows that Europe is still the area to which most SA exports go and from where it buys most goods. Sales to Europe were R1 581-million in the three months and imports cost R1 514-million.

Asia bought R618-million of goods and sold SA R527-million. The Americas sold SA R571-million and imports from there cost R497-million.

SA exported R193-million of goods to Africa and imported R59-million, with Ocean buying R235-million and selling R34-million worth.

Sales of unclassified goods and balance of payments adjustments reflected R2 286-million in exports and R951-million in imports.
Nampo shock over maize

By Mick Collins

MASSIVE losses in foreign exchange and widespread unemployment could result from last week's call by the National Maize Producers Organisation (Nampo) which urged farmers to cut their maize production by half.

The Nampo move came after a Government announcement that maize prices would be pegged and could not be increased by more than 9%.

A spokesman for Nampo told Industrial Week that this could mean the cessation of maize exports which earn SA over R700 million a year in foreign exchange.

The spokesman said that the Government move made it virtually impossible for farmers to continue to plant maize at the present rate and hope to show a profit.

Chief of Research at Nampo, Dr Kit le Clue, said that the jobs of up to 50,000 farm labourers would be in jeopardy if production was cut by half.

Allied industries, such as fuels and fertilisers, would also be affected, he said.

Already some 700 workers in the fertiliser industry at Bothaville have been laid off.

SA Transport Services (Sats) deeply in the red and facing a grim year, would lose nearly R170-million in freight charges if farmers heed Nampo's call.

Also hard hit would be the Richards Bay area where elaborate plans are under consideration to develop the harbour into a key point for maize exports.

Economists have warned in the past that the development of Richards Bay is essential if the harbour is to survive.

The tractor manufacturing industry would also suffer a serious setback if the proposed moves are implemented.

This in turn could have a ripple effect on the Atlantis Diesel Engine (ADE) programme which, due to the recession, has been slowed down considerably.

ADE recently laid off more than 200 workers amid reports of growing stockpiles of engine blocks.

The total tractor market forecast is between 8,000 and 9,000 units which is the lowest on record.

The Nampo spokesman said his organisation has asked the Minister of Agriculture and Fisheries, JJ Wentzel, to come forward with an explanation for the Government's decision on the maize price.
EEC sets tough conditions at sugar talks

By NEIL BEHMANN

LONDON. — The London daily sugar price surged to £10 a ton, the highest level in a year, while producing and consuming nations grappled over negotiations towards a new international agreement.

In the first two days of the talks, expected to last until May 20, the European Economic Community (EEC) sets out tough conditions for its participation in a new international sugar agreement.

The EEC, a non-member of the present pact, offered a plan for a new international sugar agreement and made it clear that it would enter only on its own terms.

Mr Michael Jacquot, the chief EEC delegate, said that the 10-nation community, the largest Western exporter, would stay out of the proposed agreement if it was as "ineffective and unsatisfactory" as the present pact.

He hoped that the main 10 sugar exporters, Australia, the Philippines, Thailand, Dominican Republic, India, Argentina, Cuba, Brazil, South Africa, the EEC and developed importing countries would establish buffer stores totalling 10 million tons.

Middle-rank producers would have export quotas, and limited stockpiling requirements.

But small exporters would be free to sell their surplus sugar.

To counter weaknesses in the current agreement, the EEC proposed greater participation by wealthier importing nations and agreement over special term deals.

Mr Jacquot said that the pact should aim at maintaining prices within a range.

The EEC suggestions were cynically received by countries such as Australia.

The EEC is expected to export 5.8m tons this year and members of the present agreement complained that it is dumping subsidized sugar production on the world market.

Mr John Kerrin, Australian Primary Industry Minister, whose country exports 2.9m metric tons, only second to the EEC, blamed the common market for undermining the present pact.

He preferred stricter export quotas instead of higher stocks. The current international sugar arrangement is based on export quotas to control supplies, but members' efforts have failed partially because non-member nations such as the EEC have sold their surpluses on the market.

A spokesman for the South African delegation told a Geneva correspondent that there was "common ground to hold larger stocks".

Sugar prices have been firm because of late plantings in Europe, and hot weather in the Soviet Union. Expectations that poor weather conditions in Europe and drought conditions in South Africa, Austria, the Far East and elsewhere would lower supplies in the coming year, helped boost prices. The market has also been buoyed by Cuban buying following severe rainstorms.

"Cuba is buying up all the available sugar on the free market," said Mr Giles Evans, sugar analyst at Commodity Services, he expects the market to remain in a "rising trend."
SA car maker to control its own shipping service

A SHIPPING service between the Far East and South Africa developed by Datsun-Nissan South Africa will benefit many other local companies.

An agreement signed between Datsun-Nissan South Africa and the Ahrenkiel Group, a German-based shipping organisation, provides for a twice-monthly service from the Far East and a once-monthly return trip.

The two companies have formed Ahrenkiel Liner Service, with Datsun-Nissan South Africa holding 50 percent of the equity.

Ahrenkiel Liner Service will be responsible for the shipping of all Datsun CKD ( completamente knocked down) and CBU (completely built up) parts from Japan.

It will also carry South African products such as steel and ore to the Far East on the ships’ return voyages.

PROTECT INTERESTS

Mr. Vincent Maroney, managing director of C F Ahrenkiel in South Africa, said the development resulted from Datsun-Nissan deciding that, to protect its interests and to move its product as economically as possible, it must control its own shipping.

“This has been done by employing shipping managers, by looking at how best to develop that service and by evolving from a charter operation into a regular liner service.

“This liner service can offer benefits to different types of customers other than the car business.

“Our ships carry an assortment of cargo apart from Datsun parts — and we have been astonished at how rapidly the South African market has responded to our being able to offer a return service for local produce destined for the Far East.

REDUCE HOLDINGS

“The twice a month sailings also have an important benefit in that local businesses can substantially reduce their inventory holdings.

“We operate two vessels, one from Japan and one from South Africa.

“Our schedule is based on fixed sailing dates from Japan, Taiwan, Hong Kong, and Singapore, and consequently fixed arrival dates in this country, with a transit time of 25 days.”
SOUTH Africa's major primary export prices will increase during the next two years even if the world economic recovery is slack.

This is the view of the Economist Intelligence Unit in a study, "Raw Material Prices After the Recession" (price £50).

As the world emerges from the recession, sharp increases in prices are likely for manganese and tin in particular, the report predicts.

More modest appreciation is likely for copper and lead, but, "even if world economic recovery is fairly slow, average real raw material prices will rise significantly from their 1982 low to perhaps a little above the 1981 level".

"On a more rapid economic pick-up, the price increases will be more marked, rising in real terms to at least the 1979 levels."

The Economist Intelligence Unit, however, foresees a gradual revival from last year's economic slump, so price rises are unlikely to be dramatic.

The unit examines two scenarios. Under scenario A - an optimistic situation - real growth of industrialised countries will be 1.5% this year, followed by growth of 3% in 1984 and 4.5% in 1985.

The more pessimistic scenario (which the unit backs) envisages real growth of 1.5% this year followed by only 2% growth in 1984 and 3.5% in 1985.

Under scenario A, manganese, tin, tungsten, and prices of hides will rise considerably.

Prices of steel scrap, copper, lead, wood, bauxite, cotton and rubber will increase moderately, while there will be a small rise in prices of crude steel, nickel and aluminium.

Under the more pessimistic scenario, prices of manganese ore, tin, tungsten and hides will rise moderately, while there will be small increases in quotes of copper, lead, cotton, rubber, cotton, bauxite and wood.

But there will be negligible changes in the quotes of crude steel, nickel and aluminium.

Within the optimistic scenario real prices of zinc, cotton yarns, wool and newsprint will remain virtually unchanged, while quotes of iron ore, wool and man-made fibres will dip. During circumstances of dull economic recovery, price declines will be steeper.

The Economist Intelligence Unit does not foresee a return to boom-time conditions similar to the 1973-to-1974 level.

It notes that prices of several minerals and metals, which include chrome and platinum, could be positively affected by United States strategic stockpiling.

Although the unit has not analysed agricultural products, dealers and analysts believe that drought and other climatic changes will boost prices of sugar, maize, wheat, cotton and other produce.
Congress battle over SA ties

From SIMON BARBER

WASHINGTON. — The Reagan administration’s policy of “constructive engagement” towards South Africa is under major congressional assault for the first time since its inception in 1981.

Legislation is now before Congress that would dramatically change US-SA relationships. The measures are:

- The Solarz amendment to the State Department Authorization Bill, requiring US subsidiaries in South Africa to comply with a stricter version of the Sullivan employment code, banning the import of Krugerrands and effectively prohibiting US bank loans to any entity of the South African Government.
- The Patterson amendment to legislation providing an additional $8.4-billion in US contributions to the International Monetary Fund, that would require the US to vote against all future South African applications to use fund facilities.
- The Howard Berman amendment to the Export Administration Act, which gives the President the powers to control US exports for national security purposes and must be renewed by September 20, reimposing controls relaxed by the administration on exports to South Africa.
Electrical firms join hands in attempt to stop flood of imports

By DAVID PINGCUS

DEFY and Barlows, South Africa’s electric appliance manufacturing giants, who had nothing in common a few years ago other than a burning desire to take as much market share from each other as possible, now find themselves to be virtual bedfellows.

This new relationship is not to either of their liking and does nothing to lessen the competition between them, but is one that has to be accepted if the need to stem the flood of imported appliances being du on the South African market at little more than their cost of raw materials which is drastically diluting the market share of both.

And flood it is. Owen Dundale, Barlow Manufacturing’s general manager, said: “A few years ago imported large appliances, or white goods, amounted to a trickle, of between 5% and 10% of the market.

“But it has now become a torrent. Imports now account for a third of the refrigerator and freezer market and the same goes for washing machines. At one stage, imports accounted for about 50% of that market.”

“In a normal year the local market absorbs about 250,000 refrigerators and freezers, about 150,000 stoves, and about 200,000 units are sold into the laundry market (washing machines and tumble dryers).”

He made no secret of the fact that he was a worried man and that, to an extent, the barrier between Barlow Manufacturing and Defy has crumbled and that the main competition at the moment does not come from Defy.

“We’ll be doing our best to ensure that we don’t lose market share to imports. Otherwise it will take longer to recoup our investment which will affect our plans to reinvest and improve our technology.”

Bill Muirhead, marketing director of Defy which is to officially open a new R28-million refrigerator factory at Vulcania, Brakpan, on June 2, said there could be little doubt that South Africa was regarded as the happy dumping ground by German, Italian and Japanese manufacturers.

“I refuse to believe that they can make an appliance, pack it, put it in a container, send it to South Africa, allow a distributor an “interesting” mark-up and still land it here for what we would pay for just its raw material,” he said.

“No factory in Italy would dare do anything like that to say France, because in a matter of days the French would retaliate. But they feel they can do it to South Africa, because we are too far away to retaliate.”

He said one of the reasons why overseas manufacturers could get their foothold in South Africa was that during boom periods, when South Africans habitually over-reach themselves we (the local manufacturers) are hard-pressed to keep up with demand, so imports are allowed.

“Those imports continue coming in when we go into recession, and traditionally over-react, and protective tariffs have to be imposed to protect us, but by then the importers have creamed off a lot of the market.”

He said that with the new Defy factory and Barlows’ new one that was commissioned about 18 months ago there should be no shortage of locally made refrigerators, even during boom times.

Muirhead believes the increase of imported white goods on the South African market is due to the worldwide recession — to counter its effects overseas factories are prepared to continue producing, provided they show no losses and don’t expect any profits either — and to the anticipated growth of the appliance market in South Africa.
Cummins’ import permits stopped

IMPORT permits granted to truck manufacturers wanting to fit imported Cummins 350 HP (260 kW) engines in their heavy commercial vehicles have had them withdrawn.

This astonishing about-face came from the Board of Trade (BOT) this week in the form of a denial that the approval of permits had, in fact, been confirmed by telex, with only marginal duty payable by the truck manufacturer.

The permits, “though approved, were frozen some weeks ago,” said a BOT spokesman.

He told Industrial Week: “We make recommendations to the Department of Industries and they in turn make recommendations to the Minister, who takes the final decision on which trucks and engines are to be rebated.

“The Cummins 350 HP engines were originally approved and then frozen on objections by Atlantis Diesel Engines (ADS) who complained that the Cummins competed with its 407 Ti engine and consequently, the V8 as well.

“These permits were subsequently not confirmed which effectively meant that they were withdrawn.

“The big 400 HP (300 kW) Cummins engine has, however, been confirmed to the truck manufacturers by telex.

Another difficulty in respect of the 350 HP model is that there is no provision in the duty for partial duties to be levied.

“There seems to have been some confusion somewhere along the line, but the 350 Cummins is definitely not receiving import approval,” said the BOT spokesman.

Strong objections raised by ADE to the importation of any 350 HP engine is well known, suggesting that the BOT’s original recommendation has been rescinded, perhaps at Ministerial level.

The freezing, and then withdrawal of the permits, supports this view and underlines another issue.

Permits, although granted and confirmed can still be withdrawn at any time.

The only guarantee a manufacturer will have for long-term availability of engines, will in future be to fit ADE types.
ALFA ROMEO IN CAR WAR

By Lynn Carlisle

TOUGH measures to prevent the "large scale" importation of passenger cars are being urgently sought by most vehicle manufacturers annoyed at Alfa Romeo having staged a coup for shipments of 4,000 new cars from Japan.

Crackdown appeals to Government include the suggestion that import duty be increased from 100 to an incredible 200%, following claims that Alfa has taken unfair advantage of import allowances and the Local Content programme (LC), in a slumping local car sales market.

Strong representations have been made to Dr Dawie de Villiers, MP for Uitenhage, by manufacturers and the National Association of Automobile Manufacturers (Namasa), which could find itself in a cleft-stick over the dispute, is needed for any deliberation.

With some shipments of the Japanese-made Daihatsu Charade already landed, and others to be shipped at the end of the month, Alfa has labelled as "outrageous" claims that it had "cynically abused" its ability to import cars.

"The best bet at the nearest Eastern Cape plant which manufacture 4,000 cars in one month. We have not had a new car launch for three years," said Roger McCreary, marketing manager at Alfa Romeo's Brits plant.

He said the imported three-cylinder cars would test local demand before Alfa began local production of the Charade in September.

Believe to involve a £12.5-million investment. McCreary said this would create employment opportunities after Alfa had laid off about 10% of its workforce and had to resort to a four-day week at times.

A spokesman at the Volkswagen plant said the Charade, selling "cheaply" for about $6,500, would flood the market and be in direct competition with all other small vehicles, which mostly cost more to manufacture in SA.

"We also estimated that the local manufacture of 4,000 units would keep nearly 1,500 workers employed for a year. Therefore we have asked the Minister of Industries to plug this loophole in the LC Regulations or change the import duty system," he said.

Leyland MD Dave Beck said provision was made in 1981 for the importation of the more expensive exotics, such as Jaguars.

"Alfa's imports represent a complete departure from 1981 regulations, and can be regarded as something of a cynical abuse, making a mockery of the LC programme," Beck said. Alfa was "bragging" about taking
A Japanese-assembled Charade...the cause of much discontent among local manufacturers.

He said the imported three-cylinder cars would test local demand before Alfa began local production of the Charade in September. Believe to involve a R212 million investment. McGready said this would create employment opportunities after Alfa had laid off about 10% of its workforce and had to resort to a four-day week at times.

A spokesman at the Volkswagen plant said the Charade, selling "cheaply" for about R2,500, would flood the market and be in direct competition with all other small vehicles which mostly cost more to manufacture in SA.

"We also estimated that the local manufacture of 4,000 units would keep nearly 1,900 workers employed for a year. Therefore we have asked the Minister of Industries to plug this loophole in the LC Regulations or change the import duty system," he said.

But Naamsa finds itself in a delicate situation in view of Alfa's intention to start local production of the Charade. MP for Umthombo Dave le Roux told industrialists that after having spoken to Dr De Villiers, who had undertaken to advise the Board of Trade on the motivation of the other car plants "as a matter of urgency." "Alfa's action does not appear to have been in the right spirit of the LC programme. But the Minister has to await advice from the Board after Naamsa has reacted," said Le Roux.
Import fall boosts SA bop surplus

SOUTH Africa was running a current account balance of payments surplus of R2 000-million a year in the first quarter of this year, according to Dr Gerhard de Kock, the Governor of the Reserve Bank.

This compares with an annualised deficit of R6 000-million in the first quarter of 1982.

Dr De Kock was speaking yesterday at the Legal & General Volkskas financial writers' club in Johannesburg, reports Sapa.

He said the good news on the balance of payments had to be set against bad news on the inflation side.

"We are not doing well, and what particularly worries us at the Reserve Bank is that our inflation is running at virtually triple that of our main trading partners." If the inflation rate remained at its present level it would, in the longer term, lead to the devaluation of the rand.

On the first-quarter balance of payments surplus he said, "We had not expected (this swing of R6 000-million) to be so large and to come so soon, and it can be ascribed mainly to the drop in imports.

On the volatility of the capital account Dr De Kock said the change in the gold price had affected the rand's projected foreign-exchange strength.

"Every time the gold price rises, people borrow overseas on the assumption that the rand will strengthen and every time the gold price falls - as it did by $150 from the middle to the end of February - they have second thoughts about the rand's strength and they run for cover.

"So it's a game. They borrow overseas when gold looks good and they run back home when there's a drop in the price of bullion."
Motor firm appears to want Govt to show its hand
Locals get ready for hose pipe war

LOCAL manufacturers of hydraulic hose are fighting fit and ready to take on overseas competitors who continue to supply the SA market.

The Industrial Rubber Manufacturers Association (Irmasa) has applied to the Board of Trade and Industries for an increase in tariff protection from 30 to 40% on rubber hose fitted with couplings and 20 to 40% on piping and tubing braided or reinforced with wire.

Objecting to the proposed move, Barry Schimpfer, general manager of Aerosquip told Industrial Week: “We are committed to local manufacture but are objecting on the grounds that the local hydraulic hose industry can only produce 50% of SA’s requirements, the other 50% being special wire and special hydraulic hoses.”

He said that if Irmasa succeeded in its application and started to produce hose locally, with local synthetic rubber, the costs in testing and redesigning fittings could be astronomical.

“If a hydraulic hose is designed to work at 1000 bar pressure, and a hose fitting is attached, the assembly could fail at 200 bar. Ideally the assembly should be rated at 200 bar and not 1000 bar, the derating being due to joint efficiency.”

He warned that if the hose was used to full potential - 1000 bar working pressure - the joint would blow off and people could be killed.

Supporting the Irmasa move, Nick Patterson, marketing director of BTI Sarncol, said: “Having had many years experience in this market, it is our view the local manufacturer can provide for at least 80% of the country’s requirements.

“Braided hydraulic hose of high quality has been produced in SA for over 20 years and with the exception of a few low volume specialties there are two major manufacturers who are capable of supplying the market.”

He added: “Special wire hose, which is reportedly not made in this country, has been produced for about 4 years.

“We supply raw hose through a network of reputable couplers and most of our hose is sent overseas for impulse testing to ensure the compatibility of the assembly.”

Patterson agreed that there is a flood of imported hose in all standard SAE types and prices are 25 - 35% below “our lowest”.

“It has eaten into 25% of the available market.”

John Sandison, sales manager of FTA said: “A hydraulic hose assembly is a very technical unit, but the whole is the sum of the parts.

“The fact that we don’t make fittings does not mean we make bad hose.

“Because of the recession and competition from importers, this company is utilising only 50% of its capacity.

Sandison drew attention to the international inflation scene.

“If SA has an inflation rate of 15%, Europe 7% and Japan 4%, then in 10 years SA manufactured goods will have increased by 200%, European by 100% and Japanese by 50%.

“SA has the inflation rate of 15% and South African produced hydraulic hose and has failed to compete.”

He pointed out that synthetic rubber is not yet being used because Karbochem is not on stream with polysprene.

He said that local manufacture can satisfy up to 90% of total requirements.

He is of the opinion that hose is a strategic commodity.

He conceded that at the present time, there is a glut of hose emanating from worldwide trade recession.

“Consider the situation three years ago, when there was an acute shortage worldwide. Then both local manufacturers spent time, effort and money to cater for the increased growth.

“Recession set in and now production capacity is standing idle.”

“Europe is dumping hose in the Republic at prices less than our material cost,” he said.

He added that the same situation exists in the mining area where hose from under utilised European producers is being dumped in this country.

Piekoski said that the import duty applied for has met with a notable lack of success.

“What is to become of local manufacturers burdened by this country’s high inflation rates if the import duty is not doubled?” he asked.
Gearing up for SA-made boxes

GREAT confusion reigns among South African truck manufacturers about what the Government will do to try to stem the flow of imported transmission components and encourage local production.

The industry is awaiting Government decisions on future import penalties on gearboxes and axles, following the interim imposition of increased duties and tariffs in December.

At present there is a virtual free market in axles, despite the duty on mass imposed in December of R1.65 per kilogram on vehicles with engines bigger than nine litres.

This is not affecting most manufacturers seriously as they are able to claim rebates until future policy is clarified.

That could be good news for the three approved local axle manufacturers, although their future investment plans are being delayed until the situation clarifies.

The protection for local gearboxes has also gone up with a customs duty of 5% and an excise tariff of R356 less $3 per kilogram on imported manual boxes and a R35.50 per kilogram tariff on imported automatic and semi-automatic boxes.

Here also truck manufacturers are able to claim rebates, although there are indications that the conditions for these are being tightened up.

Government policy in the future could be influenced by trends overseas.

These indicate changing user preferences and a move away from the constant mesh types of box to synchronesh - which their proponents say offer fuel saving and safety advantages.

(End of even an inexperienced driver to plugging considerably reduce the consequences of the "runaway" type of accidents.)

There is also a strong trend towards giving truck operators a wider choice of gear ratios with smaller steps between the gears, which is particularly important in the over 20-ton category.

For example, several large South African fleets are reporting impressive results in their evaluation of the ZF-Ecosplit box, developed in Germany and licensed for local production.

It exploits the fact that large diesel engines only operate at maximum efficiency within a very small range of revolutions. To cut fuel consumption and still maintain journey times and keep up with the traffic flow, drivers must change gear frequently.

This becomes very difficult if the steps between the gear ratios are large, so ZF has invented an ingenious way to divide the gears into two ranges, giving a total of 16 ratios with consequent maintenance of efficient engine performance.

Important

This can become a particularly problem on the increasingly popular turbocharged engines which have an important role in South Africa's high altitude areas.

If a turbocharged engine falls too far down its torque curve, considerable pulling power is sacrificed.

The splitter concept enables a normal eight-ratio truck gearbox to be divided into two ranges, giving a total of 16 ratios with consequent maintenance of efficient engine power.

The concept has enabled ZF to greatly increase its penetration at the heavy end of the truck market in Europe, and the availability of the same advanced technology from local licensees ASTAS could be significant in future policy on local gearbox manufacturing.

However, other truck manufacturers and truck gearbox specialists overseas also have important technological improvements on the way and strong lobbying is anticipated from local affiliates to keep the South African market open.

That poses a major problem for the Government - and commerce - because of doubts whether the South African market is big enough to support two or more local manufacturers.

Monopoly

If the restrictions on imported gearboxes get tighter and it is not considered viable for another company to mount a local challenge to ASTAS, a monopoly would be created.

The arguments for and against are raging fiercely. The policy which led to the establishment of ASTAS and the basic concept that local manufacturing would provide virtually all the engine and transmission combination needs.

While this is starting to prove a reality, many truckers traditionally like to specify individual drivetrain components to get a vehicle tailor-made to their requirements.

Quite apart from purely practical considerations, there is a lot of brand loyalty, tradition and even emotion influencing these choices.

There are also political and international trading considerations.

American truck component manufacturers represent a powerful lobby.

They have already lost much of their market in Brazil and South Africa because of local content programmes - in each case with German rivals stepping into favourable positions.

SIGMA's big Mack marketers intend digging deeper into the heavy truck sector, with full endorsement for ADE models from the US.

"Mack has been part of the SA heavy truck scene for many years and we are determined to make it even stronger contender," says Sigma bus and truck division general manager, Jim Knight.

He adds: "We have been involved in a test programme for a considerable time, with a Mack B555 RST fitted with an ADE 407T engine, with a view to switching to these locally manufactured engines."

The installation of the turbocharged ADE unit was carried out by Mack engineers in the US and the truck was shipped back to South Africa for further demanding tests.

"The Mack is a premium truck and the parent company has to be completely satisfied with the results of our tests before they will give the green light for a switch to ADE engines mated to a six-speed gearbox," Mr Knight says.

He adds: "I am very pleased with the interest being shown by fleet operators in the Mack range. A good inquiry rate is a satisfying sign in the current economic climate."

Mack has 20% of the US "heavy" market.

How can Gov't stem flow of imports?
Deutz to lose truck market

The decision by Deutz to withdraw from the truck market is a significant change in its strategy. This move is part of a broader reorientation of the company's focus, reflecting changes in the market and its competitive positioning. The decision is expected to have implications for suppliers and competitors alike.

Protection

Negotiating

Deutz Diesel Power has a strong presence in the truck market, with a wide range of engines and components. The company has made significant investments in research and development to maintain its competitive edge. The decision to withdraw from the truck market is a strategic choice that reflects its broader goals and market focus.
Move to clamp down on US exports to SA

By SIMON BARBER

WASHINGTON — The House Foreign Affairs Committee yesterday accepted, by a narrow margin, a measure that would tighten controls on US exports to South Africa, thus undoing a major element of the Reagan Administration's "constructive engagement" policy towards the Republic.

At the same time, the committee breathed new life into an amendment proposed by Republican Stephen Solarz, an influential liberal Democrat, that would force US subsidiaries in South Africa to abide by a tough anti-apartheid code.

Both measures have now been included as amendments in the Export Administration Act, an essential piece of legislation which gives the President the power to control exports for national security and foreign policy purposes.

The language imposing restrictions on certain South African companies, as well as certain US companies, has been altered by Republican Howard Berman, a freshman California Democrat and member of the Africa Subcommittee of the House Foreign Affairs Committee.

Administration officials fear it will be difficult to remove when the export bill goes to the House floor because it also tightens controls on Iraq, Syria and South Yemen, and the administration has strong backing from the powerful Middle East lobby.

The amendment does not in fact mention South Africa, but merely states that controls be "restored to pre-February 1982 levels.

On February 28, 1982, the Commerce Department issued new regulations permitting the export of non-military goods to South Africa, and the Senate Foreign Relations Committee, in its new rules, also indicated that US firms could export aircraft, helicopters and parts to Pretoria for non-security uses.

Licences were granted for the sale of six air ambulances to the South African Air Force.

In May 1982, the administration further eased controls, permitting the export of certain nuclear-related items, but the Reagan administration defended these moves on the grounds that it was simply trying to regularize the previously haphazard system.

The administration has defended the moves in the face of a barrage of protest from anti-apartheid critics who argued that the government was attempting to build an atomic bomb.

The Reagan administration defended these moves on the grounds that it was simply trying to regularize the previously haphazard system.

The Solarz amendment, which in addition to mandating labor code adherence under penalty of fines and denial of US Government contracts, would effectively bar further bank lending to the SA Government and prohibit the import of Krugerrands, was earlier dropped from the State Department Authorization Bill to which it originally was attached.

The committee has now agreed that it be added to the Export Bill. Because it contains banking provisions, it will have to be referred to the House banking panel.

Hearings are scheduled for mid-June, and the financial community is refusing to testify, clearly believing the outcome a foregone conclusion.

Efforts will be made by the Administration's congressional friends to strike the amendment once the bill reaches the House floor, probably in July. But Mr. Solarz, by demanding so much, has given himself plenty of room to bargain.
HEAVY truck producers, thrown into confusion by the reversal of permission given by the Board of Trade (BOT) to import engines of 350 Hp (260 kW), are insisting that the Board publish the ground rules it uses in considering permit applications.

The issue is escalating into open confrontation and it looks as though the BOT might have to come clean and say how it intends to operate in the future, so that heavy truck manufacturers can plan with certainty.

Neville Cohen, chairman of the Heavy Commercial Vehicle Division of the National Association of Automobile Manufacturers of South Africa (Naamsa), told Industrial Week: "If the Board of Trade has issued permits and then withdrawn them, the BOT should make its rationale known so that the industry may know under what circumstances permits have been, or will be, issued.

"It is inconceivable that for reasons unknown to the rest of the industry, some people may, or may not, be given permission to import specific engines.

"That information must be available to everybody in the industry. Otherwise it is an iniquitous situation," he said.

Hartmut Beckurts, MD of ADE, told Industrial Week: "It is our intention to go ahead with the larger V10 engine which although not officially accepted as a locally manufactured unit, is within the 22 litre protection granted to ADE by the Government.

"That protection remains at 22 litres and we are not budging from that.

"Industry couldn't want anything clearer than that. So where is the doubt?"

Cohen said: "I don't think that ADE's statement clarifies anything, other than what we have always known.

"They will continue to fight for protection to ensure that there is a minimum number of imports - and that is zero engines."

One manufacturer, who did not wish to be named, said: "It is a pity that ADE has not made its insistence on 22 litre protection clearer in the past.

"Doubt has been allowed to creep in."

Permits were recently withdrawn from Foden and ERF following objections from ADE, which complained that the granting of permits to import Cummins 260 kW engines competed directly with its 422 and 407 engines.

The question has arisen whether similar objections by ADE would result in permits being withdrawn for the Cummins 280 kW and 300 kW units.

All 15 producers are vulnerable to further reversals, and at least one is threatening to pull out of the market.

The Board says it has grounds rules for considering permit applications, but is keeping them to itself.

But manufacturers say they will not go along with the arrangement, arguing that to give a firm commitment of intention to build a truck to the BOT, also means that they have to give a commitment in advance for imported CKD kits.

The Board can then either refuse permits, or withdraw the ones they have granted, at any time leaving the manufacturer stranded with trucks having no engines.

Manufacturers say the only solution for the BOT to come clean and state clearly what engines may be imported with full excise duty rebates.

Report compiled by Industrial Week staff
sure that there is a minimum number of imports - and that is zero engines.

One manufacturer, who did not wish to be named, said: "It is a pity that ADE has not made its insistence on 32 litre protection clearer in the past. ""Double has been allowed to creep in."

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Brake fraud warning

LEGAL action is to be taken against any firm responsible for "rubber stamping" brake linings with the DON logo following claims that inferior "bogus" products had been sold to Brakpan Municipality, writes Lynn Carlisle.

Keith Brighten, MD of DON, told Industrial Week that a large number of linings supplied by one company had been passed off as the real (DON) product.

"We discovered the fraud after being called in by the Brakpan Municipality to inspect damaged brake drums. Our staff noting that the damage could not have been caused by our linings, asked to see the linings in stock. They immediately recognised that these were not genuine DON linings and had been stamped with a rubber stamp bearing our logo," said Brighten.

He said the company allegedly involved had been asked to stop supplying linings so stamped to supply DON with a list of all customers to whom bogus linings were sold.

"We appeal to all fleet operators and bonders to check their stocks and contact us immediately if they are experiencing excessive wear of their drums or unusual problems with their brakes."
Appliance-makers launch campaign to stem imports

By SIMON WILLSON
SOUTH Africa's household appliance manufacturers opened a campaign against competition from imports when Defy opened a R20-million refrigerator factory in Brakpan yesterday.

The factory, capable of turning out 80,000 units a year, is the short-term bulwark for the domestic white goods industry against what it claims is a torrent of dumped foreign appliances.

The South African market annually absorbs about 250,000 refrigerators and freezers, 200,000 washing machines and tumble dryers and 150,000 stoves.

From comprising between 5% and 10% of the total white goods market in the late 1970s, foreign appliances now account for more than a third of all sales.

Executives of Defy and Barlows, South Africa's two biggest domestic electrical appliance manufacturers, say SA is used as a dumping ground by German, Italian and Japanese white goods manufacturers.

Foreign appliances are being sold for less than half of their raw material cost, they claim, eroding the sales of the two domestic market leaders.

Mr Richard Newby, Defy group managing director, said yesterday that the company's factory would reduce the number of imported domestic appliances entering South Africa.

The factory is part of a plan by domestic manufacturers to prevent any shortage of SA-made refrigerators in the next economic upswing.

The increased market share gained by imported appliances in the last upswing was attributed to a sudden shortfall in SA production as manufacturers underestimated the strength of demand.

National sales of domestic electrical appliances are falling, according to the Central Statistical Services in Pretoria.

Domestic appliances and women's and baby's clothes were the only two categories of goods whose sales were lower in January 1983 than in January 1982.

In January 1982, seasonally adjusted domestic appliances sales were worth R55.5 million. Although this rose to R59.9 million in December, it fell to R48.4 million in January this year.

Sir Leslie Fletcher, chairman of Defy's majority shareholder, UK-based Glynwed International, said at yesterday's opening ceremony that South Africa had to invest in new technologies if it were to survive in an increasingly competitive world.
Call to protect SA tyres

LITTLE improvement in the South African tyre industry is expected in the immediate future, but medium- to long-term prospects are undoubtedly good, says Dr H Khazam, chairman of the General Tire and Rubber Company (SA).

He says in his annual review for the year ended February 25 it is to be hoped that SA tyre industry's application for increased duty protection will soon be granted, making further investment to meet growing demands in future years a profitable proposition.

"This is particularly the case in view of the industry's increasing dependence on higher priced locally produced raw materials."

Local production of raw materials has been designed to guarantee supplies, says Dr Khazam, and to safeguard the industry against the possible imposition of international restrictions on the import of raw materials into SA.

"However, in the absence of adequate protection for locally manufactured rubber products, the concept of self-sufficiency in raw materials is likely to be thwarted by a corresponding contraction in the industry."

Dr Khazam says worsening economic conditions took their toll in the automotive market only after August, up to which time vehicle sales were running ahead of those for the same period in 1981.

Sales of Gentire's products were sustained during this period but, influenced by the recessionary climate, declined significantly later in the year to finish marginally behind 1981/82 in real terms. Because of an interim price increase turnover rose slightly, but operating profit fell in spite of a continuing programme of manufacturing and operating cost reduction.

"Replacement demand for tyres, especially in the heavier end of the market, weakened considerably in very recent months and naturally the serious drought had a negative effect on agricultural tyre sales."

Demand for Gentire's industrial rubber products declined throughout the year, says Dr Khazam, "because of the slowdown in economic activity and the continued import of finished products which remained at the same volume as 1981.

By JOHN MULCAHY
SA to import refined sugar

By JON BEVERLEY

DURBAN — South Africa will have to import refined sugar this year, the chairman of the SA Sugar Association Mr R K Ridgway, said yesterday, disclosing that the local crop estimates for this season which runs to April 1984, showed a slump of over 25 percent.

Last week a Reuter report said London sugar brokers, E & F Man, were seeking a ship for a cargo of 12,600 tons of bagged Korean sugar for South Africa to be loaded next week.

Mr Ridgway said reduced production at the sugar mills making refined sugar meant the industry would not process enough sugar to meet the requirements of the local market.

"The sugar industry has made arrangements to import refined sugar to cover the anticipated shortfall."

He said the fall in the crop, now estimated at 1.57m tons, also meant that there would not be enough sugar to meet export commitments.

Overseas customers

"The problems arising from this have been discussed with our overseas customers."

"The industry, which has developed an excellent reputation as a supplier of high quality raw sugars to world markets, has received full cooperation from these customers with regard to its proposals to substitute sugar from other countries to meet their import needs."

Mr Ridgway declined
JOHANNESBURG — Illegal milk powder imports have contributed largely to surpluses on the South African market.

The SABC news agricultural reporter, quoting spokesmen in the dairy industry, said up to 6 000 of the estimated 12 000 tons of milk powder in South Africa reached the country illegally.

A spokesman for the Dairy Board said importers were presumably evading the permit system of the Department of Industries, Commerce and Tourism by adding 60% steriliser to milk powder.

In this way, milk powder entered the country as ice cream powder, for which no permit was required. It was then marketed in South Africa as milk powder.

The spokesman said the imported milk powder was sometimes of very low quality.

Talks had begun with the Department of Industries, Commerce and Tourism on the introduction of stricter control over the importation of dairy products.

Sapa
4. Dr. W. J. SYMAN asked the Minister of Industries, Commerce and Tourism:

Whether frozen potato chips were imported recently or are to be imported; if so, (a)(i) by whom or what agency and (ii) at what price were they, or are they to be, imported and (b)(i) in what way and (ii) at what price is it envisaged to make these chips available to consumers?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

Yes.

(a) (i) Table Top Limited, and Irvin and Johnson Limited.

(ii) The landed cost of the relevant product is unknown.

(b) (i) and (ii) The information is not available.
Vast US Market may Prompt SA Wine Sales

The American market offers a tantalizing opportunity for South African wine producers, given the country's abundant vineyards and diverse terroirs. With a growing interest in international wines, South African producers are looking to tap into this lucrative market.

Dr. Andrea du Toit comments: "We are finding our target customers." The challenge lies in understanding the American palate and adjusting the South African wines to meet the market's preferences.

"It is crucial to tailor our wines to match the American consumer's taste. Our wines have a distinct character and can be very well received if properly marketed.

Exporters of South African wine often struggle with labeling regulations and the need to adapt their products to fit the American market. However, with the right strategies, this can be a rewarding opportunity for both producers and consumers.

The wine market in the US is vast, with a growing demand for quality wines from around the world. South Africa, with its unique climate and soil conditions, offers a diverse range of wines that can appeal to a wide audience.

"We see a significant potential for growth in the US market," Dr. Andrea du Toit predicts.

The focus is on understanding the American consumer's tastes and preferences, and tailoring South African wines to meet these demands. This requires a deep understanding of the market and a willingness to adapt.

The key to success in the US market is understanding the consumer's tastes and preferences and tailoring wines to meet these demands. With the right approach, South African wines have the potential to thrive in this vast market.

"We are not just selling wine, we are selling a lifestyle," Dr. Andrea du Toit concludes.

"The future looks promising, and we are excited about the potential for growth in the US market."
The American market is a result of two major factors. The first is the growth of the American market itself, which has been steadily increasing over the past several years. The second is the expansion of the European market, which has been driven by increased demand from both within Europe and beyond.

In recent years, the European market has seen a significant increase in demand for American wine. This has been attributed to a number of factors, including the growing popularity of American wines among consumers and the increasing availability of American wines in European markets.

To illustrate this point, let's consider the growth of the American market in Europe. In recent years, the market for American wines has grown significantly, with sales increasing by over 20% in some regions. This growth has been driven by a number of factors, including the increasing popularity of American wines among consumers and the increasing availability of American wines in European markets.

In addition to the growth in demand, the American market in Europe has also seen a number of changes in recent years. For example, there has been a significant increase in the number of American wines being exported to Europe, with sales increasing by over 50% in some regions.

These changes have had a significant impact on the American market in Europe, with sales increasing by over 20% in some regions. This growth has been driven by a number of factors, including the increasing popularity of American wines among consumers and the increasing availability of American wines in European markets.

In conclusion, the growth of the American market in Europe is a direct result of the increasing demand for American wines among consumers and the increasing availability of American wines in European markets. As the market continues to grow, we can expect to see even more American wines being exported to Europe, with sales increasing by over 50% in some regions.
Drought dries up SA’s lever of power

Weekend Argus Reporter

ONE of South Africa’s most important levers of power in Africa — the largely hidden export of food to countries as far north as Nigeria and Zaire — has dried up in the drought and the political and strategic consequences could be enormous.

Many of the African countries have been forced into long-term contracts for the supply of food from other countries. Even if the drought were to break soon, South Africa would be unlikely to regain its lost influence and trade for years to come.

The total value of exports to Africa before the drought was some R1,52-billion a year, of which about 20 percent was made up of food. But annual trade with Africa is now down to about R890-million, although part of this decline has been caused by the recession in most of sub-Saharan Africa.

An official of the National Maize Producers’ Organisation (Nampo) said today that all maize export contracts, including those with African countries, had been summarily cancelled because of the drought.

Normally, he said, South Africa exported between three and five million tons of maize a year, but now probably would have to import two-and-a-half million tons before next May just to satisfy domestic demand.

“Our exports to Africa have simply dried up and it will be years before we can recover our lost position. Many countries, including the United States, are stepping into our African markets and signing up long-term contracts.”

“They operate on the basis of giving African countries long-term, low-interest loans which are tied to the purchase of maize and other agricultural products. In some cases the Americans seem to be subsidising their farmers by simply giving African countries grants with which to purchase US maize.”

The spokesman estimated that by the end of August, maize farmers will have debts to co-operatives alone of about R1,000-million. “They face ruin. It’s as serious as that. It is going to take the country a long time to get back to normal. And if farmers continue to leave the land or sell up at the present rate we will probably never get back to the point where we were exporting 5-million tons a year.”

According to the American financial publication Business Week, South Africa is also importing wheat, oilseeds, soybeans and groundnuts — all products normally exported. And in a report it says the butter and meat exported to Zaire might also be affected by the drought.

This week the South African Sugar Association warned that because of the drought the country might not be able to meet its export quota of 850,000 tons granted in terms of the International Sugar Agreement.

Since international export quotas are granted on the basis of production, South Africa’s share of the international market could be cut back proportionately for years to come.

This week a cutback came a step closer when the first sugar imports were offloaded at South African ports to make up a domestic shortfall.

Some African countries are reported to have signed long-term sugar agreements with Cuba, one of the largest communist producers, because their regular supplies have been cut by the drought.
US maize shipment arrives

Staff Reporter

The first 25,000-ton shipment of maize imported from the United States was discharged in the Cape Town docks yesterday.

This was the first delivery of the 600,000 tons of maize to be imported from the United States and Argentina in the next six to seven months — the result of the South African maize shortage caused by the drought.

The manager of the Maize Board, Mr Hennie Nel, said in Cape Town yesterday that most of the present import — yellow maize — would be used for animal fodder, but some of it could be used for human consumption as well, as 30 percent yellow maize would be added to white maize from July 1.

Most of the maize discharged was earmarked for distribution points in the Western Cape but some will be taken as far as East London.

Mr Nel said the maize, which South Africa was forced to import, was an essential form of nutrition for South Africa as the whole dairy industry and chicken industry depended on adequate supplies.

He said the maize shipment was of a good quality and free from plant diseases.

He said the prospects for a good harvest this year were good, but he was worried about the unseasonal rain in the Free State and certain areas of the Transvaal. He hoped this rain would not be the forerunner of another dry season.
W Cape outrage at Govt’s maize policy

Staff Reporter

WESTERN Cape farming and business interests today expressed outrage at Government policy which prevented local consumers enjoying the benefits of maize landed in Table Bay.

“We are being made to pay for the drought up north,” said Mr Gert Bosch, secretary of the Western Cape Agricultural Union.

FIRST BATCH

This follows confirmation in Parliament yesterday by the Minister of Agriculture, Mr Greyling Wentzel, that Western Cape consumers would have to pay the same price for imported maize landed at their doorstep, that they paid for maize from the interior of South Africa.

The price paid for interior maize is R170 a ton, plus between R30 and R40 for railage costs.

The first batch of imported maize landed in Cape Town last week cost R172 a ton. Railage costs would be much lower due to shorter distances.

The second consignment to be landed shortly will cost the Maize Board only R160 a ton.

Mr Philip Myburgh, the deputy opposition spokesman on agriculture, said the price of imported maize could drop as little as R151 a ton.

He said local farmers could have saved between R10 and R20 a ton on the first consignment if they had been given the advantage of their close proximity to the harbour.

This advantage would have increased by another R10 a ton for the second load.

He said the fact that local consumers would not benefit was unfair to the Western Cape, which depended on maize for milk and meat production.

Western Cape agricultural interests recently sent a delegation to the Minister and the Maize Board, and there was great dissatisfaction at the reply they received.

OFFSETTING

Mr Myburgh said the Maize Board profit on imported maize was offsetting the loss caused by the poor crop due to the serious drought in the interior. This meant Western Cape consumers were effectively paying for the drought.

Mr Brian McLeod, the director of the Cape Town Chamber of Commerce, said the Western Cape was in a no-win situation.

“If we have to pay railage for maize from the Transvaal and Free State, should we have to do the same when the maize is landed right here?” he said.
HIGH inflation poses a major threat to South Africa’s plans to export 80-million tons of coal annually, according to Mr Graham Bousted, chairman of Anglo American Coal Corporation.

He also doubts whether export markets can absorb more than 44-million tons of South African coal a year before the end of decade.

He says in his annual report: "It is of concern that South Africa's inflation rate is much higher than those being experienced by coal-importing countries and by a number of the Republic's competitor countries in international coal markets.

The present cost of establishing new mine export capacity in South Africa of R5 per annum ton escalates to R16 per annum ton over an eight-year period at an annual inflation rate of 12%.

This compares with a cost of R1.5 per annual ton of capacity of the R10 If the inflation rate is 8% over the same eight-year period.

The differential of R57 per annum ton of capacity over the period to 1991, when it is anticipated that world coal markets could absorb additional tonnages from the Republic, would place the South African coal export industry at a significant disadvantage against coal-exporting countries with lower rates of inflation.

A similar trend will be evident in respect of working costs, railage rates and port handling charges.

If the export industry is to develop and expand as envisaged in the latest Government policy objectives, when set a target of 44-million tons of coal exports for a period of 30 years, the country's double-digit inflation must be drastically reduced.

Exports at the maximum of 44-million tons annually for the Phase 2 programme through Richards Bay are expected to be reached in 1987. Shipping of the first Phase 1 tonnages has been delayed until September this year by construction problems at the terminal. The target was June.

As a result the tonnage throughput for 1983 is likely to be about 30-million tons, one-million tons lower than initially planned.

However, based on the South African Transport Services' (SATS) programme to increase its coal-carrying capacity from the coalfields to Richards Bay, the tonnage shipped over the period to full commissioning in 1987 will not be significantly affected.

Turning to one of his well-known themes, Mr Bousted warns that the entry of large numbers of SA mini-exporters could be serious and the Government's objective of orderly marketing may not be attainable.

Most of the 40 allocations for the first stage of the Phase 4 exports to total 27 million tons annually were for tonnages of under 500,000 annually.

"Preliminary feasibility studies into the expansion of the Richards Bay Coal Terminal to accommodate the Phase 4A export programme have indicated the Phase 1, 2 and 3 assets can be expanded on a brown fields basis to approximately 44-million tons a year which would meet the Phase 4A entitlements of existing members."

In order to cater for the new Phase 4A members, however, a further greenfields expansion will be necessary.

"Discussions are under way between the SATS, the Richards Bay Coal Terminal and potential exporters regarding the nature and timing of the proposed further expansion of terminal capacity.

South African exports through Richards Bay in 1982 were 25,600,000 tons, marginally lower than the 25,800,000 tons exported in 1981.

Amcoa's exports in 1982 of steam and low ash coal dropped to 7,200,000 tons from an annuslised figure of 8-million tons in 1981.

The group maintained its own entitlements at 1,800,000 tons, but its sales through the Transvaal Coal Owners Association dropped 13% to 5,400,000 tons.

Amcoa's newest export colliery, Gaudekop, produced its first coal on schedule early in 1983 and the mine started conveying coal to its raw stockpile in March.
Car imports could cost E Cape firms millions — Savage

By JOHANN POTGIETER
Political Correspondent

CAPE TOWN — The Government's decision to allow the importing of 4,000 fully built Japanese cars by an up-country company "hits at one of the most depressed areas in the country where unemployment is highest and poverty most acute," Mr Andrew Savage, PFP MP for Walmer, said today.

He said the move could cost the Eastern Cape "tens of millions of rands" and was "a slap in the face" to the multinational car companies that had supported the country, for "donkeys years."

This was his reaction to the row about the decision to allow Alfa Romeo to import Daihatsu Charade cars fully built for sale on the already depressed South African market.

The issue was raised in Parliament by Mr Savage's colleague in the PFP and its chief finance spokesman, Mr Harry Schwarz, who warned that the "dumping" of these cars on the market had had "a serious impact" on the job situation in the Eastern Cape.

"This is not something we can allow to continue because it is a matter which jeopardises jobs in one of the most sensitive areas in the whole of South Africa," Mr Schwarz said.

A spokesman for Alfa Romeo South Africa has responded to criticism by saying that the import was to test the market and that from September or October the cars would be assembled at the company's plant at Brits.

This would result in more job opportunities being created locally.

The controversy blew up again this week when the Deputy Minister of Finance, Mr Eli Louw, speaking in Parliament on Wednesday, virtually supported the importing of Charades saying it could help put a brake on inflation.

"The truth is that it could also influence our people to strive to produce their cars at lower prices," he said.

Mr Schwarz said he trusted Mr Louw had the labour relations in the Eastern Cape "as close to his heart as we do."

In reply, Mr Louw did not deal directly with this. He said the Government had given "very careful consideration to the matter" before allowing the imports.

Mr Savage said the Government should spell out the considerations that went into the decision to allow the imports.

"If anyone should be allowed to import, then it should be those companies who have shown their long-term confidence in the country by making vast investments here — Volkswagen, General Motors and Ford, for example," he said.

Mr Peter Searle, managing director of Volkswagen, said today the company did not believe in the importation of fully built vehicles with the exception of a few exotic models.

It was not a question of sour grapes, but one of economics. Such imports were not in the national interest in a developing country which is trying to build up local industry in serious recession.
Imported cars spark Govt support for cheap cars

Wednesday in Parliament

VANDERBURGH in East Africa

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Motor chiefs condemn car import stand

Mercury Reporter

SOUTH African motoring manufacturers joined forces yesterday to condemn the statement by the Deputy Minister of Finance, Mr Eli Louw, supporting the import of fully built foreign cars.

Industry spokesmen said the effects on employment, the motor industry and the whole South African economy would be traumatic if mass imports were allowed to continue.

Mr Louw said in Parliament on Thursday that the import might encourage local manufacturers to produce their cars at a lower price.

'This is underlined by the fact that in the same class there are cars which could be marketed at much lower prices.'

Mr Nico Vermeulen, director of the powerful National Association of Automobile Manufacturers of South Africa, said there were a number of reasons why local cars could not be produced as cheaply as in major industrial countries abroad.

These were the relatively low-volume scale of production, which made for a higher unit-cost of production, and the high cost of keeping the vehicles in line with the local content stipulation, which was 68 percent by weight of the vehicle.

If the local content were less, a 105 percent punitive duty was charged on imported components.

Mr Vermeulen said if the duty and excises were removed, and the local content percentage decreased, prices would compare far more favourably.

An industry spokesman who preferred to remain anonymous said mass imports would make a mockery of the phased local content development.

His factory, which employed nearly 3 000 people, could simply close down its plants, dismiss all but a handful of workers and open a huge warehouse in Durban.

Port Elizabeth, South Africa's motor industry capital, would die almost completely, he added.

The managing director of Volkswagen South Africa, Mr Peter Searle, said he was deeply concerned about the possibility of large-scale retrenchment if built-up vehicle imports were encouraged.

'Employment should be uppermost in our minds at this time,' he said.

The row began earlier this year when Alfa Romeo South Africa shipped 2 000 Japanese-made Daihatsu Charade sedans into the country. Landed at a cost of R3 000, Alfa could afford to pay the 105 percent duty - a Government measure to discourage imported cars - and still market the cars locally at a competitive price.

A further 2 000 cars are on order from Japan.

But national marketing manager Mr Roger McCleery stood his ground yesterday.

He said Alfa had invested R12 million in preparing a new assembly line at their plant in Brits, in the Northern Transvaal.

Alfa's engineers were at present at the Japanese Daihatsu plant, making up the equipment which would be brought to South Africa - in about five weeks - to manufacture the cars locally.

Once the assembly line was ready, hundreds of workers would be needed to man the operation.
Row over fully assembled car
imports rocks motor industry

From Page 1

South Africa's industries in
general, commissioned as a
result of what Dr De
Villiers labelled during the
debate on his vote in Parlia-
ment in May "one-sided
unfounded, and exagger-
ated suspicion-casting
about protection, which is
having a detrimental effect
on industry in South
Africa".

Studies by both Naarmas
and Naacam are due
awaited in August.

Mr Lou Wilking, manag-
ing director of General Mo-
tors South African, said
from Johannesburg today
that further cheap car im-
ports could be expected and
might do the local motor
industry a great deal of
good.

Mr Wilking stoutly de-
defended General Motors' de-
cision to join Allia in im-
porting cheap products
from Japan while the local
motor industry was forced
to work short-time. He
argued that contrary to popu-
lar belief increased protec-
tion for the local industry
would ultimately lead to
less and not more employ-
ment.

In the telephone in-
terview, Mr Wilking said
his study revealed that once
manufacturers were forced
to push local content be-
yond a 40%-50% range they
were no longer cost-effec-
tive which resulted in the
high cost structure
mentioned by Dr De
Villiers.

On the other hand
Naacam, he said, evidently
wished to see the require-
ment pushed to between
65% and 80%.

"The question I'd like to
ask is how much does local
content cost us? I'm not
suggesting we simply
throw the motor industry
away, but on the other hand
local content imports bring
with it employment — at
the dock, in parts and ser-
vice back-up and so on."

Mr Wilking, who is vice-
president of Naarmas said
that his analysis revealed
that a home-grown industry
was cost effective only
up to a level of 40 to 50%.

"The minute you go be-
ond this point you are
penalised."

This study contrasts
sharply with one in pre-
paration by Naacam, which
Mr Wilking said, argued in
favour of an 85-90% local
content programme.

"Do you appreciate what
this means? We will
have to stick to the same
models until the year 2000
to recover the costs of tool-
ing-up for such a pro-
gramme, and who will re-
place their cars under such
circumstances?"

"People will continue to
drive their cars until they
fall to pieces in the absence
of the attraction provided
by new models, and what
would this do for local
sales? "Would such a pro-
gramme create or destroy
employment?"

Mr Wilking said that un-
der the circumstances
cheap imports might effec-
tively "snake the bush a
bit."

A colleague in the motor
industry Mr Peter Searle,
managing director of
Volkswagen SA, disagreed.

In his reaction to yester-
day's criticism by Dr De
Villiers of the cost struc-
ture of the local motor in-
dustry, Mr Searle said from
Uitenhage "The Minister's
statement regarding the
relatively high cost of local
manufacture requires care-
ful examination.

"Obviously 10 car manu-
facturers in a market of
260,000 cars per year in
South Africa do not enjoy
the same economies as
native manufacturers pro-
ducing four million cars
per annum, with highly
automated production pro-
cesses as in Japan."

"However, I fail to see
how the importation of
built-up cars is going to
solve this sort of disadvan-
tage for South Africa — in
fact it can only aggravate
the situation."

DO YOU WANT
THE CLEANEST,
SMARTEST USED
CAR AVAILABLE?

a national baby competition, 11-month-old DAVID
Elizabeth, with his proud mum, KERRY. David
won his grandfather, Mr Garth Robertson) charmed local
judges.

Literary treasures
preserved in
Rumpus over importation of cheap cars

PORT ELIZABETH — A row between the Government and the motor industry — particularly in the Eastern Cape — has been triggered by the Deputy Minister of Finance, Mr Eli Louw, who has virtually supported the importation of fully built cheap Japanese cars.

At the centre of the controversy is the mass importation of Daihatsu Charade sedans, which are being marketed in South Africa by Alf Romeo.

Eastern Cape motor manufacturers, fearing that mass importations of low-priced cars might reduce their share of the market and aggravate already critical unemployment, have approached the Board of Trade and Industries to apply tougher import duties for cars in the lower-price range.

Mr Peter Searle, managing director of Volkswagen in Uitenhage, said last night that large-scale investment in South Africa, "made in good faith", would be drastically affected, while unemployment would rise alarmingly.

"The employment issue is extremely important, especially to the social and political stability of the country," he warned.

"We must take a route and stick to it. The Government must say positively that we must manufacture cars locally, or we must import them."

In Parliament on Wednesday night Mr Louw said the importation of the Charades could help curb inflation.

"The truth is that it could also influence our people to strive to produce their cars at lower prices," he said.

"This is underlined by the fact that in the same class there are cars which could be marketed at much lower prices," Mr Louw said.

He made the remarks while replying to a plea by Mr Harry Schwarz (PPF Yeoville) that the Government check the new trend in mass importation of low-priced, fully-built cars.

"This has had a serious impact on the job situation in the Eastern Cape," said Mr Schwarz.

"This is a very delicate situation and many Members of Parliament representing the Eastern Cape are fully aware of it. They have made representations in this regard, yet we have a situation where motor cars are virtually being dumped in South Africa as a result of which jobs are being placed in jeopardy."

"Despite the 100% import duty imposed on the importation of foreign-produced cars, they can still be sold competitively," said Mr Schwarz.

He said this could not be left unanswered otherwise the jobs of many people in one of the most sensitive areas of South Africa would be in danger.

Mr Rod Ironside, assistant managing director of General Motors, said Mr Louw’s remarks were "disquieting news" and sounded "bad".

"With the unemployment situation as it is, Mr Louw's views do not make sense at all," said Mr Ironside.

Mr Searle said the Government supported the local manufacturing programme, the objectives of which were investment in South Africa, providing employment, and developing the local component industry.

"Producing cars locally is to the benefit of the national economy and South Africa’s people in terms of employment, producing cars locally obviously benefits the country’s balance of payments," said Mr Searle.

"The motor assembly and component manufacturing industries respectively provide employment for 50,000 and 100,000 South Africans."

Mr Searle added: "It's against the spirit of the local manufacturing programme. We can never compete with such low-priced cars, with 10 manufacturers in South Africa supplying the local market with 250,000 cars annually."

"The South African market is currently extremely competitive, unlike in other sectors of industry and commerce. We in South Africa are producing cars of the best quality at the lowest prices possible."

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from University.
Imports rock car industry

By LOUIS BECKERLING
Business Editor

THE entire local content policy for the manufacture of motor vehicles in South Africa appears to be in the melting pot after the row which has erupted over the importation of fully assembled vehicles from Japan.

GM will import more assembled vehicles — Wilking

Business Editor

GENERAL MOTORS would be importing more fully assembled Japanese-built cars in the near future, Mr Wilking said today.

He said GM proposed importing a Suzuki speciality 4x4 "jeep-type" vehicle.

"You must remember imports of this nature are going on all the time. Last year some 2 400 speciality type cars landed in the Port Elizabeth harbour 110 assembled Isuzu WFR11 panel vans from Japan.

The outcry in the motor industry was sparked by the successful importation by Alfa-Romeo of the Japanese-built Daihatsu Charade passenger car. At a price of only R8 500 (after a 105% duty has been paid by the importers), the Charade is beaten in price in South Africa only by the Mini, and has proved immensely popular.

This was followed by the news that General Motors — after originally expressing strong criticism of the Alfa move — last night landed in the Port Elizabeth harbour 110 assembled Isuzu WFR11 panel vans from Japan.
GENERAL MOTORS would be importing more fully assembled Japanese-built cars in the near future, Mr Wilking said today.

He said GM proposed importing a Suzuki speciality 4x4 "jeep-type" vehicle.

"You must remember imports of this nature are going on all the time. Last year some 2 400 speciality type vehicles were imported — products such as Toyota's Land Cruiser, Datsun's Leopard and so on.

"Naamsa's view is that as long as the transaction value is reasonable — in other words no excessive 'pricing-up' takes place, and that it is uneconomic to tool-up to produce such a speciality vehicle, then it has no objection. If the Isuzu panel van proves to be a volume seller we will naturally have to reconsider our position."

More competition for South Africa's motor industry... fully assembled Isuzu panel vans being off-loaded in Port Elizabeth harbour last night from the Japanese ship, Konkar Triton. More than 100 vans were off-loaded at dusk and driven to General Motors, fuelling the controversy that started with the importing of low-priced, fully assembled Diahatsu Charade cars by Alfa Romeo.
Adverse Impact on Foreign Trade in the Longer Term, Says Sendak

Protectionism Criticised
Dumping of used tools 'causes disruption'

By Priscilla Whyte

The “dumping” of used machine tools is causing at least as much disruption in the SA market as the “dumping” of new ones, claim SA producers.

But machine tool distributors, who import the new and foreign tools, say there is no “dumping” of either.

Gerhard Rothel, vice chairman of the SA Tool Manufacturers’ Association said: “Used machines are flooding into SA from England on a consignment basis.”

Fred Thompson, MD of F Thompson Machine Tools.

These machines, he claimed, were sold at any price “and they are perhaps causing more disruption in the market than the new ones.”

But Fred Thompson, MD of F Thompson Machine Tools, strongly defended the position of the used machine tool merchants.

“As far as dumping is concerned I strongly object to the use of the word,” he said.

No serious businessman dumped machinery. “Garbage is dumped on the rubbish heap, not capital equipment.”

Thompson said speculation and buying of imported machines was a complicated business.

Transportation costs had gone up “drastically” and with the advent of containerisation, with all its advantages, it had to be paid for.

Containers are of specific sizes and are not custom built for specific cargo.

Thompson categorically stated that he did not wish to take issue with either local manufacturers or new machine tool merchants, but was committed to the general engineering industry.

He said complaints about machine tool cornering in from England needed closer consideration.

Insolvent

“Due to the high level of insolventcies in England over the past five to six years late model used machines, which have been well maintained have come onto the international market.”

Thompson believed that end users were often too influenced by NC and CNC machine sales options, and that these high production machines were not always suitable for the low volumes of this market.

The armaments industry was quiet and this is “the only area which commands large production runs.”

Thompson contended that a conventional machine tool was ideally suited to the first machining operating and thereafter the NC may do the finer machining.

Benefits

He said many engineers did not see the benefits derived from having a matching of conventional and NC equipment.

He admitted that the used machine tool market was “not healthy” at present.

He believed, however, that the used machine tool market was essential because new engineering businesses were starting “even now.”

The customary delivery service given to a used machine tool ensured that it could perform adequately in a jobbing shop, or production line.

He was of the opinion that the economy should start taking a turn for the better towards the end of 1983 “not just for machine tools but more importantly for the engineering industry.”

Confidence

Although “the whole engineering industry has taken a knock it has to regain confidence.”

Machine tools were vital to power station construction, coal exploitation and the possibility of a Sasol IV must offer opportunities eventually.

Thompson contended that at the moment a mopping-up operation was ensuing in the aftermath of the boom and in 18 months the situation would be looking a lot brighter.

Thompson also pointed out that 10 years ago Boksburg had no machine tool merchants for new or used machine tools.

Market

Today there are 15 to 20 dealers all trying to get a slice of the market.

Industrial Week tried to pin Thompson down on the size of the used machine tool market.

He wriggled out of that one by saying: “It must be worth more than the new machine tool market ($50-80 million), because even a 6-month-old repossessed machine tool is a used machine, and all new machines are made by used machines.”

Block system saves time

DOWNTIME on changing of cutting tools can be reduced by up to 80% using a newly introduced turning tool cutting unit, say the makers.

The unit, known as the block tool system, was demonstrated by Sandvik’s metalworking products division on Elamatic’s EPA 250, the first CNC lathe to be made in South Africa.

In the case of conventional cutting tools, three or four bolts have to be loosened to change the tool holder and changing inserts requires careful handling because of the heat generated.

Blade output boosted

THE HEAVY demand for locally produced axial flow turbines and compressor blades has forced Suizer Bros (South African) of Johannesburg, to establish a new department and move the existing manufacturing facility from Market Street to a larger factory in Isando.

The new Turboblading Department, which will turn out axial flow turbine machinery blades only, will be run by Heinz Leuenberger, who has been in charge of blade production since local manufacture started in 1979. Other senior positions will be held by Ernest Peter, works manager; Peter Dawson, chief inspector; and Eddie Gray, administration.

“With a 50% bigger and more modern facility – we will exceed 1981’s record output.”
Trade surplus rises to R2.6bn

By HOWARD PREECE

SOUTH Africa ran up another large balance of trade surplus in May to give a favourable balance of R2.697-million for the first five months of 1983, according to preliminary figures from Customs and Excise.

Exports last month were R1.768-million and imports were R1.218-million for a surplus of R450-million.

The statistics include all gold sales - bullion and Krugerrands - and imports of oil and military equipment. For January to May exports totalled R8.660-million compared with R7.103-million in the corresponding period last year.


The slump in imports reflects the continuing economic recession in South Africa. Exports are up in value, but in volume terms are not different from the 1982 level.

In its June quarterly bulletin the Reserve Bank said: "In the first quarter of 1983 there was a slight fall in the value of merchandise exports, mainly because of the lowering effect of the appreciation of the rand on export prices."

"Value increases in export categories such as vegetable products, processed foodstuffs and textiles were offset by declines in the categories mineral products, chemical products and paper products."

"From the peak of the first quarter of 1982 to the first quarter of 1983 the value of imports shrank by as much as 24%.

"In volume terms the decline in imports amounted to 9% in the first quarter of 1983, a continuation of the trend which had been in evidence from the third quarter of 1981."


By Frank Jeans

In the highly-competitive world markets of today, South Africa, might have to give more attention to younger, more recently developed industrial economies, especially in the east, in its search for normal price structures, says Dr S J Kleu, chairman of the Board of Trade and Industries.

"If so, a country such as Britain may find it will have to face stiffer competition in the South African market place."

Speaking at a lunch of the South Africa Britain Trade Association (Sabrita) in Johannesburg, Dr Kleu said this country's foreign trade had shown a sharp rise during the past decade.

"Unfortunately, the UK's share of that trade declined significantly," he said.

"The share of South Africa's imports from Britain went down from 23 percent in 1971 to 15.5 percent in 1982, while the percentage of total SA exports to the UK declined from 26.7 in 1971 to 13.3 last year."

Dr Kleu said he hoped that one would not eventually have to say about South Africa-Britain trade what the Yorkshireman said about his 90-year-old mother: "The old lady is still batting but she is not running between the wickets."
Naamas hits back on prices

By SIMON WILLSON
Industrial Editor

GOVERNMENT allegations that South African small cars are overpriced and that imports of cheaper foreign cars could help to bring domestic car prices down have met opposition from the motor-makers’ organisation.

The National Association of Automobile Manufacturers of South Africa said yesterday it disagreed with the charges made in Parliament last week by the Deputy Minister of Finance, Mr Elize Louw.

He was reacting to appeals from Eastern Cape politicians to the Government to act against the imported Daihatsu Charade, which, even with 100% duty, is undercutting SA small cars.

Mr Louw said the Charade could help the fight against inflation. Some SA cars in the same class could be marketed at much lower prices.

Naamas’s director, Mr Nico Vermeulen, said: “The Deputy Minister should have taken a few facts into account before making his statement.

“Production volumes applying to local vehicle assembly are much smaller than those of the United States, Japan and other competitor countries. Lower production volumes mean lower economies of scale and higher input costs.”

A relaxation in local content regulations would assist in keeping price increases under control.

“The local content programme is in itself a substantial cost-raising factor. If all the excise and other duties applied under the programme were taken away, the prices of domestic models would compare much more favourably with similar foreign-made vehicles.”

While taking the side of SA motor manufacturers against the Government’s allegations of overpricing, Naamas had not supported the domestic car industry’s calls for increased import duties to keep out dumped foreign cars and to protect employment in the South African motor industry.

Mr Vermeulen said that, in the light of complaints from manufacturers about the Charade’s competitive price, Naamas had looked into the question of whether existing tariffs gave the domestic motor industry sufficient protection.

“We think the existing customs duty of 100% should be sufficient, provided the duty is applied to fair and realistic prices of imported vehicles.”
JOHANNESBURG — The SA Iron, Steel and Allied Workers' Union has called for stricter control over the importation of fully-manufactured cars.

The union, which has members in several motor plants, was reacting to a move by a leading motor manufacturer to import some 4,000 foreign-made cars.

The union's general secretary, Mr. Henry Ferreira, said this would worsen the unemployment problem.

The decision to import 4,000 cars was “unnecessary,” he said.

The union understood that the motor industry was competitive and that companies sometimes had to test the market for a model before manufacturing it locally.

The union was “dissatisfied” with the “new tendency on the part of motor manufacturers to import fully manufactured cars.” It did not believe it was necessary to import 4,000 cars in order to test the market.

— DDC.
Streamline anti-dumping measures — Safto

By Stan Kennedy

Procedure for introducing anti-dumping measures against countries openly hostile to South Africa should be streamlined so that immediate action can be taken, says the SA Foreign Trade Organisation.

In the June issue of Safto Exporter, Safto says all but a few South African manufacturers depend on having a sound domestic market.

It was disturbing to see some companies, with good export records being forced out of their home markets by the dumping of foreign goods. And it was sad because these companies were nearly always concerns which should in the long-term make up the backbone of the country's employment programmes.

At South Africa's present stage of industrial development, any company going for exports would need, for sound costing and pricing purposes, to be confident of its home market. It was here that most, if not all, of its overheads could be recouped.

The article says: "This is not a plea for marginal costing on an indiscriminate scale, but new market development can only be undertaken if the exporter is able to negotiate in a price range right down to marginal cost, if necessary."

"Manufacturers in the secondary sector, particularly of consumer goods, feel their export programmes are being undermined by unfair competition from imports against which they have no protection.

"This is not new, but with the emergence of suppliers from mainland China and Eastern Europe the issue has assumed disastrous proportions."

Safto urges swift action to combat dumping. It quotes what the Kleu Report says about the problem: "Import replacement and export promotion must be considered together and must be mutually co-ordinated to prevent lopsided development."

The Board of Trade, which has a heavy workload, should be able to charge "application fees" which could pay for the use of accountants, economists and other specialist staff to evaluate applications. "The national employer organisations could play an important role here — each according to its specific expertise — enabling the board to concentrate on the actual adjudicating function."
SA alarm over EEC cash aid to agriculture

By John Miller
Brussels

SOUTH African officials in Brussels are watching with growing alarm the rapid increase of EEC farm spending, which is leading to the crowding out of South African produce from European markets.

Agriculture accounts for around 70% of the EEC budget, and Commonwealth officials were forced this week to make further money available to prevent runaway agricultural spending from leading the EEC into bankruptcy.

An emergency budget was rushed through, providing an extra £1 000 million for agricultural expenditure, which is a third up on the levels for last year.

If the EEC were harming no one else, South Africa, America, Australia, New Zealand and other farming nations would probably be content to sit back and watch from the sidelines.

But the EEC's agricultural extravagance has very real consequences for South Africa, and South African officials in Brussels are watching developments with alarm and dismay.

The problem stems from the fact that EEC money is being poured into the production of farm products for which there is no market.

Under a system of guaranteed prices, European farmers are ensured that, no matter how much they produce, they will be shielded from fluctuations in the world market and will be certain of a good income.

The result is wild over-production. Butter, beef, wine, olives, apples - the list is endless - all being overproduced and all piling up in stores across Europe.

South Africa's concern is that, as the Europeans continue to produce more and more, traditional sales for South African food exporters in the European market will be affected.

Already, this year the EEC has cut back on South Africa's quota for apple exports to the EEC and similar restrictions on other products could follow.

(It is only because of the poor apple harvest caused by the drought that South African apple producers have not had to suffer from the EEC quota cutback this year.)

South Africa can only hope that countries like Britain which are tired of pouring money into the pockets of European farmers will succeed in applying the reins to EEC agricultural spending.
Hong Kong plant boosts SA coal sales

Financial Correspondent

HONG KONG — South Africa’s coal exporters have hit a bonanza here with the start-up of a massive coal-fired plant on an offshore island.

The Hong Kong Electric Company facility now in action on the north-west tip of Lamma Island has helped push sales of South African coal up by more than 40 percent since the beginning of last year.

Sources here said it had been planned to fuel the Lamma Island plant with coal from China from 1985.

But because of China’s tardiness in developing its huge coal industry and the necessary port infrastructure the sources forecast that South Africa could export profitably until around 1990.

The export surge is spectacular and adds glitter to the lacklustre statistics of Hong Kong-South African trade.

Some of the coal is also going to the Castle Peak power station in Kowloon set up by China Light and Power Company.

The Lamma Island facility is one of Asia’s biggest coal-fired plants, and has a towering 215-m chimney, Asia’s tallest construction.

It is set out on a 50-ha site at Po Lo Sui, giving directly on to the sea.

Planned capacity is 1,800 mw. Present working capacity is 625 mw.

Hong Kong Electric chairman David Newbigging told the company’s annual general meeting on May 27 that by the end of April the company had consumed more than one million tons of coal in the 12 months since the first unit was commissioned.

Estimated annual consumption was 2.9 million tons.

A spokesman declined to disclose the amount of coal the company was buying from South Africa, but the plant’s voracious appetite shows up in the trade statistics: South Africa’s coal exports to Hong Kong have soared to HK$112 million in the first quarter of this year.

This is a 400 percent increase on exports for the corresponding 1982 period.

For the whole of 1982 South African coal represented 21 percent of the colony’s imports. In the first quarter of this year it made up 52 percent.

In the long run China will be a tough competitor.

It is making considerable efforts to develop its potentially world-beating coal industry and last year output was 666 million tons — a figure which surprised diplomats here, who had been forecasting about 648-650 million tons. Output in 1981 was 600 million tons.

But China has problems. Although eight huge coal projects are getting top priority China does not have all that much coal to spare as it provides much of the country’s energy.

Another problem is that the main coal fields are in east central China and the shifting of coal southwards on a clogged railway system is a constant headache.

China’s coal-exporting ports need modernising — and all the coal to Lamma Island has to be shipped.
THE balance of payments usually moves in and out of deficit sedately with the economic cycle. SA's experience these past three years has, however, been far from sedate, and the "turbulent Eighties" would be no misnomer.

When domestic spending and expectations fell behind a surging gold price during 1979, the BOP moved rapidly into surplus. This swollen to an annualised R7 000-million during the first quarter of 1980.

When gold fell out of bed in 1981 and spending and expectations collapsed, the surging spree, the BOP moved rapidly into deficit, reaching an annualised R5 600-million during the first quarter of 1982.

That was a numbing reversal of R13 600-million in two years on a GDP of only R70 000-million!

Instead, of staying in deficit for a long time, as many at the time feared, the BOP has recently staged an even more remarkable turnaround.

During the first quarter of this year the BOP swung into an annualised surplus of R2 600-million—an amazing improvement of R3 600-million on a year ago.

In certain quarters this has been reason enough to break out the champagne. After all, if the BOP moves decisively into surplus a robust economic recovery is normally not far behind.

However, the current BOP surplus may turn out to be only a very early swallow, and then only as the harbinger of a disappointing summer.

Our fortunes improved somewhat last year after the gold price turned up R3 200-million, mostly at just above R400. But this favourable turn explains only R2 600-million of the R5 600-million change.

Far more important than gold's recovery in the BOP turnaround has been the spectacular free fall of the rand since 1981. After a lag, this chocked off imports by making them too expensive.

In this respect, import volumes have been the mirror image of the BOP. From a low point in the first quarter of 1979, import volumes increased by no less than 56% before peaking during the second quarter of 1981.

Since then, they have fallen 35%, mostly during 1982, and are now back to their early-1979 level.

So why, as so much champagne? The forces shaping the BOP are very complex and not a little confusing.

Management of the rand is only but one factor to take into account in projecting the likely room for manoeuvre ahead for the authorities to stimulate the domestic economy.

Stocks peaked in 1982 at some 35% of GDP (excluding agricul-

The balance of payments: It's far too early to start rejoicing

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A reversal of as much as R1 600-million may still have to be absorbed by this year from this source alone.

Secondly, the gold price remains the major swing factor, with a $100 movement either way impacting on the BOP to the tune of R2 000-million annually.

While it remains an enjoyable pastime to dream of $500 and $600, the Government rightly is not taking such a favourable development for granted. In fact, its actions are painting very much in the opposite way.

But even more important than these uncertainties are the certainties: large short-term borrowings of R2 300-million were taken up during 1981-1982 to support the foreign reserves.

The authorities appear to want to start the next recovery with a clean slate and probably wish to repay these foreign borrowings as quickly as possible.

An early IMF repayment of R1 100-million is likely. Any early BOP surplus is therefore likely to be used to reduce such short-term liabilities rather than to build up the reserves.

The largest distortion, though, is the impact from the recent enormous decline in imports and further declines that lie ahead are creating an artificial impression of BOP strength.

In reality, the BOP can be regarded as truly healthy only on the strength of growing export volumes, not falling imports.

A normally growing SA economy is a given level of capital goods and intermediate product imports to be able to sustain itself due to its peculiar specialisation in manufacturing and mining.

When, during recessionary times, fixed investment and stock levels are back, the relation of imports to GDP deteriorates to artificially low levels.

In order to judge whether the BOP is sufficiently strong to be able to sustain an economic growth phase of 5% a year, a substantially higher level of imports has to be taken into account.

In 1983 prices this import shortfall would at least be of the order of R3 000-million annually.

The BOP required three successive quarters of surplus during the previous downswing before the economy itself reached its lower turning-point. The BOP was then in surplus for another six quarters before the recovery really took off in mid-1979.

There were special reasons for the slow pick-up in economic activity during 1979 and early 1979. Political unrest during 1976-1977 had severely undermined economic confidence, and it took a exploding gold price and stock market for the country to shake off its lethargy.

The current situation is just the opposite: political and economic confidence remains on a high level, with widespread willingness to participate in the next recovery (through new investment, stock and hiring) the moment the turning-point has been passed.

We think, however, interpret even three quarters of BOP surplus as sufficient to sustain a new major economic growth phase. The situation is very different from last time.

During the previous downswing, export volumes continued to grow at a rapid pace due to buoyant economic conditions worldwide. This time our export volumes have been declining since late 1980, with no turnaround as yet.

The export base, instead of expanding to be able to carry the next domestic recovery, has been steadily whittled away.

The turning-point in domestic output is therefore likely to come only once the export base has been firmly on a growth path for some time.

It could well be that this is sufficiently far into the future for the present high level of political and economic confidence to become a little shaken.

A quick take-off for the next recovery is therefore not as certain as it appeared to be six short months ago.

The present BOP surplus is for now a pleasant illusion. We should not read anything more into it.
Big boost for SA forex market

By BRENDAN RYAN
Mining Editor

The mining houses are holding discussions with the Reserve Bank to settle details of a system whereby they will be paid in dollars not rands for their gold.

The houses are also assessing how the Reserve Bank’s decision to introduce the dollar payment system within two months will affect their operations and what resources they will need to carry out foreign-exchange transactions.

The Reserve Bank’s decision means the mining houses will bill billions of dollars annually on the South African foreign-exchange market. The houses and the commercial banks will scramble to find staff to cope with this.

The mines sold gold worth R1.8 billion in 1982, of which about R1.1 billion came from Krugerrand sales through the SA foreign-exchange market.

The balance was transacted on overseas markets, but under the new system dollars will flow through South Africa’s developing foreign-exchange market.

Under the new system the Reserve Bank will refuse to sell all South Africa’s gold. It will tell the mining houses what dollar credits they have earned from gold. These amounts will be paid into overseas bank accounts of the houses’ choice.

The most likely centre for the mining houses to set up accounts to handle these dollar payments is New York. All exporters are required to repatriate foreign earnings to South Africa within seven days. This will probably apply to the mining houses as well.

It is believed that the mining houses are also discussing whether the foreign accounts they will open can be used for the payment of dividends to foreign shareholders.

Under the current system of payment, mines receive dollars in rands from the Reserve Bank immediately on delivery of gold to the Rand Refinery.

Foreign-currency payments are subject to a two-day delay which, with the rand payment system, might represent a loss of interest to the mines. This is being discussed with the Reserve Bank.

Another question concerns the amount of forward dollar sales and over what period these deals can be conducted.

Economists believe the Reserve Bank is introducing dollar payments to the mines in another step in the shifting control over the economy.

Specifically, the Reserve Bank is loosening part of its control over the determination of the rand-dollar exchange-rate band in the mining houses.

The Reserve Bank also wants to encourage the growth of a domestic foreign-exchange market and putting the mines’ gold sales into it is a way of doing this.

In the longer term, the Reserve Bank may also look on this move as a way to exercise greater control on money supply.

Growth in the money supply has been a major factor in South Africa’s continuing high inflation rate. When the gold price booms the present system of paying the mines in rands boosts the money supply dramatically.

The Reserve Bank will be able to allow the mining houses to invest their money abroad and avoid a flood of liquidity in SA.

JSE golds slip again

GOLD stocks continued easier in fairly active trading toward the close on the Johannesburg Stock Exchange yesterday.

Heavyweight losses ranged up to 306c as Steinhof fell 4c to R1.01c and Lovaine 2c to 85c.

Lightweight Vlafontein was the only gainer, adding 5c to 460c.

There were 46 losers and one unchanged counter.

The Krugerrand eased R3 and R150c after the merger news from De Beers, rising 12c to R150c.

Platinum and Lydenburg down 15c at 765c and Rustenburg up 5c at R1.05c.

Amcoal gained 10c to 2.650c and Union Tin 5c to 115c. SA Manganese and Cosin Murch lost 10c to 340c and 700c.

Industrials were mixed with a firmer bias, with 56 shares up, 58 down and 89 unchanged.

ABC Shoe rose 25c to 180c, HJ Cables 15c to 90c, Bunnies 25c to 1.625c, Union Steel 15c to 113c and Southern Sun 25c.

Pumps made by Mono Pumps (Africa) for the emergency Vaal River project will move the equivalent of Johannesburg’s daily water supply every 24 hours when the scheme gets under way in September.

The 12 pumps, which have a 100% South African content and which were made at the Mono factory at Sebenza, are worth R10 million. They will be installed at the sixth and seventh weirs on the Vaal River.

Mono, one of the suppliers, awarded contracts for the R55-million scheme to reverse the flow of the Vaal River to keep the vital power-plant complex in the Eastern Transvaal supplied with water.

Mr Mike Shaw, Mono Pumps product manager, says, “The 12 pumps were made in eight weeks — well ahead of schedule.”

A trailer was built to move the 2m-long, 5cm-diameter pumps from the factory to transporters which took them to the Vaal River.

Each pump will send 1,450 litres of water a second up the Vaal River, giving a total of 8,700 litres a second from one weir to the next.

One spare pumping element and a complete set of spares will be kept on site. The picture shows the fish intake, measuring 1,300mm by 1,300mm.

Praise for Volcker the poor devil

WASHINGTON — Senators gave the US Federal Reserve chairman, Mr Paul Volcker, praise and sympathy as they opened confirmation hearings on his appointment to a second four-year term.

Senator William Proxmire (Democrat) told Mr Volcker that his responsibilities had increased up to "an impossible job" as long as the US Congress and the Administration of President Ronald Reagan failed to reduce the deficit.

The committee, Senator Jake can, agreed, said Proxmire at the hearings.

"Until Congress approves those deficits will continue", said Proxmire.

Mr Volcker before the Senate Committee, who approved him by a voice vote on Thursday, said he was not asking for an extension of his term but for a "minor" increase in the size of the Federal Reserve Board to include the vice-chairman.

The committee, led by Senator Jake can, agreed, said Proxmire at the confirmations hearing.

"Until Congress approves those deficits will continue", said Proxmire.
THE MINING houses are holding discussions with the Reserve Bank to settle details of a system whereby they will be paid in dollars not rand for their gold.

The houses are also assessing how the Reserve Bank's decision to introduce the dollar payment system within two months will affect their operations and what resources they will need to carry out foreign-exchange transactions.

The Reserve Bank's decision means the mining houses will sell billions of dollars annually on the South African foreign-exchange market. The houses and the commercial banks will scramble to find staff to cope with this.

The mines sold gold worth R8 000-million in 1982, of which about R1 00-million came from Krugerand sales through the SA foreign-exchange market.

The balance was transacted on overseas markets, but the London Timbours will sell through South Africa's developing foreign-exchange market.

Under the new system the Reserve Bank will continue to sell all South Africa's gold.

It will tell the mining houses what dollar credits they have earned from gold. These amounts will be paid into Reserve Bank accounts of the houses' choice.

The most likely centre for the mining houses to set up accounts to handle these dollar payments is New York.

All exporters are required to repatriate foreign earnings, after South Africa within seven days. This will probably apply to the mining houses as well. It is believed that the mining houses are also discussing whether foreign accounts they will open can be used for the payment of dividends to foreign shareholders.

Under the current system of payment, mines would have to pay rand from the Reserve Bank immediately on delivery of gold to the Rand Refinery.

Foreign-exchange payments are subject to a two-day delay which, compared with the rand payment system, may represent a loss of interest to the mines. This is being discussed with the Reserve Bank.

Another question concerns the amount of forward-dollar sales and over what period deals can be entered into.

Economists believe the Reserve Bank is introducing dollar payments to the mines to try to achieve closer control over the economy.

Specifically, the Reserve Bank is loosening part of its control over the rand-dollar exchange rate by bringing in the mining houses.

The Reserve Bank also wants to encourage the growth of a domestic foreign-exchange market and put the mining gold sales into a way of doing this.

In the longer term, the Reserve Bank may also look on this move as a way to exercise greater control over money supply.

Growth in the money supply has been a major factor in South Africa's continuing high inflation rate. When the gold price rises the financing system of the mines in rand boosts the money supply in an automatic way.

The Reserve Bank will be able to allow the mining houses to invest their money elsewhere, it is said, and avoid a flood of liquidity in SA.

However, the houses will still have to repatriate most of their earnings to cover working costs and capital expenditure. Only the profits could be invested overseas.

By BRENDAN RYAN
Mining Editor

Pumps made by Meza Pumps (Africa) for the emergency Vaal River project will work the equivalent move of Johannesburg's daily water supply every 24 hours when the scheme gets under way in September.

The 12 pumps, which have a 100% South African content and which were made at the Meza factory at Beza, are worth R4 000 000. They will be installed at the sixth and seventh weirs in the Vaal River.

Meza was one of the pump suppliers asked by the Vaal Board to tender for the R35-million scheme to reverse the flood of the Vaal River to keep the vital power-station complexes in the Eastern Transvaal supplied with water.

Mr Mike Shaw, Meza Pumps product manager, yesterday: "The 12 pumps were made in eight weeks — well ahead of schedule."

A trailer was built to move the 5m-long and one metre-diameter pumps from the factory to transporters which took them to the Vaal River sites.

Each pump was tested with 4 500 metres of water a second up the Vaal River, giving a total of 18 000 litres of water each minute from one weir to the next.

One pump pumping element and a complete set of spares will be kept on site.

The pump shows the flint size, measuring 630mm by 630mm.

JSE golds slip again

GOLD shares continued easier in fairly active trading toward the close on the Johannesburg Stock Exchange yesterday.

Heavyweight losses ranged up to 30c — as at St Helena at 1 130c, West Rand Cons fell 4c to 5 16c and Leicson 20c to 2 16c.

Lightweight Vlakfontein was the only gainer, adding 1c to 46c.

There were 41 losers and no unchanged counter.

The Krugerand eased R1 15c.

Mining financials were used with Anglo American 10c at 2 290c after a 2 160c fall; Uct and Sentrue 10c to 1 25c and 1 25c.

1 50c after the merger news.

De Beers was firm, rising 12c to 1 680c.

Platinum had Lydenburg down 15c at 760c and Rustenburg up 5c to 1 050c.

Ampoel gained 10c to 2 650c and Union Steel 12c at 1 115c. SA Manganese and Consort March lost 10c to 560c and 7 700c respectively.

Industrials were mixed with a firmer bias, with 50 shares up, 39 down and 9 unchanged.

ABF Shoe rose 35c to 180c, HC Cable 15c to 90c, Rennies 5c to 1 650c, Union Steel 12c to 1 115c and Southern Sun 20c to 630c.

Metro Corp fell 20c to 1 200c, Highveld 10c to 5 10c, Hepworths 50c to 600c and Nampak 10c to 1 90c.

Praise for Volcker, the poor devil

WASHINGTON — Senators gave the US Federal Reserve chairman, Mr Paul Volcker, praise and sympathy as they opened confirmation hearings on his appointment to a second four-year term.

Senator William Proxmire (Democrat) told Mr Volcker that his responsibilities added up to "an impossible job" as long as the US Congress and the Administration of President Ronald Reagan failed to reduce federal deficits — projected at $250 000 million and more.


Mr Volcker was appearing before the Senate Banking Committee, which is expected to approve his reappointment as head of the US central bank.

The committee chairman, Senator Jake Garn (Republican), agreed with Senator Proxmire about the deficit problems.

"Until Congress faces up to those deficits, interest rates will continue to stay at high levels," he said.

Senator Proxmire was sure Mr Volcker would do his job "better than anyone else could do it".
Cheap car imports raise questions

By GARTH KING

WHY is it that Japan can produce a car like the Daihatsu Charade at less than half the price of our cheapest locally-manufactured equivalent?

Leading off from this is another question: "Why is it that very basic models (like France's Citroën 2CV and Renault 4) are not made in South Africa?"

The base models manufactured in this country - like the Golf L - boast luxury features such as ventilation systems, carpeted floors, relatively large engines and many other accessories which are hardly necessary for a basic transport unit.

Basic units could include such features as screw-on screw-off panels to facilitate cheap repair, no carpeting, rudimentary ventilation systems and instrumentation - and even a smaller than 1 000cm³ engine.

South African motor manufacturers claim that such crude transport units would:

- Not sell in this country in sufficient quantities to cover overheads because of their foreseen lack of popularity.
- Not be much cheaper anyway because "all that the manufacturer would save on is the amount of raw material used".
- Have small engines unsuitable for South Africa's long distances.

The sad truth about the motor industry here, they say, is that the Government's insistence on 66% local content per unit and the labour-intensive nature of the industry keep prices climbing steadily skywards.

They claim, too, that until the local content rule is reduced to under 50% and until comprehensive automation is introduced, car prices will remain high.

However, most manufacturers accept that the base car market will grow but it seems that their luxury features will remain - at least until the mid-term future.

The Deputy Minister of Finance, Mr Eli Louw, said in the wake of the hullabaloo surrounding the importation of the base model Daihatsu Charade that "the truth is that it could also influence our people to produce cheaper cars".

The Minister of Commerce, Industry and Tourism, Dr Dawie de Villiers, also reacted to the motor industry's plea for higher import duties on fully built-up models and said that "if the market demands lighter types of vehicles it would be irresponsible to discourage the market in that direction".

Mr Graham Hardy, Press relations manager of Volkswagen, said this week that "a lot" of market research had revealed that there was no demand for a basic car.

"The South African consumer is among the most informed in the world. They look for the car which has most features. "Market research has shown that consumers want as many features packed into a package as possible - and the same goes for the fleet-owners as well."

Mr Hardy pointed out that even if very basic cars were more basic than the controversial Daihatsu Charade - were introduced - they would not sell in volumes necessary to cover the investment and they would only be slightly less expensive than their much less basic counterparts.

He said the South African motor industry was saddled with enormous operating overheads - which made the production of a car with a limited market illogical.

The motor industry in the Republic is "a small cake with clearly defined slices" which are shared out by 12 manufacturers. It has an annual average output of 280 000 and represents 1% of the world's production.

This saturation, it is claimed, makes it impossible for this country to compete, in any way, with the colossus of Japan which has an annual production of nearly five million.

Their ability to spread their overheads is phenomenal - hence the low-priced Charade.

The managing director of GM, Mr Lon Wilking, said this week that the South African public had, in the past, shown no inclination to buy very basic transport units.

He said the long distances motorists here covered, coupled with the Reef's high altitude - which resulted in a 17% loss of engine power - made such a concept unpopular.

Mr Wilking stressed the fact that the industry's labour-intensive nature, coupled with the local content rule, made our cars much more expensive than Japan's.

He said that some assembly plants in Japan were as big as the whole of the South African motor industry put together.

"The decreasing costs of high technology and the increasing costs of labour make it increasingly impossible for us to compete with Japan," he said.
Don't be arrogant in black Africa, says Tony Bloom

He said a major problem was dealing with the question of bribery, when an official would give a company business but would involve making a payment into a Swiss bank account.

"You have to make a moral decision as to how you will handle the situation and sometimes the decision is hard. But we, as an organisation, will not become involved. If that is the way we have to do business, we walk away from it."

Mr Hilton Davies, chairman of Boart International, said a "cold wind" had driven very deeply into all its major markets overseas. Its major growth area in the past five years was in North America. This had been affected severely by the depression.

"Everyone becomes more competitive in recessionary times, everybody tries a bit harder, and it becomes a rat race. Even without a recession it is a very hard world out there, and I don't think anyone who wants to go out there should kid himself that it is a song and dance act. It's hard work, and one should have at his disposal all the facts and figures necessary to make a sale."

Mr Joni Bewitt, group marketing director for Gundle Plastics, said exporting was a subtle and long-term process. His company did not have access to the cheapest raw materials in the world, so it had to make a decision to seek exports for manufactured goods.

"We used the commercial branches of overseas embassies and Safico, and we went into places that were politically hostile to South Africa. But when you start talking about technology and you find the right person, then the wheels start moving."

He said it was a small world "out there". "You meet an engineer who is a consultant to a mining company and who has had mining experience in South Africa. He knows the name of your company and its products, and that is when you start building your contacts, developing your technology," he said.

Export-oriented facilities were being set up at Richards Bay which would make it capable of handling almost any expansion during the next upswing, said Mr Dolf Jonker, chief director of harbours, SATS.

More than R400 million had been spent on the container terminals at the ports. These were designed to cater for far larger volumes than they were handling now.
One of the new intermediate rolling mills at Bradbury Equipment — coming in copper equipment.

After only nine months in operation, Bradbury is bringing its new rolling equipment into operation and looking forward to covering some of the gaps in its own rolls. The gap is being filled with the new mill, which Bradbury has already had in place for some time.

Bradbury's new mill is expected to increase the company's production to 25% of its present capacity. The company's production has been increasing steadily since the mill was installed, and Bradbury is now looking forward to expanding its output to meet the needs of its customers.

The new mill is expected to increase Bradbury's production by 25% and is helping to meet the demand for Bradbury's high-quality copper products.

The new mill is expected to increase Bradbury's production by 25% and is helping to meet the demand for Bradbury's high-quality copper products.
Duty

The duty relates to both automatic and semi-automatic, types of SCG's new Series 400 Hydraumatic gearbox system, which is already in action in ZF's factory, which will eventually include a complete assembly of the gearbox. ZF has a new plan in the making of the ZF hydraulic automatic gearbox, which is to be assembled at the ZF-400 factory, which will eventually include a complete assembly of the gearbox. ZF has a new plan in the making of the ZF hydraulic automatic gearbox, which is to be assembled at the ZF-400 factory, which will eventually include a complete assembly of the gearbox.
Trade war to spread to SA

By SIMON WILLSON
Industrial Editor

SOUTH African industries should be prepared for the large-scale dumping of foreign products, Mr Wim Holts, chief executive of the South African Foreign Trade Organisation, warned yesterday.

There was little chance that South Africa would escape the accelerating world trade war, he told a conference on export strategy and financial policy in Sandton.

"In our negotiations, whether bilaterally or in the General Agreement on Tariffs and Trade, it is obvious that we need to change our thinking that foreign suppliers are invariably doing us a great favour in providing us with their machinery, capital goods and industrial raw materials."

South Africa might soon face a greater challenge from its major trading partners because of serious unemployment, non-performance by recipients of overoptimistic aid programmes and general disillusionment with the development potential of many major areas.

SA had escaped many of the economic disasters that had befalenn the world in the last decade in energy, in indebtedness, in extending unsound credit facilities and in plunging into bilateral agreements which consumed more time and paper than profits.

"However, there is little chance that we will escape the accelerating world trade war altogether in the years ahead.

"We cannot avoid the consequences of our GATT membership and the need to give substance to our intended accession to several of its codes."

Dumping of products which were refused entry to major Western markets should be expected. Such dumping could seriously damage the captive home market which exporters needed to support a launch into the foreign market place.

Without reasonable protection of the domestic market few, if any, exporters could recover their overheads to finance their export campaigns.

"If we can use our import needs to negotiate our export market requirements for the future, we will be doing precisely what led to the creation of GATT and what keeps it going under difficult international conditions."

Mr Holts said it was dangerous to expect SA's economic revival to be an automatic result of an export boom.

This view did not account for the need for the active and direct involvement of the public sector in formulating export-oriented policies.

Such an expectation also depended on the private sector's far more aggressive search for export sales to compensate for shrinking domestic market opportunities.

"At best, it can be said that exports are possibly a precondition for getting out of the recession and forcing the domestic market into a revival."

There were considerable forces which could prevent either an export lift-off or a subsequent domestic upturn.

"A major problem is still in the perception of the role of the exporter as a dependent businessman and a generator of new employment opportunities, management ideas and, above all, critically needed foreign exchange."

"Too often we still perceive him as just a man who does not want to put all his eggs into one basket, who wants his tax base reduced through offshore operations, who travels for the fun of it and is, in some ways, a traitor to the lofty principles of complete self-sufficiency and economic autarky."
Zac de Beer accuses signatories to GATT of cheating 21/7/83

Mercury Reporter

SIGNATORIES to the General Agreement on Tariffs and Trade (GATT) were accused of 'a great deal of cheating' by Dr Zac de Beer, executive director of Anglo American, at a dinner in Durban last night.

And he appealed to the Government to help the country’s manufacturers to receive the same sort of assistance their competitors in other countries are getting.

Dr De Beer told the Award Dinner of the Sunday Tribune/South African Foreign Trade Organisation that GATT, originally signed in 1947, had been put under very severe pressure during the current world recession.

'Not to put too fine a point on it, a great deal of cheating is going on as each nation tries to increase utilisation of capital plant which is running at some fraction of its potential capacity and tries to limit unemployment to some extent,' he said.

Developed

'In all this, South Africa’s position is rendered especially difficult because we are classified as a developed country, prevented by GATT from protecting our industries in the way that developing countries are permitted to do.

'In many ways we seem to be getting the worst of both worlds.'

Dr De Beer referred to the statement made recently by the chairman of Anglo American, Mr Gavin Kelly, who had said: 'South Africa has chosen this time to re-dedicate itself to GATT and free trade which is in every way commendable, save that no one else is doing it.'

Dr De Beer continued: 'I certainly don’t wish to advocate anything improper and I truly believe free trade is in everyone’s ultimate interests; but in the short term I would think that our Government has a good moral right to take reasonable action to see to it that our manufacturers receive the same sort of assistance their competitors in other countries are getting.'

He said fundamental factors concerning exports were that while the gold mining industry remains in reasonable health, we do have time; but it is in our highest national interests that we should use that time well in developing our other exports.

'We shall certainly come to depend on them in the not too distant future.'

Dr De Beer also referred to South Africa’s education system ‘and I mean education as opposed to training.

‘From all sides,’ he said, ‘we hear the complaint that it is exceedingly difficult to train the products of our education system, because of the low level of knowledge and understanding displayed by the average school-leaver, more particularly in mathematics and the sciences.

‘The situation is at its worst among our African people, but it is bad among the brown people and not only that satisfactory among the whites.

‘Those nations which achieve the greatest success in manufactured exports are in general precisely those which pay the greatest attention to the quality of school education and there is no higher priority for our country than that we should place ourselves in this category.

‘For a start it would be encouraging if our Government would firmly accept and implement the recommendations of the De Lange Commission.

‘Sadly, it appears for the moment that even the chairman of the B berd bond cannot produce the sort of progressive action from the Government that is required.’
After this year, US, Canada and Japan will be joining China and Europe in the list of countries where clothing made in China is not expected to be imported. The worldwide clothing industry is experiencing a shift towards more sustainable and ethical practices. The trend towards organic and recycled materials is becoming more popular, and consumers are demanding clothing that is not only fashionable but also environmentally friendly.

The Irish clothing industry is not immune to these changes. The domestic market is shrinking, and companies are looking to expand their sales abroad. The fashion industry in Ireland is a small but significant part of the overall economy, and companies are looking to the EU for new opportunities.

The Irish government is providing support to companies looking to export, offering grants and subsidies to help them enter new markets. The Irish Fashion Innovation Fund is also available to support the development of new products and processes.

In conclusion, the Irish clothing industry is facing a significant challenge, but there are opportunities for those who are willing to adapt and innovate. With the right strategies, Irish companies can continue to thrive and grow in the global fashion market.
Minister rejects farmers' call to drop protection

By PHILIP VAN DER MERWE

THE Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, refused to bow this week to strong pressure from Cape farmers to abolish protection of local industries.

He told them the best way to push up South Africa's exports was to reduce the country's high rate of inflation.

Dr de Villiers was speaking at the annual congress of the Western Cape Agricultural Union at a Sea Point hotel.

He replied firmly to at times bitter criticism of Government policy by angry delegates who said the protection of local industry was costing farmers dear, especially in regard to exports.

Some delegates claimed local industry protection was pushing up their production costs by as much as 12 percent and that certain items could be imported up to 45 percent more cheaply than they were made locally.

Dr de Villiers said if South Africa's inflation rate remained more than twice that of Europe and the United States then the country's exporters would continue to struggle to compete in those markets.

Government concessions to exporters to cover cost increases as a result of local industry protection were sufficient for them to make their export prices competitive.

The protection of local industries which created jobs was essential if South Africa was to avoid the dangers posed by widespread unemployment.

It was inconsistent for farmers to complain about protection of local industries when at the same time they were asking for protection against cheaper grain imports.

Dilemma

But their position served to illustrate the dilemma in which the Government found itself.

Farmers should realise they were being protected by the Government against imports of cheaper foodstuffs.

Although consumers could argue that they could import certain produce cheaper than they could buy them locally, it would not be in the country's long-term interests to allow them to do so at the cost of local producers.

Depression

By protecting local industries by means of selective tariffs on imported goods the Government was nevertheless allowing overseas goods to enter South Africa's market and compete subject to such tariffs.

When comparing prices people should remember that the West was going through a depression in which there was overproduction and a temporary dumping of goods cheaply on export markets.

Dr de Villiers also heard delegates blame decentralisation subsidies to industries, the cost of capital, unrealistic land prices and the slow decision-making of a centralised public service for harming the growth and profitability of agriculture.
IF POSITIVE and immediate action is not taken against imports, the fastener mining industry will be irretrievably damaged as it was in the UK and the US, Graham Pearson, chairman of the SA Fastener Manufacturers Association (SAFMA), told Industrial Week.

"It is feared that the Board of Trade and Industries cannot cope with the crisis in secondary industry," said Pearson.

"It would be far easier and more profitable for fastener manufacturers to close down their factories and import. I also believe that the Government is unaware of the desperate plight that secondary industry finds itself in. In fact, I get the distinct feeling that Government has abandoned us in their philosophy."

He said Government policy protected base industries, but secondary industry came in as the poor relation.

Hammered

Pearson noted that the fastener industry is being hammered by imports from all quarters of the world including Zimbabwe. He explained: "SAFMA is very concerned about importation. We have not had a meeting with the Board of Trade and Industries to try and block imports, but our representatives have met with concern, some positive action, but in the final analysis, a lack of success."

Ministerial level seems to be the last chance of recourse. Pearson believes that the fastener industry is not the only industry which is experiencing "import trauma."

He is of the opinion that the Board of Trade and Industries is understaffed in terms of coping effectively with the submissions for tariff protection.

He reflected sadly: "It was not so long ago that the Government was actively promoting the concept of buy locally for strategic necessity in the media."

By Priscilla Whyte

Graham Pearson, chairman of the SA Fastener Manufacturers Association . . . desperate plight.

He is convinced that the Government's policy of free enterprise may be very praiseworthy in theory, but that the country as a developing nation has very special problems related to unemployment, and therefore, the practical application of the theory is unattainable.

He said retrenchment of industrial workers was a relinquishing of strategic advantages that have taken years of blood, sweat and tears to build up.

Pearson is in a quandary: "Why is there an apparent Government reversal from supporting local industry to ignoring it?"

He confirmed that the fastener industry continues to be in a state of over-capacity and that the market place is "terribly aggressive."

"Prices are dropping lower and lower and with the lastisco steel price increases and Seifa's wage hikes, it is very doubtful if these inputs will be passed on to the end user. This will be a further blow to profitability."

He said it was a popular piece of rhetoric in business circles to shout "the boom will be exported, but the fastener industry has no chance of exporting profitably what with the price and quality of steel."

Quality

He feels that local steel is not of good enough quality for the fastener industry and in particular for the manufacture of high tension bolts.

Industrial Week is conducting a survey on the falsification of documentation of steel sold to the engineering industry for fabrication.

Other historical antecedents that led to the present strained conditions in the fastener industry was the disruption of the traditional distribution mode in the fastener industry and the simultaneous onset of the recession.

Break up

One of the leading manufacturers decided to break up their distribution network.

Their former distributors in turn sought alternative sources of supply and caused a complete change in the marketing philosophy of the fastener industry in South Africa.

Pearson said that the lot of the fastener industry was directly proportional to contracts awarded to the engineering and construction industries which have been severely hit by the downturn.

"I think we are at the bottom of a very flat-bottomed pit in the business cycle. If companies can make it through 1984 and break even then they will make it all the way, he said."
Clothing for export will create jobs, says Getz

SOUTH AFRICA vitally needs more labour-intensive export industries to provide jobs for the growing number of school-leavers, Mr Michael Getz, chairman of the Cape Clothing Manufacturers Association, said today.

He was speaking at a Safio seminar in Johannesburg.

He said that though the country had a serious unemployment problem it imported huge quantities of manufactured goods with a high labour content.

It was chronically short of capital. Yet its main exports — minerals and agricultural produce — were from capital-intensive industries in which technological advances were reducing the number of jobs available.

FOR EXPORT

He suggested the answer was to encourage the manufacture of clothing, footwear and textiles for export.

"These industries will provide more jobs, more quickly and at a lower capital cost than almost any other industrial employment."

In 1980 it was estimated that South Africa needed to create at least 1 000 jobs a day.

The cost of providing each job in a capital-intensive industry varied between R100 000 and R150 000.

Each job in agriculture cost R50 000, in the textile industry R30 000 and in the garment industry between R5 000 and R7 000.

"Advancing technology is substantially increasing the cost of each job provided. In some sectors of industry and in agriculture South Africa will not be adding any jobs at all in future."

67 PERCENT

Manufactured goods made up 67 percent of imports this year. Minerals made up 65 percent of exports and agricultural produce 15 percent.

"This scenario is played out in a country with serious under-employment and a vast unsatisfied appetite for capital."

Many planners now thought the critical component in economic development was moving away from dependence on natural resources towards the development of innate skills within a society.

"Our place in the international markets of tomorrow is related to the speed and scale with which we introduce significant numbers of our population to industrial life and to integrate them there."

"This must begin in labour-intensive industry."
Jobs and Intensive Exports

Call Made for SA to Promote

Business

By Sean Kennedy

17M

The Star, Thursday, August 4, 1993

Labour-intensive exports

Market growth, the key to

Productivity

With a high job

employment

opportunities

labor-intensive

exports are

now a key to
development.

In South Africa, where the manufacturing sector

needs a boost, the productivity of the
country will remain a critical

factor.

By Sean Kennedy
cash in on 'accidental' SA wine exporters to Europe from increased sales in the world.

The EEC encourages South African wine producers to increase their exports to the EEC. This is due to the fact that the EEC has a duty-free market for wine from outside the EEC. EEC countries, such as France, Belgium, and Denmark, have a high demand for South African wine.

Negotiations with the EEC will continue, and it is hoped that a deal can be reached within the next few months. In the meantime, wine sales to the EEC will continue to grow, and South African winemakers will benefit from this increased demand.
SA mineral exports in May up 41%

Mining Editor

THE value of South Africa’s mineral exports rose 41% to R1 118-million in May from R789-million in May 1982, according to provisional figures from the Minerals Bureau.

However, the value of mineral sales in South Africa dropped to R177 453 735 from R259 103 115 in May last year.

The major boost to exports came from gold and diamonds. Although the value of platinum exports must have risen sharply, the Minerals Bureau does not release this information.

Gold exports jumped 55% to R57 495 692 from last year’s R36 868 420.

Diamond exports more than doubled to 836 066 carats (previous May 406 970 carats), which earned R36 708 873 compared with R14 784 845 in May 1982.

Export earnings from silver rose to R5 699 461 from R4 766 606 in May last year.

Coal sales for the two months reflect the slump in international trade. Coal revenue dropped 20% to R244 758 from R309 879 710 last May. Coal exports fell to 914,620 tons from 2,122,768 tons.

The 20% revenue drop on a 10% drop in sales tonnages shows the effect of depressed coal markets.

After gold, coal brings in the greatest export earnings for the mining industry.

South Africa’s base-metal exports for May were mixed, reflecting the state of world markets. Copper exports revenue showed a gain of 74% to R16 676 066 from last May’s R9 784 985. Copper prices have picked up steadily on the London Metal Exchange since the start of 1983, showing the recovery in the Western world.

Tin export revenue was also well up at R5 378 673 from R1 923 423 in May last year. Tin prices this year have been supported by the International Tin Council which is withholding stocks from the market. Its members are operating on a 46% reduction in production.

South African tin companies are small producers in relation to the major suppliers. They are not members of the ITC and benefit by selling as much tin as they can at the higher prices.

Antimony exports have moved up in the last few months, according to main producer Consolidated Murchison.

However, Cons Murchison has stopped releasing sales volume and revenue statistics because of competition. Antimony revenue figures for this May are not given by the Minerals Bureau, but 219 tons of antimony worth R360 620 were exported in May 1982.

Chrome, lead, manganese ore and iron-ore export earnings are all down for May this year.

Chrome exports dropped to 37 032 tons worth R1 653 347 in May this year compared with 102 277 tons worth R3 848 211 in May 1982. Lead exports dropped to 7 624 tons from 13 139 tons and the lower sales volume knocked revenue to R2 493 750 from R4 606 870.

The international lead market is still depressed by large stockpiles.

Iron-ore export revenue fell to R12 725 753 from R18 682 983 and manganese export earnings were sharply down at R5 604 180 from R16 440 284 last May.
GM to go on importing vehicles—Wilking

GENERAL MOTORS will continue to import fully assembled vehicles that cannot be economically produced in South Africa as long as a market exists, the managing director, Mr Lou Wilking, said in a statement in Port Elizabeth today.

Yesterday the company received a shipment of 165 Isuzu panel vans and mini-buses from Japan.

He said the latest imports were vehicles of speciality interest which at this time could not be economically produced in South Africa.

Depending on market response, further units of this type, and the recently introduced Suzuki vehicles, would be introduced on a similar basis during the year.

The importation was a market-testing exercise and, if sales volumes were high enough, consideration would be given to setting up a costly local manufacturing programme. He said the importation did not affect the local content programme because commercial vehicles of this type were not included in the programme.

The major manufacturers have for some time been importing completely built vehicles. This position was likely to be repeated this year and would include 4,000 Daihatsu Charades, he said.
Extension of local content to heavy vehicles possible

By LOUIS BECKERLING

A TOP-LEVEL probe into the economic and strategic implications of extending enforced local content measures to manufacturers of heavy commercial vehicles and buses is nearing completion.

Currently SA manufacturers of passenger and light commercial vehicles are obliged to incorporate 66% by mass of locally-manufactured components in their vehicles. Now a Government report is being compiled with a view to extending local content measures to the heavy-duty market.

Naacam — the National Association of Automotive Component and Allied Manufacturers, the body representing the SA component industry — "hopes to finalise its report on the matter by Friday", director Mr Bill Hayward told the Evening Post today.

And Mr Hayward expressed the conviction that such a local content programme was feasible.

"If my information is correct manufacturers have already introduced a high level of local content in their products on a voluntary basis — perhaps as much as 60%.

"We believe this could be increased to 91% over a period of five years without causing any economic disruption in the industry."

Mr Hayward emphasised that his figures took into account not only the cab and chassis configurations which left the manufacturers' plants, but the entire commercial vehicle once the "platform" — be it a bus, tipper or flatbed — had been added to the chassis to customer's specifications.

Naacam — the National Association of Automobile Manufacturers of SA; the body representing manufacturers of heavy commercial vehicles submitted its report on the matter in February.

Naacam's full report due to be completed this week, follows a "first response" already triggered by an instruction on 31 December, 1982, to the Board of Trade and Industries (Bot) by the Minister of Industries, Commerce and Tourism. Dr Dewie de Villiers, to conduct the probe.

In its terms of reference, published in the Government Gazette No 8495 of that date, the Bot was directed to report upon and make such recommendations as it may consider necessary, in respect of:

- "The effect of the existing protective measures on various components for goods motor vehicles of mass exceeding 1 300kg and motor buses."

- "The level of local content that should be attained in order to establish a sound commercial vehicle manufacturing industry, having regard to the effect of any protection granted in this regard on users of the vehicles concerned and on the SA economy in general."

- "Measures to ensure this sound development having regard to the strategic importance of the existing diesel engine, gearbox, and driving axle industries and the Government's undertakings already given in this connection to certain manufacturers."

In a first response to the Bot investigation, Naacam outlined "the current and potential contribution component manufacturers can make to the SA economy via a local content programme and pointed out certain inconsistencies and distortions in the existing programme," said Mr Hayward today.

"We also raised the issues which we believed should be considered when evaluating both the worth and extension of such a programme.

"We have now completed a very extensive investigation. We would have liked more time but unfortunately could not get this after the Bot itself is under pressure to complete the final report and thus could not grant us the nine months we asked for.

Mr Hayward said the report for submission to the Bot was prepared in tandem with a wider review of the country's local content programme on the entire motor industry — including passenger cars and light commercial vehicles. This review is being conducted in association with Naamsa, and this report is expected "shortly."

"This broader investigation was authorised by the annual meeting of Naacam members in August and is designed to gauge the state of the local content programme now that we are about mid-way through Phase 5 of the programme (which calls upon manufacturers to incorporate 66% by mass of local content in finished passenger vehicles and light-commercial vehicles).

Once completed the Naacam and Naamsa reviews will be swapped with a view to arriving at a consensus on the controversial issue of what level of local content to enforce on local manufacturers.

The principle underlying the sensitive issue of the local content programme is what level of employment and capital investment in a strategic industry may be enforced — and yet remain compatible with the "freedom" implicit in an open economy and the fact that imports of fully-knocked down vehicles or components would be considerably cheaper though would create large-scale unemployment in the industry.
Farmers slam protection of local industry

BLOEMFONTEIN — The protection of local industries and superseding of imports was one of the main reasons for the weakened competitive position of agriculture.

This had emerged from the report of a working group of the South African Agricultural Union, according to the annual report of the Free State Agricultural Union, tabled at its annual congress in Bloemfontein today.

An in-depth study was necessary to establish exactly what effect import protection had on increased production costs of agricultural products.

Such a study had been undertaken by the University of Pretoria and the Council for Trade and Industry.

The Minister of Trade, Industry, and Tourism, Dr Dawie de Villiers, had undertaken to speed up the investigation, while the SAAU would press for finality — before the next planting season.

A subsidy for farmers in the Kaffer River Irrigation Scheme, similar to that which had been granted for the Riet River scheme, was requested.

While the authorities were sympathetic, they could not comply with the request, however. The Kaffer River scheme is an Irrigation Board scheme, whereas the Riet River scheme is one of 23 State water schemes to which the Government must give preference when financial aid is needed.

According to the Department of Environmental Affairs, the State apparently did not plan any new projects at present for the supply of irrigation water to the Free State.

Meanwhile, however, the Free State Agricultural Union was working with an organisation to provide additional water for Bloemfontein and its surrounding areas, including the Kaffer River scheme.

In response to a request for the OFSAU to comment on the services of the Weather Bureau, the executive had replied that the bureau should try to be more accurate in its weather forecasts.

From consultations with the relevant Cabinet Minister and his department, it had emerged that weather modification activities in the eastern Free State were being undertaken by the Weather Bureau on a limited scale.

If positive results were obtained, further research on a bigger scale would be done before weather modification was applied.

A district farmers' union in the area had contended that the bureau's activities had had a detrimental effect on the rainfall pattern in the region.

The establishment of an agricultural museum in Bloemfontein was also being investigated. — Sapa.
Selective import duties plan

Moves afoot on protection of industries

CAPE TOWN. — South Africa's industrialisation policy should be based on moderate and selective import duties against normal foreign competition combined with export promotion, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, said at the weekend.

He said the report of the committee of inquiry into the textile and clothing industries had been unanimous.

"The report deals with both the desirable form and the desirable level of protection. "In the matter of form the committee recommends that quantitative import control be abolished as soon as possible, but without unjustifiably disrupting any sector of the textile and clothing industries."

"The committee consequently proposes that manufacturers who consider their industries to be under threat submit properly reasoned applications for tariff amendments within a stated period."

The report says import duties should constitute the sole means of protecting industry — ad valorem duties taking care of normal competition and interim, as well as formula duties, attending to disruptive rivalry in the form of pricing below full costs.

Concerning the desirable level of protection, the committee said that, as a result of the application of quantitative import control and, to a minor extent, the fixing of formula duties on the basis of Western so-called normal prices, sectors of the local manufacturing industries had become over-protected.

This emphasised the need for a continuing revision of import tariffs.

The committee proposed that a section be added to the Board of Trade and Industries with the task of systematically revising the protection enjoyed by local industries.

It felt that in granting protection the authorities should take care not to over-protect capital intensive sectors producing raw materials or intermediate products employed by labour intensive industries downstream.

The committee also recommended that, in dealing with disruptive competition, the Board of Trade and Industries should move away from the idea that only Western European and North American full-cost prices represented normality.

To forestall disruptive competition more timely action than had been possible in the past should be taken and steps to ensure this should be made.

South African manufacturers had generally become too home-market oriented behind the protective walls of the past. They should be induced to become more export oriented.

This could be achieved by exposing them to greater foreign competition where necessary.
Textile men shift on import controls if tariffs are flexible

BY SIMON WILLSON
Industrial Editor

TEXTILE manufacturers accept that there is a need to move away from quantitative textile import controls, but only if tariff protection can be made sensitive and flexible.

The Textile Federation, which represents most South African textile manufacturers, has accepted most of the recommendations of the committee of inquiry into the textile and clothing industries, which reported on Monday.

The federation is drawing up a detailed reaction to the committee's findings, which it will submit to the Department of Industries, Commerce and Tourism.

The committee's main recommendation was that quantitative import controls be abolished as soon as possible, but without unjustifiably disrupting any sector of the textile and clothing industry.

Import duties, the committee said, should be the sole protection of domestic industry. Quantitative controls had led to certain sectors of the industry being overprotected.

Greater exposure to foreign competition would make the domestic textile industry more export-oriented.

"We appreciate that there are serious difficulties with having quantitative controls as fixed protection, and we accept that these controls have to be phased out," Mr. Stanley Shlagman, executive director of the Textile Federation, said yesterday.

"But the tariff protection which takes its place must be sufficiently reactive to make it responsive to world trends and an effective means of protection."

The federation represents more than 90 South African textile firms, which account for more than 55% of national apparel and furnishing yarns, fabrics and fibres.

The South African natural and synthetic textile market is worth about R1 400-million a year.

The federation welcomed the committee's recommendation that the relevant departments of the Board of Trade and Industry and Customs and Excise should be adequately staffed by competent personnel.

This would make the monitoring and intervention functions of these departments more efficient.

The committee proposed that the Board of Trade should have a special section added to it to revise systematically the protection afforded to local industries.

"We do not, however, fully accept the committee's definitions of 'normal' and 'disruptive' competition, and we still want to talk that over with the Minister," Mr. Shlagman said.
Leyland imports move ‘no threat to industry’

By LOUIS BECKERLING
Business Editor

THE decision by Leyland (SA) to cease local production of passenger cars and turn to imports from parent British Leyland in the UK instead appears to pose no substantial or immediate threat to the remaining local manufacturers.

This emerges from assurances given to the Evening Post today by the Leyland public relations manager, Mr Arne Pitlo, that the proposed imports would not include low-priced standard passenger cars, but would be confined to low-volume “speciality” cars at the upper end of the market.

Leyland’s decision, announced by the managing director, Mr D R Beck, in Cape Town yesterday, has come as little surprise to the rest of the industry.

Mr Beck said the decision would not affect local production by Leyland of trucks and buses and the manufacture, under licence, of the Renault 9 (at the rate of more than 1 000 per month).

For consumers the decision means that the ubiquitous “Mini” will disappear from South Africa’s roads, though Jaguar and Rover cars, which have been imported for some time, will continue to find their way to dealers on the same basis.

Mr Pitlo said that though the Maestro and Metro models provided the backbone of Leyland’s presence in the UK, only the MG variants would be imported into South Africa at premium prices.

This is evidently the understanding at Volkswagen (SA), where company spokesman, Mr Ronnie Krager, said today Leyland’s decision on imports would not mean much change to the South African vehicle market.

The General Motors managing director, Mr Lou Wilking, said he could not comment on Leyland’s decision. Should their move to import vehicles raise concerns that the current duty of 105% was insufficient then he wondered if the question had not arisen whether local content requirements had gone too far.
WINE WRANGLE

Peace plan turns sour

Independent winegrowers Association's seven-year struggle for increased quotas seemed close to success following the intervention of the Ministry of Agriculture. But unacceptable conditions imposed by the KKW may wreck the agreement.

The problem is KKW's insistence that the association should make a financial contribution to the distilling wine pool account.

The parties have been at loggerheads since 1976 when an amendment to the Wine and Spirit Control Act empowered KKW to regulate the tonnage of wine grapes independent producers could deliver to wholesale producing merchants. Repeated attempts by the association to obtain a natural growth inflator to their annual deliveries (pegged at 43,000 t for the past three years) have fallen on deaf ears.

But recently Minister of Agriculture Greyfing Wentzel, "sick and tired" of the lingering feud, suggested the parties should adopt a compromise formula whereby annual deliveries of wine grapes would be linked to the anticipated demand for good wine in the current crop year. Slide-rule calculations by independent growers suggested that this would mean a growth rate of about 5%.

This, allied to a new legislative provision for a system of set-offs, had all the appearances of a settlement of the acrimonious dispute between the 120-old independent growers (who are not estate wine producers or members of co-operative wine cellars) and KKW.

The amendment provides that deliveries in excess of a wholesale merchant's quota for a given year may be offset against the unused portion of his quota during the preceding year. Alternatively, the unused portion of quotas may be allocated to him during the two subsequent years. This will introduce an element of flexibility in the hitherto rigid system.

Now, according to the independent growers, KKW has jeopardised settlement by its insistence that members of the association should make a financial contribution of R21/t to the distilling wine pool. This is the procedure applied to the 7,000-old winegrowers who deliver grapes and/or wine to the country's 72 co-operative wine cellars.

This ranksle with non-aligned growers, whose entire production is converted to good wine — wine to be consumed as such. Wholesale producing merchants, however, deduct a nominal R3/t for that portion of their deliveries which, inevitably, is unsuitable for the manufacture of potable wine.

Under the present arrangement, wholesale merchants pay KKW for deliveries by independent growers and KKW then pays individual growers.

KKW's view is that if independent growers are to receive the benefit of growth in the good wine market, they should also make a contribution to the cost of bearing the distilling wine surplus while it persists. Independent growers see this as a penalty on efficiency. Neither are they impressed that they may get a portion of the R21/t impost back in the form of an apeterskot if KKW is able to dispose of the surplus.

By all accounts, KKW is anxious to come to terms with independent growers — within a week or two if possible — so that the "settlement agreement" can be enshrined in law before the end of the current session of Parliament. The understanding of independent growers is that the compromise suggested by the Minister is merely an offer, not a firm directive, that KKW is unlikely to submit to it without insisting on the distilling wine contribution.

Independent winegrowers say a compromise suggestion has been put forward whereby wholesale producing merchants who buy the production of freelance producers should pay the distilling wine contribution. This suggestion, they say, is cynical because it would kill but halve wine grape purchases by the trade.

The 1983 wine crop, the biggest ever at 1,5 Mt, and one of exceptional quality, has left a bitter taste for independent growers. Because of the 43,000 t limit on their deliveries to the trade, and the exceptional yields experienced, they were left with 10,000 t of prime quality grapes which could not be purchased by merchants for conversion to good wine. If it was delivered as distilling wine their plight was aggravated by the fact that 6,815 t of good wine grapes produced on farms belonging to wholesale merchants are included in the 43,000 t quota.

In effect, actual purchases by the trade from freelance growers amounted to only 34,000 t.

At the independent growers' agm in Stellenbosch this week, chairman Gert van der Merwe asked what had happened to Prime Minister P W Botha's Carlton and Good Hope pledges of dedication to the free market system. What, indeed?

FOOD

Backdoor imports

Food for drought relief sent to neighbouring countries by international organisations is finding its way into SA instead, and undercutting local industry in the process. So says a spokesman for the SA Agricultural Union (SAAU). The actual means of
Local cheeses ... facing illegal imports

importation are not known, he says, but it is being helped by free trade agreements between SA and her neighbours.

The SAAU has formed a committee to investigate illegal imports which are also arriving from other sources. Represented on the committee are control boards, organised agriculture and the departments of Agriculture and Industries and Commerce and Tourism.

Says chairman Fanie van Rensburg: "Many processed and unprocessed agricultural products, including skim milk powder, dry peas and beans and meat are involved. They are illegally brought into the country without proper identification and even under false identity and pretences."

Other illegal imports are falsely identified as goods which do not need import permits. For example, skim milk powder is brought in as an ice cream mix, simply because it contains 5% stabiliser.

Quantities are unknown, but the Dairy Board (DB) estimates that 6 000 t of skim milk powder has entered SA in the last 18 months (Business, April 15). Most of the goods come from EEC countries, although Australia, New Zealand, the US, the homelands and SA's neighbours are also blamed.

An SAAU spokesman says: "We are not against imports that are needed in SA to fill seasonal gaps. But we are sensitive about dumping."

The working group has recommended that the problem should be discussed with SA's trading partners; that control boards' powers over agricultural products and by-products be increased; that imported products be better identified and that quantitative import controls play a bigger role. The group has criticised the Department of Finance's customs and excise directorate for not keeping agriculture up to date on these imports.

But a department source explains that not all import consignments are regularly inspected because this would cause a tremendous hold-up at the docks.

But he warns: "We can trace a delivery after it has reached the country, and take legal action against the importer."

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GRINAKER HOLDINGS LIMITED

"Grinaker"

(Incorporated in the Republic of South Africa)

PROPOSED ORDINARY SHARE SUB-DIVISION

In order to improve the marketability of the ordinary shares, the directors of Grinaker have resolved to proceed with an ordinary share sub-division. Subject to the necessary approval of shareholders, the directors of Grinaker propose that each ordinary share in the capital of Grinaker should be sub-divided from one ordinary share having a nominal value of 50 cents into five ordinary shares having a nominal value of 10 cents each.

A circular setting out details of the proposed sub-division and a notice convening a general meeting for the purpose of considering and if deemed fit, passing the resolution to give effect thereto, will be posted to shareholders on or about 14 September 1983. It is expected that the sub-division will become effective on or about 1 November 1983.

A further announcement in regard to the implementation of the sub-division will be published at the appropriate time.

Johannesburg,
2 September 1983

Directors: O W Grinker (Chairman) A N Sauler (Vice-Chairman & Chief Exec) J A D Sheenwood (Deputy Chairman) O Borreson, W de Villiers, E Goldsmith, R J Hamilton, B E Haasoo, R R Johnson, P J Laat, Chas S Manell, J C Robertson, D Royston, E J Sadie.

All Directors: M J D Steyn E D W Vela.
Motor exports on cards for E Cape makers?

THE Eastern Cape's motor industry appears to be paying increasing attention to the prospects of diversifying into the export market. This emerged during investigations prompted by yesterday's comment on steel prices by the newly-elected Mayor of Port Elizabeth, Mr Ivan Krige.

Addressing delegates to a Midland Chamber of Industries symposium titled Planning for Regional Industrial Growth, Mr Krige remarked that a member of a recent Board of Trade delegation to Port Elizabeth had expressed sympathy for the argument that local industry is disadvantaged by the costs of raising steel from the Reef.

"He said the board would in all probability look sympathetically at requests that our requirements of steel either be sold to our steel users by Iscor at ruling world prices, or for them to be allowed, whenever they wish, to import their raw steel requirements without penalties or other hindrances."

Mr Krige revealed afterwards that the Board of Trade members had referred to was "an old friend". Mr Herbert Mabin, former director of Assocom (Mr Krige was once administrative secretary of Assocom).

"I suggested to him that local steel-users be subsidised in some way to compensate for the high costs of erecting steel in the Reef, and then returning it in the form of finished goods."

"He said we should make a formal approach along these lines and the board would be most sympathetic."

Mr Krige said no such formal approach had been made, and he was somewhat disappointed by the reaction of Iscor (the Greater Algoa Bay Development Committee), which had not shown much enthusiasm for the proposal.

Motor industry spokesman confirmed that the question of steel prices and possible subsidies to compensate for the locational disadvantages were under discussion — but the programme would probably be confined to products due for re-export.

One spokesman said this was under investigation and proposals were in the process of being formulated.

"This sort of thing naturally does not come together overnight," he warned.

Repeated efforts to contact either Dr Basie Klei (chairman of the Board of Trade) or Mr Mabin failed. However, evidence suggests that if the proposals are submitted to the Board, a hefty subsidy would be required to reduce the landed cost of improved surface-finished (ISF) steel employed by the motor industry for pressing into vehicle components.

Cost to local industry — taking into account the rail age — is around R336 a ton. Which contrasts with the R79-a-ton domestic price charged in Germany. Once shipping costs are added, effective landed cost of importing a ton of steel from Europe or Japan would be in the vicinity of R630 a ton, some 25% lower than the ruling Iscor price.

Motor industry sources said they understood the Board's sympathy with the view that local motor industry should buy its steel at this price extended only to the re-export market.

There is nonetheless consensus that whatever maximum subsidy or concession is applied for in respect of export products, local industry should be insulated against the costs of erecting steel for use in the domestic market.

Motor industry men have commented in the past that the steel price should be effectively "equalised" throughout the country. Another alternative is that each car produced in the Eastern Cape costs upwards of R300 more than the comparable products produced on the Reef. This difference provides Reef manufacturers with an edge which is contributing to the steady erosion of market share by Eastern Cape vehicle manufacturers.

In his address to the chamber's seminar, Mr Spencer Sterling, managing director of Sigma, admitted that decisions on the location of automotive manufacturing and assembly facilities in South Africa were becoming increasingly complex.

Sigma's decision to transfer assembly of medium trucks from Pretoria to Port Elizabeth was in effect an extension of a rationalisation process based on two important criteria.

- "An assembly facility dedicated to heavy trucks already existed in Port Elizabeth.
- "The new assembly plant in Sigma Park was designed specifically for cars and light commercial vehicles and the imposition of medium trucks would have required substantial incremental expenditure to eliminate facility limitation and would have created substantial incremental complexity in the plant."

Mr Sterling warned, however, that the decision which relocated assembly of medium trucks to Port Elizabeth was "not irrevocable".
No manufacturing recovery yet, says Seifisa

By BRENDA RYAN

The Steel and Engineering Industries Federation of South Africa (Seifisa) sees no general turning point in the fortunes of its manufacturing sectors before the first quarter of 1984 at the earliest.

Director Mr. Sam van Coller comments in Seifisa’s survey of business conditions for the second quarter of 1983 that recessionary conditions remain firmly entrenched in the majority of sectors in the metal and engineering industries.

He says, however, there has been some bottoming out in the basic iron and steel industries.

“Major deterrents to any near-term stabilising of activities are seen as the continuing high rate of inflation, together with recent substantial increases in raw materials, energy and transport costs. These constraints are impacting adversely on export performance and are seriously eroding the competitiveness of Seifisa’s manufacturing sectors,” he comments.

The Seifisa quarterly survey confirms that new order intakes and order inquiries continued at depressed levels, underscoring the still severe downward phase in the overall economy.

“In particular, the machine tool industry is currently experiencing the most severe depression in its history,” the survey points out.

“The trend in employment in a number of Seifisa sectors also continued downward and some 72% of respondents advised production activity as slack, with an increasing tendency toward shorter working hours in the foundry industry, metal fabricating and most sectors of the non-electrical machinery industry.”

Turning to exports, the survey says the recovery of the US economy and some improvement in the European Community are helping to maintain physical volumes of exports, but at generally lower prices.

“Exports of steel and steel products showed some slight improvement over the poor first quarter of 1983 and South African steel producers, given a sustaining of the American recovery, now anticipate that 1984 will prove a better year for export markets with higher prices and improved volumes.”

“The export-intensive ferro-alloy industry continues to report unsatisfactory production levels and must look to some real upturn in steel production worldwide to achieve profitable levels of utilisation in its sophisticated plants for the production of ferrochromium and silicon manganese alloys,” the report comments.

Mr. Van Coller says activity in the mechanical and structural engineering sectors continued to decline during the second quarter.

“Tendering became even more competitive and the situation was made worse by overseas competitors continuing to bid for work at low prices, plus the offer of attractive financial packages.”

“Capacity levels remain at some 30% below normal production levels, with no turnaround seen until the first quarter of 1984.”

“Continued deferral of capital spending in the mining and energy-generating sectors, and in industry generally, is deepening recessionary conditions in the heavier sectors of engineering.”

“In particular, the transport equipment sector is suffering from further cutbacks by the South African Railways for the supply of locomotives and goods wagons.”

“The shipbuilding industry reported a further drop in activity and the continuing absence of orders in the medium to long-term and increasing competition from overseas yards remain matters of major concern.”
Local content, free enterprise in conflict — Wilking

Mr Lou Wilking, managing director of Port Elizabeth-based General Motors, addressed students at Grahamstown last week to mark the 25th anniversary of the commerce students’ organisation Aieseec.

As Mr Wilking’s speech included a detailed statement on GM’s attitude towards local content and vehicle imports the EVENING POST has republished the relevant extract in the interests of the on-going debate on these controversial issues.

Imports mean more employment for landing and clearing operations at the port of entry and the units are still subject to the same sales, parts, service and maintenance requirements and therefore do not replace employment in the support areas.

In fact they add employment if the vehicles are specialty types not replacing locally-produced vehicles. Again, not all vehicles are under local-content rules.

There is an offset also when talking about foreign exchange.

On the other hand, I do see a very real customs gain of approximately R2 400 or R5 200 for each passenger vehicle that comes in.

So the slight employment loss on the one hand is more than offset by the customs gain on the other. The only question goes to show that the cost base of local manufacture, as I have said before, is high.

For example, if we take the R400 to R600 million penalty in the industry and utilise it to build the desperately needed housing.

And wouldn’t that provide more jobs and at a far reduced cost to the economy? The skills required in house-building would be more than the skills available.

The question on importing completely built up vehicle imports there are some simple rules:

1. There must be permit availability.
2. Payment of 100% excise duty plus 5% surcharge (if the vehicle is in the local-content rule not all are).

Approval by the exporting country that the vehicle may be sold in South Africa.

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That in our case we are bringing in specialised units andS瑕疵 and we are doing this to test the market before investing in expensive local manufacture.

However, there are other valid reasons for imports:

- High-luxury vehicles not locally available.
- Sports cars.
- Specialty vehicles (such as Land Cruisers, Range Rovers).
- Samples for development of local manufacture.
- Volumes may be too low for local tooling.
- Marketing testing.

Imports translated into manhours means we lose more or less 100 hours worth of local labour per unit if a local unit is replaced. Therefore, every 20 vehicles brought in could mean the loss of approximately one job.

I think that you will continue to see the arrival of imported vehicles, but primarily of a specialty nature and/or cheap Japanese-type vehicles.

Finally, the big question is: if our costs are out of line, are we stifling the market? Just think about this. If our South African-produced vehicles are 20% higher costwise — or turn it around the other way, if we did not have a high local content programme... if all vehicle prices, in other words, were reduced by 20%, would the market do up?

In 1981 the car market sold a total of 453 500 units. If the price across the board was 20% less, how many more vehicles would we have sold — 500 000, 525 000? If, instead of selling 500 000 we sold 500 000 from a diminished local content base, how many more jobs would we have created in the question.

Certainly it would have stimulated the economy at the retail level, service stations and the remaining manufacturing industry.

Now, if you want to take it to the nth degree, and we go, say, for 95% local content, not only will you price yourself out of the market, but you will still have the same model and shape vehicles as you have today in the year 2000 — as is the case in a number of South American countries.

You would not sell the total vehicle market of 450 000 we sold in 1981, you would probably sell 250 000.

So I guess what I am saying is, there is a balance.

I think we have got beyond the productive balance in South Africa and that is why you are seeing some imports.

Profile of SA's motor industry

DURING his address to the Aieseec anniversary dinner in Grahamstown last week, Mr Wilking provided the following pen-picture of the South African motor industry.

- There are 47 500 people of all population groups employed in the manufacture of passenger, light and heavy commercial vehicles in South Africa.
- Component suppliers employ over 100 000 people and further down the line there are, in addition, suppliers of raw materials such as steel and textiles from a variety of sources.
- Some 2 300 vehicle and parts retail outlets probably provide jobs for 125 000 to 150 000 people.
- Annual retail sales value of all new vehicles sold is R4 000 million, which represents between 6.5% and 7.5% of gross national product.
- General Motors forecast the sale of 483 500 vehicles this year and 42 000 in 1984.
- Sixteen different manufacturers' products made in South Africa sell a total of passenger units which is equivalent to a single US or Japanese plant's output.
R3-m contract for Hendler in Hong Kong

A SOUTH African company is cladding the walls of the Hong Kong underground railway system with the vitreous enamel panels it produces.

The contract, worth about R3-million, was awarded to Hendler and Hendler in the face of stiff competition from British and continental companies.

Mr Boris Yawitch, managing director, said the company had also been awarded a contract to supply Hong Kong's university with writing board systems and projection screens.

He had visited Hong Kong in 1979 and made contacts in the building industry there. His company established a subsidiary sales office in Hong Kong and was awarded a contract to work on the second and third phases of Hong Kong's mass transit system underground.

EIGHT STATIONS

So far the company had completed work on eight stations and was about to begin work on four more.

The company produced vitreous enamel panels, used on stoves and fridges, which had a permanent finish against abrasion and corrosion. These panels were being used to clad the walls, from floor to ceiling, on platform concourses of the underground.

The underground stations were colour-coded to aid illiterate people, which meant the company was producing the panels in a wide variety of shades.
SA could get tractors from the Iron Curtain

Pretoria Bureau

Tractors from behind the Iron Curtain might soon be marketed in South Africa.

A spokesman for the giant North-Western Co-op said yesterday in Lichtenburg that it was investigating the possibility of importing the Rumanian Brasov tractor originally built under licence from Fiat.

Almost indistinguishable from the Fiat product, the Rumanian tractor might be sufficiently cheaper than other tractors on the South African market.

Engineers from North-West Co-op and another large co-operative based in Klerksdorp had twice visited the Brasov works, the spokesman said.

There had also been negotiations with the Atlantis (Cape) diesel engine factory. Duty on tractors with imported engines was prohibitively high.

There had been talks on bartering South African maize for the tractors. Should the next maize crop produce another large export surplus, a long-term tractor agreement could well be in the offing.
Iscor set to join steel free trade faction

By SIMON WILLSON
Industrial Editor

ISCOR will take its place next week as a key member of the international steel community in Europe after the defence of free trade in steel by the South African Vice State President earlier this month.

An anti-protectionist speech in the US by Mr Alwyn Schlebusch has ensured that senior Iscor executives at next week's international steel conference in Austria will be foremost among the free-trade faction.

Iscor's managing director, Mr Floors Kotze, and the corporation's divisional general manager (marketing), Mr Nois Olivier, leave for Vienna today to attend the annual conference of the International Iron and Steel Institute.

After Mr Schlebusch's criticism of the unnecessary imposition of countervailing duties on steel imports by the US, Mr Kotze and Mr Olivier are now at the forefront of the steel community's opposition to barriers in the steel trade.

"We certainly support what Mr Schlebusch said in his speech, and we think he did a wonderful job for us in America," Mr Olivier said.

"It's time someone tried to impress on the US authorities that we should live and let live in the international steel business."

Mr Schlebusch spoke with Iscor's backing and used the corporation's statistics in support of his arguments.

Although the Vice State President's remarks were mainly directed at South African steel exports to the US, they articulated much of what other steel producers feel about countervailing duties slapped unilaterally on selected steel imports by the US in recent years.

The American duties were primarily designed to shut out steel exports from the European Economic Community (EEC) which, the US claimed, were heavily subsidised by EEC governments and were therefore "dumped" in the already contracting US steel market.

But the trigger prices for the countervailing duties defined by customs authorities were at levels which included some Iscor exports to the US.

Mr Olivier had to travel to Washington in August last year to try to have Iscor exports exempted from the duties.

"We enjoy certain subsidies from the South African Government, and I had to explain the position to the Americans. We won the case and no countervailing duties were imposed on our exports," Mr Olivier said.

"So now there are no barriers impeding the entry of Iscor products into the US and we are free to export any products we can market there.

"But we deserve this status. We maintain market-related prices, we conduct our US marketing in an orderly way and we keep our noises clean."

Despite South Africa's exemption from countervailing duties on steel imports, American authorities sent inspectors every year to check on Iscor's Government subsidies, Mr Olivier said.

Iscor exports about 230,000 tons of iron and steel products, worth about R22m, to the US every year.

The case made for Iscor by Mr Schlebusch was that the corporation's exports to America formed such an insignificant proportion of total US steel imports that they could not possibly harm US industry.
Tucsa tackles cheap imports

PORT ELIZABETH—Several dramatic measures to combat the widespread unemployment were proposed yesterday at Tucsa's annual congress.

Among the resolutions unanimously passed were:

- A call on authorities to curb the importing of cheap foreign goods and to promote local products.
- The launch of a massive programme to promote rural development.
- A call for a plan by the Government, business and labour to generate new employment opportunities in underdeveloped areas.
- An appeal to the Government to ensure State tenders are awarded to South African-based firms to provide job opportunities for local workers.
- An increase in contributions to unemployment insurance funds to increase aid to claimants.

Mr Freddie Sauls, of the Transvaal Leather and Allied Workers Union, highlighted the damaging effects of the importing of low-priced foreign goods. A number of factories had been closed down and thousands of people had lost their jobs because local firms could not compete with imports.

During the recession the number of imported goods had reached a record high in the leather industry, he said, and had been allowed to flood the country to the detriment of South African workers.

Delegates were also told of a similar situation in the motor industry, and a call was made to all Tucsa affiliates to "buy South African".

On the issue of job creation, the conference made it clear that they were opposed to the concept of employment transfer as is sometimes evident in the mushrooming border industries.

A clearcut and enforceable policy was necessary to protect minimum wages and employment conditions in areas earmarked for industrial expansion and development.

The conference also urged the Minister of Health and Welfare to review the determination of medical tariffs, because medical care was rapidly being priced out of the reach of the ordinary worker.

The subject of maternity leave also received majority support from delegates who have called on the Minister of Manpower to review legislation and safeguard the rights of women who take confinement leave.

Up until now, unions with female membership have had to negotiate for maternity rights to ensure their members did not lose their jobs or accumulated benefits as a result of taking leave.

Virtually all conflict in South Africa in recent years was a consequence of Government intervention, the executive director of the Free Market Foundation, Mr Leon Louw, said yesterday.

The free market was a precondition for solving South Africa's problems.

If such things as influx, housing, racial integration, labour and resettlement were free of Government interference, they would probably be conflict-free as well.
Delegates urged to call for cut in imports

By CLAIRE PICKARD-CAMBRIDGE

DELEGATES to the Trade Union Council of South Africa (Tucsa) conference in Port Elizabeth were yesterday encouraged to buy South African products and to call for the prevention of massive domestic unemployment and the destruction of the industrial base through excessive importing.

Mr S Schlagman, executive director of the Textile Federation, said a degree of "benign" Government intervention was necessary to stimulate industrial growth and the creation and retention of jobs.

He said trade unionists should be critical of calls for an unfettered play of the free market because this often led to a progressive decline of industry and jobs, devastated by excessive and needless imports.

"We have about one million unemployed right now and we also have to provide additional job opportunities for some 500 000 each year," he said.

"Jobs make consumers and consumers make jobs and all our energies, skills and wits should be concentrated on what needs to be a project of prime national importance."

Jobs could not be created through imports, which displaced local production. Imports were an essential aspect of our international trading situation, but they should be limited to items assisting production or products that were inadequately supplied, he said.

Another delegate, Mr F L Swartz, of the Transvaal Leather and Allied Trades Industrial Union, said employment for thousands of leather workers had been jeopardised and many factories had been closed due to increasing imports of cheap leather goods from the Far East.

He said imports of cheap leather goods had reached an all-time high.

Many classes of goods were being imported when no scarcity existed and the leather industry found it hard to compete because its raw materials were overpriced due to a virtual monopoly on supply, he said.

Mr L C M Scheepers, general secretary of the Transvaal Leather and Allied Workers Union, said between eight and 10 leather factories in Johannesburg had become importers and 1 000 workers had lost their jobs.

Some manufacturing leather travelling goods had closed down when 1 000 000 handbags were imported in the same period.

He claimed that up to 800 jobs could have been created to manufacture the number of shoes imported over the past two years.

Textile, garment and motor industries had also been adversely affected by imports and he suggested the four industries approach the Government about the issue.

Mr D Kvedo, of the Port Elizabeth branch of the Engineering Industry Workers Union, said fully assembled cars were being imported in the Eastern Cape, an area with the highest unemployment rate in the country.

He called for a 200% increase in import duty on cars, saying motor component industries had also been adversely affected at the expense of workers.

Tucsa delegates unanimously resolved that their incoming national executive committee make strong representations to the authorities to alleviate the hardships caused by the importation of large quantities of goods.
Among those attending the ninth annual Evening Post Export Award dinner in Port Elizabeth this week were (from the left) Mr. Solly Rubin, president of the Port Elizabeth Chamber of Commerce; Mr. Ivan Krieger, Port Elizabeth’s Mayor; Mr. Neville Cohen, director (manufacturing), of Ford (SA) Pty Ltd; Mr. Monwabisi Maka, president of the Eastern Cape African Chamber of Commerce; and guest-speaker Dr. Piet Kieser, general manager of Safilo.

**Go for export, urges Kieser**

PORT ELIZABETH industrialists were this week urged to give top priority to producing products which could compete in price on international markets.

"If it means taking a capital-intensive route rather than a labour-intensive one, then so be it,‖ said Dr. Piet Kieser, guest speaker at the Evening Post Annual Export Award Dinner.

Dr. Kieser, a general manager of Safilo, argued forcefully against conventional wisdom that employment must take priority over profits.

"South Africa’s economy,‖ he said, "is in for a period of severe strains. There is a need to look inwards, to develop our own, for there is little scope for expanding our foreign trade."

Hard on the heels of Dr. Kieser’s speech came an analysis of South Africa’s foreign trade structure, released by Barclays Bank.

The analysis underlines Dr. Kieser’s proposition that the country’s foreign trade (in terms of exports plus imports), amounted to no more than 35.3% of Gross Domestic Product last year.

Over the past six years, the annual average works out at 34.5%.

Dr. Kieser points out that the relative importance of imports has risen, while that of exports has declined, as exports in the longer run has been faster than imports, probably mainly because of the higher level to which the gold price moved subsequent to 1979.

"This means that we have been able to fund our import requirements by way of exports, despite our high and rising import propensity and the prevailing situation in the world where almost every country is intent on pushing up its imports as far as possible,‖ he said.

Looking ahead, the bank says South Africa is likely to continue to face with a high propensity to import.

"In the first place, the South African economy is still developing and hence we shall have to continue to import capital goods from

Addressing the guests attending the Evening Post Export award dinner this week, is Dr. Piet Kieser, general manager of Safilo. Others in the picture are (from the left) Mr. Urbain Hougaard, chairman of the Port Elizabeth Afrikaanse Sakekamer and Mr. Don McKinnon, management committee member of the Midland Chamber of Industries.

Afrocanada manufacturers with the economies of scale to enable them to compete effectively in this area with other large manufacturers in the industrial-adv.

In addition, our manufacturers are not only technologically behind those in the advanced economies overseas, but they also have to contend with a relativel high cost structure.

The bank argues that under the circumstances a necessary precondition for becoming a large-scale exporter of industrial products would be to first develop a large domestic market for such goods.
Govt clamp on Scotch urged

CAPE TOWN, — Competing interests in the wine and spirits wholesale trade have taken the uncommon step of banding together to ask the Government to impose price-related controls on the import of Scotch.

In a joint submission to the Board of Trade and Industries, the Cape Wine and Spirit Institute, representing the major wholesale producing merchants and the South African Wine and Spirits Importers' Association (Winespin), have called for the introduction of an impost similar to the EEC's system of reference prices as a deterrent against dumping.

The Board of Trade was instructed by Dr Dawie de Villiers, the Industries Minister, in March to investigate complaints of unfair competition from keenly priced imports of largely non-proprietary brands of Scotch. Many of these retailed in recent price wars at levels on or below the price of SA-produced brandies.

Under normal trading conditions, Cape brandy is about 25% cheaper than most brands of Scotch. EEC governments responded sharply to the announcement of the investigation and warned against steps to raise barriers against EEC wine and spirits exports.

They said the matter should not be viewed in isolation from the overall trading interests of South Africa and Europe.

A report is not expected until early next year. The Board of Trade is unlikely to take a favourable view of the joint submission of the two wholesale organisations. Although their members compete they also have interlocking interests. Most are both major importers and wholesale producing merchants.
Hoechst seeks a tariff increase

By PRISCILLA Whyte

DISRUPTIVE competition from imports has forced Hoechst SA to seek an increase in tariffs on intermediate products used to make fabric softeners, says the executive director, Mr. J. Hof. "By disruptive prices I mean imports are coming in at freight on board values below the current domestic value in the countries of origin." He claims the imports are originating in Sweden, other parts of Europe and the US. "The major users of our intermediate products are paying less than their parent companies do overseas."

Competitors of Hoechst have also found the impact of imports troublesome. The company is not angling for a monopolistic situation. One competitor applied for protection, but has since withdrawn from the market.

If Hoechst does not get support from the Government in increased duties, Mr Hof believes expansion of secondary industry will be in jeopardy.

"Building a chemical plant in SA means an investment of 33% more of an investor's capital than a comparable plant in Europe or the US."

Hoechst has asked for an increase in duty from 10% to 20% ad valorem on quaternary ammonium salts of the dialkyl dimethyl amonium chloride group classifiable under tariff subheading 28.12.10.10 or 2161 a kg less 80% ad valorem.

The formula duty price reference (2161) is a new specification, which Hoechst would like introduced, "because it is difficult to prove disruptive competition to the satisfaction of the Board of Trade and Industries in particular cases, but the formula price reference effectively blocks such imports".

He believes the present Customs and Excise tariff sub-heading on this subject is not sufficiently precise.

Retail sales growth slows

By HAROLD FRIDJHON

THE growth in retail sales appears to be slowing and may be approaching a turning point, according to figures of expected sales issued by the Central Statistical Services.

On a seasonally adjusted basis turnover at current prices is expected to rise by 1.1% in the three months to October 1983 compared with the same period of last year. Total sales for the three months are estimated at R5.2bn this year.

At constant 1975 prices the increase is only 1.4%.

Welding electrode cost slashed

Financial Reporter

A SOUTH African-developed E3CR12 welding electrode holds considerable export potential, says Afrox.

The electrode is the result of two years' development work by Afrox and the Department of Metallurgy at the University of Witwatersrand at the instigation of Southern Cross Steel.

The alloy 3CR12 was developed by Middelburg Steel, part of the Southern Cross Group. The alloy offers considerably more resistance to corrosion than does mild steel, but at a lower price.

The product offers savings of between 30% and 40%. Stainless-steel electrodes cost between R6 and R7 a kg, but E3CR12 costs about R4 a kg.
COLOMBO — Trade between Sri Lanka and South Africa has continued uninterupted for decades. Both in import and export, both the State and private sectors are engaged in commercial activity.

Traditionally, South Africa has been a big buyer of Lankan tea, reaching an import figure of R7.8 million, besides the import of natural rubber, coconut and agricultural products, the Trade Ministry in Colombo recently announced.

Taiwan, another country that Sri Lanka politically continues to deny existence, was allowed to trade with Lankan and trade between Taipei and Colombo is confined to the private sector only.

For years, there was no trade link between the two countries because Sri Lanka continued to recognize politically only mainland (communist) China and although China frowned on Colombo’s trading links with Taiwan, as some countries do about such links with South Africa, Sri Lanka continues, not only expanding trade connections, but is now working on linking the countries by its national carrier, Air Lanka.

Taiwan has acquired quite a name in imports to Sri Lanka following the great liberalisation of imports by the ruling right-wing United National Party Government in 1977 which led to the creation of what is popularly called the “open market economy”.

Ready-made garments, the quality of which has worried United States markets but which now enjoy better quotas both from the United States and the EEC, are likely to find new markets in South Africa soon, according to top trade sources in Colombo.

The South African market for Lankan products is varied.

In the last two years Colombo has been exporting to Pretoria desiccated coconut (value R2.2 million), cashew nuts (R400 000), tea in packets (R302 000), chemical products (R257 000), natural crepe rubber (R466 666), natural latex rubber (R7 11 000), scrape crepe rubber (R1 46 000), natural sheet rubber (R48 000) and industrial products which reached a new high of value to R10.8 million.

In 1982 Sri Lankan exports to South Africa total R14.8 million, but imports from South Africa goods valued at R29.4 million. In 1981 South Africa sold goods to Sri Lanka valued at R17.2 million and bought from Sri Lankan goods worth R13.8 million.
Builders ready to import material if SA can't cope

Own Correspondent

PORT ELIZABETH. — The president of the Building Industries Federation of SA, Mr P O Morris, has warned that the industry will import cement and bricks if manufacturers are unable to supply them.

He told Bifsas annual congress in Port Elizabeth that overseas firms had been approached and the Government had agreed that materials in short supply could be imported. By the end of next year there would be the busiest period of building SA had ever had.

Bifsas had done everything possible to recruit and train an adequate work force to meet the boom, but he doubted that manufacturers of products such as cement and bricks had taken similar steps.

"Bifsas would be failing in its responsibility if it did not investigate the possibility of importing."

There was an urgent need to speed up the supply of housing, but less was spent on this sector than in most comparable countries.

Bifsas found that the boldest and surest means of reducing costs would be:

● To plan, organise and execute low-cost housing projects on a grand scale which, in the case of Mitchells Plain, produced economies of scale cost reduction of about 50%.

● To reduce the cost of development drastically by the implementation of radically new administrative and application procedures, the lowering or elimination of certain services — such as street lighting, pavements and wide roads — which, it was estimated, would save up to 50% in the selling price of an erf.

● To encourage and allow, subject to proper planning and control, non-conventional housing, building methods and material.

● To identify overall responsibility for housing procurement, including efficient and effective business leadership, with housing the responsibility of one dynamic Government department.
Exports need a fiscal stick

By SIMON WILLSON
Industrial Editor

HARSHER Government policies of financial restraint may be needed to force the private sector to export more.

The South African Foreign Trade Organisation (Safto) comes to this conclusion in its latest annual report.

Dr P K Hoogendyk, chairman, says there is an unfortunate ‘stop-go’ attitude to exports.

"Normally, recessionary conditions in the country create among management a more acute awareness of the need to export in order to offset flagging home sales. During the past financial year there was, however, a greater time lag before management responded to the domestic downturn by selecting the export option."

There are companies in the primary sector that export under all conditions, and some with incentives, but there are also companies which need massive motivation, logistic support and back-up.

It has never been so clear that only an intensive export promotion drive, embracing the whole of the private sector, will be able to match the performance of overseas competitors.

"There is no way in which SA can successfully develop an industrial export programme with an inflation rate double or triple that of our major foreign competitors and major markets."

The Government has made it clear it is aware of the problems but the inflation rate negates any weakness in the rand and any export support programmes which might benefit some export sectors.

Inflation can be brought under control only by firm Government action.

"Given the diffuse reaction of businessmen to the recession, a much harsher policy of financial and physical restraint may be essential to force on the private sector a full realisation of the need to follow the export option." A fight against inflation using high interest rates will, however, have a negative effect on export growth because of the need for longer credit terms in depressed world markets.

Dr Hoogendyk says there is concern among exporters that the incentives scrapped last year have not been reinstalled.

Safto's revenue rose 30% in the past year to R2,4m. It has 1,200 member companies.

Forex trade hopes improving, says Safto

Industrial Editor

TRADE prospects in South Africa's foreign markets are improving as major Western economies emerge from recession, says Safto's annual report.

The revival of the US economy will boost exports to North America, with opportunities opening up for industrial and consumer products as well as for the traditional trade in primary products.

Because of the size and complexity of the market, Safto recommends a regional approach to US trade.

Improvements in world commodity prices should ease debt repayment problems of some African states, enabling SA to grow further in importance as a supply source for most of Southern Africa.

The widespread drought over the sub-continent will remain a negative factor, however, and could lead to further cutbacks in imports by SA's neighbours.

Opportunities exist for SA's industrial and basic consumer goods in the markets of South and Central America.

Exports of consumer and industrial goods are also feasible in countries in the Middle East.

But, as one of the high-import regions of the world, access to the markets of the Middle East is highly competitive.

In the Far East, SA has fast-expanding trade ties with the region's burgeoning economies - most notably Hong Kong and Taiwan.

Wider markets in the area are possible for manufactured goods if exporters concentrate on their technological advantages over other trading nations.

Australia, the leading market in the Oceania area, continues to show growing interest in SA's manufactured products.

Despite having been a static market for some years, even New Zealand's interest in SA products has been stirring.

- Both countries will respond to an international revival in business and should be closely watched.

- It might now be difficult to identify new areas of export growth for South Africa, Safto's chief executive, Mr Wim Holtes, said yesterday.

He told the organisation's annual meeting the obvious gaps of the past, whether in infrastructure or energy, in new mineral product developments or in agricultural support schemes, had been filled.

"We must ask ourselves seriously: Do we want to belong to the league of economic-success countries, or do we want to fall into the trap of the grandiose nations, which have one thing in common - excessive external debt with little balance of payments equilibrium for many years to come?"
Cape fruit exports in peril

Staff Reporter

THE export of Cape fruit to Mauritius and Réunion could be affected by a 15 percent increase in shipping charges announced by the Indian Ocean Islands Conference of shipping companies.

As Cape fruit, especially apples, is exported to the islands, exporters fear demand for these exports could be harmed by higher prices caused by shipping costs.

The conference consists of two active members, the Durban-based Unicorn Line and the Mauritian-based Société Mauricienne de Navigation.

Anomaly

Mr Mike Casey, general manager of Unicorn's foreign short sea trade service, said the tariff between Durban and the islands had been increased by 7.5 percent and the tariff between Cape Town and the islands by 15 percent.

The higher increase for Cape Town was to rectify an anomaly, as it cost the same to ship freight to the islands from Cape Town as it did from Durban, which was much closer.

The new increase would not eliminate the anomaly entirely and further increases for Cape Town could be expected in future.

The increase was needed to cover higher shipping costs as there had been no increases for some time, he said.

Freight costs were a small component of the total cost of exports and it was much cheaper for the islands to import from South Africa than from suppliers farther afield such as Australia and Europe, he added.

However, exporters in Cape Town say they are looking to alternative shipping lines to send produce to the islands to circumvent the increase.

Damaged

South Africa's exports to Réunion have been damaged by the cutback on foreign allowances paid by the French Government to civil servants in view of France's economic problems.

This has reduced buying power on Réunion, which was previously a good market. Economic problems on Mauritius which limit the island's buying power do not make it an important market.

Exporters said shipping costs throughout the world had decreased substantially as there was no excess of shipping. Unicorn had gone against the trend by increasing tariffs.
Insufficient interest in exports, Safto told

SAFTO’s annual meeting this week was enlivened by representatives of the Government and the private sector each urging the other to do more to expand exports.

Safto is country’s leading foreign trade promotion body.

The Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, said lack of sufficient interest among manufacturers was the largest single problem hampering South Africa’s export effort.

He criticised the absence of long-term commitment by manufacturers to the export market.

He said the Government was positively disposed towards and desired to promote exports. As evidence of this he pointed to the large variety of promotional measures already available to exporters.

Altogether the Government made almost R1 000-million available to help exporters. Sympathetic consideration would be given where it could be shown that a need for more funds existed.

However, Dr P K Hoogendyk, chairman of Safto, called on the Government to “give more teeth to the export sector in the intensifying international trade war.”

He said there was a growing realism in Government thinking about trade relations abroad. But he urged even greater Government support for exporters.

“We are a unique trading partner with a consistent excess of imports over exports — certainly if one excludes gold; even more so if one excludes the essential raw materials which our trading partners purchase from us.

“This is the strength of which we seem to be insufficiently aware in our negotiations.”

He criticised the Government’s unwillingness to take a harder line on imports from countries that not only close their markets to imports from South Africa but will do all in their power to damage our economy or possibly even destroy our country.”

Imports of cheap products from mainland China and from countries behind the Iron Curtain, damaging South Africa’s industries, were a case in point.

Inflation was a major cause for concern and further successful development of manufactured exports would be impossible while South Africa’s inflation rate remained two or three times higher than that of its trading partners.

It negated the positive effects of a weaker rand and export support programmes.

However, the fight against inflation through high interest rates would act against exports. This side-effect must be alleviated, possibly by the introduction of export bills.

MORE BALANCED

In its annual report, Safto calls for more balanced economic development between the various states of Southern Africa and emphasises the critical role of two-way trade between the two dominant economic blocs — the South African Customs Union (SACU) and the Southern African Development Co-ordination Conference (SADCC).

It says trade between the SADCC countries is severely limited because all have common import needs and similar goods for export.

South Africa should foster a more balanced two-way trade by creating markets, within the country and elsewhere, for traditional SACU exports though joint marketing programmes.

Some neighbouring countries are already using South African export channels and the expertise of its international traders to advantage.
The note that it was Government led to the public.

IMF Wary of Protection

Business Day/Industries
"Record for wine but all not rosy for wine industry."

First signs of panic in the trade were evident in some quarters of the industry and the question of production was raised less than a year ago. The trade was worried and the future appeared bleak. The first signs of panic were evident in some quarters of the industry and the question of production was raised less than a year ago. The trade was worried and the future appeared bleak.

"Imbalance tool"

Dr. André de Toit, a well-known wine expert, said that the imbalance tool was needed to prevent the wine market from collapsing. He emphasized the importance of accurate and up-to-date information to the industry. The situation was critical, and the industry needed to work together to overcome the challenges.

"Conceived"

In 1983, KWS conceived the idea of the "imbalance tool". The concept was to help the industry manage the supply and demand of wine. The tool was designed to prevent the market from collapsing and to ensure a steady supply of wine.

"Convinced"

The KWS team was convinced that the "imbalance tool" would be beneficial to the wine industry. The team worked hard to develop the tool and ensure its success. The tool was launched in 1985, and it has been a success ever since.

"Trebahoe Bridge"
US Steel threatens Pretoria

WASHINGTON. — US Steel, the largest steel company in the US, is threatening legal action against South Africa for alleged unfair trade practices.

The company is already filing suits against Argentina, Brazil and Mexico.

The moves represent a sharp intensification of the US steel industry’s battle to halt what it believes is unfair competition from foreign steel exporters. It shifts the thrust of its attack from industrialised countries, such as Japan and the Common Market nations, where the US has reached government-level agreements to restrain exports, to less-developed countries.

Explaining the reasons for attacking imports from the three heavily indebted Third World exporters, Mr David Roderick, US Steel’s chairman, denounced the international development lending agencies.

“It is the easy money that allows folly to become fact. International lending agencies have made it too easy for Third World nations to get loans to build steel mills and other industrial complexes.”

Mr Roderick says the company will soon pursue legal remedies against Romania, Spain, South Korea and South Africa.

In another move aimed at protecting the US industry from unfair competition the House of Representatives steel caucus, a group of members from constituencies with steel industry interests, is introducing a Bill, the Fair Trade in Steel Act 1983, intended to limit foreign steel exports to the US to an average of 15% of the domestic market for a five-year period. — Financial Times.

DEFY, PHILIPS VENTURE

By MIKE JENSEN

DEFY and Philips have formed a joint company to produce both DEFY and Philips refrigerators and some other makes.

DEFY’s managing director, Mr Richard Newby, said yesterday DEFY would hold 75% of the share capital and Philips the remaining 25%.

Mr Dieter Siegelburg, the chairman of Philips SA, said the company had noticed import tariffs or other restrictions were slapped on many products at short notice. To avoid potential import problems it had been decided to manufacture refrigerators in South Africa.

“We considered building a plant ourselves, but with so much capacity in SA already, we decided to combine with one of the existing producers.”

Philips had selected the DEFY factory for investment as it was designed and built to the latest technical standards and was capable of producing the thousands of Philips refrigerators which had previously been imported.

Aside from the primary consideration of avoiding import difficulties, the new investment was also aimed at reducing unemployment and saving millions of rand in foreign exchange.

Hotpoint and General Electric machines will also be produced in the factory to their own separate specifications, “to ensure that the consumer has the widest possible choice”.

Kloof fire causes production loss

GOLDFIELDS of South Africa says initial indications point to a small production loss at its Kloof gold mine because of an underground fire.

The fire was detected last Friday night about 2,000m below the main shaft. It was burning under control and being directed towards a previously burnt-out area and an unmined dyke.

There were no casualties as the fire was detected during the off-shift. — Reuter.

De Beers Consolidated Mines Limited

Notice of Dividends Declared on Preference Shares

Declaration of Dividend No. 149 on the 40 per cent Cumulative Preference Shares of R5,00 each

Dividend No. 149 of One Rand (R1.00) per share in respect of the six months ending 31st December 1983, has been declared payable to the holders of the 40 per cent preference shares registered in the books of the Company at the close of business on 23rd December 1983, and to persons presenting coupon No. 149 detached from the preference share warrants to bearer. A notice regarding payment of dividends on coupon No. 149 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 16th December 1983.

Declaration of Dividend No. 17
Cape clothing industry less affected by recession

CLOTHING firms in the Western Cape have been hit less hard by the recession than those in other parts of the country, Mr Michael Getz, retiring chairman of the Cape Clothing Manufacturers Association, said last night.

He said in his annual report this was partly because most of this country's leading brand names were produced in Cape Town and partly because there was a wide product mix so that tough trading in men's clothing was offset by acceptable sales of women's and children's wear.

A third reason was that retail chains based in Cape Town fared better than their counterparts in the Transvaal.

A fourth was that Cape Town was the dominant exporter of South African clothing.

OPPORTUNITY

"However, the challenge and opportunity of developing our potential really lies in the establishment of foreign markets."

It was important that confrontation between employers and the work force was avoided and that both realised they must work together "to promote and advance their separate but indivisible interests."

Mr Simon Jocum, immediate past president of the National Clothing Federation of South Africa, was elected chairman of the Cape Clothing Manufacturers Association at its annual meeting last night. Mr Jocum was chairman of the association from 1973 until 1977. He is a director of the Peerless Shirt Company.

"Recovery in foreign markets improved opportunity for growth in this area.

"Exports, therefore, maintained and probably increased employment levels at this difficult time."

But employment in the industry had fallen by almost 5 percent in the past year. Although there had been a slight recovery since August real improvement was not expected until late next year.

In the long term manufacturers in the Western Cape must look to exports for their growth and development.

"Our domestic market will remain substantial and important for the foreseeable future."

"However, the challenge and opportunity of developing our potential really lies in the establishment of foreign markets."

It was important that confrontation between employers and the work force was avoided and that both realised they must work together "to promote and advance their separate but indivisible interests."

Mr Simon Jocum, immediate past president of the National Clothing Federation of South Africa, was elected chairman of the Cape Clothing Manufacturers Association at its annual meeting last night. Mr Jocum was chairman of the association from 1973 until 1977. He is a director of the Peerless Shirt Company.
Cement import plan attacked

By HAROLD FRIEDHOF

AN ATTACK on plans to import cement at alleged dumping prices has been made by the chairman of Pretoria Portland Cement, Mr. George Bulterman, in the annual report.

He says that tariff and antidumping protection policies, particularly if jobs are at stake, are necessary to safeguard an important industry.

He refers to “spurious and disruptive foreign competition”.

The authorities apparently regard this as a source of healthy competition for SA producers.

“We do not seek protection against the import of cement, provided such import meets all the criteria required of us as regards quality, continuity of supply and competitive prices on a countrywide basis, without excessive hidden subsidisation, and does not originate from distressed foreign producers.”

It does not seem propitious now for the import of large quantities of cement. There is excess domestic capacity and relatively low demand.

The return generated in the cement division is far below that considered acceptable by the Price Controller before lifting of price control.

PPC absorbed part of the increased rail tariffs and input of coal and power costs before increasing cement prices in July-August.

The 8% bulk price increase of R4 a ton did not fully compensate for these increases. Bagged cement prices were raised by a higher percentage to recoup the cost of improved packaging.

Construction has started on a plant at Dwaalboom, north-west of Rustenburg. Estimated cost of the project, with a productive capacity of 600 000 tons of clinker a year, is R300m, of which R70m has been committed.

Mr Bulterman is dismayed at the decision of the authorities to discontinue from July 1986 the investment allowances in force when the decision to construct the plant was taken. Representations will be made to seek tax relief.
INVESTMENT CONFERENCE

On the back of optimism

It is, perhaps, not surprising that most of the speakers at the FM’s Investment conference last week took a positive view on the outlook for SA in 1984. We do appear to have reached, or to be close to, the bottom of the economic cycle. The gold price, after several bad starts, seems to have reached its lowest level, and, more to the point, there is a greater enthusiasm among businessmen for change on the political and economic fronts.

The fact, however, is we are not into the recovery yet. We are laying the ground for it, and that particular exercise in soil preparation will almost certainly be accompanied by difficulties. Finance Minister Owen Horwood, in his keynote address to the conference, made clear his economic recipe for the next year. Inflation remains the nation’s greatest problem. It is falling, but bringing the rate down to an acceptable or at least manageable level will call for the same prescription as before.

The authorities are determined not to allow money supply to romp ahead. Almost, it seems, no sooner had Horwood finished speaking, than the Reserve Bank released its end-September money supply figures. Over the year to September 30 the narrowly defined MI money supply figure had risen by 28% to R15.4 billion. And this compared with only R15 billion at the end of August. More than ever, then, the authorities will be determined to rein in money supply growth. They are not prepared to reflect at this stage of the cycle as that would risk turning up the heat under inflation, and they are not prepared to borrow their way out of recession. Nor are they prepared to see the balance of payments slide back into the red.

It is this very firmness which Horwood sees as laying the proper foundations for the economic recovery he expects in 1984. It will be an export-led recovery as the economies of our major trading partners follow the growth example of the US. And its planning will be based on an average gold price little better than the average of 1983.

Where this leaves SA, according to Horwood’s estimates, is with the potential to generate a real economic growth rate of about 4% next year against this year’s 3% decline. This, though, means little in the way of a general increase in fixed investment. Production capacity is only about 84% utilised at present and utilisation will need to be well over 90% before major additions to capacity are undertaken.

Whether the economic scenario includes a strengthening of the rand is another matter. Other speakers expect a recovery next year as the dollar deteriorates, but Horwood contented himself with pointing out that a strengthening of the SA currency would be welcome insofar as it helped achieve the main policy of reducing the inflation rate.

Reserve Bank Governor Gerhard de Kock firmly underlined Horwood’s propostions — except that implementing policies aimed at cutting inflation rates, controlling money supply and bolstering the balance of payments and employment is a different matter entirely.

Spare a thought for the Governor who has to work on money supply figures which are rarely less than five weeks out of date and which, in any case, are certainly distorted by the timing and method of their calculation. Not that he is particularly fazed by the problem; in fact he treats it with commendable equanimity. But the monetary authorities are now forced to chart their short-term course in waters that are murky and unreliable.

Despite these difficulties, SA’s monetary policy has provided us with a passage through the recession which has been far less uncomfortable than that of many other countries. It has meant resisting the blandishments of populist policies which might have provided immediate shots in our economic arm, but would have eventually left us as debilitated as a junky. That this has been the right course seems clear from the fact that SA’s inflation rate is declining, our balance of payments has returned firmly into the black and confidence in prospects for the next 12 months is stronger than for several years.

Perhaps no other sector better shows the increasing trend towards a free market in SA than banking. Nedbank’s MD Rob Abrahamsen, of course fears that 1984 will not give rise to any lessening of the pressures on the domestic banking industry — economic factors alone will see to that. And this will result in pressure on both banking margins and volumes.

Nevertheless, the structural changes are in place which will steadily lead to far-reaching changes in the services bankers render. Already the opening up of the economy to international financial flows allows domestic borrowers the luxury of borrowing overseas where interest rates might be more attractive than those available domestically. More to the point, however, the freeing up of the economy and the raising of artificial constraints on competition are honing the range of services bankers offer to clients. Old habits are changing as competition increases by quantum steps and service becomes the name of the banking game.

Gold’s recession, if not over, is nearing an end. Before we start cheering, though, the metal’s price advance in 1984 will not be spectacular and, measured in dollar terms, a rise of little more than 10% seems most likely to be on the cards. In this André Sharon of the New York brokerage firm of Drexel Burnham joins the ranks of those who are increasingly turning their attention back to gold.

Sharon’s thesis is straightforward. In the immediate future — or at least for the next year — investors will continue to be attracted to dollar investments by the positive real interest rates which will be available in the US. Interest rates are coming down in America, but not at such a rate.
Morgan Guaranty’s De Vries ... international debt under control

and budget deficits, but capital continues to flow into the US because investors in many of the non-OECD countries want a haven for their capital. These flows, De Vries says, are likely to continue, though not necessarily at the same scale as at present.

Under these circumstances the dollar is likely to remain relatively strong. It is already clear that political or security fears around the world are not pushing people into gold as they would have done three or four years ago. Nowadays the shooting down of an airliner leads to a rush of money into dollar investments.

More important, however, is De Vries’s view that the international debt crisis will not degenerate uncontrollably. Chile, Argentina, Brazil and other developing nations might well be in difficulties at present over debts servicing, but it is not something De Vries feels will continue.

Rather, he believes, the nations which are in trouble will resort to increasing exports in relation to gap and thereby trade their way out of financial difficulties. This will not take place overnight. Brazil, for example, will need at least until the end of this decade before it can safely be said to be out of trouble — but the economic recovery now under way in the US and which will eventually follow in the other OECD nations will attract imports of basic products from the troubled less developed countries (LDCs). The upshot is that De Vries believes that a major default by a debtor nation is most unlikely. The world’s bankers have that basis on which to build the rehabilitation of the hard-pressed LDCs.

Erich Heinemann, the newly-appointed chief economist of Shearson American Express in New York takes a somewhat different view to De Vries on American economic prospects. He is confident that the US economic growth pattern will continue and that this will provide the locomotive effect which draws Third World nations out of their trading and foreign debt mire. But the US, he warns, is indulging itself in balance of payments and budget deficits and these, eventually, will take their toll on the dollar.

By the end of next year, Heinemann reckons, US interest rates will be on the way up again and that by that stage economic growth will be decelerating.

While this may not be the best news one has heard for gold, it does hold promise for most other sectors of SA’s export-oriented economy. Our exports of minerals, semi-processed metals and agricultural products will certainly benefit from the world’s economic recovery. And we, who are not struggling with overwhelming foreign debt, should benefit internally much more rapidly than other exporters of basic materials.

Not that 1984 will necessarily be easy for us. Base metal prices have still to emerge convincingly from their recessionary depths. And according to Rod Holness, of Holcom Commodity Brokers, most metal prices will not rack up any spectacular gains next year. Copper, in particular, seems unlikely to get into gear for some time, although lead and zinc could well show some upward price performances as consumption improves and inventories fall sharply.

Far too much is said about property investment by those who try to hide paucity of knowledge under a mass of mumbo-jumbo. Old Mutual’s property manager Martin Buss did stout service in de-mystifying the subject. His incisiveness, though, carried little to encourage property investors who are sitting on commercial office developments and waiting for rentals to rise.

In central Johannesburg, Buss reckons an over-supply of prime office space will leave rentals unchanged until 1985. And as far as the newer decentralised offices developments are concerned, the situation is worse. Rentals look like falling this year and simply levelling out in 1985. Worse still, as far as some of the building’s owners are concerned, is the possibility that tenants will migrate back into town when their leases expire if only because not all their staff live in the northern suburbs.

The picture in the office field is equally as gloomy elsewhere. In Cape Town excessive rent increases have pushed tenants into revolt and many professional firms have chosen to buy and renovate older central buildings rather than fork out substantially higher rents.

Industrial parks should respond positively to a resurgence in industrial activity late next year whereas investment in shopping precincts, Buss believes, is almost too risky to be worthwhile. Like everything else about the SA economy, the investment property market is taking a long-needed breather.

Perhaps more important than the economic problems SA has coped with this year — and than those it will have to face in 1984 — are the inter-racial relationships we have to face. Allan Hendrickse had few illusions about the business community’s future problem areas. The referendum, “yes” vote, he believes, represents a commitment to evolutionary development rather than a blind blundering towards violent confrontation.

Quite clearly the pressures which led to the referendum and which have brought the trend towards reform into being are here to stay. And if the promise of the “yes” vote is met, these pressures, Hendrickse believes, will be directed towards peaceful and evolutionary change. Of course, that means more than the mouthing of a few platitudes — business’ contribution to peaceful evol-
Daling cautions that he is simply measuring the likely performance of the industrial index — sound value will almost certainly be found in individual industrial shares. And this, as far as possible, is what will motivate institutional buying. This year was characterised by some major distortions to the flow of institutional investment funds. The Premier and Rennies transactions, by way of example, drew R500m away from the JSE itself and the process has not yet ended for this year. Sasol’s rights issue, which opens on November 23, is set to draw as much as the Rennies and Premier deals combined.

The gradual easing of restrictions on investors will almost certainly eventually lead to permission being granted for the major institutions to invest abroad. But while that would have an immediate psychological impact, Daling says, there are basic reasons why it will not materially alter the JSE’s supply-demand situation. Simply, institutions such as insurance companies which have liabilities denominated in randswould prefer, all other things being equal, to have their assets in rands. The next few months will see the index vulnerable and moving lower. But, taking the next 12 months as a whole, Daling

that real interest rates have or will become negative. But the attractions of the dollar will lessen if, as Sharon expects, inflation rates accelerate moderately in the Organisation for Economic Co-operation and Development (OECD) countries. In America specifically he expects the inflation rate to average 5.25% next year against 4% in 1983.

Which is all very well, but it holds little encouragement for the super-bulls of gold who count on the price rocketing well above its all-time high of $639. That will need a combination of a falling dollar — something which Sharon expects to get under way in the fairly near future — a realisation that the world’s debt problems will not disappear, that borrowings cannot be repaid except in inflation-devalued dollars and a deteriorating range of geopolitical factors.

They are longer-term considerations, but they are the factors which will one day push gold to $5 000/oz or whatever price one chooses to think of.

Despite encouraging statements that the economy is at its lower turning point and that gold should start advancing — albeit slowly — from its present levels, the JSE is unlikely to get fired up. Sanlam’s senior GM (investments) Marius Daling says only buying by institutions which are prepared to look three or four years ahead will provide the market with buoyancy next year. On a historical basis the market, Daling estimates, is over-priced when measured by the JSE Actuaries industrial index. It is expensive in terms of yields available on, for example, long-term Escom stock and bankers’ acceptances; it is expensive when measured by means of the reverse yield gap; and it is expensive when valued on fundamentals.

As with everything there are caveats.

Reserve Bank’s De Kock holding firmly on course

Senbank’s Goldenhays interest rates should ease

$450. This, he reckons, could well be accompanied by a rise in the value of the rand to US$0.6 or more despite the longer-term structural weakness built into the SA currency by the country’s relatively high inflation rate.

More difficult to evaluate will be the policy stance of the authorities. Goldenhays sees no inclination on their part to allow significant downward pressure on interest rates if this weakens efforts to bring inflation rates down to manageable levels. Lower inflation rates, in line with experience overseas, should in themselves lead to lower interest rates, but there is a long haul ahead.

For the next few months little relief is in sight for interest rates, but short-term rates are expected to be in steady decline throughout most of next year, falling to an eventual 12% or so. Long-term rates, Goldenhays believes, have less scope for easing — at best they will shed a mere two percentage points.

In SA we do, perhaps, spend too much time concocting reasons for the gold price to rise. In general they are founded on political or economic disaster elsewhere in the world, and this could well involve too great an element of wishful thinking. Rimmer de Vries, senior vice-president of Morgan Guaranty Trust, takes a more phlegmatic view. It is not a view which sees financial problems leading to a major decline in the dollar and, in response, a major advance in the price of gold. But it is a view which promises more for an export-orientated SA in the longer term.

The dollar, de Vries feels, may well be over-valued by 10%. But it is unlikely to collapse because of investors’ fears that dollar investments are insecure. West Europeans may cast a jaundiced eye over the growing American balance of payments.

Drexel Burnham’s Sharon gold is for the long term

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tion needs to be carefully thought out. The methods Hendrickse suggests may, at times, appear painful, but they make sense.

Hendrickse’s topic was “Investing In Change.” His interpretation of the subject lacked polemic and was couched in the language which we can all understand. Let business, Hendrickse advises, look towards the long rather than the short term. Quite simply use the solid profit increases of the good years to build an accommodative bias for the lean years as well as the future.

The disappointing thing about this recession, Hendrickse says, is that unskilled workers were laid off. It would have been better had business rather used the recession as a period for training unskilled men. Everyone, he believes, is a shareholder in change and that implies that investment in change is to everyone’s benefit. We are moving towards economic recovery and business’s best interest at that time might be served by increasing retentions as profits advance and setting them aside to invest in training when the next economic downturn arrives.

This, Hendrickse says, may not be the best short-term policy — shareholders probably expect higher dividends as the economy advances — but it will provide the soundest basis for long-term profits and social stability.

While Hendrickse puts the emerging consensus between black employees and white managers in terms of readily understandable rents and cents, Gencor’s labour adviser Nance Steenkamp points to the fact that developments on the labour front have gone a lot further than most of us realise. Change here has a momentum all its own, and a momentum which is radically altering the conventional perceptions of management-labour relationships.

Fully integrating labour, and specifically black labour, into the industrial decision-making process will not be easy. Steenkamp makes plain. Employers tend to be reactive in their approach to emergent unions and, unlike their counterparts in America or Europe, are not fully aware of the positive aspects of worker participation in the management process.

This, Steenkamp fears, will perhaps lead to more labour disruptions over the next several years than straightforward disputes over more mundane issues such as wages or conditions of employment. More difficult to reconcile could well be the definition of where the management prerogative should reach and how far workers should be permitted to participate in industrial decision-making. It is something which cannot be ignored, wished away or fought. Consensus will have to be reached, consistent with the principles of free enterprise.

Along with Hendrickse, Steenkamp makes no bones about the need for a sensible managerial approach to black workers. Quite simply, only through consensus and joint decision will business continue to grow in a free enterprise environment.

NATIONAL ROADS

Don’t just sit and worry, Hendrik

In September Johannesburg’s major artery, the M2 West, was closed for emergency repairs. It created disruptive traffic jams quite far afield. As matters now stand, this type of problem could become the rule on our national roads rather than the exception. The condition of our highways is deteriorating fast because of inadequate maintenance and expansion to cope with a growing volume of traffic. Money is at the root of the problem.

The national road network relies heavily on the National Road Fund (NRF) for financing. But the fund, which is replenished from a 3c/l levy on petrol, and diesel, is being depleted by rising repair costs and a general increase in traffic which presumably leads to much wear and tear. Denzil Vermooten, who heads the economics desk of the Automobile Association (AA), maintains that road users pay R2.6 billion into the general coffers, while expenditure on all SA roads amounts to less than R1.2 billion a year.

“In real terms, the Department of Transport (DT) is only spending 60% of what it spent in 1976 on building and maintaining national roads,” says Ed Petzer, senior programmer engineer with the DT’s Directorate of Land Transport.

Provincial roads are faring no better. The provinces get their money from taxes and licensing fees, but must still rely on grants from Pretoria to make ends meet. But, since the government embarked on its austerity programme, these funds have been reduced.

If anything, the municipal road system is even worse off. An Urban Road Fund (URF) was set up by government in 1978 to help municipalities build and maintain their roads. But, here again, inflation and government’s attempts to reduce its expenditure have taken their toll.

Says Gordon Swanepoel, chairman of the Transvaal region of the SA Road Federation, which represents a wide spectrum of groups involved in road building: “Theoretically, the DT should publish 80% of the cost of a local road. In Johannesburg, the 10 local authorities have budgeted funds amounting to R25m for roads this year, but the URF has allocated absolutely nothing.”

“We never have enough money to build and maintain a road properly, but when that road falls apart the authorities always seem to find the funds to rebuild it.”

He adds that the municipalities do not have enough money for vital maintenance let alone to finish capital projects.

Steps are being taken to avert further deterioration, but they may not be enough. The petrol levy was increased by 0.7c in April, which should add an extra R50m to the NRF this year and the DT has asked for an additional 1.1c increase. But some engineers and planners feel that double that amount is needed to continue expanding the network and ensuring that it is well maintained.

The government also hopes to raise R257m over the next five years from toll gates on major capital projects such as the Cape Garden Route, the Du Toit’s Kloof tunnel, the Warmbaths/Middleburg route and the Frere/Beters section of the N2 to Durban.

The idea is unpopular with the private sector and some civic groups, who argue that these particular toll schemes are not going to be economic and, as traffic is relatively sparse, will place too great a burden on local business.

A civic group that opposes the Garden Route toll project, for example, has calculated that annual revenue from the scheme will hover at around R57 000, while operating costs will amount to R1,1m.

This seems to be borne out by an Automobile Association (AA) policy paper on toll roads which estimates that more than 40% of the money collected from tolls will be filtered away by administrative costs. It calls toll roads discriminatory, dangerous, inflationary and harmful to commerce. The paper cites a French study which claims that at least 30 000 vehicles a day are needed to make a toll road viable, while some of the planned SA toll roads will have a daily traffic flow of less than 1 000 vehicles.

“We are not against a users pays approach, but we are totally against the use of tolls to help pay for new roads,” says Vermooten.

“Tolls are expensive and inefficient and road users as a group already contribute more than their fair share towards road costs.”

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Romatex sceptical on tariff control

By PATRICK MCOLLAUGHLIN
Investment Editor

UNLESS the Board of Trade and the Department of Customs and Excise employ textile specialists the tariff structure proposed by the Steenkamp Committee will be easily circumvented.

This is the view of Mr Jack Ward, chairman of Romatex, in his review for the year to September.

The Steenkamp report recommends the appointment of specialists to the two organisations.

While not expecting an early improvement in trading conditions, he says there are indications that the downward trend may have levelled out.

All areas in the group are in a good position to take advantage of any upswing when it occurs.

“Analysts indicate a modest upswing during the financial year in certain markets in which we operate, although business conditions will remain extremely competitive.”

Based on these assumptions, and the hope that the drought will be broken, Romatex has budgeted for higher earnings in the current year. This will no doubt relieve Romatex shareholders because, while the group managed to limit the fall in turnover for the year to September to R268m compared with R388m previously, bottom-line earnings crashed from 197,3c to 88,1c and dividends were pared from 55c to 34c.

The optimistic outlook is probably partly based on the fact that second-half earnings were markedly better than those for the first half. As a result, earnings for the full year were 37% lower, while at the halfway stage the decline was 54%.

Reviewing the past year, Mr Ward said private consumption expenditure on durables and semi-durables was lower, especially in the first half. Thus, Romatex’s markets were affected by the downturn. In particular, however, the group suffered from reduced margins in the floor-coverings division and a considerably lower level of sales of worsted fabrics to the clothing industry.

Factors contributing to the group’s lower earnings included: a reduction in inventories by clothing manufacturers and their retail customers; an increase in imports of clothing and textiles as a percentage of the total market; substantial hessian imports; and lower demand for agricultural packaging and twines because of the drought.

There were, however, certain favourable factors. These included a reduction in interest rates as well as a reduced interest burden stemming from the group’s restructuring and a lower life adjustment. This was the result of a slowing down in raw material price increases, which was particularly evident in the case of imported materials.

A further factor says Romatex was the reduction in the year-end stock levels in certain operating divisions which enabled the group to release a portion of the life provisions made in previous years.

Looking at the divisions, Mr Ward said the drought and poor economic conditions on the purchasing power of the black population, with regard to mail order, had dampened demand. Order books still remained at a low level.

Commenting on the Steenkamp Committee recommendations, Mr Ward said that unless textile specialists were made available to the Board of Trade and the Department of Customs and Excise, any new tariff structure will be easily dodged.

“In my opinion, specialised staff in the committee will be vital to recruit. This need would be obviated if quantitative quotas were retained, but the Committee has recommended against this.”

The floor-coverings division is still suffering from margins under pressure. It is anticipated that trading in the first six months of next year should be at better levels than the same period this year. In view of this, and the anticipated benefits arising from the new organisation of fabric wholesaling, the division is budgeting for an improvement in profits in the coming year.

In the industrial division, footware operated at a loss in the first half of last year. However, after management reorganisation and changes in marketing policy the operation returned to profit in the latter part of the year and this trend is expected to continue.

Romatex says the outlook for the industrial division generally is for an improvement in the current year. The mills division is also looking to better profits, but these depend upon an increase in consumer durable expenditure and upon weather conditions which strongly affect sales to the agricultural industry.

COMMENT: for Romatex, which took a beating last year, the recovery seems justifiable.
The rand continued its rapid slide in the foreign exchange markets today, bringing grey hairs to importers, the prospect of new markets to exporters and the certainty of a drop in living standards for most South Africans.

After closing at 0,8355 on Friday, the rand dropped almost 1 US cent at the opening of trading in Johannesburg today to fall to a new low of 0,8295.

This brought the drop in the value of the rand against the dollar since the beginning of October to more than 8 percent.

In the same period it has dropped around 11 percent against the Hong Kong dollar, more than 8 percent against the Japanese yen, and more than 6 percent against the British pound, Swiss franc, German mark and French franc.

The fall in the rand mainly reflects South Africa's loss of foreign earning power as a result of the drop in the gold price.

R600-M LOSS
Since the beginning of October the gold price has fallen more than $30 to $373 an ounce, which is equal to an foreign earnings loss to South Africa of more than $600-million a year.

The current weakness of the rand is a continuation of the process which began at the end of 1980 when the gold price started dropping after reaching a peak of $800 an ounce.

At that time the rand was standing just below $1,50. Thus in the past three years its value against the dollar has almost halved.

The drop in the value of the rand in the foreign exchange markets is most unwelcome to importers, especially of goods of Japanese and American manufacture, as it means they will have to increase their South African selling prices, which they are loath to do in today's tight business conditions.

As crude oil is normally priced in dollars, the fall in the rand's foreign exchange rate also raises the spectre of a possible petrol price increase.

The decline in the rand is also most unwelcome news to businesses which have borrowed abroad without covering the exchange rate risk.

Two major Cape Town companies reported recently that they stood to lose millions of rands between then if the exchange rate did not recover. With the rand going lower their losses are increasing.

Tourists will find it more expensive to go on holiday abroad.

However, for exporters, including the mining industry, the drop in the value of the rand is for some a lifebelt...and for others a invitation to do additional business overseas.

It is certainly a lifebelt for the gold mining industry. Although the dollar price of gold has fallen sharply, the lower rand means that the South African price of the metal is remaining relatively unchanged.
SUN CITY. — Professor Frans Steenkamp, chairman of the committee of inquiry into the textile and clothing industries, defended the committee’s call for the ending of quantitative controls on imports here today.

He was speaking at the National Clothing Convention.

Professor Steenkamp’s committee has been strongly criticised for its recommendation that quantitative controls on clothing and textile imports should be replaced by greater tariff protection.

He said quantitative import controls were obsolescent because they interfered with the workings of the free market system, which protection in the form of tariffs did not.

"Quantitative import controls are a nice shelter behind which the interests affected can maximise their profits, but the common weal cannot be served by interfering with the free market regime in this manner."

Excessive level

"Being as competitive as it is, the clothing industry should be one of the last of our manufacturing industries to desire protection at an excessive level or of an objectionable nature."

"I am convinced that it will not want to put forward unacceptable demands, provided its costs are not unjustifiably raised by state action."

It would be counterproductive if protection were granted at the expense of industries having greater comparative advantages in world trade, such as certain industries in the primary sector.

Since 1948 certain sectors of the local textile and clothing industries had become overprotected, mainly through quantitative import control and, to a lesser extent, through the habit of the Board of Trade and Industries of looking to the West for "normal" prices in fixing formula duties.

Scaled down

"The committee, therefore, proposed that the existing protection be revised in such a manner that import tariffs take the place of quantitative import control and, where necessary, be either raised or scaled down over time."

Quoting from the committee’s report, Professor Steenkamp said: "This country’s main economic problem is the provision of employment for its explosively growing black population."

"Its labour-intensive industries, such as the clothing industry, should be assisted to develop even faster than in the past. Faster growth can be realised by avoiding cost increases caused by overprotection of upstream activities."

Materials and labour were the most important cost items in the manufacture of clothing. But South Africa, through its labour policies tended to raise labour costs artificially to levels that reduced the international competitiveness of its manufacturers.

"We have done so, in the first place, by introducing into our labour legislation various discriminatory provisions that have curbed the occupational and geographic mobility of sections of the population.

"The occupational curbs, in particular, have greatly raised the level of labour costs in the higher semi-skilled and skilled occupations significantly. Most of these legal curbs have recently been abolished, but their adverse effects linger on."

"We have artificially raised labour costs, in the second place, by allowing certain types of labour contract, such as piecework and outwork, to be outlawed in our industrial council agreements and in our official wage determinations."

Outwork and piece-work were important factors in the competitiveness of the clothing industry in the East and Italy.

Denied advantage

"We have denied ourselves the advantage which they carry."

The committee of inquiry had "slipped up" by missing the opportunity of recommending that the Department of Manpower "take action to discourage, if not prevent, the prohibition of piecework and outwork in official wage determination and industrial council agreements." — Sapa.
This is part of the 5,000 tons of scrap metal lying at Port Elizabeth's harbour ready for export to Japan next month. It is the third shipment from Port Elizabeth since local companies were forced to find an overseas market when major South African mills withdrew from the Ferous Scrap Distributors, a body which regulated scrap metal prices and distribution, in March.
By PRISCILLA WHYTE

SOUTH Africa was cutting back on import controls just when the rest of the world was moving towards greater protectionism, Mr Arthur Hammond-Tooke, the director of economic affairs at the Federated Chamber of Industries, told the convention.

"It seems strange that South Africa should deprive itself of import control under Article 19 of GATT when increasing protectionism is a principal obstacle to SA exploitation of export-led growth."

He pointed to anomalies in the Klea and Steenkamp committees recommending export assistance schemes at a time when SA had committed itself to signing the Gatt code on subsidies and countervailing duties.

"Experience in the American market has shown that export incentives simply cannot survive countervailing measures. "Export subsidies, which conflict with the illustrative list and the subsidies code, are simply outlawed."

It remained to be seen how many of SA's export incentives would have to be scrapped once South Africa became a signatory to the code.

The economy was at a watershed. Import substitution could no longer provide sufficient stimulus to the process of industrialisation.

It imposed costs on exports. This meant protection policy needed to be adapted to shift towards export-led growth.

The growth of the clothing industry would depend increasingly on exports.

The industry would also need to look at more generalised business incentives.

"I believe clothing companies will be turning increasingly towards regional development grants and labour training assistance to make the structural shifts needed in the industry."

"Regional development assistance need not be confined to decentralised areas."

Mr Lindsay Robertson has been appointed managing director of Castor and Ladder Holdings.
Higher taxes loom in Budget as...

Horwood scraps import surcharge

By HOWARD PREECE

The 5% surcharge on imports has been scrapped and the prospect of tax increases in the Budget now looks stronger than ever.

These were the key points to emerge from the Budget speech yesterday by the Minister of Finance, Mr Owen Horwood, at the anti-inflation conference in Pretoria.

He also disclosed that government spending was running ahead of the 1983-84 estimates “by a worrisome margin.”

The causes were higher-than-expected expenditure on drought relief, defence and interest charges on state borrowing.

Mr Horwood said the Budget deficit before borrowing for 1983-84 was running substantially more than the figure of R2.66bn, or 2.4% of gross domestic product, originally estimated.

This arose from an extra R500m on drought relief, R400m more on defence and R400m for additional loan financing — R1.4bn more than budgeted.

Mr Horwood said: “In these circumstances it becomes necessary to look critically at both the tax structure and the incidence of taxation.”

“The (economic) growth rate is still negative. I am reluctant to raise taxes just at this moment.”

He added: “Whether such a step becomes incumbent upon us will become clearer as we proceed. The prospect can certainly not be left out of account.”

However, Mr Horwood told the conference: “What I have decided to do is to announce the complete abolition of the remaining 5% import surcharge with effect from November 29.

“When this measure was first introduced in February 1982 I stated that it would be temporary. Since that time the surcharge has, in fact, already been reduced in its two stages from its original level of 10%.

“In view of the improvement in South Africa’s balance of payments and the upward pressure on import prices by recent deprecation of the rand, I believe the time has now arrived to remove this tax altogether.

“In taking this step we are also complying fully with an undertaking we gave to the International Monetary Fund last year when we negotiated a comprehensive loan programme.”

Economists said last night that the removal of the surcharge should have a small but useful effect in contributing to the downward trend in the inflation rate in the economy.

It might also take some pressure off South Africa’s relations with the IMF which are subject to political attack.

Among the points made by Mr Horwood about the inflationary position in South Africa were:

- The answer does not lie in generalised direct controls over prices, wages, dividends, interest, imports, capital movements and so on.
- More steps will be taken “to counteract monopolistic practices and to promote competition, to improve training and education and to avoid undue protectionism”.

Mr Horwood said: “In general, our broad fiscal and monetary strategy of the past two years has already borne fruit and single-digit inflation appears within reach.

“Yet this prize may still slip from our fingers if we let up now, particularly as the economic background to our efforts has recently darkened again.

“The gold price has declined sharply and the prolonged recession throughout the world shows only weak and scattered signs of an eventual upturn so that our export markets remain stagnant.

“Dependent as we are on foreign trade we cannot borrow and spend ourselves out of the recession but must wait for an export-led recovery.”

The Association of Chambers of Commerce (Assocom) last night welcomed the removal of the remaining 5% import surcharge.

Mr Raymond Parsons, Assocom’s chief executive, said the abolition of the surcharge was in line with representations made by the business organisation.

The elimination of the surcharge will assist businessmen in cutting import costs and reducing inflation, especially at a time when the recent deprecation of the rand was threatening to have the opposite effect.

The prompt removal of the surcharge once again underscores South Africa’s ability to meet its international financial obligations, as this country had undertaken with the International Monetary Fund to drop the surcharge by the end of the year.”

See Page 4, 5
Kantor sees big benefits for clothing industry

By DEREK TOMMEY

THE issue of the report of the Steenkamp committee should be regarded as one of the great moments in the history of the South African clothing industry, says Professor Brian Kantor, head of the school of economics at the University of Cape Town.

In an address to the National Clothing Convention, Professor Kantor said the clothing industry stood to be a primary beneficiary of the Government's new industrial strategy of ending import controls.

In the past, South Africa had suffered rather than benefited from its policies of import protection and that even the "moderate and selective" protection provided by the Board of Trade and Industries had reduced rather than promoted economic growth in South Africa.

HIGHER TARIFFS

The clothing industry should recognise that it could get protection not just by higher tariffs or import controls but also by seeking less protection for producers of inputs for the industry.

The clothing industry had emerged extremely well from the Steenkamp inquiry into the textile and clothing industries, with strong arguments why it should be nurtured.

But the reaction of the industry had been unenthusiastic and little different from that of the fibre and chemical producers who had much more to lose.

The report of the Steenkamp committee showed how protection had got out of hand.

DISADVANTAGES

In examples of "price disadvantages" experienced by South African firms, it reported that in 1982 the local prices of polyester fibre, cotton type, were 57 percent higher than in the Republic of China and in South Korea, 51 percent higher than in Italy and 23 percent higher than in Britain.

Local prices of polyester yarn 167 decitex were 99 percent higher than in the East, 38 percent higher than in Italy and 45 percent higher than in Britain.

The prices of nylon yarn 44 decitex were 57 percent higher than in the East, 45 percent higher than in Italy and 9 percent above the British price.

Professor Kantor replied to a recent claim by Mr Denys Marvin, chairman of AECI, the country's biggest chemical company, that the Government was taking industry "down the road to disaster" by removing quantitative import controls.

Professor Kantor said the idea that certain sectors of the economy should be insulated from the chill winds of international competition while other sectors were exposed to it, had simply had its day.

"Not that Mr Marvin has, as yet, anything to complain about."

"Compared with almost all major chemical companies around the world, AECI has performed very well indeed, despite recession in South Africa and despite the fall in chemical and oil prices worldwide."

"South African consumers, in one way or another, have paid the higher prices necessary to provide for their profitable production, despite depressed world markets."
Maize imports: Call for tighter controls

Staff Reporter

THE National Maize Producers’ Organisation (Nampo) today issued a “serious appeal” to the Government to ensure that more stringent health and general quality standards were applied to maize imports.

The appeal followed confirmed reports that imported maize contaminated with the poison aflatoxin had bypassed the Department of Health’s safeguards and reached the country’s mills through Cape Town harbour.

The managing director of Fedfood, one of the country’s largest food manufacturers, said today Koeberg Mills in Durbanville, which received a 1 000-ton delivery of contaminated maize, had not been warned by authorities.

"More careful"

Mr Johan Louw said the Maize Board “could have been more careful” and could have warned the mills about the contaminated maize.

Officials at the mill detected the poisoned maize (which carried no indication that it was unfit for human consumption) after it was off-loaded, and then separated it for use in cattle feeds.

Mr H P de Jager, chairman of Nampo, said today: “In spite of stringent measures of control it now appears to be extremely difficult to assure a strict separation of good-quality and contaminated maize products already in the pipeline.”

The presence of aflatoxin in maize available in the world trade was well known, Mr de Jager said.

He said the high level of aflatoxin in large quantities of imported maize, which according to existing RSA standards of quality control makes the maize unsuitable for human consumption, was alarming.

Mr de Jager said more stringent standards were necessary.
Odds against plea for more controls on parts' imports

By LOUIS BECKERLING  
Business Editor  
NAAMSA, the body representing the country's motor manufacturers, met yesterday to finalise its stand on statutorily-enforced local content in the motor industry.

Both Naamsa and its equivalent association representing suppliers to the industry (Naacam), have finalised studies on local content and are expected to meet in January to try and prepare a uniform approach to the Government.

Comments already made in advance of the proposed meeting suggest there is a considerable difference in the conclusions reached in the two reports — with Naacam evidently recommending a substantially increased local content requirement, while Naamsa argues against significant increases beyond the current level of 66% (by mass) of each passenger vehicle and light commercial vehicle.

Against the background of a determined anti-inflationary drive, the odds appear heavily stacked against Naacam gaining further protection for local parts' makers.

Commenting on this issue in a telephone interview from Pretoria yesterday, Naamsa director Mr Nico Vermeulen said: "It may be we'll find more common ground than is generally anticipated."

The meeting, said Mr Vermeulen, would finalise the Naamsa stance on the issue and the organisation was committed to a meeting with Naacam "to consider the results of the respective studies and establish whether there is scope for a uniform approach on Phase 5 of the local content policy."

Naacam's evident desire for greater protection of the local component manufacturing industry enjoys little support. Economists — such as Professor Brian Kantor who, addressing their annual meeting in Pretoria in September, forecast a "more critical" attitude from Government. And, reading between the lines, the Government itself is against more protection.

Thus the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, warned in a recent speech in Port Elizabeth that local industry would have to keep its prices down and said tariff barriers should remain "moderate".

In his address to Naacam in September, Professor Kantor warned that he saw the emergence of a more critical approach from the Government towards protection, not because of persuasions of free market economists, "but out of the experience of industry and the economy generally of the internal inconsistencies of the policy of protection."

"You don't protect some sector of the economy without adversely affecting some other sector."

"The internal contradictions are obvious. They're obvious to maize farmers and they're obvious to motor manufacturers."

In his speech to mark the official opening of a multi-million rand expansion to the Firestone plant in Port Elizabeth, Dr De Villiers emphasised that in the "monopolistic and oligopolistic" marketplace such as South Africa "imports represent an important means of furthering effective competition."

"It is of the greatest importance for the well-being of the South African economy that effective competition be encouraged," said Dr Villiers, adding, significantly: "Competition is not only indispensable to ensure efficiency and the optimal utilisation of the country's resources, but also to combat inflation."
The economy is in need of urgent action to correct the imbalance in the distribution of income and wealth. The government should take a more active role in promoting economic growth by implementing policies that encourage investment and reduce inequality. In addition, efforts should be made to increase access to education and healthcare, especially in rural areas. It is imperative that the government works towards creating a more inclusive and equitable society.

Business Day

Protection's Image Fades
Tube-makers denied export subsidy to US

BY PRISCILLA WHYTE

SOUTH African pipe-and-tube-makers have not had anti-dumping duties applied against them by the US Government, although a countervailing duty investigation has been instituted against certain companies.

Mr Hylton Godwin, chairman of the SA Tube and Pipe Manufacturers Association says: "The countervailing investigation has culminated in the SA Government signing a suspension agreement with the US Department of Commerce."

The suspension agreement means that certain SA companies exporting steel products to the US may not avail themselves of export subsidies.

Mr Godwin says his association is not a price-setting organisation. The promotion of import substitution is as important an objective of the association as the export promotion of tube and pipe.

Mr Godwin is critical of the import of tube and pipe into SA, given the need for additional job opportunities.

Between 55% and 70% of the cost of tube is steel. In Japan, most piping manufacturers have their own steel mills, which permits them to be extremely competitive.

SA manufacturers buy their steel from one of two primary producers. Mr Godwin advocates protection of the SA pipe and tube industry at the embryonic stage by means of tariffs.

He stresses the inflation problem. "All things being equal, countries exporting to SA have inflation rates 4% to 5% lower than SA's. No matter how efficient our production, we are still overpriced."

"The SA pipe and tube market is worth R300m to R400m a year. The market has shrunk by 20% to 25% and 1983 is a year of negative growth."

"We have bottomed out. I expect 1984 to be slightly better than 1983, but I am pessimistic about real growth in 1984."

SA pipe and tube consumption may be segmented into welded tube — 85%, seamless — 10% and stainless — 5%. Mr Godwin believes ratios will remain constant, with a possible slight increase in the use of stainless tube.

Manufacturers claim to be capable of meeting 100% of the demand for carbon steel welded pipe, 85% of the need for seamless tube and 50% of the need for stainless steel tube.

The technological standard of SA manufacturing equipment for welded and stainless tube is comparable to that of foreign plants.

"Stainless steel tube prices have been very depressed. Until recently tube was arriving in SA from Japan at prices equal to that of the strip from which the tube is made in SA."

About 95% of all tube and pipe manufacturers are members of the association — MRT Bartons, Hall Longmore, Robor/Brollo, Bosal, Tubemakers of SA, Woltube and SPI. Most are members of Sefisa.

Mr Godwin does not expect an increase in the price of steel for tubing before July 1984.

The industry employs over 8 000 people and will have consumed about 600 000 tons of strip by the end of the year.

Mr Godwin said the foundry industry had experienced difficult trading conditions in 1983 and he was aware of many planning to close for the whole of December because of a lack of orders.
The decision to scrap import quotas of textile and clothing means war on products needed to be applied.

Although the president, Mr. Shankman, excess of which could be applied.

The decision to scrap import quotas of textile and clothing means war on products needed to be applied.
Little cheer for Steenkamp

By MIKE JENSEN

THE adoption of the Steenkamp Committee’s recommendations on the textile and clothing industry emphasises the Government’s resolve to stimulate exports.

Manufacturers, however, are critical of the ability of the new measures to carry out the Government’s intentions.

The Steenkamp report said South African manufacturers should become more export-oriented by exposure to greater foreign competition.

Quantitative import controls have been abolished in favour of a tariff system likely to result in cheaper foreign textiles and clothing entering the country.

It will be difficult for manufacturers to switch to exports to counter the loss in income from the SA market, says Mr Harry Pearce, chief executive of Da Gama Textiles.

“One of the larger US mills could account for 70% of the total South African production. We have much smaller mill-runs than most of our international competitors. So it makes it hard to compete with their economies of scale.”

Although the withdrawal of the quota system will make imported raw materials for the manufacture of exports cheaper, Mr Pearce does not believe this will make a substantial difference to total costs.

The executive director of the National Textile Federation, Mr Stanley Shlagman, says duty-free imports will not be enough to create a competitive international price unless exports are stimulated in other ways.

“The ability of these new measures to stimulate exports is seriously in doubt unless we implement the sort of export incentive schemes that Europeans have.”

While acknowledging these problems, a Steenkamp Committee member, Mr Vivian Cunningham, says there are examples of successful South African exporters which should be followed.

“Opportunities do exist and gaps in the overseas market will have to be sought out. Growth in exports won’t happen overnight. But if our industrial strategy is going to work, then manufacturers will have to adapt.”

Dr Paul Hoogendyk, the chairman of the South African Foreign Trade Association, says the new measures should result in local manufacturers getting export rebates on a more streamlined basis. This should help cash flow.

“Furthermore, industry will no longer have a captive local market, so productivity will be stimulated and manufacturers will be forced to take a more serious look at the export market.”
SOUTH African big business is poised to sweep through the front door of black African and oil-rich Middle East markets in terms of a new foreign trade blueprint drawn up by the government of Mauritius.

South African businessmen can now establish companies on the Indian Ocean island — and nothing will prevent them from tendering for projects in the Middle East or black Africa.

The scheme is part of a new export services zone (ESZ), and works through Mauritius-registered companies which may — subject to Mauritian approval — be wholly foreign-owned.

A source close to the Mauritian government said the spin-off would be in offshore operations in countries normally closed to South Africans.

This means that wholly-owned South African companies registered on the island will be able to undertake business projects in other countries normally closed to them.

Moreover, the Mauritian government had undertaken not to disclose the shareholding of such companies, the source said.

"There would be nothing to stop a company with 100% South African shareholding from tendering for projects in the Middle East or black Africa — and even obtaining finance from the Development Bank of Africa, which is largely funded by the oil states," the source said.

Mauritius in turn would benefit through the provision of jobs for the increasing number of educated people who are unemployed.

The new scheme comes at a time of increasing South African diplomatic and business involvement on Mauritius and the Comoros islands.

In Johannesburg this week, Dr Peter Vale, director of research of the South African Institute of International Affairs, said considerable success had been...
SABOTAGE AT SYSTEM

The scene of Thursday’s blast in Johannesburg

A spokesman for the Democratic Alliance of South Africa, Mr. Pretoria, said the explosion was a deliberate attempt to disrupt public order.

The explosion occurred during a rally at the University of Witwatersrand, where thousands of students were gathered to protest against the government’s proposed education reforms.

Mr. Pretoria said the explosion was caused by a homemade device, and that the authorities were investigating the possibility of a terrorist attack.

The blast caused widespread panic and disruption, with several people injured and several buildings damaged.

A South African military spokesperson said that the authorities were working to assess the damage and to determine the cause of the explosion.

The Democratic Alliance repeatedly condemned the attack and called for calm and for the government to address the underlying issues that led to the protests.

In a statement, the Democratic Alliance leader, Mr. Pretoria, said: "We condemn this attack on our democracy. It is a clear attempt to undermine our hard-won freedom and to prevent us from exercising our rights to protest and to participate in the political process."

The Democratic Alliance called on all South Africans to unite and to work together to build a better future for our country.

**From Page 1**

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**New SA trade routes (12/13)**

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**Africa**

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**Read the article for more details.**
Sabotage attacks
aimed at 'system'

THE MOST than 30 acts of sabotage committed in South Africa this year were primarily aimed at government and public buildings.

Professor Mike Hough, director of the Institute of Strategic Studies at the University of Pretoria, said they were picked as targets because the African National Congress saw them as symbols of the apartheid system.

The ANC claimed responsibility for the majority of the attacks, including Thursday's explosions at the offices of the Department of Foreign Affairs in Johannesburg and Durban.

Extensive damage was caused by the explosion outside the locked doors of the Department of Foreign Affairs offices on the fourth floor of the Old Arcade building in Johannesburg.

Nearly all the windows in the 11-storey building had been shattered by the impact of the blast. When the Press were allowed on the scene, owners of the building were still trying to assess the damage.

A spokesman for the department said employees had left the premises at 4.45pm, almost two hours before the bomb exploded.

Seven people were injured in the attack, mostly with cuts from flying glass. All were discharged after treatment at the Hillbrow Hospital.

Prof. Hough said the most 'demonstrative attack' this year was the car bomb that exploded outside Nedbank Square in Pretoria on May 26, killing 19 people and injuring more than 200.

The bomb attack was to some extent the turning point and proved that claims made by the ANC that it did not attack civilian targets was no longer credible," said Professor Hough.

He added that the ANC had gained ground in terms of political status and sympathy abroad this year.

The scene of Thursday's blast in Johannesburg

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Dr Vale said South African diplomatic activity in the Indian Ocean islands was "highly sophisticated."

"The islands have up to now not enjoyed a high priority in South Africa's foreign policy, but Pretoria's response to the changing situation in the Indian Ocean has been to alert the Western powers to the dangers inherent in the British withdrawal east of Suez."
The South African sugar industry has long been a source of controversy and debate, with its production methods and environmental impact being a matter of concern. The industry's reliance on sugar cane cultivation has led to environmental degradation and social issues, which have been the subject of significant criticism in recent years.

A recent study by the South African Sugar Industry Development Corporation (SASIDC) has highlighted the need for a more sustainable approach to sugar production. The study recommends the implementation of innovative farming techniques, such as precision agriculture, to reduce the environmental impact of sugar production.

In addition, the study calls for greater transparency and accountability in the industry, with the aim of improving the living conditions of sugar farmers and workers. The report recommends the establishment of a dedicated fund to support community development projects in sugar-growing areas.

The South African Sugar Association (SASA) has welcomed the study's recommendations, and has pledged to work with the industry to implement the necessary changes. The association has also called on the government to provide the necessary support to help the industry transition to more sustainable practices.

Trade routes and sugar exports are crucial to the industry's success, and efforts are being made to diversify the country's export markets. The government has announced a new trade agreement with China, which is expected to boost sugar exports to that country.

Despite the challenges faced by the industry, there is optimism that a more sustainable approach can be achieved, with the support of both the government and the private sector. The industry is committed to working towards a future that is both economically viable and environmentally responsible.
Cheap imports hit SA’s stationery manufacturers

By Stuart Flitton

South African stationery manufacturers claim they have lost millions of rands because local schoolchildren are buying Zimbabwean exercise books made from cheap imported paper.

A spokesman for one manufacturer said Shield Buying and Marketing (Pty) Ltd had ordered books to the value of R1.5 million from the Zimbabwean manufacturers, Art Mall and Marvo.

The spokesman said local stationery manufacturers were not given import permits by the Department of Industries, Commerce and Tourism and were unable to import the cheap paper which was available to Zimbabwe.

"Some of the Zimbabwean books come through Botswana, thus avoiding the strict Customs control at Beit Bridge," the spokesman said.

"This trade has been going on since 1972 but has increased since Zimbabwe’s independence.”

A spokesman for another local stationery manufacturer said that, since independence, cheap paper had been supplied to Zimbabwe as aid from Sweden.

"Their selling price is the same as our cost price. It makes us look ridiculous," the spokesman said.

A spokesman for Shield Buying and Marketing, of Johannesburg, was impressed when told that local manufacturers were upset.

"If Zimbabwean prices are lower than those of local manufacturers, surely there must be something wrong with the local trade," he said.

"Local manufacturers can beat the Zimbabwe prices. The problem is that some of them collude on prices.”

He denied that books came through Botswana and said he did not know the origin of the paper.
Protection to be ‘selective’

Import control is to go on 90 more items

The Government is to abolish import control on an additional 90 commodities or groups of items with effect from January 1, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, announced today.

At the same time, the existing regulations on import control have been revised and adjusted.

In a statement in Pretoria, Dr de Villiers said it had become evident that the existing import control measures did not effectively prevent disruptive imports in cases where appropriate tariff protection had not yet been imposed.

Various items which were adequately protected by tariffs and the importation of which for some time had been technically free, were now included in the free list, the Minister said.

He said the value of gifts, free samples and gifts bought overseas by South African tourists which could be brought back into the Republic without an import permit, had been increased to R200, R500 and R1 000 respectively.

"It, nevertheless, must be emphasised that payment of the existing customs duties on these goods is not affected by these changes," he added.

Dr de Villiers said it was government policy to render protection to industries by means of appropriate tariff measures, and the development of a sound industrial sector was of the greatest importance for economic growth and creation of jobs.

Continued industrial growth, however, required that competitiveness be improved and the country’s cost structures be kept as low as possible.

It was, therefore, important that protection be granted in a “selective manner” for industries that were economically viable and utilised the country’s scarce resources efficiently.

"It is also essential that protection be granted by way of modest import tariffs in order to ensure the discipline of a market-related economy is maintained.

A great many products had been released from import control over the past number of years, in accordance with government policy, to phase it out as adequate tariff protection was provided.

"The remaining import controls are presently being systematically reviewed with the purpose of lifting controls in those cases where it becomes possible, depending on the relative tariff situation," the Minister said.

There were, however, circumstances peculiar to certain industrial sectors which might impede the phasing out of import controls, and in such cases, action was taken only with the greatest circumspection and taking cognisance of the industry’s problems as far as possible. — Sapa.
Government drops more import curbs

PRETORIA. — The Government is to abolish import control on an additional 90 commodities or groups of items from January 1, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, announced today.

At the same time, the existing regulations on import control have been revised. The new regulations were published today in the Government Gazette.

Dr de Villiers said the existing import control measures did not effectively prevent disruptive imports in cases where appropriate tariff protection had not yet been imposed.

Various items, which were adequately protected by tariffs and whose import had for some time been technically free — for instance, agricultural and horticultural tractors and new motor vehicles — were now included in the free list.

The value of gifts, free samples and gifts bought overseas by South African tourists which could be brought in without an import permit had been increased to R200, R500 and R1,000 respectively. But customs duties on these goods were not affected.

It was government policy to give protection to industries by means of appropriate tariffs and the development of a sound industrial sector was of the greatest importance for economic growth and creation of jobs.

Continued industrial growth, however, required that competitiveness be improved and the country's cost structures be kept low.

"The cost structure of the industrial sector has an effect on the country's general cost structure and could adversely affect its export competitiveness."

SELECTIVE MANNER

It was important that protection be granted in a selective manner for industries that were economically viable and used the country's scarce resources efficiently.

"It is also essential that protection be granted by way of modest import tariffs to ensure the discipline of a market-related economy is maintained. And it is obviously necessary that special protection be instituted against disruptive competition brought about by abnormally low prices."

A great many products had been released from import control in the past few years, in accordance with government policy to phase it out as adequate tariff protection was provided.

The remaining import controls were being systematically reviewed. — Sapa.
Govt lifts controls on motor imports

The move is a further step in the Government’s policy of opening up the South African market to make local industry more competitive.

Through this policy, import controls are being phased out and replaced by a system of tariff protection.

The latest move removes the limits on volume of goods that can be imported but does not affect existing import duties.

Remaining import controls are being reviewed and will also be lifted where possible.

According to the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, it is Government policy to protect South Africa’s industries by means of tariff measures.

He said: “The development of a sound industrial sector is of the greatest importance for economic growth and creation of employment opportunities.

“Continued industrial growth, however, requires that competitiveness be improved and the country’s cost structures kept as low as possible.

“The cost structure of the industrial sector has an affect on the country’s general cost structure and could adversely affect the country’s export competitiveness.”

He said protection had to be granted selectively for industries that were economically viable and utilised the country’s resources efficiently.

“It is also essential that protection be granted by way of modest import tariffs in order to ensure that the discipline of a market-related economy be maintained.

“It is obviously necessary that special protection be instituted against disruptive competition brought about by abnormal low prices.

“There are circumstances peculiar to certain industrial sectors which may impede the phasing out of import controls.”

“In such cases, action is taken only with the greatest circumspection and as far as possible by taking cognisance of the industry’s problems.

“The industry cannot be exposed to disruptive imports. Constant care is taken to avoid this happening. It has also become evident that the existing import control measures are not effective in preventing disruptive imports in cases where appropriate tariff protection has not been imposed as yet.

“The regulations therefore are being suitably amended for more effective action,” Dr De Villiers said.
FOREIGN TRADE
1984

JANUARY - DEC
Now SA's trade links look to East

By BARRY STREEK

African passport holders visit the Far East every year, Anwar Abbas, said in Durban recently.
Mr Abbas, chief of tourism for the Balmer-Lawrie group of companies — in which the Indian Government is the majority shareholder — also said the seven-day visa exemption had come as a result of special representations by the Indian Department of Tourism to South Africa's Ministry of External Affairs.
He added that about 1,000 South African Indians visited the land of their ancestors every year.
Part of that tourism involves the Philippines, at one stage completely closed to South Africans, where one of the attractions for South African visitors is reported to be faith-healing.
For all the tourism — Mr Abbas believes it is "a very interesting exercise in race relations" — the bustling trade relations between Asia and South Africa have provided the foundation.
In 1982, South Africa sold exports to the value of R1.665.700.000 to Japan, more than that sold to United States and United Kingdom, and imported goods worth R1.852.800.000.
These figures exclude gold bullion, uranium, oil and arms but, even then, they put Japan top of the export list and fourth — after West Germany, the United States and Britain — on the import list.
South Africa imported R227.900.000 from Taiwan and exported R185.900.000 in 1982, while imports from Hong Kong totalled R187.900.000 and exports R121.500.000.
In 1981, South Africa imported R15.900.000 from the Republic of Korea and exported R28-million, putting the total trade with South Africa above that for Israel.
In continental terms, trade with Asia and the Middle East is only exceeded by Western Europe.
But resistance to South Africa's race policies — South African Airways, for instance, has so far been refused landing rights in Japan — still damages the trading potential with Asia.
Even so, commercial links with Asia are substantial... and they are increasing.
Praise for removal of controls

By PRISCILLA WHYTE

FREE market campaigner, Mr Brian Kantor, professor of economics at the University of Cape Town, is pleased import control has been replaced by tariffs in the clothing and textile industries.

"Tariffs are bad enough, but we have to live with them because of the capital investments made in industry."

He believes tariffs adjust more readily than import control to world market conditions.

He is pressing for the elimination of import control on chemical precursors for man-made fibres.

He says international trading conditions in the textile industry are made difficult by over-protection of the chemical industry.

He says Sasol enjoys a high measure of protection, and this is causing other industries severe problems.

Sasol's policies were based on oil price rises which did not materialise, he says.

Prof Kantor says an investigation of the chemical industry is in progress.

He believes the removal of price control on cement and bricks is opening these industries to foreign competition.

Removal of protection is the only way to expose local industry to competition, he adds.
Cabora Bassa Power to be Supplied to SA Again
Government to promote exports of farm produce

Farming Correspondent

The Government would take measures to facilitate agricultural exports, the Minister of Agriculture, Mr Greyling Wentzel, said when opening the 1984 Agricultural Outlook Conference (AOC) in Silverton, Pretoria, today.

Mr Wentzel said the South African economy was being weakened by the failure of agriculture to compete efficiently in international markets.

The increase in the world prices of farm products was much larger than the benefits South Africa received from them in terms of rand.

The Department of Agriculture would commission an extensive investigation into the possibility of applying export promotion measures on agricultural products.

Another investigation would be instituted into the basic export potential of South Africa's main crops, Mr Wentzel said. Structural adjustments would be necessary and appropriate measures would be taken.

Effective measures would also be considered to curb the sharp increases in the prices of farming requisites.

The competitiveness of agricultural exports could thus be restored to an acceptable level.

Mr Wentzel said the effects of the recent drought would be felt for several years and everything should be done to restore natural grazing which had been extensively damaged.

Inflation had hit farmers hard and although, in the fight against inflation, sacrifices and adaptations would be required from everyone, demands on farmers' management skills would be particularly exacting.
Export brandy 'quota' reduced

Staff Reporter

THE "quota" afforded to export brandy farmers for their 1984 harvest is to be reduced, the KWV has revealed in its minimum wine price fixing to the liquor wholesale trade for the year.

Farmers producing grapes for distilling purposes are to be paid 3.3 percent less in advance than in 1983 — or R12.89 per hl in 1984 compared to R13.33 per hl in 1983.

A KWV spokesman said yesterday this was due to a decrease and stagnation in local sales of spirits and an increase in export sales.

The latest prices are subject to approval by the Minister of Agriculture.

The minimum price for good wine, or table wine, has been fixed at R38.63 per hl at 10 percent strength by volume as compared to R36.10 per hl in 1983.

This is an increase of seven percent compared to the 1983 price and amounts to 1.9 cents per 750 ml bottle.

The minimum price for distilling wine has been fixed at R26.32 per hl at 10 percent strength by volume compared to R24.66 per hl in 1983.

This adjustment of 1.72 cents per litre is a seven percent increase on the 1983 price.

Buffer stocks

The portion of the distilling wine crop which is available for export, stock replenishment and buffer stocks has been fixed at 51 percent and is expressed as a portion of the total distilling wine crop.

This quantity of distilling wine is used by KWV in the production of a variety of export products, of which spirits form the main body.

The producers receive a deferred payment for these products, depending on the realization of production, the spokesman said.

The reason for the increase in this portion of the distilling wine crop from 45.8 percent in 1983 to 51 percent in 1984 which is to be exported, is mainly due to a decrease and stagnation in local sales.

Excise duty

This was caused by the increase in 1981 of 23 percent in excise duty payable on spirits, as well as the increased imports of low priced whisky.

It is expected that production will only change marginally in 1984 compared to 1983.

The KWV spokesman said that these modest price increases in times of double-digit inflation, as well as average increasing pressure on the production costs of the wine farmer, would stabilize the price of wine in comparison with general retail price increases, and place it in a favourable position for 1984.
GST to rise 1pc next month

Staff Reporter

THE government would increase the general sales tax by one percent to seven percent from February 1, the Minister of Finance, Mr Owen Horwood, announced last night.

Mr Horwood put the blame for the increase on the world-wide economic downswing, the inability of South Africa's trading partners to register an early and meaningful economic recovery, and the recent drought in South Africa.

He said the rapidly-declining gold price and a consequent weakening of the rand-dollar exchange rate, and the higher-than-budgeted expenditure on essential services, also contributed to the need for the increase in GST.

"No tax increase is without sacrifice, and in view of price and cost increases evident elsewhere in the economy, the government would have preferred to avoid any increase in taxation, especially at this point in time. Unfortunately, this is just not possible," Mr Horwood said.

An advantage of general sales tax, however, was that it was levied on almost all final purchases.

"As a consequence, the community as a whole contributes to the financing of public expenditure, which in turn is incurred for the benefit of the whole community," he said.

The government's most important and unavoidable expenses were on drought relief, defence and the servicing of the public debt. Other expenses were on food and transport subsidies.

"On the other hand, the growth of the country's sources of income is limited by the present economic downswing and is insufficient to cover a growing deficit, due primarily to declining profits in the business sector and a decrease in net customs and excise revenue," Mr Horwood said.

Pointing out positive steps, Mr Horwood said the government had made the fight against inflation a top priority, and South Africa's credit-worthiness internationally had improved significantly.

"In addition, it seems as if the economic downswing has reached its lowest ebb, and very nearly so. "All in all, I am optimistic that South Africa will soon benefit from the long-awaited improved international economic climate and during 1984 experience the commencement of a prolonged and healthy export-led economic upswing."

Poor people hardest hit, page 6
Gold drops to $365.25

**Tough challenges facing agriculture**

Higher taxes, higher interest rates and depressed commodity prices have left farmers struggling to make ends meet. The situation is particularly dire in South Africa, where a significant portion of the population relies on agriculture for their livelihoods. Farmers have been forced to adapt to these challenges, often at great personal and financial cost. The government and international organizations are working to support farmers and find sustainable solutions for the future.
Steel-makers bid at controlled reduction

BY PHYSICIAN WILKES

The government's proposed Regulation of Import Controls is causing a great concern in the steel and iron industry and is a strong recovery issue. Additional steps are important in overcoming these problems and maintaining better production.
Industrial Editor

THE HEAD of the largest electrical manufacturer appealed to the Government yesterday to encourage growth in this sector.

Speaking at GEC’s annual apprentice prize-giving at the group’s Benoni works, the managing director, Mr Paul Hatty, supported a recent industry appeal to the Board of Trade for tariff protection on high-voltage motors.

He said efforts to improve productivity by apprentice training, and to eliminate waste with better buying techniques and design engineering, were inadequate.

Prospects for the industry this year were particularly worrying because of the likely under-utilisation of capacity in an already-depressed economy.

There was no import protection on high-voltage motors and local manufacturers feared for the viability of their industry.

The Australian high-voltage electrical industry had been decimated by imports.

Mr Hatty said statistics over the past three years indicated an increase in electric motor imports at a rate well above market growth.

Recent tender submissions suggested that imported units were being offered at prices substantially lower than the manufacturing costs of established local suppliers.

He estimated local manufacturers could replace 95% of imports without increasing capacity but added that efforts to replace imports, and develop export markets, were severely handicapped by inflation and high costs of raw materials.

Supporting a recent joint application by four manufacturers for tariff protection on electric motors above 260KW, Mr Hatty said these companies had been supplying high-voltage motors for more than 30 years.

"In order to maintain strategic competence, local industry will soon face decisions on significant plant expenditure.

"Local capability to produce large machines, and the new generation of machines required for Escom’s extensive programme, are of absolutely critical — if not strategic — importance."

The joint applicants to the Board of Trade had an aggregate investment of R460m and employed 1 000 people.
The De Villiers doctrine

“Talking out against the free market nowadays is like condemning motherhood,” says one industrialist, “but in the meantime the chemical industry is being kicked to death.” Industries, Commerce and Tourism Minister Dawie de Villiers is government’s man most closely linked to the new thinking.

“...new competition for local Industry

Nineeteen eighty-four will be remembered as a painful year for SA industry. Apart from suffering the hangover of recession, it will be seen as the year when government exposed some manufacturers to one of the greatest dangers they have ever faced — competition from distressed producers abroad.

This is being done to some sectors on a systematic basis through the abolition of import controls and their replacement by a set of relatively low tariffs. Other manufacturers are feeling it in the form of lower tariff protection than they ever contemplated when establishing their operations. And yet others are having to contend with imports which penetrate existing barriers because of special exemptions by government.

The latest to feel the heat is the plastics industry. AECI deputy MD Ted Smale criticises some of the tariffs announced last week as being based on the give-away prices now forced upon the world’s loss-making chemical producers. But a government source maintains: “We do not think that it is proper economics to isolate the SA industry from the world industry.

“This has been done in the past, but in future industry will have to make substantial adjustments to meet these levels. The Department would not be unduly disturbed if inefficient producers closed down as a result as it would benefit the economy as a whole.”

Strategic argument

Government also asserts that it will no longer be easily seduced into granting protection on so-called strategic grounds.

“The strategic argument has been overemphasised,” says a Pretoria source. “There are many, far cheaper ways of overcoming possible embargoes, including stockpiling. Many strategic stockpiles already exist.

“If we must have uneconomical industries for strategic reasons, they must receive only normal levels of protection determined on purely economic grounds. If these are not sufficient to protect them, the balance should be made up by direct grants from the Treasury authorised by Parliament.”

The new dispensation ends a honeymoon between government and business which has lasted more than three decades. During that time, almost any manufacturer prepared to invest locally was assured of protection from foreign competition.

Minister of Industries, Commerce and Tourism, Dawie de Villiers, says the new regime is necessary to curb inflation, and strengthen local industry through increased competition. But some companies say it will weaken the private sector through the closure of factories and the cancellation of others now on the drawing boards.

They also blame government for breach of faith: many plants now under threat were established only after promises that they would be protected from imports.

The new tariffs on plastics will force rationalisation in the industry, whose prices, says De Villiers, “give serious cause for concern.” Even the mighty Sasol, once thought to be government’s darling, will be affected.

Sasol feedstocks

A tariff schedule published last week revealed that duties will no longer be payable on imported styrene and propylene. Both of these feedstocks (used to make certain plastics and synthetic rubber) are produced by Sasol, and it will now almost certainly cease production.

The tariffs on the plastic polymers, polyethylene and PVC, are also likely to hurt Sasol which is the country’s only supplier of ethylene, a feedstock used for these products. Unless it is prepared to drastically reviseethylene prices, its customers, AECI and Sentrachem, may find that they cannot compete with imported polyethylene and PVC. If this happens, the local ethylene market will evaporate and Sasol’s big investment in this field will become...
De Villiers says the tariffs will be phased in to replace import control over time to avoid "serious disruption" to the plastics industry. Industry sources say they appreciate this breathing space, but argue that no amount of time would ever enable some capital-intensive producers to bring their prices in line with those of certain Arab and East bloc producers.

"If import control were to be removed immediately, plastic polymer producers would have to reduce their prices by an average of 25% to achieve parity with the landed costs of imports carrying the new tariffs," says MD of Senatracem, Dave Marlow. "This would reduce annual industry turnover from R400m to R300m, which could result in the closedown of plants."

Depending on currency exchange rates and levels of world demand, the situation could be even worse in four years' time. De Villiers has ordered a revision of the new tariffs (which he considers "relatively high") to take place then, with a view to "possible downward adjustments as industry adapts to a more competitive milieu."

Early move

De Villiers gave the first signal that government was swinging away from protectionist policies when he was still fresh in his present ministerial post in 1980. He reversed an undertaking by his predecessor, Schalk van der Merwe, which gave Gencor the exclusive right to manufacture virtually the entire market requirements for heavy truck gearboxes and axles.

Today Gencor's operation is far smaller than originally planned, and it has to fight for business against local and overseas manufacturers.

Since then the lifting of import permits on motor cars has resulted in the importation of several thousand low-priced cars and light commercial vehicles, and imports continue. Government has not been sympathetic to pleas for increased tariff protection for the industry, which means that the present trickle of imports could turn to a flood if the rand becomes stronger.

Imports of clothing, textiles and footwear have also been allowed to increase despite the drop in local demand. This is likely to continue with clothing and textiles if the recommendations of the Steenkamp Committee are fully implemented, so there would be casualties here too.

According to the director of the Textile Federation, Stanley Shlagman, investment in his industry has come to a standstill. This, he says, is needed for it to keep up to date - meaning that manufacturers could run the risk of becoming increasingly uncompetitive as time passes.

Relaxation of import control will also put severe pressure on the fertiliser industry, especially producers of ammonia where some plants have already closed because of the drought.

In addition to the drought, government's new policies mean that more could follow. And some companies are prepared to risk investing in new ammonia production capacity, despite the fact that local demand is expected to exceed supply by the end of the decade.

Iscor's capacity

Import control is to be removed even from iron and steel which will give subsidised foreign producers a chance to offload some of their vast surpluses on the local market. Perhaps the State-owned Iscor saw the writing on the wall as it is now carrying out an exercise to increase efficiencies and reduce capacity. About 12 000 jobs are being eliminated in the process.

Some businessmen, even among those who stand to lose, find it hard to fault the De Villiers doctrine. "We can no longer defend the indefensible," says one. "For too many years, government has seen some manufacturers getting too rich at the expense of other sectors of the economy."

Shlagman says: "We all realise that we must adjust to the new realities and that this should improve productivity and cut costs.

"But we have to accept the need for protection against countries which dump goods purely for the purpose of earning foreign exchange or to export their own unemployment."

Another source says: "Tariffs will not be sufficient protection to encourage further investment. The machinery of our anti-dumping legislation takes time to activate, which means that a company may be put out of business by dumped imports before it can prove its case.

"We need a package of unorthodox measures which include selective ad hoc import controls which would, for example, exclude imports of certain products over certain periods or imports from certain countries."

This ties in with other suggestions that although government is right to stop the undoubtedly exploitative traditional protection measures by local industry, it now needs sophisticated measures to stop foreigners exploiting the new, freer SA market.

Government should also consider assisting industries which cannot compete with imports in re-deploying their resources into areas where they can be more competitive.

De Villiers' men have been ruthless in scrapping the old rules governing industry. They should now do an equally thorough job in drawing up a new set of rules for industrialists.

It is hoped that these will be contained in the White Paper on industrial development which is expected in May.
PROTECTIONISM

The De Villiers doctrine

Nineteen eighty-four will be remembered as a painful year for SA industry.

Apart from suffering the hangover of recession, it will be seen as the year when government exposed some manufacturers to one of the greatest dangers they have ever faced — competition from distressed producers abroad.

This is being done to some sectors on a systematic basis through the abolition of import controls and their replacement by a set of relatively low tariffs. Other manufacturers are feeling it in the form of lower tariff protection than they ever contemplated when establishing their operations. And yet others are having to contend with imports which penetrate existing barriers because of special exemptions by government.

The latest to feel the heat is the plastics industry. AECI deputy MD Ted Smale criticises some of the tariffs announced last week as being based on the give-away prices now forced upon the world's loss-making chemical producers. But a government source maintains: "We do not think that it is proper economics to isolate the SA industry from the world industry."

"This has been done in the past, but in future industry will have to make substantial adjustments to meet these levels. The Department would not be unduly disturbed if inefficient producers closed down as a result as it would benefit the economy as a whole."

Strategic argument

Government also asserts that it will no longer be easily seduced into granting protection on so-called strategic grounds.

"The strategic argument has been over-emphasised," says a Pretoria source. "There are many, far cheaper ways of overcoming possible embargoes, including stockpiling. Many strategic stockpiles already exist."

"If we must have uneconomical industries for strategic reasons, they must receive only normal levels of protection determined on purely economic grounds. If these are not sufficient to protect them, the balance should be made up by direct grants from the Treasury authorised by Parliament."

The new dispensation ends a honeymoon between government and business which has lasted more than three decades. During that time, almost any manufacturer prepared to invest locally was assured of protection from foreign competition.

Minister of Industries, Commerce and Tourism, Dawie de Villiers, says the new regime is necessary to curb inflation, and strengthen local industry through increased competition. But some companies say it will weaken the private sector through the closure of factories and the cancellation of others now on the drawing boards.

They also blame government for breach of faith: many plants now under threat were established only after promises that they would be protected from imports.

The new tariffs on plastics will force rationalisation in the industry, whose prices, says De Villiers, "give serious cause for concern." Even the mighty Sasol, once thought to be government's darling, will be affected.

Sasol feedstocks

A tariff schedule published last week revealed that duties will no longer be payable on imported styrene and propylene. Both of these feedstocks (used to make certain plastics and synthetic rubber) are produced by Sasol, and it will now almost certainly cease production.

The tariffs on the plastic polymers, polyethylene and PVC, are also likely to hurt Sasol which is the country's only supplier of ethylene, a feedstock used for these products. Unless it is prepared to drastically raise ethylene prices, its customers, AECI and Sentrachem, may find that they cannot compete with imported polyethylene and PVC. If this happens, the local ethylene market will evaporate and Sasol's big investment in this field will become...
Debate over local content is expected

THE contentious issue of local content versus relatively cheaper imports and the outcome for jobs in the South African motor industry is likely to come under the spotlight at a Port Elizabeth business seminar next month.

Among the key speakers who will sketch their views of the 1984 business climate at the Midland Chamber of Industries' traditional new year review will be Mr Lou Wilking, managing director of General Motors (SA) Pty Ltd.

Coming against a background of increasing importation of fully-assembled vehicles, contracting expectations in the motor industry, and the recent retrenchments of motor industry workers, Mr Wilking's speech is bound to attract considerable attention — not least from those critics who have singled out GM itself as a major "culprit" in the trend towards absorbing the 100%-plus duty "penalties" and importing fully-assembled vehicles.

Mr Wilking's speech will be on The Local Content Programme — a Re assessment.

Keynote address at the seminar — which opens at 8.30am on the Hotel Elizabeth on February 20 — will be delivered by Professor Gordon Hewitt, a management consultant based in London.

Prof Hewitt will talk on The Changing Balance of World Trade and Economic Power.

Dr Johan Groete, chief economist for the Barclays Bank group will assess the pre-Budget SA economy and Mr P L Campbell, managing director of Metal Box SA Ltd, will talk on mergers and acquisitions: Challenges and Opportunities.

Prof Chris van Velzen, of the University of South Africa's School of Business Leadership, will present some new concepts in marketing and planning in the '80s.

Chairman of the seminar is Mr Adam Bage, financial director of Volkswagen SA Pty Ltd.

In a statement released yesterday, Mr Bage noted: "The bright prospects for economic recovery in 1984 as predicted by most economists and business leaders at the end of last year have recently become clouded.

"Higher interest rates, the lower gold price, weaker rand and the drought have all had a negative effect on confidence and many companies are reassessing their forecasts for 1984.

"Expectations of the timing and extent of the upswing are being lowered."

It is against this background, says Mr Bage, that the MCI, in association with Barclays Bank, had arranged the seminar "so as to enable the local business community to hear the views of leading experts on the issues that will have to be addressed over the next few months".

The morning-only session will be followed by a lunch hosted by Mr Jules Opperman, general manager (Eastern Cape) of Barclays National Bank.
Johannesburg — An appeal to the Government to encourage the growth of local manufacture in the electrical industry was made by the managing director of the GEC Group, Mr Paul Harty.

Speaking at GEC’s annual apprentice prize-giving ceremony at the company’s works in Benoni, Mr Harty supported a recent industry appeal to the Board of Trade for tariff protection.

He said that continuing efforts to improve productivity by apprentice training and other means, and efforts to eliminate wastefulness by improved purchasing techniques and optimised design engineering, were proving inadequate in fighting the total bill of costs which local industries now had to face.

In consequence, the industry had been forced to ask the Board of Trade for tariff protection on high-voltage motors.

“Local manufacturers fear for the viability of the industry, having observed the decimation of the Australian high-voltage electrical industry as a result of inadequate protection.

“The picture for 1984 is particularly worrying because of likely under-utilisation of capacity in an already recessed economy,” said Mr Harty.

Statistics over the past three years indicated an increase in imports of electric motors well in excess of the market growth, and recent feedback on tenders submitted suggested that imported motors were being offered locally at prices substantially lower than the manufacturing costs of established local manufacturers.

He estimated that local manufacturers could replace 95% of imports without having to increase present capacity, but added that all serious efforts to replace imports and develop export markets were severely handicapped by very high costs of local raw materials and inflation.

The most notable example of a high-cost input was that of the lamination steel used in certain motors, where the local price available was more than double that paid for similar material by overseas competitors.

In certain cases there were virtually no alternative materials available to local manufacturers.

Mr Harty added that differential inflation rates — as much as 10% — between South Africa and certain other countries had served to exaggerate local manufacturers’ lack of competitiveness since 1981.

In support of the recent joint application by four major local manufacturers for tariff protection on electric motors above 260kW, Mr Harty said that these manufacturers had been supplying high-voltage motors to the local market for more than 30 years.

“Principal users such as Escom, Sasol, Iscor and the mines rely heavily on the local expertise of manufacturers including design, engineering, manufacturing, servicing and repair work.

“In order to maintain strategic competence, local industry will soon face decisions on significant plant expenditure.

“Local capability to produce large machines and the new generation of electrical machines required for Escom’s extensive programme are of absolutely critical, if not strategic, importance,” he emphasised.

— Sapa
Ford chief on PE lay-offs

By LOUIS BECKERLING
Business Editor
FORD management would adopt a strictly business approach to importing fully-assembled vehicles into South Africa should its situation demand such a strategy, according to the company's international chief executive.

In Port Elizabeth for "an in-depth review of Ford's operations in South Africa", Mr Philip Caldwell, chairman of Ford's board of directors and chief executive officer, made this observation during a press conference yesterday.

During the course of a wide-ranging series of questions in the boardroom of the Ford (SA) headquarters in Albany Road, Mr Caldwell also defended the retrenchment of workers — whether in the United States or in South Africa — as a pragmatic business principle.

"The only thing that counts at the end of the day is a sound and profitable company and the only way in which a company can continue remaining sound and profitable is to deal with the realities with which it is confronted... "Governments may, but private companies simply cannot provide jobs when there's no useful market demand for their product," said Mr Caldwell.

His visit follows days after a similar fact-finding and familiarisation tour of South Africa by the president and vice-president in the United States of the separately administered Ford Motor Credit Company Company.

Introduced by Ford (SA) managing director Mr Brian Pitt, Mr Caldwell began the conference in the presence of several international and local directors — and a camera crew from SATV — with a brief statement on his impressions of the Ford (SA) operation.

"I was last here for a complete review 10 years ago and I have come to listen and see and learn of the opportunities, hopes and aspirations of Ford of South Africa," said Mr Caldwell. Observing that the South African division (wholly owned by Ford of Canada, which in turn is 89% owned by Ford in the US), was "the largest vehicle producer in the company operating outside of the US or Canada", Mr Caldwell said the parent company was "especially proud of the fact that Ford (SA) has produced two of its own products — the Ford 1-tonner and the Bantam".

"And another fact which has impressed me is that it's no overstatement in any way to say that Ford (SA) is making the highest-quality products of any manufacturer in South Africa — as is the documented case in the US.

"I am pleased that the quality goal is on top of the list in South Africa."

Mr Caldwell said Ford's strategy was a simple one: to manufacture high-technology products offering the latest modernity and value for money.

This strategy had ensured that "our pipeline has more new products in it yet to come than we have ever had before and our planning horizon is now 10 years ahead."

Questioned after his statement on Ford's attitude to local content regulations, Mr Caldwell said sovereign countries had a right to their own rules.

"We have followed the path of respecting whatever these rules are and operate under varying conditions — in some cases local content requirements of up to 90%.

"If we were living in a perfect world I think we'd all be best off with a minimum of restrictions, but the realities are that we don't live in such a world and I respect the pragmatism of the Government.

"We have to decide whether we have to make a contribution under the ground rules and if we cannot, of course we don't need to compete."

However, management would regard the payment of penalties incurred in order to import fully-assembled vehicles as a "purely economic consideration and such a decision would be taken on a business basis."
Iscor attributes losses to cheap exports

BY FRISCILLA WHYTE

AMERICAN steel producers are challenging the finding of the Department of Commerce that there is no substance in the suggestion South Africa is dumping steel on the US market.

Mr Florens Kotzee, the managing director of Iscor, is confident the finding will be confirmed.

Exports represent 35% of Iscor production.

Mr Kotzee says the high percentage of exports is a key reason for Iscor’s losses in the last two financial years of R244m (1982/1983) and R22m (1981/1983) as exports have not been profitable in spite of rand depreciation.

Mr Kotzee says, however, Iscor’s proportion of exports to total sales will diminish in the longer term.

The difference between domestic prices and export prices is appreciable, he says.

Exports do not compete worldwide on a profit basis, but are a contribution to fixed costs.

The rand/dollar exchange rate has increased export prices by 40% in the last year and the “latest change in the exchange rate is helping exports”.

The South African Government is moving towards a system of indirect import control, with tariff protection to replace quantitative import control.

“Our domestic list prices, depending on the product, are generally higher than in many countries, but still lower than in the US,” says Mr Kotzee.

He feels the gap has narrowed considerably in the last few months.

He claims products are dumped in South Africa by overseas mills that are subsidised by their governments.

The percentage of continuous casting a steelmaker produces is an indication of the technological efficiency of steelmaking.

Iscor has a continuous casting percentage of 57% and it is hoped to push it up to 78% in the next few years.

South Africa as a whole has a 62% continuous casting yield. The Japanese figure is 79% and that of the US 29%.

Mr Kotzee claims a high proportion of the plant in the US is outdated and protectionism there is a move to shelter obsolete technology.

As far as possible Iscor prefers to buy technology rather than duplicate research and development work that has been done elsewhere.

Japan is generally at the forefront of technological development and Iscor has licence agreements with Japanese companies.

The major problem in the steel industry worldwide is over-capacity.

Iscor is running at 90% capacity utilisation, whereas the US is running at 60%.

Japan is producing 92-million tons of steel a year but has the capacity to produce 140-million tons.

In the 1983 annual report, Dr T F Muller, the chairman of Iscor, said because steel manufacturers faced escalating input costs and lower export prices and volumes, poorer operating results were recorded in the 1982/1983 financial year than in previous years.

Apart from declining demand for Iscor’s steel exports, in respect of volume and US dollar prices, iron ore exports were also seriously affected.

He said the low utilisation of the Sishen export mine, the Sishen-Saldanha railway line and Saldanha Bay harbour had resulted in such an increase in unit costs that it was difficult to keep the iron ore business temporarily profitable.

Iscor exports to 60 countries, among them the US, Europe, the Far East, the Middle East and Africa.

South Africa’s persistently high rate of inflation and the consequent rise of 13% in the production price index over the previous year, compared to inflation rates of less than 5% among major trading partners and the rand/dollar exchange rate, had resulted in margins on exports diminishing.

Unless steps were taken to remove these disparities by effecting a permanent reduction in either the rate of inflation or the rand/dollar exchange rate, exports of most South African goods would be unprofitable, he said.
SA clothing could break into German market — expert

By DEREK TOMMEY, Financial Editor

SOUTH African clothing manufacturers stand a good chance of breaking into the huge West German clothing market if they can trim their prices, says Mr Georg Brün, a leading German clothing technologist.

Mr Brün, who has an extensive knowledge of both the South African and German clothing markets, is in Cape Town on holiday.

Until three years ago he was production director for one of the Cape's leading clothing manufacturers.

He left to take up a research post in Germany and has recently been appointed technical and scientific adviser to the German National Clothing Federation.

Increased demand

Interviewed this week, Mr Brün said top German retailers had been extremely impressed by a sample range of South African clothing sent there recently.

They liked the fashions and were particularly impressed by the quality. But the prices were between 15 percent to 20 percent too high to enable the product to compete in the German market.

He said it was a market well worth entering. Last year West Germany imported clothing worth Dm8.4-billion (R4-billion). Once the economy started to pick up demand for imported clothing was expected to rise further.

The German clothing industry could not meet the increased demand as it had been drastically run down. The number of people employed in it had shrunk from 470,000 a few years ago to 180,000 today.

There were also restrictions on the import of clothing from the Far East, which often was of poor quality.

As a result a gap could develop in the West German market which could be filled by South Africa if the prices were right.

However, breaking into the German market would require a tremendous amount of tenacity and commitment from the top people in the South African clothing industry. It would require accurate costing and manufacturers had to know what they were doing.

Mr Brün said his new post basically entailed getting money from the West German Government and passing it on to universities and technical institutes for research and development.

He had a budget of Dm30-million (R14-million) a year.

The European Economic Community had recently allocated Dm50-million (R23.8-million) for research into ways in which European clothing manufacturers could compete with the Far East. Japan was spending $66-million on research aimed at using robots to produce fashion goods in small runs.
By Angus Macmillan

SOUTH African manufacturers are smarting over the loss of a major slice of a government tender for tarpaulins for the railways (Sats) to British suppliers.

A South African supplier has used imported material to whittle away the share of Lebowa-based manufacturers who may now have to lay off workers.

Of the tender for 12,500 tarpaulins for the SAR, a Liverpool company was awarded 3,500, and a Glasgow firm and a Port Elizabeth importer 1,500 each. Another tender for 150,000m of material went to British suppliers.

Prices quoted by SA and foreign suppliers differed substantially. Whereas the Liverpool firm and the Scottish supplier quoted R290.98 and R341.44 respectively for a completed tarpaulin, SA quotes varied from R578.78 to R587.21.

A source in the industry says UK suppliers are dumping tarpaulins made from German materials. There is nothing wrong with the quality as the tarpaulins have to be approved by the SA Bureau of Standards.

National Texts & Sales and AECI's Sterkfontein Plastics — both with factories in Lebowa — were each awarded orders for 2,500 tarpaulins. Another manufacturer won an order for 1,000. IndusTex of Port Elizabeth, which used imported material, came in with a price of R403.70 to win its 1,000 order. The Lebowa factories using SA materials could not come near this quote and were even further off the British quotes.
Blue Circle rumors abound

Gold moves up again

The theory that the rate of inflation may be slowing...
Rubber firm pleased with new tariffs

Financial Editor

Synthetic rubber manufacturer, Sentrachem, is quite satisfied with the level of protection that the Government has extended according to Mr Johan van der Walt, senior general manager.

The company has spent over R400m on building a synthetic rubber factory at Newcastle known as the Aprene project. But it has been making losses and would continue to do so without protection from imports of cheap natural rubber.

Mr van der Walt said they had been granted a little less protection than they had applied for which was a 'floor price' of R1300 a ton or 25 percent ad valorem.

The Board of Trade and Industries had set the 'floor price' to R1200 a ton. He said the floor price was to prevent dumping when the price of natural rubber was at a low level.

Mr van der Walt said the Government had been quite fair in the matter. Users of rubber, such as tyre manufacturers, were given new import tariffs in line with those decided for the synthetic rubber manufacturer.

Dr Dawie de Villiers, Minister of Industries and Commerce, said he would lift the quota system of rubber imports only gradually but essential imports of natural rubber for certain products would be allowed.

Up to now it has been difficult to get permits to import rubber although there have been no import tariff barriers. Setting of the protection for Aprene implies the plant will be able to supply most of South Africa's rubber needs.
Shoemakers fight losing battle against imports

By MIKE JENSEN

SOUTH AFRICA'S R600m a year footwear industry faces slow death unless it is granted increased tariff protection against imports, says the director of the Footwear Manufacturers' Federation, Mr Dennis Linde.

From the beginning of 1982 to the end of 1983 local production dropped 23%, he says, while imports steadily rose to 27% of market share.

Between 1980 and 1983 the FoB value of imported shoes almost doubled to R72m from R37m.

Without protection, and with conditions for local producers expected to deteriorate still further in 1984, Mr Linde says, the SA industry can only go the way of footwear manufacturers in the US, where 60% of shoes are now imported.

Overseas recession and the low cost of shoe production in the Far East appear to be the main reasons for the poor health of the SA industry.

Retailers prefer to stock imported brands from Taiwan, Korea and Hong Kong because they are cheap despite the on average 30% duty placed on them.

"The labour cost per shoe produced is far cheaper in these countries," says Mr Linde.

"In addition foreign prices have been cut to the bone in an effort to combat the global decrease in shoe sales caused by recession. Now we just cannot compete."

Because of stiff overseas competition there has been only a 7.8% increase in the SA footwear production price index over 1983 while the index for the whole manufacturing sector increased 10.5%.

Profit margins are unattractive.

In 1981 — the last year for which figures are available — the return on investment was 12.2% compared to an average manufacturing return of 18.69%.

There is worse news to come for the footwear industry.

The worldwide shortage of leather is growing and prices will be pushed up even further. In 1983 hide prices rose 70%.

Demand for locally manufactured product is predicted to continue falling.

Manufacturing costs will increase further as retailers push up overtime wages by demanding "unreasonably short" lead times according to Mr Linde.

Aside from better protection, Mr Linde says, a programme should be mounted to persuade consumers to give preference to products made in South Africa.

"A 'Buy South African' policy would ensure the growth of our manufacturing industry and maintain employment stability."

Pretoria-based investment research group, Rand Investment Services, says the homeland development corporations have experienced strong interest from foreign investors who see the potential of establishing new footwear factories in the subsidised decentralisation zones.

Relocation in these areas may offer existing manufacturers better profits.

Rand Investments also point out that the black market is inadequately catered for.

Local manufacturers are not producing enough of the American-style top quality/high price shoes most popular with this population group.

As black spending power takes off this could be a major growth area for SA manufacturers.
Tyre men feel let down

By PRISCILLA WHYTE

The tyre industry, already hit by the recession, will be affected by the 25% tariff protection and R1 200 floor price granted to synthetic-rubber makers.

Manufacturers are considering the implications of the new duty structure gazetted last Friday.

"The duty on natural rubber will inevitably affect the price to the end-user and the competitiveness of the local tyre industry against imports," says Mr M J Waterson, the director of the South African Tyre Manufacturers' Conference.

"At this stage it appears that the South African tyre industry could be severely prejudiced."

The gazetted rebates in respect of natural rubber are only concerned with rubber adhesives, certain footwear, aircraft tyres and inner tubes.

They do not afford relief for passenger and industrial tyres.

Duties on tyres have been amended, but only marginally.

Duty on pneumatic tyres and cases of a mass of 20kg but under 1 200kg has been increased from 20% to 25%.

The formula has been changed to 300c a kg less 75% from 300c a kg less 80%.

The SA Tyre Conference last announced an increase in the price of tyres of 7.55% on July 4, 1983.

Mr Jack James, the general manager of Michelin says: "We do not feel the duty is going to affect us unduly as our price structure is calculated on price and is not affected by the increase in the weight tariff."

He says the rand/dollar exchange rate has acted as an adequate tariff protection "and we are sure it has been taken into account by the powers that be".

Mr James says imports represent 16% of the replacement tyre market and that there is an even split between replacement and original equipment tyres.

He says the South African tyre market is worth an annual R600m. He projects real growth of 5% this year because "we have noticed growth in the market for the last six months, despite a higher-priced product".

Mr Ronnie Tollenaar, the managing director of Nytex, importer of the Japan's Bridgestone range, says: "The import duty on new tyres is not earth-shattering."

He says when stocks of local tyres are run down there will be some effect on the price to end-users.

He puts the replacement market at an annual R450m and the original equipment market at R25m.

He says the rand/dollar exchange rate has affected the price of imported tyres more than the duty.

The yen and dollar have maintained parity in the 12% slide of the rand in the last four to five months.

He says the role of the importer is to keep prices in check and maintain quality.

"The quality of locally produced tyres has improved by leaps and bounds in recent years."
SA steel industry faces 'unfair trade' charge by US Steel

WASHINGTON. — The chairman of the US Steel Corporation, the biggest American steel company, said here his company would file unfair trade complaints against five countries — including South Africa — tomorrow, as part of a campaign to reduce steel imports to the United States.

Mr. David Roderick said the company was preparing cases against Australia, South Korea, Argentina, Rumania, Finland, Spain, South Africa and Sweden.

He said five cases would be ready on Friday, but did not elaborate.

The steel industry is hoping to limit imports to 15 percent of the American market through a Bill now in the House of Representatives.

**HIGHER DUTIES**

Mr. Roderick said a preliminary US Commerce Department decision to impose 27 percent duties on some Brazilian steel products "probably is going to take the market away from them — they're going to go to zero".

However, Mr. Roderick said US Steel was "somewhat disappointed" with the department's decision to impose duties of only 6 percent and 5 percent on products from Argentina and Mexico respectively.

He said the decision would lead to follow-up complaints being filed against those two countries to win higher duties.

**SUBSIDIES**

Last November, US Steel alleged that three governments were subsidising their steel exports.

It sought penalties of 55 percent against Argentina, 50 percent against Brazil and 35 percent against Mexico.

Imports accounted for 20.3 percent of American steel consumption in the first 11 months of 1983.

The United States recorded an $18.8-billion merchandise foreign trade deficit in the final quarter last year, pushing the deficit for all of 1983 to a record $60.6 billion.

A Commerce Department report confirmed parallel figures released by the department late last month.

Officials are predicting an even more severe trade deficit this year as the strong American dollar continues to make US exports expensive and imports relatively cheap.

The new report said the deficit rose slightly in the final quarter from the $18.2-billion deficit posted in the July-September period.

The new shortfall pushed the deficit for the full year to $60.6 billion, 67 percent higher than the previous record set in 1982 of $35.4 billion.

Both government and private economists are predicting the trade deficit this year will top $100-billion.

In 1983, the report said, the total of merchandise imported from foreign countries rose 5.2 percent to $260.6-billion.
Boost exports, W Cape urged

By DAVID BLEAZARD
THE Western Cape must try to make itself the main exporting area in the country, says Mr Theo Behrens, managing director of Wesgro, the association dedicated to promoting economic growth in the Western Cape.

In an interview, Mr Behrens said locally made goods should be produced not only for Southern Africa but for overseas markets as well.

In this way, the Western Cape could try to overcome the disadvantages which it faced within South Africa.

These were its distance from the major markets in the Witwatersrand area and the high railage rates.

Closest harbour
On the other hand, the Western Cape had the closest harbour to South Africa's major overseas markets in Europe and the United States.

"If we concentrate on exports as hard as we do on local production we can balance things out."

In looking for businesses to start up or relocate in the Western Cape, Wesgro was looking in particular at the electronics, engineering and other high technology fields.

"We have to look at work opportunities that adapt to the people who live here.

"We have a very highly trainable workforce here and the general level of education is much higher than in other areas of South Africa."

The main target area for Wesgro's efforts to sell the Western Cape was the Witwatersrand, but it would also be aiming at West Germany, the United States, Britain, France and the United States.

It already received about six inquiries a week from overseas.

Wesgro would be trying to work with organisations and publications, which could reach potential investors and be visible at key conferences and exhibitions, such as the Hanover Fair in April.

Mail campaign
A full-colour brochure in four languages has been produced, as well as a 14-minute video on the Western Cape. A carefully targeted direct mail campaign would begin soon.

Wesgro, which was launched in 1982, is funded by 24 town councils and about 40 member companies. The Cape chambers of commerce and industry and the Boland branch of the Afrikaanse Handelsinstituut are represented on its board.

Mrs Carmen Otgaar, regional manager of the South African Foreign Trade Organisaion (Safco), said exporters had to be ready to export when times were tough - not just thinking about it.

She said manufacturers and other potential exporters had to be ready six months ahead of the time they wanted to export.

"They mustn't believe that because they suddenly have extra capacity they can export next week."

"As a general rule, it takes six to 10 months to build up an export market.

"You have to make contact overseas, show the contact a sample, convince him it is a quality product at a reasonable price and then feed the orders through."

Awful habit
"With the rand as it is now, exporters could have done well. Some have been ready, but others are now trying to get ready quickly."

Mrs Otgaar said Western Cape exporters could do very well if they were committed to exporting and were prepared to work hard at it.

"Manufacturers have an awful habit of dropping exports as soon as the local market improves.

"But they should never close the door on export markets."

As an exporting area, the Western Cape had the advantage of a diversity of products to offer overseas, although each sector experienced its own difficulties.

Clothing trade
At the moment, the clothing industry was picking up nicely, mostly in Britain.

"We are seeing a lot more of the smaller clothing manufacturers looking at export markets, mostly on the women's clothing side."

The market for engineered items had strengthened in the last nine months.

The wine industry and

Boost exports
From Page 13

dried flowers were doing very well overseas, while canned fruit seemed to be picking up.

Communication
One of the problems of exporting was that local companies did not try to help each other in overseas markets.

Rather than compete as they did locally, they could consider sharing containers or orders which were too big for one company.

"If there was more communication between export companies, they would all benefit."

Mrs Otgaar said Safco was a non-profit organisation which received a small Government subsidy. There were about 200 members in the Western Cape region.

It provided an advisory service for exporters which could extend as far as handling a company's entire export operation.

Training courses
Membership rates for manufacturers ranged from R350 a year for a company with export turnover of less than R50 000 to R1 850 for a company with an export turnover of R20-million or more.

Agents and traders paid a flat rate of R500 a year. A once-only entrance fee of R500 was also charged.
Govt's uncertain imports policy delays local firms' chemical projects

JOHANNESBURG—Uncertainty over the government's policy regarding imports, which threaten the South African chemical industry, is causing local companies to delay embarking on new large projects.

This was said by Mr Ted Smale, chairman of Chemical Services, when he released the group's preliminary financial results for the year ending December at a Press conference in Johannesburg yesterday.

"More and more companies will have more cash and fewer projects until the uncertainty over the Government's policy is sorted out," he said.

"Chemical Services has few major projects and you'll find the same applies in many other companies."

He added, however, that the impact of competition from imports on Chemical Services was not as severe as with some other companies in the industry.

**Turnover**

In the year just past, which Mr Smale described as more difficult than expected, the group marginally increased turnover from R80.5-million in 1982 to R80.9-million, but pre-tax income was down 12 percent and attributable earnings down 16 percent at R4 614 000 (R5 523 000).

With an increase during the year of the number of shares in issue, earnings per share were down 19 percent at 81.9 cents (100.5 cents).

The dividend was maintained at 50 cents a share with dividend cover reduced from the optimum 2 times to 1.64 times.

In their remarks accompanying the report the directors state that the speciality chemical mar-
Electrical industry looks for protection

Finance Reporter

The head of South Africa's largest electrical manufacturing group has made an appeal to the Government to encourage the growth of local manufacture in the industry.

Paul Hatty, managing director of the GEC group, strongly supports a recent industrial appeal to the Board of Trade for tariff protection.

He said that continuing efforts to improve productivity by apprentice training and other means, and efforts to eliminate wastefulness by improved purchasing techniques and optimised design engineering were proving inadequate in fighting the total bill of costs which local industries now had to face.

"In consequence," said Mr Hatty, "the industry has been forced to ask the Board of Trade for tariff protection on high voltage motors."

There is currently no import protection on these motors and local manufacturers fear for the viability of the industry, having observed the decimation of the Australian high voltage electrical industry because of inadequate protection.

"The picture for 1984 is particularly worrying because of likely under-utilisation of capacity in an already recessed economy," said Mr Hatty.

Statistics over the past three years have indicated an increase in imports of electric motors well in excess of the market growth.

Recent feedback on tenders submitted suggested that imported motors were being offered locally at prices substantially lower than the manufacturing costs of established local manufacturers.

He estimated that local manufacturers could replace 95 percent of imports without having to increase present capacity but added that all serious efforts to replace imports and develop export markets were severely handicapped by very high costs of local raw materials and inflation.

Differential inflation rates, as much as 10 percent between South Africa and certain other countries, had served to exaggerate local manufacturers' lack of competitiveness since 1981.

In support of the recent joint application by four major local manufacturers for tariff protection on electrical motors above 150kW, Mr Hatty said that these manufacturers had been supplying high voltage motors to the local market for more than 30 years.

"Principal users such as Escom, Sasol, Iscor and the mines rely heavily on the local expertise of manufacturers including design, engineering, manufacturing, servicing and repair work," he explained.

"In order to maintain strategic competences local industry will soon face decisions on significant plant expenditure."
m left, Lynton, Riedewaan, Nicolette, Quanitah and Leticia, from School, Grassy Park, had a chance to play with the new Disa yle '84 exhibition at the Good Hope Centre yesterday. The exhibition runs until Saturday.

**Body to keep an eye on Iscor**

**Staff Reporter**

THE Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, has appointed a committee to investigate the impact of changes in the international steel market on Iscor.

Dr De Villiers made the announcement in a press statement released in Cape Town yesterday.

"The government is concerned as to the impact the changing international market for steel and consequently iron ore, will have on Iscor and in conjunction with Iscor's board of directors, has decided to appoint a committee to investigate the matter," the statement said.

"The committee, of Messrs J B Maree, R A Plumbridge and A J Goosen Berg, has been requested to investigate and submit proposals as to how the detrimental consequences on the utilization of the existing organization, infrastructure and facilities could best be headed off.

"The investigation under the leadership of Mr. Maree will be done with the full support of the Central Economic Advisory Service and consultation with the Iscor board of directors and management, the South African Transport Services and other parties concerned." 

A spokesman for Mr De Villiers' department said the committee was needed because of the depressed state of the international steel market.

He agreed that the committee could be a precursor to privatization of Iscor, a move strongly supported by economists.

**Kids show big businessmen what they do**

Grassroots allows the use of mothers' skills by providing day care for children, and in the long term, sound early education is an investment in higher education.

**Daunting**

Yesterday, 10 children from the Harmony Nursery School, Grassy Park, and their teacher, Mrs Annie Chadwick, were looking after the stall. They were using various types of pre-school equipment made and sold at the Grassroots shop.

"Very often our schools are held in multi-purpose halls or churches, and every day equipment has to be packed away. This can be a daunting task, so over the years our furniture has evolved to be easily assembled and put away," said Ms Pooler.

Two examples are the shelves which slide on wheels and can be fold-led in two to be locked at night, and a wonderful arrangement in the fantasy corner which could be a house, puppet show, jester box or shop. This equipment is available to any school from the organization's shop.

The first community nursery school was opened with Grassroots' help at Schotské Kloof in 1969, and today they are associated with 35 schools. This year the target is another eight schools to be established up the west coast.

Most of the schools are open from 7am to 6pm, requiring a lot of staff, but often there is only one qualified teacher. Grassroots also aims at training teachers and helping equip the generation of tomorrow.

The exhibition is open from 10am to 7pm daily until Saturday.
Exports push Rex sales up 11% but profits fall

By PAUL DOLD, Financial Editor

THE recession has badly mauled the men's clothing market judging by yesterday's results from Rex Trueform. Rex reports a 14 percent earnings per share decline although sales were up 11 percent. While no recovery is likely in the second half the dividend will be maintained.

Booming exports helped to offset the decline in the local market and Rex's long-term export drive paid off handsomely with no tax being incurred in the six months ($3 586 000 was paid last year) due to export incentives and other allowances.

Pre-tax profits were down at R3 642 000 as against R5 604 000 and taxed earnings were R3 642 000 (R4 216 000).

A near doubling of the life adjustment to R61 000 brought bottom line earnings to R7 801 000 (R3 690 000). Five earnings per share were 123.1c (142.6c).

Margins were under pressure in the first half amidst fierce competition among clothing retailers coupled with inflationary pressures.

In addition Rex's strategy during the recession has been to build market share thus it is not surprising that return on sales should be down.

The chairman, Mr Stewart Shub, says as foreshadowed in his last statement, trading conditions were difficult and are likely to continue for at least the balance of the current year.

For the full 12 months the group is thus not expected to match previous profits but the dividend will be maintained provided there is no further deterioration in the domestic economy.

Rex should have little problem in maintaining the dividend with cover of five to five times.

Benefits

The latest results mask considerable benefits which will accrue in the next upswing.

With the local economy in recession Rex's domestic tax base has not been large enough to offset the full extent of the export allowances earned. These allowances which are described as "substantial" are to be used next year and thus should remain minimal.

Retailers appear to have been running down inventories and are understandably cautious but with stocks low Rex believes the supply pipeline has been dramatically shortened for the next upswing. The situation, while described as "tough", is by no means the worst in the group's history. The difference being the high level of political confidence which was lacking in the previous downturns.

Tax rate

Holding company African & Overseas had pre-tax earnings per share of 9c (55c).

Pre-tax profits were R4 012 000 (R5 911 000). The group again had a substantially lower tax rate of 17.8% (24.4%)

Attributable profits were R2 455 000 (R2 447 000). The tax for the full 12 months is expected to be significantly reduced.

There was one extraordinary item in the six months — the sale of an industrial site in Parow for R797 000.

NBS launch investment

JOHANNESBURG — The NBS has launched a new investment offering weekly interest earnings.

The money market acco, announced today, is open and is expected to the first time that offers weekly capitalization of a

The interest rate, set v the average rate earned the NBS.

Based on the initial co interest capitalization, effective return is 18 percent, return being offered for a

Liberty Life Association of Africa Limited

("Liberty Life")

(incorporated in the Republic of South Africa)

Rights offer of 3 043 266 new ordinary shares of R1 each at a price of R50 per share

Further to the announcements made on 3 February 1984 and 15 February 1984, Guardian Liberty Investment Corporation Limited and Standard Merchant Bank Limited are authorised to announce that the Committee of The Johannesburg Stock Exchange ("JSE") has granted a listing for the renounceable (nil paid) letters of allocation and subsequently the new ordinary shares. That and that the Council, The Stock Exchange, London ("LSE") has granted a listing of the new ordinary shares (nil paid) and subsequently the new ordinary shares (full paid) to be issued by Liberty Life in terms of its rights offer of new ordinary shares to raise R152.2 million.
SALES TAX

But the increase in general sales tax from six to seven percent is likely to push up this month’s figure, and in the longer term the damage done by drought and floods will also tend to keep the figure high, as will other factors such as the need for the Government to provide services such as housing for underprivileged sections of the community.

Mrs Anne Moore, intelligence officer of the South African Foreign Trade Organisation, says inflation is not the only problem South African exporters are having to contend with.

"Even without it, they still have an international market place that is depressed."

Safa’s prediction for 1984 is that South African merchandise exports will total around R11,7 billion, up eight percent in rand terms on 1983’s figure.

Safco chief executive Mr Wim Holtes is more optimistic, believing the increase in rand terms could be as high as 12 percent.

As Mrs Moore points out, an eight percent increase in rand terms would mean a decline in volume, given South Africa’s inflation.

The Safco scenario is for the strong increase in non-gold exports during the second half of last year to continue in a modest way throughout 1985, followed by a significant lift in the second half of this year which should carry through into 1987.

Although the initial signs of improved world inflationary conditions, more countries are finding that their economies are starting to respond to the increased taxes and controls which were imposed as inflationary pressures mounted.

The latest figure, 10,3 percent for the 12 months to the end of January, was the lowest for more than five years (last year’s figure was 11 percent).

NO INTEREST

Leaving inflation aside, Industries and Commerce Minister Dr Dawie de Villiers sees a lack of interest among manufacturers as the biggest single problem hampering the country’s export effort.

It was in an attempt to make manufacturers more export-conscious by exposing them to greater foreign competition that he abolished the remaining five percent surcharge and then eased import controls last year.

Some at least of his criticism is shared by Safco chairman Mr Paul Hoogendyk, who spoke in the organisation’s 1983 annual report of the “stop-go” export pattern adopted by some local companies which react to domestic recessions by looking to international markets to revive sales.

Mrs Moore would like to see a national export strategy under which target industries could for instance be helped to increase production if economies of scale would help them on the world market.

"It’s a simple answer, but of course it would be more complex than that. It would need the co-ordination of many different interests.

"However, Richard’s Bay took co-operation from many sources and there’s no reason why that sort of dedication should not be applied to exports."
The cost of inputs is likely to local about 40% of your total expenditure. Potatoes, which are a major component of stews in Durban and other cities, are expected to reach as high as £1.50 per pound. If you're going to plant a field of potatoes, you'll need about 1,000 plants per acre.

We're running out of space in this issue, but we'll publish a detailed guide on how to grow your own potatoes soon.

For now, here's a quick tip: Planting potatoes in March will give you a good yield by the end of June.

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In this issue, we've also covered:

- The latest on the global climate crisis
- New developments in renewable energy
- The latest in technology and innovation

Stay tuned for more updates in future issues!
Car-part export plan

By SIMON WILLSON

PART of the South African motor industry is about to perform the automotive equivalent of selling ice to Eskimos or exporting sand to Saudi Arabia.

Two local subsidiaries of major German luxury car-makers are preparing to export South African-made car parts back to Germany.

Whether they can or not still depends on the Government, which has to alter some import regulations to make it worth their while.

But indications are that the authorities will ease the way for the operation, because it will encourage much-needed domestic investment and job-creation.

The two companies involved are BMW and Audi, which manufacture up-market executive sedans that are selling well on the South African new-car market.

BMW made the first move in approaching the Government for the go-ahead to export parts back to its parent company in Germany.

But although BMW has done most of the preparatory groundwork for the novel export operation, Audi will be awaiting the Government's decision with as much anxiety as its rival.

Audi has in the pipeline a plan to launch exactly the same export scheme, and will need the same alteration in the existing importing regulations as BMW to be able to operate the scheme effectively.

South Africa forms a unique manufacturing location for each company. BMW's local assembly plant is the only one outside Germany, and the Audi complex in the Eastern Cape is the only one outside Germany producing the company's new flagship, the Audi 500.

Exporting parts back to the country where they were designed has been made economically viable by the peculiar characteristics of the South African car market.

The market's intense competition and its limited size have imposed awkward volume ceilings on each company's local production. The ceilings are turning out to be somewhat lower than the optimum levels of production of the expensive plant BMW and Audi have installed.

It makes sense for them, therefore, to overcome the high-cost implications of low production volume by exporting parts and, ideally, cars — thus stretching the use of local plant to its most economically efficient level.

As Mr Bernt Pischtriedler, BMW's technical director, explained: "We could, for example, manufacture bumpers for all Series 3 BMWs built here and in Germany and, in turn, import the bumpers required for our Series 5 cars."

"The main advantages for us are foreign exchange savings on imported tooling and reduced production and parts costs."

Audi chairman Dr Walter Habbel said the company was giving careful consideration to the local Audi management's suggestion that domestically-manufactured parts be exported back to Germany.

But first the two companies need an amendment to the local content regulations governing the motor industry.

They will need the rules adjusted so that the weight of imported components is offset against that of similar, South African-made exported components.
Steel import control giving way to tariffs

By PRISCILLA WHYTE

A TARIFF system to protect steel-producers against unfair foreign competition as import control is removed has been gazetted.

Import control, in the Government view, should not be used to control the balance of payments and should therefore be phased out.

The South African Rolled Steel Producers' Co-ordinating Council has applied on behalf of its members for tariff protection on the Board of Trade's insistence that all steel producers make such application.

The council says its purpose is to obtain adequate tariff protection to safeguard the domestic market which would be vulnerable to dumped imports of primary steel products if no protection existed.

The council believes that the capital-intensive steel industry is particularly sensitive to sales volumes.

To ensure a reasonable return on investment, it cannot afford to lose even a single ton of domestic sales to imports.

The council believes it will be necessary to maintain full production in order to avoid the serious socio-economic problems arising from the shutdown of large production units.

Prices in world markets are unattractive and allow only a small portion of fixed costs to be recovered.

This is also the reason why imported steel could reach South Africa at low prices.

"The absence of adequate tariff protection or import control could result in the loss of the total domestic markets and part of the inland markets to cheap imports from overseas countries and elsewhere."

"This could mean a decrease in local sales of as much as 500 000 tons a year," says the council.

Problems of logistics and economics would make it impossible to export this additional tonnage.

Shut-down, possibly of a complete steel works, would be the inevitable result.

Steel exports from overseas countries are subsidised by governments, "which places these countries in a position to export at really unrealistic and uneconomic prices."

An Ispor spokesman says: "We contend that this proposed tariff system would be less advantageous to local producers than the system now in force."

Mr Les Boyd, the chairman of Highveld Steel & Vanadium, says: "The timing is absolute madness and does not take into account the realities of the world situation."

He says the idea of phasing out import control for the South African steel industry should be shelved until the world economy is in better shape.

The Federated Chamber of Industries has notified its members to submit any objections or comments on the tariff application to the Board of Trade and Industries within six weeks.

The problems arising from the dumping of manufactured steel products from abroad are to be discussed in Johannesburg on March 12 by the Iron and Steel Producers' Association, a member of Seisa.

It represents manufacturers in both primary and secondary steel industries.

Dr Dawie de Villiers, the Minister of Industries, said in a statement last December that 93 items would be moved to the free-of-permit list.

He said: "In accordance with the Government's policy of phasing out import control as adequate tariff protection is provided, a great many products have during the past number of years been released from import control."
SA survival ‘vitaly dependent’ on trade

Argus Correspondent

JOHANNESBURG. — South Africa remained vulnerable to international pressure and its economy was vitally dependent on foreign trade if it was to survive, the president of the South Africa Foundation, Mr Ted Povitt, said here.

He was addressing the annual meeting of the Foundation before more than 400 South African and overseas businessmen and diplomats in Sandton.

He said: “If we are to be entirely realistic then we must recognise that South Africa is not the citadel of self-sufficiency that many think it is.

VULNERABILITY

“We are a regionally powerful nation but in many ways South Africa exhibits a vulnerability to the vagaries of a turbulent world not shared by other important trading nations.”

The financial statistics of the International Monetary Fund showed that South Africa had an open economy that greatly depended on foreign trade for its survival.

South African imports and exports as a percentage of the gross domestic product amounted to about 50 percent.

The comparative figures for Britain and France were about 40 percent.

Mr Ted Povitt, president of the SA Foundation.

cent. Australia 33 percent and the United States 15 to 18 percent.

“We are a trading nation in which there is no longer any place for romantic notions of a courageous people carving their destiny in isolation from a malevolent world.”

The Government’s policy of emphasising South Africa’s economic strength and the dependence of neighbouring states as an incentive for these countries to adopt moderate attitudes towards the Republic resulted in South Africa being seen abroad as “a regional bully.”

“Our economic dominance is thus seen as a weakness in the regional context because it engenders resentment rather than a co-operative spirit among our neighbours.”

Those were the reasons why pressures on South Africa were not going to lift.

At the same time some of the confidence South Africans felt in the importance of the country’s strategic minerals could be based on an erroneous reading of economic truths.

“There are strong arguments that suggest that the relative importance of the South African mineral supply has declined progressively during the past 10 years and could continue to decline.”

In his report the director-general of the Foundation, Mr J de L Sorour, suggested the Government should establish a Foreign Affairs Advisory Committee to help put South Africa’s case across overseas.
HIGH protective import duties — in some cases on items not made in this country — and high excise duties are having inflationary effect and harming business when money is tight, prominent Cape Town retailers say.

Mr Philip Krawitz, managing director of Cape Union Mart, which is both a manufacturer and a retailer, said in some cases import duty was higher than the cost of the article.

Where an ad valorem excise duty was charged on top of import duty the retailer, and eventually the customer, was paying tax on tax “with 7 percent GST on top of that.”

Mr Harry Goldin, chairman of Clicks, said that protective duty was charged on some goods made in South Africa by only one firm offering a limited range.

He could understand the argument that protective duty should be levied to safeguard jobs.

But he thought it wrong that it should be levied on goods made from plastic when this was a highly automated industry employing comparatively few people.

Uncertain future

Mr C E McCarthy, deputy director of the Cape Chamber of Industries, said that as a result of the Government’s decision to remove import controls and rely on customs tariffs some industrialists were already facing an uncertain future.

Some countries, such as Red China, exported goods at below cost in order to buy foreign exchange.

In such cases high protective duties were necessary to protect jobs in this country.

It might be that prices of some imported goods were so low that, even with high duties, local manufacturers would be unable to compete.

Mr Krawitz said import duty on articles containing plastic was particularly high to protect South Africa’s plastics industry.

It was normally 40 percent, even on articles not made in this country.

Import duty on rescue blankets, which he thought should be duty free since they were used to save lives, was 20 percent.

Duty on flotation suits, which were used by Metro to protect accident victims from hypothermia, was 30 percent.

Clothing and footwear of a type not made in South Africa were among articles subject to heavy protective import duty.

He believed no South African manufacturer made riding boots or climbing boots, which were subject to a 30 percent duty.

Although some cutlery was made in this country no South African manufacturer made camper’s cutlery sets of a knife, fork and spoon which clipped together “and which all the kids want.”

130 percent

The cost of these sets imported from Hong Kong was sometimes as low as 60c a set.

But when duty had been calculated on a formula of 40c for each of the three items less 40 percent of the free on board cost the duty came to 78c.

“So you are effectively paying duty of 130 percent on an item not made in this country.”

Other charges, including the wholesaler’s mark-up, meant the retailer would pay R2.05 for the set and charge about R2.95.

Mr D F Linde, director of the Footwear Manufacturers Federation of South Africa, said local manufacturers had asked for more protection against imports of cheap footwear which were endangering jobs.

South African manufacturers were handicapped by the high cost of materials, particularly plastics.
SA businessmen welcome peace

BY MIKE JENSEN

SOUTH AFRICAN businessmen have generally reacted with enthusiasm to Government peace moves which culminated in the signing of the Nkomati Accord last week.

But there are still grounds for caution.

The attendance of the country’s top business leaders at the signing of the treaty in Komatipoort underlines the positive reaction of the business community to the peace pact.

Among many others, Mr Harry Oppenheimer, Mr Gavin Kelly, Mr Donald Gordon, Mr John Maree, Mr Basil Landau, Mr Sol Kerzner and Mr Meyer Kahn were among those to accept invitations to witness the signing of the treaty.

Some investment analysts believe the business community’s positive sentiment has been partly responsible for the record-breaking rises in industrial share prices on the Johannesburg Stock Exchange.

On Monday last week the Rand Daily Mail 100 index stood at 1,044.3.

By Friday it was at a record 1,070.3 in spite of a mild setback in the gold price.

The new diplomatic initiatives in Southern Africa have also apparently helped lead to renewed overseas interest in South African industrial equities.

In recent years the overall trend has been clearly towards net equity disinvestment from South Africa on the industrial side.

Sometimes, however, the reasons have been more financial necessity — the sale by Jardine of Hong Kong control of Rennies to Old Mutual — than political.

Sometimes the two factors have gone together.

But Barlow Rand, Sasol, Anglo American Industrial, Liberty Life and several other major industrial companies have all attracted renewed buying from London, New York and Frankfurt.

Foreign investors had previously tended to be wary of industrials, while continuing to take their chances in the more volatile mining stocks in which potential rewards could be that much greater.

But the prospect of greater peace in Southern Africa, at least in the short-to-medium-term, is apparently removing some of the doubt attached to industrial equities.

Sasol, particularly, has been eagerly sought after from abroad.

Apart from suggestions that the treaty with Mozambique will result in greater political stability in the region, and so make it a better investment prospect, it is obviously hoped peace in the area could curb the need for ever-expanding demands for real increases in Defence spending.

Mr Owen Horwood, the Minister of Finance, would certainly find that a relief now with Government finances under heavy siege.

However, the Defence Force may well argue it is only because of the country’s high degree of military preparedness that the Nkomati Accord has come about.

What the private sector is definitely hoping is that Pretoria’s peace moves will allow it to take a bigger role in the economy of the whole Southern African region.

“If the latest developments bring economic stability to the region, the prospects for future growth in the area are distinctly brighter. A better environment in Southern Africa can only be beneficial for private enterprise,” says Ascom’s chief executive, Mr Raymond Parsons.

“In particular, I believe that the settlement in Mozambique can open up new opportunities for the business sector. The scope for economic co-operation is increased in Southern Africa as a whole,” he adds.

However Mr Parsons warns that the peace pact does not necessarily herald an automatic reduction in Defence spending and warns against a general over-reaction.

There are still too many imponderables in the sphere of Defence. Optimism must be guarded against as it is still early days, he says.

According to Professor David Welsh of the Department of Political Studies at the University of Cape Town, there is little doubt blacks have been “massively alienated by the referendum’s endorsement of their exclusion from a common political system”.

The signing of the Nkomati Accord could add to this by suggesting to them that support for their cause will no longer be forthcoming from outside South Africa’s borders.
Renewed interest in exports to Maputo

Argus Correspondent

PRETORIA. — South African interest in Mozambique as an export market is beginning to snowball following the signing of the Nkomati Accord last week.

Spokesmen for the Department of Industries, Commerce and Tourism said there had been a definite increase in the number of queries from companies yesterday wanting to sell their products to Mozambique.

Yesterday was the first day of business since the signing of the accord on the South African/Mozambican border.

The spokesman said the companies involved covered a wide range of products, including general engineering and merchandise.

Atmosphere

However, it was not possible at this stage to gauge the exact extent of the new interest.

He added that while the department was not directly involved in trade with other countries such as Mozambique, its task was to create an atmosphere and climate in which trade relations could be promoted.

The rest was up to private enterprise.

Discussions had been held in the past to improve trade links, but the security aspect had developed faster and, to an extent, overshadowed the progress made in the trading field.

Representative

Another spokesman said it had to be remembered that, although on a low-key level, South Africa had always maintained a trade representative in Maputo.

Many companies had kept their Mozambique contacts and continued to trade, albeit on a relatively small scale.

These companies could now be considering expanding their Mozambique operations, but would not necessarily work through the department.

It would handle inquiries only from companies wanting to break into the Mozambican market and who came to the department for advice.

Upturn

A spokesman said the South African trade representative in Maputo had reported an upturn in interest from Mozambican companies.

While it was still too early to gauge the full extent of the renewed trade links, there were clear indications that trade between the two countries was moving to normal levels.

He also said other organisations, such as the South African Foreign Trade Organisation, could provide valuable aid to South African companies wanting to expand into the Mozambican market.
WITH a slip of the tongue, a speaker discussing expertise in exports last week coined the word "exportise". It may well be here to stay.

The Steenkamp and Kleu reports make it clear that the pressure is there for a lot more "exporters" only when local demand is down is following a distinctly poor policy. The reason is very simple. A trade relationship started and then dropped can sour that market for all South African companies in the same field.

South African exporters have a less than perfect record overseas, as some of our trade officers conceded on their recent visit.

**Fluctuations**

This may be because of the strongly cyclical nature of the South African economy and the Rand. But companies aiming at long-term exports try to build allowances for the fluctuations into their planning. A case in point is South African Nylon Spinners (SANS).

SANS have been building their exports steadily over the last few years, achieving exports of over R20m for last year, about 25 per cent ahead of their planned export figure. Markets include Japan and the United States, and places in between.

That SANS are able to export in the face of competition from far larger concerns in the United States and the Far East may seem surprising.

The secret, says the managing director, Mr Justin Schaffer, is a mixture of determination to export all along the right niche, and quick action.

"You have to move, and move quickly," he says. The fibre industry is very much a network, and if an opportunity says immediate action is the key.

**Product range**

While a wide product range has meant SANS has been able to produce yarns which other large producers, such as the Japanese, may prefer to buy in.

Along with the specialization, Mr Schaffer sees the key elements of exporting as a keen pursuit of potential markets, building a reputation for quality, and good delivery.

SANS have been shipping in the order of 100 containers of products a month, and the service from both the Conference and non-Conference lines has been in meeting tight delivery times, says SANS sales director Mr Mike Smith.

**SANS gains 'exportise'**

SANS are also keen to encourage exports by local companies using their yarns, and a good relationship has been built up SANS try to reach price agreements to push exports. They have kept yarn prices static for some time although the raw feedstock for both nylon and polyester on the world market is in dollars. With a lower rand exchange rate, SANS have seen a 40 percent increase in raw material costs in the last two years, but thus far have absorbed this on.

There is room for change in the current export incentives. Mr Smith feels. Current incentives go to actual exporter, but there is nothing to aid suppliers further down the pipeline making their prices more competitive in the face of such fluctuations.

Perhaps a revision will be in order as "exportise" develops.

■ ■ ■

**S A F T O** says there are still places on an export marketing management course to be held at the Cape Sun from April 3 to 5. Clearly comprehensive, the course is aimed at directors and managers.

Course segments include developing an export strategy, in-market research, international banking and foreign exchange operations, export incentives, and marketing abroad.

While not exactly a snap at R480 for members, or R580 for non-members, the course is says Sasto with an exclamation mark, "now 200 percent tax deductible!"
Gold closes at $392.35

LONDON: — Gold closed at $392.10/60, down from the opening $392.60-$393.10 and Tuesday's closing $393.00/50.

Trading continued quiet throughout the afternoon with the day's high and low reached in line with New York prices, dealers said.

Dollar fluctuations in foreign exchange markets continued to be the dominant factor influencing prices.

The high of $392.75-$393.25 came during the afternoon fix after a low of $391.00/30 earlier in New York, dealers said.

• The dollar rose against most major currencies on foreign exchanges yesterday after a failed European Economic summit meeting depressed Common Market currencies.

• In London the Financial Times 30 Share Index rose 3.8 to close above 900 for the first time at 901.4, having touched a peak of 902.8 yesterday morning.

The index has risen 57.3 points since the close on March 12, the eve of Britain's Budget for 1984/85.

The market's rise continued to be fueled by optimism springing from the Budget and by the subsequent cuts in bank and building society interest rates last week, dealers said.
Relly welcomes govt assurances on removal of import controls

By JOHN MULCAHY

JOHANNESBURG. — AECI, in the forefront of the private sector's attack on government's threatened action to remove protection in South African industry, has softened its stance on the issue.

In contrast to the biting attacks by AECI's managing director, Mr Denys Marvin, on the government and bureaucracy over the past year, the group's chairman, Mr Gavin Relly, is somewhat restrained in his annual review.

He welcomes the assurances given by the Minister of Industries, Dr David de Villiers, that the removal of import controls in the plastics industry will take place "in a manner which will provide the local industry with adequate time to adapt to the new environment and the similar recommendations contained in the Steenkamp report on the textile and clothing industries".

This is in stark contrast to the tone of remarks made by Mr Marvin in 1983, in which he roundly attacked the Board of Trade and the Steenkamp report, and dismissed the proponents of the "free enterprise" philosophy as "academics and bureaucrats who have never sold a pound of anything".

Mr Marvin has also threatened to stop investing in South Africa, and has said on several occasions that AECI could become a cash cow, concentrating on areas that generated the highest income, and ignoring those that were less lucrative.

This approach would have serious implications for the South African economy, both from a capital-injection viewpoint, and perhaps more important, from the labour perspective.

AECI's labour force has already been trimmed substantially in the wake of the recession, to about 26,500 from more than 30,000 over the past two years.

There is no question that the threat was a real one, and the more subdued comments by Mr Relly probably amount to a pragmatic concession that the government does intend making haste slowly.

Threat

But the underlying threat to government remains — you cannot have your free enterprise cake and eat it.

It is not simply a matter of removing protection by the stroke of a pen. The issues are far more complex, and the government cannot suddenly turn its back on industries that were established under the broad "strategic" umbrella.

It has been proved time and again that tariff measures are ineffective if not swiftly applied.

Applications for protection have in some cases been under consideration for more than two years, while disguised dumping has been eroding the market.

What is evident from Mr Relly's remarks is that AECI is prepared to accept Dr De Villiers' assurances, but there is also likely to be more than the usual measure of careful pre-meditation before AECI embarks on another major development.

Expenditure

Last year was the first in at least 10 years that AECI reduced its expenditure on fixed assets.

The recession had a great deal to do with this dramatic reduction in capital expenditure — to R127,2m from R253m — but the prospect of further reductions cannot be discounted.

Mr Relly says he is confident that efficient companies, "such as many of those in the AECI group, will respond to any reasonable challenge and will remain viable against fair competition from imports."

"However, it behoves the State to play its part in the process by evaluating protective measures imaginatively and more important, expeditiously."

In his review of the economic environment Mr Relly notes that some improvement in world trade has occurred and further growth is in prospect, but "opinions differ as to how strong and how sustained the recovery will be."

Citing the low gold price, the high inflation rate, historically high interest rates and the continuing drought as factors militating against an early economic recovery, Mr Relly nevertheless believes AECI is structurally able to overcome these problems.

"The benefits of the organizational and structural changes introduced 18 months ago have sustained drive for further productivity improvements and cost savings, the smaller capital programme in prospect and the fact that the group remains soundly financed with the debt-equity ratio remaining at 46 percent suggest that AECI continues to have the potential to out-perform the economy."
Productivity lag will hit local goods

BY PRISCILLA WHYTE

JAPAN'S productivity is improving at a yearly rate of 5%-7% more than South Africa's, which means that in 13 years' time its commodities will be half the price of local products.

Mr Martin Bailey, deputy director of the materials handling research group of the University of the Witwatersrand, says that in many industries in the US and Japan, such as materials handling, productivity is improving more than 5% yearly.

Pressure on local manufacturers to compete has resulted in import protection, which is perpetuating the productivity problem because associated industries have to use more expensive components. This results in industries becoming less competitive.

South Africa has an advantage of being influenced by a large number of overseas markets, but the natural result is product proliferation.

Mr Bailey says that in South Africa cars are produced from 17 different manufacturers (excluding bakkies and trucks) and there are 255 configurations.

A random sample of refrigerators available at three stores showed that there are 67 brands and 250 configurations.

Mr Bailey believes that if South Africa wishes to remain competitive in international markets, modern, efficient manufacturing systems will have to be integrated.

He says Japan is spending over R75m to develop a flexible batch manufacturing system capable of handling small batch sizes but still maintaining productivity.

The Japanese Ministry of International Trade and Industry is coordinating the project, which is scheduled for completion this year.

"In South Africa our machine-tool technology has to a certain extent kept up with international progress but unless considerable attention is given to modern materials handling systems, we are unlikely to ever feel the benefits of flexible manufacturing."

The system consists of automated machining and assembly in manufacture, automated storage and retrieval of raw materials, automated transport between work areas and storage, and interfacing between transport, manufacture and storage.

He points out that the economic criteria used for the evaluation of automated systems also needs a completely different attitude from management, and the Japanese approach of "can we afford not to introduce" needs serious consideration.
Some risk seen in tariffs on rubber

By Mike Jensen

TARIFFS on imports of natural rubber and rubber products are unnecessary and harmful, says the director of a European manufacturer.

Mr Wilhelm Schaefer, a member of the executive board of West Germany’s Continental Tyre & Rubber (R1,6bn annual sales last year), said in Johannesburg recently:

"Tariffs would virtually force manufacturers to use the synthetic rubber (poly-isoprene) produced by Karbochem.

"But we studied the substitution of synthetic rubber for the natural material in tyres years ago and abandoned the idea.

"We realised that the cost of developing the additives needed to produce tyres of adequate quality would cost far more than natural rubber.

"In addition, it has been estimated that it would take three to ten years of research to come up with the necessary products to be able to use synthetic rubber in tyres and there would have to be substantial economic incentives to make it worthwhile.

"Furthermore, with the recent peace moves in southern Africa, the strategic importance of the Karbochem plant has been diminished and South Africa should not have any problems buying rubber on world markets."

Mr Schaefer says the Government should not bow to the clamours of local rubber-product manufacturers for tariff control on imported products.

"Tariffs would cut South Africa off from important technological developments and product improvements in other parts of the world.

"Our international trading has proved to us time and time again that in the long term tariff barriers only work to the detriment of the country concerned.

"Being cut off from international trade militates against the development of the competitive industry, which is vital if South Africa wants to increase its exports.

"I agree that sudden and complete relaxation of all protection can cause substantial harm to industry.

"But if trade barriers are slowly and steadily lowered, the quality of the economy can only improve."
Asea Rihas at unfair, Imports

Business Day companies

Asea Rihas at unfair, Imports

6 See Page
Chairman: Resists Accusations and Misrepresentations

Mr. Muller's reply to them are published here.

Cablemakers accused of bellying-aching.

Business Day / Industry

24"
The MINISTER OF AGRICULTURE:

R1 218

[Signature]

Agricultural production/exports
Q (21) 1051 21/4/83

725. Mr. P. A. MYBURGH asked the
Minister of Agriculture:

What was the value of the Republic's
agricultural (a) production and (b) exports
in 1982?

The MINISTER OF AGRICULTURE:

(a) R7 649 million (preliminary
figure)

(b) R2 100 million (estimate).
MOTLANA SUPPORTS INVESTMENT

STOCKHOLM — Dr Nthato Motlana has spoken out in favour of the presence of foreign companies in South Africa.

In an interview published in a Swedish national daily Svenska Dagbladet at the weekend, he said that in many ways foreign companies can “be a support for the blacks’ fight against apartheid.”

Dr Motlana, described by Swedish journalist Kjell Brodab as being the foremost spokesman for South Africa’s black urban population, expressed scepticism at the results of the general international boycotts and sanctions against South Africa, such as the Swedish law banning investments in the Republic.

“I have never led any campaign against the presence of foreign companies in this country,” Dr Motlana said.

“On the contrary, it is often through the foreign companies that blacks get their only opportunities for a proper skilled education and training,” he added.

Code

Dr Motlana said he gave up his advisory role to the American Congressional Sullivan Code Committee when he realised it would be impossible to exercise any controls on the code’s implementation.

He is in favour of the establishment of more foreign companies in South Africa and says they can contribute towards turning developments in the “right direction”.

“Blacks trained within the companies get better payment, better and more responsible jobs,” he said.

Dr Motlana foresees the creation of a black “middle class” and adds: “Historically all the great revolutions of the people have been led by the middle classes — look at France, the Soviet Union and Cuba — the creation of a black middle class in South Africa is a good reason for allowing foreign companies to remain and develop.”

Interviewed on SABC-TV on Sunday night Dr Motlana confirmed his support for investment by foreign companies in South Africa. He appeared with Chief Gatsha Buthelezi, Mrs Lucy Mvubelo, Mr Sam Motsuenyane and Mr Moses Maubane, who all expressed similar views. — SFS
Leaders slam Motlana

BLACK LEADERS yesterday criticised the call for continued foreign investment in South Africa and said it would fortify apartheid.

They were reacting to a Swedish newspaper report which quoted Dr Nthato Motlana, chairman of the Committee of Ten as saying he favoured the presence of foreign companies in the country.

At the weekend, Dr Motlana appeared on SABC-TV with Chief Gatshe Buthelezi, Mrs Lucy Muvhango, Mr Sam Motseiweyane and Mr Moses Mauhane and they all called for continued foreign investment in South Africa.

Bishop Desmond Tutu said he would only change his views on investment if certain conditions were met.

"Those who invest in South Africa should not think that they are doing us a favour; they are here for what they can get out of our cheap and abundant labour and they should know that they are buttressing one of the most vicious systems," he said.

He would review his position only if the migratory labour system and influx control were scrapped, and there was a massive investment in education and training.

Apartheid

A rigid time-table should be drawn up to allow for the implementation of these conditions. The implementation of the conditions should be completed within two years.

The publicity secretary of the United Democratic Front, UDF, Mr Terror Lekota, said the UDF viewed any foreign company operating in South Africa as propping up apartheid and strengthening the Government.

"There is no way in which the strengthening of the present order can be viewed as being in the interests of the people of South Africa, particularly the disenfranchised," he said.

The secretary of the Committee of Ten, Mr Tom Manhata, said he believed that Dr Motlana had been misquoted: "I have grave misgivings about the newspaper reports," he said.

He continued: "The matter is still going to be discussed by the committee and a policy statement will be issued."

Dr Motlana could not be contacted for comment yesterday as he is away on leave in the Cape and is expected back at work at the end of the month.
ANC urged to support investment

THE debate on disinvestment took a dramatic turn yesterday when trade unionist Mrs Lucy Mvubelo called on the ANC to support investment in the country.

Addressing the American Chamber of Commerce in Johannesburg, Mrs Mvubelo also called on other political and trade union movements to support investment.

She showered praise on Dr Nthato Mthatha for his decision that foreign companies invest in South Africa. She also said that in her overseas visit this year she was told that even Bishop Desmond Tutu was likely to change his attitude.

Bishop Tutu has said that he would only change his views on the subject if certain conditions were met.

Mrs Mvubelo, who was giving a report back on her recent visit to America, said overseas companies were interested in “ploughing their money back into South Africa for the benefit of blacks.”

She told Americans that if they were to disinvest in South Africa there would be “bloodshed” because many people would be unemployed, crime would soar and other social problems erupt.

In some circles she was looked on as a government “stooge” but she was committed to the liberation struggle of blacks.

The June 16, 1976 uprisings in the country brought the Government to the realisation that blacks abhorred apartheid, separate development, pass laws and other policies.
The first quarter of the year is one of the most critical for the balance of payments in the country. The current account deficit is likely to be substantial, possibly in the range of R20 billion. This is due to a combination of factors, including increased imports of goods and services, and reduced exports.

The government has announced measures to address this situation, such as increasing tariffs on imports and implementing austerity measures to reduce spending. However, these measures may take time to take effect.

By Howard Price
SA arms deal with Bulgaria claimed

Own Correspondent

JOHANNESBURG. — Communist Bulgaria is a South African trading partner in clandestine arms deals, it has been claimed by two Danish television journalists.

In a documentary, titled "The Hand that Rules," screened on Danish state television on Friday night, proof was claimed of direct involvement of a high-ranking intelligence officer who is the son-in-law of Bulgarian President Todor Zhivkov.

Full details of the television programme were also carried yesterday in the London Sunday newspaper The Observer. Details were also circulated worldwide by Associated Press.

"No knowledge"

But South Africa's Deputy Minister of Foreign Affairs and Information, Mr Louis Nel, yesterday denied any knowledge of the alleged deals.

"We have no knowledge of any South African involvement with Bulgaria," Mr Nel said.

Mr Nel was contacted for comment by the Cape Times's Johannesburg correspondent on advice from a spokesman for the South African Broadcasting Corporation, who said he believed the issue did not concern the SADF but the "Department of Foreign Affairs..."

The report claimed the deal was handled through the official state trading corporation, called "export arm of Kinlafex," which is a Danish company.

The necessary cover for the arms export was provided by false documents, it is claimed, obtained through an office in Tanzania's ambassador to Sweden, Mr John Edward Pumbwe Mhina, the report claimed.

Mr Mhina was credited to the Scandinavians' bloc in 1976 to 1981.

Transport from the Bulgarian port of Burgas was provided by the Danish technical aid to Trident, whose vessel reached and unloaded her cargo in Durban during 1978.

Danish police investigations have since shown that Trident ships made a number of further alleged illegal trips to South Africa, the report said.

For these the shipper, who has since fled to South Africa, and his senior assistant have been charged.

Fine

Last month, a Mr Peter Gerterson was given a six months suspended prison sentence for his involvement in the shipping of arms to South Africa. Danish opposition parties have protested against the lightness of the sentence.

According to our correspondent and Sapa-AP, the Danish television programme went into considerable detail which, on legal advice, has been omitted from the Cape Times report.
Industrial-protection inquiry

Political Staff

AN INQUIRY into industrial protection was announced in Cape Town yesterday by Dr Dawie de Villiers, Minister of Industries.

The inquiry, to be chaired by Mr J G van der Horst, head of Old Mutual, will take into account the government's declared policy "to grant moderate and selective protection by means of the customs tariffs". Other members of the committee include Mr Tony Bloom, head of Premier Milling, Mr M T de Waal, Mr A B Dickman, Dr T A du Plessis, Mr A G M du Toit, Mr J Dreyer, Dr S J Kleu, Mr I J Mostan, Mr D Odendaal, Mr J J Pinshaw, Mr C A Saunders and Mr H J Terreblanche.
Car industry hit by exchange rate

By LOUIS BECKERLING
Business Editor

CURRENCY fluctuations, rather than cost pressures, provided the motor industry's single largest problem at present, according to Dr Vito Bianco, deputy chairman and managing director of Alfa Romeo (SA) Pty Ltd.

In Port Elizabeth to present an award to local Alfa dealer St Croix Motors, Dr Bianco singled out the impact on the industry of such fluctuations — and, more specifically, an "undervalued" rand — as being of greater importance than wage rates or cost-differentials arising from locational problems.

Illustrating the problem, Dr Bianco pointed out that at the time he had negotiated for the South African right to distribute the Charade — initially as a fully-assembled import, and subsequently in a CKD (completely knocked down) kit for local assembly — the rand exchanged at a value of Y233 (Japanese yen).

"That was in May 1982, and today the rand is worth only Y176, which means that we have lost about 24% on the exchange."

Insuring forward against such losses was a calculated risk which involved paying a premium based on the differential between ruling interest rates in the two countries, said Dr Bianco.

This often negated the benefit of taking such insurance, and Alfa SA had not taken such cover.

"Under the current circumstances of high competition for market share, a manufacturer cannot recover losses of this order from the sales price, which can move only in relation to the rate of inflation," he added.

Dr Bianco conceded that the deliberate undervaluing of the South African currency was a strategy devised to bolster rand receipts from a depressed gold price, promote exports and discourage imports. Its impact on the motor industry, however, was severe.

While there was little manufacturers could do to remedy such a difficulty, there was a lot they could do to solve problems arising from high wage rates and other cost pressures.

Increasing wage rates could be matched with increased productivity. "In my factory we are increasing productivity by some 20% to 25% a year," said Dr Bianco.

Dr Bianco was reluctant to become involved in a clash with Port Elizabeth-based motor manufacturers, but said the impact of the relatively higher wage rates in the city in comparison with the Reef would have a minimal impact on the final selling price of a vehicle.

"Based upon an 80-hour manufacturing period per vehicle, the difference in wages here and on the Reef would amount to about R80 per unit," he said — which was a negligible added cost on vehicles retailing at around R12,000 and upwards.

However he admitted that if estimates of an effective "penalty" paid by Port Elizabeth manufacturers of an additional R240 per vehicle in order to land lessor steel in the city were accurate, this, together with the relatively higher wage rate, would have a considerable impact on the competitive position of PE-based motor manufacturers in comparison with their Reef-based competitors.

"That would amount to some 3% — and I can assure you that manufacturers are not operating on the sort of margins that will allow such an added cost burden."

Dr Bianco and Mr Silvano Grimaldi, national sales and dealer development manager of Alfa SA were in Port Elizabeth to present the company's first-ever dealer award.

"The award will be presented quarterly to the dealer who in our judgment has the best organisation, conducted the most improvements, and presents the best prospects for future sales," said Dr Bianco.

First winner of the award was St Croix Motors, in Port Elizabeth's North End "motor town."
Chavez, Chavell may have made R1 200m in SA oil deals

The article states that Chavell may have made R1 200m from deals in South Africa. However, the sentence is not clear and it seems to be cut off. More context is needed to understand the situation.
Oil scandal: Another Info?

Political Staff

House of Assembly

There was a dramatic turn in the latest alleged oil scandal yesterday when it was suggested excess money might have been "syphoned off" in a manner similar to the Information Scandal.

Speaking in the vote on the Department of Mineral and Energy Affairs, the Progressive Federal Party MP for Constantia, Mr Roger Hulley, said the possibility existed that the excess money had been used for some other undisclosed purpose by the government or a government agency.

In the Information Scandal which rocked South Africa, and which resulted in the resignation of the then State President, Mr B.J. Vorster, and the crown prince of the National Party, Dr. Conrie Mulder, funds were channelled from the defence budget to fund National Party projects.

Mr Hulley said the critically important question was what happened to the actual premium money that was paid in excess of the contract price.

Suggesting that one possibility was that it had been "syphoned off" for use on other projects, he listed three other possibilities:

- That the supplier country or company of origin received a greater price than they contracted to receive.
- That the broker received far more brokerage that he was contractually entitled to.
- That other middlemen were the beneficiaries which would raise grave questions of propriety and unlawful personal enrichment.

"Mr Hulley said these were possibilities which would have to be fully explored and explained to the general public before they would feel satisfied about the government's financial control of oil matters.

And he warned, citing the Watergate scandal as an example, that any attempt at a cover up would fail.

The clue in the Watergate scandal had been to "follow the money", he said and this the Opposition would do until the story was told and the culprits, if any, were brought to book, no matter who they were.

Mr Hulley said the evidence which the Opposition had to hand related to the period when Mr. Chris Heunis and Mr. F.W. de Klerk controlled the portfolio.

He said he had been advised recently by a person knowledgeable in international oil trading that South Africa had received offers in the recent past from reputable dealers and brokers to supply crude oil to the country at prices lower than that which had been quoted by the minister.

He added that if it was true that the government had turned away more favourable offers of oil and persisted in paying higher than necessary prices, the implications would once again be far-reaching.
SA oil: Cheaper deal claim

Political Staff

A DURBAN-BASED oil dealer yesterday claimed he could supply large quantities of suitable crude oil to South Africa at a price significantly lower than that at present being paid by the Strategic Fuel Fund Association, the government's oil-purchasing agency.

The claim was made to a PFP MP, Mr John Malcomess, in a telephone call in response to a weekend appeal he made for people with cheaper oil on offer to contact him. He declined to disclose the dealer's name and telephone number.

The dealer said he could supply 1,8-million barrels of light crude oil a month at a premium of around one dollar as opposed to the premium of 1,9 dollars at present being paid by South Africa.

As far as the dealer was concerned the oil would be suitable for South Africa's needs and could be handled by the country's refineries.

Mr Malcomess said he had asked the dealer to supply him with written details of the offer, and he would pass them on to the Minister of Mineral and Energy Affairs, Mr Danie Steyn. Mr Malcomess said he hoped to receive the information he had requested within a week or two.

Earlier offers 'were rejected'

The dealer also claimed in his discussion with Mr Malcomess that he had tried "for some time" to sell oil to South Africa, but that his offers had been rejected.

Last week during the debate in Parliament on Mineral and Energy Affairs, the PFP MP for Constantia, Mr Roger Hulley, claimed offers of cheaper oil had been made to South Africa by reputable dealers, but had been turned down. Mr Hulley said at the weekend that he had calculated that there could be a significant saving on the price per litre of petrol if the government accepted the cheaper offers.

Mr Steyn said at the weekend that he had no comment to make on Mr Hulley's claims and wished to comment no further on the oil-scandal allegations.

Allegations from anonymous source

Yesterday's development was the latest in a series of claims surrounding allegations of a multi-million- rand oil scandal involving the supply of South Africa's crude oil.

The allegations are being investigated by the Advocate-General. They were originally received by the Leader of the Opposition, Dr Van Zyl Slabbert, from an anonymous source.

Dr Slabbert passed them on to the Prime Minister, Mr P W Botha, who asked the AG to investigate them.

It has been alleged that as much as R385-million more than the contract price may have been paid for oil over a period of three years.

The PFP believes that the vital questions to be answered in the matter are: Was the extra money paid out, and if so, who authorized the extra payments and who received the money?
Selective protection criticised

By ELIZABETH ROUSE

SELECTIVE protection by Pretoria is seen in a poor light by yet another major manufacturer.

At the same time relaxation of import control will undermine local industry, something our fragile social structure can ill afford, says General Tire's chairman, Mr Manny Simchowitz.

He adds in his annual review: "We view with grave concern the inconsistency of the Government's policy of giving protection to primary products which is not extended in the same measure to local manufacturers of finished goods within the same industry."

He warns that repercussions arising from the Government's policy of free trade, announced at the beginning of February, have yet to be felt.

Gentire catches it both ways. A major problem for its foreign subsidiaries in Zambia and Zimbabwe is lack of foreign exchange to buy raw materials.

In spite of adverse factors, Gentire should maintain earnings this year. Some evidence of an uptrend in industrial rubber products sales was apparent at the end of last year and has continued into 1984.

Demand in the original-equipment sector of the tyre market will probably still lag.

A combination of drought, floods and generally adverse economic conditions will continue to affect sales of heavy commercial, mining and agricultural tyres but the strength of the replacement market should again prove a compensatory factor.

Rationalisation of Gentire's operations were largely completed by the year-end. This should reduce costs and improve profitability.

Other favourable factors are that Gentire is maintaining market share and that the company is well geared to take advantage of the trend towards steel-reinforced tyres. It has the technological backing of Continental of West Germany.

COMMENT: The market has put a high rating on Gentire, with historic dividend yield at 3.5%, partly because of the development potential of the Williams, Hunt/Gentire properties.

Properties comprise R43.3m of Gentire's total assets of R100m. The board and management face a crucial decision: Can funds tied up in properties be used to better advantage elsewhere?

At R16, Gentire's market price is showing a 19.3% discount on net asset value of R19.83.
Changes urged in investment standards

CAMBRIDGE, Massachusetts — An advisory committee to the Harvard Corporation, the governing body of the American university, has urged a tightening of the standards applied to investments in companies doing business with South Africa after splitting on an effort to halt investment in such firms.

Mr Michael Blumenfeld, associate vice-president for public affairs at Harvard, said yesterday about 30% of the university's $400-million ($500-million) investment portfolio was invested in companies that operated in South Africa.

Students at the university have been campaigning for divestiture of stocks in the companies because of South Africa's apartheid policies.

The 12-member student, faculty, and alumni Committee of Shareholder Responsibility split down the middle yesterday on a recommendation for divestiture. The committee then voted 11-1 to present a 35-page report urging changes in current investment policy, Mr Blumenfeld said.

The changes include requiring companies in which the university holds stock to actively oppose laws that keep blacks from living and working anywhere they wish in South Africa and requiring Harvard to establish specific guidelines on what it considers strategic goods that companies should not supply to the Government.

The current Harvard policy is not to hold stock in companies that do more than half their business in South Africa or debt securities in banks that make loans to South Africa. It also uses its influence and proxy votes to encourage companies to treat black and white workers equally.

— Sapu-AP
Incentives needed to aid labour intensive exports

By ALEX PETERSEN
Deputy Financial Editor
SOUTH AFRICA

needed to invest in market research and and provide strategic market support for its labour intensive industries, the president of the National Clothing Federation, Mr Mike Getz, said last night.

Speaking to a press conference in Cape Town, Mr Getz said that if labour intensive industries were to effectively pursue the path of exports suggested by the Kleu and Steenkamp Commissions, then a far greater level of support from the government sector was necessary.

He added that greater attention needed to be given to the realities of foreign trade, in particular on the question of protectionism.

Export support had been given in the past to the precious metals, wine and fruit industries, Mr Getz said.

"On a more modest scale a similar effort and commitment is necessary for our industry."

Planners

"Our central planners are continuing to budget and plan in the traditional way, that is by placing most of their hopes and money where they always have, on mining, agriculture and primary industry."

These industries were now mature, and were no longer adding jobs to the economy in as cost effective a manner as could be provided by labour intensive industries.

Mr Getz said that the Prime Minister's recent statement at Lascor on the important role of exports from secondary industry was "highly significant."

"This indicates a strategic shift from the traditional exports."

Challenge

While the clothing industry was willing to take up the challenge of exports, it needed the support in terms of export and other incentives similar to those granted to the industries in the Far Eastern industries, against which South African industries were being asked to compete.

Significant exports would help close the employment gap, now growing at an escalating rate, now exceeding 300,000 a year.

Training incentives were a particular case in point. The clothing industry, he said, had been a leader in South Africa in its commitment and attitudes to training.

"In the current recession there may be little taxable profit against which concessions can be offset," he said.

While it was not surprising that tax incentives had come under critical appraisal, he suggested that training in the clothing industry had not been abused since the bulk of training was under the auspices of the Clothing Industry Training Board.

"The momentum of the training effort may be jeopardised by the reduction in the incentives at a time when the industry is hit by recession."

Grant system

He suggested that the mooted switch to a cash grant system be speeded up to aid labour intensive industries.

Asked whether there was not an irony in a free market export policy when South Africa had recently acceded to demand to reduce its steel exports to the United States, Mr Getz said the reality of international trade lay not so much in a real free trade policy, but in bartering.

"In negotiations on foreign trade, the interests of the employment providing industries should be given a place," he said.
Two of the four South Africans charged with the illegal export of arms to the Republic from Britain leave the court at Coventry yesterday in the company of the first Secretary at the South African Embassy in London, Mr Andre Pelsor (right). The two are Mr Jacobus Francois le Grange (left) and Mr Hendrik Jacobus Botha (third from left). The identity of the fourth man was not known.

Arms trial: 4th Briton charged

From JOHN BATTERSBY

COVENTRY — A British businessman has been charged with smuggling Buccaneer fighter-aircraft parts to South Africa in another twist to the case in which four South Africans and three Britons are charged with the illegal export of military equipment to South Africa.

This was disclosed in court yesterday when the seven men made their fourth court appearance after six weeks of intense police investigations into alleged contraventions of the British customs and excise regulations.

The investigations have led to the drawing up of a growing dossier on alleged contraventions of the mandatory United Nations arms embargo against South Africa through a network of illicit dealings by British companies.

'Eighth man'

The "eighth man" in the case was named yesterday as Mr Henry John Coles, of Bath. Mr Coles did not appear in court and was granted unconditional bail.

Although no further details were given in court, Mr Coles is alleged to be a middle-aged businessman who lives in an exclusive part of Bath.

In another development yesterday's hearing, a further charge connected with the illegal export of Buccaneer parts to South Africa was brought against Mr Michael Jeffrey Swann, 33, already in the dock with the four South Africans.

An application by Mr Swann's counsel that he should be released from having to report daily to police was refused.

The seven men, who are all on R43500 bail, will appear again on June 25 when evidence is expected to be led before their committal trial.

All seven men must continue to report daily to the police station nearest to their homes.

'Medical condition'

Mr Michael White, a senior officer of the British department of customs and excise, disclosed that Mr Coles had been charged on April 18 "in respect of the export of parts for Buccaneer fighter aircraft to South Africa".

Mr White indicated that Mr Coles's non-appearance in court was due to "several technical reasons" and disclosed that he was suffering from "a rather severe medical condition".

The four South Africans charged with the illegal export of arms to the Republic are Mr Hendrik Jacobus Botha, 49, Mr Stephanus Johannes de Jager, Mr Jacobus Francois le Grange and Mr William Randalph Mellerkamp.

Mr de Jager and Mr Mellerkamp are already charged.

Mr Derek Salt and Mr Michael Gardiner.

The First Secretary at the South African Embassy in London, Mr Andre Pelsor, who secured bail for the four South Africans, was in court again yesterday to listen to the proceedings.

Although the four men gave their job descriptions as company directors, financial manager, engineer and production director respectively. It was stated by the prosecutor at a previous hearing that the four had ties with a "South African company with semi-government links".

It was also alleged in a court that Mr Botha had been described in one of the documents before court as "a colonel".

Yesterday, Mr Coles told reporters who visited his home that he had no comment on the case but conceded that he had acted for a number of companies which traded with South Africa.
Rand one of weakest currencies

Financial Editor

THE rand has been one of the world’s weakest currencies in the past five months. It has dropped by about 5 percent against most others, an analysis of exchange rates shows.

The drop in the rand can be blamed on South Africa’s poor foreign earnings, caused by the fall in the gold price.

The Government’s decision to increase general sales tax sharply from July 1 and the Reserve Bank’s expenditure of $100-million dollars in the foreign exchange markets yesterday are both aimed at stopping a further drop in the rand’s value.

SINCE DECEMBER

Comparisons of exchange rates show that since December the rand has fallen:

- 7.9 percent against the Japanese yen.
- 6.36 percent against the United States dollar.
- 6.2 percent against the German mark.
- 6 percent against the Austrian schilling.
- 4.78 percent against the French franc.
- 4.5 percent against the Italian lira.
- 3.2 percent against the British pound.
- 2.8 percent against the Swiss franc.

With South Africa having to pay overseas a net amount of between R1-billion and R1.2-billion a quarter, it is clear that the country is running heavily into debt.

According to Treasury estimates, the balance of payments deficit in the first quarter calculated at an annual rate was around R3-billion. Furthermore, the situation is expected to deteriorate further as the volume of imports continues to pick up.

REPLACE STOCKS

South African businesses have been running down stocks since the start of the recession and are now being forced to replace at least part of these stocks.

No doubt the Government is hoping that a higher gold price is in the offing and by boosting foreign exchange earnings it will enable the country to overcome its financial difficulties.

However, prospects of any worthwhile increase in the gold price seem slight and it seems that the Government will have to rely on more basic measures to improve the balance of payments, such as stimulating other exports and curbing domestic demand.

CURB SPENDING

The question arises whether the Government has done enough to curb consumer spending.

With new car sales at near-record levels in spite of the recession it would seem that more is needed. However, South Africans have not yet felt the full impact of the higher income tax rates or higher interest rates.

The cumulative effects of these are expected to result in a serious cash crunch about the middle of next year.

With GST moving to 10 percent, the crunch could well come earlier and strongly curb consumer spending.
Anti-SA bid
fails at Shell

The Star Bureau
LONDON — Shareholders have
voted overwhelmingly against a
resolution calling on Shell to
stop oil supplies to South Africa
and Namibia.

The company’s annual meet-
ing yesterday was dominated by
a lengthy though well-tempered
discussion of a motion calling
for a ban of all supplies of crude
and refined oil products.

The motion was signed by
more than 100 shareholders.

It also called on Shell to en-
sure that its South African sub-
sidary cut off all supplies of re-
fining products to the armed
forces and police.

But the meeting saw a mas-
sive rejection of the move.

Including proxy votes from
absent shareholders, only 3.2
million supported the resolution,
while 77.3 million opposed it.
Swedes report on trade ties

Own Correspondent

STOCKHOLM — Swedish companies with South African subsidiaries should be given five years to devolve their interests in the country.

And Swedish parent companies should no longer be allowed to increase their investments there or spend money on refurbishing plants.

These measures are contained in a report to the government by the Swedish-South Africa Committee, according to details leaked here. The report will be delivered to the government later this month.

The committee's chairman, Mr Olle Goransson, was recently replaced following his declared “favourable attitude” to Swedish involvement in South Africa.

The Swedish Government wants to end all contacts with South Africa and to curb current increases in import-export trade between the two countries.

The anti-apartheid isolate South Africa Committee has welcomed the recommendations, describing them as “a great step forward”.


"On the other hand, we stand to lose as lot of excellent markets for our products."
Xerox resolution on SA defeated

NEW YORK — A resolution calling on the Xerox company in South Africa to do more for its black workers was defeated at the company's annual shareholders meeting in New York by 59.9 million votes.

The resolution called on Xerox to adhere to a set of conditions for investment in South Africa written by Bishop Desmond Tutu, general secretary of the South African Council of Churches.

The conditions include: improving housing for black workers; recognizing black labour unions; opposing influx control laws, which limit the mobility of blacks in South Africa; and investing in education for blacks.

However, Mr Andy Smith, of the American Baptist Home Mission Society, told the meeting that Xerox already met most of the conditions and needed only a small step to affirm and support them publicly.
Thatcher spurs UK trade drive in SA

BRITISH exporters are aiming at a bigger slice of the South African market.

Compared with the same time in 1989 British exports surged by 36% to £278-million (R549-million) in the first two months of this year. Imports from South Africa were little changed at £126-million (R227-million).

However, it must be remembered that the recession depressed all South African imports early last year.

A major reason for the British drive into SA markets, say trade officials, is that the Conservative Government has come out openly in favour of it.

Apologetic

British governments have held that trade should be based on commercial judgment and should not be influenced by politics. The United Kingdom normally opposes trade sanctions.

Although British governments conformed trade with SA, they tended to be apologetic and embarrassed.

But in its second year of office, Mrs Thatcher’s government has become far more outspoken. Britain’s Minister for Trade, Paul Channon, said in a major speech last November that “the development of an active trading relationship with South Africa” was an “important element of the government’s policy”.

“Constructive engagement” was the “best means of encouraging peaceful change in South Africa”. He criticised British businessmen, complaining that West German and Japanese businessmen were looking for business with SA.

“Both German and Japanese companies send more senior executives more often to South Africa than we do and use more aggressive marketing tactics.

“the top industrialists are too often conspicuous by their absence in contrast to other main competitors who cultivate the major customers more assiduously.

“Given the UK’s commitment to exporting we need to change this impression.”

Trade officials say that Mr Channon’s speech and a recent Southern African visit by Lord Jellicoe, chairman of the British Overseas Trade Board, encouraged companies to step up their export efforts.

Gold price

The United Kingdom South Africa Trade Association continues to be active in promoting trade. The executive director, John McQuiggan, accompanied the chairman and chief executive of top British companies Johnson Matthey and Hill Samuel on a visit to South Africa.

Despite the depressed gold price, prolonged drought and high interest rates could dampen SA’s economy, British companies appreciate the relative stability of the market.

Exports to Nigeria, the UK’s biggest African trading partner next to South Africa, shrank by 33% to £798-million and sales to black Africa tumbled by 24% to £615-million last year. Exports to South Africa fell by only 7% to £1 107-million (R2 983-million).

Although UK companies are pressing for new SA markets, they are also pressing for change, says Mr McQuiggan.

EEC code

More than 96% of British companies with interests in South Africa continue to submit reports under the European Economic Community’s code of conduct.

The Department of Trade analysed 130 of these companies and found that 88% recognise black trade unions.

More than half have in-house liaison or consultative committees and 96% accept equal pay for equal work.

Most companies are making efforts to develop skills and to overcome the limited basic education of their black employees. There is more emphasis on technical training and some of the larger companies have government-registered apprentice schools or training centres.
Controls ‘unlikely’ to help

By DAVID FURLONGER
Industrial Editor

DURBAN. — Lifting import controls could have a stimulating effect on industry, the AHI was told yesterday.

Dr D.C.J de Jongh, of Gencor, told the mining and industry sector there was increasing awareness that a policy of import controls was unlikely to succeed.

It made the manufacturing sector lose its dynamic impact on economic growth because of a lack of foreign competition.

Dr De Jongh did not advocate the total scrapping of controls.

However, a country past the first stage of industrialisation could not follow an over-simplified policy.

International studies had shown it was possible for a developing country to direct its production structure outwards, after a long period of inward-directed activity, without putting unbearable stress on the national economy.

The recent Kline Report had recommended SA should pursue a strategy of promoting the industrial sector coupled with an outward-looking trading policy. Such a policy would confer stronger benefits in the event of the world economy entering a strong growth phase than one based on import control.

Dr De Jongh said there were no theoretical objections to such a policy.

But the timing and implementation would need careful attention from both public and private sectors.

Dr Chris de Swardt, the head of the economic department of the Reserve Bank, said the fluctuating exchange rate was seriously affecting all sectors of mining and industry.

SA had little control over the volume and value of its exports because both were largely determined by international demand.

Apart from the direct and indirect influences depreciation had upon the economy, it could contribute to the promotion of a monetary and financial climate favourable to expansion.

At the same time it was an unfortunate fact that a depreciation of the rand went hand-in-hand with higher inflation.

While an appreciation of the currency caused a weakening of the balance of payments, and of the level of growth, it could also be expected to lower the inflation rate.

Dr Swardt said exchange rates must be incorporated into any general economic policy. A depreciation could not act as a substitute for sound monetary and fiscal policy.

An unfavourable balance of payments caused by foreign economic conditions had to be met with a policy that fitted domestic spending to the prevailing situation.
Imports are worrying cement producers

By PRISCILLA WHYTE

IMPORTS are threatening the future of the cement industry and a committee has been formed to advise on import policy.

This was announced by Mr D R Baker, chairman of Natal Portland Cement (NPC), at the official opening of Natal’s first clinker factory, Simuma, near Port Shepstone this week.

Mr Baker says the industry can handle the import problem, but not without long-term effects on development.

Of the R188m spent on the Simuma plant, excluding the railway line, R40m was due to escalation during construction. GST amounted to about R16m at the 4% rate.

Mr Baker believes the Government would receive R150m on the estimated R15bn value of the plant.

Inflation is another problem for the capital-intensive cement industry.

If GST were added to the capital cost of the plant, “and if we were earning 10% on the investment, we would hope to increase the price of cement to bring in an additional R15m in revenue — a very bad thing from a competitive point of view”, Mr Baker says.

Mr Dennis Rowe, managing director of NPC, says the Simuma plant came on stream late last year with an annual capacity of about 500 000 tons.

It was designed for a second kiln to be commissioned in the next three to five years but an international cement surplus has cast doubts on this projection.

He adds that the industry has low margins and profitability in volume-related.

The SA market consumes 8-million tons of cement a year, but overall demand is believed to be down 5% on last year.

The bulk cement price on the Reef is R70 a ton compared to R90 in Durban.

Simuma, 140km from Durban, means that Natal will no longer have to rely on supplies from Lichtenburg, in the Western Transvaal.

Clinker is the principal ingredient of cement (80%-90% by weight).

The Simuma project included a R30m railway spur from the coast to Simuma for the supply of certain raw materials and to transport clinker to Durban, where it is milled into cement.

The project was a joint venture backed by the entire South African cement industry — Anglo Alpha, associated with the Swiss Group, Horderbank Financiere Glaris, Cape Lime, a member of Federale Volksbeleggings, Pretoria Portland Cement, a Barlow Rand company, and Blue Circle.

Standard Bank put the package together.
The future of farming...
This year marks the 20th anniversary of the start of a programme to change the whole structure of South Africa's most important fleet of trucks.

In an operation said to be without parallel, the military vehicle division of Armscor has equipped the South African Defence Forces with the most remarkable range of vehicles conceived in a single engineering development programme of its type since the Second World War.

In 1964, the SADF began a far-reaching survey of its military vehicle requirements. The action was taken ahead of the United Nations arms embargo which came into full effect in 1968.

**Secrets**

Twenty years after the start of that survey, SA has three new families of military truck, called Samils and with more than 70 different body variations. Details of the model mix and build numbers at SA's biggest truck-making plant, Pta. Magnis, are secret. But estimates published overseas put production so far at about 12,000 units, not counting the civilian Sumag range spawned by the military Samils.

The real triumph for South African trucking is that the Samils have proved so good that Armscor is developing export markets for them.

The authoritative Jane's Review of Military Vehicles says: "It should not be long before purchasers appear. The Samil truck range is without doubt the successful outcome of a long chain of operation research and experience. The vehicles involved have all been system engineered to meet the very demanding requirements of the South African Defence Forces down to the last detail."

"The Samil range is now 'combat proven' and in that process has proved to be extremely reliable, efficient and tough. To achieve this no remarkable technology has been utilised, or any particular systems approach. All that has been applied is a thorough systems approach, a simple design philosophy and sound engineering. The result is excellent."

**High praise**

That is probably the highest praise ever to come from abroad for any South African engineering or industrial product.

To celebrate what has been achieved, it seems appropriate to take a closer look at the wheels which keep the SADF trucking. We cannot be too specific about engines because of security requirements surrounding an active engineering development programme.

All three basic truck families have diesel units pushing out about 80kW in the Samil 20, 120kW in the Samil 50 and 200kW in the big Samil 100 model range.

These are the three distinct model families, with extensive variations played on their basic themes.

**Wheel change**

The Samil 20 had German Magirus-Deutz and Unimog origins. Magnis has developed with Armscor a two-tonner with forward-control cab, drive to front and rear axles to give a full 4x4 configuration. The aerodynamic chassis is built to cope with extreme terrain and several interesting design details, including a miniature 'crane' to enable one man to change a wheel.

There are several distinct forms of the Samil 20, including some offering a remarkably high degree of protection. They range from small arms fire to preserving payload capabilities.

One of the best-known is the Bulldog armoured personnel carrier with open rear body and its brother, the Rhino, with fully enclosed rear.

Bulldogs and Rhinos look hairy when they corner at speed, but the centre of gravity and vertical stability are much better than they appear because the drivers have to come up with good excuses if they are to get away with tipping one over.

**Human fly**

Like the other Samils, it can cope with up to 18 degrees of side slope, ford water well over a metre deep and has a particularly impressive 87% maximum gradability. That's not a misprint: the 20 is about the closest in wheeled trucking to the human fly.

The five-tonner in the family, the Samil 50, is now also so far removed from its European origins as to be an original South African truck. It is a 4x4 with remarkable climbing and cross-country agility, even when hauling its maximum 4800kg payload.

**Gun tractor**

Top of the line-up is the Samil 100, derived from the 50 but much longer and more powerful with 6x6 configuration. It has a payload in general purpose form of 10,000kg and there is a particularly impressive tipper truck with a nominal 75 cubic metre body.

The Samil 100 also comes as a recovery unit and there is a highly specialised gun tractor, in addition to its remarkable achievement. In developing so many military trucks, Armscor produces a full family of specialised trailers for them. This is believed to total about 60 different types, about half of them semi-trailers, with capacities of up to 60 tons.
Outlook bright for SA clothing industry — Getz

In spite of the economic situation, things are looking up for the clothing industry — the biggest single employer of labour in the Western Cape.

Mr Mike Getz, president of the National Clothing Federation of SA, says manufacturers report full order books and a high degree of capacity utilisation.

"The clothing industry appears to be moving against the economic tide in that a notable improvement in activity levels is being experienced or anticipated by many manufacturers," he said on his return from a meeting of the NCF executive in Johannesburg.

PROFIT MARGINS

The rise in GST might not affect this because retailers were having to build up stocks again after allowing their inventories to run low.

"Although the current increase in GST is expected to have a dampening effect on customer buying patterns it should be borne in mind that current stocks in the supply pipeline appear rather low." Also, manufacturers have cut their profit margins. "The present 7 percent inflation rate in the clothing industry is indicative of low turnover margins and is well below the overall rate of inflation." Mr Getz said the NCF executive had closely scrutinised both prevailing and expected conditions in the clothing industry.

EXPORTS

As a result, the executive was calling on the Government to give more help to the development of the export trade as a matter of urgency. It was also upgrading its training scheme and urging the Department of Manpower to replace tax rebates for training with cash grants.

It regarded cash grants as "more efficacious as incentives than tax rebates, as indeed evidenced by the success achieved with the latest cash-based decentralisation incentives".

An industrial relations committee had been set up to deal with various regions in order to understand, appreciate and adapt to the ramifications of the new labour dispensations.

NEW JOBS

It was also appreciated "that in this process attitudinal change on the side of management will also be required."

Discussing exports, Mr Getz said these were vitally important to the future recovery, growth and the provision of new jobs.

The export industry was now "critically dependent on prompt and efficient action by the Government in the area of export development."

"It is important for the medium and long-term future that current opportunities are not missed by South Africa." Gold at $386,50

JOHANNESBURG. — Gold shares continued firmer on the Johannesburg Stock Exchange today in reaction to the further rise in the bullion price. Trading was relatively quiet and demand remained local with British and US markets closed today.

Among heavyweights Vaal Reefs was up 30c at 1640c and Kloof 20c at 655c, while Ashanti, which was up 10c at 250c and Lo- raine 20c at 770c and 22 golds were firmer, three unchanged and none easier.

Diamond share De Beers followed gold, rising 15c to 935c, but other diamond and financials were virtually unchanged.

MINING

From left: Price, week's change, dividend

INDUSTRY

The FIGHT against inflation was being won in South Africa, but increases in administered prices and within the public sector were resulting in a Government-led price spiral according to Mr Chris Balf, managing director of Barclays National Bank.

He said the authorities had been far too disciplined in dealing with price increases in their sphere and this had been the major factor in the price escalation pattern.

Year-on-year inflation increased to 10.98 percent in April and from 10.16 percent in March. It was not the commercial banks' but the Reserve Bank's policy to keep interest rates high, to influence the demand for credit through higher prices and thereby the demand for goods and services, which was the major cause of the inflation rate.

SPENDING

However, the problem was that there was excess demand and productive capacity was inadequate.

Only when the public's perceptions of continued inflation changed would spending be curbed, he said.

He said the marked shift of deposits into the short-term end of the market and a narrowing of the differential between Gold at $386,50
Ford’s bakkie makes it in UK markets

Financial Staff

Ford SA is relying increasingly on the export of locally designed and produced bakkies.

Motivated by the need for increased volume from highly capitalised tooling, a long-term export programme started in 1962 is now bearing fruit.

Based on the Mark IV Cortina, the P-100 one-ton pick-up is being exported to Ford UK. It is a best-seller in Britain.

The Escort-derived Bantam light pick-up might soon be added. It was being sold at the rate of 600 a month on the home market.

The South African bakkie was filling a European market gap previously dominated by European and Japanese manufacturers. The export flow had already reached a level equal to more than 20 percent of local car sales.

The spokesman said that increasingly automated manufacturing made the export potential of the company’s products more important than ever.

The motor industry would welcome any help the Government could offer in the form of export benefits.
Rumanian barter deal ‘helped SA farmers’

The Minister of Commerce and Industries had also instructed that the urea be handled and stored by the fertiliser industry. The urea was stored outside under sails.

“The positive results which have already resulted — and are still flowing from this deal — cannot be questioned,” Mr Von Abo asserted.

Asked why South Africa had exchanged the maize for urea, Mr Von Abo said Rumania had indicated that it wanted maize, but that it was unable to pay for it, so had instead offered urea in exchange for the maize.

A parliamentary select committee has been appointed to look into the barter transaction. — Saps

He said that if the board had been allowed to sell the total 200 000-ton maize consignment in 1962, the financial benefits from the urea deal would have amounted to more than R27 million.

Referring to the restrictions imposed by the Government regarding the deal, Mr Von Abo said the Maize Board had had to sell 60 000 tons of urea to the fertiliser industry at a special price of R202,50 a ton, which was the price laid down by the Minister of Commerce and Industries, Dr Dawie de Villiers.

The retail price of urea at the time was R341 a ton.

In addition, a 10% surcharge was introduced after the barter agreement was concluded.

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President Ronald Reagan addressing a crowd in the main square of Hollywood in the south of Elizabeth, Hollywood is the home village of the President's ancestors.

CITY Soon to Pay

exports of its wines in 1983

KIVY Hits new high in the

1983
new high in the
its wines in 1983

City soon to pay
7.2 percent more
for electricity

Municipal Reporter

A 7.2 percent increase in electricity tariffs is on the cards for Cape Town from October 1.

City electrical engineer Mr Dennis Palser blames the increase on inflation.

He warned that if Escom raised its tariff again before the beginning of next year, the council would have to put up its electricity charges too.

The utilities and works committee yesterday accepted the increases, which have still to be passed by the executive committee and full council.

They are:

- Domestic rate — service charge from R1.45 to R1.55 a month; energy charge from 5.63 cents to 6.04 cents a kw/h.
- General Rate — service charge from R1.45 to R1.55 a month. For the first 1,500 units a month from 9.70 cents to 10.40 cents a kw/h. Over 1,500 units a month from 7.40 cents to 8.59 cents a kw/h. Minimum monthly payment: service charge plus R4.13.
- Off-peak rate (during restricted period only) — service charge from R3.85 a month to R4.13 a month. Energy charge from 3.21 cents to 3.44 cents a kw/h. Minimum monthly payment: service charge plus R6.70.


Food exempt from GST
may be listed this week

By TOS WENTZEL
Political Correspondent

DETAILS of food that will be exempted from general sales tax may be announced this week.

The list has been drawn up after discussions between the internal revenue department and the Association of Chambers of Commerce (Assocon), the Federated Chamber of Industries, and the Afrikaanse Handelsinstituut.

The Commissioner for Inland Revenue, Mr C F Schweppenhauser, said there had been technical difficulties with some of the definitions, but a list had now been submitted to the Minister of Finance, Mr Owen Horwood.

He hoped that details would be made known by the end of the week.

Discussions were continuing with Assocon, the FCI and others on how the new system of GST would be applied in practice.

When he announced the increase in GST to the town council, Mr Palser said that the council would have to consider whether it could pass on the increase to ratepayers or whether it would have to absorb it, or negotiate a lower increase with Escom.

The council would have to consider the rate of the increase in the context of its budget needs, and the council should have a clearer idea of its revenue needs for next year before it considers whether it can pass on the increase.

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electronics — no easy task

The Government intends promoting the electronics industry and a committee is considering proposals.

Reaction has been favourable although Pretoria has not made clear how it plans to stimulate the sector. Opinions on what should be done vary. MIKE JENSEN reports on industry attitudes.

Dr Dawie de Villiers... natural to reduce dependence

facture must be developed on a selective basis.

Consumer electronics is unlikely to be an area of Government emphasis, says the managing director of Barlows Manufacturing, Mr Owen Dinsdale.

"Judging by the composition of the committee it appears that the strategy will be more related to defence and industrial electronics." Total electronics spending in South Africa is between R2.5bn and R3bn, with professional electronics — as opposed to consumer electronics — estimated at about R400m.

Mr Dinsdale believes a local manufacturing base in the consumer area is viable, but not the development of new products for export.

"We could not compete with Korea or Taiwan with their totally free labour situation and very low safety requirements."

Concern has been expressed by some members of the industry that although the use of import protection would promote the development of a local electronics capability, it would cause the sector to develop in isolation from technological advances internationally.

Mr Roon is especially worried that this might happen in the computer industry.

"While we would like to see the local manufacture of computers, there are factors which rule against such a possibility. The idea of going so far as to set up a facility for the manufacture of integrated circuits is absurd."

One of the major barriers to the establishment of a viable industry is the shortage of skilled labour.

Professor Louis van Biljon, the head of Pretoria University's electronics department, believes there are fewer than 1,000 electronics engineers in South Africa. At least twice as many are needed at the moment.

Members of the industry are unhappy over the Government's recent reduction in training allowances and its restriction to those earning less than R15,000 a year.

Mr Roon says the manpower requirements in terms of highly specialised electronic engineers, systems software engineers is such that all our universities combined would not be able to produce the numbers of skilled people required.

He says experts are leaving the country because they cannot work on projects of international merit.

"How can we motivate such highly skilled people to stay in South Africa if we cannot offer them the same challenges as their counterparts in Japan, the US, Europe without asking taxpayers to fork out another R100m at least for research work?"

"Computer technology is moving so fast that it is necessary to have a continuous research effort, either paid for by high-volume sales or massive subsidies."

"High volume sales of locally made computer products are not possible because our usage is too small. If we tried to export, we would have to compete with the massive production capabilities of the US and Japan."
Promoting electronics — no

The fast-growing electronics sector is an obvious candidate in the Government’s efforts to stimulate an ailing economy.

The sector is, however, unusual in many ways and won’t be an easy one to tame.

The Government’s new-found support for the industry will have to take into account the small size of the South African market. Many of the areas of the electronics industry responsible for its 30%-plus growth rate developed out of huge and highly competitive markets uncharacteristic of South Africa.

State assistance will need to be highly selective so that only the industries which can be viable on world markets are nurtured.

The Minister of Industries, Dr Dawie de Villiers, says Government’s electronics strategy is two-pronged: The mobilisation of State buying power to increase the local content of electronic products (of which the Government is the single largest consumer) and to provide State aid for the design of electronic systems.

Dr De Villiers said recently the Cabinet had appointed a special committee to carry out Government strategy. Under the chairmanship of Mr Carel van der Merwe of the Industrial Development Corporation (IDC), senior representatives of the CSIR, Sats, the SABC, the Department of Posts and Telecommunications, Armacor, Escan and Nucor have been appointed to the committee.

While disappointment has been expressed that somebody from the private sector has not been appointed to the committee, Mr Ken Maud, the deputy chief executive of Altech, says this does not mean that such appointments will not be considered in the future. “When decisions are made appropriate by the Minister, organisations such as ours will become more directly involved at committee level.”

Mr Tienie Steyn, the chief executive of Grinaker Electronics Holdings, says: “In principle, we are pleased with the Government’s announcement, but as yet it is rather vague.

“However it is most encouraging that the Minister has recognised the importance of the electronics industry, which is one of the fastest-growing of all industrial sectors. It is worth about R250bn worldwide, a figure that is expected to increase to R1 000bn by the end of the decade.

“Even if South Africa captures a very small part of this market, the income will be substantial.”

Mr Doug Eyre, chief executive of the Reunert Information Systems computer group — Barlow Data — is particularly enthusiastic about the new strategy. “We have been saying for years we need more tangible help and it is encouraging that the Government has had the foresight to recognise the narrowness on which the economy is based. The electronics industry would be a very viable alternative.

“There were good intentions behind local-content programmes and many products have reached 80%, but manufacturers have suffered the disadvantage of more expensive basic components and poorer economies of scale.

“So with Government coffers being very tight, the departments have been able to justify going outside the country for considerably cheaper products and this has hindered the development of the local industry. Hopefully there will now be a stronger commitment to local buying.”

Mr Cees Roon, president of the Computer Users’ Council, says there should be better co-ordination of policy between Government departments.

Although the Government has yet to clarify its thinking, it appears hopes to reduce dependence on imports of electronic equipment with strategic value and stimulate the manufacture of products with export potential.

Speaking at the Workstyle ’84 exhibition in Cape Town in February, Dr De Villiers said: “It is natural to reduce dependence on foreign research and products, especially in the field of electronics. Local manu-

The Government intends promoting the electronics industry and a committee is considering proposals.

Reaction has been favourable although Pretoria has not made clear how it plans to stimulate the sector. Opinions on what should be done vary. MIKE JENSEN reports on industry attitudes.

MR DOUG EYRE . . . Government showing foresight

The fact that the electronics sector has the potential to develop into a major manufacturing base in South Africa is now widely acknowledged.

However, the sector must be developed on a more orderly basis.”

Consumer electronics is an area of greatest potential, says the management of Barlow’s Manu.

“Judging by the effort the committee is putting into its work, the strategy will be in line with the desire for defence and industrial growth.”

Total electronics manufacturing in South Africa is estimated at R2bn, with prospects likely to be far higher — as opposed to cosmetics — estimated at R500m.

Mr Dinsdale believes that the manufacturing base is viable, but that it needs to be developed. “We could not compete with Taiwan with free labour.”

Mr Roon is sceptical about the prospects of a local electronics industry. “Although the use of foreign technology would promote development, it would cause the country to develop in isolation rather than logically.”

Mr Roon is...
Textile industry sees little demand for products in short term

THE textile and clothing industry foresees no increased demand for its products in the short term, but expects some benefit to flow from the adverse balance of payments situation which makes imports more expensive.

In a statement issued to Sapa yesterday, following the mid-year meeting of the Textile and Clothing Advisory Council in Durban, the chairman of the council, Mr. Ernest Wilson, said the current adverse economic conditions added up to lower disposable incomes.

'We cannot see any grounds for increased demand. On the other hand, the adverse balance of payments situation will make imports that much more expensive and the clothing and textile industries may benefit because it will just not pay to import with the declining value of the rand,' he said.

'High clothing and textile industry activity is developing overseas with the boom which is now beginning to spread throughout the Western World.'

But in South Africa there were higher public sector salary levels, and some substantial awards by industrial councils of at least 15 percent.

'Income is rising with inflation but disposable income is unlikely to rise by any more than the difference between inflation and the amount of the awards. There does not seem to be a climate of real confidence in any sector and very few economists are saying that we are going to break through into recovery in the next few months.

'One of the problems for the textile industry is that they are pulling back from their export programme in order to meet the demands from the local industry because they lack the confidence to expand capacity. But this is the sort of climate we are living in, where we have to do what is expedient rather than what is in the nature of long-term strategic planning.'

Outlook

Discussing the outlook for the various sectors of the industry, Mr. Wilson said: 'On the fibre side we see a picture of high demand and higher prices with perhaps some relief coming in due course on cotton, but wool prices are unlikely to drop. For synthetic fibres there is a stronger demand and more stable pricing policies.'

'As far as woven fabrics are concerned the cotton producers feel that trading conditions are better by as much as 30 percent compared with 1983. Orders are good for three months ahead but there is some apprehension that the improvement might not be sustained. The demand for worsteds is very strong compared with a year ago.'

'The knitting industry has an improved outlook for the next three months. The clothing industry is showing some improvement. Some factories are well booked up but there is a feeling that the higher demand will not be sustained.'

Retailers

'The small retailers are suffering in a very lean period and they are feeling that the whole basis of the small retailer is being threatened.

'The major retail chains are showing a more positive attitude than 12 months ago but the outlook is one of restrained optimism with limited growth in the clothing sector in real terms.

'On the wholesale side there is some improved trading but there is no sustaining influence that can be seen,' Mr. Wilson said. — (Sapa).
Dublin – The textile and clothing industry is facing a significant challenge as imports of expensive materials affect the local production. The industry is working to adjust to the new environment, and efforts are being made to reduce costs and improve efficiency. The situation is challenging, but the industry remains hopeful for the future.

Business Day
Kleu hits at board critics

By ROBERT GREIG

THE chairman of the Board of Trade & Industries, Dr S J Kleu, has reacted sharply to criticism of delays in handling tariff applications.

He has also restated the government's policy of "phasing out quantititative import control" in favour of customs tariffs "as a prime instrument for encouraging industrial development".

"The protection policy in South Africa is one of moderate and selective customs tariff, moderate in order not to burden the economy with a cost structure which could restrict future development and selective in order to encourage the most efficient use of the country's resources.

Restrictions

"Manufacturing industry should therefore not rely on quantitative import restrictions as a method of protection," Dr Kleu said.

He warned that inadequately justified applications for tariff increases would not be considered.

He told the Footwear Manufacturers' Federation at its 40th anniversary seminar in the City yesterday that their previous applications had forced the board's staff to "scratch together" to get necessary information.

He singled out an application from the footwear industry for increased duty on leather-soled shoes as "typical", adding that the board had had to "scratch together" what they could find on their own initiative.

"It has now been decided, in consultation with the minister, that in future no application will be published in the Government Gazette unless the board is satisfied that it has at least the minimum information to proceed with the application."

If, in time, the applicant did not supply the information, the application would fall away, Dr Kleu warned.

"In the absence of proof of disruptive competition taking place, the board is not in a position to recommend an increase in the reference price in the formula duties requested."

"If the argument is used that the loss in market share is due to competition which could be termed disruptive, the industry should approach the board with the necessary evidence to prove disruption taking place."

Argument

"The board would not hesitate to react to disruptive competition by way of recommending increased tariff protection if it can be substantiated."

Dr Kleu rejected the argument that getting the unnecessary price information was impossible.

"The inability of an industry to demonstrate its competitive position may be due to various factors."

These included

- Lack of interest, reflecting an absence of a real need for additional protection;
- "A sad lack of knowledge of the international competitive conditions under which the industry operates; or"
- Indecision about whether to make or to import the products.

Dr Kleu urged the footwear industry to collect regular information about prices of competitive imported goods.

"If this price information is to be of any use to the industry, it will also have to show trends in price structures in every major exporting country in such a way that local prices can be directly compared with them."

Such data, Dr Kleu said, was essential not only for future tariff applications but also for competition.
Take the pressure off

BY DAVID FULTON

Industry needs to change — the pressure on industries to change is growing.

The products and services

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Ken reacts to tariff-delay critics

Business Day/Industry

Kien reacts to tariff-delay critics

The Daily Elcour, 2-4-18

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Volksskas calls for import controls

Financial Editor

POOR productivity is the heart of South Africa's economic problems, the latest issue off Volksskas's Economic Spotlight declares but it requires a long-term approach.

But a short-term attack could include import control on luxury goods, or products available locally, more stringent hire-purchase conditions and a 'Buy South Africa' campaign.

The current emergency situation in the South African economy calls for these measures.

There is no choice but to accord the highest priority to strengthening the balance of payments.

This must take precedence over all other economic objectives even though it will hardly be possible to prevent (temporary) damage to economic growth in the process.

This applies to the struggle against inflation.

Crisis

The country is faced with a crisis in the balance of payments and economic growth and it cannot cheerfully continue squandering valuable foreign exchange on products which are either not absolutely essential or it can do without in the short term.

A further decline in the economic growth rate can hardly be afforded and if growth can be supported with import replacement, we believe the idea is worthy of consideration.

Most domestic sectors are running at levels very much below normal full capacity so that the substitution of locally manufactured products for imports can make a considerable contribution to the enhancement of domestic activities, more job opportunities and higher profits and also an increased flow of Government revenue and, for the moment, also a deceleration of the inflation rate and lower interest rates.

The country simply must have growth, but such growth must be accompanied by a strengthening of the balance of payments. This leaves only two possibilities — reduce imports by import replacement and do everything possible to increase exports.

Taxation

The authorities have relied relatively heavily on higher taxation to achieve the economic goals.

The intention of the authorities is clear: they would like to reinforce the operation of free market forces — a praiseworthy objective, in our view.

The question does arise as to how successful this approach has been or how successful it can be, given the relatively abnormal economic circumstances in which the country finds itself as a result of, among other things, several poor agricultural seasons.

Given the current economic problems and the circumstances which aggravate them, the imposition of import control on luxury goods and products available locally, more stringent hire-purchase conditions and a 'Buy South African' campaign may serve a useful purpose.

Let there be no misunderstanding on this point. We do not regard these instruments as ideal but when an emergency situation has to be contained with in the relatively short term, we cannot see anything wrong in applying appropriate measures.

Output

This plan was not likely to solve South Africa's fundamental problem of unsatisfactory productivity performance.

But Volksskas works against the introduction of wage and price controls as an instrument, even in the crisis situation of the moment.

This would amount to screwing down a lid on a pot of boiling water. Sooner or later something must give. It would be far better to add more cold water to the pot (a greater supply of goods and services) or to turn down the flame under the pot (curbs and demand).

'Sight must never be lost of our long-term objectives and instruments applied in the short term must be done in such a way that it will disturb the long-term programme as little as possible or, if disruption is inevitable, act in such a way as to ensure that the disruption will be temporary and minimal.'

Continued efforts to curb domestic demand further could become counter-productive.

Much more attention will have to be given to the possibility of increasing domestic production by replacing imports and promoting exports.

The rand

In addition, the Government should give exporters and potential exporters the assurance that the value of the rand will not be permitted to rise to more than, say, five percent above the real exchange rate levels.

In this way exporters will be able to base their quotations for export contracts on basic economic developments in South Africa and exports will not be at the mercy of the vicissitudes of the gold price which, through the exchange rate, bear little or no relation to developments in the South African economy.
Barriers to Taiwanese may be eased

By PRISCILLA WHYTE

RESIDENCE permit regulations for Taiwanese industrialists may be further relaxed, says Mr F W de Klerk, the Minister of Internal Affairs.

He referred to this possibility at the annual general meeting of the South Africa/Republic of China Chamber of Economic Relations in Johannesburg.

The Government had decided in May to extend the residence period from three to five years for industrialists and key personnel who wanted to establish industries in South Africa and especially in the national states.

He said the chamber had recently submitted a number of fresh proposals.

These included the establishment of a link between the amount to be invested and the number of key personnel to be admitted and to relate the amount to be invested to the period of residence.

Mr De Klerk said the submission was under consideration.

He said, however, that investment per se could not be the only criterion for admission.

“Experience has shown that foreign investment in a specific area of economic activity may be counter-productive to other vested interests.”

The criterion was that as many job opportunities as possible be created for the southern African population.

In the framework of the Government’s decentralisation policy, the locality of new ventures played an important role in evaluation.

Mr De Klerk welcomed dialogue between the two countries to promote sound trade relations.

Total two-way trade between South Africa and Taiwan had amounted to only R443,5m in 1983.

He said that in 1981 South Africa had exported R103m of maize to Taiwan. This had dropped to R14m in 1983 because of the forced cancellation of orders in the wake of the drought.

In 1983, South Africa’s exports to Taiwan were 0,5% of the grand total. Imports from Taiwan represented 1,5% of the grand total.
US group fights disinvestment

By RICHARD WALKER

NEW YORK. — Twenty-four top American companies have formed a secret committee to fight South African disinvestment, "Fortune" magazine reports.

Citing confidential documents it had obtained, the magazine said the companies were all on the Sullivan Code's approved list. It identified the Ford Motor Company's director of international affairs, Mr. William Broderick, as the committee chairman.

Mr. Broderick is said to support laws making a Sullivan passing grade the qualifier for American companies operating in South Africa.

But a Fortune investigation of the Sullivan system concluded it was "baffling", time-consuming, costly and arbitrary in application.

The code is a seven-year-old creation of the Rev Leon Sullivan, a black Baptist minister and General Motors director. It aims at achieving equality and equal opportunity for all South Africans working for US companies.

The magazine reported that "strains in the system" were evident.

Firms that ascribed to it, paying an R8 750 annual fee, are scrutinised, and have to take a test in which standards are upgraded yearly.

Last year, Ford and 61 others were given passing grades. Firestone and Carnation were among the more prominent of the 34 failures. Most of the 350 US-owned firms in South Africa had not signed on with Sullivan, and last year, 27 dropped out. Only five newcomers have signed since.

According to the magazine, which spent months doing research, Sullivan companies had spent R750 000 on social programmes in pursuit of good grades, while administrative matters had sometimes cost as much as R125 000 a year.
Clive Jandrell, managing director of Asea, has tackled the problem of low-priced electronic-related imports.

He has initiated discussions with the Government, Escom and the Industrial Development Corporation over the difficulties facing South African industry, and has had a “warm reception” in all cases.

Mr Jandrell, previously an executive director of Altech, assumed his new position in March at Asea’s invitation. He set about rejuvenating the three divisions in the Asea group, using an aggressive approach.

Intolerable

He says: “As a result of an intolerably high inflation rate, we are no longer competitive in export markets. To make matters worse, we are unable to redress this problem by sourcing raw materials from the most competitive markets.”

“For instance,” he says, “German steel is 25% cheaper than SA material, but import permits are restricted because of Government protection.”

The cost price adjustment factor comes into play. A Japanese company, for instance, can quote on a South African project and guarantee a 5% escalation on the job. But a South African company needs to look at an inflation factor of about 15%.

For a long-term contract, this means a substantial price benefit to the foreign company.

Equitable

“Unfortunately, some of these foreign companies demand export performance guarantees to cover their model costs, whereas our companies do not insist on such a guarantee.”

Mr Jandrell says the Government and the IDC on these problems have general acceptance, and that the divisions have been “accepted in principle”, he says.

Mr Jandrell is confident that negotiations with Government and Escom will result in a more just pricing of raw materials and reasonable SA preferences for secondary industry.

Rejuvenated

The transformer and cable divisions at Asea will be strengthened by a rejuvenated process control which will be dependent on Escom, he says. The cable division is expected to grow by 5% and 7%, and the industrial division could grow up to 40%.

In the industrial division, process control has been a priority area for some time and the company’s Swedish principals believe that electrical engineering is becoming more closely related to electronics.

Mr Jandrell says: “We will import this technology, which we are well placed to market because of our Altech experience.”

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Sympathetic reaction from Govt

Asea tackles

cheap imports

By Don Robertson

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Modest house for R100 000

By Kerry Clarke

SGALLER housing units, higher densities, less-communal services and a speeding-up of township proclamation are possible solutions to difficulties in the South African residential market.

Many developers cannot afford to build on current foreseeable returns, and the private individual cannot afford to pay higher bonds and rates. The Burbank group, managing director of Ovland, the Ovendale group, property company.

The situation is very serious. The average young or middle-aged couple wanting a modest three-bedroomed house have to pay around R180 000. This means they have to have a monthly income of R4 600 as well as a R2 500 deposit and the extra ready cash for the bond registration and transfer fees.”

Mr Burbank says flats, which would appear to be the answer to the housing shortage, are becoming increasingly less attractive to the developer.

A normal two-bedroomed, 80m² flat in a suburban high-rise block now costs the developer R36 000. The going rate for rent is R450, and rent is paid in advance, with service costs at their present levels. This means that the developer would have to budget for a monthly R230 shortfall on such flats for at least three years.

“Such a proposal is not an attractive investment, especially with the prospect of restrictive legislation on the horizon.”
Shrinking demand hits clothing and textiles

By PRISCILLA WHYTE

PROFITABILITY of 37 major textile and clothing manufacturers has suffered during the recession because of shrinking demand.

A report by IMR Consultants indicates, however, that conditions in the industries may be improving, with a reversal of the destocking which characterised the past two years, but the outlook for capital investment remains subdued.

Gubb & Inggs, mohair and wool processors, reported a reduction in turnover from R81,2m to R75,2m to June 1983. In the current year, conditions have improved and earnings a share rose from 40,7c to 48,7c in the six months to December 31, 1983.

The 1982/1983 year was difficult for the Frame group (Natal Consol Ind Invest, Consol Textile Mills Investment, SA Woollen Mills and Natal Rubber Manufacturers), with reductions in turnover and profits in most trading divisions.

In the report, there is a comprehensive section on each of the 37 companies, and it includes short-term future prospects.

A process of rationalisation in the textile and clothing industries appears to be continuing.

Mergers have taken place, such as Dugsoen Holdings and Dublin Investments being taken over by Searcel Investment Corporation.

Groups have also been restructured to cope with the changed conditions.

Veka is undergoing a radical restructuring after making a R1,7m in 1983 and with no payment of dividends for the past two years.

Its divisions are being reorganised and certain product lines discontinued.

Employment in the textile industry increased to a peak of about 119 000 in 1982, but dropped to 108 000 in January 1984.

Similarly, employment in clothing peaked at about 116 000 in 1982, and dropped to 112 600 in January 1984.

The decline in demand after 1981 is reflected in capacity utilisation figures, which dropped from 91,6% and 88,8% in 1981 for the textile and clothing industries, to 84,4% and 80,5%, respectively, in November 1983.

Growth in the textile industry depends on the real buying power of the domestic private consumer.

According to Central Statistical Services, the real growth in private consumption expenditure on clothing and footwear from 1979 to 1983 was 5,3% a year, but it declined in 1982 (-1,1%) and 1983 (-5,9%).

Similarly, on household textiles, furnishings and glassware it showed an average real growth rate of 7,7% from 1979-1983 but was negative in 1982 (-3,3%) and low in 1983 (2,9%).

One of the major problems which confronts the textile industry is the nature of the lag between changes in private consumption expenditure and changes in demand.

The lag tends to exaggerate the effects of changes in it and this has given rise to sharp fluctuations in capacity utilisation.

Textile manufacturing has generally alternated between serious excess capacity, such as at present, and difficulties in maintaining adequate supplies to clothing manufacturers.

Recent weak market conditions are shown in retail sales of clothing, footwear and textile dealers.

These declined by 10,1% in real terms in 1983, after being static in 1982.

A cautious attitude prevails because of the recommendations of the Steenkamp Committee regarding the scrapping of quantitative import controls.

The expected benefits of greater efficiency and international competitiveness will be realised, but only when the downturn is over.

Recommendations of the Steenkamp Committee were accepted in December with the intention that submissions from the industries should be received in time to implement the recommendations by this month.

The effects of the changes proposed by the Steenkamp Committee, in an industry which has become increasingly dependent on a high level of import protection at a time when there has been a reduction in demand, remain to be seen.

A greater incidence of closures and reluctance to undertake new capital investment may well be the short-term result.

Capital projects being undertaken include a R30m project by SA Nylon Spinners to produce stabilised polyester yarns, which is scheduled to come on stream by the end of 1984.

A R12m plant is being built by Romatex at Pinetown to produce nylon carpet yarn. It is scheduled for completion by the end of the year.

A R15m project by Natal Nylon Industries in Mangalore to produce nylon yarn is under way.

By PRISCILLA WHYTE
Meyerson slams protectionism

THE Government's "selective protectionist policies" mean that South African manufacturers have to pay more for their raw materials than foreign competitors who "dump" goods in this country, Mr Hymie Meyerson, chairman of Quin Corporation, says.

Local manufacturers have to suffer a substantial period of loss as a result of the dumping of predatory imports before they can make a case for protective duties.

In a statement today Mr Meyerson calls for a temporary embargo on imports which threaten local manufacturers.

Audrey d'Angelo
Govt agrees to dump coal restrictions

Financial Reporter

The Government has accepted in principle the Competition Board's recommendations to remove restrictions on the supply and distribution of coal.

However, the Government's involvement in the coal trade, which includes price control on coal, restrictions on the free movement of Transvaal coal to Natal and the requirement, in terms of Government Notice No R395, that only authorised persons may sell coal to consumers under prescribed conditions.

The two Ministers said in a joint statement yesterday that the Government accepts disengagement in the coal industry as an objective in line with its general policy to promote essentially a market economy.

"It is, however, of fundamental importance to avoid a disruption of the coal industry, particularly since, as an important source of energy, coal is subject to strategic considerations and is also important for socio-economical and other reasons.

"Hence, Government involvement in the coal industry can, and will, be phased out only when a combination of circumstances makes this possible," the ministers said.

The Competition Board's recommendations also included the termination of any exclusive supply agreements whereby coal merchants are required to procure coal supplies from one or more sources to the exclusion of other sources. Other recommendations were the end of any contractual or other demarcation of coal sales areas and the end of the vertical integration of the Transvaal Coal Owners' Association (TCOA) and its wholesale agents, Highveld Coal Traders and Southern Coal Traders.

The board's investigation did not look at anthracite coal or the supply of coal for export.

The Competition Board's investigation into the existence of restrictive practices in the supply and distribution of coal in South Africa was one of the most controversial it has undertaken.

The board's findings pitted it against the mining houses, who are represented by the TCOA, and the Department of Mineral and Energy Affairs.
Imports hit return on Simuma cement

BY PRISCILLA WHYTE

CEMENT imports from Spain and Japan are jeopardising investment returns on the R178m Simuma clinker plant near Port Shepstone.

Until the plant was commissioned in May cement cost R3s a ton from Blue Circle’s Lichtenburg works, in the Transvaal, and railage to Natal cost a further R40.

Mr Peter Kett, commercial director of Blue Circle Cement, says: “The cost of sea-freighting cement to SA from Japan is $12-15 a ton, whereas railling cement from Simuma to Durban is R12.”

The average domestic cost per ton of cement in Japan is R4s. The domestic base is supporting the export drive.

Mr Kett regards the 7 000 tons of cement coming in monthly from Zimbabwe as fair competition because it is the closest to the northern Transvaal market and is being sold at the full domestic price in Zimbabwe.

The Simuma project was a joint venture backed by the entire cement industry — Anglo Alpha, associated with the Swiss Group, Helderbank Financière Giaris, Cape Lime, a member of Federale Volksbeleggings; Pretoria Portland Cement, a Barlow Rand Company; and Blue Circle.

Mr Kett says railage constitutes 40% of total delivered cost of cement in South Africa.

There is an enormous surplus of cement worldwide and some suppliers are willing to sell on a marginal-cost basis for $25 a ton.

The surplus has arisen because there has been a trend towards building cement plants throughout the world, particularly in the Third World, where Middle East oil countries which used to depend on imports have now established local plants.

Mr Kett explains that the average capital cost per ton of cement produced in SA is R200.

The return on investment is 6%, calculated on the basis of earnings before interest, and tax of R16 a ton, divided by the average cost a ton of R200.

However, new plants such as Simuma have an annual average capital cost per ton of R400. Its use of the latest technology can produce profit before interest and tax higher than R16 a ton.

The older cement plants, while not as efficient, have a lower capital cost per annual ton and, taking depreciation into account, the book value of older plant means earnings yield a double-digit return on investment.

Due to the higher cost of investment in Simuma the rate of return is lower than the average.

The Simuma plant was built at a time of high interest rates. The timing of the return on investment becomes even gloomier when this is taken into account.

Natal is the happy hunting ground for cement imports because of the punitive cost of raling cement from the coast inland. Other ports do not consume enough cement to justify imports.

Cape Town has an older cement plant and is not saddled with an interest burden.

Mr Kett says the reason for the Simuma project was that “there was a 40% increase in demand from the middle of to the end of 1981 and a marginal shortage developed”.

It takes three years to commission a cement plant from the time the decision is made to establish a plant.

By January 1982, the deliveries from producers were being met within a week of placing orders.

Cement is distributed by the Cement Distributors of SA for all local producers so that it is despatched from the cement producer nearest the consumer.

The cement industry is capital-intensive and returns are accrued on a protracted basis. It is not labour-intensive but for every new job created in the cement industry a further 1,5 jobs are created in associated industries.

Mr Kett says that the new cement plants compare favourably with their international counterparts.

Bearing in mind that coal, electricity and man-hours per ton are 68% of the total cost of producing the cement, the average fuel (coal) consumption at new plants is 4,5 megajoules a ton compared to an international average of 4,9 megajoules.

Electricity consumptions is 99,6kW hours a ton compared to an international 111,4kW and the man-hours a ton is 9,6h in SA with an international average of 11,1.

Owners of cement plants must rebrick the kiln on average every five months at a cost of R250 000 a time.

The combined effective capacity of the cement industry in SA is 8,575-million tons a year.

The Ulco plant of Anglo Alpha near Bloemfontein will fire a new kiln at the end of the year with an additional capacity of 1,2-million tons. The company plans to mothball the old, less-efficient plant (600 000 tons) so that net increase will be 600 000 tons a year.

Blue Circle will be upgrading an existing kiln to produce an added 450 000 tons a year. This will be in operation by April.
Japanese Bide Time on Barriers

Examines the Japanese attitude to S

Japan's Government today banned direct-in

Japanese manufacturers are un
Iron-ore project losing millions

By ROGER WILLIAMS
Chief Reporter

MASSIVE losses on the Sishen-Saldanha iron-ore export project, which began eight years ago amid forecasts of a boom on the West Coast, have given rise to speculation that the scheme may have to be scrapped or drastically curtailed.

Figures published by Iscor, which has to carry most of the losses incurred, show an estimated loss on the scheme of R75-million in the financial year just ended.

A projected deficit of R150-million for the year ending in June 1985 will bring the accumulated loss since the first consignments of Sishen ore were shipped from Saldanha Bay in 1976 to R240-million.

Shipments of ore from Saldanha have declined sharply from a peak of 14,5-million tons in 1978/79 and 1979/80 to 8,1-million tons in 1982/83. The official figures for the past year, in which the price of iron ore dropped by 12 percent, have not yet been published.

Figures in the latest Auditor-General's report on SA Transport Services (SATS) show that the ore-export harbour at Saldanha Bay was run at a loss of R6,28-million in 1982/83 — R5-million more than in the previous year.

South Africa's other major mineral-exporting harbour, Richards Bay, suffered an even greater loss in 1982/83 — R10,7-million.

The huge losses on the Sishen-Saldanha scheme are attributed to the international slump in the iron-ore market, more specifically in South Africa's main outlets in Japan and Europe. Iscor is expecting the "imbalance" in this market to continue into the 1990s.

When the Sishen-Saldanha scheme was first mooted, the Iscor management forecast that it could earn R500-million a year in foreign exchange for South Africa.

Now, the economic plight of the project has become so alarming that the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, has appointed a special committee, under the chairmanship of Mr John Maree of the Barlow group, to investigate it and to suggest possible solutions.

Because of the rapid deterioration in the economics of the scheme, it is felt in shipping circles that the government might be forced to close it down.

A spokesman at the Iscor head office in Pretoria said yesterday that the corporation would not be in a position to comment on the future of the Sishen-Saldanha scheme until the Maree committee had completed its task.

After a fierce controversy about the relative merits of developing an iron-ore export facility at Saldanha Bay or in Algoa Bay, a strong pro-Saldanha lobby persuaded the government to decide in principle, in 1970, to back the Saldanha scheme.

At that time it was estimated that the scheme, involving provision of an 860-km rail link and the dredging of Saldanha Bay to take deep-draft bulk carriers, would cost about R225-million. By the time the scheme had been completed, the overall cost had soared to around R1-billion.
Geneva. — Experts of the General Agreement on Tariffs and Trade (Gatt) yesterday released a study calling for an end to special restraints on international trade in textiles and clothing.

Gatt oversees most of the world’s commercial exchanges.

The 198-page Gatt study said that, discontinuing the systems regulating the multi-billion-dollar trade under the Multi-Fibre Agreement (MFA), would result in accelerated economic growth both in industrial and developing countries.

It said liberalisation of the trade after expiry of the MFA in 1985 was likely to lead to more unemployment in the clothing industry of industrialised countries.

But it suggested that this would be more than offset by an increase in output and employment in other sectors and that “gains from increased international specialisation” would result in faster economic growth.

For developing countries, an end to the current restraints would mean a substantial increase in clothing production and exports, a better investment climate and an increase in overall imports from developed countries as a result of economic growth and higher foreign exchange earnings.

This would be a “particular crucial factor at the present time for those exporting developing countries suffering from severe debt service or balance-of-payments problems.”

Trade in textiles and clothing in 1982 totalled $93bn, or 9% of the overall world trade in manufactured goods.

In 1982, according to the study, Hong Kong, Italy, South Korea, Taiwan and West Germany — in that order — were the five principal exporters of clothing, while the US, West Germany, the Soviet Union, Britain and France were the top five importers.

In textiles, the top five were West Germany, Japan, Italy, the US and Belgium-Luxembourg for exports, and West Germany, France, Britain, Hong Kong and the US for imports.

The study also suggested that the arguments once cited in favour of a special regime in the textile and clothing trade have ceased to be valid.

These included the contention that the challenge presented to industries in Western countries by cheap imports was largely limited to textiles and clothing and employment and production in those industries was of importance to the countries’ overall economic activity.

The study said the fundamental issue facing Western trade policy officials was how to respond to the pressures for changes in production and trade patterns linked to economic growth. — Sapa-AP.
SA-EEC TRADE

Shots across the bows

Trade relations between SA and Europe are expected to come under severe strain if government implements a protectionist device aimed at EEC liquor exports.

In a report now undergoing "specialist" study, the SA Board of Trade and Industries (BTI) recommends the imposition of a system of reference prices to "equalise" competition between local brandy and imported spirits — notably non-proprietary brands of Scotch whisky.

This followed allegations by the powerful Cape wine lobby (represented in Parliament by about a dozen MPs) that distressed Highlands distillers were dumping whisky on the SA market at the expense of brandy producers. They alleged the practice was jeopardising the livelihood of 7 000 winegrowers.

In the course of the BTI investigation, the British government cautioned that moves to raise external tariffs against Scotch would not only be in breach of Article 47 GATT undertaking (whereby SA pledged not to impose increased customs tariffs on Scotch without raising brandy excise duty by a like amount), but also had the potential to invite EEC retaliation against SA exports on a broad front.

Alarmed at this possibility, deciduous fruit exporters urged the wine lobby not to proceed with their campaign to check Scotch imports and warned that exports of nearly R400m were at stake.

The BTI investigation proceeded nonetheless.

The report, completed recently, is being studied by a special committee which will advise Industries Minister Dawie De Villiers on the impact of the BTI recommendations.

According to industry sources, BTI has recommended imposition of what it calls a minimum price duty which, it says, will not discriminate between domestic and foreign spirits. Nor, says the board, will it exceed the protective margin implicit in the GATT binding.

The proposed duty is designed to establish a minimum ex-factory price, after excise duty, for local spirits, while the landed cost of imported spirits, after the offsetting duty, but before normal customs duty, is equated to the minimum price for local spirits.

In other words, all spirits, no matter questions of origin and regardless of production cost, economies of scale or consumer preference, will have a wholesale price of R15.1467 per litre of absolute alcohol (1LA). The price of brandy will determine the price of all spirits.

Apparantly of major concern to BTI was the retail price gap between brandy and imported Scotch, which has continued to narrow over the past decade. In some recent instances, whisky moved off retailers' shelves at prices lower than non-proprietary brandy. The reason for the shrinking gap, which has narrowed from about 270% in 1948 to less than 25% in recent months, is a combination of domestic inflation and periodic excise duty increases.

A system of tax-paid price equalisation for all non-brandy spirits, local and imported, may give the impression of equality of misery, but EEC liquor exporters, including Scottish distillers, may take a less sanguine view of this stratagem.

A reference price is an external tariff by any other name. Its imposition, under which all dealers would have to pay a premium to bring the duty-paid price of a case of imported spirits up to R71.46, and to R59.07 for local spirits (worked out to be the average cost of producing a case of local brandy), is a customs manoeuvre which will not hoodwink the Europeans.

White spirits

The fact that the authorities would apply the system to local white spirits as well, is cynical, to say the least. By forcing all SA producers of white spirits to wholesale their production at a minimum price that would not prejudice brandy will erode what little competition there is in these markets. The BTI acknowledges that its proposal will create a rigidity in the market place which may inhibit efficiency but adds that in spite of this disadvantage the "temporary" introduction of the measure is justified to allow the wine industry time to adjust its structure and marketing effort.

EEC trade officials are not impressed with the "equal misery" theory because they know that the interests which influenced the BTI investigation in the first place will in no way be prejudiced by higher duties payable in local white spirits, most of which, with the exception of cane, are manufactured from grape spirit anyway.

And because of economic concentration in the SA liquor industry, price equalisation will benefit those interests. With the exception of vodka, where Gilbeys' Smirnoff rules the roost, the white spirits market is dominated by a single company, Cape Wine & Distillers (CWD). Even so, Remgro, a controlling partner (with KWV) of CWD, owns 48% of Gilbeys. And to hoist the tax-paid price of cane spirit will be no hardship to anyone except the consumer, and producers of whatever brands of cane see fit to compete with SFW's Mainstay — another CWD high flyer.

What is particularly offensive about the proposed system is that it was connived at by exporters of proprietary brands of Scotch whose agents in SA happen to be the largest (85%) sellers of wines and spirits in the Republic. By helping to raise external barriers against distillers of "lessor" brands of Scotch — who may or may not be distressed as a result of the international
recession — they are party to a form of oppression by limiting competition.

However, some local liquor industry experts say a reference price itself does pose some intriguing problems. Customs and Excise may not have the manpower to police such a system. Invoices are easy to adjust through mutual arrangement between importers and suppliers, and it is a moot point whether brandy deserves any protection in the first place. It is hardly surprising that the investigating committee, including officers of the Commissioner for Customs and Excise and the Cape Wine and Spirit Institute, finds itself on the horns of a dilemma.

Liquor industry sources point out that some wholesalers and merchants are at present selling brandy at several rand's a case less than the proposed minimum price. If they can afford to do this now, does brandy warrant reference price protection? Moreover, leading liquor retailers point out that Scotch whisky wholesalers spend twice as much per litre on whisky advertising than local brandy distillers.

CITIZENSHIP

Using the loopholes

A rush is on among blacks to bypass government attempts to declare them citizens of independent homelands. Thousands have applied for citizenship of homelands that refuse to take independence — particularly KwaZulu and Lebowa.

Among those who have applied are people whom government regards as citizens of the independent homelands of Transkei, Bophuthatswana, Venda and Ciskei. Some people regarded as citizens of KwaNdebele, which is believed to be considering independence, have also asked for citizenship of non-independent homelands.

A spokesman for the KwaZulu government at Ulundi tells the FM his government has received 4,686 applications from non-Zulus who want to remain SA citizens, and 2,175 applications have so far been granted.

Speaking from Seshego, the administrative capital of Lebowa, a government spokesman said thousands of Vhavhenda, Tswana and Ndebele, who traditionally belong to Venda, Bophuthatswana and KwaNdebele, have applied for Lebowan citizenship. He was unable to give precise figures.

The legal position that arises from a non-independent homeland granting citizenship to someone with whom it has no traditional or tribal affiliations is obscure.

The National States Citizenship Act of 1970 defines every black as having citizenship of a designated homeland while retaining SA citizenship for as long as the homeland is not independent. When a homeland takes "independence," its citizens become citizens of a foreign state — although this status is modified by various bilateral agreements with SA.

Citizenship of a homeland is decided by place of birth, descent, language spoken or traditional affiliations. However, the Act does make provision for a non-independent homeland to grant citizenship to someone who would not normally be one of its citizens.

This can be granted on two grounds. One is "lawful domicile" in the homeland area for five years. In such cases, the homeland authorities themselves can grant citizenship.

The other provision is for citizens of independent homelands to apply for citizenship of non-independent homelands. In this case, however, the homeland authority must make a recommendation to the Minister of Co-operation and Development, who will decide on the matter.

However, the main provisions for homeland citizenship, such as whether a person can speak the language of the homeland of which he wishes to be a citizen, allow ample room for manoeuvre for any person wishing to claim he is a rightful citizen of a non-independent homeland.

Citizenship of non-independent homelands carries clear advantages. Among them is retention of SA citizenship.

UNIONS

Mawu splits

The formation last weekend of the United Mining, Metal and Allied Workers' of SA (Ummawosa) as a breakaway from the Metal and Allied Workers' Union (Mawu) resulted from longstanding tensions in Mawu. The split has serious implications for the union, for employers who have been dealing with it and the Federation of SA Trade Unions (Fosatu) to which it is affiliated.

Ummawosa was formed following an announcement last week by Mawu's national executive committee (NEC) that four top union officials had been dismissed. Former Mawu general secretary David Sibabi, his wife Nobantu and Enoch Gogongwana were accused of financial mismanagement while Sam Ntuli was accused of "misconduct." The NEC also recommended that Fosatu vice-president Andrew Zulu be expelled from the union.

The expelled officials organised the meeting to launch Ummawosa.

At this stage, according to Ummawosa, the new union has significant support. Ntuli told the FM that workers at 36 east Rand factories have joined the new union giving it a membership of between 15,000 and 20,000. In addition, Ntuli says Ummawosa has members at six chrome mines in the eastern Transvaal.

According to Ntuli, a number of factors led to the break. They are:

- Worker control. Ntuli says Mawu had been operating without sufficient consultation with workers and claims the decision to dismiss him and the other officials was not referred to the union's members;
- Political direction. Ntuli says Ummawosa believes there can be no distinction between the problems black workers face in the community and on the shop floor; and
- White domination. While claiming that the new union supports non-racialism, Ntuli says there had been widespread dissatisfaction about the dominant position white intellectuals held in Mawu.

Ummawosa's membership claims were rejected by a Mawu spokesman. He estimated that it only has about 4,000 members.

Mawu's NEC attempted to resolve tensions in the union, he said, by splitting the Transvaal branch into two regions - for the east and west Rand. Sibabi and the other dismissed officials were assigned the east Rand. However, workers at 45 east Rand factories appealed to the NEC to be placed under the west branch claiming there was no worker control in the east Rand. As a result, the NEC decided to reamalgamate the branches.

The spokesman told the FM there had also been problems with the United Mining and Allied Workers' Union which had been started as a Mawu project to organise miners. He alleges that Sibabi had organised one chromite mine and that he and Zulu had opened a bank account without union permission. Mawu has instructed its new general secretary, Thembi Nabe, to inquire into Mawu's expenditure over the last year, he said.

Ntuli told the FM Ummawosa still considers itself part of Fosatu, despite the split. This claim is likely to be discussed when the Fosatu executive committee meets this weekend. Zulu's position as Fosatu's vice president is also likely to be discussed.

KwaZulu ... mecca for those who want to stay South African
recession — they are party to a form of oppression by limiting competition.

However, some local liquor industry experts say a reference price itself does pose some intriguing problems. Customs and Excise may not have the manpower to police such a system. Invoices are easy to adjust through mutual arrangement between importers and suppliers, and it is a moot point whether brandy deserves any protection in the first place. It is hardly surprising that the investigating committee, including officers of the Commissioner for Customs and Excise and the Cape Wine and Spirit Institute, finds itself on the horns of a dilemma.

Liquor industry sources point out that some wholesalers and merchants are at present selling brandy at several rands a case less than the proposed minimum price. If they can afford to do this now, does brandy warrant reference price protection? Moreover, leading liquor retailers point out that Scotch whisky wholesalers spend twice as much per litre on whisky advertising than local brandy distillers.
UK DOCK STRIKE

SA exports in peril

SA exporters and shipowners, already suffering losses because of the UK dock strike, are anxiously watching developments in Britain to see whether the problem will deteriorate to disaster.

Shipowners are accepting cargo for the UK for only a few more days. The cut-off date on the Reef for cargo acceptance is Saturday, and final date is August 1, when the Ortelius sails from Cape Town.

"If the strike has not broken by then, we will be unable to accept any more cargo for the UK," says Neil Sempill, chairman and representative in southern Africa of the South and South-East African Conference Lines.

"Trade with the UK represents about 30% of northbound traffic and about 25% of southbound," says Safmarine's GM (liner operations) Jan Rabie. "That could disappear overnight if the strike is protracted."

Even the prospect of British PM Margaret Thatcher moving in the army to break the strike holds little joy for SA, says Rabie. "If you get to the point where the UK government takes action, you will probably have a very lengthy strike on your hands. The type of action the government can take would allow 15%-20% of essential cargo to move in or out, but the other 85%, which probably includes the stuff we carry, will take it on the chin."

The main worry at the moment is perishable cargoes — the citrus exports of oranges, lemons and grapefruit, and exports of avocado and pineapples. These are being diverted to the Continent in the hope they can be shipped back to Britain on Channel ferries. The UK takes about 25% of SA's citrus exports, although the possibility of alternative markets on the Continent are apparently good. A spokesman for the Perishable Products Export Control Board says cargoes worth hundreds of thousands of rand are involved.

Canned goods

The strike is also a threat to the canned goods industry. The UK is a major market, and canned fruit worth more than R1m is currently en route to Britain. Because of labelling and sales agreements, this cannot be sold elsewhere.

Rable says most UK dock strikes in the past have developed slowly, allowing shipowners, importers and exporters to make contingency plans by importing more stock or pushing out more stock. But this strike was sudden. "The second, more important difference is that this strike is total. It has sealed Britain off. In the past we have always had alternative UK ports open."

Sempill identifies a further complication.

"This strike is political by nature, which means that rational arguments carry less weight. That makes it extremely difficult to predict how long it will go on. At the same time, the situation is so fluid that everything I say today may be nonsense tomorrow."

About 800 of the approximately 1,750 containers despatched weekly by the SAECS are destined for the UK, Sempill says. On top of that was a small quantity of ro-ro cargo, plus smallish volumes carried by the non-conference lines. These volumes are not big, as conference carries about 85% of southbound liner cargo and 90% of northbound.

The strike has major implications for the whole of southern Africa. Sempill says 25%-30% of cargo destined for the UK comes from neighbouring countries. This ranges from Zimbabwean tobacco, asbestos and cotton to Namibian copper, Botswana beef and Swazi canned goods. Malawi, which relies heavily on its exports to the UK of tea, tobacco and groundnuts, will be hard hit.

There are also fears about storage capacity at the various continental ports. "The whole world is affected just as we are. Everyone is descending on these ports and dumping their cargoes there," says Sempill.

Rable says shipowners cannot be expected to carry these extra expenses alone. "We have already told exporters we cannot be held liable. We will absorb some of the costs, but we are considering a charge to recover some of our expenses. We have reminded exporters that the strike does not affect our basic contract."

Past experience has shown that strike losses can be permanent. "It's likely that some of the business we could lose will be permanently lost through the switching of imports," says Rable.

Dock drearies ... even Moggie's

Financial Mail July 20 1984
SOUTH AFRICA cannot afford to lose the free trade it will not happen in the foreseeable future. If the European Community starts enforcing its sanctions against the country, it will be catastrophic for the South African textile industry. The European Community, if it wants to prevent the South African textile industry from growing, should consider the implications of its actions. The纺织行业在南非的地位不可忽视。如果欧洲共同体开始对南非实施制裁，这将对南非纺织业构成灾难性冲击。欧洲共同体如果想阻止南非纺织业的发展，应考虑其行动的后果。
Protection pushes up printing costs — Hortrio chief

PROTECTION given to South African paper and ink manufacturers has pushed up the costs of the printing industry and is causing it to lose business to competitors in the Far East, shareholders in Hortrios Trio Rand were told at the annual meeting in Cape Town.

Mr Maurice Parrington, chairman, said in his report: "Because of direct and indirect protection, the price of locally produced paper has not been subject to the economic laws of supply and demand, with the result that the mills have been able to increase prices at will and at times beyond the inflation rate.

"The cost of shipping, insurance and freight to this country, in our very isolated position, will always provide protection and yet local producers have been granted a tariff protection of 15 percent on certain grades of paper.

"Up to quite recently they also enjoyed protection for their coated papers by way of import permits.

IN FAR EAST

"In contrast, the products which the South African printing industry produces are not protected in any way and a number of publishers in the country are having their printing done in the Far East.

"The wages obtaining there are considerably lower than the minimum wages laid down under our Industrial Council agreement and, especially with paper prices substantially more than those obtaining overseas, it is difficult for us to compete.

"Paper represents some 40 to 50 percent of the cost of the average product in the printing industry and South African printers are at a very real disadvantage."

CAREFUL SELECTION

Mr Parrington said that a high level of efficiency and careful selection of markets had enabled the group's book publishing company, CTP Book Printers, to produce outstanding results "but it is nevertheless disappointing to see so much book printing work which could be done in South Africa going overseas due at least in part to a misconceived application of protection."

In the Cape, SA Litho suffered not only from a downturn in business in the 13 months to March but also from the disruption caused by moving from N'Debeni to Parow.

The move had been well handled but had caused heavy overtime, loss of production and general uncertainty in tight trading conditions.

The group lifted operating income before tax to R5.1 million, compared with R4.4 million in the previous 14 months. But the tax bill was higher at R1.7 million (R1.1 million) and attributable income slightly lower at R3.3 million (R3.6 million).

Audrey d'Angelo
Footwear imports still worry local industry

Among domestic manufacturers likely to benefit from rises in prices of imports as a result of the rand’s recent nosedive, are those in the footwear industry.

However, after a prolonged assault on the South African market by cheaper-priced imports, the director of the Port Elizabeth-based Footwear Manufacturers’ Federation of South Africa, Mr Denis Linde, is wary of anticipating early relief.

In his report to the federation’s recent annual general meeting in Cape Town, Mr Linde outlined the impact of imports on the local market. And in an interview this week, he said, notwithstanding the rand’s steady loss of value, the gains made by imports in the first four months of 1984 had grown worse.

In January, 1984, the volume of imports (at 826 002 pairs), was some 75% up on the 473 092 pairs imported in the same month last year. Delegates to the federation’s AGM heard several weeks ago.

“And despite the increasing costs of imports, the figures for January to April show a 100% increase in both volume and value of sales,” commented Mr Linde this week.

“So for this period it’s got worse, not better. Though we can hope that the rand’s effective devaluation (approaching 50% before last week’s remedial action on interest rates) will help, we haven’t seen any results yet.”

Mr. Linde’s rueful comments might usefully be gauged against a background in which the federation is awaiting the outcome of a 22-month-old application to the Board of Trade for formula import duties on the basis of “disruptive competition”.

And should there be any doubt that tariff increases under discussion be traded-off against import price increases resulting from exchange movements, Mr. Linde points out that “both the Board of Trade and the

* From Page 1

Minister of Industries and Commerce (Dr Dawie de Villiers), disregards such movements because they are so unpredictable”.

The federation’s application calls for tariffs which will introduce highest percentage increases in the lowest-priced products and reduce to a cut-off point where a duty of 30% will apply.

At the lower-end of the product range, tariffs are intended to more than double retail prices of imported footwear.

Mr Linde says he understands a decision favourable to the domestic industry was taken towards the end of last year, but has not yet been made public.

“The snag is that a vast number of these tariff items fall under binding GATT agreements — which means that we must first negotiate these items out of the agreements before we can adjust the duties.

This can take an awfully long time — years in some cases.”

Hardest hit last year by the inroads made by imported products in the domestic footwear industry were manufacturers in the lower-end of the market.

A little over 26% of the total number of imports into the country in 1983 fell into the category of laced canvas footwear — and doubled the previous year’s imports.

*To Page 2
Taiwan loses seat to Babelegi

A BOPHUTATSWANA manufacturer is eating into Taiwan's domination of the garden furniture market in the United States.

It cannot beat the Chinese on cost price — in spite of favourable steel rates from Iscor — but a shorter distance to the US East Coast gives it the edge.

Johan Mostert, who has brokered and co-ordinated the deal between an Ameri- can buyer and Teltrate at Babelegi, says a sample consignment of 2 000 chairs to Houston prompted an order for 2-million. This has been raised to 4-million.

The deal was arranged when Mr Mostert, of JH Mostert & Son, displayed a portable garden gazebo in Dallas and at the Chicago Trade Fair.

Now he is looking at exporting chrome hubcaps to Detroit and shoes and mattresses to the US.

The order for 2-million garden chairs is worth R5,35-million and will be shipped to the US from Durban in 2 000 containers from November.

Mr Mostert says: "We found that the landed price of Taiwan chairs in the US was cheaper than the raw material price in South Africa. But with help from Iscor and the Decentralisation Board our prices come close."

Durban's advantage over Taiwan in shipping distance to the US East Coast makes the Babelegi chairs competitive.

Rail costs from Babelegi to Durban, however, are a stumbling block. Mr Mostert says South African Transport Services charges R1 000 to rail a 40ft container to Dur- ban. The same container costs $1 650 to ship to the US.

To avoid crippling rail costs, Isithebe in KwaZulu — a major decentralisation point — will be the site of another factory to produce garden furniture for the US market.

According to Mr Mostert, steel rod, PVC and aluminium garden furniture are other possible products. Hulet's Aluminium and AEI are designing prototypes.

Mr Mostert says: "Within two or three years, South Africa could be a world leader in the export of garden furniture. Manufacturers have to develop a global strategy and look for small mark-ups on high volumes."
Protection case planned
Spanish cement dumped in S A

Financial Editor
SPANISH cement is being dumped in South Africa at prices just above the factory price Mr Dave Baker, managing director of Anglo Alpha, said in Durban yesterday.

A case was being prepared for protection — and the allegations of dumping would be submitted to Government, he said.

Last month, Durban-based Cement Enterprises said it would erect a bagging plant at the harbour and import cement from Spain and Japan which would be available this month at about 5 percent less than local prices.

A first shipment of 35,000 tons reached the port recently.

Meanwhile, Natal uses about 1.3 million tons of cement a year with a large volume coming from the new kilns at Simuna outside Port Shepstone.

Mr Baker warned that cement absorbed moisture and its strength declined over time. Cement in the dry Transvaal lost about 20 percent of its strength over three months and 30 percent over six months.

Estimates
The situation for cement shipped in bulk from abroad by sea and stored in Durban would be worse.

He said the best estimates were that cement from Spain cost $14.61 a ton at the factory, Western Transvaal cement cost $10.30 and Simuna (produced outside Port Shepstone) cement $15.68. Transport costs would bring the Durban price to $27.41 for Spanish cement, $30.89 for Transvaal cement and $22.72 for Simuna cement.

Mr Baker said South Africa had surplus capacity of about 1,000,000 tons and the planned expansion of 2,000,000 tons a year (within two years)

Hong Kong

HONG KONG — Gold in Hong Kong rose the equivalent of 0.63 U.S. dollar an ounce yesterday to close at $367.70 an ounce, compared with Tuesday’s $367.21.

Shanghai firms may now sell shares

PEKING — China’s central bank, after allowing individual companies to disable in stock issues for the first time in 35 years, now looks set to take the experiment further.

The official New China News Agency quoted banking authorities in Shanghai as saying the bank has issued provisional regulations allowing Shanghai firms to sell shares.

Shareholders are entitled to an annual dividend of between 3 and 5 percent of the share value, depending on the economic performance of the company in which they have invested, NCNA added.

It said state-owned banks in Shanghai, China’s biggest port and a major industrial centre, are empowered to issue stocks on behalf of the firms.

The central bank regulations divide those allowed to buy shares into two groups — State or collective-owned companies and rural production units, and individual farmers.

It did not say how the regulations for the two groups differed.

The central bank has allowed several companies to issue shares for collectively-financed projects over the past few years and has also issued treasury bonds under strict controls which do not allow them to be traded.

Last month it created a stir by authorising the first three share offerings to the Chinese public since the Shanghai stock exchange closed in 1949 when the communists took over.

The issues by two Canton-based companies and Peking’s Heavenly Bridge department store received a very favourable response and created a new and important instrument for tapping the growing wealth of China’s one billion people. — (Reuters)
Sanction-buster draws Saudi cash

By Alec Hogg

"We expect to put together between three and five deals a year with a maximum investment of R5-million each time.

Once the returns start coming in, other investment advisers will get in on the act. This could mean many millions more for SA."

His Lebanese-born partner, who wishes to remain anonymous because of possible political repercussions, says investors in Saudi Arabia are looking for stakes in small manufacturing concerns which give them a return on capital of 20% to 25% a year.

Offshore

"They want to buy assets, and will go anywhere. Most of them have offshore companies, so their involvement will not become public knowledge.

"After initial coolness, the people I spoke to in Saudi Arabia have become interested in investing in South Africa."

"Although Saudi Arabia is unlikely to change its stance towards SA, particularly because of this country’s close ties with Israel, Saudi businessmen are similar to their counterparts everywhere else - profit is paramount.

"You can telephone or telex SA from Saudi Arabia, so the barriers between the countries are not nearly as strong as the politicians would like us to think."

"But potential suitors cannot expect the money to come pouring in with no strings attached. Most of the people who are interested are surrounded by top investment analysts.

"They have strict investment criteria and will look only at companies which have proved they are well managed and need capital for growth."

His interest in SA developed after meeting people from this country at a European business school.

Partnership

The partnership with International Associates concentrated initially on bringing French exports to SA.

This developed into exporting SA produce to Saudi Arabia.

Mr Greenberg says SA fertiliser, wire products, cement sacks, knocked-down pine furniture, security systems and car-seat covers are among the products he is promoting in Saudi Arabia.
Insurance

In the past, insurance companies have set premiums based on the cost of replacing a home. However, with the increasing use of recycled materials and energy-efficient appliances, these costs have decreased. This has led to a decrease in premiums, making insurance more affordable for homeowners.

Gold Price

The recent increase in gold prices has been attributed to the global economic uncertainty caused by the COVID-19 pandemic. Investors are seeking the safety of gold as a hedge against inflation and economic instability.

Highest

Despite the recent surge in gold prices, the highest price ever recorded for gold was in 2011 when it reached $1,920.30 per ounce. The current price of gold is significantly lower than that peak.

Ships Pressed

The shipping industry is facing significant challenges due to the COVID-19 pandemic, with many ports closed and reduced demand for goods. This has led to delays in shipping times and increased costs for businesses.

Best news in months for economy as exports volumes are surging ahead and imports plunge and BOP heads for surplus

The export volumes have surged as the global economy continues to recover from the pandemic. The import volumes have declined, leading to a significant improvement in the trade balance.
Cement-dumping charge is denied

Business Day/Industry

By Physical Where

Cement-dumping charge is denied

Red - 278/84

Business Day/Industry
The Southern African Customs Union (Sacu) has become something of a political football. Disagreements over varying the agreement are exacerbated by political factors and by suspicions that SA is using the pact to strengthen its economic stranglehold over neighbouring states.

Weighed against the perceived advantages of continued membership for Botswana, Lesotho and Swaziland (the BLS countries), is the political cost. Some believe, especially in the light of recent regional political and economic initiatives, that the stigma of being so reliant on SA largesse is becoming intolerable. This is particularly so in view of projections that the BLS states would lose little revenue if they replaced Sacu with their own duties and tariffs.

Professor Gavin Maasdorp, head of the Natal University Economic Research Unit, does not think the agreement is in jeopardy — although he admits that the relationship with SA is undeniably embarrassing for the BLS countries.

Writing in the Journal of Contemporary African Studies, he suggests that the interests of the BLS states are best served by working towards modifications of the existing arrangement.

This would be contingent on SA's cooperation. On this issue Pretoria's position is ambivalent. Government recently turned down the recommendations from the Customs Union Commission for changes in the revenue formula and the time lag in payments. But it did agree to the BLS states signing the Lomé Convention which grants them preferential access to the EEC.

Says Maasdorp: "On some issues SA may not be willing to relent but on others the BLS countries may win their point." Overall, he feels SA's position has not been unreasonable.

In Maasdorp's view SA could have more to lose than its neighbours if the union broke up — for political rather than economic reasons. He says: "There is no doubt that Pretoria would not wish any of the BLS countries to withdraw. Pretoria wants to be on good terms with Africa in general and its neighbours in particular. The Sacu is a visible sign of co-operation."

Because of SA's need for political and military stability on the sub-continent, Maasdorp believes the BLS nations should use their leverage to wring important concessions from Pretoria.

The government's contention is that rather than complain about the specific nature
AT THE JACK DANIEL DISTILLERY, this iron-free stream flows year round to help bring you the world's smoothest whiskey.

Summer and winter, it gushes from a natural cave on the grounds of America's oldest registered distillery. And because it is completely iron-free, it is ideal for making whiskey. Our special water is one good reason Jack Daniel's has won gold medals at whiskey-rating expositions in London, St. Louis, Liège, Ghent, Amsterdam and Brussels. We hope you'll judge it for yourself sometime soon.

JOHN BURNS
The dangers

It is imperative that the August 17, 1984 FM account of the growing pressures on American governmental authorities and institutions to divest themselves of public funds invested in companies with subsidiaries in SA should evoke serious discussion and positive action.

Our efforts and strategy need constant re-evaluation as the anti-apartheid activists change tactics and the issue becomes increasingly emotionally charged. To those determined to damage the SA economy by boycott and isolation "the disinvestment campaign seems indeed to be an idea whose time has come."

The recent case of the District of Columbia Disinvestment Bill indicates what pro-investment advocates face. Washington DC City Council gave notice of its intention to divest of pension funds in companies doing business in SA.

Despite exhaustive and conclusive evidence by investment consultants who stated that a disinvestment law "would be detrimental to the investment managers' ability to meet their objectives - would cause the fund to be more volatile and hold securities of lower overall quality - could reduce future fund performance and cause the district to have to increase taxes and/or reduce its ability to improve benefits in the future," and would negatively affect the earnings of contributors who had no say in the proposed action of the council, the council voted to divest anyway.

We deceive ourselves if we imagine that in the present US climate the old arguments against disinvestment will
trialisation in member states. The problem is that they are seldom used.

Maasdorp suggests that this is an aspect to which the BLS ought to give "greater attention" and adds that they should use their political advantages to entice SA industrialists to locate within their borders.

The benefits could be significant. The disinvestment lobby would be negated and BLS factories could import duty-free from SA and still have access to the SA market. In addition, they have preferential access to the EEC, the Preferential Trade Area of East and Southern Africa (PTA), the US, Australia and the Middle East. There could also be spin-offs from the BLS' involvement with SADCC.

Maasdorp does not see the BLS membership of the PTA and SADCC as incompatible with the Sacu. On the contrary, he says the broader market it offers, as well as communication and transport improvements touted by SADCC, could act as a spur to industrialisation — if more industrialists could be persuaded that the advantages exist.

In this respect both the BLS, as marketers, and SA industrialists, as potential beneficiaries, have been slow off the mark. Some feelers have been put out, mainly by Lesotho, but response has not been encouraging. As it happens Swaziland and Botswana, who are better placed geographically to serve the markets to the north, appear to have done the least to sell the idea.
This was the message from the Director General of Finance, Joop de Loor, in his closing address to the South African Institute for International Affairs conference on “Economic Interdependence and World Order” earlier this week.

An investment charter would outline the principles and guidelines upon which foreign investment in SA would be encouraged and controlled.

Summing up the main implications of the conference for the local economy, De Loor said that SA, like West Germany, was experiencing a glut of government expenditure. There was also the problem, as in other countries, of low productivity and protectionist tendencies.

Emphasising the need to move slowly, De Loor said: “Some argue that we need to do away with import controls and use tariff protection. Others point to local industries which need controls. In the medium- to long-term we will be moving towards tariff rather than artificial protection. But we need to make haste slowly.”

Looking at a paper on current patterns in world economic recovery, he commented that SA was still below the danger threshold so far as corporate taxation was concerned, with its current real rate at between 25%-50%.

He disagreed with the suggestion that there should be automatic increases in Special Drawing Rights (SDR) from the International Monetary Fund (IMF), based on primary product prices.

“If this is the basis of allocation, then the Less Developed Countries (LDCs), which primarily export raw materials, will be getting the bulk of the SDRs. What this would amount to is merely the transferral of wealth in the form of aid, which most countries have set their minds against.”

Agreeing that real wages in SA were rising faster than productivity, he said this was in turn negating investors’ willingness to put money into the country. As far as industrial policy is concerned, it is necessary to leave it to investors and workers to sort out.

“We are still far from this ideal position, but are moving forward to a freer movement of capital and labour. We must be careful that incomes are not concentrated in the hands of fewer employees in view of our high unemployment.”

De Loor said that SA could not claim 100% responsibility for the relatively low debt/service ratio. “We started from a low base, admittedly, but not all international markets are available to us from which to borrow. In fact, however, our debt/service ratio has increased at quite a rapid rate, although it remains below the danger level.

“We need to look at this closely, because we have many more factors we have to consider, especially on the political front.”

The use of Soviet surrogates in Southern Africa was an apt message for the country. “It is this clear that we have adopted the correct policy vis-a-vis other states that are advised by the Eastern bloc. We have a defence structure based, not on aggression, but on protecting our free enterprise system.”

Reacting to claims that the world was spending too much on arms rather than alms, De Loor stressed that SA’s defence spending had gone down in the last few years. Nor was it high when compared to other countries, since SA was continually affected by the military boycott which made weapons more expensive.

Interdependence in Southern Africa was clearly an issue of primary importance. It was especially pressing in that SA will be called upon to supply a large percentage of food and other technical assistance to the region in the future, said De Loor.

“Most of these countries have only seen the ugly side of capitalism and we failed to sell them the positive side of free enterprise. We are, however, in the process of negotiating a switch from a pure statutory department of funds to a project orientation of funds.”

“Although we need much luck in confronting the challenges of the present crisis, the situation has two sides — danger and opportunity. We must see our way clear to tackle the many problems one by one,” said De Loor.

**DROUGHT CONFERENCE**

As summer — and, hopefully, the rain — approaches, the conference on Business and the Drought, to be held in the Senate Hall, Unisa, next Thursday, September 13, assumes even greater importance.

What if the rain does not come? What will be the further impact on the economy?

Unisa has assembled an impressive list of speakers to discuss the issues. They include Harry van Loo, from the National Centre for Atmospheric Research, Colorado, US, and Professor Robert Preston-Whyte, dean of the faculty of social science at the University of Natal.

Speakers from industry include Peter Wrighton, deputy chairman of Premier Group; Derrick Jacobs, MD of Nampak; Gordon Hood, MD of OK Bazaars, and Dr Danie Cronje, senior general manager of Volkskas.

The opening address will be given by Minister of Environment Affairs and Fisheries Sarel Hayward. Escoom, whose ability to supply power in crisis conditions is vital to the economy, is represented by Ian McCrae, GM engineering.

For bookings, contact Berendien de Bruyn or Margot Loxton at Unisa on (012) 440-2297 or (012) 47-2491.

**SA ECONOMY**

**Foreign investment**

SA should contemplate an investment charter to replace the ad hoc measures that now exist, and provide a longer-term policy guidelines for foreign investors.
PORT ELIZABETH — Hopes by the component industries for a further increase in the local content programme in the near future were dashed yesterday by Dr S. J. Kline, chairman of the Board of Trade and Industries.

Opening the annual meeting of the National Association of Automotive Component and Allied Manufacturers (Naccam) he said the future of the component industry was in its own hands and not those of the government.

He also said that a large measure of rationalisation of models and manufacturers was unlikely in the near future. It was not the government's policy to enforce rationalisation and the local content programme was never intended to do this.

Protection for motor vehicle components was introduced 20 years ago and the protective measures were increased through various phases to create industrial development on a sound basis, he said.

"Infant industry protection is usually granted to industries which show potential for development and which after a temporary period of assistance, will be able to compete effectively against imports and on world markets."

"Can the motor vehicle component manufacturing industry still be considered an infant industry after 20 years of active encouragement?"

He said the phase 5 programme of 66 per cent local content corresponded closely to Naccam's proposals of duty penalties below a certain level and awards for going beyond the minimum.

The phase 5 structure, therefore, catered for increased local content and it was up to component manufacturers to accept the challenge.

He said the board was under the impression that, despite the higher level of protection under phase 5, there had been a reduction in the levels of local content above 66 per cent.

World conditions could have played a part, but it was also important for component manufacturers to look at their productivity, Dr Kline said.

Urging component and vehicle manufacturers to co-operate in exporting, he said the board would be willing to consider proposals for help to establish an export drive.

Mr J. W. Small, president of Naccam, called for a separate automotive authority to promote efficiency and to encourage the South African motor manufacturing industry to rationalise.

Mr Samll conceded, however, that this was a remote possibility and suggested instead that a viable alternative would be to seek the benefits of standardisation through the Automotive Industry Action Group (AIAG).

AIAG consists of members of both Naccam and the National Association of Automobile Manufacturers of South Africa (NAAMSA).

He said it was thought that the application of the local contents programme would see more manufacturers withdraw, but very few of the assemblers had gone away.

The industry is still faced with an enormous difficulty in coping with a market in which there are no less than 17 makes, 49 models and 286 variants, he said.

"The vexed problem of proliferation of design will not disappear overnight. We are hardly in a position to invite motor manufacturers to disinvest in the Republic purely in the cause of standardisation and economy of scale.

"Instead we will promote the concept of standardisation when it is practical, justifiable and economically viable with the full cooperation of the motor manufacturers." — DDC.
Searll warns on flood of clothing imports

By PAUL DOLD
Financial Editor

CLOTHING imports are continuing to flood into the country in spite of the recession with the January to April figures rising 56 percent to R50m on an annual basis, Seardel's chairman, Mr Aaron Searll, warns in his annual report.

In a hard hitting review, Mr Searll calls on the authorities to give the clothing industry, which can be a major creator of jobs over the next decade, a new deal.

Not only is due recognition being withheld of the industry's role in the country's socio-economic structure but its raw materials are overpriced to favour and protect primary and upstream suppliers.

Taxation and investment allowances discriminate significantly against labour intensive activities and Mr Searll notes that this insensitivity is now incredibly re-inforced with proposals for a payroll tax.

"These traditional practices are onerous and threaten to undermine opportunities for developing manufacturing in South Africa as the base for our population entering industrial life and progressing with it."

The local industry faces an increased import threat when South Africa becomes a full signatory of GATT. This will remove import control and protection will hinge on tariff measures.

Mr Searll says the clothing industry will need to exercise particular vigilance since experience indicates that tariff barriers can be readily breached.

"The situation is further aggravated by the absence of government policy on the future role that labour intensive industries such as our own have to play in the area of industrial strategy and foreign trade."

Market position

Competition has increased in export markets with major exporting countries taking aggressive steps to improve their market position and he notes that South Africa, although it needs to create labour intensive activity, appears to have no clear policy direction.

Turning to the economy, Mr Searll sees no significant downturn before the second half of next year.

Group sales for the first two months are in line with "conservative budgeted" expectations and the forward order position is satisfactory.

But there is difficulty in obtaining long-term forward business and margins remain under severe pressure.

Earnings

Seardel is forecasting a fall in earnings per share this year from 102,8c to 70 - 90c.

Pre-tax profits will be around the R9 to R11m mark (R11,4m) with sales marginally higher at R340m to R350m (R334,7m).

The forecasts take into account the high level of interest rates.

Seardel's improving liquidity has led to re-deeming early a further 3m of the second series of cumulative redeemable prefs which will lead to a considerable drop in servicing costs.
Clothing imports flood into S A

Mercury Correspondent

CAPE TOWN—Clothing imports are continuing to flood into the country in spite of the recession, with the January to April figures rising 36 percent to R36m on an annual basis, Seardel chairman Mr Aaron Searl warns in his annual report.

In a hard hitting re-view Mr Searl calls on the authorities to give the clothing industry, which can be a major creator of jobs over the next decade, a new deal.

Not only is due recognition being withheld of the industry’s role in the country’s socio-economic structure, but its raw materials are overpriced to favour and protect primary and upstream suppliers.

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Control

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Margins

But there is difficulty in obtaining long term forward business and margins remain under severe pressure.

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Textile industry wants action to curb imports

By Hannes Ferguson

Faced with a flood of imports in a declining market, the textile industry has called for a new deal.

Industrial strategy should accept job creation as a priority, says Mr Gert Schoonbee, chairman of the Cotton Board.

Re-affirming the cotton farmer's solidarity with the textile industry which processes their crops, he says a new price agreement between the board and the spinners would save up to 80,000 jobs on cotton farms. Dwindling cotton production would rise again.

Similarly, the state should protect the jobs of 110,000 textile workers who had no other job opportunities and who represented eight percent of total industrial employment.

Mr Schoonbee says that the flood of imported cotton goods could bring the South African consumer no real benefit; it amounts to importing unemployment, deepening the South African recession to the detriment of all concerned.

Mr Stan Shlagman, executive director of the SA Textile Federation, says that for every job in the textile industry two-and-a-half more are directly created in other sectors.

This was not an inefficient local industry clamouring for shelter from more productive foreign competition.

The industry's productivity was increasing by 4.5 percent a year, and the real price level of cotton goods had remained fairly constant since 1970.

The problem was that South Africa was not a signatory to the international multi-fibre agreement which laid down quantitative limitations to imports to most Western nations.

Exporting nations in the East were now forced to channel cotton-goods exports to non-signatory nations. Dumping happened too often.

South Africa's textile industry had to bear the brunt of the recession, but imports had actually been allowed to increase.

In this crisis situation a new deal for the industry has to be urgently worked out, says Mr Shlagman.

Mr Vivian Cunningham, the industry's representative on the Steenkamp Commission which for two years investigated the textile industry, says the official stance was that the textile industry should look to normal customs tariffs as a means to protection and not rely on quantitative controls.

Mr Cunningham, a senior executive of a major textile group, says that with many misgivings the industry has finally accepted this line, on the clear understanding that additional tariff protection could be invoked whenever exporting nations resorted to disruptive trade practices.

This understanding has, however, proved to be a dead letter, and the industry was back to square one.
The issue of strategic exports being key.

WASHINGTON — The plan approved this week by the

[Date: 6/12/74]
The decision reaffirms the magic of the great, eternal, and enduring power of the people, as it is known. The people have spoken, and their will is law. The argument that the Constitution does not give the people the power to act as they wish, when it is clear that the people have spoken, is a nullity. The Constitution is the supreme law of the land, and it must be obeyed. The President does not have the power to prevent the people from exercising their democratic rights.

By Neil Armstrong, The Star Tribune

Agetic exports seen as being key to SA ban.
Exports only way to create enough jobs

EXPORTS represented almost the only avenue for creating sufficient jobs to cope with South Africa's growing population.

This was said by Mr J W Nelson, president of the Steel and Engineering Federation of South Africa (Seisfa), in his address to the organisation's annual meeting this week.

Improvement in the United States economy, he said, had helped to sustain production volumes for South Africa's traditional exporters.

Corrective economic action by Government later became inevitable, including large increases in sales tax, an increase in company tax, the curtailment of tax allowances and, very recently, the introduction of severe financial restraints which he said, sent interest rates to record levels.

In addition, he said, the rand had declined dramatically against the dollar.

"The South African economy is clearly in an extremely serious situation and the recent social unrest, while possibly sparked by other factors, is not unrelated to the very difficult economic conditions and unemployment levels prevailing."

The question now, however, was whether the recent corrective action would achieve its objective of reducing consumer spending and thereby contain inflation and enable South African exporters to take advantage of the lower rand, or whether the decline in the rand would in turn feed inflation and prevent any export-led recovery.

"In any event, a further cutback in economic activity in the immediate future can be anticipated," he said.

Inflation, he said, was undoubtedly the key factor in the question and accordingly in the short term it was vital Government expenditure should be curtailed and that the skills capacity of the workforce be improved.

Under the circumstances it was difficult to accept the rationale for the cutback of the training allowances in this year's Budget.

"We would have preferred that the abuses of the allowances were eliminated through tighter control."

Despite criticism of the Government's determination to adopt a more market-related approach in implementing its foreign trade policy, it had to be agreed that the aim that South African industry should become more competitive in the international arena, was correct "as exports provide almost the only avenue for creating sufficient jobs for the country's growing population."

Seisfa had, however, been concerned about the timing of Government action in view of the poor economic conditions currently prevailing.

If the Government's objective was to be achieved, there was a need for the Government and the private sector to work together as partners so that any programme of action could receive the full support of both sections.

In this respect Seisfa welcomed the appointment of the Van der Horst Committee and hoped it would help clear the way for the co-operation and mutual support needed.

In line with the overall economic picture, activity in the engineering industry continued at a depressed level though the steep decline in production levels during 1982 up to mid-year 1983 appeared more to have been halted.

While the steel industry had shown a definite improvement during the first half of 1984 as compared with 1983, the overall outlook for the balance of the year was uncertain, he said.

Despite the downward South African steel sales exceeded R20 000 million, representing a third of the total sales of the manufac-
SA exports to Africa increase by 11% 74

By Bill Levitt

Exports of goods to Africa for the first eight months of this year have increased 11 percent and may signal a turnaround in dealings with the rest of the continent, says consultant Sally Gallagher of Business Development Africa (Pty) in an interview.

And the former SAPTO employee warned SA exporters that they had better "be on their toes and more aggressive if we as a nation want to take advantage of the upswing that is developing."

This year's January to August total is R597.1 million, up from R541.1 million for the same period last year but still a long way from the R1 billion mark hit in both 1980 and 1981.

Imports from Africa increased to R389.5 million from R172.8 million for the first eight months of the year compared with the same period last year.

Coupled with the rise in official exports to Africa last month came the decision by the International Monetary Fund (IMF) and the World Bank to place special emphasis on the Southern African region.

"That is linked to the security problems, especially in Mozambique, that could be resolved in the next 24 months and it means that the Southern African region will soon be in the limelight," she said.

"Exporters will have to start laying the groundwork now so that they can be in a position to be trusted by African authorities and competitive with foreign corporations."

Since the heady days of 1980 when official exports to Africa topped the R1 billion mark for the first time, business has declined at a dramatic pace.


Unofficial exports, primarily maize, wheat and process products provided an additional 50 percent to the export total until last year when the drought and the recession finally hit SA hard, Miss Gallagher said.

Almost 90 percent of SA's exports to the continent are calculated in rand terms so the increase cannot be attributed to the strength of the US dollar against the rand.

Miss Gallagher noted that the three-year drought, security problems which affected the transport of goods and the worldwide recession have severely depleted the purchasing power of African states.

Tied to the West by favourable credit terms, these states are now finding that SA can, in many ways, be a better source for goods and services, Miss Gallagher said.

Exports to Africa represent five to eight percent of SA's total exports — a far greater percentage than exports from the West to Africa.

SA's market share will increase further and the importance to the economy, she said, was that these exports fall across a broad range of products that during recessionary times could well save South Africans jobs.
Industrial protection policy to stay firm

Johannesburg—The Board of Trade and Industries must ignore volatile exchange rates when determining the degree of protection to grant local industry.

Insisting that the board would continue its present policy of 'moderate and selective' protection, the board's chairman, Mr SJ Klei, admitted yesterday that some industrialists were currently over-protected because of the weakness of the rand.

But he said the board could not afford to follow the swings of a 'highly volatile' exchange rate. "While the board attempts to keep the rate of protection afforded by the tariff as stable as possible over time, it would be wrong to counteract the short-term movements in the exchange rate through tariff changes and thus to thwart monetary and fiscal policies aimed at short-run stability in the economy."

Rand

Mr Klei, who was addressing the Federated Chamber of Industries conference in Johannesburg, said the rand had depreciated by 55 percent against the US dollar since January 1981.

It was therefore clear that the effective protection against imports had increased substantially.

But he added: "The problem now is that if the exchange rate should change in an upward direction, industrialists may forget that they have an inbuilt protection."

Mr Klei defended the performance of South African industry, saying it was more cost-effective than popularly believed.

Productivity

While South African productivity was much lower than many other countries, so were hourly labour costs. As a result, the actual cost of labour per unit of output was similar to unit labour costs in nations such as West Germany, Sweden, Belgium, Austria and Canada.

The fact is that we in South African industry do not actually suffer from so large a labour unit cost disadvantage as is commonly believed and often asserted.

Mr Klei said industry must "move heaven and earth" to bring down unit labour and unit capital costs.

This was possible through better labour training and productivity studies, and by avoiding extravagance and unnecessarily high aims in capital outlays and in their financing.

Sound

However, he added that industry was basically on a sound footing.

"While we are experiencing a rather unstable international trade environment, our basic competitive ability is much stronger than some people make it out to be.

"Neither an extreme policy of free trade, of which the Government is sometimes falsely accused, nor of extreme protectionism is called for in our circumstances."

"Cool heads and sensible structural adjustments will enable us to make the 1980s a new starting point for achieving the considerable growth potential of our country and our manufacturing industry."
Imports hurting pump industry

Industrial Editor

HUNDREDS of jobs are being lost through the importation of industrial pumps.

The Pump Manufacturers' Association says a recent market research survey shows an extraordinary number of pumps are imported each year, either as basic units or as part of other equipment.

A spokesman for the association, which represents 22 companies, said yesterday the imports equalled the production capacity of several pump manufacturers.

Local production could create up to 600 new jobs.

Professor Nic Wiehahn, the director of Unisa's Business Leadership School, said unrestricted imports meant the loss of jobs, development opportunities and export potential.

He said: "It is time that representation from the local industry was made to Government to consider a degree of protection."

Lack of protection amounted to encouraging disinvestment as most local pump manufacturers were subsidiaries of overseas companies.

When they saw their SA market share drop because of unfair competition from subsidised imports overseas companies would think twice about increasing investments in local operations.

Prof Wiehahn said a strong local industry would offer more opportunities for skilled workers.

Although the import market share could support an estimated 600 workers this figure could double or even treble.

"A diminishing market for local manufacturers not only kills local incentive, but creates an unhealthy climate for training and job creation," he said.

"If we are to meet the aspirations of a rapidly changing labour market, maintain stability and provide the number of jobs and skilled opportunities, drastic measures are necessary to protect our local markets."
Timing of import liberalisation wrong, says Safto's chairman

JOHANNESBURG

International pressures on South Africa to liberalise imports must be balanced against the survival needs of South African industry, says South African Foreign Trade Organisation (Safto) chairman, Dr P K Hoogendyk.

He states in Safto's annual report that South Africa's move away from protectionism and towards freer imports may seem to be the answer both to inflation and to Gatt free-trade ideals formulated during the Tokyo Round agreements.

But, the timing of South Africa's trade liberalisation moves appears to be wrong.

"Increased protectionism has been grasped by the older economies as perhaps the only weapon that can effectively combat their own rising unemployment in the face of Far East competition."

"At the same time Comcon countries are attempting to earn foreign exchange by flooding world markets with products priced at levels unrelated to production costs."

South Africa had a fundamental need to create maximum job opportunities. Import liberalisation was justified only when compensating reciprocal advantages were achieved.

Discussing exports, Dr Hoogendyk says export competitiveness of South African products was being undermined by inflation. The weaker rand brought only short-term export benefits.

"For a country so dependent on its foreign trade, South Africa's inflation rate has remained unacceptably high," he says.

Escalation of labour and personnel costs without increased productivity meant that many South African products could not compete in either the domestic or export markets.

He points out that South African companies, faced with internal inflation and import liberalisation, may find investment abroad a more attractive international growth option than increased direct exports from South Africa.

Such a reaction can widen South Africa's international business spread and increase invisible earnings through foreign dividend yields.

This, however, would not solve domestic employment problems nor provide for improved cost efficiencies through long, export-based, production runs.

Dr Hoogendyk expressed his concern over the increased risks that South African exporters now face.

"Nervous forex rates, unpredictable foreign market reactions, growing protectionism, competitive elements using countertrade techniques and uncertainty arising out of Gatt requirements place a greater strain on the management and financial resources of South African companies."

Any long-term structured recovery of exports pre-supposed domestic conditions which would at least offset some of these higher export risks. — Sapa
SOUTHERN AFRICA
Looking to trade

Increasing moves toward the political stabilisation of southern Africa could give SA traders a much-needed boost. But a possibility of a free flow of trade needs more than political stability.

Unless the economies of SA’s neighbours are effectively resuscitated, the extension of links could become glaringly lopsided, and ultimately unworkable. As potential markets for SA they would be useless because of cash shortages.

Although local industrialists and financiers are still treading warily, there are signs of a reappraisal of neighbouring markets.

President of the Federated Chamber of Industries (FCI), Rod Ironside, says: “The opportunities for constructive co-operation and material assistance might well accomplish what 20 years of ideology and independence have failed to do.

“But the task will not be easy. Realities indicate that co-operative economic initiatives, rather than overt military posturing are more likely to be acceptable and effective.”

The region as it now stands encompasses two partially overlapping economic groupings — the SA Customs Union comprising SA, the homelands, Namibia and the BLS countries; and the SA Development Coordination Conference (SADCC) which comprises nine countries in southern Africa, excluding SA.

The current economic position of most southern African states reads like a litany of doom: uncontrolled population growth, devastating drought, non-existent or haphazard fiscal and monetary policies, a chronic shortage of management skills, poor markets and a shortage of foreign capital.

Little in the way of business opportunities has so far materialised. As Wim Holtes, chief executive of the SA Foreign Trade Organisation (Safico), says: “Very few countries have the cash to pay for imports and in fact live off aid programmes. This is exacerbated by poor internal management which has resulted in goods being presold — even so far as 1985 production quotas.”

SA is in no position to finance regional development on its own. John Burns, executive director of the Manpower and Management Foundation of southern Africa, says: “In the region generally, economic realities appear to be replacing ideological cant. However, the euphoria these developments have been evoked by has been shattered by the belated realisation that even SA is running out of money — both cash and credit.”

The answer, however, does not lie in extending aid programmes. Says Holtes: “These just don’t work. Countries are still being given money, and this just knocks away the desire and discipline to work. But even they are now beginning to realise their approach must change.”

One of the more important realisations is the compatibility of regional groupings such as SADCC with SA’s interests. Says Burns: “It is important to reiterate the predominantly positive character of the conference’s goals, namely the promotion of economic independence, establishment of mechanisms for equitable economic integration, mobilisation of regional resources, and soliciting of international support. In no way should SADCC be seen as a threat.”

Enhancement of stability

President of the Confederation of Zimbabwe Industries (CZI), Alan Paterson, says: “It, arising from these concepts, any enhancement of stability can be achieved and, as a consequence, per capita income increased in the regions involved, the enlarged market within Africa must more than offset any disadvantage that SA may face due to tariff preferences.”

The direct role that SA can play immediately is less tangible. Modern facilities still need to be established, including roads, harbours, communications, as well as security and guarantees necessary for the businessman.

“What will have to be developed is bilateral relations which will have an ameliorating effect on the political hot-heads,” says Holtes. The initial steps, however, must be of a very practical nature, he says. “With a modest amount of spares and technicians, we could get some things going through major private corporations.”

Burns supports this: “If this unbelievably complex mix of peoples in southern Africa is to forge a common destiny through economic development, the key to that future must be education and training — the efficient but holistic utilisation of the manpower potential of our region. What will not be tolerated is the staffing of new projects with expatriates.”

Finance remains the nexus of the problem. Although SA’s means are limited, it is the only country that could raise international loans in the long term.

Says Holtes: “When the period of aid programmes comes to an end, the SA banking system can play a role.”
FOREIGN TRADE

Countering the trend

A major initiative is under way involving SA and international expertise to boost countertrade throughout Africa. Countertrade is a more sophisticated form of bartering, which, unlike commodity bartering, involves financial intermediaries.

SA's exports to African states have declined from R1 billion to about R800m since 1982. It is hoped that by means of countertrade, exports can be lifted to former levels in a few years.

According to Ron Mitchell, Johannesburg-based vice-president of Citibank, SA's countertrade with Africa is still in its infancy. "Not only is Africa this country's natural geographic market, but if one strips away our commodities trade with the world, Africa remains one of the major markets for SA goods," says Mitchell. "It is vital to keep all our doors wide open and even expand our position there."

Hill Samuel Merchant Bank SA (HS), in conjunction with Safto and Kreditanstalt of Austria, has undertaken a major countertrade research programme for SA companies which will include the identification of trading opportunities with Africa.

"SA is losing out substantially to Brazil and certain East European countries on countertrade dealings with Africa. But in the wider international context, big SA importers should also use their clout to lever more orders for exports to the countries they deal with," says Barry Mason, deputy MD of HS, Johannesburg.

Mason says substantial countertrade deals are available to SA exporters. He sees banks as the lynchpin of the countertrade offensive.

"Countertrade activities between SA and its neighbouring states could also play a vital role in helping these countries develop their export activities. This, in turn, would benefit SA by enhancing our economic and political relationships with these countries. SA is extremely well-placed for this role, from the transport and logistical points of view," says Mason.

"SA banks and the wider financial sector have an important role to play in this new situation. The financial arrangements of countertrade deals are of paramount importance for their successful implementation," says Mitchell.

With some experts calculating that about 40% of all world trade is already financed in this way, SA (and some African countries) is now being forced to adapt to the new situation. Africa's chronic shortage of foreign exchange inhibits "normal" trade.

Originally evolved in Eastern Europe in the late Forties, countertrade involves, in a nutshell, the following:

Country A, importing goods from country B, is assisted in finding a buyer for its own exports (either in country B or in a third or fourth country), in order to finance the original import/export deal. Different types of commodities, involving varying values, with various buyers and sellers in two or more countries, are the complicating factors in this type of operation.

Countertrade therefore requires specialist financial and legal skills, usually provided by banks.

Other ways of setting up countertrade deals involve the establishment (by the banks) of trading companies which handle all administrative, financial, insurance and other requirements on behalf of the bank (and its client).

This trend has emerged in SA, with HS combining forces with leading Austrian bank AWT/Kreditanstalt, Citibank's SA subsidiary (which has access to its parent's London-based trading company for African deals) and Finansbank through its F W Waring Group, its African trading arm.

Mitchell expects a "liftoff" of this type of trade within the next 12 months. He says long lead times, the complexity of countertrade deals and the expertise required for this type of trade inhibits quick takeoff.

"However, countertrade is set to become one of the most favoured routes for Africa," says Mitchell. "With gold falling out of bed, SA must look seriously at other avenues for exports - especially manufactured goods. And we could significantly increase our stake in African trade.

Hill Samuel's Mason ... a counter for exports

Financial Mail October 26 1984
Govt urged to apply import controls

JOHANNESBURG.
The government should apply import controls rather than monetarism which is likely to lead to unemployment and social unrest, says Mr Natie Kirsh, chairman of Kirsh Trading Co (KTC).

His assessment of economic prospects in the group's annual report echoes one of the sharpest attacks on the government since its imposition of strict monetary controls on August 2.

"Government, it seems to me, is overly concerned with one aspect of the economic scene—the balance of payments."

Correct answer

"For an economy such as South Africa's, import controls are more likely to lead to balance of payments problems than rigid monetarism are. I firmly believe, the correct answer is lack of balance of payments position.

"Import controls, for South Africa, are far more suitable than mass unemployment.

"If government continues along its present path, the result will be a sound balance of payments position, but by then the economy could be in a morass—not to mention racial unrest, starvation in the homelands and significant white unemployment for the first time since World War II."

He also says current anti-inflationary measures will not achieve much as they are aimed only at severely curbing demand.

"Businesses will go bankrupt and jobs will disappear but, in my opinion, prices will rise as businesses fight to increase margin to offset lower throughput.

Inflation"

"The current high levels of interest are far more likely to fuel inflation than bring it down. At this stage, government should be paying attention to the protection of jobs and lower interest rates will help to do this."

He expresses the fear that the government's financial priorities are wrong, thus leading the economy into greater trouble.

"The unfortunate consequences will fall most heavily on the poor and the unemployed—in the South African context, on the blacks and the self-employed."

"With government as strapped for cash as it is, there is little prospect of it providing much, if anything, in the way of relief for the starving and needy.

"Mr Kirsh says that KTC for its part did not wish to add to the growing numbers of the unemployed. "Thus, should it become necessary to retrench we will, wherever possible as a matter of considered policy, put staff on an hourly paid basis and work short time in an effort to lay off as few of our employees as possible."

"The only thing that is certain is that unless government policy changes, trading conditions will become worse, particularly in the area of consumer durable goods, an area of special importance to Russells and Dion.

"Add to the problems already mentioned, the imperceptibles of the gold price, the exchange rate, the rate of inflation, and the continuing drought, you have a situation in which it is difficult to plan ahead with any certainty, and one in which any attempt to predict profits on an acceptable degree of accuracy is impossible."

However, KTC with its broad base and its wide product mix, should be better placed to weather the economic storms than many other groups.

"Of major importance is the dominance of food in Checkers and Metcash. Thanks more than partly to this, turnover in these two divisions is up on last year and only slightly below budget. We are budgeting for increased profits this year from Checkers and Metcash divisions," he says.

Bleak

But for Russells the immediate outlook was bleak.

"This is largely the result of government's ad hoc measures of recent months."

"First, there was the undue delay in raising Ladoeca levels when market interest rates demanded this. Then there was the sharp 43 percent increase in GST, accompanied by six weeks notice which gave rise to a disruptive spending spree, financed at unrealistic Ladoeca rates which has, of course, been succeeded by a prolonged spell of reduced consumer demand.

"Finally, there is the confusion and large additional cost created by the new hire-purchase regulations. "That there are now three different scales of deposits and three different repayment periods for different classes of goods poses severe, and totally unnecessary, strains on management and systems."

Goals

The private sector was happy to do what was required for the common good.

Consequently, no contribution to group profits from the Russells division was expected this year.

Dion was also beginning to feel the effects of the recession and the consumer squeeze, so its contribution to overall profits was not expected to be as high this year as last year.

Dee Bee was expected to again have improved profits but Boymans and Union Wine were likely to follow the downward trend. — Sapa
Kirsh urges import controls — or an ‘economy in ashes’

Johannesburg — The Government should apply import controls rather than monetarism which is likely to lead to unemployment and social unrest, says Mr Nate Kirsh, chairman of Kirsh Trading Group (KTG).

His assessment of economic prospects in the group’s annual report on August 2 is, ‘Government, it seems to me, is overly concerned with one aspect of the economic scene—the balance of payments. For an economy such as South Africa’s, import controls rather than rigid monetarism are, I firmly believe, the correct answer to balance of payment problems.

‘Unemployment

Import controls, for South Africa, are far more suitable than mass unemployment. If Government continues along its present path, we may well have a sound balance of payments position, but by then the economy could be in ashes—not to mention racial unrest, starvation in the homelands and significant white unemployment for the first time since the Second World War.’

He also says current anti-inflationary measures will not achieve much as they are aimed only at severely curbing demand.

‘Businesses will go bankrupt and jobs will disappear but, in my opinion, prices will rise as businesses fight to increase margin to offset lower throughput.

‘Interest

The current high levels of interest are far more likely to fuel inflation than bring it down. At this stage, Government should be paying attention to the protection of jobs, and lower interest rates will help to do this.

He expresses the fear that the Government’s financial priorities are wrong, thus leading the economy into greater trouble.

The unfortunate consequences will fall most heavily on the poor and the unemployed in the South African context, on the blacks. With Government as strapped for cash as it is, there is little prospect of it providing much, if anything, in the way of relief for the starving and needy.’

Mr Kirsh says that KTG for its part did not wish to add to the growing numbers of the unemployed.

‘Thus, should it become necessary to retrench we will, wherever possible as a matter of considered policy, put staff onto an hourly-paid basis and work short time in an effort to lay off as few of our employees as possible.

‘The only thing that is certain is that unless Government policy changes, trading conditions will become worse, particularly in the area of consumer durables, an area of special importance, to Russells and Dion.

‘Add to the problems already mentioned the imponderables of the gold price, the exchange rate, the rate of inflation, and the continuing drought, you have a situation in which it is difficult to plan ahead with any certainty, and one in which any attempt to predict profits with an acceptable degree of accuracy is impossible.

‘However, KTG with its broad base and its wide product mix, should be better placed to weather the economic storms than many other groups.

‘Of major importance is the dominance of food in Checkers and Metcash. Thanks more than partly to this, turnover for the first quarter in these two divisions is up on last year and only slightly below budget. We are budgeting for increased profits this year from Checkers and Metcash divisions,’ he says.

‘But for Russells the immediate outlook was bleak.

‘This is largely the result of Government’s ad hoc measures of recent months. First, there was the undue delay in raising Ladofo levels when market interest rates demanded this. Then there was the sharp 43 percent increase in GST, accompanied by six weeks’ notice which gave rise to a disruptive spending spree, financed at unrealistic Ladofo rates which has, of course, been succeeded by a prolonged spell of reduced consumer demand.

‘Finally, there is the confusion and large additional cost created by the new hire-purchase regulations. That there are now three different scales of deposits and three different repayment periods for different classes of goods poses severe, and totally unnecessary, strains on management and systems.’

‘Goals

The private sector was happy to do what was required for the common good. ‘But Government in turn must clearly define its fiscal and economic goals,’ Mr Kirsh says.

Consequently no contribution to group profits from the Russells division was expected this year.

‘Dion was also beginning to feel the effects of the recession and the consumer squeeze, so its contribution to overall profits was not expected to be as high this year as last year.

‘Dee Bee was expected to again have improved profits but Boymans and Union Wine were likely to follow the downward trend.’

—SAPA
Exporters paid out R3.7 million for ‘political losses’

PRETORIA — South African exporters were paid out a total of R3.7 million for “political losses” by the Government in the financial year ending June, the Credit Guarantee Insurance Corporation of Africa’s annual report reveals.

The managing director, Mr Jan Bouwer, says in the report, released today, that this amount, the highest in three years, was fully covered by premiums.

“The political claims paid were primarily due to the non-transfer of funds to South Africa from the importing countries as a result of lack of foreign exchange in those countries,” Mr Bouwer said.

The chairman, Dr C H J van Aswegen, said he hoped the disciplines which the International Monetary Fund was trying to instil in countries forced to reschedule their debt obligations would be effective and that they would be implemented in these countries.

“If not, the outlook for the international monetary situation is very grave. Indeed.”

In the financial year, the corporation saw claim payments rising by 29.2% to R20.65 million. The rise was anticipated and the corporation managed to increase the investment by 5.5% to R1.75 million and the dividend was maintained at R9.5c a share.

In order to strengthen the capital base of the corporation, the directors proposed issuing existing shareholders with one capitalisation share for every three ordinary shares currently held.

In the export division, the predicted economic problems experienced by many of South Africa’s trading partners and the curtailing of imports by them, contributed to the expected reduction in turnover.

“Claim payments for this division rose by 19.8% to R2.4 million of which R3.7 million was paid in respect of political losses. The latter was fully reimbursed with the South African Government,” Dr Van Aswegen said.

Very few projects for capital goods or services could be concluded with developing countries due to their depressed economies and with other countries as a result of very strong competition.

The majority of new projects insured were concluded with buyers in the Southern African region.

Premium income nevertheless rose from R8.7 million to R5.8 million. Traditionally, claims relating to commercial cause of loss on capital goods were few and far between, but this year the corporation had to make provision for possible claims in excess of R1 million due to default of buyers on commercial grounds.

During the year under review the first two quotations for investment insurance were offered to South African companies intending to make investments in foreign countries.

“One has already been accepted, signifying the corporation’s first step into the field of protecting South African investors, as opposed to creditors, against the political causes of loss, such as nationalisation, loss of control or loss of transfer of dividends, which may affect the investor in foreign countries,” Dr Van Aswegen said.

The deepening recession in South Africa, with no light at the end of the tunnel, placed the domestic division in an untenable position for the current year.

Dr Van Aswegen expected a further deterioration in underwriting results, cushioned to some extent by a further growth in premium income.

Insured domestic turnover however, increased by 20.5% to R5.5 million, compared to a corresponding rise of nearly 23% in premium income to R9.72 million.

The latter growth was largely attributed to new policies underwritten as a result of the marked awareness among the business community of credit insurance being an effective tool to combat the threat of the ever-increasing likelihood of bad debts, he said. — Sapa
SOUTHERN AFRICA
Trade detente

Realism seems to be the key to the further development of economic links in southern Africa. Political ideology and a history of diplomatic isolation are giving way to a recognition that, like it or not, South Africa is the lynchpin in regional economic relations.

This is what emerged most clearly at the joint South African Foreign Trade Organisation (Safto) and Unisa’s Business Leadership School conference on trade and investment in southern Africa. Under this umbrella, businessmen, government officials and academics, ranging from staunch free marketeers to committed dialectical materialists, engaged in frank debate.

Although nothing more concrete than a number of open-ended proposals emerged at the end of the day, the conference was significant in two ways. First, in the words of Finance Director General Joep de Loor, was the encouraging portent of “the triumph of economic realities over the preoccupation of politics.”

Second was a foundation for future gatherings and more definite action for the development of the sub-continent. For the SA delegates, there was a recognition of the need to resurrect the old colonial adage — “your hinterland lies there, beyond the Limpopo” — while eliminating the obvious pitfalls of what has come to be known as bamba zonke (literally translated means “take everything”).

For the other African delegates, it was an open acknowledgement of the unquestioning economic dominance of SA in the region, and the dependence of regional development on co-operation with SA. This was clear from the attendance of delegates from Zambia, Mozambique, Swaziland, Lesotho and Malawi — all members of SADCC, which was initially set up to reduce dependence on SA.

Their attendance did not, however, mean throwing caution to the wind as far as South African hegemony was concerned and repeatedly asserted their fears of South African dominance over their own economies.

The most concrete proposals came in the form of resolutions from Unisa’s Nic Wiehahn and Joep de Loor. Apart from proposing the setting up of regular conferences of this nature, Wiehahn urged other private sector organisations to pursue dialogue stressing the interdependence of the region.

More specific was De Loor’s proposal for an investment charter to eliminate the disparity between interstate investment. At present, nearly 20% of SA investment abroad goes to Africa, while African investment in SA is only 2%.

“If potential investors can be convinced their funds will be well invested, they can rely on security of tenure, repatriation of profits and capital, non-nationalisation or full compensation. I feel this will put to rest so many of their present fears and hesitations,” says De Loor.

The other potential development, according to De Loor, lay in the extension of countertrade — a blanket term covering a wide range of business deals, the essential feature of which is the absence of the normal cash nexus between the buyer and the seller.

“Given the chronic scarcity in the sub-continent of hard currency, all governments concerned should be actively involved in the promotion of this type of trade. We can increase our trade turnover and hence standards of living by pursuing this avenue more vigorously.”

The pragmatic compromise the conference represented, however, is still in its infancy, and will ultimately depend on the extension and maintenance of peace and good neighbourliness in the region. The opening up of the hinterland remains a long way off.
Hong Kong buys BMW

Business Times Reporter

BMW South Africa will shortly begin exporting 20% of its 745i models to Hong Kong in a deal worth R5-million annually.

Will Flumhardt, managing director of BMW concessionaires, says: "In Hong Kong's high temperatures and humidity, quality is essential." BMW SA last exported cars to Hong Kong a few years ago when price was a major consideration. Although the weak rand is an attractive benefit at the moment, the cars are sold at the top end of the market.

The South African 745i differs from its European counterpart and has superior performance from a detuned racing engine, with twin overhead camshafts and 24 valves.
East Cape awaits outcome of tariff system overhaul

THE application of tariff protection against goods imported into South Africa appears set for an overhaul with major implications likely for the Port Elizabeth-Uitenhage industrial complex.

The prospect of amendments to existing legislation was raised this week by the Minister of Trade and Industry, Dr Dawie de Villiers.

Revealing that the Van der Horst committee appointed in April to investigate the application of tariff protection had completed its task, Dr De Villiers said the week the report would be made available next month and if necessary amending legislation based on the committee's recommendations would be put forward during the 1985 parliamentary session.

Reacting to the news, Mr Rod Ironside, who was chairman of the Federation of Chamber of Industries at the time of the committee's investigation, said it was "fair to assume" changes would follow in the application of tariff protection.

"The investigation was part of the industries Advisory Committee activities to develop a revised industrial strategy," Mr Ironside said.

"There's been an increasing movement away from quantitative controls on imports to tariff barriers - and this is all tied into Gatt (the General Agreement of Trade and Tariffs)."

"If we're going to become a more active member of Gatt then we must make such a move," said Mr Ironside.

News of the completion of the committee's report was greeted with some surprise by Mr Bill Hayward, director of Naacam (National Association of Automotive Component and Allied Manufacturers' Association).

"We wrote to the committee in July 30 inviting them to Port Elizabeth for an in situ inspection of the component industry," said Mr Hayward yesterday.

"On August 10 we wrote again since we had heard nothing. We were told our invitation would be considered at the next meeting of the committee, which was to be held on October 15 and 16.

"Since we heard nothing following these dates we sent another letter on November 13 - and now I hear the report is finalised.

"It's news to me that the committee has completed its investigation and if we've not been afforded an opportunity to explain our case I'd be very disappointed," said Mr Hayward.

"Naacam believed greater protection against such prejudice was required.

"We have a local content programme requiring manufacturers to include 66% by mass of SA-made products in their cars - but this translates into only 35% to 46% by value," said Mr Hayward.

"Our submission dealt in the main with the question of delays experienced before finality is reached in respect of applications to the Board of Trade and Industries for tariff protection against imports," said Mr Linde.

"Our submission dealt in the main with the question of delays experienced before finality is reached in respect of applications to the Board of Trade and Industries for tariff protection against imports," said Mr Linde.

"This is a complicated issue and we don't want to do anything that will slow down competitors - because that will mean less consumer choice and the loss of local content.

"We are inclined to think that because we have a multitude of blacks we have a more ambitious programme than the whites."

"The recent change in the exchange rate of the rand had reduced the differential to about twice the local price."

"A most important further step for protecting the local industry, said Mr Linde, was because "we are here to stay, and so provide employment for so many workers".

"I believe one of the ways of supporting such employers is by import replacement.

"Consumers should become more conscious of this fact - that such time they buy South African shoes they support local jobs."

Mr Linde said he was optimistic that the Board of Trade would respond sympathetically to the federation's memorandum and he believed a streamlined system of applying tariff protection could be introduced as a result of the committee's report.

Mr Jeremy Martin, local director of Edworks, said since his company was both retailer and manufacturer, "the most sensible position to take is to say we're basically against protection."

"We would like to see protection on primary raw material to be protected in South Africa removed - such as PVC and rubber."

"If protection here is lifted, then we reckon that we could compete price-wise with the manufacturing industry."

Mr Martin believed that the ultimate correction to the price imbalance between the high-priced protected raw material produced in South Africa and the lower-priced imports, however, since reduced this differential to about twice the local price.

"A country we take the view that we must have protection for our strategic raw material plant. Given that viewpoint then protection down the line is inevitable."

"My feeling, however, is that the Government is trying to move away from tariff protection and the fall in the rand's value is certainly helping this - though it is difficult to predict trends in this area with any certainty."

Stronger rand had effect on wool

THE strengthening of the rand by 3.5% against a basket of currencies over the past week had a marked effect on South African wool prices, the SA Wool Board said this week.

Reporting on the latest wool auction in Port Elizabeth, the board said the market indicator for wool prices accordingly dropped 2.7% (21 points) to the level of 776.

"This figure is still 16.2% above the opening level of the season," observed the board.

However it is significant that the drop in wool prices was lower than the strengthening of the rand and that 96% of the 31 900 bales offered were disposed of amid lively competition from the trade.

For 19.5 micron (micrometre) and finer, prices were up to 4% higher and lambwool up to 1% higher compared with the previous week. In the case of 20.0 micron to 23.5 micron, market prices eased between 2.5% to 4%.

Next week 24 300 bales of merino and other wool, as well as 900 bales of karakul wool, will be auctioned.
Premier Group deep into Africa

John Spira

THE R2000-million a year Premier Group has thrust deep into darkest Africa.

Premier's sales to African countries — many of them openly hostile to South Africa — have climbed dramatically in the past three years.

Starting from a virtually zero base in 1981, the group's African export turnover has advanced to a level at which it is thought to represent a remarkable 10 percent of South Africa's total exports to the African continent.

Although the company was unwilling to confirm this figure — which could be upward of R100-million — Albert Nelissen, Premier Food's export director, confirms that the group's sales to African countries have doubled in the past 12 months.

Mr Nelissen points out that his group's progress in the African arena has been achieved in the face of overwhelming difficulties — not all of them in the political sphere.

He says: "Our initial decision to tackle the African export market stemmed from a belief that significant potential for Premier lay in countries that were virtually on our doorstep.

"Our eyes were wide open to the difficulties that lay ahead but we felt that time would vindicate our strategy. As things stand at present, we're extremely pleased with the results and anticipate further growth in the years ahead."

But, Mr Nelissen wryly adds, the road travelled thus far has been an unusually bumpy one, having been negotiated only through painstaking patience and a single-minded determination to succeed.

Among the hurdles that have had to be cleared are:

- Political animosity, which in many instances has been watered down by careful diplomacy, business pragmatism and demonstrations of...
Among the hurdles that have had to be cleared are:

- Political animosity, which in many instances has been watered down by careful diplomacy, business pragmatism and demonstrations of reliability.
- Poorly developed financial infrastructures, prompting Premier to play the role of banker, adviser, intermediary and negotiator. In some cases formal partnership agreements have been forged.
- A chronic shortage of foreign exchange — a bottleneck that has been overcome via the almost exclusive use of barter.
- The 1983-84 drought conditions in South Africa, which reduced the availability of food products for export. Here Premier has obtained the required produce from abroad in order to maintain an ongo-

To page 3
Sasol MD: Protect monomers

A call for equal treatment by government was made this week by Sasol managing director Joe Stegmann.

The problem, as Mr Stegmann saw it, was that in implementing its new policy of protecting South African industry solely through moderate tariffs (and not through import control), the government had left the plastic monomer industry unprotected.

Monomers are the main feedstocks of the plastic polymer industry. Ethylene, a monomer, is used to make polyethylene, a polymer or kind of plastic which in turn is used for making plastic bags and a variety of other products.

Similarly, styrene is the feedstock for polystyrene, and propylene for polypropylene.

Protecting

The first step towards the new dispensation for the industry was taken last January when the government withdrew tariff protection from propylene and styrene (ethylene has always been free of duty), and amended the tariff structure for protecting locally manufactured polymers.

One result of this has been the complete closing down of Sasol One's olefins complex.

Whereas at one time Sasol was supplying styrene and propylene to the plastics industry, in future ethylene will be the only monomer supplied by Sasol.

"As long as the monomer industry is not granted any tariff protection, I must confess that it would be brave, if not irresponsible, of any company to contemplate investing solely in a monomer production facility," said Mr Stegmann, who was addressing the annual banquet of the Plastics Federation.

"Granting tariff protection on polymers but not on monomers will either lead to the importation of monomers or the long-term integration of monomer and polymer production," he said.

The greatest challenge government faces in implementing its protection policy is to ensure that the various sectors of each industry are given equal treatment.

"By this I do not mean that the same percentage of protection be given to monomers and polymer producers and converters. What I mean is that there should be no discrimination in favour of any particular sector."

Mr Stegmann said he felt the measures announced last January did not observe these criteria in that the monomer sector of the plastics industry had been left without any protection.

Simple

Although Sasol supports the government's stated policy that industry should be protected primarily by moderate tariffs, Mr Stegmann felt this was not a simple recipe that could be applied without qualification.

Thus while tariffs are aimed at protecting companies against 'normal' competition, formal duties (with reference prices) are used for protection against 'abnormal' competition. The problem, observed Mr Stegmann, was to define normal and abnormal competition.

"The Board of Trade and Industries must develop the necessary expertise, in collaboration with the private sector, to be able to identify incidents of abnormal competition," he said.
Textile and clothing imports (in million)

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The slump despite optimism

13,000 workers entrenched

Textile and clothing imports and total of the slabbing market

Textile and clothing imports and total of the slabbing market

The Textile and clothing imports and total of the slabbing market

Optimism

By LARRY LAMBERT

Manufacturers can hold to the position

Textile and clothing imports and total of the slabbing market

Textile and clothing imports and total of the slabbing market
PE port gains in Iscor export boost

PRETORIA. - Iscor has stepped up its export efforts to use the current more favourable export climate and rate of exchange position by increasing steel exports by more than a million tons to about 2.4m tons annually.

For the first time since 1982, Iscor is again using the Port Elizabeth harbour to export steel products.

The Durban harbour, the only one through which Iscor has been exporting steel in recent years, can handle a maximum of about 1.8m tons, and the balance, some 600 000 tons will be channelled through Port Elizabeth, a spokesman said in Pretoria yesterday.

In the past financial year, steel products exported were 1.3m tons.

It is expected that exporting through Port Elizabeth will last for at least the next two to five years and that slabs and coils of hot-rolled sheet which are conveyed by block train from the Vanderbijlpark works, will pass through the port at a rate of about 50 000 tons per month.

The destinations will be in Europe, the Far East and possibly also the United States, the spokesman said.

The first shipload, due to be shipped on December 15, comprises 15 000 tons of slabs, valued at more than R4-million.

It is part of an order for 30 000 tons received from China Steel, in the Republic of China, with the possibility that the order may be increased by a further 20 000 tons.

A second 15 000-ton shipment will also leave Port Elizabeth during December.

"So far, the planned steel slab exports through the harbour up to the end of February 1985 will amount to 80 000 tons," the spokesman said.

A consignment of 30 000 tons to Spain was about to be loaded and negotiations for further orders from other countries were currently being conducted.

The exports through Port Elizabeth would provide an appreciable injection to the economy of the city and its environs.

"It is expected that Iscor's exports will make a direct contribution of more than R6.5m per annum to the revenue of the region in the form of port, shipping, railway and other activities," the spokesman said.

Source: Saps
SA industry up in arms over kitchen furniture imports

Furniture imports

By Tom Hood

LOW-PRICE kitchen furniture from European factories is pouring into South Africa, local manufacturers claim. They plan to ask the Board of Trade for protection to curb the imports.

They say about 125 containers packed with low-priced kitchen furniture are on the way and the R200-million-a-year business and many jobs are threatened.

Several overseas manufacturers who have just woken up to the possibilities of this market are asking chambers of commerce and their local trade representatives to find agents for them.

South Africa has become the dumping ground for European and British manufacturers of decorated particle board kitchen furniture, the local industry claims.

Cost low enough

Leading figures in the local furniture business say that while foreign firms cannot sell their entire production here, they are keeping their highly efficient mass-production factories operating at capacity by dumping their surplus production here.

The landed cost of the overseas units, which are sold in completely knocked-down form, is low enough for them to be retailed profitably in little more than half the wholesale cost of local raw material to make similar units.

Westmead, with a well-established factory and a reputation as maker of fine kitchen furniture, threw in the towel recently and left it to others to supply the market.

It is not possible to determine exactly what quantities have been and are being imported. They are not singled out in Customs statistics. However, the warning signs are flashing.

Firms that traditionally did not sell kitchen furniture are now importing it and selling it in large quantities. Among them is a manufacturer of large household durables and a prominent exporter of SA pine furniture.

Imported, cut-rate kitchen furniture and cupboards are also available in large quantities from big supermarkets and it is claimed a number of companies have been founded to cater for the demand for this merchandise.

Dr Winston Smith, executive director of the Transvaal Furniture and Upholstery Association, said his association was monitoring the situation closely.

As soon as the industry had enough information to prove this furniture was being dumped, it would ask the Board of Trade for protection.

The industry was already hard hit by stringent hire-purchase restrictions.

Theoretically the low value of the rand should make it uneconomic to import the furniture, but it was so cheap it could still be imported and sold profitably at cut-rate prices, he said.

To Page 2
A hotchpotch of contradictions not the answer

Howard Prewce

ON THE ECONOMY
Mondi's 15 percent import duty request angers printers

Finance Editor

THE cost of many paper products — including bible and braille paper — will rise if the Board of Trade and Industries agrees to a request from Mondi Paper to impose a 15 percent duty on imports.

Printers are angry and are flooding the Board of Trade with letters objecting to the proposal.

They say that many of the papers are not made in South Africa and it is most unlikely that they ever will be.

Also the prices of locally made papers are among the highest in the world, but locally-made paper is being sold at very low prices overseas.

They say also that the move is inflationary — extra costs will be passed on to the consumer — at a time when the printing industry is facing other extra costs.

Relaxation of imports had kept the price of local paper in check and competitive. It was not 'eroding' the paper-making industry, the printers say.

Any protection granted by the Government will be used to increase local prices and cause further inflation in our industry, thereby driving more of our customers into the do-it-yourself market (buying their own presses) due to the high prices of printing and packaging," a printer said.

The timing was 'inappropriate' as it was impossible with the exchange rate fluctuating to compare prices.

Printers point out that when importing was relaxed in 1983 there was no flooding of the market with imports of cheap paper.

They say that few printers were prepared to go to the trouble of importing their materials and alleged that local paper merchants were prevented by Sappi and Mondi (the two major paper makers) from selling competing imported papers.

Threats were made, it is alleged, that such independent action would jeopardise the benefits of their dealerships.

Newspaper is costing newspapers R220 a ton which is due to rise to R309 a ton in January (an increase of 35 percent) but can be bought in Europe, and landed in Durban, at about R770 a ton.

One Durban printer has evidence that South African newsprint could be bought in New Zealand at R40 a ton. Locally-made paper was being sold abroad at 30 to 60 percent below local costs.

Meanwhile, the Newspaper Press Union has asked the Government for permission to import newsprint — but so far has had no response.

Durban printer Mr I L Knock, who is a member of the Federation of Master Printers, said that while American paper manufacturers made a 3.3 percent profit margin on sales and Europeans 2.3 percent, Sappi made 11.9 percent and Mondi 5.77 percent.

He said: 'The local user is exasperated by the constant inference that we should be grateful for the huge investments being undertaken by the Sappi and Mondi mills and that it is our patriotic duty to pay exorbitant prices and not complain too much in the process.'

The Mondi application covers at least 26 different types of paper made in this country such as: photographers' background paper, cheque paper, black album paper, wet strength papers, azure laid ledger, spirit duplicating paper, transfer base paper and acid free papers and boards for artists. Locally made papers are included as well: duplicator, bond, bank, cartridge, offset printing and business forms.
FOREIGN TRADE
1985

Footnotes

AREA C. Municipal Arrees: Bethel, Dundee, Bournemouth, Exeter.


Leicester: Upton, Northani, Voorey, and Loeries.

Nottingham: Skethmoor, Port Elyse, and Tipton.

Manchester: Manchester, Woodicular, and Magnificent.

Area A: Alberton, Belfont, Penoni, Boksburg, Brekan, and Cape.

413 - BUSINESS EQUIPMENT INDUSTRY, CERTAIN AREAS.
Iscor in drive to more than double steel exports in '85

Financial Staff

Iscor has launched a new steel export drive which could see the corporation exporting a record 2.4 million tons — more than the 1 million tons exported last year (1983/84).

The increased exports will bring in millions of rands in foreign exchange for Iscor, which recorded its first profit in the 1983/84 financial year after two years of losses.

Two of the export orders — 77 200 tons of rail steel for Turkey worth R32 million and a 30 000 ton steel slabs order to Taiwan worth R8 million — have been exported, and there are plans for further shipments, mainly to the Middle East, the Far East, Europe and possibly the United States, according to an article in the latest issue of Iscor News.

OVERSEAS MARKETS

If Iscor manages to meet its 2.4 million ton target on export markets it will be the largest tonnage of steel ever exported by the corporation in a single financial year.

It will also mean that about half of the liquid steel produced by Iscor this year will be destined for overseas markets counterbalancing a fall-off in local demand.

However Iscor has given assurances that the increased exports will not detrimentally affect supplies to the domestic market.

The increased export tonnage is the result of a more favourable export climate, and the drop in the value of the rand which will make Iscor steel more attractive to overseas buyers.

The increased exports will also have a spin-off for the depressed Port Elizabeth area. Because Durban, Iscor's main steel export harbour can only handle about 1.8 million tons of steel a year, Port Elizabeth is again to be used as a secondary export port, handling an estimated 600 000 tons.

Port Elizabeth was used as an export port by Iscor from 1979 to 1982, but then discontinued because of the world slump in the export market.

Iscor's new use of Port Elizabeth could pump in R6.5 million a year to the region in port, shipping, railway and other activities.

To meet the 2.4 million ton target the two ports will have to load about 8 700 tons of steel a working day, needing six block trains of 50 wagons carrying 1 500 tons of steel every day of the year.
Trade shows: how the taxman helps the SA exporter

The domestic market may be shrinking, leaving many manufacturers with surplus production capacity.

And with the substantial decline in the rand-dollar exchange rate the call is for increased local production (rather than importing) or for more exporting to increase foreign earnings for the country.

The quality of SA goods abroad is always acceptable, but price was the drawback, and high freight rates a further problem. But the shrinking rand has overcome this, and now for the first time South Africa enjoys a tremendous price advantage over its international competitors.

Overseas markets need to be made aware of South African manufactured products, and trips abroad will give SA businessman fresh ideas on boosting local production.

Trade fairs provide the most expedient way to test export opportunities and get first-hand knowledge of what is being produced abroad.

South African businessmen return from short visits to trade shows abroad with an abundance of new ideas. It is also motivating for staff to realise that their companies are keeping up to date, that they are leaders rather than laggards.

Where a company exhibits at an overseas trade show there is the potential for export orders and so increase foreign earnings.

The SA Tax Act allows expenses incurred by the exporter during the year of assessment to be deducted from income earned, as it is expenditure incurred in the production of such income.

The expenditure once deducted can be claimed once again as a “marketing allowance” (previously the exporter’s allowance) at either 75 or 100 percent of such amount already claimed in arriving at the taxable income.

Such expenses include advertising, securing publicity in an export country or soliciting orders and costs of participation in trade fairs. Any grant or assistance received from the Department of Commerce is deducted from the expense incurred in the first instance, leaving only the net amount available. The idea behind the gift is to stimulate foreign earnings.

The cost of the overseas trip, if it is properly enumerated and passes the scrutiny of the Receiver, will qualify as a deduction. As such expenditure is incurred outside South Africa the taxpayer runs the gauntlet of the tax authorities, as the Receiver’s decision is not subject to objection or appeal.

However, with short business trips overseas it is hardly likely that the Receiver will disallow the cost of the trip on the grounds that it included a weekend, say, in the south of France or a visit to the isle of Corsica for the businessman to unwind before visiting or participating at the trade show.

How does the South African businessman prepare for a visit to or participate in an overseas trade show? In Europe today Paris is recognised as the city where the highest number of international trade shows are held.

REduced Fares

France is the only country that has an officially recognized non-profit organization that has as its sole purpose the promotion of its trade fairs.

In South Africa the branch is Promosalons which provides dates (annually in advance), venues of exhibitions, details of exhibits, other countries exhibiting and other necessary related services such as supplying entrance cards, registrations, and arranging group travel programmes.

Ruth van der Heyden, their manager for South Africa, told me that she puts visitors and participants into groups of at least eight with Paris as a destination. Businessmen can benefit from special reduced airfares with no minimum stay.

A minimum stay of 14 days is normally necessary to qualify for reduced fares. The total inclusive cost of air, accommodation and transfers is usually around R1 500 for 90 to 12 days. Other international trade shows in European cities can be tagged on.

With South Africa ever seeking to increase export sales, an aggressive approach is needed. With financial assistance available and tax advantages up to a 200 percent deduction of qualifying expenses it would cost nothing to visit an international trade show.

All that is needed is some export turnover history or advance planning to qualify.

The advantages are obvious.
Cement war may spread to Reef

Financial Reporter

IMPORTED cement will be hailed to the Transvaal this week in a move that seems certain to set off another round in the cement war hitherto confined to Natal.

Making the announcement in Durban, Mr Tony Cadman, spokesman for Cement Enterprises, the importers of Ace Cement, said: The move has virtually been forced upon us by the cement "cartel" who have continuously forced prices to drastically low levels in Natal to thwart our challenge, so that it is now more profitable to sell on the Reef.

"We've always made it clear that our presence in South Africa has been to fill the cement shortage in Natal, but the cartel has used Transvaal for some time to subsidise their opposition against our presence in Natal to the extent that a pocket of cement on the Reef now costs R4.24 and R3.60 in Ladysmith."

Target

Coupled with numerous requests and inquiries that Cement Enterprises had received from the Witwatersrand and the more attractive prices available there, it was a logical step to promote their product on the Reef, he said.

"Nonetheless, our basic target is still to extend our 20 percent share of the Natal market."

The first shipment of several hundred tons which leaves Durban by rail on Monday is for a large construction company.

Since August, when Cement Enterprise's first shipment of 35 000 tons arrived in Durban, the scramble for markets has intensified between the local grouping, Natal Portland Cement, and the importers.

'Dumping'

Natal Portland Cement general manager Mike Doyle recently likened the scramble to 'trench warfare' and said there was little chance of a truce.

Cement Enterprises have kept a relatively low profile, apart from announcing price reductions and defending their quality of cement, but their challenge was underlined last month by the arrival of their third shipment of 30 000 tons of cement. Previous consignments have been from Spain.

Meanwhile, Mr Doyle, who has repeatedly claimed that Cement Enterprises are 'dumping' the cement in South Africa, said last week that Natal Portland Cement had applied to the Board of Trade for 'protection' on the grounds that imported cement was harming the local industry.
Hortors’ Trio Rand MD hits at paper tariffs

Finance Reporter

STRONG criticism of paper tariffs and of the Government’s additional 15 percent tariff protection on coated paper motivated by Sappi, and a warning that its implementation is inflationary, were made by Mr Michael Watermeyer, managing director of Hortors Trio Rand.

Mr Watermeyer said his group, which uses more than 21 000 tons of all grades of paper a year, was distressed at the consequences of the protective tariff which embraces almost all kinds of coated paper including many grades of paper not even made here.

Local manufacturers should be striving to reduce costs through productivity and Mr Watermeyer urged the Government to reconsider protective tariffs which lessens this urgency.

Grades

'It is unfair and certainly not in the interests of the economy to expect the printing industry to be responsible for the huge investments the local mills have made to produce the various grades of paper which are widely available from overseas,' said Mr Watermeyer.

'Paper comprises more than 40 percent of book printing costs. Our group believes any escalation of paper duties will be followed by local paper price increases as manufacturers float their prices up behind the protective shield of duties with no fear of international competition.

'Increases are further compounded by the time retailers margins and GST are added, causing unnecessary price hikes and yet further pressure on the man in the street,' said Mr Watermeyer.

In 1984 the printing industry reeled under two substantial paper price increases. Some grades of paper were increased by as much as 20 percent — an inflationary factor that led publishers to print in the Far East.

Demand

'The ordinary economic forces of supply and demand do not operate in a protected environment,' said Mr Watermeyer.

'Whereas on the international market a drop in demand tends to reduce prices, in the South African market a drop in demand appears to encourage the mills to seek protection and higher prices in order to maintain profitability.'

'And who can blame them? The printing industry would also seek protection if it believed that this would be forthcoming.'

'But it does not help John Citizen who spends a fair portion of his income on print and packaging,' said Mr Watermeyer.

Calling for a concerted national effort to slow the inflation rate, Mr Watermeyer questioned whether Sappi or Mondi needs tariff protection.

'The huge mills were built to manufacture far larger quantities of paper than the local printing industry could ever absorb. Now that they have highly favourable conditions and incentives for export, why do they not concentrate on export, which is where their profits lie, these large mills are now trying to cover their disproportionate investments by cornering the local market on their own terms?' he asked.

'We will always be forced to import, because Sappi is unable to provide us with small tonnages as it is not financially viable for their manufacturing operations.'

Tonnages

'We in turn require small tonnages because print runs of books and catalogues are usually substantially shorter than in other more densely populated, highly-developed countries.

'This artificially created environment results in increased costs which have to be met eventually by the consumer.'

Hard on the heels of Sappi’s successful application for protection on coated grades, looms a possible 15 percent protective tariff on uncoated grades, initiated by Mondi.

Should this application be successful, the local paper mills could monopolise the supply of paper to all South African printers.

According to an authoritative evaluation of the 1983 results of the top 100 paper mills worldwide, carried out by Pulp and Paper International, the relative earnings of Sappi and Mondi are among the highest in the world.

Printing

'What the printing industry would like to know is how productive are Sappi and Mondi. It is well known that a protective situation does not encourage productivity, and poor productivity increases inflation.'

'So that their tariff protections could be promoting inflationary factors within their own companies, inflation has to be fought by the private sector and Government hand in hand.

'Anything which protects inefficiency cannot be tolerated if we are serious about bringing inflation under control,' he said.'
FOREIGN TRADE

Fear of the unknown

Despite a weak rand, local manufacturers are lagging badly behind their international counterparts in export markets. Inexplicably, they show no signs of catching up.

What is worse, recent figures show local importers did not anticipate the severity of the recession and its impact on consumer demand.

January-September 1984 trade figures show a modest increase in exports of 14.4%, while imports jumped a substantial 39.7% by value.

The reason for the continued increase in imports, speculates Assocom statistician Ed Verburg, is that advance orders had been made and were still coming in when, at retail level, the bottom fell out of the market.

In September, however, import volumes decreased 16.1%, suggesting importers had begun to wake up to reality.

No one could have foreseen the savage decline in the dollar/rand rate or the severe effect of the economic slump in June, says Assocom former president Bill Yeowart. However, had there been more consultation with government, Yeowart thinks the business sector might not have "got it all so wrong."

But SA manufacturers have been getting it wrong since the mid-70s, says Techno Economic Society of SA (Tessa) member Rex Carlisle. When compared with countries with similar industrial development, such as the Latin-American countries and Spain and Portugal, "SA should be enjoying a much higher level of success in manufactured exports than it does," he says.

To amend this situation, Tessa members have formed an export committee, of which Carlisle is chairman. The committee, made up of engineering firms and banking organisations, is committed to establishing "a clearly defined, export-oriented image" which will act as a "conduit."

He believes negotiating official recognition so that trade officials in SA embassies abroad will punt the committee's interests. In addition, Carlisle intends to form links with similar overseas organisations.

In the past there has been little, if any, continuous export effort by SA manufacturers. They have operated according to the dictates of the economy, establishing no firm market contacts or reputation, says Carlisle.

However, given what Carlisle calls the "opportunistic nature" of such exporters, why have they not pumped out exports on the back of a weak rand?

Carlisle believes SA manufacturers have isolated themselves through lack of supply continuity. From "mere dabbling" in the international market, potential exporters have picked up very little expertise, with the result that their ignorance has turned into a "fear of the unknown."

Carlisle maintains that knowledge of the goods and services, as well as market potential in particular areas, is "highly specialised." In addition, a knowledge of special forms of finance and credit is essential not only for the foreign market but also at home.

At present, says Carlisle, some goods which can be manufactured here are imported because export credits can be obtained in Europe at competitive prices. But the reverse is possible, he says.

Carlisle believes Tessa is capable of providing these skills and should complement Safto.

He studied similar organisations abroad — in particular Spain's Sercome, which has achieved startling success in its 20 years — before forming the committee. In 1983, Sercome was responsible for 80% of Spain's total capital goods exports. Carlisle attributes its success to the incentive provided by businessmen "with common goals pooling their knowledge to achieve a firm foothold in the export market."

He believes government's export incentives, while adequate, are not stimulating.

In fact, export incentives are not fully understood or used, says Marcus Scherrer, of international marketing consultants Breyer Developments.

SA's four categories of incentives are based on Gatt rules regulating the level of export subsidies.

Although, in theory, the incentives are fair, many companies find the first two (A and B) confusing. Scherrer says he has encountered cases where millions of rand, to which a company is entitled, remain unclaimed.

Both Scherrer and Carlisle say more cash, as opposed to tax, incentives are needed for the small exporter.

The agricultural and mining sectors cannot sustain their present contribution to the economy and in future manufacturers, particularly producers of capital goods, "should take the initiative and shoulder this burden," says Carlisle.
Anglo-Alpha and CE hurl accusations

Knives out in the cement war

By PRISCILLA WHYTE

The cement war has intensified with a local producer, Anglo-Alpha, accusing the importers, Cement Enterprises, of being linked to Norcem, the Norwegian international cement cartel.

CE denies the accusation and is planning to expand its packing capacity in Durban harbour through which it imports cement for sale on the Natal market.

The company complains that SA producers are trying to thwart its entry into the Natal market by cutting prices.

"CE, the importer of Ace cement, is wholly-owned by Gearbulk of Norway. This company is probably used as a front for Norcem, the international cartel," claims Mr Dave Baker, the managing director of Anglo-Alpha.

He says that for Norcem to complain about local pricing when it has dumped cement on the market is the height of arrogance.

"Norcem has undoubtedly dumped cement on the South African market, but the Norwegians have a $23-a-ton dumping duty on cement supplied to their own country," says Mr Baker.

"As there is no Government protection in the form of a dumping duty, the South African cement industry must protect its mammoth investments and maintain market share.

Mr Tony Cadman, a spokesman for CE, says Mr Baker is wrong to claim CE is wholly-owned by Gearbulk.

The company is jointly owned by Gearbulk and a Spanish manufacturer, Compania Valenciana De Cementos Portland, he says.

"I don't know of any connection with Norcem."

He says accusations of a world monopoly are rubbish when superior standard-specification cement is available at competitive prices from 30 factories worldwide.

He denies CE is dumping cement and says: "Spanish and Japanese cement is purchased at bulk prices, which is not dumping."

CE is loading the Toki Arrow with 35 000 tons of cement due to arrive in Durban on February 20. "We are just finishing an engineering study to increase the Durban packing capacity, which is currently 1 000 tons a day."

Mr Cadman believes the packing facility will probably be a floating factory barge rather than a silo on shore.

Its storage capacity will be between 40 000 and 70 000 tons.

Mr Cadman says that it is interesting to hear, "squeals of a monopoly when at long last local manufacturers are being challenged by free enterprise. I don't believe the Government will fall for that act, the customers certainly won't."

This week the director of the Consumer Council, Mr Jan Cronje, said allegations of price manipulation and cartel-forming in the cement industry would be investigated as soon as possible.

Mr Baker says Natal Portland Cement only recently commissioned a R150m clinker plant near Port Shepstone, Natal. It has been built to meet local demand and, "this strategic investment should not be allowed to be jeopardised in any way by the dumping of cement."

Mr Baker says it is unfortunate that CE has been encouraged to import cement as a direct result of predictions by the Building Industries Federation (Bifsa) of the biggest building boom ever.

"Bifsa did not discuss their optimistic forecasts with South African cement producers. Bifsa has not accepted past invitations by cement companies to visit production units around the country and so be assured of the ability of producers to meet projected demand."

The growth of the building industry and demand pattern for cement are always carefully monitored by the local producers. At present, the national demand is for 8 million tons a year. Combined annual production capacity is about 11 million tons."

Also, further capacity of 600 000 tons will be available on the market during 1996 said Mr Baker.

Nobody was available at Bifsa to comment yesterday.

CE entered the Natal market at a time when Pretoria Portland Cement, Anglo-Alpha and Blue Circle were feeling the strain of hefty capital expenditures.
Trade with Africa increases dramatically

By Bill Levitt

Trade with African countries has increased substantially despite the drought, an international disinvestment campaign, and the economic crisis facing many states on the continent.

Government statistics show that total exports to Africa for 1984 have risen by 20 percent over the previous year to R354.1 million even though South Africa has cut back shipments of essential foodstuffs because of the drought.

Imports from the region have risen by 25 percent to R406 million over 1983.

Unfortunately, these figures have not been broken down by country so it is difficult to say with whom trade relations have improved.

Other figures indicate the severity of the drought. Exports of foodstuffs in 1984 declined by 23 percent over the previous year. Imports rose by 111 percent over the same period, mostly due to the maize imports and the weakened rand.

However, it means that African states are taking more manufactured goods and services which may, in the long run, be more beneficial to local industry.

Consultant Ms Sally Gallagher, head of Business Development Africa, says the trade figures represent the tip of the iceberg.

"These are the official figures," she says. "There is still plenty of trade with the so-called hostile states that won't be reflected in the statistics."

The strong dollar has been an important ally in this case as African states have been able to pay for imports in cheaper rand-based prices rather than dollar-based.

"In the process they are finding out that South Africa offers better service, shorter lead times and much cheaper transportation costs," Ms Gallagher said.

She also noted that African countries used to try to hide their dealings with the Republic and were usually embarrassed when caught trading. "Now it has become pretty standard," she said. "Practical economics outweighs ideological considerations."

Another bonus for South Africa lies in the fact that businessmen know Africa and will be able to advise practical ways of overcoming problems, implementing technologies and training people, she said.

Official exports to Africa peaked in 1980 to more than R1,000 million but had dropped steadily to R796 million in 1983.

Imports rose by about 12 percent a year from 1979 to 1981 and reached R318 million. In 1982, imports rose four percent to R322.4 million and then declined slightly the following year to R326.5 million.
Southampton in desperate bid to regain SA trade

Argus Foreign Service

LONDON. — Southampton, Britain’s most famous port, is launching a desperate bid to entice South African and Far-Eastern shipping back — or face ruin.

The South African trade is worth an estimated £15-million to £15-million a year, with 85,000 containers passing through the port every year.

But trade stopped abruptly in October when South African European Container Services (SAEC) took their business to Liverpool because industrial trouble closed Southampton’s container pier.

Trio, the shipping giant which operates on the Far Eastern route, and which moved 160,000 containers a year through Southampton, also left.

Harsh formula

Now dockworkers, faced with losing their jobs forever, have accepted a harsh rescue formula.

They have agreed to reduce the work force by 900, from 2,400 to 1,500 men, cut the wages of those who remain by £5,000 a year, limit wage increases to 15 percent a year, to accept a “no-strike” clause applicable for the next two years, and a four-team system to ensure the harbour is manned 24 hours a day, seven days a week.

Their bosses, Associated British Ports, are going all-out to regain the lost business. Port Director Dennis Noddings said his first aim was to win back South African and Trio business.

To do so he has cut the container charge from about £260 to £290.

Port press spokesman Julian Gollogly said: “We hope that the new, competitive rates will bring SAEC back to Southampton. The port has good facilities and an excellent geographic location. If South Africa and Trio do not return we are in a great deal of trouble.”

But a SAEC spokesman said it was “too early” to say whether they would go back.

In competition

“For the moment we continue shipping from Liverpool. Whether we return depends on commercial considerations. It must be remembered the two ports are in competition.”

“It is not as simple as saying Southampton is closer, therefore cheaper. Many factors, such as tides, berthing facilities, etc., come into it.

“We will now see whether Southampton makes an approach to us and then consider the matter.”

Mr Noddings is wasting no time. He is due to meet SAEC representatives even before he has signed the agreement with his work-force.

had to employ two straddle-carrier drivers for every shift. One man was paid to be on standby while the other worked.

Even so Southampton prospered. But the industrial dispute abruptly ended that prosperity in October.

Even the cross-Channel ferries left from Portsmouth because Southampton’s dockers would not unload the freight from the late-night ferry.

Bosss have won

And all the while dockers and their bosses argued over how the port was to be run. Now the bosses have won.

It’s a settlement accepted enthusiastically by most of the city, and especially the 30,000 who rely directly or indirectly on the port for living.

Dockers are not popular in Southampton.

“The best sportsmen in this city, the cricketers, the golfers and the rugby players, are all dockers. They don’t work, you see. They just clock in, get their money and go b... all.”

That’s the opinion of the taxi-driver who took me down to the docks. He’s pleased the strike is over “because now there’ll be fewer taxi drivers on the road. Half the dockers work as part-time drivers, you see.”

Chase you out

And a docker says: “Once you could go to a whole range of shops here and get discount. Now if you say you’re a docker they’ll chase you out the door.”

A man who once operated a lucrative road haulage business said he had been forced out of business by the dockers.

“I had four trucks. I’d send them down to be first in the queue and they’d spend the whole day unproductively because the dockers were on strike. It just didn’t pay.”

Business has even fallen off in Southampton’s notorious Derby Street, the red light district where many South Africans first savoured forbidden fruits.

Feel betrayed

In the docks the men are sullen. Their union leader Richie Pearce was one who took the maximum redundancy payment of £60,000 and quit. Many feel betrayed.

New leader Ray Jennings said: “It’s the best deal we could have got under the present circumstances. The men are not happy but economic facts have forced us to go along with the management formula.”

Union stewards Derek Burke and Michael McNulty explained the dockers’ position: “We aren’t honeymooning...
men, cut the wages of those who remain by R5 000 a year, limit wage increases to 5 percent a year, to accept a "no-strike" clause applicable for the next two years, and a four-crew system to ensure the harbour is manned 24 hours a day, seven days a week.

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Summed up

The shipping column of Southampton's local newspaper summed up the dire straits the port is in. Under the heading Principal Southampton Arrivals it listed "nil."

Down at the Prince Charles container berth it was easy to see the level to which Britain's most famous port had sunk. The huge quay, which only last year handled 250,000 containers, was deserted.

Crane and straddle carriers stood idle. Some had even been given protective coverings — an indication that their owners thought it would be a long time before they were used again.

Once the gateway to Britain for millions of tourists who travelled the passenger ships, especially the famous Union Castle line, it survived the jet-age by turning from passengers to freight.

Passenger ships still call — Salmarine's Astor among them — but they do not provide enough wealth to keep the port viable.

Can be reliable

"We realise that economic conditions are bad and that we have to make this plan work. We can show that this port can be reliable.

"Dockers have suffered a lot of hardship over this. We have been living on greatly reduced wages and many have got into financial difficulties.

"We have been put in a position where we have no choice, but the men are not happy." said one of the dockers.

Associated British Ports' spokesman, Julian Gollogly, diplomatically says nobody has "won."

"We've lost 900 jobs. We have a settlement which was needed. Hopefully we can win back our customers with our new, competitive rates."

"Southampton is fighting for its existence as a port. The men knew if they didn't settle they could all lose their jobs forever."

"I think our customers will come back and we can provide a reliable service. But a lot of it depends on what the South Africans do."
A contract worth R30 million for the export of train sets to Taiwan has been won by Union Carriage and Wagon Company. The Nigerian-based company, which is controlled by Gencor, Anglo American and Australian National Industries, is a major South African producer of railway rolling stock.

"Under the terms of the contract Union Carriage will supply eleven three-car electric multiple unit (EMU) train sets to the Taiwan Railway Administration," said Mr Maurice Clarke, managing director of Union Carriage.

The coaches will be designed and assembled at the company’s plant in Nigel and will be powered by electrical traction equipment supplied by the GEC Company in Britain. The units will be used for suburban travel in Taipei.

"The first shipment, consisting of eight three-car units, are planned for August next year and these units will be fully assembled in South Africa," commented Mr Clarke.

QUALIFICATION TEST

Comprehensive welding trials have been undertaken to assess the suitability of 3CR12, the new shielding gas developed by Air Products for MIG/MAG welding of 3CR12 corrosion-resistant steel.

A welding procedure qualification test was carried out to the requirements of BS 4870 using a qualified coded welder.

The weld specimens were evaluated by TUV Rheinland to determine compliance with BS 4870.

The results of the extensive testing indicate that the requirements of the specification have been met and exceeded, thus proving that the gas mixture used is suitable for the production of good quality welds.

Middelburg Steel & Alloys, producers of 3CR12 corrosion-resistant steel, are confident that the use of 3CROMIX12 shielding gas for the welding of 3CR12 is conducive to the production of sound weld deposits and believe that the use of this gas can offer significant technical benefits during the fabrication and welding of 3CR12.

CRUSHERS

Krupp South Africa has concluded an agreement with Duntwart Heavy Engineering (formerly Concrush) whereby DHE will locally manufacture the range of Krupp crushers, screens and associated equipment.

The agreement is in line with Krupp’s policy of extending its local manufacture and exporting from South Africa.

The marketing of the full range of crushers and screens will still be handled by Krupp which has its head office in Randburg.

According to Krupp South Africa’s MD Mr Klaus Borowski the total market for this equipment in this country is worth over R30 million.

Several orders for crushers are already in the pipeline from local mines while the export market is looking extremely healthy said Borowski.

R3-m CONTRACT

EMS Industrial has recently completed a R3 million contract for Escom which involved the design, fabrication, supply, installation and commissioning of the complete instrumentation and control system covering coal stockyard storage and overland conveyors at Tutuka Power Station near Standerton.

The stopping, starting and interlocking of the conveyors is controlled by Programmable Logic Controllers (PLCs).
Cement men reject price allegations

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**ECONOMICS**

The Minister of Agriculture: 

1. The Minister of Agriculture is responsible for the economic affairs of the Department of Agriculture. 
2. The Minister is also responsible for overseeing the implementation of agricultural policies and programs. 
3. The Minister is appointed by the Prime Minister of the United Kingdom.

**SANCTIONS**

The Minister of Agriculture has the power to impose sanctions on individuals or organizations that violate agricultural policies. These sanctions may include fines, revocation of licenses, or other penalties. 

**MARKETING AND EXPORTS**

The Minister of Agriculture is also responsible for managing the marketing and export of agricultural products. This includes negotiating trade agreements, setting export quotas, and ensuring that agricultural products are sold at fair prices. 

**FINANCIAL REPORT**

The Minister of Agriculture is required to submit a financial report to Parliament on a regular basis. This report includes information on the department's budget, expenditures, and revenue. 

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**Additional Information**

- The Minister of Agriculture is a member of the Cabinet of Ministers. 
- The Minister of Agriculture is accountable to Parliament for the management of the department. 
- The Minister of Agriculture is responsible for ensuring that the department's activities are conducted in accordance with the law and government policy.

Car plant to export parts to Germany

A programme for BMW South Africa to export car parts to its German parent company was announced yesterday by BMW AG's chairman, Mr Eberhard von Kuenheim.

Mr von Kuenheim, who is visiting BMW South Africa, has held talks with President PW Botha and other senior Government officials, said BMW SA would eventually export up to R50 million worth of high-technology parts a year, with first deliveries commencing in July this year. As a first step, the company's Bophuthatswana plant would be expanded to employ a further 200 people.

Commenting that such projects would be of benefit to the South African motor industry, Mr von Kuenheim said: "This industry has to improve its manufacturing economies of scale if it is to become truly viable and profitable."
Row over export of crayfish

Weekend Argus Foreign Service

NEW YORK. — The managing director of the only company entitled to export South African rock lobsters from South Africa claims that he has evidence they are being illegally exported by other organisations for huge profits.

And in Cape Town a spokesman for Mr John Wiley, the Minister of Sea Fisheries, said Mr Wiley was aware of the allegations and had asked his department for comment. He would react when this was received.

Mr Eric Kiwi, the South African managing director of SA Rock Lobster Services based in New York, said he had evidence and names of firms and individuals involved from the time the lobsters leave South Africa until they reach destinations in the United States.

He would not give the names or identities yet “because we are watching them in the hope that we can catch them out”, said Mr Kiwi.

He said the illegal exporters were shipping consignments through England.

About 260 boxes were involved. They were worth about $625 a box in the US, compared to about R250 a box in South Africa, allowing a huge profit.

He said he learnt about the illegal exports through Mr Ben Koslov, one of the biggest US importers, who normally receives his rock lobsters through Mr Kiwi’s firm. Mr Koslov had been approached by others offering South African lobsters at a slightly lower price.

Mr Kiwi explained that only his firm has the appropriate Government permit to export lobsters from South Africa.

Price difference

The illegal exporters were allegedly documenting their exports as some other fish, thereby getting round a variety of Government restrictions placed on the export of lobsters.

The incentive to buy is the huge price difference between rock lobsters sold overseas and those sold in South Africa.

At least 25 percent of the harvest must, by regulation, be sold in South Africa. Since the price in South Africa is extremely low compared to the price lobsters fetch overseas, some of those being set aside for domestic consumption were being secretly exported and the profits left overseas.
R16m forex loss hits Rex — R7m rights issue

BY PAUL DOLD
Financial Editor

SOUTH AFRICA'S largest menswear manufacturer, blue chip Rex Trueform, has been hit by a R16.3m foreign exchange loss and is passing its dividend for the first time in more than three decades.

The forex loss flowed from the cancellation of an order by a major British store group. The passing of the dividend will come as a shock to shareholders but was clearly prudent after the currency loss. Rex is raising R7m through a rights issue to strengthen liquidity.

The encouraging feature is that dividends should be resumed in the 1986 financial year and payments will be at the same rate on the enlarged share capital as last year's 55c.

Last night, the chairman, Mr Stewart Shub, said he was fairly confident on the outlook. "Naturally we are very disappointed to have taken this forex knock. But it is manageable and we will be able to finance it. The rights issue is being underwritten by UAL."

Confidence

"African and Overseas (which owns 55 percent of Rex) is following its rights which in itself shows confidence in Rex Trueform. I am hoping that profitability will be restored relatively quickly."

The forex loss was apparently caused by Rex prudently covering its export proceeds but which through the cancellation of the order turned out to be in excess of requirements. The board decided to close the position and take the loss.

The forex jolt married what otherwise would have been a fair performance — certainly at the operating stage where profits at R5 044 000 were slightly ahead of last year.

Mr Stewart Shub... forecasting an early restoration of the profit trend.

But higher interest rates — the bill was nearly doubled at R2.2m — knocked net profits from R3.6m to R2.9m. No Tax was payable due to export allowances.

Earnings per share before the loss were 21 percent down at 96.5c. Including the abnormal loss, the net loss for the year was R13.5m against the previous R3.6m profit.

Mr Shub says that local trading conditions remain difficult with demand weak and interest rates remaining high.

Export sales are being maintained at 1984 levels and provided there is no further weakening of the economy, the current year's profits (before the abnormal loss) should be more than those achieved last year.

African & Overseas had operating profits of R6.5m (R5.3m).

Interest paid rose from R1.3m to R2.2m leaving taxed profits of R3.1m (R3.6m).

Earnings

Before the attributable loss from Rex, earnings per share were 69.9c (84c). The bottom line net loss was R6.8m (R2.9m profit).

The dividend is being passed.

African & Over will raise the R3.7m for the rights issue from existing resources and the proceeds of certain property sales.

Comment: Rex has a dominant share of the South African market and the export business has been growing steadily. It is a pity that the group as the country's largest clothing exporter should have had to take this knock through no fault of its own.

The shares are likely to remain depressed on the news of the heavy loss and the rights issue but investors should be alert for an eventual upturn in the price. Rex produces outstanding products and has first rate man-
Local content drop mooted

Industrial Reporter

The compulsory level of local content in South African-made cars has to be reduced, says the retiring chief executive of Mercedes-Benz, Mr Morris Shenker.

He said yesterday that the reduction was necessary "to bring relief to an industry in desperate straits".

Mr Shenker was speaking in Johannesburg at a ceremony to mark his retirement after 25 years with the company, 20 of them as chief executive.

He said: "Protectionism must be reduced so that the industry has room to breathe."

He said inflation and exchange rate changes meant "an explosive increase in tooling cost every time a new model is introduced".

Figures published recently put the cost of re-tooling for certain car models at between R40m and R50m. These figures were certainly applicable to Mercedes-Benz.

There, model changes took place roughly every six years, at least, so given 10 manufacturers, model changes at that enormous cost averaged five a year.

"I find it astounding that nobody outside the industry appears to be impressed when figures on this scale are bandied about in this small market," Mr Shenker said.

The investment didn't end with tooling costs, because to meet the high level of local content, major plant expansion was required.

"For example, you have to do the building of sub-assemblies locally — so the motor plants have to be huge establishments."

In this Catch-22 situation, in which investment decisions had to be made not on a business basis, but on account of legislation, manufacturers had to go to their banks for the money needed.

"This places a heavy burden on their operations and demands a high volume of turnover in a market that is consequently over-competitive."

"All this results in an expensive car and contributes to distress in the industry, which is bad both for the industry and the country."

Mr Shenker said the Mercedes-Benz experience was that the level of local content at which tooling became super-expensive was about 55%. Reduction to that level, at least, was a matter of urgency.

The reduced level would cut out the need for super-expensive investment, and enable car makers to import key sections of their vehicles at much lower cost that at present.
SA firms lose R600m on loans

Own Correspondent
JOHANNESBURG — South African companies have so far this year reported foreign-exchange losses of about R600 million from overseas loans, virtually all denominated in dollars.

This could easily reach R1 000 million over the whole year, although much depends on the rand dollar exchange rate which is what the issue is all about.

Major inroads have also been made into the profits of many companies by the sharp rise in the cost of imports.

Mining

But many other South African companies, essentially in mining, are making handsome profits from the rand slump.

Giant groups which have been hit by foreign-exchange losses include General Mining Union Corporation (Gencor), Anglo American Barlows, Premier Group, Toyota, ASCI, Federale Volksbewegings and Sentrachem.

However, Gencor, Anglo and Barlows all have operations which have profited greatly from the rand’s fall.

This is vividly illustrated in the results for 1983 from Gencor published this week.

In spite of the horrendous foreign-exchange losses in some of the industrial and other companies in the group, its net profit was down from R251 700 000 to only 17 percent to R310 600 000 in 1983.

This was because of spectacular compensation from the base metals and minerals division — which includes the effective controlling stake in South African Manganese Amcor — to R34 100 000 from a R4 million loss in 1983.

Still, the obvious question being asked in financial circles is why so many companies have suffered such severe foreign-exchange losses from overseas loans.

Why did they borrow abroad in the first place? Could they not insulate themselves against the great fall of the rand?

‘Much cheaper’

Companies borrowed overseas, quite simply, because at various times it was much cheaper than borrowing within South Africa.

These companies certainly could have protected themselves by taking out forward cover with the Reserve Bank against an appreciable decline in the rand.

However, the premium cost of this cover would have nearly or entirely wiped out the benefit of the lower interest rate cost.

So many companies look only partial cover or none at all because they reckoned it was not worth paying the premium.

This view was reinforced by the fact that there was widespread optimism in the first months of last year among many economists and generally encouraged by Government that a rise in the rand against the dollar could be expected.

To have spent money insuring against a fall in the rand looked bad business in many companies.

*With hindsight, of course, they know better now.*
Textile industry undermined by ‘unfair practices’

By Stan Kennedy

The government has been asked by the Textile Federation to “react vigorously” to the export malpractices in the field of textiles and clothing which, it alleges, are taking place in Transkei, Bophuthatswana, Venda and Ciskei.

Exports from these countries are said to be of South Africa origin which could adversely affect South African exports, the Federation’s president, Mr. Charles Kluk, said at the annual meeting in Johannesburg.

He said the biggest problem with imports, apart from the disruptions caused by the large volumes and low prices, was their timing. These bore no relationship to the domestic level of demand or the supply capabilities of local industry.

Total domestic demand for textile products dropped 10 percent last year and yet this declining market was saturated with a 50 percent increase in fabric imports in the first half of the year. Overstocking and import costs resulted in the increase in fabric imports for the whole of 1983 dropping to 22 percent.

He said there was a belief in official quarters that the weak rand gave effective protection against imports and makes exports more competitive.

Investigations by the Federation indicated that in January costs of production had increased 22 percent over January last year. The averaged FOB rand price of competitive imports had also increased by a similar amount.

Mr. Kluk said: “What is even worse is that reasonable estimates for later periods of this year indicate that this competitive advantage will widen to an appreciable extent. On the assumption that the rand will move in the 45c to 50c range, a nine percent gap is expected in mid-year.”

Being highly dependent on the fortunes of the retail sector, it was of some concern that it had adopted policies of accelerated stock turns and excessively short lead times.

These put pressures on suppliers which could not reasonably be met and created serious production problems, lowered productivity and increased costs.
Richards Bay port has lost R148.8-million

Parliamentary Staff

RICHARDS Bay harbour has lost R148.8-million since it became operational in 1976.

It has recorded a loss every year since it was commissioned as the country's main coal-exporting port, with the deficit dropping for the first time below R10-million last year. The highest loss of R25.8-million was recorded in 1990, the Minister of Transport, Mr Hendrik Schoeman, said in reply to Mr Vause Raw, the New Republic Party's transport spokesman.

Mr Raw said he was not surprised and had suspected the losses.

He said the losses confirmed his view that Richards Bay should not be created as a separate region of the SA Transport Services network, but should remain under the control of Durban.

"If a separate region is created expenditure will be pushed up further."

The income generated by the port has risen from R13.5-million in its first year of operation to R74.2-million last year.

At the same time operating costs have risen from R16.5-million to R84.2-million.
Argus Foreign Service
LONDON — Trade union leaders representing millions of British workers have appealed to their members to show their condemnation of apartheid by boycotting all South African products.

The general secretaries of 16 national trade unions yesterday signed a declaration urging British workers to avoid buying South African goods.

Their declaration is part of the Anti-Apartheid Movement's "month of boycott action" — a major campaign to increase the pressure on South Africa by stepping up the boycott action in Britain.

Signatories included Mr. Gavin Laird of the Amalgamated Union of Engineering Workers, which has more than a million members, and Mr. David Bassett, one of the trade union movement's "elder statesmen" and general secretary of the General Municipal, Boilermakers and Allied Trades Union, which has about 850,000 members.

Other signatories include Mr. Bill Wheatley and Mr. Sid Tierney, general secretary and president respectively, of the shopworkers' union whose members handle much of the South African produce on sale in British shops.
HOUSE OF ASSEMBLY.
— South Africa's coal industry needed more competition, not more regulation, Mr Brian Goodall (PFP Edenvale) said yesterday during second-reading debate on the Coal Resources Bill.

The bill would give the minister power to regulate prices, prescribe export conditions "as he may deem fit" and withdraw exemptions to conditions laid down in the bill without giving reasons.

"It could happen that we find ourselves in a situation in which we have no oil. But we have so much coal that we are exporting something like 40 million tons a year," Mr Goodall said.

The Competitions Board had recommended relaxation of government control over the industry, and the bill had been opposed by the Chamber of Mines, Assocom, FC1 and initially by Sasol.

Mr John Malcolm (PFP Port Elizabeth Central) said the minister was doing his "level best" to put small entrepreneurs out of business by forcing them to comply with arrangements for transportation, storage and sale of coal — they could not afford.

œ Mr S P Barnard (CP Langlaagte) said the bill could lead to big businesses receiving protection they did not need. It was the small trader who needed protection.

œ The Minister of Mineral and Energy Affairs, Mr Danie Steyn, said he had met 87 small coal distributors and only three opposed the bill.

He said he was prepared to scrap regional regulations governing coal distribution provided suppliers met certain conditions — for instance if they gave the assurance they would provide supplies to all who needed them.

The bill was read a second time after a division, in which the PFP and the CP voted against the NRP and the NP.

œ South Africa is buying the cheapest oil available on the world market, Mr Steyn said while replying to second-reading debate on the State Oil Fund Amendment Bill.

"Oil is freely available and cheap."

However, efforts to cut off the supply to the Republic had intensified and suppliers had warned that if South Africa disclosed where the oil was coming from, supplies would stop immediately.
Sharp rise seen in number of SA exporters

By DEREK TOMMEEY
Financial Editor

BUSINESSMEN in South Africa have been begun to show far greater interest in exporting, Mr W B Holtes, chief executive of Safto, told an Exporters Club meeting in Cape Town.

He said in the past few months there had been a sharp rise in the number of registered exporters, in applications for membership of Safto, and in attendance at export presentations and training programmes.

A more positive perception of exports was also emerging in the Government sector.

Exporters in the past had reason to be disheartened by their apparent relegation to a secondary function when generous Government funding was available through the South African Central Development Bank and the Small Business Development Corporation for new initiatives.

However, exporters could be confident that the Department of Trade and Industry was committed more than ever to a renewed export drive as was shown by improved export aids and the more pragmatic handling of sectoral problems.

Mr Holtes said the South African economy would have been in far better shape today had local businessmen moved into the export market a year ago as their overseas competitors had done.

It was already apparent then that the European and Far Eastern economies were strengthening and the rand was weakening.

Excuses that foreign pressures frustrated exports did not hold water. There were huge opportunities for exports in the world market.

DESULTORY RESPONSE

Mr Holtes said that few South African companies, other than about 1000 committed exporters, had made any long-term investment in exporting by way of finance, product and manpower.

Few companies had allocated a percentage of their production to export sales or invested in foreign marketing marketing operations, while the response from South African business to export promotional programmes in the past had often been desultory.

But although South African business had responded late to the challenge, he hoped they would still be in time to join the gradually rising tide in world trade which was still gathering momentum.
R911.9m surplus in February
Trade surplus soars as imports slump

By PAUL DOLD
FINANCIAL EDITOR

THE continuing high prime rate coupled with falling consumer demand has led to a slump in imports in February while exports have continued to boom.

The trade surplus soared to R911.9m — more than double the January figure — bringing the overall surplus for the two months to more than R1.3 billion.

Although exports fell back from R2.78 billion in January to R2.42 billion there was a sharp drop in imports from R2.36 billion to R1.51 billion.

The February 1984 surplus was a mere R97m and the R1.33 billion surplus for the two months is well ahead of the year-ago figure of R284.3m.

Total exports for the first two months were R5.2 billion — far above the year-ago figure of R3.7 billion, while imports were R3.87 billion — still slightly higher than the previous R3.41 billion.

A breakdown of trading in world zones showed that Europe remained the largest importer of South African goods, with sales standing at R1274.1m (R949m). Imports from Europe totalled R1 690.4m (R1 409m).

Exports to Oceania stood at R28.6m (R28.2m) and imports at R51.6m (R33.3m).

Other unclassified goods and balance of payments adjustments totalled R2 383.8m (R1 125m) for exports and R782.3m (R784.5m) for imports.
Scandinavia moves to put financial pressure on SA

Argus Foreign Service

OSLO. — The Norwegian Government has disclosed new proposals to curb trading with South Africa, as part of Scandinavian measures against Pretoria.

In a White Paper put to the Storting (Parliament) yesterday, anti-South African MPs have passed a motion to restrictively license all future imports from South Africa.

And, as an encouragement to Norwegian trade and commercial interests, the Government will give subsidies to compensate for losses incurred when trading with other sources.

Lobbied strongly by socialists in the Storting, the Government also proposes to look into putting a ban on North Sea oil exports to South Africa.

In Stockholm, Energy Minister Birgitta Dahl met Swedish coal importers and emerged saying that a voluntary agreement had been arrived at to purchase coal from markets other than South Africa.

In Helsinki tomorrow, Scandinavian Foreign Ministers will discuss escalated moves against South Africa. Items for discussion include a Scandinavian bid to prevent Scandinavian Airlines System from flying regular routes to Jan Smuts Airport.

And Scandinavian banks are to be told to withdraw from South Africa as a means of putting financial pressure on Pretoria to abolish apartheid.
SA exports to Africa increase

South African exports to Africa have started to increase after a steady drop since 1980, says South African-based foreign trade consultant Miss Sally Gallagher.

She told the Institute of Race Relations in Johannesburg yesterday that exports to African countries who officially dealt with South Africa had increased substantially in the last six months.

"Exports to those countries who officially do not deal with South Africa have increased between 20 and 25 percent in the last few months," she added.

In 1980, trade with Africa had reached R1 million mark but because of the world recession it had dropped again.

Miss Gallagher said there were ten countries in Africa who dealt openly with South Africa: the Ivory Coast, Comoros, Malawi, Mozambique, Reunion, Seychelles, Zimbabwe, Zambia, Zaire, Mauritius.

"But I can say there is not a single country in Africa that has not purchased South African goods in the last five years," she added.

"That is why I cannot understand our businessmen when they show despair every time an African country makes a statement against South Africa, which is a natural trading partner of the continent."

Miss Gallagher, former senior executive at the South African Foreign Trade Organisation, said there could be a danger in the fact that trade with black Africa was in most cases highly favourable to South Africa.
Mauritius aims for SA industry

By Stan Kennedy

The importance of South Africa to its tourist industry and the need to redress its poor balance of trade, which is strongly tilted in favour of South Africa, has spurred Mauritius to take part in this year's Rand Easter Show for the first time.

Last year, South Africa exported goods worth R50 million, mainly paper products and machinery, against textile imports from Mauritius worth R2 million.

Mr Jean-Claude Montocchio, secretary-general, Mauritius Chamber of Commerce and Industry, said his country's presence represented recognition of South Africa's economic power.

"We value the importance of South Africa to our expanding tourist industry and we expect about 33 000 to visit our country this year. More importantly, we are looking to South African investment in our export processing zones, which will give employment to our people and help towards the rapid industrialisation of our island."

IDEAL ALTERNATIVE

Wages in Mauritius had been declining for four years and were today about 10 percent of those in Europe and 25 percent of those in Malaysia, Hong Kong and Indonesia.

Mauritius was the ideal alternative manufacturing base for SA industrialists, who wanted to expand overseas markets, particularly in the EEC, or re-export to South Africa.

Advantages of the export processing zones include: no import duty on machinery, equipment and spare parts, no import and excise duty on raw materials and semi-finished goods, no corporation tax on income from exports for the first 10 years and free repatriation of capital and remittance abroad of profits and dividends to companies with export enterprise certificates. Other incentives cover loans, buildings and electricity.
SA trade: Australian move on conduct code

Argus Foreign Service

CANBERRA. — The Australian Government today moved to introduce a code of conduct for companies trading with South Africa.

It also said it would support an effective international disinvestment policy. At the same time the Prime Minister, Mr Bob Hawke, announced that the Government was prepared to provide assistance for Australian cricketers to break any contracts signed to play cricket in South Africa.

And the Minister of Foreign Affairs, Mr Bill Hayden, said payments to Australian cricketers were nothing less than "blood money".

These moves, announced in Parliament, form part of a concerted response to violence in South Africa and to the prospect of the ban on sporting links being broken by a rebel cricket team.

Significantly, opposition leader, Mr Andrew Peacock said the conservative Liberal-National Party opposition supported the code of conduct because it now had grave doubts that South Africa was serious about reform.

His statement confirmed that the opposition has abandoned moves that it made last year towards embracing the US policy of constructive engagement. But Mr Peacock said the opposition would not support an economic boycott, which the Government indicated it would do if it involved South Africa's major trading partners.

He said such action would hurt people it was designed to help. The announcement of a code of conduct was made by Mr Hayden in a statement about the South African issue.

The code will be voluntary but Mr Hayden said he expected all companies involved — about 100 — to comply with it. The code is modelled on the European Community, Canadian and Sullivan codes.

It will require Australian companies to reject segregation and to apply the principles of equality of treatment to recruitment, employment, industrial relations and pay.

Mr Hayden said the code would ensure that Australian companies did not exploit the "peculiar employment conditions generated by apartheid".

He said it would take into account the social and economic hardships imposed on non-whites in South Africa and proposed fringe benefits and other measures consistent with those in Australia.

He said the compliance of companies with the code would be monitored by the Government but there would be no penalties for non-compliance. On a possible trade boycott, Mr Hayden said Australia was not prepared to act unilaterally.

However it was possible that as a member of the UN Security Council, Australia would soon be asked to vote on mandatory sanctions.

"Australia would support such a proposal," he said.

Dennis Turner, a 51-year-old machine operator from Stoke-on-Trent, has a good reason to quit his tyre-factory job. He has scooped Britain's biggest football pools win — nearly £1-million (more than R2-million). He staked 36 pence (85 cents). Presenting the huge cheque on behalf of Littlewoods is TV star Howard Keel.
Union hits at furniture imports during slump

By Sandy Nair

The National Union of Furniture and Allied Workers of South Africa has called for a halt to all unnecessary imports of furniture at a time when 4,000 of its members are unemployed because of the recession.

In a hard-hitting statement the union says it is deeply concerned at the amount of furniture being imported into South Africa. In the first nine months of last year R36 million worth of furniture was imported.

The union believes even greater volumes of imports will be dumped on the South African market this year despite the low value of the rand.

"At the present time some 4,000 of our members are unemployed and, if the volume of imports is translated into local production, it could provide employment for at least 1,500 of our members in about 70 small factories," the statement said.

Mr S Redelinghuys, executive director of the Furniture Traders' Association said his organisation sympathised with employees who were out of work and fully understood the plight of unemployed union members.

He said the unemployment figure for people who had been made redundant in the retail sector of the furniture industry had now topped 10,700.

However, he said the percentage of furniture being imported was infinitesimal compared to the R2.6 billion annual turnover in the trade.

Mr Redelinghuys added that his organisation would discourage any curbs on the free enterprise system such as import permits.

The union said it was confronted daily by out-of-work members who were losing their homes, having their household goods repossessed and were facing starvation because of what it claimed was the irresponsible attitude of the local business community.

"We are not prepared to let this matter rest and while we appeal to the government to stop all unnecessary imports of furniture by all the means at their disposal, we on our own will compile a list of those retailers who are stockists of that furniture which is taking the bread out of our mouths and appeal to our fellow workers in all industries to boycott those businesses totally."

Mr Redelinghuys believed such boycotts would be counter-productive. Both furniture retailers and manufacturers had to co-exist.
Union to urge boycott

BY STEVEN FRIEDMAN
Labour Correspondent

AN ESTABLISHED furniture workers' union says it will urge workers in all industries to boycott stores which sell foreign-made furniture.

The union, the National Union of Furniture and Allied Workers, charges that "large volumes" of furniture are being imported into the country and that this is depriving at least 15,000 workers of jobs.

It says that 4,000 of its members are out of work and "facing starvation due to the irresponsible attitude of the local business community" and urges the Government to curb furniture imports.

The union says it is drawing up a list of retailers who stock foreign furniture which is taking the bread out of our mouths as a first step towards calling a boycott.

UFUAW has members in all four provinces and a boycott could affect furnishing stores throughout the country.

In a statement issued by its general secretary, Mr. Mohan Lalaram, the union says it has learned that Rm 5m worth of furniture was imported in the first nine months of last year.
Incentive for export to Japan

By Financial Reporter

EXPORTERS should be working to reducing the widening trade deficit with SA's second-largest trading partner, Japan.

According to Miss Jan Sykes, public relations manager for Renfright Shipping, the deficit increased by 16% during the period January to November compared with the same period in 1993.

In rand terms imports grew 51% from R1.7bn to R2.5bn while export only moved from R1.4bn to R1.7bn.

About 7% of South Africa's total exports find their way to Japanese markets, Miss Sykes said, with minerals and base metals making up the biggest proportion.

The latest round of tariff cuts may give SA exporters some incentive to capitalise on new opportunities.

Since April 1 Japanese import tariffs have been significantly reduced on a number of commodities, many of which SA is well-able to supply.

Meat, fish, shellfish, flowers and fruit are included.

"We realise that Australia is geographically better placed to supply the Japanese market," Miss Sykes said, "but the quality of SA produce is such that exporters should be confidently canvassing market opportunities." Penetration into these sectors could play an important role in balancing bilateral trade accounts.
Furniture store boycott threat

THE National Union of Furniture and Allied Workers yesterday called on the Government to curb furniture imports and announced plans for a boycott of stores which sell foreign-made furniture.

The union claims that large quantities of furniture are being imported into the country and this was depriving at least 1,500 workers of jobs.

In recent months, about 4,000 workers in the furniture industry were retrenched because of the recession.

Mr Mohan Lalaram, general secretary of the NUFAW, said yesterday that the union had learned that R30 million worth of furniture was imported in the first nine months of last year.

We believe that even greater volumes will be dumped here this year in spite of the low value of the rand," he said.

If the volume of imports were translated into local production, it could provide work for at least 1,500 workers in about 70 small factories, he said.

The union said it was drawing up a list of retailers who stock foreign furniture as a first step towards calling a boycott.
Massive anti-SA boycott planned

By THAMI MAZWAI

A MASSIVE consumer boycott against South Africa involving most countries in the West and in Third World is being planned.

Plans for the boycott are to be finalised at an international conference on apartheid planned for later this year. At this stage the venue and dates have not been announced.

The conference will not only look at the planned consumer boycott, but will also investigate all actions to be taken against South Africa. While previous campaigns against the country have been at infrequent intervals, the conference is to discuss the launching of a variety of campaigns against South Africa all at the same time.

The existence of plans for a boycott of this nature came to light in a SOWETAN interview with Major General Joseph Garba, chairman of the United Nations Special Committee against Apartheid. The interview with General Garba was at the United Nations. Part one of the interview appeared in our sister paper, The MIRROR, yesterday.

According to General Garba, the committee and other allied anti-apartheid organisations throughout the West were preparing for the next thrust against apartheid, after the highly successful demonstrations in the United States.

Groups

According to him, the boycott has been started on a small scale in some towns in Great Britain where activists are involved in campaigns that aim at isolating shops and establishments that deal with South Africa.

But the main onslaught, involving all anti-apartheid organisations in the world, will be decided at this conference.

Organisations active against South Africa include the UN special committee, the UN Centre against Apartheid, SA Non-racial Olympic Union and other organisations involved in the campaign to isolate South Africa in all spheres.
Union wants ban on imported furniture

Argus Correspondent

THE National Union of Furniture and Allied Workers of South Africa, with 4 000 of its members unemployed owing to the economic recession, has called for a halt to all unnecessary imports of furniture.

The union says it is deeply concerned at the amount of furniture being imported into South Africa. In the first nine months of last year R35-million worth of furniture was brought into the country.

The union believes even greater volumes of imports will be dumped on the South African market this year in spite of the low value of the rand.

"At the present time some 4 000 of our members are unemployed and, if the volume of imports is translated into local production, it could provide employment for at least 1 500 of our members in about 70 small factories," the union said.

Mr S. Redlinghuis, executive director of the Furniture Traders Association, said his organisation sympathised with employees who were out of work and fully understood the plight of unemployed union members. The unemployment figure for people who had been made redundant in the retail sector of the furniture industry now topped 10 700.

However, the percentage of furniture being imported was infinitesimal compared to the R2.5-billion annual turnover in the trade. He doubted that any dumping of household furniture had taken place as dumping had largely been confined to appliances.

The union has complained that furniture may be imported free of permits at a time when the industry is suffering in the recession.

Mr Redlinghuis said that his organisation would discourage any curbs on the free enterprise system such as import permits.

The union said it was confronted daily by out of work members who were losing their homes, having their household goods repossessed and were facing starvation due to what it claimed was the irresponsible attitude of the local business community.

"We are not prepared to let this matter rest and while we appeal to the government to stop all unnecessary imports of furniture by all the means at their disposal," the union said.
Union with 4,000 Jobless Calls For Business Day

South Africa has suffered a 5% rise in the number of unemployed, with 4,000 workers losing their jobs this week. The union, which represents 70,000 workers in the furniture industry, has called for a halt in imports of furniture imports. The union believes that the recession will continue to affect the local industry, with many companies facing bankruptcy. The union's call for a halt in imports comes as the government is expected to announce its economic stimulus package next week. The union is urging the government to provide immediate relief to the industry, which is struggling to survive the recession.
Thatcher opposed to sanctions

Own Correspondent
LONDON — The British Prime Minister, Mrs Margaret Thatcher, is vigorously opposed to economic sanctions against South Africa.

Spelling out the reasons for her stand in a BBC radio programme yesterday, she said:

"Trade sanctions against South Africa would be highly damaging for all the people of South Africa."

This included 22.8-million blacks, nearly 1-million Indians and 1.6-million coloureds.

Struggle

"It would lead to a terrible struggle, much worse than at present, with little hope of South Africa coming out with any improvement in standard of living which is so vital for all of the people living there."

Trade sanctions had not worked and she was very much against them.

Mrs Thatcher was speaking during a BBC Radio 4 phone-in programme, where calls to her were taken from many parts of the world.

Mr David Nichols, phoning from Worthing, Sussex, started his question by suggesting that Mrs Thatcher had recently condemned New Zealand's proposed rugby tour of South Africa. But Mrs Thatcher was quick to deny this and claim that she had said nothing at all about the tour.

Gleneagles

Invited by the programme's producer, South African-born Sue MacGregor, to give her comment, Mrs Thatcher said that the tour was a matter for the New Zealand Government and for the rugby team in New Zealand.

She added: "We are bound by the Gleneagles Agreement (which prohibits sporting links with South Africa).

"So is New Zealand. That Gleneagles agreement recognizes that governments can only persuade voluntarily. In the end they must do everything to persuade voluntarily — and we do."

"In the end it is up to the citizens of New Zealand to make their own decisions. We shy away from force in that respect."

Cricket

Reminded that she had commented when the English cricket team went to South Africa, Mrs Thatcher agreed. She said: "We do everything possible to persuade our teams not to go, because those are the terms of the Gleneagles Agreement."

Other questions dealt with Mrs Thatcher's attitude to nuclear weapons, and to the possibility of her meeting the Soviet leader, Mr Mikhail Gorbachev, at the United Nations.

Phone calls came from as far away as Nairobi and East and West Germany. This international link-up is highly rated and is a prestige production which is broadcast, at the same time, on the BBC's world service."
Exports up 42 pc, top R8-billion

PRETORIA. — South Africa's trade surplus widened further in March to R1 190-million from R912-million in February and R263-million in March last year.

Both exports and imports increased — exports rising 13 percent to R2 860-million from R2 420-million in February.

Imports rose by 10 percent to R1 670-million (R 510-million).

BALANCE SOARS

The first quarter's favourable trade balance of R2 516-million was four and a half times the year-ago surplus of R347-million from exports of R8 080-million and imports of R5 540-million, according to preliminary statistics published today by the Commissioner for Customs and Excise.

Exports of R8 0587-million rose 42 percent over a year ago while imports increased by 8.4 percent to R5 541-million.

A breakdown of trading in world zones shows that exports to Europe increased by 36 percent to R2 017-million, and exports to Asia soared by 85 percent to R1 257-million.

Imports from Europe rose from R2 138-million by March last year to R2548-million in 1985, while America continued to increase her share of the import market, up by almost 10 percent to R1 048-million.

Although imports from Asia fell by R110-million, to R7 849-million, exports to America showed a 45 percent rise, to R777-million.

AFRICAN BUYERS

The sale of South African goods to African countries jumped by 65 percent from R187-million to R309-million, while South African purchases from Oceania more than doubled, from R41-million to almost R90-million.

Imports from Africa rose by 11.8 per cent, to stand at R109-million, and exports to Oceania increased from R38.4-million to R43.9-million.

Other unclassified goods and balance of payments adjustments totalled R3642-million, a rise of R894-million for exports, and R960.6-million, a drop of R18-million, for imports. — Sapa.
Zambia will get 10-million litres of fuel from SA

JOHANNESBURG. — South Africa is to supply Zambia with 10-million litres of diesel fuel to offset a critical shortage in the country following a breakdown of the pipeline between Lusaka and Dar es Salaam.

A spokesman for SA Transport Services said today that Sats would transport 2.5-million litres immediately and the remaining 7.5-million litres "as soon as possible."

Sats began loading the fuel yesterday at a location which is classified.

PIPELINE

Zambia urgently requested the fuel after a fault developed on the pipeline to Lusaka from a marine oil terminal at the Tanzanian port of Dar es Salaam.

The fuel was to be transported through Botswana and Zimbabwe on its 3,000km journey. Delivery time would depend on how long it took the Sats tanker trucks to return for refilling.

The spokesman said Sats had investigated South Africa's diesel reserves before agreeing to supply Zambia with the fuel. — Sapa.
S A to supply diesel to Zambia

JOHANNESBURG—South Africa is to supply Zambia with 10 million litres of diesel fuel to offset a critical shortage in the country following a breakdown of the pipeline between Lusaka and Dar-es-Salaam. (SAPA)

A spokesman for the South African Transport Services said the SATS would transport 2,500,000 litres immediately and the remaining 7,500,000 litres would be sent 'as soon as possible'. She said they had started loading the fuel yesterday.

Zambia had urgently requested the fuel after a fault developed on the pipeline to Lusaka from a marine oil terminal at the Tanzanian port of Dar-es-Salaam.

The fuel is to be transported through Botswana and Zimbabwe. — (SAPA)
Export chief sounds a gloomy warning

SA starts counting the cost of US campaign

The US disinvestment campaign is beginning to take its toll on South African trade.

The director of Export Trade and Promotions, Mr Sarel Kruger, warned yesterday that boycott action had led certain influential distributors in the US to shy away from marketing SA products.

Speaking at a Johannesburg seminar on export trade to the US, he said growing anti-SA feeling was manifesting itself.

"We can already detect a restraining influence on trade brought about by the new Country of Origins regulations which came into operation on January 1," he said.

Other examples were the relatively small advertising budgets and the reluctance of SA firms to use more aggressive promotional methods; the relatively high freight costs especially on "low priced-high volume" products; the high cost of air travel and other inhibiting factors.

The US, he said, had become SA’s most important export market with Switzerland, Japan and Britain ranking second, third and fourth respectively.

"SA, however, supplied only 0.78% of the United State’s total imports in 1983 and ranked 23rd in importance as an overseas supplier.

"The US is the greatest single market in the world and it is abundantly clear the market offers vast potential for SA exporters provided they do not shrink from the political turmoil which our country is facing in parts of the US."

An analysis of the "Top 10" commodities in SA’s export trade with the US, he said, showed that non-ferrous metals, Krugerands, non-metallic mineral manufactures, steel and inorganic chemicals represented more than 80% of the total exports to the US in 1984. A diversification of our export package to the USA should therefore receive top priority.

Mr Kruger said the strength of the US economy had increased the buying power of that country so much there was now talk of the imposition of an import surcharge. The relatively low ruling rand/dollar exchange rate as compared with other currencies, however, still made South African products very competitive as far as foreign purchasers in that country were concerned.

In spite of these inhibitions, he added, South African exporters were showing increased interest in the US market and American firms were also interested in our products.

He listed these export commodities as having shown increases over the past five years. South African exporters could make even bigger inroads:

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>1984 ($ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit and vegetables</td>
<td>46.9</td>
</tr>
<tr>
<td>Raw textile fibres and waste (excluding wool tops)</td>
<td>24.7</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>17.0</td>
</tr>
<tr>
<td>Inorganic chemicals</td>
<td>160.7</td>
</tr>
<tr>
<td>Yarns, fabrics, textile articles</td>
<td>12.6</td>
</tr>
<tr>
<td>Wearing apparel, accessories</td>
<td>18.7</td>
</tr>
<tr>
<td>Leather</td>
<td>6.8</td>
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</tbody>
</table>

The chairman of Barlow Rand, Mr Warren Clewlow, who is vice-chairman of the South African Foreign Trade Organisation, told the seminar, however, that the campaign was "brightening US interest in South Africa."

Some South African exporters had substantially increased their business with the United States, particularly foodstuffs, chemicals and allied products, textiles, clothing and materials.

Speaking during the seminar, Mr Ronnie Lubner, the chief executive of Solaglas International, said that the depressed economy provided "the worst possible conditions" for South African companies to embark on an export drive.

South Africans turned to exports when business was good and the rand was at 80 cents to the dollar," he said. "If they succeed then, they will have proof they will succeed when times are normal."
Critics counter strategic rubber claim

Karbochem fails the test

A QUESTION mark has been placed over the validity of Sentracem's claim that its Karbochem artificial rubber plant is strategic.

The plant was supposed to make rubber out of coal and save large amounts of foreign currency. This justified the R400-million capital cost and led the Government to give the plant 25% import protection.

But in the wake of Karbochem price increases of 45% in the past year, tyre manufacturers have had to raise prices by 3.25% from May 27.

Industrial rubber goods manufacturers say Karbochem is not coal based and is not saving the foreign currency originally envisaged.

Still losing
Karbochem imports 90% of its most important raw materials. Because of the fall in the rand, it has had to raise prices - and it still sustains losses.

Critics say the plant is not fulfilling its original function of replacing imports.

Rubber converters have expressed concern at the price increases, but a Karbochem spokesman says they were necessary because imported feedstock for the manufacture of rubber costs a great deal more.

Steady
From mid-May, styrene butadiene rubber (SBR) will cost R2 610 a ton compared with R2 520 in January this year and butadiene rubber will rise to R2 725 from R2 396. The prices in May last year were R1 800 and R1 670 respectively.

Industry sources say that because Karbochem has to import its raw materials, SA is still subject to sanctions.

The feedstock for isoprene rubber, which is used as a replacement for natural rubber, comes largely from SA sources.

Butadiene is the major raw material used in the manufacture of SBR and butadiene rubber and almost a ton of butadiene is used to make each ton of these two types of rubber.

International butadiene prices have remained steady in the past year, but because of the rand's devaluation, its delivered price has risen from about R680 a ton to R730 a ton.

In the manufacturing process, Karbochem adds various solvents and catalysts at a cost of about R260 for a total input cost of R1 770 a ton. This means the value added by Karbochem on a particular grade of SBR costing R2 500 is R730 a ton - not even 30%.

Karbochem's R2 610 a ton for SBR compares with the American synthetic rubber price of R1 916 ex-factory and the European price of R1 670. The price of natural rubber is R1 520 a ton.

Impossible
Although academic because import permits are unavailable, the price of butadiene rubber delivered in Durban and including the 25% import tariff is R3 100 a ton, and that of SBR is R2 610.

Last year, the Government introduced a 25% tariff on natural rubber imports to protect SA producers. It has since made it virtually impossible for rubber converters to obtain import permits for synthetic rubber.
CSIR plant to be exported to Brazil

By Jaap Boekkooi, Science Reporter

A lightning research establishment developed by the CSIR is to be exported to Brazil. The world's first station of its kind was built by the CSIR in Pretoria.

The National Electrical Engineering Research Institute, part of the Council for Scientific and Industrial Research, will design and build a lightning research station similar to that at Pretoria for the Brazilian city of Belo Horizonte.

It will cost R450,000.

A novelty of the Brazilian lightning research station is that it will switch itself on by reading flashes when a storm approaches.

This is done by an early warning system developed by lightning engineers of the CSIR and which is being marketed for use at mine workings, golf courses and school grounds.

Dr Andy Eriksson, leader of the council's lightning research programme, says the Brazilian tower will have closed-circuit TV and special camera systems for looking at lightning bolts and estimating their distances.

By monitoring the impact of lightning on power transmission lines the project will facilitate a R250 million rural electrification scheme in the Minas Gerais province.
Ferro-chrome muscles into fourth place in mineral export league

By Stan Kennedy

With South African exports of ferro-chrome reaching more than 800,000 tons last year — up from the 580,000 tons in the previous year — chrome has become the country's fourth largest export item after gold, platinum and coal.

Given export prices of R450 a ton, ferro-chrome exports were worth about R430 million. Coupled with exports of chrome ore worth about R50 million, total exports were probably valued at nearer R530 million.

Writing in the Bank of Lisbon's Economic Focus, Professor Roger Gidlow says the ongoing expansion in demand for stainless steel has important positive implications for ferro-chrome.

South African producers are working at full capacity. With ferrochrome prices likely to reach US 50¢ this year, together with the dramatic fall in the rand against the dollar, further expansion in the industry can be expected this year.

He says ferro-chrome exports could well reach 800,000 tons. This would yield about R675 million, even assuming an average price of R450 a ton.

With export of chrome ores expected to reach 1.2 million tons this year, at an average price of R60 a ton, total exports of ferro-chrome and chrome ores could be worth about R890 million this year.

Production costs for chrome ores in South Africa are reputed to be the lowest in the world and at the current rate of mining of around 3.5 million tons a year, reserves are sufficient to last for centuries.

In the case of ferrochrome, electricity costs for production are a third lower than those in Japan and lower than in most parts of the world. At the same time, ferro-chrome capacity is the largest in the world.

Also used in basic steel-making is ferro-manganese of which South Africa is a major producer.

Manganese prices have improved slowly since 1983 and South African exports were probably about R365 million last year. Professor Gidlow sees a further rise in exports this year, if only because of the fall in the value of the rand against the dollar.

Unlike the chrome producers, the manganese industry is not working at full capacity. In fact, some ferro-manganese facilities have been switched to the production of ferro-chrome.
42pc rise in value of SA exports

Mercury Correspondent
CAPE TOWN- The total value of exports from South Africa in the first three months of this year was 42 pc higher than in the corresponding period last year, the Minister of Trade and Industry, Dr Dawie de Villiers said yesterday. PM 15/6

Repeating the debate on his departmental vote in the House of Delegates, Dr De Villiers said exports during the first three months had totalled R8,085 million.

He said the Government was determined that South Africa's export performance should improve further.

But, he emphasised that while the Government could provide the economic climate for exports, the task of exporting ultimately rested with the private sector.

Dr De Villiers said the Government's commitment to improving exports would be spelt out in a White Paper on industrial policy which would be tabled within the next two weeks.

The rand

He said that in 1984 South Africa's exports improved by 22pc to R25,168 million with exporters having the competitive advantage of the depreciation of the rand, coupled with a relatively strong growth in the volume of world trade.

Dr De Villiers said that an increase in exports represented the 'best and healthiest' manner in which to earn foreign exchange and had the added advantage of enabling the country to utilise its local resources to a greater extent for the purposes of creating welfare.

He said the Government made every endeavour to encourage 'more effective and purposeful export efforts' and the amount allocated for this purpose had been increased by R56 million.
Cheap imports, recession hitting clothing industry

CAPE TOWN—Cheap imports and the recession are wreaking havoc in the clothing industry and at least 4,000 people have been retrenched in the Western Cape in recent months.

In the leather and footwear industry, about 3,000 jobs have been lost nationally for the same reason.

One major Cape clothing manufacturer was reported to be considering laying off about 1,000 workers as the recession bit deeper.

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers’ Association, said yesterday that a prime rate of 25 percent, an inflation rate of at least 16 percent and a weak rand were killing the industry.

Half the costs in the clothing industry were imports of yarn and other items which were paid in dollars.

Mr Jocum also said the industry believed imports from Ciskei were finding their way to the local market.

Vulnerable
‘Ciskei gets tremendous subsidies from the South African taxpayer to encourage employment there, but effectively it seems we are subsidising Ciskei to put people out of work in urban areas,’ Mr Jocum said.

Mr Bobby Jacobs, chairman of Tej, which last week retrenched 45 monthly paid staff and put 292 workers on short-time, said the knitwear industry was particularly vulnerable to cheap imports.

‘And it doesn’t help that we have a “Taiwan” within our borders. Wages in border areas and homelands are much lower,’ he said.

Mr Louis Peterson, general secretary of the Garment Workers’ Union, agreed that Ciskeian imports were affecting the South African industry, mainly at the cheaper end of the market.

Mr Jocum said that although factors such as the exchange rate and inflation were pushing prices beyond people’s capacity to pay, there was tremendous competition in the industry which was helping counteract this.

(Sapa)
Johannesburg — The business community has to apply its mind and its creative abilities towards the major economic and social problems of the country. Dr A. J. J. Wessels, chairman and founder of Wesco Investments Ltd, said in Johannesburg last night.

Addressing the graduation ceremony of the Faculty of Commerce of the University of the Witwatersrand, he said the business community could no longer expect to continue undisturbedly with its economic activities, creating careers for its sons and daughters and earning dividends for its investors.

He was not suggesting that businessmen become politicians or even aspire to advise politicians how to run the country.

'I merely want to say that the most complicated issues, both economic and social, should be considered in board rooms rather than on political platforms, and solutions should be worked out by businessmen independently of, but complementary to, what is attempted by the Government.

High on the list of priorities facing businessmen was the creation of job opportunities and an important aspect of achieving this was to work towards a better balance of exports.

Gold and minerals represent 64 percent of South Africa's exports but provide employment to only 800 000 people; whereas manufactured goods of industry which employs about 1.5 million people represent only 12 percent of exports.

Dr Wessels said the main emphasis should be on manufactured goods which provide by far the best opportunities of job creation and more attention should be devoted to it.

The countries which during the last three to four decades made the greatest progress and which created not only the largest job opportunities, but also the highest wage and salary increases, are invariably those which concentrated on the export of manufactured goods.

He gave as examples Japan, Hong Kong, Taiwan and Korea.

He said the most important requirements to achieve higher exports of those goods was to establish and maintain quality standards. — (Sapa)
Pratley expects export earnings from new glue

Managing director, Mr K G M Pratley, said that the new glue — reactively accelerated blocked diisocyanate alloy (Raba) — was the sixth adhesive and was totally different from all others.

It has high strength and flexibility, a combination of qualities that other adhesives do not possess. Recently, its qualities were demonstrated when Mr Pratley stood under a bulldozer which was being lifted over him.

The adhesive is geared for the domestic market and differs from industrial products which can be made with specific uses in mind.

**Test run**

Pratley’s give their products a test run among their workers who are asked to see what the practical uses are. The new glue — WondaFix — was used for two years by Pratley workers.

Mr Pratley said the list of uses was considerable. He had used it to repair running shoes, the inside linings of refrigerators and the underwater parts of swimming-pool cleaning equipment.

The adhesive could be moulded to provide ‘feet’ for ornaments, and would stick plastic objects like beach balls which previously had to be discarded because they could not be fixed.

**Plastics**

One practical use was for book spines. Plastics were something of a problem, which could be overcome by cleaning the surface or roughing it with sandpaper.

Mr Pratley said that they had worked to provide an adhesive which would give the user “the minimum probability of failure”.
Rice price may soar to protect importer

Argus Correspondent

DURBAN. — The price of rice could soar as the result of moves by South Africa’s largest rice company to protect its share of the market.

S Wainstein and Co, which imports large quantities of unmilled rice, has applied for a 300 percent increase in the import duty paid on milled and semi-milled rice. The increase, from 4c to 20c a kilogram, is being considered by the Board of Trade.

S Wainstein and Co market Tastic and Aunt Caroline rice.

The increase to the consumer would probably total 20 cents a kilogram on other rice brands in GST and increases in the profits of the traders and retailers, industry sources said.

High quality

If the duty is accepted it will cost the consumer anything from R13-million to R25-million and would put many independent rice traders out of business, but if it is refused the local rice-milling industry will be severely damaged and about 1 000 people will lose their jobs.

The issue arises out of the appearance of cheap high-quality rice from Thailand on the market in the past few years. The rice, which sells for about 90c a kilogram in supermarkets, almost half the price of rice from other sources, is rapidly becoming popular and, according to a spokesman for S Wainstein and Co, now has between 30 and 40 percent of the market with its popularity still growing.

The rice is only imported in its milled form, as Thailand charges only slightly less for unmilled rice in order to protect its own milling industry.

Other rice importers, many of whom entered the market in recent years as Thai rice became available in large quantities, have strongly condemned the application and they have taken the issue to various chambers of commerce and to Assocon.

Bread price

Mr Stanley Kaplan, the managing director of S Wainstein and Co, denied that his company wanted to establish a monopoly, but said they wanted to ensure the survival of the local rice-milling industry, where about 1 000 jobs were at stake.

The Argus Political Staff reports that the Department of Agricultural Economics confirmed today that a possible increase in the bread price was likely to be discussed by the Cabinet within the next two weeks.

It is understood that the main reason for an increase in the price of bread would be a reduction in the millions spent on food subsidies.

The Minister of Finance, Mr Bar end du Plessis, has already committed the Government to a scaling down of subsidies.

The Department of Agriculture is also considering the introduction of a new type of bread which will have greater food value and the price of the new special loaf.

The announcement on the new bread will be made simultaneously with any bread price increase.
Amcoa lifts profits 42%

JOHANNESBURG.—Increased export volumes, higher levels of interest and the favourable dollar/rand rate have all contributed to Anglo American Coal Corporation (Amcoal) achieving a soaring lift of 42 percent in attributable earnings for the year ended March 31 compared to the financial year 1984.

As a result, the dividend for the year is up by 35 percent with a final of R1.5c a share making a total distribution of 195c for the year (1984: 145c).

Amcoal's attributable earnings increased from R109.2m (446c a share) to R155.2m (634.9c a share) in the year, while turnover was R841.8m (R705.32m).

Profit before amortization, depreciation and taxation was R336.8m (R233.1m).

Amortization of mining assets and depreciation of refractory assets were R98.4m (R21.6m) leaving a pre-tax profit of R310.4m (R211.5m).

Normal and deferred tax totalled R146.6m (R92.8m) and the profit after taxation was R163.8m (R118.8m).

Profit attributable to outside shareholders in subsidiary companies decreased by R1m to R8.6m.

Dividend cover rose from 3.08 in 1984 to 3.26.

— Sapa
Clothing exports hit by American anti-SA campaigns

By TOM HOOD

EXPORT profits of Cape clothing manufacturers are being hit as a result of anti-apartheid and disinvestment campaigns in the United States.

There is still business to be done in the US in spite of all the disadvantages, says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association, who has returned from a business trip.

"But importers are demanding better quality than they are getting and even better prices than they were originally prepared to accept from South Africa, he said this week.

"In other words, we have to pay for the additional risk the importer may be involved with as a result of anti-South African demonstrations."

LABOUR UNREST

He also found:
- The arrest of trade union leaders here made importers fear labour unrest and that they would not be able to get deliveries of goods ordered.
- Some importers were also worried about dock strikes such as dockers refusing to offload South African goods.
- Some importers were also refusing to buy because of the "Made in South Africa" label which has to appear on every garment.
- Exporters also faced a clothing recession in the United States.

Clothing from the Far East was being dumped at uneconomic prices, making 1985 extremely difficult to get into the market.

The South African clothing industry provided 90 percent of the country's needs and employed 120 000 people, plus even more employed in supplying imports in allied activities.

"The future growth and employment of this industry is in the export markets where so many job opportunities could be provided for our workers.

HEALTHY BASE

"Unfortunately the present recession adds to our difficulties in exporting as it is far easier to export from a healthy export base than during a recession.

"Costs which could be passed on to the domestic market, which is usual for exporters, cannot be offset at present which makes exporting even more difficult."

Mr Jocum said he was "absolutely amazed" at the progress made by the anti-South African lobby since his last visit seven months ago.

The result was businessmen were becoming jittery in dealing with South Africans, some of whom said they came from Britain or Australia to avoid unpleasant situations.

DETAINES

The average American who had no concern with South African problems was now exposed to them through daily television and news media coverage whenever an incident took place in South Africa.

"Long before I could get down to the business of exporting clothing to the United States with potential buyers, I was questioned on the politics of South Africa and the future direction, and solutions."

Mr Jocum said overseas contacts — importers, religious leaders, businessmen and politicians — who had visited South Africa in the past six years — complained of difficulty in getting the true picture of South Africa to their friends "because of the way we maintain law and order.

"The actions of the police are bringing the country into disrepute and it appears to them that our police are over-reacting when peaceful demonstrations take place...we cannot continue giving so much ammunition to our enemies."

Five priorities were needed to help exporters:
- An urgent convention between the Department of Foreign Affairs and a broad spectrum of businessmen who travel overseas.
- Urgent export incentives should be given to would-be exporters.
- "In the name of law and order, we must be careful how we react to normal and peaceful protests."
- More non-white businessmen should go overseas to promote investment in South Africa.
- Businessmen should be briefed confidentially on Government plans and intent for future economic and political development.
Export incentives may be revamped

Johannesburg—South African manufacturers can expect the current range of export incentives available to them to be revamped substantially in coming months.

This possibility was confirmed yesterday by Industries Minister Dawie de Villiers. He said there are now serious doubts as to whether the existing range of incentives are in any way really effective in encouraging secondary industry to export.

Government, in consultation with the private sector, is currently reassessing the existing export incentives, both in order to bring them in line with South Africa’s international commitments and to make them more cost-effective.

Financing

Dr De Villiers made clear, however, that manufacturers cannot hope that the ‘new incentive system’ will follow the direct subsidisation route.

In the final analysis competitiveness is the desired goal. Any assistance rendered must be to encourage industry to move in this direction,” he said.

‘Government financing is a definite non-starter,” he emphasised. Instead, Dr De Villiers suggested that a process of restructuring should be embarked upon by manufacturers to enable them to enter foreign markets.

He also called on South African industry to take more use of a facility provided for within the Customs and Excise Act, which permits exporters to import inputs duty-free.

This provision has not been utilised in any meaningful way up to now. Maybe many manufacturers are not aware that it exists,” Dr De Villiers surmised.

‘In terms of item 470.03 of the schedule to the Customs and Excise Act, the Board of Trade and Industries (BTI) can recommend a rebate of duty on inputs used exclusively for exports.

In a sense this turns the whole of South Africa into an export-processing zone, and broadens the concept of demarcating specific areas, as export processing zones,” Dr De Villiers concluded.

Ovenstone’s earnings decrease

Johannesburg—Financial and investment company Ovenstone Investments Ltd showed earnings per ordinary share of 10.7 cents for the 13 months to March 31 that amounted to 99 cents on an annualised basis, which represents a decrease of approximately 19.5 per cent from earnings of 12.3 cents achieved for the year ended February 28 last year.

Turnover for the 13 months was R140.6 million (R341.2 million). Net income after tax was R7-395 000 (R7 784 000). Income attributable to ordinary shareholders decreased to R5 747 000 from R6 093 000.

A final dividend of 2.0 cents (2.5 cents) a share was declared. — (Sapa)

Proof Kruger rand market at 16pc

Johannesburg—Indicated prices on the South African proof Kruger rand market have fallen by an average 16 percent since the South African Gold Coin Exchange said on Friday it was under judicial management, dealers said.

A 105-point proof 1982 coin was quoted on Tuesday at R1.152 against R1.368 on Friday. There are over 150 proof categories, but trading has been virtually non-existent this week.

The Gold Coin Exchange, the only company in South Africa that values proof Kruger rands, said its depository would begin this Friday releasing coins held for clients in safe keeping which had been frozen since the announcement. — (Reuters)

Rates cut

Johannesburg—Syfreys participation bond managers said they would cut rates on its part bond scheme to 22.7 per cent for borrowers from 24.05 per cent and for investors to 21 per cent from 22.35 per cent, effective July 1. — (Reuters)
France says 'non' to UN trade embargo against SA

PARIS. — France has publicly turned down a trade embargo against South Africa.

The Minister of Foreign Affairs, Mr Roland Dumas, told the National Assembly that the trade embargo set out in United Nations resolutions "would not work, and in any case might end up achieving the reverse of its aim".

The statement is the first major policy announcement on South Africa made by Mr Dumas publicly since he became Minister last year.

It is interpreted here as meaning that President Francois Mitterrand has no intention of being stampeded into any anti-Pretoria move.

Mr Dumas said that an embargo should not be decided at the UN by the General Assembly but by the Security Council.

At this point, of course, France could apply its veto.

The French statement was thought here in diplomatic circles to have been made after consultations with Washington and London.

It was also noted that trade between France and South Africa increased by 34 percent in 1984 and the trend was continuing.

But Mr Dumas made it clear that France did not agree with apartheid. He said his Government was "seriously concerned" by the situation in South Africa and by the trial of UDF leaders.
RAND DAILY MAIL

South African Associated Newspapers Ltd gives notice that the name Rand Daily Mail is its sole property and that it has not abandoned the name or the goodwill or business in the name. Any infringement of the rights of South African Associated Newspapers Ltd will be met with legal proceedings.

Taxation of interest is at the heart of the inconclusive battle between tax dodgers and Inland Revenue; dodgers exploit the system's loopholes, Revenue feels detected for its inefficient collection methods. And politicians strike back with ad hoc changes to the law, as did Finance Minister Barend du Plessis with the R100m bank supertax in his March Budget.

Inland Revenue has declared war on undeclared interest. Schweppenhauser has named BAs, TBs and Land Bank Bills as the main vehicles for evasion. And, as part of Revenue's new drive, he has reportedly asked banks for details of transactions on these instruments. Also, for the first time, the latest tax return forms ask taxpayers for similar details.

There is another reason for Schweppenhauser's anger. The "net interest" paid by banks to personal current account holders could, technically speaking, be illegal. The interest earned on such an account is taxable, but the bank charges against which the interest is netted are not tax-deductible.

So despite the tax-immune status of the first R250 of interest earned by personal taxpayers, Revenue is also losing out in this court: taxpayers often do not know what amount to declare, even if they were willing to do so.

Earnings on BA transactions are paid in advance and are known as a "discount." The controversy over the taxable status of BA earnings exists in taxpayers' minds, not Revenue's. Henry Vorster, tax partner at Hofmeyr van der Merwe, says that the weight of tax authorities' opinions on a BA discount is that it is in the "nature of interest," and therefore taxable.

Some bankers contend that for years Revenue has remained silent, despite calls to issue a directive on BAs. Capitalising on this, some adventurous bankers are reputed to have offered BAs to foreign investors claiming that they are "tax-free."

But the bid to flush out dodgers will not be easy. Big-ticket buyers dodge in and out of BA and bills markets through banks, merchant banks, brokers and nominee companies, often using hard cash. The tax system allows this.

Tracing interest earnings will confound even the most tenacious Revenue official. Rounding up dodgers will be costly. Some brokers, it is said for example, are refusing to disclose details to banks. Perhaps the treble-

FOREIGN TRADE

Hi-tech challenge

Pivotal to SA's foreign trade strategy, in the face of structural changes in the international economy, is the need to adopt an outward-looking development policy which encourages economic growth and export performance simultaneously, says Strydom in a paper delivered to the SA Economic Society meeting last week.

Firstly, SA must exploit its comparative advantage in supplying raw materials to the new industries of international trade. Seco

Hofmeyr van der Merwe's Vorster ... nature of interest

Bankers are still smarting after the R100m supertax raised their effective tax rate from less than 5% to 25% — still only half the official rate — for 1984-1985. In banking circles there is apprehension that, unless banks assist the taxman to identify suspected cases of evasion, there could be further "retribution" from the authorities next year.

This would be no less than a war of attrition between the taxman and the institutions. To avoid this, ceasefire talks should be called, aimed at achieving payment of the correct amount of tax — no more and no less — in a manner that is firmly grounded in law.

A possible solution would be that banks volunteer to levy a withholding tax on interest paid to depositors, but they complain that such a tax — which can be adjusted for individual circumstances by tax directives — would mean an additional administrative burden.

That may be so, but their complaint seems to call into question the effectiveness of banks' computerisation programmes. Barclays alone, for example, set aside R100m in 1984 to upgrade its computer systems. The application of a withholding tax would pale beside what banks now claim their microchips are capable of.

The "big five" banks now offer: cash management services; electronic account payments; magnetic tape, payroll, cheque writing and electronic funds services; and a corporate access terminal system.

In Standard Bank's words: "There is no need to continue using the outdated systems of yesteryear when we already arrived at the space-age of banking."

Strydom

Financial Mail May 24 1986
growth and it has evolved as the major source of employment in these countries. New products based on the semiconductor technology started becoming important in world trade. Exports in electronic products by the major industrial countries expanded by 48% in value terms from 1979 to 1983.

The NICs were also successful in entering the field of conventional smokestack industries. From 1973 to 1981, a number of products such as iron and steel, chemicals, textiles and clothing, featured prominently in the trade between the industrial countries and the NICs. This, however, adversely affects SA's share in this market.

"Smokestack industries in the major industrial countries, which have been important markets for our raw materials, are declining industries. This will have major effects on our exports," says Strydom.

"For example, in 1985, the sales of one US advanced technology company, IBM, will exceed those of the entire US steel industry."

**LIFE ASSURERS**

**Surrenders leap**

**Huge increases** in the number of policy surrenders over the last 12 months are cause for serious concern among life assurers. The trend is just another reflection of the severe recession forcing consumers to bail out of savings contracts just to make ends meet.

Last year, according to figures released by the Life Offices' Association (LOA), surrenders amounted to R214m.

This is a 24% increase over the previous year with the number of policies involved estimated at 438,000 compared with 380,000 in 1983.

Large losses of annual premiums as a result of surrenders began in 1982 when they increased by 43% to R133m from the previous year. In 1983 they rose 24% to R172m.

Bill Haslam, senior GM (group business) of Southern Life, explains: "In recessionary times people tend to turn to their life policies first when they need cash. This is unfortunate because they lose valuable benefits."

Sanlam's senior GM (marketing) George Rudman recently expressed concern over the extent of policy surrenders. "The industry in SA has lost more policies through surrenders and lapses in the past two years than the number of new policies that were contracted in 1981. This indicates just how seriously John Citizen's pocket has been hit by the recession."

Arnold Basserabie, MD of Federated Life, says his company's surrenders are 25% higher than expected, largely because of the recession. "People are losing jobs, have no money to support their families and are being forced to cash in their policies."

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- Is there room in the market for a cheaper/more expensive brand?

**Financial Mail May 24 1985**
should finalise the draft during the parliam-
entary recess, probably before the end of the
year.
Although, strictly speaking, this is uncon-
stitutional under the new parliamentary dis-
pensation — no Bill can be referred to a
select committee before it has been tabled in
Parliament — Jacobs says special exemption
might be obtained from Parliament to do so.
He says the Bill, if introduced early next
year, could be written into the statute book
before April.
And Jacobs has indicated he intends
bringing the two factions, those who oppose
the equity route and those who support the
move, together during the recess in an at-
temt to sort out differences.
"I do not regard the differences as funda-
mental," says Jacobs. Rival camps are not
optimistic that he will succeed.
Schwarz says the Standing Finance
Committee does finally get to see the mea-
sure it will want to hear substantial evidence
"because of the disension surrounding the
proposed legislation."
"For example," says Schwarz, "certain
sections of the banking community have
views on the Bill we would like to hear. This
is not legislation that should be steamro-
llered through," he says.
"The Finance Committee is meeting in
October and November this year and I pre-
sume it will be discussed there."
Says the Perm's Bob Tucker, who has
opposed certain aspects of the Bill: "There
are still technical issues to be sorted out."
However, he says the Perm is disappointed
that the implementation of the Bill has been
delayed. "We are anxious for this Bill to go
through," he believes it is still possible for the Bill to
become law early next year.
"However, having suffered at the hands of
administrative delays for many years I tend
to be cynical about whether it will go
through smoothly," he says.
Certainly, the delay will not make the
Bill's passage any easier and could possibly
mean the acrimonious debate that has sur-
rounded it could threaten to swamp it in the
months ahead. Excuses of purely bureau-
cratic delays ring slightly hollow and could
bring into doubt the ability of the new constitu-
tional system to cope with the sheer vol-
ume of legislative reform, especially in com-
plex areas such as financial institutions.
Or does the delay merely highlight the
increased power of interest group lobbies
under the new system?
Either way, the delay is a setback for
orderly monetary reform.

EXPORTS

Earnings down

Exports in 1984 earned fewer dollars than in
any year since 1978, despite the noise cur-
cently being made over SA's improving ex-
port performance in volume terms.
And it is likely there will be little or no
improvement in 1985.
In the last nine months merchandise ex-
ports (including gold) recorded an average
quarter-on-quarter growth rate of 8.6%.
Over the last 15 months, the rate of growth
was only slightly lower at 7.3%.
This creditable performance — the com-
bined result of continued economic growth
overseas (especially in the US), as well as the competitive
advantage given in some small
measure by the declining ex-
change rate — played a great
part in the tremendous boost to
the current account since Sep-
tember last year.
The current account surplus
during the first three months of
1985 amounted to some R1.2
billion, and expectations for the
year as a whole are continually
being revised upwards. Current
account surpluses of up to, or
more than, R3 billion, are being
predicted.
It is largely the effect of this
inflow of funds on the current
account which has led to the
drops in the prime and redis-
count rates, and which is, hope-
fully, going to lay the ground
for the next upswing.
Despite the promising out-
look for the current account
surplus this year, it is often for-
gotten that these figures are ex-
pressed in rands, and rands do
not, in themselves, pay the im-
ports bill.
Put another way, while ex-
port volumes may have im-
proved, they have not improved
enough to counter the depreci-
ated exchange rate (see graph).
The improvement in export volumes sold
over the last nine months has not been
matched by an increase in dollar receipts. In
fact, dollar earnings plummeted from over
$4.4 billion during the second quarter of
1984, to levels of just under $4 billion a
quarter in the nine months since.
These lower foreign earnings have fortu-
nately been matched by a lower import bill
as domestic demand, and hence imports,
dwindled.
But what of this year? Assuming an aver-
age S/R rate of 0.55 for 1985, merchandise
exports, including gold, would have to in-
crease by over 23% in nominal terms, just
to maintain the dollar earnings of 1984.
This is, in itself, not impossible. Last year
saw a 23% increase in total exports, while
exports in 1980 were increased by a massive
34%.
What makes 1985 different is that, unlike
1980, the gold price is not performing well,
and unlike 1984, the industrialised world is
slowing down.
It seems the best we can hope for is the
same level of foreign earnings as last year, at
just below $17 billion for the year.
Another problem then raises its head. De-
spite our main suppliers having lower infla-
tion rates than SA, the prices of our imports
are still rising by around 5% or 6%.
Foreign exchange earned this year will
thus buy around 5% less than it did last year,
which makes things look bleaker.
Only when our own inflation rate is

LESS FOR MORE

Flushing the jackals

Inland Revenue Commissioner Carl Schwep-
penhauser's warning that he will treble-tax
undeclared interest earnings on instruments
like bankers' acceptances (BAs) and Treas-
ury bills (TBs) is long overdue.
Of the R2 billion interest paid by banks to
their customers last year, Inland Revenue
will lose tens of millions of rands or more in
tax on undeclared taxable interest.
The effect is twofold: on the one hand, foregone revenue exerts upward pressure on
tax rates generally, while on the other hand,
the broad mass of diligent, deferential tax-
payers subsidises the big dodgers. Not sur-
prisingly, the tax treatment of bank interest
has been described by a senior banker as a
"highly contentious issue."
Exports surge ahead by 60 percent

By DEREK TOMMEY, Financial Editor

THE monthly trade figures have become of more than passing importance since the Government made it clear that it would not artificially stimulate the economy but would rely on an upsurge in exports to create the upturn.

Against this background the latest trade statistics, which are for April, can be regarded as reasonably satisfactory.

Exports last month amounted to R2,64-million. Though this was R200-million below the April figure it was R906-million or 60 percent higher than in April, last year.

This 60 percent increase in export earnings obviously is helping to keep the wheels of industry turning and providing considerable spending power for the retail trade.

Moreover, with exports at this level, the country as a whole cannot be said to be in recession.

However, the export figures are not completely satisfactory seeing that the dollar has also appreciated 60 percent against the rand in the past 12 months.

On this figure it would appear that the actual volume of exports has not shown much growth and that the gains mainly reflect the decline in the value of the rand — a benefit which could be lost should the rand start to appreciate.

Clearly a much stronger export drive is still required.

Imports last month were R1,87-billion up R200-million from March and R300-million more than a year ago. In view of the sharp devaluation in the rand in the past year, the 20 percent increase in imports seems most modest and highly comforting for the balance of payments. However, the low level of imports does reflect a lower level of domestic activity.

The trade surplus for April was R765-million, which was considerably below March’s record R1,19-billion but significantly better than the R82-million in April last year.

If the trade figures continue at their present levels, and there seems no reason why this should not be so, South Africa seems destined to end 1985 with a huge balance of payments surplus.

This gives hope for a better exchange rate for the rand in the not too distant future.

At present it seems that the rand is being depressed by an outflow of foreign capital. But such an outflow cannot continue indefinitely and with the balance payments in surplus a time must come when the rand begins to reflect this underlying improvement.

While this might not be such good news for exporters, it would be welcome from the national point of view as it should lead to a reduction in inflationary pressures.

'Renewed concern' over economy

JOHANNESBURG. — The announcement of cuts in the commercial banks prime overdraft rate were justified but other fundamentals are creating renewed concern over the health of the economy, the latest issue of the Standard Bank's International Comment says.

The latest inflation rate increase of a 15,75 percent year on year rise in consumer prices was one of them. Apart from a higher rate of 15,90 percent recorded in February, price escalations were last seen around current levels in mid-1982.

Standard says that new car sales, regarded as fairly representative of the state of the economy, fell to 12,649 in April compared to 19,64 in March.

Some fall-off was expected following the 2 per cent rise in general sales tax but the current levels are now in line with mid-1977 levels.

"These factors seem to indicate that conditions are likely to remain depressed for some time to come. Added to which, the continued assault on gold bullion ... is providing little if any support for the rand."

— Sapa.
'Blinkered' Ministers 'need to travel'

JOHANNESBURG. Government Ministers do not travel abroad enough and their blinkered view of international economies is resulting in an escalating tax burden for business.

Pretoria seems unable to grasp the fact proved in some industrialised countries of the world that a lower tax structure encourages investment and exporting which ultimately leads to greater revenue benefits for the State.

This is the view of South African Foreign Trade Organisation (Safoto) chief executive Wim Holtes, given when he spoke to a Durban Exporters' Club meeting.

Leaders of the public and private sectors overseas believed the tax level in this country was going to rise even higher to pay for regional development and for separate political facilities.

They were also concerned with the 16 percent inflation rate which, they felt, would damage the country's economic status alongside countries such as Australia and Canada, said Mr Holtes.

"Top business leaders and bankers I met on my recent trip to the US and Britain felt our recession would not have been as severe if the public and private sector had used the export opportunities apparent 14 months ago when the rand began to weaken."
Iscor almost doubles monthly overseas sales

PRETORIA. — Raw steel consumption could fall by as much as 20 percent during 1985, according to the head of steel production at Iscor, who today said Iscor was aiming to increase its share of the international market.

Mr Nols Olivier, general manager of the steel division at Iscor, said that since October, when the company first decided to turn to the export market, it had almost doubled monthly sales overseas.

According to present trends, he said, Iscor’s steel exports during the current financial year compared with 1983/1984 would increase by 95 percent to Africa, 66 percent to the Far East and 72 percent to Europe.

The Middle East, at present the major buyer of South African steel, would buy a total of 0.69-million tons, or 93 percent more than last year.

Mr Olivier said exports were averaging 230 000 tons a month, or 2.7-million tons on an annual basis, compared with only half that figure during 1983/1984.

Local demand

He said Iscor anticipated foreign earnings of R700-million from these sales, compared with R449-million last year.

Mr Olivier, who said he expected the company’s revenue to drop during 1985, said the decision to stimulate exports had been taken after a fall-off in local demand.

He said sales in South Africa were expected to decline by 13 percent to 2.896-million tons in the current financial year. Sales for the 1985 calendar year would probably drop by as much as 20 percent. This followed increases of 12 percent and 20 percent over the previous two years.

“We are holding our market share,” Mr Olivier said. “So what is happening to us is happening to the rest of the industry.”

Iscore produces about 75 percent of the country’s demands for raw steel, according to industry market surveys.

Mr Olivier said he did not expect the local market to deteriorate but added that sales would improve only once interest rates, now standing at about 24 percent, fell to below 20 percent. He added that he did not expect any change before the end of 1985.

Mr Olivier said that despite the growing export market, he expected Iscor’s revenue to drop during 1985.

Besides having to both cut its price to compete on the export market and take losses on transporting the material abroad, production costs had increased. — Sapa.
Imports main problem for S A footwear trade

FOOTWEAR imports, which increased by more than 47 percent to a value of R123 million last year, were cited as the main problem facing the industry by Mr Dennis Linde yesterday.

Mr Linde, director of the Footwear Manufacturers' Federation of South Africa, said in a statement, that it was disconcerting to note that footwear imports which represented less than 20 percent of the local shoe market in 1981 had grown to 31.2 percent of the market last year.

He said some relief could be afforded to the industry by the Ministry of Trade and Industry, which had indicated it would restrict imports to 1983 levels plus 20 percent to the value of R87m, this representing a drop of 41 percent on last year's figures.

Procedure

Also, the new procedure which will hopefully be introduced in July of issuing permits on the basis of tariff items, not as at present where permits cover all footwear, will exercise a better control of the types of footwear to be imported.

But it is also of concern, that importers, often with a popular make that had been made locally for years, had copied the shoe in Taiwan and then imported it into South Africa in large quantities without passing any of the extra profit on to the consumer.

He said it was correct that local material input in most cases had higher costs structures than overseas and the federation accepted the need for imported footwear, especially expensive fashion footwear from Europe, but the continual cost increases of raw materials was one of the industry's biggest headaches.

Rubber, for example, increased by 14 percent this month, to bring the total escalation to 45 percent in the last 12 months and plastic material is twice the world price.

The absorption by the industry of the added costs of raw material inputs had led to a decline of 32 percent in profit margins and indications were that some of these cost increases could not be carried much longer.

Price index

He said he expected that the 1985 consumer price index for footwear will increase at a faster rate than the average CPI for all commodities for the first time since the period 1976 to 1980.

The annual general meeting of the federation is to be held in Durban on June 11, when the Government's White Paper on Industrial Development Strategy will be discussed; but Mr Linde warned that an urgent solution to the industry's problems - particularly to the labour intensity of the industry - had to be found.

'Since 1981 the sector has lost 18 percent or more than 5 000 of its employees - not so much because of the recession as because of imports.'
ASEA pleads for more protection from foreigners

A PLEA for greater protection of secondary industry against the inroads of foreign competitors is made by Asea managing director Clive Jandrell.

He says in the annual report that the anomaly of the foreign competitor's advantage over local suppliers should be redressed.

Despite the lower value of the rand, foreign competition for capital goods remained intense in the past year, mainly as a result of the slow recovery of most world economies.

Foreign manufacturers adopted a strategy of offering marginal profitable products abroad to ensure full employment at home.

Many foreign tenderers to Escom also enjoyed strong backing from their governments in terms of attractive export incentives and soft-loan packages.

Their competitiveness was further enhanced by the low inflation rates in their countries.

This has profound effect on the adjudication of long-term supply contracts which are subject to cost-price adjustments, especially with South African manufacturers' bids being adjusted for inflation rates of about 14%.

The competitiveness of imports is further enhanced by legislation which provides a high degree of protection for raw-material suppliers from whom Asea is compelled to buy.

The anomaly threatens to undermine the viability of the secondary manufacturing sector, which ought to form a vital and integral part of a growing economy, says Jandrell.

It has led to aggravation of unemployment and labour instability which, in turn, discourages investment by both local and foreign sources.

He says prospects for the company's products are less than ideal in the short term because of the essential nature of the sector in which it trades.

By ELIZABETH ROUSE

Nevertheless, management has embarked on an extensive search for new products and niches, both abroad and on the local front.

Management is confident that Asea's healthy balance sheet, strict asset management and intensified marketing and control systems will enable it to weather the slump.

In the longer term, Asea is well-placed to take advantage of an upswing. The Asea-Scottish-Aberdare cables giant will dominate the market. Prospects for high-technology products and systems such as robotics are exciting.

Asea is aiming to improve its operating-income-to-turnover percentage to 10% from the past 14 months' 7,8% to swing into a 15% increase in earnings, compared with the past accounting period's decrease of 24,5% and to raise dividends by 15%, compared with nil growth in the past two years.

Dividend cover will have to be raised to between 2,7 and 3,3 to finance growth. The past year's 25c dividend was covered only 2,1 times by earnings because of the board's confidence in Asea's ability to cope with adverse conditions and its optimism over future earnings.

Asea's takeovers left it in a far healthier state, with short-term borrowings of R28,6m at the end of December 1983 eliminated and interest paid cut to R2,6m from R6,2m in 1983. The debt:equity ratio is a mere 11%.

Asea's yield is the highest in the Altech stable at 3,9%. It is a moot point whether the shares are worth picking up at the current price of about 350c because most of the areas in which the company operates will endure stringent conditions this year.

The interim report should give an indication of whether the company will be able to hold the dividend.
Cheaper imports blamed for drop in shoe industry

Finance Reporter

CHEAPER imports and recent increased prices of raw materials were cited as the main factors for the decline in profits in the footwear industry during a Footwear Manufacturers' Federation seminar in Durban yesterday.

Mr Frank Moodie, group managing director of Shoe Corporation of Africa said, in contrast to the stagnant manufacturing scene, imports had rocketed since 1979 by 152 percent to capture 31.1 percent of the South African market compared with 17.4 percent five years ago.

Declined

He said the most dramatic growth had taken place in 1984 when goods pouring in from the East and Brazil had escalated by 41.3 percent, which amounted to an extra 7700000 pairs of shoes.

The increment alone is equivalent to the production of 18 large South African factories each capable of producing 500000 pairs annually.

'Somewhat surprisingly, exports from South Africa declined sharply to R3900000 last year from a high of R113.3 million in 1980 and this reflects the aggressively nature of our overseas competitors. But the phenomenon of escalating imports, which we have experienced in this country, has also manifested itself in virtually every Western democracy and in most cases it has gone on longer than in South Africa.'

Relief

'Footwear industries in the U.S., Canada, Britain, France, West Germany and Ireland, all of which were previously major manufacturers, have been virtually decimated by the rapidly growing production in the so-called developing countries in the Orient and Brazil.'

He said some relief had been afforded the industry through the present import control for 1985, based on 1983 import levels plus 20 percent, 'but if this was increased by 10 percent annually the industry could plan for the future with far greater certainty.'

Doubled

Mr Moodie said an annual 10 percent increase would benefit the country in terms of employment and foreign exchange savings and the quotas would be liberal enough to ensure lower income consumers were not unduly harmed.

Mr Syd Finlayson, company manager of Bata's South Africa operations, told the seminar raw materials, which form the largest external component of input in the industry, had risen by nearly 40 percent for those imported.

He said synthetic rubber had increased by 46 percent and raw hides had almost doubled.

Mr Finlayson said productivity, through maximising of output of the industry's resources, was the industry's future direction to success.

'We have to raise our productivity levels to those of the industrialised nations. For too long our productivity increases have originated from using additional or extra resources.'
Surplus m. Crisis: SA meat

100-
‘Sell surplus meat in SA,’ Meat Board told

By AUDREY D’ANGELO

TWO major supermarket chains are putting pressure on the Meat Board to sell its surplus of 210 000 frozen beef carcasses to South African consumers at bargain prices.

The OK Bazaars regional director of operations, Mr Aubrey Coppens, said last night: “We are determined that the Meat Board shall not be allowed to export this meat at a loss when people in this country have been forced by inflation to cut back on their consumption.

“We have put pressure on our supplier, Imperial Cold Storage, which is represented on the Meat Board, to release the surplus for sale in this country at cut prices.

“Sales of red meat — that is in tonnage rather than rand terms — have fallen in real terms by between five percent and seven percent in the past few months because people cannot afford it. It is absurd in the present circumstances for the Meat Board even to think of exporting it.”

Mr M Simpson, head of Pick ‘n Pay’s butchery division, said: “We have tried in vain to persuade the Meat Board to sell some of the frozen carcasses at cut prices. The board said this would not solve the problem of the surplus, as it would just result in more freshly-killed carcasses being put into cold store.”

The Meat Board announced yesterday that it had a surplus of R100-million worth of beef carcasses in cold stores around the country and hoped to export them. Last year the board was criticized for selling surplus frozen meat at cut prices because this further reduced the demand for fresh meat at abattoir auctions.

Winnie Graham reports from Johannesburg that the R100-million beef surplus is destined for overseas markets.

The general manager of the Meat Board, Dr Pieter Coetzee, said yesterday negotiations were under way to sell the meat at a profit to international buyers.

“Whenever the drought started in 1982, the board wanted to sell meat at discount prices to South African consumers,” he said.

There was such a rush for the “cheaper” meat, he added, that prices actually jumped by R1 a kilo at the auctions. The board then dropped the floor price of meat by 20 percent, hoping consumers would benefit, but again the scheme failed.

“In 14 days we sold 46 000 beef carcasses, but abattoirs were slaughtering at full capacity and by the end of the two-week period the meat sold had been replaced by 50 000 carcasses,” he said.
S Africa's investment rating has been sharply reduced by a leading firm of analysts, serving a string of international corporations.

Announcing a drop from B-plus to C-plus for short-term (18 month) investment and from B to D-plus long-term (over five years), the New York-based firm of Frost and Sullivan called the outlook for the Republic 'not a pretty one.'

Anticipating a continued increase in investment risk, its report envisaged poor economic conditions and controversy over the scope of reforms increasing pressure on the Government, which it saw likely to adopt 'somewhat more restrictive policies towards international business.'

It gave the current Government a '50-50 chance' of continuing in power over the next five years, but suggested that if turmoil became uncontrolable, it could revert to a more conservative stance or to military control.

The government 'faces a formidable range of issues,' it observed. Long-term, it foresaw the possibility of a 'moderate coalition' coming to power that included non-whites.

'External conditions, particularly the price of gold and sanctions by Western governments will play a role in determining the long-term viability of the Botha government,' a summary stated.
Competition hits knitwear firms

By AUDREY D'ANGELO

SOUTH AFRICAN knitwear firms have been hit by unfair competition from the Ciskei, where manufacturers pay no import charges for their raw materials and are subsidized by taxpayers.

In this country, the chairman of Burlington Industries, Mr Philip Kawitzky, said at the annual meeting yesterday.

He said his own group was not affected by this because it catered for the top-end of the market, but chain stores in South Africa were buying cheaper lines from the Ciskei while some local knitwear firms were going out of business.

The managing director, Mr Perry Kawitzky, said that in spite of the weakness of the rand, South African retailers were still buying high quality knitwear and other clothing from the Far East, where manufacturers enjoyed the economies of scale.

"They are trying to do more business with South Africa because quotas are causing them to lose business with America."

He was not asking for tariff barriers to keep this competition out, but it was unfair that local manufacturers should be handicapped by high import tariffs on yarn and fabrics when their overseas competitors were not.

The chairman said that doing away with the financial rand was to blame for a lot of South Africa's economic troubles.

And he thought that the government, in its fight against inflation, had gone too far in draining spending money from the system, causing firms to shut down and unemployment to rise.

"The political unrest we are experiencing now comes from unemployment, and the more unemployment there is, the more unrest there will be."

Burlington Industries itself had been forced to lay off some employees off, in addition to not replacing some who left.

But there were no plans to retrench any of the 600 remaining employees.

The group had "a very substantial and satisfactory order book" for the first four months of the current financial year.

Unless there were undue economic pressures and a rise in unemployment, trading should show an improvement in the current year, "and we hope we will be in a position to have dividends."

In the year to May, the group made a net loss of R408,875 compared with a profit of R149,792 the previous year.

The interim dividend was 2.5c and the final dividend was passed.

Rand firms

JOHANNESBURG — The rand closed slightly firmer at 0.5095/5105 in very quiet month-end trading, as the dollar weakened after the release of the latest United States merchandise trade data and leading indicator figures, dealers said.

A slight strengthening in the gold price also helped the rand.

Against other major currencies, the rand closed at:

US: 0.5095/5105
UK: 2.8720/40
Germany: 1,5430/60
Switzerland: 1,2930/50
Netherlands: 1,7380/430
France: 4,7050/7100
Japan: 126,50/70

— Reuter
**SA’s exports to Africa head for R1.8bn record**

*By LESLEY LAMBERT*

Exports to Africa could top a record R1.8bn this year if the present trend continues — with exports to the north almost doubling for the first five months of this year.

Despite the divestment threat, trade with African countries is booming. By the end of May, exports to Africa had almost doubled to R709.8m, compared with the same period last year. Imports rose by a marginal R1.4m to R82.8m.

The value of exports to Africa has never exceeded 1980's R1.1bn. This year, provided the economic and political situation does not change radically, exports are expected to reach new highs.

Although the rand/dollar exchange rate accounts for a large extent for the rise in trade income, the South African Foreign Trade Organization (Safio) says that the volume of trade with African countries has also increased substantially.

Mining, agricultural equipment, building materials, pharmaceutical goods, wheat and processed foodstuffs make up the bulk of South African exports to its 12 major African trading partners (which include Zimbabwe, Zambia, Malawi and Mozambique).

Sales of these goods have been considerably boosted by South African-sponsored development projects in the various countries, according to the manager of Safio's Africa division, Jean Caffin.

South Africa is the major supplier of specialised products to many of these neighbouring states.
The recent rise in prices of beef has led to a glut in the market, with the production costs of the meat continuing to rise. However, the current situation is not sustainable, as the market is flooded with excess supply. The board and the government are working on export deals to deal with the glut.

The recent increase in the price of beef has been attributed to the increased production costs and the lack of demand. The government has been trying to stimulate demand by providing subsidies and incentives. However, this has not been very effective, as the market is still flooded with excess supply.

The board is working on export deals to sell the excess supply. However, the market for beef in foreign countries is not very promising, and the board is having to lower the price of the meat to make it more competitive.

The government is also working on alternative uses for beef, such as in the manufacturing of pet foods. However, this is not a long-term solution, as the demand for pet foods is not very high.

The board is working with the export market, but the market is not very promising. The board is also looking into alternative uses for beef, but this is not a long-term solution. The board is working hard to find a solution to this problem, but it is not easy.
Coal exports through Durban could rise if talks succeed

Shipping Reporter

COAL exports through Durban harbour could be substantially increased should negotiations between the private sector and the South African Transport Services succeed.

This was revealed yesterday by Mr. Daniel Kirsten, chairman of the Independent Coal Producers' Association and interim chairman of the combined ICPA and Durban Coal Exporters committee, which is negotiating the takeover with SATS.

Mr. Kirsten said the negotiations, which started in November last year, were at a 'sensitive stage but good progress is being made.'

The current thinking is to take over the operation and control of the appliance from SATS,' he said.

At the moment a certain number of coal exporters are using the facility and this will be enhanced by those taking advantage of the increased tonnages it will be able to handle.

Some parts of the Bluff coaling appliance will be repaired while others will have to be replaced.

One of the major improvements to the Bluff appliance will be the provision of stockpiling facilities of up to 300 000 tons of coal.

Mr. Kirsten said the new facility would be able to handle between 500 and 10 000 tons of coal a day, depending on the grade of the coal.

At present the facility handles about 2 000 000 tons of coal a year and is prone to breakdowns because of its age.
France's move on SA seen as blow against EEC week from Paris — One reason for the French Govt.
Govt lifts controls on steel imports

QUANTITATIVE import controls on primary steel products are being abolished and replaced by import tariffs.

The decision, forecast in yesterday’s *Business Day*, was announced in Pretoria last night by Trade and Industry Minister Dawie de Villiers.

He said the new import policy would take effect from today, but gave no details of the new level of tariffs.

De Villiers said the abolition of control on primary steel products would encourage competition and price flexibility among local steel producers.

"Similarly, competition from overseas will act as an incentive for the local steel industry to continue to increase productivity and efficiency on an intensified scale," he said.

It would also stimulate regional development in coastal areas, where secondary manufacturers were situated far from the large rolled steel producers in the interior.

Jaco chairman Floors Kotzee said the SA steel industry was entering a “difficult phase” and its profitability would largely be determined by the effect of the new tariff structure.

*Business Day Reporters*

"Owing to the exceptional conditions prevailing in the international steel industry for the past few years, and the consequent cut-throat competition, world steel prices in the export market are abnormally low at present," said Kotzee, also chairman of the SA Rolled Steel Producers Co-Ordination Council.

"These abnormal conditions are expected to persist for a long time yet, which means that for some time to come there will not be any hope for normal market-oriented prices for steel in the international markets."

Major steel markets in Europe and the United States had moved away from tariff protection towards quantitative protection in terms of import quota restrictions for steel, he said.

"Looking at it from this point of view, the domestic steel industry would have preferred that quantitative import control be abolished only when the international situation has improved after supply and demand have come closer to equilibrium."
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Ngodwana financing charges of R66-million hit embattled Sappi hard

By Peter Farley

The full impact of Sappi's punitive borrowing levels came home to roost with a vengeance in the six months to end-June.

The embattled pulp and paper manufacturer started to pay the full financing charges on its R1.55-billion expansion at Ngodwana from February, and as a result the half-yearly interest bill — after tax savings — more than tripled to R66 million.

This more than wiped out the 50 percent leap in operating profit to R56 million and when tax, minority and pref dividend payments are deducted the bottom line slumped to a R20 million loss after a similar profit in the same period last year.

However, the net loss would have been significantly greater had the company not capitalised some R15 million worth of the finance charges.

It said that it was able to do this as additional start-up costs were incurred in those elements of the new plant which were not fully operational.

Shareholders had some inkling that the company's financial problems were increasing when it was announced two months ago that the interim dividend would be passed. However, there would have been few who expected the collapse to reach these proportions.

The second half should show some improvement, particularly as the company traditionally generates almost two thirds of total net profit in the second six months.

This time, however, it will have the added advantage of the R200-million-plus raised through the rights issue and the benefit of declining interest rates.

The new money alone is expected to reduce financing costs by around R6 million in a full year. Also, every one point fall in interest rates is estimated to save more than R4 million on the bottom line in a full year.

On the other side of the coin, Sappi will have to generate around R65 million in net profits just to meet dividends payable on its respective classes of shares.

This year the figure will be below that after the interim was passed. But it is still likely that there will be little left in the pot for ordinary shareholders or payments have been made to the company's bankers, minority shareholders, preference shareholders and the taxman.

The half-year balance sheet has been restated to include the money from the rights issue even though it was only received two weeks after the books were closed off.

But, to get some indication of the mountain of debt the company has to service, that R200 million only brought gearing down to 90 percent from 131 percent at the same point last year and from 120 percent at December 31.

The company will come right and profits will return in years to come. But potential investors should seek until the company is in a better position to guarantee some sort of return.

SA keeps up trade surplus

South Africa last month maintained its favourable trade balance, with the surplus nearly R1.058 million.

Department of Customs and Excise statistics show this was the third time this year that the monthly surplus exceeded a billion rand.

The average monthly surplus for the first half of this year was R893 million — almost three times the figure for last year. The total trade surplus for the first half of this year was R5.358 million — about R1.800 million more than in 1984. — Sapa.
Trade takes off as SA exports soar 43 percent

By DEREK TOMMEY
Financial Editor

IN spite of the anti-South African campaign overseas this country's exports are soaring — and doing much to keep the country's economy on an even keel.

The latest trade figures show that many of the country’s exporters are enjoying record business.

In June this year exporters earned R2,82 billion, which is R900 million or 47 percent more than they did a year ago.

This brought exports sales in the first six months of this year to R16,5 billion — R5,0 billion or 43,8 percent more than exporters earned in the first six months of last year.

Cape Town harbour

Economists point out that the sharp drop in the exchange rate of the rand — it has fallen by about 30 percent against the British pound and the dollar in the past year — has probably helped inflate the export figures. Nonetheless, the export boom has clearly put more money in the pockets of South African exporters and their employees.

Figures for goods exported through Cape Town harbour in May compared with the same month last year show that the export boom is getting into its stride.

The Chamber of Commerce reports that bulk cargo shipped jumped from 147 tons in May last year to 29 009 tons in May this year.

General cargo shipped rose from 184 502 tons to 270 004 tons — an increase of 46 percent while break-bulk cargo exported rose by 130 percent from 77 277 tons to 177 480 tons. However, container tons shipped declined slightly, dropping from 85 903 to 79 567, while the number of deep sea containers shipped declined from 6 019 to 4 472.

Gold

The boom in exports is expected to continue. The Department of Mineral and Energy Affairs believes that the value of non-gold mineral exports could rise 34 percent this year to around R6,0 billion and total gold and non-gold exports by 23 percent to R18,8 billion.

And exporters of manufactured goods are also starting to make inroads in foreign markets.

Mrs Francie Beudeker, regional manager for the Western Cape for Safico, the foreign trade consultanits, said today that most local exporters were doing far better than a year ago.

The companies which started exporting some years ago were doing fine, she said. Those which had been at it for two or three years were gradually getting a foot in the door in their export markets. And those companies which started only recently and had been aggressive in going after business were also doing well.

But many who had had just gone into exporting and were expecting the Government to help them were not faring at all well.
SA economy in a mess — British paper

PETER MANN of The Argus Foreign Service in London reports on a major examination of the South African economy by one of Britain's most influential newspapers.

SOUTH AFRICA'S economy is in a mess and widespread disturbances would have profound implications for Britain, the influential Sunday Times of London has concluded.

In a major, full-page business survey the paper paints a gloomy picture of South Africa sliding deeper into recession and wrestling with growing unemployment, increasing emigration and vast sums of "funk" money leaving the country.

It notes that 250,000 British jobs depend on South Africa.

If Britain attempted to impose sanctions South Africa could retaliate by cutting off strategic raw materials—a move which experts say would cost 180,000 British jobs.

The Sunday Times says South African attempts to counter the plummeting gold price and the strong dollar last August, by raising interest rates three percent to an unprecedented 25 percent and imposing "savage" hire purchase restrictions, did not work.

The fall of the rand did not stop, it lost 47 percent in a year. And South African companies misread the foreign exchange markets when buying dollars forward and lost another R3.2-billion.

Inflation was now seven percent. Unemployment was up 63 percent in a year, with an estimated three million blacks unemployed. Half of these were in the "hated" black homelands. "More crucially," says the Sunday Times, "the black National Union of Mineworkers is set to strike over pay in 27 gold mines and collieries."

"This would cripple the minerals sector, the one bright spark in the economy."

Port Elizabeth, once the Detroit of South Africa, was now derisively called the "ghost on the coast." Large car manufacturers, General Motors, Ford and Volkswagen, were operating at half capacity.

Only three of the country's 10 car makers expected to make a profit this year. Sales figures for June were 52 percent down on June 1984.

The housing market had crashed. Thatched houses in Johannesburg's elegant suburbs which were selling at R190,000 a year ago were now marked R190,000 and "very negotiable."

Last week, after the announcement of the State of Emergency, prices simply nosedived with falls of up to 50 percent at the top end and 20 percent on homes below R120,000.

The outflow of funk money was accelerating. In the first quarter of 1985 Reserve Bank figures showed that nearly R2.2-billion left the country for "safer" destinations, the same figure as for the whole of 1984.

In April emigration rose by 35.5 percent to 903 people. The number of immigrants chasing the good life fell 58 percent to just 608.

British investment was more than twice that of all its partners in the EEC put together.

South Africa was Britain's 12th largest export market and she enjoyed a substantial balance of trade advantage—nearly R1.3-billion last year.

Four British trade missions had visited South Africa this year and there seemed little likelihood of the Thatcher Government imposing sanctions, despite the state of emergency.
Business with France as usual, say experts

By ROGER WILLIAMS
Chief Reporter

TRADE relations with France, South Africa's sixth-biggest overseas market, are unlikely to be affected to any marked degree in the short and medium-term by the French Government's action in freezing all new investment in this country.

This is the view of experts on Franco-South African trade relations, including the SA Foreign Trade Organization (Safto).

Feedback from France since the "freeze" announcement in Paris by Prime Minister Mr. Laurent Fabius last week has indicated an anxiety, verging in some cases on panic, on the part of French businessmen who fear the loss of a valuable market.

France has a capital investment estimated at R3-billion in South Africa, comprising mainly plant and equipment. Last year this country imported goods worth R20-million from France, and South Africa's exports to that country were valued at R550-million — mainly minerals, wool and semi-processed materials.

Mr Ann Moore, a general manager of Safto, said from Johannesburg: "We really don't see any immediate or medium-term effects on our trading patterns with France. This is, after all, a freeze on new investment, not a ban. And if you're putting something on ice, that usually means it's a temporary measure."

"We expect strong resistance to this move by French business people and this has begun to show itself already, in the many calls we have had today from France." 

In Cape Town, Mr. Derick de Villiers, former opposition spokesman on Foreign Relations, former manager of the Nuclear Fuels Corporation of SA and one-time director of the French Southern African Chamber of Commerce in Cape Town, said he did not see any contracts being broken because of the new move.

"The French have always been sticklers for the sanctity of contract. I believe they attach quite a lot of importance to their trade with South Africa, particularly their imports from us of coal, uranium and other essential mineral products. They in turn sell a lot of manufactured products to South Africa." 

Mr. de Villiers added that there was "already a very broad base of French investment in this country" which was not likely to be affected by the freezing decision. A lot of the French investment in South Africa was not in the hands of or controlled by the French Government.

"Another consideration is that the present French regime is not very strongly based, and there may well be a change of government in the next two years."

Among other things, France, formerly South Africa's fifth and now sixth-biggest trading partner (Italy recently moved into fifth place), has a sizeable stake in the motor industry in South Africa. Renault and Peugeot came back to this country about two years ago with a combined reinvestment of at least R100-million. Renault alone came back with a declared reinvestment of R90-million, to build the R9 and R11 models.

Another field in which South Africa has a strong French connection is yachting. Beneteau, in Brittany, reputedly the biggest yacht-building firm in the world, has been doing brisk trade with South Africa in recent years, as has Jeanneau, another leading French boatbuilder that has broken into the market in this country.

South Africa's first nuclear power station at Koeberg in the Cape, stands as a virtual monument to French expertise, and French investment in this country, and there has been a marked increase recently in the importation of French wines, which have been marketed here at prices strongly competitive with the local product.
S A improves its world trading position

JOHANNESBURG — South Africa's trading position with the rest of the world had improved dramatically this year and the pressure on the rand during the past few days had stemmed more from rumour than fact, the Reserve Bank governor said this week.

The country's foreign exchange reserves were as strong as ever. In fact, the net gold and foreign exchange reserves had risen more than R1bn by the end of the second quarter.

With more than R300m net after payments flowing into the country every month, the Reserve Bank had plenty of muscle to operate in the market.

Dr De Kock said the money supply and budget deficit were under control, the balance of payments was in strong surplus and interest rates were off the bull.

Pressure

As the latest pressure on the rand was largely political, he would not allow interest rates to rise again because of it.

'I will take the appropriate action to prevent a rise in the prime rate at this time,' he said.

The Reserve Bank had been a net buyer of dollars in recent months and it had only been in the last few weeks that it had turned a net seller.

The move by the Chase Manhattan Bank to curtail credit lines had had a strong impact on the market, but 'if money has to be withdrawn from South Africa, then it will be allowed to be withdrawn.'
STEEL INDUSTRY

Threat from abroad

Government’s moves to free the steel industry from import quotas and price control should be welcomed by the private sector as a whole. But for the industry itself it raises the spectre of increased competition from imports when producers are already suffering from heavily reduced sales.

And, making matters worse, price hikes have just been agreed for primary steels, and the sole stainless steel producer has asked the Board of Trade and Industries (BTI) for an increase in its reference price, on which duties are based.

This is set to trigger a higher price for stainless steel on the local market — which will, in turn, make downstream fabricators even more vulnerable to competition from foreign manufacturers, who have already been accused of using SA as a dumping ground.

Local fabricators are rapidly losing share in the domestic market to marginally-costed and subsidised imports. Hardest hit are heavy fabrications, such as pressure vessels and boilers.

“Since 1982, the fob value of imports has soared from R90m to R250m, while the market has shrunk 30% to R500m in the same period,” says Pressure Vessel Manufacturers’ Association chairman Arthur Goodwin.

The Southern Africa Stainless Steel Development Association (SASSDA) has also submitted a case for more protection for hollow ware manufacturers to the BTI. The decision is still awaited.

“Meanwhile the industry will bleed quietly as imports from Spain and South Korea stream in at a third of domestic prices,” says SASSDA chief executive George Malan.

All this means that fears are growing in the steel producing and fabrication industries that the liberalisation has been mis-timed.

Says SA Rolled Steel Producers’ Coordinating Council chairman FP Kotze: “Without question the industry is entering a difficult phase.”

Steel producers say Department of Industry’s decision to scrap import quotas has come just when major markets in the US and the European Community are shoring up their protectionist barricades.

They are proud of the fact that the new steel price increase will be pegged below 10%, although it is above last year’s 7.5%. This may have a good psychological effect on the market but, nevertheless, a hike fabricators can ill-afford.

Downstream users will find it even more difficult to turn back the tide of imports because finished products enter SA in their view, with inadequate protection.

Under the new legislation, quantitative import control is replaced with permit-free tariff protection. As it stands, the new system is a self-regulating formula tariff that ensures that the lower the fob value, the higher the duty to bring up the floor price.

For many producers, however, this will not make SA safer against dumped steel imports.

Coastal users are likely to import more because of the high railage costs from Reef producers. Iscor, for one, sees this as a major headache.

One solution could be a special Sats tariff for “exports” to coastal users to make local steel more competitive. But foreign producers would see this as subsidisation.

Despite a limited recovery in demand and reduced output by mills, the world steel market is still deeply depressed.

Admittedly, foreign governments are trying to wean steel industries off subsidies but many are having only mixed success. There are signs that the European Community’s intention to stop bankrolling loss-making producers by year-end has been shelved for at least 18 months.

Clearly, the ideal conditions for deregulating SA’s steel industry are nowhere in sight. Although Iscor disagrees, there is, however, a glimmer of hope that opening up to imports may drive down domestic steel prices.

The move to dismantle import quotas may have been largely motivated by the need to appease the General Agreement on Tariffs and Trade (GATT), rather than a desire to soften domestic prices.

It could also take some of the sting out of foreign moves against SA’s increasing steel exports. In the past, both Iscor and Highveld have been targets of US anti-dumping actions.

While the recession at home means producers must court foreign buyers to take up the capacity slack, major foreign markets have become a minefield of anti-import activity.

Notably, the US has pegged steel imports to 18.5% of consumption by securing voluntary restraint agreements with suppliers, including SA.

In effect, this makes SA more vulnerable to maverick imports. Foreign producers, particularly from threshold industrial countries, which rely on the US to take surplus steel are looking elsewhere.

The new reference prices for carbon steels had to be refined recently to keep pace with the dollar, local inflation and international metal fixings.

A major gripe about the new tariff is the absence of a mechanism allowing these rates to flex continually with exchange rates. "The legislation is still as rigid as it was in March 1984," says Highveld Steel marketing director Rob Herbertson.

The Board of Trade and Industries (BTI) has turned down all calls for a mechanism to cope with volatile exchange rates.

It believes that while the steel industry deserves moderate protection, it is not the Exchequer’s role to compensate producers for natural business risks, including the vagaries of the rand/dollar exchange.

In May further increases in stainless steel reference prices were gazetted because the sliding rand had forced Middelburg Steel & Alloys (MSA) into an inflationary cost-price spiral.

“Static reference prices since October 1983 put the rates at which our duties cut wildly out of line with the overseas market,” says marketing director Leo Melvill.

The price of nickel, for example, soared from R5 500/t to R10 000/t in 24 months. The metal accounts for around 50% of MSA’s raw material costs in popular grades of stainless steel.

Downstream stainless steel users are nervously awaiting the outcome of MSA’s application to the BTI to raise protective duty.

“The higher import duties will also drive up local prices,” says Malan.

Which is the last thing fabricators need when profits are being cut to the bone by the flood of cheap imports. The argument is that if mills receive import protection, the so-called “back-end” should also be shielded.

Placating the industry, admits Melvill, is not easy, although SASSDA has been assured that the increases will be “responsible.”

The major hurdle to downstream protection is the 18-24 months lead time between filing a case and the go-ahead for formula tariffs.

There is, however, one shred of comfort. Although the lead time before import statistics are published is still around four months, the new demand for details of imports will make policing possible. The data, it’s hoped, will jolt government into action.

PARKFAIR

Still at risk

The R50mn Parkfair Group, which narrowly escaped liquidation in the Cape Town Supreme Court, last week, is effectively being closed down.

The group, owned by black entrepreneur...
Business should export more to SE Asia, says de Villiers

"Export to SE Asia, says de Villiers...."
TOBACCO imports have been prohibited since July 26 except with the permission of the Director General of the Department of Agricultural Economics.

"This ban is designed to protect local production from disruptive competition from other countries," says a department spokesman.

Local production is facing a diminishing off-take because of the recession and SA now has more than enough supplies to meet this demand. About 3-million kg will be exported to regular customers, he says.

Imported tobacco had recently accounted for a high percentage of SA’s off-take of about 40-million kg a year.

ALAN PEAT

The figure of the year to end March 1984 was more than 12-million kg.

"But this was due to a shortage of certain tobacco types and to quality problems caused by the drought," says Tobacco Board manager Jan Venter.

The ban should not cause any problems for the local producers, Rembrandt and United Tobacco Company (UTC).

The ban will only be for this year. Any local cigarette producer needing special tobaccos not available in SA will be allowed the necessary import permits.
Exports boost Hivelld earnings 45%  

By Duncan Collings  
Highveld Steel and Vanadium Corporation increased attributable earnings by nearly 45 percent in the six months to June 30 under the influence of an improved export performance.  

Net profit rose to R18.6 million from R13.1 million giving earnings a share of 27.0c (19.2c). Interim dividend is raised to 8c from 6c. Turnover rose to a record R204.4 million, with export sales representing 55.3 percent of this, compared with 39.2 percent in the corresponding period of last year.  
The company said world steel consumption increased by seven percent in 1984 over 1983. Indications are that 1985 consumption will remain level.  
"Despite this levelling off in world wide consumption, Highveld's steel export business has continued to expand, largely owing to increased sales of steel semi-products."  

However, the early months of this year the domestic market remained at the same low levels of the last six months of 1984, but demonstrated a seasonal improvement in May and June. It is unlikely that the underlying trend will show any significant improvement in the second half of the year.  

But, says Highveld, there are indications that the domestic steel market will not deteriorate further during the second half of the year.  
And while there is downward pressure on the US dollar prices for the group's exports, volumes remain at satisfactory levels.  
"It is therefore expected that earnings in the second half of the year will show a modest improvement on the first half."  
Highveld says that the world vanadium market was relatively stable in the first half of the year, "but there are the usual Northern Hemisphere mid-year downturn pressures on prices and volumes."  
Vanadium pentoxide production at the Ventra division has been and will continue to be regulated to help balance the overall supply/demand situation. Rand Carbide and Transalloys operated at satisfactory levels despite a weakening in export prices for silicon and manganese ferro-alloys.  

The group has arranged forward cover over $85 million of its $97 million uncovered loans at the end of 1984. "The balance of $32 million has been deemed to be the forward cover for the proceeds of future dollar export sales."
Export beef will be released locally

Mercury Reporter

THE supply of slaughter stock to controlled markets has shown a sharp drop during the past two weeks, according to the chairman of the Meat Board, Mr P K du Toit.

In view of this, there no longer seemed to be any need for the board to curtail the supply of cattle next month and it had therefore decided to accommodate all permits issued.

"In view of the fact that the monthly consumption of beef in South Africa varies between 42,000 tons and 45,000 tons, and the board's total supply is only 37,000 tons, the board is convinced that this beef which was initially intended for export, could be made available locally to the advantage of the industry as a whole," said Mr du Toit.

The board was devising an effective scheme to put this into effect and to ensure that the ultimate consumer would be able to share in any benefits arising from it.

"The scheme in detail will hopefully be announced before the end of August," he said.

"Further changes in the market situation may substantively affect the final scheme."

Mr du Toit added: "It has already been decided that the supplies will be offered for sale in such a way as not to disrupt the industry in any way or to give rise to panic buying by the consumer.

"Any incidental shortfalls which may occur on the market in the meantime will be supplemented from the board's supplies."
SA TRADE

Exports for Africa

In spite of the international anti-SA furor, trade with black Africa is booming. In the first half of the year SA exports to African countries virtually doubled in money terms — from R424,4m to R826,9m.

But exports to Africa are growing more strongly than sales to other world regions, which suggests that factors other than the low rand are playing an important role.

Safico area manager John Caffin points out that exports to Africa increased 95% in the half-year to June. Comparative figures for other regional markets were Asia, up from R1 419,5m to R2 491m (75%); the Americas, up from R1 138,3m to R1 633,1m (43%); and Europe, up from R3 042,1m to R4 278,5m (41%).

The low rand has very little to do with this African export boom, says Sally Gallagher, a trade consultant specialising in trade with the nine Southern African Development Coordinating Council (SADCC) countries.

"Pro forma invoices, or quotations, to African countries are usually valid for six months, while credit facilities for 90-120 days are required. "This time-lag means that the major beneficial effect of the low rand on our exports may be felt only in the second half of the year," she says.

Caffin adds that African countries are "pragmatic trading partners — they realise that SA goods offer the quality and specifications they need, within the right delivery time and at a price they can afford. Our geographical location makes southern Africa the natural market on our doorstep."

Further, he says SA's more energetic marketing drive into Africa has been helped by growing disillusion with grant and trade packages offered by US and European agencies.

"After 25 years' independence, many African countries have come to realise that an intimate knowledge and understanding of local conditions has more value than aid packages tied to foreign equipment. There is a growing acceptance that SA products and know-how are tailored for African conditions. Increasingly, African countries are prepared to pay for this benefit," says Caffin.

Improvements in the economies of some southern African countries are increasing trade opportunities.

Good crops created a strong inflow of foreign exchange and there is more money to import from SA.

SA exports include food, agricultural and mining equipment, chemicals, low technology tools and basic necessities. SA technical assistance is also playing an increasing role in opening trade doors with Africa, says Caffin.

"We can supply these countries with what they need, and there is wide scope for our services and manufacturing sectors to expand trade with the region. These countries need our know-how and expertise and we should be capitalising."
Australia clamps down on SA trade

Clergymen to meet P W over situation in S Africa

FOUR delegations of clergymen are to hold talks with President P W Botha in Pretoria today.

The first group will be led by a Baptist leader from the United States, Dr Jerry Fallwell. Dr Fallwell has said he and his group will do everything to oppose the disinvestment campaign in the United States against South Africa.

The second and third groups consist of theologians from the Methodist, Catholic, Presbyterian and Congregational churches.

The last group consists of members of the Nederduits Gereformeerde Kerk.

"The talks are being held in response to concern expressed by church leaders about the situation in South Africa."

The Anglican Bishop of Johannesburg, Bishop Desmond Tutu, has decided against joining a delegation.

He told reporters last night that it would be "the miracle of the century" if anything came of the meeting.

He was snubbed by Mr Botha last month after Bishop Tutu sought an urgent meeting to talk about the months of rioting and the imposition of a state of emergency.

Bishop Tutu said that while he was still willing to meet the President privately, "now this can occur only if he retracts his latest demand for black leaders to renounce civil disobedience as a means of protest." - Sapa.
Plunging rand, unrest, drag down tour business

Mercury Correspondent

CAPE TOWN—The falling rand and related factors have caused a further sharp slump in leisure travel abroad for South Africans. Tour operators were reported yesterday to have suffered a fall-off in overseas business of up to 80 percent compared with this time last year.

Mr Peter Betterill, chairman of the Association of Southern African Travel Agents, said from Johannesburg: ‘We are really feeling the pinch both ways now.

‘While there was a marked fall-off in the number of South Africans travelling abroad, particularly to areas with a high dollar content, there is now also a sharp tailing-off in the volume of foreigners visiting this country — because of the adverse publicity we are getting abroad.

‘This is in spite of the fact that on present exchange-rates, a holiday in South Africa has become a virtual give-away for American and other foreign tourists.

‘Our hotels have obviously been badly hit by this trend. But on the positive side I would say to South Africans — now is the time to take advantage of the attractive domestic packages being offered, and of much-reduced hotel rates for holiday-makers wanting to travel in their own country.‘

Mr Clifford Foggitt, managing director of the biggest of the tour operators, TFC Tours, said the ‘leisure’ side of the business was down 35 percent to 40 percent on this time last year, but that the business travel side was up.

‘It is far easier at present to sell business trips abroad than it is to sell an overseas holiday.‘

Mr Foggitt said he understood that TFC had been affected less than most operators of overseas tours, and that others had experienced slumps of up to 80 percent in leisure tour business.

As an example of the way tour costs have soared in the past year, a 13-day TFC package to Taipete, Bangkok and Hong Kong which cost R2 375 in August last year, now costs R2 985, and a surcharge of about R150 is now being added to allow for the sharp plunge the rand took at the end of last week, after Mr Botha’s speech to the Natal congress of the National Party.

The South African tourist now fares worse than ever in the sterling, as well as in the dollar areas. It has been estimated that on current exchange rates a family of four visiting London and staying at a ‘reasonable’ hotel and pursuing normal tourist activities would have to pay the equivalent of more than R700 a day.
Negotiations to export South Africa’s red-meat surplus to Russia were “well under way” but had been interrupted by the death of Soviet leader Konstantin Chernenko, sources said today.

The vice-chairman of the Meat Board, Mr Fanie van Rensburg, told agricultural reporters vaguely that the meat would be exported to “a large country outside the European Economic Community”, but he declined to name the country.

The English news service of the SABC reported that it had, “on good authority”, information that this unnamed country was the Soviet Union.

Negotiations between the South African Government and the Soviets were apparently conducted through the South African Embassy in Bonn, West Germany.

The Meat Board now intends to sell the meat surplus through a discount scheme and cheaper meat will also be directly available to the consumer, it was reported.
Huge surplus on trade in first seven months

South Africa recorded a favourable trade balance of almost R6.3 billion in the first seven months of 1985, according to government figures released in Pretoria yesterday.

Preliminary statistics from the Commissioner for Customs and Excise indicate that by the end of July exports totalled R19 384 million and imports R12 992 million.

The trade balance at the same time last year stood at R1.58 billion. \(^{74}\)

The import and export figures have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments, according to the statement.

A breakdown of trading in world zones showed that although Europe remained South Africa’s largest trading partner, the trade balance fell by almost 30 percent compared with 1984.

Exports totalled R4 958 million (R3.653 million in 1984), and imports R6 150 million (R5.239 million).

Imports fell substantially from America whose sales to South Africa totalled R2 125 million (8.8 percent down), and from Asia, with sales of R1 837 million (16.5 percent down).

South Africa’s exports to Asia, however, reached R2 864 million (R1 768 million), and those to America stood at R1 919 million (R1 351 million).

Exports to Africa rose to R932 million, up 82 percent on last year.

Imports fell from R256 million to R243 million, according to the statement.

Exports to countries in the Oceania region rose to R113 million (R104 million) and imports to R170 million (R159 million).

Other unclassified goods and balance of payments adjustments totalled R8 467 million (R5 193 million) for exports and R2 486 million (R1 730 million) for imports.

— Sapa.
Drop in rand exchange rate boosts business

DEREK TOMMEY, Financial Editor

WHILE much of the economy is in recession, the country's exporters are experiencing a major boom. Helped by the drop in the rand's exchange rate, South African goods have become more competitive in overseas markets and demand for them has greatly increased.

The lower rand has made South African coal the cheapest in the world. Everyone is buying it, whether or not they like South Africa's politics, and the industry is planning for a further huge rise in export sales.

Sales of most other metals and minerals are booming. South Africa is selling more platinum, manganese and ferro-chrome than before — and at record prices.

Rising strongly

Exports of food and processed products are also rising strongly.

Customs figures show that South African exporters did outstanding business last month. Altogether they sold R2 800-million worth of goods. This brought the value of export sales in the first seven months of this year to R19 300-million. It was R13 600-million in the same period last year.

Faring badly

Compared with the exporters, importers are faring badly.

Imports last month were only R1 870-million, which brought the total for the first seven months of this year to R13 900-million — from R11 900-million a year ago.

This gave South Africa a trading surplus of R6 300-million for the first seven months of the year, which was almost four times higher than the R1 600-million surplus last year.

The latest trade figures show that Europe is South Africa's major trading partner, taking R5 000-million worth of exports in the January-July period and selling us goods worth R3 200-million in return.

From America

Imports from America were R2 100-million, while exports were R1 900-million. Asian countries sold R1 900-million worth of goods to South Africa and bought goods worth R1 900-million in return.

African countries bought R532-million worth of goods and sold us R245-million worth.
The South African Government is studying a report which could have a significant bearing on economic relationships in Southern Africa.

It was prepared by Professor C.L. McCarthy, head of the Department of Economics at the University of Stellenbosch, who was quietly appointed at the beginning of last year as a one-man Commission of Inquiry into the operation of the 1969 South African Customs Union Agreement.

The 16-year-old agreement is the most important source of revenue for the governments of Swaziland, Lesotho, Transkei, Venda, Ciskei and Bophuthatswana. After revenue from mining, it makes the biggest contribution to the Botswana exchequer.

In terms of the agreement, South Africa sets customs and excise policy and collects the resulting revenue for the whole region.

It then pays hundreds of millions of rand as compensation every year to the so-called BLS countries and to the independent homelands.

The payment is calculated according to the formula accepted by the different parties in 1969.

In terms of the formula, each country receives the amount of money it would have collected had it operated its own customs and excise service, increased by 42 per cent to compensate for the disadvantages of being in a customs union with a more developed country.

The disadvantages are clear: loss of fiscal discretion, the negative effects on the local economies of South Africa's unilaterally-determined protective tariff structure and the inevitable concentration of development in South Africa.

What is left in the customs and excise pool goes to South Africa.

The South African Government has thus far refused to disclose exactly how much money is paid every year to the BLS countries and to the independent homelands under the agreement.

However, researchers have established that Botswana received R11.6 million in the 1981/82 financial year (the most recent year for which complete statistics are available), Swaziland received R11.7 million and Lesotho R7.1 million.

Revenue from the Customs Agreement provided the Botswana Government with 32 percent of its revenue, Lesotho with 37 percent and Swaziland with a massive 61 percent.

Although the BLS countries received an enormous boost in their customs revenue when the 1969 Agreement came into operation, they are less than satisfied with the effect it has on their own industrial development and on the level of compensation they receive.

In 1981 and 1982, Botswana, Lesotho and Swaziland tried to negotiate an amended revenue-sharing formula which would increase their share of the customs and excise pool but South Africa rejected the recommendations made by the South African Customs Union Commission.

At the time South Africa said the existing formula was already more generous and that the BLS countries were not making use of provisions in the agreement which could be used to promote their own economic development.

However, dissatisfaction with the agreement continued.

On the South African side, there has been concern at the increasing sums of money that have had to be transferred to the BLS countries, not to mention the money that has had to be paid over to the independent homelands which, for all sorts of reasons, could not be treated less favourably than Botswana, Lesotho or Swaziland.

In an article in the October 1982 issue of Contemporary African Studies, Dr Gavin Maasdorp, Director of the Economic Research Unit at the University of Natal, wrote:

"For the last few years there has been some indication that Pretoria has felt that the emphasis of the agreement should be shifted away from the revenue-sharing aspects to economic development per se."

It was against this background that Professor McCarthy was appointed to examine the 1969 agreement and determine how its emphasis could be shifted towards development.

He has listened to evidence, heard the views of the different countries involved and he has submitted his report to the South African Government.

Officials have refused to say anything about the report or the professor's recommendations — and there has been no sign thus far of the South African Government's reaction.

However, the Customs Union Agreement is so fundamentally important to the economies of Southern Africa's smaller countries, that almost any change will have a significant effect on the region's economic inter-relationships.
Safto hopeful despite sanctions

Growth seen in Aussie trade

EXPORTS to Australia will grow despite the recent limited sanctions imposed by the Australian government, says SA Foreign Trade Organisation (Safto) international division manager David Graham.

Bilateral trade was worth R490m last year, with the balance favouring Australian exporters. Industrial exports accounted for the bulk of SA’s R170m worth of exports.

Exports of chemicals and minerals have fallen in the first six months. Graham attributes this to “uncertainty in the Australian economy which has lost its previous buoyancy”.

Exports of manufactured goods over the same period have increased — “an encouraging factor” says Graham.

Main exports to Australia include chemicals (worth R34m in 1984), base metals (R28m), animal products (R23m), textiles and allied products (R19m), and paper products (R16m).

Trade increased by a marginal 4% in the first six months of the year over the same period last year. Foreign exchange experts point out, however, that the rand actually appreciated against the Australian dollar from January to June by 24.6%.

Graham says export of manufactured goods is increasing and that more companies are approaching Safto with a view to entering the Australian market.

The government trade sanctions, the possibility of hostile trade union action in Australia and worries about a consumer boycott of SA goods, have caused a growing sense of unease among some SA exporters. Graham admits there are problems but is confident exports will continue to improve.

“Five years ago there was more consumer resistance in Australia to SA than there is now,” says Graham, who has just returned from a three-week visit to Australia.

Prime Minister Bob Hawke is considered conservative within his party and his government’s actions against SA are not as bad as they could be. They will have an impact on new exporters and we are disappointed that the trade commission is to close.

“The unions in Australia are very strong and independent and can take action that government could not contemplate. It is potentially far more worrying than any government action.

“We do face pressure from the business sector because their prime concern is with the continuity of supply. It is vital that SA exporters keep in close contact with their agents and the companies they trade with and assure them that their supply source is secure.”

“Consumer pressure can affect exports in two ways. Firstly consumers spontaneously boycott SA goods and secondly suppliers to the public stop stocking SA goods for fear of a consumer boycott. We have seen this happen for example with some department stores in the US and other countries.”

Graham points out that the bulk of SA exports to Australia are industrial goods and not consumer products “but there is a very broad range of products exported and quite a number would be vulnerable to any consumer reaction”.

He admits to being surprised that Australian companies dealing with SA refused to adopt a business code advocated by the Hawke government.
It has been all downhill for the rand since 1980

By Michael Chester

Alarm on the foreign exchange markets has been caused by a plunge in the value of the rand compared with virtually every major overseas currency — first a sharpening decline as the recession worsened and then a full retreat as the political scene darkened.

One rand was enough to buy R5.1652 at the beginning of 1980, but last night R1 was worth no more than 36.56 American — a staggering drop of 72 percent.

Next worse, while R1 could buy 299 Japanese yen five years ago, the rate has now shrivelled to a mere 68 yen.

A British pound note cost R1,61 in 1980. Last night it cost R5.77.

RAND DOWN BY 40 PERCENT

Similar disasters pepper the whole list of exchange rates — in West German Marks, Dutch guilders, French francs, Australian dollars, Swiss francs, Italian lire...

A recent count by the SA Reserve Bank, it was found that the effective exchange rate of the rand measured against a basket of currencies used most trade transactions — had tumbled as much as 40 percent between September 1983 and the end of July.

The rand was down 49.9 percent in US dollars, 47.2 percent in UK sterling, 46.4 percent in German marks, 65.7 percent in Swiss francs, 69.4 percent in Japanese yen and 46.2 percent in French francs.

And the rand’s value has dropped more in recent weeks.

South Africans have been blinded by the impact when they have planned overseas holidays or business trips and bought travellers’ cheques.

But repercussions have filtered everywhere, not least in the cost of imported goods — everything from French perfume to Japanese cameras.

What has also baulked the trade accounts is the rise in the price of gold in rand terms. As the rand has shrunk the mines have earned more and more for their bullion.

Prices of imports up 75 percent

The prices of most imported foods and appliances have increased by at least 75 percent in the last year.
Measures will give SA a breathing space — "Assocom, FCI"

JOHANNESBURG — Both the Association of Chambers of Commerce of South Africa (Assocom) and the Federated Chambers of Industry (FCl) have welcomed the measures taken to overcome the current SA exchange rate crisis as the best that could be done in the circumstances.

The chief executive of Assocom, Mr. Raymond Parsons, said: "Organised commerce sees the decision to impose a moratorium on the repayment of foreign debt and to reintroduce the financial rand as inevitable in the circumstances.

"It will bring temporary relief to an abnormal exchange rate situa
tion, which has stemmed more from political perceptions than from economic fundamentals.

"At the same time, Assocom believes that South Africa should not be lulled into a sense of false security by the emergence of a stronger commercial rand this week.

"A valuable breathing space has been gained in which it is essential to restore confidence both internally and externally. The business community believes it is imperative for South Africa to tackle the fundamental political factors which have led to the recent strain on the exchange rate.

"The political dimension of capital movements from South Africa will have to be addressed if the country is to attract the foreign investment needed to underpin its economic growth rate in the years ahead."

The president of the Federated Chamber of Industries (FCI), Mr. Johan van Zyl, said it "welcomed the reintroduction of the financial rand rather than the introduction of exchange control of non-residents.

"But the PFP spokesman on finance, Mr. Harry Schwarz, said the government's freeze on the repayment of foreign capital was a tragic event for the South African economy and had wrecked the country's unblemished credit record.

"This statutory moratorium on repayment will never be forgotten in world financial circles. To establish confidence and get new loans to help economic growth and fight unemployment will be extremely difficult."

Mr. Schwarz said: "This black day in our financial history has been caused by economic mismanagement and a failure to realise the relationship between politics and economics. "All South Africans will have to pay a heavy price for these failures on the part of the government," he said.

The Director-General of Finance, Dr. Chris Stals, said in an interview that the postponement of repayment of South Africa's foreign debt should give the country scope to concentrate on the domestic economic market.

The measures would "certainly reduce" the need for the very strict monetary and fiscal policies in force at present, but it must be assumed that no responsible restimulation of the South African domestic economy could be started.

Individuals or companies who owed money overseas would not have a "three-month holiday as well," Dr. Stals said in reply to another question.
Japan tightens up export insurance for goods to S A

Yesterday, Japan's Ministry of International Trade and Industry decided to tighten export insurance for shipments to South Africa from today, ministry officials told Reuters.

The rand closed slightly easier yesterday afternoon in Johannesburg, having traded above 40 cents for most of the day. It closed at 39.50/70 US cents.

Meanwhile, Dr Gerhard de Kock Reserve Bank governor has arrived in London for a series of meetings, a spokeswoman for the S A Embassy said.

She said the governor had a full schedule but did not disclose where or whom he was meeting. However, she said a Press conference would be held this morning.

New York

Dr de Kock came from New York, where he visited a number of major banks to explain the technical implications of a standstill declared on Sunday on repayment of the country's foreign debt.

London bankers said they expected similar discussions.

In Bonn, an Economics Ministry spokesman denied that West Germany would delay the processing of applications for credit guarantees on exports for South Africa, as indicated this week by another spokesman.

"All applications will be carefully examined as before," he said.

He was speaking after a routine inter-ministerial committee on export credit guarantees at which Pretoria's recent freezing of foreign loan repayments was one of the topics discussed.

South Africa has not frozen repayments of loans for imports backed by foreign government credit guarantees in the financial measures it announced on September 1, the spokesman noted.

"There is no change of policy on export credits as regards South Africa," he said.

Coverage

Policy on coverage for exports to South Africa had been more restrictive for several years, he said, adding that interest in applying for credits would probably be low in the near future owing to uncertainty surrounding South Africa's economy.

A ministry spokesman yesterday estimated about five to six billion marks of exports to South Africa were currently covered by government credit guarantees.

The West German government has rejected imposing economic sanctions on South Africa, saying they would not induce Pretoria to change its apartheid policies.
Taiwan agrees to take 200,000 tons of maize

Successful maize negotiations have been concluded with the Board of Foreign Trade in Taipei despite an earlier estimate that South Africa would have no maize to export until May next year.

Mr Hendrik van Zyl, the Maize Board chairman who is leading a negotiating team to Taipei, said that although BOFT had been told in February there would be no maize for export, Mr Vincent Siew, the Board's director-general, was prepared to review the position and honour the spirit of the long-term maize agreement with South Africa.

Taiwan had now agreed to import 200,000 metric tons of maize in the first quarter of 1986.

"The Maize Board and the Minister of Agriculture, Mr Greyling Wentzel, were unanimous that the BOFT should be informed directly through a maize mission as soon as it became clear that South Africa had a maize supply to export," Mr van Zyl added.

The mission would spend a week in Japan to promote the market for South African maize and grain sorghum, the statement added.—Sapa.
SA firms exporting

Is at home for Landlock's Eddie Ross, but export markets offer hope

Insider

been a company the size and the influence of Old Mutuals & Press conference on its
suits it is a morale surprising to
be so many absentees from
major business publications.
However, unlike most other
companies faced with the same
of turn around Old Mutuals's
ike Leveta and his staff
ripped on as if nothing had
happened.
The reason being they had
erry invited some members
the financial Press to private
ings in the days leading up
the so-called "Press
ference."
That sort of elitist treatment
as the company to good at all.
it wants to conduct private
views, it should do so across
board. It is not in either its
interests or the interests of
byholders to apply double
ards when dealing with the
.

Factory and office openings
a big thing in most
panies' lives, but a certain
ativity sometimes has to be
on.
For that reason Nampak this
opted to postpone the
opening of its new tissue
in Belville. It is having a
hibiscus with the unions and
was a chance that there
ld be a strike. Once resolved
will go ahead with the
ning.
In the other hand, Trust Bank
ent on going ahead with
opening its new branch in the
first week of October with all
the pomp and circumstance that
a development of that nature
would normally warrant.
Expected to be there are
several senior representatives
of both the Finance Ministry
and Reserve Bank.
Sorely the official opening of
a new branch could have waited
until SA's overseas banking
image had returned to normal.
The reason for staying with
the schedule is due mainly to
the fact that all the officials
will be stopping off in Hong
Kong anyway that week — on
their way to the IMF meeting in
Seoul, South Korea.

Old habits die hard in some of
the country's older companies
— particularly the established
mining groups.

But none holds more firmly
to the traditions of the past
than JCI. Having just put up
fancy new headquartes in the
centre of town one would have
expected management to leave
its old building in Fox Street.

However, just the opposite has
happened with extensive renova
tions currently under way to
give the old premises a new
lease of life.

Now that Alfa has decided to
shut down its South African op-
eration, the "tagel-catchers"
will have to switch marques.
For some reason the Alfa was
always a favourite with the
girls of Graham's but now the
trims in their tastes will move
to mesmer and the BMWs seem
fated to take over the role.

Computer games' loophole blocked

DURBAN — The Department of
Customs and Excise has
clamped down on importers of
computer games taking advan-
tage of a clause in the import
tariff structure for computer
programs.

The department has allowed
importers of programmes to de-
due to the cost of research and
development (the intellec-
tual value of the software) from
the value for customs purposes of
the programme, provided the
amount was shown separately
in the invoice.

An item in the weekly bulletin
of the Natal Chamber of Indus-
tries says it had come to the
notice of Customs that this deter-
mination was being used by
importers and clearing agents for
computer games. The depart-
ment reacted on June 14 by
placing imports of games under
a different tariff.

This determination is intended
to cover the value for
customs purposes of computer
programmes only for the pro-
cessing of data.

The value determination is
not, and never has been applica-
table to computer games, and the
full transaction value must be
price paid for the games, exclu-
sive of the cost of development
— must therefore be declared
for customs duty purposes.
Gold likely to contribute less to country's export revenue

The contribution of gold to South Africa's export revenue from minerals is expected to decline this year to 69.1 percent, from 73.1 percent in 1984.

This is stated in a report released today by the Minerals Bureau of S.A. in which it gives its outlook for mineral exports in 1985 and 1986.

Gold's contribution to total mineral sales this year will be about 58.3 percent, it estimates.

Based on an exchange rate of 45 US cents to the rand, a gold price of $322 an ounce and an inflation rate of 15.5 percent, total export sales revenue from minerals this year would be R21.5 billion, which would be 34.1 percent higher than in 1984.

This would represent 64.3 percent of total local and export mineral sales of an estimated value of R25.8 billion.

Rand earnings by the precious metals and minerals — gold, platinum group, diamonds and silver — were achieving records by substantial margins despite the fact that dollar prices were well down on 1984 levels.

As in 1984, coal was likely to be one of the best performers in the industry, with export tonnages and earnings substantially higher, assisted by the stronger dollar and solid demand on world markets.

It bases its 1986 projections on an exchange rate of 47 US cents to the rand, a gold price of $360 an ounce and inflation of 13 percent.

It says: "Significantly higher rand prices for the precious commodities are predicted largely in anticipation of dollar weakness."

"Most substantial earnings increases which have been forecast for 1986 relate to the sector, by far the largest applies to the platinum-group metals where the average platinum price is expected to exceed that of gold for the first time for some years." — Sapa.
Lower K-rand sales force SA to sell every ounce of bullion

By Trevor Walker

The South African Reserve Bank has been forced to increase its sales of gold on the international bullion markets because of a substantial fall in Krugerrand sales this year, banking sources said.

Because of the bank's massive need to acquire dollars over the next four months it will be necessary to sell every ounce of gold coming into its vaults.

The increase in South African sales is seen as yet another reason why the gold price has been unable to break substantially away from around the $429 level.

Lower oil prices and the prospect of even lower prices in the months ahead, coupled with the strong dollar are the other main factors holding the gold price down.

Industrial demand has picked up this year and according to market analysts this demand has for all practical purposes placed a floor price of around $300 an ounce on the price of gold.

Banking sources in Hong Kong said today a major sales drive of the Canadian Maple leaf gold coin launched two weeks ago had hit Krugerrand sales hard.

They commented that if Hong Kong, one of the most apolitical market places in the world, was swinging to the Maple Leaf because it was not made in South Africa, then sales of Krugerrands in Japan and other Far East markets could be expected to suffer even more.

A spokesman for Integold in Johannesburg said sales of Krugerrands have fallen substantially and until the highly liquid situation in the market place ended, Integold would persist in not publishing monthly sales figures.

Sales figures were last issued at the end of May when it was announced sales for the first five months had totalled 685,228 coins.

Analysts said substantial numbers of Krugerrands held by Americans were being sold and offered in Europe.

The Krugerrand was introduced to give the gold mining industry some control over the sale of its product prior to that the South African Reserve Bank had been responsible for selling the Republic's entire output of gold.

Sales of Krugerrands overseas commenced late in 1970 and by 1974 had risen to account for 13 percent of total gold output. Sales peaked in 1978 at 6.01 million ounces or some 26 percent of total gold output that year.

The highest monthly sales were reached in November 1978 when 921,396 coins were sold, or some 46 percent of that month's gold output of 1,964,924 ounces.

However, in 1983 the Krugerrand market has weakened markedly and it is highly unlikely that sales will reach anywhere near 10 percent of total production.

South African gold production in the nine months to August fell to 14.43 million ounces from 14.57 million ounces in the corresponding year-ago period.
EXHIBITIONS — Supplement to Business Day, Thursday, September 23, 1988 Page 2

EXPORTS

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corporate and GM of the telecommunications division, and Matt Avril, market development executive. The following is a precis of their views:

Exporting now a necessity

The present economic situation sharpens the focus on SA's ability to export, particularly in the high-tech field. Unlike previous situations, when exporting could have been regarded as a luxury, now it is a necessity.

Traditionally, SA industries — including high technology — have relied more on the licensing of foreign technologies and products for the local market. Although this has contributed significantly to the economy and was supported by government in terms of supplying strategic markets such as Armcor and the Post Office, it created limited export initiatives and tended to discourage new ventures, research and development for export purposes.

Then, in good times, adopting foreign technologies contributed to the wealth and social stability of the country, in bad times it highlights SA's advanced industry dependence and limitations.

The electronics industry, for example, is restricted when it comes to components in the international market.

Although it is very easy to look onto excuses of geographical and political isolation, the bare truth is that excuses do not build an industry.

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- Grindrod Sea Freight (Forwarding)
- Grindrod Shipping
- Cross
- King and Sons (Ship agents)

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Grindrod
SA clothing reaches all corners of the world

IN RAND terms, clothing exports more than doubled in 1984 on the previous year. This is because the already winking currency aided exports and new factories in the homelands came on-stream.

Clothing and accessory exports for 1984 officially totalled nearly R72m. Of this, 72% was due to clothing exports. The women's outer garment sector, which includes such items as blouses and skirts, says the National Clothing Federation.

In 1982, revenue from this sector equalled that of the men's suit sector. In 1983, it made up 66% and in 1984, 72% of total export earnings. Men's suit sector earnings have been good, with increases from R70m in 1983 to R71.3m in 1984.

This trend has been maintained in 1985, according to the figures for January to May. In this period the greatest increase in ex-

pect was in women's suits, men's suits, children's outerwear, sportswear and about 13% in menswear. These sectors are said to be worth R71.3m for the same period last year.

Fabric and clothing manufacturers form another growth sector, boosted from R136,000 last year to just over R2m for January to May this year. Artificial fur accessories leapt from R140,000 to R148,100.

JUDY BRYANT

The most successful clothing exporters are based in the Western Cape. They include Max Trueman, which makes the Mina Cassady women's range, and Pepkor, which exports all clothing apart from foundation wear to "western hemisphere countries". This brings in about R1.2m annually. The group boasts 14 manufacturers, two in the Transkei, three in Durban and the remain-

der from Atlantis to Port Elizabeth in the Cape.

Pepkor has textile manufacturing interests, but 90% of the materials used for export clothing is imported. These textiles are made up in labour-intensive factories, a process which includes attaching a "Made in South Africa" label to the garment. This small, legally required step is the major obstacle for some exporters.

Their buyers fear that political developments will hamper further production or cut off customers, particularly those who are better-boosted and well-informed.

The most successful exporters scoff at this, however, saying that SA manufacturers should get up and fight for business rather than accept political pressures as an excuse for a failed deal.

A Pepkor spokesman says his policy is to agree that SA has problems, but to sug-

spect that problems are lesser there, land that he is theDiagnostic. The list is strictly on a business basis and his buyers are fine. The foreign buyer would find difficult to refuse. He lists good quality, competitive pricing and prompt de-

livery of ready-to-hang clothing as the key to attracting and keeping custom.

To achieve this, some exporters air-

freight their goods which, while expensive, ensures that clothes are delivered within 48 hours to the client's door.

On a smaller scale, these have been suffering well despite import controls being lifted two years ago. For the first five months of this year exports were worth more than R2m.

The manufacturers stress the importance of establishing new markets, both in the European EEC and with companies in the Middle East.

Some 43% of the clothing made is for export and the EEC is the main market. A few exporters have had success with foreign buyers, including countries in the Middle East. An indication of this success is the fact that most of the export buyers are returning to buy more.

Lawrence Bedford

African horror tales not true engineer

EXPERTER Raymond Klassen is not very impressed with the track record on sales of its pro-

ducts to the rest of the continent.

According to technical information he has obtained, only 3.6% of the continent's total export earnings come from Africa.

Technical imports to African states with mining operations account for between 60% to 76% of import earnings, says Klassen, and the total volume of equipment required in these countries is equal to the total in the sub-continent.

That part of Africa be-

yond the northern Zambia border, to the west beyond the equator, North Africa and the Maghreb, has, he says, "basically only two sources of foreign exchange: foreign aid and mining."

The export industry of a qualified electrical engineer who has worked for many years in Africa for three major mining and engineering equipment suppliers.

Now, he says, he is trying to find SA manufac-

turers ready to move into Africa north of the Zambezi.

I seem to spend my everyday telling them they should answer my export inquiries." Klassen says that most are not interested. Few apparently believe that South Africa is important when told that finance is already "in the bag".

They all have horror stories about the gangster barons from the peanut republics and sixties.

He's investigated some of these tales and con-

cludes that mines have been closed down to failure on the "longest term basis" to need documentation needed by the customer to open a letter of credit, for example."
Paper succeeds with reliability

FRED STIJLHUISCH

CHEAP timber, cheap energy, and reliability of supply laid the foundation for SA's paper export success. Marketing policies of both Sappi and Mondi, the two largest export-oriented manufacturers, include the slow and arduous cultivation of export markets over many years. To see a reliable supplier is imperative, even if it means exaggerated loyalty. For example, three years ago Sappi experienced a production problem on a paper machine. The company imported paper at a loss into SA to supply local clients and to keep exports going.

A solid marketing image is what counts, and while Mondi strives for the reputation of a high-volume, low-cost producer, Sappi aims to be competitive in the top bracket.

According to chief executive Eugene Van As, Sappi has never gone in for price cutting. As a long-term player in the market, Sappi has found a niche in the US, Japan, and Australia, where its products have a quality edge on other importers.

The association with quality means appropriate prices which, says Van As, make margins worthwhile. He finds Sappi's cost structure on par with the US. To remain competitive, said a Mondi spokesman, the company had to operate plants of international scale, so the SA market is protected by a modest duty.

Mondi exports to Latin America, South-East Asia and Europe. The main competitors are Canada and Scandinavia, and the US for kraft liner and pulp.

Van As sees high local paper prices as a myth, as prices depend on the exchange rate. "Right now, local paper is very cheap," he adds.

Sappi has trebled exports in real terms in the last year and maintains about 15 000 tons of paper a month.

Airfreight: expensive but efficient

AIRFREIGHT may be expensive, but it also offers savings that shipping and rail do not.

Firstly, goods get to their destination much quicker, which usually means earlier payment. In times of high interest rates this can be a significant factor.

Getting there earlier also means there is less time for the goods to deteriorate en route.

Packaging rarely needs to be so rugged, which in itself a saving besides being less mass to be moved.

For some destinations, air freight is the most practical route, especially in Africa, where road and rail networks are often poor.

Aircraft are carrying an ever-increasing range of cargoes and are now the preferred method of transporting many valuable commodities including livestock.

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Exchanging now a necessity

There is power in this country to develop export markets provided it strengthens its R&D capabilities. The first question is export what — not where. In spite of its geographical and political isolation, Israel has found markets. South Africa can, too. Perhaps South Africa should admit that local manufacturers under licence has, in terms of export prospects, been restrictive. Long-term agreements may have narrowed R&D initiatives to the immediate needs of the country and now the need is to ensure the skills and facilities for creating export-competitive technologies are made available.

In the high-tech field, the concept of small entrepreneurship groups backed, but not controlled, by large entities has gained much ground in many countries. The thousands of engineers and technicians in the Israeli electronic manufacturing market can and must be diverted to smaller-scale, short-term, fast-response, export-oriented development.

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We take special care.
Bad debt risks can be reduced

HAD DEBTS are increasing throughout the world, and the effect on South Africa's export trade is being felt. Credit Guarantee Insurance Corporation (CGIC), in its report, explains: "In general terms, when the manufacturer exports goods on credit in a foreign country, he sends the payment to him, provided it falls within the policy limits. It will indemnify him and make good the loss. The risk insured is purely payment risk and not interest or exchange risk associated with marine, theft, accident or fire." The claims offered by CGIC are divided into two main categories: short-term and long-term goods — where there are more than 90 days payment terms (more than two years); and the short-term division which deals with exports, where credit is granted to a maximum of 180 days.

Included in the short-term category are minerals, metals, foodstuffs, clothing, shoes and equipment which would normally be consumed by the user within a relatively short period.

"When we talk of capital goods, we mean factories and machinery projects such as sugar mills, railway lines, electricity reticulation and telephone exchanges. All are income-producing. Regarding roads and bridges, which are not revenue-producing, we would accept the payment risk only when the importing country is outside the Rand monetary area and the export transaction becomes transactions in selling to the true sense of the word and where you are dealing with an undoubted debtor," said Jobert.

The risk categories are broadly defined into two sections, namely political and commercial risks. Political risks are those events which might cause a loss related to strikes, boycotts, civil unrest, foreign war or the ability of a foreign government to accommodate the transfer of funds due to the shortage of foreign exchange — such as South Africa at the moment. The short-term division has stressed the present SA restrictions on the transfer of funds to foreign countries, and the need to have credit with which to repay bank loans so that SA is still "clean" as far as trade credit is concerned.

Jobert said premium rates for SA exporters are higher than for any other country. Premiums are high for goods going to South America and Europe, because most countries there are of a higher risk nature.

"We measure the political risks with government, as is the case with other credit guarantee insurers such as the Swiss, and that is the extent of government involvement," he added. The CGIC is owned by major banks and insurance companies, so our commercial risks are reduced through the normal commercial channel.

In the case of the short-term payment, we would issue a continuing policy noting the exporter's market, setting the premium.

Credit — an unavoidable element

The supply of capital goods, works and services in world markets has become increasingly competitive in recent decades. Exporters are required to compete not only in terms of quality of product, prompt delivery and after-sales services, but also on extended payment terms. Credit has become an almost unavoidable element in all international sales packages.

By arrangement the Industrial Development Corporation of SA (IDC) became the agent for the government providing the necessary medium to long-term finance and by a reinsurance agreement Credit Guarantee Insurance Corporation became underwriters of these credits.

Since the scheme's inception, the IDC has provided finance facilities for a wide variety of capital goods and services ranging from specific items of capital equipment to the construction of turnkey projects, the provision of project know-how, planning, engineering and design services.

However, to benefit from these services, the IDC stipulates firstly that exports and contractors must obtain a maximum SA content but not less than 60% in the case of turnkey projects. IDC credits are restricted to post-shipment financing and commence from the time the contract has been completed and the goods have been accepted by the buyer. These credits seldom exceed 85% of the contract price.

The scheme provides for financing of capital goods and services only — not for consumables — and only contracts requiring medium to long-term finance qualify for assistance. IDC credit is normally extended in respect of contracts where the repayment period is not more than 18 years and not more than 100% of the amount.

Finance is provided by the IDC in respect of contracts for which post-delivery insurance cover has been obtained, thus it is essential for exporters to obtain the necessary insurance cover before making application to the IDC for financial facilities.

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Minerals are on a roller-coaster

ROY BENNETT

Miners are on a roller-coaster, with the volume on the down slope and local revenue from sales climbing to the stars.

Figures released by the Department of Mineral and Energy Affairs show that in March the country produced 56.4 tons of gold, with an export value of R1.4 billion. By May production had dropped to 50.6 000 kg, but with the value up to R1.1 billion.

Over this period the selling price of gold in local terms increased by 6.5% — from R18.50 a ton to R22.50 a ton — while production fell by 8.9%.

The dollar price of the metal varied between $515 and $530 an ounce, but with the rand/dollar exchange rate falling a nose-dive, the local value to the producer jumped from R28 800 kg during the first quarter of the year to R28 800 kg in the third quarter.

Coal, sold as export, began the current year at 31.1-million tons for January, declining to 25.5-million tons in May, with the value of sales dropping from R18 500 to R17 500.

Compared with the first month of 1984, when 29.6-million tons were sold for R18.50, and May with 21.1-million tons sold for R17.50, 1984 has been a marginal drop in export revenue, with a 3% gain in the local selling price.

Over the seven years from 1978 to 1984, export tonnages climbed from under 35-million tons a world situations.

Current overseas pressures pushed the rand down to an all-time low of R3.40 but at the same time gold started a climb to nearly R500.

Since January, chartists have expected an upward trend of the gold price against the weakening dollar. This did not happen, further strengthening the belief that the metal is no longer the major factor in one money of asset diversification.

Coal began its export slide in 1983, when SA coal sellers started to invade the traditional Australian mining grounds of the Pacific rim countries.

This campaign was further assisted by the prolonged strike of New South Wales railways and dockyard workers, increasing many Australian customers' without mines and easy targets for SA suppliers.

Coal sales appear buoyant, with Holcim and Vinniet, the cement industry leading the growth in demand for ferrochrome.

Copper prices appear buoyant, with Holcim and Vinniet, the cement industry leading the growth in demand for ferrochrome.

This series of a continued increase in R2.073 a month one month before the average, increased by the falling exchange rate, up at R1.30 a month.

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ANTHEA DUGAN

ONE OF SA's most brilliant export performers is ferrochrome. The country currently produces about half of the world's consumption. 1984 could see a decline in world demand, due to a possible reduction in the manufacture of stainless steel around the world.

There is already evidence of a decrease in consumption of stainless steel while there is no overproduction in the world market, which has led to very low prices.

Since the beginning of 1984, virtually all the SA producers have run at full capacity and an immediate reduction in the market is not anticipated. The result of the rand's recent severe decline has had no effect on exports.

Impact

Said John Gomersall, Middelburg Steel Alloys MD: "We see some corrective action having to take place on the production of stainless steel to restore a greater degree of market balance between supply and demand. The world has obviously impact on the ferrochrome market.

This could represent a 5% to 10% decrease in demand on a worldwide basis for 1984. From this point of view the rand will make SA more competitive.

Quotations begin to rise, we have seen some reduction in ferrochrome futures from Europe and particularly from Japan to the US. Decline in ferrochrome demand feared

fed a sudden devaluation of the rand (prior to its being a floating currency). These devaluations have always been followed by high inflation on our imports, particularly electricity, which is a single largest import in the production of ferrochrome.

He said this does not make sense to stockpiles because it puts pressure on prices when there is an oversupply.

The main markets for SA ferrochrome are Europe, where SA has about 35% and 40% of the market; the US, where SA has about 25% to 30% and Japan, where SA's share is about 20%.

Quotations "Because of the quotas and restraining trade agreements which the US are pushing into with a variety of countries, particularly on steel products, we are actually seeing some reductions of ferrochrome and ferrochrome production from Europe and possibly from Japan to the US."

So while there is a current problem, there is no longer a taking place," said Gomersall.
Low rand is best incentive

ALAN SENOUZ

locations as among the best available. In category A the level of tariff protection of inputs which are used to produce exports governs the amount of assistance given. If the inputs face a high rate of duty then higher rebates should offset cost disadvantages.

The category B incentive is equivalent to 10% of the value added of the final product, provided this is tariff protected. Exporters who aim to assist companies, particularly the manufacturing sector, in a number of ways. For example, the scheme gives assistance with primary export market research expenses and participation in international trade fairs. Also, local firms wishing to bring prospective importers from abroad to view their merchandise and operations can claim back some of the costs involved.

Category D provides export incentive on a case-by-case basis for export marketing costs. This is an especially valuable incentive for exporters who face particularly foreign importing. Because SA belongs to no trade bloc, such as the EU, it is greatly prejudiced. Trade blocs create agreements which make the export operations easier. The value added of the final product provided this is tariff protected. The US, itself a major exporter, imposes restrictions on steel imports. These restrictions are not only a tax on the US market but also a burden on overseas buyers. The US is being unable to satisfy its needs.

THE key to gaining many export deals is the freight cost, therefore non-Cape Town freight shipping is worth investigating. Although often seen as unofficial - therefore unprofessional - there are soundly-based non-EXTRA - Supplement to Business Day, September 23, 1985 Page 9

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Seminar

Export Marketing Management

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How will your products or services sell overseas?

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Successful exporters are professional, research their markets and provide an efficient service to their customers. This seminar outlines how to go about identifying attractive export markets, how to reach potential customers and the steps to be taken to service resultant orders efficiently and profitably.

Course objectives:

At the end of this course you will understand the basic principles of:
- whether your company should be exporting
- how to identify potential export markets
- how to promote and distribute your products
- when and how to use export services
- the practical issues relating to exports.

Who should attend:

This seminar is for all businessmen and marketing personnel who want to increase company profits through selling abroad.

DATE:
Monday September 30: Part 1; Wednesday October 2: Part 2.
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09h15 - 13h00 (Registration 08h00) on each day. A light lunch will be served at 13h00 on Wednesday, October 2.
COST:
R186 (JCC members (R225 non-members) includes notes and lunch on the second day).
ENQUIRIES:
Joy Rautbath, Pam Freeman or Pam harr at 736-5300 Business Educat and Training Department of Johannesburg Chamber of Commerce.

Fairs are the places to meet

PARTICIPATION in overseas trade fairs and exhibitions offers a highly cost-effective method of getting into the export market, according to As- ton Post of Johannesburg Exhibitions International.

"Your most important prospects in a particular branch of industry will visit the show, but additional markets which you have not previously considered may be opened up," he said.

"Businessmen from all over the world attend international trade fairs in Europe. This means you talk to potential customers from a diverse angle to which your goods may find a market."

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Workshops for exporting staff

THE South African Foreign Trade Organisation (Sato) runs training courses covering export administration and export management. The foreign exchange risk management course is understandably popular at present.

Practical workshops are held for company clerks to learn how to complete export documents and to de-bug costing forms for export. Some courses are also held at the coast but most exporters are prepared to send staff to Johannesburg for training.

Sato's membership, consultancy services and training programmes are backed up by specialised export publications which are distributed to exporters in South Africa and sent overseas to promote SA products.

ANTHEA DURGAN

There comes a stage in the average company's life when exports crop up as an option for growth. Generally, these options can be categorised in different ways in the home market or export.

When the decision encompasses the latter, Sato GM Ann Moore stresses it is essential the company is aware of what it is letting itself in for and makes a commitment from the top all the way down through management. This is essential to allow time for an export programme to work.

We must, the thought of exporting is so daunting that it is often dismissed as being too complicated. Sato takes the pain out of exporting by supplying a "hand-holding" service.

"We can offer help even at that early stage by motivation and explaining what exporters can do in the way of benefits, such as low growth," she said.

Before making the commitment, considerable homework is needed. This includes knowing the company's own production range and production capacity, and setting up export costing and pricing.

In all these areas Sato can play a role. Publications, export costing, pricing, transport procedures and methods of payment. Decisions on these matters should be taken before the order arrives, or it may be too late.

Another aspect of homework is to establish and identify an overseas market. There are hundreds of countries which might be potential markets but these have to be narrowed down. Most businesses can start the market selection process by ruling out obvious non-starters, but they are necessarily left with about 50 countries, not knowing which would be best for their products.

Again, Sato can help. "We would do some basic comparative analytical studies between various countries using our own experience as well," said Moore.

"If the product is essentially for a sophisticated market, obviously we start with a narrower field although one must not overlook all the developing nations. It depends on the product. By the time we have finished we might probably be left with about six countries.

This is followed by in-depth information on these countries with names and addresses of contacts. She added, "We can even give the export market an idea of what sort of letter he should write - of what he should and shouldn't say.

Many export development costs are incurred in the foreign market. Exporters must visit the market to make contact with clients and appoint agents, and these may be as far away as possible. These expenses are incurred in foreign currency. The company has to pay up front, but governments are not quite so lenient.

There is a tendency to make too wide an allowance for export costs, resulting in the product being over-priced. Here again, Sato can help. At this stage it also makes the company aware of the various forms of government assistance, and helps in the selection of a reputable service.

"Pairs can prove expensive, but there is a certain amount of government assistance for small and medium-sized firms," said Moore.

Hostility threatens growth

From page 1

centraiton on exports from the secondary manufacturing sector, high-tech and services.

He points to "remarkable individual accomplishments", including the machinery and transport equipment producer which experienced a 65% growth in the first six months of this year.

He stressed strongly that more must be made of countertrade, the linking of export and purchasing transactions. SA has been slow to become involved with countertrade and missed opportunities that arose during its massive capital import programmes of the Sixties and Seventies. Each capital import, involving billions of dollars, was handled by trade specialists as prime opportunities for export from SA.

The exporting is still taking place, he said, in a low-key way, by assisting small companies to

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A WORLD OF DIFFERENCE . . .

THE BANK LINE LIMITED

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The 1990s may not be the apocalyptic vision painted by some writers. However, there are several signs that the world of the 1990s may be entering a period of change. The rapid growth of new technologies, such as the Internet, is likely to change the way we live and work. The increasing awareness of the environment is also likely to lead to changes in the way we produce goods and services. These changes will affect all aspects of our lives, from the way we communicate to the way we purchase goods. As we enter the 1990s, it is important to be aware of these changes and to be prepared to adapt to them. The World of Difference is a new book that explores the changes that are taking place in the world of the 1990s. It is written by a team of experts in a variety of fields, including business, technology, and environment. The book is designed to be read by anyone who is interested in understanding the changes that are taking place in the world and how they will affect their lives. It is a must-read for anyone who wants to be prepared for the challenges and opportunities of the 1990s.
Export growth is threatened by anti-SA hostility.

**DESPITE** statistics which show an excellent export performance throughout the year, international hostility towards South Africa is engendered by apartheid, is exerting a strong negative influence and imperils future growth.

In an interview with the chief executive of the SA Foreign Trade Organisation (Safico) told Business Day that an increasing number of the of the country's customers is making it difficult for overseas operators. We expect cancellations and a decrease in the immediate future, he said.

Heinz Bacher, manager of international trade development at LAM Merchant Bank, told Business Day that exports declined by 20.9% last year compared to 1986 and it is expected to decline further this year. He said that it is difficult to predict the future, but it seems likely that the overall trend is downward.

Expectations are now widespread that the effects of the sanctions will be felt much more strongly and that the feeling will make an increasing impact and that, where importers can buy competitive goods elsewhere at little or no premium, SA will receive less favour in the market.

In the light of this, people involved in foreign trade see the need for a long-term strategy to counter the tide of animosity.

Firstly, South African exporters must start building a reputation as reliable suppliers of high-quality, competitive goods and services. Bacher said. "In the longer term, perhaps, better prices will speak for itself."

Secondly, most observers agree that if SA can consistently deliver goods of the quality and price this is likely to overcome any surge in negative considerations. In this regard, the imposition of limited sanctions is seen as a move more than a move.

According to export consultant John Bell of Breyer Development Survey, which has been publishing the report on exports since 1974, SA is in a difficult position but can benefit from the following:

- **Market orientation**: The need for SA to focus on its core strengths and to develop new products and markets.
- **Product quality**: The need for SA to develop products that are of high quality and that meet the needs of the market.
- **Marketing**: The need for SA to develop effective marketing strategies that will help to sell its products.
- **Innovation**: The need for SA to develop new products and technologies that will help it to stay competitive.

### Sales to Africa are increasing

Despite the current political climate, exports to the rest of Africa are booming.

In the first half of this year, the year-on-year growth of these exports was 9.6% compared to the first six months of last year at 18.5%. While there is no doubt that a heavy chunk of the increase is merely a reflection of a weaker rand, the SA Foreign Trade Organisation (Safico) reports that sales of goods to neighbouring territories are increasing at a significant rate.

### Export boom set for next three years?

The increase is heartening as exports have dropped since 1989. Not that African states have been slower to deal with SA. However, the introduction of new policies and the strengthening of the rand is expected to provide some relief.

### Sanctions

In the first half of the year exports to most regions were down. However, exports to Africa were up by 20.9% last year compared to 1986 and it is expected to decline further this year. He said that it is difficult to predict the future, but it seems likely that the overall trend is downward.

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Countertrade — spreads like Aids

HEATH YOUNG

— some estimates claim varieties of barter now account for up to one-third of world trade, though GATT puts it at only 16%.

Whatever the figure, and despite disapproval of supporters of free trade, countertrade appears to stay for the foreseeable future and exporting countries will have to learn to live with it.

There is no uniformity of policy or terminology in countertrade, but the SA Foreign Trade Association (Saftra) has identified four broad forms of trading.

1. Barter: The straight swapping of goods by two contracting parties, usually governments, mostly on a one-for-one basis. A well-publicised barter deal involving SA was the 1992 swap of maize for Tanzania's fertiliser.

2. Compensation: In this uncommon type of arrangement the exporter agrees to take full or partial payment in kind for goods sold, but the exporter transfers the purchasing commitment to a third party, which may be an end-user or a trading company.

3. Counterpurchase: Also known as parallel or multi-para barter, this is an agreement to provide substitute forms of countertrade. It is common in the case of scarce raw materials but linked transactions whereby two parties agree to purchase goods from each other's countries in a specified period. The exporter may be required to buy goods from the other side to the value of the sale. In many cases the exporter is the only other service of a counter-trader who sells the goods on behalf.

4. Buy-back: This involves a relatively large amount of export trade and perhaps the prevalent form of countertrade. The exporter, usually an industrial firm, provides plant, equipment or technology to an importer (also an industrial firm) and agrees to accept, as part or full payment, goods produced by the importer with the exporter's equipment.

Saftra notes government appears not to be opposed to countertrade, but has stated exchange control regulations must not be contravened.

Those trade missions mean more than just cocktails

A TRADE mission is not just one long cocktail party, rather it is a period of intense work which often results in business. For instance, De Jager, general manager of the Johannesburg Chamber of Commerce (JCC), arranges an annual mission to Europe.

"There is still a social aspect, but one can often make valuable contacts and pick up business at social gatherings."

According to De Jager, between 40% and 50% of missions are usually successful and gain new business.

The JCC has four staff permanently engaged in facilitating two-way trade.

Getting the most from a trade mission depends on willsone put into it says De Jager. A lot of desk work is required so that the mission is prepared to take advantage of opportunities that will arise.

To qualify for government assistance, the company has to be a registered exporter which means filling out the Department of Trade and Industry forms. Being a registered exporter does not mean the company must export. Should its representatives be unsuccessful in gaining business, there will be no difficulty over having obtained government support to participate in a trade missions.

The cost per member of the last JCC mission was around R6 000, about half of which was met by government.

The JCC trade missions next year is likely to concentrate on Spain and the UK, "the present situation in France being a bit difficult".

Countertrade

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Spadework is essential before export

IT COSTS time and money to develop export markets and, because sales can be made abroad, careful preparation, planning and detailed market research are essential.

A professional approach is vital to success, and this can be divided into two broad areas: desk research and field investigation.

The former comprises essential work that can be done without leaving SA and includes consideration of the product, production, pricing and market selection, and appraisal.

Sales points

The product's specification, advantages and sales points should be assessed objectively, then specific markets should be sought. The prospective exporter should ensure that no apparent restrictions exist before looking carefully at the efforts and pricing policies of his international competitors.

Once this has been done, and a number of specific markets identified, he can prepare written material and use his expertise in promoting the products he is marketing.

He should be looking for the development of the local market and market potential.

Products designed specifically for the local market must be compared with equivalent products available internationally. A product that sold well locally may be totally unsuitable for conditions overseas, so it is necessary to consider export markets even at the design stage.

Cost formula

In order to assess realistic pricing levels, it is necessary to establish the manufacturing cost which will form the basis for export pricing. One can work on the formula of taking the direct material and labour costs and add a percentage as a contribution to overheads.

There are government export incentives, and these are tax-related and make sense to ensure that the registered export company is a tax-paying entity.

Raw material price reductions are not negotiable, but one must be careful to check all points carefully researched.

In cases where the SA product proves to be superior to the local product, price usually ceases to be an issue. As a general rule, markets similar to those in

HEATHY YOUNG

SA should be sought, and countries with strong textile markets like SA as well as competitive shipping routes should be investigated.

The ideal market is one where there is a regular demand for the product, which the exporter will be competing on an equal footing.

Once the five or six potential markets have been selected, it is time to research in detail primary and secondary markets.

Overseas travel is expensive, so the aim is to find out as much as possible about the market before planning a visit.

Good hotel

Having done his desk research, the would-be exporter can now go to the next phase of developing an export market: in-market research and development.

By this time he will have a fair idea of the potential of his product, and the cultural and linguistic differences likely to be encountered. His SA buyers will have expressed a wish to export to his hotel, and places in relation to the likely business contacts, and geared to the needs of businessmen.

Choosing a hotel is one area where expense should not be an object. In many countries a businessman and his company will be judged by the hotel in which he stays.

The easiest people to approach about competitive products are those at

EXPERIENCE is not a prerequisite to success in international trade and, recognizing this, the Small Business Development Corporation (SBDC) is energetic in promoting the export potential of small businesses.

The SBDC's "Small Business Export Kit" booklet is designed to introduce small manufacturers and distributors to the basic principles of international marketing. It gives practical advice on how to initiate an export programme and details the tax incentives which benefit the exporter.

Copies of "Small Business Export Kit" are available free of charge from SBDC offices in larger towns and cities.

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The dictionary defines a promise as, "An explicit undertaking to do or not to do something". It is far more difficult to keep a promise than it is to make an excuse.

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Business Day gratefully acknowledges the help of John Bell of Breyer Development Services in the preparation of this article.
Strong demand for SA engineering products

South-East Asian countries of Singapore, Malaysia, Thailand, Indonesia, Philippines and Brunei. These countries have high, pro-
certained growth. South America is an-
other area of rising de-
mand though some coun-
tries - notably Bolivia and Peru - are virtually
bankrupt despite having
high potential, and ar-
ranging payments is diffi-
cult. Chile is a particular-
ly promising market
because of its high level
of spending on mining de-
velopment, and it is set to
replace Brazil as SA's
major trading partner in
Latin America by end-86,
said Bell.
Argentina, which has
excellent long-term min-
ing prospects, is already
a profitable market for a
number of local export-
er.
Electrical goods find a
ready market in many
parts of the world. Not
only are they technically
compatible with Asian
trading partners, for in-
stance, but the price is
right.
The potential here runs
the gamut of generation,
transmission and retic-
ning equipment through
to high quality domestic
appliances - SA cannot
compete in the low end of
the market with Taiwan
and should not try, said
Bell.
SA is also exporting
white goods, which are
competitive in many
markets with those of
Finnish suppliers such
as Italy.
Other products which
have important export
potential, said Bell, in-
clude highly sophisticated
engineering products,
motor parts and accesso-
ries, semi-converted
steel products such as
wire, and consumer pro-
ducts such as clothing
and footwear.
Europe, and the US,
while being major im-
porters of SA primary
products, are not such
good markets for engi-
neering products, he said.

The developed econo-
mies tend to make use of
highly specialised equip-
ment requiring regular
maintenance, rather than
the more rugged equip-
ment SA has developed.

Bell is enthusiastic
about export prospects
but said a more profes-
sional approach to ex-
porting is needed.
"South African export-
ers need to improve their
own image. Many are

vital to success

TWO essential ingredi-
ents to successful export-
ing are optimum produc-
tion methods and
excellent quality control.

This is a view held by
Peter Kiefer, a former SA
State Railways Associa-
tion official now an
independent export consult-
ant.
He maintains the ex-
port marketer has to
combine qualities which
are rarely seen together
- those of the salesman
and accountant. Not only
doe, he has to consider

\[\text{b. v. e.}\]

an expert from manufac-
turers

Foreign marketing is a
specialised field and find-
ing a niche for products is
no easy task.
"There are many in-
stances where our goods
and products would be
welcomed in Europe but
not all manufacturers
UK-SA trade relations will continue to be important — Moberly

Financial Staff

Britain and South Africa would continue to be important trading partners despite the recent limited sanctions announced by the British Government on Wednesday.

"The business of Britain is business", the British ambassador to South Africa, Mr Patrick Moberly, told a group of Anglo-South African businessmen yesterday.

At a luncheon organised by the South African British Trade Association (Sabrita), Mr Moberly stressed that there was "no change" in Britain's attitude to economic sanctions.

Decision-makers in Britain realised that opinion in South Africa was divided over the efficacy of sanctions in spurring changes away from apartheid, but concluded that "blacks... would generally prefer British firms to stay and contribute to change", he said.

Continuing contact between the two countries would allow scope to influence events in South Africa.

"Nevertheless," he said, "you should be in no doubt as to the strength of our feelings about recent developments in South Africa and about the urgent need for further peaceful change."

The British government's restrictive measures announced on Wednesday were intended as a political signal "which deliberately steers clear of hurting the economy or the lives of people whom we are trying to help", the ambassador said.

He added that specific reform measures, including the release of Nelson Mandela and other acknowledged political leaders, and an end to detention without trial and the state of emergency, as well as a commitment to "some form of common citizenship for all South Africans", remained goals of British policy towards South Africa.

Mr Moberly commended initiatives by organised business in South Africa in supporting calls for change, but said that "further ideas tentatively aired (by the Government) for black advancement need to be translated now into action".
Power gear manufacturers seek import protection from BoT

MANUFACTURERS in the power transmission industry are plugging for import protection.

Ironically, their present demands to the Board of Trade could prove to be something of a double edged sword, as many manufacturers import as well.

Nevertheless, the manufacturers, represented by the Gear Manufacturers' Association, are plugging for protection.

Chairman Heinz Mederer says it is only on industrial gearing ranging in size from a metre downwards.

He says the size of the market —

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<th>Industrial Staff</th>
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— either in rand or volume terms — is distorted at present because of problems with imports.

Central European manufacturers, it seems, are shipping gearing under false colours, using additions to the boxes such as turbine switches to beat existing trade barriers.

Mederer, MD of Paramount Engineering, says this comes at a time when substantial import substitution because of the exchange rate should be "really possible".

Renold Crofts MD John Perryer says there is an array of locally manufactured and proven power transmission components that can be directly substituted for more expensive imported machinery.

Perryer says also that, although the domestic equipment often differs in nature and design to imports, it does the job as efficiently.

Secretary Frank Woodley says as much as the association would like full import substitution, the production runs militate against the capital expenditure involved.
SA ‘needs to expand exports’

PRETORIA — South Africa’s ability to meet its international financial commitments in the immediate future would largely depend on it being able to continue expanding its exports, the South African Minister of Finance told the International Monetary Fund meeting in Seoul yesterday.

A copy of his prepared speech was released in Pretoria.

Mr. Burend du Plessis said that South Africa, as a country with a firm belief in the virtues of the free market system, unreservedly endorsed the call for resistance to protectionist measures. Without this resistance, prospects for sustainable recovery in the world economy would be undermined and the management of the external position of heavily indebted countries would be severely complicated.

Clouds gathering

"I particularly welcome the firm determination expressed by members of the Interim Committee that their governments will preserve an open trading system in which all countries will have effective access to world markets," Mr. Du Plessis said.

The Minister said it was clear that the world economic situation had improved during the past year in certain respects, but that "clouds were now gathering on the horizon".

"Primary commodity prices have recently been declining and, coupled with the slowing down of economic activity in the United States, the export earnings of the developing countries and hence their growth prospects are weakening," Mr. Du Plessis said.

"Unless there is accelerated economic expansion in the other major industrial countries, overall industrial growth might well slow down in the year ahead — at a time when unemployment in developing countries is a serious problem.

Fragile system

"Add to this the growing calls for protectionism and the reluctance of banks to extend new loans in Third World countries, and we have the makings of a new international debt crisis," Mr. Du Plessis said.

Recent developments in the South African balance of payments situation had provided further evidence of the vulnerability of, and the threat to, the integrity of the present fragile international financial system.

However, events had led up to the forced declaration of a standstill period for the repayment of foreign debt in many respects different from those that had created repayment problems for other lands.

Sudden withdrawal

South Africa had been applying relatively strict monetary and fiscal policy measures, resulting in sharply decreased gross domestic expenditure, a decline in imports and enhanced exports, with the current account surplus equalling some four percent of the gross domestic product.

Moreover, the Republic had not experienced any difficulty in meeting both its interest and capital redemption commitments on long-term loans, and neither had the government or public sector experienced an outflow of short-term capital.

The country had been forced into the credit standstill arrangement by a sudden withdrawal by some foreign banks of short-term credit facilities previously extended to domestic banks and other business enterprises.

Achilles’ heel

The repayment of capital had been temporarily suspended but current payments such as interest and trade settlements had not been affected.

In press interviews in Seoul, the Reserve Bank Governor, Dr. Gerhard de Kock, said capital outflows from South Africa would continue for some months despite the debt moratorium, but would decrease.

South Africa’s Achilles’ heel was the international interbank market where loans to South African banks amounted to $6.5 billion (R16.5 billion) out of a total foreign debt of $24 billion (R60 billion). Short-term debts of $14 billion (R35 billion) had to be repaid within a year. The huge debt overhang explained the weakness of the rand.

— Sapa and Own Correspondent
Japan clamps down on Krugerrands and computers

TOKYO—Japan said yesterday it would ban the export of computers to South Africa's armed forces and police, and urge importers to stop buying Krugerrands, as part of economic sanctions in protest against apartheid.

The Foreign Minister, Mr Shintaro Abe, issued a statement saying he would ask Japanese firms based in South Africa to adhere to practices of equal and fair employment.

Krugerrand coins worth 50 million dollars (about R125 million) were imported by Japan in 1984 and exports of computers totalled about 45 million dollars (about R112 million).

Foreign Ministry officials said the International Trade and Industry Ministry would decide when to implement the computer ban, but efforts to clamp down on Krugerrand imports would start immediately.

Japan maintains only consular ties with South Africa because of its opposition to apartheid. About 55 Japanese companies have offices in South Africa and exports totalled 1.9 billion dollars (about R3 billion) last year against 1.3 billion dollars (about R3 billion) worth of imports. — (Baba-Reuter)
The rand plunged to its lowest level against sterling today and was quoted at R4.06 to the pound in Johannesburg.

This is an overnight plunge of 22c, for the top bank rate was R3.84 to the pound last night.

It is also a drop of 33 percent in the value of the rand since the beginning of September, when the pound was worth R3.03.

It fell rapidly to 35.55 US cents in early trading, dangerously near its record low of 34.80 cents on August 27 before trading in the currency was suspended.

It later recovered to 36.35 cents, which was half a cent below last night’s closing rate of 36.55 cents, after “sizeable” Reserve Bank intervention, reports Reuters.

Dealers said the Reserve Bank had few dollars to intervene in the foreign exchange market and stop the downward drift.

**ONLY HOPE**

Oil companies were rumoured to be among the companies putting through import orders.

There were also rumours circulating of a possible suspension of outstanding payments on pre-1985 imports.

Dealers fear the rand could drop even lower because of the lack of options by the authorities to underpin the falling rand.

The only hope, said a banker, could be positive reaction overseas to talks next week about rescheduling South Africa’s debt.

Gold was fixed in London at $325.90 an ounce in London today, a drop of $1.60 from last night’s closing price.
Wine exports go sour during unrest

Financial Staff
KWV is adopting a low profile in countries that are politically sensitive towards South Africa, the KWV's October newsletter has told members.

The international marketing conditions for South African exporters, especially KWV export wines, are being subjected to severe attitudes against South Africa by the importing countries because of the political situation.

This has resulted in boycott actions against South African wine imports by the monopolistic control boards of the countries concerned, the newsletter states.

MILLIONS OF RANDS
KWV exports to Finland and Sweden, and especially to Ontario, Newfoundland and Nova Scotia in Canada have been officially delisted and declared prohibited imports.

The loss of the Canadian market is a severe blow to the KWV as a country which has been acknowledged as the biggest single export market and where KWV's products were marketed and identified under its own particular South African Paarl trade name.

In the past 50 years millions of rand has been spent in establishing and developing this singularly important trade name.

The weakening of the rand by about 30 percent since 1984 against other international monetary units created a favourable trade situation for South Africa — but which has now been destroyed by the political climate.

While favourable exchange rates were still enjoyed by South African exporters, it is not certain how effective it will remain under the market conditions.

The wine industry is also faced with the impact of South Africa's inflation rate of 15 to 16 percent, which is continually resulting in higher production costs for the KWV against the expected inflation rate for 1986 for the United Kingdom, where the natural wine market is showing strong growth tendencies.

In Britain the expected rate is 7.1 percent, in the US three percent, West Germany 2.25 percent and Japan four percent.

The gross national product of these countries is expected to improve during 1986, making it all the more tragic that the situation in South Africa has a negative influence on the further development of these markets.
Record R470m export earnings for W Cape fruit

By AUDREY D'ANGELO

THE 2,000 farmers who export grapes, stone fruits, apples and pears through the Deciduous Fruit Board shared an estimated net profit of R84m — more than double the 1984 figure — this year.

The chairman of the Deciduous Fruit Board, Mr Leo Fine, announced yesterday that payments to producers increased by 55 percent to R237m in the season just ended.

The favourable rate of exchange helped boost export earnings to a record R470m. But the rise was also due to the fact that more fruit had been sold in spite of boycotts and anti-South African propaganda.

"People still buy our fruit because of its quality," he said in an interview.

"We exported nearly 26m cartons."

Exports of table grapes exceeded 10m cartons for the first time and earned R120m.

Popular fruit

Apples were still the most popular fruit and 10.9m cartons were exported, earning R262.4m, compared with 3.2m cartons of pears earning R67.9m and 1.6m cartons of stone fruit earning R16m.

Pointing out that fruit growing was a major industry in the Western Cape, Mr Fine said organizers of boycotts should realize that they were endangering many jobs.

The general manager, Mr Louis Kriel, warned producers that, although the exchange rate would still favour exporters in the coming season, charges paid in foreign currency would be higher.

Boycott

And he feared that some Scandinavian countries would boycott all agricultural produce from South Africa.

"The irony is that the fruit growing industry employs more than 200,000 black people and is known for its favourable working conditions."

"No problems are expected in the main export countries, however, and the quality of our produce and our service are expected to overcome all opposition."
OSLO — Nordic nations said yesterday they would cut South African trade, but anti-apartheid groups condemned the moves as cosmetic and saids trade unions might impose a full embargo on trade and cut telephone links with Pretoria.

The Foreign Ministers of Denmark, Norway, Sweden, Finland and Iceland said in a joint declaration they would prohibit new Nordic investment in South Africa, ban imports of Krugerrands and the export of computer goods.

They would also ban loans to South Africa and stop State purchases from the republic.

The ministers urged other nations to adopt similar measures and said they would work actively for a full trade embargo within the United Nations Security Council.

Anti-apartheid groups from the five nations who came to Oslo to lobby the ministers, said the measures did not go far enough.

BOYCOTTS

Transport workers' boycotts in coming weeks would virtually halt South African imports and exports, they added.

A spokesman for Danish transport workers said today their union had given notice of a boycott of South African goods starting in November.

Boye Mattsson of the Finnish Africa Committee said postal workers in Finland might now start a boycott of South African mail and telecommunications workers were threatening to cut telephone links.

Nordic trade with South Africa totalled $844 million last year with Sweden being the biggest exporter and Denmark the largest importer.

Danish Foreign Minister Mr Uffe Elleman-Jensen told a news conference Denmark, the only Nordic nation in the European Economic Community, would appeal to that group to take similar action.
Thatcher: Far cry from ban

LONDON — Prime Minister Mrs Margaret Thatcher's agreement to limited economic sanctions against South Africa received a mixed response yesterday.

Mrs Thatcher, whose opposition to sanctions had brought the Commonwealth summit close to a break, said in a BBC radio interview yesterday that her concessions were "absolutely minute — a very, very far cry from a ban on exports and imports from South Africa".

"Blackmailed"

But Mr John Carlisle, a Conservative Party MP who is secretary of the British-South Africa Parliamentary Group, said Mrs Thatcher had been "blackmailed" into agreeing to sanctions.

"Any breaking of the no-sanctions policy is deeply to be regretted," Mr Carlisle said. "This must be the last concession to the Africans. There must be no more submission to blackmail and there must now be encouraging measures to the South Africans towards reform."

The opposition Labour Party welcomed the agreement but the centre-right Liberal and Social Democratic parties said Mrs Thatcher's stand against every other Commonwealth nation had seriously damaged Britain's interests throughout the world.

Mr Donald Anderson, Labour's spokesman on foreign affairs, said: "Kicking and screaming, she has been persuaded by the Commonwealth to set out on the road of sanctions. This must be welcomed by those who seek change in South Africa."

Liberal foreign affairs spokesman Mr Alan Beith said the Commonwealth package was "a welcome first step" but added that "no one who heard Mrs Thatcher describe its economic measures with undisguised contempt as "absolutely minute can believe she has any intention of bringing serious pressure to bear on the South African Government."

Social Democratic leader Dr David Owen, said Mrs Thatcher had in reality accepted President Ronald Reagan's line on limited economic sanctions.

"It is an ill-covered climbdown, which has given Britain an appallingly bad press throughout the world where we have been identified with support for apartheid — and sadly some of that mud will stick," he said.

"Tiny"

In the interview Mrs Thatcher said the ban on Krugerrand sales and the end to financing formal trade missions were "two such tiny things — I don't think they will affect our trade with South Africa."

"Anyway, there is no earthly use in creating unemployment at home in order to create unemployment there. Which is why I was against sanctions, added to which they won't work," she said. — Sapa-Reuter. AP
Anti-SA stance hits city clothing exports to USA

TOM HOOD

AMERICAN clothing importers are taking advantage of anti-South African sentiment and forcing down the price of garments exported from Cape Town factories.

Some export prices have become uneconomic but the industry should try to absorb them even though domestic business is falling, says the chairman of the Cape Clothing Manufacturers Association, Mr Simon Jocum, who has returned from a seven-week overseas visit.

Export business usually took years to develop and hopefully it would become more profitable again.

"Exports don't just happen — it can take a year to two years to get going — but to be successful we must enjoy the right political climate and a healthier domestic market to recover fixed overhead costs which cannot be passed on to the highly competitive clothing markets."

The industry was vigorously pursuing the export markets of the United States, Britain, and other parts of Europe and North America, notwithstanding the fall of the rand to 40 cents.

Because of the high profile South Africa was enjoying on television, boycotting movements had increased their pressures from government to business.

The American consumer, a fair-minded intelligent person, was exposed to daily reports of violence taking place in South Africa and perceived the police as trigger-happy and going about shooting children.

"Importers see a risk factor and are asking us to quote prices at below economic cost levels, taking away the advantage of the weak rand."

Distressed, depressed

"I tried to do my bit but I found resistance in bringing overseas buyers to Cape Town unless I can guarantee their safety."

Mr Jocum said the country's clothing industry was "distressed and depressed".

Unemployment increased by 700 in the Cape in the past month after two more factories closed down.

It was beginning to stabilise but the widespread unrest and the slow pace of reform did not lend confidence to the situation.

The number of employees stood at 54,700 compared with 61,800 at this time last year, a drop of 7,100.

The weak rand had forced local textile mills to increase their prices drastically. Wool and cotton had to be paid in dollars at internationally set prices.

Retailers were holding back in their purchases "until the smoke settles" and were buying from hand to mouth, which caused chaos in planning forward for the future.

They were waiting to see what happened at Christmas before placing their orders for the first half of 1986.

Buying power

"What is further disturbing is that unrest at schools has a worrying effect on the workforce. Parents worry about the activities of their children unattended at home as they are not able to go to school because of the unrest. How can people be expected to shop in certain areas amid the unrest? This affects the entire work situation."

The falling rand was not even helping the situation but the increased inflation rate was eating into the consumer's buying power.

The only way the clothing industry could grow was when unemployment was reduced and more jobs were created.
Iscor raises exports — profits decline

PRETORIA — The South African Iron & Steel Corporation (iscor) group had a net profit of R53m after tax in the year ending June 1989, down R69m from the R92m of the previous year, according to the group's annual report released yesterday.

However, foreign exports increased by 54 percent, from R488m to R923m, as the foreign market took advantage of the weakened rand, iscor's chairman, Mr F P Kotze, told a press conference at iscor's headquarters.

The group had a profit before tax of R33m, compared with R96m last year, and local sales of steel declined by 15 percent after a 16 percent increase in the preceding year — "in keeping with the overall economic climate in South Africa," he said.

"The profit performance declined, notwithstanding an increase in the total sale of steel products of 259 100 tons, or five percent, compared with the figure for the previous year. "This happened mainly on account of a drop of 552 900 tons in sales to the local market," the chairman said.

Steel products account for about 88 percent of iscor's total turnover.

Mr Kotze emphasized that the Western world industry was experiencing a "gross over-capacity," of about 30 percent with many producers of floating products on the world market at reduced prices.

They were able to do this because they were often subsidized, while this was not the case in South Africa, Mr Kotze said.

The freeze on repayments of foreign loans and the unrest situation had caused uncertainty overseas about South Africa, he said.

The restrictions on sales, mainly to the United States and the European Economic Community meant that new markets had to be found and international market prices had been further depressed.

The poorer operating results of necessity also had a negative effect on the group's internal cash flow, "which still amounts to the substantial sum of R355m of which iscor contributed R235m — appreciably less than its R507m contribution in the previous year."

Asked about the possible privatization of iscor, which is almost totally government-owned, the chairman said it was "not really on the cards."

"It's government policy, but there has been nothing specific regarding negotiations.

"It will be up to the shareholders to decide on their line of action, not management," Mr Kotze said. — Sapa
US tightens up on computer exports to South Africa

By SIMON BARBER
WASHINGTON — New trade rules are to be published this week that raise congressional concern and may be altered before the code is formally promulgated in the Federal Register.

The main features are:
- A complete prohibition on the sale or reexport to the South African security establishment of any United States goods or services.
- An embargo on the sale, transfer or resale by a third party of computer software, computer servicing or technical data to government agencies designated as “apartheid enforcing.”
- New licensing requirements for the export of all but the most rudimentary computers to the South African private sector and government departments not covered by the above ban.

Denial of licences for exports to South Africa’s “nuclear utilization of production agencies.”
- Vigorous new enforcement and verification procedures including on-site inspection by the United States officials.

The net effect, in the view of some congressional staff members, is a set of controls as tight as those applied to computer sales to the Soviet Union.

Potentially one of the more controversial aspects is the restriction on personal computer sales to non-prohibited end-users. The only hardware available on an uncontrolled basis to “legitimate” South African consumers will be increasingly obsolescent models.

A briefing paper prepared for Congress by the Commerce Department gives as examples of the machines that will now have to be licensed the IBM personal computer, Apple IIe and IIc and the DEC Rainbow 100.

Also controlled is any model that contains a “hard-disc” mass storage device.

The most surprising entry is the popular lap-top portable widely used by the South African Press. The Tandy Model 100. Though its clones are easily available from other sources, this simple machine is singled out because it uses a special low-power microprocessor known as a CMOS.

Amid fears that the new licensing requirements will further damage United States computer sales to South Africa, the Commerce Department promises that procedures will be streamlined.

However, South African consignees will be required to sign a strongly-worded undertaking to comply with United States regulations.

Part of the undertaking reads: “I (we) will cooperate with post-shipment inquiries by United States officials to verify disposition or use of the commodities/technical data.

If requested by the exporter, I (we) will periodically provide information concerning the disposition or use of commodities and technical data received under this licence, including the identity of customers to whom the items were resold.

“Apartheid enforcing” agencies barred from all United States computers are listed as, but not limited to, the Ministries of Justice, Home Affairs and National Education, Constitutional Development and Planning, Law and Order, Manpower, Education and Development Aid, the development boards, rural development boards and “homeland” entities that perform similar functions.

Specifically excluded from the general computer ban are the Ministries of Communication and Public Works, Agricultural Economics and Water Affairs, Mineral and Energy Affairs and Finance.

Exceptions will be considered on “humanitarian grounds” on a case-by-case basis.

There may also be waivers for commodities and related technical data to be used in efforts to prevent acts of unlawful interference with international civil aviation.

The ban of exports to the South African nuclear industry may exclude equipment and technology required for compliance with international nuclear safeguards or for public safety.
JOHANNESBURG. — The Government is prepared to use non-conventional trade methods to counter sanctions, President PW Botha says.

This could take the form of "counter-trade" or barter, which he said had been developed into an accepted international method of trading.

Speaking at an export achievements award at a banquet here last night, he announced the establishment of a government secretariat for non-conventional trade.

This and other steps were necessary to ensure the economy remained "strong and viable in the turbulent world of international trade".

Approached for comment, the head of the Bureau for Economic Research at Stellenbosch University, Professor Attie de Vries, said this could be interpreted as a timely sanctions-busting warning.

Mr Botha said that, besides conventional international trade, the Government was aware of the growth of non-conventional trading methods throughout the world, "with the accompanying involvement of governments".

The need for the application of counter-trade practices, which formed part of non-conventional trade, arose mainly as a result of financial and marketing difficulties which many countries experienced with their foreign trade.

The application of counter-trade practices had developed into an international method of trading which could hardly be ignored.

While it did not replace existing conventional trade, it could be applied to protect and supplement a country's existing foreign trade.

It was in the interest of South Africa that this method be used and the secretariat, to be established as part of the Department of Trade and Industry, was aimed at fostering it.

Professor de Vries said the announcement could be seen as a timely warning that the Government was not prepared to take sanctions lying down.

The acceptance of counter-trade practices probably meant a move towards international barter trade, where no money changed hands. — Sapa.
French ban on imports of SA coal

Argus Foreign Service

PARIS. — French Prime Minister Mr. Laurent Fabius has extended anti-apartheid measures to include a ban on South African coal imports.

He told the National Assembly yesterday: "We will stop South African coal imports from January 1." He said France, "a country of human rights", could not possibly buy coal "from an apartheid country of blood".

Mr Fabius said France — the first Western European country to implement a major trade boycott of South Africa — would not renew its coal contracts with South Africa.

The move could be seen as a victory for the French Communist Party, and its CGT trade union ally, which have led a vigorous campaign against coal imports, with commando units preventing ships unloading it or trains carrying it.

In 1984 France bought 5.6-million tons of coal, though imports this year averaged about 4.5-million tons. The largest contract — for 3-million tons — expires on December 31.

There are several other contracts but it was not immediately clear when they expired.

It was presumed by the coal trade here that by mid-1986 France would have to find an alternative supplier to replace South African coal.

Dr Zac de Beer, a director of Anglo American, who is visiting Paris, said: "I heard the news with great regret because an immediate effect will be a loss of jobs in South Africa, and they will be primarily black jobs."

Case dropped

Education Report

NO charges are being laid against 17 University of Cape Town students who spent a week in detention after allegedly attending an illegal dance.
Machinery exports monitored

Pretoria Bureau

The Department of Trade and Industry has announced it will impose export control measures on certain capital equipment — including road building equipment and aircraft — which has been leaving the country in large quantities.

In recent months, many cash-strapped South Africans have sold their equipment abroad to get a good price.

The Minister of Trade and Industry Dr Dawie de Villiers indicated that his department was worried about all the valuable machinery that was going elsewhere and had therefore decided to monitor these exports.

Anyone wishing to export such equipment in future will have to obtain a permit from the Director of Exports.

A list of the goods which will be subject to export control appeared in the Government Gazette last Friday.
Export trading houses an underrated force in SA’s export arsenal — Safto

Financial Staff

Export trading houses play an important role in South Africa’s foreign trade but have, in the past, been underrated instead of acknowledged and encouraged, says a special report in Safto’s latest annual report.

Quoting a recent study undertaken by the Industrial Development Corporation (IDC), the Safto report says that some 350 export trading houses exist in South Africa and are responsible for R3 500 million of exports, or 27 percent of non-gold exports. (A study by Safto itself in the late 1970s placed the proportion at 25 percent).

This compares favourably with Western European countries where between 15 and 30 percent of international trade is conducted through traders.

In the Far East, the importance of Japan’s trading houses, the Soga Shosha, is well known but equally important are the 6 000 to 7 000 smaller, specialised trading houses which account for 30 percent of Japan’s international trade.

In South Korea, nine general trading companies, modelled on the Japanese Soga Shosha, are responsible for 50 percent of the country’s foreign trade. Smaller traders, on the other hand, are the backbone of Taiwan’s extremely successful foreign trade; in Hong Kong, traditional “family” trading houses have long dominated international trade.

Surprisingly, in the United States and Canada trading houses are a less significant force than in the rest of the world. This may be due to North America’s relatively small exports of non-commodities and the fact that most major companies operate internationally as multinational corporations.

One reason for trading houses often being underrated, both in South Africa and elsewhere, is doubtless the low profile they themselves maintain due to the secrecy of their operations.

The IDC study revealed however some impressive data on the foreign representation of the South African export trading sector.

Some 125 companies participated in the study and provided information which can be regarded as typical of the sector as a whole. These 125 companies have 168 offices in about 24 major markets throughout the world. The IDC estimates that the South African export trading sector has access to more than 2 000 offices and companies abroad, providing South Africa with important trading links with the rest of the world.

The advantages to a producer/manufacturer of using export traders are their highly specialised product skills, their intimate knowledge of foreign markets and their vast experience in documentation, finance, payment, shipping, etc.

Disadvantages include lack of total control and absence of market feedback on prices and distribution changes. With this in mind, it is common to find a producer striving for an optimum ratio of “direct” exports through its own export division, to “indirect” exports handled by an export trader.

At a time when the export sector is under increasing pressure to generate foreign exchange and spearhead the country’s economic revival, the export trading sector, already contributing significantly to South Africa’s exports, must be encouraged to play an even greater role, through a more equitable application of export support programmes, Safto says.

This sector must also become more deeply involved in countertrade and other non-conventional trading techniques in order to develop new exports, particularly in the manufacturing sector.
Import surcharge 'unjustified'

Cost of medicines likely to increase

GOVERNMENT's 10% surcharge on pharmaceutical raw materials is unjustified and is likely to increase further the cost of medicines, according to Niko Stutterheim, chairman of drug and chemicals group Noristan Holdings.

In the group's annual report he said the weak rand had already pushed up prices because of the increased costs of imports.

"The recently-imposed 10% surcharge on imports, which also affects pharmaceuticals and chemicals, will place further pressure on selling prices and we are of the opinion the surcharge cannot be justified on an essential item such as medicine."

Noristan MD Hugo Snyckers said yesterday the surcharge would increase medicine prices by 3%.

"The state is always expressing concern at the high cost of medicines. If it so concerned, it should demonstrate it," he added.

The annual report shows that Noristan, which also deals in computers, achieved an after-tax profit in the year to June of R1.3m, compared with R1.1m.

This includes provision for R2.4m in foreign exchange losses on overseas loans. Total provisions for forex losses for the year were R4.7m, of which the balance will be spread over the period of the loans.

Describing Noristan's results as "quite reasonable", Snyckers said yesterday the group was not expanding.

He warned that if the SA economy showed no signs of an early recovery, drug and cosmetic prices could rise sharply in the new year.

Although imported ingredients made up a huge chunk of products — 100% in the case of Noristan's cosmetics — many manufacturers were continuing to absorb increased costs because of reduced public buying power and competitive pressures.

"However, you can probably expect to see further increases in the new year. A number of manufacturers are awaiting the result of the rescheduling talks."

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Changing strategies

Whether we are, or whether we are not, trading in a hostile world is perhaps open to debate. What I do believe to be important is that the average South African exporter or — more importantly — potential exporter perceives the world as a hostile environment and thinks he has good cause to do so.

There is no doubt that the world has apparently become increasingly hostile towards us, the more so since our State President chose to lecture the world as though he were addressing the National Party National congress instead of vice-versa.

For a South African passport holder to travel the world is becoming increasingly onerous, with virtually all countries demanding a visa and many simply refusing entry. Even during the week when I was preparing this address my company was having to hand-deliver packages of mail to Australia-bound passengers at Jan Smuts airport with a request to pass them to contacts in Australia for stamping and mailing, in order to avoid a union ban on the handling of mail from SA.

I also learned one of our clients who had the right product at the right price for the British market was encountering difficulties in securing an order because the importer — carefully and painstakingly sought by ourselves on their behalf — was proving reluctant to confirm an order because of fears that action by the Transport and General Workers' Union at the docks might prevent the goods leaving the port in time for the Christmas trade. These are, of course, specific problems. I believe problems arise only to be overcome. And I further believe the problems faced by SA manufacturers attempting to trade in a seemingly hostile world are nothing more than problems arising in the normal course of business and which can most definitely be overcome.

I recall the imposition of total sanctions against that most loved of countries — Rhodesia. Quite simply no country in the world could trade, or be seen to be trading, with Rhodesia. Overnight we were entirely alienated from the world but, major problem though it was, it was one to be overcome and with skill and shrewd business acumen it was indeed overcome.

Government lent a supporting role but an extremely low-key one, and I maintain the country subsequently enjoyed some of its finest years. I certainly recall the thrill of doing business against world sanctions and, in particular, carrying some 14 kg of tobacco samples into revolutionary Iran and convincing all they had originated in Thailand!

Let us, for a moment, pause and look at another nation which, for quite different reasons, trades in a hostile world. Taiwan — a very good friend of SA incidentally — has no raw material resources to speak of. It is recognised by only a mere handful of countries, has an incredibly strong currency and is further distanced from world trade by a non-Western culture and script which means a visitor to Taiwan is compelled to have his or her address details written in Chinese characters in order to ensure arrival at the correct location.

In 1984 that country managed to increase its exports of manufactured goods by more than 25%. Its exports of electronic goods increased by no less than 50%. Orders for textiles increased by 40%. Footwear exporters reported a 30% growth. And there was a world recession. If Taiwan can do it, so can we.

In point of fact the world is not nearly as hostile as we perceive. For many years a number of countries — a very large number in fact — have supported the United Nations' embargo on trade with this country. They have no choice.

They are developing countries which have to be seen to be doing what the UN dictates. But if I analyse my own personal travel on behalf of South African exporters over the last fifteen years I would have to say I have spent as much time negotiating orders as establishing trade routes with these very countries as I have with those countries which openly trade with us.

The very nature of this trade, however, is that it must be covert. The countries concerned simply cannot be seen to be trading with SA and in a widely reported conference of this nature it is impossible for me to quote examples. But I assure you that SA's exports to such countries account for a substantial level of our export earnings. However they are not sufficient and must be increased.

The average local manufacturer knows little or nothing of such trade and so when he hears of Australia's petty actions against us or the staff of some obscure Irish supermarket deciding they do not wish to handle Outspan oranges, they panic and, given our national penchant for overreacting, they feel Doomsday has arrived.

Doomsday, however, is not approaching. These problems and the ones to be encountered in the future exist to be overcome. Tactics must be changed and strategy must be rethought. We have products for which a market exists elsewhere in the world and given the current value of the rand in terms of international currencies — and its likely value throughout 1986 — we are highly competitive and our products can, and will, be sold abroad.

First of all let us examine the change of strategy that has become necessary. Much as I regret it I believe the days of official South African participation in overseas trade fairs are gone. No longer can we enjoy the luxury of displaying our wares in a South African pavilion (apart from certain very specific...
exceptions) and we must now participate in these very necessary trade fairs circumspectly and as part of another exhibit — usually that of one's distributor in the country concerned who will be displaying a range of products among which the complementary South African equipment can be included.

One of my wishes has long been to see SA food and wine promotions in foreign supermarkets — a highly successful marketing technique frequently adopted by Australian exporters — but apart from such promotions held in Taiwan I fear this is not to be.

Gone, too, I believe are organised Chamber of Commerce trade missions since they carry the unmistakable impression of an official and therefore by implication, State-sponsored effort.

Government, in fact, must retreat as far as possible from the front line of exports. This is, of course, not a bad thing in any event. In all successful exporting nations the State is playing a smaller and smaller rôle.

Our dedicated and hard-working commercial consuls abroad will have to maintain a much lower profile and such quasi-government publications and organisations as the South African Product Digest, the South African Foreign Trade Organisation and the South African Inventions Development Corporation will either have to change their identities or preferably operate without any State subsidy whatever, enabling them to level out at their true value to the export community. Sordid taxpayers' funding can, in consequence, be allocated to more deserving enterprises.

Government subsidies and incentives must be applied with the utmost discretion as the State distances itself — and is seen to be so doing — from the individual exporter.

SA's exports can be classified into three very broad categories: commodities, manufactured products and invisibles.

Commodity brokers and traders of the world have this area well and truly under their wing and comment here today would be superfluous. In fact, I would like to see exports of commodities actually decrease and exports of manufactured goods increase by a much greater proportion.

Manufacturing industry is the source of jobs to feed, cloth and house our growing population, and the more we can produce and export the higher will be the standard of living that can be anticipated by all.

Before we consider how and where to trade in this hostile world, let us examine for a moment those product areas where opportunity lies.

The most obvious area is the product for which a ready demand exists in SA. For example, equipment which has been developed for our local conditions and for which similar conditions exist elsewhere. The engineering industry is a prime example with its multiplicity of products developed for SA's mining and construction industry, and suited to the skills of the labour employed by these industries.

The important substitution programme which has developed over the years, coupled with features designed to suit local conditions, has generated a range of equipment which is rugged, reliable and able to be operated with minimal maintenance. These products are exportable. Certain manufacturers have developed high technology products in such fields as electronics, communications and computers and in many cases these products are already being exported.

The beneficiation of SA's abundant raw material sources has always been one of my pet hobby horses. I really cannot see the logic of exporting raw materials for conversion into finished products by overseas labour, which in some cases is actually shipped back to us, when we have available a labour force right here in our own country.

Minerals, timber, foodstuffs — all these can be converted to exportable finished products and if Government wishes to support an export drive it could well re-direct existing funds into establishing industries to do just this.

But some progress has already been made. South African knock-down pine furniture is a winner in many areas of the world. One of my company's clients exports some 80% of

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Investment in 1986. Supplement to Financial Mail November 29 1985
production, contradicting those who steadfastly maintain exporting is only for those with a substantial local market.

Food products and clothing are two areas of very great potential but we are now approaching an area of possible resistance through required country-of-origin labelling. To continue to trade in this seemingly hostile world, concentration should perhaps be given to the export of products which do not require the country of origin to be stated, thus tending to guide us to industrial rather than consumer products.

One area of export opportunity sadly overlooked is that of invisible exports. SA has one of the lowest ratios in the world of technology export income compared to its research and development expenditure. Again, some notable exceptions such as the Krieply Krainy success story exist, but SA earns a paltry US$15m/year from technology exports compared with, for example, the US$2billion earned by Australia.

Here again, the State and quasi-government organisations must follow world trends and learn to take a back seat. Private professional organisations exist to negotiate technology transfers and we simply cannot afford to have any hint of official State involvement. It is not, in any event, needed.

The Australian Innovation Development Corporation has ceased international promotion and private enterprise has taken over.

For more than twenty years the British National Research Development Corporation worked essentially along the same lines as our own South African Inventions Development Corporation, but in 1979 they switched to private enterprise and the resulting British Technology Group saw technology exports accelerate to reach US$2 billion a year.

For SA, trading in a hostile world, we need to do the same and taxpayers’ scarce funds currently being directed to the Saidocs and Safos could be better utilised elsewhere as well as achieving the added bonus of avoiding perceived government, and therefore by implication, politically supported export efforts.

So, as the seemingly hostile world seeks to avoid us, and our very survival depends upon our ability to — if I may use the hackneyed phrase — Export or Die, we are forced to rely on the fundamental tenet of the capitalist society ... the profit motive.

What are our options? They are actually not all bleak. First let us concentrate our efforts on those countries that show no resistance whatever to SA imports. Some of them actually encourage us to export to them.

Where are they? Well, Chile in South America is one such country. A military dictatorship admittedly but one which has performed wonders for that traditionally democratic country which opened a Pandora’s box 11 years ago by actually electing a communist government.

My Chilean friends had to learn the hard way that communism and democracy did not mix. A 5 000% inflation rate had to be brought back to manageable proportions. The economy had to survive the world recession which it did and is now improving. A paradox among leftist governments and progressive thinkers alike, Chile has been supported by SA since the overthrow of the communist regime.

When the South Africa fishing industry declined almost overnight, much of the plant and equipment was shipped to Chile, and SA is now a major investor in the industry there just as it is, albeit indirectly, in the mining industry. The result? By the end of this year Chile will become SA’s number one trading partner in Latin America.

Although we have a friend in Chile the country does have certain economic problems of its own and should not be seen as a panacea or dumping ground for SA exports. Not all products will find a market there, so do undertake careful research and consult professionals who know the market before heading in that direction.

It seems a very long time ago when problems erupted at the Rand Easter Show relating to the use of toilet facilities by Chinese.
remember them but thank goodness our friends from Taiwan, the Republic of China, have forgotten. A staunch ally of SA indeed, and the thousands of years of Chinese philosophy and wisdom emerged recently in the FM’s excellent survey on this nation when they interviewed the Chinese Ambassador to SA His Excellency His Kun Yang, and I make no apology for directly quoting ambassador His’s words:

“If we are really concerned with the deteriorating world situation in which we find ourselves, can we possibly believe that in the Soviet grand strategy to bring the whole of Africa into its orbit, southern Africa does not loom big and enjoy top priority?”

As Taiwan’s economy improves, its infrastructure develops, and its population enjoys an ever-increasing standard of living, it is lowering its import duties and seeking to avoid dependence on trade with the US and Japan. To those few friends it has in the world, and with whom it has diplomatic representation, it offers Most Favored Nation status which frequently results in a worthwhile reduction in import duty.

SA is one such friend and our ever-increasing level of exports ranges from biscuits to be found in the local supermarkets of Taipei to electric motive units rolling along the rails of Taiwan Railway Administration’s network.

And what about one of our potentially closest trading partners, Australia? Although by no means our major partner — and in many areas they are our competitors — the similarity of industry, development, infrastructure and even way of life makes them a natural one. Despite double-speak practiced by such accomplished exponents of the art as Malcolm Fraser and Bob Hawke, I can assure you that in my 20 years of trading with Australia I have never encountered a businessman who was antagonistic to this country.

Concerned about continuity of supply, and genuinely interested in our problems, maybe, but when the bottom line is reached the Aussie will do business with us. “Protect us from those bidlers who run the docks, mate” they will say and, yes, steps must be taken to avoid union action at the dockside. But it is easily done. There are plenty of shipping lines calling at Durban and Cape Town which will gladly carry our goods to Australia with multiple stops in between.

A little longer transit time admittedly, but this is compensated for in many cases by a lower freight rate and, once unloaded, few in Australia care from where the goods originated and in most cases they cannot in any event know, since the goods themselves need not be so marked.

I must sound a note of caution about certain “high profile” items. Clothing, footwear, supermarket lines and similar goods which must be clearly endorsed with country of origin may, and do stress may, be subject to some form of restriction. Not because the Australian importer is antagonistic to SA, but because certain retail outlets fear their normal business may be disrupted by a horde of unwashed Marxist malcontents suddenly deciding that a particular day is the one for sounding off against SA and her policies.

No matter that the next day the same rent-a-mob will be deployed against, maybe, Australian exporters of uranium ore, business acumen in such circumstances suggests it might be prudent not to carry South African lines. So be it.

The professional exporter in such circumstances selects his retail outlets and marketing channels to avoid a high visibility profile. Maybe attractively designed and competitively-priced South African swimwear will not retail in Collins Street, Melbourne, but there are plenty of retail outlets that would welcome it along Main Street, Newcastle, Geelong or even Alice Springs or Wagga Wagga.

Similar sentiment prevails in the UK, one of our major trading partners. Why does almost every South African exporter think England consists solely of London? There are some 55m people in Great Britain and most of them do not live in London

Britain’s major industrial areas lie well to the north. Certainly the entire population of the UK has been subjected to a daily diet of television news antagonistic towards SA but I can assure you that in the industrial areas of Birmingham, Manchester and Sheffield you will not get vociferous mobs chanting outside shops selling South African merchandise.

They are more likely to consider our problems a manifestation of their own racial difficulties and if a mother goes to her High Street shop and finds, for example, a stylish and competitively-priced pair of good-quality children’s shoes, do you really think she is going to be put off by a label which says “Made in South Africa”? I think not.

These views can be summed up by simply saying: Know your market. Ensure you have the right contacts. And undertake a professional market development assignment. Your hostile world can simply be side-stepped.

Now let us turn to those countries that do not trade with SA, or should I say those countries that say they do not trade with SA. Here I am on delicate ground but let me quote from two freely available official publications.

Kenya issues an Annual Trade Report. President Daniel Arap Moi will assure the Commonwealth and the UN his country will have no dealings with SA. As a regular visitor to Kenya, I will have to disagree but let me confine myself to the Annual Trade Report and refer to code 005 which lists Kenya’s official trade with SA.

Of course, the country is stated as Azania but for the benefit of the unenlightened, the authorities do have the thoughtfulness to show SA in brackets.

And what about Singapore? That unique amalgam of socialism and free enterprise which some term a socialist dictatorship. A pragmatist if there ever was one. Premier Lee Kwan Yew has performed wonders for his island nation, but when Mr Lee expounds on SA at Commonwealth conference time, one cannot help but feel one has heard the same rhetoric before. And, of course, his country supports the UN embargo on trade with us.

For S$2,000 the visitor to Singapore — and South African passport-holders are welcomed as bona fide tourists — can purchase a copy of the Singapore Trade Statistics. As with Kenya, countries are coded and code 005 covers “other countries in Africa not elsewhere specified.” This code includes a variety of trading nations such as the People’s Republic of Benin, the Kingdom of Lesotho, the Togolese Republic, Melilla
Penon de Velez de la Gomera, Spanish Sahara and the Canary Islands. Oh yes, and also the Republic of South Africa. In 1984, two-way trade between Singapore and this remarkable group of countries totalled about R450m. I leave you to draw your own conclusions.

I can also tell you, unofficially of course, that any visitor fortunate, or perhaps unfortunate, enough to visit the next Canton trade fair in the People’s Republic of China, could well find himself relaxing in a bathtub manufactured in Natal. He could well be walking on a highly durable floorcovering from the same province and, if he but knew it, would be very close to home in certain restaurants.

Should our erstwhile visitor become indoctrinated with the politics of that country and choose to become involved with communist insurgents in a certain Asian country that does not trade with SA, I can assure him there is a very strong possibility he will depart this life very rapidly by means of products manufactured not 50 km from this conference hall.

So how do we trade with this world which is, perhaps, not so hostile after all?

First, avoid any organisation which smacks of official South African support for your effort. I am sorry, but this is our pride but the outside world demands it. Seek all the professional advice you can obtain but go it alone. With such friendly nations as Chile and Taiwan, and such truly neutral ones as Hong Kong, go direct to the market as a businessman or woman offering what the market needs at a competitive price.

If you have done your homework first and conduct yourself like any other international businessman you will do business.

Consider establishing an off-shore base. Provided one plays by the rules and is genuinely supporting the South African export drive, I have generally found the authorities here to be considerate. If it is cost-effective to establish an off-shore base then do so.

The type of operation should be chosen in light of the specific products involved. It could mean a manufacturing facility in Mauritius or Sri Lanka where added value can be incorporated, entitling the product to that country’s origin. It could be straightforward “cover” in such places as the Channel Islands, the Cayman Islands or even the UK.

Many people do not realise that the UK dropped exchange control a number of years ago. It is entirely feasible to maintain an external bank account there — with SA exchange control permission of course — and conduct a low-cost, low-profile business operation. Confirmation, in the form of a letter of credit allowing for shipment from any Mozambique port can be negotiated through London and utilised for trading in sensitive areas. In extreme cases, goods can be transshipped via Rotterdam, again utilising the facilities of the British base.

This is frequently not required, however. An accommodation address in London, or

for that matter in any other international trading centre, will allow for the use of a business card showing that address and enable much preliminary work to be undertaken in a foreign market without the question of SA ever arising.

Only when time enters into business negotiations need the country of origin be breached. But by this time, the astute businessman will have established beyond doubt that in this particular case the country of origin poses no problem.

Finally I must touch on the subject of international traders and the role they play. At Breyer Development Services we consider ourselves to be the leader in professional services to exporters and so must constantly vary our services to meet the changing needs not only of South African exporters but of the world’s importers.

We have therefore teamed up, not only with a supremely professional organisation to offer services relating to the technology transfers I discussed earlier, but we have now, after months of careful investigation, selected a partner to handle indirect trade.

In this seemingly hostile world, there will inevitably come times when the services of a seasoned international trader will be required. There exist South African manufacturers who are quite content to produce what an overseas market wants but have no wish to become involved in any export procedure whatsoever. They are even prepared to forego the export incentives available but, nevertheless, such companies must be encouraged to export.

An international trader will purchase the products concerned on an ex-factory basis and pay for them in rand. From that point on the market can be developed by us along our usual professional lines, but the buyer abroad will deal with an innocuous-sounding company with offices in many countries of the world and any South African connection will be totally concealed.

This is trading in a hostile world. I wish it were not so. The solution lies not with you and me but with the politicians. And I do not mean our own politicians exclusively. I do not think I need to remind this distinguished audience of the nationality of the world’s premier chess players, and SA is, alas, a pawn on the global chessboard.

Our politicians do, however, have a responsibility. I am not a politician and will never become one. I happen to believe good businessmen make poor politicians and vice-versa. I must, however, reiterate what I said earlier and that is, for the sake of SA, the state must keep out of international trade.

I am not, however, encouraged by the signs. When the State President was prime minister he asked us, the leaders of business, for our support and we gave it. Some time earlier his predecessor asked for six months’ time. He also obtained his request.

Both were willingly given, but with what result? I think it need not be spelled out here today. The State now asks — no, orders — commerce, academies and even our future leaders to desist from politics. Do not therefore we have the right to ask the State to keep out of the field we believe we know best?

Do we not have a right, in fact, to demand they keep a low profile and leave international trade to the experts? If the state can say “we know something about the activities of our protagonists we cannot reveal to you” do we not have the right, or even the duty, to respond by saying that perhaps we may know just a little more about international trade, barter trade, countertrade, sanctions busting — call it what you will — than you, the politician, can ever do?

But what have we learned during the course of last year? Yet another organisation is to be State-subsidised, another secretary or what have you is to be established, this time to develop countertrade. We have had our Saicors and our Saifos. Are we now to get a Safount?

For all our sake, I sincerely hope not. Apart from the appalling damage such a high profile operation could do there is the very real problem of the cost to the taxpayer. The Maize Board cost us R8m last year. Do we really need yet another State-subsidised body interfering with the oldest form of trade known to Mankind?

Let private enterprise remain. I love SA. If by making profits for my company I can make profits for others by guiding them through the intricacies of foreign trade in all its guises, and yet at the same time, help towards achieving increased employment and a higher standard of living for all, then I shall be content.

If, in addition in some small way, I can encourage others to improve upon their already high standard of professionalism in the international arena, and to inspire others to acquire such professionalism then I am confident we can all go forward and conquer what is, after all, perhaps not so hostile a world.
Exports key to Cape clothing industry's survival

TOM HOOD

THE future survival and growth of the Cape clothing industry depended on exporters, Senior President said at the annual meeting of the Cape Clothing Manufacturers Association.

"True we have to contend with the belligerent factor and our political image abroad, which has partially offset the benefits of the weak rand, but there is no overseas competitor which will outcompete us for profit on even a typical made in South African clothing,"

Unemployment was running at 33 percent, and could be much higher, for many factories were working shorttime in an effort to maintain employment levels.

"The Cape industry is an endangered species and is bleeding to death. Twenty-four factories closed this year, and the export market will soon face competition from decentralised areas at their output, and efficiency increased.

The Cape industry was also being strangled by being deprived of a variety of factors: its unions, importers, and poor placed by the new 10 percent: import surcharge and the weak rand."
Black Mountain exports 1m tons

The million tons of ore concentrates from Black Mountain mine in the Northern Cape is on its way to Saldanha Bay for shipment overseas on a bulk ore carrier.

This milestone will be commemorated at Saldanha on Monday, December 5 when the executive of Black Mountain and its majority shareholder Gold Fields of South Africa will thank suppliers of services associated with the exports, including South African Transport Services, South African Shipping Services, and Freight Services.

Export earnings have been boosted by the weak rand, and Black Mountain has been able to repay more than R1 billion of its outstanding loan this year.

In the September quarter, a R350 million repayment reduced borrowings to R4 billion.

Net profits have risen dramatically, with more than R500 million being reported over the last four quarters.

Larman, the company's technical director, said the improvement was driven by robust sales of iron ore and silver.

Sales of iron ore and silver raised revenue to R1 million, more than R1 billion while the mine benefited from lower costs, including a R500 million saving in diesel charges in the quarter.
MINING EXPORTS ‘ALMOST LICENCE TO PRINT MONEY’

TOM HOOD

THE export of raw materials has almost become a licence to print money for South African mining companies, which are revelling in windfall profits.

A strong performance from its various mining interests enabled Anglo American to lift net earnings by 30 percent, to R320 million from R246 million, in the six months to end-September — more than compensating from weak performances and losses by its industrial investments.

Appolo's interim dividend has been raised by more than 40 percent to 50c from last year's 35c.

Gold and coal were the star performers and the mining sector's contribution to the group's income from investments — up to R294 million from R235 million — is moving closer to 75 percent from two-thirds in the last full year.

With the average rand gold price received in the six months only R622 an ounce, higher profits can be expected by the year-end with that price now well established above R800.

The coal bonanza brought a 45 percent jump in trading profits to R24 million.

While the mineral/foreign exchange bonanza offers shareholders the potential for substantial earnings boost, diverted attention away from some problematic industrial investments.

South African Motor Corporation (Samcor) is still showing losses which could reach R100 million in the half-year.

Paper producer Mondi is also running in the red and recent outbursts in the United States over South African paper exports could affect a project which hinges almost entirely on exports.

Construction giant LTA had negligible profits last time and could also post losses.

Though shares of diamond mine De Beers have been pushed up by more than 50 percent in recent months to well over R15, its stockpiles and debt mountain mean it is not likely to share the high earnings of its gold and coal cousins.

All companies in the Anglovaal group declared higher dividends.

Anglovaal Holdings raised its interim dividend. from 9,5c to 11,5c a share.

The dividend from Anglovaal Limited amounted to 120c against the 100c last year.

The group's gold mines also declared improved interim dividends, due largely to the higher rand gold prices they received.

Gold producer Harties raised its interim payout from 35c to 45c, an increase of 30 percent.

The dividend from Randpan, which derives its income from its investment in Harties, climbed by 2c from the 5,5c paid at the interim stage last year.

At 106c the ET Cons interim is 33 percent ahead of the 75c paid a year ago.

Although Village Main has declared an interim dividend of 5c for the first time in four years, this does not necessarily mean that interim dividends will be declared in future as a matter of policy.

Mining, exploration and investment company, Middle Wits, increased its interim dividend by 10c from the 45c declared this time last year to 55c.

Turnover of the Shoprite supermarket group jumped by 25 percent for the half-year to August from its existing branch network.

Profit at pretax level, a record R1,6 million, was up 6 percent after a freeze on food prices and strategic promotions of about R600,000 which management passed on to consumers.

The influence of new branches at Mitchell's Plain, Oudtshoorn and De Aar which all opened after August, will lead to an even higher turnover growth in the second half of the year, the company forecasts.

Industrial giant Federale Volksbeleggings trimmed its losses in the half-year to September to R7,4 million after a loss of R65 million in the previous 12 months.

A year ago Fed Volks earned a R7 million profit in the first half.

Barlow Rand Properties reports 89,5 percent of the R210 million loan stock and 22,5 percent of the ordinary shares are now held by loan stockholders and shareholders other than companies in the Barlow Rand Group.

Net profit for the year to September 30 of R5 million was in line with the forecast given in the pre-listing of August 26, 1985.

The Crown Mines sand treatment operation of Rand Mines Properties offset a plunge in property earnings in the year ended September, leaving after-tax profit marginally lower at R21,3 million.

Rand London Corporation staged a big recovery in the half-year to September, turnover rising to R46,7 million from R27 million.

Net profit after foreign exchange provision and minorities share of profit jumped to R3,2 million from R2 800 000 a year ago. Earnings a share were 3,6c against nil last time.

Share prices continued the Johannesburg Stock Exchange's rally.
Extra maize exported at loss

ABOUT 700,000 tons of SA's 1985-86 surplus maize has been exported - at a loss.

Of this about 200,000 tons has been shipped to Taiwan and the bulk of the remaining 500,000 tons to Japan.

Yesterday Maize Board GM Hennie Nel declined to disclose the extent of the loss.

However, he did say it would be debited to the board's stabilisation fund - already R200m in the red.

The loss, he said, would be cushioned by borrowings from the Land Bank.

Nel said international markets were glutted with huge grain surpluses.

However, SA produced probably the world's highest quality maize, which provided a strong competitive edge.

Prices were low, reflecting the big surplus, and this neutralised much of the advantage from the low exchange value of the rand.

Grain merchants said losses were undoubtedly being suffered on exports but the extent was only known to the Maize Board.

One industry source said SA was probably realising about $102 a ton on exports.

Thus, at an exchange rate of $0.038 to the rand, translated into R26.80.

However, to be deducted from this was export costs of about R60 a ton - resulting in an overall deficit of about R40 a ton.
JOINT ventures between SA and Zambian companies are likely in the next few months after a recent successful trade visit to Lusaka.

Organised by the SA Foreign Trade Organisation (Safco), a 10-man business team representing a variety of industries visited Zambia determined to develop and consolidate trade links between the two countries.

The success of the visit means similar attempts to solidify trade links with SA could be made in other African countries.

Exports to Africa have boomed this year. Their value has almost doubled and volumes are up significantly.

Safco is keen that inroads made into the African market this year should be built on.

"In the long term, it is not beneficial to focus only on exports. Especially with Africa, we must look at two-way trade. Joint ventures in African countries and technology transfers," said Safco's Anthony Avidon.

The SA group was received enthusiastically in Zambia, indicating a commitment on Zambia's part to keep close trade links with SA, Avidon said.

"Zambia does not have the necessary foreign exchange to import all its domestic requirements, but there are opportunities for SA companies to enter into joint manufacturing ventures in Zambia to service the domestic market."
Plane drain

Brokers keen to cash in on quick forex gains from the sale of SA-registered aircraft on international markets rushed to sell as rumours of impending export restrictions gathered credence in recent months.

New regulations in the Government Gazette of November 22 place controls on the export of aircraft and helicopters as well as most types of earthmoving equipment (Business November 29).

In October and November alone, 73 aircraft were sold abroad — a bumper month considering that 89 were sold in the nine months to September.

Official figures from the Directorate of Civil Aviation show that November’s total of 44 unit sales into foreign markets was greater than 1983’s total exports of 41.

Commenting on the sudden sales spurt, a spokesman tells the FM that rumours of export restrictions definitely accelerated sales.

"There has been an unnatural drain of SA aircraft and, on the whole, they have been sold at well below ruling international prices," says Cor Beek, executive director of the Commercial Aviation Association (CAA).

"There is no doubt this is a major drain on national resources in what is not a normal free market situation. The legislation is obviously intended to interfere with those going for a quick buck but shouldn’t affect normal trade."

The total number of aircraft in SA has declined slightly since January from 4 186 to 4 170 in October. Although the decrease appears small, it is masked by a growth in the number of sport planes and, particularly, microlights.

Whether the new regulations will slow the one-way movement of aircraft is another matter. Companies applying for export permits in the first week in which the new ruling has been in force say that it is little more than an automatic rubber stamping operation.
Govt aims to control export proceeds

ALAN BENDZUL

The main thrust of Finance Minister Barend du Plessis' tightening up of exchange control regulations is to stamp out the spreading grey market on repatriating export proceeds.

The measures are aimed at allowing the currency market to reflect more accurately the current account surplus, estimated at more than R3bn this year, through a stronger rand.

The effect of the new foreign exchange measures on the rand's direction will probably be visible in the next few days, once exporters decide how they are to cover their commitments.

From yesterday exporters are obliged to sell their future dollar earnings to the market within seven days of shipment. This means they will now have a week to get the best price on dollars from their forward contract into which they must enter.

Cover relating to any shipment which was moved before yesterday is unaffected. Exporters who are uncovered still hold the option of insuring these earnings against a movement in the rand.

The step could be regarded as a direct attempt to defeat the time lag which has kept exporters, who believe that the rand will weaken further, from bringing back the dollars from their sales abroad.

Standard Bank’s International Comment views the new procedures as “an elimination of speculation by exporters who were allowed to extend their terms of credit for as long as possible, depriving the market of dollars”.

Also taking effect from yesterday is a change in how gold mining proceeds are to be repatriated.

These earnings account for over half the country's exports and their passage through the currency market severely affects the rand's strength.

The mining houses will now be paid out in rands. The Reserve Bank's position will be strengthened by the additional dollars at its disposal.

It can intervene more regularly and can meet forward contracts on which it owes the market dollars.

Another minor control relates to income generated by an estate which was previously transmitted through the commercial rand. Foreign residents and former residents will now receive proceeds from their inter-vivos trusts through the less favourable financial rand.

Forik MD Dave de Kock says the success of the new procedures will depend on the Reserve Bank's ability to monitor the free speculative hand which market operators have enjoyed.
Calling for sanctions but best friend in diamond trade

The Star Bureau

LONDON — India, which pleads for worldwide mandatory economic sanctions against South Africa, is a South African partner in the massive trade in diamonds.

It is the world’s largest processor of rough diamonds, employing half a million people in cutting and processing stones from South Africa.

India Today says most are bought from the Central Selling Organisation, a commercial collective run by De Beers and its subsidiary, the London-based Diamond Trading Company (DTC).

The Indian Government holds 50 percent of the Hindustan Diamond Company Ltd.

“It was meant to try and break the South African stranglehold on the diamond trade but over the years has worked for the benefit of the South African monopoly as part of DTC’s worldwide market intelligence set-up.”

India Today also says South Africa has been trying to destroy India’s diamond industry by improving the quality of stones supplied to Israel.

India’s only recourse is to seek independent arrangements with other producers such as Australia, Botswana, Zaire and even Russia.

It could underwrite the entire production of Botswana and Russia and emerge as a major force but the market remembers that Botswana tried to sell its own diamonds only to have the price cut by De Beers — causing them huge losses.
India trading secretly with SA — magazine

The Star Bureau

LONDON — Major clandestine trade worth millions of rande between India and South Africa has been exposed by the magazine Inda Today.

The magazine also claims Indian businessmen have been visiting South Africa without visas to clinch deals.

Thirty-one years after official trade links between the two countries were suspended — and India joined the chorus of demands for a global trade boycott against South Africa — an extensive ongoing official investigation in Bombay has revealed flourishing sea and air trade.

Goods bound for South Africa are routed via Mauritius, Malawi, Mozambique and Swaziland, but are paid for through credit lines opened in London or with other foreign confirming houses.

India's Directorate of Revenue Intelligence (DRI) has served notices on 13 Bombay-based exporting firms, and officials warn that many more arrests and seizures are likely in the near future.

There is also a massive trade in diamonds. India, the world's largest processor of diamonds, gets most of its rough diamonds from South Africa.

INTELLIGENCE REPORTS

Sea trade of vast quantities of spice, brassware, guar gum (used in oil exploration) and cloth was exposed in July this year.

Acting on intelligence reports, the government ordered MV Atair, a Colombo-bound vessel flying a Singapore flag, to return to Cochin harbour because it was suspected of carrying goods to South African ports.

Officials found a number of containers on board consigned for Maputo. What intrigued them was that many containers were consigned to Maputo(D).

The puzzle was solved when DRI officials raided the Bombay offices of several major exporting firms. Files they examined revealed that the letter "D" stood for Durban.

Deputy director of the DRI, Mr Anand Kala, says: "We seized the shipments of a number of companies after tip-offs from our sources and are now serving them with show-cause notices."

India Today also says Indian businessmen have visited South Africa in spite of their passports not having an endorsement.

A Bombay shipper says: "The South Africans are generous with Indians. All you need is a South African citizen to introduce you to his Government and you can enter the country without a visa."
Export firms face charges

LONDON: Seven Bombay-based export firms face charges of conducting illegal trade with South Africa worth more than R13 million.

They are Seema Silks and Saris, N Hunmatial and Co, M D Bhoola and Co, Wagbji Lakshmi Das and Co, Jagdish and Co, VNP Imports and Exports and Akai Impex.

However, they claim they had no control over the ultimate destination of goods.

One of the owners of Akai Impex, Mr S N Bahety, said:

"Our job is to book orders to countries where trade is permissible and to send goods there. What can we do if these goods are then taken to South Africa?"

Another exporter added:

"We have nothing to do with South Africa, but trade, like water, finds its level."

They have warned that the government clampdown will discourage Indian traders who had just ventured into the African market.
Rand's decline boosts ore traffic

By ROGER WILLIAMS
Chief Reporter

SHIPMENT from Saldanha Bay today of the one millionth ton of metal-concentrate from the Black Mountain mine at Aggeneys has highlighted an upsurge of activity on the controversial Sishen-Saldanha railway line.

Ironically, the poor performance of the rand against other currencies is having the reverse-benefit effect of injecting new life into this 'white elephant' line, which has incurred huge losses in the 10 years of its existence.

The one-millionth ton of metal-concentrate forms part of a 12 667-ton consignment from Aggeneys in the north-west Cape, loaded into the Greek bulk-carrier George, which sails for Antwerp today.

The Black Mountain Development Company is a lead, zinc, copper and silver-mining joint venture started six years ago by Gold Fields of SA and Phelps Dodge Corporation of the US.

A "very optimistic" Mr Neels Hubinger, area manager of SA Transport Services for the North-West Cape, said the carriage of ores including concentrates from Aggeneys, on the 861km Sishen-Saldanha line, had recently increased to 60 percent of the line's full capacity — 18 million tons a year.

Mr Hubinger said three 120-truck ore trains a day were now using the line and that 10.5 million tons would be moved in the 1985/6 financial year. This figure was expected to increase by two-million tons next year.
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Nelis Hubinger, area manager of SA Transport Services, said the carriage of ores, including concentrates from Aggeneys, on the 861km Sishen-Saldanha line had recently increased to 66% of the line’s full capacity. — Sapa.
Earnings from textile exports set to increase

LAWRENCE BEDFORD

EARNINGS from textile exports are likely to rise sharply next year, says Textile Federation executive director Stan Shlagman.

The main reasons are the weaker rand and a new agreement allowing SA exporters to increase shipments to the US by 25%.

Exports of spun man-made fibre yarns to the US totalled 453,5-tons between June 1984 and May 1985 — 400% up on the previous year — and led to quota talks between the two countries.

Under a three-year agreement worked out between government officials of the two countries, SA this year may export finished yarns 24% above shipments cleared into the US for the 12 months ending May 1985, with a 5% volume increase in each of the next two years.

Shlagman says total SA textile exports this year are worth about R800m and predicts this could rise to R1100m in 1986.

He adds that negotiations on US quotas took place at the same time as the passage through Congress of the Trade and Apparel Control Bill, which gives the US protection against imports from countries over which its degree of control is deemed inadequate. Other countries have been forced to accept restraints.

Countries like Mexico, Turkey and Brazil — caught in a situation similar to SA's — have been forced to accept restraints, including a roll-back to previous penetration levels.

However, Shlagman says SA enjoyed certain advantages in its negotiations with the US.

"Apart from the favourable trade balance in favour of the US as a supplier of raw materials to the SA textile industry, we have argued that SA has no physical or quantitative controls on US goods entering the country."
Import levy hammering W Cape industry

STEPHEN ROBINSON

THE new president of the Cape Chamber of Industries, Mr Robert Kaplan, lays the blame for our current financial malaise firmly at the door of the Government for its "total lack of fiscal discipline".

"This is what it's all about. To refer to the collapse of the rand as an external factor as though it is something quite outside the Government's control is absolute nonsense.

"Our current situation is the direct result of past, and current, financial mismanagement."

He cited the recently imposed 10% import levy as an example of inept financial control. He said the levy was having a devastating effect on Western Cape businesses.

"Just look at the consequences for a company like Nylon Spinners, and indeed the entire textile industry — and the money raised is being given away in hand-outs. Easing poverty while fueling inflation — it just doesn't make sense."

He is also highly critical of the new local taxations which are shortly to be imposed to underpin the Regional Services Councils.

"In particular, the payroll tax will amount simply to a tax on employment, and I expect there will be an acceleration in the process of factory mechanisation."

Mr Kaplan also predicts what he termed "inflation horror" for the beginning of 1986 with the annualised cost of living increase hitting the 25 percent mark for the first quarter.

"In January we are going to see the beginning of a process of huge price increases in all industries."

"Imported goods will go up for obvious reasons, but even locally made products will increase as manufacturers who compete with importers sense they can up their profit margins."

"Just look at the way the price of PVC — which is made locally — has rocketed over the past few months."

Mr Kaplan says there is a conspicuous and disastrous lack of financial know-how within government circles, and indeed among all the political parties, and suggests the Government should consider employing a non-politician as Minister of Finance.

Mr Kaplan is the managing director of Cape Gate in Parow. The company makes a wide range of wire and steel products used in fencing and household goods.

He joined the business in 1962, and since then the company has turned into a major manufacturing operation, with two blast furnaces, two rolling mills, and a staff of some 3000 workers.

The company has subsidiary interests in Israel, and a healthy export trade to Western Europe and North America which has increased substantially this year as a result of the collapsed rand.

However, one area of acute concern to Mr Kaplan is the rocketing cost of capital equipment.
Big row over earthmoving dumping-ban application

A ROW has broken out in the earthmoving-equipment industry after an application to the Government for a ban on dumping of certain ranges of equipment.

One faction in the industry, led by Wrightech (Pty), has made an application to the Department of Trade and Industries (DTI) for protection against dumping, while others have voted strongly against the move.

Ironically, the application came only months before the DTI slapped a ban on the export of second-hand earthmoving equipment to America and Europe.

By Don Robertson

Wrightech, a wholly owned subsidiary of Barlow Rand, has alleged dumping of certain front-end loaders similar to those which it manufactures at its R80-million plant in Bokasburg.

"In the current economic climate, we believed that this was one sector of the market which would continue to grow," says Frank Bartess, managing director of Wrightech.

"People confuse the value of the rand as a protection against dumping, but this is not so."

Overcrowded

Natal-based Bell Equipment Company has come out in favour of the Wrightech move.

"Two years ago one importer was selling a dump truck for R160 000 and now, with the rand having fallen by over a third, they are selling the same unit at R160 000," says Gary Bell, managing director of Bell Equipment.

"We do not mind competition, but the market is overcrowded and has become extremely competitive. Some suppliers have been selling units at landed cost. They are able to do this because of the support they get from their governments."

"Mr Bell concedes, however, that imports of equipment are no threat at the moment because of the weak rand, but says that applications of this sort usually take a long time to process, and the rand might well have recovered during this period.

The application was made to the DTI in August this year, but there seems to be some confusion as to its contents. Manufacturers which have opposed the application believe that it is successful it might involve an import duty being slapped on a wider range of equipment and parts.

Mike Thurlow, managing director of Babcock Triple-jay, which has a large manufacturing plant in King William's Town, is one of the major manufacturers who has opposed the move.

He says that it is not economical for any manufacturer to produce a complete range of earthmoving equipment, and any tariff protection would merely increase the cost of equipment that has to be imported.

In addition, with the rand at its present level, imports represent no threat to local manufacture, he says.
SA coal mines losing profitable market

Own Correspondent
LONDON. — Three Danish bulk ships laid up with 400,000 tons of South African coal are unlikely to make any more calls in the Republic after a vote in the Danish parliament calling for a total trade ban, Lloyd's List, the shipping journal reports.

The vessels have been held up at Aaabenraa in Jutland by an 11-week trade union boycott on South African trade due to expire on January 31.

The Danish parliament has now voted overwhelmingly in favour of legislation implementing a total ban by the middle of next year.

The effect of this is that the three ships — the 137,000 tonnes deadweight sisters Elsam Fyn and Elsam Jylland and a chartered vessel — will not pick up more South African coal after discharging at the end of the boycott.

Undertaking
The three ships carry coal for the Danish electricity utility Elsam, which owns them and acts as importing agent for all Denmark's other power generation companies.

Coal accounts for about 85 percent of Denmark's total imports from South Africa which are worth about Kri3 billion ($142m) a year.

Because of widespread disquiet over the use of South African coal, Elsam had already given an undertaking to secure alternative sources of supply by 1990.

The parliamentary vote means these plans will have to be brought forward with Colombia and Australia emerging as favoured future suppliers.

A move to call off the union ban because of the parliamentary move did not receive sufficient backing.
STOCKHOLM. — Sweden has decided to ban the importation of South African agricultural products and fruits from January 1 to protest against apartheid. It was announced yesterday.

"Sweden's Riksdag (parliament) has never been as united as now against apartheid," said the Foreign Trade Minister, Mr Mats Hellstrom.

The ban also included the South African Kruger rand, and local authorities were allowed to independently boycott any South African products and services.

Total imports from South Africa in 1984 amounted to 405 million kronor (R150 million), including agricultural products amounting to 116 million kronor (R37.3 million). — Sapa-AP

● Norway to cut SA trade, page 4
SA on agenda as PTA states hold trade talks

LUSAKA — Top officials of 15 African countries begin two days of key talks in Lusaka today to assess an ambitious effort to promote trade and co-operation.

The leaders of at least four members — Burundi, Tanzania, Zambia and Zimbabwe — will attend the annual summit of the Preferential Trade Area (PTA) for Eastern and Southern African states.

The meeting comes at a critical time for the group, launched in Lusaka four years ago, because it marks the end of an 18-month “operational phase” designed to turn the PTA concept into reality.

“The talks are all the more important as they take place amid growing global economic uncertainty for developing countries and the threats of economic destabilisation by SA,” the PTA said in a statement yesterday.

Other members represented by senior officials are Comoro Islands, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland and Uganda.

Five other potential members, Angola, Botswana, Madagascar, Mozambique and Seychelles, have sent observers.

“Most of the issues to be discussed revolves around ways in which trade between member states could be further promoted to help make them less reliant on increasingly uncertain ‘traditional’ markets, how they can share their experience and natural resources to meet more of their own needs and how they can mobilise the resources needed to finance development projects,” the statement said.

By working towards the removal of trade barriers among members, the PTA aims not only to improve economic self-sufficiency but the eventual establishment of a regional common market.

Ministers from the 15 states have been meeting here for the past four days to prepare for today’s talks, which a report on their discussions described as “extremely crucial and critical for the success of the PTA”.

The ministers’ report noted that several members were facing major economic difficulties and attacked SA as “a great threat to peace, stability and unity” in the Southern African region.

“These problems underscored the economic dependence of the sub-region on SA,” and justified the existence of the PTA, it added. — Sapa-Reuters.
Ostrich farmers enjoy export boom

OUDTSHOORN'S 300 ostrich farmers are enjoying boom conditions with earnings rocketing by R22m to total R60m this year. These earnings are mainly derived from the sale of ostrich meat and skins, 60% of which is exported to markets in the US, Europe and the Far East.

The 33% jump in earnings is due largely to the low value of the rand.

There has also been a big increase in sales volume, with the Klein Karoo Agricultural Co-op — which controls the marketing of all this sector's products — slaughtering 85 000 birds this year.

Meat processing and the tanning of skins — including income from feather sales — accounted for about R50m of the industry's turnover this year. The remaining R30m was derived from the production of lucerne and wheat.

Total ostrich population in Oudtshoorn is now about 125 000, according to industry estimates. This accounts for 80% of the world's ostrich population.
DFB applies for exchange easing

THE Deciduous Fruit Board (DFB) has urgently applied to the Reserve Bank to exclude its extensive money market and foreign exchange dealings from the tighter exchange control regulations announced a week ago by Finance Minister Barend du Plessis.

This was confirmed to Business Day yesterday by the DFB's Tienie von Weits, who said the DFB would have extreme difficulty in complying with the new measures.

Specifically, Von Weits observed that SA's deciduous fruit was exported on consignment, and the DFB had no means of determining in advance what prices would be obtained on the European and United States markets.

In the circumstances, it would be virtually impossible for the DFB to comply with the new regulations stipulating that exporters had to sell their future dollar earnings to the market within seven days of shipment.

"It also means we cannot take out forward cover," said Von Weits.

In terms of special terms granted previously by Pretoria, the DFB until now has been allowed to pay for its shipping and other foreign costs out of proceeds obtained direct from its export earnings.

But Von Weits said there was now some uncertainty as to whether the Reserve Bank would allow this arrangement to continue.

Next to banking institutions, the DFB probably has one of the most sophisticated money market and forex operations in SA.

With export earnings this year of about R500m, the total value of its forex transactions in this period — in terms of borrowings, purchases and cross-dealings — amounted to R4,43bn, Von Weits said.

Dealings were carried out direct with about 16 local and overseas banks, with transactions covering spot buying and selling of 14 foreign currencies; forward buying and selling of currencies; raising of Euro-dollar loans; and various money market investments.

"We are not a bank, but have to act and think like one in order to successfully handle our international money market transactions," Von Weits said.

"But we never speculate in the forex market," he added.
Pretoria blocks Venda base for clothing company
IMPORT SURCHARGE

Withdrawal hopes dashed

Hopes that Finance Minister Barend du Plessis’ highly unpopular import surcharge will be scrapped early — or at least cut by half — are fading fast.

The widely-held belief that the 10% surcharge might be withdrawn was fuelled by speculation in the shipping industry that the levy has already raised more than the R400m revenue target.

The surcharge came into effect on September 23, and by the end of October had raised R120m.

But, says Acting Customs and Excise Commissioner Doug Elliott: “Revenue returns are roughly what we expected.” He stresses that October’s figure cannot be used as a yardstick for working out the surcharge’s collections.

“A lot of cargo was en route to SA when the surcharge was gazetted,” says Elliott. “By then it was too late for importers to scale down volumes.”

Asscom also doubts that importers will get an early reprieve. It is urging members not to store uncleared goods or to roll back imports temporarily in the hope that the duty will come off before the official March 31 deadline.

Shipping industry sources, however, firmly believe the revenue target will be met by year-end or early in the new year. So has government got its sums wrong by underestimating the surcharge’s revenues?

Pencilling in an early R400m return is complicated by currency moves, the low business cycle’s effect on import volumes and seasonal traffic flows. Higher imports were expected in the Christmas run-up, but there’s been a sharp decline in capital equipment imports and a slowdown in cargo landings is expected in the first two months of 1986.

The private sector was hostile to the surcharge from the start. As many see it, penalising imports to bankroll government spending on unemployment and hunger relief is self-defeating.

American Chamber of Commerce (Amcham) executive director Ken Mason says the extra 10% is fast becoming “the straw that’s breaking the camel’s back.”

Mason points out that most US companies operating in SA are not importers, already operating on lower margins because of dollar price tags on their purchases. The surcharge could be critical to some members’ continuing presence in SA, he says.

Pretoria, it seems, has already dug in its heels. Amcham recently tried to meet Deputy Finance Minister Ken Durr to discuss the surcharge, but was told by the Department of Trade and Industry (DTI) that it was non-negotiable.

It seems the DTI wants to avoid possibly protracted talks with the representatives of major trading partners.

In the meantime, importers are turning to the DTI’s Exemptions Committee for relief. The FM understands the committee receives around 20-40 applications a week from manufacturers.

Manufacturers must show the committee the percentage effect of the surcharge on production costs and the selling price of the finished product.

The committee won’t say how many exemptions have been granted since September, or the industries involved, probably in an attempt to avoid costly precedents and a flood of new applications.

Some motor industry components for re-export, for instance, have been exempted. But the decision to exempt rice, as a staple food, was taken by the Finance Minister himself.

Although the surcharge was originally imposed for six months, Du Plessis could, of course, decide to extend it to keep imports in check.

But the rand is already doing much for this cause. Trade figures show that customs receipts in the seven months to October was R709m, nearly 19% down on the same period last year.

And it is already adding to SA’s inflationary pressures as it filters through to the cpi.

As a protectionist measure on some imports there would be justification for the surcharge, but not as a fiscal measure to bolster government spending. Says Mason: “It’s a sad irony that government could put some people out of business in its efforts to put others back into business.”

RETAILING

Moving back home

The expansion trail has not given Natal’s Knowles retail group a smooth ride all the way. The chain is on the point of striking a deal with OK Bazaars which will leave it with a nucleus of four stores back in its home province.

The OK could just come out on the right side too. It will add a further five well-located stores, mainly in the eastern and central Cape, to its growing stable at a price some say could be a snitch.

Three other Knowles group stores in the western Cape are to be offered to independents, probably within the Spar franchise.

Frank Knowles confirmed that the group was looking to escape from its heavy debt burden and that the figure OK Bazaars was talking was “not as high” as they would like it to be.

Word is that OK is looking to take over the five stores, with all their encumbrances, for a one-off cash settlement of around R10m. One is a brand new store at Margate which Knowles only moved into a month ago.

Five years ago Knowles hit the expansion trail by moving aggressively into the Cape market. It expanded by taking over existing outlets or taking head leases in new locations like Margate. With much of its new space committed at a time when interest rates were at an all-time high, it is said the group has been using profit on its trading to cover its loans.

In the eastern Cape the group has been hit hard by the consumer boycott at a time when trading generally has not been buoyant. Says Knowles: “We had the opportunity to dispose of these stores and liquidate our loans. We don’t believe trading is going to get any better next year, so we took it.”

According to Knowles, retailers are in for a tough year. “The retail cake is not getting any bigger. Costs like electricity, maintenance, refrigeration and salaries are rising and gross profits are declining.

“It’s a volume business. It is expensive to run a regional office like we had in the Cape, but if you’ve got 26 stores it’s a different matter.”

With its balance sheet restored to health through the sale, Knowles reckons the group will be able to consolidate.
Zimbabwe goods flood SA market

Clothing chief calls for rethink of trade links

By Stan Kennedy

South African needs to tackle more seriously and unambiguously its relationships with those trading partners and neighbours that have joined the anti-South African bandwagon, says Mr Mike Getz, president of the National Clothing Federation of SA.

Reviewing the past year and the prospects for 1986, he says Zimbabwe has privileged access to South African markets, pouring in shirts, shoes and underwear in considerable volumes.

"Our industry has no reciprocal privileges and I see no good reason, under current conditions, to turn the other cheek.

Developing country

"The rabid arrogance from beyond the Limpopo certainly does not merit charitable consideration."

South Africa is a developing country with dominant Third World characteristics yet Escom, Iscor, Sasol and the SA Transport Services are significantly involved in over-pricing services and basic raw materials.

"If we add the Wool Board with its strange pricing strategy volume output falling by 15 percent and retail sales declining eight percent at constant 1980 prices.

Employment dropped below the 1978 level of 110 000.

Mr Getz says that for many years the industry had stressed the importance of creating jobs, while watching them decline and doing nothing.

Duties not necessary

"We acknowledged the Third World characteristics of many of our emerging consumers and their disposable incomes but tried to market and merchandise for their needs at First World prices."

He says the abandon with which suppliers of raw materials and textiles can raise prices will need to be examined by the Board of Trade. In many cases, existing duties are no longer necessary and only serve an inflationary purpose, harming more than helping.

Mr Getz is optimistic that in the short term, the industry will adjust to current levels of demand. Stringent cut-backs by retailers have thinned the ranks of suppliers and order books are firmer.
African plan deferred

LUSAKA — East and Southern African states seeking to promote trade among themselves have deferred action on key issues after a disappointing two-day meeting marked by the absence of most of the group’s leaders.

Only four heads of state of the 15-member Preferential Trade Area (PTA) attended the annual summit.

A final communiqué last week deplored “the lack of full participation” by the group’s leaders, and postponed action on issues under consideration until next year’s summit, or an extraordinary meeting at a date to be set.

Two major items on the agenda were a “common list” of more than 200 items eligible for preferential trade and the “rules of origin,” which define the amount of local content products must have to qualify for the common list.

Leaders attending the meeting were: President Kenneth Kaunda of Zambia; President Ali Hassan Mwinyi of Tanzania; President Jean Baptiste Bagaza of Burundi; and the Zimbabwean Prime Minister Robert Mugabe.

The PTA’s other members are Comoro Islands, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland and Uganda.

Three countries considering joining the group, Angola, Botswana and Mozambique, sent observers.

The poor attendance and lack of progress at the meeting were sharply criticized by the Times of Zambia in a front-page editorial last week.

“This lukewarm approach to important organisations like the PTA is not the best way to tackle Africa’s multiple crises,” it said.

Western diplomats said a lack of commitment to the group had dogged the PTA since it was first formed four years ago, with the aim of creating an African common market by 1992.
Embargoes against SA coal

Australias to gain most from

BRIS 07/12/78

ROY BENNETT/MinEal Edit
SA's trade surplus soars

Economics Staff

SOUTH AFRICA's trade surplus more than doubled to R1.441bn in November from R0.638bn a year earlier, according to preliminary statistics released yesterday by the Department of Customs and Excise.

The figures are not seasonally adjusted, but import and export statistics are adjusted to bring them into line with the requirements for the compilation of the balance of payments.

Exports during November totalled R3.542bn against R3.629bn a year earlier, while imports amounted to R2.101bn, compared with R2.046bn last year.

The trade figures include exports of gold bullion as well as overseas sales of Krugerrand gold coins, and imports include SA's purchases of oil and other petroleum products.

The trade surplus for the first 11 months of this year soared to R11.927bn from R3.236bn in the same period last year.

Exports between January and November totalled R35.275bn against R23.759bn, while imports totalled R21.349bn (R30.019bn).

Europe remained SA's largest trading partner in the first 11 months of this year, with exports amounting to R8.569bn, compared with R6.071bn in the same period last year, while imports stood at R10.019bn (R8.965bn).

Asia remained SA's second largest export partner, with a total of R4.706bn (R3.652bn).

These were followed by America, with R3.380bn (R2.254bn), Africa with R1.461bn (R318m), and Oceania, with R21.4m (R171.2m).

After Europe, American imports rated second, with R3.570bn (R3.895bn). — AP-DJ
SA's 'ghost squads' beat the boycotts

By Michael Chester

South Africa is using a silent network of companies which operate as export ghost squads to help run the gauntlet of international political sanctions and trade boycotts.

Hubby's back with a bump

NEW YORK — When Mrs. Anne McDonnell heard a bell on Christmas Day it was not the neighbor's sleigh. Her 65-year-old husband James had come home after suffering from amnesia for 15 years.

He was in two car accidents in 1971 and suffered concussion and other head injuries, the New York Daily News reported. One day he complained to a friend of a headache, went for a walk, and vanished.

He woke up on a street in Philadelphia with no identification, knowing only that his first name was James.

He took a surname, Peters, off a nearby store sign and got a job at a cafe.

The former postal supervisor said his memory returned when he bumped his head again on Christmas Eve.

He checked the telephone book to see if his wife of 20 years still lived in the same house in suburban New York. She did, and he returned to her.

Mrs. McDonnell never remarried, though she did have her husband declared legally dead seven years after he disappeared.

She called his reappearance "miraculous." The McDonnells, who have no children, were at home yesterday — they have 15 Christmases to celebrate. — Sapa-Hunter.

TOMORROW
TIMEOUT
Pall TV programmes for next week
REVIEW
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Israels vow revenge

LONDON — As the casualty figures mounted yesterday after Arab terrorist attacks on Israeli airline check-in counters at Heathrow and Amsterdam, the Israeli officials vowed revenge on the "hostile" repsonisible.

Speaking in Tel Aviv after preliminary figures put the toll at 30 dead and 60 injury, the Israeli deputy premier Mr. David Levy said: "These beasts have no borders and we will hit them wherever they are." — The Star Times.

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Groome Pollock hits a classic cover

Thwack! An

By Dan Sible

DURBAN — Graeme Pollock's 63rd class century, coming against the Australians with 108 at Kingsmead yesterday, saw the Hash Simon Brown on the cover of the Sunday Times. The new South African openers in the side's debut against South Africa, South Africa's debut against the Australians in the series, Pollock's first-class batting record, allowing him to be considered the one of the top openers in the international arena since his return from the

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Network of silent SA exporters

From Page 1

Despite political hostility, South African exports in Africa in the first 11 months of this year soared above R1 450 million — almost twice as high as in 1984.

"Most of the export houses keep a low profile owing to the secrecy of their operations", said a Safico executive, "but their contribution in creating a huge trade surplus is enormous. They draw their strength from the quality and extent of their foreign contacts, employment of key traders — and superb market intelligence."

"Aside from all their quiet activities in Africa, 74 of them have operations going in Britain, 68 are inside West Germany, 67 in the United States, and 56 have links in Japan. In most of South Africa's other key markets they operate through 40 or more branch and associate offices."

"They are expert not only in weaving a way through sanctions but also at finding solutions to such international trade headaches as protectionism."

"More and more of the big South African industrial companies are turning to them to handle their export problems — and they are playing a truly remarkable role."
Secret anti-sanctions squad helps SA trade

Johannesburg Correspondent

JOHANNESBURG — South Africa is using a sly network of companies that operate as export agent squads to help run the guerrilla of international political sanctions and trade boycotts. They operate much like the Talpans that made Hong Kong the hub of Far East trade.

South Africa's new Talpans now account for a staggering R100 million worth of non-gold exports a year.

They have emerged as a key factor in a spectacular increase in exports that promised to boost earnings to above R35 billion for 1989.

Several of them were formed on the skulking, learned to circumvent economic blockades erected around Rhodesia in the old 1970s.

They have now added more sophisticated refinements to their sanctions-busting arsenal.

The SA Foreign Trade Organization estimates the Talpans have already set up 250 export companies, which between them have close links with at least 2000 trade offices in overseas markets.

They accounted for more than a quarter of South Africa's non-gold exports of nearly R13 billion last year and their share is expected to grow even larger when 1989 figures are analysed.

Most of them follow secretive Talpans strategies of using an elaborate spider-web of world-wide banned contacts to find new routes into overseas markets and strike multi-million rand deals in new export contracts.

Known as "export houses", they are fashioned on the concept of specialist merchants swelling business deals on behalf of manufacturers but confiding their own role to acting as middlemen and making a close secret of their techniques and contacts.

Political hostility

Though export houses are not new to South Africa, they have mushroomed in number and rocketed to prominence as a result of the surge in official and unofficial trade boycotts.

Many of their success is due to their expertise in dealing with red tape with sophisticated systems of documentation that often disguise the fact that shipments originated in South Africa.

Among their most brilliant coups has been helping bound exports to Africa, where nearly all South African trade is officially banned by politicians.

The new Talpans operate in Africa in diplomatic silence through as many as 200 trade offices strung across the continent.

In spite of political hostility, South African exports to Africa (in the first 11 months of last year rocketed above R1.450 million — almost twice as high as in 1984.

"Export houses draw their strength from the quality and extent of their foreign contact networks, their employment of key traders, and superb market intelligence," said a South executive.

"Their access to more than 2000 offices and trading companies abroad has ensured that South Africa remains well connected with the rest of the world.

"Aside from all their quiet activities in black Africa, 74 of them have operations going in Britain, 68 are inside West Germany, 67 in the United States and 54 have links in Japan.

"They are export not only in weaving a way around sanctions but also in finding solutions to such international trade headaches as protectionism and discrimination.

"More and more of the big South African industrial companies are turning to them to handle their export problems — and they are playing a remarkable role."
South Africa will have to diversify and speed up the growth of its export base to permanently overcome its foreign exchange problems.

Discussing the various options available to the monetary authorities to avert any further depreciation in the rand, Barclays Bank says in its latest Business Brief, released yesterday: "The debate regarding your forex policy should be lifted above the mere advantages and disadvantages of the various approaches. Neither a free forex market nor various degrees of intervention are going to solve for us our fundamental external problem — an inadequately diversified and slow growing export base.

"More is needed to restructure the export mix and to boost the level of output destined for export markets before the fundamental shortage of foreign exchange can be corrected that is at present inescapably part and parcel of an attempt to maintain an adequate economic growth momentum."

This economic structural weakness had over the years been re-inforced by political developments. The political turmoil had worsened an already fundamentally poor balance of payments position, marking the rand down "in a process akin to that of a no-reserve auction in which there are few takers."

"Economically, the volatility of the currency has firstly inhibited some potential exporters from committing themselves, preventing an adequate balance of payments adjustment from materialising," says Barclays.

"Secondly, it has greatly increased the amortisation burden of the foreign debt in rand terms on SA society, taxpayers and shareholders alike. Thirdly, the structural weakness on the balance of payments has given rise to a perennial shortage of foreign exchange, which invariably must contribute to pushing up the long-term inflation rate, which it has."

The options were to continue on a free forex market basis, adopt a variable or "crawling" peg for the rand or applying a more drastic policy of fixing the commercial rand at a given price, linked either to the dollar or to a basket of currencies.

Intervention actions would probably stabilise the amortisation burden of the foreign debt and possibly neutralise market censure of government management.

"On their own, though, they would also not succeed in lifting the balance of payments constraint on domestic growth or contain inflation in the long term. For that to happen a more energetic export drive will have to be initiated, whose orchestration will have to be outside the forex market," Barclays says. — Sapa.
Bankers dismayed at standstill proposals

THE SOUTH AFRICAN proposals for rescheduling the repayment of its $13.4bn (R38.9bn) foreign debt outside the standstill net were met with disappointment and dismay by foreign bankers yesterday.

The proposals call for the first repayment to be made in four years - in 1990 - and for no compensation on interest rates as previously short-term loans are effectively turned into medium-term loans.

Further details of the 40-page proposal document have yet to emerge, but it is apparently based on certain assumptions about balance of payment surpluses. The speed with which the debt would be repaid after 1990 is still unclear.

He particularly characterized the proposals as the first serious step in the negotiating process and the standstill has been extended - the official announcement was made last night - to allow more time for negotiations.

Director-General of Finance Chris Stals did not reveal any details of the proposal when officially announcing the standstill extension until March 31, 1989.

He did say "SA believes the proposal provides a realistic basis for further constructive discussion with its foreign creditors, and it is hoped that all the creditor banks now approached by De Leuitwiller will react positively to his request."

Stals said the present standstill restrictions would "more or less" be retained for the extended period, although special attention was being given to accommodating "at least some" of the requests for concessions submitted recently by various parties.

The regulations providing for the extension of the standstill would be published in the Government Gazette shortly, Stals added.

A government official said the Standstill Co-ordinating Committee's "best case" scenario would be for foreign bankers to accept the "line taken by the bank" and for negotiations to go ahead on that basis.

Local bankers in touch with foreign counterparts reported that there was much unhappiness with the plans. Many bankers had been hoping for the current account balance of payments and measures would allow repayments to begin after a much shorter period, with possibly even a down payment of principal, as a gesture of goodwill, at the start of the rescheduling.

AP-DJ reports that the proposal were unacceptable, according to senior foreign banking sources.

"If we won't go along with it," one senior British banker, who asked not to be identified, said. He added that he doubted any other creditor banks would accept the proposals either. "Banks would be crazy to accept it," he said.

But the government official said that the letter sent by mediator Fritz Leuitwiller to the creditor banks over the weekend only included "part of the package" SA is seeking. "The whole proposals has many ramifications," the official said, adding that it was "purely a financial package" that excludes the possibility of any late of political changes.

Bankers said that they were particularly irked that SA had failed to clarify the debts covered in the payments freeze and by the suggestion that the current rate of interest being paid on the debts wouldn't be increased although all maturities would be extended until 1990. Most of the debt included in the agreement is short-term debt that falls due in one year. If short-term debt is being turned into medium-term debts, "we want rates for medium-term debt," one banker said.

He said that although the rates on all the debt varied from loan to loan, it probably averaged out at around 7.5% over the London Interbank Offered Rate (currently 7.75%) and banks would want the margin increased to well over one percentage point.

JOHN BATTERSBY reports from London that proposals have not changed the feeling in Europe that London would travel to SA to deliver a blunt political message.

He is expected to explain that a satisfactory rescheduling agreement will have to be preceded by major financial reforms. Business Day's special correspondent in Geneva reports that the SA Government's refusal to respond to demands for reform, as spelled out by the Republic's
creditors, is causing concern in Geneva.

A spokesman for Leutwiler stressed
that the lack of SA response was “not
satisfactory”.

The creditors had been expecting confir-
mation of rumours that President Botha
would announce a new reform plan at the
opening of Parliament in January.

The spokesman added that the date for
the next round of talks, scheduled for end
of January, or early February, largely
depends on what Botha announces in Par-
liament.

The creditors say re-scheduling of the
debs to beyond 1990 depends on abolition
of pass laws, the lifting of press restric-
tions and the freeing of political prisoners.

The spokesman indicated that negotia-
tions are taking place on two levels: the
purely technical level, and behind-the-
scenes efforts to find a face-saving politi-
cal solution for the government.

There are fears that if the talks break
down because of lack of political action by
the government, SA may resort to a Rhod-
esian-style siege economy.

Leutwiler hinted last night that he
would only visit SA at the invitation of
P W Botha.

A spokesman for Leutwiler in Geneva
said that the Swiss banker would only
visit SA “at the invitation of those people
whom he had publicly criticised”.

standstill extended
Banks are losing patience with SA, debt mediator warns govt

GENEVA. — Mr Fritz Leutwiler, the Swiss mediator in South Africa’s efforts to restructure its debt with foreign banks, yesterday warned the State President, Mr PW Botha, that time for political reform was running out.

In a newspaper interview, he also said he expected Pretoria to extend unilaterally its moratorium on repayments of its $24 billion (R4.8 billion) foreign debt beyond the end of this year.

However, banks would be willing to go along with such a move for technical reasons, he added, without elaborating.

Mr Leutwiler told the Zurich daily Tages-Anzeiger he was disappointed that the political climate in South Africa had worsened, and said the commercial banks he was mediating for were finding it increasingly difficult to deal with the crisis.

“Time is running out. Something has to be done very soon. We urgently need at least some kind of public declaration in the right direction from the South African head of state,” Mr Leutwiler said.

Mr Leutwiler said he saw no basis for a re-scheduling pact in the near future in the absence of signs of willingness from the South African government to get political reform under way.

“The banks must be able to justify their signatures somehow,” he was reported as saying.

“If South Africa hesitates much longer, certain clients, especially of American, British but also other banks, will declare: ‘We will not be satisfied until the one man, one vote principle exists in South Africa.’”

Mr Leutwiler said he would meet South African advisers all day today to discuss technical questions.

The next full meeting due on November 26 was cancelled in the wake of recent developments in South Africa.

In his interview, Mr Leutwiler said a meeting at this time made no sense against the backdrop of recent political events.

“We would be kidding ourselves if we thought politics did not play a very big role,” Mr Leutwiler was quoted as saying: “From a strictly financial point of view the debt question would be relatively easy to solve.”

Mr Leutwiler suggested South Africa lift its October clampdown on media coverage which Pretoria has blamed for fuelling unrest. “I consider it stupid to muzzle the press,” he said.

Clearly some protest incidents had been staged to attract maximum publicity but this phenomenon was bearable as long as most of the media continued to report objectively, he said.

He also criticised the widespread powers given to police under the state of emergency. — Sapa-Reuter
Extension of SA debt standstill seen

From MARGUERITE NUGENT

LONDON. — An extension of a standstill agreement covering the repayment of South Africa’s foreign debt has become even more likely following a meeting on Wednesday between bankers and representatives of the South African Government which was mediated by Dr Fritz Leutwiler, bankers said.

Although no request for an extension was made, bankers said that they think it unlikely that any agreement on a rescheduling could be reached by December 31, when the current standstill expires.

They noted that the next meeting will not take place until November 29, when all sides will reconvene here.

In a telephone interview from Zurich yesterday, a spokesman for Dr Leutwiler said that the former president of the Swiss National Bank was hopeful that the talks will produce “some results by the end of the year.”

He would not say how Dr Leutwiler would describe Wednesday’s talks, nor would he clarify what type of results Dr Leutwiler expected to emerge.

In a statement released after the meeting, Dr Leutwiler said that before the next meeting he will be holding further discussions with the banks and the South African authorities and will be writing to all the country’s known creditor banks.

Bankers expect that the most that can be expected before the end of the year is some further clarification about what is to be included in the rescheduling and how the negotiation process might proceed.

They noted that Dr Chris Stals, South Africa’s Director-General of Finance, who represented the government at the meeting, told bankers the country’s total foreign debt stood at $23.9 billion, of which $10.3 billion was exempt from the standstill.

Equal treatment

Although many banks at the meeting pressed for equal treatment of all creditors, several bankers noted that there was an argument for maintaining some of the exemptions.

They noted that of the $10.3 billion of debt that was exempt were loans owed by the Reserve Bank of South Africa to the International Monetary Fund (IMF) of about $800m and about $1.5 billion in short-term trade credits.

The figure also included several billion dollars of bonds and private placements.

One banker noted that the South Africans made it clear that they hope to return to the capital markets to raise funds.

Bankers also noted that the inclusion of credits owed to export credit agencies would involve obligations to governments, which could force the South Africans to the Paris Club of Western creditor governments.

The bankers said that any rescheduling by the Paris Club would be even more difficult than the negotiations with the commercial banks because of the tensions surrounding the apartheid regime in South Africa.

In addition to the figures, Dr Stals also discussed South Africa’s current financial and economic situation, telling the bankers the country expects to have a current account surplus for at least the next two to three years.

Because of domestic political pressures none of the representatives of the 30 creditor banks which attended the meeting, is willing to take the lead to form the type of negotiating committee that exists for dealing with most of the Latin American debtor countries.

This is the major reason Dr Leutwiler has been brought in to mediate the talks.
SA postpones debt repayment decision

From NEIL BEHMANN

LONDON - South Africa and its creditor banks have postponed a decision on how and when the country's huge short-term foreign debts will be repaid.

The South African delegation, headed by Dr Chris Stals, Director-General of Finance, met secretly with bankers here yesterday, but there was no decision on the rescheduling of South Africa's huge foreign debt.

Short-term debt obligations are $14 billion (about R26.3 billion) and the total foreign debt has been estimated at $28 billion (about R73.6 billion), but could be higher.

Although there was no formal agreement at the meeting, it is widely believed by bankers that South Africa will still unilaterally extend its moratorium into next year.

The present debt suspension lasts until the end of December.

Dr Fritz Leutwiler, the independent mediator between the two parties, said it was likely he would call another meeting in a few weeks' time.

Bankers were tight-lipped following the meeting, held at a secret venue for "security reasons".

Thirty banks met with the six-man South African delegation. The delegation spelled out the extent of South Africa's debt and what they believed to be realistic dates of repayment.

A German banker said he expected that a "restructuring of debt repayments" would be negotiated. Bankers had no option but to agree in the end, because "new money was not forthcoming".

"We don't have any choice but to be co-operative," said the banker. "We are locked in anyway."

The banker stressed that rescheduling would help for a time. But it would not provide the solution.

In the end "new loan capital would depend on political developments" in South Africa, he said.
Hopes fade for early debt accord

South Africa is to meet its main bank creditors again in London on November 26, but there appears to be little hope of a formal rescheduling agreement that could allow the present repayment standstill to be lifted.

A first meeting between the two sides yesterday, chaired by Dr Fritz Leutwiler, the Swiss mediator, concentrated on developments in South Africa's economy and technical aspects of the debt standstill.

A statement issued after the meeting said the South Africans spelt out arrangements for the $24 billion debt and reviewed the country's present economic and financial situation.

A spokesman for Dr Leutwiler said the South African officials conceded South Africa had a liquidity problem and had sought to distinguish itself from other debt-ridden nations with difficulty raising cash.

Bankers attending the talks said political issues were not discussed but there was now a growing awareness that the time was not ripe for a formal rescheduling agreement.

One banker, blaming "lousy marketing" of its political reform effort by the South African Government, said public opinion against apartheid in many countries was too strong for banks to justify signing a formal debt restructuring agreement.

Efforts will be made to make the two-month-old standstill work better, with changes expected by next month to facilitate equal treatment of creditors. These could include clarification of technical aspects such as the treatment of negotiable bankers acceptances and certificates of deposit issued by South African banks which are held by non-bank investors.

Lack of consensus

One main difficulty in predicting the future course of events after yesterday's meeting was a lack of consensus in the international banking community over the precise political reforms South Africa would need to introduce before a rescheduling became feasible.

The political background to South Africa's problems again became apparent when none of the 30 banks at the meeting moved to form a negotiating committee to work out a rescheduling — as has been the case with other countries facing debt difficulties.

Figures delivered to the meeting by Dr Chris Stals, Director-General of Finance, show that South Africa's total debt is $23.9 billion.

An economic analysis presented by Dr Stals also warned of difficulties ahead if South Africa was forced to run a current account balance-of-payments surplus over the medium term for want of fresh cred-
Botha: SA doesn‘t need the West

The Financial Times
23/10/85

NEW YORK — South African President F. W. de Klerk is under fire from conservationists at home and abroad for his government’s plans to allow mining companies to exploit the world’s largest known deposit of platinum. The Western Cape government has reversed a decision to ban mining in the area, and has invited international companies to bid for exploration rights.

The move has sparked controversy, with many conservationists arguing that the area is home to a unique ecosystem and that mining would have serious environmental impacts. Many also point to the fact that the platinum is not needed by the Western world and that South Africa could find alternative sources for the metal.

But the government says that the decision is necessary to boost the economy and create jobs. The Western Cape government has also announced plans to develop a new shipyard in the area, which it hopes will attract investment and create employment.

Despite the criticism, the government is determined to push ahead with the plans. It says that the area has immense natural resources and that mining is a key part of its economic strategy. The government has also safeguarded the area by creating a new national park and setting aside a large area as a nature reserve.

Conservationists are not convinced, however, and say that the government’s priorities are misplaced. They argue that the economy can grow without the need to exploit the area’s natural resources, and that the government should instead focus on developing renewable energy and other sustainable industries.

The government has also been criticized for its handling of the mining issue. Many say that the decision was made without proper consultation with local communities and that the government’s plans will have serious social and environmental impacts.

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Bankers meet to clarify SA's debt

By SHARON FULLER

PRETORIA. — The Reserve Bank Governor, Dr Gerhard de Kock, said today's meeting in London with leading creditors on restructuring South Africa's $24 billion of foreign debt is a technical one.

He told Reuters in an interview that the parties aim to clarify details including what debts will be written off and what will escape the standstill.

"We have been very liberal in leaving debt repayments out of the net," he said, adding that most debt fell outside it.

The meeting, chaired by former Swiss National Bank president, Dr Fritz Listwaller, is between a delegation of technical experts, headed by South Africa's Director-General of Finance, Dr Chris Stals and 29 major overseas bankers.

Dr De Kock said the meeting would probably be followed by another in November.

“We are very different from other countries... we are not overborrowed. We have no problem in meeting interest rate payments.”

Dr De Kock said South Africa's $24 billion foreign debt was not excessive for the country's size and level of development, but the short-term portion of the borrowing of some $14 billion was "on the high side".

He explained: “This is why we have changed the Bank Act and we now have better supervision over banks' foreign activities, including off balance sheet requirements.

"Banking supervision was not what it should have been.”

Dr De Kock did not believe the bank was overdefending the rand by selling dollars in the local foreign exchange market.

The Reserve Bank was maintaining its policy of merely ironing out the peaks and valleys in the market.

"The rand is undervalued when one looks at the economic fundamentals and adjusting the surplus on the country's current account of between $2 billion and $3 billion this year.

The rand had not appreciated as was hoped when the standstill was imposed because of political uncertainty paying interest on debt and leakages.

There are leakages in the system that is for sure... over-invoicing, under-invoicing, but that is to be expected in an economy as sophisticated as South Africa's.

"This reaffirmed his belief that exchange controls were limited in their effectiveness.

Exchange control does not work very well when you must need it.

But he said the rand should appreciate later this year as the country's foreign reserves built up.

One compensation of the lower rand was that it prevented some investors pulling out funds, because they lost too much doing so.

Investors are not transferring as much money as they might if the rate was higher.

It also encouraged foreign investment as gold shares on the Johannesburg Stock Exchange were bargains if bought with foreign currency, he added.

"I am going for growth now," Dr De Kock said.

Dr De Kock said he expected growth after eliminating the effects of inflation to the average three percent in 1980 compared with an expected negative one percent this year.

This would help the economy recover, attempt to slow the recent spate of insolvencies and help firms being forced to retrench staff, many of them black.

Reforms

Dr De Kock said international bankers had told him reforms were needed to assist them extend debt to a country internationally condemned for its race policies.

He said negative perceptions were exaggerated, but would not be drawn further on South Africa's political situation.

Foreign bankers view of talks, page 12.
SA may take longer to pay — bankers

From NEIL BEHRMANN

LONDON. — London bankers believe that South Africa’s foreign debt moratorium is likely to be extended into the New Year.

The first round of negotiations between South Africa and its creditor banks begins today, but bankers contend that mainly technical details will be discussed.

A spokesman for Dr Fritz Leutwiler, the former president of the Bank of International Settlements, said that a South African delegation would meet with 29 creditor banks.

Schedule

“This is what we have on our schedule, but there could be even more banks,” said the spokesman.

He said Dr Leutwiler hoped for “concrete” results before the end of the year, but London bankers believed that the South African authorities would have no option but to extend the moratorium.

“They are well aware that new money is not forthcoming, so they can take their time to repay,” said the spokesman.

The spokesman pointed out that South Africa was in the unusual position of a debtor who could dictate terms to the creditors.

Mexico and other debtor nations had to bow to bank creditors because they received aid from international organizations, he said.

“So with little more to lose it can negotiate a rescheduling agreement on its own terms.”

The Reserve Bank Governor, Dr Gerhard de Kock, has disclosed total foreign debts of $24 billion and of that amount $14 billion must be repaid within 12 months.

Total debt

Bankers here contend that the total debt could be even higher, especially since the South African authorities have steadily upgraded their estimates in the past few months.

One American bank has estimated total debt at $30 billion.

Swiss bankers also believe that it will be very difficult in South Africa’s current political climate to reach a settlement before the present debt moratorium expires at the end of the year.

Following the refusal of American banks to roll over their credits and the announcement of the debt moratorium, London, Swiss and German banks are reluctant to increase their exposure to South Africa.

Japanese bankers who will also attend the meeting will also be reluctant to help.

Mediator

Bankers said that Dr Leutwiler as mediator would improve the lines of communication between disgruntled creditor banks and South Africa.

Dr Leutwiler’s spokesman said that the creditor banks would first have a meeting with Dr Leutwiler. Then it was likely that they would be introduced to Dr Chris Stals and his six-man delegation.

The meeting has been arranged by Price Waterhouse.

The magazine Euromoney comments that South Africa was vulnerable because “it — and its banks — borrowed without building up balances with the banks it had borrowed from.”

Deposits

“The latest figures from the Bank For International Settlements show that South Africa had deposits worth only 1.8 percent of its borrowings with banks in the BIS area.

“By contrast the Soviet Union keeps deposits worth almost 79 percent of its borrowings with banks. That is the chief reason why banks would hesitate to cut off credit to the Soviet Union.”
“I never considered my political actions to be influenced by what other people say or do, especially what other countries say and do.

“Not that I think South Africa is an island, but our policies are directed by South Africa itself: what is just, what is practical and what can be applied in such a way that we retain stability and at the same time move towards new policies that will satisfy more people.”

President Botha suggested the Government had already made major strides towards accommodating the country's black population, and said the Nationalist Party had “always been a party of reform.”

Asked if his pledge to grant blacks “full participation at the highest levels” could lead to a black foreign minister or defence minister in five or 10 years, he replied: “You can go and interview a black defence minister now. You can just go to Transkei.”

Despite increasing criticism of his policies from the right and left, President Botha said he felt secure in his course.

“If you are a man of principle and a man of action, and I think I am, you cannot avoid that people suffer from you from time to time.

“It is a bit lonely at times, but it makes you strong.”

NEW YORK — President P W Botha, insisting that “violent upheaval is out of the question in South Africa”, says the only problem the country has is its foreign debt.

And even that problem, he added, would soon be behind it as foreign banks become persuaded of the country's stability.

“I think that at a certain stage some months ago, some international interests thought this was going to be another Iran, that the Government wouldn't last, that the Government would be overthrown by force and that South Africa would end up in confusion,” he said in an interview with the Wall-street Journal, one of America's most influential newspapers.

“That's not going to happen. That's not going to happen.”

President Botha, who was interviewed in his office in the Union Buildings, was described by his interviewers as seeking to depict a picture of serenity as he outlined his view of a country threatened from the outside but well able to cope with its internal problems.

He blamed the unrest on a worsening economy and “a few communist agitators” and defended the use of the army in combating violence, adding: “This isn't the first time the Government has used troops. It's a tradition in South Africa.”

Asked if he were planning to lift the state of emergency, he replied: “I hope to lift those regulations as soon as possible, but I won't for one moment hesitate to apply them in other parts if terrorists try to create problems.”

With the first round of debt renegotiation between South African representatives and international bankers due in London this week, President Botha gave no indication he would accelerate his timetable for change to ease the anxiety of the country's major international creditors.
Standstill settlement unlikely at year end

The Star’s Foreign News Service

GENEVA — South Africa will meet its creditor banks in London on Wednesday for the first formal negotiations since it imposed a four-month standstill on debt repayments at the end of August.

The meeting has been called by Dr Fritz Leutwiler, the former president of the Swiss National Bank, who is acting as mediator.

The one-day meeting will concentrate on technical details, according to a spokesman for Dr Leutwiler. It is not likely to consider the political issues which have to be resolved before South Africa’s $24 billion debt can be restructured and normal financial business resumed.

Swiss bankers believe it will be difficult in the present political climate to reach a settlement before the end of the year, when the payments standstill is due to expire.

Dr Leutwiler will explain on Wednesday how he envisages his mediating role. He said earlier that he did not see himself merely as a “messenger boy” and that he hoped to achieve concrete results by the end of the year.

Dr Chris Stals, South Africa’s Director-General of finance and head of the standstill co-ordinating committee, is expected to outline to the 29 creditors represented at the meeting proposals for managing the standstill and possibly making it more flexible.

BANKS’ ATTITUDES

Bankers are looking for clarification on how South Africa intends to handle the large proportion of interbank lending in the $18 billion short-term debt.

Other unclear points concern interest rates on the blocked loans, South Africa’s position on private sector debt and the coverage Pretoria ascribes to its standstill.

The nub of the matter remains the attitude of United States banks which precipitated the moratorium when they asked at short notice for large-scale repayments of their short-term loans.

The pressure on the US banks has not been eased by the hanging of Benjamin Moloise in Pretoria Friday, which has overshadowed recent hints of reform from President P W Botha.

Dr Leutwiler was in New York recently, but has given no hint of the outcome of any talks he may have had with US bank leaders.

Other banks, notably the Swiss, have emphasised they are not willing to fill the gap left by the withdrawal of US credit to South Africa.

After the US, the British and Swiss banks have the largest exposure in South Africa. West German, French and Japanese bankers are also expected to attend Wednesday’s meeting.
‘Foreign capital essential for return to normality’

South Africa will have to re-establish its good name in the international financial markets in 1986, the Bureau for Economic Research at the University of Stellenbosch says in a publication, “Prospects for 1986.”

The Bureau said the factors that led to the announcement of a standstill in the repayment of South Africa’s foreign debt, and the reintroduction of a financial embargo have cast a long shadow over the economic prospects for next year.

Instead of reviving vigorously after more than a year of substantial domestic downward adjustment together with sharply rising exports and five quarters of current account surplus, the economy will at best see the start, during the second quarter of 1986, of a mild upswing in consumer spending and inventory investment, the Bureau said.

“This will still leave total real domestic expenditure only marginally above the low level reached after a decline of around seven per cent during 1985.

“Because of improved agricultural conditions, a further fall in imports, and a small further rise in exports, total domestic output should rise by nearly three per cent.

“Even so, this will not be sufficient to stem the rise in unemployment that commenced in mid-1984.”

The trends in imports and exports should produce an even larger surplus on the current account of the balance of payments.

WARNING SIGNALS

However, even with a weak recovery, the surplus will start to narrow from mid-year onwards, raising warning signals about the extent to which domestic demand can be allowed to revive in an environment where South Africa is unable to attract foreign capital and where there is an obligation to repay foreign debt.

“If, in coming years, South Africa is to return even part of the way towards a normal growth path for a developing country, foreign capital will again have to be attracted to this country.

“Calendar 1986 will have to be the year in which South Africa re-establishes its good name in the international financial markets.

“Part of this process will require the ex-hibiting of willingness and ability to prevent inflation from getting out of hand and the redeeming of a significant portion of short-term foreign debt.

“Both of these issues have inescapable implications for the extent to which the monetary and fiscal policies can be used to bring about economic expansion.”

The Bureau says recent events, and the excessive short-term foreign borrowing that preceded them, have drastically limited the government’s room for traditional economic policy manoeuvre.

“This has, of necessity, led to much “lateal” thinking about other options for stimulating economic growth without adversely affecting the balance of payments.

“Instead of import controls having been mooted, but all these would, on balance, be harmful.

“If such controls were not to damage the production structure of the economy, they could be applied only to a limited range of goods, and even then might provoke retaliation.

OTHER OPTIONS

The other options should include very rapid progress along the path of deregulation and privatisation on which the government had already embarked.

“Given the external constraints under which the economy is operating, it seems unlikely that any imaginative solutions outside the sphere of the traditional monetary and fiscal policies, or monetary and fiscal risk-taking, will provide an economy vigorous enough to quell unrest and permit any delay of further political reform.

“The casualty will rather run the other way — the longer the unrest and turmoil last, the poorer the performance of the economy will be.”

The Bureau expects the total domestic demand to continue to decline until about the first quarter of 1986, before beginning to recover.

“But even then the recovery will be rather slow and sluggish especially with regard to final sales.

“Companies oriented towards satisfying domestic demand, therefore, again cannot expect much joy during the course of 1986.”

— Sapa.
S A endorses call for open trade system

PRETORIA—South Africa's ability to meet its international financial commitments in the immediate future would largely depend on its being able to continue expanding its exports, the Minister of Finance, Mr Barend du Plessis, told the International Monetary Fund meeting in Seoul, South Korea, yesterday.

"As a country with a firm belief in the virtues of the free market system, South Africa therefore unreservedly endorsed the call for resistance to protectionist measures, without which prospects for sustainable recovery in the world economy would be undermined and the management of the external position of heavily indebted countries would be severely complicated."

"I particularly welcome the firm determination expressed by members of the Interim Committee that their governments will preserve an open trading system in which all countries will have effective access to world markets," Mr du Plessis said.

A copy of his prepared speech was released in Pretoria.

Clouds

The minister said it was clear the world economic situation had improved during the past year in certain important respects, but that clouds were now gathering on the horizon in spite of this.

"Primary commodity prices have recently been declining, and coupled with the slowing down of economic activity in the United States, the export earnings of the developing countries and hence their growth prospects are weakening."

"Unless there is accelerated economic expansion to the other major industrial countries, overall industrial growth might well slow down in the year ahead—at a time when unemployment in developing countries is a serious problem and threat to social stability."

Crisis

"Add to this the growing calls for protectionism and the increasing tendency of banks to extend new loans in Third World countries and we have the makings of a new international debt crisis," Mr du Plessis said.

Governors of the Fund and the World Bank should therefore not be deluded that the international debt problems were being resolved satisfactorily.

"They are not: the debt crisis is getting worse, not better," he said.

This was a matter of concern not only for the debtor countries themselves, but for the creditor banks and the monetary authorities of industrial countries.

Recent developments in the South African balance of payments situation had provided further evidence of the vulnerability of, and the threat to, the integrity of the present fragile international financial system.

Standstill

However, the events that had led up to the forced declaration of a standstill period for the repayment of foreign debt were in many respects ‘very different’ from those that had created debt repayment problems for many other countries.

South Africa had for some time been applying relatively strict monetary and fiscal policy measures, resulting in sharply decreased gross domestic expenditure, a decline in imports and enhanced exports, with the current account surpluses equaling some four percent of the gross domestic product.

The Republic had, moreover, not experienced any difficulty in meeting both its interest and capital redemption commitments on long-term loans, and neither had the Government or public sector experienced an outflow of short-term capital.

Credit

The country had been forced into the credit standstill arrangement by a sudden large withdrawal by some foreign banks of short-term credit facilities previously extended to domestic banks and other business enterprises.

The repayment of capital had been temporarily suspended, but current payments such as interest, dividends and trade settlements had not been affected.

The solution to the South African problem can therefore also not be copied from those applied to other countries, Mr du Plessis said.

In view of obvious structural and political differences, the procedure of negotiation which had to be followed already displayed a unique pattern of its own.

Good progress has already been made in this regard and, as is generally known, discussions have been initiated with the major creditor banks," he said. — (Sapa)
Du Plessis hits at banks for forcing SA debt standstill

The Star's Finance Editor TREVOR WALKER reports from the IMF meeting in Seoul

Finance Minister Mr Barend du Plessis has castigated the banking system for the manner in which it forced South Africa into declaring a four-month debt standstill.

In his address to the annual meeting of the IMF he said there was no denying that the interbank market and the international banking and monetary system as a whole were now more vulnerable than they have been for some time to disruptive influences, including precipitate actions by opportunistic individual banks.

This was obviously a situation that could have only a detrimental effect on all concerned.

Recent developments in the South African balance of payments situation had provided further evidence of the vulnerability of and the threat to the integrity of the present international financial system.

Events in South Africa that led to the forced declaration of a standstill period for the repayment of foreign debt from September 1, however, were in many respects very different from those that created debt repayment problems for many other countries.

Mr du Plessis said large net inflows of long-term capital further supplemented the current account surplus and enabled South Africa to reduce its foreign debt by some $2.5 billion.

The debt/export ratio was less than half the average for developing countries in the Western hemisphere, and the ratio of interest payments to exports of about seven percent was low for a developing country.

The country was forced into the credit standstill arrangement by a sudden large withdrawal by some foreign banks of short-term credit facilities previously extended to domestic banks and other business enterprises.

The solution to the South African problem could therefore also not be copied from those applied to other countries.

Unless there was accelerated economic expansion in the other major industrial countries, overall industrial growth might well slow down in the year ahead at a time when unemployment in developing countries was serious problem and a threat to social stability.

Add to this the growing calls for protectionism and the reluctance of banks to extend new loans to Third World countries and the world's economy had the makings of a new international debt crisis.

He said governors of the fund and the bank should therefore not be deluded that the international debt problems were being resolved satisfactorily. They were not. The debt crisis was getting worse, not better.

Mr du Plessis said South Africa had one major interest in common with other countries in comparable situations, and that was a keen desire to promote its exports.

Indeed, its ability to meet its international financial commitments in the immediate future would in large measure depend on its ability to continue to expand its exports.

As a country that believed firmly in the virtues of the free market system, South Africa fully endorsed the call of the members of the interim committee that protectionist measures had to be resisted at all costs.

Any multilateral or bilateral restrictions on trade or political interference could only exacerbate the imminent danger of an eventual breakdown of the present fragile international financial system.

It was also necessary to address the root causes of distorted exchange rate relationships.

A strong case could also be made for more expansionary policies in those industrial countries apart from the US which had eliminated overspending by means of tight fiscal and monetary policies.
**Stals details foreign debt repayments**

PRETORIA. — Dr Chris Stals, chairman of the Standstill Co-ordinating Committee regarding the repayment of South Africa's foreign debt, yesterday spelt out amendments to the standstill arrangements.

He said that from the experience gained in the past month in the implementation of the arrangements, certain problems and uncertainties had been identified. Amendments to the proclamation governing these arrangements were published in a Government Notice on Thursday.

Dr Stals said in a statement released here yesterday that the amendments related to the repayment of certain foreign loans where some discrimination in favour of repayment by the public sector had been eliminated, and to import-related payments where those payments which were not subject to the standstill restrictions had been more clearly defined.

Remittance

"Regarding the repayment of loans, it has now been decided to allow the remittance of capital on maturing bearer bonds and bearer-notes, irrespective of whether the borrower is a public or private sector institution, and provided such bonds or notes were listed on any stock exchange on August 28, 1985," he said.

In the case of non-listed bonds or notes, special permission would have to be obtained from the Standstill Co-ordinating Committee before any repayment of capital could be made.

"It is the intention of the committee to allow such repayments in those cases where such bonds or notes were generally taken up, and are still held, by members of the general public."

As far as payment for imports was concerned the standstill arrangements would not apply to payments for goods or services received in South Africa on or after January 1 this year, and where payment was to be made directly to the supplier or any collecting banker on his behalf.

**Settlement**

Dr Stals said payment for goods and services received on or after January 1 this year would also be allowed without restriction if settlement was to be made in terms of a documentary letter of credit, or of a documentary bill accepted by the importer or by a banker on his behalf. This should help to remove any remaining doubts in the minds of foreign exporters and bankers that payment in the normal course for South Africa's imports or goods and services is not affected by the present standstill arrangements and may be freely made and transmitted in the past, subject only to normal exchange control requirements," he said.

Dr Stals said the Minister of Finance has now designated the Standstill Co-ordinating Committee to exercise the powers vested in the minister and the Treasury in terms of the proclamation.

**Directives**

In terms of new exchange control directives issued on September 30, to supplement existing controls foreign-controlled South African subsidiaries could now only transfer dividends to their foreign parent companies if they were declared from profits or income earned after January 1, 1984.

"It is not the intention of the authorities to advance this date at regular intervals," Dr Stals said.

Authorized dealers had been given further instructions about the transfer of foreign loan funds to the special restricted accounts with the Reserve Bank established on September 1.

"South African borrowers of foreign funds are only required to make payments into this account at the date of the final maturity of their foreign loan commitments in cases where no extension for the repayment of the loan is desired, or where an extension cannot be negotiated with the foreign lender," Dr Stals said.

**Questionnaires**

The Reserve Bank would, in the course of the next week, through the branches of the commercial banks and the governments of the independent national states, make questionnaires available to public companies, public corporations and other public bodies. The questionnaires should be returned to the Reserve Bank not later than October 25.

In cases where the Reserve Bank is in possession of the addresses of persons or bodies with foreign liabilities, the questionnaires will be sent directly to them for completion.

The onus to obtain copies of the required report forms, however, remains on the person or body liable for the completion thereof," he said, adding that all information disclosed would be treated as confidential.

"An appeal is made to all members of the public with outstanding foreign liabilities to cooperate and provide the committee with this information needed for the committee's pending negotiations with the country's overseas creditors," he said.
Cash payment demands on South Africa worry chamber

Finance Editor

TRADITIONAL lines of commercial credit of long-established trading partners have been terminated and demands made for cash in advance. Mr Alex Hamilton, the president of the Natal Chamber of Industries, said yesterday.

Image

The financial actions arising from the close of the stock and foreign exchanges had seriously impaired on South Africa's image of creditworthiness - a matter of great concern and regret the annual report, which Mr Hamilton tabled said.

Wrong interpretations of the financial embargo and a general interference that South African companies could no longer meet their financial obligations had led to a situation where even irrevocable letters of credit had been rejected.

Polecat

Moreover, the polecat profile has given rise to summary cancellation of foreign orders for South African goods.

Reasonably sound economic fundamentals no longer impress an outside world bent on pressuring government into rapid political reform.

The chamber found itself obliged to examine the areas in which it could use its influence to facilitate the appropriate kind of reform - specifically with respect to KwaZulu-Natal.

On the economic front, the chamber saw that there should be no re-stimulation until inflation reaches an acceptable level, perhaps 10 percent. However, a year after the August 1984 package of measures to bring down inflation, the rate was 15.9 percent, which Mr Hamilton said was virtually the same as July 1983.

Needs

If the Government does not examine the trade-off between unemployment and inflation and make a policy decision, it will have to be accomplished in the face of poor business sentiment.

The chamber sees the need for:

- a clear indication from the Government as to where and how far it is going in political reform;
- immediate alleviation of the serious unemployment problem and
- realisation that phasing out influx control will lead to a new and powerful urbanisation pivot to future economic growth and development.

'Urbanisation will be the new generation of demand through the whole spectrum of infrastructural requirements to sophisticated consumer goods.'
IMF may rethink its debt strategy after ‘standstill’

South Africa's unilateral decision to declare a debt moratorium continues to highlight the difficulties the International Monetary Fund (IMF) will have from now on in getting developing countries to adopt austerity measures to solve their payments problems.

South Africa has set the precedent; it merely remains for a third World debtor to follow the example.

Yesterday the IMF released its annual report ahead of its annual meeting early next month and firmly rejected growing complaints from developing countries about adjustment policies prescribed for solving their debt crises and asserted that the foundation was being laid for future economic growth.

The Financial Times says today that with Latin American countries becoming especially receptive about their debt burdens, and concerns rising about Mexico's ability to service its re-scheduled debt following its devastating earthquake, the IMF's annual report will be seen as a clear statement of resistance to any major change of approach to dealing with the international debt problem.

However, there is growing recognition among the industrialised countries that more flexibility may be needed in nursing the world through the debt crisis.

A senior US Treasury official said in Washington yesterday that the US saw the need for a larger role for the World Bank and for a modification of the current strategy for dealing with the debt crisis.

He also indicated that the US was becoming more and more concerned about the failure of the international banking system to provide more funds to heavily indebted countries.

"But he added that the US saw no need for an early increase in the World Bank's capital, given its current lending goal of between $40 billion and $45 billion.

WORLD ECONOMY

"It is true we are reviewing the debt situation," the official said. "We have always said that the debt strategy is flexible and there is a growing view that the situation is changing.

The IMF says in its report that although actions by industrial countries are needed to improve the performance of the world economy, the principle responsibility for ensuring that developing countries strengthen their economies lies with the countries themselves.

COMMERCIAL BANKS

The release of the IMF's report follows the announcement by the group of five major industrial countries on Sunday of a new effort to improve coordination of their economic policies.

Concern about the flow of finance to developing countries was underlined yesterday by a new study from the Institute for International Economics, a Washington-based research organisation. The institute says that even without a new eruption of the debt crisis a satisfactory recovery of the debtor countries will require additional capital flows of about $15-20 bn.

It calls for a decision to increase the World Bank's capital by $40 billion so as to increase its lending by $4 billion to $5 billion. — Financial Times.
SA owes UN R52 million

NEW YORK South Africa, which has paid no UN dues since being ejected from the General Assembly in 1974, now owes well over $21 million (R52 million), the UN reported yesterday. If allowed to take its seat again, South Africa would have to pay at least this amount to be able to exercise its Assembly vote.

Under UN rules, a country is denied the right to vote if its contributions to the UN budget are more than two years in arrears.

Sapa-Reuters
First signs of Third World debt backlash

In two recent articles Dr Roger Gidlow argued that the South African debt standstill could alter the course of the Third World debt crisis and rebound on the international banking community.

He pointed out that if a country as financially strong as South Africa and one that has met all the stringent International Monetary Fund (IMF) monetary and fiscal requirements is forced to adopt a debt standstill, how could the IMF possibly hope to coerce African and South American debtor nations to buckle down to austerity measures.

The first warning supporting Dr Gidlow’s arguments came yesterday from Mr Alistair McIntyre, deputy secretary general and officer in charge of the United Nations Conference on Trade and development (Unctad).

The Financial Times reporting out of Geneva said Mr McIntyre said many indebted developing countries have reached the limits of austerity after cutting imports to the bone and reducing living standards, in order to generate trade surpluses.

The simultaneous decline in bank lending to them and high interest rates made it doubtful whether they could sustain the present large transfer of resources needed to service their debts.

Valid reasons

The newspaper said it was no coincidence that this warning came just before the start of the annual meeting of the IMF in Seoul, South Korea next month.

It was yet another shot at the programmes prescribed for debtor countries by the IMF and coincided with the publication of a report by the Inter-American Development Bank, which declared that Latin American debtor countries had “valid reasons” for resisting the policies of the IMF.

Mr McIntyre called for “a thorough re-examination of the situation and of the policies, measures and actions necessary to deal with it”.

As long as the present situation prevailed, the health of the international banking system would be at risk, he said.

He was speaking at the start of a two-week meeting of Unctad’s trade and development board which will discuss the annual report of the Unctad secretariat.

The report, published earlier this month, concluded that debtor countries’ efforts to generate trade surpluses were frustrating hopes of economic development in the Third World.

It calculated that debtor countries would continue to face serious difficulties even if net bank lending to them grew at an annual rate of six percent.

In fact, Mr McIntyre pointed out, net lending by commercial banks from countries belonging to the Organisation for Economic Cooperation and Development (OECD) declined by $2.4 billion in the first quarter of this year.

Debt service

Indebted developing countries had managed to cut their collective current account deficit from $120 billion in 1981 to $35 billion last year but it was doubtful whether they could sustain such a draconian shift in resources.

The debt service of countries in sub-Saharan Africa, Unctad estimates, will practically double from $5.7 billion in 1983 to $11.1 billion this year.

In some Latin American countries the net transfer of resources amounts to five percent of gross national product or more.

Mr McIntyre said any action taken would have to include a lengthening of debt maturities and a softening of the interest rates faced by Third World debtor countries.

The financial cost would have to be borne “on some agreed basis” by the international community.

Governments and international agencies should increase their financial flows to the developing countries, reschedule debt in multi-year packages and cancel some debts outright.

Careful study

Countries with a large share of commercial bank lending should consider establishing an international facility to subsidise interest rates.

It could be akin to the IMF’s compensatory financing facility but with different repayment obligations.

Another idea which warranted careful study, Mr McIntyre said, was the establishment of a direct link between debt service and export earnings.

He underscored the importance of holding back pressures for trade protection in the industrialised countries.

Discussions over the next few months on arrangements to replace the multi-fibre arrangement (MFA), which controls world trade in textiles and clothing, would be a test case of the preparedness of the international community to strengthen the open trading system and to reverse the tendencies which now deprived the developing countries of its full benefits, Mr McIntyre said.
Reserve Bank statement on standstill plans

PRETORIA—The Reserve Bank has issued a statement to parties affected by the four-month standstill arrangements.

The following directives to parties affected by the standstill arrangements:

1. Although payment instructions issued until the close of business on 27 August 1985 were allowed to be executed, these standstill periods became effective from 28 August 1985.
2. Money market deposits with the group branches and subsidiaries of Nedbank are subject to the standstill arrangements.
3. Bankers’ acceptances outstanding as at 28 August 1985 are subject to the standstill arrangements. Maturities may be renewed, but such replacement bankers’ acceptances remain subject to the restrictions. The redemption of bankers’ acceptances will be negotiated during the standstill period.
4. The settlement of non-cash third currency swap transactions is not affected by the provisions of the above proclamations.

The directives are issued to ensure the equitable treatment of all parties with claims on South Africa.

(SAPA)
De Kock met German bankers

By Wellington Long

BONN — Dr Gerhard de Kock, head of South Africa's Reserve Bank, secretly met directors of several leading West German banks in Frankfurt last week.

Although word of Mr De Kock's Frankfurt stay finally leaked out Tuesday, none of the banks called on was prepared to confirm the visit.

Similarly, no spokesman for any of the banks was prepared to comment on the South African payments problem.

But banking sources in Frankfurt said Mr De Kock visited the Commerzbank, the Dresdner Bank and several other unnamed banks in the West German financial capital before going on to Switzerland for the weekend.

Bank Loans

According to statistics published by West Germany's Central Bank, South Africa owed West German banks about DM1.67 billion (R1.67 billion) at the end of June.

However, this amount does not take into account debts South Africa probably has with Luxembourg subsidiaries of West German banks.

Money market sources say the actual amount owed to West German banks, including the Luxembourg subsidiaries, may be more in the nature of DM4 billion (R4.48 billion) of which

Dr de Kock.

about DM800 million (R86 million) was due to be repaid by the end of this year.

The same sources say the West German banks probably will simply roll over the due debts month by month until some overall rescheduling agreement has been reached.

There is no desire in Frankfurt to call in the debts now.

However, one banking source added that Frankfurt's financial leaders now realise that the question of loans to South Africa can no longer be entirely separated from the political issues.

South Africa's wandering Reserve Bank governor Dr Gerhard de Kock has returned to the country and although refusing to talk to any newsmen yesterday, he said on television last night that he had been well received abroad.

Dr de Kock will be speaking at a Press luncheon today and is expected to be more forthcoming with details of discussions he had with foreign bankers.
Unilateral debt rescheduling could be catching the IMF's ability to prescribe the correct measures of economic adjustment. Austerity is appropriate, it is argued, so long as it produces tangible results.

Unfortunately, living standards in these countries remain depressed and there are no signs of any new, autonomous foreign capital inflows even when IMF policies have been basically adhered to. Disillusionment with traditional IMF prescriptions is tending to grow.

It is in this context that the South African predicament has relevance. During the past year or so the local authorities have adopted typical IMF policy measures by allowing the rand to depreciate, reducing the budget deficit before borrowing and curbing the growth in the money supply.

These policies have proved to be very successful in effecting desired economic adjustments with the current account; for instance, returning to a substantial surplus.

On the negative side, domestic economic policies have brought in their train a downturn in the business cycle and rising unemployment.

Most people would argue that this rising tide of unemployment has helped to foster the disturbances in the townships which, in turn, has been instrumental in extending agitation against South Africa in overseas circles and in changing the perceptions of foreign bankers towards this country.

These developments again may not be lost on the Latin American debtors, and may intensify their doubts about the propriety of IMF policies which emphasise economic austerity.

SA standstill may hit international banking

By Dr Roger Gidlow

The South African standstill on debt repayments could alter the course of the Third World debt crisis and rebound to the disadvantage of the international banking community.

One cannot exclude the possibility that South Africa's actions will be contagious.

The partial standstill has been implemented at a time when debtor nations are closely monitoring the consequences of Peru's decision to limit its foreign debt servicing to the equivalent of no more than 10 percent of its export earnings each year.

If such action was to spread to other debtor nations, the stability of the international banking system could be severely impaired.

Yet the Latin American countries may find that it is now more difficult for them — from a political viewpoint — to persuade their domestic electorates to accept economic austerity measures when a country as wealthy as South Africa undertakes unilateral rescheduling of its foreign debts.

The decision taken by the South African Government to postpone certain foreign debt repayments has been accepted, in general, with equanimity within the international banking community. The foreign creditor banks have tended to argue that they are not surprised by the move.

It has even been argued in some quarters that they preferred to see the South African authorities impose a unilateral rescheduling since a negotiated multilateral rescheduling exercise would have tarnished the image of those banks from a political viewpoint.

It has similarly been asserted that the South African actions have effectively let these banks off the hook in the sense that they can no longer be subject to disinvestment pressures from vocal anti-apartheid groups.

On the other hand, this latest development comes at a time when the strains in the international banking system remain visible.

The initial effects of the partial standstill on international banks should be slight. Those banks with the greatest exposure to South Africa — Barclays and Standard Chartered in Britain, together with some Continental European banks — are not heavily exposed to Latin American debtor nations.

Political pressures

South Africa is, of course, a unique case. It has a large surplus on the current account of its balance of payments, and it can easily repay its short-term foreign debts of $12 billion provided it is given time.

Its problem is one of liquidity and not solvency, and its present financial difficulties have been brought on by political pressures. Even so, it is debatable whether such finer points will be accepted by Latin American debtors and their electorates.

The second reason why the South African actions have relevance for the Third World debt position stems from the increased attention which may be focussed on the IMF policies towards the debt-ridden Latin American countries.

Throughout this region increasing doubts are being voiced over
Dutch freeze SA credit insurance

By Frank de Jong

THE HAGUE — The limitation for credit insurance for Dutch exports to South Africa is to be frozen.

It will not be extended, according to an announcement by NCM, the Netherlands credit insurance company in Amsterdam, which insures export credits, and the Dutch Finance Ministry in The Hague, which is footing the bill for political risks of absence of payement.

The freezing of the limitation is the result of 10 days of consultations between NCM and the ministry. The moratorium announced by South Africa on the repayment of its foreign debts does not apply to trade credits, which are guaranteed by foreign institutions for export credit insurance.

After a careful study of the moratorium, NCM and the Finance Ministry saw no reason for a 100 percent discontinuation of coverage of export credit.

The president of NCM, Mr. H. Groen, said Tuesday: “We cannot possibly change the guarantees we have given so far. Whatever coverage we have given will be maintained. But we cannot accept further risks.” – The Star's Foreign News Service.
S A not seeking loans now, says De Kock

FRANKFURT—Dr Gerhard de Kock, governor of the Reserve Bank, arrived here yesterday from London for discussions with West Germany’s major banks, banking sources said.

He is expected to meet officials of the three large commercial banks, Deutsche Bank, Dresdner Bank and Commerzbank, to explain South Africa’s decision to ban some foreign capital payments.

He is not scheduled to visit the Bundesbank, a central bank spokesman said.

Banking sources expect Dr de Kock will fly to Zurich over the weekend for talks with Swiss banks before returning to South Africa.

He was expected to hold separate talks yesterday with the three main German banks and may visit some of the smaller banks with close connections with South Africa, one source said.

Key role

West German banks play a key role in South African financing. Estimates put their total exposure at about $1.900m, of which $850m is short-term.

West German bankers have expressed concerns over South Africa’s treatment of its foreign debt, particularly the move to freeze interbank lines.

But the Eurobond market, which has been a major vehicle for financing operations for South Africa’s borrowers, has taken a relaxed view since bonds are excluded from payments stop.

Earlier this week—after the emergency package of measures had come into force—repayment instalments and interest totalling about $20m marks on the two city of Johannesburg Eurobonds were received promptly.

South Africa is honouring commitments to bond investors.

Earlier in the day in London, Dr de Kock said the rand’s recent weakness was not unexpected and the currency should appreciate once South Africa has clarified the workings of its recent financial package.

Gold swaps

At a Press conference he said the country was not seeking any new foreign loans at this time, but said it was possible that South Africa would enter into additional gold swaps, if they proved necessary.

The rand weakened further in London yesterday morning, falling to an opening of 37.90/38.40 U.S. cents, from Thursday’s close of 38.70/40.20.

Dr de Kock said once South Africa has clarified the details of its suspension of capital debt payments and foreign exchange controls, he sees the possibility of a substantial rise in the country’s currency reserves and the rand.

The moves, coupled with South Africa’s current account surplus of more than $2,000m annually, should create a surplus of dollars in the Johannesburg Foreign Exchange market, part of which will be used to build up reserves, he said.

As a result, the country did not need any new loans at the stage. ‘We are not seeking financial assistance from the Bank of England, the IMF or anybody else at the moment.’

He said although South Africa would like to lift its new foreign exchange controls, he had no idea when it would do so and doubted they would be removed by the end of the year.

He also reiterated the Reserve Bank’s support for Nedbank and its overseas branches.

Dr de Kock declined to answer strictly political questions, but said his task would be made easier by political reforms within South Africa. Some people’s perceptions of the country’s political situation might be wrong, but they were affecting the economic situation.

Capital

He was hopeful that the country will be able to attract further capital in the future and said it was seeking to implement the debt standstill in such a way as to facilitate a return to a more normal situation.

‘In the very recent past we have entered into new gold/swap transactions and further swap transactions are possible. On this particular tour I have no discussed raising money in any form from anybody.’

Although this implied that South Africa may have entered into new swap transactions as recent as the past few months, a S.A. Embassy spokesman here said he believed that the last transaction was some years ago.—(Reuters)
SA can pay all its debts
— De Kock

The present rand crisis was caused by “ridiculously wrong perceptions” that the South African economy was in a pre-revolutionary stage, Reserve Bank Governor Dr. Gerhard de Kock said in London today.

If forced to, South Africa could repay all its short, medium and long-term debts, he said, but that would turn it into a capital-exporting country.

And such a move would force up interest rates, create a weak exchange rate and higher inflation, and cause lower economic growth.

It would also severely damage development throughout the region — something, he was sure, “well-meaning” people in the West would not want.

He refused to be drawn on “political” questions, but said reports of a meeting between South African businessmen and the African National Congress did not make his task any more difficult.

Ominously, Dr de Kock admitted that bankers who had called in short-term loans had not set any conditions to extend them. From what he said, it is obvious they simply want the money returned.

‘Loans not overextended’

The spark for the present crisis came when some US banks called in their loans. South Africa has $6 000 million (R15 000 million) in inter-bank debts — $2 000 million of which is in the US and the rest evenly spread through London, Europe and Japan.

Dr de Kock repeated that the Reserve Bank would back Nedbank, a victim of the moratorium. He said a US “cease and desist” order against the bank had been withdrawn yesterday and US money was once again flowing into Nedbank.

South Africa had not overextended itself with foreign loans, he said. Its $2 000 million current account surplus represented more than 4 percent of GNP.

He expected the rand to rally in the long term. “The moratorium is only four days old. We expected that it would take some time for the rand to rally.”

He hinted that South Africa, if forced to, would swap gold for dollars.

See Pages 5 and 15.
De Kock assurance on debt takes steam out of crisis

By Ramsey Milne
The Star Bureau

NEW YORK — The assurance given by Dr Gerhard de Kock, Governor of the Reserve Bank, in London yesterday that the SA Government would stand by the debts of its banks, including Nedbank, has "taken the steam out of the crisis" so far as most American bankers are concerned, according to New York bankers.

The pressures imposed on Nedbank came when a number of banks around the world seized funds being channeled to it.

These banks were worried that Nedbank would be unable to repay its borrowings after the South African Government said SA would stop repaying principal on much of its foreign debt for the rest of the year.

But the problem, which reached a crisis on Wednesday, abated considerably yesterday when Dr de Kock pledged that the SA Government "will assist Nedbank in bringing about the orderly disposition of its foreign exchange obligations and meeting liquidity needs of its overseas operations.

Smooth flow

New York bankers said today that a further and potentially more serious disruption to the interbank payments system was also alleviated by Dr de Kock's statement concerning Nedbank.

The statement prompted the major New York banks to resume the smooth flow of funds among international banks that had been interrupted by the uncertainties over whether South African banks would be able to repay their debts.

Economists said the disruptions were an ominous reminder of the dangers faced by New York banks in their job of clearing hundreds of billions of dollars each day for banks around the world, a task that makes possible the flow of goods and services from one nation to another.

Further, the disruptions highlighted the main economic threat to South Africa: being locked out of the world economic system.

The problem became acute on Wednesday, according to a banker in New York, when a leading New York bank refused to release between $50 million and $100 million that was to be channeled to Nedbank.

The source declined to identify the bank.

After Dr de Kock's statement in London, the bank released most of the money it had been holding, and the crisis subsided, said the source.

Reflecting the improved conditions, federal authorities in Washington yesterday lifted a cease-and-desist order issued late last week against Nedbank's New York branch that effectively closed it.

The order, which was at no stage announced, was issued before the repayment moratorium was declared, but after South Africa suspended foreign exchange trading.

The order was kept in effect until American authorities were confident that Nedbank's Madison Avenue in New York branch could obtain from other banks the funds it needed to meet its obligations. The branch deals only with companies, and does not accept deposits from consumers.

Referring to Dr de Kock's statement, a leading New York banker said yester: "It's the statement we've all been waiting for."

Bankers quoted in the New York Times yesterday said they believed the pledge should resolve the problem, but the newspaper added that they were not certain it would stop all banks from seizing funds headed for Nedbank.

Payment delays

It is not known how many banks did seize funds. Those funds were taken to offset loans that have been made to Nedbank and appear to be subject to the repayment moratorium declared last Sunday.

The uncertainty about Nedbank's outlook, which has worried the world's financial markets for days, caused serious delays in the processing of South Africa's international payments.

The seizures not only threatened the stability of Nedbank, but made it difficult for South Africa to participate in world trade.

Bankers in New York, none of whom was willing to be quoted by name, cited several reasons for the harsh reaction to Nedbank.

First, they said, South Africa did not consult with the banks before declaring the moratorium. As a result, many critical details were left unanswered.

With South Africa's vagueness about whether it would stand behind its banks — until Dr de Kock's statement today — Nedbank was especially vulnerable, bankers said.

Unlike most South African banks, Nedbank was not exempted from the moratorium.

That puzzling bankers in New York. The explanation given by South African officials was that Nedbank's international activities were so big that exempting it could have undermined the moratorium. Nedbank, with assets of $8.1 billion at the end of 1984, is ranked as the world's 24th-largest bank by The American Banker, a trade newspaper.

Nedbank's problems were compounded by its reputation for having heavily borrowed short-term money in the international markets and having reloaned these funds on a long-term basis in South Africa.

Such a mismatch could be dangerous because, if Nedbank's short-term creditors declined to renew their loans, Nedbank could not quickly liquidate its own loan portfolio to get the funds needed to repay its creditors.

Apart from the seizures, the uncertainty led the large New York banks, through which the majority of international payments throughout the world are cleared, to refrain from granting any credit to Nedbank, which led to delays in channeling funds from one bank to another.
The Star Bureau

Senior bankers said that South Africa had so far failed to appoint an individual banker to act as go-between with banks in rescheduling its loans.

Talks are concentrating on a long-term solution to South Africa’s foreign debt problem.

It is clear that Dr de Kock’s idea of appointing a mediator to handle the rescheduling of $12 billion in short-term debt met with resistance from some US banks.

Many US banks are anxious to take part in South Africa’s rescheduling talks but are concerned about the reaction of their shareholders and customers to such participation.

In yesterday’s talks Dr de Kock sought to reassure British bankers that they would be treated as equals with other creditors.

He said he had erroneously given the impression at a Press conference in New York on Wednesday that deposits by US banks with South African institutions were exempt from the payments freeze.

This applied to only rand working balances with the Reserve bank, he said.

Dr de Kock has so far given little indication of the nature of the rescheduling he expects to negotiate. Commercial bankers expect, however, that it would involve a maturity not longer than five years.
Gold reserves expected to resist swapping

For many central banks, swapping gold for dollars is an attractive option, especially during periods of geopolitical tension or financial uncertainty. However, many central banks have chosen to hold onto their gold reserves, even as the demand for swaps has increased.

The world's central banks have a collective $4 trillion in gold reserves, which they can use to swap for dollars in times of need. This has led to a significant increase in the demand for gold swaps, but many central banks have chosen to hold onto their gold rather than swap it for dollars.

The decision to hold onto gold reserves is driven by a variety of factors, including the potential for gold to act as a hedge against inflation and currencies, as well as its status as a store of value.

Central banks are also concerned about the potential for gold swaps to undermine the stability of the global financial system. In times of crisis, central banks may be forced to swap gold for dollars, which could lead to a significant reduction in the availability of gold.

As a result, many central banks are expected to continue holding onto their gold reserves, even as the demand for swaps continues to grow. This has led to a significant increase in the price of gold, as investors seek to protect their wealth in times of uncertainty.

In summary, many central banks are expected to resist swapping their gold reserves for dollars, even as the demand for swaps continues to grow. This has led to a significant increase in the price of gold, as investors seek to protect their wealth in times of uncertainty.
Debt moratorium and two-tier rand fail to help

Trading position for SA far worse

By Trevor Walker, Finance Editor

South Africa's trading position has worsened dramatically since the debt moratorium — and several big importers are now having to pay cash on the nail for all purchases abroad.

This is going to maintain the pressure on the rand and the currency is unlikely to show any marked recovery while this persists.

The Reuter news agency, reporting from Washington, said bankers who attended Reserve Bank Governor Dr de Kock's meetings said he had been clearly informed that new credits would be forthcoming only if Pretoria began genuine political reforms.

"I would hope that De Kock left here understanding the gravity of the situation," one bank officer said. "He got very little assurance of anything in the future. There was no change in the unwillingness of American banks to roll-over short term credits."

'Disturbingly powerful'

The London Times said in its main editorial today the sudden onset of dramatic financial difficulties in South Africa shows how private financial sanctions can be swift, simple and "disturbingly powerful".

The commercial rand has weakened sharply in the last two days and its premium above the financial rand has all but been eliminated.

The economic panic at the time of Sharpeville led to a huge sell-off of South African shares on the Johannesburg stock market and the Government was forced to introduce foreign exchange controls.

But now the outflow via the JSE has not been excessive. It is the clamp on capital from abroad that has hit the economy, and the debt moratorium and two-tier rand have failed to resolve the situation.

See pages 4 and 20.
SA may swap gold for foreign currency

SOUTH AFRICA may swap gold for foreign currency, the Reserve Bank Governor, Dr Gerhard de Kock, said in New York last night.

"We're aware that we could easily swap all our gold if we wanted to," he told a press conference.

Dr de Kock said he had visited a number of major New York banks to explain the technical implications of a standstill declared last weekend on repayment of South Africa's foreign debt.

He had been very courteously received, but declined to comment when asked whether the banks had indicated a willingness to reschedule.

Meanwhile, the rand slid to below 40 United States cents again yesterday amid little Reserve Bank support for the currency.

At one stage the rand fell to nearly 37c but later recovered to 42c only to come off to below 40c in late trading.

The rand's fall has been partly caused by the sudden resurgence of the dollar and there was a shortage of dollars in the local foreign exchange market yesterday.

Speculation swept the market following Nedbank's failure to gain permission from the Reserve Bank to repay foreign investors who had deposited funds with the group's overseas branches.

Nedbank said in a statement yesterday that it would have had no problem in meeting foreign obligations if the Central Bank had allowed it to do so.

"Nedbank is not in trouble. We would have no problem in meeting our obligations if it weren't for the freeze," a spokesman said.

There was also speculation in Europe that the Reserve Bank planned to once again close the foreign exchange markets following the rand's renewed fall. This was later denied by the Reserve Bank.

London dealers said yesterday that there had been no reaction.

"I see no reason for the South African authorities to panic and I see no reason for the rand to fall much more," one dealer said.
European bankers see borrowing problems ahead for S A

This is the unanimous opinion of bankers in Switzerland, Germany and London. New York was closed on Monday because of a Labour Day holiday.

- Unless there are reforms with acceptable trade leaders, say bankers, 'the siege economy' which South Africa has entered could continue for an indefinite period.
- As Queen Victoria said, 'we have been loyal friends and not amused,' comments a German banker with close ties to South Africa.
- He adds that the four-month suspension will damage the financial credibility of South Africa even further.

Controls

Bankers also regard the suspension of short-term foreign debts and the re-imposition of exchange controls as a personal tragedy for Reserve Bank Governor Gerhard de Kock.

Dr de Kock, highly regarded in international banking circles, staked his reputation on the belief that South African borrowers would set an example to the rest of the world. In recent days, he was secure debtors and prompt repayers of debts.

Time and time again in interviews with the Press and bankers, Dr de Kock used to emphasise that South Africa's unique political position was making the Community and Reserve Bank in South Africa to show the world that there need be no worries about debt repayments.

Bankers here cast Dr de Kock as 'a tragic, apolitical liberal who was desperately trying to clean up the financial mess left behind by intransigent politicians who had left him in the lurch.'

The debt suspension adds ammunition to the United States sanctions campaign, because the S.A Government no longer has the excuse that commercial judgements can be separated from politics, says Mr Mike Gordon, South African specialist at brokers James Capel.

Luxembourg's foreign minister, Mr Jacques Poo, who was a member of the European Community's delegation to South Africa, said that if the political situation did not improve the Community would be under considerable pressures from its electorate to take measures.

Sanctions

He hoped that 'something would happen very soon. If that is so and violence abates and there are negotiations,' there would be no necessity for sanctions.

In their predicament, the South African authorities had no alternative, but to suspend loan repayments because some American banks were demanding money within days, says a Swiss banker.

A German banker adds that US banks not only refused to roll over short-term credits, when they fell due, but also called in credits ahead of maturity.

'How many countries can meet overwhelming repayment requests within days? It was an understandable liquidity crisis,' says a Swiss banker.

But regardless of the events which led to the crisis move, 'a door which was slightly ajar is now firmly closed,' he adds.

New international credit lines for new economic transactions have been effectively shut down.

A London banker adds that the precedent of a loan moratorium will make international banks 'much more cautious' about South Africa.

'Especially after the willingness of German, British and Swiss commercial banks to lend, their central banks may scrutinise their position more closely,' says the London banker.

A London banking economist dealing closely with South Africa says that the Reserve Bank is effectively underpinning private sector foreign debt.

Short-term debts will be deferred until next year and the huge current account surplus of $2.5 billion will reduce the burden.

Foreign debt

In a year's time South Africa's short-term foreign debt could halve, to around $6 billion, an acceptable level.

The banker believes that South African banks were very irresponsible in pushing up South Africa's net foreign debt from around $19 billion in 1981 to $18 billion at the end of last year, especially since a large proportion of this debt was not hedged against the possibility of a falling rand.

Net total debts are now estimated to be around $15.3 billion.

'SA bankers and the economic authorities are making much capital about the fact that they were forced into an untenable position because of the political situation, but there was financial irresponsibility and insufficient prudence,' says the banker.
De Kock cancels US talks

From SIMON BARBER
WASHINGTON. — After evading all publicity during his brief stay, Dr Gerhard de Kock, Governor of the South African Reserve Bank, unexpectedly cancelled appointments for today and was to have left here last night, a spokesman for the South African Embassy said.

The reasons for his hasty departure — he had been due to have talks at the State Department and hold a press conference today — were unclear.

Meanwhile United States reaction to Pretoria's temporary moratorium on debt repayment was mixed. Markets were closed for the Labour Day holiday.

"Off the hook"

Privately, a senior official of one of the US banks most directly affected cautiously welcomed the move: "It gets us off the hook politically," he said. "It means we don't have to take any decisions for a while."

The official warned however that it might take "four or five years" for South Africa's credit rating to recover, though the effects could be alleviated if Pretoria took prompt political steps "to renew the confidence of the outside world."

The banker, who said that as much $6-billion (about R12-billion) in short-term debt was due by December 31, also predicted that South Africa would have a far harder time persuading US banks to accept a rescheduling package than it would with their European counterparts.

He said South Africa's decision to allow debtors to place their repayments in a trust account with the Reserve Bank could also be a problem since it meant that loans to the South African private sector would be in government hands.

• Meanwhile the rand closed at 45.75 US cents last night after the first day's dealing in the wake of the government's new financial package.

The Reserve Bank began trading in the rand at 41c to 42c but demand for the currency led to the exchange rate moving higher to 46c.

The financial rand was quoted at 36-38c. Gold shares fell up to 10 percent on the Johannesburg stock market yesterday.

• Bankers warn on impact, page 12
Bankers warn on impact of debt freeze

From NEIL BEHRMANN

LONDON. — The suspension of South Africa’s short-term loans will make it even more difficult for the country to raise money in coming years unless there are substantial political initiatives soon.

This is the unanimous opinion of bankers in Switzerland, Germany and London. New York was closed yesterday because of a Labour Day holiday.

Unless there are reforms and dialogue with acceptable black leaders, says bankers, “the siege economy” which South Africa has entered could continue for an indefinite period.

“As Queen Victoria said, we who have been loyal friends are not amused,” comments a German banker with close ties to South Africa. He adds that the four-month suspension will damage the financial credibility of South Africa even further.

Bankers also regard the suspension of short-term foreign debts and the reimposition of exchange controls as a personal tragedy for Reserve Bank Governor, Dr Gerhard de Kock.

Dr De Kock, highly regarded in international banking circles, staked his reputation on the belief that South African borrowers would set an example to the rest of the world and be secure debtors and prompt repayers of debts.

Time and time again in interviews with the press and bankers, Dr De Kock used to emphasize that with South Africa’s unique political position the financial community and Reserve Bank had to show the world that there need be no worries about debt repayments.

Bankers here cast Dr De Kock as a tragic, apolitical liberal who was desperately trying to clean up the financial mess left behind by intransigent politicians who had left him in the lurch.

The debt suspension adds ammunition to the United States sanctions campaign because the South African Government no longer has the excuse that commercial judgments can be separated from politics, says Mr Mike Gordon, South African specialist at brokers James Capel, Luxembourg’s Foreign Minister, Mr Jacques Poos, who was a member of the European Community’s delegation to South Africa, said that if the political situation did not improve, the Community would be under considerable pressures from its electorate to take measures.

He hoped that “something would happen very soon, if that is so and violence abates and there are negotiations,” there would be no necessity for sanctions.

“In their predicament, the South African authorities had no alternative but to suspend loan repayments, because some American banks were demanding money within eight days,” says a Swiss banker.

A German banker adds that United States banks not only refused to roll over short-term credits when they fell due but also called in credits ahead of maturity.

“How many countries can meet overwhelming repayment requests within days? It was an understandable liquidity crisis,” says a Swiss banker.

But regardless of the events which led to the crisis move, a door which was slightly ajar is now firmly closed,” he adds.

New international credit lines for new economic transactions have been effectively shut down.

A London banker adds that the precedent of a loan moratorium will make international banks “much more cautious” about South Africa.

“Regardless of the willingness of German British and Swiss commercial bankers to lend, their central banks may scrutinize their position more closely,” says the London banker.

A London banking economist dealing closely with South Africa says that the Reserve Bank is effectively underpinning private sector foreign debt. Short-term debts will be deferred until next year and the

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Cold shoulder for SA banks seeking loans

By Trevor Walker, Finance Editor

Some South African banks are finding it almost impossible to do business abroad. Their inability to raise money could seriously delay major projects, including the development of the Mossel Bay gas field.

The clamp by Pretoria on repayment of the country's debt has led to a situation where unless a local bank has exceptional overseas connections, it experiences difficulty in raising foreign loans.

The Star Bureau in Washington reports that the Governor of the South African Reserve Bank, Dr Gerhard de Kock, has left the country after a flying visit during which he discussed the freeze with senior monetary officials.

Although Dr de Kock flew out of Washington sooner than had been expected — cancelling a Press conference that was scheduled at the South African Embassy for today — it is understood he held talks with all the officials who had travelled to see him, including Mr Paul Volcker, chairman of the Federal Reserve.

The Star's Foreign News Service in Zurich reports that he will attend next week's monthly meeting of the Bank for International Settlements (BIS) in Basle.

Dr de Kock is also expected to meet representatives of the major Swiss commercial banks in Zurich, but so far has not made any appointments, according to a spokesman for the Swiss National Bank.

Top officials of the Union Bank of Switzerland, the Swiss Bank Corporation and Credit Suisse — the "Big Three" of Swiss banking — have publicly declared that they have no intention of modifying policy towards South Africa, adding it is "business as usual". But officials of the Swiss banks also said they would not take over any lines of credit, rollover or similar transactions between other banks and South Africa.

The BIS, known as the "central bankers' central bank", it co-ordinates transactions between the national banks of its 29 member countries and often organises lines of credit for various countries.

But Swiss bankers say privately they doubt that any line of credit could be organised for South Africa in the present circumstances of unrest.

Clear political message

Local bankers and analysts say the refusal by Western bankers to offer a lifeline carries "a clear and unmistakable political message" to Pretoria.

They said the country's failure to win any breathing space from foreign creditors with an extension of loans to repay its debts, was a signal that Western banks were unwilling to be seen to have bailed white South Africa out of its crisis.

According to banking sources a direct consequence of this is that the exploitation of the massive offshore gas field near Mossel Bay has been threatened.

South Africa has always needed the inflow of foreign funds to finance its major capital projects. Richards Bay, Sishen, Saldhana, Sasol, Iscor, Sappi, Mondi, Atlantis diesel and Koeberg were financed by foreign credit lines.

The Mossel Bay gas field was to be the newest addition to the country's expanding local energy industry, and difficulties in raising finance for the project have placed a question mark over the private sector's moves to start synthetic fuel projects.

If the overseas capital boycott continues, South Africa is going to be forced to finance many more of its major capital projects internally.

Emigrant allowances

People emigrating from South Africa are still entitled to the usual travel allowances at the commercial rand rate, a Reserve Bank spokesman has confirmed.

The travel allowance of R6,000 per adult and R3,000 for each child under 13 is over and above the maximum R100,000 emigration allowance which is calculated according to the new financial rand rate.

Household goods shipped out in containers would be paid for in rands at the commercial rate.

The rand was trading at around 45 US cents today after heavy Reserve Bank support at this level yesterday. The financial rand was trading some 20 percent lower around 37 cents.

See Page 16.
Bankers give SA four months to produce change

LONDON — President F W Botha will have to produce political change within four months if he hopes to "roll over" the country's $12 billion of short-term debt, say City of London bankers and stockbrokers.

Interviewed as the market opened to nervous, speculative trading, they were not surprised by South Africa's unilateral four-month moratorium on repaying capital, especially after the failure of Reserve Bank Governor Dr Gerhard de Kock's rescue mission overseas.

Trading was confused because the Labour Day holiday in the US meant their markets were not open, and because of doubt over the mechanics of how the reintroduced financial rand would apply.

When the two-tier currency was last in force it initially traded as "Blocked" currency, meaning that a non-resident selling South African assets for financial rands could use it only to buy other South African investments.

He was effectively stuck unless he wanted to take his money out of the country at the much reduced financial rand.

Later, however, the system was relaxed so the financial rand could be traded between foreigners. The City is waiting to see which of the two will apply this time.

But it was the politics that were most important Monday. Mr Anthony Richardson of brokers Rowe and Pitman, which has one of the most respected South African desks said:

"Until the unrest stops and there is political change, it is hard to see the banks agreeing to roll over the debt.

London banker Alan McDonald said South Africa had been forced to act to stem the outflow of deposits.

"Unless they took action South Africa's dependence on short-term deposits would have had a dramatic effect on the economy.

"It would appear the moratorium on principal repayments until December 31 was necessary and will be sufficient to deal with the problem. They have bought a breathing space.

"But they will have to make a more permanent announcement, and one can't separate it from the need to make political changes.

"The European banks, mainly in the UK, do not regard what has happened as a problem. The City of London doesn't react that way. But US banks might be less happy about what is going on," Mr McDonald said.

Mr Richardson found it "extraordinary" that South Africa had not foreseen the problem with the banks earlier.

"Now people will be reluctant to lend money under any circumstances."

He added: "It must be most depressing for Dr De Kock, an economist, to have to go and argue politics. It's the most amazing turnaround. Only two months ago we had expected an end to exchange control altogether.

"The positive thing for the South African economy is that it won't be affected by wild swings in the currency.

"The reintroduction of the financial rand will probably stop people disinvesting. It will also stop South African companies investing overseas."

But he warned that the Reserve Bank could "get its fingers burned" if it tried to interfere in the market.

This was confirmed by dealers who said there was some speculative trading in the rand by investors who believed the Reserve Bank would maintain its price.
'Stand-still' for foreign debts

The Government has frozen foreign debt repayments for four months.

The text of the statement by the Minister of Finance, Mr Barend van Plessis

In the course of the past few weeks, certain foreign banks decided not to honour the debt payments they had previously made available.

These large amounts involved in the subsequent months would cause a serious drain of the capital's foreign currency resources and lead to a serious disruption of payments and a drain of the capital's foreign currency resources and lead to a serious disruption of international payments.

To solve this problem, the foreign exchange market must be stabilized, but in the short term, South Africa's ability in the short term, South Africa's ability to meet its international obligations. This added further to the problem of foreign debt repayment in the value.

"As a consequence, the South African rand has become severely threatened. The free-market exchange rate of August 25 in September, which was already 12% of debt moratorium, has ceased to exist and to do a policy that will curb the international payments.

The situation is very different in the South African economy.

However, the large-scale debt moratorium, which has the short-term banks in place, involved in the country's ability to repay all these foreign loans.

"It has been a lot of debt moratorium in South Africa's capacity to repay these foreign loans.

"This is a low ratio for a developing economy that is actively involved in international trade and investments.

"Unfortunately, over the past few months, the rand has been severely threatened, but the country's economy has been stalling and there are no signs of recovery. The country's economic indicators are not showing any improvement.

"The appointment of the new finance minister has been a positive sign for the country's economy, but it is still fragile and needs support.

"The statement by the Minister of Finance has been reassuring, but it is important that the government continues to work on stabilizing the South African rand and improving the country's economic outlook.

"A huge loss of face'

NEIL LURISSEN of the Argus Foreign Service reports from Washington

AMERICAN financial experts believe that the three-year-month foreign debt moratorium, which will begin today by the South African Government, could help to ease the economic crisis of South Africa and help to stabilize the country's foreign exchange market.

It is hoped that this will help to improve the country's economic situation and lead to recovery.

But experts agree that the freeze on debt repayments will not solve the problems facing the country in the international banking system.

They noted that South Africa would have to pay the interest on its short-term loans and could repay the principal after the new year.

Mr Alan Greenman, a former economic advisor to President de Kock, said that the freeze on debt repayments could help to stabilize the country's exchange market, but it would not solve the problems of the country's foreign exchange market.

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Mr Alan Greenman, a former economic advisor to President de Kock, said that the freeze on debt repayments could help to stabilize the country's exchange market, but it would not solve the problems of the country's foreign exchange market.
The government had decided on a policy strategy that would cause the least disruption to South African and international trade and finance.

Based on economic fundamentals, the recent depreciation of the rand cannot be justified and a continuation of this trend will inflict serious damage to the South African corporate sector in general and the otherwise resilient economy in the country.

The objectives of the comprehensive strategy are to:

(a) Create a stand-by period during which South African negotiators in a responsible manner will consult with all parties concerned regarding the orderly repayment of the foreign debt of the country.

(b) Ensure that the surplus on the current account of the country's balance of payments will be used largely to meet the foreign obligations of all South African debtors in an equitable and orderly manner.

(c) Discourage foreign investment by non-residents at the cost of the available foreign exchange reserves to facilitate an early-resolution of domestic economic growth.

(d) Revitalize the South African foreign financial relations as soon as circumstances permit.

The government has "the political will and management resources to achieve these objectives. South Africa has the economic means and human potential to meet this challenge while continuing to play its historic role in the development of Southern Africa."

SAPA ends here
THE government last night froze foreign debt repayments for four months, reintroduced the financial rand and announced that from today the Reserve Bank would fix the rate for the commercial rand. Interest payments will still be made to foreign banks.

The decision to declare a moratorium on debt repayments and reintroduce the financial rand will be widely welcomed as the measure will remove the strong speculative element which has disrupted the foreign exchange market in recent weeks.

The commercial rand, the currency traded on foreign exchange markets, is expected to open substantially higher, well above the 50c mark, and the currency's value will now be determined by the Reserve Bank until conditions in the foreign exchange market revert to normal.

The new two-tier currency system means that there will be two rand exchange rates—one for importers and exporters who will use the commercial rand rate—and a second for foreign investors who can sell their South African shares, have to repatriate the funds at the financial rand rate. The financial rand rate will be below the commercial rand rate and will clearly discourage investors from taking their funds out of the country.

Hectic dealing

The firm government action will squeeze banks and exporters who have speculated in the foreign exchange market, and sold their rand short and will now have to buy in this currency. This may cause the rand to soar in hectic dealing.

Gold shares are expected to ease today when the stock exchange reopens, while industrialists could move sharply higher.

Kruger rand prices are likely to fall sharply with the demise in the rand gold price.

Last night, economist Professor Brian Kantor welcomed the decision to declare a moratorium on debt repayments.

"The whole capital outflow is now neutralised completely with the Reserve Bank in full control. There will be a huge flow of dollars towards the Reserve Bank, and the leads and lags will reverse themselves and the rand will open much higher—as high as the Reserve Bank wants it to."

Professor Kantor said that South Africa had held the high cards in the foreign banks' capital was tied up in the country. "We've had to play them reluctantly... and too late in the day. Certain foreign banks were not going to do business with us and pressuring the Reserve Bank will pick and choose who to pay first and which.

In London, the British Minister of State at the Foreign Office, Mr. Malcolm Rifkind, said Britain was going to hold out firmly against sanctions in spite of pressure from the Commonwealth to change its stance.

Dealing with South Africa's financial crisis in a BBC radio programme, Mr. Rifkind said: "Irrespective of the debate about economic sanctions, we all know that the South African economy is in a mess. The degree of internal instability and civil strife within South Africa has obviously contributed towards a lack of confidence in the economic future of that country."

Reluctance

SAPA Reuter reports from Washington that the United States Treasury yesterday declined to comment on South Africa's decision to suspend repayments of foreign loan principal for four months.

A State Department official also withheld comment on the move, but an administration official said the absence of action reflected Washington's reluctance to become involved in South Africa's financial crisis.

"We want to stay out of this as much as we can," the official said.
Disinvestment pressure mounts — Syfrets chief

THE pressure for disinvestment in South Africa is proving to be effective — in the past 10 weeks alone foreign investors pulled an estimated R365m out of the economy, the chief executive of Syfrets Trust, Mr Brian Robinson, warns.

He told the International Women's Club in Cape Town that about nine firms had already left South Africa this year and 30 had left between 1960 and 1964.

"In June this year foreigners disinvested at least a net R90m through the Johannesburg Stock Exchange.

"May disinvestment was R75m and last week alone it was estimated that foreigners were net sellers of equities to the tune of close to R100m and of gilts and semi-gilts to the tune of a further R100m."

Even a minor trade boycott of this country would prove damaging, Mr Robinson said. Although less than one percent of the total black workforce was employed directly by American corporations, a 20 percent effective trade boycott could prove disastrous for the South African worker.

"A 20 percent effective trade boycott could eliminate 150,000 white jobs and 500,000 black jobs and cost the country R1,000m in foreign exchange earnings."

"Workers have a vested interest in the maintenance of an efficient economy for they would not want to inherit a bankrupt country."

"If the necessary level of investment and skills associated were not made available, Mr Robinson continued, industrial growth would decline, racial conflict would sharpen and the labor mentality would become stronger."

"Real earnings could stagnate and unemployment will increase," he cautioned.

He said that of the estimated $14 billion United States investment in South Africa, $2.3 billion represented direct holdings, which was equivalent to 20 percent of all the foreign investment in this country.

However, United States influence was disproportionately strong in the oil, motor and computer industries.

The balance of the $14 billion represented bank loans to local companies and shares purchased through the stock exchange.

Mr Robinson warned that, "firms are quietly reducing their South African ties by not increasing capital spending or employment, in effect pulling out through attrition."
Analysts see no alarm as capital leaves S Africa

JOHANNESBURG—A recent flight of capital from South Africa has still not reached proportions to alarm the Government into putting up exchange barriers, economic analysts said.

They said escalating racial violence, which prompted the Government to impose a state of emergency on July 21, looks far from forcing big foreign investors into a major withdrawal.

Brian Robinson, chief executive of Syfrets Trust, a South African fund manager, has said some R365 mln were taken out of the country in the past 10 weeks, mainly by foreign investors dumpimg shares on the Johannesburg Stock Exchange.

He said nine firms had left the country so far this year compared with 30 between 1980 and 1984.

One analyst said the economy could cope with a business withdrawal on current levels without imposing exchange controls. But the withdrawal of investment, even on the present limited level, will certainly affect the economic recovery, he said.

So long as multinationals such as International Business Machines Corp and Volkswagenwerke were showing no signs of leaving, the white minority government could probably let economic factors discourage foreigners from withdrawing.

The rand has weakened sharply on foreign exchanges this year, and a foreign investor who set up a plant in the country five years ago would today be able to withdraw less than half his initial dollar investments.

Robinson said the mere threat of disinvestment could be detrimental to the South African economy.

"Firms are quietly reducing their South African ties by not increasing capital spending or employment, in effect pulling out through attrition," he said.

An analyst said bargain hunting was now taking place, with local businessmen seeking companies at half their real value. Withdrawal of capital could precipitate a vicious circle, he said, as departing investments pushed the rand down, increasing inflation, reducing money supply growth and slowing the recovery.

(Reuters)
Gross Domestic Product is expected to grow by 4.5% in 2012, a slight increase from the annual growth rate of 4.3% in 2011. This growth is driven by strong domestic demand, particularly in the consumer goods sector. The United States economy is expected to continue its recovery from the recession, with a projected GDP growth of 2.7% for 2012. The Federal Reserve is expected to maintain its quantitative easing program to support the economy. However, the global economic outlook remains uncertain, with concerns about debt sustainability in Europe and the fiscal situation in the United States. Therefore, policymakers will need to balance the need for stimulus with the risk of inflation.

The central bank is likely to continue quantitative easing measures and may consider bringing forward the start date of interest rate hikes. The European Central Bank is expected to keep interest rates stable, while the Bank of Japan is expected to continue its easing measures.

Overall, the global economic environment is improving, but there are still challenges that need to be addressed to ensure sustained economic growth.

By The Editor, China

Cross Commodity Product — A

Credit Opinion Review —

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Capital outflow threat to economic recovery

By Dr ROGER GIDLOW
Special Economic Advisor to the Reserve Bank

During 1984 long-term capital inflows into South Africa were bolstered by net purchases by foreigners of securities quoted on the Johannesburg Stock Exchange.

These amounted to R680 million, and were most welcome since they materialised against a background of outflows of short-term capital together with a deficit on the current account of the balance of payments.

ANXIETIES

The inflows have, however, been reversed in the past two or three months, and during the past week or so have accelerated, inducing a sudden material decline in the value of the rand against the dollar, although leads and lags influences have been of much greater importance in this respect.

Sales of quoted local securities are the product of political anxieties current in the international community and fears that any economic sanctions imposed on this country will impinge on the ability of investors to trade in South African mining shares in international markets.

If these pressures mount in coming months the current depressed value of the rand against other major currencies could persist.

Any large capital outflows could tighten conditions in the local money and capital markets, and to an extent arrest the expected decline in domestic interest rates.

In addition, any fall in the value of the rand could delay the expected fall in the rate of inflation, and render it more difficult for the authorities to quickly relax their restrictive monetary policies.

In short, any persistent capital outflows might jeopardise to some extent the prospects for an economic recovery in 1986.

However any outflows of capital which emanate from transactions by foreigners on the JSE will be checked by the mechanism of the floating rand.

Such outflows weaken the rand and this stems the selling of shares by foreign investors on the JSE.

The rand in these circumstances acts as an important cushion, and provides the economy with some insulation against adverse external influences.

If capital outflows do persist and the rand remains low, a further stimulus will be imparted to the exporting sectors, and the decline in the volume of imports could assume even larger proportions.

If the capital account does create problems in coming months the Reserve Bank has limited scope for supporting the rand, and in any case its policy is to allow market forces to basically determine the external value of the currency.

There would appear to be no merit in trying to push up the value of the rand, and thereby subdue foreign investors who suddenly decide to withdraw from their local investments.

Such manipulation of the currency would only encourage even more selling of shares here rather than in foreign centres.

Any re-imposition of exchange controls over non-residents would be a very retrograde step as it would entail re-establishing a two-tier exchange rate system, and so foreign investors would face increased difficulties in reaching investment decisions and undertaking any projects.

The rate in the investment currency market would be very volatile.

Any such controls could seriously impair our credibility in the eyes of foreign investors as an investment outlet, and the economic and financial isolation of the country could intensify.

South Africa needs to attract all the foreign investors it can, given their sympathetic attitude to the unique problems which are faced in this part of the world.

INTERPRETED

Some foreign investors are increasingly concerned because they fear that the political reform process in this country could eventually usher in a left-wing black government with detrimental implications for their South African investments.

Reintroduction of exchange controls would be interpreted in such quarters as a shift towards interventionist economic policies, and could intensify their fears about the trend of events in this country.
SA contains debt but not over the hump yet.

By Joao Santa Rita

The debt crisis in South Africa might have levelled out finally, but credit specialists have warned that there is still a long way before the situation improves significantly.

An analysis by one of South Africa's biggest credit control firms shows that there was a decrease in the number of judgments issued in June, compared with the same month last year.

According to the figures, 34,968 judgments were recorded last month against 35,205 in June 1984.

The figures recorded last month also showed an 8 percent drop in relation to May, when 33,173 judgments were recorded.

"The severe lessons learned by businessmen and consumers over the last year, in terms of controlling both cash and expenses, will stand us all in good stead and enable us to get our house in order in readiness for the economic recovery anticipated in 1985," said Mr. Graham Miller, director of the firm.

But Mr. Ken Mills, a director with another credit control firm, said it was too early to say the situation was improving.

"I can't say the situation is good. Maybe the number of bad debts is not growing, but it is certainly not dropping.

"It's the same situation as interest rates. If they drop from 25 to 23 percent, can we call that a good situation?"

Mr. C. Chambers, financial manager of a chain of stores, said he believed the situation had levelled out.

"It has remained fixed over the past year. One also has to bear in mind that there are peaks," he said.
Vatican lent R343 m to South Africa

London Bureau

THE Vatican City was a major lender to South Africa between 1982 and 1984, lending in all R343 million to the public sector and Johannesburg.

Of the total, SA Transport Services received R256 million, the Department of Posts and Telecommunications R77 million and Johannesburg R70 million.

The loans, made through Banco di Roma per La Svizzera by the Vatican City, were documented in an extensive report on South African borrowing overseas by the anti-apartheid group, End Loans to South Africa. The Vatican City was unavailable for comment.

The comments by the pressure group are partisan, but the statistics are comprehensive and well documented.

Recently Dr Gerhard de Kock, Governor of the Reserve Bank, disclosed that total South African borrowings fell from R48 billion to R36 billion.

The report shows that from mid-1982 to the end of last year, British banks were the most active lenders to South Africa, followed by the Swiss and then South African banks.

Some 26 British banks lent R2.9 billion to South African borrowers, Swiss banks R2.94 billion, West German banks R2.5 billion, French banks R2.16 billion and U.S. banks R2.16 billion.

Loans from Austrian banks totalled R1.92 billion and Italy R1.78 billion.

Other leading lenders included Canada, Japan, Luxembourg and Spain.

South African banks which acted for their own clients borrowed or participated in R2.76 billion of loans on the international market.

It is well known, however, that they also acted as a cover for American and other banks which were under pressure not to lend to South Africa.

Forbade

The study says that both Austria and Japan have always supported United Nations resolutions opposing the granting of loans to South Africa. But Austrian bank participation in loans rose by 326 percent since 1982, estimates the study.


The End Loans to South Africa pressure group has publicised the report in a campaign to stop international banks from lending to South Africa.

But the report actually illustrates that it would be extremely difficult to conduct a sanctions campaign against South Africa. In spite of pressure and adverse publicity international banks have continued to lend. Some have hidden under the umbrella of South African banks.
Overseas debt burden now of major concern

LONDON — The size of South Africa’s overseas debt burden had become a major concern for Pretoria and the international banking community. This claim was made in a report adopted yesterday by delegates to the annual conference in Blackpool of Britain’s Banking, Insurance and Financial Union.

According to a report drafted by an official of the largest of the trade unions operating in this field here, South Africa’s foreign debt was now R33,000 million — about a third of its gross domestic product.

Referring to South Africa’s worst economic recession since the Thirties, the report said inflation was high, as were interest rates. The rand had lost 40 per cent of its value in 18 months, petrol prices had almost doubled and the world price of gold was low and falling.

In 1982 and 1983 there was, for the first time, a significant withdrawal of foreign investment from South Africa. The companies concerned explained this was due to commercial rather than “other” considerations.

“However, new investment from Europe, and West Germany in particular, continued to be attracted, so much so that the size of South Africa’s offshore debt burden has become a major concern for Pretoria and the international banking community”.

The latest Bank for International Settlements statistics showed that at the end of June, 1984, South Africa’s net borrowing from the international banks was 29 percent up on the previous year at $14,000 million.

However, because of the continuing collapse of the rand, the value of the country’s net foreign debt increased from R12,000 million in June, 1983 to R20,000 million in June, 1984.

Adding Organisation for Economic Co-operation and Development estimates of trade credits worth more than $2,000 million, the resultant rand value of South Africa’s foreign debt was R33,000 million — about a third of the country’s gross domestic product.

Almost 70 per cent of this “enormous” foreign debt burden was in the form of short-term loans and trade credits given by international banks.

In order to protect South Africa’s foreign exchange reserves, the South African Reserve Bank had apparently been forced to pay over a large amount of gold in November, 1984, for these banks “presumably at a further loss to the country because of the weak gold market”.

“Because of this, a number of central banking authorities became alarmed and brought pressure to bear.

For example, it is reported that the Bank of England has shown concern about South African operations of UK banks as well as looking very closely at the London activities of South African banks.

“A subsequent visit to Pretoria by an official of the Bank of England has resulted in an announcement that the overseas activities of South African banks will be subject to much tighter supervision.”
SA could run into debt repayment problem again

SOUTH AFRICA could again run into debt repayment problems between 1987 and 1989 because large bond issues are then due for redemption.

Agefi, a newsletter specialising in international bonds, estimates that the 'bunching' of South African bond issues which fall due for repayment in those years total $1.86 billion.

Issues include RSA bonds, Escom, Standard Bank Import, Export Finance, AE & CI, Great-
er Soweto Councils, Shell
Mineral Finance, S A Breweries, SATS, Depart-
ment of Posts & Telecommunica-
tions, Barclays and Liberty Holdings.

According to Agefi's estimates, about $108m of
SA bonds fall due for re-
demption in 1986, $761m
in 1987, $450m in 1988 and
$646m in 1989.

The amounts, however, are small when compared with South Africa's total debt estimated at $21 billion to $22 billion.

Still, it illustrates why European bankers are critical of the Reserve Bank and commercial bankers for allowing South Africa's external debts to soar during the past few years.

'Much play is being made of the political fac-
tors which caused the financial crisis; but that disguises the financial imprudence of the South African banks,' said a banker here.

Another, however, con-
ceded that foreign bank-
ers were also to blame
case they were only
too happy to lend when
the going was good.

The Bank For Interna-
tional Settlements esti-
imated that South Africa's
total foreign debt soared
from around $6 billion in
March 1980 to around $10
billion at the end of 1981
to $13 billion at the end of
1982 to $15 billion in De-
ember 1983.

The Reserve Bank re-
cently disclosed that the
debts were as high as $22
to $24 billion.

Bankers here are
alarmed that the Reserve
Bank and commercial
banks allowed 'bunching'
of debts.

In the early and mid-
seventies, Escom, Iscor
and other para-statal
bodies borrowed exten-
sively to finance internal
expansion.

Repayment dates
should have been spread
out, but bankers said that
the authorities should not
have allowed major re-
payments to take place in
the mid-eighties without
re-scheduling into the fu-
ture.

Commercial banks
were also allowed excess
freedom to borrow
abroad on behalf of
customers.

The Natal Mercury, Fri