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White wine exports turn sour for growers

Staff Reporter

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

It is not certain how much "Chardonnay" was exported in 1985, but the mistake was discovered too late to correct, according to Dr Jacob Deist, director of the Oenological and Viticultural Research Institute (Ovri) at Nietvoorbij, Stellenbosch

He was giving evidence at a commission of inquiry into the alleged unauthorised importation of Chardonnay, Orlaz Riesling, Pinot Gris and Auxerrois vines

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

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

Many farmers were sold large quantities of the illegallyimported Auxerrois cultivar with a Chardonnay label and, Mr Klopper said, some decision would have to be made on who was responsible

All clones brought into the country legally were first evaluated by the quarantine station at Ovri, said Dr Deist.

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

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

● Wellington wine grape growers who bought millions of Auxerrois cuttings believing them to be the superior Chardonnay cultivar, had huge losses but will not take action against anyone.

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

He said that he bought thousands of "Chardonnay" cuttings from Mr Danie De Wet, of Dewetshof.

Mr Smit said he believed all the farmers in the Wellington area destroyed the Auxerrois cuttings once they were identified

Table Bay to be used for exporting coal

ARGUS 9/1/86

Staff Reporter

TABLE Bay harbour has been given a needed boost with the announcement that it is to be used as to export 1,8-million tons of coal a year.

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

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

POOR ECONOMY

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

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

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

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

Table Bay had two ships in port, of which one, the Stonepool, was being loaded with the first consignment of coal.

Trade pattern with Nordic countries up but shifting

STAR 10/1/86

By Frank Jeans

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

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

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

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

EXCHANGE RATE

For Europe as a whole, ore imports for the seven months last year hit R1,2 billion as against R825 million previously.

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

South African manganese is particularly sought after by the Norwegians and although no up-to-date figures are available, statistics published in Oslo recently reveal that imports of manganese ores in 10 months of 1984 leapt by 53 percent in value and 45 percent in volume.

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

COMMODITIES

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

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

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

Sappi beefs up its export drive

28/1/84. Bus DAY 74 1984

Industrial Staff

SAPPI has exported the largest single export consignment of SA paper to Italy.

More than 10 000 tons of Sappi Kraft linerboard was shipped from Durban to La Spezia as part of Sappi's growing drive to export products from its new R1bn Ngodwana mill.

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

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

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

Taxation knocks FS gold mines

CAPE TIMES 30/1/86

JOHANNESBURG — The beneficial effects of the higher average rand gold price of R27 119 a kg achieved by the Free State mines, administered by Anglo American Corporation, were reduced by substantially higher taxation and State's share of profit of R391,7m (R304,6m).

This rise was partially attributable to lower capital expenditure of R114,4m (R162,9m).

Production

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

Area mined dropped to 972 000 m² (994 000 m²) and tonnage milled declined by 146 000 tons to 516 6000 tons.

Consequently gold production fell by 1 297 kg to 27 157 kg

Total costs rose by R6,1m to R388,1m and unit costs were generally higher

The average cost in rand per ton milled rose 6,4c to R77,71 a ton milled

The higher rand gold price has resulted in Free State Geduld recording a 20,4 percent increase in pre-taxed profit to R83,6m

Lower capital expenditure, down to R10,6m (R32,7m), led to an increase in the provision for taxation and State's share of profit to R45,1m (R21,4m), a 110 percent increase.

This resulted in a decline in profit after tax of R9,4m to R38,5m

Gold production declined by 9,5 percent to 6 525 kg

This was a result of a slight decrease in grade to 5,55 g/t (5,91 g/t) and a 9,7 percent decline in area mined to 249 000 m²

Tons milled at 1 176 000 were down by 3,6 percent, while unit costs rose to R86,8 a ton milled, a 4,9 percent increase

President Brand's profit before tax at R89,2m rose by 16,2 percent. This was largely attributable to the higher rand gold price

However, the rise in provision for taxation and State's share of profit to R21,2m (R1,8m) saw a 9,1 percent decrease in profit after taxation to R67,9m

The previous quarter included a R8m tax-free dividend from Welkom

Capex

Capital expenditure dropped by R6,7m.

Production results were generally lower this quarter with tons milled decreasing by 27 000 to 852 000 tons

However, this was offset somewhat by an increase in grade to 6,32 g/t (6,21 g/t)

Area mined declined by 4 000 m².

Gold production at 5 386 kg showed a decline of 1,3 percent due largely to the shorter production quarter

Unit costs rose by seven percent to R78,65 a ton milled

The high rand price of gold produced a 37,1 percent increase in **President Steyn's** pre-tax profits to R88,4m

However, a higher provision for taxation and State's share of profits of R48,4m contained the after-tax profit to a 17 percent increase on the previous quarter to R40m

Capital expenditure decreased to R12,1m (R18,1m)

Production results showed a slight decline with tons milled down by 3,7 percent to 973 000 tons

There was a slight rise in grade to 5,85 g/t (5,6 g/t) and this helped maintain gold production at 5 690 kg, an eight percent decline on the previous quarter

Costs

Unit costs rose by R4,95 to R80,29 a ton milled

Western Holdings profit before taxation rose a massive 38,8 percent but a higher provision for taxation and State's share of profit of R52,1m (R12,1m) resulted in a 4,1 percent decline in after-tax profit to R78,2m (R81,6m).

There was a decline in production largely due to the shorter production quarter and this saw a 1,6 percent drop in tons milled to 2 165 000 tons.

Grade declined to 4,41 g/t (4,56 g/t) and these factors contributed to the 4,8 percent drop in gold production to 9 556 kg

Unit costs were contained at R65,09 a ton milled (R63,70 a ton milled), a two percent increase

Capital expenditure dropped to R41,2m (R54,9m)

Slimes

Joint Metallurgical Schemes' profit decreased slightly. This was partially caused by the shorter production quarter.

Profit at R20,9m was down by two percent on the previous quarter

Slimes treated were down 6,4 percent to 1 153 000 tons resulting in a lower gold production of 785 kg (835 kg)

Uranium oxide production was reduced by 10,7 percent to 140 710 kg However, acid production rose to 88 726 tons (88 227 tons) — Sapa

Mrs Niki Basson has returned as public relations office to the Heerengracht Hotel in Cape Town after a 12-month stay in the United States.

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by Godfrey Haynes.

Rand steady at $0,4365

JOHANNESBURG — The rand closed steady at $0,4360/70 after a quiet and uneventful trading day, slightly up from a sharply lower $0,4343/53 close here on Tuesday, mainly due to a weaker dollar and a steady gold price, dealers said

It opened trading at $0,4350/60 in fairly nervous conditions in reaction to its steep decline on Tuesday amid strong dollar demand, but failed to recover further in steady two-way trading.

The financial rand closed slightly lower at $0,3275/3325 against $0,3300/50 close on Tuesday.

Against other major currencies, the rand closed at

US: 04360/70
UK: 3,2060/0400
Germany 1,0400/20
Switzerland: 0,8790/8810
Netherlands 1,1750/80
France: 3,1905/55
Japan 84,40/60
— Reuter

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CAPE TIMES 30/1/86

Iscor's steel exports up 50%

Own Correspondent

PRETORIA. — Domestic sales of steel slumped last year but there was some hope of a recovery in the second half of 1986, Iscors' senior general manager, marketing, Mr Nols Olivier, said yesterday.

However, export steel sales increased by more than 50 percent and the corporations allround perfromance last year was "excellent"

Domestic sales dropped by 414 871 tons to 2 929 729 tons compared with 1984

This was the obvious consequence of an economy still caught up in recession, and the resulting slack demand

However, the gentle stimulatory policies now being followed .gave some hope of a recovery in domestic demand.

If there was one, Mr Olivier stressed, it would not be before the second half of 1986

Export steel sale rose sharply by 936 229 tons to 2 426 722 tons.

There were indications that the dollar price was hardening, and for certain products, prices had already increased by from five to ten dollars a ton

"Production volumes are being maintained and we believe the outlook for the whole of 1986 is promising

"Mr Olivier said all three plants were working to capacity with full employemnt

No lay offs had been necessary in 1985

Frasers boosts turnover

JOHANNESBURG. — Fraser turnover reached a record level in the first three months of its financial year, being some 27 percent up on the same period the previous year.

The Smart Centre Credit Clothing division performed particularly well in the first three months ,with a turnover increase of 166 percent, with the aid of the newly acquired Top Centre clothing chain.

The chairman, Mr Donald Campbell, predicts that turnover for this year is likely to top 1985

Frasers furniture division has made a remarkable recovery since hire-purchase restrictions were lifted last year — Sapa

nesday, February 5 1986

3m-ton surplus forecast (74)

Bus Day 5/2/86.

Exports of maize could earn R700m

PRISCILLA WHYTE and GERALD REILLY

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

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

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

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

He added that, depending on the rainfall in February and March, the maize crop this year could be one of the best in the past 10 years, with a crop of 9,2-million tons.

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

Nampo is basing its R700m estimate of foreign exchange earnings on $0,45 to the rand and an international selling price for SA maize of $110/ton.

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

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

If an export ton of maize fetches R244, the farmer would receive R170, with R70 to R80 for marketing, storage and transport costs. The farmers' cost/ton varies, but was about R500/ha.

Yesterday Maize Board GM Hennie Nel was also hedging his bets well into the future. He did say, however, that at present about 4,2-million ha were under maize.

World coal markets slump as sanctions bite

19/2/86 STAR 74

Desperate SA selling tactics hammer prices

By Neil Behrmann

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

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

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

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

The *Financial Times International Coal Report*, an authorative newsletter on the industry, says that Anglo-American was forced to cut coal prices on a contract with Enel, the Italian utility company, from $31,45 a ton to $27,50 a ton. The prices excluded cost insurance and freight. Shell Coat International had to slash prices from $40 a ton to $33.

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

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

Major impact

Prices of South African medium quality steam coal with an energy content of 6 000 calories and on a free on board basis fell from $32,5 a ton on the spot, or free market at the beginning of last year to present levels of about $25 a ton.

Spot US export prices fell from around $39,5 a ton to $36 a ton, while Australian quotes have fallen from $33,5 to $29,5 a ton.

Sanctions against South Africa had a major impact on the market because France imported 5,6 million metric tons from South Africa in 1984 out a total of 21,6 million tons, says Mr Philip Rogers, head of research at Simpson, Spence & Young shipbrokers.

He adds that sentiment is also poor because Denmark's ban would involve some 2,7 million tons of South African imports from the end of 1986.

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

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

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

Competition has also intensified because a dramatic decline in shipping rates helped distant producers such as Australia become rivals in Europe. Seaborne shipments from Australia surged from 10,1 million tons in 1981 to 37,1 million tons last year, estimates Mr Rogers of Simpson, Spence & Young. South African coal shipments rose from 25,4 million tons in 1981 to 37,4 million tons last year and Polish shipments from 4,6 million tons to 14 million tons.

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

19/2/86 · Bus Day

High sugar hopes

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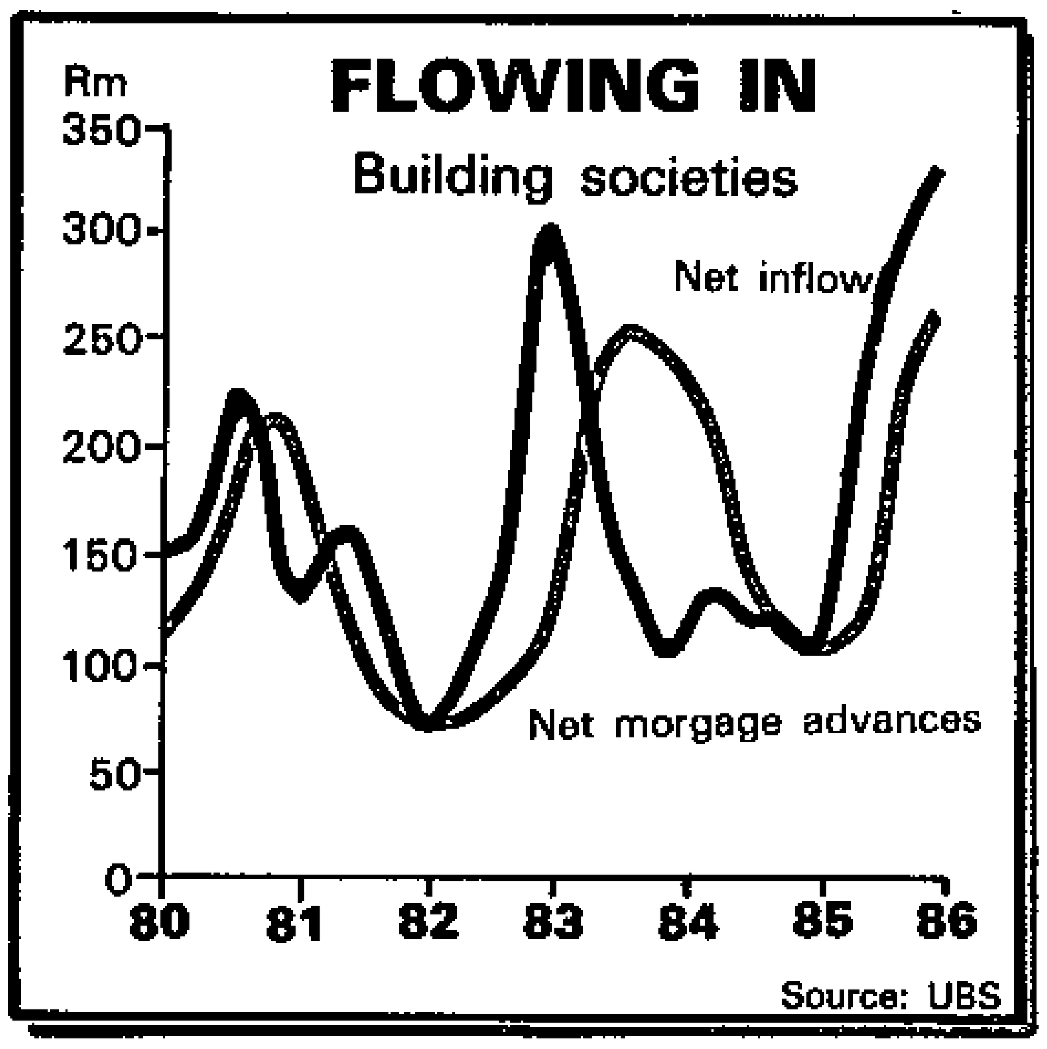
Own Correspondent

SUGAR exports in the 1985-86 season are expected to weigh in at about 950 000 tons, says SA Sugar Association assistant GM Peter Nourse.

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

Nourse says latest estimates for the current season's production are just over 2,1-million tons, of which about 45%, or 950 000 tons, will be exported to such major SA customers as Japan, Canada and Israel.

Association estimates for the 1986/87 season have been revised from about 2-million tons. Nourse says that in view of more favourable rains from November to end-January, the revised forecast has been increased by 100 000 tons. This compares with the record 1984/85 crop of nearly 2,4-million tons.



for bonds is reducing the available pool of funds. To attract funds we could be forced to increase deposit rates, which would mean reduced margins and pressure on bond rates."

Building societies obtain funds from three major areas: 12-month fixed deposits, which comprise 35%-50% of total funding, savings (20%-25%), and shares (30%-40%). The cost of all three sources has declined. The 12-month fixed deposits were at their highest last March-April (20,5%) and have now come down to 14% at major societies. Rates paid on share accounts have come down to 14,5% from last year's 16% high; savings rates have also dropped.

The last bond rate cut, announced in November, came into effect in January. Bond rates are now 18,25%-18,5% for loans over R40 000 and 17,75%-18% under R40 000. The average loan for 1985 was R45 000.

The margin between the average borrowing and lending cost of societies is around two or three percentage points.

From all this it may appear societies are in a position to pass on the benefits to homeowners and reduce bond rates. So why aren't they?

Their usual reply is that being barred from attracting deposits under 12 months restricts flexibility to respond to deposit rate changes and reduce bond rates. Unlike banks, societies cannot invest short-dated deposits, and are committed at fixed rates for a length of time. Their funding costs thus fall much more slowly than banks'. Societies are thus "locked in" at last year's fixed higher rates.

Falkena explains that banks can afford to bring down prime rates because most of their lending is four to five percentage points higher than prime. He points out the maximum bond rate is around 18,5% while banks charge up to 27% on hire purchase agreements.

He adds that societies are caught between satisfying savers and keeping bondholders happy. "We can only reduce bond rates by reducing deposit rates, which further erodes the savings of pensioners."

Societies also say that 80% of their assets are in mortgage loans, the rest in money market paper. Top-category bonds (over R60 000) have come down by around four percentage points while income from short-term paper has fallen as a result of short rates dropping. So margins are tight.

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

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

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

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

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

Sloet says South African building societies have the lowest reserve ratio for comparable business in the world. "If ratios are not increased the public could lose faith in societies." Falkena adds that forcing societies to increase reserve ratios from a very low base "is a good aim in that it promotes prudence." ■

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Where's the drive?

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

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

The statistics are sobering. Between 1972 and 1979 export volumes increased by only 1,7% and thereafter by a *negative* 2%. Non-manufactured exports accounted for 70% of the total, gold alone contributing 46%. This is reflected in the below-par 1,9% average gdp growth between 1970-1985.

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

Barclays' Bruggemans ... studying imbalances

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

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

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

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

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

WEEKEND Argus

N/Argus 8/3/86

SA exporters reaping rich but quiet harvest

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By DEREK TOMMEY, Financial Editor

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

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

In January South Africa exported goods worth R3,59 billion. In rand terms this was 29 percent more than was sold abroad in January last year, while in US dollars terms it was an increase of almost 40 percent.

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

An analysis of the trade figures prepared by SAFTO shows that merchandise sales to Africa were up 67 percent, to the United States 34 percent, to Oceana 43 percent, and to Asia 25 percent. Exports to Asia showed the biggest growth in money terms rising R125 million to R501 million. Sales to Europe rose R107 million, or 14 percent, to R869 million.

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

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

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

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

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

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

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

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

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

Month	Exports Rands billion	Dollars billion
January	2,78	1,28
February	2,42	1,23
March	2,90	1,45
April	2,90	1,50
May	2,97	1,49
June	2,84	1,45
July	2,81	1,28
August	3,40	1,36
September	3,04	1,16
October	4,10	1,56
November	3,54	1,31
December	3,20	1,25
1986		
January	3,59	1,80

Stuttafords sells stake in Cavendish Square

Weekend Argus Financial Staff

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

No price has been disclosed.

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

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

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

Mr Derek Stuart-Findlay, the Old Mutual's property investment manager, says the centre represents a vital and growing investment. Its replacement value has risen sixfold and trading had increased annually.

SA firms 'need to learn from Japan'

3 DAY 12/3/86 — 74

Industry Reporter

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

Speaking at the convention yesterday, he said local product and market developers should team up to select and exploit local and overseas markets.

"SA firms can no longer afford to only concentrate on agricultural and raw material export," Spoelstra said, adding they should learn new marketing skills and re-learn old ones.

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

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

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

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

- Good business practices included effective decision-making procedures;
- Unfair business practices included visible and invisible trade barriers for Western firms trying to enter the Japanese market;
- Structural factors involved close working relationships between government, business and labour;
- An example of good fortune was the price of oil shooting up as Japan was entering the small car market in the US.

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

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

"The Japanese choose product market sectors where competitors are unable or unwilling to respond to their market entry," he said.

'Burden of apartheid'

Industry Reporter

BUSINESS would be able to thrive in an atmosphere of positive growth only if all the vestiges of grand apartheid were removed.

That's the view of University of SA (Unisa) law professor Marinus Wiechers who said the removal of petty apartheid measures would go a long way to alleviate the burden under which business laboured.

Addressing the convention yesterday, Wiechers said the scrapping of influx control and the eventual abolition of the Group Areas Act would remove many of the obstacles in the paths of business.

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

Wiechers said discriminatory laws affected business because the possibility of free movement and choice of work and training was severely curtailed.

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

Call for ban on SA coal imports

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

By a margin of just one vote, members backed a statement saying: "The European Parliament ... insists that all (EEC) member states decide to end all imports of coal from South Africa."

In another vote, parliament gave near-unanimous backing to a report calling for stronger support for the EEC coal industry.

The report said state aid was vital as a way of cutting dependence on imported energy. — Sapa-Reuter.

Cheaper SA coal favoured by EC

Star 19/3/86

74

The Star Bureau

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

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

Mr de Clercq, who negotiates trade agreements for the EEC's 12 member states, said the EEC took the largest portion of South Africa's coal exports. In 1984 the EEC's coal imports totalled 19,6 million tons.

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

74 FIN MAIL 21/3/86

COAL EXPORTS

Running for cover

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

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

Coal exports through the Richards Bay Coal Terminal, Durban and Maputo and overland deliveries earned some R3,2 billion last year in foreign exchange and totalled around 44 Mt. Some 57,5% of the total went to Europe, with the biggest takers being France, Denmark, Italy and West Germany, a coal expert tells the *FM*.

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

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

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

Coal for export ... hedging the bets

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

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

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

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

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

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

COAL POSTURING

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

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

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

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

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

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

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

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

competition from other traders.

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

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

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

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

"The whole industry is going to have to go this way. The oil industry already does it and, in time, SA coal suppliers will have to follow their example."

B. Day 25/3/86 (74)

A saving of R1bn on oil imports

SA economic boost from drop in oil price

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

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

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

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

CHRIS CAIRNCROSS

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

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

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

Oil-producing countries with large foreign debts like Mexico ($98bn), Venezuela ($38bn), Nigeria ($20bn) will be plunged into financial crisis and the ripple effect will be felt in all the industrialised countries.

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

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

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

Further windfalls would also come from likely increases in the gold price that could possibly accompany any collapse of confidence in the international financial system.

26/3/86 Star

Senator proposes Bill to stop SA steel, coal exports to US

By Alan Dunn
The Star's Foreign News Service

WASHINGTON — A US senator has proposed legislation to stop South Africa's billion-rand steel and coal exports to America.

The move, contained in a Bill now before the Senate Finance Committee, contains a prohibition on trade which means roughly R1,1 billion to the Republic each year.

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

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

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

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

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

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

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

Coal is not a major market for South Africa, very seldom topping the $20 million mark. According to official US statistics, America imported 612 000 tons of coal from South Africa in 1984, and 662 000 tons in the first three-quarters of last year.

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

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

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

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

Jump in SA trade exports

BUS DAY 27/3/86

GERALD REILLY

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

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

Imports also increased in the two months — by R994,5m to R4,9bn — leaving a favourable balance of R1 667,3bn. Exports increased across the board except for Oceania — to Africa by R95,8m to R269,6m; to Europe by R259,5m to R1,6bn; to the US by R120,8m to R611,4m; to Asia by R101m to R940,8m.

Exports to Oceania were down by R1,4m to R30,6m. Imports were up except from the US and Oceania-America down by R250,8m to R474,7m and Oceania by R12,1m to R39,6m. Imports increased from Africa by R6,1m to R73,3m and from Europe by R152m to R1,8bn and Asia by R112,4m to R662,9m.

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

FIN MAIL 28/3/86. 74

COAL EXPORTS

Rightwing relief?

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

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

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

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

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

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

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

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

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

Keeping control

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

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

"A certain easing up on SA is possible, but there will have to be compromises all the time," says the official. He believes France's eventual attitude will be dictated by the European Economic Community (EEC), which is expected to come to a decision this year on trade with SA and the future of the continent's ailing coal industries (*Business* March 21). The official says Atic is unlikely to receive new instructions on South African coal until the EEC makes its position clear. ■

WRONG MAN

In a report on coal exports last week, a statement comparing the coal industry with the oil industry was incorrectly attributed to Rand Mines deputy chairman Allen Cook. In fact, the statement was made by Max Pollak & Freemantle coal analyst Alan Hill. The *FM* regrets the error.

SA products tickle UK taste buds

W/E ARGUS 5/4/86 (74)

Wine success

By DAVID BIGGS
Weekend Argus Reporter

AN agressive marketing strategy has enabled the KWV to increase its liquor sales in Britain by 35 percent, in spite of considerable anti-South African feeling, according to Mr Kobus van Niekerk, KWV's chief marketing executive.

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

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

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

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

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

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

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

KWV wine sales in UK up by 35 percent

74 STAR 5/4/86

Own Correspondent

An aggressive marketing strategy has seen the KWV increase its liquor sales in Britain by 35 percent, in spite of considerable anti-South African feeling, says KWV chief marketing executive Mr Kobus van Niekerk.

He said Britain was the fastest-growing wine market in the world and the KWV aimed to capture a share of this market. The pound-rand exchange rate was extremely favourable.

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

"London is definitely the wine centre of the world now, and wines from the southern hemisphere are gaining in popularity," he said.

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

This light, fresh young wine made from Chenin Blanc grapes was launched last year as an experiment to test the British market, and all 3 000 cases were sold in eight weeks. This year more than 6 000 cases will be made available in Britain.

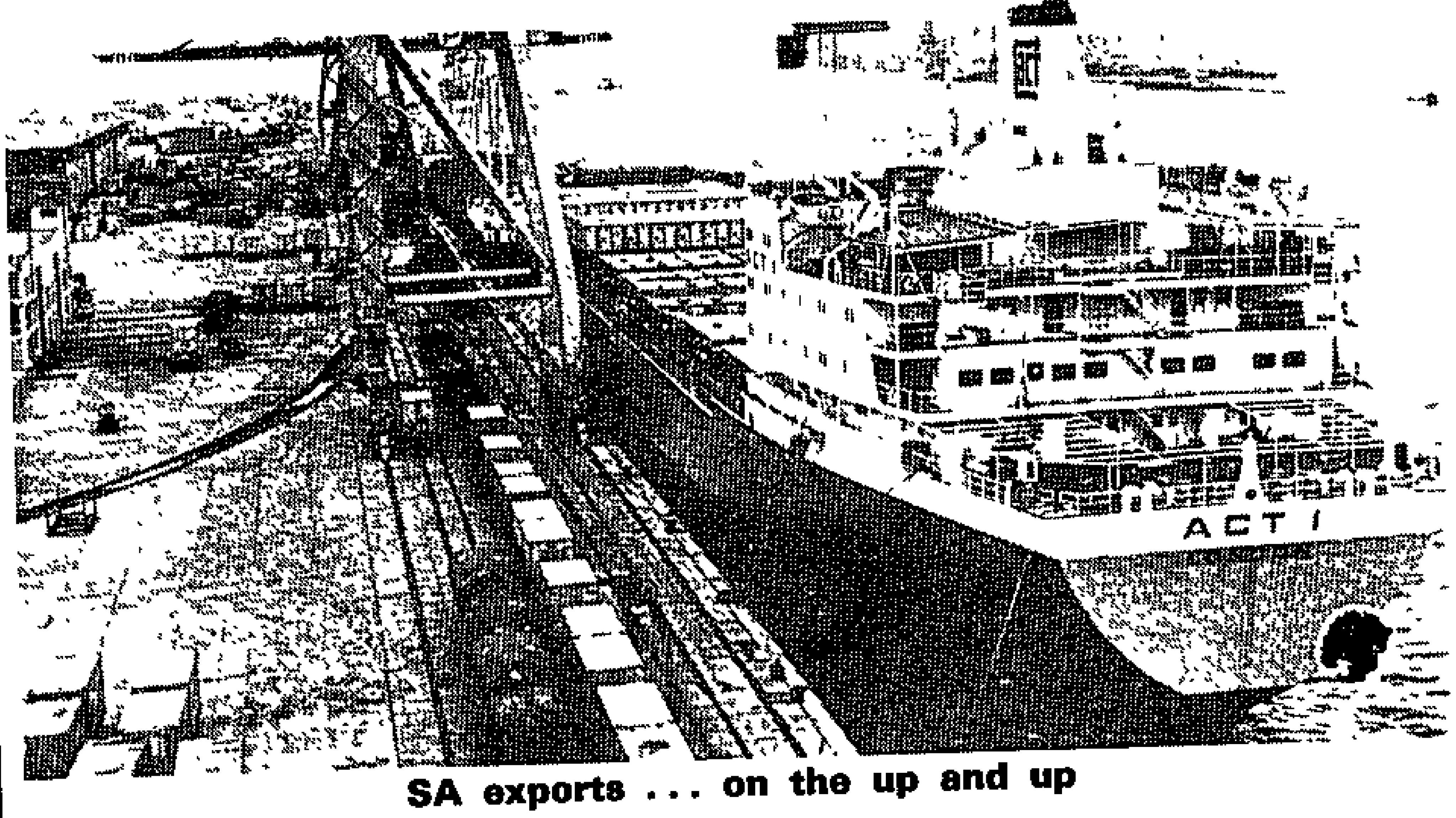
This year's shipment will arrive in Britain a month earlier than last year's, because of the earlier harvest. It will be a full seven months before the first European 1986 wines reach the market.

One cheeky marketing move which KWV officials hinted at, but were unwilling to elaborate on, was the launching of Cape Nouveau Blanc in the Beaujolais area of France. This is traditionally the home of wines marketed young and fresh, and there is an annual race to see which shipper can get the first of the season's Beaujolais wines to a London restaurant.

F IN MAIL 11/4/86 (74)

EXPORTS

Blazing the comeback trail



SA exports ... on the up and up

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

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

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

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

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

Overall, the January-February figures show total export revenue about 25% ahead of the same period last year at R6,53 billion (R5,2 billion). At the same time, imports increased 25,7%, but from a smaller base, to R4,862 billion. The Department of Trade and Industries says classified goods, including oil, were largely responsible for the rise in imports.

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

Moore sees an "increasing level of sophistication" in SA's exports of manufactured goods after decades of concentrating mainly on agricultural and mining products. "Africa is our traditional export market and remains full of surprises. It is where many exporters first learn the ropes," she says.

But most other markets also showed strong, if less impressive, growth in January and February. Exports to the US jumped 24% to R611m, shipments to Europe grew 20% to R1,575 billion and exports to Asia increased 11% to R941m during the two months.

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

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

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

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

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

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

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

In total, he reckons, SA may have "a few million tons" of yellow maize for sale this year. ■

SA exports R1,3bn up in first 2 months

16/4/86. BUS DAY. (74)

JOHN TILSTON

TRADE figures for the first two months of the year published in the *Government Gazette* indicate that export volumes have increased across the board.

Total exports at R6,5bn were R1,3bn (25%) higher than the corresponding months of 1985, while the value of the rand in the two periods was the same.

Unclassified goods, which include gold and arms, accounted for R836m of the increase, while other exports increased by R450m. On an annualised basis this represents an increase of R2,7bn in non-gold exports.

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

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

On that basis, there are potential export gains still be be felt as SA exporters have started to explore overseas selling opportunities in the past 12 months.

Whether the increase in manufactured exports is sustained will be tested when domestic spending picks up, something which most economists cannot yet see.

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

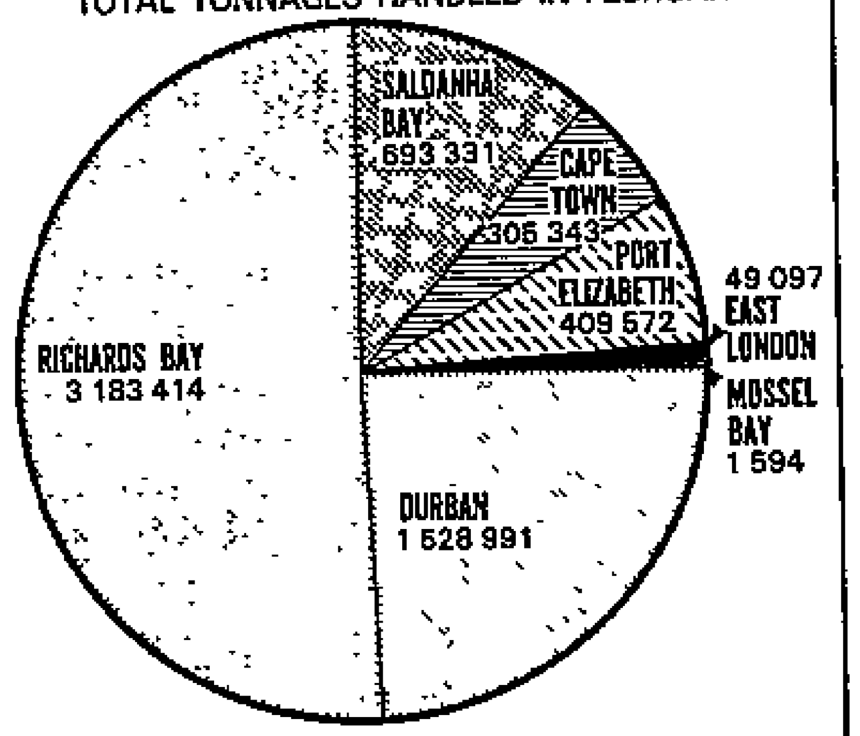
Exports statistics, classified according to international customs standards, show increases ranging from 104% for precision equipment and 92% for cement, asbestos and glass products to 20% for mineral products and 31% for leather and similar goods.

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

(74) Bus Day 18/4/86

CARGOES

TOTAL TONNAGES HANDLED IN FEBRUARY



February exports highlight weak rand

DAVID FURLONGER

THE continued advantage to exporters of the weak rand remained evident in February, when outward shipping cargoes outstripped imports by almost 10-to-one.

Landed cargoes at the country's seven main harbours totalled only 568 431 tons, compared with outward cargoes of 5,56-million.

Coal and other minerals continued to make up most exports, with Richards Bay alone shipping out nearly 3-million tons of coal and coke. The deepsea harbour also exported over 122 000 tons of timber and paper products and 41 000 tons of classified minerals.

Saldanha Bay remained the main mineral export harbour, with 693 000 tons.

Total inward and outward tonnages for the seven harbours — Richards Bay, Durban, East London, Port Elizabeth, Mossel Bay, Cape Town and Saldanha Bay — were the lowest for years. The outward total of 5,56-million tons was the lowest since April 1984, while SA Transport Services officials say imports of 568 431 tons were the lowest for 10 years.

Both inward and outward cargoes in February were considerably down on previous months. Landed cargoes in January were 760 000 tons and in December 827 029 tons, and outward cargoes 6,52-million and 8,25-million tons respectively.

'Smile', says Schoeman as gold income rises

STAR (74) 3/5/86

DELMAS — Income from gold sales increased from R9 929 million in 1983 to R15 460 million last year, the Minister of Transport Affairs, Mr Hendrik Schoeman, said yesterday.

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

- Exports through harbours increased to 83,1 million tons from 73,7 million tons in 1984 and 62,2 million in the previous year.
- Exports of iron ore last year were 10,4 million tons, the same as in 1984, although foreign exchange earned last year was R319,3 million, compared to R241,8 million in 1984.
- Coal exports totalled 43,6 million tons last year and earned R3 138 million, compared to 40,2 million tons in 1984, earning R1 716 million.
- Agricultural exports netted R2 358 million last year, R1 921 million the previous year and R1 773 million in 1983.

These figures, coupled with an expected increase in the maize harvest and political reforms being initiated, should promote a more positive attitude among South Africans, he said. — Sapa.

WEDNESDAY, 7 MAY 1986

†Indicates translated version.

For written reply:

General Affairs:

Q col 1655

Shortages of agricultural products

HANSARD 7/5/86

641. Mr E K MOORCROFT asked the Minister of Agricultural Economics:

~~3 GEN~~ 74

(1) Whether any shortages of agricultural products exist or are expected in 1986; if so, of which products;

(2) what in each case are the (a) reasons for such shortages and (b) price implications,

(3) what steps have been taken or are contemplated in each case to (a) counter the effect of such shortages and (b) avoid them in future?

The MINISTER OF AGRICULTURAL ECONOMICS:

(1) Yes. White maize, wheat, sunflower seed and cotton.

(2) *White maize*

(a) Mainly unfavourable weather conditions.

(b) Higher prices for white maize.

Wheat

(a) Mainly unfavourable weather conditions.

(b) None.

Sunflower seed

(a) Mainly unfavourable weather conditions.

(b) Higher sunflower seed prices.

Cotton

(a) Mainly unfavourable weather conditions.

(b) None.

(3) (a) and (b)

White maize

Shortages will be supplemented by means of imports. Under normal weather conditions no shortages are expected.

Wheat

Shortages will be supplemented by means of imports. Under normal weather conditions no shortages are expected.

Sunflower seed

Vegetable oil is imported. With higher prices sufficient sunflower seed will be produced if normal weather conditions are experienced.

Cotton

It is customary to supplement shortages by means of imports and production is promoted, inter alia, by relatively higher prices.

HANSARD 7/5/86 74

Surpluses of agricultural products

~~3 GEN~~ Q col 1656

643. Mr E K MOORCROFT asked the Minister of Agricultural Economics:

(1) Whether any surpluses of agricultural products exist or are expected in 1986; if so, of which products;

(2) what in each case are the (a) reasons for such surpluses and (b) price implications;

(3) what steps have been taken or are contemplated in each case to (a) counter the effect of such surpluses and (b) avoid them in future?

The MINISTER OF AGRICULTURAL ECONOMICS:

(1) Yes. Dairy products, rooibos tea, beef, barley, yellow maize and dry beans.

(2) *Dairy products*

(a) Due to adverse effect of the drought on crop production and therefore also on their income, producers turned to dairying to a greater extent than normal.

(b) Sales at reduced prices from time to time.

Rooibos tea

(a) Exceptionally favourable production conditions during the past few years and negative publicity regarding the alleged contamination of certain samples of rooibos tea.

(b) None.

Beef

(a) Forced marketing mainly as a result of the drought.

(b) Surpluses are made available at special prices.

Barley

(a) Quality not suitable for malting.

(b) Not quantifiable owing to variable factors such as variation in supply and demand and price fluctuations on the world market.

Yellow maize

(a) Normal weather conditions in certain areas.

(b) Surpluses are exported at relatively low prices.

Dry beans

(a) Expansion of plantings and favourable production conditions in certain areas.

(b) Prices tend lower and lower floor prices than last year have been fixed.

(3) *Dairy products*

(a) Selling of surpluses at lower prices.

(b) Surpluses are mainly the result of the adverse effect of the drought conditions in certain areas.

Rooibos tea

(a) and (b)

Delivery quotas for rooibos tea producers have been introduced, overseas markets are developed and a more effective market strategy is applied.

Beef

(a) and (b)

Price and marketing arrangements are applied to create, as far as possible, a balance between supply and demand.

Barley

(a) and (b)

Periodic surpluses are exported at competitive prices.

Yellow maize

(a) and (b)

Surpluses for export are mainly determined by weather conditions.

Dry beans

(a) Surpluses are exported.

(b) Floor prices of certain cultivars have been lowered to discourage production and sales promotion is planned.

3 GEN HANSARD 7/5/86

Chemicals for ripening of crops

761. Dr M S BARNARD asked the Minister of Agricultural Economics: 56 44

(1) Whether any use is made in the Republic of (a) the chemical daminozide and (b) any other specified chemicals to regulate the ripening and improve the storage life of certain crops; if so, (a) from what (i) countries and (ii) companies are these chemicals obtained, (b) in respect of which crops are they used and (c) what quantities of each of these chemicals were used in the Republic during the latest specified period of 12 months for which information is available;

(2) whether any steps are to be taken in respect of any of these chemicals; if so, (a) in respect of which chemicals, (b) what steps, (c) why and (d) when?

The MINISTER OF AGRICULTURAL ECONOMICS:

(1) (a) Yes.

(b) Ethephon.

(a) (i) USA.

(ii) Uniroyal.
Agricura.
Applied Agricultural Products.
Union Carbide.

(b) Apples (Starking), peaches, pineapples, Barlinka grapes, tomangoes, grapefuit, cherries, plums and tobacco.

(c) Daminozide: 700 kg during 1985;
ethephon: 36 680 litres (diluted mixture) during 1985 (Used predominantly in sugar cane and a small quantity in the fruit industry in the Western Cape).

(2) (a) Daminozide.

(b) The standing Interdepartmental Committee for the Safeguarding of Man against Poisonous Substances supplied all available information to the Department of National Health for the purpose of toxicological evaluation. The comments have not been received yet.

(c) An application has been received to extend the use of the chemical for instance in hothouses.

(d) 10 June 1985.

Q col 1660

Rents/service charges in arrears

HANSARD 7/5/86 ~~123~~

781. Mr L F STOFBERG asked the Minister of Constitutional Development and Planning:†

(1) Whether the Department of Co-operation and Development in conjunction with Development Boards carried out an investigation into arrear rents and service charges in Black residential areas; if so, (a)(i) when and (ii) by whom was the investigation carried out, (b) what were the results of the investigation and (c)(i) what amounts in (aa) rent and (bb) service charges were in arrears in respect of each specified Black residential area and (ii) in respect of what date is this information furnished;

(2) whether he has taken or will take steps in this connection; if not, why not; if so, (a) what steps and (b) when?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) (a)(i) and (ii), (b), (c)(i)(aa), (bb) and (ii) The hon member must note that the Department of Co-operation and Development ceased to exist on 31 August 1985 and for that reason the reply is applicable as from 1 September 1985.

In order to assist development boards or local authorities to collect rents and service charges which may be due, the Department of Constitutional Development and Planning provided guidelines for a plan of action which is to be adjusted in accordance with local circumstances. This does not entail a specific investigation.

(2) The Department is continuously evaluating the plan of action, (a) and (b) fall away.

Q col 1661

Community councils/local authorities

HANSARD 7/5/86

846. Mr A SAVAGE asked the Minister of Constitutional Development and Planning: 359 ~~262~~

(1) How many (a)(i) community councils and (ii) other Black local authorities had been constituted, and (b) wards were there in each specified Development Board area, as at the latest specified date for which information is available;

(2) whether there were any vacancies in any of these councils and/or local authorities as at the above date; if so, how many in respect of each specified Development Board area;

(3) whether any of these councils and/or local authorities did not have a quorum of councillors as at the above date; if so, how many in respect of each Development Board area;

(4) whether any of these councils and/or local authorities were unable to function as at the above date; if so, (a) why and (b) how many in respect of each Development Board area?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) (a) (i) 192 Community councils.

(ii) 23 Town councils and 19 village councils.

(b) On 16 April 1986 the *number of wards* per council in each specified development board area and

(2) the *number of vacancies* per such council are as set out below, while

(3) those councils which had *no quorum*, are shown as such and

(4) (a) the councils as indicated could not, in the absence of a quorum take decisions, although provision has been made for the continuation of functions (b) as indicated in respect of each development board and community council/local authority.

Western Cape

Community Councils	Wards	Vacancies
1. Stellenbosch (Mfuleni)	7	2
2. Ashton (Zolani)	7	1
3. Ceres (Nduli)	5	1
4. Hermanus (Zwelihle)	5	0
5. Cape Town (Nyanga, Guguletu, Langa)	21	9
6. Paarl (Mbekweni)	7	1
7. Robertson (Ngubela)	7	6 (no quorum)
8. Stellenbosch (Kaya Mandi)	7	0
9. Walfish Bay (Kuisebmond)	7	0
10. Worcester (Zweletemba)	7	6 (no quorum)

Local Authorities: None.

Northern Cape

Community Councils	Wards	Vacancies
1. Barkly West (Mataleng)	6	0
2. Britstown (Mziwabantu)	5	0

2 BUSINESS DAY, Friday, May 9 1986

74

Seifsa says exports keep steel and ferro-alloys sales buoyant

LINDA ENSOR

THE export market for steel products has kept production of ferro-alloys and primary steel on the upward path amid gloom in other sectors of the metal and engineering industries.

Production in 1985 dropped 15%, compared to the peak 1981 year, but the export-intensive ferro-alloy industry — one of the five largest producers in the world — has performed consistently well.

Last year output rose to 1,5-million tons — 4% over 1984 and 29% over 1982.

In its latest quarterly report the Steel and Engineering Industries Federation of SA (Seifsa) predicts this year's production volumes will remain at last year's level.

Exports have also helped increase production volumes of primary steel.

Output for 1985 was 8,5-million tons, of which 45% was for export — an increase of 10,2% on the previous year and not far below the record 8,9-million tons in 1980.

The export performance was not matched locally, with domestic demand dropping by about 22% during 1985.

The first quarter of 1986 showed sales 6% below expectations.

On the bleaker side has been the consistent and dramatic decline in ferrous casting production from 457 000 tons in 1982 to an estimated 326 000 tons last year.

The first quarter of this year showed continued depressed levels of activity.

ENTERPRISE

W Cape bricks hit the Far East export trail

193 74

By TOM HOOD
Property Editor

ARGUS 16/5/86

BRICKS made at Stellenbosch are being exported to Hong Kong.

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

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

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

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

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

"They liked the quality and the price and we got the order."

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

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

"Our first responsibility is to the local construction industry — we can guarantee product to cater for the demand."

1986

UK bans all SA gold coins

Cape Times 24/5/86

From JOHN BATTERSBY

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

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

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

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

Until June 20 for traders

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

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

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

Last year Britain imported Kruger rands valued at some £813 000 (about R3-million).

In 1983 Britain imported £16,5-million (R50-million) worth of the coins.

COMPANIES

Argus 27/5/86 (58) (74)

Bibby, exports make magic at Barlow Rand

From TREVOR WALKER

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

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

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

Turnover rose 19 percent to R7,2 billion but, significantly, stock, debtors and cash were held at R4,695 billion compared with R4,601 billion in the corresponding year-ago period.

The interest bill fell to R154,1 million from R173,3 million, but the effective tax rate rose to 42,6 percent from 39,3 percent, pushing tax payments to R216,9 million from R153,0 million.

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

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

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

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

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

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

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

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

Elders controls just under 20% of Elders. — AP-DJ.

All-out plastics export drive

28/5/86 14 BUS DAY.

MICK COLLINS

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

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

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

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

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

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

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

FIN MAIL 30\5\86

KWV (34)

Cheers for exports

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

The broad picture shows:

☐ A record R21m surplus, allowing a record bonus to farmers of R10,5m;

☐ Consistent growth over the past decade;

☐ Producer price increases regularly below inflation over the period; and

☐ Maintenance and improvement of product quality.

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

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

Model pricing

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

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

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

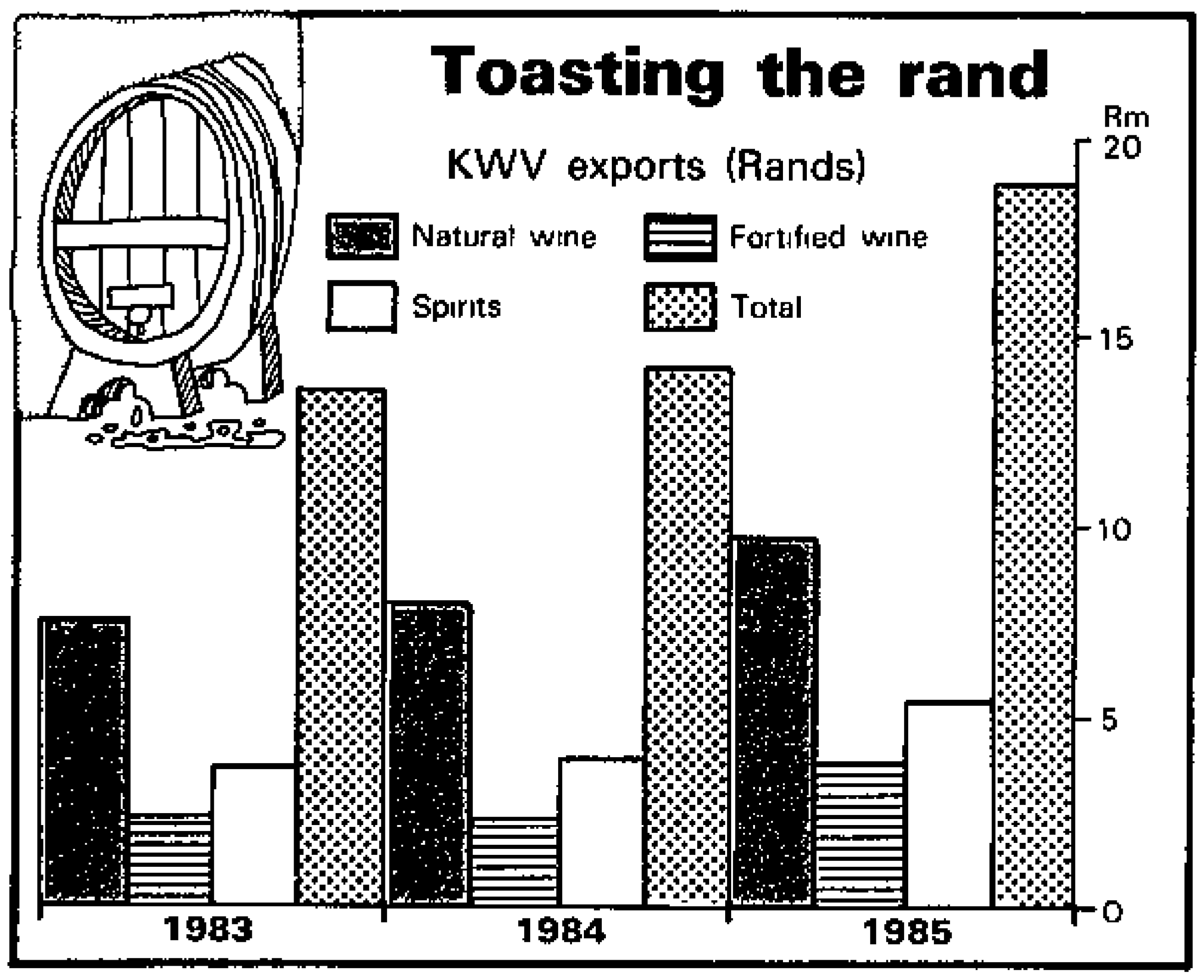
The farmers' incentive is then to produce either more good wine or secure more good wine quotas. However — common to all agriculture — there is always the weather. Thanks to its help, wine farmers will do rather better in 1986 than for some years. Several poor weather features have cut the 1986 crop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

Higher prices

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

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

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



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

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

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

FIN MAIL 30/5/86

CITRUS EXPORTS

74

A golden haul

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

The record was achieved in spite of the fact that SA shipped only 24,3m cartons compared with a more normal volume of 28m-29m.

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

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

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

Citrus export earnings have, in fact, been riding the roller-coaster since 1983 when 25,9m cartons were exported for R264m. In 1984, 23,6m cartons fetched R350m and then came last year's record.

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

To maintain the export impetus, the exchange has spent R32m since 1983 on improved and modernised citrus export terminals at the harbours of Maputo (R7m), Port Elizabeth (R8,5m) and Durban (16,3m). "The investments will save us between R6m and R7m this year on freight charges, so we will recoup the total within a few years," says Venter.

More efficiency

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

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

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

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

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

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

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

BUSDAY. 74 ~~210~~ ~~58~~ 30/5/86.

Weaker rand disguises mineral export situation

ROY BENNETTS

ON THE surface, last year's mineral sales hit record heights climbing from just over R19bn in 1984 to nearly to R25,9bn, with mining companies being accorded accolades for producing sky-high profits. Unfortunately, this was only true in local terms, due to the downward slide of the rand against the dollar.

During 1984, exports accounted for 84% of the country's total mineral sale's revenue, injecting $11,1bn into the country's coffer against a rand valued at $0,69.

Last year export sales rose to 87% of the total value of mineral sales, climbing by 40% to R22,5bn.

However, this gained the lower amount of $10,4bn because of the rand's slide to an average of $0,46 for the year.

Calculated against the dollar, the value of local and export mineral sales dropped by nearly 10%, from $13,2bn in 1984 to $11,9bn last year.

Gold continued to lead the field inspite of a drop in production from 680 tons to 670 tons.

Export revenue for the metal jumped by 32% from R11,6bn to R15,3bn but in dollar terms fell by 11% from $7,9bn to just over $7bn.

In the context of the gold price here is little to suggest any significant change in the average levels for he current year.

During January, dollar gold prices nproved and touched $380 at one oint. However, the upward trend as seen by some analysts as a covering of short positions rather than a t new phase of demand.

At the beginning of 1985, when the llar was particularly strong, it apared reasonable that dollar gold ices would improve as the dollar rity, against other major currencies, returned to more normal levels.

In practice, this did not happen; dollar gold prices remained substantially unchanged as prices in other currencies eased.

This leads analysts to reiterate that the dollar value of the metal remains the determining factor in the market, at least in periods of weak gold demand.

□ Coal was the shooting star of the last year with an 83% gain in export values from R1,7bn to R3,1bn, and tonnage increased by 15,9% to 44,3-million tons. But, unlike gold, this resulted in an increase of foreign currency from nearly $1,2bn to $1,4bn.

Outlook

Local sales values were increased by 11,6% at R1,9bn, with a marginal rise in the amount sold at 124-million tons.

However, the outlook for SA coal appears rather black, with first boycotts from several European countries followed by a crash in the price of crude oil.

The halting of SA coal shipments by France and Denmark is expected to release up to 6,5-million tons of steam coal onto the oversupplied international market.

This in turn will help to further depress the price paid by consumers, which is believed to be at the already uncomfortable level of $30 a ton.

Brokers are already predicting exports in the current year will not rise above the previous year's 44-million tons which, at the lower sales price, could mean a drop of nearly R500m in exports values, provided the rand remains at its present levels.

Present world coal production is now sufficiently high to allow for the complete banning of SA coal exports, which would delight rival producers and exporters Australia and Columbia.

□ SA diamonds sales last year gained nearly 49% in value at R773,6m ($355,9m) compared with R519,4m ($358,4m) in the previous year, with a marginal decrease in the amount of carats sold at 9,6-million.

De Beers' Central Selling Organisation report total sales of rough diamonds in 1985 increased by 13% to $1,8bn, with world retail sales of diamond jewellery exceeding the 1984 figure by 3%.

Production from the De Beers mines and Debswana, in which De Beers has an equal partnership with the Botswana government, fell by 85 000 carats to 23,2-million carats.

However, this drop was attributable to a lowering of recovery at Debswana, which suffered a shortfall of 279 000 carats at 12,6-million carats, as a result of a slightly lower grade at Orapa and the planned mining of the lower grade satellite pipe at Letlhakane.

The SA mines produced an additional 214 000 carats, which was in the main due to a higher underground grade at Premier.

□ Total demand for platinum in the West increased by 5,6 tons to 87,4 tons, which brought 1985 close to the peak demand year of 1979, with hoarding and the autocatalyst and jewellery sector being mainly responsible for the growth pattern.

Hoarders

Japan remained the largest regional market, accounting for about 44% of total Western demand at nearly 40 tons.

The currency factor also helped demand from hoarders for investment items up to 100g to grow from under half a ton of the metal to nearly 1,1 tons.

In the US, the motor industry remained by far the largest outlet, accounting for over 60% of national demand which in turn represents over 36% of total non-Communist demand.

Record car sales in the year pushed up the demand for the platinum autocatalyst, while hoarding rocketed by 3,1 tons to 4 tons.

Soviet exports to the non-Communist countries fell in 1985 for the third year in succession, with shipments of 7,2 tons estimated to be 20 000oz lower than in the previous year.

Sales by the Soviets have fallen to this level only once in the past 25 years.

While demand for platinum has continued on an upward trend, supplies have generally outpaced purchases since 1981. However, last year just over three tons had to be withdrawn from stockpiles to meet demand.

With the prospect that the shortfall could be increased in the current year, due to the loss of recovery at the Impala mine, broker Johnson Matthey is optimistic about the metal's immediate future.

□ Copper appears unlikely to break out of its current limited trading range despite a steady fall in stocks, say overseas analysts.

At the beginning of May the London Metals Exchange (LME) recorded a high of £950 ton, with the metal currently trading between £940 and £930 ton.

There are signs of an increasing squeeze on grade A copper supplies, particularly for the final month of the forward contract and high grade cash metal has been commanding a slight premium over three months A grade material.

Copper stocks held at the LME warehouses have dwindled to a 10-month low of 132 600 tons with a steady outflow of material evident for the past five months.

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FREIGHT & EXPORTING
A Business Day Survey

Chemicals: imports overshadow exports

ASA spells out the benefits to clients

ANNABELLE GORDON

THE Airfreight Forwarders Association (AFA) controls ethics and keeps standards high among agents. But of the over 100 agents only a handful are members of the AFA.

An international forwarder is important to the potential exporter who often has limited knowledge of the costing and marketing areas.

A competent forwarder has the expertise to enter an overseas market at marginal cost. Freight handling, internal transport and distribution play a major part in the final pricing of the product. Transport means can be used as a marketing tool depending on price, transit time, distance and product.

"Traffic is down. Twelve months ago it was poor, this year it is 40% down on those figures and next year looks worse," says AFA chairman Brooke Bussell.

"The import surcharge has made agents' credit situation worse than ever and as margins are incredibly narrow we are coming to a time when multinationals will get the market with just a few small specialists on the side.

The big companies can afford to carry their clients.

"Credit control is becoming a terrible hassle in this field."

ARNOLD VAN HUYSSTEEN

ALTHOUGH chemical exports increased over the past year on the back of the low rand, there has as yet been no major volume increases in foreign sales in an industry that also feels the pinch of a shrinking economy.

SA exports and re-exports of chemicals last year totalled R987,7m — 33% up on the R742,7m earned in 1984. A spokesman for the Department of Trade and Industries says these exports grew at a compound rate of 14,5% a year since 1960 — when they stood at R33,4 m.

And first quarter exports in 1986 was also 29% up on 1985, says a spokesman for Customs and Excise — R262,9m in 1986 against R201,9m in 1985.

But this comforting — if unrealistic — picture fades into relative obscurity when compared with the *import* of chemically-related products. These stood at almost R1,8bn in 1984 and jumped to nearly R2,4bn in 1985. And import statistics for the first quarter this year and last show the same picture — R516,4m in 1985 and R645,1m this year.

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

He says, by way of example, that the products of a coal-based chemical industry and the added value of a ferro-alloy industry, if developed further, could go a long way towards achieving the export potential of the economy.

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

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

SANDER ... 20-year plan needed

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

Chairman of the Committee of Enquiry into Export Incentives Basie Kleu says his committee is still investigating the whole issue, but invites interested parties to submit their views for consideration. "Government will be selective in applying any stimulatory measures to promote exports — the game must be worth the candle," he says.

Meanwhile, AECI is leading the export pack with chemical exports valued at R233m in 1985, followed by Sasolchem with R139m and Sentrachem with about R106m. AECI has been steadily exporting 40 000 tons of PVC a year at an average \$500/t to 39 countries and is a major exporter in this field.

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

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

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

"We expect a slight fall in gross export receipts in 1986/87. Apart from this, our product spread over various markets gives us a secure base against market fluctuations, while the general outlook remains fairly favourable. We aim to increase production in some areas to meet demand," he says.

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

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

"The export market is scraping the bottom due to overcapacity, while we also suffer from Foskor's high phosphate rock prices, SA Transport Services' high freight charges from Phalabora and the exorbitant costs of imported sulphur, which now costs \$135/t FOB Vancouver," says Triomf GM of purchasing Bill Sampson.

Exporting is not a last ditch survival attempt

ANNABELLE GORDON

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

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

Unusual

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

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

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

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

Amateurs

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

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

BELL . . . experts are needed in most foreign markets

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

"No trade with Singapore you say? Last year I would put the unofficial trade at well over $100m. Imports into Singapore of steel from Mozambique are publicly listed as being over $35m in spite of the fact I have never come across a steel mill in Mozambique. Iscor must be very surprised . . .

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

Jock Mackenzie Parker, MD of Grindrod Air Freight, feels strongly about knowing your market — more so when it comes to ethnicity.

"Remember the motorcar called the Nova?" he asks. "No va in Spanish means 'it doesn't go'; there was no hope for that car. Don't try sending goods to China packaged in bright white cartons — white is a funereal colour there."

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

Unions

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

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

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

Tarnished

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

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

The clothing industry was developing a bad reputation like that in the US but according to statistics, garment manufacturers and textiles have improved their market. 1984 exports in textiles and clothing were R762m and in 1985 that figure was up to R101,5m.

"We have had a tremendous explosion in exports the last few months. It is very exciting," says Renfreight executive Brian Morris.

30/5/86 BUSDAY

Troubled oil pours heat on coal price

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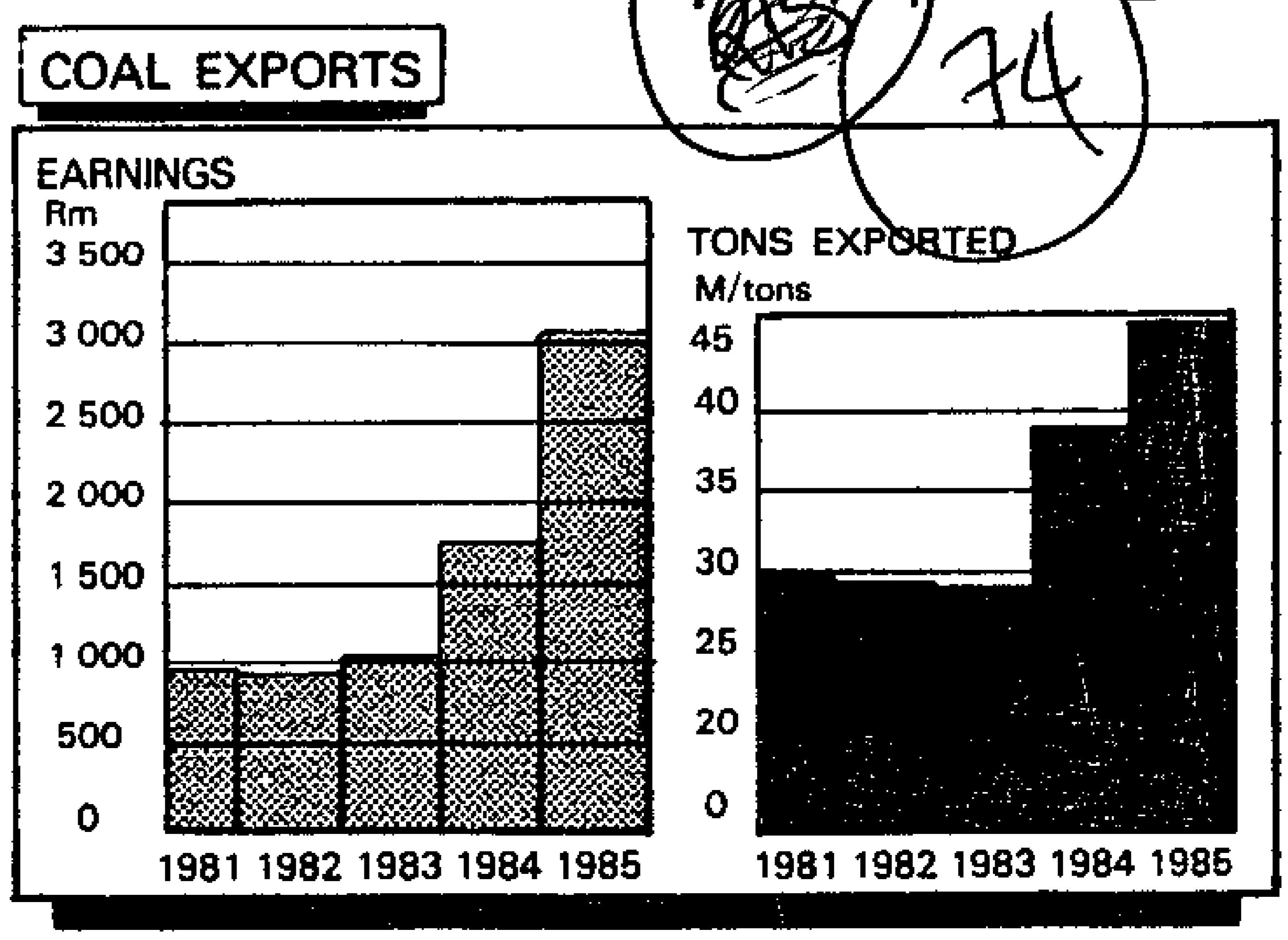
THE price of SA coal exports, already badly pressurised by oversupply and sanctions drives, is being further hammered by the weak oil price. In addition, SA's reputation for providing cheap coal, so vital to bargaining power, is in danger of being eroded.

Since oil fell to $13,50 a barrel two months ago, coal producers have had to face more fierce bargaining on the international market. Last year's FOB price of steam coal was $30/t to $34/t. This year the price is said to have slipped as low as $24/t FOB and, once landed in Rotterdam, it is trading for $12 less than a year ago.



HELGA ST BLAIZE-MOLONY

Worst year

Producers have already geared up to facing their worst year ever in 1986. But up until last year, when total exports rose to around 44-million tons and earned R3bn in foreign exchange, SA coal exporters could hardly put a foot wrong.

Since 1973, export sales have increased by nearly 2 000%, making SA the world's leading exporter of steam coal. This is largely due to the inception of the Richards Bay Coal Terminal (RBCT) and the marketing efforts of the major coal mining houses: Amcoal, Witbank Collieries, Trans Natal, and their agent, the Transvaal Coal Owners' Association (TCOA).

Until recently, producers expected nothing but growth in sales. Projections for the next 10 years provided for exports of up to 71 Mt in 1995, and full government export allocations in use by the year 2000.

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

Threat

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

As there is an oversupply of coal on the market and a decline in energy consumption worldwide, buyers are in an unprecedented position of advantage. Thus, competition is fierce particularly between SA, Australia and Poland, the leaders of the trade.

"The decline in the oil price is an added negative factor for coal which always follows fuel in price. But it is unlikely oil will maintain its present low, so it should not prove a threat to coal in the longterm," Sowerby believes.

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

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

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

Reasons TCOA MD Les Weiss: "Unless political reforms are implemented, our exports cannot grow. Government must understand this."

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Ripe pickings for citrus

MICK COLLINS

DESPITE boycotts and general anti-SA feelings, the citrus industry sees overseas markets ripe for the picking and is sustaining its export drive.

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

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

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

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

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

New outlet for SA goods

15/12/90

B.S. Times

By Ruth Golembo

74

AN export marketing organisation with ~~links~~ world-wide has been set up to promote and sell local manufacturers' products overseas.

The company, called the Small Business Corporate Marketing (SBCM) aims to open the door to overseas markets for large or small manufacturers of all kinds of local products.

At the helm of the Pretoria-based company is the retired South African Trade Consul, Mr Zacharias "Swanie" Swanepoel, who has many years of work abroad.

And he has set up a network of South African businessmen in the company's offices in America, Israel, Greece and Belguim to co-ordinate the sales overseas.

Because of his government service experience in the Department of Commerce and Trade — Mr Swanepoel says he can provide valuable assistance in dealing with the complex paperwork involved with exports.

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

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

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

"South Africa has materials, labour, expertise and the ability to build itself into a formidable exporting nation," he said.

More risks face local exporters

BusDay
19/6/86

LESLEY LAMBERT

LOCAL exporters face a more openly hostile attitude towards SA as a result of recent political events in the country, which, up to now, have been highlighted by extensive overseas media coverage.

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

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

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

Some examples of potential risks facing exporters include:

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

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

BUSINESS

Argus 24/6/86

74

TRADE

Exports to black Africa booming

By KITT KATZIN

JOHANNESBURG. — South Africa is heading for a record R2-billion trade boom with black Africa — in spite of the threat of sanctions, the disinvestment campaign and economic and political crises at home.

As international moves get under way to tighten the sanctions noose, SA's exports to its so-called "official" trading partners — in the southern region only — have topped a record R548-million in just four months.

This is 43 percent up on the R382-million posted in the same period last year — and the nine countries boosting SA exports do not include Botswana, Lesotho and Swaziland, which are linked by a profit-sharing customs union.

This means that total exports to southern Africa — from Lesotho to Zaire and the Ivory Coast, and across the Indian Ocean to Comores and Mauritius — are poised to top the magical R2-billion mark this year for the first time in history.

Final figures

Last year SA's exports to the sub-continent were worth R1 577-million, but with eight months this year still to go, final figures should be even higher than R2-billion.

And with SA trading — unofficially — with at least 34 more African states, and breaking into spectacular new markets in some of them, trade experts confidently predict that this year's total exports to Africa could top R3-billion — yet another record.

On top of this, current trends reflect a sharp increase in SA imports out of Africa — up from R134-million in last year's first quarter to almost R200-million this year.

This has been widely welcomed as an important step towards correcting the one-way trade imbalances, and stimulating exports by these states, though this would also be of benefit to SA as well — for strategic and political reasons.

Gain as much

In economic terms, SA stands to gain equally as much — by sponsoring higher levels of counter-trade, she forges yet another link in the ever-growing chain of interdependence with her traditional partners and others in Africa.

However, with the threat of international sanctions looming, the key to SA's own economic survival lies one way or another with a vigorous drive to push exports, and its ability, as an economic powerhouse, to underline the extent of its growing trade links with Africa as a whole.

In terms of the latest trade figures, SA appears to be doing just this and should have no difficulty in presenting the essence of this message to the international community.

Exports to existing outlets are booming, and new markets are opening up in countries elswehere.

Figures show a steady monthly increase in exports to SA's "official" partners — Comores, Ivory Coast, Malawi, Mauritius, Mozambique, Reunion, Zambia, Zaire and Zimbabwe.

According to the latest statistics, exports in January topped R137-million (compared with R82-million the same month last year); in February R132-million (R91-million last year); in March R140-million (R103-million last year); and April R137-million (R104-million last year).

Total earnings of R548-million were more than half the R954-million worth of goods exported for the whole of 1984 — and are on course to reach R2-billion by next December.

Although, compared with world-wide exports, SA's trade with Africa is negligible, the continent is fast becoming the biggest market for certain categories of goods.

Nine countries

These include plastics, resins and rubber products (of which not less than 45 percent of total exports go to Africa), non-metallic mineral products (44 percent), footwear and millinery (40 percent), machinery (40 percent), animal and vegetable fats and oils (37 percent), chemicals and chemical products (33 percent), and vehicles and transport equipment (24 percent).

As SA penetrates deeper into southern Africa, the nine member countries of the Southern African Development Co-ordination Conference (SADCC) — formed to lessen the region's economic dependence on the SA economic umbrella — have failed to reach the objective.

Botswana, where the SADCC has its headquarters, continues to obtain 90 percent of its imports from South Africa, and most if not all the other member states are more dependent on SA exports than ever.

In addition, all still rely almost exclusively on SA routes to move their own exports into Europe and the United States, and imports from those areas.

Zambia, as an example, routes 70 percent of its imports and 40 percent of its exports through SA. In the case of Zaire, 57 percent of imports are channelled through SA, and of its exports, 45 percent of its copper, 65 percent of its lead and 40 percent of its cobalt are shipped from SA ports.

Stranglehold

More than anything, SA's irreversible stranglehold on southern Africa, accounting as it does for 75 percent of its total output, is the most potent weapon it has to stave off threats of sanctions, with overwhelming evidence that they would destroy neighbouring trading partners within months.

However, SA's export success story is not confined to the southern region — its economic tentacles are spreading far beyond, and with spectacular success.

In the past few months, SA exporters have broken into new markets in Zaire, Congo, Gabon and Cameroun, and are developing links in Kenya, Tanzania and Somalia in the east.

Large supplies of SA steel and machinery are landing in Cameroun, Gabon and Zaire, and foodstuffs, chemicals, vegetable products, textiles, base metals and minerals are reaching markets in a host of other countries in the north-west.

SA delegations

In fact, says Sally Gallagher, head of a consultancy firm, Business Development Africa: "There is not a country we don't trade with on this continent."

According to Safto Africa area manager, Mr David Muirhead, SA delegations are preparing to visit Gabon and Kinshasa in Zaire for trade talks in September, and similiar contacts are being set up with at least one more African state.

"There can be no doubt that SA exporters are getting to new African markets," said Mr Muirhead. "And that's good news."

He disclosed that 10 SA food exporters would attend the Hong Kong food festival in September, and said exports to the East were also up.

FIN MAIL 27/6/86

ATLANTIS DIESEL 74

Export drive

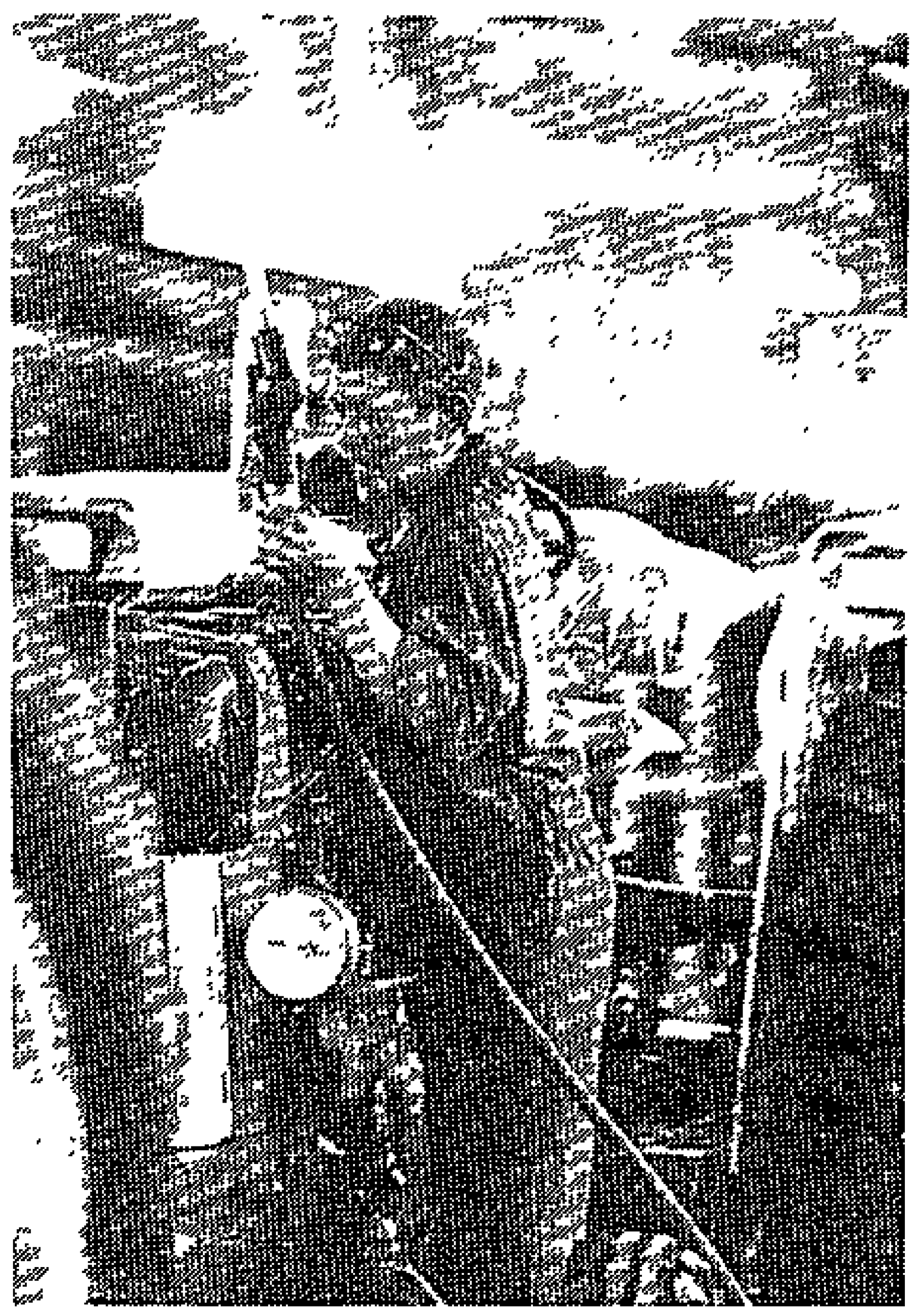
The future's looking far brighter for the Cape's State-backed Atlantis Diesel Engine (ADE) project.

The export market is picking up substantially, and marketing and public affairs director Wally Rautenbach says there are many more orders to come. The best news is that the Atlantis-based factory is again hiring staff after years of lay-offs.

Rautenbach says ADE has had to move quickly on the export front before SA's sky-high inflation erodes the export price advantage of the cheap rand.

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

Rautenbach also reports growing interest in ADE as the beginning of a pipeline through which local car and truck manufacturers may make use of its production line and other facilities to export castings to their parent companies overseas. Volume of about 30 000 pieces a year is on the cards.



ADE ... going for foreign sales

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

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

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

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

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

FIN MAIL

27/6/86

SANCTIONS

FEATURE

Mixed bag for minerals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SA has the world's greatest reserves of vanadium, used in production of speciality steels and in the chemical industry. The 1985 earnings of R300m made up about 1% of total export receipts, but producers could be forced to ride the same rough road as chrome producers.

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

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

The sobering thought must be: where does this leave the workforce?

Raymond Preston

Mintek's Edwards ... fine for gold

MAKING NEW MARKETS

If sanctions force South African platinum out of world markets for catalysts, new hi-tech development, particularly in the use of platinum fuel cell electricity production, could yet save the industry.

Although fuel cell development is still at an embryonic stage, its international application in an increasingly pollution-conscious world would provide a massive boost for the platinum industry, claims Mintek president Aiden Edwards.

"The use of the fuel cell would completely eradicate air pollution from electricity generation. This would prevent acid rain and the so-called greenhouse effect and protect the environment," he says.

Current fuel cell electricity generation costs are roughly double those of thermal power generation, but economies of scale would bring down the cost dramatically.

"New Mintek technology for exploiting the UG-2 reef in the next decade would ensure that extraction from SA's massive reserves could be doubled to meet increased demand from the rest of the world," says Edwards.

He says, however, that SA, as the world's premier producer, should become more active in fuel cell research. A major research and development project for the advancement of a fuel cell pilot plant would cost some R40m.

"Historically, we have given too little attention to the beneficiation of our minerals," he adds. "A modest application of fuel cell power generation worldwide could double the market for platinum and earn us an extra R2 billion a year. What a return on a R40m investment."

FINMAIL 27/6/86

SUGAR INDUSTRY

Moving to profits

The speculation is over. Higher average sugar export prices and a recent domestic price increase means the sugar industry is almost certain to end the season with a modest surplus over costs (*FM* May 30).

74

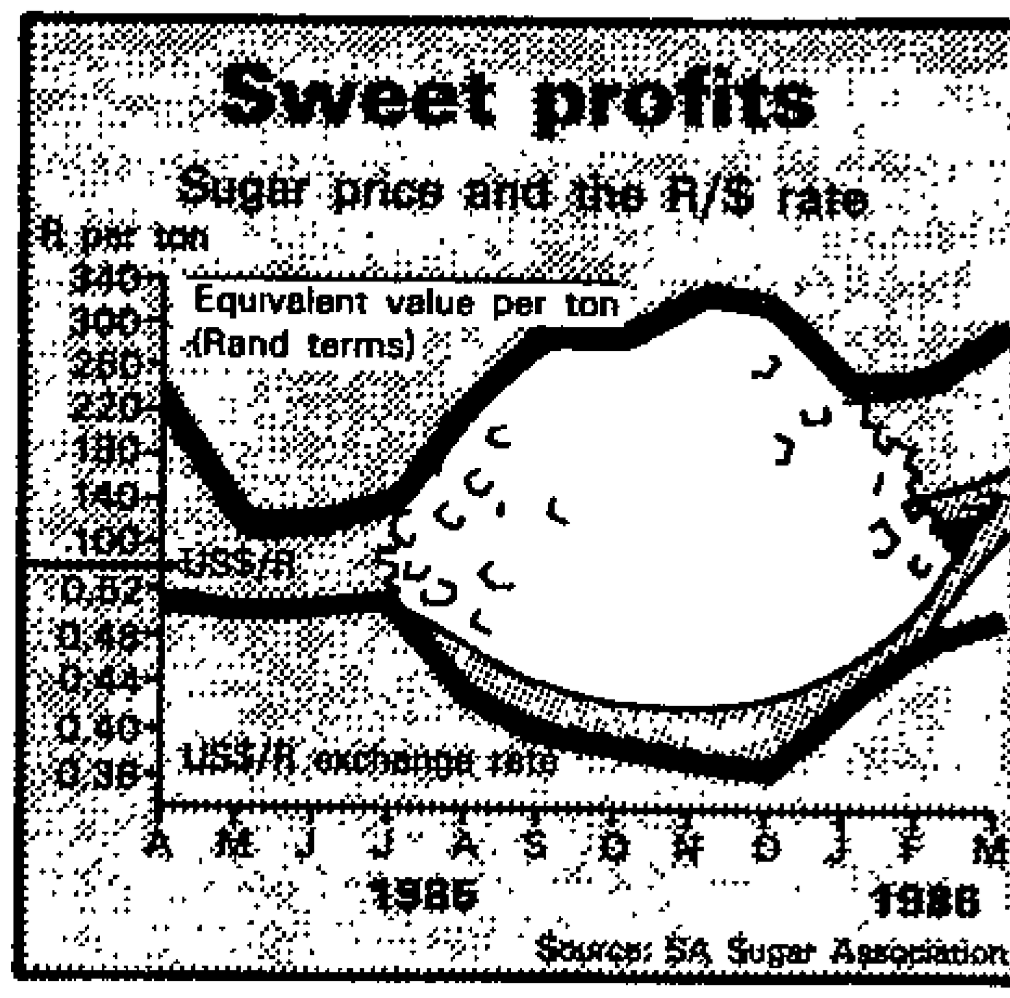
Barring unforeseen circumstances, such as a calamitous slump in world sugar prices, SA Cane Growers' Association chairman Tony Ardington says growers should return to profitability for the first time in years. This means they are likely to make the first payments towards redemption of the industry's accumulated R327m debt.

With uncertainties over SA's political future in the international banking climate and the difficulties local clients experience in securing new offshore loans, clearing the industry's debt has become the major priority. Interest on the debt alone is costing the sugar industry a crippling R50m a year.

Both growing and milling sectors have agreed on a formula under which they will be obliged to direct a percentage of future surpluses towards loan repayments.

SA Sugar Association officials declined to divulge details of the arrangement to the *FM*, saying that as "nothing was set in concrete" the figures were subject to change.

Sugar prices on the international market have softened in the last few weeks to around US6,2c/ lb after topping 9c/ lb in April. However, brokers generally attributed the fall to the market looking for new direction after heavy speculation. They confidently expect prices to see out the year at about 9,5c/ lb.



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

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

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

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

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

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

Although he admits there is likely to be some hard bargaining before the new pricing system is accepted, he would like to see it introduced within two years as a further means of improving industry efficiency. ■

Cape Times 1/7/86

Mining exports boost for Anglo

74

JOHANNESBURG. — In a year of considerable political and economic uncertainty, when many of the country's business operations experienced lean times, the Anglo American Corporation achieved most satisfactory results because of its substantial interests in the export-orientated mining sector, the directors said in their review for the year ended March 31, 1986.

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

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

For the last nine months of 1985, the dollar price of gold traded within a narrow range between $308 and $335.

Renewed market interest in 1986 has pushed the price to a new range of $330 to $360.

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

Developments

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

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

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

However, increased availability from established suppliers such as Australia, SA and the USA and, more recently, from Colombia, has depressed spot prices.

This fall in prices has continued into 1986 and has been accelerated by the sharp decline in oil prices.

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

Parts makers find export contacts

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5/7/86

By DENISE BOUTALL

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

But unlike the happy building society investor they are not smug about their achievements.

The six Port Elizabeth and Uitenhage companies and nine other component manufacturers were part of the National Association of Automotive Component and Allied Manufacturers' stand at the four-day 13th International Exhibition for the Suppliers of the Vehicle Industry (Sitev) held in Geneva at the end of May

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

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

Speaking from Johannesburg the director of Naacam, Mr Denzyl Vermooten, said the exhibition was a first for Naacam.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

One company which is already an established exporter is the Guestro Wheels Division of Dorbyl Automotive Products

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

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

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

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

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

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

Argus: 7/07/86

BUSINESS

CURRENCY

Yen at record high may boost SA exports

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

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

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

Early unofficial returns for yesterday's Lower and Upper House parliamentary elections, in which 71,4 percent of eligible voters cast ballots, indicated Mr Nakasone's ruling Liberal Democratic Party would have total control of the crucial Lower House.

Soon after the Tokyo foreign exchange market opened, the yen smashed through its previous record high of 159,99 against the dollar to reach 158,90. It was at 159,05 at midday. The yen closed at 160,90 on Friday.

The Tokyo stock market average soared 207,48 points to a record 17802,84 at one stage in the morning and at midday was up 169,59 at 17764,95.

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

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

A dealer for the Dai-Ichi Kangyo Bank predicted the yen could climb as high as 155 to the dollar this week.

The

Durban's coal-berth facility to start exporting soon

N.M.

74

8/7/86

Finance Reporter

DURBAN Harbour's newly-converted R3,5m coal-berth facility on the old Alusaf site at Pier 109 is to start exporting coal shortly, a spokesman for the operators said yesterday.

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

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

The site is being leased from SATS and will have an initial annual export capacity of 900 000 tons.

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

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

The facility will handle coal or anthracite for world markets.

Pier 109, with a draught of 11,5m, is able to handle ships of about 35 000 ton capacity.

Pier 109 will operate a two-shift system with a staff of about 40.

AK 6045 9/7/86

Iscor wants millions back after sour deal

74

The Argus Correspondent

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

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

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

DECADE AGO

The Iscor case revolves around a deal it struck more than a decade ago to market its steel in Iran and elsewhere in the Middle East.

It claims that a partnership was formed 13 years ago with two Iranians — Sami Abdulnabi and Aaszam Zangueneh, both now believed to be living in London — and agreement was reached to split all profits that stemmed from the deal.

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

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

DISSOLUTION

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

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

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

"But we cannot discuss details of the case because it is all sub judice," he said.

Exporters boost trade balance to R6-bn

23/7/86

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

Preliminary statistics from the Department of Customs and Excise show that exports totalled R19 088,9 million compared with R16 579,6 million for the same period last year and imports totalled R12 957,3 million (R11 151,3 million).

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

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

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

Dr de Villiers said exporters deserved praise for their sustained efforts and that prospective exporters should exploit the market's opportunities.— Sapa.

BUSDAY 23/7/86 (74)

Loss looms for export maize

GERALD REILLY

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

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

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

This year's producer levy of R41 a ton should be just about enough to break the back of expected losses.

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

The balance of the surplus is earmarked for other destinations.

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

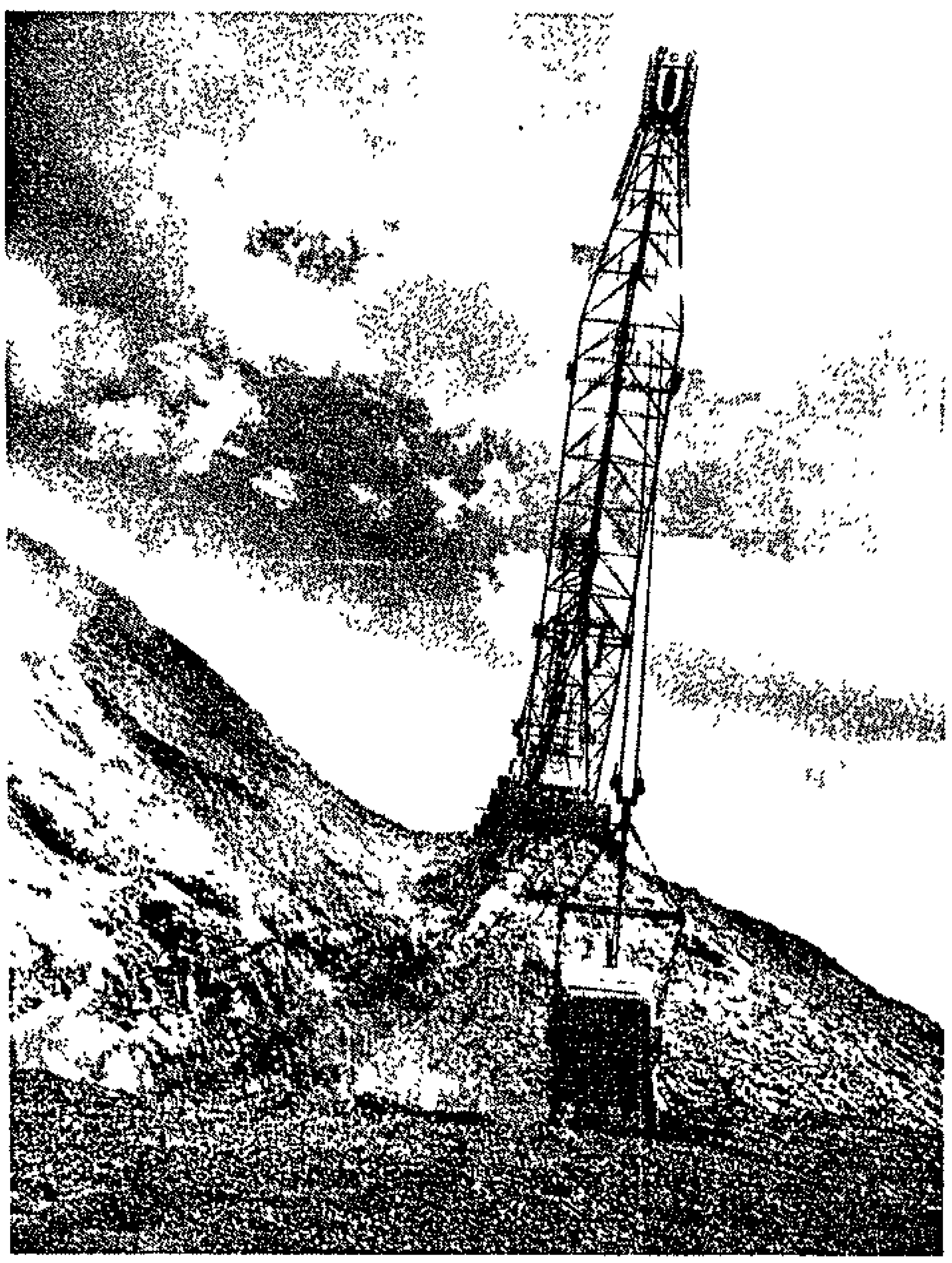
COAL INDUSTRY

74 FIN MAIL 25/7/86

Export substitution

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

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



Coal exports ... scraping the bottom?

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

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

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

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

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

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

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

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

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

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

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

For as Weiss says: "It's going to be difficult to find a market for 40 Mt of coal." ■

FIN MAIL 25/7/86

DIAMOND CUTTING

Looking for sparkle

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

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

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

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

Fortunately, any plans to expand the local cutting industry are assisted by the rosy picture for the diamond industry as a whole — liquidity and confidence have improved. Proof of this confidence is De Beers' recent 7,5% increase in the price of rough diamonds.

Jooste tells the *FM* that although local cutting has a strong international reputation, Emergency: Day 46

30/07/86 Mercury

Japan halts R80 m fruit imports

Mercury Correspondent

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

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

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

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

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

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

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

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

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

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

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

Japan buys mainly grapefruit and lemons from South Africa.

In response to a question whether Far East markets would take up any surplus in the event of U S and European sanctions, Mr McOnie said: 'The East would be a much better market for us.'

DD 30/07/86

Japan halts SA citrus imports

Dispatch Correspondent

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30/7/86 BUS DAY. 74

Emergency halts citrus fruit imports by safety-minded Japanese

MICK COLLINS

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

"It is the state of emergency they are anxious about."

Asked if he thought there was personal danger in SA, he said: "My government obviously reached its own decision."

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Japan buys mainly marsh grapefruit and lemons from SA.

In response to a question on whether Far East markets would take up any surplus in the event of US and European sanctions, McOnie said: "The East would be a much better market for us.

"Plans are being made, but it would be incautious of me to reveal them."

He said the Citrus Exchange had not received any complaints on the quality of fruit exported.

Other Far East countries, where import regulations are not as strict as those in Japan, are understood to be interested in taking up any surplus brought about by sanctions.

Congress may end textile agreement

81/7/86 BUSDAY

HAMISH McINDOE

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

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

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

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

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

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

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

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

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

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

● See Comment on Page 4

1/9/86 FINMAIL

74 SA

US-SA TRADE

Tale with a sting

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

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

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

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

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

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

The US Customs Department, meanwhile, has not decided what to do with the 33 000 kg of lobster it has resting on ice in a New Jersey warehouse. Customs originally cited a violation of the Lacey Act, a US wildlife protection law, when it seized the shipment. The agency has declined to comment on the case. ■

Lobster exports ... whites only

Charcoal for abroad to go through EL

27/8/81

By KEITH ROSS

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

The company's managing director, Mr J P Maritz, said this week he expected he would soon be exporting about 90% of his production.

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

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

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

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

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

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

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

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

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

5/8/86 **BUSINESS**

Exporting is long-term exercise

74 SMR

When the country is under pressure on its balance of payments account the need for exports is greater and with sanctions a possibility the pressure on South African exporters is intensified. But how do you get into the export market? In this article Dr Piet Kieser spells out the problems of getting started in the export field. There are basically four steps involved.

Every department of the company is involved in exporting, and each executive director or manager has a special role to fulfill and must, therefore, be entirely committed to the company's export effort.

The corporate decision to export is usually not easily taken, because many of the factors that have to be considered are unfamiliar to management and basic data not readily available.

Furthermore, for successful exporting start-up costs could be considerable, and having made the decision to export, because it is a long-term commitment, it cannot be easily changed without considerable loss.

Exporting is not a stop-go exercise.

The corporate decision should be preceeded by an expert investigation into the possible costs of start-up and fruitful use can be made of experienced outside expertise.

Many excursions into exporting have failed unnecessarily because of lack of analysis and planning in the pre-decision stage.

The following are the major areas requiring investigation.

Not all products are suitable for export and non-starters, or doubtful competitors, should be eliminated at the start, before major expenses are incurred.

Some of the basic criteria for selection are:

- The ratio of transport costs to value.
- Patents, patent lapses and franchise agreements.
- The ratio of fixed to variable costs.
- The local market share.
- Foreign competition in home market.
- Category A and B incentives.

Individual products are usually not disqualified by a single factor, except the first two, viz the transport cost ratio and franchise agreements, and these should obviously be looked at first.

With regard to Category A and B incentives, certain products either do not qualify or they will attract minimal benefit, but, in general, for manufactured goods' exporters these incentives usually contribute between four percent and 12 percent of FOB value with an average of about nine percent.

For South African manufacturers, export orders could be very large so an appraisal of production capacity and a clear identification of production bottlenecks is required.

In some cases where exporting could lead to a significantly different product mix, a special study could be required.

A situation frequently arises where the removal of a specific bottleneck would be so expensive that without a substantial export order, the investment would not be justified.

In some cases the decision takes on a new significance and the question of overall company growth, the economies of scale, and the avilability of capital for expansion would become the new criteria for decision.

As exporting takes off, increased working capital would be required to:

- Finance longer delivery periods;
- More generous supplier's credit;
- Larger raw material and finished goods inventories;
- Greater work in progress;
- Extra warehousing expenses and off-shore stock holding;
- Re-tooling and product modification;
- Extra packing and packaging.

Funds must also be available for initial market research, company reorganisation and the training of export management and staff.

Companies who neglect these issues, or who have insufficient funds, could find that serious liquidity problems arise as exports increase.

One can expect a negative cash flow for the first year to 18 months and a positive return on exporting during the third year.

These periods obviously vary considerably from company to company and from time to time.

Critical assessment of managerial skills is required, because exporting cannot succeed with second-rate management.

In this regard a suitable export agent is probably the most difficult person to find, because the special attributes of self-motivation, export marketing skills and a flair for dealing with complete strangers (preferably in their own language), is usually a rare combination.

An organisational structure, within the overall company organisation, should be decided on before exporting starts.

This could be manned temporarily by existing staff while export volumes are still low, but a poorly placed export department with inferior status and authority can kill exports at the start.

The export director (or manager) should, ideally, have equal status to the domestic marketing manager, who in turn, should have the production, financial and administrative managers as peers.

A lower status for the export manager, that is, one ranking below the domestic sales manager, the financial manager and production manager, is not an acceptable formula for success.

Details of how to get started will be discussed at a seminar on August 5 at the Sunnyside Park Hotel.

FIN MAIL

COAL EXPORTS 8/8/86

Looking ahead

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

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

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

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

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

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

One of the difficulties the DCTC has had with the Bluff project is that whatever scheme they settle on has to be closely interfaced with Sats's own requirements as far as track layouts and line capacities are concerned. Any coal that is exported, will, of necessity, have to travel along the already congested main Durban-Reef rail line. "Each time our consultants present a proposal, the permutations change," Koch says.

A final decision has not yet been taken, but the ultimate export capacity of the Bluff terminal could be anything from 3,5 Mt to 5 Mt a year.

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

The old Alusaf terminal at Pier 109, although designed for importing bauxite, seemed suitable. After spending some R8m on reversing the conveyor system and additional storage, the group is now in a position to start exporting.

They are aiming at an initial capacity of general smalls and power station smalls of around 900 000 t a year. Again, they seem confident that it is achievable. ■ FIN MAIL

Prey to shady dealers

SUNTIMES 10/8/86 74

MANY exporters who are taking advantage of the weak rand are falling prey to unscrupulous foreign agents and companies.

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

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

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

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

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

"In a couple of hours we can establish the creditworthiness of almost any foreign company."

12/8/86

BUSINESS

Now is the time for all exporters to brush up on selling techniques

(74) STAR

South African manufacturers must have no illusions about the competition they are going to experience on the foreign market.

The leading trading nations of the world have, over the years, developed extremely effective marketing methods and international contact networks and they have also established powerful export support systems in banking, insurance, transport and above all in information communications and training.

Furthermore, international marketing has become a way of life with most leading businessmen and government officials.

The complexities of foreign trade and international marketing in all its detail, is also well known to large numbers of people in various disciplines in government departments and the private sector, consequently the interaction between various bodies is fast and efficient.

In-company efficiency in exporting, in every department, has also over the years developed to an extremely high level and this is what our manufacturers have to face.

How do we beat the competition?

Buyer's choice

The foreign buyer usually has a choice of several sources of supply. The South African manufacturer must, therefore, be able to convince the potential buyer, in a very short time, that he is the best supplier with

In this third article in a series on the marketing of manufactured goods internationally, Dr Piet Kieser, chairman of Dr P Kieser Associates (Pty) Ltd looks at ways of beating the competition.

the better product and better service.

For this the exporter needs:

- Personal contact with prospective buyers
- A well prepared presentation
- High class brochures, catalogues and if possible, samples
- A well devised proposal with regard to delivery payment and services.

Preparations for the first meeting with a potential client (which in many cases is the last!) is vital and often so grossly neglected by South Africans.

Presentation material frequently contains irrelevant or even damaging information, while vital information is missing.

Material is poorly produced and usually in the wrong language or idiom. Payment and delivery terms, packaging and packing, are often ill defined and so inflexible that they are rejected out of hand.

Finding the right contact and preparing for the first meeting usually requires the assistance of experts in the field.

Companies should not rely solely on their own resources. Fortunately there are experienced consultants, the active trading houses and agents available to the South African manufacturer.

In fact, over 25 percent of South African manufactured goods are exported through agents and export houses on behalf of manufacturers.

Communications

Service to the foreign client starts with communications, which have to be prompt, exact and courteous. This usually implies a well developed back-up system and highly motivated staff.

This should enable the export department to provide instantaneous and detailed answers relating to prices, product availability, specifications, product modifications, shipping schedules, delivery times and contact details.

Each serious enquiry from abroad must be answered by return of post or by telex on the same day. This implies that all the data required for any of the company's export range must be prepared in advance, constantly updated and ready at hand at one central point. Data must not be scattered througout the company.

Distribution

Exporters will need the assistance of someone in each market in order to reach the buyer through the shortest and most effective route. Traditionally the overseas contact is simply an agent on commission. Many South African exporters, however, appear to be happy with the arrangement, simply because they are not aware of any alternative.

An agent on commission is, in many cases, not good enough, because the exporter is then too far removed from the buyer. In fact, South African exporters often do not know any details of market competition like price, quality, packaging, etc, because they leave the marketing entirely in the hands of the agent.

There are some twenty identifiably different types of "agents", each with specific characteristics and functions, and choosing the correct agent is a key to reaching the correct market niche.

Marketing mix

Marketing one's products abroad remains the exporter's responsibility and should not be left to an agent. Each market is different. Each market must be exploited to the full and one's products and company image must be firmly established in each, in order to ward off competition.

Details of how to beat the competition will be discussed at a seminar on August 25 at the Sunnyside Park Hotel.

Financial rand investment opportunities

Crayfish shipment probed

MERC. 13/08/86

(74)

Mercury Reporter

AN INQUIRY into the alleged illegal shipment of 33 000 kg of crayfish tails to the United States from Durban has been handed over to the Railways Police for further investigation.

Mr Andy le Roux, director of marine control in the Department of Environment Affairs, confirmed last week that an investigation had been launched by his department and pledged that 'action will definitely be taken' if there had been any illegal traffic.

He was reacting to reports that a large consignment of crayfish tails had recently been seized by customs officials in the U S at the request of the South African Government.

A spokesman for the Railways Police, Maj Charl du Toit, yesterday confirmed that the investigation had been handed over to them.

PE poised to share in massive export drive by top glass group

(74) Eve Post 20/8/86

By BOB KERNOHAN
Business Editor

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

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

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

He will continue to be based in PE.

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

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

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

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

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

The group comprises the PE operations, plants in Springs and Garankuwa, and retail and wholesale sales and marketing.

Cape Times, Friday, August 22, 1986 5

SA sugar quota for the Philippines

Own Correspondent

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

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

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

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

The value of South African sugar imports into the US has rocketed from $1,5 million in 1981 to $33,2 million last year even though the US produces a surplus of its own, according to the US Commerce Department.

TRADE

Argus 28/8/81 (74/68)

SA exports jump 36,7 percent

Financial Editor

SOUTH Africa's long-heralded but long-delayed export-led boom at last seems to be happening. Exports last month rose to R3,84-billion, their second highest level ever and a 36,7 percent increase on the year ago figure. (The record export figure was R4,1-billion set in October, last year).

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

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

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

Imports last month were also sharply higher rising to R2,85-billion, an increase of 52 percent on the year-ago figure of R1,87-billion — but only fractionally less than the record R2,86-billion import figure in January.

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

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

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

In the same seven months last year the trade surplus was R6,29-billion.

For those dearly wanting to see an end to the recession in South Africa, the July trade figures are the most satisfying foer some time.

It's a nine-to-one ratio now

Export shipments far outstripping imports, says Sats

DAVID FURLONGER

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

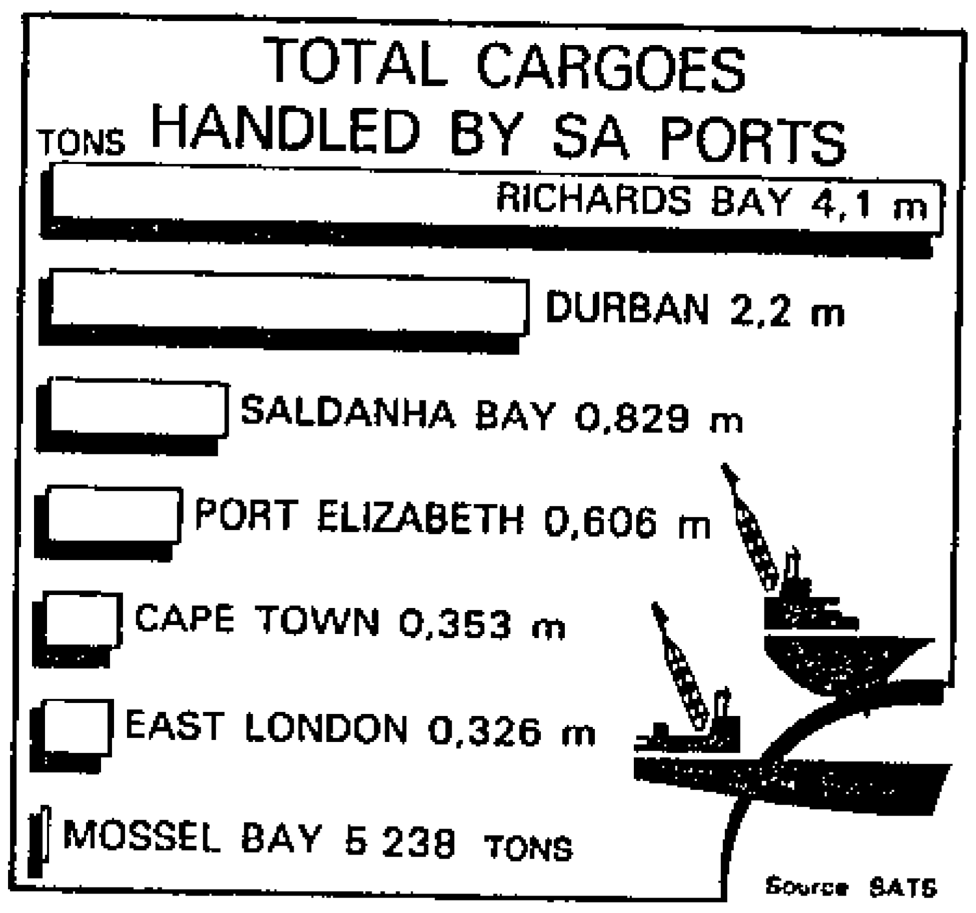
Figures from SA Transport Services show exports in July totalled 7,2-million tons, compared with imports of 970 000 tons.

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

Trans-shipment is so small — of the total 8,38-million tons handled by harbours in July, only 175 000 tons were trans-shipped — that total figures give a clear picture of import-export levels.

In April, harbours imported 872 000 tons, compared with exports of 6,8-million; in May, the figures were 926 000 and 8,1-million, and in June 856 000 and 5,8-million tons.

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



Of the 1,5-million tons of minerals exports, 1,3-million tons are classified.

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

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

FIN MAIL 5/9/86.

74

EXPORTS

Rand to the rescue

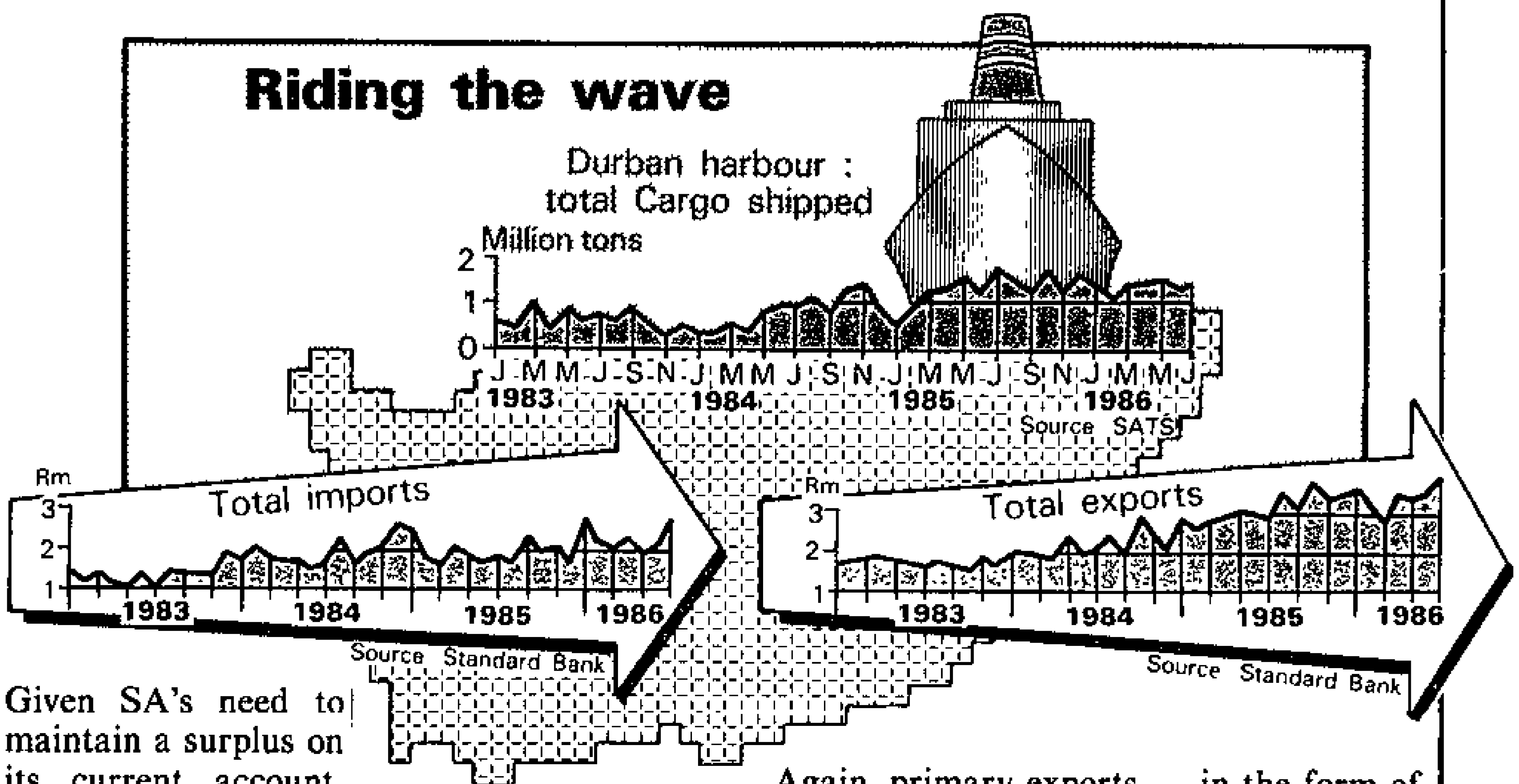
The threat of sanctions aside, exports through SA's ports are booming. Ever since the rand collapsed South African exporters have been vigorously exploiting the competitive position of their goods in overseas markets.

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

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

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

Tonnages loaded at Richards Bay, SA's premier bulk handling port, are equally significant. They have been sustained above the 3 Mt mark since the beginning of the year, with the exception of June when they slipped back to 2,8 Mt — possibly in reaction to earlier panic buying from overseas customers who feared the worst from sanctions. Last month, however, the outward-bound tonnages recovered to 3,9 Mt.



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

Around the middle of last year export tonnages shipped from Durban, SA's major port of loading, topped the 1 Mt mark on a month-by-month basis. Since then, tonnages have been sustained well above 1 Mt in spite of seasonal dips. Last month the tonnage shipped topped 1,5 Mt — one of the highest figures so far this year.

Although there is no breakdown of tonnages on specific cargoes handled, steel, coal

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

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

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

Of deeper concern to ships' agents is that they could be liable for fraud if they try to pass off cargoes using phoney documents. Agents are not covered for fraud under the normal indemnity insurance they carry. They say that shippers who want them to break the law will have to indemnify them against possible losses.

FIN MAIL (714)

EXPORT PROMOTION

21/11/86

Trade winds blowing

Sanctions threats by old friends give added point to Unicorn Shipping Line's link with a Colombian line, which is designed to provide a regular freight service between SA and South American ports every five weeks. There is still great scope for trade with Latin America; it could become even more important as industrialised nations flex their trade muscles.

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

Some 84,3% of SA exports falls into four categories: iron, steel and other metals (41%), paper products (23%), artificial resins and plastics (12%) and minerals (8,3%).

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

He says this is particularly true of engineering, where SA has adapted Western technology to Third World conditions. As yet machinery and parts account for only 6,5% of SA's exports to Latin America.

Brazil actually exports medium technology items to SA, many of them small orders of less than $30 000 a year, and local exporters should follow their example.

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

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

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

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

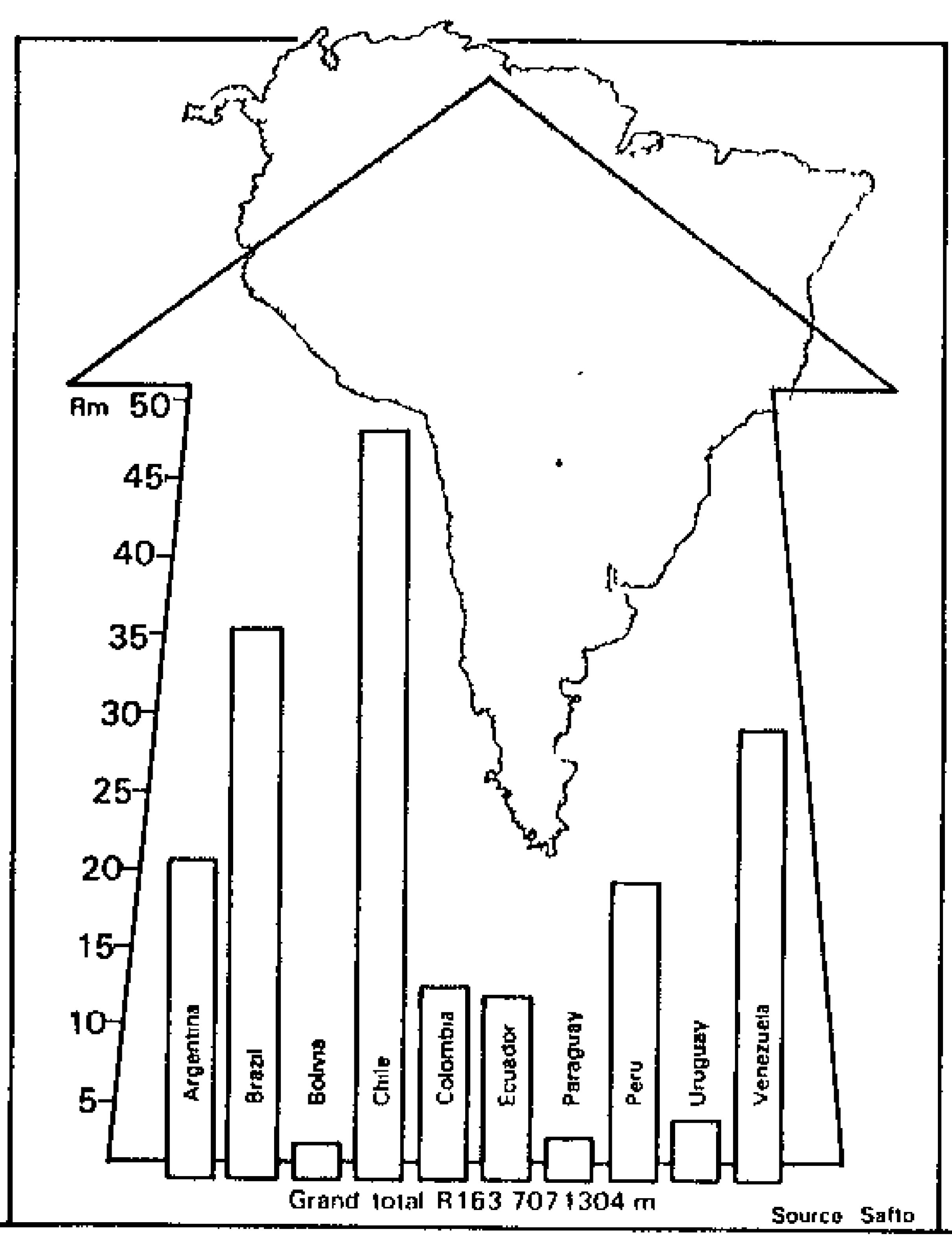
Gone are the 1976-1980 days when, as Kern-Martin puts it, "we used to receive inquiries for a great variety of merchandise from rooibos tea to clothing" during the high point of monetarism in Latin America.

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

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

Selling South

S.A.'s 1985 Exports to South America



8/9/86 : BUSDAY

Poor rand performance helps local cosmetics

74

CHRISTINE KOENDERMAN

RAPID growth in the past five years has seen Avroy Shlain Cosmetics top R18m in turnover, making it the third or fourth biggest cosmetics company in the country, according to the company's own market research.

A finalist in the SA Non-Listed Company Award, sponsored jointly by *Business Day*, Arthur Andersen & Co and Wits Business School, the Shlain group has been able to benefit from the decline of the rand because it manufactures locally.

Companies are dying

"The unfavourable rate of exchange is having a devastating effect on some cosmetics companies," says MD Avroy Shlain. "As far as I know, none of the international companies have pulled out of the country for political reasons.

"But some major companies have moved out for financial reasons, and others are dying. We are scoring because 98% of what we sell is produced here. About 85% of our raw-materials budget is spent in this country.

"Our forex bill is not high, and we have the benefit of limited imports," he said.

Shlain believes he has a distinct advantage over multinational companies as they don't pay royalties to anyone. "We don't submit profits to anybody. And because of the currency situation, it is not easy for the SA division of a multinational to provide adequate profits now," he said.

"A few years ago, if the local subsidiary made a profit of R4m, that would be worth $5m. Today, because of tough economic conditions, that subsidiary may be making only R2m in profit, which translates to about $700 000.

"We don't have that problem because we are a SA business and we deal in rands and cents. That also means our prices are lower. International cosmetics have become very expensive due to the rand-dollar exchange rate and that has obviously pushed some clients our way."

Cosmetics is an intensively competitive market. More than 100 companies are fighting for the R300m-plus spent annually on beauty products. Shlain reckons he has a 6% share of the SA market.

But he is expecting a boost from two major contracts in the pipeline.

Apart from the core business of skin care and cosmetics, the group now includes an independent "colour co-ordination" business which has provided a new growth impetus. The company, called Classic Creations, is headed by Annetjie van Rooyen.

"As a service to clients buying make-up, we colour code them to ensure they buy the colours that suit them," says Shlain. "We train our consultants to apply the colour co-ordination concept when making sales.

Exports taking off

"Since we started training our girls in colour co-ordination, our make-up sales have grown. It is a promotional exercise and it's free to the client."

With exports starting to take off, the manufacturing division, operating under the name La Beau Femme is also developing fast.

In addition, there is a contract packaging division which creates and packs products for other companies.

Despite conditions, good companies will succeed under any conditions, Shlain says.

"This year we are marketing a lot more aggressively than before, but with more control. Profits are almost R1m up on last year because of the controls."

Avroy Shlain

A Business Day Corporate Survey

Edited by MELANIE SERGEANT

Success due to team spirit

STEADY, consistent service has, for financial director Brian Aslett, been the critical element in Avroy Shlain Cosmetics' success.

A chartered accountant, Aslett has been with the company for four-and-a-half years, during which time the company has more than tripled its turnover.

He admits that 1985 was a tough year because of the collapse of the rand.

"Team spirit pulled us through and laid the foundation for the success we are experiencing in 1986," he says.

"With the decline in the value of the rand, we reviewed our operation, and reduced our imports as much as possible. We also reduced items manufactured overseas to make-up pencils for which there are no manufacturing facilities in SA. Everything else is made here".

British born Aslett qualified as a chartered accountant in England.

In 1982, he joined Avroy Shlain Cosmetics as finance manager with the portfolio of accounting, computing, administration and personnel. He was made a director of the company in 1983 and recently became a shareholder.

Putting a new face on exports

THE cosmetics business is almost totally based on imports of ingredients, for local compounding, or (more commonly) finished products.

The exception is Avroy Shlain Cosmetics.

"We were the first, and as far as I know the only cosmetics company, to export," says export manager Gerd Niske.

"Eight or nine years ago the company sent a representative to

A fresh complexion on local content

A HIGH degree of local content in Avroy Shlain cosmetics products is achieved by limiting imports to biological serums from Switzerland and some specialised glass products from elsewhere in Europe.

Alcohol, non-active ingredients and plastic packaging are among items produced locally.

"We use locally-produced containers almost entirely," says Shlain.

He adds: "We preach that what we sell — container — not the container itself. We

"He reviewed the situation there and contacted a number of people, with whom we subsequently negotiated, and appointed a sales manager. That man is still running Avroy Shlain Cosmetics in Australia."

Sales are not substantial — about R100 000 or less than 1% of the company's total turnover — but orders are now coming in from Scandinavian countries, West Germany, Greece, the UK and Spain.

The turnaround started last year when Avroy Shlain bought another small company called La Beau Femme because "it had some interesting patents and trademarks, and good export potential".

The owner of the company was Niske who joined the Shlain organisation to take over the export operation.

☐ THE Avroy Shlain headquarters, with 4 000m² of floor space, half of it taken up by the spacious factory behind the administration block. There is a research and development laboratory, a quality control lab, facilities for warehousing, despatching and marketing. Warehousing exists in Durban, Cape Town, Bloemfontein and Kimberley.

"We are selling its products locally through our organisation," says Shlain.

"We have dabbled in the international market for a long time but have never had a manager.

"Now exports are going great guns. We have also appointed an organisation in England to market our products there. We have got a lot of contracts and have received many inquiries, and I am expecting big orders soon."

A new push is also planned into the Australian operation, which has had its ups and downs and is currently not doing too well.

"We are devising new promotions and getting in extra muscle with a view to improving the situation," says Shlain.

"To some extent the slump in sales there is due to political attitudes."

At present the products are exported to Australia fully packaged.

"But we are worried about sanctions and have already talked to some South Africans, who have emigrated there, and are developing a cosmetic contract packing organisation which could handle our products."

products to look good and attractive, but one can go to extremes."

Shlain, a corporate member of Beauty Without Cruelty, says: "No animal is destroyed for us and no animal is used to test our serums."

Animal products

Derivatives of animal products are used but they are not slaughtered for that purpose.

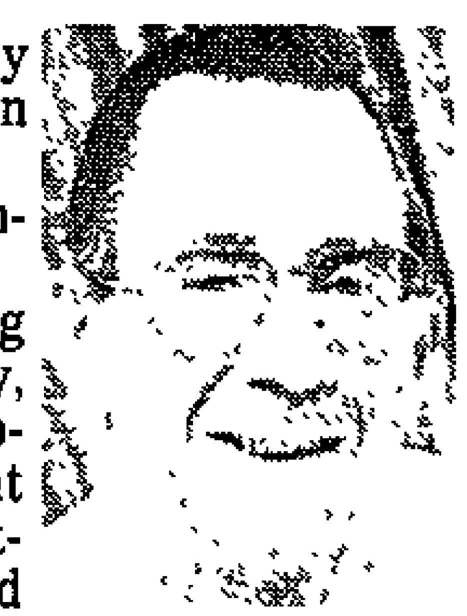
"Our people will go to the abattoirs in Switzerland and buy spleens," says Shlain. "They process them in laboratories and produce a serum for us."

Development and manufacture of the serum is the one thing that it is not economic to do here.

Cream based on that serum is produced here and some of it is exported. Total output of biological products is now R4m a year.

"We have an almost zero allergy rate," he says. "There is no such thing as a non-allergic product. But if you use well-refined, well-controlled raw materials that have been thoroughly checked, you know that the product is going to be pretty safe

Now business must make up for not flying


☐ AVROY SHLAIN

"ALL I ever wanted to do was fly aeroplanes," says Avroy Shlain wistfully.

Today, he's a high flyer of another kind.

Shlain was born in Johannesburg in 1938. The youngest of the family, he was always something of a rebel. He remembers his years at Parktown Boys High as a nightmare. "Then my parents wanted me to become a pharmacist, and I loathed that too," he says.

Because he couldn't get into the SA Air Force, he went to England and signed up with the Royal Air Force. There, eye trouble grounded him.

His ambition to fly was only realised later when he learned to fly on a private pilot's licence.

"I flew myself around for years, but finally gave up at my wife's request," he says.

Now Shlain flies radio-controlled aircraft. "I simply love flying," he admits a little sheepishly.

On his return to SA he moved into selling Venetian blinds after a spell "fiddling around" in films.

Selling, he discovered, was his forte. "I did so well, I could spend most of the week fishing," he chuckles.

Some years and several jobs later, including a spell as Coty MD in Australia, he and his wife, Beryl, launched Avroy Shlain Cosmetics and have seen it grow to one of the biggest cosmetics companies in SA.

Warning to exporters

74

BUS DAY 9/9/86

ALAN SENDZUL

EXPORTERS venturing into new markets should excercise extreme caution when using foreign intermediaries to promote their goods.

Dun and Bradstreet (D & B), specialists in credit information, has issued this *caveat* to inexperienced exporters. It warns of the risks of appointing foreign distributors without thoroughly checking their creditworthiness.

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

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

Banks can also be approached.

But Credit Guarantee Insurance Corporation (CGIC) — the local agency covering political risk and stoppages on the movement of goods — says such cases are not on the increase.

CGIC does not protect against default by foreign agents. An exporter would use credit information to determine whether the foreign agent had the infrastructure to suit his needs.

SA coal may find secret export route

11/9/86

SMAL

By Michael Morris, The Star Bureau

SMAL

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

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

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

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

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

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

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

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

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

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

FINMAIL 12/9/86

EXPORTS (74)

Changing wrappers

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

"Made in Swaziland" is bound to arouse suspicion if the tiny kingdom's manufacturing capacity apparently explodes overnight.

But relatively few South African businessmen appreciate just how easy it is for their products to acquire a "Made in England" label.

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

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

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

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

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

Evening Post (74) 12/9/86

Zimbabwe steel is shipped from PE

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

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

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

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

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

While comment is often heard in the city that the port has few ships at its wharves, it is important to recognise that carriers are today substantially larger than those which line the quays in former years and one 100 000 ton bulker today lifts the equivalent of nearly 10 general cargo liners of the 1960s and earlier.

According to statistics supplied to me by SATS this week, the Republic in the past 12 months imported 11,5 million tons and exported 83 million tons.

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

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

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

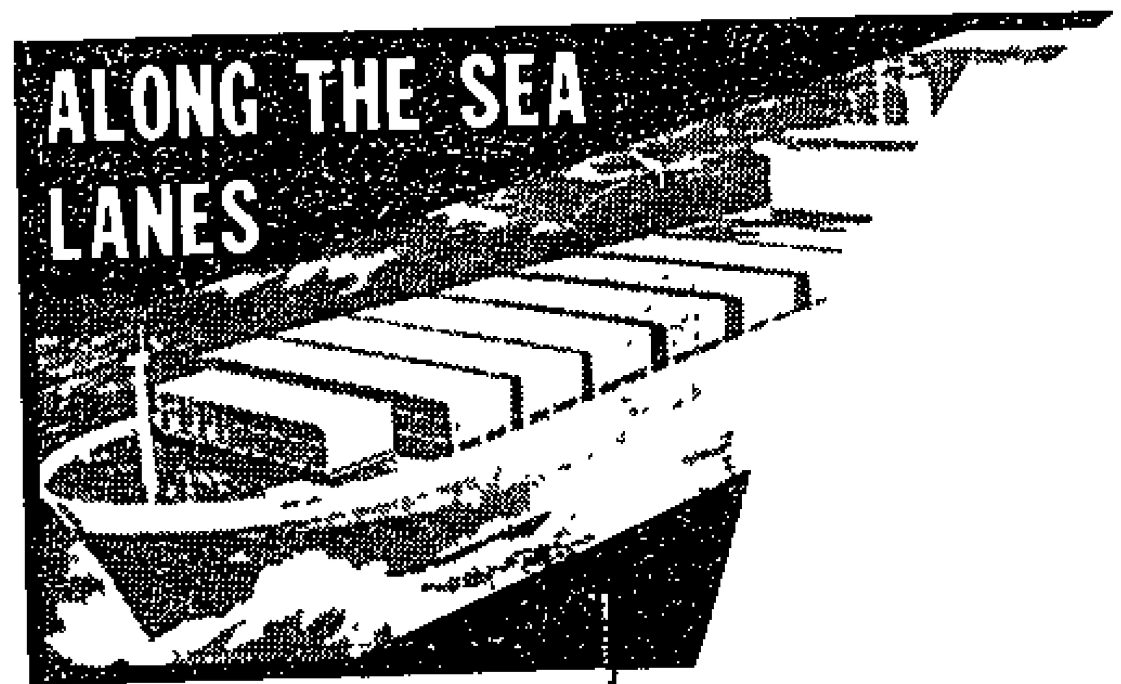
Shipowners everywhere can be relied on to badger their governments to resist sanctions against South Africa because trade everywhere is in a parlous state, and famous shipowners are suffering serious trauma.

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

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

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

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



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

Port Elizabeth is still receiving about 49 000 tons of container cargo annually, compared to 31 000 tons of breakbulk. But the 60 000 tons of boxed exports contrast with the 4,9 million export of breakbulk, including ore.

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

SATS officials with whom I discussed the traffic this week, were most helpful, and when added to the exports of Richards Bay at 2,7 million tons a month, the output of Durban totalling 1,1 million tons monthly obviously makes every other harbour on the African seaboard envious.

Sanctions may not be such a serious threat to these heavy cargoes.

Anti-apartheid India found to have SA links

STAR 23/9/86

The Star's Foreign News Service

DELHI — While India's Prime Minister Mr Rajiv Gandhi has been castigating the world, and Britain in particular, for maintaining trading links with South Africa, the Indian Press has been uncovering his own country's dealings with the "hated apartheid regime".

Press reports have concentrated in particular on the links Indian industry has established with the South African diamond trade. The *Sunday Observer* said that while Mr Gandhi was telling Mrs Thatcher not to give human rights and freedom second place to material gains, the diamond trade between India and South Africa continued to flourish.

Sunday Magazine said that in 1985-86 India imported 34,23-million carats of uncut diamonds worth more than R2 200-million, compared with 26,3-million carats in 1984-85.

Prime Minister Rajiv Gandhi. . . castigated the world for SA trade links.

The rough stones were polished and processed by about 400 000 jewel trade workers, mainly in and around Bombay, and were re-exported to bring in about R2 900-million of foreign exchange.

Where, the writers asked, do these diamonds come from?

The answer they give is at least partly from South Africa. The diamonds are bought mainly through the Diamond Trading Corporation (DTC) of London and its associated company, the Central Selling Organisation. Both are the arms of major South African exporters such as De Beers.

Though the stones they buy are described as of mixed origin and though DTC trades in stones from many other sources, a large proportion of them come directly from the South African mines.

Since the revelations that Indian traders are like American women — whom US Secretary of State Mr George Shultz feared would not be prepared to give up buying diamonds — the Bombay industry has been asked to buy its stocks from the DTC in Switzerland instead of London.

But the *Sunday Observer* reports traders as saying that it does not matter where they get the raw diamonds from. The paper also reports that India's External Affairs Ministry feels that given the stranglehold De Beers has on the international market, it would be very difficult for India to plug the loopholes.

Loopholes in regulations governing trade other than diamonds have also attracted Press attention. Many have pointed out a curiosity in the spice trade, which has shown a startling rise with countries like Zambia, Mozambique, Malawi and Tanzania.

In 1982-3, for example, *Sunday Magazine* noted, Zambia imported rich curry spices worth R24 000 — enough, the magazine suggested, for the few thousand Indians living in that country of 5,1-million people. The very next year the trade went up more than sixfold.

Simultaneously, the spice trade increased with the other Frontline states. Mozambique's purchases doubled, Malawi's went up four times and Tanzania increased its trade from nil to R220 000.

It is not, the magazine suggests, that culinary tastes in black Africa have suddenly changed in favour of curry and rice, nor has there been an influx of people of Indian origin.

The answer is that a cheap and reliable supply of spices has opened up for the million or more residents of South Africa who are of Indian stock.

The interception of one cargo of spices in 1985 indicates the way Indians have been beating the formal ban on trading with South Africa.

The spices were loaded in Bombay and marked for export to Mozambique. They were labelled Maputo (D). But the D was a code for Durban, and when the ship called at Colombo, the crates were unloaded and reloaded on to a Durban-bound vessel.

N/M 25/9/86 (74)

Keep away from Down Under

Finance Reporter

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

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

Feeling

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

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

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

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

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

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

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

74 FIN MAIL 26/9/86

THE RAND

Exporters' blight?

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

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

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

It was only on August 18 that the rand was wallowing at US$0,379. It has since appreciated by 20% to around 45,3c, before falling back to trade at 44,35c at one stage on Tuesday as demand built up and importers were again taking cover (see *Markets*).

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

On technical considerations, the rand has "successfully broken out of its channel and any downward pressure is likely to be of relatively short-term duration," says Standard Bank.

Citibank's Trevor Turner believes the supply of dollars, which pushed the rand up over the past two weeks, now appears to have eased. "This means that appreciation in line with the gold price will tend to more caution."

But the rand has not only gained against the dollar. On August 19, £1 bought R3,95. By Tuesday, the rand had firmed almost 18% to R3,26. The rand, worth 59,13 Yen and DM0,78 on August 28 respectively, rose to 69,19Y (up 17%) and DM0,91 (up 16,7%) on Monday before easing back slightly on Tuesday. Standard Bank's trade weighted index has jumped up to 54,74 — against 45,08 last Tuesday and 39,95 on August 19.

Compared with the rand's earlier rapid appreciation when it reached 50,53c on March 5, the currency's present appreciation is slower, more stable and, as Senbank economist Peet Strydom says, "more firmly based."

This, in turn, means the currency is less exposed to downside risk.

There are new positive factors involved compared to earlier in the year: the pace of capital flight has slowed; a debt agreement is now, of course, in place; gold is on a high, and the economy is beginning to show signs of recovery. Similarly, the present reversal in leads and lags is more gradual and largely due to a change in sentiment, rather than to superficial changes. Importers are not covering forward immediately, but are now paying at the end of their credit period.

"Fewer importers are buying forward dollars. Thus, the leads are lengthening rather than the lags shortening," says Currency Risk Management MD Dave de Kock.

Not only has the Bank gained more dollars, but its more professional method of intervention is increasingly being praised by participants.

The Bank no longer largely confines its deals to brokers, but more often deals directly with banks and quotes through the dealing screen, enabling the corporate sector to monitor the Bank's actions. The consequence is improved communication and understanding. One dealer says the Bank knows when the market is long on dollars and no longer just sits. "They call us directly."

Another observes that the Bank is not taking dollars out in large chunks causing the rand to fall, but is taking dollars out in patches allowing for gradual moves.

This is important given that the Bank is the major market participant with substantial influence on the exchange rate. It now receives a substantial portion of its dollar accruals from the South African mining houses, who have had to convert all earnings to rands since December.

So, certainly, optimism has improved, but is it justified?

Sentiment suggests the rand can gain further in the short term, but structurally not much has changed. The same factors that caused the rand crisis are still present.

The political problems are far from solved; capital flight will not cease until (genuine) stability is attained; SA is still branded the polecat of the world and has to cope with the resultant pressures; reserves are still low; a large surplus has to be maintained on the current account to service foreign debt; inflation continues to erode the currency's value and shows no sign of dropping to anywhere near the rates of our major trading partners. This is despite inflation overseas showing signs of increasing.

These factors must not be overlooked at a time of an appreciating rand, especially in view of the underlying political situation.

Furthermore, officials have consistently cautioned against a high rand, noting the adverse effects a strong currency will have on exports. There is also fear of the capital flight intensifying through the actions of "rand hostages."

Says one dealer: "They learnt their lesson when the rand was last at US50c." In this light, the rand can be regarded as at a reasonable level. ■

MOTOR INSURANCE

AAMI knock

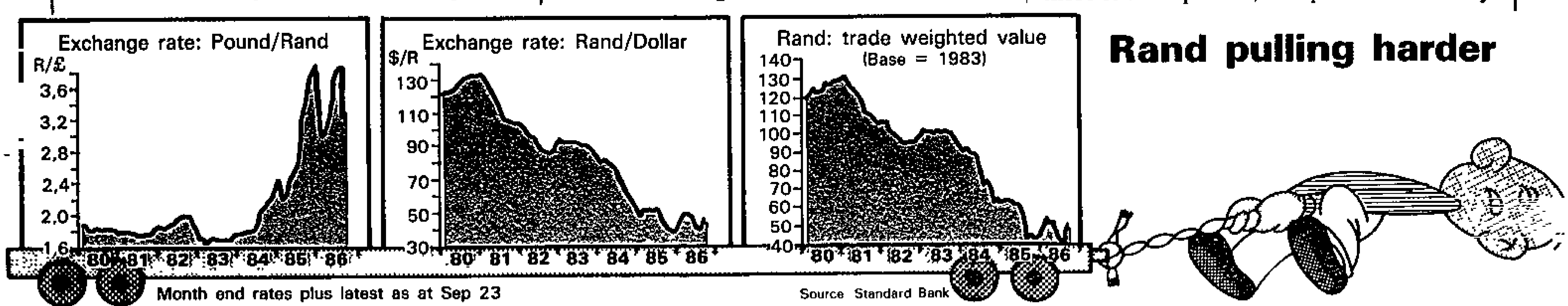
One of the many problems to emerge from the AA Mutual Insurance (AAMI) crash is the disruption of the "knock-for-knock" agreement, a development which leaves many motorists in the lurch.

On the one hand, insurers insist that AAMI is still liable for claims under the principles of knock-for-knock, even if its insureds did *not* cause an accident. On the other hand, the liquidators are not sure whether to assume liability and have been "negotiating for some time to resolve the sticky problem," as one insurer says.

The knock-for-knock agreement was an idea imported from the UK many years ago and has reportedly worked well. Almost all local insurers are party to it.

The principle is that insurers pay only for repairs to their own clients' vehicles, not to those of third parties, irrespective of liability.

Rand pulling harder



Month end rates plus latest as at Sep 23

Source Standard Bank

74

E Cape could benefit from export drive

By DENISE BOUTALL

AN EXPORT foray by South African motor component manufacturers could result in contracts worth between R200 and R500 million and Eastern Cape companies are also expected to benefit.

On May 17 South African component manufacturers took part in the biennial international exhibition of component manufacturers, Sitev, in Geneva. Six of them came from Port Elizabeth or Uitenhage.

In an interview the director of the National Association of Automotive Component Manufacturers, Mr Denzyl Vermooten, said manufacturers were confident of new export contracts worth at least R200 million and possibly as much as R500 million a year.

Some of the work would definitely come to the Eastern Cape.

A spokesman for one of the Uitenhage-based manufacturers said today that his company had not received any firm orders yet, but was still negotiating and there was a chance of them landing a contract worth R5 million.

He said if the company did get new contracts, it would not publicise it because it could lead to political pressure on clients.

In PE the technical sales manager of the Guestro Wheels division of Dorbyl Automotive Products, Mr Don Matthew, said they had received numerous inquiries after Sitev, but no firm orders. They were busy with "very promising" negotiations.

No other companies' spokesmen were available for comment today.

FIN MAIL 31/10/86

74

EXPORTS

Attractions abroad

Strategies to counter sanctions are being cooked up in corporate offices all over the country right now, but for the chairman of the Assocom-JCC export committee there's only one overall answer — exports.

Money earned abroad, reckons Rob Reunert, is vital to creating new jobs, upgrading living standards and redistributing wealth.

"If we are going to have equitable standards in this country," Reunert tells the *FM*, "we'll have to create more wealth. We cannot simply take money from one group to give to another."

74

Cape Times 6/10/86

All SA goods held up in US

From SIMON BARBER

WASHINGTON. — US Customs officers are holding up all South African goods arriving in the US at their point of entry, while the Reagan administration works out how to implement and what is covered by sanctions.

Mr Francis Keating, a senior Treasury Department official, said at the weekend: "We now have a complete halt on everything that comes in from South Africa."

However, he said some of the goods may be released "within a short period of time . . ."

In overriding President Reagan's veto last Thursday, Congress imposed an immediate ban on imports of SA steel, iron, agricultural goods and any product "grown, produced, marketed or otherwise exported" by "a corporation or partnership owned or controlled or subsidized by the government of SA".

The Minister of Trade and Industry, Dr Dawie de Villiers, last night said from Pretoria that the US action was suprising.

"I am not aware — if it is so — that all South African products are being held up. It surprises me."

He said the sanctions, as passed by Congress, had many vague points on which the US Commerce Department still had to give "clarification".

"It was never proposed that the importation of all products should be limited until they sort out the issue . . . It is not in accordance with the sanctions legislation because the measures affect specific products.

"I accept that one can expect further clarification but what is happening now is not what we understood the legislation would entail," he said.

Asked to comment on how long it might take to compile a list of products affected by sanctions law, he said it was difficult to say because the "drawing up of definitions" could be a "time-consuming process".

Mr Keating said the administration as yet had no list of banned items and the Customs Service had accordingly been ordered to block all SA imports, even if they appeared to be legitimate.

The administration has accepted that this temporary overkill is necessary because of congressional suspicions that the new law will not be carried out wholeheartedly.

The White House is at present drawing up formal executive orders on how to implement the law.

In addition to the products already mentioned, imports of SA coal, uranium and textiles must cease within 90 days, new US investment in South Africa within 45 days and SA Airways flights to New York by next Sunday.

Meanwhile, the appointment of Mr Edward Perkins, the black diplomat who has been named to replace Mr Herman Nickel as US envoy to South Africa, was expected to be confirmed before the end of the week.

Strategic minerals outside sanctions net

STAR 17/10/86.

US bans most SA imports with parastatal connections

74

By Neil Lurssen

WASHINGTON — A fortnight after the United States Congress voted for economic sanctions against South Africa, American bureaucrats are still sweating over a final interpretation of the Bill.

All goods imported from South Africa, including shipments that are not prohibited by the new law, continue to be frozen in the US.

Some of the goods are, however, being released into the custody of the American importers on condition that they are held in warehouses until authority is given for final release.

Section 303 (a) and (b) of the sanctions Bill is providing the officials with their biggest headache.

It bans any article that is grown, produced, manufactured, marketed or otherwise exported by a South African "parastatal organisation" and it defines "parastatal" as a corporation or partnership owned or controlled or subsidised by the SA Government.

Exempted from the restrictions are business entitities that previously received start-up assistance from the SA Industrial Development Corporation but which are now privately owned.

There are also exemptions affecting goods produced by parastatals — such as strategic minerals that the US cannot get elsewhere, agricultural products imported during the next 12 months, and goods ordered by contract before August 15, 1986 and delivered to the US up to April 1 1987.

The problem facing the officials is to compile a complete list of parastatals and to establish which SA companies are getting subsidies and, if so, how much.

Adding a complication is a provision in the Bill that prohibits imports from third countries where an SA parastatal has been involved in the production or marketing of the goods.

As one official put it: 'Obviously, we cannot go to Pretoria and ask them to give us this information. Why would they want to help us put the screws on them?'

The list of parastatals is being compiled by officials at the US State Department. Until it is completed, the present situation will continue, a spokesman for the US Customs Service said.

A State Department official said it could be days before the list can be sent to the US Treasury, the Customs, the Commerce Department and the Agriculture Department for enforcement of the sanctions.

State Department officials started work on the list before the sanctions became law in the hope that they would beat the problem. But much of the information they received was dated, it is understood.

Lawyers are keeping a close watch on the situation and are ready to file complaints should the final list turn out to be inaccurate.

Meanwhile, travellers who arrive in the US wearing or carrying gold coin jewellery from South Africa or the Soviet Union will have to prove that the jewellery was imported into the US before October 2, 1986 (when the sanctions were enacted) and that they are bringing the items back after taking them abroad.

But customs officers have been instructed to allow the jewellery into the US only if it is in small quantities for personal use and not if the quantities appear to be commercial.

BUSDAY. 17/10/86

74

Europe to cut power costs with SA coal

GERARD McCLOSKEY

FUEL COSTS for many major European electricity utilities are likely to tumble over the next 12 months after a contract agreement between Italian power company ENEL and two SA coal suppliers, BP and Gencor.

The agreement on 1987 tonnage takes international coal prices to new lows and reflects the extreme pressure on SA coal in world markets, despite the EC decision last month not to ban imports of SA coal.

The new contract price of $24 a ton, for the SA exporting terminal at Richards Bay, is down from $27,50 for current deliveries.

Agreement was reached on the eve of the EC Foreign Ministers' sanctions meeting in mid-September in an attempt to blunt sanctions impact on Italian electricity costs. ENEL is the biggest buyer of SA coal in Europe.

What made an early agreement crucial for both BP and Gencor was that their sales of 500 000 tons apiece were annually agreed and therefore especially vulnerable to sanctions.

The remainder of the ENEL/SA trade was based on long-term contracts and merely repriced annually. However, all SA's coal trade with Italy will at least have to match these new price levels. Indeed, the price of $24 may not stick, since it is up to $4 a ton higher than current spot prices from SA.

Even at these levels, assuming that other suppliers agree to match them, ENEL will wipe nearly $16m off its fuel costs. Altogether, the company buys 4,5-million tons a year from SA.

However, any attempt by the mining houses to establish this new level as a European benchmark for 1987 will be short-lived.

In Spain — like Italy a growth market for coal imports — the state coal importer Carboex has asked for 1987 offers at $20 a ton.

The squeeze on prices, which has brought barge lots of coal in Rotterdam down from $39 a year ago to just $30 last week, resulted from three factors: continuing oversupply, particularly from SA; dropping heavy fuel oil prices; and the gathering resistance to purchases of SA coal.

In the last 12 months, decisions by the French, Danish and, most recently, the US governments not to buy from SA has effectively lopped 10-million tons off steam coal exports (38,5-million in 1985).

The Danes, who purchased 3,5-million tons last year, will cease all trade with SA at the end of November.

A French decree 11 months ago that no contract renewals would be permitted reduced last year's trade of 6,3-million tons by around 5-million tons (although 30 000 tons a week are believed to be coming into France from Belgium).

It is expected that the remaining SA French-bound tonnage will be blocked at the end of this year.

Last month's US sanctions decision will see an end to an 800 000 ton annual contract between Gulf Power and the Transvaal Coal Owners' Association.

But, while it may appear that power companies buying from SA have been winners in the cost-cutting stakes, some very low prices are being reported for Australian coal.

Recent deliveries to Denmark have almost all been below US$32 and, at the end of last week came a report that 500 000 tons of 1987's deliveries to a Danish power company had been agreed below $30.

To this downward pressure on prices has been added an additional push resulting from a greater availability of Soviet coal and, recently, of coal from the lowest-cost producer of them all, China.

While the buyers will be rubbing their hands with glee at the prospect of yet lower prices, many of the producers will be counting their losses.

IMPORTS OF SOUTH AFRICAN COAL IN 1985 ('000 tons)

Japan	7 641
France	6 432
Italy	6 376
Denmark	3 454
W Germany	6 432
Spain	2 243
Hong Kong	2 242
Israel	2 167
Belgium/Lux	2 048
S Korea	1 600
Taiwan	979
US	824
Netherlands	819
UK	370
Greece	181
Switzerland	12
Portugal	92
Ireland	70

Source: International Coal Report

Big role seen for exports

BUSDAY (74) 20/10/86

DAVID FURLONGER
Industrial Editor

GROWING emphasis on import replacement programmes should not deflect manufacturers from a more important target — export markets.

This was said by Board of Trade chairman Lawrence McCrystal who added that although industry was being encouraged to gear up for local manufacture of expensive imports, it should not lose sight of exports.

He said over the weekend government plans to stimulate import replacement had struck a responsive chord in industry.

"Industries are looking forward to it. It's releasing an awful lot of energy. And it's very good that people are looking at this — as long as they don't neglect exports.

"I am concerned that with all the emphasis on import substitution, we will take our eyes off the more important ball — export contracts. We need not just maintain them, but must make them grow.

"A country or industry that only looks in on itself won't have a place in world markets."

McCrystal said the Board of Trade was actively investigating which industries were ripe for import substitution. While some form of tariff protection was likely to protect local industries from imports, he said the board would not encourage programmes in industries which could not maintain them — either through high costs or too-small a market.

"We are ensuring that when one does replace something, it is economically viable to do so," he said.

MUNDELS 12809

Hong Kong open $412,90 Indust 1310,0 (1314,0) Dow close

Fears of ban on American firms trading in SA shares

74

24/10/86 TMR

By Sven Lünsche

There is some speculation on the Johannesburg Stock Exchange that American companies could be prohibited from trading in South African shares.

In the wake of recent announcements of withdrawals from South Africa of US multinationals like IBM and GM, analysts said that an extension of the US legislation could include a ban on investments in local shares.

This speculation has not been substantiated, but the rumour was enough to trigger off a flurry of US selling pressure yesterday afternoon.

Over the last two to three weeks there has been major profit-taking, much of it from US investors on fears that the recent ban on US investments and the subsequent corporate pull-out could have repercussions on investments in the local stock market.

The JSE All Gold index plummeted by almost 70 points yesterday to close at 1 863, and dealers expect more profit-taking in the next weeks.

South African gold shares are also expected to be hit by expectations that the gold price could be hard-put to maintain levels of over $400 after signs that the US dollar is set to strengthen in the next few weeks.

Gold opened at a two-month low of $412,90 in Hong Kong this morning, shedding more than $10 on yesterday's close, while in New York it dropped by $12 to a closing level of $414,80 last night.

European metal markets are expected to follow suit this morning.

The dramatic drop came hard on the heels of yesterday's announcement that the US budget deficit for the financial year was about $10 billion less than anticipated, although it recorded a record $220 billion.

US orders for durable goods also jumped by almost five percent yesterday, the largest monthly gain in two year, suggesting that a rebound by US manufacturers is imminent.

These signs of strengthened US economic growth fuelled a powerful rally by the dollar, which hit a three-month high against the yen and rose substantially above the two Deutschmark level.

Within minutes of the announcements the gold price plummeted to its depressed levels, and dealers now suggest that bullion is set for a downward trend for some time to come.

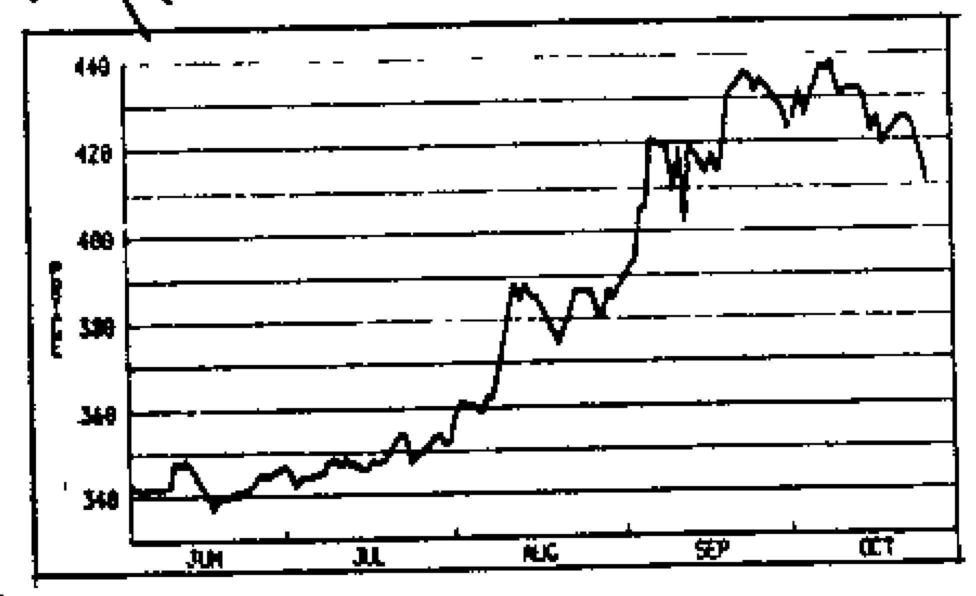
The Chamber of Mines has confirmed that its overseas gold promotional company, Intergold, would be taken over by the new World Gold Council.

"Intergold will, however, remain in existence as a South African company to manage the domestic and proprietorial interests of South African gold producers, members of the Chamber of Mines and will retain its Johannesburg office," a spokesman said yesterday.

"It will continue to sell gold in the form of Krugerrands, locally and overseas on behalf of South African producers.

"It will also continue to promote gold jewellery within South Africa and manage its other interests in this country.

"Some compensation may be paid by the World Gold Council for Intergold's relatively modest foreign assets — mainly office equipment — but no payment will be made for any goodwill which would in any case be difficult to quantify."



Gold price in dollars

Analysts added that "the lack of bad news" from South Africa's political and labour scenario had recently exerted downward pressure on the gold price, and today's wage agreement between the NUM and the Chamber of Mines is expected to put the lid firmly on any speculative buying on this account.

Bullion will also be negatively affected by a more stable oil price, and news emerging from the Opec summit talks suggest that an agreement on the allocation of quotas is highly likely.

A controlled oil price will have a deflationary impact in the industrialised countries and could reduce gold's importance as an inflationary hedge.

Europe determined to have SA coal ban

Weekend Argus Foreign Service

LONDON. — A new assault on South Africa's R2,3-billion coal trade with Europe is imminent.

The European Community's 12 Foreign Ministers are meeting in Luxembourg on Monday and Tuesday for the first time since agreeing in Brussels a little more than a month ago on bans on South African exports of gold coins, iron, steel and new investment.

West Germany and Portugal headed off a coal ban then, but Holland and Denmark emerged from the tough, protracted meeting promising to push for the ban at every opportunity.

They now feel their case is stronger, with the recently-imposed US measures — which, significantly, include a coal ban -- in their favour.

The Dutch Foreign Ministry has confirmed that Foreign Minister Mr Hans van den Broek will make an attempt on Monday for a coal ban to be added to the European package.

Consensus

A spokesman said: "Our position remains unchanged. That is, that the EC package would be meaningful only if it included a ban on coal exports."

The Foreign Office in London yesterday said that Britain would not object to including the ban as long as there was consensus among the 12.

West Germany, though, remains rigidly opposed to it. The German Foreign Minister, Mr Hans Dietrich-Genscher, is undoubtedly under greater pressure this time, following the approval of the US measures.

Britain, holding the presidency of the EC, undertook in Brussels to "continue to seek consensus" on a coal ban, and will probably find itself again caught between opposing sides which are reluctant to compromise.

The question of a coal ban may, in fact, be subordinate to a wider debate on Southern Africa in general.

W/E Post 28/11/86 (74)

Citrus crop expected to earn R500m

By JENNY CULLUM

SOUTH AFRICA'S 1986 citrus crop is expected to earn well over R500 million — and 1987 crop prospects are favourable so far.

Among developments planned for next year are:

- Increased emphasis on the "easy peelers" — exotic soft citrus fruits.
- More attention to the local market.
- Investigation of local packaging alternatives to the familiar "pockets" of oranges.

Sales of valencia oranges are still in full swing on overseas markets, with total export volume up 5% on the previous season, although the crop dropped by 3%.

Early season varieties of navels, lemons and grapefruit brought record export prices, with favourable exchange rates for the first half of 1986 and a buoyant overseas market.

However, overseas markets are heavily supplied with competitive citrus fruit from South America, which has caused a price drop in valencias.

Export sales normally carry on till the end of November, when the market is taken over by Northern Hemisphere citrus.

The total crop topped R500 million for the first time last year and the Citrus Exchange is "cautiously optimistic" that the overall 1986 results will be satisfactory, in spite of the strong competition, says assistant general manager Mr Arend Venter.

The Eastern Cape's citrus areas — Sundays River, Gamtoos and Fort Beaufort — produce 15% of SA's crop.

Citrus is the third-biggest agricultural revenue earner for the Eastern Cape and is expected to double production in the next five years.

The packing season, which began with the opening of Port Elizabeth harbour's new R8,8-million pre-cooling facilities, has just ended.

By next year a new R2,8-million packhouse will replace the Sundays River Co-operative's old building.

Prospects for the coming season are encouraging, with good irrigation water supplies, heavy recent rains and blossom setting on the trees.

Special attention will be given to boosting the production of "easy peelers" — exotic soft citrus varieties of clementines, ellendales, satsumas and minneolas — which are very popular overseas.

These were first exported in 1980 and the volume has increased relatively slowly. Total production is about 500 000 cartons.

Mr Venter said that growth would be more rapid from now on.

The industry has decided to pay more attention to the local market and is investigating upgrading the image of citrus fruit.

Local packaging is being probed and tests are being carried on a variety of containers, including cartons and bulk bins.

SA exports to Israel rise by 70%

Business Day Reporter

SA's exports to Israel were up 70% in the first four months of 1986 against the same period last year. Imports declined 10% over the same period.

The SA-Israel Chamber of Commerce said the rand's low value had caused a significant increase in SA manufacturers looking at Israel as a target market.

Inquiries from SA firms seeking Israeli industrialists as partners in joint-venture agreements were also on the rise, the chamber said in its annual report.

Exports to Israel continued to be dominated by mineral products (42% of total exports) and base metals (23%). Exports of base metals, mainly steel, jumped 95% over the previous year, it said.

The report targeted machinery, electrical equipment, vehicles and aircraft as exports which performed well and showed growth potential.

Leading the list of imports from Israel into SA were machinery, electrical equipment and parts, chemical and allied products. These accounted for about half of total imports.

ARGUS 29/10/86

BUSINESS

TRADE

184 197 74 280

Clothing exports deadline looms

Finance Editor

THE Government must give top priority to maintaining exports, says The Cape Chamber of Industries in a report which points out that December 30 will be the last day South African clothing and textiles will be allowed to be imported into the United States.

The South African embassy in Washington has told the National Clothing Federation that textile and clothing exporters will have 90 days from October 2 to deliver merchandise to the United States in terms of section 309 (B) of the Comprehensive Anti-Apartheid Act of 1986.

This means the last day of entry into the United States will be December 30.

The Director of US Customs says once the ship is within the limits of the port of entry documents can be presented to customs for clearance and that date will be declared "date of entry" even if the merchandise is offloaded at a later date.

The Chamber says that October has been characterised by an escalation in the debate on sanctions. This has resulted in the various Federated Chamber of Industries' committees dealing with foreign trade to discuss strategy to withstand the effects of boycotts and sanctions.

They have drawn up a course of action which includes:

- Re-evaluating the entire approach towards maintaining and expanding exports and according national priority;
- Aggressive action by the private sector to diversify export markets and develop new products;
- Continuous communication between Government departments involved in the export effort and the private sector;
- The work by the Kleu-Reynders Committee of Investigation into export support should be accelerated; and
- South Africa's undertaking to accede to the GATT code on subsidy and countervailing duties should be re-evaluated.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Pretax profit (Rm)	% change	Earnings (c)	% change	Div (c)	% change
Romatex	489,5	+13	27,6	+128	64,7	+65,8	26	+73,3
INTERIMS								
Barclays	n/a	—	180,7	n/c	148	n/c	71,3	n/c
Gresham	40,08	n/c	2,55	n/c	3,2	n/c	1,5	n/c
Edgars	423,02	+24	35,03	+134	853	+127	215	+72
Zuboard	15,09	n/c	2,56	n/c	2,9	n/c	—	—
Amrel	293,5	+24,6	5,97	n/c	34	n/c	11	—
Boumat	254,7	+20,2	7,79	+60,8	20	+700	14	-21,4

n/c — not comparable n/p — not provided n/a — not applicable

SUN TMES

Form-Scaff reaps a rich foreign harvest

2/11/86

By Ruth Golembo

FORM-SCAFF Industries has moved from the wasteland of the South African construction industry and is conquering foreign markets.

It is increasing its diversification into fields like mining through its Natbolt acquisition.

Its results have been phenomenal. Jeff Liebesman, group managing director and chief executive, says it is only the start.

FSI's annual report shows a 198% leap in pre-tax profits from R2,8-million to R8,5-milllion for the year to June. SA scaffolding and formwork business contributed only 12,5% of revenue.

Earnings a share soared from 7c to 24c and the annual dividend rose from 2c to 6c.

Rough patch

"Our overseas companies are ready to capitalise on start-up expenditure. They are well positioned and established and are competing well in their markets.

"We are ready for any improvement in SA. It would boost earnings."

FSI's formwork and scaffolding division is one of the largest in the world after its acquisition of foreign and SA manufacturing, engineering and property companies from the unlisted Form-Scaff Investments.

FSI's 79% holding in National Bolts, which bought the industrial fastener businesses of Lennings, Cut Steel and Metal Bolts in the past year is expected to lift earings in the current year.

A 40% increase in earnings is predicted for Natbolt, which Mr Liebesman says is poised for growth as all expenditure and rationalisation have been completed.

The face of Natbolt has changed considerably.

Within three years it took over three major industrial fastener companies and turned them around from combined losses of R15-million to R3-million profit in the six months to last December. The group now dominates the the SA fastener market.

SUN TMES 2/11/86

Metro on course

IN spite of intense competitive pressures, Metro Group profits do not accrue evenly throughout the year. The bulk

'Higher wages pricing SA out of export market'

Cape Times 6/11/86

Unions 'must take part in Wesplan'

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By AUDREY D'ANGELO
Assistant Financial Editor

THE trade unions must be involved in Wesplan — the campaign to create more jobs in the greater Cape Town area which was launched this week — if it is to have any hope of success, Plessey (SA) MD John Temple said yesterday.

Warning that the unions' co-operation was vital, Temple said that export orders and therefore jobs were already being lost because wage rises were pricing SA out of the market.

'Special export projects'

He suggested that, purely to provide jobs, there should be special export projects making little or no profit, with union representatives on teams going overseas to secure orders and helping in the costing to keep prices competitive.

These should be quite separate from the normal profitable business of the company, for which higher wages and salaries would be paid.

Temple emphasized, in an interview, that he was in favour of higher wages and living standards for SA workers and sought no confrontation with the unions in their efforts to secure this.

"I take the view of Henry Ford, who said he wanted the workers to earn enough to be able to afford to buy Ford cars.

"SA must pay people more so that they can spend more and pull the economy up by its bootlaces — but only if they are giving value for money on the export markets."

Temple said pressures in this country were pushing up labour costs, and it was not always possible to pass these on to the customer.

"We used to do a lot of exporting but next year we have budgeted to do none. We have been priced out of the export market.

"If a firm makes no profit on a product it drops it and if a product is dropped, job opportunities are lost."

Temple said it was cheaper to import a PABX switchboard than to make it in this country.

This was not necessarily due to SA levels of productivity.

"At Plessey, SA, people are as productive as at Plessey anywhere in the world, as far as output per person goes, for the level of automation we have.

"But we cannot compete with the British level of automation so we cannot produce as cheaply."

This situation would change, he said, if export markets were sufficiently large to make more automation worth while.

To achieve this, unions and manufacturers must get together round a table and achieve a balance.

'More jobs'

There should be a two-tier structure. There should be a normal programme of giving people good wages for products which could be sold profitably when these were costed in, and there should be special projects when there was an opportunity to get a large export order providing work for less skilled people who would otherwise be without it.

"We can get large export orders for work that can be done by less skilled people, such as making cords. And if we can sit with the unions and agree to do it as a special project, telling them the price the market can stand, more jobs can be provided."

... percent gold and two percent silver, will be recovered.

Rand Refinery, an associate company of the Chamber of Mines of SA, processes about 60 percent of the free world's gold production.

Exports helped in debt negotiations — Durr

74

SMH

6/11/86

The outstanding performance last year by South African exporters had laid a solid foundation for the successful outcome of the foreign debt standstill negotiations, the Deputy Minister of Finance and of Trade and Industry, Mr Kent Durr, said yesterday.

Addressing the annual meeting of the SA Foreign Trade Organisation in Johannesburg, he said the good performance was reflected in an export growth of nearly 50 percent, which had generated R20 billion in non-gold exports and produced a surplus of no less than R7 billion on the current account of balance of payments.

"This was a major reason why our short-term debt repayment could be negotiated so successfully after certain American banks tried to pull the rug on us."

Although foreign trade was the key to South Africa's national economy, the country's economic growth would have to rest jointly on two legs, the other being "inward industrialisaton", said Mr Durr said.

Anything that served to create the employment and wealth so desperately needed should be encouraged. "But let us be quite clear that exports will remain indispensable for many years to come.

"Our economic growth will have to rest on the two legs jointly, so we should avoid any undue emphasis of the one strategy over the other."

Of sanctions, Mr Durr said: "It would be unwise to over-rate (their) impact, but similarly, it would be shortsighted to under-estimate our ability to overcome these disabilities by good and solid advance planning.

"The message I wish to convey is one of optimism with respect to economic *expectations for the immediate future* ... the present situation presents not only challenges but also greater opportunities for the South African business community."

Mr Durr said that, in view of the increasingly complex relationships South Africa faced internationally, any publicity about delicate topics such as methods of sanctions-busting should be avoided.

One of the dangers the export sector faced was that the threat of harsher sanctions could itself undermine confidence. — Sapa.

Hong Kong is getting its Coca-Cola from SA

6/11/86 STAR 74

The Star's Foreign News Service

HONG KONG — South Africa is supplying much of Hong Kong's Coca-Cola because the weak rand has made it a cheaper source than almost anywhere else.

Coke is only one of a number of commodities in South Africa's Far East trade.

And now, a *Financial Times* report says, the prospect of increasing sanctions has prompted Pretoria to consolidate trade relations in Asia.

OPPENHEIMER VISIT

Hong Kong, as an important commercial centre for import and export and a no-questions-asked trade authority, is expected by many to play an important part in this consolidation.

The report suggests that Mr Harry Oppenheimer — who has just spent four days in Hong Kong, insisting it was a holiday — was there either to discuss possible acquisitions or was working to make sure pressure for sanctions does not mount in the territory.

Hong Kong is an important trading partner in its own right, with imports from South Africa — excluding gold — amounting to about R700 million last year and growing at a rate of about 40 percent in the first half of this year.

The territory is also a crucial conduit for South Africa's trade with Taiwan and with mainland China, which officially denies having any trade links with Pretoria.

The Hong Kong Government, true to its "hands off" policies, has signalled that it has no intention of imposing sanctions on South Africa.

At the same time, officials insist that trade with South Africa is tiny in the context of the territory's overall trade.

Fidelity assets top R1-bn

Assistant Financial Editor

THE Cape Town-based Fidelity group, including the Board of Executors, now has assets of R1,1-billion under administration.

Announcing this with the results of the 18 months to September, chairman Stanley Lewis says it "not only reflects the drive for new business but also the growing acceptance of the broad range of services offered by the group".

The group, which has changed its financial year, achieved a net operating income of R6,8m for the 18 months to September.

On an annualized basis this is R4,5m compared with R4,2m for the 12 months of 1985. The final dividend is 45c a share.

Group income after an increased tax bill of R2,8m (R1,9m) rose to R3,9m compared with R2,1m in 1985, and R2,6m on an annualized basis, and dividends rose to R1,7m (R1,1m).

Earnings rose by 14% to 281c compared with 164c in 1985 and 187c on an annualized basis and the dividend by 13% to 127c (75c) a share.

Lewis reports that "both the Board of Executors and Fidelity Bank performed well, with assets under administration increasing from R700m to R1,1 billion".

He says it is "pleasing to report a 19% growth in after-tax profits.

"This result was achieved against a backdrop of heightened political uncertainty, volatile financial markets and after making prudent increases in provisions."

Hostile reaction to export drive plan

CAPE TIMES 7/11/86

Assistant Financial Editor

GETTING trade unions to help secure export orders for goods produced at competitive prices, in order to provide more jobs, is theoretically possible, says Cape Chamber of Industries industrial relations adviser Ian Newall.

But he warned that in practice it might be possible only after a lengthy period to build up trust between the unions and management.

'Information'

"It is not something that will happen tomorrow."

And any chance that unions might agree to a special export project with workers temporarily accepting less than the normal rate of pay would depend on how much information they were given about a firm's profits and how much they trusted this.

Newall was commenting on a suggestion by the MD of Plessey (SA), John Temple, that the unions could help SA firms to avoid being priced out of the export market through wage rises.

Temple suggested that there should be a two-tier system. Firms should pay normal rates for work done for the domestic market.

But, in order to secure export orders to provide work for the unemployed, there should be special projects with lower rates of pay in which union representatives should be told "how much the market will stand" and help with the costing.

● Reaction from at least one union — Cosatu — is already hostile. Regional general secretary Nic Henwood has warned that the unions are unlikely to participate in Wesplan — the campaign to create more jobs in greater Cape Town — if it undermines their attempts to secure a living wage for their members.

'Cheap labour'

Labour Reporter Hilary Venables writes that Henwood said unions were "not going to help provide cheap labour for bosses who were worried about their export markets".

"Jobs are not lost because of higher wages. They are lost because the bosses want to maintain their high profits", he said.

SA must stress export growth, says Clewlow

STAR (74) 7/11/86.

By Stan Kennedy

The chairman of the SA Foreign Trade Organisation, Mr Warren Clewlow, says in his annual report to end-June that export growth must remain central to the country's development policies.

South Africa's export performance in 1985/86 broke all records, with total gold and merchandise exports touching R38,2 billion — a 31 percent increase.

Non-gold exports increased by 35 percent to R22 billion and, although merchandise import volumes dropped, the value increased by eight percent to R24 billion, resulting in a substantial trade surplus of R14 billion at the end of June.

Mr Clewlow says: "Historically, economic growth has been export-led and this is borne out by the current signs of an emerging upswing in local business.

"This is the inevitable result of the superb performance by the export sector last year, especially of merchandise exports, which rose by 37 percent in value."

To sustain such a high export growth in the face of the likely domestic revival it is essential, he says, that there is new investment in plant and technology.

South Africa can no longer rely on foreign sources and will have to generate the necessary capital investment from its own sparse resources. He says recommendations on this aspect have already been made to the Government.

He says that only too frequently domestic revival leads to a traditional downturn in exports as more production is absorbed by local demand.

"There is a very real danger that unless there is new investment in export-dedicated plant, renewed domestic demand will result in reduced availability of products for exports.

"Without this investment there will be a calamitous easing-off of foreign exchange earnings and lost opportunities for economic growth and job creation."

Mr Clewlow says one of the dangers of the sanctions programme is that it could undermine current export buoyancy and lead to a loss of local business confidence.

EXCUSE

It could also provide an excuse to ease off on the export drive.

"The combination of sanctions threats and a domestic business revival could reinforce the wait-and-see attitude that the country can ill afford.

"An effective counter-sanctions strategy calls for South African companies to retain their commitment to their foreign business and, where necessary, to diversify into new markets."

Structural changes are emerging in world trade and there is a move away from bulk raw materials towards value-added products.

While the shift may present dangers to South Africa's traditional major exports, Mr Clewlow says it does indicate the direction which the export sector should take.

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Moving targets

There's more than one way of getting a foot into foreign markets, as South African office furniture manufacturer and supplier Grant Andrews (GA) has found.

The company is about to launch a locally designed and developed system of computer support furniture on international markets with the aid of new companies established in the UK and Mauritius.

Director and head of production Mike Edwards says GA is now studying approaches from 63 companies in 17 countries which are interested in selling or manufacturing the Remisystem range under licence. Just back from an international office equipment fair in Cologne, where the furniture attracted wide interest, Edwards tells the *FM*: "We are most interested in five approaches from UK companies, three serious inquiries from the US and three from Australia.

Right partners

"It's critical that we choose the right partners. We were astonished at the interest in the product at the fair — there's nothing quite like it on European markets. But we need the best support we can find in each foreign market to really succeed."

The international rights to the Remisystem range have been granted to UK-based Remisystem, which will appoint international distributors and licensed manufacturers. Components for the range, which has been specifically designed with container export in mind, will be manufactured by a joint-venture company in Mauritius.

"The whole package has been put together to keep SA out of the spotlight," says MD Grant Andrews. But the benefits will flow back from the sale of components, licence fees and the kudos that comes from any export success.

The venture will also help secure GA's position in the local specialist office furniture market, which has shrunk from R180m a year to about R120m a year in the present recession.

"We want to avoid being dependent on one market," Andrews explains. "We've always known we have the product and the expertise to succeed in other markets. I think we've now proved it." ■

11/11/86 BusDay (74)

Fruit Board a major currency earner

HUNDREDS of thousands of tons of deciduous fruit are exported from SA annually, making the Deciduous Fruit Board a major foreign-currency earner.

Last year the board exported 330 000 tons of fruit, compared with 261 000 in 1980. Gross turnover rose from R245m in 1980 to R480m in 1985, while payment to growers increased to R251m (R129m).

The board, which is 50 years old this year, handles the export of all apples, pears, table grapes, plums, peaches, nectarines and apricots. Apples comprise over 50% of all fruit exports.

There are 1 500 registered members of the board from nine farming areas, mostly in the south-western, winter-rainfall regions of the country. The executive consists of members elected from each of these areas.

Once the fruit has been passed for export and packed, the board assumes full responsibility for its export. The fruit goes through a system of interior cooling, and is then transported to the ports. The board arranges all shipping procedures and ultimately the distribution overseas. Obviously quality control forms an important aspect, because of the perishable nature of the product.

"The major strength of the Deciduous Fruit Board's export operation, giving us the edge over our competitors, is the single channel export system. Other southern-hemisphere producers and those from European deciduous fruit producing countries cannot match our system," says the board's CE, L B Kriel.

Reliability

The board has built up a reputation among its customers for quality, quantity, continuity of supply and reliability. Customers know a month in advance what fruit they can expect from SA.

Ten years ago the marketing season was from January to June. This has been extended from October to October.

On-going research into improved packaging and handling has also served to enhance the quality of SA fruit. The board is a leader in packaging material for its products. Not only do the new packaging methods protect fruit travelling more than 10 000km but they serve to prolong shelf-life.

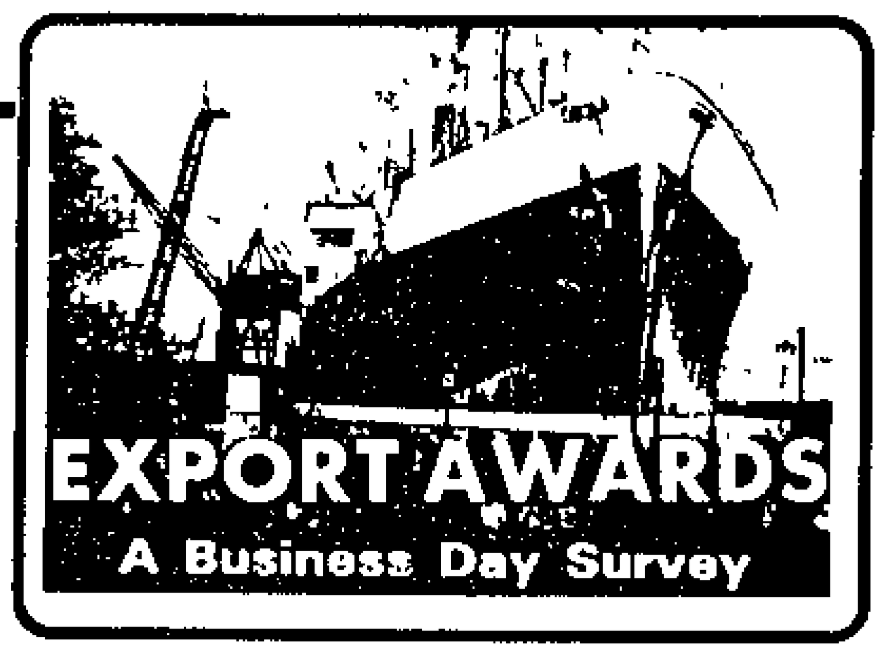
SA is perhaps the only country in the world to be fully palletised in the export of deciduous fruit. Every carton is shipped on a pallet, which has enabled the board to step up its exports.

Redesigning pallet heights has increased capacity, since full use is made of the space on ships. A new apple cart has enabled the board to fit in an extra layer of apples on top of pallets. This has also helped customers by reducing their own handling charges.

Most of the fruit is transported in refrigerated ships. The expense of air freight means it is rarely used.

The export spread, while extending overseas, also includes many African countries and new markets are being developed all the time.

However, a major task at the moment is to develop and promote the local market. Growers are competing with one another for the sale of the products in SA, with the board still monitoring quality.



Research ups Westfalia's avocado crop

THE SCIENTIFIC approach to agriculture is paying dividends to a major avocado pear exporter, and has more than quadrupled its output.

Avocado pear trees on the Westfalia Estate in Duiwelskloof have a very high yield. The estate produces 13 tons per hectare — compared with the industry average of about three tons — due mainly to research inputs.

Westfalia has its own research-laboratory team, which has conquered many soil diseases which often affect avocados. However, another aspect which has attributed to this increase is an irrigation system throughout the orchards.

Westfalia is a subsidiary of the Hans Merensky Foundation, which is involved in timber and agriculture production. Avocados are the main export item but nuts and tea are also produced and exported.

At this stage, about 80% of the products are exported but it is hoped the local market will increase because, it is felt, it could be developed considerably.

About 60% of Westfalia's export quota is sold in Europe, 40% finding its way to British greengrocers.

Westfalia GM D L Milne is confident avocados will increase in popularity and demand for the fruit will increase locally and overseas.

He says the major avocado producers are the Israelis who, by spending a lot of money on advertising and marketing, have greatly benefited the SA industry, which supplies the European markets during the Israeli off-season.

SA's contribution is too small to invest money in large-scale promotion.

A major feature at Westfalia is the attitude towards labour.

With a workforce of about 1 200, Milne is using the Hertzberg theory of labour motivation, which calls for a greater involvement of workers in decision-making and responsibility. He says this has increased production considerably.

Entering the State President's Export Award is part of Westfalia's motivation programme to make staff feel they have achieved something special through their efforts.

The closest markets are 'the best markets'

Last year's overall winner of the State President's Export Award, Premier International, sees its future in SA and Africa itself, and is accepted by all the African countries the company does business with, reports MD ALBERT NELISSEN.

PREMIER International believes that the future of SA and Premier itself lies in Africa.

The closest markets are the best markets, according to MD Albert Nelissen.

However, the company philosophy is not merely to export for its own sake, it needs to ascertain that the right products at the right price are used to the maximum benefit of customers.

The idea is not only to sell but to assist the countries concerned.

Premier only exports essential commodities such as food and agricultural foodstuffs.

When Premier considers an African country to which to export, a great deal of investigation is carried out into its essential needs.

"The company has implemented a logistics network catering for every country's requirements and to gain the trust of the country and its people before a marketing strategy is established.

"It is an aggressive marketing strategy through honest business and confidence,' says Katerina Yiannakis, GM of Premier International, who has travelled extensively implementing such programmes.

Premier exports to many countries in Africa and, according to Nelissen, is accepted by all those countries.

The company systems have assisted in many agro industries on this continent.

A team of personnel can visit customer markets at a moment's notice and can call on the back-up service, which can access the necessary data and provide motivation not only for Premier but also other companies creating the infrastructure.

Basically Premier's achievements have grown consistently from year-to-year in the four years it has been exporting.

Nelissen says the aim is to export a minimum of 15% of the group's annual output.

Premier was overall winner of the State President's Export Achievement Award in 1985.

Yiannakis says the award has motivated staff and added a certain credibility internationally.

In addition, Nelissen feels it highlights to government and those in the private sector which company is doing what, where and, hopefully, it will encourage others to enter the export market.

11/11/86 BUS DAY 74

20,6% growth in SA exports each year since 1970


☐ DE VILLIERS

SA's total export industry has grown 20,6% a year at current prices between 1970 and 1985.

Since current export rulings were implemented, international trade circumstances had undergone enormous changes, Minister of Trade and Industry Dr Dawie de Villiers said at the State President's Export Awards ceremony last night.

It had become clear that current measures were no longer adequate or cost-effective, and government had last year decided to investigate industry circumstances, he said.

A committee had been appointed to this effect, he said.

In the meantime certain bases for a new dispensation had been accepted. A new system of incentives would be based on structural adjustment assistance, tailored to meet the needs and circumstances of specific industries.

Measures to provide assistance would thus be selective and differentiated. The consideration of incentives and structural adjustment assistance would be a continuous process, and the system would be consistently monitored and adjusted where necessary.

Forms of assistance would be introduced only after proper investigation and consultation with the industry concerned.

Incentives

Note would be made of the position of producers who had entered long-term export contracts on the basis of existing incentives. A notice period of 12-months would be granted to each sector to adjust to the new system. Industries would also be able to change over to the new system immediately after the announcement of new incentives for their sector.

Over the past five years serious drought, changing international commodity prices and the relatively low inflation rates in SA's most important export markets had seen the composition of the export industry change, De Villiers said.

The drought meant SA agricultural exports had become a less important sector of this market, and exports of manufactured foods also suffered.

Manufactured goods exports were disadvantaged because of cost-pressure factors within SA, as well as the lower inflation rates of major trading partners.

But in 1984 the real value of certain categories of export — like non-precious metals — increased because of the rand's sharp fall on foreign exchange markets.

Mining too, showed growth and this trend continued in 1985 and this year, De Villiers said.

This contributed to a surplus balance of payments account in the first and second quarters on 1986 of R4,3m and R6m.

These improved conditions showed the SA export industry was able to overcome adverse conditions, De Villiers said.

Exporters succeeded, despite lack of business confidence and unfavourable international opinion of SA, in not only keeping existing markets but in creating new ones for their industries.

"I wish to thank those who made 1985 one of the best export years in SA history," he said.

De Villiers said he would like to elaborate on export successes, but current international conditions meant it was better to remain silent about information of this nature.

"I believe under these circumstances it might even be necessary to take another look at the nature and form of this export award.

"There might be merit in shifting the focus from the winners and runners-up and giving this banquet a new form and content."

De Villiers said the promoting of exports remained a high government priority, but stressed the industry's driving force lay with the initiative and push of exporters themselves.

"The authorities can only support and strengthen their actions on a limited scale."

Awareness

The Minister said it was encouraging to note a growing awareness among manufacturers of the benefits to be derived from exporting.

"This greater export awareness is being promoted by three factors: the under-valued rand, which renders SA products competitive on foreign markets; the low levels of demand in many markets within SA; and the investment in additional capacity which took place in the period 1979 to 1981, much of which is now under-utilised.

"Exporters should not be discouraged by the actions taken against SA. On the contrary, these should be seen as a challenge to be met by greater and more aggressive and imaginative marketing efforts than ever before."

De Villiers said SA must increase its export efforts in every way to reduce foreign debt. This could only be done by generating a surplus on the balance of payments.

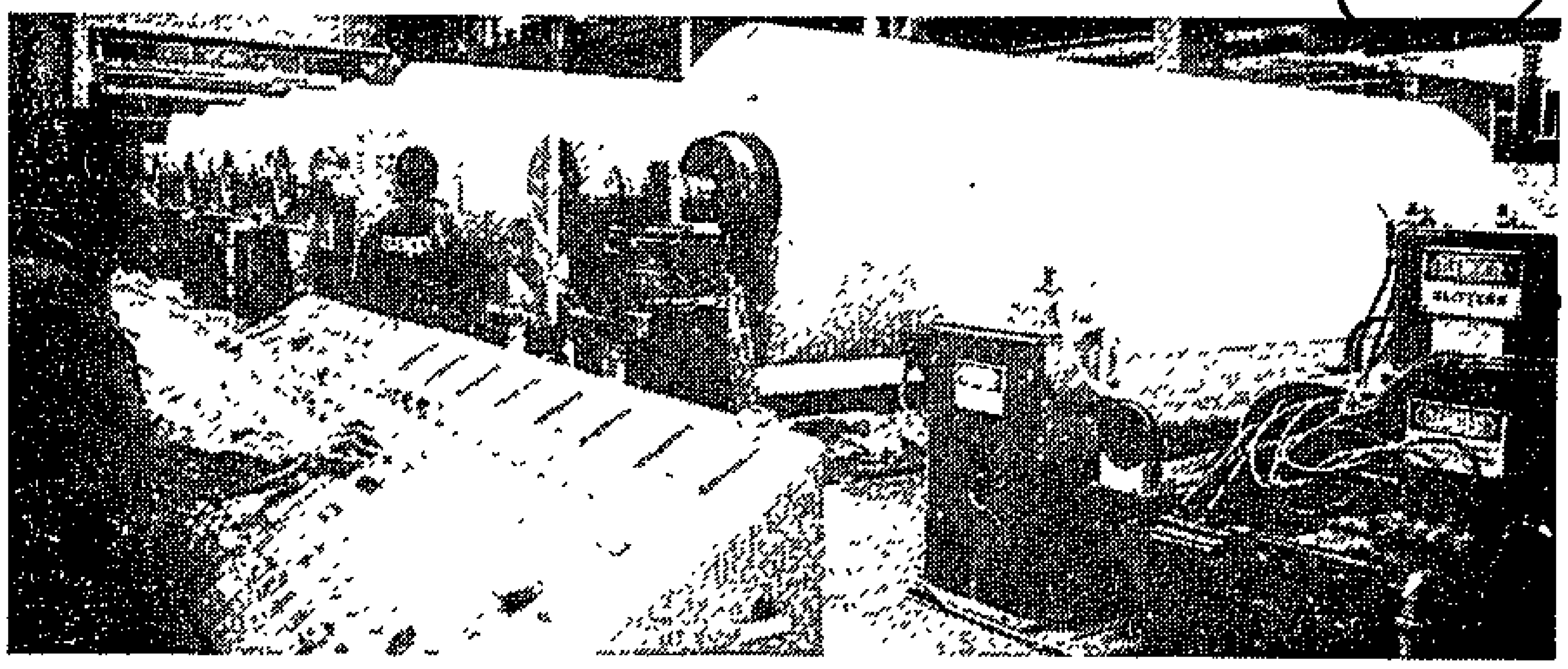
The economy's revival, which was underway, would also result in higher levels of imports which would have to be paid for. It was also important to note that sustained upturns in the economic cycle during the past two-and-a-half decades, had generally been those which were export-lead, De Villiers said.

"I believe that we should set a target for ourselves to double the value of our exports (excluding gold) in real terms over the next decade."

Sappi overseas market 22% of production

4/11/86 BUS DAY

(74)



REELS of newsprint produced at Sappi Ngodwana

SAPPI exports for the period under review represented about 22% of the company's total production.

Since the completion of the Ngodwana mill in 1985 and with the decline in demand from the local market, Sappi exports have assumed new proportions.

The paper products are acceptable internationally and are considered to be among the better quality papers of the world.

Sappi Limited CE Eugene van As says: "Customers are not too concerned that the paper comes from SA, provided they have security of supply."

Sappi paper is marketed in more than 30 overseas countries. "Care is taken not to supply too large a slice of any one market because of the possible political problems.

"It is also important as an exporter not to embarrass customers and expose them to being boycotted or blacklisted.

"While it would be nice to boast of large export orders, in the present political climate, it would be counter-productive," Van As explained.

SA is a competitive producer of paper products on world markets, and Sappi has world-scale production facilities.

In many SA industries the unit output or unit cost tends to be higher because of small production units, but Ngodwana is one of the biggest and most modern mills in the world.

The strength of the SA paper industry lies in the fast growth of the trees, making a quick turnaround and keeping the wood input costs lower than in the northern hemisphere.

"The disadvantage is that the fibre is not quite as strong, so more of the long fibre has to be used. From a raw materials point of view, the SA paper industry may be compared with the southern states of America, with the same kind of timber growing at the same rate.

In spite of being further away from overseas markets than other paper-producing countries, the distance is not significant once the goods have been loaded on to ship.

The cost of an additional 1 000km is small compared with the cost of loading and unloading.

In the manufacture of paper, the value added is almost entirely local with the exception of equipment and a few imported products forming a small amount of total production costs.

This is the first time Sappi has entered the State President's Export Achievement Award, because it is only since Ngodwana came into full production and the increased capacity at Enstra, that the company's exports have become significant.

BUSDAY 13/11/86

Mugabe says SA planning to attack


● MUGABE

HARARE — SA has embarked on a new strategy of destabilising independent Southern African states and "is daily planning and plotting to attack Zimbabwe", Zimbabwe Prime Minister Robert Mugabe said yesterday.

He said in the House of Assembly that whatever freedom Zimbabwe tried to enjoy would be destabilised by SA — using the rebel Mozambican MNR organisation as a front.

Asked if he was aware of a statement reportedly made by the MNR that it was at war with Zimbabwe, Mugabe said he knew about it, and added that the statement had actually been made by SA as "the bandits were a mere megaphone".

Mugabe said the MNR was already waging a war against Zimbabwe, as evidenced by their attacks on the country's railway system and oil pipeline through Mozambique, as well as on vehicles carrying Zimbabwean exports.

"These attacks are sponsored by South Africa ... the MNR becomes purely an arm."

On a follow-up question about the security of Zimbabweans and properties on the Mozambique border, Mugabe said the government was maintaining vigilance throughout the country. — Sapa.

13/11/86 BUSDAY

Fake Swaziland export deals rife

Industrial Staff and Sapa

AN SA exporter has confirmed illegal labelling of goods is widely used in Durban to avoid sanctions.

The exporter, who requested not to be identified, told *Business Day* that "Made in Swaziland" labels were easily obtainable in Durban through illicit sources.

He was responding to comments by Swazi Minister of Commerce, Trade and Tourism Derek von Wissel that all countries importing Swazi-labelled products insisted on seeing certificates of origin before accepting goods.

Consignments of apples and electronic equipment bearing Swazi labels have been turned back by some Middle East countries, Canada and Australia because it was known the kingdom did not produce such goods for export.

The exporter said the practice was widespread and the illegal labels were not limited to Swaziland. He declined to name the other countries.

Principal Secretary in the ministry Chris Mkhonta said Swazi labels were available to exporters in Durban and other SA ports.

The allegations come on the heels of Von Wissel's claim last week that false certificates of origin were readily available in SA.

SA Trade and Industry spokesman Wilhelm Smalberger said government did not support illegal labelling and the Department of Customs and Excise would act on any such cases brought to its attention.

He said: "Any South African exporter using Swazi labels is doing so illegally and is stupid to brag about it.

"We cannot condone it, but need specific examples to investigate. I don't know of any reports of illegal labelling, but it is possible there have been some," said Smalberger.

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Looking ahead

In a week in which the spotlight turned on exports, South African industrialists have come in for their fair share of praise.

The value of merchandise exports jumped by 37%, bringing non-gold exports up to R20 billion in the last year. And it was not all due to the low rand because exports by volume have also increased — by 20,8% over the last 18 months.

But already the alarms are ringing. The incipient revival in the local economy has sparked fears that growing domestic demand will swallow local produce that is now flowing into lucrative foreign markets. And, of course, more demand in the local market will push up imports, with a further negative effect on the balance of payments.

Industrialists are being warned that unless their sparkling performances are followed by further investment in productive plant and technology, the economic revival will kill the export drive. With sanctions already a reality, industrial leaders are determined that this should not happen.

The low rand, falling interest rates and surplus manufacturing capacity created a highly conducive climate for the past year's excellent export achievements.

"But there's a very real danger that unless there is new investment in export-dedicated plant, renewed domestic demand will result in reduced availability of products for export," says Safto chairman Warren Clewlow. "This would mean a loss of foreign exchange earnings and lost opportunities for economic growth and job creation at a time when we need them most," he tells the *FM*.

Safto has already made "innovative suggestions" to the government, designed to ensure the right climate for sufficient investment to be directed into export production in the years ahead.

As deputy Minister of Finance and of Trade and Industry Kent Durr told delegates to Safto's AGM in Johannesburg last week: "There can be little question that SA's foreign trade is the key to our national economy, with import and export of goods and services equalling two-thirds of our domestic product. Exports have traditionally led our economic upturns and are rightly regarded as a priority sphere in economic policy."

As Durr says, exports also lay the foundation for the success of SA's debt standstill negotiations and stimulate job creation in a non-inflationary way.

Government, it seems, is already aware of the dangers of losing export markets.

Trade and Industries Minister Dawie de Villiers says government has accepted "certain important principles" of the new export incentive dispensation being investigated by the Kleu Commission.

Among the key issues are that incentives will be tailored to suit the needs of different industries, that there will be consultation with industries before incentives are introduced, there will be warning of adjustments and the position of exporters who have long-term contracts will be considered.

That will all improve confidence for export-orientated investments, and it could help SA meet De Villiers' target of doubling non-gold exports in the next decade. ■

25/11/86 BUSDAY

Coastal export industry 'can help SA expand'

RICHARD BARTLETT

DEVELOPMENT of export industries in coastal metropolitan centres can lead to long-term economic expansion for SA, says H P Langenhoven, economic planner for the Central Economic Advice Bureau.

Speaking yesterday at the Economy, Trade and Manpower Research Conference, he said an important question was whether economic development in SA should be export-orientated or import-replacing.

He favoured the development of the export industries.

"It is possible for SA to escape from the problems that hinder the export sector and general development processes," he said.

Coastal metropolises were "excellent" for export development, but only if certain conditions — relating to labour, availability of raw material and transport costs — could be fulfilled.

Professor Lou van Wyk of Potchefstroom University, speaking on the contribution of privatisation and deregulation to economic development, said there was a potential for better economic development if privatisation was undertaken as a policy choice.

The authorities should make it easier for individuals to exercise their own initiative, thereby creating a positive climate in the private sector.

"Another requirement is the elimination of discrimination and the right of ownership for every individual," said Van Wyk.

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Ban SA coal — call

LONDON — **Miners' leaders from 61 countries have called on governments throughout the world to stop importing South African coal.**

The call, part of a move to force an end to apartheid, was made at a conference of the International Mineworkers' Organisation in London on Sunday.

The main speaker, Mr James Molatsi, president of South Africa's National Union of Mineworkers, said South African miners wanted Western Europe to ban South African coal imports. Such a ban would be the best and quickest way to end apartheid.

He said the amount of South African coal imported by some countries was "an obscenity".

Western Europe imports 25-million tons of South African coal a year.

Accidents

Mr Molatsi said the accident rate in South African mines was reaching an intolerable level, and his miners had held a series of protest strikes about it.

British miners' leader Mr Arthur Scargill, who is president of the Paris-based IMO, said 43 affiliates had agreed to apply fresh pressure on the EEC Council of Ministers to impose sanctions on South African coal.

He said Britain imported 370 000 tons of such coal a year, although he believed that the real figure was higher, and that some was "laundered" through Rotterdam.

Friday, November 28, 1986

CAPE TIMES 28/11/86 (74)

Business Report

Scheme aids new exporters

By AUDREY D'ANGELO
Deputy Financial Editor

A NEW scheme started by Repfin, a member of the Bankorp group, will make it easier for smaller and medium-sized firms to break into the export market and mayalso help their cash flow.

Repfin now has a tie-up with a large international factoring organization which will collect money from overseas buyers.

MD Allan Greyling, who has just returned from a trip to Britain and the US to negotiate the scheme, said yesterday that it offers far more than a simple factoring service.

It covers the risk as well as collecting money, and the exporter can receive up to 80% of the invoice value as soon as the goods have been despatched.

"This is of immense value to a smaller firm which has difficulties with cash flow if it has to wait up to 90 days for payment," said Greyling.

"In many cases a manufacturer is afraid of the complex paperwork that exporting can involve and is nervous of sending goods to an overseas buyer he knows nothing about.

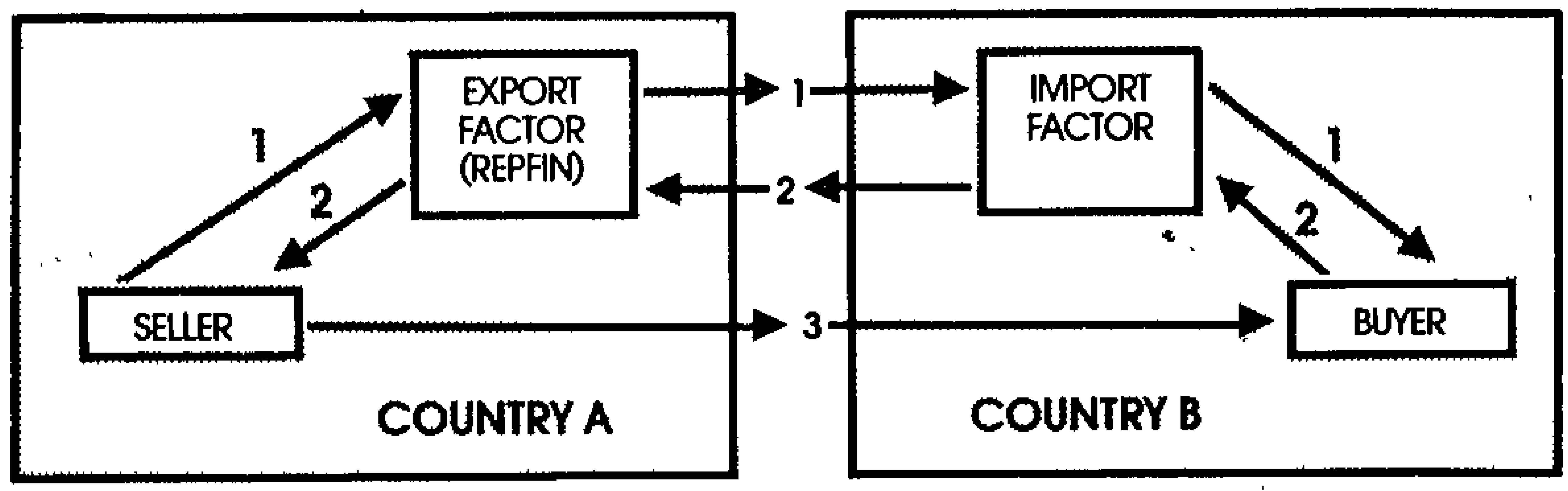
"If he makes use of our services all he has to do is find a buyer for his goods, make them and send them off. We can look after everything else for him and our overseas associate will check on the credit-worthiness of the buyer.

"The manufacturer will, of course, benefit from the export incentives."

Repfin makes a service charge of between 2% and 3% of the invoice value of the goods and, for the advance, charges above prime rate.

It does not find overseas clients for would-be exporters but Greyling said another company in the Bankorp group could help in this way.

THE EXPORT FACTORING PROCESS



1. Document flow 2. Payment flow 3. Goods flow.

New finance scheme will aid smaller exporters

BUSDAY 28/11/88 (74)

CHRIS CAIRNCROSS

BANKORP factoring subsidiary Repfin has devised a new financing scheme to help medium to small companies break into export markets.

The scheme represents an extension to Repfin's domestic factoring operations, and is being launched in conjunction with a major UK-based financial company.

Repfin MD Allan Greyling told *Business Day* yesterday his company had entered into a reciprocal arrangement with an overseas factoring house to provide advance financing for SA exporters.

The scheme provides certain added advantages on the usual methods of financing international trade via letters of credit, or those offered by organisations like Credit Guarantee Insurance Corporation (CGIC).

The Repfin scheme covers the risk as well as the collection element, with exporters paid 80% of their end price up front once the goods are "on the water".

"The concept is quite straightforward," Greyling explained. "The SA exporter negotiates a sale directly with an overseas buyer, and then factors the debt via us.

"We, in turn, arrange collection of payment in the buyer's country through our new international associate," he added, declining to name the organisation.

28/11/86

FIN MAIL

74

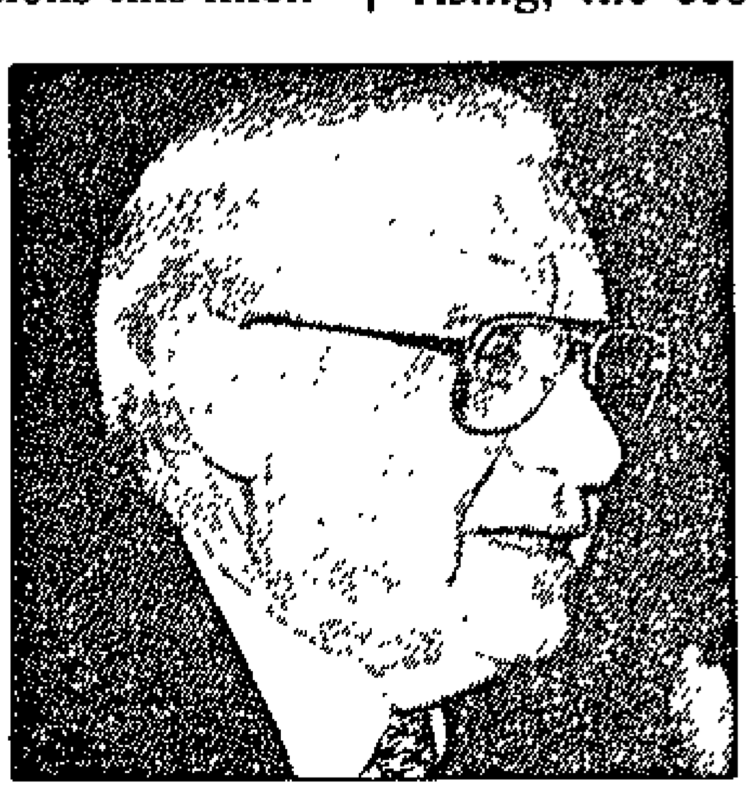
The sanctions crunch

Don't kid yourself. Effective sanctions *do* work, in the sense that they cause long-term deterioration in the economy. But they are not going to bring government crashing down. In this, the first of a three-part special report, the *FM* looks at some likely consequences of sanctions, with special reference to exports

If, **as expected,** sanctions intensify, a short-term boom followed by long-term decline into Third World status seems the most likely scenario. The initial shock of selective sanctions such as the US ban on imports of coal and steel is likely to cause painful dislocation within a year. Some sectors will be hard hit, others will benefit. But overall, the economy is poised for growth.

The period of adaptation may be followed by a longer period of rapid expansion as industry takes up spare capacity, a Dunkirk spirit emerges, import substitution alternatives are developed and sanctions loopholes are exploited.

But forced growth in a hothouse environment cannot be sustained. Continued and growing sanctions pressure (and it is hard to find a businessman who questions this likelihood) will increasingly cut the economy off from technological development, imposing a permanent "tax" in a "sanctions discount," as imports are bought at a premium and exports sold at a discount.



De Kock

This depressing vista may be likely, but it would be a serious mistake to accept it as inevitable — an attitude that could rapidly become self-fulfilling.

The US sanctions package has been carefully structured to send "signals" to the authorities. If they signal back that the message is received and understood, further measures could be averted or postponed. Unfortunately, *kragdadigheid* is a more likely response.

Sanctions *do* work, in the destructive sense that they gradually rob an economy of resilience and virility. In its weakened state, it may fall prey to some other force — such as escalating internal unrest or an external economic blow. But they *don't* work in that they are never 100% effective in closing off trade and investment, and do not affect political will.

Reserve Bank Governor Dr Gerhard de Kock, saying that "SA will survive sanctions," noted the success with which the economy has adapted to the most severe sanctions imposed so far — the withdrawal of capital and credits from the international banking system.

Despite repaying $3 billion (nearly R7 billion) foreign debt since the end of 1984, the current account surplus was R5,9 billion last year, and is heading for about R6 billion this year and another large surplus in 1987.

As De Kock says, the EEC and US sanctions packages on bank loans and investments "little more than change a de facto into a de jure situation. It is not as if a significant net inflow of foreign capital is now suddenly to be shut off."

With the Reserve Bank's gold and foreign exchange reserves up from R3,6 billion in June to R5,6 billion in October and still rising, the economy is poised for recovery. The one thing it cannot afford is to write off exports. Indeed, a concerted effort to boost exports is more important than ever.

SA has a high propensity to import during times of economic expansion. Only 5,5% of manufacturing industry is geared to capital goods, so growth is impossible without rising imports of such goods.

In the past, we have financed much expansion from international loans, but for the foreseeable future SA is likely to be deprived of foreign capital. In this environment, ability to export places an absolute ceiling on ability to import. SA cannot just sit back and enjoy the benefits of a higher gold price.

Scope, of course, exists for import substitution. A study by the Industrial Development Corporation concludes that at least R4 billion worth of imported products could be made locally. But while import substitution undeniably has a role (particularly in job creation), it is not preferable to export promotion at this stage of development. It is less efficient in an economy already at the limits of industrial viability, based on the domestic market.

An example of the incremental diseconomies of import substitution is the motor industry's local content programme. To raise local content from the present minimum of 66% to 70%, according to Econometrix economist Tony Twine, would require a 25% increase in tooling costs.

Twine points out, moreover, that over the past decade for each R1 of final product in the manufacturing sector there has been an import requirement of 68c of raw materials, intermediary goods or capital equipment. "Import substitution would therefore require additional imports," he says. "It is not the simple solution that people think."

If, as some argue, sanctions amount to no more than a tax on exports, the answer is to increase the efficiency of exports.

Moreover, it does not seem that there will be a total ban on imports. The pattern of sanctions so far is two-pronged: financial sanctions (disinvestment and divestment), and a boycott of exports non-essential to the West.

In this climate, import substitution could be counterproductive unless implemented with circumspection.

Comparisons with the sanctions era in Rhodesia are frequently made. True, SA is more self-sufficient, more diverse, more important a supplier of strategic and precious minerals, not landlocked and therefore independent of other nations to get exports out.

Against these factors, however, SA has captured the attention of the world in a way Rhodesia never did. Rhodesia was essentially a post-colonial problem, whereas SA's internal policies are a continuing affront to racial sensibilities. Consequently, SA has become an internal political issue in the US and other countries — which Rhodesia never was. In addition, because it has a coastline, SA is more vulnerable to advanced satellite surveillance.

In this respect, neighbouring states could play a vital role. One of the biggest fears of the business community is that government will impose retributive counter-sanctions on neighbours — not only for the obvious reason that this might invite intensified measures by the West, but also because it is easier to disguise the source of exports emanating from an economically healthy region.

Econometrix's Twine . . . solution not so simple

kind of sanction. Our Achilles' heel is the extent to which we can expand using own capital resources." Without foreign capital, the economy would lose some two percentage points of annual growth — grow, for example, at only 4% a year instead of the 6% once thought the long-term potential.

That, of course, is a bit of a laugh: growth has exceeded 6% in only one year since 1970. If we could average only 4% we would be doing better than since the Sixties.

Obviously, if SA depends on foreign capital inflows for part of gross domestic investment, a reversal of those flows must harm growth. Official statistics show a clear and immediate relationship between growth and gross domestic investment (see table).

Although the scale of the movement is inconsistent, almost without fail an improvement in GDP growth is accompanied by an improvement in growth of gross domestic investment, and vice versa.

The relationship between growth and foreign capital flows is also strong, though less immediate. High growth in one year may be accompanied by a large capital outflow, in another by a large capital inflow. But over a longer period the table seems to demonstrate a distinct link between high growth and capital inflows.

Comparing three seven-year periods (1963-1969, 1972-1978 and 1979-1985), and bearing in mind that in real terms the average inflow of R146m a year in the Sixties was greater than the R329m of the Seventies, it seems unarguable that high growth is associated with large capital inflows and low growth with outflows.

CAPITAL TRADE-OFF

Growth and investment

Year	GDP growth % (constant prices)	GDI growth % (current prices)	Capital flow Rm (current prices)
1963	8,5	24,3	-61
1964	8,4	24,3	-33
1965	5,1	31,9	258
1966	5,0	-7,2	149
1967	7,6	28,9	169
1968	3,3	-16,0	446
1969	7,4	23,3	93
Average	6,5	15,6	146
1972	3,6	-8,7	410
1973	4,6	31,4	-46
1974	8,3	35,4	899
1975	3,1	21,6	1 926
1976	0,1	1,5	1 151
1977	0,0	-1,5	-757
1978	2,4	8,9	-1 293
Average	3,2	12,7	329
1979	3,2	26,5	-2 864
1980	5,6	49,8	-2 284
1981	4,8	27,5	3 084
1982	-0,8	-13,7	3 256
1983	-2,5	4,6	1 159
1984	5,0	18,2	1 333
1985	-1,1	4,9	-7 160
Average	2,0	16,8	-497

In 1981, for example, nearly 13% of investment was funded abroad. But for that, growth might have been 4,2% instead of 4,8%. The situation has been markedly worsened by abnormal repayment of foreign debt. Only once this is unwound will it be possible to establish with precision the scale of growth domestic savings can accommodate.

At this stage one can only say that it will be less.

The implications are severe. SA has an imperative for growth, says Dr Ronnie Bethlehem, economist for Johannesburg Consolidated Investments. "With population increasing 2,5% a year, the economy has to grow faster than that if it is not to slip back into a scenario, typical of Africa, of population excess and production deficiency."

JCI's Bethlehem ... capital base eroding

Except when there is significant underutilisation of existing productive capacity, it is not possible to increase production without additional investment. When outside investment is blocked, investment implies a trade-off with increased consumption expenditure. Society has to choose between meeting current consumption needs and satisfying those needs in future — which entails a sacrifice of present living standards.

"Over the past five years we have seen the gradual running down of real investment. We are close to consuming our capital stock. This is equivalent to a pastoral economy eating seed corn — even if it gets rain next year, it is finished," says Brown.

SA now faces a future in which not only is it denied access to savings sources abroad, but has to export capital to repay debt.

"It can, for a year or two, attempt to repay foreign debt, but if this continues further erosion of the capital base will become unavoidable, with all that implies not only for growth but also for social and political stability," says Bethlehem. "SA will be compelled to increase domestic savings, but this will not be possible without severe action to suppress consumption levels."

Brown, however, argues that domestic savings are adequate to sustain normal levels of fixed investment for about five years. "Even then, you could continue. By refusing to repay foreign debt you could keep going 10 years. But after that you fall into the siege economy trap. A siege economy is what the boycotters want; everything possible must be done to avoid sliding into it."

Blacks' views

Do blacks favour disinvestment? Opinion polls have come up with results so contradictory that it seems you pays your money and takes your choice.

Among the first and most widely quoted were two surveys in 1984 by Professor Lawrence Schlemmer, then of the Centre for Applied Social Science at the University of Natal, who found that 75% of blacks apparently favoured investment.

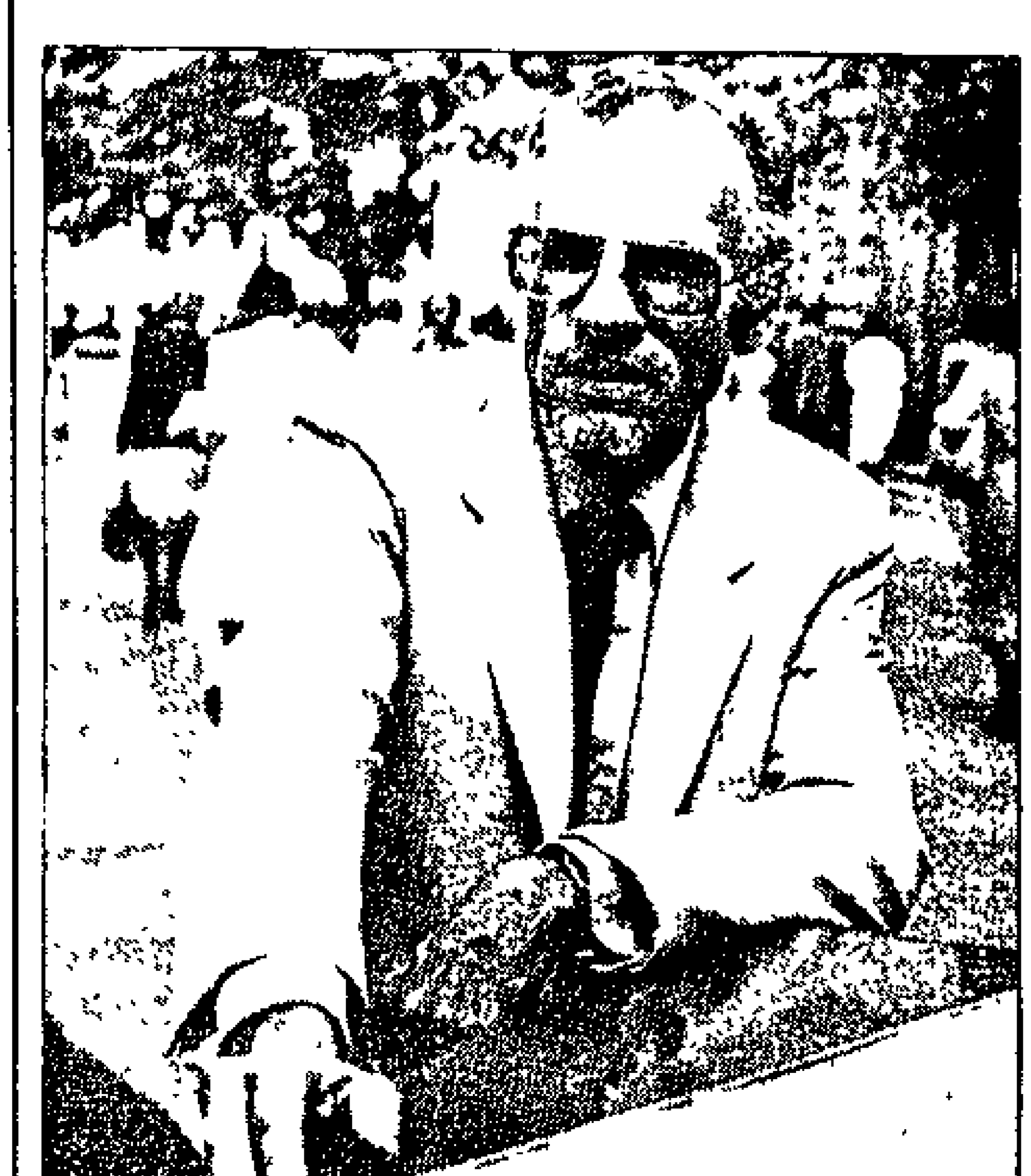
This 3:1 ratio (three favour investment for every one against) has been cited by a number of commentators making a case against disinvestment. However, in August 1985 the London *Sunday Times* published a survey in which the ratio was reversed. Slightly more than 75% of blacks said other countries were right to impose economic sanctions unless SA agreed to get rid of apartheid.

Commented Mark Orkin, director of the Community Agency for Social Enquiry (Case): "Confusion reigned. Either black opinion was hopelessly volatile, or social science was hopeless inaccurate at measuring it. In any case, policymakers had an excuse to ignore it."

A lot depends on how you ask the questions.

Orkin believes he has resolved the inconsistency with a third survey conducted by Case in association with the Institute for Black Research of the University of Natal. His argument is outlined in a book, *Disinvestment, The Struggle and the Future.*

The point, he says, is that the questions which attracted the most attention in the



Lawrence Schlemmer ... 3:1 ratio

previous surveys were dichotomous (sanctions right or wrong), whereas black opinion could more accurately be determined by offering a third choice lying between unrestricted investment and total disinvestment.

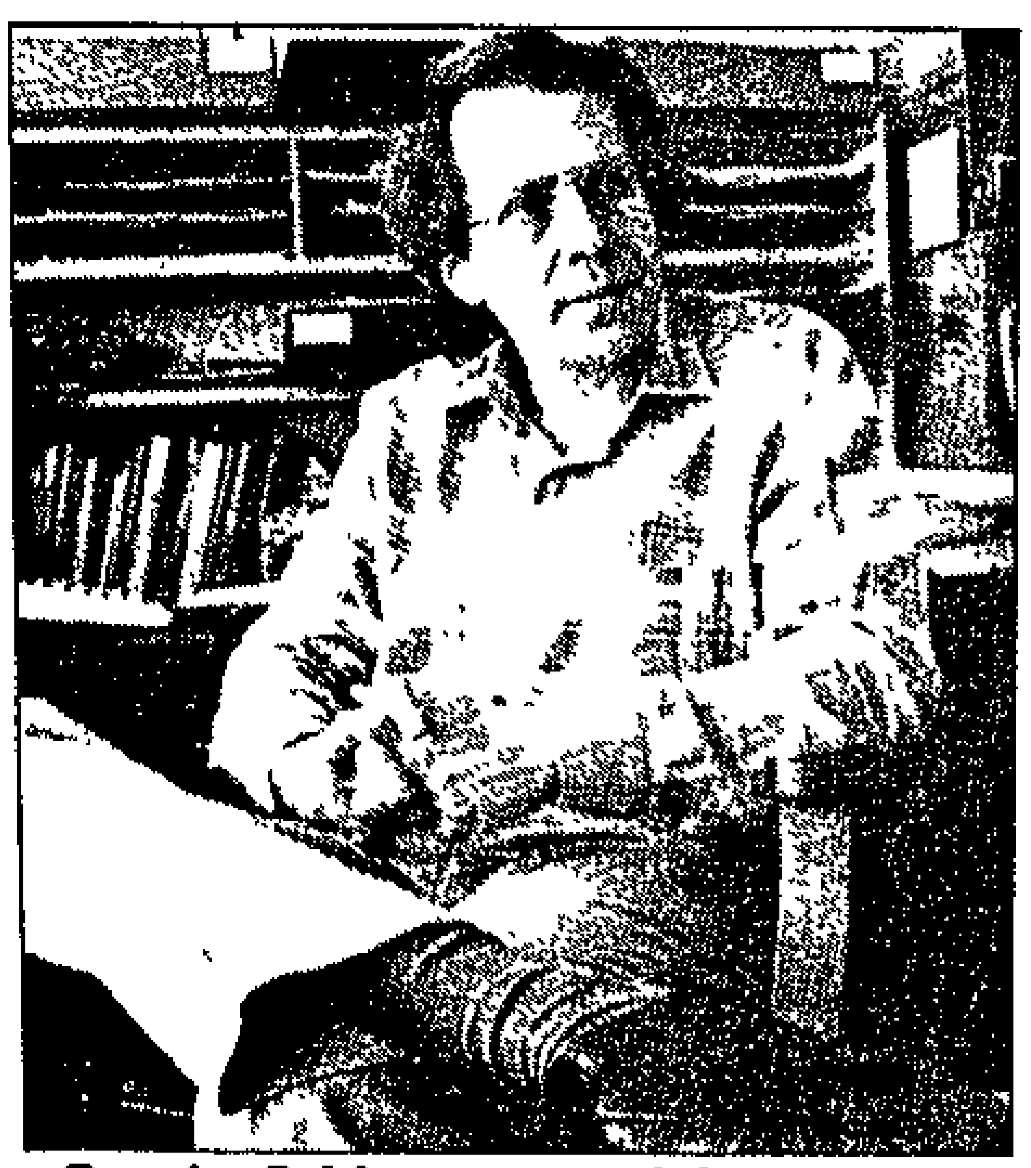
His survey asked respondents to choose which of three views they supported most. One encouraged investment, the second wanted to limit or restrict investment to companies that actively pressure government to end apartheid and recognise black unions, the third opposed all foreign investment.

Intriguingly, the responses again obligingly break down into quartiles, with roughly a quarter in each of the extreme camps, and half in the middle-of-the-road "conditional investment" camp. This means that 75% of blacks questioned said they favour total disinvestment or conditional investment.

Questions were framed so that respondents could be sure what was referred to. The most typical motivation for each position was given, as was an indication of the tendencies which supported it.

"Customary attitude polls, presenting abstract issues for consideration in isolation, effectively constitute respondents as self-seeking and private individuals, and thereby bias answers towards the economistic, market-orientated answers which suit business or the capitalist state," writes Orkin.

Schlemmer's first survey also had a trichotomous question, making investment conditional on codes of labour practice. This, which attracted little attention, found 47% favoured free investment, 44% conditional investment, and 9% total disinvestment.



Case's Orkin ... a trichotomous question

If this is compared with Orkin's a year later, it appears to show pretty much what one would expect — a shift in attitude towards the radical end of the spectrum as circumstances evolved.

Of course, saying you favour disinvestment is not the same as being willing to undergo hardship because of it. Several black leaders have said blacks are willing to suffer, but blacks en masse appear much more ambivalent.

And being in favour of sanctions as long as there is no suffering is a bit like saying you favour them as long as they are ineffectual. When Orkin progressed to this question, his results were a lot closer to those of Schlemmer.

He found, for example, that only 26% of blacks were hardliners, in favour of sanctions even if it meant the loss of many black jobs. But 48% were against sanctions if it meant the loss of many black jobs, and 25% were only in favour if sanctions resulted in "a few blacks" losing jobs.

"This outcome highlights another respect in which the trichotomous approach was intuitively plausible," says Orkin. "An ordinary black person is likely to be implacably hostile to apartheid. Yet, as a wage-earner with dependants, he is anxiously aware of the daily grind of survival, at a time of enduring recession and rising unemployment. It seems likely that many respondents look to conditional disinvestment for a strategy which could help end apartheid while threatening their everyday livelihood as little as possible."

SHOULD THEY GO?

Black attitudes to disinvestment over time

Option	Schlemmer Dec 1984	Case/IBR Sept 1985
	%	%
Free investment	47	26
Conditional disinvestment	44	49
Total disinvestment	9	24

AND IF JOBS ARE LOST?

Black attitudes to disinvestment and jobs (Case/IBR survey)

In favour of sanctions even if it means the loss of many jobs	26%
In favour of sanctions only if it means the loss of few jobs	25%
Against sanctions if it means the loss of jobs	48%

Sanctions tax

Sanctions, says UCT's Professor Brian Kantor, may be regarded as the equivalent of a tax on trade or finance. The more comprehensive and effective they are, the higher the rate of tax, and the more trade and finance are discouraged.

Less trade means less economic specialisation, and makes the economy less effective. "Threats of sanctions may, or may not, change government policies," says Kantor. "But they will not themselves weaken the ability of government to maintain its controls and influence."

Nor are they likely to have the intended influence on white opinion and policy. "Driving people into the equivalent of the laager may ultimately weaken them, but does not encourage flexibility or generosity of spirit.

"Sanctions are bound to make the authorities less, rather than more, flexible and more, rather than less, inclined to use force to repress opponents. Sanctions have already encouraged extreme responses. Their one sure effect is to reduce the size of the middle ground and its moderating influence."

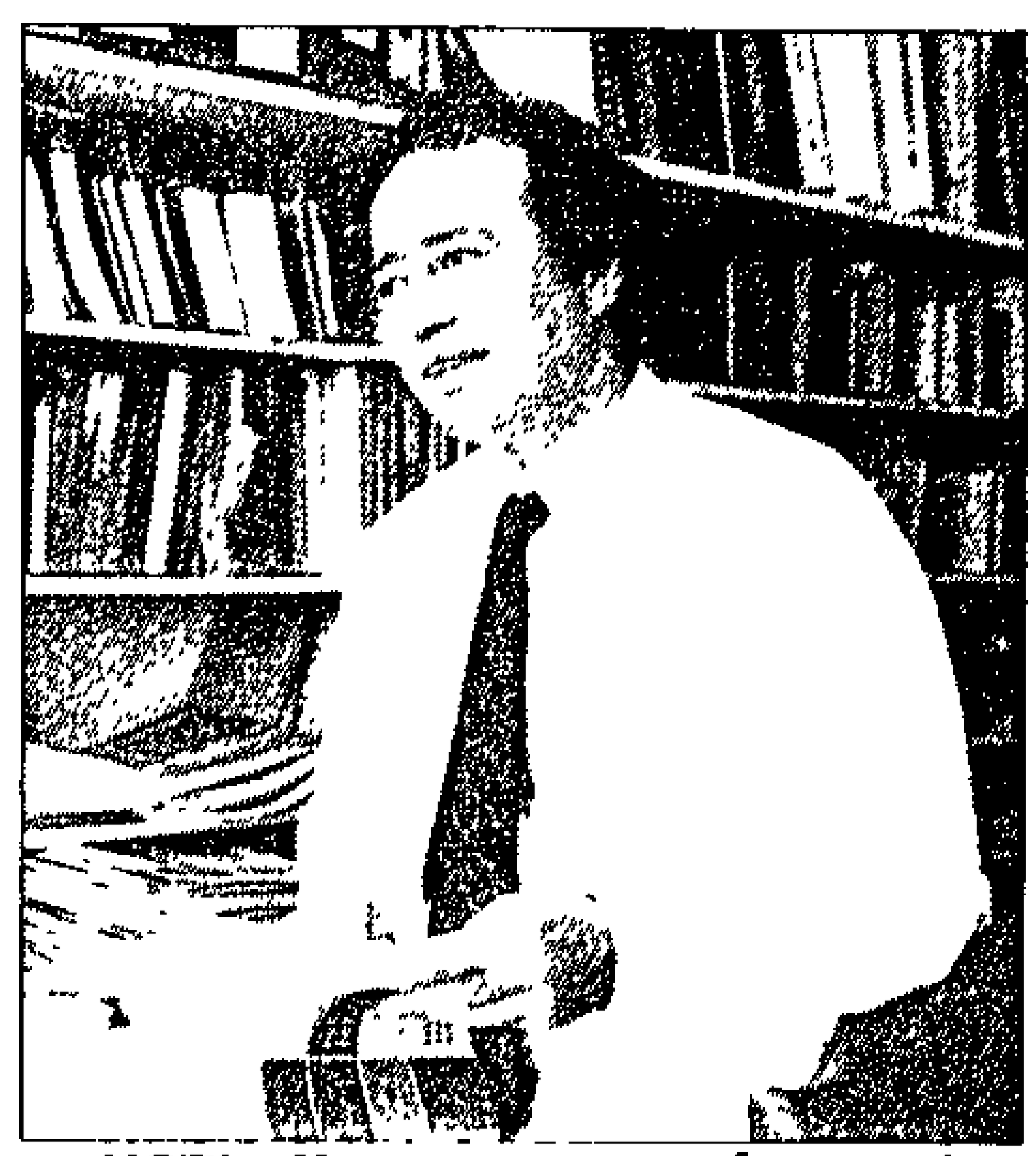
Obviously, sanctions will be disruptive in the short term as the economy adjusts. But Kantor does not believe the result will be negative in the macro-economic sense.

"Lower activity or employment does not necessarily follow. Supply and demand for labour will adjust through adaptation of employment conditions." But wages may have to fall to satisfy demands for employment.

The sanctions "tax" will, of course, fall more heavily on some industries than others. Resources will flow away from industries suffering from high sanctions taxes towards those with relatively low sanctions taxes.

The sanctions tax will fall most heavily on high-visibility products which are identifiable as South African in origin, particularly where they compete with products of other Western nations. The sanctions wave is a heaven-sent opportunity to countries like Australia, Canada and the US to provide moral underinning for essentially protectionist sentiments.

At the other end of the scale are raw materials, notably precious or strategic minerals, which will prove difficult to embargo.



UCT's Kantor ... employment may not fall

Keeping overseas markets open

Cape Times 2/12/86 (74)

Expert advice for exporters

Mervyn Smith has been elected president of the Law Society of the Cape of Good Hope. He succeeds Angus McLellan.

By AUDREY D'ANGELO
Deputy Financial Editor

EXPORTS remain a major source of revenue for SA firms and are vital to plans to strengthen the economy of the Western Cape and provide badly needed jobs.

And although they are threatened by pressure to force SA goods out of overseas markets, there is no lack of expert advice and help to overcome this.

Apart from the South African Foreign Trade Organization (Safto) itself, there are many reputable firms who specialize in smoothing difficulties in the path of the exporter.

'Legitimate'

They include a highly respected merchant bank with international contacts and whose MD emphasized in a recent interview: "Our business is not sanctions-busting but we can make use of our international network to help legitimate exporters."

There is also a factoring firm which now has an overseas connection.

A leading firm of tax advisers points out that setting up an off-shore operation cannot only help to preserve the anonymity of the firm producing goods for export but may lighten its tax burden.

And a Johannesburg-based firm of asset managers explains in its quarterly review how to keep export markets open through the setting up of a structure of off-shore companies and trusts.

Wally Horak of Deloitte Haskins Sells explains in its Business Adviser that often all that is required is the creation of one off-shore business entity through which goods can be re-invoiced.

"In other cases, however, extremely complicated structures are required to secure anonymity."

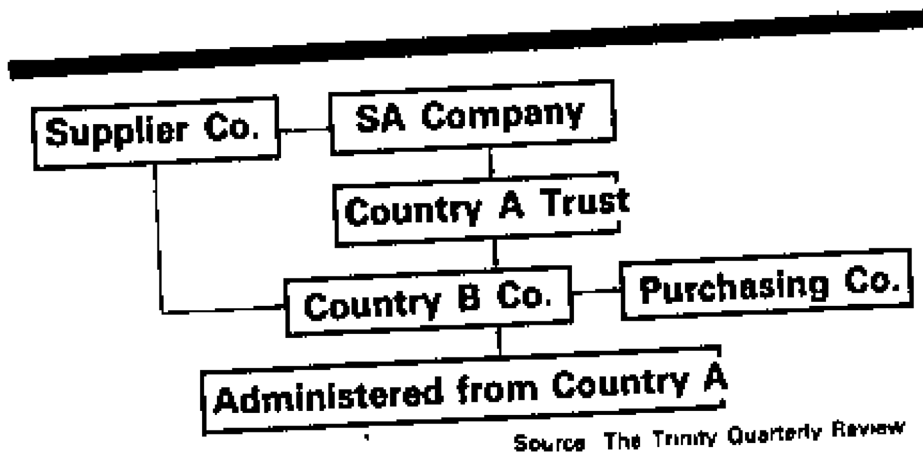
This, he suggests, "might involve transferring part of the manufacturing process to an off-shore entity located in a country such as Hong Kong."

This could reduce the foreign tax burden significantly.

"In the past it was difficult to obtain exchange control approval for setting up off-shore structures since the main reason for the structure was to avoid tax.

"The fact that such structures are now a necessity for political reasons has made it somewhat easier to obtain SA Reserve Bank approval."

Horak points out that "in a post-apartheid SA, those companies that



Trinity Asset Management suggests an off-shore structure like this would benefit some companies.

set up the correct off-shore structures will stand to make further gains.

'Sympathetic'

"They will be well-equipped to deal with expanding trade since they will have developed international structures, as well as retaining any tax benefits."

Trinity Asset Management, in its quarterly review, says: "The SA authorities such as Exchange Control will give sympathetic assistance to any genuine application that is designed for the maintenance of, or the increase in, two-way trade.

"The most important point to bear in mind is that the necessary application to the Reserve Bank must be presented clearly in every detail."

(74) FIN MAIL 5/12/86.

Inviolate to sanctions?

Resources of strategic minerals are considered SA's trump card in the sanctions battle. At least for now, they are likely to guarantee survival. The second part of our three-part survey of sanctions and their impact on exports considers this and other questions

Precious and strategic minerals are SA's trump card in the fight against sanctions. They are, according to Nedbank group chief economist Edward Osborn, "pretty well inviolate to sanctions."

Osborn, who formerly had high position in the Rhodesian and Zimbabwean administrations, has written an authoritative study for stockbroker Ivor Jones, Roy, *SA Under Sanctions,* including an item-by-item assessment of the impact of universal mandatory sanctions.

His findings? "The impact of total sanctions would be at worst 11,5% of total exports" — though he admits this could be optimistic. "It is fairly easy to compensate for that from heightened domestic activity.

"SA can survive a long time — probably longer than Rhodesia — in uneasy equilibrium. The economics are viable. Government can hold the situation by force. But that is not an objective to commend.

"Rhodesia was so dependent on SA — militarily, logistically and financially. It did not have SA's balance of payments strength, which is fundamental."

Osborn's approach pragmatically assumes a total sanctions environment — which, of course, may be some years coming — with built-in assumptions about the effectiveness with which loopholes will be exploited.

"My conclusion startled me. Many might describe it as optimistic, but in large part it was derived from precious minerals."

He concedes that import substitution might be at the expense of standards, but the important thing in his view is that it creates economic activity to substitute for that lost as a result of the losses of foreign trade.

Osborn looked at each item on the import schedules and made a judgment — "highly subjective, of course" — as to import substitution potential. He concluded that imports could be cut up to 45% without serious impairment.

Nedbank's Osborne ... could cut up 45% of imports

This comprises 24% of imports (based on 1984 figures) substitutable in the short term and 21% reducible inessential items. The remaining 55% includes 22% substitutable in the long term, and only 33% non-substitutable — vital imports which SA could not produce in the foreseeable future.

Long-term substitutable items, however, would require substantial capital and technology. They cannot be produced economically now, "but under siege conditions, conventional economics flies out of the window."

Osborn's estimates are somewhat higher than the findings of a 1977 survey by the Federated Chamber of Industries (FCI) and other bodies, which concluded that there was potential for replacing 25% of the 1975 import bill with local products. But the two views are not inconsistent because the 1977 survey was based on economic, rather than strategic considerations.

The uneconomic nature of import substitution at the margin is demonstrated by the declining ratio of turnover to fixed assets. A follow-up FCI survey in 1979 found that 25% of the import substitution potential identified in 1975 had been realised.

But this required net new investment of R360m, equivalent to a ratio of turnover to investment of 0,7:1. The normal ratio of turnover to fixed assets in manufacturing as a whole was 2,8:1.

As the FCI noted: "As the process of industrialisation proceeds, opportunities for further import replacement are progressively confined to areas requiring greater capital investment and more sophisticated technology, while the size of the domestic market becomes increasingly a limiting factor."

The survey found that import intensity was highest in the following sub-sectors: basic industrial chemicals (where imports accounted for 60% of demand); machinery (62%); motor vehicles (43%); electrical machinery and equipment (42%); and transport equipment (35%).

The scale of import reduction which Osborn believes possible is more than adequate to cope with the probable disruption of exports. The balance of payments would thus be secured in all probable circumstances.

With manufacturing capacity utilisation low, there is plenty of scope for a quick response to the withdrawal of international competition.

"But it would not carry with it a proportionate increase in employment," warns Osborn.

"It is on this score that the effect of sanctions is likely to be greatest. In adapting to sanctions, the economy will shift from export-orientated activity of greater labour intensity, to domestic production with greater capital intensity

"The net effect will be a loss of jobs, although in GDP terms the one can offset the other. This is the real tragedy of sanctions."

Coal hits back

Even with limited sanctions in force, 1986 will be a good year for coal exports, expected to equal the record 44,7 Mt shipped from Richards Bay last year. But this has brought little joy, as the industry readies itself for a turbulent 1987 and full sanctions.

To date, coal sanctions comprise a French ban on the purchase of South African coal, a similar ban by Denmark, and US sanctions effective from January 1. These measures have wiped out 25% of SA's export market.

Although the industry managed to stave off European Economic Community (EEC) sanctions, it knows this is short-term. "Sanctions will become a perennial issue and it won't be long before the threat emerges again," says a senior industry official.

The industry is desperately trying to protect the vital Japanese market, which last year absorbed the largest percentage of South African exports. Loss of contracts to supply Japanese steel mills would almost certainly bring the export market to its knees.

The loss of the Danish market has already caused stockpiles of steaming coal to swell —

creating problems for the domestic market.

Transvaal Coal Owners Association (TCOA) chairman Michael Hawarden explains: "The Danes and French purchased steaming coal — a byproduct of the low-ash metallurgical coal produced for the Japanese. We are still producing steaming coal, which is piling up at the mines and finding its way into the inland market to the detriment of collieries geared for domestic supply."

Hawarden warns there will have to be rationalisation while the level of mining will have to be curtailed. Most mining houses are believed to be considering scaling down operations and warnings of retrenchments have been sounded.

Undoubtedly plans for new mines will be put on ice while the uncertainty remains and operating costs will become a key factor for survival. Only eight months ago the industry was discussing expansion of the Richards Bay coal terminal to accommodate the Phase IV export programme.

In trying to cope with sanctions, South African producers have cut prices dramatically. Average Power Station Smalls (PSS) coal is now selling around the low $20s a ton, compared to $30 just over a year ago.

Hawarden expects prices to stabilise at this level. "They may go a little lower but with oil prices having stabilised and expected to stay at current levels for the rest of the decade I don't think we will see any immediate upturn in coal prices."

Fuelling the price war has been competition from Colombia and Australia, eager to grab market share. The Australians' export efforts have been assisted by a weakening of the A$. But South African coalmen believe Australia's significantly higher cost structure won't enable it to compete for long at these prices.

Meanwhile the industry will split its energies between trying to cope with sanctions and thinking of ways to get round them. As a top producer says, it would be naive to think that businessmen, having invested vast sums in the industry, will just sit back and accept sanctions.

Sanctions busting, while possible, will be difficult because of the nature and volumes of the commodity. No significant unexploited markets have yet been unearthed, though marketing men have been scouring the world for two years.

Third-party marketing remains a possibility. But the risk of trying to put South African coal on various markets surreptitiously has been increased by demands for certificates of origin. While these can be falsified, coal is clearly fingerprinted by its chemical composition.

Says Hawarden: "Long-term the crystal ball remains cloudy. But we hope continuing political reform will eventually allow producers to sell openly on world markets again."

Targeting exports

The main thrust of current sanctions in the US, Europe and the Commonwealth has been directed at exports, in unambiguous acknowledgement that SA's ability to earn foreign currency could be critical. Coal and steel in particular face an uncertain future, and other boycotts seem sure to follow.

Yet exporters — even those not in the relatively secure precious and strategic mineral business — seem surprisingly full of confidence and verve.

"This is the biggest morale booster exporters have had," says Jan Bouwer, chairman of the Private Sector Export Advisory Committee. "The last time something like this happened was the early Sixties. We had been trying for years to boost exports, and got nowhere. But as soon as people started threatening sanctions, interest increased.

"Now, again, manufacturers are rising to the challenge. There is no gloom and doom."

Assocom foreign trade secretary Bess Robertson expresses "total confidence" that businessmen will find a way around sanctions. "There is great determination not to lose export markets. Alternative markets will be found, even for coal."

Econometrix chief economist Dr Azar Jammine is another optimist. "We must not underestimate our ability to find new markets," he says. "The whole sanctions campaign might die a slow death. The economy could survive reasonably intact. The descent into Third World status may never happen."

Experts even report plans to route exports via politically hostile Third World states to the communist bloc.

An indicator of enthusiasm is that the Safto had 400 membership applications last year — a record. Membership totals 1 500.

"Exporters have been far more determined," says GM Ann Moore. "In the past few years there has been a lot of investment based purely on exports. But I doubt there will be large investment for export in the next few years."

Accordingly, Safto has proposed to government a scheme to promote local investment for export purposes.

While optimism may be healthy, however, euphoria is not. The speed with which international markets for Krugerrands collapsed should be enough warning that sanctions will be no joy-ride.

"There will be difficulties for many," agrees Bouwer. "But challenges tend to stimulate and create initiative. There may be some good with the bad."

Safto believes SA cannot afford to drop out of export business. Producing for export is economically so much more efficient than incremental import substitution at this stage of development that even with the likelihood of a 10% or 15% "sanctions discount," exports may be attractive.

Says Moore. "Come hell or high water and sanctions, SA companies have to export, for all the good reasons they always had to export. For growth we need increased industrialisation. We will not achieve cost-effective industries based solely on the local market. We need the economies of scale exporting gives. It is vital that we remain

DIVERSIFIED MARKETS

Exports by country (Rm) (% of total in brackets)

	1982	1983	1984	1985
United States	1 322,8 (6,8)	1 753,8	2 126,4	3 029,7 (8,3)
Japan	1 670,7 (8,6)	1 546,7	1 900,1	2 829,1 (7,8)
United Kingdom	1 432,6 (7,4)	1 324,1	1 389,2	2 124,6 (5,8)
Netherlands	286,9 (1,5)	351,5	590,6	1 367,4 (3,8)
Switzerland	1 019,9 (5,3)	1 733,8	1 537,1	1 319,7 (3,6)
W. Germany	865,4 (4,5)	753,4	1 042,3	1 258,4 (3,5)
Italy	376,7 (1,9)	398,9	649,0	1 023,4 (2,8)
Belgium	332,1 (1,7)	348,3	393,2	634,8 (1,7)
Hong Kong	122,1 (0,6)	236,0	467,0	627,2 (1,7)
France	467,8 (2,4)	378,7	528,6	614,1 (1,7)
Taiwan	188,4 (1,0)	192,1	208,1	281,4 (0,8)
Canada	137,2 (0,7)	119,1	182,5	204,4 (0,6)
Denmark	176,4 (0,9)	122,7	153,0	175,0 (0,5)
Africa	904,8 (4,7)	797,1 (3,9)	891,7 (3,5)	1 577,9 (4,3)
Unallocated	8 572,7 (44,3)	9 255,4 (44,8)	11 725,2 (45,8)	16 383,7 (45,0)
Total (all countries)	19 343,5	20 672,0	25 584,5	36 410,4

STREETFIGHTING

Government should formally legalise falsification of documentation in regard to any country that imposes sanctions, according to Free Market Foundation executive director Leon Louw.

"Sanctions is an economic street fight," he says. "You can't fight according to the Queensberry rules. Government should take measures specifically aimed at countries imposing sanctions — for example, minting phony Canadian Maple Leaf coins, and perhaps even debasing them by putting lead in."

Safto's Moore ... notoriously fickle commitment

export-oriented. Import substitution must not be allowed to overshadow the importance of exports."

Nevertheless, Moore worries about the commitment to exports, notoriously fickle at the best of times. One of the more serious consequences of the coming mini-boom could be a weakening of this commitment, she fears. But she's encouraged by the more mature approach and greater commitment new exporters are displaying.

Unfortunately many reasons for entering the export market are negated by sanctions. Exports, for example, are often considered attractive because they provide a way of spreading risk. Now they are simply an added risk — though a necessary one.

Most minerals, which account for 70% of exports, are probably inviolate to sanctions in the short term. Problem areas are manufactures (around 25%) and agricultural commodities (5% — more in a good year).

In the manufactured sector are some export heavies like base metals. Iron and steel are affected by sanctions (mainly for protectionist reasons) but ferroalloys tend to be regarded as strategic.

The rest is made up of a diverse range of goods. Big export growth (off a small base) has been experienced in engineering goods, clothing, components, and household items including furniture.

Moore warns against panicky decisions over sanctions. "There will always be some relatively open markets," she says. "Very few companies have been badly hit by US sanctions. But even some not affected are not evaluating the situation logically."

Exporters need to do two things, in Moore's view: look at wider diversification of markets, and provide better service. "We should bend over backwards to support foreign buyers. Unless we earn foreign exchange we cannot afford imports."

Market diversification has the advantage of diluting visibility. A concentration of products is easily seen and targeted. Indicative of this is that the products singled out for sanctions attention are those which have been making an impact on foreign markets.

One of the strongest factors in SA's favour is its diversity of export markets (see table). It is far less dependent on its four biggest trading partners for exports than for imports. West Germany, the US, UK and Japan together accounted for 53% of imports last year. But the four top export markets (the US, Japan, UK and the Netherlands) bought only 26% of exports.

This has been a long-term trend. Fifteen years ago, 30% of exports were to the UK. Since then the US, Japan and the Far East have become bigger markets, while the UK's share has shrunk below 6%. The impact of US sanctions will not be dramatic in global terms, but obviously a portion of US purchases will either be lost or shared among other markets.

What is now required, experts agree, is greater diversification of both export markets and products. Bouwer believes more energy and resources will be devoted to export promotion than ever.

This is already evident among Safto members, says Moore, noting that sanctions have helped it get its message across.

"But in the long run we should not be under any illusions," she adds. "While companies may become more efficient and more sophisticated there are obvious benefits. But SA as a whole will not be able to achieve the level of growth we would without sanctions. In the short term we may shrug off sanctions, but we certainly can't be complacent."

INFOBAN

One victim of sanctions is the free flow of economic information.

Monthly trade statistics from the Department of Customs and Excise, previously a four-page document with a detailed breakdown by geographic regions as well as commodity, are now a single line of information giving only totals.

Government officials display marked reluctance to comment on trade matters, with the justification that "we are fighting an economic war now."

Adds one: "In wartime you don't give away your strategy to the enemy through the press".

Countertrade

With sanctions so far focused mainly on exports, SA will need to use every means at its command to neutralise the export-import imbalance that could arise.

One way is countertrade — a form of barter in which import deals are conditional on exports. Though officials are reluctant to talk, it is clear that the recent establishment of the Secretariat for Unconventional Trade will play a role in the growth of countertrade.

The concept was developed by communist countries to enable them to conduct international trade using a minimum of foreign exchange. For SA, the motivation may have less to do with saving foreign exchange than with the need to maintain the viability of export-orientated industries.

"Countertrade becomes important when foreign exchange is in severe shortage," says Safto GM Ann Moore. "For a country like SA, where foreign trade equals two thirds of GDP, it could become significant. But it requires a lot of expertise to succeed."

Difficulties can arise when deals become multi-faceted. Take a series of deals handled by Johannesburg-based Effective Barter.

"We imported 10 000 calculators from Hong Kong originally supplied from Japan to mainland China but surplus to its requirements," says MD Eugene StClair. "We paid for the freight with SFW wine in Atlanta, Georgia, which we owned and which was supplied to SAA in New York. A Johannesburg company cleared the calculators through customs on our behalf in settlement of barter credits we had previously built up following a sale of some motor vehicles."

Pure barter generally involves no exchange of cash, but countertrade is a mixture of barter and cash exchange. "It creates a second-tier currency system," says StClair. "Another reason for using it is that the international banking environment is becoming increasingly hostile. In one deal a letter of credit took 30 days to clear because a clerk in the bank in New York sat on it. We suspect this was deliberate."

A spin-off is that barter deals tend to open up markets of which the exporter was unaware. "As a result of US sanctions, SA is now sitting with products we used to export," says StClair. "We need to find new markets quickly. The scope is enormous. Mexico was able to swap $100m worth of tourism (travel, hotel accommodation) internationally for motor vehicles. I don't see why we couldn't boost tourism this way, too."

Africa important

Sanctions could have a much more severe effect on our neighbours than on SA itself. But this is no cause for celebration — we need our neighbours.

Since the early Sixties, when black rule came to most of Africa, trade with the rest of the continent has shrunk to a fraction of its former scale. Where once Africa bought 15% of exports, last year it took a mere 4,3%.

However, such has been the growth of total exports, that analysts have always been able to point to increases in absolute levels of trade. The fact remains that despite official embargoes, no country on the continent does not trade with SA when it suits. The critical factor is probably not politics but foreign exchange, of which African countries are perenially short.

Trade with Africa declined because of not sanctions but currency difficulties, says Safto GM Ann Moore. "Exporters were not sophisticated in handling exports to a payments-difficult country. Now our products are more competitively priced, and exporters more keen for sales."

This is one reason why African purchases last year leapt 77% over the 1984 level — at a time when calls for sanctions were growing more strident.

"If you have the right product of acceptable quality at the right price and acceptable delivery times, no border will stop you from selling it," says Sally Gallagher of Business Development Africa. "The only thing is that the costs of doing business increase."

In a perverse way, SA can actually benefit from the foreign exchange difficulties of African countries — particularly those close at hand. Because of shorter supply lines to this country, operating capital and foreign currency is tied up for less time and can be recycled more quickly.

"Thirteen African countries trade with us openly," says Gallagher. "But over any five-year period there is no country on the continent which has not traded with SA. Full mandatory sanctions would not change that significantly. Middlemen, incidentally, come from some countries calling most vehemently for sanctions."

The real danger from sanctions, in the view of Gallagher and many other analysts, is primarily not for SA but for other countries of the region.

"If really severe sanctions are imposed we will see the collapse of about eight countries," says Gallagher. "The West has totally under-estimated the importance of the transport infrastructure."

Despite this, there is no certainty it will be business as usual under sanctions. The feeling is that Zimbabwe could insist on sanctions — much as Zambia did over Rhodesia — even though it has the most to lose. "Economic considerations are not necessarily the overriding factor," says Gallagher.

An estimated 80% of Zambia's foreign trade, 60%-70% of Zimbabwe's, and 80% of Malawi's is routed through South African ports. Malawian traffic moves by road as far as Messina, Lusaka or Harare, and by rail between those points and SA.

The problem is intensified by the political vulnerability of the region. Many governments have a tenuous hold on power, and it would not require much to topple them.

Transport costs make up a very high percentage of invoice value of their imports — sometimes more than 40%. "This is unacceptable by world standards," says Gallagher. "It should not be more than 10%, with a ceiling of 20% for a landlocked country."

Attempts to divert traffic away from SA can only worsen this. Dar es Salaam has proved unable to cope. Exporters from Zambia, Zimbabwe and Mozambique who have tried to use Dar es Salaam have given up because of the inefficiency of the port, which increases disproportionately when volumes build up.

The port is not the only bottleneck. The Tazara rail line, badly laid and suffering frequent landslides, cannot even handle Zambian imports. It carries an estimated 1 000 t of goods a month. Insurance cover is almost impossible to get.

In Mozambique, every rail route is poorly maintained and at risk from the deteriorating security situation. Rehabilitation of the Beira corridor and the Nacala outlet is proceeding but costly: Zimbabwe spends R1m a day managing and maintaining the Beira route — as much as the Rhodesian war effort used to cost.

Though Western aid has been mooted, the railway from Beira to Mutare (with 13 vulnerable "key points" such as bridges) is extremely vulnerable to sabotage. This would be well within the capacity of Renamo or South African commando units. Mozambique is now rated by the World Bank as the poorest country in the world.

On the other side of the continent, the Benguela railway linking Zambia via Zaire and Angola to the port of Lobito has been closed for 10 years by Unita.

Apart from transport dependency, the countries of southern Africa rely on SA as a source of cheap, quick and suitable imports. Farming and mining equipment are designed for African conditions, and it is not easy to switch to other sources. Imports from Eastern Bloc countries have often been left to rust because they are not compatible with existing SA-supplied equipment.

SA is the major supplier to Botswana, Lesotho, Swaziland, Malawi, Zambia, Zimbabwe and Zaire, and a leading supplier to Mozambique. Sales range across the whole gamut of what SA produces or imports.

SA became Zambia's major supplier four years ago when the Zambian government told importers to buy from the cheapest source. Transport costs are the key to this, but the low rand has also helped.

Often aid funds are used to buy South African goods. When nations find they have not spent aid as the year-end approaches, they have been known to go on a buying spree in SA, buying anything and everything so that the aid tap is not turned off.

Except for Zimbabwe, SA is not a major market for black Africa, whose exports tend to be the sort of commodity SA itself produces. Relatively industrialised Zimbabwe is the source of R350m of the R400m a year imports from the rest of Africa.

Zimbabwe, which had a favourable trade balance with SA for the first time in 1984, stands to lose the most from comprehensive sanctions, says Gallagher.

"Every sector of its economy, more vulnerable now than it was during the Rhodesian sanctions era, would be hit. South African companies have investments worth R1 billion in Zimbabwe, and supply technician training and emergency technical back-up. A technician can be flown up within two days."

The whole region is teetering on the edge of instability. The drought has had devastating effects, copper revenues are down in Zambia, Lesotho has just had a coup, and Mozambique is close to breakdown. Sanctions could be the final nail in the coffin.

CARPETBAGGERS

Beware the new carpetbaggers! The imminent threat of sanctions has brought a new breed of opportunist out of the woodwork. Like carpetbaggers after the US Civil War, who sought to turn the suffering of others to personal advantage, so-called sanctions busters have swarmed into SA peddling dubious skills.

Again like their predecessors, who earned the name from the habit of carrying their possessions in carpet bags, they are transients, owing no loyalty to any cause but their own. "The moment you have problems, you have people looking to make a fast buck," says Jan Bouwer, chairman of the Private Sector Export Advisory Council.

"Sanctions can always be broken, but some people offering services do not have the experience they claim. Exporters should be careful."

Bouwer advises exporters to keep in touch with trade organisations or export advisory bodies. "The grapevine is starting to be a good one," he says. "The genuine ones are known in the market."

Export consultants note that illegal methods of circumventing sanctions are not necessary or desirable. "There can be legal solutions to possible difficulties," says one. "Activist opposition can often be handled without cloak-and-dagger methods. Just don't declare the source too blatantly."

What is needed is detailed, specific knowledge of the legal requirements of each market — and some so-called sanctions busters don't have this.

DD 5/12/86

(74)

Record maize shipment for EL

Dispatch Reporter

EAST LONDON — The biggest consignment of maize to leave South Africa, weighing 44 000 tons, will be shipped from East London next week.

This was announced by the general manager of the Maize Board, Dr Hennie Davel, in Pretoria yesterday.

The previous largest maize consignment to leave East London harbour was 40 424 tons in 1978.

Dr Davel said the maize would be transported in a new flat-bottomed vessel, the Hallam Venture, one of many flat-bottomed vessels built since 1983 and which had a holding capacity of between 55 000 tons and 57 000 tons of grain.

The public relations officer for the Maize Board, Mr Steyn Luremans, said the size of the cargo would save R500 000 in freight charges.

Meanwhile, Dr Davel said it was possible that grain handling facilities would be built at Richards Bay in the near future.

"East London will not, however, be cut out altogether as a maize handling port if these grain handling facilities are built at Richards Bay," he said.

Only small quantities of maize would be shipped out from Richards Bay and larger shipments would still be handled by Durban and [illegible]

At present the Maize Board used Durban to full capacity and anything Durban could not manage was shipped through East London.

East London's harbour manager, Mr Sarel Broodryk, said that to date 1 550 ships had been loaded in East London and 25,5 million tons of maize in total had been shipped through the harbour.

Dr Davel said East London harbour had an added advantage over Durban as it had loading facilities which allowed for the quicker loading of a vessel, which meant that East London could load a ship in half the time that Durban could.

He added though, that the maize consignment planned for next week would not mean increased quantities of maize would be shipped through East London in future as it was not possible to market a product such as maize according to high and low tides — a factor which determined whether the special flat-bottomed vessel could enter or leave the harbour.

The Maize Board would like to ship through East London more frequently because of its better facilities, but the higher internal transport costs did not allow for this

"If the Department of Transport could come up with some type of reduction scheme then the Maize Board would consider using East London more often," Dr Davel said.

Similarly, if the Maize Board received the same cost advantages in East London that it received when exporting through Durban, it would make use of East London more frequently, he added.

The chairman of the transport committee of the East London Chamber of Commerce, Mr George Orsmond, said he was happy to see that big shipments of maize were leaving East London.

Shultz: time running out

WASHINGTON — The United States Secretary of State, Mr George Shultz, yesterday issued an urgent appeal to South Africans to start talks on producing a multi-racial democracy — warning that time was running out for peaceful [illegible]

Sebe: Ciskei a free society

Dispatch Reporter

BISHO — The greatest benefit of Ciskei independence had been the creation of a free society and a thriving economy in which Ciskeians could live with self-respect and dignity, President Lennox Sebe said yesterday.

He was addressing more that 20 000 people at celebrations marking the fifth anniversary of Ciskei's independence.

The celebrations were attended by the President of Venda, Mr Patrick Mpephu, and the South African Minister of Foreign Affairs, Mr Pik Botha.

President Sebe rejected claims that, in the light of current reform measures in South Africa's political policies, Ciskei had made a "grave" mistake in opting for independence.

He said it spoke for itself that Ciskei, which 10 years ago had nothing but hope and national pride, today stood as a leading country in development, having created an industrial base of spectacular dimen- [illegible]

Quality regarded as hot stuff, says producer

Son of Mr Leighton Hulett, Mr NEVIL HULETT, supervises the packing, watched by his sister, Mrs PHILIPPA HILL.

Charcoal export business booms

18/12/86 Eve Post 74

By JACK DEWES

A MAJOR business in the production of export-quality charcoal has been established in Cape St Francis Village near Jeffreys Bay.

It brings in at least R20 000 a month and consumes vast quantities of rooikrans wood.

"The quality is so high," says the owner, Mr Leighton Hulett, "that it is commonly called restaurant charcoal.

"Less charcoal is used and far more heat is produced. The feedback I get from local restaurants and supermarkets is that they don't want anything but this charcoal.

"Plenty of interest has been expressed overseas, places like London, even Pakistan, where smoke emission controls are strict.

"But these people have got one eye on the embargo and are waiting to see which way the cat is going to jump."

Mr Hulett has nine labourers "chopping wood full-time on all my properties" and earning R17 a ton.

The raw material is stacked into a kiln and brought to a "critical" temperature. All the gases released in the kiln are funneled back and burnt, leaving almost pure carbon. Production takes place round the clock.

No poisonous or volatile gases escape into the air.

"It's a family project," Mr Hulett says. "It's an old idea among us and most of us have made suggestions. The success we're having is because of the efficiency of the equipment."

The product is selling sold in the Eastern Cape at R3,50 to R3,60 a kilogram.

"I've heard of someone selling at R5,25 a kilo. That's not fair on the buyer."

It costs about R3 a kg to produce.

Mr Hulett says he has "high hopes" that the project will become "big business" soon "but as in all business there is always a risk factor".

Mr LEIGHTON HULETT inspects the finished product after it comes from the kilns.

Rooikrans wood — the essential ingredient that Mr LEIGHTON HULETT of Cape St Francis Village uses to make his export-quality charcoal.

Maize glut to mean problems for harbour?

DD 28/12/86

(3) Maize

74

By MATTHEW MOONIEYA

EAST LONDON — Economic acitivity in the city's port may be caught up in the dynamics of the world's maize trade next year.

This emerged here yesterday through investigations with the Maize Board in Pretoria against the background of the possible implications for the harbour because of a projected world maize glut.

A clear picture of the economic implications for the harbour — maize accounts for about 50 per cent of its activity — could not be established yesterday because an assistant general manager of the Maize Board, Mr Jeff Wayland, said government instructions were that no figures were to be released in the light of sanctions threats.

However, independent analysts in Johannesburg project a 2 200 000 ton exportable surplus following heavy rains throughout the summer grain producing areas which have raised hopes of a record 1987 crop.

"I cannot confirm that figure but you can be assured that if there are exports of maize, East London has to get its share even though Durban is preferred because of lower transport costs from the Eastern Transvaal," Mr Wayland said, and admitted that the falling export price because of the world glut was one of the severest problems the board was facing.

The glut has been brought on by a bumper Soviet crop together with a world-wide record production that has left the usual Russian supplier, the United States, and other exporters in a frantic quest for buyers. This has caused grain prices to plunge.

According to the general manager of the Maize Board, Dr Hennie Davel, the average price of R230 a ton in 1986 could be replaced by a price of R210 a ton.

World stocks have forced the price down so far that the board now nets only R65 to R75 a ton on export maize, which is way below the current local price of R290 a ton.

Asked about how the board would handle the mountain of maize — which law dictates it buys from the farmers — if the country were faced with a shrinking export market, Mr Wayland said losses would mean that they would have to make use of the stabilisation fund.

Given such a situation it is likely that whatever maize exports there are, if any, Durban would be preferred as it costs about R10 a ton less to export from there instead of East London, where there are additional railage costs.

Mr Wayland said representation had been made to the authorities from time to time to pay the same transport costs to East London as Durban because it was a fact that East London did have an edge over Durban in handling facilities.

The 20-year-old elevator here is the largest in the Southern Hemisphere, with a carrying capacity of 76 160 tons and the ability to load 1 800 tons an hour.

Earlier this month the largest single shipment of maize ever to leave South Africa — 44 000 tons — passed through the city.

Mr Wayland said it was difficult at this stage to say exactly what would happen as there were so many variables that East London could even land up with some type of boom, as in 1981.

Airfreight space shortage threatens SA exports

74

22/12/86

DD

Dispatch Correspondent

JOHANNESBURG — South African export markets are being threatened by a chronic shortage of airfreight space.

Freight agents said they feared particularly for the viability of the perishables export industry which is currently at peak season.

Exporters said they faced losing hard-won markets as failure to deliver the goods would cause foreign customers to seek supplies elsewhere.

The decision by a number of foreign airlines — Iberia and Scandinavian Airlines — to terminate services to South Africa is aggravating a situation which exporters said was getting worse.

The cancellation of SAA's four weekly US flights in the wake of sanctions was also causing logjams and exporters are said to be willing to pay a premium on freight rates to get their goods sent out.

Perishable exports which are affected include mangoes, tomatoes, grapes, flowers, peaches, sweetcorn and cherries, all of which contribute to the R40 000 000 a year export industry.

A SAA spokesman said the airline was doing all it could to accommodate the surplus.

"We have started rerouting certain non-stop flights to Europe via Ilha do Sol to meet the demand and will continue to do so until February 5."

Rerouting will enable the aircraft to carry less fuel and more freight.

Two weekly London flights along with flights to Frankfurt and Zurich will be affected.

Bus Day 22/12/86 74

SA exports threatened by a shortage of airfreight space

MICK COLLINS

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Two weekly London flights, along with flights to Frankfurt and Zurich, will be affected.

A dearth of foreign tourists due to the unsettled political situation has also caused problems for the industry.

Sources say this has caused a reduction in southbound flights by a number of airlines, which in turn has affected the availability of space on northbound flights.

Reduction in overall carrying capacity by all airlines is estimated to be 100 tons a week or 30% of capacity.

Due to a 20% increase in production, exporters are looking to send out a total of 5 000 tons in the current season.

Analysts say the cost of chartering has also become prohibitive due to a drop-off in cargoes coming south.

Agents say they cannot justify the cost of hiring empty aircraft on the southbound leg.

Only three charters have been arranged this year, compared with 27 charters last year between mid-November and mid-January.

SA is going great guns to boost exports

STAR 30/12/86

74

By Frank Jeans

South African mineral and metal exporters are emerging as aggresive marketers despite the efforts of other countries to take over those markets closed by sanctions.

This, together with South Africa's reputation abroad for reliablity in quality and delivery of its goods, is compensating for negative sanctions trends.

According to recent reports, South African mineral exports are making inroads in Asian markets.

South Africa is still the major source of minerals and has built up a record of good delivery times.

In terms of price, too, South Africa is fairly competitive because of the depreciation of the rand. South African traders enjoy strong advantage in world markets, particularly as the supply lines of newcomers to the minerals scene are often suspect.

"Some of these countries do not have the experience which the South Africans have built up over the decades," says one minerals industry source.

"Strikes and other disputes in these countries often interrupt deliveries — and in today's highly geared marketing scene, delivery is a vital component.

"Clearly, then, South Africa has a big advantage — a reputation which world markets are only too well aware of despite the sanctions lobby."

Economists see a far from gloomy trend emerging in major countries such as those in the European Economic Community and the Far East which are apparently winning the fight against inflation.

There are strong growth vibes coming through, and this obviously means these countries will continue to present excellent market opportunities for South African traders in industrial goods and consumer products.

There is a groundswell, too, among South Africans to get trade going, particularly in the light of the sanctions and disinvestment campaign.

"Too often in the past, the export potential within South Africa itself has perhaps not been accorded the priority it should have received," says Mrs Ann Moore, a general manager of the South African Foreign Trade Organisation (Safto).

"Over the past 12 months, however, this certainly has changed. One now sees more and more recognition both from the public and private sectors that exports are essential to the well-being of South Africa and are very much an integrated part of the overall economy."

This recognition is extending to the non-traditional export field such as manufactured goods.

Indexation keeps SA inflation rate high — economist

STAR 30/12/86

By Reg Rumney

Informal "indexation" of wages to the inflation rate seems to be keeping inflation at its present high levels, though is not driving it to much higher levels, according to Old Mutual economist Mr David Mohr.

The surge in South Africa's inflation rate this year raised the question of hyperinflation — that is, inflation that rages completely out of control and tends increasingly to make the money in circulation worthless.

Discussing this in an analysis of inflation prospects, Mr Mohr in *Mutual Forum* notes that inflation reached 20 percent for the first time in 65 years in January this year.

"In doing so the inflation rate moved decisively out of the approximate range of 10 to 16 percent of the past 12 years."

SA's inflation has also broken with history in comparison with its main trading partners, which have been mostly in the industrialised world.

In the seventies it compared favourably with their inflation rates, but for 1985 the inflation rate at an average of 16 percent was roughly four times higher than the average for the seven major Western economies of 4,5 percent.

However, South Africa's inflation rate still ranks favourably with that in the Third World, where the average for 1985 was 52,5 percent.

Looking at typical inflationary circumstances, Mr Mohr identifies two main categories — balance of payments and public finance problems — but adds that indexation also seems to be crucial.

"Indexation always starts at an informal level, with workers normally using the consumer price index in the wage bargaining process in an attempt to protect their real incomes and standard of living," he notes.

Tax burdens are also sometimes costed into workers' calculations, particularly indirect taxes.

The impact of informal indexation depends on political backing of such claims and the basis on which they are calculated.

If the political lobby is powerful and all price changes, tax increases and exchange rate changes are taken into account, the result is likely to be a nullification of traditional anti-inflationary policies.

Since high inflation tends to encourage current spending, governments are tempted to provide inflation protection in the form of indexed savings, starting with index-linked government bonds, to ensure a steady supply of savings from which government can borrow.

This, says Mr Mohr, has often been the next stage in the indexation process, and "in the absence of addressing the underlying causes of inflation leads to rapid increases in government spending as interest payments eventually skyrocket in line with inflation.

"In the longer term the burden becomes unbearable and the budget deficit is usually monetised. This in turn leads to even higher inflation."

Major Latin American countries and Israel, prime examples of this process, have all moved away from official indexation in their efforts to halt inflation.

Giving some idea of the inflationary pressures associated with indexation, is the length of the period of adjustment to the release of inflation figures. The shorter the period, the greater the inflationary pressure and the closer the economy is to hyperinflation.

"In most very high inflation economies (inflation rates of 100 percent plus) this adjustment period is normally around one month, the time it usually takes to update price indices."

The local experience is still different.

"In South Africa, informal indexation is widely practised as most wage claims are effectively indexed, at least to some degree, to the CPI.

"There is, however, no real evidence at this stage of automatic or official indexation, and the authorities have repeatedly rejected the issuing of indexed government stock.

"The informal adjustment period seems to be about 12 months, indicating that indexation is at this stage a factor keeping inflation at present levels rather than being a driving force behind a much higher rate."

EXPORTS

~~POLICY~~

1986

MANUFACTURING CONVENTION

Red tape obstructing exports

74

Industry Reporter

RED tape is a major obstruction to exporters trying to overcome political barriers by obscuring the country of origin or setting up overseas operations.

Electromatic MD Alan Gillet, speaking yesterday at the convention, said political change had meant altering exporters' strategies over the past five years.

Manufacturers were "forced to embark on expensive, time-consuming and involved planning that ties up management in a whole new world of offshore identities and international tax planning", he said.

This became an unbearable burden when trying to cope with internal red tape, delays and suspicions that accompanied such applications.

Govt moves to overhaul export incentive scheme to save money

(74) B-DAY 19/3/86

CHRIS CAIRNCROSS

GOVERNMENT is moving to overhaul the export incentive scheme to make it more cost effective and to tailor it to meet the needs of industry.

Details of restructuring progress by the investigating committee, chaired by Basie Kleu, recently retired chairman of the Board of Trade and Industries (BTI), were released in Cape Town yesterday by Trade and Industries Minister Dawie de Villiers.

De Villiers said government had already accepted several interim guideline recommendations made by the Kleu Committee.

A major principle was that export incentives should not in conflict with the Gatt subsidies code.

"Government has keenly in mind the urgent need for structural changes to reduce SA's dependence on minerals (especially gold) and other raw materials," said De Villiers.

"The implication thereof is that the performance of manufacturing and service industries has to be stepped up through — among other things — improvement in technology and productivity."

Export performance of various sectors will be one of the factors taken into account in considering structural adjustment assistance, he said.

The general objective would be optimal use of the country's resources by way of raw material beneficiation, and upgrading the productivity of the factors of production.

De Villiers said that, while criteria for incentives applicable to all industries would be employed, not every sector, industry or firm would automatically qualify for consideration.

Assistance would depend upon the extent to which these sectors met yardsticks such as foreign exchange earnings, generation of income, and employment creation.

The investigating committee had been requested to report on the application of the new export incentive system on certain sectors before the end of the year.

Particular forms of assistance will be introduced only after proper consultation had taken place with the industry concerned, De Villiers stressed.

A notice of one year was to be granted to each sector to adjust to the system.

FIN MAIL (74) 2/1/86

EXPORT INCENTIVES

Coming on course

A fair wind is blowing for a new export incentive deal for SA's ferro-alloy producers. It is aimed at making the industry more energy-efficient and at ending disparities which have given some producers bigger incentives than others.

At the same time, however, any re-drafting of government's mineral beneficiation aid must not run foul of the General Agreement on Tariffs and Trade (Gatt), especially in the run-up to the September round of world trade negotiations.

The scheme will form part of the Kleu Committee's report on the whole question of government incentives for exporters, some of which are illegal under Gatt's subsidy code. The ferro-alloy producers are punting a package they hope will be acceptable to both Pretoria and Gatt.

With some 95% of SA's ferro-alloy production destined for foreign markets — earning R1,4 billion in foreign exchange last year — the impact on exports must be considered paramount.

Most government rebates on ferro-alloy shipments to the US are already banned as a result of a counterveiling action six years ago.

Broadly, the existing incentive formula is based on the producers' export volumes and input costs. All told, a good 30% of the incentive applies to electricity costs. And here lies the rub: the producer who uses most power gets the biggest energy rebate.

Because JCI-owned Consolidated Metallurgical Industries uses a low-energy process it gets a smaller energy rebate than, say, Samancor.

True, high electricity rebates in the early Seventies generated growth in SA's ferro-alloy industry. But the current rebate hardly fits with Escom's restructuring efforts to clip expenditure.

"The low rand has made ferro-alloy producers look recession-proof," allows Samancor manganese division GM John Muller. "But past experience shows there will be a rougher tomorrow, and already there is heavy cost-push on the energy bill."

Bigger benefits

Two years ago, the Ferro-Alloys Producers' Association (Fapa) and the Minerals Bureau handed government a scheme that gave bigger benefits to energy efficient producers. It's been sitting there ever since.

The Kleu Committee will hopefuly change this. Fapa held informal talks with the committee late last year and the Private Sector Economic Advisory Committee has completed most of its information gathering from the producers.

The *FM* understand's the committee's guidelines were handed to Trade and Industries' Minister Dawie de Villiers last week and the go-ahead for an investigation, say Pretoria sources, is "expected soon."

Much sensitivity, warns Basie Kleu, who heads the probe, is riding on government's export incentive re-write. Right now, he says, "we have to bear in mind what is acceptable to Gatt's subsidy code."

SA is not a signatory to the code but government has said it intends to sign some time in the future. But with the rough ride SA is getting overseas, the chances of a signing at the annual September talks look bleak. ■

(3) whether any conditions were attached to the granting of these permits; if so, what were these conditions;

(4) whether any arrangements have been made for the National Monuments Council to retain material recovered from the wreck; if not, why not; if so, what arrangements;

(5) whether the ownership of the wreck of the *Birkenhead* has been established; if not, why not; if so, who is the legal owner of this wreck;

(6) whether any countries have claimed ownership of this wreck; if so, (a) which countries and (b) on what grounds do they claim ownership;

(7) whether his Department has any information on the number of persons who died when the *Birkenhead* was wrecked; if so, how many persons died;

(8) whether he or any person connected with his Department has received any representations to have this wreck declared a wargrave site; if so, (a) from whom and (b) what was his reponse thereto;

(9) whether he will make a statement on the matter?

The MINISTER OF NATIONAL EDUCATION (Reply laid upon the Table with Leave of House):

(1) (a) Yes.

(b) Yes.

(i) 21 June 1983.

(ii) Depth Recovery Unit (Pty) Ltd.

(2) Yes.

(a) Depth Recovery Unit (Pty) Ltd.

(b) 8 August 1983.

(3) Yes.

— The salvor must co-operate with the South African Cultural History Museum in Cape Town, as well as with the Department of Archeology at the University of Cape Town.

— Inspectors from the above institutions and the National Monuments Council must be allowed access to the wreck site and to the storage areas.

— All data and collections must be stored with the South African Cultural History Museum until recorded and studied.

— Progress reports on the salvage work must be submitted to the Council by 1 September 1984, 1 September 1985 and 1 September 1986. A final report must be submitted before 1 September 1987.

— Reprints of all papers resulting from this work must be lodged with the Council.

— The Council shall not be liable for any losses, damages or injuries to persons or properties as a result of any activities in connection with the salvage work.

— This permit does not cover the export from South Africa of any material from the wreck.

(4) Yes. In terms of this agreement with the Depth Recovery Unit (Pty) Ltd up to 50% of all the salvage material can remain the property of the Council. The *modus operandi* will be that the Council (or its delegated institution) has first choice of all salvaged objects, to be followed by the salvors' choice and so on until the material is satisfactorily shared by the two bodies.

(5) There exist a measure of uncertainty

concerning the ownership of the wreck.

(6) Yes.

(a) The United Kingdom.

(b) It alleges that is has never abandoned its rights and interests in the wreck.

The matter is under discussion between the South African and the British Governments at diplomatic level.

(7) Yes. According to the available information 445 persons perished as a result of this shipwreck.

(8) No.

(a) and (b) fall away.

(9) No, not at this stage.

New Questions:

Ciskei: tax concessions

HANSARD 25/3/86

*1. Mr L F STOFBERG asked the Minister of Finance:†

QCOL 673.

(1) Whether potential losses of income tax and/or company tax to the State have arisen as a result of the fact that companies and industries that establish themselves in Ciskei enjoy certain tax concessions; if so, (a) what is the total estimated amount in respect of these losses in the latest specified period of 12 months for which figures are available and (b) what is the nature of the losses;

(2) whether he contemplates taking any steps in this connection; if not, why not; if so, what steps?

The DEPUTY MINISTER OF FINANCE:

(1) Due to the short period of time since the commencement of the said tax concessions in Ciskei (in essence 1 March 1985), it is not possible to establish whether or not potential losses of income tax and/or company tax have taken place.

(2) The situation is being carefully monitored and should it become evident that losses may occur, the appropriate remedial steps will be formulated.

Mr A SAVAGE: Mr Speaker, arising out of the reply given by the hon the Deputy Minister, in the light of the fact that Ciskei regards this as a decentralisation incentive, and also in the light of the fact that the South African Government normally pays half the incentives, has the Ciskei Government asked the South African Government to make a financial contribution which compensates Ciskei for what it loses by giving this tax relief?

The DEPUTY MINISTER: Mr Speaker, decentralisation benefits will not in fact accrue to companies that get tax exemptions in Ciskei.

Mr A SAVAGE: Mr Speaker, further arising out of the reply given by the hon the Deputy Minister, although I appreciate what he has just said, will the Ciskei Government be financially compensated to a degree because this is regarded by the Ciskei Government as an incentive for establishing industries etc?

The DEPUTY MINISTER: Mr Speaker, if the hon member for Walmer has any further questions to ask in this regard, he should place them on the Question Paper.

HANSARD 25/3/86 QCOL 674.

Export of diamonds

(74)

*2. ~~Mr L F Stofberg~~ asked the Minister of Mineral and Energy Affairs:†

(1) Whether his Department exercises any control over the export of diamonds; if not, which department or what agency exercises such control; if so, what is the nature of this control;

(2) whether he intends taking any steps in respect of the control so exercised by his Department; if not, why not; if

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so, (a) why, (b) what steps and (c) when?

The MINISTER OF MINERAL AND ENERGY AFFAIRS (Reply laid upon the Table with leave of House):

(1) Yes, the Department of Mineral and Energy Affairs excercises control over the export of polished diamonds but not over the export of unpolished diamonds. The SA Police are charged with the latter function.

The mechanism for control over exports of polished diamonds was established under the Diamond Cutting Act, 1979 and the function has since 1980 been exercised by the Diamond Cutting Board, which is under the control of the Minister of Mineral and Energy Affairs. Prior to that date the Police were also charged with this function.

The nature of the control exercised by the Diamond Cutting Board is threefold: *Firstly* the Board is in close contact with diamond cutters and other parties in the diamond industry and in view of its intimate knowlege of the industry and available information, for example cutters' purchases of rough diamonds, it checks that all polished diamonds intended for export are presented to the Board for inspection. *Secondly*, diamond parcels are subjected to a physical inspection. The diamonds are counted and weighted and checked to ensure that they are fully polished. *Thirdly*, the value of consignments are checked to ensure that the export value represents the fair market value of the diamonds.

My department unfortunately has no knowledge of the exact nature of the control exercised by the Police over the export of unpolished diamonds but I have been informed that consignments of unpolished diamonds are also inspected and can be referred to the Government Diamond Valuator if the Police are of the opinion that the consignment has been undervalued.

(2) Yes, it definitely is my intention to take steps in regard to both the control which already falls under my department and the control measures which other Government departments are now charged with. These steps follow on certain recommendations by a Departmental Committee (known as the Van Wyk Committee) accepted by me. Control over the Republic's diamond industry, including control over exports of polished and unpolished diamonds, is currently divided between three Government departments, namely Finance, Police and Mineral and Energy Affairs. There is however, agreement amongst these departments that such divided control is not satisfactory. There are in my opinion also too many Acts in terms of which control is exercised over our diamond industry. The Department of Mineral and Energy Affairs has therefore prepared legislation in terms of which State control over the diamond industry will be rationalised and all the functions in this regard placed under the control of the Department of Mineral and Energy Affairs. All the relevant Government departments have been consulted and they are all in agreement with the steps proposed. The necessary draft legislation will be introduced during this session of Parliament.

Export of diamonds

*3. Mr L F STOFBERG asked the Minister of Finance:†

(1) Whether an investigation into the (a) quantity of diamonds exported and (b)(i) proceeds thereof and (ii) tax revenue received therefrom was ordered in his Department; if so,

(2) whether he will lay a report on the inquiry upon the Table; if not, why not;

(3) whether he will recommend that a select committee be appointed to go into this matter; if not, why not?

The DEPUTY MINISTER OF FINANCE:

(1) No.

(2) Falls away.

(3) No. At this stage there is no justification for the appointment of a select committee. The Diamond Board, to be established in terms of draft legislation to be tabled during the current session, will carry out any investigations that may be deemed to be necessary.

Mooi-Mgeni Government Water Scheme

*4. Mr R W HARDINGHAM asked the Minister of Water Affairs:

(1) Whether compensation payments for servitude rights have been finalised in regard to the owners of properties through which the Mooi-Mgeni Government Water Scheme passes; if so, when; if not, why not;

(2) whether he will make a statement on the matter?

†The MINISTER OF AGRICULTURE AND WATER SUPPLY (for the Minister of Water Affairs):

(1) Yes. The initial offers of compensation for the servitude rights were made during the middle of 1985 and revised offers in certain cases were made during February/March 1986. Certain claims in respect of alleged damage caused by the contractor outside the servitude area have, however, as yet not been finalised. Although the Department of Water Affairs is not directly involved it is endeavouring to act as mediator between the owners and the contractor.

(2) No.

Fuel-distributing companies: supply of petrol

*5. Mr D J N MALCOMESS asked the Minister of Mineral and Energy Affairs:

(1) Whether he or any official of his Department made any requests of or issued any instructions to any fuel distributing companies regarding the supply of petrol to a certain chainstore group, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what requests or instructions, (b) to which fuel distributing companies, (c) when, (d) why and (e) what is the name of the chainstore group;

(2) whether the companies concerned complied with these requests or instructions; if not, what reasons did they give for failing to comply; if so, for what period will this request or instruction be in effect;

(3) whether he will make a statement on the matter?

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) No, a general directive was issued to all oil companies distributing petrol:

(a) that no petrol may be supplied to any retailer thereof in the event of such retailer offering petrol at discounts directly or indirectly to consumers,

(b) to all fuel companies acting as petrol distributors,

(c) on 28 February 1986 and again on 6 March 1986,

(d) in order to ensure a stable petrol distribution network countrywide; to protect employment and the interests of the small businessman and to prevent vertical integration,

(e) falls away.

FIN MAIL 4/4/88 (74)

EXPORT INCENTIVES

Improving the aim

Government moves to improve the cost effectiveness of export trade incentives is good news for manufacturers and commodity producers. They have long argued that SA does not need more incentives, but better directed export aids.

Trade and Industries Minister Dawie de Villiers says the changes stem from interim recommendations of former Board of Trade chairman Basie Kleu's study group on industrial strategy.

The new system of incentives is to follow the specific "rifle shot" approach as opposed to "shotgun blasts" aimed in the direction of industry and export-orientated services in general. Changes will be introduced, however, only after consultation with industries concerned. The responsible committee is to report back before the end of the year and implementation is targeted for the 1988/89 financial year.

A key motivation of the refined approach is given as the urgent need for structural changes to reduce SA's dependence on minerals (especially gold) and other primary exports.

In terms of the new approach, export incentives will be closely related to benefits for the country such as foreign exchange earnings, generation of income, employment creation and productivity improvement. This means selective, differentiated assistance measures which will not apply to all exporters in uniform fashion.

De Villiers says he will take into account the position of exporters who have based long-term contracts on existing incentives. The new system will be phased in stage by stage after a 12-month notice period. ■

De Villiers . . . pin-pointing export targets

Marine Projects' export sales manager, Simon Limb, recently in Cape Town to launch the marketing, maintains there is no contradiction in trying to sell expensive (from about R100 000) British yachts into the depressed South African economy. He believes a large untapped market of boat buyers exists in SA and expects to sell at least 20 vessels this year.

"We appraise the market here with some excitement," he says. "From our point of view it's one of the few major growth markets left in the world."

The yacht broking arm's customer pool begins with the Ocean Appletizer sailing academy in Durban. Director Chris Bonnet, also a partner in IYM, says enrolment is growing at 20% annually and reached more than 1 000 last year. ■

FIN MAIL

EXPORTS 18/4/86 (74)

Trading data

South African exporters stand to save at least R100m a year on the cost of foreign sales when a new standardised documentation system becomes available by mid-year.

The driving force behind the move to line up with other countries is the Organisation for Simplification of Trade Procedures in SA (Sitprosa), specially formed to standardise local export documentation.

Although constituted in 1976, Sitprosa remained largely dormant until early 1984 when a Safmarine senior departmental manager, Joubert Klopper, was seconded to put Sitprosa's aims into effect. In essence these aims are "to guide, stimulate and assist the rationalisation of international trade procedures, documentation and information flow."

Sitprosa follows the standards of the Economic Commission for Europe, a United Nations (UN) agency of the Economic and Social Council.

Klopper, now executive director of Sitprosa, explains: "Estimates of the cost of documentation and procedures in the UK, the US and elsewhere range from 5%-15% of the invoice value of the goods traded, where no simplification has taken place. You can't reduce costs to nil, but it's not unreasonable to look at halving them."

The new documentation system is due to be launched in June once it has been ratified by public and private bodies which co-operated in the development work. These organisations include Sats, Assocom, Safto, the SA Reserve Bank, Safmarine, the Department of Customs and Excise, the SA Association of Freight Forwarders and the Federated Chamber of Industries.

As Klopper says: "Few realise the scope, complexity and cost of international documentation procedures, even those directly involved in international trade. It's a sea of paperwork."

Klopper is hoping for significant savings by local exporters. "SA's foreign trade in general merchandise is upwards of R20 billion a year and documentation costs are at least R1 billion a year. Even a conservative 10% saving could mean benefits of some R100m a year."

These estimates do not include considerable losses through shipment or payment delays because of faulty, lost or incomplete documentation, he adds.

Sitprosa's first project is the drafting of a series of export forms aligned to the world standard, the UN Layout Key.

This system consists of a master document and a series of overlays from which sets of documents can be photocopied. "It complies with local and international requirements and can be easily read and understood by anyone complying with UN standards," says Klopper.

But this is just the first step. The introduction of standard forms is a major step towards computerising international trade — which is the ultimate goal.

Many of Europe's major motor manufacturers and suppliers have already engaged in a joint project to computerise export-import information. Reduced paperwork and increased purchasing efficiency can cut manufacturing costs by £150 a vehicle, they estimate.

A major problem is the development of computer communication standards. But within three years, international trade bodies will start adopting the UN Trade Data Interchange Standards, a system of computerisation guidelines. Sitprosa's UK equivalent has already written a software package, Interbridge, enabling two parties with incompatible equipment to exchange trade data.

"This will be a gradual process, but eventually almost all export-import transactions should be paperless," says Klopper. The switch to computers, he adds, will take 8-10 years to fully implement in SA. An intermediary step is to develop software to generate export documents by microcomputer.

As he points out: "SA is a member of the international community, and failure to take a standardised route can perpetuate bilateral standards and closed systems. This is a luxury SA can ill afford." ■

Rumpus over new export regulations

(74) STAR 18/4/86

Financial Staff

The Department of Trade and Industry has promulgated in the Government Gazette of April 2 an extensive list of manufactured goods that now require permits on export

The move, no doubt, is designed to restrict companies taking advantage of potentially good dollar receipts from the sale abroad of excess or under-utilised plant and machinery.

However, the new regulations have moved csome exporters to accuse the authorities of being ham-handed. One was told this week that he needed an export permit for an industrial vacuum cleaner.

Unable to find such a piece of paper, which he believes has not yet been printed, he also questions the thinking behind the need for such a document in the first place.

Earlier this year, the Government scrapped cimport permits for such cleaners. c"This unecessary paper work for an import-exporter coperating in Southern Africa cis plain silly," he said.

He points out that among the items now added to the list requiring export permits are, for example, kites, gliders, waterwheels cand lawn rollers.

However, no export permits are need for warships, minesweepers or military railway trains.

And if you have the odd icebreaker around, cwith a shaft horsepower in excess of 10 000, you are welcome to export it to climes where it might be of more use.

"It is ridiculous", the exporter added.

Cape Times 21/4/86 (76)

New strategy for W Cape exports

By AUDREY D'ANGELO

WESTERN CAPE manufacturers need a co-ordinated export strategy like those used by competitors from other countries, the Cape Chamber of Industries believes.

In preparation for this, a comprehensive study of the major local industries and their export potential is already being carried out by the unit for marketing studies of the University of Stellenbosch, led by Professor Marius Leibold, in co-operation with the chamber's Foreign Trade Committee.

"The preliminary study confirmed the urgent need for the development of a confidential strategy for the international competitiveness of the Western Cape economy in specific sectors and industries," Leibold said.

He warned that the longer this was delayed "the further we are likely to fall behind regions such as Western Australia and Nova Scotia, which are in the process of devising such over-all strategies."

Growth

A statement issued by the chamber points out that "the strengthening of the export effort is essential to promote economic growth and the creation of employment."

It says that a preliminary investigation of six industries — electronics, engineering, textiles, clothing, deciduous fresh fruit and canned fruit — has already been completed.

"This study is marketing/business economics orientated. It reviews local and international demand trends in each industry, international competition, marketing strategies which are being used — or could be used — and requirements for future success in specific markets."

The investigation has shown that, in contrast to co-operative export efforts in many overseas countries, there is "a relative lack of co-operation" between local firms trying to break into overseas markets.

"Little or no sharing of experience and mutual assistance is evident," the chamber says.

The study also found that most Western Cape firms lacked a positive drive to enter the export market. When they did so it was mostly in response to finding trading conditions difficult on the domestic market.

"It must, however, be realized that anti-South African pressures are creating major difficulties for exporters and most industries are severely affected."

The chairman of the chamber's Foreign Trade Committee, Mike Getz, who has just returned from the US, said he had "not encountered actual hostility, but a lack of knowledge about South Africa".

It was important for exporters to make it understood, at grass roots level, that buying South African exports in fact helped the process of reform by strengthening the economy.

Getz said Leibold's preliminary study would be followed by a more detailed one when interested organizations made it clear what was wanted and the budget had been decided on.

Results could include changes to export incentives, and action to solve common problems.

Among these problems were high freight charges.

"The traditional emphasis in South Africa on commodity exports means that higher tariffs are charged on the transport of manufactured goods.

"This handicaps the Western Cape and is one of the reasons our economy has lagged behind."

Organizations interested in the research and its findings are invited to contact either Leibold or Getz.

Export plan needed

22/4/86

BUS DAY

CHRIS CAIRNCROSS

74

VERY little co-operation or sharing of experience goes on between industries in the Western Cape region embarking on the export trail.

This is one of the preliminary findings of a study being carried out to determine the export potential of existing and new industries in the region.

The study is being conducted by the Unit for Marketing Studies of the University of Stellenbosch, in collaboration with the Cape Chamber of Industries.

The need for such an investigation was highlighted by the White Paper on Industrial Strategy, published last year.

Preliminary investigations of six industries — electronics, engineering, textiles, clothing, deciduous fruit and fruit canning — have been completed.

The focus has been to review local and international demand trends for each industry, international competition, marketing strategies and tactics which are or could be used, and requirements for future success in specific markets, through surveys of firms in each industry.

Early results apparently confirm there is an urgent need to develop a confidential strategy to ensure the international competitiveness of the Western Cape's economy in specific sectors.

Minister warns changes ahead

SMAIL 1/5/86. (3) GEN (74)

WARMBATHS — South Africa was not primarily an agricultural export country, and any exports should be regarded as a windfall, the Minister of Agriculture and Water Supply, Mr Sarel Hayward, said today.

Speaking at the opening of a symposium of the Society for Agricultural Extension Services, he said there was a growing prospect the export market for agricultural commodities would become increasingly competitive.

It would be important in future that production be "in harmony with the natural resources".

Food strategies would have to take cognisance of the local strategic demand for agricultural products.

The regional organisations of his department had made good progress with the compilation of regional development plans.

PROBLEMS

Mr Hayward said there would also have to be a shift in extension priorities with an eye to the establishment of a vigorous farming community with the emphasis on human development and not on maximum potential.

He said he had studied the report of the Committee of Inquiry into the servicing of agriculture, and the problems had been thoroughly addressed.

It should not be forgotten the investigation was done and the report delivered under the old constitutional dispensation.

Since then a totally new constitution had come into operation and so the recommendations could not be considered.

Mr Hayward said he had informed the SA Agricultural Union of this, and had indicated he would have no objection to further talks. — Sapa.

Sapa-Reuter and AP.

Durchholz of G H Miller. — Reuter.

Govt moves on export incentives

74 BUS DAY 5/5/86

CHRIS CAIRNCROSS

GOVERNMENT is moving fast on several fronts to encourage industries to develop their export potential or step up their activities in this regard.

Evidence of this was provided by Trade and Industries Minister Dawie de Villiers during the debate on his budget vote in Parliament last week.

Highlights of government's new supportive actions reflect greater recognition of the need to satisfy the particular requirements of different sectors — and must provide advance indication of the sort of recommendations likely to flow from the Kleu committee investigation into the country's export incentives.

De Villiers focused on two areas requiring special and urgent attention: the depressed state of motor manufacturers and the desirability of stimulating their export potential, and assisting smaller economic units — now seen as major sources of job creation — to develop their export potential.

On the motor industry, De Villiers said he has launched a Board of Trade and Industries (BTI) investigation into how it can aid manufacturers through stimulation of activities aimed at expanding exports. He noted that government believes the exploitation of the export market can make an important contribution towards the stabilisation and sound development of the motor industry.

De Villiers indicated that the BTI has been charged with giving high priority to determining what kind of permanent assistance can be extended to motor manufacturers. This could range from rebates on the excise duty payable on passenger vehicles and light commercials to the extent to which locally manufactured components are being built into both types of vehicle.

These rebates have recently been extended to vehicles intended for export, but are still of a temporary nature only.

The second area where government attention is focused are the export trading houses, including merchants and agents which export on their own account or on behalf of others.

The official hope, apparently, is to stimulate and re-create, within the private sector, the successful trading-house concept utilised by the Japanese.

The needs of the clothing industry are now also being addressed, the purpose being to enable all potential exporters to qualify for the incentives offered.

Govt blamed for market losses

BUS DAY 16/5/90 74

MICK COLLINS

FAILURE by government to develop an industrial strategy has resulted in losing out on world markets, says Roy Marcus, dean of the Engineering Faculty at Wits University.

"The current rand/dollar exchange rate should have heralded a period of great financial boom but unfortunately the country is unable to capitalise on what is a major opportunity for the export of finished products."

Marcus blames government saying industrialists should have been encouraged to modernise manufacturing facilities and enter the high-tech era.

"SA has a policy which, by virtue of its unique political situation, encourages the use of manual labour rather than that of automation.

"Although automation would initially cause a downturn in the job market, companies would eventually prosper resulting in more and more people being employed."

He says many jobs need to be created and the only way to do so is to establish a viable manufacturing industry.

"This will transform our economy from one based solely on the export of raw materials to one based on the export of finished products."

Government will lend a hand where necessary

30/5/86 (74) BUS DAY.

SOUTH African exports form an important and growing sector of the economy and the country must continue to export in the future to ensure a firm economic core upon which all citizens will look to provide education, increased standards of living and employment opportunities.

The present and recent export history again shows basic goods such as gold, minerals, precious stones and metals accounting for more than 80% of export earning.

These finite resources have enabled tremendous industrial growth to take place. But in future exports from the industrial sector will have to increase and will have to eventually replace the current export mainstays.

Refining of minerals will also have to play a much greater role in future.

In addition, manufactured goods contain a much greater component of labour than basic goods and raw materials, enabling a full premium to be obtained on the resources exported from SA.

In export marketing, the world is one's oyster and it is possible for the SA manufacturer to orchestrate to very specialised sectors if needs be, as well as to be comparatively unrestricted by variations in local demand.

The Department of Trade and Industry is geared up to assist would-be and existing SA exporters in a variety of services available at the head office in Pretoria, at regional offices in Cape Town, Port Elizabeth and Durban, as well as 36 offices situated strategically throughout the world in the Republic's main export markets.

Worthy of mention is the fact that the services of the Department are available at no charge to the exporter. The services include computerised trade enquiries facilities for all overseas trade.

Enquiries are computerised and exporters registered with the Department are informed of the enquiries through the channelling of the requests to all of the appropriate exporters. SA trade representatives will establish contact with potential foreign importers of your product upon request.

Also, market surveys in foreign export markets will be undertaken upon request.

Foreign legislation and regulations will be provided upon request and research on specific products will be undertaken. Participation at overseas trade fairs in SA pavilions is arranged as well as assistance for taking part in specialised exhibitions. Financial assistance is provided to exporters to help cover costs of overseas trade fairs in SA pavilions is ing.

The comprehensive services available at the Department of Trade and Industry to assist you to achieve success in exporting deserve more than a mere glance, and are as close at hand as your telephone.

(74) 2/6/86 BUS DAY.

Bid to cut cost of red tape

MICK COLLINS

THE first step towards simplifying export documentation, said to be costing SA more than R1bn a year, has been taken by a Safto-linked organisation.

A spokesman for the Simplification of International Trade Procedures in SA (Sitprosa) said at the weekend the group was aiming to achieve a saving of R100m in the next year.

Sitprosa GM Joubert Klopper said his organisation was concerned at the uncontrolled development of foreign trade paperwork which has resulted in a system which is:

- Burdened by huge costs because of wasted man-hours;
- Complex to operate and prone to costly errors; and
- Difficult to computerise.

"The hidden costs in the system are considerable — the United Nations suggests a benchmark of 10% on FOB value.

"With SA's foreign trade in general merchandise alone totalling around R20bn, we are looking at hidden costs of R2bn a year.

"A more conservative estimate puts this at 5%, but it is still costing SA R1bn every year."

Klopper said Sitprosa could not eliminate these costs entirely but was aiming at an initial saving of 10%, or R100m a year.

The earliest moves towards the simplification of trade procedures in SA were made in the late 1960s.

Armed with some elementary documents, the Bureau of Standards, Safto and Assocom developed the first set of documents.

Changes in the past 10 years have made it necessary to modify these documents and the work was assigned to a specialist group within Sitprosa.

This group has now come forward with the Simpladok system which will be launched at a series of countrywide seminars later this month.

The system has been designed to entail the minimum of paperwork and works with the use of a master document in place of the multi-documents previously used — as many as 17 different forms.

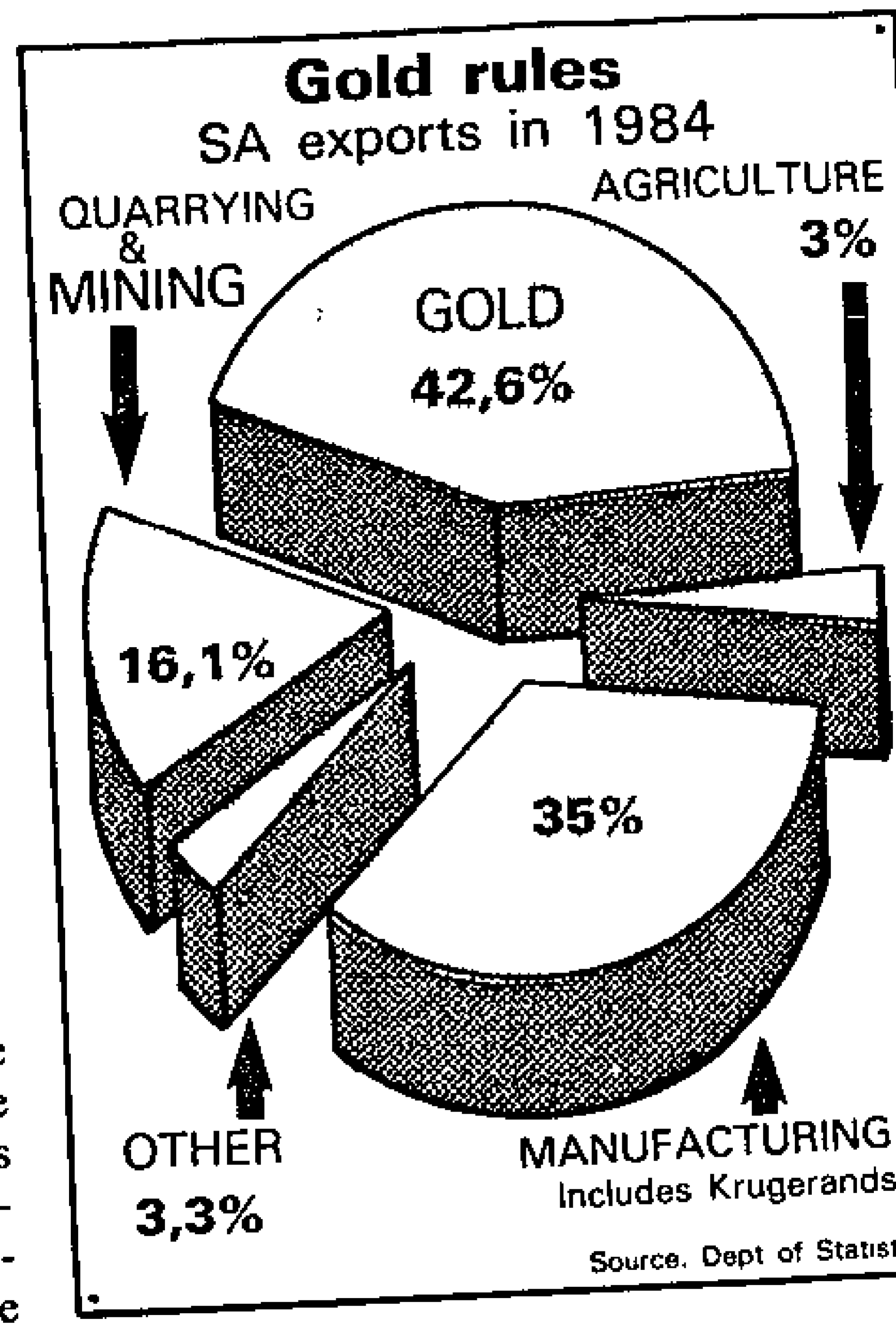
Sitprosa is registered under Section 21 of the SA Companies Act as a membership association and its board is widely representative of foreign trade and public sector interests.

(74) FIN MAIL 6/6/86

FEATURE

MINERAL BENEFICIATION

A fortune for the taking



It's been a long time coming, but the final touches are now being given to a new and coherent export and industrialisation strategy that will have far-reaching effects on the future development of SA.

Few details have yet emerged, but the chairman of the Committee of Inquiry into Export Incentives, Basie Kleu, is drawing up plans for an industrialisation programme based on selective promotion of exports. The programme, the *FM* understands, will focus on SA's traditional strength in minerals but it will lean heavily towards the concept of added value.

All Kleu will say is: "We have obviously looked at the question of mineral beneficiation and added value in our investigation into a more efficient system of export promotion."

The investigations by the Board of Trade and Industries dovetail with moves by the Department of Mineral and Energy Affairs (DMEA) to boost the value of mineral exports. The draft White Paper on the country's mineral policies published by the DMEA earlier this year (*Business* April 18) places heavy emphasis on the need to encourage the beneficiation of local raw materials.

Response from industry has largely been favourable. "The government now seems prepared to provide every incentive to promote increased processing in the minerals industry," says one industrialist.

In the past, government has been accused of paying mere lip-service to the need to change the country's heavy reliance on raw mineral exports. But now it seems to have accepted the challenge that SA, with its vast range of mineral deposits, has the chance to become the world leader in minerals technology.

"There has been little action on the minerals front in the last 10 years," says Mintek president Aidan Edwards, "but there's new urgency in efforts to develop our minerals industry."

Edwards sees SA's minerals going through four cycles. The first is mining, then raw beneficiation, through refined beneficiation to manufacturing.

Mintek is already carrying out research into improved technologies. "If all our projects come through, even in a modest way, I reckon we can double the industry's foreign exchange earnings in the next decade. Nothing comes easily, but we must look to the future."

By way of example Edwards says that SA supplies 20% of the world's titanium but it is only a minor producer of titanium pigment for paints and plastics. "Why don't we have a major production facility in SA?"

Edwards says that, given SA's gold, platinum and diamond resources, it should be a major jewellery producer, but isn't. "If the country could grab 10% of the world jewellery market this would be worth between R2,5 billion and R4 billion a year."

Adds CSIR deputy president Brian Clark: "SA cannot afford to go just halfway through the materials cycle. The engineering materials industry should be expanded as an aggressive export-orientated sector. A vigorous export programme based on adding value would help the country enormously."

Clark says 1 000 t of chrome ore sells for R33 000 and creates three jobs. By going up the value-added ladder through ferrochrome to stainless steel, a further R1,9m in value and 15 jobs are created. Using the stainless steel in manufacturing would add another R7,8m and create 177 jobs.

"These figures are based on real world experience. As you go up the value-added spiral, the income and new jobs escalate rapidly."

Although SA's exports have grown substantially in recent years, there has been little movement away from the heavy reliance on minerals, primarily gold.

Gold provides more than 72% of mineral export earnings and 47% (R11,68 billion in 1984) of total export earnings, according to Safto intelligence officer Ann Moore. Disturbingly, the dependence has grown. In 1950, gold's share of total export revenue was less than 30%, says Clark.

Clearly, increased mineral beneficiation will be a major step towards decreasing that reliance. But the next move must be to promote manufacturing which currently provides only 25% of total exports. The hope is that government has finally got the message.

SAFTO CONGRESS

74

7/11/86

Exporters 'need govt incentives'

BUSDAY

● CLEWLOW

DAVID FURLONGER

SA EXPORTERS need more financial incentives from government, says Barlow Rand CE Warren Clewlow.

He says in the SA Foreign Trade Association (Safto) annual report that fluctuations in the exchange rate in the past year have made long-term export planning difficult. Political uncertainty and a firmer gold price may create further fluctuations at a time when exporters need currency stability.

Clewlow says: "Government has so far abstained from excessive interference with the rand exchange rate; but some alternative facility, to give exporters greater security and provide an escape from SA's substantial inflation rate differential, needs to be tested."

Safto chairman Clewlow says SA will have to rely increasingly on its own resources to generate the capital investment needed to sustain export efforts.

He says: "Free market forces are unlikely to direct sufficient investment into export production in the years ahead. There is clearly a need for government encouragement in this area."

One suggestion is that export-committed SA companies be extended the same financial rand benefits as extended to foreign investors in this country.

Clewlow says: "It has been proposed, in essence, that such local companies should be able to remit part of their foreign earnings via the financial rand to invest in additional export-orientated plant."

NS

BusDay 7/11/86

Metal

Govt accepts new incentives for exports

(74)

Eve Post 1/11/86

JOHANNESBURG — A new system of selective and differentiated export incentives tailored for specific industries had been accepted by the authorities.

This was said last night by the Minister of of Trade and Industry, Dr Dawie de Villiers, at a function where the winners of the State President's awards for export achievements were announced.

He would have liked to enlarge on the achievements of exporters, but, because of current international situation it was better not to, he said.

The overall winner was SA Nylon Spinners (Pty) Ltd, which is involved in the manufacturing and exporting of synthetic fibres.

The winner of the mining division was Samancor Ltd.

Westfalia Estate won the agricultural division, while the Deciduous Fruit Board won the service sector award.

Delta (Pty) Limited's manganese division, which exports electrolyte manganese dioxide used in the production of dry cell batteries, won in the manufacturing sector.

Dr De Villiers said promotion of exports remained a high priority with the authorities, but the most important driving force for exports remained the enterprise and initiative of the exporter.

It was impossible to forecast future developments with any reasonable degree of accurary, but he believed a target should be set to at least double the country's exports — excluding gold — over the next decade.

"Exporters should not be discouraged by actions taken against South Africa. On the contrary, these should be seen as a challenge to be met by greater and more aggressive and imaginative marketing efforts than ever before." — Sapa

EXPORTS

~~POLICY~~

1988

Increased counter-trade dealing is in the offing

Move to step up exports in the face of sanctions

By Michael Chester

The Government and the private sector plan to link forces to probe more deeply into export markets and yet escape the flak of sanctions.

Sweeping moves are expected to negotiate two-way deals that will bind overseas suppliers to balance the value of any big contracts they sign with South African importers with agreements to buy shipments of South African exports.

It is envisaged that many of the deals will be made invisible to sanctions lobbies by the routing of shipments via third parties.

So far South Africa has been slow to follow international trends towards counter-trade, which has mushroomed in recent years into a multibillion-rand business that now accounts for no less than 25 percent of all world trade.

But the go-ahead to explore the possibilities has now been signalled to both the public and private sectors by recommendations from the Cabinet to all Government departments and para-statal corporations that all future import contracts worth R5 million or more should be linked with counter-trade deals whenever possible

The Government and the industrial sector see huge potential for radical counter-trade agreements flowing from the tempting overseas contracts that will accompany such vast new projects as the Mossel Bay gas scheme and Lesotho Highlands water scheme.

But most of the deals are likely to stay under close wraps to avoid the attention of hostile overseas sanctions and boycott lobbies now showing frustration over South Africa's uninterrupted successes in its export programme.

The South African Foreign Trade Organisation (Safto) has already confirmed that a series of special seminars it has organised with the Department of Trade and Industry, to alert business to the widening scope for counter-trade, will be held in March behind closed doors.

"There might be a number of sensitive issues to review," said a Safto official. "It might be far better if the seminars remain confidential so that everyone can be at ease in discussions."

Counter-trade is expected to be examined in five basic forms:

- Barter — straight goods-for-goods exchanges.
- Counter-purchase — when suppliers agree to reciprocal deals to buy goods or services over a fixed period.
- Buy-back — when deals are negotiated to ensure sales of technology, equipment or plant go hand in hand with commitments to buy quantities of products in full or partial payment.
- Evidence accounts — commercial agreements between manufacturers and governments that establish the basis for bilateral trade balances.
- Bilateral clearing agreements — trade pacts between governments that ensure a longer-term balance of trade.

Bavarian leader to visit SA soon

The Star's Foreign News Service

MUNICH — Bavarian Prime Minister Mr Franz-Josef Strauss will visit South Africa and Namibia later this month, it was announced in Munich yesterday.

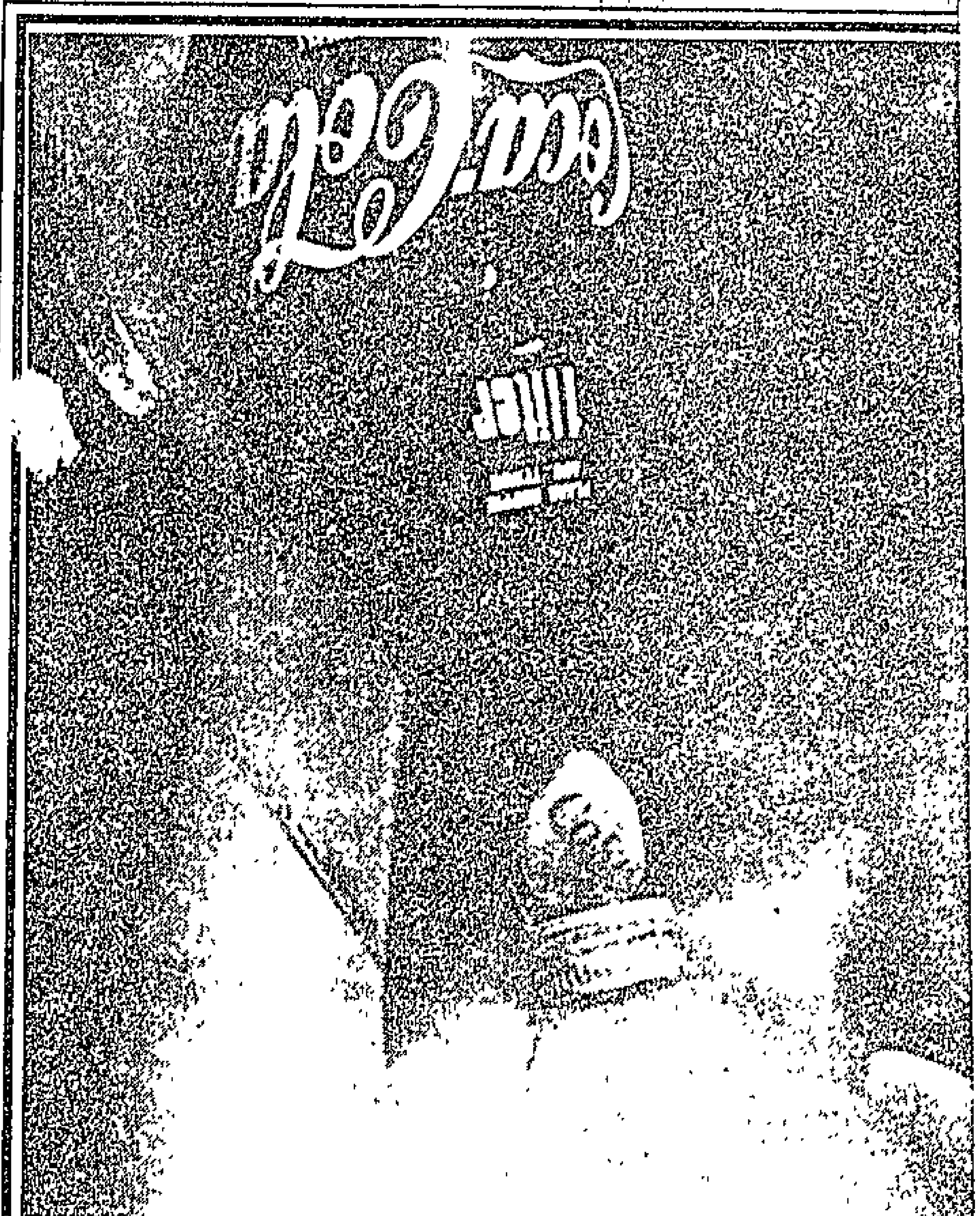
The rightwing politician will leave for southern Africa on January 19 on a tour that will also take him to Mozambique.

In South Africa, Mr Strauss will meet President Botha and the Minister of Foreign Affairs, Mr Pik Botha.

It will be Mr Strauss' first visit to Mozambique Chancellor Helmut Kohl visited Mozambique last November.

A spokesman for Mr Strauss' office said that his southern Africa tour was being undertaken with the full approval and co-operation of Mr Kohl.

Mr Strauss' globetrotting has sometimes led to tensions in the coalition headed by Mr Kohl and has earned him the title of "Germany's unofficial foreign minister".



A thirsty member of the public got two lids for the price of one whe heatwave at the weekend. He telephoned the company who prod The Star photographer, Ken Oosterbrook who had colleague, Re

Cheers at Bulawayo un

BULAWAYO — Two cabinet Ministers, formerly from rival parties, jointly addressed the first rally organised by the newly integrated Zanu (PF) at Lupane near Bulawayo yesterday.

The Sunday News, a Bulawayo weekly, said the two Ministers promised the people that the unity accord signed by the president and first secretary of Zanu (PF), Mr Robert Mugabe and the leader of Zapu, Mr Joshua Nkomo, late last year ushered in an era of national renewal, reconstruction and peace, the Ziana news agency reported

The senior Minister of Political Affairs in the president's office, Mr Maurice Nyagumbo, and the Minister of Public Construction and National Housing, Mr Joseph Msika, told thousands of cheering members of both their former parties that the war to develop the country would be harder than the liberation war.

They also said ment between Zap Zimbabwe's enemie

What was left was for congresses order to ratify the a

Mr Nyagumbo sa raping and maimin Zapu would now ha he said.

Mr Msika said: "T will be harder tha free the country, a Technology must b education must be g

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4 The Star Monday January 11 1988

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EXPORTS (74) FM

Conditional new aid

Deputy Finance Minister Kent Durr has released long-awaited — if "interim" — new rules for exporters. The announcement implies a change from the present clinical, objective qualifying rules to a subjective system and includes:

☐ The requirements of each sector will be considered, "while seeking to increase international competitiveness in general;"

☐ There will be incentives for all "industries." This does not mean that each sector will "automatically" qualify — as now. Help will depend, says Durr, on things like foreign exchange earnings, income and job creation and increased productivity;

☐ Those with long-term contracts will be treated with "sympathy;" and

☐ A system of "prioritising export activity" will be applied.

Export incentives have long been under consideration by the Kleu Committee, which has worked as a committee of the Board of Trade and Industry and now falls under the Ministry for Economic Affairs and Technology (MEAT). Kleu's broad brief was to suggest improvements for export incentives based on "both macro and micro desiderata."

While Kleu's work is incomplete, Durr says enough has been done for "interim decisions on the recommendations."

Many feel the present system outmoded, but there are other reasons for change. Now, only manufacturers qualify for so-called "category A and B" incentives, which, in addition, conflict with the rules of Gatt. Says Durr: "Export incentives that do *not* conflict with the Gatt subsidy code *or* economic targets will be retained or adjusted."

The value of category A and B incentives depends on whether materials that go into manufacture, and/or a new product, are subject to tariffs. While these incentives violate Gatt, their application is clinical and easily ascertainable

While it is doubted that the value of the new incentive scheme will change, who will qualify, and how, are anyone's guess.

Not only manufacturers, but services sector businesses and primary manufacturers may be able to stand in line. Notwithstanding a broader base, in total fewer may qualify for incentives than before.

5/2/88

The subjectivity of the new scheme will enable the authorities more swiftly to aid exporters hit by sanctions. Greater flexibility will, unfortunately, allow much special pleading and "ad hoccery." ■

FOREIGN TRADE

Which way to grow?

(74)

The government-owned Industrial Development Corporation (IDC) is offering discount loans to exporters — at 5% annual interest — in the hope of promoting Far East-style economic growth.

But aside from the fact the IDC has got its thinking backwards, its plan to promote export industries and import substitution will simply distort the economy, encourage misallocation of resources, and give businessmen the wrong signals with which to make investment decisions. The upshot will be higher taxes and higher prices for the consumer.

It plans to lend R300m this year to finance new manufacturing projects by medium-sized industrialists or groups, with assets of up to R50m. Projects are eligible for 3-year, 5% loans if at least 60% of sales will come from exports or import replacement. After three years normal IDC rates will apply, but with a 14% cap.

If 30%-60% of sales are destined for export or import replacement, half the loan can be made at 5% interest and the rest at normal IDC rates.

The IDC argues that the scheme makes business sense: it believes successful South African firms will be those that sell to the rest of the world. And, eager to cultivate a new generation of industrial clients, it is willing to help exporting firms grow.

"The world's high growth-rate countries are all very export orientated," says Gerard Morse, an IDC GM. "To get the sort of growth rates required, we can't just produce for the home market."

But it is doubtful government export subsidies are the way. Wits business economist Dan Leach, for example, criticises the scheme on several grounds:

☐ It harms the average South African at the expense of a handful of industrialists. By subsidising exports, Pretoria takes from taxpayers and gives to overseas consumers;

☐ It twists the concept of comparative advantage. Firms should export products that they can make better or cheaper than can be done elsewhere. If the product has to be subsidised it doesn't have a natural advantage. "You either have comparative advantage or you don't." he says. "Government can't manufacture it;"

☐ There's nothing special about exports and export-led growth. Subsidising exporters doesn't create jobs any better than subsidising local farmers, homebuilders or automakers. We can never see the jobs that would have been created if government subsidies had been left in the hands of the private sector; and

☐ The IDC has the relationship between exports and growth backwards. Far East countries freed their economies and enjoyed booming domestic consumption and exports. As economies grow, foreign trade tends to grow. The key is to deregulate the economy and watch exports soar, not subsidise exports and expect the economy to take off.

If SA is to grow like the Far East has, we must make sure we learn the correct lessons.

As the Heritage Foundation's Asian Studies Center in Washington DC says: "The collapse of Japan's traditional feudal society in the Forties and the emergence of a more open society triggered an explosion of creative energy. Free speech, human rights, and freedom of investment and pricing changed the political and economic dynamics. Any Japanese — regardless of age, class or family background — could venture into business and succeed through hard work, imagination, willingness to take risks, and good luck."

Small government and freer markets led to phenomenal growth, not government's occasional, ill-advised subsidy and investment scheme, the foundation concludes.

There is an easy way to settle the debate whether the IDC export scheme makes sound business sense or simply satisfies politicians and special interests: Pretoria should privatise the IDC by selling all its shares to private investors, and let the market judge whether exporting companies make the best investments (**see P41**).

Meanwhile, Customs and Excise reports that the trade surplus narrowed in 1987 to R13,98bn from R15,31bn in 1986, as exports stayed flat and imports picked up.

The value of exports rose about 1% to R42,7bn; imports rose 7% to R28,7bn. Neither increased faster than the inflation rate of about 15%, however, which reflects a real fall in the value of foreign trade.

Nedbank chief economist Edward Osborn is among those who expect the trade surplus to continue narrowing. One factor he cites is the fall in the rand against third currencies. He estimates that 70% of exports are priced in dollars and 70% of imports in third currencies. This means the rand value of imports will rise faster than the rand value of exports, as the value of the dollar declines against other currencies like the D-mark and yen.

"We tend to throw our hats into the air when we see the rand holding steady against the dollar," he says. "But we shouldn't forget that, meanwhile, it has been depreciating against all other major currencies." ■

(74)

Restructure for industry

MICK COLLINS

A MAJOR plan for the complete restructuring of industry and exports is under consideration by government and should receive approval shortly.

Making the announcement yesterday, Board of Trade and Industries (BTI) chairman Lawrence McCrystal said the new path would require a painful change of attitude — but SA had to get away from the 2,5% to 3,5% growth which presented a danger to the balance of payments.

He said the new approach would require structural adjustment rather than protection or export promotion.

Speaking in Durban at an Executive Update seminar, McCrystal said the country could no longer continue the industrial course it had followed for the past 12 years.

He said the aim was to double the growth rate of 2,6% and reach 5% to 7%. "Clearly exports must play a major role in this because of the balance of payments constraint."

Meanwhile, reaction to McCrystal's earlier announcement of a crackdown on tariff protection received mixed reaction yesterday.

The National Shoe Retailers Association (NSRA) said if local manufacturers were more efficient they would not need to seek protection in the form of import tariffs.

One source said it was about time industries which granted large wage increases without getting the resultant improvement in productivity should not then seek tariff protection.

Federated Chamber of Industries (FCI) executive director Steve Anderson said he supported the BTI move in general but he still had to ascertain the views of members.

(74) B/day 30/3/88

Export development assistance scheme takes over

C and D incentives to be abolished next year

GOVERNMENT would abolish its C and D export incentives in favour of an export market development assistance (EMDA) scheme, Deputy Economic Affairs Minister Theo Alant said last night.

The C and D incentives make provision for re-imbursement of marketing costs incurred by exporters, including warehousing in overseas countries.

Alant told Steel and Engineering Industries Federation (Seifsa) members the EMDA plan would come into effect on March 1 next year. He said details of the scheme would be disclosed later.

"The A and B export incentives, relating to input and output costs incurred by exporters, will also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors.

"Such schemes will include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes."

The Board of Trade and Industry (BTI) had undertaken a thorough investigation and the changes were a result of its recommendations.

MICK COLLINS

Alant said this had come about because in spite of the generous incentives offered to exporters there had been basically no change in the proportion of manufactured exports to raw materials exports in the past 15 years.

Alant said the BTI recommendations were aimed at achieving a policy and strategy for the structural adjustment of SA industry, including measures to promote exports with the overriding aim of improving the manufacturing industry's competitiveness internationally.

Timetable

The necessary legislative changes to terminate the C and D category incentives would be introduced in good time, while the existing A and B category incentives would remain in force until alternative measures were formulated by the board, which would also recommend a timetable for phasing out those incentives.

He said that prior to the introduction of the new measures all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Alant said the metal and related industries were among those which the BTI considered could make the biggest contribution to exports of manufactured goods in the future.

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased.

Referring to state participation and its prescriptive role in the economic process, Alant said these must be reduced to the absolute minimum.

"This is not to say the state must never interfere in the economic process. But when it does so, it must endeavour to do so judiciously and wisely."

He said there was no doubt that the scale of the state's presence in the economy had grown excessively over the years.

"But government has taken stock of the situation and its privatisation and deregulation policies are part of its response to this problem. The policy of privatisation is aimed at reducing the role of the state as a controlling force in the economy. Government's deregulation policy is aimed at reducing rules laid down by the state for conduct in the private economy."

Export incentive schemes revised

The Government was abolishing its C and D export incentives in favour of an export market development assistance (Emda) scheme, Dr Theo Alant, the Deputy Minister of Economic Affairs and Technology said in Johannesburg last night.

The C and D incentives make provision for reimbursement of marketing costs incurred by exporters, including warehousing in customer countries.

He told the annual banquet of the Steel & Engineering Industries Federation (Seifsa) the changeover to Emda, about which details would be disclosed later, would come into effect next March.

He said the A and B export incentives, relating to input and output costs incurred by exporters, would also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors. Such schemes would include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes.

The changes were being made on the recommendation of the Board of Trade and Industry which had undertaken a thorough investigation.

DID 31/3/88

74

Export incentives: some to be ditched

JOHANNESBURG — The government would abolish its C and D export incentives in favour of an export market development assistance plan, the Deputy Minister of Economic Affairs and Technology, Dr Theo Alant, announced.

The C and D incentives make provision for re-imbursement of marketing costs incurred by exporters, including warehousing in customer countries.

Dr Alant said the changeover to the export market development assistance scheme, about which details would be disclosed later, would come into effect on March 1 next year.

He said the A and B export incentives, relating to input and output costs incurred by exporters, would also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors. Such schemes would include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes.

The changes are to be made on the recommendation of the Board of Trade and Industry which had undertaken a thorough investigation. This had come about because, in spite of the generous incentives offered to exporters, there had been basically no change in the proportion of manufactured exports to raw materials exports in the past 15 years.

He said before the introduction of the new measures, all new exporters would have to be

Dr Alant

registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Dr Alant said the board of trade and industry's recommendations were aimed at achieving a policy and strategy for the structural adjustment of South African industry, including measures to promote exports with the overriding aim of improving the South African manufacturing industry's competitiveness internationally.

He said that prior to the introduction of the new measures all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Dr Alant said the metal and related industries were among those which the board considered could make the biggest contribution to exports of manufactured goods in the future.

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased, he said.

On the subject of deregulation Dr Alant rejected suggestions that a joint private sector and government body be set up to monitor progress on deregulation and see that target dates are met.

He said: "It is occasionally said that regulating bodies themselves, such as government departments, cannot be trusted to contribute much to deregulation since such bodies are likely to want to protect their own interests.

"Deregulation should consequently not, so it is argued, be left to the regulating bodies concerned."

However deregulation, like regulation in the first instance, was a government function.

"It is the government's duty to maintain an objective position as regards the conflicting interests of many interest groups. This also strengthens the credibility of our policies. The appointment of yet another committee is therefore not justified. But the advice and criticism of the private sector is indeed most welcome," he said. — Sapa

DID 31/3/88

Bank's profits take dip

FRANKFURT — Deutsche Bank AG, West Germany's biggest bank, posted a fall in profits in 1987 for the first time in 10 years, mainly because of last October's stockmarket crash.

Group net profit at Deutsche, which has large stakes in many of the country's industrial concerns, fell by more than one-third in 1987 to $400 million.

The bank's chief executive, Mr Wilhelm Christians, said earnings had been rising for the last 10 years.

"This phase came to an end in 1987 with a strong reversal," he said. —Sapa Rns

DID 31/3/88

Export incentives: some to be ditched

74

JOHANNESBURG — The government would abolish its C and D export incentives in favour of an export market development assistance plan, the Deputy Minister of Economic Affairs and Technology, Dr Theo Alant, announced.

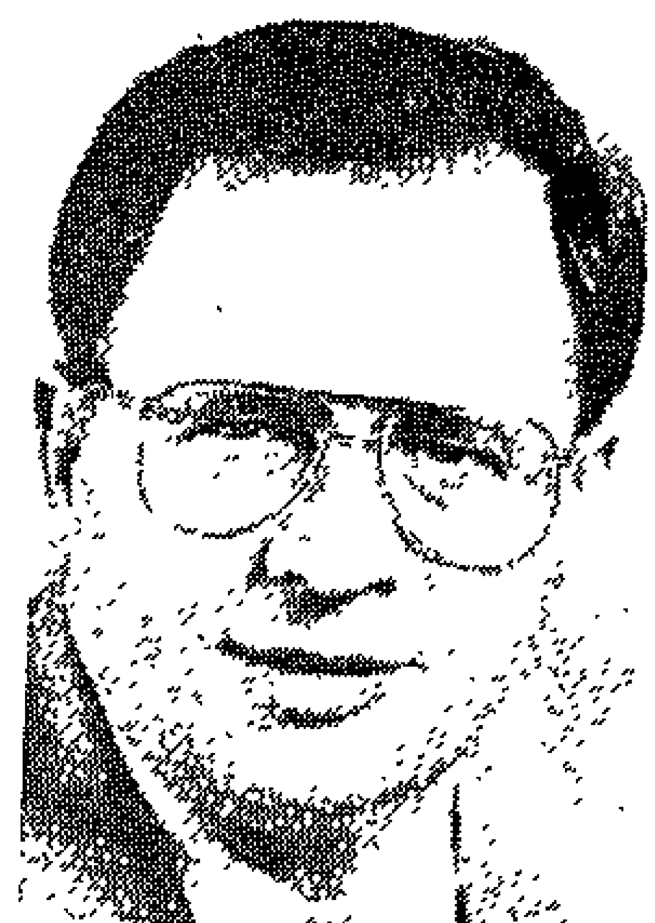
The C and D incentives make provision for re-imbursement of marketing costs incurred by exporters, including warehousing in customer countries.

Dr Alant said the changeover to the export market development assistance scheme, about which details would be disclosed later, would come into effect on March 1 next year.

He said the A and B export incentives, relating to input and output costs incurred by exporters, would also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors. Such schemes would include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes.

The changes are to be made on the recommendation of the Board of Trade and Industry which had undertaken a thorough investigation. This had come about because, in spite of the generous incentives offered to exporters, there had been basically no change in the proportion of manufactured exports to raw materials exports in the past 15 years.

He said before the introduction of the new measures, all new exporters would have to be



Dr Alant

registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Dr Alant said the board of trade and industry's recommendations were aimed at achieving a policy and strategy for the structural adjustment of South African industry, including measures to promote exports with the overriding aim of improving the South African manufacturing industry's competitiveness internationally.

He said that prior to the introduction of the new measures all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds.

Dr Alant said the metal and related industries were among those which the board considered could make the biggest contribution to exports of manufactured goods in the future.

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased, he said.

On the subject of deregulation Dr Alant rejected suggestions that a joint private sector and government body be set up to monitor progress on deregulation and see that target dates are met.

He said: "It is occasionally said that regulating bodies themselves, such as government departments, cannot be trusted to contribute much to deregulation since such bodies are likely to want to protect their own interests.

"Deregulation should consequently not, so it is argued, be left to the regulating bodies concerned."

However deregulation, like regulation in the first instance, was a government function.

"It is the government's duty to maintain an objective position as regards the conflicting interests of many interest groups. This also strengthens the credibility of our policies. The appointment of yet another committee is therefore not justified. But the advice and criticism of the private sector is indeed most welcome," he said. — Sapa

NO CHEERS

Liquor producers say they are being hurt by attempts to stamp out bootlegging. They concede the need to prevent export shipments being diverted illegally to the local market; but claim Customs and Excise is overdoing it.

KWV's Kobus van Niekerk is negotiating on behalf of the liquor industry for customs to adopt a softer approach. He says it isn't necessary to:

☐ Compel exporters to load trucks or containers under supervision of customs men and charge them for their presence;

☐ Force them to export only through Komatipoort and Beit Bridge, when most of SA's exports to countries outside the Customs Union flow through Botswana;

☐ Pay full excise duties, plus a 25% surcharge, in advance and be able to claim it back only after it is proved the liquor has been exported.

But in reply, Customs and Excise Commissioner Daan Colesky says Komatipoort and Beit Bridge are the only border posts with department officials to formally stamp export papers and ensure shipments leave the country.

11/9/88 FM (44)

EXPORTS 8/11/88 (74) FM

Food for thought

Food exports account for more than 10% of world trade — dwarfing other products like iron and steel, chemicals and ores and minerals. But SA hasn't even begun to tap its potential.

South African Foreign Trade Organisation (Safto) CE Win Holtes says food boards should privatise their international marketing functions — as the Deciduous Fruit Board has done (*Business* September 25). Export trading houses should also be used more aggressively.

A Safto analysis of world trade identifies certain food commodities as winners — where there was growth from 1980-1986. They include such staples of South African production as preserved fruit, beer and fish. Many of the world's losers though, also have a strong South African link, including maize, sugar and wheat flour.

Safto suggests, as does the Kleu Commission, there should be a rifle approach to exports in which only selected exports are encouraged.

SA still predominantly exports to traditional markets. The UK took nearly 10% of SA's food exports, although it accounts for only 6,5% of the world's food imports. Japan, on the other hand, accounts for 9% of world food imports but only 2% of SA's food exports.

The Japanese market is there for the taking, asserts Holtes. Their diet is growing in quantity, calorie intake and quality. He adds there has been an upsurge in the purchase of convenience foods, giving scope to South African food processors.

Export incentives are beginning to support processed foods and other added-value products.

"Development of the winners will involve significant progress in exports of processed, rather than basic, agricultural products. Government's new industrial programme of structural adjustment provides substantial assistance to achieve this purpose," says Holtes. ■

(74)

EXPORT INCENTIVES

Crucial need for clarity

Tax and financial concessions for exporters — worth an annual R1bn — have become a major concern for thousands of enterprises. Expected future changes have been announced by several branches of government, without consolidation.

Exporters feel they're making quotes for future deliveries in the dark, and calls for clarification grow by the day. With SA's open economy (exports and imports comprise 65% of GDP) careful, measured reform of the export incentive system is crucial.

The system is the subject of a huge behind-the-scenes government investigation. Its overall aim is "to improve the international competitiveness of South African manufacturing industries." There are a number of complicating factors.

SA has not yet signed the codified articles 16 and 23 of the original GATT agreement, which condemns the use of subsidies for encouraging exports. It can be argued that SA's current system consists largely of subsidies. US steel manufacturers, for example, have succeeded on this score.

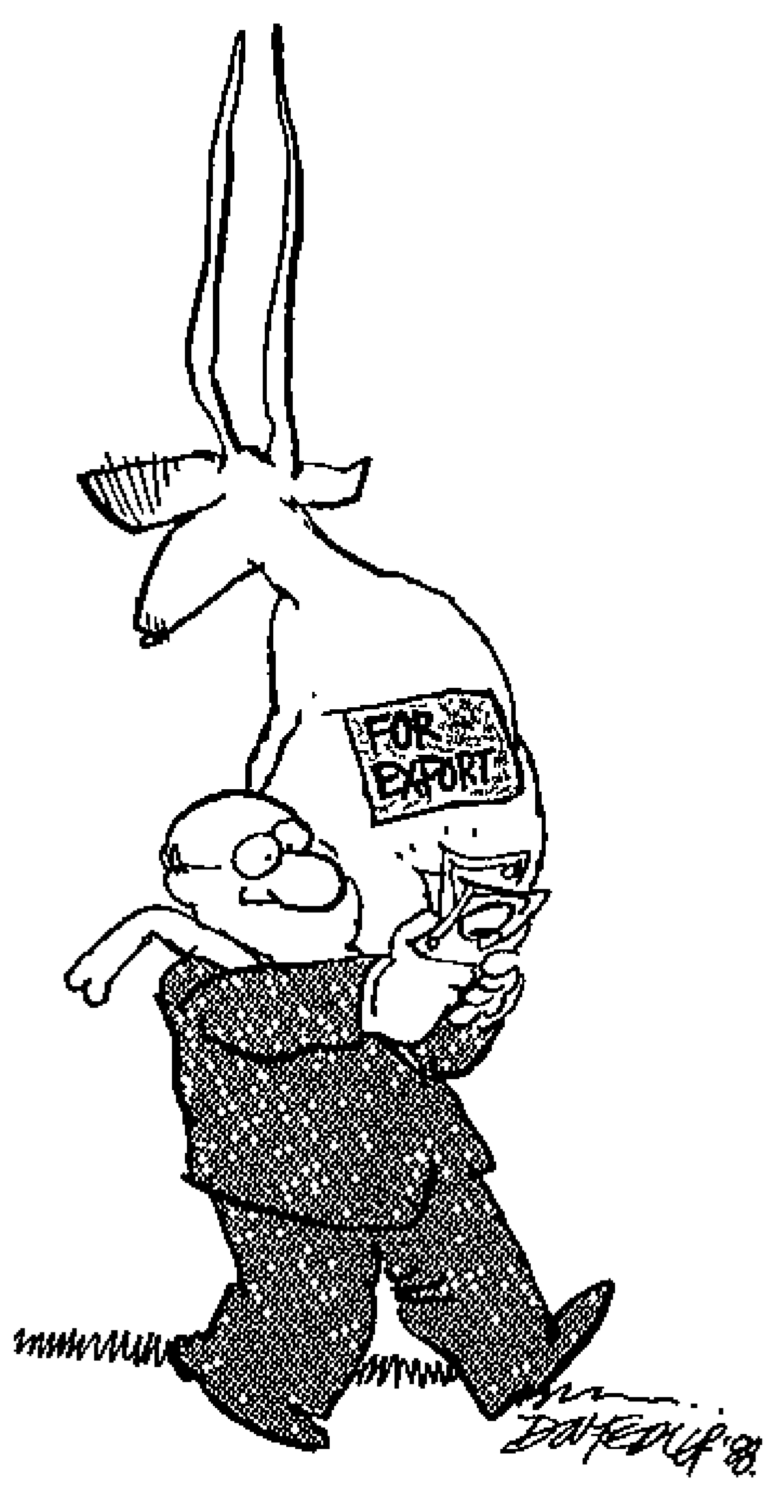
The private sector has long exerted pressure for the export incentive system to be overhauled, which has to be done before the GATT articles can be signed.

It has argued that the current system is not as cost-effective as is could be; that it is costly to administer (being unnecessarily complicated); and that some products are unduly favoured, while more deserving ones are ignored.

For example, as Ernst & Whinney's Daryl Sahli points out, the export of South African expertise and know-how, and organisations encouraging foreign investment, have been largely excluded from the export concession pie.

So far, only a degree of clarification of changes due have been given for two of the four export categories. Previous announcements had it that Category A (input compensation) and Category B (value added) would be abolished on December 31 1988.

These two categories are of considerable benefit to secondary industry — provided the final product exported is subject to a customs tariff.



Previous reports have been silent on Category C (cash grants) and Category D (Section 11 *bis* tax allowance) benefits, the latter falling under the Income Tax Act, and thus the Department of Finance.

Economic Affairs and Technology Minister Danie Steyn has, however, now said that categories C and D will be replaced by "a scheme for Export Market Development Assistance (EMDA)" on March 1 1989.

The effect is far-reaching: C and D are the most direct and broad-based benefits available. C assists assessed loss and cash poor companies; D assists exporters with tax base — that is those making taxable profits.

Clearly, EMDA will have to provide equal treatment to both tax paying and tax loss companies. Steyn says that as EMDA is implemented, necessary amendments to terminate D incentives will be made to the Income Tax Act.

Steyn says that the Board of Trade and Industry (BTI) has already submitted to government a report and recommendations on a policy and strategy for "the structural adaption" of South African industry. This includes measures to promote exports.

A and B incentives will be replaced by a variety of new measures:

- ☐ Schemes to provide assistance in respect of input costs;
- ☐ The development of small industries;
- ☐ Productivity improvements; and
- ☐ Special programmes for industrial development.

But each of these schemes will be designed for specific industries after thorough studies and recommendations have been made by the BTI. The *FM* understands that the parameters of this investigation will be tabled in parliament during May.

Moreover, the existing A and B incentives will be retained "until BTI has recommended substitutionary measures." BTI will also, in *each* case, make a recommendation for the period during which A and B will be phased out and replaced by the new measures.

All the amendments referred to will be preceded by a process of registration of new exporters and the re-registration of existing exporters. This *will* be done on the curious basis "of a set of criteria aimed at the more efficient utilisation of funds."

And, to keep the ball rolling, "further particulars of the proposed schemes and registration will be announced from time to time."

With the ball now squarely in government's court, it is essential that all export benefits must be channelled, as directly as possible, to provide South African exporters with a competitive edge in foreign markets. Again, it is crucial that this should not be done contrary to the spirit of GATT.

The general consensus, as demonstrated by government statements, is that cash-based incentives will be the substitute for existing benefits. Subsidies — as these most certainly will be if not by another name — have a poor track record for efficiency and impartiality.

It is a little worrying that the BTI's investigation is by sector, which implies a degree of subjectivity and scope for lobbying. But the *FM* understands that the BTI's investigation hinges on the precept that if an enterprise doesn't perform, the benefit will be withdrawn.

If this is the basis of the structural adjustment programme, it is to be welcomed and encouraged. But ultimately, the *FM* hopes that the new export incentive system will not be plagued by irregularities and inequities. ■

EXPORT PROMOTION

74

Moving targets

Board of Trade and Industry (BTI) chairman Lawrence McCrystal has spelt out details of government's new policy approach to export promotion

In an interview with the *FM*, he says assistance will be targeted at the requirements and potential of specific industry sectors. Policy measures will be announced once BTI investigations into each sector are completed.

He stresses the policy is *not* a response to

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sanctions, but is "aimed at achieving the maximum possible rate of economic growth out of available resources."

In a departure from previous policy, export promotion and tariff protection are being considered together, says McCrystal.

"They are viewed as instruments to achieve structural adjustment so an internationally and internally more competitive economy is promoted. The approach will be to achieve targets jointly agreed with the sector concerned," he says.

"We have scarce resources of capital and skills. Everything we do must be aimed at achieving the maximum possible rate of economic growth out of the available resources. That means putting the effort and resources we do have behind potential winners. We are simply implementing the plan to the vision we have been talking about for the past two years."

It is a moot point whether the private sector needs this kind of targeted assistance. But three points are worth recording: SA faces a turbulent international trading climate that might warrant special measures; the country's burgeoning Third World population creates a massive demand for new jobs and economic growth; and, moreover, some countries in the Far East have successfully implemented targeted assistance to specific industries.

But McCrystal claims SA is not following in the footsteps of countries like Taiwan, South Korea and Japan. "We are doing our own thing in terms of the perceived needs of SA. The long-term economic strategy of the Economic Advisory Council and the White Paper on industrial development strategy provide the framework within which we are operating."

Nevertheless, the new policy guidelines resemble those followed by Japan's Ministry of International Trade and Industry (MITI). MITI's approach has been to identify and target sectors of the economy where a joint approach by the State and private sector can provide maximum benefits to the Japanese economy, especially on the export front.

The BTI's role, says McCrystal, is to help devise development strategies for particular sectors so that they fit in with anti-inflation and other policies indicated in SA's long-term economic strategy.

McCrystal ... chasing a vision

McCrystal says BTI investigations into joint tariff and export promotion requirements of specific industries are well advanced for the apparel, textile and clothing sectors. The requirements of footwear, motor vehicles, certain metal products (including stainless steel — *Business* May 20), business equipment, electronic components and television sets are "in various stages of being addressed."

"The BTI's report on the jewellery industry was completed some time ago and parts are being implemented in terms of a Bill now before Parliament. Structural adjustment is the objective. The export aspect is relevant in many, but not necessarily all cases," McCrystal says.

BTI investigations into the textile and clothing, footwear and motor vehicle sectors will be completed in 1988, while the rest will take longer. Legislative changes, as and when necessary, will follow BTI investigations, as in the case of the jewellery industry.

McCrystal says the new measures form part of a "vision to make SA the competitive powerhouse we all know it can and should be. If it works, it will lift the lid on our economic growth rate. SA's economy needs dynamic structural adjustment to shake the inefficiencies out of our resource utilisation."

Scrapping of export incentives put off

Business Day Reporters

TAX experts, business and industry have welcomed government's decision to postpone plans to scrap export incentives.

Economic Affairs and Technology Minister Danie Steyn said last week the existing categories A, B, C and D export measures would remain in place until the end of the 1989/90 financial year.

The A and B incentives relate to cash payouts granted on the value of exports, whereas C and D categories involve substantial marketing allowances dependant on export performance.

Deloittes' Doug Jolliffe said the sudden discontinuation of the allowances without replacement measures would have had a disruptive effect on the export market.

Jolliffe said although the reduction of direct subsidisation was in line with Margo, the abolition of the incentives would have created serious problems for exporters reliant on the subsidy, who had already set prices for next year.

Private Sector Economic Advisory Committee (PSEAC) chairman Nols Olivier in welcoming the announcement said: "The minister's statement removes the uncertainty which has existed among exporters and thus enables them to go about their international business with confidence."

PSEAC is the recognised consultative channel to co-ordinate with government on matters affecting exporters and export promotion.

Assocom and Safto are among its members.

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B/day 13/6/88.

EXPORT INCENTIVES

Status quo

Minister of Economic Affairs & Technology Danie Steyn has clarified — for the time being — the status of the export incentive programme, after much speculation.

Earlier this year, it was announced that existing Category A (input compensation) and Category B (value-added) schemes would be extended another full year. The

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status of Category C (cash grants) and Category D (Income Tax allowance See II *bis*) was unclear.

Steyn now says that *all* existing incentives — A, B, C and D — will remain in place for the full financial year to March 31 1990.

The Department of Trade and Industry will continue to register exporters under the existing arrangement but a new registration form is expected to be issued towards the end of October. This will no doubt be much more searching than the existing form in an attempt to identify exporters with genuine potential rathern than "no-hopers."

All existing exporters will be expected to reregister for the new incentive scheme.

Speculation about what will eventually replace the export promotion programme has reached fever pitch in the business community. This is to be expected as government officials have provided limited information about the new programme (**see box**).

The business community will have to wait, probably until well into 1989, for full details of the new export programme.

The fundamental requirements must be that the scheme is easy to administer, completely understandable, and above all that legitimate applications are dealt with quickly and efficiently. ■

Steyn . . . export incentives made clear, for now

EXPORT ROUNDUP

The programme to replace export incentives is still to be announced. A summary of available information follows:

- ☐ The new incentive scheme will be based almost entirely on cash grants;
- ☐ Two principal categories of incentives will be established.

Firstly, Development Assistance, probably with elements similar to the existing Income Tax Marketing Allowance (Section 11 *bis*). The exporter will have to support any application with a detailed marketing plan, together with budgets of expenditures and sales.

Secondly, Market Penetration Assistance, designed to help an exporter penetrate overseas markets. Full supporting and feasibility studies will be needed;

- ☐ Aid will be limited to the exporter himself, not the manufacturer — as now;
- ☐ It is expected that exporters will be divided into three principal categories, all of which will be eligible for assistance.

First, those who will export regardless; that is, as a result of surplus or because the product has little or no overseas competition. Exporters of raw materials fall into this category.

Secondly, exporters with a well-structured and achievable plan with realistic budgets but where potential growth in overseas markets is limited.

Thirdly, a genuine exporter who has great competitive potential in overseas markets. Here, a whole range of incentives will satisfy different needs;

- ☐ The department will issue lists of what product types fall into each category; and
- ☐ The new programme is expected to identify specific industries with the greatest potential. These will be singled out for more comprehensive assistance aimed at particular strengths and weaknesses.

16/8/88

NEWS FOCUS

SA can massively increase exports

B/Day (14)

WIM HOLTES, CE of Safto, raps SA producers and recommends a route to more industrial exports — additional production shifts

THE CURRENT concern over the balance of payments highlights once more the need for increased exports. The state of the economy also emphasises the need for greater employment in industry and, given the limits of the South African market, for more industrial exports.

The Board of Trade, through its extensive investigation of the export incentives in relation to more effective market performance by industry, is forcefully bringing home the message that each sector of the industry should try at least to balance its imports and exports and is giving a powerful direction to our future economic and industrial strategies.

Gradually, a comprehensive foreign trade strategy is emerging and the business community should take note of this — as well as of the consequences — in their own future planning.

Excuses

Comparisons of SA with the "economic success" countries have been repeatedly made and the lesson stated ad nauseum: unless we become as export-dedicated as they are, there is very little of an economic future for this country.

There are many excuses and reasons given why South African companies in general are not more export-dedicated. These reasons range from political issues to exchange rate fluctuations, from distance from world markets and transport costs to sanctions.

And yet we have seen many highly successful South African export concerns which have not only survived all those arguments against exports, but by doing so have given their shareholders an increased return on their investment.

Many of the larger successful exporters are in mineral, metal, chemical, paper and pulp and similar type of industries where the production process is a continuous operation.

In the manufacturing sector, many of the more successful export companies are gradually adopting what is common practice abroad — introducing second and sometimes third shifts (even if continuous production is not technologically required) and achieving additional output from their existing plant.

This issue is becoming increasingly critical. In the current sanctions environment, too many exporters seem to be "shooting themselves in the foot," for there is puzzled criticism from abroad that in some product areas SA is actually reneging on its export commitments because production is being diverted to the home market.

SA's several hundred export traders and their thousands of associates abroad are frustrated because South African producers are not supplying foreign market requirements now that the domestic market has improved.

This cyclical approach makes SA an extremely unreliable source for foreign buyers and its negative effect could, in fact, be far more damaging than the sanctions effect on our exports.

In many manufacturing industries a massive increase in exports can be achieved by establishing export-dedicated production through a second or third shift. This would also immediately improve employment opportunities.

Production can be increased without further capex, giving improved capital productivity. Growth can be achieved without the need to import expensive foreign equipment and machinery. The unit cost of production can be drastically cut by a wider distribution of fixed costs, such as rent and depreciation, over larger production runs.

Economies of scale and learning-curve effects gradually exert a powerful positive influence on productivity and profitability. All of these results also emphasise the strong counter-inflationary benefits of export-led growth.

Like anything in business, however, there are risks in following the extra-shift option — training additional labour, stretching management, possibly increasing higher scrap rates initially and having to provide additional wage incentives. These factors may have caused some companies to reject a second shift alternative.

Notwithstanding this, the second and third shift option, with the increased output for exports it provides, can be so powerful a stimulus to the economy and to the individual industries concerned that it needs to be given serious consideration by management.

Rewards

It may take up to two years to get the full support of staff and to reduce costs to desirable levels, but thereafter substantial rewards are enjoyed in the form of increased volumes and margins.

Fullest support must be obtained from trade unions to ensure that they see this as a progressive way of creating more opportunities for employment.

At a company level the advantages are clear. The benefit for the country lies in substantially increased employment opportunities, a higher economic growth, and substantial additional foreign exchange earnings, with virtually no additional capital investment costs or imports of machinery.

Govt tarries on new export plan

74 b/day 27/9/88.

CHRIS CAIRNCROSS

CAPE TOWN — While SA's balance of payments deteriorates, government is sitting on a report recommending a new policy for export promotion and refuses to be hurried into any decisions.

The report, prepared by a Board of Trade and Industry (BTI) committee, was completed in January and submitted soon afterwards to Economic Affairs and Technology Minister Danie Steyn.

The committee was asked for recommendations for a new official policy in relation to industrial development, export promotion and customs tariff assistance and protection.

● STEYN

All that Steyn has been prepared to confirm thus far is that the report "has been placed on the table" and its contents and recommendations are being discussed selectively with representatives of organised commerce and industry.

Private sector representatives are concerned at the lack of progress in dealing with this latest attempt at mapping out a policy umbrella for SA industry. They believe government has delayed too long in setting any policy guidelines on issues requiring urgent action and fear that, like many other reports, the BTI's efforts seem destined to be overtaken by events.

Adding fuel to this fear is the doubt expressed by BTI CE M R Heyns that the report would be made freely available.

Assocom representatives see no reason why the BTI report should not be released for general public consumption as soon as possible, so that the "main actors in the economy" have at least some idea of what the broad game plan might be.

"Why the continued secrecy over the report?" asked Assocom's Bill Lacey.

He said publication would not necessarily indicate government's acceptance of the report and its recommendations, but would generate useful reaction that would help government formulate its eventual response to the BTI proposals.

Government has thus far failed to come up with any fundamental official strategic adjustment programme after almost a decade of intensive investigations and a large number of submitted reports and recommendations from a series of specialist committees spearheaded by the BTI.

● Australia's export policy: Page 6

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74 B/Day 21/9/88. 2

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● Australia's export policy: Page 6

(74) B/day 27/9/88.

Exporters need to change attitudes — Stef Naudé

HELOISE HENNING

SEVERAL markets were going open to SA manufactured goods, but manufacturers would have to undergo a "change of culture" to meet the demand, Economic Affairs director-general Stef Naudé said in an interview yesterday.

Naudé, who regularly visits markets which are becoming available to SA goods, said he had unfortunately come across an attitude among domestic manufacturers that instituting a double shift would be too disruptive for their business.

In an earlier speech, at the opening of the Powertech Group exhibit at the Electra Mining Show at Nasrec yesterday, he said SA engineers should develop technologies which responded to the peculiar demands of the Third World. SA was in the position of being so close to the Third World.

New technology which would increase the efficiency of SA's resources had the full support of government.

Government was working at the optimisation of the export incentives but, he said, there was available to exporters "a portfolio of measures to promote and support" export drives.

SA's coal beneficiation in the petrochemical industry was a fine example of how far the country was able to progress, and SA was able to generate power cheaply through the appropriate use of its extensive coal reserves.

Naudé congratulated the Altech Group which earlier announced a research and development budget of R60m for the current financial year. This, however, only constituted 3,7% of the corporation's turnover of R1,6bn. Naudé pointed out that the top 200 companies in the US spent 5% and the top 30 companies in Europe spent 8% of their turnover on development in 1986.

Progress urged on export incentives

B/day (74) 12/10/88.

HELOISE HENNING

SEIFSA hoped the Department of Trade and Industry (DTI) would progress quickly with talks with all industrial sectors on new export incentives and promotions, out-going president Richard Savage said.

Reporting to the steel and metal industries employer body AGM, he said Seifsa had already made representations to the DTI on proposals for new incentives.

In its representation Seifsa had emphasised the need for an orderly transition from the old to any new incentives. The new incentives needed to be negotiated and agreed on with adequate notice of any changes needed to be given to exporters.

Meanwhile, Seifsa was pleased that the deadline for phasing out current incentives had been extended.

At the same time Seifsa's representation to the Margo Commission had been adopted. However, Seifsa remained opposed to the retroactive Minimum Tax on Companies which would have adversely affected some major companies in the sector.

Unfortunately, the Labour Relations Amendment Act was promulgated by the Manpower Minister on September 1 at a time when the SA Employers' Consultative Committee on Labour (Saccola) was in discussions with labour unions on the contents of the Bill.

Seifsa remained supportive of the Saccola objective to continue the discussions.

Govt homes in on export policy

BIday 14/11/88 (74)

CHRISTOPHER TUCHER

THE Cabinet is in the final stages of considering proposals to fundamentally revamp government's export incentive policy, Department of Trade and Industry director-general Stef Naude said yesterday.

In a speech last week to the FCI congress in Maritzburg, he said the aim was to reward export performance and not, as had often been the case in the past, to compensate expenditure.

Current export incentives grant tax concessions for costs exporters incur in marketing and distributing to foreign markets.

● NAUDE

The Cabinet is discussing the new incentives along with industrial policy proposals for selected sectors, and Naude said it would not announce a decision until it had resolved both matters and consulted the private sector.

FCI chairman Leslie Boyd said he welcomed government efforts to boost exports. However, he was dubious about performance-based incentives which reward exporters at the end of the business period.

"Businessmen have to know up-front what the incentives are going to be," he said.

Boyd said the present incentive scheme had been successful in promoting exports of primary industries, like steel, coal and ferro-alloys, "but it has failed to broaden the export base by encouraging secondary industry".

He was pleased government had initiated discussions with FCI over the new incentives.

Naude declined to specify how the new scheme would work but said many possibilities were under consideration.

"We cannot base the whole system on performance, because business has to plan ahead," he said.

Along with the new system of incentives, government was also reviewing its export support services.

In his address to the FCI, Naude also pointed an "accusing finger" at the private sector for being "insufficiently export-oriented".

Exasperated

He said a "cultural change" was required to reaffirm their commitment to their overseas trading partners.

"One is exasperated by the lack of commitment on the part of so many industrialists to developing foreign markets," he said.

Naude's criticism followed only days after President P W Botha questioned government subsidies to non-viable export industries, calling them a "heavy millstone around the neck of the taxpayer".

17/11/88 (74) B/day

Exporters say they are sailing against the wind

ZILLA EFRAT

EXPORTERS accused of lethargy might feel they are being judged harshly.

Some manufacturers trying to move goods overseas still feel the odds are stacked against them.

Exporters are often accused of being uncommitted, entering foreign markets during recessions and neglecting them when the local market improves.

Latam International Trade MD Richard Kern-Martin says SA is not an export-oriented country.

Traditionally exports have been left to the larger companies who had to trade to remain viable. The backbone of exports in other countries has been the small and medium firms.

Gladwell International Consultants MD Ron Gladwell says: "When the foreign company stops buying it is labelled an anti-SA move. This is not always the case."

He adds: "Many SA companies do not service the importer, follow his marketing strategy and are unreliable in delivery."

Exporters are often too easily put off by the threat of sanctions," says Kern-Martin.

Safto GM Anne Moore says there is an increase in the number of firms that stay with their exports when the local market picks up.

The critics, however, do not believe the exporter is always to blame.

With more sanctions and boycotts it is difficult to invest time and money in developing markets that could disappear.

Assocom foreign trade secretary Bess Robertson says lack of finance and exprience inhibit smaller potential exporters.

The banking infrastructure was set up for imports and not exports, says Kern-Martin.

Future export policy is still in abeyance. A Board of Trade and Industry inquiry into the rationalisation of export promotion was gazetted in April last year and issues are still under consideration.

Safto international division chief David Graham says: "Safto has, over the years, identified effective export promotion services in the Far East, Europe and Israel and has used some in its own programmes."

He adds: "While SA export promotion techniques are similar to those of Far Eastern countries, South Africans lack the same intense motivation and do not have the same budget."

Tremendous motivation in the Far East results from the inherent nature of these economies and importance of survival.

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and total disinvestment within five.

Export zone for Cape suggested

(74) B/day 14/12/88

HELOISE HENNING

CAPE TOWN should be allowed to create Export Processing Zones (EPZ), or manufacturing pockets with free port advantages, to promote industrial growth and exports, the Cape Chamber of Industries (CCI) has suggested.

In a submission to the Southern African Development Bank which recently completed a study in search of a new industrial development policy, the CCI, supported by the Cape Town Chamber of Commerce, said creating EPZs would attract local and foreign investment.

SA's economic resources, concentrated in metropolitan areas, were underutilised and were put under further pressure through decentralisation incentives to industries.

Inland industrialists have objected strongly to the proposal. Their argument is that inland export potential would be disadvantaged through having to payer higher prices for locally manufactured items and the added expense of transport to ports. CCI argued that manufactured goods from an EPZ would not enter the local market.

"It is like manufacturing on an island divorced from the market and economy of its parent country but yet supplied with labour and other inputs as any mainland producer." EPZ "leaks" to the local market could be policed.

CCI pointed out EPZs were not suited for under-developed economic regions and could not be used as a vehilce to alleviate unemployment *per se*. The emphasis of an EPZ was to improve export conditions for industries located in the EPZ and the countries export performance as a whole.

Cape Town was a front contender to become an EPZ because of its well developed port facilities, supporting infrastructure, higher average educational levels and skilled labour, the CCI said.

Developing areas purely for export could change the perception SA had for being an unreliable exporter.

The red tape associated with exports had been a discouragement to especially small and medium sized manufacturers, the submission said.

EXPORTS

~~POLICY~~

1987

Export incentive period cut

DAVID FURLONGER

EXPORT incentive repayment periods are to be cut by two-thirds.

Exporters are currently allowed to claim for three years' incentives at a time. From April 1, they may claim only for the current financial year.

Safto — the SA Foreign Trade Organisation — says millions of rands are already lost by exporters unaware of the incentives. Of the R180m budgeted annually by the government more than R120m is unclaimed, says a spokesman.

This figure is likely to rise if exporters fail to complete their three-year claims by March 31. After that date, only current claims will be accepted.

Objection to duty on exporting scrap steel

14 B/Day 30/1/87

HAMISH McINDOE

SCRAP metal traders are strongly opposing a move by steelmakers to impose a 25% duty on exports of scrap steel.

The Metal Merchants' Association (MMA) will submit today to the Board of Trade and Industries its objections to the duty, which it slates as protectionist.

The Rolled Steel Producers' Association (RSPA), representing the country's 10 primary steelmakers, and Cape-based Atlantis Diesel Engines (ADE) jointly applied for the duty on the grounds of a shortage of scrap steel.

The duty was gazetted last month and is expected to be activated soon unless the board recommends in the MMA's favour to have it dropped.

RSPA and Iscor chairman Floors Kotzee yesterday dismissed as a "senseless argument" the MMA's claim that the duty was anti-free-trade on the grounds that the world steel market was already highly protectionist.

He said a local shortage of scrap steel justified a barrier to exports.

MMA (ferrous scrap) chairman David Loewanthal said: "I'm not aware of any works stopping because of a ferrous scrap shortage. Why should the companies that generate scrap have to subsidise the steelmakers?"

He said a high proportion of products was being exported, "thereby increasing the valuable foreign exchange earned compared with that of the sale of steel scrap".

About 150 000 tons of scrap steel are produced annually in the Western Cape.

FM 6/2/87 (74)

INCENTIVES IN A COIL

Such are the complications of claiming export incentives that some R120m remains unclaimed out of a budgeted R180m. For a claim to qualify under Category A, the input must be subject to duty; under Category B the claim depends on the final export product being subject to tariff protection.

Take a heavy duty caravan jack made from about 40 components. Two of these, coil springs, are numbered 73.35.10.90 in the voluminous SA Excise and Customs tariff book.

The duty is 1 000c/100kg. Suppose each coil costs 50c, and the company sells 7 000 jacks, requiring two springs in each. That's a total of 14 000 springs, say weighing a total of 200 kg, indicating a duty of R20.

The company can claim 50% of the duty under Category A of the tariff book under the export incentive scheme, or R10. The company has to calculate for each of the components to win the rebate.

Suppose total duty payable on all inputs under Category A is R20 000.

Next one has to go to Category B to make further calculations about the value-added amount of the components in question. This is essentially the difference between export price and the cost of "inputs" used in producing the product.

Assume export proceeds of the 7 000 jacks "free on board" are R200 000, and the cost of all inputs was R150 000, indicating a value-added figure of R50 000. For calculating the incentive under Category B this must be added to 50% of the total compensation under Category A (R10 000), to arrive at R60 000. The company can then claim 10% of this figure as well — another R6 000.

Note that under both categories the input requires duty protection to qualify; so import surcharges must be ignored.

The procedure requires a painstaking analysis of each input in the export product, and accurate documentation on the cost and FoB price of the inputs *and* finished product.

EXPORT INCENTIVES

Crying for reform

Within the next year, commerce and industry can expect to see real, perhaps fundamental, reform of export incentives, which by then will cost taxpayers some R500m through direct benefits.

The structure of export incentives is complicated, while technicalities are flawed by anomalies and often overtaken by events (see box). It can also be argued that such incentives, like any subsidy, distort markets.

The Kleu Committee is holding an investigation behind closed doors. It will hand Pretoria reports on different sectors. Kleu's brief is to find ways of making South African products internationally more competitive, especially in the light of possible sanctions.

One possibility is classification of an "export service industry," which means exactly that: a service provided to increase foreign exchange reserves. Professionals, argues Ernst & Whinney's Daryl Sahli, providing expertise to overseas clients or construction companies assisting in overseas projects, do not qualify for these benefits.

Category A export incentives allow an exporter to claim compensation of 50% of the import duty on "inputs" used in the production of goods for export. As Sahli points out, it matters not whether the inputs are imported or bought from a local supplier. So long as there is an import duty on the input, it qualifies.

Category B allows an exporter to claim compensation at the rate of 10% on the "value-added component" of "tariff protected goods" either directly or indirectly exported.

Category C applies mainly to companies in a tax-loss situation. An exporter — subject to official discretion — may qualify for taxable cash grants. Areas include assistance in participation in overseas exhibitions; bringing customers from abroad; primary export marketing research; and assistance with warehousing in export countries.

Category D provides an exporter an enhanced income tax deduction of designated "marketing expenditure," as defined in section 11 bis (4) of the Income Tax Act. This, the so-called double deduction, allows an extra 75% or 100% of marketing expenditure (as the case may be) as a deduction from gross income.

Exporters may claim other benefits via the Sales Tax Act and Customs and Excise Act — in line with the international rule of not allowing domestic taxes to interfere with international trade. So an exporter who has his wits about him, can recover fairly substantial amounts from different incentives.

In Categories A and B, if goods used to make the exported product are duty-free, or the product itself is duty-free, no incentive can be claimed. In addition, the services sector and producers of items subject to production quota or export restrictions have no claims under these categories.

The system does not assist exporters who have located factories in Botswana, Lesotho and Swaziland (the BLS states) (today, to obtain a non-SA certificate of origin). The BLS states, moreover, do not qualify as "export countries." So goods exported to them for adding value and then re-exported do not qualify.

Nor do companies in the independent homelands. Apparently the issue is being considered by some homeland governments. In Category C claim procedures can be lengthy; the cash grants are small. The exporter must be in a loss situation, or prove severe cash flow difficulties. The grants, moreover, must be set off against any income tax marketing allowance claimed.

It is to be hoped that the Kleu Committee will recommend substantial simplification of export incentives, and a move to cash grants, if only so the taxpayer can see who gets what. ■

FM 6/2/87

Export boosts may continue

(74) B. Post. 21/3/87

By DENISE BOUTALL

THERE is general confidence in the motor industry that the Government's multi-million rand export incentives, introduced 18 months ago, will be extended for another year.

The incentive — applied as a rebate on the excise duty paid by manufacturers and estimated to be worth between R200 and R300 million — has given major impetus to the South African manufacturers' export drive.

Speaking from Pretoria this week the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), Mr Nico Vermeulen, said although no formal notification had been given yet he was confident that this would be forthcoming from the Department of Trade and Industries within a few days.

He added that he believed the incentive would kept at the same level as it had been operating since its inception in August, 1985.

The incentive expires at the end of this month.

Addressing the Midland Chamber of Industries' "Economic Outlook" seminar recently, Naamsa president Mr Peter Searle called on the Government to clarify the future level of export incenitves to the motor industry.

The incentive is not paid out in cash but functions as a rebate on excise duty. For every kilogram of net local content exported the manufacturer is given a R4 rebate on its excise duty bill.

The export drive has been so successful that at least two manufacturers ended up paying no excise duty at all.

In fact, it appears that the major hold-up in a formal announcement on the extension of the incentive has arisen because manufacturers have repeatedly exceeded their estimates of exports, making it difficult for Government officials to calculate what the incentive will cost the Treasury in lost income in any given period of time.

Mr Vermeulen said that when the incentive was introduced the excise duty on vehicles was 13%.

When this was reduced to 8,5% in June last year, the Government decided to allow the rebates to be calculated on the basis of a 13% excise duty.

This meant that manufacturers had a larger potential pool of money against which incentives could be drawn.

"What is at stake now is not so much whether the incentive will continue to operate but whether it would continue to operate at the 13% level. It seems that this will be allowed."

He said the incentive had clearly had the desired effect as both vehicle and component manufacturers had made great strides in their exports and some had established a secure foothold in international markets where price and quality were the two key factors.

At least two manufacturers had done so well that they had exceeded the 8,5% paid in excise duty, effectively leaving the Government in debt to them.

In May last year Naamsa estimated that the total rebate available to industry was between R200 and R300 million which could generate overseas sales of about double that amount.

Streamlining exports

10/4/87 BDay (74)

THE Board of Trade and Industry is to investigate rationalising the country's export promotion activities.

Board chairman Lawrence McCrystal said yesterday Economic Affairs and Technology Minister Danie Steyn had asked the board to consider the need for a single organisation responsible for export promotion.

DAVID FURLONGER

Government sources say such a rationalisation could affect the operations of the private-sector SA Foreign Trade Organisation (Safto).

They say a central export body could

To Page 2

Move to form single export body

From Page 1

offer many of the services now provided by Safto, and that the government would no longer need Safto to carry out investigations on its behalf.

Safto GM Ann Moore said last night the government paid the organisation for certain export development programmes and that they worked closely together "to avoid duplication".

She said the creation of a new export body did not threaten Safto's existence. "We operate independently of government on behalf of the private sector, and will continue to do so," she said.

McCrystal said: "At present, various elements in the promotion of exports are undertaken by different organisations and the question arises as to whether a single organisation would not be more effective.

"Some of the areas we are looking at are now covered for us by Safto and the Department of Trade and Industry."

Levy on imports, exports mooted

BDay (14) 22/5/87

Business Day Reporters

BUSINESS organisations are expected to register strong opposition to a Board of Trade and Industry (BTI) suggestion that importers and exporters pay a "small" levy to provide funds for export promotion.

It is considered that if the levy suggestion is accepted by government, it will mean further inroads would be made on corporate profits, already threatened by the forthcoming levies to finance RSCs.

The BTI has called for comment on its proposals for the "rationalisation and financing of SA's export trade promotion function" involving the possible creation of a single trade-promotion body that will be financed by the levy.

Businessmen believe the BTI is jumping the gun by calling for an investigation before the recommendations of the Kleu committee have been digested fully and details of the Margo Commission released.

The private sector — and, indirectly, the consumer — is already burdened with the import surcharge, high customs duties, levies to finance employee training, and a proposed levy on advertising to finance an advertising committee.

At a time when government is paying lip-service to the principle of privatisation, the BTI suggestion smacks of bureaucratic intrusion into an area that should be the private sector's domain.

Businessmen say the promotion of exports is a selling function; government's role should be confined to establishing a sophisticated information service about the needs of different foreign markets.

A new body that would, in effect, be regarded as a camouflage for a semi-official organisation, would be shunned.

FOREIGN TRADE (74) FM 5/6/87

The looming levy

Why government should want to introduce additional forms of taxation is puzzling enough; how it could consider penalising traders by a levy on foreign trade is incomprehensible.

Acting on a little-publicised directive from Minister of Economic Affairs and Technology Danie Steyn, the Board of Trade and Industry (BTI) is investigating a new export drive to be funded by a levy on foreign trade. Interested parties have been asked to make submissions to BTI on the formation of a "single body to rationalise the promotion of exports."

BTI sources say the levy may be in the order of a fraction of 1% of foreign trade value. For example, a levy of just 0,25% on all trade revenues and payments would on 1986 totals rake in some R236m.

BTI chairman Lawrence McCrystal is adamant: "If the levy comes about it will be so small as to be inconsequential. The purpose of the investigation is to establish whether export promotion could be made more effective. If a levy is instituted, exporters will receive value for their money. Only if costs outweigh benefits will changes be recommended."

David Solomon, senior lecturer in Business Economics at Wits, says that a levy on exports would have the same economic consequences as an appreciation of the rand. The levy would make exports more expensive, and depending on how responsive buyers were to higher prices, would depress export demand by varying degrees. A depreciation of the rand would be needed to restore export demand.

McCrystal says it is undecided what form a new body may take, or whether it will be in the private or public sector. "If it comes about, it could incorporate the SA Foreign Trade Organisation (Safto) plus the trade promotion functions of the Department of Trade and Industry."

Organisation's future

Anne Moore, GM of Safto, would not respond to speculation on her organisation's future. "Rationalisation of export marketing efforts is necessary." But she does not believe this will put her organisation at risk. "Most of Safto's revenue is from private-sector sources. Government funding is used mainly to start new services which, once established, are supported by the private sector."

Although nothing has been decided about the structure and mechanisms of a new export promotion body, many doubt the feasibility of anything orchestrated by government.

One industry spokesman puts it bluntly: "Business is extremely sensitive to being singled out for levies. Besides, I question government's ability to promote exports. To do so it would have to be in touch with the right contacts and have a very accurate 'feel' for the market.

"Instead, surely individual exporters are in the best position to promote their own products?" He adds that the less association government is seen to have with export promotion the better, from both a business and political point of view.

Says another: "The sanctions threat won't go away. It's vital that exporters be left to get on with their job of trading competitively while maintaining a low profile." Associating them with government would simply draw more, not less, attention to their efforts.

But Moore says that in SA's case the promotion of exports need not be a high-profile exercise, such as through trade fairs. "Other promotion activities can be provided, such as legal information on marketing, and advice on efficient export operation and administration."

Sources say that McCrystal has in mind a trading house along the lines of Taiwan's China External Trade Development Council, which is funded by a levy on exports. ■

BENEFICIATION

(74)

Don't fence them in

Proponents of beneficiation have long argued the case for adding to the value of SA's exports. It isn't a simple process — but in the jewellery sector the time is definitely ripe for cutting out the red tape and getting on with it.

Is it a good thing or not? From any number of quarters, the virtues of beneficiation have been extolled and debated. If we are to lead the way out of recession with exports, SA's storebox of metals, minerals — even, lately, chemicals — would seem to be superbly qualified for processing before export. That's one way to get add-on value in foreign exchange. But there certainly isn't consensus as to how — or even if — it should be tackled.

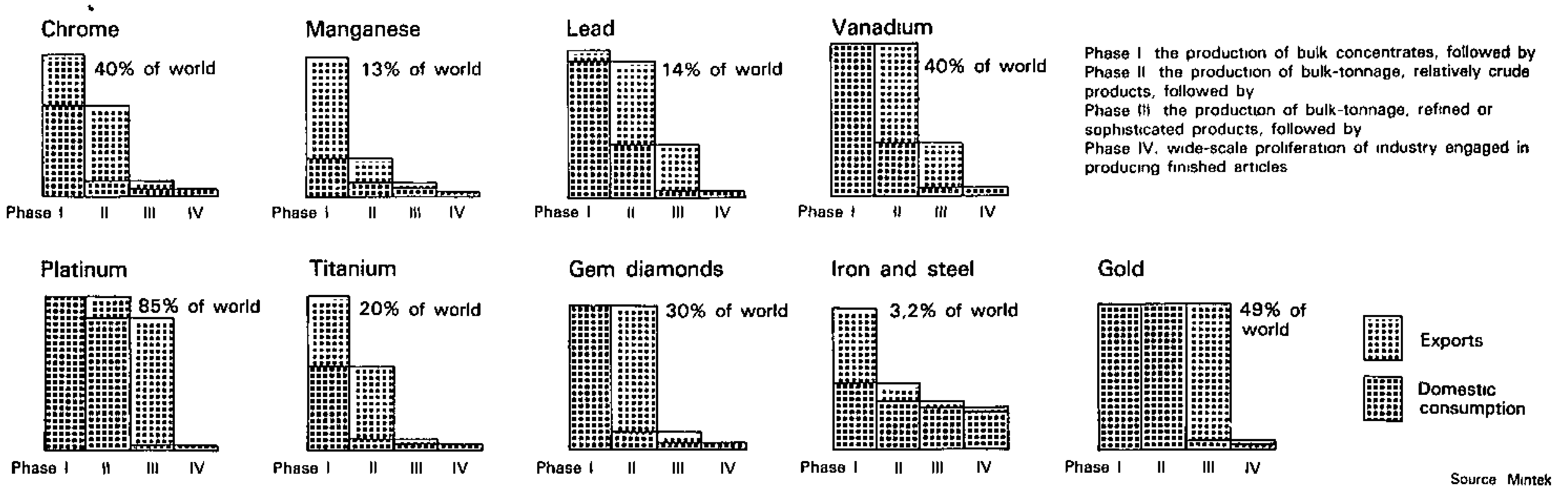
Perhaps the most ardent proponent of beneficiation is Council for Mineral Technology (Mintek) president Dr Aidan Edwards. He maintains that SA can never aspire to First World status until it makes some headway in beneficiation. As he put it to the *FM* this week: "It is ... absurd that we have some 80% of the Western world's chrome reserves, yet produce only 1% of the world's stainless steel. In fact, annual earnings of the aluminium industry in SA, at R1,5 billion, are more than the annual earnings of the chrome industry at R1,3 billion — and we don't even have any reserves of bauxite.

"If we produced just 10% of the world's stainless steel, it would earn the country roughly half the current earnings of gold — and gold is a diminishing resource."

Edwards adds that with 92% of the West's platinum reserves, 49% of the gold, and 30% of the entire world's gem diamonds, SA should be supporting a thriving jewellery industry. But a combination of strict controls offers little incentive to the local jewellery industry. A jeweller must pay up-front for unwrought gold and uncut diamonds — and there's still the ad valorem tax on finished articles. Compare that with Italy, which absorbs around 250 t of gold a year, much of it from SA, and re-exports at least some of it back in the form of jewellery to SA and many other markets. By the same token, Israel, which has no diamonds of its own, is now a major diamond cutting country.

Edwards tells the *FM* that steps are being taken to examine the constraints on the jew-

SA's minerals: where we stand in the world



ellery industry, and that this could constitute a first move towards local beneficiation of gold, which has huge added value as jewellery.

He says: "It is an anachronism that State constraints through the imposition of heavy duties and complex requirements for certification and registration, have been the most inhibiting factor in the development of a large South African jewellery industry."

Tim Davidson, executive director of the SA Jewellery Council, says that for years government has been pressed to drop the ad valorem tax on jewellery. However, except at the Department of Mineral and Energy Affairs, where the idea received a positive hearing, other government departments seem to be more interested in collecting the tax than seeing the establishment of a viable jewellery industry.

SA also has 20% of the world's titanium and 40% of its vanadium, both of which are exported in slag form. Both could be beneficiated to make industrial products — titanium, for example, is used in the manufacture of white goods.

Edwards points to Taiwan as an example of a developed country that has pulled itself up by its bootstraps. Taiwan's foreign exchange earnings rose from US$1,3 billion in 1969 to $35,4 billion in 1985 — an increase of 27 times. During the same period SA showed an increase of only five times and today earns only 45% as much as Taiwan. Edwards notes: "All this has occurred despite the fact that Taiwan has hardly any raw materials to speak of, and has had to find its own feet in the harsh international field of trade." In fact, Edwards goes so far as to say that SA should adopt the slogan: "Beneficiate or bust."

Edwards says he sees four phases in any country's development (see graph). The first involves the production of bulk concentrates; Phase 2 is the production of bulk-tonnage, relatively crude products; Phase 3, the production of bulk-tonnage, refined or sophisticated products; and Phase 4, wide-scale proliferation of industry engaged in producing finished articles. He says SA is currently in Phase 2.

However, he also maintains that the lack of skilled manpower in the country could prove to be the biggest single stumbling block in the path of metal and mineral beneficiation.

But if Edwards is the arch-proponent of beneficiation of metals and minerals, not everybody agrees with him. In his closing address as president of the Chamber of Mines last week, Peter Gush, head of Anglo American's gold and uranium division, said the normal operation of free markets would ensure that beneficiation of minerals would be undertaken, provided the rewards were in proper relationship to the risks involved.

Says Gush: "While SA may have a significant share of the raw product, an equitable share of the international market for the processed product is not automatically assured. The industry has to weigh up potential profitability against the vertical integration of operations that are traditionally the preserve of the very customers who have enabled our industry to achieve its success so far.

"While the possibility of competition with customers does not necessarily forbid entry into a business, such a venture must be carefully weighed, particularly where there are alternative sources of supply of raw materials and where such customers form the backbone of the markets to be served by the beneficiated products," Gush says.

He adds: "The benefit from expanding the beneficiation of South African minerals will, to a large extent, be determined by the competitiveness of local producers compared with foreign producers who have access to similar minerals and processing facilities."

The current president of the Chamber of Mines, Gencor's Naas Steenkamp, also has his reservations. He maintains that if there was a profit to be made in further benefication — as has already happened in the case of ferrochrome and ferromanganese — then people would already have beneficiated.

Like Gush, Steenkamp is not at all sure that competing with one's customers is a good idea.

But Edwards sees it differently: "I'm not talking about competing with customers. I would like to see our customers going into partnership with South African companies to produce beneficiated products here. It would in many cases be cheaper to do it here close to source than overseas."

But whether overseas companies would invest here, particularly in the current inhospitable political climate, is moot. Edwards believes that when economics do the talking politics come second.

In his pro-benefication stance he appears to have the support of the Minister of Mineral and Energy Affairs, Danie Steyn, who earlier this year said: "The fact that SA is the number one supplier of chromium, manganese, vanadium, platinum and gold may not be as wonderful to the long-term future of this country as we think. SA's drawback has been its failure to generate or export high-technology products. As the world moves rapidly into an age of high-technology, we are passing through a phase in which growth in the demand for raw materials is low. And what hurts SA is downturn in demand for many of our basic commodities."

But it's not only in the fields of metals and minerals that beneficiation could be of advantage to SA. Mike Sander, managing director of AECI, is on record as saying that, if SA ever hopes to become a successful exporter of chemicals, it had better move towards beneficiation now.

There is a glut of so-called raw or commodity chemicals on world markets — basic acids, ammonia, chlorine and even some types of plastic. This means that SA, essentially a producer of commodity chemicals, would do well to broaden its chemical base, according to Sander. Production of speciality chemicals is a move in this direction — something already being pursued by companies like Chemical Services, in which AECI has a controlling interest. Johan van der Walt, a director of Sentrachem, endorses Sander's views.

To sum up: it would certainly seem that the proponents of the unshackling of the jewellery industry really do have a point. The creation of a viable jewellery industry would in turn lead to SA beneficiating its own gold and making use of some of its diamonds at home, rather than exporting the great bulk of them. And why tax exports of this nature — unless out of some form of anti-rich political pique? As for other basic commodities — well, Gush and Sander both seem to have a point. Perhaps in the end the bottom line will tell who was right. ■

74

Cash 'n carry sales plummet

Wholesalers hit by new tax on exported liquor

WHOLESALE cash 'n carry liquor sales have plummeted following the imposition of sales tax on exported liquor at the beginning of this month.

The amendment to include GST on sales of liquor to TBVC countries and neighbouring states followed the introduction of tax at source in May, and is a further measure to close GST-evasion loopholes in the liquor industry.

Makro MD Doug Catto says liquor sales are in the doldrums this month as a result of GST charged on exports, and followed wide-scale stocking-up by homeland retailers last month.

Growth area

Catto says sales have also suffered as a result of taxing at source. Liquor sales are a big growth area for Makro, generating turnover of up to R75m a year.

Metro marketing director Brian Joseph says sales from its Pretoria outlet, which supplies Bophuthatswana, have dropped because the new legislation is being applied stringently.

KAY TURVEY

Confusion surrounds the legislation as exports dispatched by the wholesaler directly to the liquor vendor, or liquor licencee in an independent homeland or neighbouring country, are exempt.

However, Joseph says, after taking legal advice Makro is acting on the stricter interpretation of the law and taxing all liquor purchases, which has resulted in a drop of sales.

Fedhasa president Mike Kovensky has welcomed the new legislation. The hotel and catering body supports any moves toward a more equitable tax base, he says.

"I feel no sympathy if there has been a drop in sales among delinquent traders," he says.

SA Breweries public relations officer Gary May says there has been no decline in beer sales this month. "Our volumes continue to grow and our figures are well ahead of August last year."

SAB is cushioned from the full effect of the new legislation as it has breweries in Bophuthatswana, Botswana and Lesotho.

Export plan 'on urgent review'

15/12/87. B/day

MICK COLLINS

GOVERNMENT yesterday disclosed that a comprehensive export action plan was being urgently studied by the Board of Trade and Industry (BTI).

It also announced all of its current export incentive schemes would be terminated by December 1988.

Economic Affairs Minister Danie Steyn said yesterday that, if accepted by government, a new scheme would come into effect at the beginning of 1989, and if necessary interim measures would apply.

He said the report of the Committee of Inquiry into Export Incentives (the Kleu Committee) had been referred to the BTI "as a matter of urgency" to devise action plans both for the general and selected sectors before year-end.

The move could be seen as the first step in establishing a comprehensive trade policy for SA, South African Foreign Trade Organisation (Safto) CE Wim Holtes said.

Holtes, who was a member of the Kleu

● To Page 2

Export action plan under review

● From Page 1

inquiry, described government reaction as "heartening".

"There seems to be a genuine desire by Minister Steyn and senior officials to make a firm commitment to exporters. The results of the inquiry are more or less in line with what the private sector wants."

He said that, with the upturn in the local economy, there might be a danger that exporters would ease off their international marketing efforts.

"This would be shortsighted because long-term domestic growth will depend more and more on economies of scale and full capacity ulitisation, both of which are often more effectively achieved via the export option."

Minister Steyn said government had previously stated that any new incentive scheme should comply with the following principles:

- Export development assistance should be an integral part of a comprehensive programme of structural adjustment in the economy;
- Need and justification should be the cornerstones of export development assistances

He said future structural adjustment and export development programmes would be designed for sectors or industries, with due recognition of the particular problems and export potential of each

"However, at this stage exporters are informed that the existing categories A and B incentives will be terminated on December 31, 1988."

The Minister said other forms of assistance (category C — involving transport) would not undergo fundamental changes, although it might be necessary to make certain adaptations.

Low ore prices prevent greater use of port — foreign trade chief

by RICHARD LOUW

EAST LONDON — The harbour here could not be used for certain commodities because it was not economically viable for exporters or importers without the establishment of an export processing zone (EPZ), the chief executive of the South African Foreign Trade Organisation (Safto), Mr Wim Holtes, said.

He told the Daily Dispatch that Maputo and Durban harbour facilities were being used because of their proximity to the mining areas of the Transvaal.

"The world price of steam coal has collapsed and the prices of magnesium and rock phosphates, along with a number of other exports, are at rock bottom," Mr Holtes said.

"There is so little profit in these commodities that it is not economically viable to use East London harbour at the moment.

"I am fully aware of the problems associated with the depressed economic conditions in East London, but the additional cost incurred in travelling the extra distance to East London would effectively price our exports right out of the world markets.

"However, proposals for the establishment of an EPZ in the East London—Border area, making it a free port, were put to the government in September 1986.

"Since then the proposals have come under the scrutiny of the ministries concerned," he said

The co-ordinator of the East Cape Strategic Development Team appointed by President P. W. Botha, Professor Charles Wait, said yesterday "No decision has yet been made as to whether Region D, which is the Eastern Cape, is to be made a free port area."

"There are a number of points that still have to be discussed and these must be clearly defined before East London or Port Elizabeth is declared a free port.

"EPZs could be established provided that there is no cost to the state in supplying the required infrastructure, or that it does not mitigate against South Africa's interest in terms of the General Agreement of Tariffs and Trade, and that it is approved of in terms of the mutilateral agreement between South Africa and the TBVC.

"The cabinet has asked my committee to clarify the implications of the whole issue and we are in the process of supplying the necessary information from the various ministries concerned.

The Administrator of the Cape, Mr Gene Louw, said: "I will support any measure or proposals which could benefit East London and the Border area, which could lead to more tourism, greater economic activity and less unemployment

"The Minister of Finance may want to search for a few solutions to possible financial losses caused by the declaration of a free harbour area," he said

"He may also be faced with a problem with regard to the creation of a precedent.

"However, taking into consideration all aspects relating to the depressed economic situation in East London, I show crossed fingers that these possible barriers contained in the proposals will not be insurmountable "

The Mayor of East London, Mr Robert de Lange, said: "It would be a tremendous boost for East London and the Border area should a free port ever materialise

"This has, however, been a pipe-dream here for a long time and I believe it is time that the government seriously considered establishing East London as a free port.

"Where we have the second biggest city for blacks on our door step I feel it is essential that a large incentive be created which could benefit this area labourwise.

"If East London port is declared a free one there could be other incentives that go with it, such as rail incentives for exporters and importers to use the harbour," he said

EXPORTS

1987

B/Day 28/8/87

Diamond sales blamed for drop

SA exports to EC nosedive by over 30%

(74)

LONDON — SA exports to the EC plunged 33% in the first quarter of this year.

One reason suggested is that SA has cut down dramatically on the amount of diamonds it sells to EC countries.

SA exports to the EC totalled 1,342bn European Currency Units (ECU) in the first quarter of this year against 1,996bn ECU in the same period last year. In rand terms this means a drop of R1,3bn or 30%. (The rand has fallen against the ECU in the period).

There is some evidence of official sanctions affecting items like iron and steel (down 30,46% to 68m ECU) and so-called "peoples' sanctions" affecting fruit exports (down 10,5% to 52m ECU).

But by far the most important reason for the steep decline is a 45,32% drop to 469m ECU in the sale of gold and diamonds to EC countries — indicating that SA has either found alternative markets or is stockpiling.

MIKE ROBERTSON

British trade statistics indicate that diamonds and not gold were responsible for the dramatic slump. But De Beers' spokesman in Johannesburg Neville Huxham said he thought the interpretation of the statistics was highly unlikely.

Almost all the diamonds sold in London by the Central Selling Organisation come from Botswana and Australia, says Andy Lamont, a spokesman for the Diamond Trading Company, De Beers' London marketing arm.

Lamont says SA legislation requires that diamonds be first offered to local cutters.

SA coal exports have also taken a tumble, falling 36% to 172m ECU.

However the volume of coal exported is down by just 10,36%.

SA imports from the EC were down by 29% to 1,1bn ECU. More than half of this was spent on machinery and electrical machinery.

BTI warns on why SA goods fail

B/Day 26/6/87 (79)

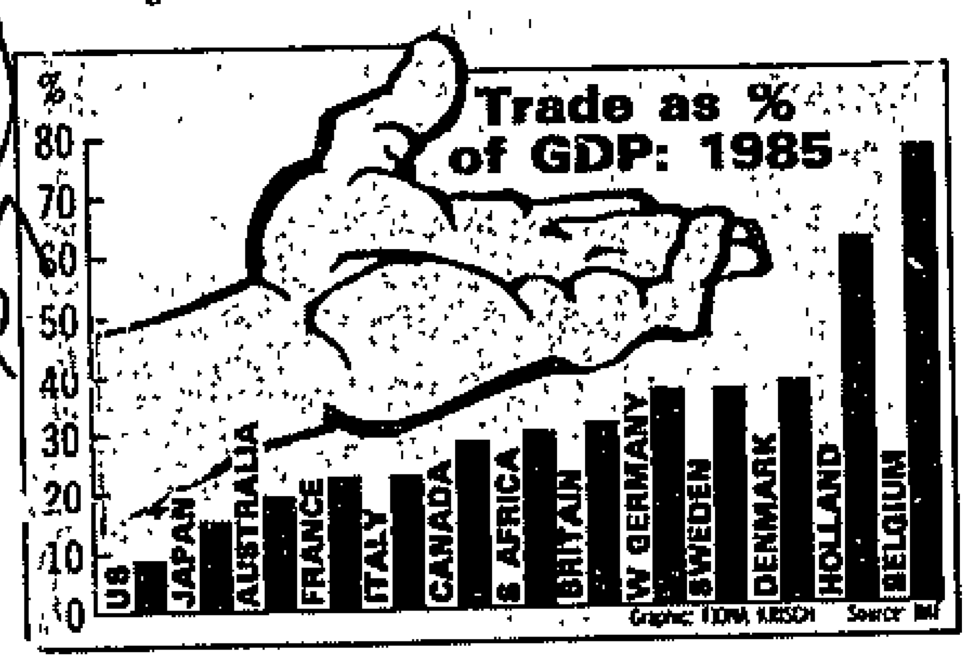
DAVID FURLONGER
Industrial Editor

SA INDUSTRY suffers a 17% cost disadvantage against its foreign competitors, says the Board of Trade and Industry (BTI).

Without a fall in the inflation rate, further protection will be needed to keep SA products competitive, it adds.

Foreign manufacturers enjoy a capital cost advantage of more than 40% against local industries, more than compensating for SA's cheaper unit labour costs.

Together, they give foreign industry an overall advantage of 17%, says the BTI's annual report. Transport costs of exports to SA reduce this margin locally but the need for protection remains in an economy that is one of the most open in the world.



The BTI says: "The level of effective protection required will increase should inflation continue at a high level domestically and at a low level in foreign markets, unless the exchange rate changes to compensate for the differential."

It says that during 1986, industrialised members of the Organisation for Economic Cooperation and Development (OECD) had an average economic growth rate of 2,5% and inflation of 2,6%. SA, by comparison, had 1% growth and 18,6% inflation.

"A high rate of domestic inflation, accompanied by low inflation in our foreign markets will rapidly erode the competitive benefit produced by the reduced exchange rate of the rand," says the BTI.

Demand in S America for goods

SA's export trade thriving

CAPE TIMES 18/3/87

74

SO ... RCH UNIT

RCH DIVISION, F ECONOMICS, LIE BUILDING, F CAPE TOWN, NDEBOSCH 7700

TELEPHONE 6

By AUDREY D'ANGELO
Financial Editor

SOUTH AFRICA'S export trade is still thriving, and new markets are opening up for locally-produced goods.

This emerged at a seminar attended by executives from 30 city firms and organized by the Cape Town Chamber of Commerce. At the seminar representatives from a South American country explained its advantages as a trading partner.

A chamber official said an increasing number of local manufacturers were exporting to the Far East and to countries in South and Central America.

"There used to be comparatively little demand for our manufactured goods in Far Eastern countries but the situation is changing. We are sending quite a lot now and one market which used to be difficult is opening up."

The SA Foreign Trade Organization (Safto), which has an office in Cape Town where export education programmes are run, plans to stimulate overseas trade further still by running a new diploma course in export management.

University courses

It has already registered a SA Institute of Export which, as well as running the course, hopes to have export subjects included in some university courses.

The current issue of its bulletin, Safto Exporter, urges local manufacturers to take part in the Hanover industrial fair next month and says additional space has been reserved for SA firms at the Chicago hardware show this year.

It says experience at the Chicago Fair last year "confirmed that international sanctions and adverse media coverage has not affected buyers at grassroots level".

"The buyer's principle objective of obtaining the right product at the right price still remains his prime concern.

"Safto therefore encourages SA companies who manufacture hardware products to participate in the largest and most important hardware exhibition in North America."

As well as giving basic information about other overseas markets, it announces the start of a Latin American trade consultancy and recommends participating in a major international trade exhibition in Chile later this year.

Few political obstacles

Listing the advantages of trading with Latin America, it says there are few political obstacles and new trade sanctions are unlikely.

"All export to Latin America is in US dollars, hence our prices should be very acceptable.

"Shipping opportunities cover the whole region, with the exception of a few Caribbean islands, and range from good to adequate.

"Similar socio-economic circumstances to our own enable us to understand the needs of the market better than do highly industrialized countries.

"Many of our engineering products, adapted from European and US technology, are suitable to Third World conditions like ours and those prevailing in Latin America."

US redirecting SA produce

13/1/87

74 ~~337~~

STAR ~~285~~

By Alan Dunn, The Star Bureau

WASHINGTON — South African goods and produce worth millions of dollars are being redirected to other countries after lying on quaysides and in warehouses in the UNited States while officials here discussed the application of sanctions.

Containers of South African merchandise, much of it agricultural produce, has been reloaded and reshipped to ports elsewhere.

One trade official said the cost of reshipping was being footed by South African businesses if the goods had been shipped without payment.

American importers who had already paid for their consignments were responsible for finding alternative markets.

Neither officials nor businessmen could provide statistics and costs of implementing this aspect of sanctions contained in the Comprehensive Anti-Apartheid Act of 1986 passed by Congress on October 2.

It was also learned yesterday that the State Department is due this week, possibly today, to issue its decisions on six South African interests which applied to be struck off a list of 166 "parastatal" organisations.

Produce manufactured by, exported or marketed by South African Government-controlled "parastatals" is banned in terms of the sanctions.

A five-person inter-agency US Government panel has decided on six appeals from interests declared "parastatals" on November 10. They are: Putco, Mercedes Datakor, Comtec, Siemens, Tecnetics and Klein Karoo Landboukooperasie. The judgments are awaiting final approval at top level in the State Department's Africa division.

Most of these appeals were submitted on December 15. The State Department has said it would try to reply to companies within 30 days.

An appeal by Sasol to be removed from the list has been held over.

United States officials have called for more details of its operations and shareholdings.

A second group, including the Council for Scientific and Industrial Research (CSIR), will be reviewed soon.

So far, at least two others including the Bophuthatswana National Development Corporation, will be included in that batch.

It is reliably understood that the SA Sugar Association has objected to being listed as a "parastatal".

United States officials are concerned that some firms contesting the parastatals list are viewing it as a blacklist, which judges them on moral and political grounds.

"We are aware that many of the companies on that list are progressive in employment and social policies," said one official.

This was not, however, the issue.

Congress had passed a law affecting "parastatals".

"We are not especially pleased by the sanctions," he added. "But we are committed to implementing them."

13/11/87 74 BUSDAY

Exports — time to look at sales tax

KEN BOGGIS

GOVERNMENT is currently placing much emphasis on the promotion of exports. One area that needs streamlining — and which is within government's power to change — is the sales tax aspect.

As a general rule, exports are exempt from South African sales tax. But this is not nearly as simple as it looks.

The definition of "exported" in the Income Tax Act runs to a mere four lines, whereas in the Sales Tax Act it takes up an entire page.

The Sales Tax Act definition envisages no fewer than seven different sets of circumstances in which a sale will be an export sale.

However, the conditions that must be present to get exemption differ and give rise to the absurd situation where exemption often depends on how one chooses to effect the particular sale.

For example, if one lives in Lesotho and picks up the phone and orders goods from a supplier in Bloemfontein and instructs the supplier to have the goods delivered to Lesotho, the sale is an export and exempt.

Conditional

However, if the same Lesotho customer makes a buying trip to Bloemfontein and buys the goods and takes them away with him, exemption will only be granted if the purchaser can say that the goods are going to be used by him for the purposes of his business (as opposed to his private use).

In the first case, exemption is granted — regardless of how the purchaser intends to use the goods — whilst in the latter case exemption is conditional upon the goods being used for business purposes.

The position is further complicated where the exported good happens to be a motor vehicle. Even if the purchaser collects the motor vehicle in SA the sale will be exempt, regardless of whether he uses it for business or private purposes.

Another anomaly concerns tourists and other foreign visitors. Such persons are normally not allowed to buy exempt articles for private purposes. So a tourist who calls on a local jeweller and buys a gold necklace and wants to take it away with her, will have to pay sales tax.

However, if she were instead to visit a special customs and excise warehouse for jewellery (this is officially called a VSJ warehouse, but in practice it is usually a store that has registered as such) and to produce her passport, air ticket and a completed tourist declaration, then the necklace could be purchased free of sales tax.

Again, the general rule that there is no exemption for the foreign visitor who buys and collects non-business goods is subject to a further exception. He is entitled to buy goods for personal use (or otherwise) exempt from sales tax at a duty-free shop at an international airport or seaport.

Furthermore, this particular exemption is not confined to foreign visitors but is also granted to South African residents who are proceeding out of the country, permanently or temporarily.

And yet a Christmas present ordered from a mail order firm in SA with instructions to deliver it to a relative, say, in the United Kingdom is not exempt. Why? The Receiver argues that the sale is to a South African resident, even though that person never sees the goods.

To make the situation even more farcical, a requirement was recently introduced that foreign purchasers who buy goods in SA (otherwise than from the special customs and excise warehouses) and take delivery here have to complete a declaration form, VB52.

This form is a certificate by the purchaser that he is purchasing the goods for the purpose of his foreign business (foreign includes the TBVC states).

Solution?

A dishonest purchaser could enter on the form entirely fictitious information and neither the seller nor the Revenue authorities can do anything about it.

A possible solution?

A test for exemption could be the earning of foreign currency (one of the mail order firms already operates on this basis). This would largely tie in with the granting of income tax incentives.

An immediate problem is that, at present, exports for sales tax purposes include sales to persons living in SWA/Namibia or in a TBVC state. Such persons would pay for the goods in rands.

The reason for exempting South African sales tax sales to such persons is that these countries (with the exception of Bophuthatswana) have their own sales tax systems, and without the exemption double sales tax would result.

But is this, in fact, so? A purchase by, say, a Transkeian resident would be liable to sales tax in the Transkei because there is an importation of goods into the Transkei.

But South African residents who buy goods in a TBVC state do not go rushing off to their local Receiver to pay tax, because the goods have been imported into SA. Are the TBVC residents any different from their South African counterparts, and would there in reality be double taxation?

The present situation creates problems for both Revenue and suppliers, as well as creating the opportunity for substantial loss of tax.

Three rules

The following rules would go a long way to remedying this:

- Sales tax should be payable in respect of all sales;
- Refunds of South African sales tax could be effected by the Controller of Customs and Excise once proof has been submitted that the goods have left the Customs Union or will be leaving (e.g., delivery to be effected by the supplier outside the Union); and
- Alternatively, where the purchaser resides in a Rand Monetary Area Country outside SA, the Receiver of Revenue could be empowered to refund the tax once he is satisfied that sales tax has been paid in the purchaser's country of residence.

With Bophuthatswana residents, it will not be possible to prove that sales tax has been paid in that country. Consequently, no refund of South African sales tax will be made.

This does not seem to be unreasonable, in light of the fact that no foreign currency has been earned by the South African supplier nor has there been double taxation.

This action could once and for all resolve the long-standing controversy of Bop-registered cars and would, in fact, bring the treatment of sales into line with that of financial leases.

Ken Boggis is Tax Manager at Deloitte Haskins & Sells.

US sanctions to cost insurers millions

15/1/87 BUSDAY

LINDA ENSOR

MILLIONS of rands' insurance is expected to be paid out to exporters whose goods have been barred by sanctions from entering the US.

Executive director Chris Leisewitz of Credit Guarantee Insurance Corporation (CGIC) — SA's national credit insurer — said yesterday CGIC had received substantial claims in the last six months because SA goods, on transit to the US when the sanctions were imposed, were affected when Congress passed the Anti-Apartheid Act.

The goods — which Leisewitz was only prepared to say were "commodities" to protect the interests of the policy-holders — were impounded by US customs officials and had to be returned to SA or redirected to other potential markets.

Leisewitz would not quantify the extent of the losses, saying they would depend on whether it had been possible to resell the goods.

CGIC is owned by a consortium of leading insurance companies, banks and financial institutions, and provides insurance against export and domestic credit risks.

Export credit risks are underwritten

● To Page 2

PRICE MOVES AT A GLANCE

REUTERS

Insurers will pay out millions to exporters

BUSDAY 16/1/87

● From Page 1

in co-operation with government, which will probably have to pick up the tab for a large part of the diverted shipments.

Sanctions and the hostile international climate had had a positive effect on CGIC's business, Leisewitz said, as the risks involved in exporting had increased. He therefore expected an increase in volumes this year.

"It may involve us in more claims, but I don't foresee this as being too serious."

Sanctions-busters would not get CGIC support, as it would not provide insurance for exports to countries that had imposed sanctions.

Although Leisewitz predicted a substantial growth in export and domestic business this year, he foresaw difficult times on the home front with no let-up in the large number of liquidations.

This was the major reason for the 128% increase in the total value of claims (R19,7m) paid out in the year ending June 30, 1986.

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Businessmen turn to neighbours for trade

(74) SIT 1/2/87

By Dave Edwards

BUSINESSMEN are looking for legal means to promote exports.

The Johannesburg Chamber of Commerce council chamber was this week packed with businessmen eager to learn about the commercial potential of Botswana, Lesotho and Swaziland.

No doubt increasing sanctions were a major reason for the interest shown by members. But president Pat Corlin stressed that the chamber was only interested in promoting legitimate business opportunities in these countries.

Mr Corlin said: "The seminar was organised in order to give BLS countries an opportunity to tell our members about the benefits of setting up business in these independent countries — and the chance to discuss their particular advantages and concessions.

"The principal attraction of all these countries must be their membership of the Lome Convention which gives them import concessions in the US, the European Economic Community and Australia."

Although trade mission representatives and other experts were given time for only a brief presentation, the seminar provided an overview of the broader issues involved in setting up shop in one of BLS nations — including transport and Customs considerations.

Sanctions on SA also threaten the economies of these landlocked nations, so they are turning to SA to tap its wealth and expertise.

M Matsebula, general manager of the Swaziland National Development Corporation, said: "My country is totally against sanctions.

"We seek to encourage SA investment. Subject to certain restrictions, goods which are finished in our country — specifically where the last 25% of value-added is performed — are deemed to be of Swazi origin."

Such trading possibilites appear to be an alternative to some businesses which are threatened with closure as a result of sanctions.

Mr Corlin said: "In the face of sanctions we must be innovative in seeking out legal alternatives which will allow SA businessmen to continue normal trading."

EXPORTERS FM 6/2/87 (14)

Continuity needed

Exporters of finished products have had it good the past few years. A weak currency and slack domestic demand have encouraged South African traders into the market, while many existing ones have tried to enlarge their overseas operations.

Yet despite being given many opportunities on a plate, few operators seem keen to remain committed to overseas markets, viewing them as little more than a stop-gap pending improved local trading.

Admits one major exporter: "This tendency to move in and out of markets has given exporters a bad name overseas. Foreign buyers want continuity of supply." He says that his company has maintained supplies throughout the past 15 years despite the vicissitudes of currency fluctuations and domestic cost pressures.

A dubious reputation for lack of continuity merely adds another complication to the sanctions threat. Where exporters leave a market by choice, competition alone makes re-entry difficult. Political pressure now makes re-entry virtually impossible.

Added to this, some exporters have not played their cards well in terms of currency dealings. Profit margins, generously inflated by the fall in the rand, may now start to feel the squeeze as the tide of the rand/dollar exchange rate starts to turn. Given past experience, few may cover their risks by forward currency contracts, or at least including a margin in the price to cover currency changes.

Many companies have calculated the costs of export contracts on a relatively low rand-dollar exchange rate. Having not covered forward, they are now finding profit margins reduced and in some cases wiped out.

One large exporter which secured a contract with a semi-State body in South America based its costing projections on a rand of US36c. It is now believed to be making substantial losses.

"Even when the rand was at its lowest against the dollar, we advised clients to cost contracts on an exchange rate of US50c. This gives leeway if the rand starts to appreciate," says John Bell, MD of Breyer Development Agency.

But the potential reduction in profits and possible losses that exporters face will reinforce the tendency among exporters of finished products to move in and out of foreign markets.

Most of these are geared towards the domestic market, with only a low percentage of turnover earmarked for export. In many cases, foreign markets are only sought when local turnover starts to decline in times of recession. When the domestic economy starts to pick up exports are accorded less priority, if not stopped.

These fluctuations are aggravated by exporters' reactions to exchange rate movements. When the rand starts to fall against the dollar, most exporters maximise rand profits on existing volumes, rather than attempt to capture greater market share through reduced prices.

Conversely, when the rand appreciates exporters withdraw rather than face lower profits or even losses. With competition in foreign markets usually on a price basis, there is little leeway for higher dollar prices as compensation.

Some of the larger, more consistent exporters, if they believe an appreciating rand is only a temporary phenomenon, even export at cost in an attempt to maintain market share.

Not helping these exporters is the high inflation differential between SA and its trading partners, which accentuates the pressure on profit margins of a higher rand. This differential should produce a compensating decline in the currency but this effect only comes through long-term, while exporters are subject to higher input costs now.

Most exporters believe the rand will decline to average about US45c this year. They concede that an average over US50c would start to have a significant effect on profitability.

At least the fall in the dollar against major Third World currencies has given exporters a relative competitive advantage, many of whom are faced with a greater appreciation of their currencies against the dollar.

But, says Ulrick Joubert, senior economist at Trust Bank: "The movement out of foreign markets will reduce our potential foreign exchange earnings and undermines SA's attempts to establish itself in the export markets. As a result, SA is unlikely to become a major exporter of finished products." ■

□ See *Markets*

SA seafood worth R21-m sent to US despite ban, paper claims

74 Star 25/2/87 Fishing

NEW YORK — As much as $10 million (about R21 million) worth of South African lobster tails has been shipped to the United States despite a ban on a wide range of South African goods enacted last year, the *Journal of Commerce* reported yesterday.

"There's no doubt that the spirit, if not the letter, of the law is not being complied with," said a US investigator, who spoke on condition of anonymity, according to the report.

Officials told the paper that one of the biggest problems, in the case of seafood, is that the country of origin is technically determined by the flag of the ship that catches or processes it rather than by the ownership of the cargo or the vessel.

South African seafood may be sold legally in the United States by other countries.

One shipment of 85 t of lobster tails — worth $2,7 million (about R5,6 million) — was transferred from the Southern Freedom, a ship registered in the Cayman Islands, to a Panamanian-registered vessel in Montevideo, Uruguray, and then shipped to Gloucester, Massachusetts, in early January, the newspaper said.

A second shipment of 244 t worth up to $7,8 million (about R16,2 million) was transferred from the Southern Freedom to the Spitsbergen, a Cyprus-registered vessel, in mid-February and was also believed to be bound for Gloucester, the paper said.

It quoted a Uruguayan shipping agent as saying that the Southern Freedom was owned by the South Atlantic Fishing Comapany, located in the Caymans.

The company appeared to be linked to a Cape Town firm, the paper said. — Sapa-Associated Press.

3 Fruit 74

ENTERPRISE

Everything peachy as DFB becomes top forex dealer

Finance Staff

THE Decidous Fruit Board (DFB) has become one of the largest currency dealers in the country.

Using a computer terminal and satellite link, the DFB now has immediate and direct access to a whole network of terminals in the dealng rooms of major banks worldwide.

This enables it to earn better profits for farmers and the operation could possibly prevent a repeat of large currency losses which occurred in the past.

The board, which markets fruit worldwide, became involved in a direct electronic dealing operation, linking 98 countries last year.

It quickly concluded 449 deals to a total valy of R2 900-million, says DFB currency controller, Mr Tinie von Weidts.

This figure is all the more remarkable because it exceeds the record gross earnings of R624-million the DFB achieved through the marketing of fruit in South Africa and overseas last year.

Analysts believe the organisation's primary role as fruit marketer and distributor has been overshadowed, with more attention being focussed towards managing exchange rates.

The DFB reports it has been notably successful in its efforts, with considerable benefits accruing to the country's deciduous fruit farmers.

Favourable exchange rates and the skillful handling of overseas earnings across currency borders gave producers a 37 percent boost in earnings to R347-million last year.

DIRECT SERVICE

This compensated for crop intakes being some 18 percent down on 1985.

The DFB has generally managed its currency deals, although it has to rely heavily on the banks to provide it with up-to-the-minute information on expected exchange rate movements.

This changed last year when the DFB became the first non-banking organisation in the country to link into Reuter's international direct dealing service.

COPPER EXPORTS

Zambia shuns SA

State-controlled Zambian Consolidated Copper Mines (ZCCM), which runs all the country's copper mines, has stopped sending copper exports through SA. Instead, it is trying to export through the ports of Beira and Dar-es-Salaam.

Sats has confirmed that no Zambian copper has come via SA since November last year.

A spokeswoman tells the *FM* that ZCCM has given Sats no reason for the decision to change the route. But it is understood that, among other factors, Zambia is keen to develop its alternative trade routes to decrease its dependence on SA.

"I wish to stress that Sats' relationships with SA's black neighbouring states are conducted purely on a business basis. We are willing and able to continue handling Zambian copper shipments if the Zambian authorities wish to resume exporting through SA," says the Sats source.

She points out that Zairean copper exports are flowing along the South African route normally. She adds that it is difficult to isolate a trend because the freight figures fluctuate widely, but the total volume of goods carried by Sats on behalf of SA's neighbouring states is presently increasing after some four years of lower volumes.

Attempts to elicit comment from ZCCM in Lusaka last week failed. Queries by telephone were bounced from the deputy chairman to the company secretary to the public relations manager and finally to a PRO. He demanded the questions be telexed to him and later confirmed receipt of the telex, but, he said, ZCCM had nothing to say.

However, Jack Holmes, a Johannesburg-based director of Anglo American's Zambia Copper Investments (ZCI), which holds a 27,5% stake in ZCCM, confirms the Zambian decision to stop using the South African route.

"I would be very surprised, however, if the Zambian authorities had taken a decision never to use the South African route again," he says.

Other sources tell the *FM* that in the quarter to end-December, ZCCM exported 17 000 t of copper through Beira and 100 000 t through Dar-es-Salaam.

Figures for the current period are not available, but metal traders report that shipments are being held up by a bottle-neck at Dar-es-Salaam. This is sharply reducing Zambian copper export levels.

Sats refuses to say how much Zambian copper normally flows through the South African rail system to the coast, but it is believed the bulk of ZCCM's production previously used the southern route.

ZCCM produced 463,354 t of copper in its financial year to March 1986, which was sharply down on the 525 811 t produced in the previous financial year. The main reasons for the fall were shortages of spares and skilled personnel.

However, chairman Francis Kaunda says in his annual review that a five year plan has begun to return production to a level of 540 000 t a year.

FARM SUBSIDIES

A bit for banks

While commercial banks are happy that they will — for the first time — share directly in government's new R237m aid package to farmers in the northern drought-hit debt zone, they will, no doubt, be upset over the amount.

Only R9m has been allocated to the banks as direct subsidies on their farm debts. Their exposure is expected to reach R3,5 billion-R4 billion (*Business* March 6) this year —

carrying an average interest rate of 14%. The subsidy will thus cover only a fraction of the annual interest bill of R490m-R560m.

Three struggling farm sectors will receive the most. Livestock farmers will share a R43m subsidy package, the Maize Board (MB) will receive a R60m grant towards its bankrupt stabilisation fund, and the Wool Board will receive R15m to reduce costly levies on its US$252m foreign debt exposure.

While the banks' direct benefit from the emergency aid package will be limited, they will, nevertheless, benefit from improved cash flows through aid to the farming sectors. This will enable them to extend credit lines to some lucky farmers for another year.

A banking source tells the *FM* that government's stated aim to limit assistance to individual farmers in each of its subsidy schemes is "most welcome." With individual merit determining future aid and with farmers' progress being monitored, a new element of discipline will be added.

Chris Blignaut, the Agriculture Ministry's chief director, agricultural economics and marketing, says the aid package provisionally includes:

- About R45m as extra interest subsidies on the Land Bank's existing 22-year debt consolidation scheme, which will be extended by another year;
- A combined total of R43m on the six- and 10-year carry-over schemes for unpaid production credit to co-ops; a new subsidised three-year carry-over scheme for unlisted stock grazing areas; and a two-year subsidy scheme for feed aid to stock farmers in unlisted areas (listed areas already qualify for aid);
- The new R9m subsidised production credit aid package to banks;
- Some R2,3m to extend the 4% subsidised production credit scheme of the Agricultural Credit Board;
- A kick-off sum of R15m for "restructuring" farming operations away from maize to alternative crops;
- A R60m grant to the MB to cut the cost of handling, storing and financing the annual maize crop;
- R15m for the Wool Board to reduce current 5%-7,5% production levies for repaying interest on unpaid foreign debt. Levies are expected to rise to 10,5% this year without State aid;
- A R6m grant to Umfolozi sugar producers still suffering the after-effects of the Domoina floods;
- R36m for undisclosed socio-economic purposes involving farm labour, and;
- The extension of the current subsidised production credit at co-ops.

Blignaut says the package is essentially a short-term emergency measure, while longer-term restructuring remains a priority to get agriculture back on track — and out of debt.

Central to the aim is the need to cut the output of uneconomic maize. But as this will require new seed and breeding stock, it will take time as well as money.

"Government is aware of the restrictions and of the urgency of the problem," says Blignaut. "Our role will be to encourage and to assist — not to lay down the law. This ties up with moves towards a more free market in

Richards Bay leads pack

DAVID FURLONGER

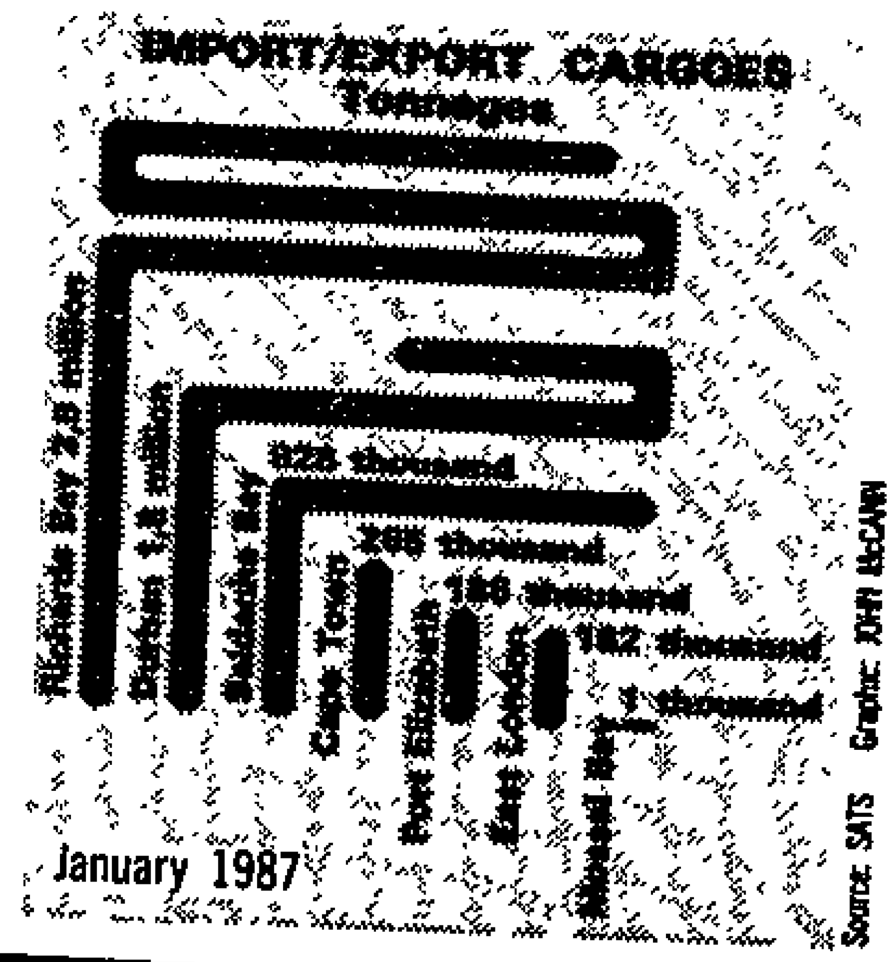
COAL exports are helping keep Richards Bay SA's busiest cargo port by far.

South African seaborne exports in January were 6,05-million tons, of which Richards Bay carried 3,5-million.

Sats, which provides the figures, stopped giving a breakdown of imports and exports last year when growing international sanctions pressure led to government imposing restrictions on trade statistics.

However, shipping industry sources say coal exports have remained healthy and play an important part in Richards Bay's continued activity. In January, exports through the port were nearly three times higher than those of Durban, whose 1,2-million tons made it the second-busiest port.

Durban, however, remains the main import gateway — although at 873 000 tons in January, the country's seaborne imports continued to lag exports by seven-to-one.



(14) B/Day 18/3/87

SA exports boom

By DEREK TOMMEY, Finance Editor

SOUTH Africa's exports continue to boom and are helping generate a huge trade surplus, the latest trade figures show

This continued strong export performance helps to explain the favourable treatment accorded this country at this week's debt repayment talks in London The high level of foreign exchange earnings resulting from the good export figures has virtually eliminated any risk of South Africa defaulting on its debts

The figures show that exports in February rose to R3,36-billion

This figure has been exceeded only on two other occasions — in September and October, last year, when exporters accelerated shipments to the United States to beat the sanctions deadline

Expressed in rands the increase in exports on a year ago is little disappointing The rise is 14,3 percent on February 1986's export figure of R2,94-billion But these figures do not take into account the strong rise in the dollar value of the rand since then

In dollar terms exports last month were almost 27 percent higher than in February, last year, amounting to $1,62-billion against $1,28-billion This is a highly creditable performance by this country's exporters, given the numerous sanctions imposed on this country

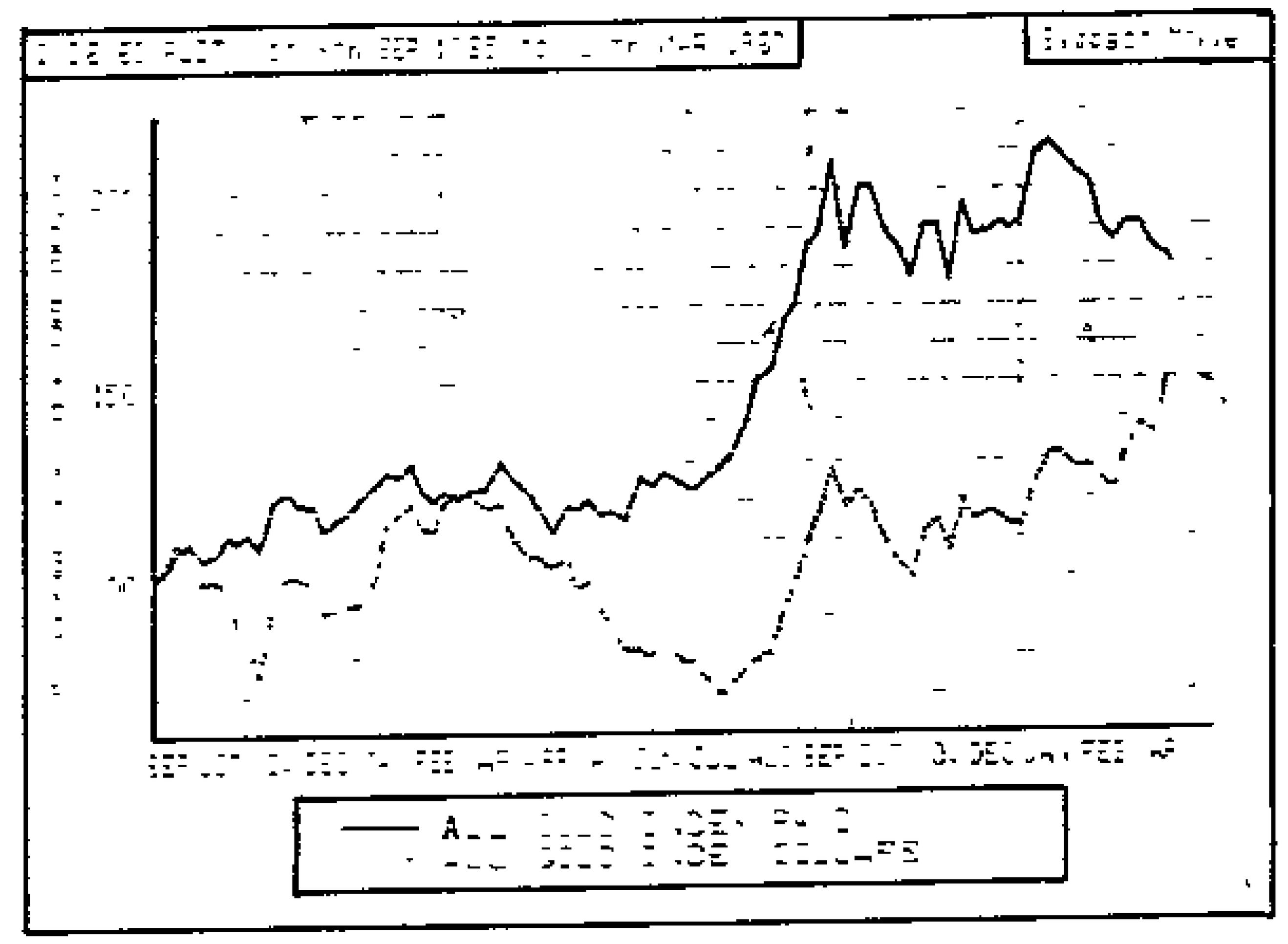
Imports slipped sharply last month to R1,74-billion from R2,41-billion in January and R2,0-billion a year ago They are down on last year even after being converted into dollars.

The low level of imports can be partly attributed to the sluggishness of the economy. But it also seems partly the result of the growth of import replacement industries

The net result of February's foreign trade was a trade surplus of R1,62-billion, the second highest monthly surplus in the country's history It was only exceeded last October when the surplus was R2,28-billion

Converted to dollars, last month's surplus was $782-million, which compares with $435-million in January and is almost double the $408-million in February, last year

It is clear that the high level of foreign earnings and the more lenient debt repayment terms should lead to a more active economy and enable the authorities to give the economy greater stimulus.



South African gold shares prices on the Johannesburg Stock Exchange — the top line of this graph — took off last July and rose strongly until the end of September following a sharp jump in the gold price. After retreating slightly they have held fairly steady.

South African gold share prices overseas (the bottom line) followed a similar pattern until January this year. Since then they have been steadily rising, following an increase in foreign confidence in the shares.

Foreigners have been attracted to these counters by their high returns which are four to eight times greater than those on Australia, Canadian and other gold mining shares.

Armînco expected to disinvest soon

From SVEN LUNSCHE

JOHANNESBURG — In what could be the first disinvestment move by a German company in over three years, engineering group Arminco is likely to announce shortly that it is pulling out

In the wake of disinvestment moves by both American and British companies, their West Germany counterparts have kept a low profile, although their combined investments in this country are valued at more than R500-million

Arminco SA managing director, Mr Wilhelm Kroenenbrink, said final negotiations were still in progress at headquarters in West Germany, but that an agreement with other engineering firms about the transfer of contracts and employees was at hand.

OUTSTANDING CONTRACTS

A number of Arminco's employees this week confirmed that they had been approached with job offers by other companies.

Industry sources say that another subsidiary of a German company, Steinmueller SA, could get the majority of Arminco's outstanding contracts, valued at about R100-million, although the transfer still has to be agreed to by Arminco's clients

Steinmueller SA managing director Mr Colin Ferreira admitted that negotiations between the two parent companies in Germany were taking place, but that there was a delay in the transfer of contracts.

A spokesman for the German-SA trade chamber said the move would come as a surprise, as disinvestment is not a big subject in the board rooms of German companies Over 500 West German companies are actively trading in the South African market and are currently employing between 35000 and 40000 people

Hectic trading on JSE as confidence returns

From JOHN SPIRA

JOHANNESBURG — Hectic trading saw all sectors of the JSE go better on the back of what dealers described as a "return of confidence"

The new accord on South Africa's debt repayment, encouraging economic statistics, determined buying of South African gold shares abroad, a firming gold price and the steeply strengthening financial rand are all cited as factors which are favourably impacting on sentiment in Diagonal Street.

In spite of the high trading volumes registered in the past few days, brokers are expressing concern over the quality of the turnover, pointing out that an unusually large proportion of the volumes are in low-priced shares

One of the reasons for this observation could be that a shortage of scrip has developed among the higher-priced stocks — especially on the gold boards, where determined buying throughout the week (in spite of the advancing financial rand) pushed the all gold index more than 150 points higher

Firm features included Ergo, Doorns, St Helena and Libanon. One of the few counters to move against the trend was Durban Deep

De Beers moved up again through the 4000c mark Mining financials were steady with a stronger bias, although Tweefontein declined sharply. Freddev hit a new high in the mining exploration sector

The financial rand worked against platinum shares Northam, after holding steady earlier in the week, came down to 4500c yesterday, with the nil paid letters declining by a larger percentage

Industrials continued to steam ahead Sharp gains were recorded by Prescat, Fintech (though it was off its best at the close), Putco, Valard, Lion Match, Buffcor, NDH, Southern Sun, Nictus, Midas and Shoprite Largest losers were TEJ, Columbia, Furntec and Harwill

A great deal of attention was focused on the two new listings — Long Distance and Time The former settled down at 125c after hitting 160c on its first trading day, while the latter closed at 275c after touching 400c (issue price was 90c)

Gold at $415,90 as dollar hits WW 2 low

GOLD was fixed at $415,90 an ounce in London yesterday, up from Thursday's $411,75 London close, reports Reuter

The rand closed firmer at $0.4899 having traded steadily around the $0.49 level most of the day as the gold price strengthened amid strong interest abroad, dealers said

The rand had opened higher at $0.4872 yesterday helped in part by a weaker dollar, which continues to trade nervously on overseas markets.

The financial rand rose further to $0,3375 after opening steady at $0,3325.

The dollar nosedived again on the foreign exchanges yesterday to new post-war lows against the yen as trade tensions boiled between the United States and Japan.

In early European trading, the dollar fell to 147,8 yen, the lowest it has been since World War 2, a slide that reflects a huge US trade deficit and Japan's controversial trade surplus

Japan registered a February surplus of $8,14-billion yesterday, up from $5,7-billion in January

The dollar this week has renewed a sharp decline begun at the start of 1987 Huge dollar purchases by the Bank of Japan a

Share prices — compiled by the Johannesburg Stock Exchange Data Bank

A = Sellers
B = Buyers

MINING

Security	Ruling price	Week's move	Div yield	Earn yield	Year's high	Year's low	Vol
MIN. - COAL							
AMCOAL	3900	25-	6 2	21 6	4550	2850	29824
A.T COLL	2200	50-	12 7	12 7	3500	1950	350
ANGLOCOL6%PP	162	B 10+	15 7		275	125	
G F COAL	660	30-	17 9	27 2	1350	560	27704
TRNS NTL	590	20-	15 3	27 3	965	560	88213
TRNTL12 7%CD	725		14 9		1025	675	6546
VIERFNT	48	3+	18 8	16 9	55	35	16000
WANKIE	73	7-	10 7	81 1	100	45	5100
WIT COLS	4000	A 350-	11 4	42 0	6650	3300	330
MIN - DIAMONDS							
ANAMINT	44000	1000+	2 0	8 0	47500	24600	16838
BRDACRE	160	15+	6 9	17 6	245	120	9244
CARRIGS	100			7 1	200	75	18200
DEBEERS	4025	115+	2 0	8 0	4325	2225	1059180
TRNSHEX	625	5+	2 7	8,7	700	415	19876
MIN. - GOLD - RAND & OTHERS							
MODDER	1640	155+	7 8	12,6	2150	1030	159100
DBN DP	4000	375-	2 5	25 3	6300	2050	48200
E DAGGA	1975	200+			2000	1035	69700
E DAGGA OPT	1150	100+			1250	500	3820
E T CONS	7700	500+	3 8	12 8	9100	4400	10050
ERGO	2650	150+	3 7	10,8	2650	1460	68100
ERGO CD	2400	75+	7,8		2400	1650	8442
E R P M	2500				3400	1400	43140
FALCON	975	25+	14 9	45 9	1150	550	3500
GROOTVL	1550	175+	10 0	14 2	2000	1030	50900
MARVALE	555	55+	10 8	12 8	680	390	35700
MODBEE	220	A 5+			340	145	262650
PRIM G M	2000		3 0	13,1	2000	950	
RANDFNT	43500	3300+	4 0	11 8	60000	23200	10740
RD LEASE	820	[illegible]		2 8	1000	180	176478

Security	Ruling price	Week's move	Div yield	Earn yield	Year's high	Year's low	Vol
MERHLD-C-CP	105		11 8		100	100	
MERHLD-D-CP	135		9 3		117	117	
NDH	120	30+	6 3	12 2	130	85	340800
NEDBANK	730	43+	4 1	10 2	725	840	1206323
REICHMN	235	20+	2 5	6 2	245	100	230700
SAGE LTD	1435	A	3,5	6 0	1450	900	13542
S A R B	80 0	% 5 0+	12,5		65 0	65 0	1300
SBIC	2350	50+	3,3	9 1	2325	1775	12518
SBIC PORD	2350	100+	4 8	9 1	2325	1850	13479
TIME	270		1,4	4 1	400	250	1004750
T AND I	610	B 80+	6 1		590	210	59150
TRUST BANK	158	3+	5 7	19 6	170	115	193859
UBS	510	5+	4,3	10 0	570	475	802331
VOLKSKAS	1150	10+	5 0	16 5	1250	975	10884
FIN - CASH ASSETS							
BARBCAN	16	1+			18		62686617
FINTECH	4600	1300+	0,4	0 5	4800	450	14900
LUCORP	9	1+			10	6	2812700
RALE	145	10+	0,3	4 3	145	25	713975
FIN INSURANCE							
CUSAF	1100		4 3	10 2	1100	680	400
CRULIFE	265	5+	3,0	4,4	300	160	110100
GARDIAN	1190		4,9	8 5	1800	875	
HCI	280	B 5+	4 3	12 1	280	200	65600
IGILIFE	118	2-	3,4	4 3	130	65	181150
IGI	210	15-	2,4	8 1	230	115	41580
LIB HOLD	2800	A 25-	2 7	4 7	3500	2550	18075
LIBVEST	278	1+	2 9	4 0	315	237	583483
LIBERTY	13400	300-	2,7	3,7	15450	11000	2875
LIBERTY PORD	14500	400+	4 1	3 6	16500	12000	682
LIBERTY-A-P	13200		1 1		11600	11500	
LIBERTY-B-P	13200		1,3		10000	10000	
LIBERTY-G-P							
LIFEGRO	370	10-	4 1	6 5	403	310	90800
METPOL	345	5-	4 3	6 1	380	305	43550
M & F	4200	500+	3,3	14,9	4000	1725	1400

Security	Ruling price	Week's move	Div yield	Earn yield	Year's high	Year's low	Vol
IND - BUILDING & CONSTR							
A ALPHA	1650	100+	3 8	8,6	1620	900	58302
BASREAD	250		4 8	12 8	260	210	237620
BLUCIRC	920	40+	4 2	7 9	920	385	43047
BOUMAT	525		5 3	8,7	600	340	5100
BOUMAT 12%CD	510		10 8		510	500	
CONCOR	95	5+			95	45	142000
EVERITE	1375		2 0	3 4	1400	800	12400
GOLDSTEIN	245	5+		7,5	250	90	292700
GRINAKR	470	20+	1,9	4 7	460	275	8400
GROUP 5	280	30+			285	100	143800
GYPSUM	700		3,4	9,2	830	575	200
INBOARD	183	3+	0 8	2 1	195	30	1847150
L T A	310	35+			280	160	74700
L T A 10%ACP	240	40+	8 3		300	200	8700
MASNITE	780	20-	5 1	11 5	800	350	
OTIS	290	5+	14 5	14 4	430	280	47200
PORTHLD	60		12 4	38 5	55	18	
PPC	1475		3,2	7,9	1500	910	10200
PPC CD	160 0	%	7,2		170 0	125 0	3000
YORKCOR	625				625	500	
IND CHEMICALS & OILS							
A E C I	1775	125+	3 4	6 4	1800	1050	81339
CHEMSVE	2050	150-	3 0	8,1	2200	1110	5700
DEKRO	170			13 7	200	125	
FARM-AG	830	30+	4 1	8,8	810	395	63300
LANCHEM	20	SUSP	END-ED		30	20	
OMHOLD	80				100	50	132974
OMHOLD OPT	21	B 2+			25	15	4279
PLEVANS	775	20+	3.2	6,9	775	350	6900
PROCEM	195	5+			220	190	78672
SASOL	1050	20-	4,5	9 6	1100	630	475894
SENCHEM	310	15+		8 4	320	145	1316350
TREK	1350	50-	4 7	12 9	1500	830	1833
TRIOMF	38	SUSP	END-				

Security	Ruling price	Week's move	Div yield	Earn yield	Year's high	Year's low	Vol
MORKELS	110		3 0	6 9	117	105	351195
OCMAN	160	10+	4,4	27 8	150	70	4095
OCMAN NPL	50				50	50	
PICAPLI	280	10-		21 5	310	70	65062
PICAPLI 10%CP	220		4 5		220	75	
PRESCAT	115	35+		3 0	135	75	14050
SAMSTEL	115	10+	4 3	5 0	160	C 95	24892
TEDELEX	400	25+		6 3	450	240	54500
WORLD	350	5-	4 3	14 5	370	200	21000
IND - MOTOR							
ASSENG	132	2+		9 5	140	60	81400
CURRIES	900		6 3	12 6	900	625	900
GENTYRE-A-	685	10+	3 8	18 1	800	225	18315
GENTYRE-B-	675	25+	3,7	16 4	800	220	32300
MCARTHY	770	10+	3 9	10 9	800	400	29390
METAIR	1270		2 6	8 5	1650	900	2000
PORT	285		5 6	18 1	285	165	1500
SAFICON	460	20-	4 1	14 0	490	225	S 41231
SAFICON CD	470		11 3		500	410	34545
SAKERS	440	20+	4,7	16 1	460	225	S 9600
SCHUS	55				55	33	6050
TOYOTA	5300	200+	1 9	9 5	5300	3175	800
WELFIT O	350	10+			370	270	
WESCOB	1625	100+	0 9		1825	1100	6000
IND - PAPER & PACKAGING							
AFRICOM	180	15+		4,6	200	125	48300
COPI	2575		2 1	9 7	2850	1800	
CARLCOR	650	20-	4 6	8 2	680	400	40636
COATES	375	A 15-	5 7	18 3	450	200	900
CONSOL	3800	25+	3 9	11 2	4000	3400	800
CTP	500	25+	1,4	4 5	530	450	4700
CTP 6% PP	210		6 7		145	145	
HADDONS	1350	25-	5 0	14 8	1375	675	3500
HORTORS	280		1 4		330	170	41400
KOHLER	1575	175+	2,2	7,7	1675	600	20018

No cargoes reaching Maputo

Swazi levies on goods spark route boycott

74

1/4/87 B/Day

HAMISH McINDOE

VIRTUALLY no South African goods are entering Mozambique after Swaziland's imposition of stringent trade levies late last week.

Road hauliers have boycotted the Maputo run after a Swazi crackdown on an SA exporters' racket in the kingdom.

Mbabane customs is demanding refundable deposits of up to 40% on the value of Maputo-bound goods to stop exporters selling at higher prices in Swaziland.

The scam also avoids paying a 10% sales tax in Swaziland.

Says haulier Tony Sedgwick: "I've no intention of paying and exporters are very reluctant to lodge deposits of up to R60 000 on a load."

The deposits are cutting deeply into the hauliers' pockets — one company says it is losing R20 000 a week in revenue.

A ministerial note sent by the Department of Trade and Industries asking Swazi authorities to clarify the situation has not been answered. Swaziland's action may violate the Customs Union Agreement, but Pretoria has no formal leverage to stop the kingdom imposing the deposits.

Apparently the only SA goods to reach Maputo this week was a consignment of potato seed. The haulier used the Komatipoort route to avoid Swaziland, but the level of banditry in the area makes it a highly unpopular route.

And Sats' daily Komatipoort-Maputo rail service is not heavily used. Sats spokesman Frikkie Stevenson said: "The service is very low at the moment."

Jap International Carriers MD Peter Webb said hauliers were reluctant to switch to rail. "Too much gets stolen on the line — especially foodstuffs."

☐ It costs R2 000-R3 000 to send a 25-ton truck from Johannesburg to Maputo.

Look to domestic market, future farmers are told

8/4/87

Post Correspondent

JOHANNESBURG — South African farmers have been warned that they will have to look ever more to the domestic market for their products because of rapidly dwindling overseas markets.

The managing director of the SA Wool Board, Mr S P van Wyk, told agriculture faculty students at Pretoria University that all indications on the world market were that agricultural production would increase.

In many countries, there was a growing move towards agricultural self-sufficiency, and this was being aided by the use of more efficient farming methods.

"The world is sitting in the grip of big surpluses of all agrieultural products — a dilemma for which there are a number of reasons," said Mr Van Wyk.

These included worldwide over-investment in agriculture caused by fear of food shortages, new technologies, massive subsidies, particularly in America and the European Economic Community and the dramatic increases in food production thanks to technological developments in developing countries.

"In future SA will be ever more dependent on her domestic market for consumption of the agricultural commodities. The days when developing countries could export commodities to earn exchange to pay for manufactured goods are disappearing," he said.

EXPORT VOLUMES

74

Eastern outlook

The spectre of international sanctions has led many economists to predict dire consequences for export trade, as foreign markets are cut off. How much has trade suffered so far?

In 1983-1986, export volumes increased 15%. If gold is excluded, the figure rises to 34%. But these figures build from a low base. Total export volumes in 1986 were only 2,2% higher than in 1980; non-gold exports increased 9,6%.

Still, volumes have recovered while access to foreign markets is increasingly restricted. Volumes of both total and non-gold exports in the fourth quarter of last year were higher than in that period of 1985.

The inclusion of gold is slightly misleading: this is still little threatened by sanctions, and volumes are affected by Reserve Bank strategy.

Export prices have risen faster than import prices during the past four years — resulting in a 6% improvement in terms of trade. However, as with volumes, this improvement came off a low base, with the 1986 figure still 15% lower than in 1980.

The 34% rise in non-gold export volumes can be attributed largely to coal. Coal tonnage exported increased 49% from 1983 to 1985's 44,8 Mt. However, preliminary figures indicate that 1986 tonnages did not rise much further.

Most commentators see export performance as encouraging in the prevailing political climate.

"The small increase in total export volumes indicates that the sanctions campaign is not yet fully effective," says Leon Steenkamp, economist at stockbroker Senekal, Mouton & Kitshoff.

Though aggregate volumes have not diminished, it is likely that export destinations have changed slightly as new markets are sought to replace those threatened. SA's main trading partners are the US, Japan, and Europe. With about 50% of total exports "unclassified," it is difficult to say what changes have taken place in trading patterns. But some minor trading partners are gaining in importance.

Exports to Taiwan, for example, increased from 1984's R206m to over R300m in 1986. Last year's trade agreement with Taiwan could divert more exports to the Far East as traditional markets are threatened. Taiwan is likely to become an intermediary, re-exporting South African products to third markets.

Is present export performance merely a lull before the storm? Some economists believe so, expecting this year's figures to show a decline.

But Trust Bank's Ulrich Joubert is not so pessimistic. "The sanctions campaign poses a major threat, but with the availability of other markets and the propensity of exporters to circumvent sanctions, it remains to be seen how much aggregate volumes will be affected," he says. ■

FINANCIAL MAIL APRIL 10 198

10/4/87

(24)

In spite of recent contract to supply Japanese . . .

SA coal exports 'will be lower this year than last'

MICK COLLINS

EXPORTS of SA coal will be significantly lower this year than in 1986, a spokesman for the industry says.

This is despite the much publicised Japanese export contract for steam coal that SA won in the face of strong competition from Australia.

Transvaal Coal Owners' Association (TCOA) financial manager George Robertson says total coal exports, including coking coal and anthracite, could be estimated at roughly 36-million tons for 1987, against 40,3-million last year.

Robertson says he cannot comment on the new contract because TCOA mines are not involved.

But he confirms the long-standing tension between the Australian and SA coal export industries, especially concerning Japanese markets.

"The crucial factors on our exports are rail rates to Durban and Richards Bay, the rand exchange rate and how sanctions bite.

"The rail rate has always been to our advantage compared with Australia's. However there will be talks with the railways next month, and if our rates are increased it will damage our export potential."

If the rand keeps climbing it will also add to the cost of exports, on which margins are already at rock bottom in a number of cases.

"Thirdly, we do not know yet how effective sanctions against our coal exports will be in practice. Certainly, they are already worrying in some cases in terms of extra exporting costs.

"Our contracts with the French ran out some time ago and were not continued. But we still have to see what can be achieved when, for instance, our current US and Danish contracts expire."

A Sapa report says the Australians have been undercut severely by the new export contract.

Although Australia supplies about two-thirds of Japan's coal needs, it wants more and feels threatened by SA's ability to substantially undercut Australian coal exports to Japan on price.

London newspapers report SA concluded its new deal with the Japanese power companies at $24,70 a ton.

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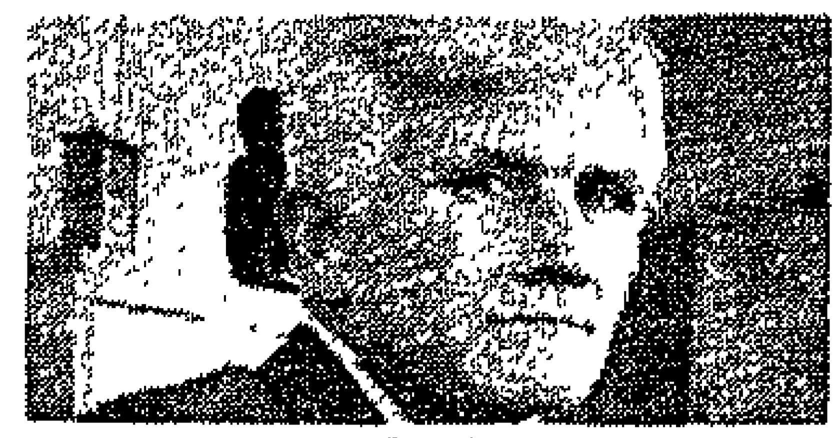
King Coal on a shaky throne

511 26/4/87 (74)



Allen Sealey . . .
tough for mines

SANCTIONS, a huge increase in rail tariffs and currency movements threaten South Africa's second-largest export — coal.

By Ian Smith

Coal producers, whose export profits have become marginal, are waiting until after the election on May 6 to hear whether they will receive relief.

The Government's inter-departmental task group appointed last month by Minister of Economic Affairs and Technology Danie Steyn has started its investigation into the vital industry's problems.

Strong case

The producers have put what they believe to be a strong case to the Department of Mineral and Energy Affairs for relief, particularly from proposed rail tariff increases averaging about 40% on the Richards Bay line.

But they do not expect the final word until mid-May.

Although this week's contract to sell steam coal to Japan has been hailed as a victory over rival Australian producers, the deal was clinched at a high price.

Analysts say that the lower price of $24,70 a ton equates at the current exchange rate to about R48 a ton. For much of last year, coal was sold abroad for R70 a ton.

A broker says: "Increasingly, price will be critical if export sales are to be maintained."

Some major producers also play down the importance of the new Japanese sale. They says that only a few prices for smaller contracts were outstanding when most contracts were fixed in March. In addition, Japan's Ministry of International Trade and Industry ruled last year that coal imports from South Africa in 1987 could not be higher than in 1986.

Rand Mines deputy chairman Allen Sealey says: "The exporter could not have been breaking new ground. If it was a new contract it was won from a rival South African producer."

In any event, the new sale will not do anything to enhance SA's coal exports this year. One source expects volumes to total about 36-million to 38-million tons. Richards Bay handled 40,3-million tonns of last year's exports and the the balance moved through Durban.

Volumes have already been hit by the cancellation last December of sales to the US of 800 000 tons a year. Although the 10-year contract was due to run until the end of March this year, a settlement was paid to end it early.

Sanctions by France and Denmark have been estimated to cut exports by a maximum 11-million tons, but some of this will be made up by new sales.

Fierce

Competition is fierce, and price is critical in the fight for export contracts.

If the proposed tariff increases by SA Transport Services are accepted in full, some mines will operate, at best, at only cost of production.

Mr Sealey says: "There will certainly be no return on investment for some mines."

The importance of the Richards Bay rail tariff can be judged from the fact that freight to the port can make up as much as 30% of the producer's costs.

Mr Sealey, charman of the co-ordinating committee which prepared the producers' case, says: "Any increase will have serious repercussions, particularly at a time when the dollar is low and we have a high rand/dollar exchange rate.

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SA fruit offloaded in Emirates – claim

(74)

SP 27/4/87

ABU DHABI — South African fruit and goods were shipped to the United Arab Emirates despite an official boycott in force since 1974, a newspaper reported today.

The semi-official paper Al-Ittihad said 21 cargo ships were busy at UAE ports unloading fruit and goods bearing certificates of origin from Swaziland and other African states.

But the imported fruit claimed to be from Swaziland was proven by figures to be "10 times larger than that country's fruit production".

Furthermore, the imported goods were prepared and packed at a standard higher than the potential of Swaziland. Nor did the fruit grow there.

The paper claimed that "such swindling meant to avoid the Arab boycott of South Africa" was evident in all Gulf states.

It said the illegal trade was exposed two weeks ago when a Japanese cargo ship was ordered to leave the UAE port of Sharjah after authorities discovered its cargo of fruit came from SA. — Sapa-AP

CAPE TIMES 29/4/87

KWV exports up 22%

PAARL. — KWV has increased the value of commercial exports by 22%, according to its annual report.

The report which records a R25 7 m profit, has been circulated to members in advance of the KWV's AGM meeting in the Paarl Town Hall on May 12.

Full details will only be released to the press later this week.

In spite of boycotts, exchange rate fluctuations, tough international competition and an increase in "anti-South African" activities, the KWV continues to operate dynamically in all accessible foreign markets, says the report.

Although this has led to a total boycott of SA wines in Canada, the US, Australia and New Zealand, the KWV has managed to increase its commercial exports by 22%.

While there had been a "disconcertingly low" inflation rate in most of the KWV's foreign markets, inflation at home had increased to almost 20%.

The report says the favourable export results of the past year are due mainly to the restructuring and rationalisation of the KWV's marketing organisation in the UK and Europe.

Some 6 300 wine farmers are now members of the giant group.

Iscor set to win big Turkish deal

(74) B Day 13/9/87

Own Correspondent

LONDON — Iscor is set to win an order to supply Turkey's State railways with 50 000 tons of rails.

The order, worth R75m, will be finalised when the Turkish Treasury and Foreign Trade undersecreteriat approves the sales credit conditions being offered by Iscor.

Other companies which had been in the running for the supply of the rails of 16m, 18m and 32m lengths included British Steel Corporation, Japan's Marubeni, Yugoslavia's Progress, Canada's Algoma Steel, France's Material de Voie and Italy's Deltasider.

Further contracts for rail supply are likely to be placed next year.

The London-based Metal Bulletin reported this week that eyebrows had been raised in trade circles by what is thought to be a recent increase in Turkish imports of South African semi-finished products, which were being rolled in Turkey for possible export.

Export order unglued by sanctions pressure

8 Day 19/5/86 74

DANIEL SIMON

SANCTIONS pressure has caused more than one SA manufacturer to come unstuck on international markets.

The latest example is the appearance in Johannesburg shops of a high-strength glue, manufactured locally, but with French/English instructions only.

A spokesman for Pratley Manufacturing & Engineering said yesterday a large consignment of glue had been returned from a French-speaking country.

The order was absorbed locally, averting what could have been a sticky situation.

MD Kim Pratley said the order was returned at the end of 1985 and the firm was still trying to sort out the insurance claim and piece the shambles together.

Pratley has been pushing into the export market for two years in an effort to cement overseas ties.

"The reticence of overseas retail outlets to be seen doing business with SA is a problem.

"There are many anti-SA pressure groups roaming around looking for companies doing business with SA."

Because of exports going to a number of countries, Pratley said he might consider off-shore manufacture.

Sanctions biting into coal export business

ADAM PAYNE

SANCTIONS have hit the coal export trade, with this year's target through Richards Bay an estimated 10% lower at 36-million tons, against the original estimate of 40-million tons.

The Richards Bay Coal Terminal Company says: "The revised estimate has been brought about by a number of factors — principally the present over-supply situation in world coal markets, cost pressures and sanctions."

Steve Ellis, chairman of Trans-Natal Coal, said last night· "I consider the main reason for the drop in exports to be the effect of sanctions by Denmark and France.

"They were brought in last year by Denmark and are taking effect this year. Added to that, France is applying sanctions and also has reduced demand because of increased nuclear capacity.

"The over-supply situation for coal overseas is exacerbated by the fact that there has not been great growth in demand. On top of that there are new suppliers such as Colombia. China is also starting to make itself felt as an exporter.

"The Australian mines are finding it difficult to survive."

CAPE TIMES 27/5/87 (74)

Growth, jobs the priorities — Durr

A RISE in the exchange rate of the rand that was too fast or too great would bring relief in the fight against inflation, but would also have an adverse impact on efforts being made to promote growth and job creation, the Deputy Minister of Finance, Mr Kent Durr, said last night.

"Like it or not, the containment of inflation alone simply cannot rank as priority number one when viewed from the perspective of our current level of unemployment," he said in an address to the Cape Town branch of the Exporters' Club of SA.

"Though inflation must remain an important, indeed a vital priority, all indicators point to growth and its concomitant creation of jobs as our highest and overriding priority."

He warned that because of the over-supply of metals and minerals during the coming decade, SA would have to implement "an accelerated programme of high-technology industrialization to remain competitive". — Sapa

SA's mineral export revenue 'could double'

By ANTHONY JOHNSON

SOUTH AFRICA could more than double the value of its mineral export earnings to some R60 billion in the next decade by way of "beneficiation," according to the Deputy Minister of Finance, Trade and Industry, Mr Kent Durr.

Speaking to the Cape Town branch of the Exporters Club of South Africa yesterday, Mr Durr said exporters should be aware of crucial changes in the structure of world trade that could have serious consequences for developing countries.

Over the coming decade the present state of over-supply on world markets of aluminium, copper, lead, tin and other metals and minerals was likely to increase, leading to a long-term decline in commodity prices.

South Africa would have to implement an accelerated programme of high-technology industrialization in order remain competitive with countries such as Taiwan, South Korea and Brazil in markets for manufactured goods, chemicals, production machinery and alloys.

Mr Durr said one of the major challenges facing exporters if they were to remain competitive would be to add more value to South Africa's mineral exports by way of beneficiation.

"Our current export earnings in chrome, manganese, titanium, vanadium, gold, platinum and other minerals could double over the next decade — to some R60-billion per annum at constant prices — if this were done."

Mr Durr said the low degree of beneficiation at present could be "seen by a glance" at South Africa's jewellery industry.

"Ironically enough, countries such as Belgium, India, Israel and Italy earn billion of dollars every year by beneficiating and re-exporting South African gems and precious metals.

Mr Durr said the recent appointment of the Mineral Advisory Council and a top-level government committee on mineral beneficiation, underlined the government's concern over the declining role unrefined mineral exports may come to play in a world economy characterized by expanding markets for high-technology goods.

COAL EXPORTS (74) FM

29/5/87

Bleaker outlook

Coal exports through Richards Bay could be about 10% down on last year — dropping from about 40 Mt to 36 Mt this year.

This view was expressed by Mike Hawarden, MD of the coal division of JCI at the International Coal Trade Conference in Washington.

But price, rather than sanctions, seems to be the main bugbear. Les Weiss, MD of the Tranvaal Coal Owners' Association, says the principal factor behind the drop is world oversupply of coal and downward pressure on coal prices.

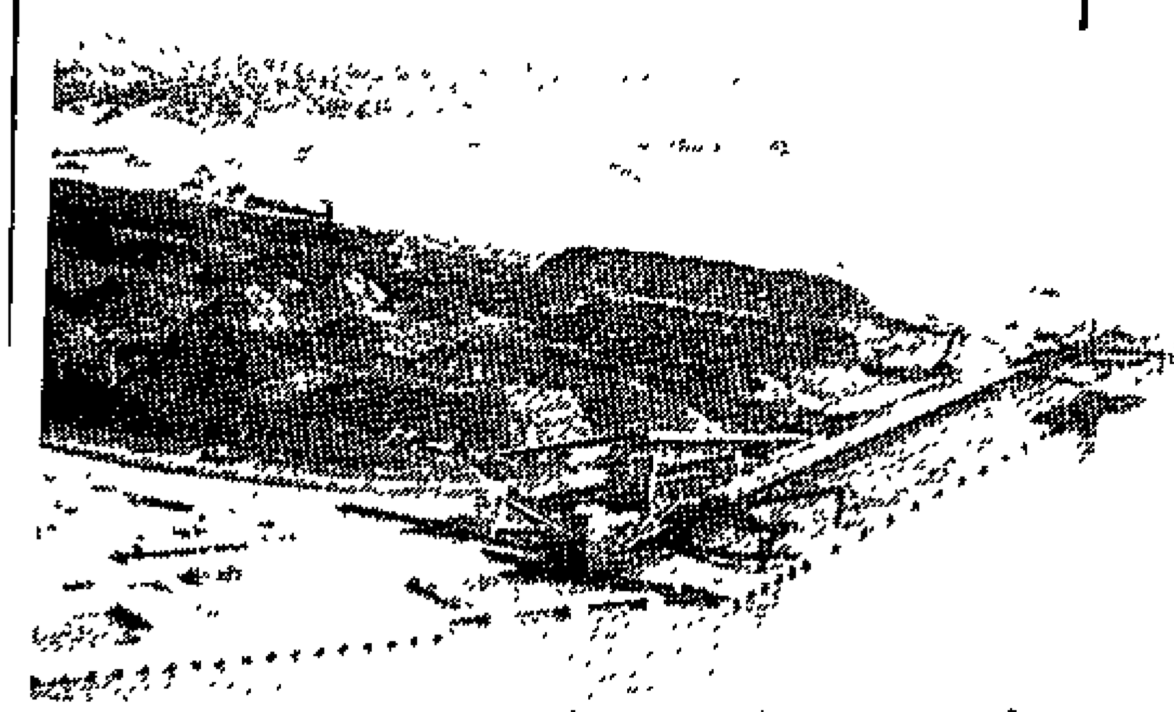
"Nonetheless, the drop is significant in that it is the first time since inception of the Richards Bay coal export scheme more than a decade ago that the volume of exports has faltered," he says.

The rand/dollar exchange rate also mitigates against coal exports.

"When the rand stood at US40c, you were paid R50 for every $20 worth of coal sold. Now, with the rand closer to US50c, you get only R40 for every $20 worth of coal sold. This has caused real problems for us and for the Australians. Their dollar also hardened against the US dollar recently," he says.

The original target for Phase 3 of the coal export programme was 44 Mt/year, with ultimate projections as high as 80 Mt/year.

"But," says Weiss, "those projections look a long way off now. Certainly, any possible new mines will have to be put on hold. At the moment, we don't foresee any new developments on the export front as far as the railway line or terminal capacities are concerned either." ■



**Coal exports ...
looking down**

previous 12 months.

W/E ARGUS. 6/6/87

Coal: Israel diversifies away from SA

Weekend Argus Foreign Service

74 (1188)

JERUSALEM. — Israel will buy up to 1-million tons of coal from Colombia within the next three years, as part of an attempt to diversify its energy sources away from South Africa.

A long-term, annually renewable contract, worth an estimated R65-million, is expected to be signed this week between the two countries.

Israel's search for new suppliers of coal has been motivated not only by the desire to lessen dependence on South Africa, but by the expected doubling of the country's coal consumption to 70-million tons within the next two years.

As a result, Israel has over the past year also discussed coal purchases with Poland and China, two countries with whom it has no diplomatic relations.

The contract between Israel and Colombia, agreed during a visit to Jerusalem last month by Mr Miguel Merino Gordillo, Colombia's Minister of Economic Development, provides for an initial shipment of 150 000 tons of coal from the El Cerrejons deposits by the end of the summer.

The volume is expected to double next year and reach 450 000 tons by 1989.

Israeli energy officials say the contract is likely to be renegotiated upwards in 1990, when a major new power station, being built near Ashkelon, begins operating.

By then, Colombia could have become a key supplier of steam coal to Israel.

Israel, devoid of its own coal resources, has always relied on imports. South Africa has traditionally provided it with half its coal needs, Australia with another third, and the United States with the balance.

Israel has agreed to pay Colombia in hard currency. At current prices, trade experts say Colombian coal will cost Israel $28 dollars a ton — about the same as Australian purchases.

Brazil named as possible market

Shortage in EC opens door for SA steel exports

HAMISH McINDOE

SANCTIONS-HIT SA steelmakers might be heading for a short-term burst in steel slab exports because of an EC shortage.

A metal industry source in London said a demand for slabs had forced steelmakers to concentrate on supplying EC markets.

Brazil has been named as one country that may be turning to SA for more steel slab imports; possibly to highlight Brasilia's annoyance at having its steel import quota to the EC pegged in the 1987 bargaining round.

Brazil exports about 200 000 tons of steel to the EC.

An SA steel industry source said the "deduction was sound".

He said: "I know there is a demand for slabs in Europe but I'm not sure how severe the shortage is."

SA's steel export figures have been a closely guarded secret since the US, Japan and the EC imposed steel and iron ore embargoes late last year.

Steelmakers also refuse to comment on exports, but Iscor last month commissioned a R120m slab caster at its flagship Vanderbijlpark plant and would clearly benefit from the increased demand.

In another development, Middelburg & Alloys (MSA) may be jockeying to fill a shortage of stainless steel plate in Brazil, whose steelmaker Acesita, is said to be having difficulties meeting local demand.

The London source said: "We understand a stainless steel expansion programme in Brazil has been hampered by debts and strikes."

MSA's Robert Walton denied a major export drive was being mounted in Brazil. "We've had a presence in the country for a long time and try to fill the gaps in Acestita's product range where we can."

Brazil has not applied steel sanctions against SA.

☐ The Metal Merchants Association of SA is to join the Brussels-based Bureau International de la Recuperation (BIR), a confederation of major scrap merchants from the EC, Latin America and the US.

An association delegate attended the BIR's AGM in Helsinki this month and it was understood SA's membership was widely welcomed by the bureau.

US will decide on uranium imports

SPSL 18/6/87

By Neil Lurssen, The Star Bureau

WASHINGTON — The United States Treasury is to decide soon whether sanctions laws will forbid the import of uranium ore and uranium oxide from South Africa valued at millions of rand.

Mr R Richard Newcomb, Director of the Office of Foreign Assets Control in the Treasury, told a congressional committee here that a decision was expected before July 1.

The possibility of a ban has alarmed American companies which process uranium ore and uranium oxide for foreign buyers and re-export to the foreign buyers.

If the ban is confirmed, thousands of American jobs could be lost in seven states. The companies have enlisted the aid of their Senators, who have asked the Treasury not to include uranium in the list of banned imports contained in the sanctions imposed last year.

NO AMERICAN CONTROL

Senators have argued that an end to American involvement in the processing of the South African uranium — enriching it for use as nuclear fuel — would end American control over the future use of the fuel by potentially hostile nations like Libya.

Mr Newcomb said that because of uncertainty over the intent of the Congress regarding the uranium, the Treasury had called for public comment.

During the period of comment and analysis, uranium ore and oxide were being imported from South Africa in the usual way.

"The Treasury took this action because the domestic uranium conversion industry and the federal government's enrichment industry could be seriously injured in a manner unintended by the Congress if imports for processing and re-export were barred through a mistaken interpretation of the Act," he said.

Mr Newcomb said there were cases involving false country of origin declarations for textiles and false declarations for semi-concentrates and sports equipment.

Board calls off maize exports

6/7/87

BD (74)

GERALD REILLY

PRETORIA — The Maize Board has had to cancel a number of long-term export contracts because of a drastic revision of the 1986/87 crop.

Based on official Department of Agriculture estimates, the board expected deliveries totalling 7,5-million tons. But Maize Board GM Hennie Davel said reports from the board's agents indicated the estimate would have to be lowered to 6,2-million tons.

This is 1,3-million tons less than the board used to plan its 1987/88 marketing strategy. Davel said reasons for the big decrease was an under-estimation of the severe damage caused by drought and the bushel weight.

"This is the first time the official estimate has been so far out and it has caused serious marketing complications," he said.

The shortage is so serious that the board would have to revoke some of its long-term contracts to ensure enough maize for local consumption, he added.

Export of grain likely to cease

BDay 6/7/87

(74)

Business Day Reporter

THE SA shipping market has basically continued on a firm level, with quite good demand on early positions, says Afromar's weekly freight market report.

"However, it is still felt that as we move further into the northern hemisphere summer season, rates will ease back," it says.

"It looks as though the export of grain is going to cease in view of the reduced amount of maize now expected to be produced, and the tender programme has been withdrawn from the end of September, as there is no surplus for export, over and above the Taiwanese and Japanese contracts already running."

Six thousand tons of bagged rice was being quoted from Taiwan to Reunion for end-July loading. In the coal sector it seems the Cape sizes are holding firm, with the nominal rate from Richards Bay to Rotterdam being probably just more than $6, and there was a fixture arranged for a vessel of about 120 000 tons at just more than $6 on the basis of combination discharge berths in Rotterdam.

The Panamax sizes seem to be basically steady, although $7,10 was paid for a 55 000-ton cargo from Richards Bay to Spanish Mediterranean discharge.

Handy-sized tonnage has also maintained levels, particularly to the Far East. A number of private deals are thought to have been arranged, especially to Spain. There was an inquiry from Brazil for about 6 000 tons of anthracite from Durban to Vitoria for end-July/early-August dates.

German trading interests had a cargo of about 10 000 tons of steel from Maputo to Italy for a prompt position.

Indications were being asked for the movement of 10 000 tons of bagged fertilisers from Constanza to Mombassa for August shipment and liner discharge.

There were various time-charter orders besides the usual local operator inquiries, with Far East charterers wanting a vessel of about 30 000/35 000tdw for a trip from SA to the Far East.

Early Cape sizes were scarce in the Pacific, so levels are being maintained.

Firms get SA boycott exemptions

OSLO — Five Norwegian companies have been exempted by the Ministry of Trade from a newly-legislated trade boycott against SA, scheduled to take effect on July 20.

The two companies, Elkem and Tinfos Jernverk, have been given a two-year exemption for import of manganese ore for three smelters, the ministry said.

Det Norske Veritas, a ship and offshore rig classification society, received a 12-month exemption because of the company's "great importance for maintaining maritime security" and because there is no other suitable harbour for Veritas' operations.

A/S Greaker Industrier, a paper producer, was allowed to deliver 500 tons of paper contracted before the boycott of SA and Namibia was decided by the Norwegian Parliament.

Norway Foods was exempted for delivery of 18 000 boxes of sardines already produced and packed for the SA market.

A sixth company, Broeyt A/S, had also asked to be exempted but was refused. — AP-DJ.

74 280

Banks to provide finance for capital exports

Banks to play a major new export role

23/7/87

B\ Dev

(74)

GRETA STEYN

PRIVATE enterprise is to play a major role in the export of capital goods and services by providing finance — formerly the preserve of the Industrial Development Corporation (IDC) — in terms of an agreement signed yesterday.

Bankers regard the move as the privatisation of a function that should never really have been undertaken by the IDC in the first place.

They say it could possibly open the way for SA banks to participate in projects such as the multi-billion rand Lesotho Highlands water project.

Four merchant banks — Standard, UAL, Corporate and First National — and the Trade and Industry Department are party to the agreement.

SA's capital exports amounted to about 3% of total exports, a figure of roughly R1bn a year. The Trade and Industry Department said in a statement the participation of banks could assist capital export growth.

At a Press conference yesterday, the department's acting director general Frans Scheepers said government had been approached by the banks, which indicated they would be keen to promote exports.

Scheepers said this fitted in with the department's export promotion drive.

He said: "The banks' foreign contacts could mean that their direct participation in the scheme will help exporters win contracts. Exporters of capital goods face intense competition from industrialised countries."

The banks' participation could give exporters a boost when dealing with competition.

In turn, competition between the four private suppliers of credit could lead to reduced interest rates on the credit granted to foreign buyers of South African goods and projects, Scheepers said. "This will obviously enhance the attractiveness of South African tenders for this lucrative foreign business."

However, government would continue

● To Page 2

Capital goods financing opened up

● From Page 1

to play a role in the financing of capital exports by supporting and maintaining the export credit interest rates charged by the four merchant banks.

Scheepers said the IDC had provided credit since 1963 because the capital exports had been a very small slice of exports. He said administrative costs would not have made it worth the banks' while.

A condition of the scheme under which the private banks will finance capital exports is that credits granted by the banks will be covered by the Credit Guarantee Insurance (CGI) Corporation.

Scheepers said yesterday South African exporters sometimes had to deal with the un-creditworthiness of developing countries. CGI would cover exporters against bad debts.

UAL senior general manager Gavan Ryan said yesterday capital exports should be promoted as export growth in general was "a critical engine for economic growth". He said SA relied to much on exports of primary products.

EXPORT TRADE (74) FM 24/7/87

The barter option

While government will not stand in the way of manufacturers wishing to use countertrade to expand exports, it is not yet official policy to actively engage in this unconventional type of business dealing.

But South African Foreign Trade Organisation (Safto) CE Wim Holtes feels that as a result SA could be missing out on major

Safto's Holtes . . . utilise leverage

opportunities to expand its trade. He says even developed countries such as Australia and New Zealand have legislation forcing trading partners to buy some of their produce.

"Both the private and public sectors could do much more to promote this form of trade. Many export deals fall through because of lack of countertrade expertise or because exporters do not accept the discipline demanded by these complicated deals. And government has not yet set out very clear countertrade guidelines or regulations for exporters to follow, as is the case in New Zealand or Australia," says Holtes.

Meanwhile, SA has tremendous unused leverage, based on the massive capital goods and equipment imports by utilities such as Eskom, Sats and Iscor. Holtes says this goodwill must be utilised to ensure increased export markets for SA goods.

"There is a lack of clear guidance of what government expects. While not everyone in the private sector supports this issue, it would help if all imports above a minimum of say R5m contain a countertrade condition. Even some European states like Sweden and also Canada follow this policy," notes Holtes.

In fact, he says, some 40 countries, a number of which are newly industrialised, practise this form of trade. Special systems and guidelines clearly indicate to importers, as well as to the foreign exporters, the official countertrade requirements to follow. SA is one of the few exceptions.

Department of Trade and Industry (DTI) deputy director Frans Scheepers says official policy is to "eschew barter trade for multilateral trade. But no obstacles are put in the way of the private sector to enter into countertrade deals. In fact, government will facilitate these efforts."

Scheepers says the DTI's committee on unconventional trade monitors the situation — but demands that foreign exchange and customs regulations are adhered to. Off-set, barter, buy-back and other countertrade deals are legal, but *not* official policy. And, apart from the fact that traditional trading partners might look askance at such an official initiative, government is also sensitive to Gatt and IMF policy requirements.

Government is well aware that countries such as Brazil, Australia and the Philippines demand countertrade deals when importing. For example, a R5m import deal might carry a 25% counter-buy condition, R50m might demand 50% and R100m a possible 100%. "But we will not regulate our trade in this way, nor are we even investigating the issue," Scheepers tells the *FM*.

Public corporations

Holtes says SA should not wait for foreign concerns to come forward with countertrade proposals — based on a clear set of guidelines, public corporations for example should utilise available leverage when importing. SA, he suggests, could well follow the examples of industrialised countries already implementing such regulations as part of official trade policy.

But there clearly is a long way to go to influence official thinking. "We cannot expect major trading partners like Germany or Britain to become hawkers," says Scheepers. ■

Exports hit by anti-SA feelings

27/7/87 ST

By Neil Behrmann

LONDON — South African exports to Britain slumped during the past two years despite the massive depreciation of the rand.

According to the UK Department of Trade, South African exports tumbled from £990 million in 1985 to £829 million in 1986. In the first five months of this year, exports to Britain were only £257 million, an annualised total of £617 million. Between 1982 and 1984 annual exports were around £750 million.

Despite the Conservative Government's reluctance to impose official sanctions it is evident that businesses have chosen unofficial restraints.

British exports to South Africa were also down sharply.

From £1 205 million in 1984, UK exports fell to £1 010 million in 1985 and £850 million in 1986.

The showing in the first five months was even more dismal. UK exports were down to £361 million or when annualised, £866 million.

Trade with South African has fallen because several companies are concerned about the stigma on South African goods.

Britain needs South Africa's raw materials, but it is significant that total food and fruit imports from South Africa crumbled from £150 million to £138 million. Even mineral imports fell.

The slump in trade can only be partially attributed to the anti-apartheid movement's pressures. Statistics confirm reports during the past two years.

Businesses became more reluctant to carry on trade with South Africa when township and police violence accelerated and the Government imposed the State of Emergency.

About a year ago when the Government introduced news restrictions, it blamed the media, notably television journalists, for creating "misconceptions" about South Africa.

Backed by officials from the Treasury and Reserve bank, the moves were supposed to reverse opinions of companies and banks which have connections with South Africa.

On the face of it, the restrictions seemed to work.

When the gold price began to surge a year ago, gold shares and the financial rand improved sharply, although the FR is still very depressed.

Foreign investors began buying gold shares again. Investors felt more comfortable because South African news was no longer in the spotlight.

But in terms of trade and investment censorship has failed.

News seeps through. Foreign companies and banks have their own sources of information.

After declaring the moratorium on a large percentage of its £24 billion debts, South African borrowers still can't borrow on the international money and capital markets. At best they receive trade finance and short term credits.

Over the past 18 months some 80 US companies — including blue chip names like IBM, General Motors, Exxon and Citicorp have left South Africa.

Opponents of apartheid are turning their attention on some 250 European and Japanese corporations that have large interests in South Africa. According to the Washington-based Investor Responsibility Research Centre, only 36 companies including Barclays Bank have withdrawn.

So activists are beginning to harass Royal Dutch Shell, Nestlé, Unilever and the Union Bank of Switzerland. Standard Chartered's decision to review its holdings in South Africa is another example.

There are postive aspects, however.

The efforts of Dr Van Zyl Slabbert and open-minded Afrikaans businesmen did more for South Africa than any of the expensive propaganda exercises of the Government. It alleviated some of the fears of white intransigence. But in the end the Government must be seen to follow.

18/8/87 Hansard

SAA/Times Media: agreements

*11. Mr D J DALLING asked the Minister of Transport Affairs:

(1) Whether the South African Airways have been approached by any other publishing companies to enter into agreements similar to the one referred to in his reply to Question No 2 on 26 May 1987; if so, (a) by which companies, (b) when and (c) what was the response of the Airways;

(2) whether an arrangement of this nature is available to any other publishing companies; if not, why not; if so, (a) to which companies and (b) who took the decision in this regard;

(3) whether he will make a statement on the matter?

The DEPUTY MINISTER OF TRANSPORT AFFAIRS:

(1) Yes

(a) Times Media

(b) 5 June 1987

(c) The company was advised that similar agreements are available to all publishing companies where there is commercial advantage for S A Airways.

(2) Yes

(a) Any publishing company, provided there is commercial advantage for S A Airways.

(b) S A Airways' Chief Executive.

(3) No

*12. Mr J H VAN DER MERWE—De-

[Reply Standing over.]

Uncut/cut diamonds

(14)

*13. Mr F J LE ROUX asked the Minister of Economic Affairs and Technology:†

What amount in foreign exchange was earned by the Republic from the export of (a) uncut and (b) cut diamonds during the latest specified period of five years for which information is available?

†The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(a) Export of uncut diamonds
1982: 276,3 million rand
1983: 429,2 million rand
1984: 440,3 million rand
1985: 512,9 million rand
1986: 578,1 million rand.

(b) Export of cut diamonds
1982: 126,9 million rand
1983: 161,4 million rand
1984: 252,8 million rand
1985: 389,8 million rand
1986: 533,2 million rand.

Hansard 18/8/87

Elda Bani: death in detention

*14. Mrs H SUZMAN asked the Minister of Law and Order:

(1) Whether a certain person, whose name has been furnished to the South African Police for the purpose of the Minister's reply, died while being detained in terms of the emergency regulations; if so, (a) on what date (i) was she detained and (ii) did she die, (b) where did she die, (c) what was the cause of death and (d) what was her name;

(2) whether she fell ill while being detained; if so, (a) when, (b) what was the nature of the illness and (c) what treatment was she given;

(3) whether she (a) requested and (b) was given permission to see a private doctor; if so, on what date did she (i) make the request and (ii) see a private doctor; if not, why was she refused permission;

(4) whether she was hospitalised; if not, why not; if so, (a) when, (b) where, (c) what were her symptoms and (d) what treatment was she given in hospital.

(5) whether any representations were made for her release; if so, (a) by whom, (b) when and (c) what was the response?

18/8/87 Hansard

†The MINISTER OF LAW AND ORDER:

Before I answer this question, I wish to say that my reply to the sections of this question which pertain to the South African Prisons Service is given after having consulted with my colleague, the Minister of Justice.

(1) Yes.

(a) (i) 29 August 1986.

(ii) 29 July 1987.

(b) Port Elizabeth Female Prison Hospital.

(c) According to the post-mortem report, the cause of death is described as terminal pulmonal embolism in a person with chronic renal disease, a history of diabetes, and evidence of a cerebro-vascular lesion in the pons.

(d) Elda Bani.

(2) No, but she continued to receive treatment for the ailments that she already had.

(a), (b) and (c) Fall away

(3) (a) No, not as far as can be ascertained.

(b) Falls away.

(i) and (ii) Fall away.

(4) Yes.

(a) and (b) Shortly after she had been detained, she was transferred to the prison hospital, where, with the exception of a few days, she remained. She was also admitted to public hospitals for treatment during the following periods:

*18 November 1986 to 27 November 1986

*14 June 1987 to 24 June 1987

*29 June 1987 to 7 July 1987

(c) and (d) It is a well known fact that, in terms of standing directives, all prisoners (including detainees) have to be examined by a medical doctor as soon as possible after admission to prison. The deceased was no exception and she consulted several doctors during the periods of her stay in prison and public hospitals.

The hon member will probably agree with me that there is a professional and confidential relationship between doctors, their patients and the families concerned. The State respects this need for privacy and traditionally does not comment on or discuss the ailments of individual detainees or other prisoners. Furthermore, the professional independence of the medical doctors who render medical services to prisoners in prison and elsewhere, is also respected and the instructions and prescriptions issued by doctors for the treatment of their patients are carried out strictly and under their continued supervision.

It is sufficient say that the medical care of all persons in South African prisons is of a high standard and that the deceased had continuous access to and made use of this service

(5) No.

(a) to (c) Fall away.

Note: The person received a visit in prison from her attorney on 21 July 1987.

Re-employment of strikers Hansard

*15. Mr P J PAULUS asked the Minister of Transport Affairs:†

(1) Whether the South African Transport Services are classified as an essential service; if not, why not; if so, in terms of what statutory provisions;

(2) whether the Transport Services employees who were involved in strikes this year, received any remuneration during strikes; if so, (a) why, (b) for what period and (c) what components

SA cosmetics 'look good' for exporting

74

B/day 3/9/87

KAY TURVEY

THE export potential for the SA cosmetic market is vast if professionally marketed, says Max Green of Kemtrade Distributors, toiletries and pharmaceutical sundries wholesaler.

He says the lower rand has made SA cosmetics attractive to importers, with Hong Kong, Taiwan, Spain, Portugal and a number of African and South American countries having already made approaches to import SA cosmetics.

Green, who is CE of Kemtrade's export division says the group has been exporting on a limited scale to test the market, with orders having been secured in the UK, France and Belgium.

The benefits of export to the local market are huge, says Green as factories would be able to to utilise capacity more fully, so improving local production costs through longer runs.

Cosmopolitan Cosmetics CE Nathan Taitz describes the local market as "fairly sophisticated" with packaging up to international standards.

He estimates the colour cosmetic and treatment market in SA is worth about R150m a year at trade price, of which about 75% is locally produced.

He says a significant spin-off from the development of the export market would be the reduction in the cost of components. At present it pays to import these components such as bottles and lipstick containers as the local market is too small to justify manufacture.

Further, job creation would flow from increased production, he says as the cosmetic industry is not fully automated.

(REF)

Diamond sales down sharply

SA exports to EC plunge 30%

(74) CAPE Times 3/9/87

Own Correspondent

LONDON. — South African exports to the European Community plunged 33% in the first quarter of this year.

But the reason is not that sanctions are beginning to bite, but because SA has cut down dramatically on the amount of diamonds it sells to EC countries.

SA exports to the EC totalled 1 342m ECU in the first quarter of this year against 1 996m ECU in the same period last year. In rand terms this means a drop of R1,3bn or 30%.

There is some evidence of either official sanctions affecting items like iron and steel (down 30,46% to 68m ECU) or so-called "Peoples' Sanctions" affecting fruit exports (down 10,5% to 52m ECU).

But by far the most important reason for the steep drop is a 45,32% drop to 469m ECU in the sale of gold and diamonds to EC countries — indicating that SA has either found alternative markets or is stockpiling.

Because the EC trade statistics list the two together it is not possible to say which of the two is responsible for the drop, but the latest British trade statistics which separate the two give a clear indication that it is diamonds.

In the first five months of 1987 the category in which gold is included shows a 7,52% increase to £15,6m. The category in which diamonds are included shows a dramatic slump of 80,47% to £13,1m.

SA coal exports have been hard hit showing a 36% fall to 172m ECU. However the volume of coal exported is down by just 10,36%.

Dr Roy Doyle of the International Energy Agency said this confirmed for him reports that SA producers were selling at prices even lower than the present low market prices.

SA imports from the EEC were down by 29% to 1,1bn ECU. More than half of this was spent on machinery and electrical machinery.

According to soon to be released trade statistics for 1986, Belgian and Luxembourg (2,2bn ECU) and Italy (1,9bn ECU) were the leading importers of SA goods. West Germany (1,9bn ECU) and the UK (1,3bn ECU) were the leading exporters to SA.

US sanctions begin to bite

SA exports to America down 45%

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DIANNA GAMES

THE sale of SA goods and commodities to the US has dropped by 45% in the first six months of this year, while the value of US goods coming into SA over the same period has risen slightly.

US Department of Commerce figures supplied by the US Consulate General in Johannesburg show the total financial value of US imports from SA dropped dramatically from US$1,191bn between January and July 1986 to $654m in the same period this year.

That the total value of commodities sold by SA to the US increased overall by 21% in the four years to the end of 1986 shows the bite that the Comprehensive Anti-Apartheid Act has had on trade.

In the same four-year period, the total value of commodities sold by the US to SA dropped by 51% overall. However, these figures do not show any adjustment for fluctuations in the currency rates.

The value of goods and commodities sold by the US to SA rose 8,1% in the January to June period (1987) compared with the same period last year. The total for the six months of this year stands at $587m.

US imports of several South African commodities dropped to nil in the the first half of 1987.

These include: uranium oxide (from $84m in January-July 1986); gold or silver bullion/ore (from $65m); coal (from $23m); uranium compounds and "other" (from $2,6m); shellfish, excluding clams, (from $12,8m); motor fuel (from $23,7m); and iron or steel ingots and blooms (from $8,3m).

SA yesterday announced, however, it had recorded a trade surplus of R1,63bn in the first six months of this year.

With a major drop in US imports in the corresponding period, it is not clear where the shortfall is made up as this is not reflected in preliminary figures for two of SA's major trading partners, Japan and West Germany.

It could mean either that SA has found a new major trading partner, or that SA goods are being re-routed through middleman countries to existing partners.

(3) 1. Unknown: Government Printer is responsible.
2. Nil
3. Nil
4. Nil
5. Nil
6. Nil
7. Nil
8. Nil

(a) 1. Unknown
2. Nil
3. Nil
4. Nil
5. Nil
6. Nil
7 Nil
8. Nil

(b) 1. Unknown
2. Nil
3. Nil
4. Nil
5. Nil
6. Nil
7. Nil
8. Nil

(c) Unknown.
2. Nil
3. Nil
4. Nil
5. Nil
6. Nil
7. Nil
8. Nil

(4)	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*
(a) 1.	R6 236,70	R19 115,25	R19 302,03	R25 853,90	R 24 800,19	R 30 518,70
2.	R4 556,67	R 2 359,62	R 2 197,05	R 4 520,57	R 2 554,31	Unknown
3.	R 948,00	R 1 290,00	R 1 778,00	R 2 435,00	R 2 717,00	Unknown
4.	R3 146,00	R 2 362,00	R 2 745,00	R 2 782,00	R 3 287,00	Nil
5	Nil	Nil	R46 423,00	R70 369,00	R182 535,00	R149 080,00
6	Nil	Nil	R 6 972,00	R20 284,00	R 29 802,00	R 44 605,75
7.	Nil	R 2 000,00	R 2 000,00	R 2 000,00	R 2 000,00	R 800,00
8.	Nil	Nil	Nil	Nil	R 10 300,00	R 3 500,00
(b) 1.	832	930	930	990	1 200	1 070
2	1 250	1 250	1 250	1 000	1 300	6 050
3	750	750	750	800	800	800
4.	250	300	300	260	250	Nil
5.	Unknown	13 000	15 000	17 000	24 000	19 000
6.	3 200	3 200	3 200	3 200	3 200	2 500
7.	200	200	200	200	200	50
8.	Unknown	Unknown	Unknown	Unknown	2 130	700
(c) (i) 1.	One	One	One	One	One	One
2.	Nil	Nil	Nil	Nil	Nil	Nil
3.	One	One	One	One	One	One
4.	Nil	Nil	Nil	Nil	Nil	Nil
5.	Unknown	One	Nil	One	One	One
6	One	One	One	One	One	One
7.	Nil	Nil	Nil	Nil	Nil	Nil
8.	Unknown	Unknown	Unknown	Unknown	One	One
(ii) 1.	One	One	One	One	One	One
2.	Nil	Nil	Nil	Nil	Nil	Nil
3.	Nil	Nil	Nil	Nil	Nil	Nil
4.	Nil	Nil	Nil	Nil	Nil	Nil
5.	Nil	Nil	One	Nil	Nil	Nil
6.	Nil	Nil	Nil	Nil	Nil	Nil
7:	One	One	One	One	One	One
8.	Unknown	Unknown	Unknown	Unknown	Nil	Nil

HoA

(d) 1.	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove
2.	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove
3.	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove
4.	High quality	High quality	High quality	High quality	High quality	No report
5	Unknown	118 GSM	Unknown	118 GSM	135 GSM	135 GSM
6.	115 GM Mat art paper	115 GM Mat art paper	115 GM Mat art paper	115 GM Mat art paper	115 GM Mat artpaper	115 GM Mat art paper
7.	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G
8.	Unknown	Unknown	Unkown	Unknown	DAKUZA glazed 100G	DAKUZA glazed 100G
(e) (i) (aa) 1.	Nil	Nil	Nil	Nil	Nil	Nil
2.	Nil	Nil	Nil	Nil	Nil	Nil
3.	Nil	Nil	Nil	Nil	Nil	Nil
4.	Nil	Nil	Nil	Nil	Nil	Nil
5.	Nil	Nil	Nil	Nil	Nil	Nil
6.	Nil	Nil	Nil	One	Nil	Nil
7.	Nil	Nil	Nil	Nil	Nil	Nil
8.	Nil	Nil	Nil	Nil	Nil	Nil
(bb) 1	Nil	Nil	Nil	Nil	Nil	Nil
2.	Nil	Nil	Nil	Nil	Nil	Nil
3.	Nil	Nil	Nil	Nil	Nil	Nil
4	Nil	Nil	Nil	Nil	Nil	Nil
5.	Unknown	One	One	One	One	One
6.	One	One	One	One	One	One
7.	One	One	One	One	One	One
8	Nil	Nil	Nil	Nil	One	One
(ii) (aa) 1.	Nil	Nil	Nil	Nil	Nil	Nil
2.	Nil	Nil	Nil	Nil	Nil	Nil
3.	Nil	Nil	Nil	Nil	Nil	Nil
4.	Nil	Nil	Nil	Nil	Nil	Nil
5.	Nil	One	Nil	One	One	One
6.	One	One	One	One	One	One
7.	Nil	Nil	Nil	Nil	Nil	Nil
8.	Nil	Nil	Nil	Nil	One	One
(bb) 1.	Nil	Nil	Nil	Nil	Nil	Nil
2.	Nil	Nil	Nil	Nil	Nil	Nil
3.	Nil	Nil	Nil	Nil	Nil	Nil
4.	Nil	Nil	Nil	Nil	Nil	Nil
5.	Nil	Nil	One	Nil	Nil	Nil
6.	Nil	Nil	Nil	Nil	Nil	Nil
7.	One	One	One	One	One	One
8.	Nil	Nil	Nil	Nil	Nil	Nil

Industrial/gem diamonds exported

395. Mr W J D VAN WYK asked the Minister of Economic Affairs and Technology:†

(a) How many carats of (i) industrial and (ii) gem diamonds were exported by the Republic in each financial year from 1982-83 up to and including 1986-87 and (b) what was the value of the (i) industrial

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and (ii) gem diamonds exported in each of these years?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(a) (i) and (ii) Classified information.

(b) (i) and (ii):

Year	Million rand
1982	276,3
1983	429,2
1984	440,3
1985	512,9
1986	578,1

The SA Diamond Board does not keep separate statistics in respect of industrial and gem diamonds.

Greater Soweto: electrification project

396 Mr W J D VAN WYK asked the Minister of Constitutional Development and Planning:†

(1) What is the estimated cost of the electrification project for Greater Soweto,

(2) whether this project is financed by means of loans; if not, (a) in what way is the project financed and (b) what are the relevant particulars; if so, (i) (aa) with whom, (bb) by whom, (cc) when, (dd) at what rates of interest and (ee) against what securities were these loans negotiated, (ii) what is the purport of the loan agreements, (iii) what amounts are to be paid annually in (aa) interest and (bb) capital redemption and (iv) (aa) what is the repayment period of each loan and (bb) with effect from what date must the repayment commence;

(3) whether the Black city councils concerned must repay these loans; if so, (a) from what sources and (b) what total amount was owing in this connection by the city councils of (i) Soweto, (ii) Dobsonville and (iii) Diepmeadow as at 30 June 1985, 30 June 1986 and 30 June 1987, respectively; if not,

(4) whether the State intends repaying the loans concerned; if so, (a) in what manner and (b) from what sources?

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The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) R224 500 000.

(2) Yes.

(a) Falls away.

(b) (i) (aa) Postmaster-General. R80 000 000; Bank Consortium: R126 000 000; Loans Fund for Local Authorities. R18 500 000

(bb) City Councils of Soweto, Diepmeadow and Dobsonville (Greater Soweto).

(cc) Loans were taken up during the period from 1979 to 1987.

(dd) R80 000 000. 8,0% per annum; R20 000 000. 10,0% per annum; R40 000 000: 12,9% per annum; R10 000 000: 12,9% per annum; R56 000 000: 13,44% per annum; R18 500 000. 10,02% per annum.

(ee) Against State guarantee.

(ii) For electrification and upgrading of electricity network.

(iii) (aa) The annual interest payable on all loans collectively with the exception of the loan for R18 500 000 amounts to R22 106 600. Interest and redemption on the loan for R18 500 000 amounts to R703 422 per annum.

(bb) With the exception of the annually loan for R18 500 000 only interest is being paid on the loans.

(iv) (aa) R80 000 000: 10 years; R20 000 000: 15 years; R40 000 000: 10 years; R10 000 000: 10 years; R56 000 000: 10 years; R18 500 000: 25 years.

(bb) R80 000 000: 15-9-1997; R20 000 000: 1-10-1999; R40 000 000: 30-6-1996; R10 000 000: 30-6-1996; R56 000 000: 30-6-1996; R18 500 000: 30-6-1988.

(3) Yes.

(a) From own revenue and other sources still being investigated.

(b) (i) *Soweto*

30 June 1985: R144 200 000;
30 June 1986: R144 200 000;
30 June 1987: R144 200 000.

(ii) *Dobsonville*:

30 June 1985: R12 360 000;
30 June 1986: R12 360 000;
30 June 1987: R12 360 000.

(iii) *Diepmeadow*

30 Junie 1985: R49 440 000,
30 June 1986: R49 440 000;
30 June 1987: R49 440 000

(4) Not applicable.

Greater Soweto: upgrading project

397. Mr W J D VAN WYK asked the Minister of Constitutional Development and Planning:†

(1) What is the estimated cost of the upgrading project for Greater Soweto;

(2) whether this project is financed by means of loans; if not, (a) in what way is the project financed and (b) what are the relevant particulars; if so, (i) (aa) with whom, (bb) by whom, (cc) when, (dd) at what rates of interest and (ee) against what securities were these loans negotiated, (ii) what is the purport of the loan agreements, (iii) what amounts are to be paid annually in (aa) interest and (bb) capital redemption and (iv) (aa) what is the repayment period of each loan and (bb) with effect from what date must the repayment commence;

(3) whether the Black city councils concerned must repay these loans; if so; (a) from what sources and (b) what total amount was owing in this connection by the city councils of (i) Soweto, (ii) Dobsonville and (iii) Diepmeadow as at 30 June 1985, 30 June 1986 and 30 June 1987, respectively; if not,

(4) whether the State intends repaying the loans concerned; if so, (a) in what manner and (b) from what sources?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) R172 972 972.

(2) Yes.

(a) Falls away.

(b) (i) (aa) Loan from overseas Bank Consortium.

(bb) The City Councils of Soweto, Diepmeadow and Dobsonville via Volkskas Merchant Bank.

(cc) May 1982.

(dd) Interest free for the first 4 years (1982-1986) 2,5% for the next 5 years (1986-1990) 5,0% for the next 5 years (1990-1995) 7,5% for the next 5 years (1995-2000) Thereafter at the standard rate of interest applicable to State Loans and Advances.

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(ee) Against State guarantee.

(ii) For the upgrading of infrastructure—i e roads, stormwater drainage, sewer network and water reticulation.

FOREIGN TRADE (74)

Exports accelerate

The R1,63 billion trade surplus for July, besides surprising most observers, is the largest monthly surplus since October 1986, and compares to R1,02 billion in June and R942m in May. Encouragingly, the widening surplus is due to exports rising more (by a huge R1 billion since June) than imports (R400m up), not a decline in imports.

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Figures from Customs & Excise show exports of R4,3 billion in July, bringing the total for the first seven months of 1987 to R24,2 billion. With imports of R15,9 billion, including July's R2,67 billion, the surplus is R8,3 billion — higher than the R7,7 billion surplus this time last year, when exports were only R23,5 billion and imports an almost identical R15,8 billion.

Significantly, economists reckon that imports (increasing since November) and exports are higher not only in value terms but volumes as well.

This will clearly boost the surplus on the current account and allow the authorities additional scope in their moderately expansionary policies. A major constraint cited by the authorities for domestic expansion is the need to nurse the current account in a hostile international environment. The upturn in imports also confirms that the domestic economy is still expanding, albeit too slowly.

Then, as Sanlam's Johan Louw points out, a growing trade surplus should add to domestic liquidity and affect interest rates.

A breakdown of imports and exports shows that this year so far most exports went to Europe (R5,8 billion) while most imports are from Europe (R7,1 billion).

Compared to the first seven months of 1986, exports to the US are down 33% to R1,7 billion while imports from Asia are up 28% to R3,4 billion. Exports to Asia increased by 14% to R4,1 billion.

The figures come some two weeks late, because of "computer problems." ■

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Brewing giants shape up for international battle

Beer, once as local as the village blacksmith, is going international Faced with flat or slow-growing home markets, brewers everywhere are scrambling to sell their ale outside their home territories

For most of them that means (low-volume) exports, licensing agreements and reciprocal distribution deals.

For Australia's international marauders it means full-blooded take-overs

Excluding China, world beer production was only 0,7 percent higher, at 95,5 billion litres, in 1986 than in 1984, according to the International Drink Bulletin.

Japan was the fast-grower among the top five beermakers, boosting production 3,1 percent a year

Britain became more sober, turning out almost one percent less beer each year – partly because the British summers of 1985 and 1986 were awful Soviet production fell 4,5 percent a year

The fastest-growing market for beer is China Despite a fourfold increase since 1980, production cannot keep up with demand.

A London firm of market researchers, ERC Statistics International, expects China's beer consumption to grow by 20 percent a year until 1990, by when it will be the world's third-largest market.

Brewers are falling over themselves to set up joint ventures with Chinese firms.

Among the projects is a joint-venture brewery with Switzerland's Feldschlosschen with a capacity of 20 million litres a year Why are two pushy Australian brewers looking instead to Europe and America?

Elders IXL (which makes Foster's lager) and Bond Corporation (Swan Lager and Castlemaine) both want to turn their beers into global household names by acquiring other beermakers as quickly as bankers and shareholders allow

The Aussies believe that existing global beer brands (Britain's Guinness and Holland's Heineken) have forgotten about producing a beer that could be the drinker's equivalent of Coca-Cola, available in many places at a popular price. They could be right Tastes are becoming more international.

Bond Corporation, controlled by Mr Alan Bond, an Australian financier, bought Pittsburgh Brewing in 1986 and has just offered $1,2 billion for G Heileman of Wisconsin, whose Old Style brand has helped it become seventh in the world league.

If successful, the bid would catapult Bond's brewing interests past those of Elders IXL.

Elders IXL's plans are no less ambitious The company, which bought Britain's Courage brewery last year, is working on a financial restructuring which would leave it with a war chest of $3,5 billion and no debt.

Mr John Elliott, chairman of Elders IXL, has hinted that he may bid for Anheuser-Busch of St Louis, the "King of Beers" with its Budweiser and Michelob brews He may also be casting his eyes on West German brewers.

On September 4, Elders IXL became the first Australian company to trade on the Frankfurt Stock Exchange.

If Elders IXL is to make a name for itself in the continental European market, it will probably have to buy a big brewer.

Under West German law, beermakers cannot brew foreign beer under licence, and they prefer to export bottled beer, rather than licensing someone to use their name.

But exports in this business are small The volume of beer shipped in 1985 from the world's two largest exporters, West Germany and Holland, was slightly over 1 percent of the year's world consumption, according to ERC Statistics International.

Even Britons and Americans, who import the most beer, only gulp down imports equivalent to 1,5 percent of world production.

Unless the American and European brewers start thinking internationally, the Australians will filch their drink.

Anheuser-Busch, which has successfully repelled challenges from Milwaukee-based brewers (Pabst in the 1890s, Schlitz in the 1950s and Miller in the 1970s), could be one of the first victims

In the second quarter of 1987, pre-tax profits grew 10 percent to $311,2 million Anheuser-Busch's share of America's domestic market increased from 37,3 percent to 39,4 percent, but it neither produces foreign beers under licence nor does it sell them.

The company says that its excursions overseas are limited to licensing agreements and joint ventures (mainly Budweiser), because output-builders like Elders IXL and Bond make buying breweries too expensive

Anheuser-Busch's reluctance to spend its money could have left it with more than $1 billion in cash – which makes it a tasty takeover candidate But the company is adopting a typical Wall Street defence

It plans to buy back its own shares, a sure sign that it is taking Elders IXL's threat seriously.

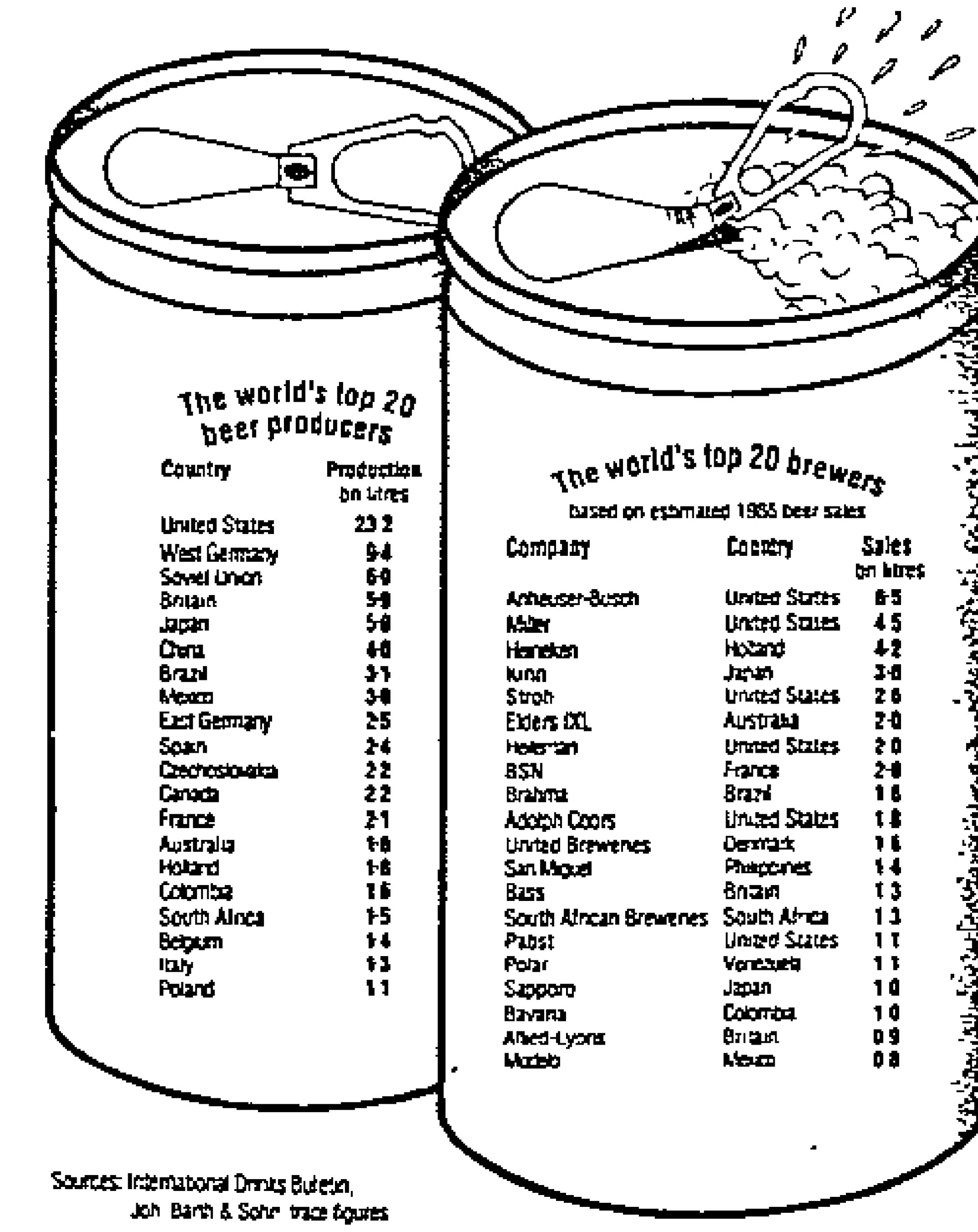
Almost half of Anheuser-Busch's $1 billion may be spent buying back its stock from shareholders over the next two years or so.

If Elders IXL backs away from Anheuser-Busch, it will be stalking other prey. One likely target is the Miller Brewing Company, America's second-biggest brewer, owned by cigarette-maker Philip Morris Elders IXL already owns Carling O'Keefe Breweries, which makes Miller beer in Canada.

Either way, the Australians are likely to give Anheuser-Busch a tough time in its own back yard.

It will be a marketing battle, convincing American boozers that a can of beer brewed and canned in America is Australian – and that having something Australian is good.

This sort of hype has succeeded before. After all, what could be more British or French or Japanese than Coca-Coca, "the real thing"? — Economist.



The world's top 20 beer producers

Country	Production bn litres
United States	23.2
West Germany	9.4
Soviet Union	6.0
Britain	5.9
Japan	5.0
China	4.0
Brazil	3.1
Mexico	3.0
East Germany	2.5
Spain	2.4
Czechoslovakia	2.2
Canada	2.2
France	2.1
Australia	1.8
Holland	1.8
Colombia	1.6
South Africa	1.5
Belgium	1.4
Italy	1.3
Poland	1.1

The world's top 20 brewers
based on estimated 1985 beer sales

Company	Country	Sales bn litres
Anheuser-Busch	United States	6.5
Miller	United States	4.5
Heineken	Holland	4.2
Kirin	Japan	3.0
Stroh	United States	2.6
Elders IXL	Australia	2.0
Heileman	United States	2.0
BSN	France	2.0
Brahma	Brazil	1.6
Adolph Coors	United States	1.8
United Breweries	Denmark	1.6
San Miguel	Philippines	1.4
Bass	Britain	1.3
South African Breweries	South Africa	1.3
Pabst	United States	1.1
Polar	Venezuela	1.1
Sapporo	Japan	1.0
Bavaria	Colombia	1.0
Allied-Lyons	Britain	0.9
Modelo	Mexico	0.8

Sources: International Drinks Bulletin, Joh Barth & Sohn trace figures

COAL EXPORTS

Rail tariff shocker

Coal producers intend ignoring a Sats directive that rail tariffs to users of the Richards Bay line went up by around 20% on September 1.

They contend that Sats acted "irresponsibly" by hiking the rail rate so soon after April's interim rate adjustment — especially since the whole tariff issue is the subject of a full-scale government inquiry.

Producers were clearly shocked by the Sats telex outlining the new charges. Though tariffs vary according to the haulage distance involved, in effect it means a rise in transport costs of R4/t-R5/t for most producers.

Many coal owners are marginal cost producers. They contend the rail tariff hike would blow them out of even some of the most lucrative export markets if this were to be added to end prices. And coal tonnages this year ex Richards Bay are already some 5,5% down (around 36 Mt) on last year (38 Mt).

Hans Smith, Gencor director, coal marketing, says the increases would have a disastrous effect on the industry. "It would halve coal exports and cause at least half the country's coal mines to close down," he predicts.

Producers have made known to government their discontent over the unilateral imposition of the new rail charges. Sats now appears to be doing some backtracking. A spokesman for the Richards Bay coal terminal confirmed the tariff increase has not yet been implemented.

Although there still appears to be some confusion within government, producers say they have a broad understanding that they can continue paying tariffs at the interim levels set in April until the commission of inquiry into the tariff structure reaches a finding. This is not expected until the next rate review in March next year.

Meanwhile, prices on the spot coal market appear to have stablised at US$19,50/t-$20/t. While few mines can be profitable at these prices — even without the rail hikes — the average price to South African producers could be closer to $23/t, taking into account long-term contracts to places like Japan.

Smith believes the export outlook will remain unattractive in the short term. But in the longer term he sees more buyers turning to SA as demand increases — in spite of sanctions pressures and the current international coal surplus. ■

FM 18/9/87 (74)

More jobs in spite of export loss — Seardel

ARGUS 30/9/87

By TOM HOOD, Business Editor

SANCTIONS hit overseas sales by the giant Seardel Investment Corporation, the country's largest clothing manufacturer, reports the chairman, Mr Aaron Searll.

"Export turnover has dropped quite significantly," he says in his annual report.

"Strenuous efforts are continually being made to replace this business."

As the clothing industry recovered from the recession, the group's number of employees increased for the first time in several years in the 12 months to June 30.

The group now employs about 14 100 people, of whom 12 500 are employed in production. Managerial and administration number 900 and promotion and sales staff total 700.

Where possible, disabled people were employed in suitable jobs, said Mr Searll.

Mr Searll

The group's wage bill came to R102-million.

Success in dealing with union and labour problems was largely achieved as a result of a change in management style which accepted the challenge of implementing and administering justice and democracy in the work place.

"This is no easy task and cannot be achieved overnight. It is rather the beginning of a commitment towards an ongoing process which will form the basis of our industrial relations policy in the years ahead," he said.

COAL EXPORTS

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Another colliery cuts back

BP has withdrawn from the joint venture with Total and Trans-Natal which controls the Ermelo export colliery The multinational has decided it can no longer sell its share of the mine's output at a profit. Its withdrawal again underlines the grim conditions facing the coal industry, and that investors buying shares such as Trans-Natal for recovery potential face a long wait.

Trans-Natal's earnings dropped 39,1% in the year to end-June while the dividend was slashed by 33,3%. Chairman Steve Ellis has forecast "substantially" lower earnings in the current financial year, and one analyst forecasts that Trans-Natal's earnings could fall to 75c this year with a further cut in the dividend to 50c.

Ermelo is an underground mine, whose operating costs are believed to be the highest of the South African export collieries. BP intends increasing production from its Middelburg open cast colliery, which is one of the cheapest producers in the industry. Ermelo's production will be cut by 40% from 3 Mt annually to 1,8 Mt annualy, while the work force is to be chopped by 55% to 970 workers from 2 135 as the mine is being put on to a single-shift operation.

A BP spokesman says the decision to get out of Ermelo resulted from the drop in dollar prices for coal, falling rand revenues because of the recovery of the rand against the US dollar and rising costs boosted by Sats' tariff hikes on the Richards Bay rail line.

Previously each of the joint venture partners individually marketed 1 Mt of Ermelo's annual production. BP will source 500 000 t of this production from its Middelburg colliery, where production is to be pushed from the 1987 level of 4,5 Mt to 5 Mt in 1988. The BP spokesman declines to say what the group would do about replacing the other 500 000 t produced from Ermelo.

He says BP will continue to seek business in line with its South African export quotas. One option could be to buy coal from another local producer.

Total is the most dependent on Ermelo's operations because it cannot replace this tonnage from other sources. The new arrangement leaves Total unaffected and it will continue to export its full 1 Mt annually from the mine.

Trans-Natal, which manages the mine, will sell about 800 000 t annually from Ermelo and will get the balance of 200 000 t from other group collieries producing Ermelo-type coal, in particular Savmore colliery near Piet Retief. Estimates are that, if it had to, Trans-Natal could draw some 400 000 t annually of Ermelo-type coal from its other producing mines.

Trans-Natal's Ellis . . . forecast lower earnings

Trans-Natal MD Graham Thompson says the two remaining partners have taken over the assets of the Ermelo joint venture and made a "small" cash settlement to BP. He says the amount will be covered by the 15% saving on working costs which the streamlined mine is expected to achieve in 1988.

Thompson says the cost of exporting from Ermelo differs for each of the three partners. In Trans-Natal's case the operation showed an accounting loss because of amortisation charges, but did not have a negative cash flow. However, he says the operation would have a negative cash flow if Trans-Natal had to pay the new September Sats rail tariffs which it had so far avoided doing.

The rationalised operations will concentrate on areas of the mine where the coal seams are thicker and give a higher yield of export quality coal after washing. Thompson says Ermelo, with the lower tonnage, will have a longer economic life than previously forecast.

Total Exploration assistant GM Derek Ive says the deal "maintains the status quo" for Total, although some industry sources reckon Total should benefit. Total is believed to have the most favourable sales contracts of the three former joint-venture members.

Meanwhile, the fight between the coal exporters and Sats over the Richards Bay rail tariffs imposed from September 1 continues, with exporters apparently making little headway. "It looks as if Sats will only come to its senses on this issue when coal exports on the line start to dry up," a director of a major coal exporter tells me

Brendan Ryan

TIME HOLDINGS

Time in life

For the first time in 20 years, a new life insurance licence has been granted. Time Holdings, the management and financial services group, has received the licence for its subsidiary to be called Time Life Insurance.

The obvious question is why should a life insurance licence be given to a group best known for project financing, especially in housing developments? Chairman Colin Hibbert sees some important synergies Time's salesmen investigate the financial standing of clients before applying for a bond and, as all these clients need life insurance, it makes sense to sell the life cover at the same time, without a new company coming and repeating the investigation.

Apart from the long time since an entirely new life insurance company came into existence, Time Life breaks new ground in several other areas It will be the first scheme providing life insurance only for bondholders, the first to be almost entirely for blacks, the first to be sold by house salesmen and the first where the signing and finalisation of documentation will be close to the homes of the black buyers

All these advantages are expected to minimise new business strain, usually the bane of life companies. Actuarial forecasts suggest that a profit will be made in the first year — the new company will start trading on January 1 next year — and a meaningful contribution of R250 000 will be achievable by the third year of operation.

Hibbert is emphatic that Time does not intend to enter the mainstream of the life insurance business. The only business will be to insure bondholders so that the balance of the bond will be paid off in the event of death or permanent disability of the property-owner. The expense to Time will be small — shareholders' funds of R5m will have to be supplied, but most of this will come from outside sources and Hibbert says that 80% of the business will be re-insured, with re-insurers already having agreed in principle.

Hibbert is determined that Time Holdings will not try to run Time Life, but that experienced staff will be recruited. He declines to name the MD yet, but the board consists of Ron Cuthbert, Harry Lawrie, Jan Kitshoff

Breakthrough for fruit exporters

21/12/87.

DIANNA GAMES and KAY TURVEY

DECIDUOUS fruit farmers have finally won an ongoing battle over airfreight, which will bring down the cost of exporting perishables over the Christmas season.

Earlier this month Transport Minister Eli Louw gave permission for charter agencies to arrange for aircraft flying out exports to bring in goods on their southbound routes, substantially reducing tariffs.

Louis Kriel, of Unifruco co-op, said the high demand for perishables every December — when passenger transport was at a premium — had previously resulted in tons of fruit rotting because the charter costs had been prohibitive.

To cope with seasonal demand, deciduous fruit farmers traditionally fly out about 800 tons of fruit over this period, although the bulk is transported by sea.

SAA director of cargo services Bennie Smit says scheduled services can cater for about 80% of perishable airfreight with the balance run by charter.

The loss of the Helderberg combi off Mauritius last month also reduced SAA's carrying capacity during the peak perishable export season.

A major backlog of airfreight goods destined for SA from Europe and the US — which resulted in costly delays of up to two weeks in October and November — has now eased, say several airlines and freight companies.

Several major airlines chartered cargo planes several weeks ago to help ease the backlog.

The main reasons given for the back-

● To Page 2

Fruit exporters win airfreight battle

● From Page 1

log, apart from normal seasonal increased demand for goods, were:

☐ Retailers being caught off guard by the increased consumer demand on the run- up to Christmas and airfreighting goods to short-circuit the long lead times entailed in shipping;

☐ The cancellation of landing rights for SAA in the US;

☐ Very low rates offered to exporters for SA-bound goods from the US, which caused a transit build-up in Europe of goods that would normally go by sea;

☐ The introduction of long-haul non-stop flights from Europe resulting in less cargo tonnage to enable greater fuel loads; and

☐ Bad weather in Europe.

A spokesman for Lufthansa's cargo section said the cargo situation had now normalised to an average 70% of capacity.

Export costs of fruit set to drop

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SA exports to US drop 45% in 6 months

JOHANNESBURG. — South African exports to the United States crashed by 45 percent from R2,6-billion in the first half of last year to R1,4-billion this year, said Mr Ian Leach, president of the American Chamber of Commerce.

He was speaking at a conference: *Power and Wealth in South Africa, the Economic System under Review*, in Johannesburg yesterday.

Mr Leach said statistics revealed that exports of South African commodities banned since October last year under the American Senate Anti-Apartheid Act of 1986 had effectively dried up.

Exports of uranium products, iron, steel and coal fell from R351-million in the first six months of 1986 to almost zero in the first half of this year, he said.

Imports were unchanged (R1,2-billion), but South Africa's trade surplus with the United States had fallen from R1,4-billion to R200-million.

Mr Leach said these figures indicated that the United States had strictly enforced sanctions. While the Act had effectively restricted trade, it had failed in its intention to pressure South Africa into introducing political reform.

He said there was also no evidence to prove conclusively that black South Africans favoured sanctions or disinvestment.

"The tragedy of the disinvestment campaign is that most of us in this country shut our eyes to the reality of the situation. Disinvestment includes the loss of research and development, technical and scientific know-how, patents, loans and sophisticated equipment," he said.

● The Argus Foreign Service reports from Washington that American customs agents are investigating 20 sanctions-busting cases involving South Africa, 13 of them import fraud entailing the mismarking of merchandise.

383 - HAIRDRESSING TRADE, KIMBERLEY.

Public Holidays is prohibeted.

'Don't handle SA goods'

Bday 26/10/87. (74)

Own Correspondent

LONDON — Swapo president Sam Nujoma has called on British airport and harbour workers not to handle SA goods or carriers.

During a two-week visit to Britain he will meet Opposition politicians and dignitaries, including Labour leader Neil Kinnock, Liberal leader David Steel and Deputy Commonwealth Secretary-General Chief Emeka Anyaoku.

Nujoma said individual British people could play a role in pressing for formal sanctions.

"We call upon the British people — the workers in airports and harbours — to refuse to handle SAA planes and all vessels going to and from SA," he said.

"If this is done, it will be a good start and will be followed by many countries in Europe."

Demonstrations should also be held to show that the people of Britain did not support apartheid.

Sanctions were the "only peaceful way of forcing the racist apartheid regime to accept genuine negotiation with the real leaders of the people of Namibia and SA".

He rejected the argument that sanctions hurt blacks as "an unacceptable fabrication". Blacks were dispossessed people who had nothing to lose, he said.

Turning to the continuing conflict in Namibia, Nujoma accused the SADF of stepping up repression of civilians.

Amcoal earnings decline by 51,1%

CAPE TIMES 28/10/87

From LIZ ROUSE

JOHANNESBURG. — Anglo American Coal Corporation (Amcoal) suffered a 51,5% decline in interim earnings but the interim dividend has been maintained at 80c.

Although the outlook remains gloomy on export markets and margins will remain under pressure, chairman Graham Boustred forecasts a maintained dividend payment of 240c from the cash-rich group.

Amcoal's earnings slid to 205,4c a share in the six months to September from the 1986 half-year's 424c a share. The interim dividend is covered 2,57 times. This cover is considered adequate because of the group's large cash balances and earnings from these funds, which make a significant contribution to profits.

Export decline

Amcoal's export sales declined by over 1,2m tons in the six months. Total coal and export sales were down 5,3% to 19,2m tons. Sales to Escom increased by 518 000 tons but industrial and metallurgical sales in the local market decreased 373 000 tons.

The interim results also reflect the effects of the three-week strike in August which had a material impact on production with a consequent rise in working costs at certain collieries.

Production loss was more serious at underground mines. Opencast mines' production was largely maintained with the reduced workforce. Coal supplies were maintained from stockpiles.

Turnover down

Amcoal's turnover was down only 10,6% to R550,3m (R615m) but pre-tax profit dropped 53,6% to R109,6m (R236,1m) in the six months to September, mainly due to lower export tonnages, depressed dollar prices and a stronger rand.

In addition, collieries' export earnings were hit by a progressive increase in the basic rail rate from an effective R12,90 a ton in March to R23,68 a ton in Sepetmber.

Amcoal shares traded at R35 yesterday, only 400c off their low of R31 a year ago. Dividend yield is now 7,7%. The stock rose to a year's high of R43 in February when the coal sector appeared to be on the rise.

US plans to cut SA mineral imports

By Alan Dunn,
The Star Bureau

WASHINGTON — United States officials are working on ways to reduce American dependence on South African strategic minerals and plan to issue an options paper by the end of the year.

They are concentrating on 11 minerals, intending to provide a case-by-case examination of each.

According to a preliminary document, the strategies they will put forward will include substitution, conservation, alternative suppliers and economic stockpiles/private inventories.

The effort, called for by the Comprehensive Anti-Apartheid Act of 1986, is led by the State Department.

Senator Steve Symms, of Idaho, warned at a hearing on Capitol Hill yesterday of "incredible increases" in US imports of strategic and critical materials from the Soviet Union.

He said many minerals were available only from the Soviets or South Africa and, since sanctions were imposed on South Africa, there had been a dramatic rise in US dependence on Communist bloc countries for these materials.

Citing US Department of Commerce statistics, Senator Symms noted his contribution to the Anti-Apartheid Act empowering the President to scrap any sanction if it increased strategic mineral dependence on the Soviet Union.

He has been tracking the statistical trends for about six months.

"These incredible increases should be enough to shock the members of this sub-committee," he told his colleagues.

"We are not talking about umbrellas, toys and fashion designs. We are talking about strategic minerals which are critical to the manufacture of bullets, computers, radar, sonar, military vehicles, and other products essential to US security."

Comparing latest statistics with a base period average between 1981 and 1985, Senator Symms found:

Technical specified rubber — US did not import any, starting only after sanctions against South Africa and now importing a monthly average of about 5 000 kg from Poland.

Industrial diamonds — from a monthly average of two carats to 133 carats.

Chrome ore — up from 479 tons from the Soviets to a monthly average of 4 293 tons.

Platinum sponge — then only 874 troy ounces from the Soviets and now 147 troy ounces from Czechoslovakia, 179 from Yugoslavia, and 993 from the Soviet Union.

Rhodium — once 620 troy ounces, now 2 544 a month from the Soviet Union.

Exports to Germany plummet by 27%

Star 2/11/87

MICK COLLINS

SOUTH African exports to Germany plummeted by a massive 27,1% — from R2bn to R1,5bn — in the first seven months of 1987.

German exports to SA were practically unchanged, dropping a marginal 0,25% to R2,7bn, compared with the same period last year.

The main sector to be hit among SA goods was in the category of "other end products" — into which the Krugerrand falls — where a huge 88,7% decrease was recorded, from R146m to R13,4m.

Another sector to be badly hit was "end products", which fell from R212m to R108m, a drop of 48,7%.

Figures released by the SA/German Chamber of Commerce show that big decreases were also recorded in the "primary products" category, where exports fell 49,5% from R185,3m to R93,2m.

Leading loser in this category was "other chemical products", which showed a 65,1% drop from R89,8m to R31,4m.

Import/export sources said that since the imposition of sanctions, local trade officials have been reluctant to confirm or release export figures, fearing anti-SA factions would use the knowledge to put further pressure on the country's trading partners.

SA's semi-finished products exports to Germany dropped from R808,9m to R625,8m, a fall of 22,7%. Other major contributors to the fall-off were gold for commercial purposes, which fell from R296,6m to R161,7m, and raw copper from R126,9m to R80,8m.

Ferro alloys dropped from the previous year's R164m to R114,6m. In the sector of raw materials, exports declined by 29,7%, from R531,4m to R373m.

Major decreases were recorded in the export of coal from R208,9m to R113,4m.

SA 'a top arms exporter'

BDay 9/11/87 (74)

GERALD REILLY

PRETORIA — SA was among the top dozen arms exporters in the world, Defence Minister Magnus Malan said in Durban at the weekend.

Speaking at the Durban Club two days after the 10th anniversry of the UN's mandatory arms embargo on SA, he said Armscor had been outstandingly successful in keeping up with modern technology and modern systems, and was one of the great success stories of present day SA.

Armscor and companies in the private sector manufactured all reasonable requirements of the SADF.

Ten years ago the United Nations asked its members not to sell weapons to SA; now it was asking them not to buy weapons from SA.

Apart from its primary function of supplying the SADF, the country's arms manufacturing industry had stimulated the economy as a whole, and thousands of jobs created.

Malan said that SA was a bastion of freedom and western civilisation.

"Our minerals are indispensable to the future wellbeing of the West and the Cape sea route is vital to western freedom. No amount of propaganda and disinformation by our enemies can argue this away," said Malan,

CAPE TIMES 10/11/87

74

Coal exports cut by 7,5m tons

Own Correspondent

JOHANNESBURG. — Sanctions imposed by a number of Western countries will reduce SA's coal exports by between 5m tons and 7,5m tons in 1987, Allen Sealey, Rand Mines coal division chairman says.

He tells Witbank Collieries shareholders in his annual review that the full effect of sanctions imposed by the US, Denmark and France was being felt in the current year.

"Political sentiment in certain other countries where formal sanctions have not been implemented has made it extremely difficult for South African exporters to expand their sales. As a result, exports are expected to reduce markedly during the 1987 calendar year to between 38m and 40m tons."

"Unfortunately, one of the major effects of this is the inevitable contraction of the mining operations at the various mines — with employees having to be retrenched. Cutbacks in production were forced upon a number of South African mines," he said.

In the Witbank Colliery group 550 workers were laid off at Welgedacht colliery and at Van Dyks Drift 308 employees were retrenched.

"Far from encouraging reform, the sanctions campaign has led to a hardening of attitudes in South Africa and the sufferers include the very people who the pro-sanctions campaigners claim to be supporting," Sealey says.

A recent opinion survey of Rand Mines employees shows an overwhelming rejection of sanctions, he says.

The survey, carried out by an independant overseas organization on a representative sample of colliery employees, indicated that:

- 61% of workers felt sanctions were a bad thing,
- 71% believed sanctions would reduce their earnings and harm their life at home, and
- 80% felt sanctions could result in their losing their jobs.

Big drop in SA's exports to Europe

STAR 11/11/87

(74)

BRUSSELS — European Community imports from South Africa were one-third lower in the first quarter of 1987 than in the same period last year, according to EC figures.

The fall reflects trade in general, an EC commission report says, and not just restrictions on imports of iron, steel and gold coins from South Africa, which community Foreign Ministers agreed to in September 1986.

Imports from South Africa were worth about R3,34 billion in January to March this year, compared with about R5 billion in the first three months of 1986, according to the report.

Exports to South Africa were only 2 percent lower at about R2,68 billion in the first quarter of 1987, the report said.

The commission said imports of gold coins from South Africa had come to a complete halt following last year's ban.

Its figures for the first seven months of 1987 showed imports of iron and steel from South Africa were worth a monthly average of about R24,4 million.

This compared with a monthly average of about R39 million in the first nine months of 1986.

EC restrictions on imports did not affect existing contracts, the commission noted. — Reuter.

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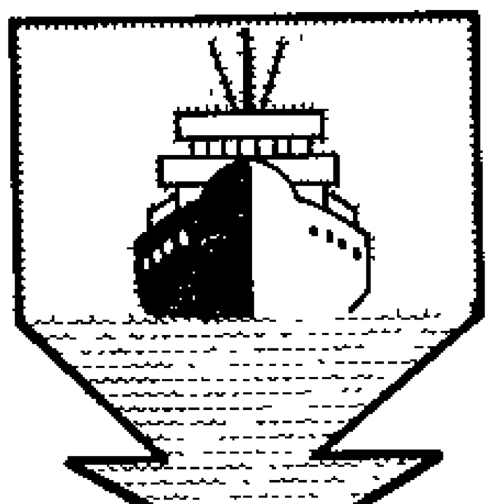
FM 13/11/87

EXPORTS

Only part of the picture



These aren't the happiest of times for exporters despite the current trade balance. The value of exports in the first nine months of this year — R31,5 billion — was virtually unchanged from last year. Export volume stands where it did in 1980. And sanctions and an expected slowdown in world trade offer little hope of better days ahead.

"We're very concerned about the export scene," says Ann Moore, a GM of the South African Foreign Trade Organisation (Safto).

Says Econometrix economist Tony Twine: "We don't believe prospects for exports are good. There's not much room for growth in an international economy facing a lot of problems, whose first sign was Black Monday."

Exporters and economists say they're now more worried about world economic troubles in the wake of the Wall Street crash than more severe sanctions. Exporters can get around piecemeal sanctions — at a price — by selling boycotted goods in the next best market or trading with middlemen. "But when all countries stop growing or demanding your products," says Assocom economist Bill Lacey, "you can't do much."

And SA's exports — two-thirds in gold, metals and minerals — are particularly vulnerable to a general world slowdown. "All primary exporters will struggle to get market share or even keep what they've got," Twine predicts.

In the post-Black Monday world economic climate, SA's exporters could pick up opportunities, providing they diversify. The danger is that their pleas for protection will be met by government — and that will mean that the ultimate cost of an export drive will be hidden and a burden on the taxpayer.

Coal, SA's second-largest export, demonstrates that. A combination of sanctions, low energy prices, and stepped-up worldwide production has hit South African coal exporters hard. Under pressure from both sanctions and an impending slowdown in world trade, they are having to redouble efforts to find markets.

"What sanctions have done is forced exporters to be more competitive and more innovative," says ex-spy Craig Williamson, now a member of the President's Council and deputy chairman of a Seychelles-based trading group.

One way exporters have reacted, says Williamson, is to deal with middlemen in countries like Singapore and Taiwan to mask the South African origin of goods. But exporters are also coming up with new destinations to trade with directly — in ideologically diverse places. Private trade delegations have gone behind the Iron Curtain. And Williamson has recently been promoting trade with China. "Trade is our ideology," he says.

Exporters have been making inroads in the booming Far East, where countries have lots of money and, except Japan, generally face little political pressure to stop trading with SA. Some, including Taiwan, are dropping trade barriers. Asia now captures 31% of SA's non-gold exports, up from 19% in 1980.

While minerals and metals have traditionally dominated exports to Asia, manufacturers are now finding success. Among those are the makers of electrical products, paper packaging, building materials and transport equipment. To keep up the flow of manufactured exports, Safto next year will lease exhibition space for up to 264 companies at the Taipei World Trade Centre.

Success in Asia is a reminder that, though the overall picture is not great, there are still opportunities for adroit businessmen. Says Moore: "We still come across new products that become successful exports or old products that make inroads into new markets."

She has a list of dozens of companies which have found new markets for products in the past year: irrigation systems in Africa, mining equipment in Europe and Latin America, and canned foods in Asia, among others.

To help exporters find such opportunities, Safto is studying the winners and losers of world trade. CE Wim Holtes says the organisation has researched 1 800 products traded in the world in the past five years.

It concludes that primary minerals and ores — SA's traditional exports — have been poor performers. Winning products include electronics, leather goods, sportswear and travel-related products. "We should shift our attention to products that we know are winners," Holtes says.

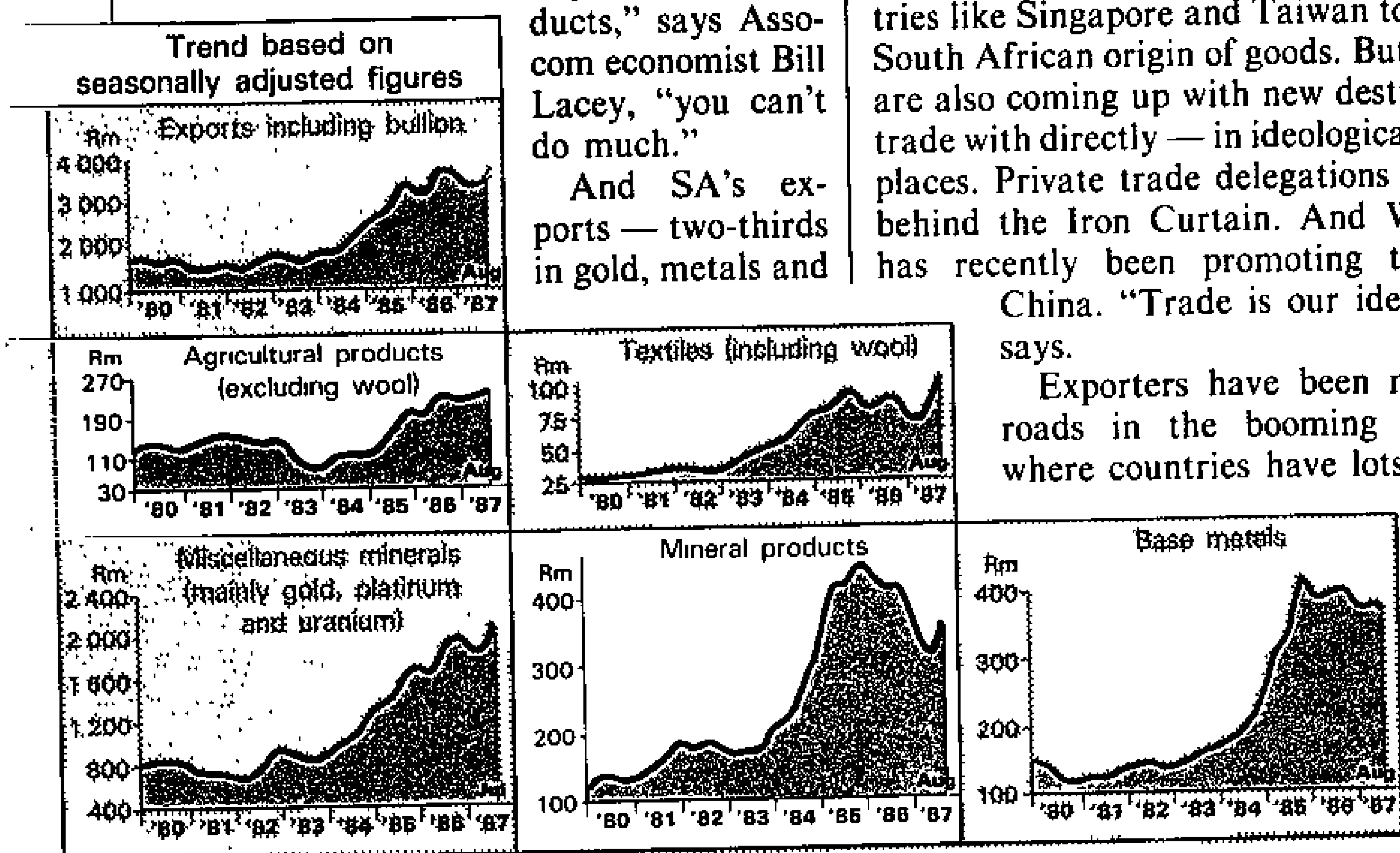
Today, manufactured goods account for just a quarter of exports. Safto believes that fraction has to get bigger for SA to flourish. Says Holtes: "Exporting is the only way to lead to long-term growth."

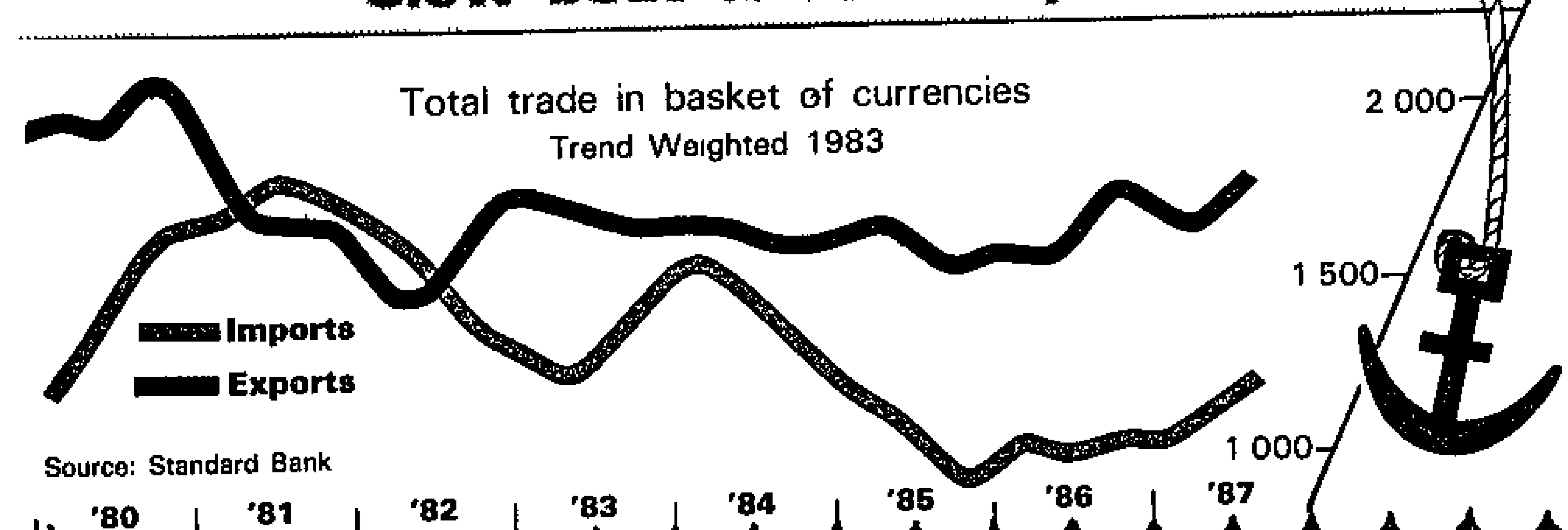
Safto's enthusiasm for exports is commendable. But many of its conclusions are not. At the Safto annual meeting last week, both Holtes and chairman Warren Clewlow said Pretoria should grant exporters more subsidies and tax breaks.

Though couched in the language of making SA richer, it was of course a typical special-interest plea. If exporters can convince Pretoria to feed them, they are all the fatter for it.

The Department of Trade and Industry's export-promotion directorate, which has a budget of R600m this year, pays general subsidies to exporters and funds trade shows and market research. The Board of Trade and Industry is expected to issue a recommendation this year that Pretoria provide more subsidies, but only for select industries. Safto has endorsed this approach. "In a country of limited resources, it's really the winners you want to target on," says Moore.

But there is no reason for winners to need





Slow boat to recovery

backing from Pretoria. Government handouts for exporters are as self-defeating as government support of local producers: they distort markets, cause hidden damage and make everybody pay for the benefits of a few.

As University of Port Elizabeth economist Pierre Le Roux explains: "You've got to look at the capital structure. Government subsidies to exports channel resources to the exporting industry. We never see the 'invisible man,' the industries we would have had if the resources hadn't been diverted."

In other words, government diverts wealth to a visible, hand-picked exporter. This diversion from the market's choice to the politically favoured exporter redistributes wealth — and also destroys wealth.

In a similar plea, Clewlow calls for Pretoria to designate export processing zones (EPZs) in which exporters would enjoy "maximum economic freedom, minimal bureaucratic constraints, and an attractive package of industrial, export and tax incentives." The first two items make sense: get government out of the way, and export production will flourish.

But, of course, the same reasoning applies to all producers. Should exporters get special treatment? Perhaps we shouldn't complain if exporters enjoy zones of "maximum freedom and minimal constraints" because the alternative is being bogged down in red tape like the rest of the economy. But subsidies in the form of "export incentives" are out.

Tax breaks are more problematic. Any tax cut is generally welcome. The problem arises when Pretoria gives exporters a tax break and puts the burden on someone else. Then we're back to distorting the market.

It would be better to eliminate regulation and cut taxes for everyone — and not have Pretoria use taxation to shape the economy. We don't need export zones so much as we need a production zone: the whole of SA.

Some exporters and officials believe exports have a special ability to generate wealth and thus deserve support. They cite the industrialising countries of the Far East as examples of what exports achieve. But they draw the wrong conclusions.

Safto's Clewlow . . . asking a little bit more

"People in those countries view the whole world as their marketplace, and borders are just minor obstacles," says Wits Department of Business Economics economist Richard Grant. "The objective is to produce and trade regardless of where their trading partners are. If those partners are overseas it is mere convention to call the trade 'exports' and 'imports'."

Those countries have become wealthy by producing products that people want. It just happens that many of their customers live overseas. Voluntary trade increases wealth — wherever it occurs. The countries are in the business of selling, not just exporting; they look for customers everywhere.

South Africans shouldn't assume that foreign customers are better than local ones. "It's too often assumed that if exports are good, more exports are better," says Grant. "But the benefits of exports are outweighed by the costs if government artificially boosts them above the free-market level. These hidden costs are borne by domestic consumers."

A final argument of exporters is that they generate foreign exchange that enables government to pay off debt — so government ought to reward them with subsidies. But this talk about forex is another smokescreen. Exporters don't inherently create more or better wealth than any other producer; generating dollars isn't any more productive than generating the equivalent in rands.

Exporters do earn forex, but Clewlow was wrong in telling the Safto general meeting that "the main objective of exports (is) the earning of foreign exchange." Earning forex is simply the side effect of trade; the main objective is earning a profit by meeting consumer needs across borders.

"The fixation with forex is misguided," says Grant. "If we subsidise an exporter to earn dollars, we draw resources out of more productive use elsewhere. This hurts productivity and destroys wealth. We've actually paid too much for the dollars because of the hidden costs of taxes and subsidies."

Forex is obtained in the marketplace just like any other commodity: you have to give something to get it. To pay off foreign debt, SA will have to tax residents and use those rands to buy dollars to pay off creditors. Pretoria doesn't produce the wealth; it takes it from taxpayers. Thus the government should let the market be free to grow so that it is relatively less painful to pay off the debt.

"We have this illusion that a special effort must be made to obtain dollars," says Grant. "But the rand can always be traded for dollars at some price. Any country that has a shortage of foreign exchange has a currency that is being mismanaged."

By dreaming of export-led growth and carefully managed industrial development, Pretoria and Safto miss an important point: any attempt to guide development with central planning, subsidies, and partnerships between government and business is destined to fail Officials who try to determine the proper levels of exports and industrial production are attempting the impossible.

The interventions called for — tariffs on imports, subsidies on exports, picking industrial winners — simply make the market less efficient and less productive. And thus they sabotage the goal of economic growth.

"The freer the market the more likely you'll have an explosion of trade — that means more exports and imports, as well as more trade within the country," says Grant. "Exports are only part of a bigger picture." ■

Claim: world markets open to SA exporters

20/11/83

Daily Dispatch Correspondent

JOHANNESBURG — Important world markets remain open to South African exporters of industrial machinery and expertise, an international export consultant has said.

Mr Jean Labesse said Taiwan, Chile and Israel are particularly keen to acquire South African power generation, mining and materials handling equipment and know-how.

South Africa's coal-fired power stations are as advanced as any in the world, with the advantage of being tried and tested under operating conditions, he said, adding that the same applies to mining equipment, where overseas technology has been adapted to intensive South African working conditions.

Mr Labesse said Taiwan offers perhaps the greatest potential. Not only is the island a market itself for South African equipment, but it can also become a base for exports elsewhere in the Far East, including mainland China, he said.

"The Chinese are looking for all sorts of modern equipment," said Mr Labesse, "and I don't see a South African label putting them off".

"They are a very pragmatic people. If our price is competitive and the quality good, they will consider buying it. If there is a political problem, South African suppliers can also find a way through co-operation with a European principal."

Mr Labesse said Chile's mining industry is another beckoning market for South Africa, particularly since a trade rift with the US has lessened the South American country's dependence on Washington. He estimated the market there to be worth up to R1 billion a year.

Mining conditions in Chile's mines are different from those of South Africa but support and processing equipment are much the same.

In Israel, the demand is for coal-fired power-stations, Mr Labesse said. Israel is changing all its stations to coal, so needs technology as well as back-up facilities like coal-handling plants and storage, he said.

(74) FM 6/11/87

EXPORTS & FRANCHISING

Opportunity window

With sanctions in full force, it is becoming increasingly difficult for South Africans to crack the tough overseas market.

Thus, when a local manufacturer makes good in the highly competitive US market with a product designed and made in SA, it is something to crow about. Leon Levy has done just that with his Window Graphics company about to be franchised in the US.

Levy started business in Johannesburg in 1977 with the idea of making and selling protective film for glass. "I saw what happened to glass during the troubles in 1976 and discovered how expensive safety glass was. I wondered if it were possible to make ordinary glass into safety glass by applying adhesive film, so I approached Ozalid with the idea and they came up with a product we called Safety Kling."

Klingshield SA was launched, pioneering safety film. In its first year it recorded a R300 000 turnover. By 1980 it was up to R1m and by 1986 R4m.

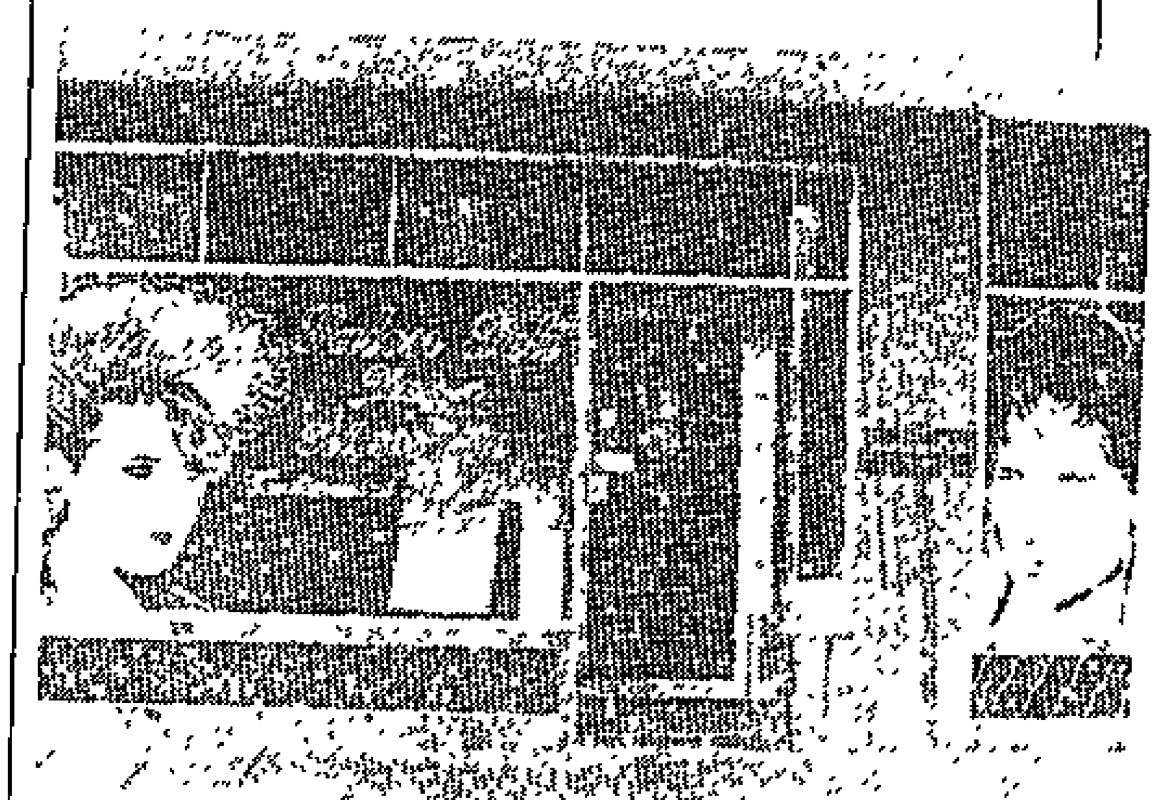
Research programme

Says Levy: "We were making a lot of money, so we decided to invest in a research programme to explore other possibilities for adhesive film."

He came up with coloured and glitter film and the idea of using it to create giant advertising and signage graphics on store-front windows was born. "It looks good from both the outside and the inside, it protects the contents of window displays from heat and light, and it acts as a safety film as well."

The products took off locally, but it took three years and R40 000 to patent them in the US, Australia, the UK and SA, before Levy could cross the water and start a company in California.

"I formed a company with my partner Tony Matthews in the US in 1985 and started installing window graphics in Los Angeles. We found it very difficult to break through but we have been there now for 18 months and have done 180 windows in the main streets of LA — including work for companies like Porsche.



Window graphics . . . pretty protection

"We only work on the best locations and for top companies. If somebody comes to us with a bad location or a lousy company, we turn them down. We want to keep our product upmarket.

"And it's working. Companies want to buy us out or merge, but we're still finding our feet. We've decided on franchising as the best option because we want to keep control of how our product is used."

Levy also intends to franchise the operation locally and to launch another new product: Auto Tint, high-performance tinted film for car windows that not only tones with the paintwork but also doubles as a protective safety film. ■

EX [illegible] S [illegible]

1

Bid to boost exporting community

B/Day 25/11/89 (74)

HELOISE HENNING

IN A drive to promote exports, especially of manufactured goods and services, government will rebate the surcharges on imports where such imports are part of an approved counter-trade scheme.

A notice to this effect was published in the Government Gazette on Friday.

● McCRYSTAL

Commenting on the move, Board of Trade and Industry (BTI) chairman Lawrence McCrystal said yesterday the counter-trade agreement needed to include new exports and not those in existing export schemes.

"We are trying to use every mechanism at our disposal to get a genuine long-term exporting community established in SA," he said.

BTI will, on investigating the counter-trade transaction, require proof that the importation of the goods is an essential condition of the counter-trade transaction and that the amount of the foreign exchange used for the imported goods is equal to or less than the proceeds from the export transaction.

Counter-trade and Barter MD Eugene St Clair said the move would not only boost exports but could attract local investment.

A recent Cabinet recommendation to government departments and parastatals to counter-trade their imports in excess of R5m, could yield at least R500m in new SA exports or foreign investments initiated in 1989 in terms of imports for government bodies, St Clair said.

Describing a counter-trade agreement that would meet with BTI approval, McCrystal said an electronic component importer could be rebated the

● To Page 2

Bid to boost SA exporting community

B/Day 25/11/89 (74)

From Page 1

full 20% surcharge it paid on parts if it managed, for instance, to arrange for the export of locally manufactured footwear.

The BTI would have to be satisfied that the footwear was not already destined for export. It would seek to establish that the export contract, which could run over several years, involved the production of new goods.

McCrystal expected a new brand of trading house to emerge in SA. The few trading houses in existence did not market SA-manufactured goods overseas but acted merely as importers or exporters of commodities, he said.

Importers with representatives doing research on markets from which they sought to import could just as well be marketing SA goods in those markets.

Exporters in SA had also always had problems with variable market agreements. A counter-trade transaction provided security in this regard.

The measure would effectively bring about a change in industrial culture and see the rise of SA counter-trade brokers.

St Clair said expertise on counter-trade in SA was scarce. However, several merchant banks had approached him for advice, and his management spent 20% of its time on training.

The new measure would be a boost to the manufactured goods and services exporters.

However, St Clair warned that there were several risks involved in counter-trade.

SA's road to boost export potential

74

BDay

26\11\89

Government has announced a rebate scheme on import surcharges if these are linked to new exports in counter-trade arrangements. ZILLA EFRAT reports on the potential for export promotion in the harnessing of the country's import-buying power.

SA SHOULD be making more use of its import-buying power, especially in developing its export potential. And greater use of trading houses, countertrade and legislation have been suggested as ways of doing just that.

Safto's international division manager, Guy Sievwright, said trading houses in Asian countries used the power generated through their huge imports and exports to create business that would otherwise not exist.

He cited the successful Japanese soga-shoshas, or general trading houses, which had been the advance guard of Japan's exports and a catalyst in the country's economic growth.

The nine major soga-shoshas, which include Mitsubishi and Marubeni, had an annual turnover in 1983 which was about 23 times the total trade of SA, 10 times the size of SA's GDP and about 30% of Japan's GDP.

The houses conducted about 55% of Japan's exports and 65% of its imports.

They bought in large quantities, provided financial assistance and often invested in local operations to ensure supply.

The commitment of the Japanese people to nation and company was the major reason for the success of the soga-shoshas, which had large shareholdings in Japanese manufacturers and financial institutions. Sievwright said this trend was not evident in SA.

Political pressures

Although SA did have large trading houses, he believed it was unlikely soga-shoshas would emerge here. Attempts to re-create them in Europe and the US had so far proved unsuccessful.

Because of the autonomous nature of SA's business structure, and bearing in mind the sensitive political pressures, a high profile soga-shosha was unlikely to materialise. Sievwright said smaller trading houses might be best for SA conditions.

The possibility of creating a state trading house had been examined by government and rejected. With privatisation under way, such a move now seemed highly improbable.

There was much co-operation and trust between soga-shoshas. In SA, on the other hand, because of the lack of this type of communication, manufacturers had often lost export orders that could have been fulfilled in a joint effort.

Sievwright said proper planning and commitment to the idea of an "environmental trust", with a free flow of information between companies, was necessary before progress could be made in SA.

The best way for traders to proceed was to become more involved with manufacturers, possibly on an equity basis, thereby securing guaranteed capacity.

Safto's Trading House Unit is the only body in SA that co-ordinates the activities of local trading houses.

Countertrade — a reciprocal type of foreign trade transaction — is suggested as another alternative to creating links between import power and exports.

Countertrade and Barter MD Eugene St Clair said at least R500m in new wealth would be created in 1989 as a result of a Cabinet recommendation to government departments and parastatals to countertrade all their imports in excess of R5m.

This could be "a drop in the ocean" if the public and private sectors used their huge import buying power to encourage foreign suppliers to purchase SA products and services or invest in SA projects.

But St Clair, who estimated that countertrade represented 25% of world trade, said SA companies had been slow to respond to this sophisticated trading technique because of a general lack of understanding of its mechanics.

Safto says a major limitation on SA's export growth is insufficient export capacity. But, through the introduction of multiple shift production policies, such increases in export through countertrade can be realised.

Essential materials

A third alternative is legislation which links imports to exports. In some countries, such as Zimbabwe and Zaire, foreign exchange or import permits are allocated according to the amount of foreign currency earned by a company and the general availabilty of foreign exchange at the time.

Safto GM Anne Moore said the success of this alternative depended on how links were made. If exports were tied to imports of luxury items the system might be effective, but not if they were linked to imports of essential materials.

Moore warned that any of the methods of harnessing SA's import power must be carefully researched.

brought in to take over the running | engineers being responsible for laying down the rules | The Bill would be put to Parliament during this session.

Govt set to unveil plans on exports

D/Day 10/7/87 (74)

MIKE ROBERTSON

CAPE TOWN — Government was set to unveil its plans to develop the export potential of selected industries, Economic Affairs and Technology Minister Danie Steyn said yesterday.

Steyn said the first of 21 studies initiated last year to investigate broadening the export potential of selected industries would be released next week.

The report, which will outline plans to change the way the local content programme is applied in the motor industry away from a mass to a value basis, had been put to industry representatives who had made "exceptionally good recommendations" which would be included in the department's release next week.

Another report on the electrical components industry had also been received and an announcement would be forthcoming in the next fortnight.

Reports on the TV and textile industries had also been completed.

Steyn said government would be holding talks with the BLS countries to establish how customs agreements would affect the textile industry export programme. Thereafter, an announcement would be made. This should be expected sooner rather than later.

A report into the leather and shoe industry was expected by April this year.

Steyn said the department was changing the nature of its industrial development branch into an industrial development bureau which would provide technological and other assistance to private-sector companies operating in the selected industries.

Financing could also be made available to private-sector companies through the Industrial Development Corporation.

Hansard

(a) the information is not readily available as all individual cases will have to be checked,

(b) falls away,

(c) falls away,

(d) an additional computer program has been installed whereby incomplete data is immediately identified with the processing of retirement documentation;

(2) yes, if the pensioner is not in a position to repay the overpayment, the amount is recovered in reasonable instalments from the monthly pension payable;

(3) yes,

(a) falls away,

(b) see paragraph 2,

(4) (a) no,

(b) yes,

(5) no, tax deductions are paid over to the Department of Inland Revenue on a monthly basis. The pensioner himself must, therefore, arrange with his local Receiver of Revenue in order to get a rebate in respect of income tax,

(a) falls away,

(b) falls away.

SATS: retirements

11. Mr J J S PRINSLOO asked the Minister of Transport Affairs:†

How many (a) White and (b) non-White employees of the South African Transport Services (i) retired from service before completing 10 years' pensionable service, as a result of reaching the age limit, and (ii) were retired on account of ill-health before completing 15 years' pensionable service, in 1987 and 1988, respectively?

The MINISTER OF TRANSPORT AFFAIRS:

		1987	1988
(a)	(i)	Nil	1
(b)	(i)	25	33

(a) and (b) (ii) Particulars are not readily available and it will take much time and expense to gather such information.

Floods: claims for damages and losses

21. Mr R M BURROWS asked the Minister of National Health and Population Development:

(1) Whether all claims for damages and losses incurred in the floods in Natal and the Orange Free State in (a) 1987 and (b) 1988 have been settled; if not, (i) why not and (ii)(aa) how many remain to be settled and (bb) in respect of what date is this information furnished;

(2) as at the latest specified date for which information is available, (a) what total sum (i) had been paid out, and (ii) had been collected from public donations, in the case of each of these floods, (b) what total sum had been collected through the sale of postal stamps in each case and (c) what total number of claims had been received in each case?

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT.

(1) (a) No,

(b) no,

(i) many applications were incomplete and received after the closing date,

(ii) (aa) 417

(bb) 31/1/1989;

(2) (a) (i) R70 057 014,00. This amount does not include R14 283 358,00 recently approved by the KwaZulu Committee,

(ii) R26 929 707,00. Separate accounts were not kept in respect of the Orange Free State and Natal. All donations were paid into the Disaster Relief Fund,

(b) R1 638 370,00 in respect of both disasters,

(c) 176 738 in respect of Natal and 3 900 in respect of Orange Free State and Northern Cape.

Exports: statistics on marine products

30. Mr R J LORIMER asked the Minister of Environment Affairs:

74

Hansard.

74

Whether, with reference to his reply to Question No 1286 on 22 August 1988, he will furnish export statistics in respect of fish and other marine products; if not, why not; if so, (a) what was the value of the Republic's exports of each specified type of fish or other marine product in (i) 1987 and (ii) 1988 and (b) what percentage of the total catch in each case does this represent?

The MINISTER OF ENVIRONMENT AFFAIRS:

Yes, as in my reply to Question 1286 on 22 August 1988, I am still willing to supply the statistics to the Honourable member in private. As indicated in my previous reply I do not deem it in the national interest to publicly divulge export statistics in respect of fish and other marine products.

Soekor: offshore drilling

31 Mr D J N MALCOMESS asked the Minister of Economic Affairs and Technology:

How many holes were drilled by Soekor off the coast between (a) Cape Town and the Orange River Mouth, (b) Cape Town and Storms River Mouth, (c) Storms River Mouth and Port Elizabeth and (d) Port Elizabeth and the Mozambique border during the latest specified period of 10 years for which figures are available?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

PERIOD: 1 January 1979 to 31 December 1988:

(a) 22.

(b) 100.

(c) 10.

(d) 12.

Own Affairs:

Private schools: admission of non-White pupils

1. Mr K M ANDREW asked the Minister of Education and Culture:

Whether any English-medium private primary or high schools falling under his Department have admitted pupils who are not White; if so, how many of these schools (a) did and (b) did not admit such pupils in 1989?

The MINISTER OF EDUCATION AND CULTURE:

Yes The figures for 1989 are not available at this stage.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Schools: funds/compulsory tuition fees

Mr R M Burrows asked the Minister of Education and Culture:

Whether he intends to (a) make more funds available to schools and/or (b) introduce compulsory tuition fees?

The MINISTER OF EDUCATION AND CULTURE. Mr Speaker, with reference to the first aspect, namely whether I intend to make more funds available to schools. I wish to state that my department does everything in its power in order to place the maximum amount of money at the disposal of schools. We take into account the prevailing priorities, the total allocation of funds and the accountable and responsible appropriation of such funds. It is my aim, with the full cooperation of the Ministers' Council and the Committee of Ministers of Education, to ensure that the funds . . . [Interjections.]

Mr SPEAKER: Order!

The MINISTER: . . . that are necessary in order to provide education of the required standard, are available

Secondly, regarding the possible introduction of compulsory tuition fees, I wish to say that my department is continuously researching other means of supplementing funds for White education. This is done against the background of the economic realities and the other priorities of the country as a whole. My department, however, takes great care to ensure that the standards of its institutions are at all times maintained and, if possible, raised.

With these facts in mind we are investigating various means of, firstly, generating additional funds and, secondly, reducing expenditure by the State. Aspects which are being investigated un-

B/Day 27/2/89 (74)

Govt reviewing export promotion

GOVERNMENT was reviewing the entire system of export promotion to ensure that the demands of the times were met, Deputy Minister of Economic Affairs and Technology Dr Theo Alant said on Friday.

Opening a new factory in Johannesburg, he said the purpose of this review was to make the system cost-effective as far as possible.

A prime criterion when considering the new system was that it should be manageable and affordable, and should be kept as simple as possible.

Currently, the functions of export promotion fell under various bodies and this lack of centralisation hampered a cohesive trade promotion policy.

All these changes would be preceded by registration of new exporters and re-registration of exisiting importers, according to criteria aimed at a more effective application of funds.

Exports would have to play a bigger role in industrial development because, although the local demand for industrial products would probably be a very important growth factor in the long-term, it could be subject to certain restrictions in the short- and medium-term.

It was also essential that exports of industrial products should be expanded to facilitate the eventual replacement of gold mining as an earner of foreign exchange. — Sapa.

Mr D H Mateman: boycott action against Brakpan

*4 Mr C J DERBY-LEWIS asked the Minister of Law and Order:

(1) Whether the South African Police have been informed of and/or any members of the Police were present at a meeting held in the community hall at Geluksdal on or about 1 December 1988 during which a boycott action was propagated against the business community of Brakpan; if so,

(2) whether this boycott action was propagated by a certain person, whose name has been furnished to the Police for the purpose of the Minister's reply; if so, what is the name of this person,

(3) whether any charges have been laid as a result of this meeting; if not, why not, if so, what are the relevant details?

B144E

†The MINISTER OF LAW AND ORDER:

(1) Yes.

(2) Yes. The name furnished by the hon member.

(3) Yes. A case docket has been opened and charges in terms of the Security Emergency Regulations are being investigated. This investigation has not yet been completed

Comdt C J DERBY-LEWIS: Mr Chairman, arising from the hon the Minister's reply, could he tell us whether it is really his intention to act in terms of the emergency regulations against boycotts, or is this just more legislation to be flaunted as long as it only affects the affairs of Whites?

†The MINISTER: Mr Chairman, I already pointed out that a case was opened and that we are investigating the matter.

Groote Schuur Hospital: complaints against Chief Medical Superintendent

*5 Dr M S BARNARD asked the Minister of National Health and Population Development:

Whether any complaints were laid against the Chief Medical Superintendent of Groote Schuur Hospital in Novemebr or December 1988; if so, (a) (i) how many such complaints were made and (ii) by whom and (b) (i) what was the nature of each such complaint and (ii) to whom was each made?

B212E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

In accordance with Rule 95 of the Standing Rules of Parliament, the matter is *sub judice* and I am therefore unable to provide the hon member with a reply.

SAP vehicles: differing numeber plates displayed

*6. Mr M J ELLIS asked the Minister of Law and Order:

(1) Whether the South African Police own a vehicle with the number plates NP 47417 and NP 81816 and another with the number plates NP 6062 and NP 71125; if so, (a) why are two differing number plates displayed on each vehicle and (b) who gave permission for two differing number plates to be displayed; if not, who owns the vehicles concerned,

(2) whether any action has been taken against the owners and/or drivers of these vehicles as a result of the differing number plates; if not, why not; if so, (a) what action, (b) against whom and (c) when?

B213E

†The MINISTER OF LAW AND ORDER:

(1) and (2)

In combating crime, during clandestine police actions, it is often necessary for the South African Police to make use of vehicles which cannot be identified by means of their number plates or otherwise. It is also often necessary in high risk areas because identifiable police vehicles are maliciously damaged by hostile elements, especially when they are parked unguarded.

However, instructions in respect of this matter, which I am not prepared to make known here, are being applied.

The honourable member has apparently put this question to me as a result of a letter concerning the matter which was published in the *Natal Witness* recently. In the newspaper concerned, the liaison officer of the South African Police in Pietermaritzburg addressed an invitation to the correspondent to substantiate the allegations which he made in his letter

by means of an affidavit, so that they could be investigated.

Up until now no reaction in this regard has been received from the correspondent or from any other person. On the contrary, his letter evoked extremely favourable comments from the public regarding the excellent service rendered by the South African Police, Pietermaritzburg. I would therefore like to make an appeal to the hon member — we know the hon member and we know he is a good friend of the South African Police — not to always regard the South African Police with suspicion, but to rather support them positively in the difficult task which they perform.

Mr P G SOAL: Mr Chairman, arising from the reply of the hon the Minister, may I say that while I accept that it might be necessary for the police to be unidentifiable while looking for those who are breaking the law, will he please tell us whether the registration numbers which are used on occasions such as these are numbers which are taken at random, or are they licence registration numbers which are registered with the appropriate authorities?

†The MINISTER: Mr Chairman, owing to the nature of this information, I cannot make it known in public on the floor of the House. [Interjections.] If the hon member approaches me about that, I am prepared to make it available to him on a confidential basis.

Harms Commission: white paper on reports

*7. Mr D J DALLING asked the Minister of Justice:

(1) Whether the Government is considering tabling a white paper on the first two reports of the Harms Commission; if so, (a) when and (b) what is it intended will be the purport of such a white paper; if not,

(2) whether any action arising out of these reports is being considered; if so, (a) what action, (b) against whom and (c) when;

(3) whether any further investigations arising out of these reports are being considered; if so, (a) what is the nature of each such investigation and (b) when is it anticipated that each will be completed?

B215E

The MINISTER OF HOME AFFAIRS AND OF COMMUNICATIONS (for the Minister of Justice).

(1) At this stage a white paper on the first two reports is not indicated, since the recommendations in those two reports are clear and well defined and have already been given effect to. Suffice it to say that the Government's initiatives to expose corruption and unethical business practices support the State President's commitment to clean administration. The Government will therefore continue to pursue the ideals of clean administration in spirit and in deed.

(2) Yes The various Attorneys-General are considering possible criminal charges as indicated in the report. The Law Society of the Cape of Good Hope is also considering the report.
The findings of the Commission in connection with certain politcal-ethical issues and the violation of the inter-state relationship with Ciskei were referred to the Speaker of Parliament and the Department of Foreign Affairs, respectively, for possible action.
The Commission also pointed out certain defects in the Prevention of Corruption Act, 1958 (Act 6 of 1958), and recommended that this Act be referred to the South African Law Commission for investigation. I have subsequently requested the South African Law Commission to consider including the matter in its programme.
The hon member is furthermore referred to my oral answer on 14 February 1989.

(3) The terms of reference of the Commission will determine the scope of further investigation which is a matter of decision for the Commission.

Cycads: permits for export

*8. Mr R J LORIMER asked the Minister of Constitutional Development and Planning:

Whether any permits for the export of cycads were issued by any provincial nature conservation department in (a) 1987 and (b) 1988; if so, (i) in respect of which country in each case and (ii) what was the value of eachsuch export?

B216E

The DEPUTY MINISTER OF CONSTITU-

TIONAL DEVELOPMENT AND PLANNING (Reply laid upon the Table with leave of House)

This matter vests in the Administrators of the different provinces and they have furnished the following information:

Transvaal

The Directorate Nature and Environmental Conservation of the Transvaal Provincial Government issued permits for the export of 15 consignments of cycads and cycad seeds in 1987 and 1988. The prices at which the plants were exported are not known and the values were calculated according to the current price at which such plants are sold by the Directorate. Seeds are not sold by the Directorate and a calculated value of 50c per seed was used. The details of each consignment is tabled below.

(a) 1987 EXPORTS

Date	(i) Country of Destination	Desc.	Quan.	(ii) Value
15.06.87	Australia	seed	400	200
15.06.87	Australia	seed	225	112
07.09.87	France	seedling	58	1 450
25.09.87	Australia	seed	55	28
12.11.87	W. Germany	seed	3 500	1 750
12.11 8	Franc	seedling	4	100
12.11.87	France	seedling	67	1 675
			Total	R5 315

(b) 1988 EXPORTS

Date	(i) Country of Destination	Desc.	Quan.	(ii) Value
25.01.88	Thailand	seedling	10	250
29.01.88	Greece	seedling	4	100
11.05.88	France	seedling	10	250
17.06.88	USA	seedling	240	6 000
29.08.88	W. Germany	seedling	80	200
17.09.88	USA	seedling	1	25
02.11.88	Australia	seed	168	84
08.11.88	Paraguay	seedling	20	500
			Total	R9 209

Cape Province

(a) and (b) Yes.

1987

(i)	(ii)
Switzerland	Unknown
United States of America	Unknown
Japan	Unknown
France	Unknown
Australia	Unknown
United States of America	Unknown
West Germany	Unknown
West Germany	Unknown
Japan	Unknown
Japan	Unknown

1988

(i)	(ii)
United States of America	Unknown
United States of America	Unknown
Japan	Unknown
Japan	Unknown
Portugal	Unknown
Japan	Unknown
England	Unknown
Japan	Unknown
United States of America	Unknown
Japan	Unknown
United States of America	Unknown
United States of America	Unknown
United States of America	Unknown
West Germany	Unknown
Thailand	Unknown
Japan	Unknown
Japan	Unknown
Japan	Unknown
Australia	Unknown

Orange Free State

(a) and (b) No. Rest of question falls away

Natal

(a) and (b) Yes. Permits were issued by the Natal Parks Board as the nature conservation agency of the Natal Provincial Government.

(i) and (ii) The following are the countries in respect of which export permits were issued and the valueof each export for the two years in question:

1987

	R
United Kingdom	72,50
France	13 712,50
United States of America	1 683,00
Japan	425,00
Israel	22,50
Australia	200,00
Italy	675,00
West Germany	497,50
Australia	1 750,00
Portugal	2 500,00
New Zealand	245,00
Total	21 783,00

1988

Australia	1 781,50
New Zealand	610,00
United States of America	1 031,00
Japan	1 040,00
United Kingdom	309,50
Brazil	125,00
Zimbabwe	200,00
India	20,00
West Germany	60,00
Israel	22,50
Netherlands	22,50
Swaziland	22,50
Total	R5 244,50

CITES: steps to prevent contravention

*9. Mr R J LORIMER asked the Minister of Environment Affairs:

Whether South Africa is a signatory to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); if so, (a) when did South Africa sign this convention and (b) what steps have been taken by his Department or any other South African authority to prevent its being contravened?

B217E

The MINISTER OF ENVIRONMENT AFFAIRS:

(a) South Africa ratified the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) on 15 July 1975.

(b) Soon after ratification the provincial nature conservation ordinances were amended to provide the required legal measures for the implementation of the Convention. These measures have since been applied by the law enforcment division of the provincial nature conservation authorities. Contraventions thereof have been dealt with in close co-operation with the South African Police.

Mr R J LORIMER: Mr Chairman, arising out of the hon the Minister's reply, is he aware of the fact that cycads were exported in contravention of the CITES regulations and, if he is aware of it, does he intend taking action against the hon the Minister of Constitutional Development and Planning for breaking the solemn pledge made by South Africa in terms of the Convention which we signed? [Interjections]

SAA: posts filled by staff from other components of SATS

*10. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

(1) Whether, in respect of the last quarter of 1988, any positions with the South African Airways were filled by staff whose previous experience had been entirely with other components of the South African Transport Services; if so,

(2) whether, as a result, any Airways staff members were prejudiced; if so, (a) to what extent and (b) why;

(3) whether the staff members involved were given psychometric tests; if so, (a) which staff members and (b) what was the nature of these tests?

B219E

†The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes.

(2) No

(a) and (b) Fall away

(3) Yes.

(a) Clerks and Drivers (Ground Support Operations)

(b) Clerks were given the Intermediate Test Battery (Lower level) which consists of mental alertness, arithmetic, arithmetical problems, vocabulary and reading comprehension.

Drivers (Ground Support Operations) were given the Test Battery for the Evaluation of Ground Operations Personnel which consists of inter alia mental alertness, eye and skills tests.

Cape Peninsula: high school teachers retrenched

*11. Mr K M ANDREW asked the Minister of Education and Development Aid:

Whether any high school teachers in the Cape Peninsula were retrenched or made redundant in or at the end of 1988: if so, (a) how many (b) why and (c) how many of these teachers were fully qualified?

B220E

Cut protection to boost our exports

74

BDay 1/3/87

MANFRED REICHARDT

PROTECTIVE customs walls maintained for prolonged periods are creating a climate detrimental to a healthy export industry.

The meagre net results for the South African budget of collecting customs duties under the present Customs Union arrangements do not justify subsidising exports with these proceeds.

Export promotion should not involve financial incentives in the form of direct or indirect export subsidies.

Government can help exporters with know-how on foreign markets, on advertising, on marketing strategies and on overcoming sanctions.

But funds which are needed more in other sectors of the economy should not be diverted to a sector where financial support cannot achieve significant results.

The present level of the exchange rate of the rand is the best financial incentive to buy South African export goods. An exporter who is not able to market his goods under such favourable price conditions will also not achieve higher export results when he receives direct or indirect financial support from government.

Admittedly, sanctions have an impact — particularly, for example, on the volume of the export of coal — but financial assistance to the exporter will not solve this problem. However, there are a number of other possibilities which could render the export industry more effective.

What about top quality, firm delivery times and after-sales service? For many products the domestic market is large enough for an industrialist to make a living from it — often a good one — without exporting.

Exports will only provide additional income to some, so most industrialists will accord a lower priority to exports than to local sales. Often the additional skill to operate on the export market is lacking.

Vital factor

Government and chambers of industry and commerce can play a vital role in assisting in training, especially of smaller exporters. However, the after-sales service and a firm, possibly short, delivery time is clearly a matter the manufacturer should handle himself.

An importer in a foreign country usually launches a sales campaign, places advertisements, plans his budget and so on, based on arrangements agreed upon when the merchandise was ordered.

If delays in delivery by the South African exporter occur with some frequency — as they do in some sectors — the foreign importer will be disenchanted with South African goods in spite of the favourable exchange rate.

The same applies to after-sales service of machinery and equipment, which includes instructions for use, spare parts and technical service. If this is lacking, the incentive for purchasing South African goods will diminish.

The main point, however, is competitiveness in the quality of the product. Many manufactured products are just not up to the high standard provided by some industrial nations.

Government's fiscal policy plays an important role. High customs walls, introduced in many cases to protect an infant industry, have not been lowered or removed once the industrial sector has "grown up", secured a sizeable share in the domestic market and can stand on its own feet financially.

The protected domestic market does not force industrialists to remain competitive against the rest of the world and to strive for the highest standards of technical quality and service.

Hesitant

If a consignment of 100 machines arrives on another market and 10 or 20 of them have some kind of defect, the foreign importer will be hesitant to order from the same source again.

In other words, fiscal policy — as far as protective customs on imports are concerned — allows or even induces the local manufacturer to make little effort to be more competitive because he is only marginally exposed to international competition.

☐ **Reichardt is special adviser to Southern African Development Bank CE Simon Brandt.**

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

Government Gazette
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Vol. 285 PRETORIA, 9 MARCH MAART 1989 No. 11755

JOINT PRESS RELEASE

by the Minister of Finance,
Mr B. J. du Plessis MP
and the Minister of Economic Affairs and Technology,
Mr D. W. Steyn MP

EXPORT INCENTIVE MEASURES WITH SPECIFIC REFERENCE TO THE SCHEME FOR INCOME TAX REBATES (SCHEME D)

It has come to light that the claims for income tax rebates under the Export Incentive Scheme D are sometimes excessively high compared with the relevant export values. This situation is not acceptable in the present extremely tight financial circumstances of the State. The marketing allowance provided for in section 11*bis* of the Income Tax Act, 1962, is, therefore, with effect from 9 March 1989 being limited to a maximum of 20 % of the current export turnover as defined in the Act. Accordingly, the section is being amended by adding the following subsection:

"(3A) (a) For the purposes of this subsection, 'obligatory marketing expenditure' means marketing expenditure incurred by an exporter in pursuance of an obligation imposed upon him under an agreement formally and finally concluded by every party to the agreement not later than 9 March 1989, if any other party to that agreement would be entitled to claim damages, compensation or similar relief, whether in terms of the agreement or by way of action in a court of law, were the exporter to take steps to prevent the incurral by him of such marketing expenditure.

GESAMENTLIKE PERSVERKLARING

deur die Minister van Finansies,
mnr. B. J. du Plessis LP
en die Minister van Ekonomiese Sake en Tegnologie,
mnr. D. W. Steyn LP

UITVOERAANSPORINGSMAATREËLS MET SPESIFIEKE VERWYSING NA DIE SKEMA VIR BELASTINGKORTINGS (SKEMA D)

Dit het aan die lig gekom dat die eise vir belastingkortings onder Uitvoeraansporingskema D somtyds buitensporig hoog is in vergelyking met die betrokke uitvoerwaardes. Hierdie situasie is in die huidige uiters knap staatsfinansiële omstandighede nie aanvaarbaar nie. Die bemarkingstoelae waarvoor in artikel 11*bis* van die Inkomstebelastingwet, 1962, voorsiening gemaak word, word dus vanaf 9 Maart 1989 tot 'n maksimum van 20 % van die lopende uitvoeromset soos in die Wet gedefinieer beperk. Die artikel word dus gewysig deur die invoeging van die volgende subartikel:

"(3A) (a) By die toepassing van hierdie subartikel beteken 'verpligte bemarkingskoste' bemarkingskoste deur 'n uitvoerder aangegaan ooreenkomstig 'n verpligting wat hom opgelê is ingevolge 'n ooreenkoms wat nie later nie as 9 Maart 1989 formeel en finaal deur elke party tot die ooreenkoms gesluit is, indien 'n ander party tot die ooreenkoms geregtig sou wees om skadevergoeding, skadeloosstelling of soortgelyke verligting te eis, hetsy kragtens die ooreenkoms of by wyse van 'n hofgeding, indien die uitvoerder stappe sou doen om die aangaan deur hom van bedoelde bemarkingskoste te vermy.

Govt clamps down on film industry after export abuses

'Costing millions'

BDay 9/3/89

MIKE ROBERTSON

CAPE TOWN — Government has acted to clamp down on abuse of export incentives by the film industry that has cost taxpayers millions of rands.

● DU PLESSIS

Finance Minister Barend du Plessis and Economic Affairs Minister Danie Steyn announced in a statement that claims for income tax rebates under the applicable export incentive scheme were excessively high when compared with export volumes.

This situation was not acceptable in the state's present tight financial circumstances.

As a result, the marketing allowance was to be cut to a maximum of 20% of current export turnover from today.

A spokesman for the Bureau for Information, which now runs the film industry, said the previous marketing allowance allowed for film-makers to be paid two-and-a-half times the total amount spent on production and post-production costs in SA, less the amount spent on production and post-production outside SA.

He said there had been grave misuse of the export incentives. Several claims were still being investigated but it was expected that the misuse had cost taxpayers millions of rands.

Information Minister Stoffel van der Merwe said the film industry would still be able to make use of the export incentive scheme, albeit in a limited form.

He was considering recommendations from a task group regarding further assistance to the industry in the form of a revised subsidy scheme. These were of a complex nature, with wide-ranging implications that could not be finalised overnight.

He would be issuing a further statement on the broad principles of the scheme within the next two weeks.

☐ Industry sources said last night the move would be disastrous for the film industry and could severely curtail feature film-making here as the amount of investment would be severely curtailed.

One source said the demand was for action adventure films but with budgets cut by about half, it would largely rule these out. The proposed subsidy scheme would not make a dent in what had been taken away.

Big-name stars for films would also fall away and salary structures would most likely have to be cut back, he said.

The industry had been hampered in decision-making for some months in anticipation of government's move, which, it was feared, might also be retroactive.

All exporters hit by new measure

BDay 10/3/89

(74)

NEW export drives will be severely handicapped by government's sharp reduction of the export marketing allowance announced earlier this week.

The marketing allowance, which previously covered all foreign sales promotion costs, has been limited to 20% of export turnover as from yesterday.

The proposed legislation, which has drawn strong criticism, not only covers film schemes, where multi-million rand abuses have occured, but all exporters.

Safto, which has taken up the matter with the authorities, expressed concern that in seeking to prevent abuse of the allowance, the authorities were penalising new and potential exporters whose export marketing costs legitimately exceeded their export turnover.

"At a time when it is recognised that increased exports are essential to the economic well-being of the country, it is regretted action has been taken that could result in discouragement of new exporters entering the field," said Safto GM Anne Moore.

Arthur Young's Sally de Boor said the announcement was yet another instance where legislation had not been fully thought through, as it ran contrary to the intention of the incentives designed to encourage exporters to go out and develop new markets.

KAY TURVEY

The draft law favoured exporters with developed markets, who were already making sales, and start-up businesses would be prejudiced.

Before the legislation was gazetted, she said it was hoped there would be amendments allowing developing exporters to carry forward the benefits until sales were generated.

Inland Revenue legal draughtsman Ian Meiklejohn confirmed there had been requests for such carry over benefits for exporters starting up, although no decision had been taken.

Meiklejohn said the legislation was merely an interim measure as all allowances would be withdrawn as from March next year, but Economic Affairs was still finalising the new benefits.

Trade & Industry PR Theo van der Merwe said his office was inundated with inquiries and complaints from exporters yesterday.

In June last year it was announced "ample notice would be given in advance" of any changes to the allowance.

Deloitte director Des Kruger said no warning had been given and consequently committed export businesses had been caught short.

Business Report

Export drives will be 'severely handicapped'

Cape Times 10/3/89

14

Own Correspondent

JOHANNESBURG. — New export drives will be severely handicapped by government's sharp reduction of the export marketing allowance announced earlier this week.

The marketing allowance which previously covered all foreign sales promotion costs has been limited to 20% of export turnover as from yesterday.

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The withdrawal of exporters allowance in 1990 follows Margo's recommendations accepted in the White Paper, however it was agreed the allowances should be replaced with supportive measures consistent with GATT requirements.

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S/Times 12/5/89

Clamp on export perks hits films, sport and industry

By UDO RYPSTRA and DAVID JACKSON

EXPORTERS and many of the country's film producers are scrapping projects worth millions of rands after the Government's decision this week to clamp down on export allowances.

And sponsorship for overseas tournaments featuring South African sportsmen could also be hard hit by the move, it was claimed this week.

Boxing promoters say it will be increasingly difficult to find sponsors to put money "up front" — and that the ripple effect could also affect other sports. This would hit young SA hopefuls hoping to campaign overseas.

The new measures, which came into effect this week, cut the marketing allowance for all exporters to a maximum of 20 percent of export turnover.

It used to be more than 175 percent of a exporter's turnover.

Previously, generous allowances effectively gave exporters a double deduction on certain expenses — such as advertising in a foreign country.

Sponsorship is viewed as a valid form of advertising, so sponsors qualified.

But misuse of export incentives had cost taxpayers millions of rands, a government spokesman said this week.

Manufacturers, leading chartered accountancy firms and export consultants said they knew the end of export allowances — to be phased out by the end of March next year — was coming.

But "ministerial" promises that there would have been due advance notice to help businessmen adapt to the new situation have not been kept, catching many with their pants down.

This weekend, at an emergency meeting in Melville, Johannesburg's "Little Hollywood", independent producers of international films met to discuss action about the future of their industry.

"Forget about investors coming in now," an Ernst & Whinney consultant told the gathering.

There have been several abuses of the incentive schemes, starting with the film industry but which are said to have branched out into the bloodstock and international sport arena.

But Inland Revenue legal draughtsman Ian Meiklejohn said he was not aware of "serious excessive claims" in other areas such as sport.

And a spokesman for Mr F W de Klerk's Department of National Education, which embraces sport, said he did not know of any inquiries into abuse of export allowances.

Square Ring/Golden Gloves boxing promoter Rodney Berman said: "This latest legislation looks as if its going to curtail us drastically."

Inland Revenue's Mr Meiklejohn said figures indicated more than 80 percent of exporters would not be affected by the new provision.

"It is only a few who are incurring excessive expenditure in relation to their foreign earnings. I think this is aimed at weeding out the inefficient exporters.

"At the moment, these export incentives are costing too much. The problem is that you qualify for the tax deduction whether or not you earn any foreign revenue in the process."

SA Foreign Trade Organisation general manager Anne Moore said promises of advance notice were also made to the Private Sector Export Advisory Committee — the established link between Government and the private business sector — which met only a few weeks ago. Board of Trade and Industry officials were observers, but nothing was even hinted at.

Expanding export sector must be a priority

BUDGET '89

Star 10/3/89

76

By Chris Frame, National director at Price Waterhouse

A prediction as to the contents of this year's budget must, of necessity, amount to a simple guess in circumstances where income and expenditure levels basic to the budget have not in the past been translated into reality.

To be fair, most businessmen not totally dazzled by financial techniques which draw firm conclusions from unfounded assumptions, will recognise the fact that the "guestimate" must play a role in government as it certainly does in business.

However, to predict the impact of this year's budget on the pocket of the taxpayer is to indulge in whimsical guesswork.

A more rewarding exercise is to consider what changes should be brought about in the budget if we are to have a more appropriate fiscal system which will encourage a better economic performance.

If this country cannot increase it's long term economic growth rate it will have no means of creating employment for an increasing population. If we cannot reorientate our economy by directing more resources into the export sector, economic growth will continue to be constrained by an unresolved balance of payments problem.

In a perfect world everyone agrees that the fiscal system should be neutral between taxpayers, i.e. it should not favour one sector of the economy over another sector.

However in circumstances where South Africa must add to the usual Third World problems the inability to tap international capital or credit, we simply cannot afford perfection. The Government must use every means available to it to divert resources to expand the export sector of the economy.

Primary industries

It is important to understand that a large slice of that export sector constitutes our primary industries. While secondary industry has certainly increased enourmously since the war, our balance of payment still rests firmly upon primary industry performance.

We cannot afford to fail to exploit low grade gold mines and neither can we afford not to exploit our full base metal potential.

This implies a continual need to ensure the survival of marginal mines by fiscal or other methods, a careful look at ways and means of encouraging the exploitation of base metal resourcs (perhaps by way of the tax treatment of transportation and harbours) and lastly real fiscal encouragement to prospecting.

Incentives given to primary industries have become unfashionable in South Africa, but in terms of ensuring that our balance of payments difficulties do not increase in the short term, they are imperative.

We must concentrate on our primary industries because we enjoy a comparative advantage in the international market place. In relation to export incentives given to secondary industry we must follow the same principle, i.e. there is absolutely no point in subsidising industries which, by their record, cannot effectively compete in the open market.

The encouragement to ineffective expenditure implicit in the present fiscal incentives to exporters must be replaced by a system where only export performance is rewarded. This would indeed appear to be the government's approach but it is essential we see a start to the new system in this budget.

Such a system should consider the requirements of major export industries and provide incentives limited firmly to the generating of foreign exchange. We have seen this approach in the recent report relating to the motor industry. It must be applied to other industries as soon as possible.

It is likely the budget will introduce other suggestions made by the Margo commisson. One of those recommendations related to the taxation of foreign dividends. Again we must adopt a practical approach to the problem.

The development of SA-owned international companies is a vital part in countering sanctions, establishing world markets and in ensuring long term foreign exchange flows into the Republic.

The pressure applied by the international community has in fact had the effect of accelerating the development of our international companies abroad. Such development should not be threatened by reference to minimal tax accurals from foreign divided flow.

I have spoken about a necessity to begin a new programme of export incentives with this budget. I have also sounded a warning note concerning any fiscal intervention in the affairs of South Africa based international companies at this delicate stage in their growth.

Both these items refer in the main to large companies. Economic growth, however, still rests to a very large extent with the small businessman. The retraint imposed on the growth of such enterprises by a 50 percent corporate rate of tax, needs little emphasis.

Small business sector

It is unlikely that the budget will include any small business relief but it needs to be said that without such relief more and more small business growth will be channelled into the "informal" economy.

The small businessman cannot accumulate the necessary capital to achieve a rapid rate of growth under the present tax burden.

It is essential that the budget make reference to the introduction of Value Added Tax and that draft legislation is made available immediately thereafter. It is unacceptable for businessmen to attempt to make rational decisions in circumstances where the whole basis of indirect taxation is under review and has been under review for nearly two years.

A Value Added Tax must be put in place as soon as possible with the support of the majority of the private sector. Until the basis of the tax is known to all, many long term business contracts must be overshadowed with uncertainty.

If the budget introduces all or most of these scenariosthe fact that it also is unlikely to make many individuals richer should result in only temporary depression.

While the neutrality of the tax system in the developed world is not only fashionable but perhaps also a correct approach to the economic circumstances of those countries, fiscal intervention is a necessity in South Africa's present situation.

It is of course a requirement of such a policy that it is implemented by a civil service which is motivated by monetary reward and professional recognition.

CLOTHING & TEXTILES FMAIL

W(e)ar of words

74 24/3/89

The clothing and textile industries are engaged in last-minute lobbying ahead of the Board of Trade & Industry's (BTI) report

74 FMAIL 24/3/89

on the clothing pipeline, due out early next month.

Each industry is trying to portray itself as a worthy candidate for special export incentives under the new dispensation.

The clothing industry has never enjoyed high export volumes. No more than 5% of SA's clothing production is exported. The most visible exporters, until now, have included such upmarket companies as Rex Trueform. But there are plenty of others who claim they want to emulate those companies' example.

However, A M Moolla chairman Sadek Vahed says: "We haven't done any exporting and we won't be able to until the status of clothing exports has been clarified by the BTI."

Even so, Marketing & Planning Consulting Services' Joop de Voest says many clothing companies have seen exports as a short-term measure. They have gone abroad on export missions and have come back with cold feet.

"Exporting isn't just a case of arriving in a foreign country with a basket of surplus goods. It is based on a relationship with retailers overseas that can take five to 10 years to build up."

The textile industry, on the other hand, has more established export markets and is making a determined effort to shake off its reputation for inefficiency and high prices.

The Textile Federation claims that while most foreign textile exporters are assisted by official measures, "SA textile exporters have succeeded through sophisticated and concentrated marketing, highly focused on selected market sectors and targets based on service, innovation and quality."

The industry exported fractionally over R150m in textiles last year, of which R111m was yarns, R12,2m apparel fabrics, R20,2m woven and knitted non-apparel fabrics and R6,7m household textiles.

Textile manufacturers are the latest group to climb on the local content bandwagon. There is strong speculation that the BTI will offer particularly high incentives to clothing producers who make use of local textiles — rather than add value to imported materials.

Says Textile Federation executive director Stanley Shlagman: "Indirect exports, being made up of local fabrics supplied to clothing companies for the export of their products, have not been a major item in the past, but may be more so in the future."

However, it is unlikely there will be a dramatic increase in clothing with a high local content as long as input costs are higher than world prices.

Says National Clothing Federation president Terence Kinnear: "Each industry has a responsibility to fight increases in its own input costs."

ECONOMY

News 3/4/89 14

Exports deal a shot in arm for SA trade

Business Staff

THE Federated Chamber of Industries has hailed a radical new package of export incentives as the potential trigger to the biggest boost to South African trade on world markets in decades.

Executive director Mr Ron Haywood said today the package was aimed not only at a sharp increase in export income but also at an expansion of the whole industrial sector to create thousands of new jobs.

The scheme was revealed at the weekend by Mr Danie Steyn, Minister of Economic Affairs and Technology, who said it also promised to iron out problems encountered by exporters with inflation and rand exchange rate fluctuations when they planned forays into overseas markets.

NEW STRATEGIES

He timed its actual launch for April 1 next year, allowing companies 12 months to plan new strategies and to adjust patterns of production to ensure they reaped the most benefits.

An immediate start has been made on a masterfile of exporters in readiness to assess the degree of rewards they will receive for export efforts.

Strong emphasis was laid by Mr Steyn on special incentives to encourage manufacturers to use more and more home produced components, rather than rely on imported products.

The emphasis, he made plain, was on a swing away from reliance on the export of minerals and other raw materials, and a new concentration on overseas sales of finished products — boosting the value of exports and creating more new jobs by the industrial expansion.

Sliding scales of cash assistance would be based on the value of exports — and the degree that export products had been processed here in South Africa making full use of local-content programmes.

The scheme intended to encourage whole industrial sectors to restructure themselves, with far more cooperation between companies to complete the "Made in South Africa" cycle of production.

He said the finer details were being worked out by the Department of Trade and Industry in close co-operation with the Private Sector Export Advisory Committee.

But it had already been agreed that exporters would receive cash payments for their export achievements every six months, and all tax free — rather than need to await the maturity of two-year promissary notes as under existing schemes.

ECONOMIC MIRACLES

Mr Haywood said the FCI believed if the public and private sectors co-operated, the package could lay new industrial foundations and create the image of a "South Africa Incorporated" on world markets — a new version of the "Japan Inc" thinking that kindled the economic miracles of many Far East countries in recent years.

"We're on the right track in planning to make our mark as a powerful new competitor on international markets", he said.

"We may now have the chance to alter not only the structure of our manufacturing sector but also perhaps our whole mental attitude towards our real economic potential."

Tax-free incentives for exports

BDay 4/4/87

HELOISE HENNING

EXPORT incentives in the form of six-monthly, tax-free, cash payments to reward high local content manufactured goods will come into effect on April 1 next year, Economic Affairs and Technology Minister Danie Steyn announced yesterday.

The scheme will replace the current tax rebates for exports. Payments will be based on a formula calculated on the volume of exports, their local content and the exchange and inflation rate fluctuations.

Gold and diamond exports and those of precious metals, petroleum products, second-hand products and re-exports are excluded from the scheme. Manufactured goods with a local content of less than 35% will not qualify.

Steyn announced this general scheme for exporters not linked to the sector-specific structural adjustments otherwise known as the "sunrise industries".

Items with at least 75% local content

● To Page 2

Incentives for local content exports

BDay 4/4/87

74

● From Page 1

will be the top category. On a sliding scale, the scheme provides lesser assistance to three other categories — material intensive products, beneficiated primary goods and primary products.

This scheme replaces the current tax rebated marketing allowance schemes (A and B). Manufacturers will be rewarded for efforts to use local material through cash boosts twice a year.

The current D export assistance, a rebate received by tax-paying exporting companies, will be phased out from April 1 1990, possibly over 12 months.

But the C export incentive, a cash grant currently paid to companies in a tax loss situation, will be maintained.

Safto CE Wim Holtes welcomed the move but warned that the savings made on export incentives of low-value exports could erode the country's foreign earnings.

Federated Chamber of Industries executive director Ron Haywood also welcomed the scheme.

DTI sets up export hot line

Star 4/7/87

74

By Michael Chester

Plans have been laid by the Department of Trade and Industry to intensify the search for gaps in the sanctions blockade by a system of instant alerts on possible new export deals from a computer network linked to more than 20 overseas markets.

The electronic network has been designed to ensure rapid action on all export opportunities spotted by any of the 31 foreign trade offices acting as "listening posts" in 23 countries regarded as potential trade targets.

The international computer and telefax network was planned to provide extra muscle to the export drive that Mr Danie Steyn, Minister of Economic Affairs and Technology, hoped to inspire with the new package of cash incentives for exporters that were announced yesterday.

The trade outposts are being equipped with computers and telefax systems and with instructions to give top priority to the speed of export alerts.

In turn the alerts will be sent to South African companies by the Directorate of Export Promotion from its head office in Pretoria and via its branches in Cape Town, Durban and Port Elizabeth.

Details of the export offensive were revealed by Mr G J J Breyl, Deputy Director of the Department of Trade and Industry, at a forum run by the Southern Transvaal branch of the Federated Chamber of Industries.

Mr Breyl said a critical examination had been started inside the department into all export services.

The Commission for Administration, he said, was also reviewing the personnel structure of the export teams to ensure improvements in services.

"The offices will be required to adopt a more pro-active approach in identifying new export opportunities that can lead to industrial development here in South Africa," Mr Breyl told the FCI forum.

The department was also concentrating on research to solve the urgent problem of finding products that were tailor-made to suit particular markets.

"We believe that many opportunities exist," he said.

"South Africa, for example, has very well developed heavy and civil engineering industries and our companies can play an important role as sub-contractors to some of the big engineering companies overseas."

Exporters win some relief

(74) B/Day 18/4/89

MIKE ROBERTSON

CAPE TOWN — Government acted yesterday to ease pressure on exporters hit by its recent cutback in marketing allowances by extending the period in which they can claim the maximum amount.

Earlier this year, government announced that from March 9 the marketing allowance available to exporters under Section 11 BIS of the Income Tax Act would be limited to 20% of the export turnover of the company concerned.

However, several companies told government that setting up export operations often involved high initial expenses in one year, while they would achieve the expected turnover only the following year.

As a result of the high initial expenses, they would not earn sufficient turnover in the current year to qualify for the full marketing allowance.

In a joint release yesterday, the Finance and Economic Affairs departments said a request had been made that where any marketing expenditure in a particular year did not qualify for the maximum marketing allowance, the exporter should be allowed to carry the expenditure forward to the following year.

Government had agreed to this.

A Finance Department spokesman said the change announced in March meant exporters who incurred R100 marketing expenses would have to achieve a turnover of R500 to claim the maximum allowance.

Under the new rule, if exporters achieved turnover of only R300, they would be allowed to claim R60 marketing expenses and carry R40 to the following year.

New export allowances

Star 18/4/89

CAPE TOWN — A proposal for a new export incentive concession on marketing allowances was announced yesterday by the Ministers of Finance and Economic Affairs.

They said that an earlier announcement, which limited the marketing allowance to 20 percent of export turnover, had not allowed several new applicants to earn sufficient exports in the current year to qualify for the full marketing allowance.

Therefore, any marketing expenditure in a year, which did not qualify for the marketing allowance as a result of the new rule, could be carried forward to the following year, the ministers said.

Expert says export promotion scheme has failed

770

Govt 'must encourage manufacture'

B/Day 20/4/89

HELOISE HENNING

A STAINLESS steel industry group is developing a model to demonstrate to government why its industrial policy has failed to encourage the export of manufactured goods.

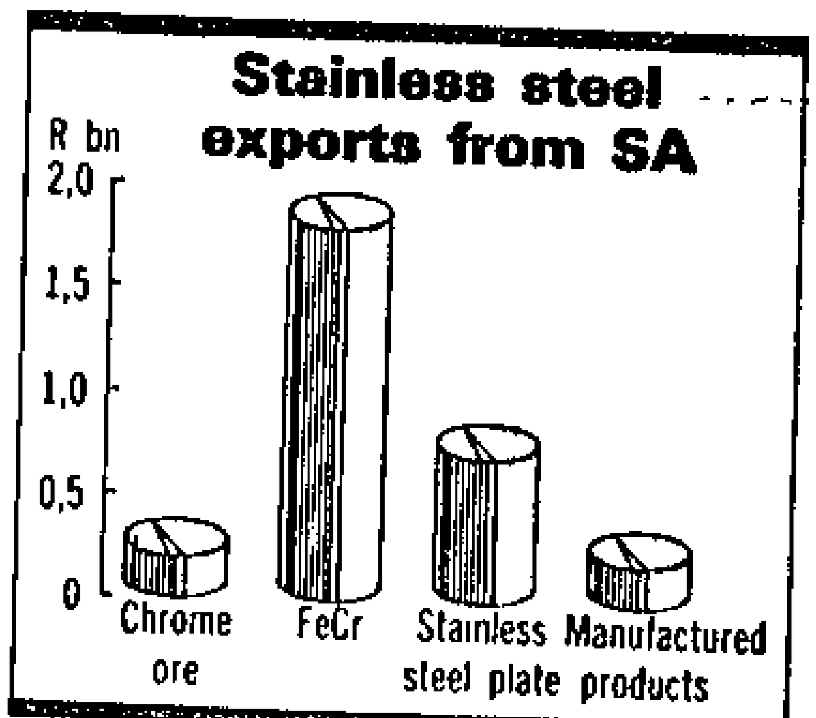
Group chairman Paul Hatty, who has been seconded to the Board of Trade and Industry (BTI) from Barlow Rand, told the Industry Ahead conference in Randburg yesterday that government's export promotion scheme favoured the export of ferrochrome.

In 1988, SA exported close to R2bn of ferrochrome, only R700m in stainless steel plate and R200m in finished stainless steel products.

Hatty is doing a "pipeline" study of the stainless steel industry in which chrome represents stage one, ferrochrome stage two, stainless steel plate stage three and manufactured products stage four.

At each stage of the process, the value added to a ton of chrome is: R178 as ore, R1 500 if it is converted to ferrochrome, R6 250 if it is converted to stainless steel and R25 000 if it is made into cooking pots.

Hatty said there was no incentive among nickel or ferrochrome producers to "push" their products into a value-added chain for local production. Both products were easily marketed through the LME at excellent world prices without the need for expending effort on establishing an export market.



Graphic FIONA KRISCH Source BARLOW RAND

Meanwhile, the exporters of finished products, generally smaller companies than the beneficiators, were having to buy the raw materials at high world market prices. Small companies were also handicapped because their input costs were multiplied by high taxes, interest rates, inflation and risk, making them internationally uncompetitive.

"We would like to show government that if it were to halve taxes on producers and manufacturers, it would be investing in a higher remuneration of employees, the productive use of capacity and eventually increased revenue for itself."

Hatty said there were no firm proposals yet. However, the world trend in trade showed the highest growth area was in finished products, and this had to be the focus of SA's effort.

Generally stages one to three, from ore to steel plate, were vertically integrated by one manufacturer. SA lacked the engineering firms that would convert the steel product, through tooling, coating, moulding and making intermediate components for finished product makers. This was the small business sector that had sparked the Japanese economy.

One possible answer could be vertical integration of the process, to ensure that the beneficiating company passed on the resulting cost savings to the end-product producer.

Hatty felt SA had the capacity to export manufactured goods equal to the rand value of its ferrochrome exports.

Greed pushes cycads to brink of extinction

Star 21/4/89

OWN CORRESPONDENT

CAPE TOWN — Cycads — bread trees to some, living fossils to others — are being driven to extinction by sheer greed.

This is the view of conservationists who cite collection of these ancient and endangered plants for private gardens as the sole reason for their plummeting populations in the wild.

The export of cycads is subject to the severe restrictions of the international CITES agreement on the trade of rare, endangered or threatened species, and South Africa is a signatory.

Now a major political row has broken out over permission for the export of more than 700 cycads to Madeira.

More than Kirstenbosch

The cycads are destined for the botanic gardens there. But local conservationists are demanding to know why so many are required — even the internationally-famous Kirstenbosch garden has only just over 600 specimens.

Of the 30-odd cycad species in South Africa, two have already become extinct and another four are on the brink of extinction — possibly down to as few as 10 or 15 specimens, according to Mr Douglas Goode of Durban Museum and author of a book on cycads now in production.

"Many species are endangered or threatened," he confirmed.

"And at least another 18 species are heading for the extinction list if nothing is done."

Why have these plants become so rare?

"First, because they grow in such incredibly difficult terrain. They are not your average plant — people just don't get to see them," Mr Goode replies.

"It's often a long, hard slog to get them, and sometimes they are only accessible by helicopter.

"Second, they are protected, so people want them.

"And third, there's the mystique of living fossils. They have been around with very little change for 150 million years — they are very stable."

Mr Goode said most cycads could be cultivated fairly easily. However, they are very slow-growing, and the biggest and most desirable specimens may be hundreds of years old.

"To grow from seed to even a two-metre plant could easily take 100 years," Mr Goode said.

Conservationists also allege that the export of cycads is being used extensively as a means of beating currency export regulations.

Because the different species are very difficult to distinguish, and with sympathetic middlemen at foreign institutions, it's an easy matter to grossly undervalue cycads on export permits and to invest the balance overseas.

Many tempted

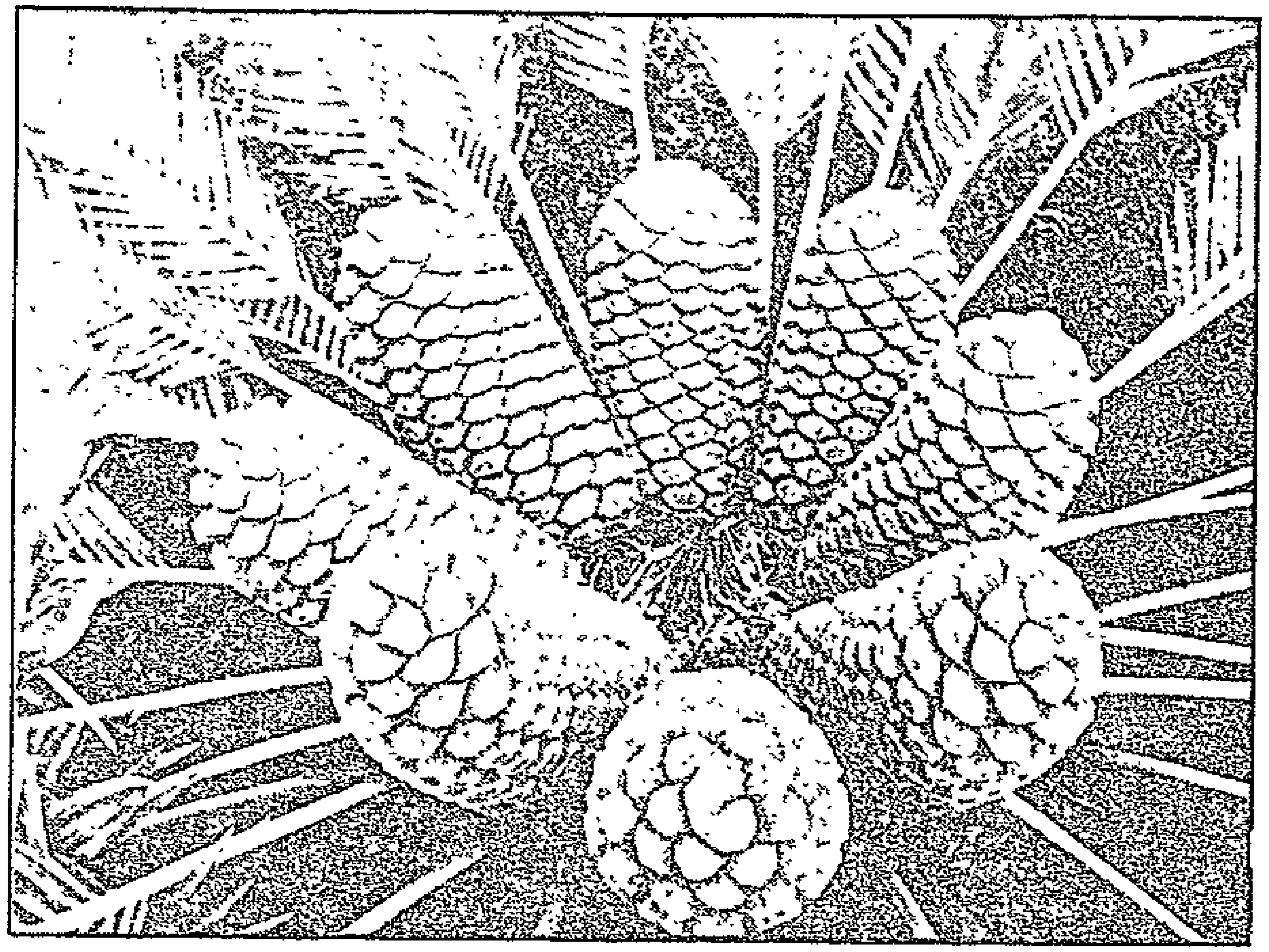
"It's a well-known means of sending money overseas — people don't realise there's so much money that can be made," one remarked.

There is also a substantial local market for cycads — and many are tempted by the high prices offered.

In a recent case a Pretoria man was fined R20 000 or three years in jail in Nylstroom Magistrate's Court for removing 27 cycads from a farm in the Waterberg district.

Conservationist Mr John Comrie-Greig calls the exploitation of the species "a rich man's fad" which has grown in momentum over the past 20-odd years.

"Fines are laughable because the profits of stealing cycads outweigh these fines so heavily," he said.



Cycads . . . conservationists allege their export is being used extensively as a means of beating currency export regulations.

, April 26 1989

Trade consuls recalled to aid local exporters

DTI shake-up coming

(74)

B/Day 26/4/89

HELOISE HENNING

SEVERAL of SA's trade consuls with years of experience in foreign markets were being recalled to Pretoria to assist local businesses in exporting.

Trade promotion director Bert Pienaar told Business Day the Department of Trade and Industry (DTI) was to start a new business entity that would register and counsel exporters and negotiate alongside them in foreign countries.

"In the past we concentrated on finding markets. We now realise that if the economy is to grow more than 3% a year, we need to concentrate on the local production side rather than the foreign marketing side.

"Our overseas missions study foreign market trends, find market niches for SA products and feed this information back to head office. We are restructuring the department to become more active in supply-side marketing.

"The models we have to build on, of co-operation between government and industry in the newly-industrialised countries, show us the magnitude of our task. We must get together to make things happen for the country," Pienaar said.

Pienaar had himself just returned from nearly six years in Taipei, Taiwan, and eight years in London.

The Cabinet decided the new entity should have a corporate image rather than being a board, Pienaar said.

The decision to deliver a service to the private sector in line with those of Mintek and CSIR, was the start of a gradual shake-up in the DTI. A freeze on government jobs did not permit new appointments. In the process of accomodating new jobs appointments experience in commerce, marketing and economics, old DTI functions could be scaled down and jobs rationalised. The screening of new applicants had already started.

Re-registration

"But we do not need to wait for restructuring of the department to give a better service," Pienaar said.

The department was to re-register all *bona fide* SA exporting firms because its list had become outdated. Previously, firms that wanted to qualify under the Income Tax Act for A, B, C and D export assistance needed to register with the department. Several were never active in exports. Changes in government incentives to exporters provided an opportunity for this spring-cleaning.

Pienaar acknowleged the service offered by the DTI in the past left much to be desired by local manufacturers, and said new director-general Stef Naudé was the driving force in the restructuring that would result in much co-operation between government and industry.

A Commission for Administration team was studying DTI functions, while Naudé was said to be preparing to scale down certain of the department's activities to accomodate more professional posts in the new entity. The freeze on the creation of government jobs would not permit the department to grow in size.

"We do not intend charging for our services, but will be judging the time we spend consulting with a particular client in the light of its foreign exchange-earning capacity," Pienaar said. The service would include counselling exporters, building up a databank on foreign market requirements, standards and restrictions and providing foreign office support.

He said the foreign offices would still concentrate on improving their services in SA's traditional foreign markets, but at the same time tremendous opportunities were arising through unconventional trade or countertrade in new markets like Africa and even East Bloc countries.

Exports will determine SA's economic future — FCI chief

TANIA LEVY

SA will ultimately sink or swim by its export achievements, says Federated Chamber of Industries (FCI) executive director Ron Haywood.

Addressing the Europe 1992 conference in Johannesburg yesterday, Haywood said the Trade and Industry Department is to hold a meeting in Brussels next month to discuss all aspects of EC 1992 and its implications for SA businessmen.

Haywood said it is imperative SA companies become involved with the new European common market.

However, he warned SA industrialists to be careful not to tackle the new common market without sufficient preparation. He suggested a firm's major strategy should be to establish a base within Europe, through joint ventures, mergers, takeovers, agents or own offices.

SA exporters should identify a particular niche for a product, like mining equipment, and concentrate on trade with selected countries rather than the total market, he said.

Haywood said serious commitment needs to be made to exports, although import replacement is an important area for local manufacturers to start expanding.

SA companies should commit a certain percentage of production to exports or produce to full capacity and export any shortfall between full production and the local market, he said.

Haywood said he sees 1992 as the catalyst for SA to start planning expansion of its markets into, not only Europe, but also into what, he termed, the Sub-Saharan Economic Community (SSEC).

With a size of about 250m people, the SSEC should be brought about and its labour, mineral and production potential tapped, he said.

Govt gives a qualified 'No' to duty free zones

74

Star 2/6/89.

By Peter Fabricius,

CAPE TOWN — The Government has given a qualified thumbs down to the idea of establishing duty free "export processing zones" to boost the manufacturing industry and promote exports.

A Government task team commissioned to investigate the matter has found that the traditional concept of an export processing zone could not be applied in South Africa.

However local variations of export processing zones "could make a positive contribution towards economic and regional development", Mr Chris Heunis, Minister of constitutional Development announced in a statement yesterday.

He said that regional authorities would now be asked to investigate whether some variation on export processing zones could be created in their areas.

Dr Skippie Scheepers, the chief executive director of the Department of Development Planning, who headed the task team said the traditional export processing zone was one where customs and duties were suspended on imported raw materials if these were used for manufactured exports.

There were three main reasons why the team had advised against establishing traditional export processing zones.

Obstacles

The most important obstacle was South Africa's distance both from raw material sources and from selling markets.

The second problem was that foreign exchange dealings — which were already complicated by the two-tier currency system — would be made even more complex in export processing zones.

The third problem was that the success of the zones would depend on foreign capital coming into the country and this was unlikely for the next few years.

Mr Heunis said that although the prime purpose of export processing zones was to promote industrial exports, they also had important implications and advantages for regional development.

For this reason the Government had asked the various regional development advisory bodies to investigate where variations of export processing zones could be established.

The task team had found that there were certain variations or elements of such zones which could make a positive contribution towards economic and regional development.

Mr Heunis said that the principle was already being applied informally in certain developing areas in the country and in countries of the Economic Community of Southern Africa.

Dr Scheepers said there were various deregulation measures which regional authorities could consider to support industry.

Mr Heunis said that when the regional advisory committees had completed their investigations, the Government would consider their recommendations on merit "within its existing policy framework".

The possiblity of joint development projects with other countries would also have to be investigated.

He said that indications were that successful export processing zones depended upon private sector involvement and initiative.

"Naturally it is expected of government to play a supportive role and to create a positive climate for such undertakings."

SA's export trade-off

(74) Fmail 2/6/89.

Gerrie Breyl is deputy director general (Trade) at the Department of Trade and Industry (DTI). Among his specific responsibilities is export trade promotion.

***FM:* SA trade with the Eastern Bloc has been in the news. What is the official view?**

Breyl: This is a sensitive issue. The DTI does not prescribe to the private sector with whom it may trade — but in SA's current situation we see our calling as helping to develop alternative trade opportunities and so to diversify and expand SA's trade destinations. We are busy with certain initiatives. But the DTI's role is purely supportive of the private sector.

Can the private sector use more of its countertrade leverage for exports?

Yes. The huge mining and industrial groups could ensure large buying orders by pooling in-house strengths to promote foreign sales: for example, when an affiliate places large import orders for capital stock. Again, the DTI's role is purely advisory and supportive, including through our 30-odd overseas offices.

How have sanctions affected the DTI's role?

A positive spin-off is the new performance-based export incentives package, which should be implemented by April 1 1990. It will be an improvement on the current cost-based incentives, which take up to two years to pay out through promissory notes or tax breaks.

Why the new incentives?

The current incentives have not fulfilled their purpose. SA still relies too heavily on the export of primary products. We want to improve the climate for secondary exports and have discussed the broad principles with the Private Sector Export Advisory Committee. The new incentives will be aimed at promoting manufactured exports, thus adding value to our commodities, creating more jobs and leading to stronger, less cyclical economic growth.

Can you detail the new incentives?

Four broad categories of manufactured exports will receive progressively higher levels of support. Firstly, raw materials, followed by beneficiated raw materials, material-intensive products and manufactured products. There are no hard or fast rules yet — and the broad guidelines will be flexibly applied. All exporters have been asked to re-register with the DTI and full details of the new scheme should be announced within the next few months.

Where does government's Industrial Development Strategy fit in?

This stands on three pillars: import replacement, inward industrialisation and export promotion. We are talking here of the third.

Why all the trouble to promote exports?

Our economy will benefit from an improved export consciousness. Getting into exports when local demand falls and then stepping out when the upturn comes, gives us a bad name and closes doors. Industry should export on an ongoing basis. We often find good markets — but no exporters to fill the gap.

How can industry make use of these opportunities?

By budgeting a specific portion of production for export and by working double shifts, if needs be. This will also bring down production costs. But export should be a long-term commitment, as many find to their benefit.

What role does the Board of Trade and Industry play?

In co-operation with industry, it is involved in a number of structural adjustment programmes, based on perceived comparative advantage. The programmes can include a focus on export, while tailor-made packages may involve tariff measures, customs duty rebates and export incentives.

Which new markets should exporters look at?

Africa offers excellent opportunities for technological exports. For example, some African countries have vast hardwood assets. SA entrepreneurs could develop income-generating saw-milling industries and import the produce to SA. Agriculture and mining are two other obvious areas where we can "export" our technological expertise to mutual benefit There are several such potential areas.

SA adopts a policy of 'any takers'

AKbus 4/7/89 74

REALPOLITIK seems to have erased ideological taboos that in the past might have constrained South Africa's trade abroad ... foreign trade policy in the late 1980s can be summed up in two words: "Any takers".

Analysts believe economic pressure at home and abroad have done most to remove inhibitions in South Africa's trade outlook, and a similar process has been at work in other countries that are ideologically hostile to South Africa.

Recent reports of large shipments of coal to Red China — though not South Africa's first business foray into the vast communist republic — have highlighted the new expedient at work in foreign trade.

However, the same openness does not extend to official statistics on foreign deals.

Details of business abroad are concealed as far as possible and the most the government is prepared to say publicly is that South Africa is penetrating new markets — including Red China and other Communist bloc nations — and that exports are growing.

A senior official confirmed that "we do trade with Red China, and we have opened up many new markets in the past few years, particularly in Africa and the Far East. Exports have increased generally".

Signs of a new fluidity in international relations were highlighted by Defence Minister General Magnus Malan in parliament earlier this year when he argued that as new alliances were wrought in a global political weather change, the opportunity for South Africa to open wider diplomatic and trade contacts had increased.

Bars on trade arising from apparently irreconcilable ideological differences were losing credence in the atmosphere of co-operation spawned by Soviet leader Mr Mikhail Gorbachev's enlightened policies of perestroika and glasnost.

While South Africa would not "neglect our security interests," he foresaw wider and increased "contact, trade and exchange of expertise" with the East.

The view of the Department of Economic Affairs and Technology is that South Africa will trade "with anyone who would like to buy from us".

But there is considerable sensitivity about saying what is traded, how much and by whom.

The need for secrecy, the government argues, arises from the threat of sanctions, of detection in potentially hostile markets, or of unwittingly embarrassing partners in trade.

Upgrade SA exports (74) call

Sowetan 14/8/89.

SOUTH Africa would not generate sufficient resources to meet even the basic needs of its population if it remained primarily a commodity exporter.

This was said at the weekend by Mr Michael Spicer of Anglo American Corporation in a speech at an Institute for a Democratic Alternative for South Africa (Idasa) "Securing the future" conference at Fourways, near Johannesburg.

The country had to upgrade its mineral and metal exports through beneficiation; broaden the base of its economy to include an export manufacturing sector; and move to service a broader domestic market.

Education, firstly, was important in overcoming the inadequate resource base for the task at hand, Spicer said.

"Here the overwhelming need is for a less academic and more technically orientated education which is likely to watch the life chances of the broad population."

Secondly, the continuation of the profit motive was also needed.

"The changes proceeding in the entire Second World - what used to be called the Communist Bloc - towards reinstating incentives in the workplace demonstrate once again the need to have an appropriate policy framework if the work ethic on which economic production and success depends, is to survive. - Sapa.

Star 20/9/89 (74)

New incentives will give big boost to export drive

By Michael Chester

The Federated Chamber of Industries views the revised new approach of the government to proposed export incentive packages, announced yesterday, as the alert to a dramatic acceleration in the whole export drive.

The changed stance of the government was outlined by the Minister of Economic Affairs and Technology in a statement that announced that all exporters would receive equal treatment in the allocation of new incentives when they are introduced on April 1.

It is a significant shift away from the intention of offering special extra cash incentives to companies linked into the structural adjustment programmes being negotiated inside specific manufacturing sectors to encourage the creation of "industrial pipelines" from producers of raw materials to producers of fully finished end products.

But the new packages are still expected to grow in size in line with how much beneficiation goes into locally produced raw materials on the production tracks to finished end-products, with allowance made for exchange rate fluctuations and the cost of marketing operations.

FCI executive director Mr Ron Haywood sees the changed stance of the government as backing to the concept of "Team RSA" — an initiative to bring about far closer cooperation between the public sector and the private sector in building more muscle into the international competitiveness of the industrial sector.

The revised shape of export incentives was announced at the precise moment that scores of business leaders met top government officials at a conference held in Sandton to discuss the theme of "Team RSA" and the whole export outlook.

More teamwork

"Team RSA" is the brainchild of the FCI and envisages far more teamwork in strategic planning between the manufacturing sector, the SA Foreign Trade Organisation, the Board of Trade and Industry and the Department of Foreign Affairs.

The two-day conference — sponsored by the FCI along with Barlow Rand and Deloitte Haskins and Sells — lays particular stress on the urgent need for South African exporters to plan how to retain and expand their overseas sales into key traditional markets in western Europe as the 1992 deadline approaches for the total unification of the EC nations.

The Minister of Economic Affairs and Technology's confirmation of the significant change in strategy about new export incentives also carried news that the deadline for registration of exporters with the Department of Trade and Industry has been extended from September 30 to the end of next month.

Mr Haywood said the announcement indicated a welcome move to allow several key industrial sectors more time to negotiate the launch of structural adjustment programmes intended to improve competitiveness on home and overseas markets.

The government had so far talked about one set of general export incentives with an extra layer of cash inducements for firms that had formed themselves into industrial pipelines.

Now the government had simplified its approach to launch a single set of incentives open to all registered exporters.

The Minister added in his statement that the original general incentive package was now being improved to the benefit of all companies turning out finished manufactured products.

There would also be more benefits for intermediary manufacturers and the agricultural sector.

Moreover, Scheme D, which offered other tax concessions, would remain available to all newly registered exporters until March 1992, rather than be gradually phased out from next April as originally planned.

A new incentives scheme was also being prepared to replace the existing Scheme C, which subsidises marketing expenses.

The Minister also spelled out the items that have been specifically excluded from the export incentive packages. These are:

Gold and other precious metals, rough diamonds, petroleum products, secondhand items, re-exports, postage stamps, motor components needed in Phase 6 of the motor industry's local content programme, uranium ore, and antiques older than 100 years.

All enquiries should be directed to the Director of Export Promotion at the Department of Trade and Industry: (012) 322-7333.

B/Day 28/9/89 (74)

General Export Incentive Scheme to replace SAPs

ZILLA EFRAT

THE main feature of the new export incentives announced yesterday is that the incorporation of export incentives in Structural Adjustment Programmes (SAPs) has been abandoned in favour of an improved General Export Incentive Scheme (GEIS).

The GEIS involves adjustments to the general export scheme announced in April which, with the SAPs, was to replace previous A and B export incentives which will be discontinued next March.

Department of Trade and Industry (DTI) deputy director-general, trade, Gerrit Breyl outlined the GEIS at yesterday's "Team RSA — Export and Europe 1992" conference in Johannesburg.

Certain shortcomings had been identified in the A and B schemes, he said. These were their open-endedness, method of payment and the administrative burden placed on both private and public sectors.

When the rand depreciated government paid out more, while at the same time, the competitiveness of average exporters increased.

The new incentives were designed to meet the requirements of selectivity, simplicity and flexibility. He said they were performance-based and offered some form of protection against exchange rate fluctuations.

Compensation would be paid in cash and be tax-free.

The GEIS would apply to manufacturers and export trading houses which exported for their account.

Formula

Commission agents or forwarding agents who completed documentation or carried out export transactions in their own names would not qualify except by arrangement with manufacturers.

Yesterday's announcement stated the scheme is based on the formula Z = U (M +/- E) (P) where:

- U is the export value, normally FOB;
- M is a marketing assistance factor showing the percentage export assistance relative to export value;
- E is the exchange rate factor which adjusts the marketing assistance factor M for fluctuations in the exchange rate and inflation;
- P represents a factor related to the local content of the export product;
- Z represents the tax free value of the export assistance in relation to exports with a value of U;

The marketing assistance factor (M), a means of encouraging the exports of products containing high levels of added value, will be increased progressively from primary products to manufactured products.

This means all export products will be classified into four categories according to stage of production — primary products, beneficiated primary products, material intensive products and manufactured products.

The provisional M values of 0%, 0%, 5% and 15% for the four categories respectively, have been changed.

The scheme has now been made more attractive by adjusting the M values for the four categories upwards to 0%, 7,5%, 12,5% and 25%.

Breyl says while it is not possible to attach watertight definitions to the four categories, the main criteria used is the ammount of processing applied to a particular product at the time of export.

Single scheme for export incentives

B/Day 20/9/89 (74)

GOVERNMENT is to incorporate all export incentives under one general scheme in a move that will benefit most exporters.

The changes were announced by Economic Affairs and Technology Minister Theo Alant at the Team RSA — Exports and Europe 1992 conference in Johannesburg yesterday.

Alant said the special export programmes which were to be designed for targeted industries under the Structural Adjustment Programmes (SAP's) would now also be incorporated under the General Export Incentive Scheme (GEIS).

In April, government announced SAPs for certain targeted industries which would incorporate their own export incentives schemes, as well as a general incentive scheme for exporters not catered for by the SAPs. They were to replace the existing incentives schemes which would be discontinued in March next year.

Alant said it was decided to stop includingexport incentives in the SAPs due to considerations relating to practical implementation, and to remove uncertainties among exporters, in connection with the development of the SAPs.

He said the move would immediately relieve pressure on numerous private sector committees engaged in formulating proposals to the Board of Trade and Industry regarding the SAPs.

The GEIS is based on a formula which takes into account the export value, the added value and the local content of export products, as well as the exchange rate.

ZILLA EFRAT

The improvement in the GEIS involves some adjustments to the general export scheme announced in April.

It has been made more attractive because the percentage assigned to goods classified according to different stages of production have been adjusted upwards.

This change is expected to benefit exporters of fully manufactured products as well as those of certain agricultural and intermediary manufactured products.

Among the products not included in the GEIS are gold, other precious metals, unworked or rough diamonds, certain petroleum products, second-hand goods, re-exports, vessels, collectors pieces, uranium ore and concentrates, as well as wool and cereals exported in bulk. Also, products incorporated into Phase VI of the motor vehicle programme for purposes of calculating local content will not be included.

In April, it was announced also that the existing tax benefit Scheme D would not be available to exporters included in the SAPs. However, Alant said Scheme D would now remain available to all newly registered exporters until March 1992.

He said details of a new scheme to replace the cash grant Scheme C would be made available shortly to the private sector for comment.

● See Page 9

22/9/89

EXPORT POLICY (74) FMail

Changing course

Government has vastly increased the benefits in its proposed new export incentive scheme, to be implemented on April 1.

On the same day government planned to implement the so-called non-comprehensive Structural Adjustment Programmes, for selected sunrise industries, but that plan has been postponed.

"We do not wish to impose any structural changes on industry and believe in the broad principles of a market-orientated policy," says Deputy Minister of Economic Affairs & Technology Theo Alant. "We have made mistakes in the past but we are learning as we go along."

The programmes have not been abandoned — only postponed — so that industry can get its own house in order, says Safto CE Wim Holtes.

Complex calculations

Calculating marketing assistance (the so-called M-factor) in terms of the proposed new incentive scheme involves four export categories:

- ☐ Primary products (such as iron ore), which receive no assistance;
- ☐ Beneficiated primary products (such as billets), which will now receive 7,5% assistance (previously they received none);
- ☐ Material intensive products (such as sheet metal), which now will receive 12,5% (compared with 5%); and
- ☐ Manufactured products (such as steel cabinets), which will receive 25% (compared with 15% under the scheme announced in April).

Export assistance will be based on a complicated formula that will also involve the compensatory, so-called E-factor (the rand exchange rate against a basket of currencies, calculated every six months by the Reserve Bank). Should the rand drop, the E-factor will reduce the marketing assistance paid by government, and vice versa.

The so-called P-factor will include in the local content value of the export, which would again have an impact on the total tax-free value of export assistance paid to exporters.

The new scheme will involve cash payments to exporters, subject to approval of applications for assistance after next April. The benefits of the existing scheme will be phased out gradually.

"By changing the incentives scheme, government acknowledges that it could be quite a while before Category 4 exporters begin to play a major role in SA's export performance," Holtes says. "As Category 2 and 3 exporters still play a vital role in our current export growth, the new incentives encourage them to continue with the good work."

Holtes says government could face a bottleneck of about R650m-R900m in promissory notes that must still be paid under the old scheme.

But Safto specialist Anne Moore doubts the new scheme will put an additional burden on the taxpayer.

"As assistance to the programmes will now be reduced, the new package will come in on a compensatory basis. And the E-factor in the new scheme will not only stabilise export prices, it will also reduce State assistance when the rand value drops further."

Director-General of Trade & Industry Stef Naude adds: "The development of an export culture in SA is of critical importance. Developing new markets and globalising SA's economic relations are the ways of the future. In this process, it is vital that the private sector and government should freely co-operate, with the State playing a purely supportive role." ■

Clarity wanted on export scheme

B/Day 25/9/87 KAY TURVEY (74)

ASSOCOM has called for clarity on the government's move for a single export incentives' scheme.

Trade secretary Bess Robinson said further details were required as some aspects were creating uncertainty for exporters.

She said it was disappointing the authorities had not consulted the private sector before taking the decision to scrap export incentives from the structural adjustment programme (SAP) and include them under a general scheme.

Assocom is to meet representatives of the Department of Trade & Industry on Wednesday to seek clarification.

This incentive, which allows for 20% of export turnover for marketing abroad, is to be discontinued in 1992 when it is to be replaced by new benfits.

In announcing the move last week Economic Affairs and Technology Minister Theo Alant said it was decided to exclude export incentives from the programme due to practical implementation considerations.

Further, the move would free private sector committees from formulating proposals to the Board of Trade & Industry regarding the SAPs.

Machinery set up for a major export drive

Finance Staff

In response to the debt recall by its major lenders and sanctions by the US, South Africa has embarked on an export drive.

Dr Stef Naude, Director-General of the Department of Trade and Industry, says the Government and the private sector are working very closely to restructure export potential.

"My department has established 32 offices around the world, which cost a lot of money to keep operational. If staff members do not perform, they will be recalled immediately.

"We are looking for results and my core team is of a very high calibre. We expect our staff members worldwide to back up their expertise with results.

"I have travelled abroad and talked to many businessmen and government officials in countries that South Africa has never traded with before," he says.

BUSINESSMEN

"Unfortunately I am not in a position to divulge who I have been talking to or where I will shortly be leading a team of prominent South African businessmen to.

"But suffice to say it encompasses a wide spectrum of socialist-oriented countries.

"Our efforts to foster trade with Southern African countries have been singularly successful and we expect some major advances in the region.

"Our economy is by far the largest on the continent and the pragmatism that is sweeping across sub-Saharan Africa should lead to a whole new wave of economic development, if the political support to boost this is forthcoming."

He says traditional export markets will remain, but that as an exporting country South Africa is beginning to flex its muscles.

"We have a wealth of business, financial and industrial talent and are now devising ways and means of using this to our and our neighbours' advantage."

ACADEMIC

Mr Naude, an academic in mercantile law, was chairman of the Competition Board prior to his appointment to the Department of Trade and Industry.

He was largely responsible for the legislation dealing with the introduction of the Close Corporation Act.

"I am a firm believer in keeping it simple. Civil servants must not be obliged to get bogged down in a plethora of paper work.

"The Close Corporation idea was designed to allow potential businessmen more freedom to succeed with their entrepreneurial designs.

"This is the way that South Africa will succeed in building up its exports.

"We in the department are totally committed to assisting business to export.

"The more we can cut out excessive paperwork, the more successful will this country be in flooding the world's markets with Made-in-South Africa labels."

SA will halt ivory exports for a year

South Africa would not permit the import or export of ivory for commercial use in 1990, but has decided to submit a reservation to continue trade in elephant products, Environmental Affairs Minister Mr Gert Kotze said yesterday.

At its conference in Switzerland earlier this month, the Convention of International Trade in Endangered Species of Fauna and Flora (Cites) approved a resolution to transfer the African elephant from Appendix Two to Appendix One, in terms of which trade in elephant ivory is forbidden from January 18 next year.

It was, however, decided to grant certain member countries with viable elephant populations the opportunity to apply to have their elephants re-transferred to Appendix Two.

The South African delegation, as well as those from Zimbabwe and Botswana, did not support the resolution.

GUARANTEES

Mr Kotze said the resolution did not provide ample guarantee that deserving cases would be considered and re-transferred to Appendix Two within a reasonable period of time.

South Africa had subsequently decided it would enter a reservation in respect of the resolution, Mr Kotze said.

"The resolution is diametrically opposed to South Africa's responsible management of its elephant population and precludes the country from the right to benefit from the judicious utilisation of a specific natural resource", he said.

South Africa has resolved to abide by the terms of resolution at least during 1990 and will not permit the import or export of ivory for commercial purposes.

Withdrawal of the reservation will be considered if the Cites panel, assigned to consider applications for reclassification, agree to recommend that South Africa's elephant population be retransferred to Appendix Two. — Sapa.

Star 26/10/89

(74)

SA needs new export culture

By Jabulani Sikhakhane

Changing patterns in world trade offer enormous opportunities to South Africa, the director general of the Department of Trade and Industry, Dr Steff Naude said yesterday.

Speaking at the Federated Chamber of Industries' (FCI) AGM, Dr Naude said: "To be able to benefit from opportunities surrounding us we must develop a proactive approach. This will entail a new dedication to exports on a continous basis."

Economic gains from the creation of a genuine single European market by 1992 will also open up considerable business opportunities for third country exporters.

Only the stronger and "fitter" EC companies will survive in the single market, meaning third country exporters will have to prepare themselves for stiffer competition, he said.

However, at the fringes, smaller sectors and niches, there are ample opportunities for local business to make a significant impact, he commented.

Dr Naude noted that the products assuming an increasing importance in world trade were final manufactured products which do not form a major part of South Africa's exports.

"The recent patterns of world trade indicate that we have been losing ground over the past 15 years. Our share of world trade has dropped from 1,5 percent in 1965 to 0,75 percent in 1987," he said.

Metals, mineral products, gem stones and gold collectively account for 75 percent of the country's exports. All these were in slower growing categories of world trade.

1/11/89

Star

(74)

EXPORTS (74) Finance

A new focus

10/11/89

Exporters were urged to look beyond strong trade figures, expand their capacity and broaden strategies when the SA Foreign Trade Organisation gathered for its annual meeting this week in Johannesburg.

"Overall export performance recovered strongly in 1988/1989," says organisation chairman Jan Bouwer. "Total export earnings amounted to nearly R57bn, a 26% rise over the previous year. Non-gold exports increased by a remarkable 39%, while net gold earnings rose by only 7%."

But Bouwer says the country still needs to develop a broad export strategy involving all aspects of industrial, financial and fiscal policy.

"The strategy must harness resources to achieve real export growth of 20% (a nominal growth of 35%-40%), in order to support economic growth of 5% a year. There is no other way to implement essential socio-economic programmes, create additional jobs and, at the same time, pay for its imports and settle international debt," he says.

While the organisation, and the Department of Trade & Industry, assisted in opening up markets for exporters, "the search for new export products and the development of viable new export markets met with the problem of lack of available products for export."

Bouwer ascribes insufficient export capacity to the:

- ☐ Short-term attractions of the improved local market;
- ☐ Low priority placed on exports by too many manufacturers and producers;
- ☐ Lack of commitment of a fixed percentage of production to exports; and
- ☐ Political uncertainty, high inflation and high interest rates.

"Increased export capacity is the key to export development: the new incentives and structural adjustment programmes must be geared above all towards achieving a dramatic change in the present situation," he says.

One problem is unfilled export orders. Warren Clewlow, the organisation's deputy chairman, hears the complaints from foreign buyers and local exporters. "The complaints are so prevalent that we feel the underlying cause is possibly a more serious restraint on our manufactured exports than international trade restrictions."

Successful export companies consistently commit part of their production to export. "These companies regard development of their international business as an integral part of their strategic plans in order to spread their risks and build a rand hedge for their earnings," says Clewlow.

Though finance for export-dedicated plant is available from the Industrial Development Corp, Clewlow maintains there's a better solution.

"At the end of the day, it is a question of management and strategic planning," he says. "A nationwide drive towards multiple shifts would develop huge additional export potential while offering substantial employment opportunities without increasing investment in capital expenditure or imported equipment."

An organisation survey found that more than 70% of companies not yet working multiple shifts would introduce additional shifts "if there was greater certainty that export markets would be identified for their products."

"The message here is clearly that a climate of confidence in exports is needed and that the potential is considerable," Clewlow says.

Bouwer would also like to see "enabling legislation" that would allow private property developers or local communities to establish free ports, industrial preferential zones, theme parks and similar facilities.

"A point usually overlooked is that the concentration of transport, packaging, freight forwarding, warehousing, financial and other support services creates synergy directly benefiting export development," he says.

For its part, the organisation has upgraded its services to the exporting fraternity by launching a database that allows clients to plug into the latest legal, political and regulatory developments of the 12-nation EEC's integrated market planned for 1992.

The Department of Trade & Industry is also modernising its foreign activities by establishing a database of registered exporters and it is linking all its overseas offices with Pretoria, according to Trade & Industry Minister Kent Durr.

"In order to improve the cost-effectiveness of the 34 overseas offices in 28 countries, an extensive screening and re-training of personnel has begun," Durr says. "These offices will operate on a management-by-objective basis in future. I will take a personal interest in these arrangements and the appointments made." ■

EXPORTS

1988

Major report on outlook for SA

Most exports 'invulnerable to sanctions'

74

GERALD PROSALENDIS
Financial Editor

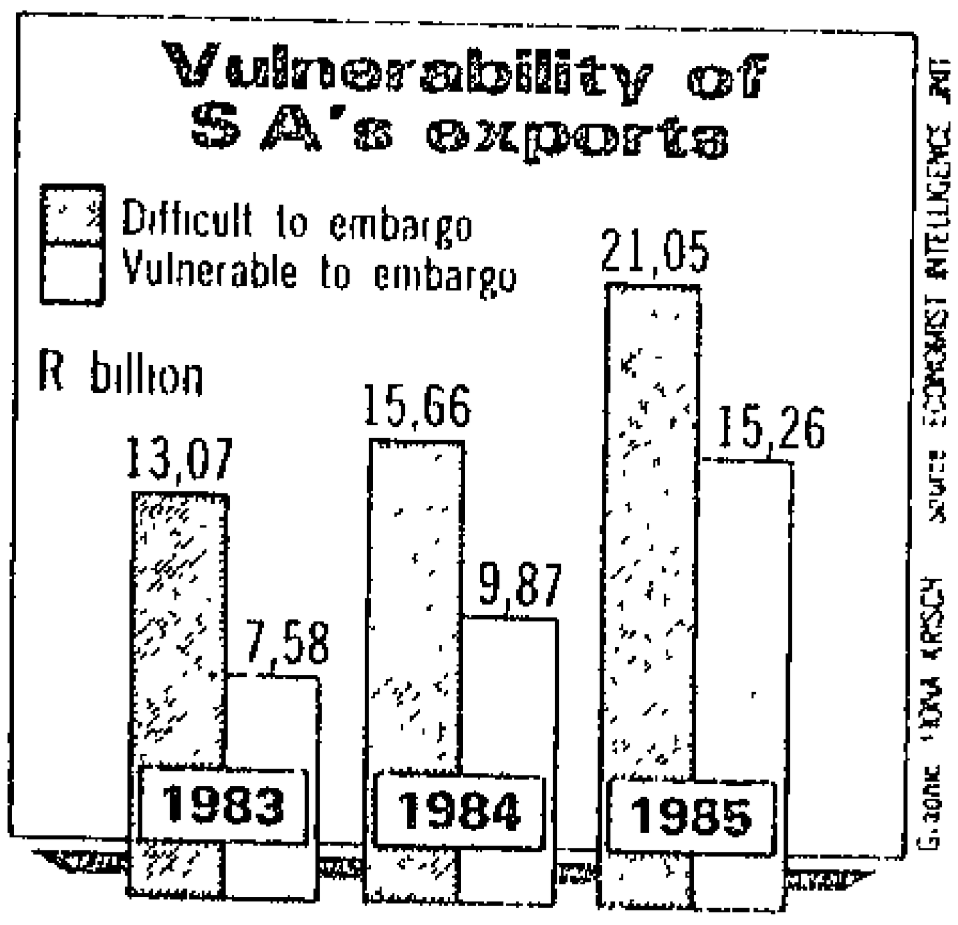
ALMOST two thirds of SA's exports remain invulnerable to sanctions, but nonetheless the result of a prolonged sanctions effort against SA while doing damage to the economy would have perverse political results.

This is the thrust of a major report called Sanctions and SA, The Dynamics of Economic Isolation published by the British-based Economist Intelligence Unit. The report, compiled by noted liberal academic Merle Lipton, said early assessments of the impact of sanctions on SA were exaggerated because of a failure to allow for adjustments that would follow as a result of market forces and compensatory government policies.

Instead, sanctions had reduced the "political space" for South Africans and could impede the inter-racial political debate that was under way, reducing the changes of an evolutionary route to a post-apartheid SA.

Continued incremental sanctions were unlikely to unseat government and were more likely to impede than accelerate reform.

"They are also likely to ensure that this takes place in an even more authoritarian context.



"The central question of (the impact of sanctions) on SA has been largely unexplored." Rather the debate had focused on the case for international action and on the question of how sanctions might "work" in the technocratic sense of being adopted and enforced.

The multiplier induced effects of trade and investment embargoes could be mitigated by government policies.

"Many governments have survived big reductions in their export earnings and GNP.

"There is less pessimism about trade

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P.T.O.

Major report on outlook for SA

Most exports 'invulnerable to sanctions'

FDay 14/11/88

74

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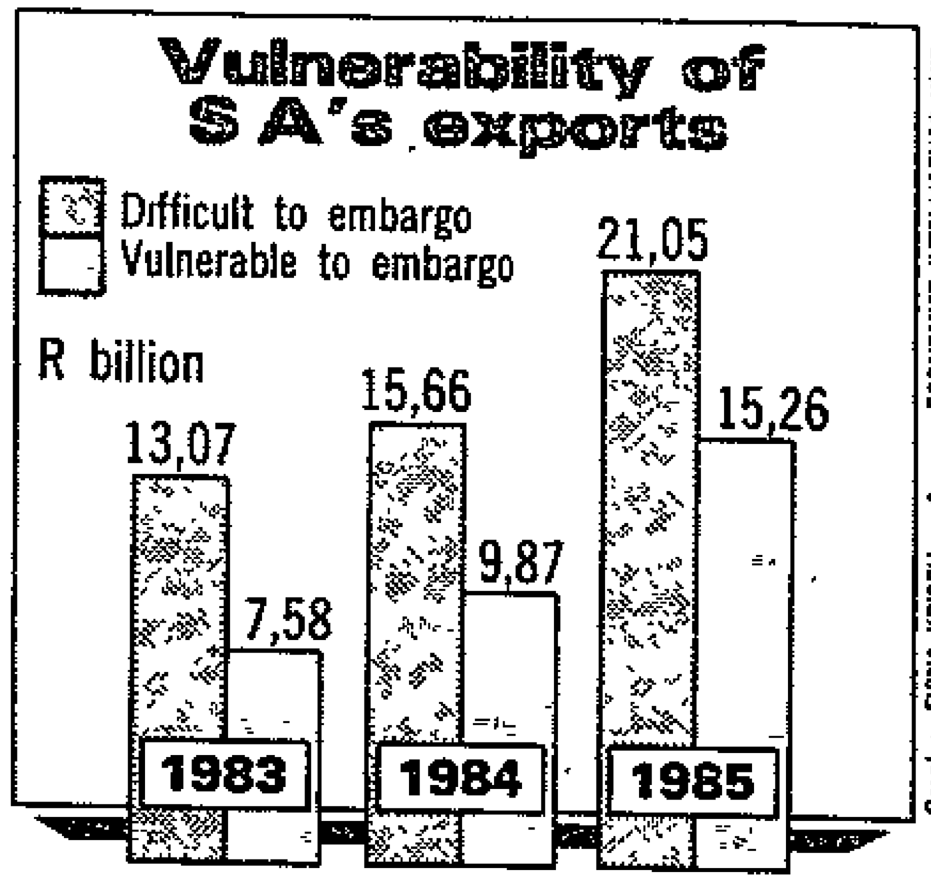

Graphic FIONA KRISCH Source ECONOMIST INTELLIGENCE UNIT

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Most exports 'invulnerable'

From Page 1

14/11/88

bans because of the belief that about 60% of SA's exports, mainly of precious minerals and metal, are effectively unsanctionable, short of a blockade or international action on gold."

Attempts to embargo gold (R15,46bn 1985), diamonds (R2,16bn), platinum (R0,77bn), chrome (R0,54bn) and vanadium would probably stimulate a price rise, so that if the volume of exports fell, earnings could remain the same or even rise. Two other exports likely to escape embargoes were wool and paper and pulp.

The remaining 40% of exports, including most agricultural products, were more vulnerable to sanctions. Other exports in this category include coal (R3,13bn 1985), steel (R2,06bn), copper (R0,47bn), aluminium (R0,26bn), asbestos (R0,13bn) and fluorspar (R0,06bn).

Sugar (R0,28bn) and maize (R0,11bn) faced particularly difficult markets and manufactured exports were also vulnerable, but less important.

SA was vulnerable to sanctions on its imports, though it had already reduced its dependence on oil. Some other imports could also be replaced, though opinions differed over the extent.

As a result of sanctions, unemployment could rise and, hence, inequalities, depending on government response.

It said employers had long opposed some apartheid policies and lobbied increasingly hard for change, but recently their influence had declined.

"There is most concern about the effects on capital flows though more labour-intensive strategies might ease this problem if the political obstacles can be overcome."

But, the assumption that SA needed foreign capital was based on the belief that it would continue on its path of capital-intensive growth.

Disinvestment was not working as intended. Most disinvesting companies had retained their economic links in other guises or been taken over by white SA capital on favourable terms. Foreign influence over practices at the workplace had been reduced.

The departure of leading companies threatened to reduce access to technology and was a serious blow to business confidence.

SA misses out on copper price bonanza

By Don Robertson

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5/1/88

SOUTH African producers are unlikely to earn huge profits from the surge in the international copper price.

Although they will benefit from monthly deliveries, most foreign sales are under contract and are paid for at the price ruling when shipments are made.

This rules out the possibility of hedging forward and taking advantage of existing high prices.

SA's largest exporter of copper is Palabora Mining Company (Palamin) which, depending on annual production, sells about 53 000 tons a year of high-grade metal abroad. This includes production from Messina. Other producers are O'OKiep which produces about 20 000 tons of lower-grade blister copper a year.

Copper prices on the London Metal Exchange (LME) have risen sharply since December and reached a high of £1 720 a ton for cash and £1 464 for three months sales.

This is a significant improvement since the beginning of last year when cash was selling at £900 a ton and three months at £930. At that stage, the market was trading in traditional fashion, the three-month price being marginally ahead of cash.

This contango — the difference between cash and futures prices when futures is higher — results from the cost of storing the copper in the LME warehouse and the interest on the cost of the purchase.

However, by June a backwardation developed. Backwardation is when the futures price is below the cash price and is brought about by a switch in purchases which favour cash buying. This is generally caused by a shortage of immediate stock.

Charles Johnstone, a director of Holcom Commodity Brokers, says prices are unlikely to return to December levels. This is shown by a decline in prices this week to £1 320 for cash and £1 330 for three months after nervous selling caused by a technical reaction to the increased prices.

LME traders are also aware of the possibility of substitution when prices rise too high. The most obvious substitute is aluminium which is trading at a large discount to copper.

But prices are likely to remain high for some time.

LME copper stocks are 53 000 tons. Stocks were 155 000 tons at the beginning of 1987 and the drop is a result of production problems. A delay in shipments from Zambia, which now exports mostly through Dar es Salaam instead of South Africa, has aggravated the problem.

The low stocks are vital to prices. In 1986, the last available figures, world consumption was 7,71-million tons compared with production of 7,45-million tons.

A Palamin spokesman says that in the past five years, estimates of stockpiles on the LME have been "hopelessly awry" and the realisation in the past six months that stocks are as short as they are has "sent the market mad".

However, he concedes that Palamin, which sells on contract, "is not able to play the numbers game on the futures market."

The possibility of a major sell off of scrap copper overseas which is vital to the secondary industry, has been discounted by Colin Horner, managing director of McKechnie Bros.

Sats rail tariffs a threat, but . . .

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Coal export rise on the cards in '88

20/1/88 B/Day

ALAN FINE and GRETA STEYN

THE SA coal industry can look forward to a mild export recovery in 1988 after the gloom of 1987 caused by low international prices, the strengthening rand/US$ exchange rate and sanctions.

But, say local industry spokesmen, a serious obstacle in the way of reversing the decline is the new Sats rail tariff structure which threatens to make many collieries uneconomical.

Provisional figures from the Chamber of Mines put exports for 1987 at 39-million tons. This is some 14% down from the figure of 45,4-million tons for 1986.

Gencor coal division CE Graham Thompson said yesterday the final figure could be as much as 40-million tons. He said the Richards Bay Coal Terminal (RBCT) handled more than 38-million tons, and this did not take account of exports through Durban and Maputo.

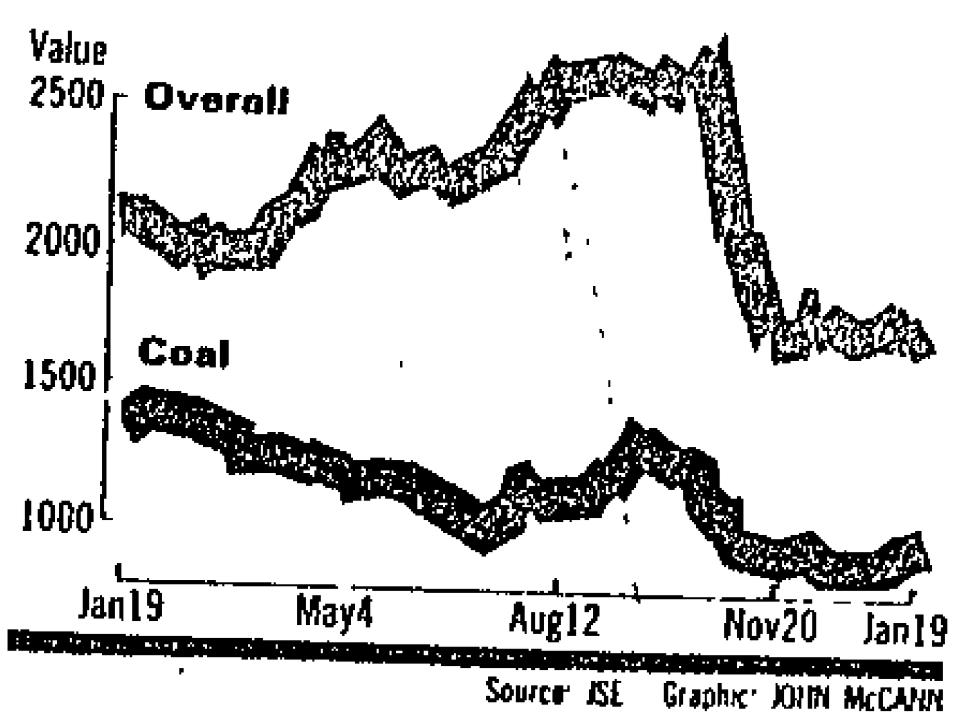
He added there had been some positive price developments. In addition, while coal sanctions by Denmark, France and the US affected some nine million tons, the industry had found alternative markets for half of this.

"But until we settle the rail rate increase with Sats the outlook remains dim," he said.

With effect from September 1 last year, Sats doubled the tariff for coal hauled on the Richards Bay line — to R22 a ton. This has squeezed mines operating on narrow margins, and has been cited as one of the reasons for a recent rash of retrenchments in the sector.

COAL INDEX AND OVERALL INDEX

Comparison chart on daily closing values



Coal mining analyst Dave Russell of J D Anderson said the Sats tariff hikes had: "done more damage than the sanctions campaign (talk about shooting yourself in the foot) and mine closures and retrenchments are now a reality on higher-cost collieries."

Russell described the Ermelo production cutbacks as the first direct result of the higher rail tariffs imposed in September. Ermelo was always a higher-cost colliery and the recent rail tariff

● To Page 2

Coal recovery possible for '88

● From Page 1

74

hikes apparently pushed the costs above break-even.

A RBCT committee is involved in negotiations with Sats over the issue. According to Thompson, the problem is essentially a financing one. He said the new tariff was based on a financing method whereby capital was recovered in equal annual amounts over a certain period. Initial interest costs were obviously relatively high.

The coal industry, said Thompson, was attempting to convince Sats to phase in capital recovery. A spokesman for Sats said the organisation was not prepared to discuss the matter with the media while negotiations were in progress.

Meanwhile, MIKE ROBERTSON reports from London that editor of the authoritative Financial Times International Coal Report, Gerard McCloskey, said recent spot steaming coal deals had seen South African producers fetching higher prices.

With negotiations for the bulk of the supply to Japanese and Italian power companies scheduled to start soon, McCloskey predicted SA producers could fetch as much as US$27 CIF/tonne from the Italians and US$30 CIF/tonne from the Japanese.

If he is correct, these deals would enable most SA producers to continue operating despite higher costs.

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Coal export crisis threat to thousands of miners

The Argus Correspondent

JOHANNESBURG. — Retrenchments in coal mines threatens to push the number of jobs to be axed from 3 000 to as high as 13 000 within the next 12 months because of a multi-million-rand nosedive in exports.

The estimate was disclosed today by Mr Allen Cook, chairman of the collieries committee of the Chamber of Mines, who confirmed that sanctions alone, though only one in a list of causes of the cutbacks, had slashed exports by about nine million tons a year.

Mr Cook also blamed South African Transport Services for worsening the industry's problems with steep increases in rail tariffs on export shipments through Richards Bay.

Mr Cook said: "The industry is struggling with a host of problems. Sanctions by the United States, Denmark and France have alone cost SA exports about nine million tons a year in losses.

"Now we have Mr Arthur Scargill, the British mine union leader, out on a campaign to try to spread sanctions to the whole of Europe.

"We wonder what explanation he will offer to his brothers of the National Union of Mineworkers in South Africa if some of them confront the realities of losing their jobs.

"South African exporters hit by sanctions are forced to seek sales on the world spot market, notorious for ridiculously low prices.

"The economic viability of several mines also comes under threat from domestic inflation, which has sent production costs soaring.

OPPORTUNITIES

"And now we have been hit by big increases in rail tariffs by Sats on shipments from the collieries to Richards Bay.

"South Africa is still a world player in international markets and there are still opportunities to be seized. We see good chances of an improvement in the near future.

"But for the moment it is feared that redundancies may have already climbed to about 3 000. And we have to face the reality that perhaps another 10 000 mineworkers will lose their jobs by the end of the year."

Provisional estimates by the Chamber of Mines indicate that coal exports tumbled from 45,4-million tons in 1986 to around 39-million tons last year.

Labour row

Botha's reaction was "shocking".

'Here is a case of the President playing small-time politics. After all, Mr Hendrickse is a chairman of the Ministers' Council in the House of Representatives and leader of the majority party.

Armscor is largest exporter

(109) (zsu) (74)
Cape Times 21/1/88

LONDON. — Armscor is now the largest single exporter of manufactured goods in South Africa, with sales to 23 countries valued in 1987 at R1,8 billion, Jane's Defence Weekly (JDW) reported yesterday.

Assets were given at R2,8 billion and the current backlog of orders R9 billion.

An Armscor spokesman in Pretoria yesterday confirmed the accuracy of the JDW report, adding that Armscor had changed from an importer to an exporter over the past decade.

JDW also reported Mr Jorge Risquet, co-ordinator of the Cuban mission in Angola, as saying the strength of Cuban troops in the country stood at 40 000. He said about 1 000 Cubans had died, most from diseases, accidents or terrorist incidents rather than combat.

Threats to SA coal exports, jobs mount

24/1/88

(74) 5/1

SOUTH Africa's R3-billion a year coal exports — and thousands of jobs — face the biggest threat in the industry's history.

Tariffs demanded by South African Transport Services (Sats) on the Richards Bay coal line will soon result in large tonnages of exports becoming unprofitable.

The best hope for relief lies with a Cabinet committee which has been examining the industry's problems for six months. But officials will give no indication of when it will report.

Holding costs

In spite of efforts by the industry to contain costs, the threat of more sanctions and the burden of higher tariffs have resulted in a large loss of jobs. Although total figures are not known, more than 10 000 workers have been retrenched.

The coal industry employed 100 000 black workers two years ago and last year 3 000 jobs were lost, largely as a result of sanctions which cut exports by about 8-million tons.

An industry spokesman says that with expected improvements in productivity and possible cuts in exports, employment at the end of this year could fall to 87 000.

The withdrawal of BP from the Ermelo mine has resulted in production falling from 3-million a month to 1,8-million tons and loss of 1 165 jobs. At the Welgedacht mine 550 workers were retrenched and at Van Dyks Drift, 308 lost their jobs.

Coal industry sources, although reluctant to take a strong stand on the impasse which has developed with Sats over tariffs, insist that the matter must be resolved soon if exports are not to suffer.

By Don Robertson

They say that because of the higher tariffs and sanctions, coal exports in 1988 are expected to fall from the 38-million tons sold last year and the 45,5-million tons of 1986.

Graham Boustred, chairman of Anglo American Coal Corporation, said in his recent annual report that SA had suffered a R1,3-billion loss in foreign earnings last year.

As a result expansion of the Richards Bay Coal Terminal had been postponed indefinitely.

Since March last year, railway tariffs have soared by between 39% and 130% depending on the source of the coal. Lower export prices and the stronger rand have made it difficult for the mines to cover costs on export sales. These costs include mine production, rail tariffs and port fees. SA exports are generally sold f.o.b. Richards Bay.

Unrealistic

Higher tariffs and increased wages have reduced SA's competitive edge in the world market, having been replaced by China, Venezuela and Indonesia.

The industry and Sats have been discussing the possibility of revised contract rail rates since March last year, but have failed to agree.

In the meantime, Sats has demanded a further increase in the rates over the previously contracted levels as well as an annual escalation based on full compensation for inflation.

Sats will review its tariffs in March this year, but the industry hopes they will be related only to inflation.

Allen Sealey, chairman of Witbank Collieries and head of the coal division at Rand Mines, said in his annual report last November: "The industry's view (on tariffs) is that the method of determining the increase is unrealistic and is particularly inappropriate under the current coal export circumstances.

"The matter is under discussion between the coal industry and various Government ministries, but in the meantime a substantial increase has been imposed on the industry."

At the annual meeting on January 6, Mr Sealey said some of the company's coal exports were at a stage where the margin has disappeared. He warned that if tariffs were maintained some exports would become unprofitable.

He told Business Times that with the lower export prices ruling in the second half of last year, few producers were able to cover costs.

"The higher tariffs only add to the problem."

Contract export prices now range between \$22 to \$29 a ton, and spot prices are between \$20 and \$28.

Subsidy for buyers

Mr Sealey says higher tariffs are "more than a threat to the industry. If we stay in the market to maintain business, it costs us money and I don't see why we should subsidise utilities in Europe."

Les Weis, managing director of the Transvaal Coal Owners Association (TCOA), says the uncertainty about tariffs has made it difficult for the industry to negotiate sales agreements and it has increased the risk.

However, there are encouraging signs that spot prices are rising.

R70m saving on drying

THE new-look Council for Scientific and Industrial Research (CSIR) has developed an industrial steam-drying process which will save SA R70-million a year.

Energy loss from conventional processes cost SA industry R100-million a year.

A spokesman says that although drying is energy intensive, the conventional system is usually only 50% efficient.

The steam-drying process draws off energy lost through exhaust systems and recycles it.

Steam-drying is used in many applications, including dehydrating and sterilising fruit and in clean conditions, such as the manufacture of glossy paper, washing powder and toothpaste.

Concession aids SA fruit exports

Business Day Reporter

THE Cape fruit industry has completed one of its most successful air export seasons thanks to the concession on the use of charter flights given by Transport Minister Eli Louw last year.

The concession enabled charter planes, for a limited period, to carry freight on both their south- and north-bound routes instead of only on the export route.

Unifruco, the international marketing group of the deciduous fruit industry, said the concession enabled more economical use of air export opportunities by the industries.

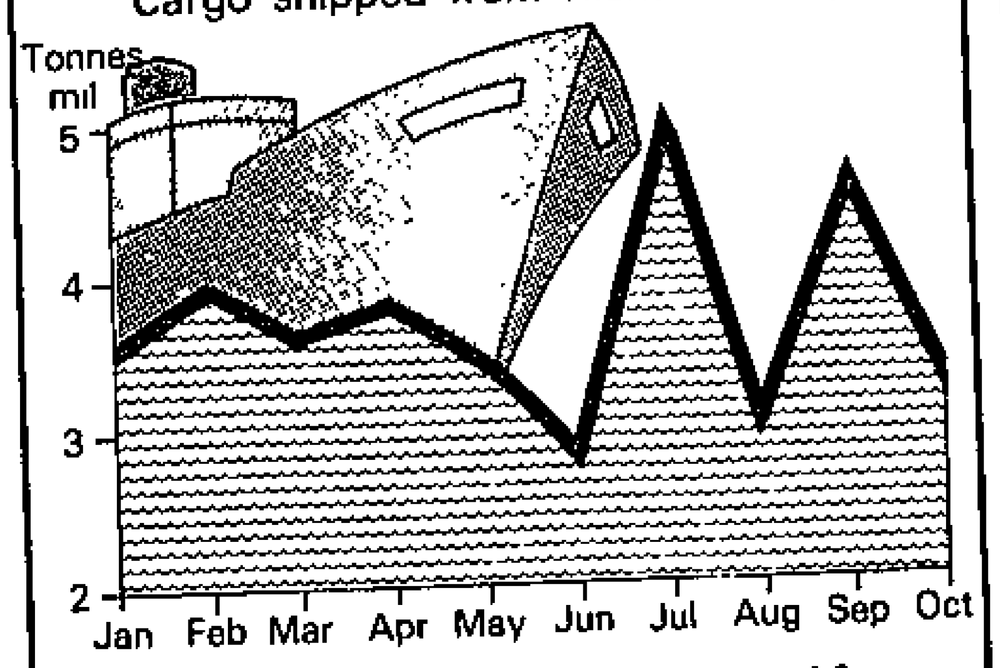
In total, 700 tons of apricots, peaches, nectarines, melons and table grapes were supplied without any problems to Europe over the Christmas and New Year season.

Unifruco CE Louis Kriel said the use of charter flights in addition to regular scheduled flights enabled Unifruco to service destinations in Europe that could not previously be reached.

B/day 25/1/88

Still going strong

Cargo shipped from Richard's Bay



COAL INDUSTRY (14)

Best of bad job

Although the industry is reluctant to admit it, South African coal exports did creditably in 1987. The fall of 6 Mt in exported tonnage to 39 Mt was far smaller than most people anticipated.

That said, the climate is becoming increasingly hostile for exporters. And South African exporters might not fare nearly as well in future. Amcoal chairman Graham Boustred says three factors will contribute to a sharp deterioration from the industry's peak in 1985/1986.

"A price reduction of US$8/t will reduce income by R650m, the stronger rand — from 42c to 49c — will take off a further R350m and the increase in railage another R300m (on the assumption that exports remain at 40 Mt)."

Last year saw some good coal exporting months (see graph). July was the best of the first 10 months — 4,95 Mt of cargo went out of Richards Bay, which handles 90% of SA's coal exports.

There is still an estimated 5% oversupply in the world coal market. This has been aggravated by the opening of a superpit at El Cerejon in Colombia with a potential annual output of 15 Mt, and China's entry into the export market. Within a few years China increased its exports from almost nothing to 16 Mt.

But, although traditional markets such as France, Denmark and the US are now closed to SA, there is evidence that much ground has been made up through "aggressive marketing" in the Far East. Australia claims to have lost at least R800m of business to SA this year.

Spot market prices are still low. A senior industry source says it's impossible to make money at the present spot price of US$24/t: "It will have to go to at least $26 or $27 to make exporting worthwhile."

Witbank Colliery chairman Allen Sealey says much will depend on the current round of annual international price negotiations. A realistic price (at least US$25/t) he says is needed to make exporting worthwhile.

Sealey is chairman of the committee negotiating with government on rail tariffs and he says any reduction in costs would be welcome. "Rail tariffs account for almost 40% of our cost. I hope they will be reduced to at least the level they were at before last year's increases."

Fortunately, much of the slack from the collieries will be taken up by Eskom's rapidly increasing demand. Witbank, for example, anticipates 1,8 Mt of coal will be stockpiled from their new Khutala mine before the Khutala power station is commissioned in June.

Although Trans-Natal's sales to Eskom decreased from 19 Mt to 18,1 Mt over the past year (from 60% to 56% of total tonnage), Amcoal more than compensated for this industry loss by increasing sales from 22,6 Mt to 26,4 Mt (from 60,6% to 64,6%), while Witbank's local sales increased from 10,1 Mt to 11,3 Mt (or from 53% to 57,8% of total sales).

In tonnages sold, at least this compensates for the loss in exports. Certainly, the mines are not losing money on sales to the electricity corporation. But, as different collieries supply Eskom and the export market, it may not be sufficient to prevent rationalisation at certain mines. ■

DD 29/1/88

Loss on export maize

74

Maize

A payment will be made to all farmers who marketed maize under the marketing scheme of the maize board during the 1987/88 season, says Mr Hennie de Jager, chairman of the board.

Mr De Jager said this supplementary payment was made possible by a smaller export loss and the conservative basis on which producer prices for the 1987/88 season have been determined.

"As a result of the smaller than expected maize crop, maize has been exported at a loss. The export loss has been reduced through the board's successful efforts to market more maize domestically," Mr De Jager said.

"The board's income from export maize has also been higher than expected as more favourable prices were obtained on international markets."

The board will also create a contingency reserve to establish a new stabilisation fund to reduce further risks.

As the maize surplus for the export market had already been sold by the end of December 1987, payments can be made this year before the end of the marketing season on April 30, 1988. He pointed out, however, that future payments, if any, would not necessarily be made before the end of the marketing season as is the case this year.

The supplementary payment in respect of grade 3 yellow maize has been fixed at R10 a ton since it had to be marketed at a discount due to its quality.

The present supplementary payment does not mean that the income of maize producers will be higher than it should have been. The fact that the crop delivered was 1 million tons less than expected means that producers' income will only be in line with the prices announced at the beginning of the planting season.

Small businesses active

SA export potential 'improving'

Cape Times 2/2/88

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By AUDREY D'ANGELO
Financial Editor

SA's production base is broadening, and firms turning to import replacement are manufacturing goods with export potential, Wolfgang Thomas, deputy area manager of the Small Business Development Corporation (SBDC) pointed out last night.

Dismissing suggestions that the export market is too expensive and difficult for small businesses to get into, Thomas said:"That is where the challenge lies."

Lucrative

There were already more small businesses active in the export market than many people realized. But, because it was lucrative, "some of the big firms try to keep them out."

Discussing recent warnings by other economists that the downturn overseas has killed hopes of an increase in exports from SA this year, Thomas — a former professor of economics at the University of the Western Cape — said this was more likely to affect large manufacturers.

Small firms were still likely to be able to pick up a few orders overseas which would be good business for them.

Thomas was speaking at the end of a small business forum in which clothing manufacturer Mike Fenner-Solomon, MD of Helenel, Francine Beudiker, regional manager of the SA Foreign Trade Association (Safto) and Gerrie Barnard, senior manager, corporate banking services, at the Trust Bank, gave advice to potential exporters.

In answer to suggestions from people in the audience, Thomas said the SBDC was in favour of several firms sharing one stand at overseas exhibitions or at the annual Design for Living exhibition in Cape Town, in order to cut costs.

Fenner-Solomon said SA manufacturers, accustomed to a fairly small domestic market, were more flexible than those from some other countries and this gave them an advantage. Some of the major manufacturers in the Far East were interested only in orders for thousands of units at a time.

But, he warned, it was vital that everyone in a firm was interested in entering the export market. And some initial orders had to be very small indeed but were worth getting in order to gain an entry to an overseas market.

He also advised firms to remember their main market would always be in SA, and not to export more than 25% of total production. "There are so many factors including the exchange rate which can change the situation and turn a profit into a loss."

Competitive

And he advised against trying to make a big profit in the early stages in spite of the weakness of the rand, which made it easier to be competitive.

Barnard said there were "ways of getting round sanctions" — and his bank could help.

But Beudiker warned that it was "highly dangerous" to attempt to evade US sanctions. There were still goods which could legally to exported there.

Pointing out that entering the export market cost money, she said it was wiser first to expand in this country. Longer production lines meant lower unit costs.

SA 'can no longer export surplus food profitably'

74

South Africa was no longer in a position to export its food surpluses profitably, the Deputy Minister of Agriculture, Dr Kraai van Niekerk, said yesterday.

Dr van Niekerk was speaking at the opening of the Free State Agricultural Union's winter grain congress.

Excessive agricultural production — particularly in Europe and the United States — in the midst of a stagnating demand for food, had caused vast surpluses, he said.

"The inevitable result has been low producer prices — and a worldwide rush to either retain existing export markets or conquer new ones by fair means or foul," Dr van Niekerk said.

As an example, the world's maize production had grown from 30 million tons in 1983/4 to an estimated 129 million in 1986/7.

In the same period, wheat production had risen from 133 million tons to 165 million.

The prices of maize and wheat would have to rise by 75 percent and 85 percent respectively to enable South Africa to export them at a profit, Dr van Niekerk said.

Taiwan beckons an SA exporter

S/T 21/2/88

(74)

By Don Robertson

A LOOK at the export potential of the Taiwanese market in the past two years has prompted Industrial Machinery Supplies (IMS) to establish an office in Taipei.

In association with its multinational principals, including M.A.N./GHH of Germany and Alsthom of France, it hopes to break into the Taiwanese market, initially on a small scale. It is looking also at export potential in Chile and Israel.

In December 1986, IMS established an agency agreement with a Chinese company in Taiwan and after an investigation of the market showed that SA industrial machinery had export potential.

IMS intends to establish a second office in Taipei and will use its expertise to represent other SA companies.

Japanese

IMS, which depends largely on Eskom for its custom, is aware of the slowdown in the corporation's spending programme and intends to use its spare capacity for exports.

IMS export consultant Jean Labesse says a breakthrough in the Taiwanese market will be difficult.

Because of Japanese occupation of Taiwan between 1945 and 1949, many businessmen now in office have had a partial Japanese education and favour Japanese products.

Americans, the biggest buyers of Taiwanese products, virtually insist they are invited to tender for major projects — with the threat that US markets will be closed Taiwan.

Another problem is that European industrial machinery manufacturers are able to offer a fixed price for components for all the contract time through an insurance scheme operated by their governments.

IMS, along with other companies, has approached the SA Government for the a similar scheme.

SA exporters are also concerned about having to operate "blindfolded" because of the intention to withdraw most of the incentive schemes by the end of the year. What will replace them is not known.

In spite of these problems, Mr Labesse is confident that SA companies can compete successfully for small projects in Taiwan by supplying generator sets, furnaces, boilers and materials handling equipment.

Mr Labesse says Chile is now economically and politically stable. With SA's mining expertise the potential for exports of equipment such as load, haul trucks is good.

Israel's decision to switch most its power generation from oil to coal will aslo offer IMS a market for ship-loading equipment which it manufactures.

The R150-million IMS group was established 40 years ago in SA, mainly as an agency for international companies, such as Voith, Hazemag, Yanmar, Haver, Krupp Widia, Beumer and Redding. However, in the past six years, the company has introduced a design and manufacturing operation and has undertaken major projects, such as a part of the Koeberg power station, as well as many Eskom orders and other turnkey developments.

The design and manufacture of components, such as stacker reclaimers, steam boilers, load, haul dumpers and winders for the mines, chemical plant equipment and material handling plants, makes up about half of the group's turnover.

Most of the manufacture is sub-contracted, but local content has been as high as 98%, only design drawings being imported. IMS provides quality assurance.

SUNDAY TIMES, Febru
28/2/88

The Great Art Export Dodge

Sales overseas lose SA heritage millions

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MILLIONS of rands are leaving South Africa every month in the form of artworks for sale on the international market.

And the people who look after the country's heritage of antique paintings, sculptures, furniture and other artefacts are powerless to staunch a multi-million rand flood of these objects being literally smuggled overseas.

The National Monuments Council (NMC) in Cape Town disclosed this week that it had received "no more than half a dozen" applications to export heritage artefacts from South Africa last year.

But the full extent of the trade was only revealed recently with the latest figures from "Eurostat", the bureau in Brussels which compiles figures for imports coming into European Community (EC) nations.

By JEREMY BROOKS in LONDON and HAMISH McINDOE

They show that in eight months to last August "Works of Art" coming into Europe from South Africa amounted to R345,6-million — placing them among commodities like coal, gold and diamonds in the top 10 of South African imports into the EC. Ninety percent of that went into Britain.

Drop

The figure shows a slight decrease from the year before when the figure was R387-million. The drop, said Eurostat officials, can be attributed to a fall in white emigration from South Africa, which peaked in 1986.

The category includes a range of articles such as paintings, silver, wrought gold, jewellery, statuary and sculpture.

The works leave South Africa in two ways — either in straightforward sales to foreign buyers, or as household goods taken out by emigrants.

Bonanza

The depressed rand against international currencies has meant a bonanza for South African owners.

In terms of a recent amendment to the 1969 National Monuments Act, all paintings, manuscripts and documents that have been in South Africa for 100 years or more must have the NMC's approval before they can be exported.

A 50-year rule stands for furniture, silverware and jewellery.

The NMC — a statutory body — admits it is virtually powerless to police the illegal export of such goods.

Said the NMC's spokesman: "The legislation is clearly not sufficient to control the situation and the council also needs more personnel. We just do not have the staff to monitor what is leaving the country."

It is clearly an effective means for emigrants to get money out of the country and evade Pretoria's stringent currency control laws.

Jealous

The importance of the South African market has long been recognised by the major auction houses such as Christies and Sothebys.

Christies flies out experts regularly to conduct "valuation days" across the country when owners can get an idea of what prices their possessions might fetch in London.

Both firms, who traditionally guard the identity — and nationality — of clients jealously, were reluctant this week to comment on the issue.

One item due to go under the hammer in two weeks' has embroiled Christies in some controversy. It is a rare 17th century "silver oar", used as a ceremonial mace in the Vice Admiralty courts of old Cape Town.

It was last used in 1911 by the First Chief Justice of South Africa, Lord De Villiers, and is now owned by his grandson, the Honourable John de Villiers.

Mr De Villiers, approached when the impending sale was first announced, denied that it was to be auctioned and said it had only been sent to Christies for evaluation.

However, the latest catalogue confirms it is to be sold on March 9.

Permit

Experts tentatively put its worth at about R50 000.

The oar, given a permit by the NMC authorising its export, has highlighted the worst fears of museums and galleries to the plight of South Africa steadily losing key heritage objects.

Soaring rail costs threaten coal exports

28/2/88 ST

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By Don Robertson

THE huge rise in transport costs on the Richards Bay coal railway line is threatening the R3-billion-a-year export market.

Since March last year, railage costs have risen from R12,90 a ton to a whopping R23 a ton.

SA Transport Services (Sats) stands to earn R900-million in tariff charges alone on this year's coal exports.

The price charged for carrying export coal from the Eastern Transvaal fields to Richards Bay is now more than the cost of digging it out of the ground.

Profits tumble

The effect of the Sats tariffs was starkly emphasised this week in the interim report of a major coal exporter, Trans-Natal.

In the six months to December, profits tumbled to R8,3-million from R52,7-million in the same time in 1986. Chairman Steve Ellis places the blame squarely on the higher rail tariffs. The company has been forced to pass its dividend.

Mr Ellis says export railage costs for the six months rose by R17,3-million over the 1986 half-year and are now higher than total mine costs.

They include mining, washing and loading aboard railway trucks. Trans-Natal made great efforts to keep production costs below the inflation rate.

Mr Ellis suggests that because of the iniquitous rail charges, many coal mines may be forced to close with a resultant loss of thousands of jobs..

"Certainly, there will be no additional funds to expand our operations."

The industry's progress has also been threatened by sanctions — last year they cut exports by about 8-million tons — lower international prices, a stronger rand-dollar rate and high internal inflation.

Mechanisation

The industry employed 100 000 black workers two years ago, but in 1987, 3 000 jobs were lost. Increasing mine mechanisation is expected to lower job numbers to about 87 000 this year.

Since March last year, the industry has been in heated debate with Sats over the tariff increases and a Cabinet committee has been appointed to investigate them.

Industry sources say that Sats' efforts to recoup the cost of the doubling the Richards Bay line in the past two years in as short a time as possible is mainly responsible for the jump in tariffs.

Because of continuing discussions on rates, most coal exporters are reluctant to discuss developments and none can suggest when the matter will be resolved.

It is expected that rates will be rise next month, but the industry hopes that any increase will be related only to inflation.

Sensitive

The Transvaal Coal Owners Association (TCOA) says the matter is sensitive and is "unable to pre-empt" any findings. Dave Rankin, managing director of Anglo-American Coal (Amcoal), is equally reluctant to discuss the problems facing the industry.

However, Allen Sealey, head of the Rand Mines coal division, said recently that some mines' exports were being made without profit.

He warned that if rates remained at present levels, some exports would become unprofitable and few producers would be able to cover costs.

Uncertainty about tariffs has made it more difficult for the industry to negotiate sales agreements and has added to the risk.

Mr Ellis says the current tariff places the coal industry in an invidious position. He warns that if rates remain at present levels, the closure of mines will directly hit Sats as the income from export railage charges will fall sharply.

Although praising Sats for its operational ability, he says "their financial approach is killing the industry".

"In past years we made substantial profits from our exports and maybe Sats will say that we can ride with the burden now. But they have hit us at the worst possible time in view of the lower prices and recently rising rand exchange rate."

Australians

Aggravating the position is the fact that the Australians have been able to reduce the f o.b. price of their coal in the past year, and so reduce SA's competitive edge.

However, Mr Ellis hopes that some relief will arrive soon. Contract and spot prices are improving and he expects "a few dollars more this year".

28/2/88

Hansard

HOUSE OF ASSEMBLY

†Indicates translated version.

For written reply:

General Affairs:

Agricultural production not under control of boards

71. Mr R J LORIMER asked the Minister of Agriculture:

What percentage of South Africa's total agricultural production in the 1986-87 production seasons was not under the control of any board established under the Marketing Act, No 59 of 1968?

The MINISTER OF AGRICULTURE.

20,2 per cent.

Agricultural production/exports: value

72. Mr R J LORIMER asked the Minister of Agriculture:

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What was the value of the Republic's agricultural (a) production and (b) exports in 1987?

The MINISTER OF AGRICULTURE:

(a) R12 898 503 000

(b) The value of the Republic's agricultural exports in 1987 is not yet available. In 1986 it was R2 594 711 000.

Grain imported

80. Mr D J N MALCOMESS asked the Minister of Agriculture:

Whether any grain was imported into South Africa in 1987; if so, (a) how many tons, (b) what was the nationality of the ships in which the grain was transported and (c) who collected the (i) brokerage and (ii) insurance premiums in respect of each shipment?

The MINISTER OF AGRICULTURE:

Yes.

(a) 8 800 tons of barley
26 356 tons of oats.

(b) The nationality of the ships in which the grain was transported and

(c) the instances which collected the (i) brokerage and (ii) the insurance premiums in respect of each shipment are not known since the barley was imported by the malt manufacturers and the oats by the oats millers themselves.

State veterinarians: vacancies

214. Mr R J LORIMER asked the Minister of Agriculture:

Whether there are any vacancies for State veterinarians in his Department; if so, (a) how many and (b) in respect of what date is this information furnished?

The MINISTER OF AGRICULTURE.

Yes.

(a) 19.

(b) 29 February 1988.

Veterinarians registered in Republic

215. Mr R J LORIMER asked the Minister of Agriculture.

(a) How many (i) White, (ii) Black, (iii) Coloured and (iv) Asian veterinarians are registered in the Republic at present and (b) in respect of what date is this information furnished?

The MINISTER OF AGRICULTURE:

(a) Altogether 1 498 persons practising a veterinary profession are registered with the South African Veterinary Council. The Council no longer keeps record of the number of registered persons belonging to the different population groups.

(b) 12 February 1988.

Control of ~~noxious plants~~: herbicides

219. Mr R J LORIMER asked the Minister of Agriculture:

(a) What amount was spent on herbicides for the control of noxious plants during the latest specified period of 12 months for which figures are available, (b) what noxious plants were involved and (c) what amount was spent on each of these plant varieties?

DID 8/3/88

(74)

SA exports to America cut 30pc

JOHANNESBURG — South African exports to the United States plummeted by almost 30 per cent in the first nine months of last year after Washington enacted anti-apartheid sanctions legislation in October 1986.

US Commerce Department figures released here showed that the two-way trade between South Africa and the US shrank to $1,922 billion from $2,684 billion in the same period of 1986.

The figures highlighted the fast deteriorating trade between South Africa and the US, which was supplanted by Japan as Pretoria's biggest trading partner in 1986.

South Africa's exports to the US fell to $1,012 billion from $1,821 billion, while imports from the US edged up to $910 million from $863 million.

South African uranium, which once accounted for nearly six per cent of total exports to the US, dwindled to zero between January and September last year.

So did exports of gold and silver bullion, coal, iron and steel, and a range of agricultural products banned by the US Comprehensive Anti-Apartheid Act of 1986. The law also barred new investment and bank loans to South Africa.

The evidence of declining US trade with South Africa will heighten Japan's embarrassment over its position as Pretoria's number one trading partner, according to Western diplomats.

Last year Japan's two-way trade with South Africa rose nearly 20 per cent to $4,27 billion, prompting accusations that it is filling the vacuum left by about 140 US firms that have pulled out of the country over the past three years under anti-apartheid pressure.

Uneasy about the expanding trade, Tokyo's Foreign Ministry called on the influential Federation of Economic Organisations in January to act cautiously in doing business with South Africa.

The call prompted car makers Toyota and Nissan to announce that they would cut shipments of motor components, which account for about 40 per cent of Japan's total exports to South Africa.

Last week, several major Japanese electronics firms, including Fujitsu, Pioneer and NEC, announced they would end sales to South Africa.

Local businessmen noted, however, that Japan's powerful Ministry of Trade and Industries appears less enthusiastic than the Foreign Ministry about curbing business links with this country and has done little to restrict South African exports to Japan.

Last year, Japan bought about $500 million worth of coal from South Africa, roughly 20 per cent of the country's total coal exports.

Meanwhile, Iscor announced yesterday that it would establish a multi-million rand electrolytic galvanising plant at its Vanderbijlpark works and would go out on "open inquiry" soon to establish where the plant may be obtained abroad.

The plant would cost an estimated R60-million, Iscor's public relations manager, Mr Piet du Plessis, said.

He denied a report published on Monday that Iscor had had secret negotiations with the Japanese Ministry of Trade and Industry to obtain the plant from a Japanese supplier.

He said Iscor would go out on open inquiry, probably at the end of this month. Companies in several countries offered this technology and Iscor had not yet decided where the plant would be bought, he emphasised.

The plant would produce 25 000 tons a year of high-quality galvanised steel required by the motor industry, among others.

The plant is expected to come on stream in 1990. — Sapa.Rns

Sanctions have major effect

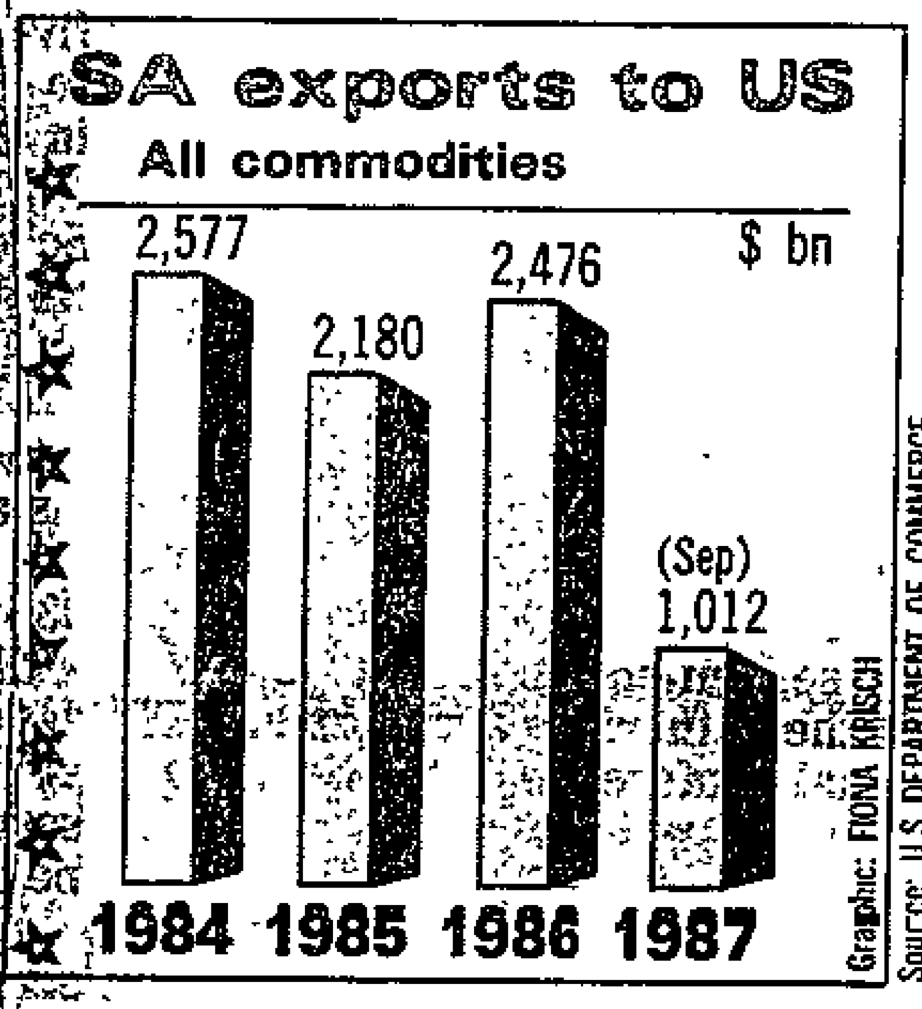
SA exports to US drop by 44,4%

74

B/day 8/3/88

US SANCTIONS legislation caused SA's exports to the US to plunge by 44,4% in dollar terms in the first nine months of last year.

US Commerce Department figures released in Johannesburg showed SA's exports to the US nosedived to $1,01bn from $1,82bn in the nine months to September 1987, compared with the same period in 1986. However, imports from the US edged up to $910m from $863m in the same period.



Graphic: FIONA KRISCH

Source: US DEPARTMENT OF COMMERCE

GRETA STEYN

Exports to the US of a range of goods and commodities banned by the Comprehensive Anti-Apartheid Act plummeted to nil in the nine-month period. These included uranium products, which once accounted for nearly 6% of total exports to the US. Uranium oxide exports fell to nil from the $117m recorded in the January to September period in 1986.

Coal exports also dried up (from $36m), as did iron or steel ingots (from $13m); gold or silver bullion/ore (from $79m); coal (from $36m); shellfish (from $24m) and motor fuel (from $25m).

Imports from the US rose by 5%. Imports of general merchandise almost doubled from $12,8m to $24m, reflecting heightened domestic demand as the economic recovery got under way.

Although these figures are not adjusted for currency fluctuations, economists say the picture does not alter significantly if the rand/dollar exchange rate is brought into account.

Rand Merchant Bank economist Rudolf Gouws said: "The US was experienc-

● To Page 2

SA exports to US drop by 44,4%

● From Page 1

ing strong economic growth up to September last year and its imports increased across the board. If it had not been for sanctions, SA would probably have contributed its share of goods exported to the US."

While SA's exports to the US were sharply down in the period from January to September last year, its total exports, in rand terms, increased marginally in this period, indicating the country succeeded in finding alternative markets to the US.

Customs and Excise trade figures for the period January to September last year showed that exports for the nine-month period were valued at R31,5bn, slightly higher than R31,4bn recorded in the period from January to September 1986.

DID 8/3/88 (74)

Exports to US plunge

JOHANNESBURG — United States sanctions legislation caused South Africa's exports to the US to plunge by 44,4 per cent in dollar terms in the first nine months of last year.

US commerce department figures released here show that South Africa's exports to the US nosedived to $1,012bn from $1,821bn in the nine months to September 1987 compared with the same period in 1986. However, imports from the US edged up to $910m from $863m in the same period.

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Imports from the US to South Africa rose by just over 5 per cent. Imports from the US of general merchandise almost doubled from $12,8m to $24m, reflecting heightened domestic demand as the economic recovery got underway.

Although these figures are not adjusted for currency fluctuations, economists say the picture does not alter significantly if the rand—dollar exchange rate is brought into account.

While South Africa's exports to the US were sharply down in the period from January to September last year, its total exports, in rand terms, increased marginally. — DDC

Hitachi cuts parts for SA computers

TOKYO — Japanese computer-maker Hitachi has agreed with the West German firm Comparex to limit exports of computer parts supplied to Comparex for assembly and sale to SA, an Hitachi spokesman said yesterday.

Hitachi took the step to show possible US critics it did not intend to take advantage of American computer-makers' withdrawal from SA by boosting its own market share there, the spokesman said.

With its action, Hitachi has joined a small but growing list of Japanese companies which have said they will limit exports to SA following pressure from the foreign ministry.

Hitachi supplies central processing units, magnetic disk devices and other computer components to Comparex, a joint venture of West Germany's Siemens and BASF. Comparex assembles the parts and sells the computers under its own brand name in SA.

Comparex agreed to a Hitachi request to observe a Japanese government ban on the sale of computers to the SADF and other bodies involved in implementing the policy of apartheid, the spokesman said.

The two sides also agreed the value of parts supplied by Hitachi in this business year, ending on March 31, and next year would not exceed the value shipped last year.

Industry sources estimated 1986/87 shipments were worth about 5bn yen. The value of shipments in the current year was likely to be about half the previous year, the spokesman said.

The Foreign Ministry is embarrassed by Japan's status as SA's largest trading partner. — Sapa-Reuter.

(54) B/day 10/3/88

COAL EXPORTS

Sats in the dock

Sats' rail tariffs have been put squarely back in the spotlight by two recent developments — ongoing talks with the coal industry to reduce heavy increases and the new focus on privatisation.

Trans-Natal chairman Steve Ellis recently put the blame squarely on increased rail tariffs, when he announced the group's disappointing results; in the six months to end December, profits fell to R8,3m, compared with R52,7m in the same period in 1986.

Sats could be shooting itself in the foot. Ellis argues that if rates remain at present levels, the forced closure of mines will directly hit Sats as the income from railage charges will fall sharply.

The highly confidential talks between Sats and the coal industry go on. But the coal industry is seeking nothing less than the reduction of tariffs to their old average level of R12,90/t — from the current R23/t — if local exporters are to stay internationally competitive.

The State President's renewed commitment to privatisation will inevitably raise demands to sell the Richards Bay line to the private sector, ideally to a consortium of coal owners, rather than allow profits to be used to subsidise other Sats laggards.

Says Cargo Carriers MD Roy Marcus: "Sats should be unshackled from responsibility for commercial operations and the private sector should take these over."

Marcus favours the creation of a coal pipeline from Witbank to Richards Bay, which would be in direct competition with the railway line. "Studies in the US and UK concluded that no country could justify building a railway for coal transport on economic grounds, only on strategic grounds.

"The cost of laying a pipeline is far less than that of laying a railway line and, as manpower requirements are minimal, running costs are far lower. The proposed Etsi coal pipeline in the US would have consumed far less steel than a comparable railway line."

Coal pipelines can come in two forms. In a slurry line, coal is carried by water or methanol, but Marcus prefers a pneumo-capsule line in which coal is carried in capsules propelled by compressed air. He says this would have the advantage that other commodities could also be transported.

Marcus is convinced that, if legislation was changed to allow the private sector to develop pipelines, the capital could easily be found. "Rail tariffs have become such an immense burden that I'm sure the coal owners would join a consortium to get an alternative."

Meanwhile, there is also some good news on the export front. J D Anderson coal analyst Dave Russell predicts that spot prices will stay at around $30/t FOB, some way up on last year when they averaged $24/t.

Contract prices have not suffered too much — Amcoal has settled at $24,90/t FOB for its exports to Taiwan, an increase of $1,90/t — even though the Taiwanese were originally looking for price cuts.

Says Russell: "Hong Kong, South Korea, Taiwan and Japan are expected to increase imports by 1 Mt each for power station consumption. This is good news for South African producers who already have close ties with these countries."

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JAPANESE CONCEDE DEFEAT

The decision by the Japanese electronic firms, Pioneer, NEC and Fujitsu, to end sales to SA will only exacerbate a current trend. Asia's newly industrialised countries (NICs) — principally Taiwan, Korea and Hong Kong — are taking over from Japan in the consumer electronics fields.

Many firms say products such as colour televisions, video tape recorders and cars produced in the NICs are as good as their Japanese equivalents.

"It is only a matter of time before the NICs catch up with Japan in many of the domestic and overseas markets," says a spokesman for Sharp Electronics.

A spokesman for Goldstar, a leading Korean electronics company, tells the *FM*: "We have made significant inroads into the South African market because we have much lower labour costs than the Japanese and can offer more competitive prices. We are doing to the Japanese what they did to the Europeans — undercutting them on cost and equalling them on quality."

About 40% of Japanese firms polled in a recent survey admitted they had either withdrawn products or lost market share overseas as a result of NIC rivalry.

In the domestic market, 14% of companies surveyed said they had lost market share to NIC competitors and 34% expressed concern about losing ground in the future.

Businessmen believe the key to survival for Japanese firms against their NIC counterparts is to constantly introduce new products and keep ahead on technology. One example is a self-deodorising refrigerator, first marketed in Japan last year, which the NICs won't have the technology to copy — at least for the moment.

P

EXPORTS

74

Manganese boost

South African Transport Services (Sats) has yielded to pressure and no longer insists that manganese ore be exported only through Port Elizabeth.

In a move that will please the two major exporters, SA Manganese Corporation (Samancor) and Ore and Metal Company (OMC), it now also allows shipments through Saldanha Bay.

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But there are provisos, says Assistant-GM Harbours Mike Myburgh: the manganese ore must be shipped *with* substantial amounts of iron ore from Sishen and this can only be done when there is spare capacity in the harbour.

Samancor became the first company to take advantage of the new dispensation with a recent 20 000 t consignment from its northern Cape mines.

Myburgh says Sats cannot allow all manganese ore to be shipped through Saldanha. If it did, Port Elizabeth harbour, which has a dedicated facility and, through manganese exports is only just making ends meet, would lose R4,5m/year or about 5% of its annual revenue.

Although the Saldanha harbour, built to handle 18 Mt/year of iron ore, is operating at half capacity, storage is sometimes filled to capacity. Myburgh contends that "it would cost millions to build the additional stacking space and to buy and install the additional recovery equipment that would be needed and to modify rolling stock so that it can be handled by the tippler at Saldanha."

Nevertheless, Sats should welcome the additional use of the port and railway line to Sishen that feeds it. Both were built by Iscor in the Seventies, but the high international demand for iron ore that it was intended to satisfy petered out soon after completion and the project started losing millions.

In 1976, the Treasury bailed Iscor out by taking over the capital cost. Sats was given the task of operating both the line and the harbour — and repaying the Treasury with operating profits.

In fiscal 1987, it made a modest operating profit, but had fallen R22,3m behind in its capital repayment schedule, says Myburgh. It now wants the Treasury to pick up its interest bill.

Samancor and OMC have been trying for more than a decade to persuade Sats to allow manganese to be exported through Saldanha.

They say that by limiting them to Port Elizabeth, which can handle ships of up to 60 000 t, SA is handing business on a plate to its competitors, Gabon, Australia and Brazil. If allowed to ship through Saldanha, where cost-effective 300 000 t ships can be berthed, they can satisfy the demands of steelmakers that iron ore and manganese be shipped in one super vessel. The benefit to SA would be manganese earnings in excess of the current R180m-R200m/year.

Steel producers often specify a mix of Brazilian iron ore and South African manganese. But, because super vessels cannot put into Port Elizabeth, they invariably get the manganese component of their cargoes from the other producing countries.

With Sats's new dispensation, steel producers will be able to do one-stop shopping. ■

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Mitsubishi: no plans to halt SA exports

MICK COLLINS

MITSUBISHI Motors said yesterday it had no plans to halt exports to SA but would make case-by-case decisions about exports to this country in line with policy changes in the industry as a whole.

Industry sources said the Japanese statement referred to the complete knock down (CKD) kits which were shipped in cases to SA, assembled and sold under the Mitsubishi brand.

A Reuter report filed from Tokyo said Mitsubishi could stop exports to SA because of mounting foreign criticism of Japan as Pretoria's largest trading partner. Much of the criticism has focused on the motor industry.

Exports

However, a spokesman for the local Mitsubishi agents, SA Motor Corporation (Samcor), said: "We've not been notified of any limit on any order placing."

Assistant MD Tom Williamson said: "We will continue to place orders and receive shipments on a normal basis."

Mitsubishi CKD exports to SA were 4 700 in 1985, 4 400 in 1986 and 5 300 in 1987.

Last week, the Toyota Motor Corp in Japan said it would "act prudently" with regard to its SA exports, while Nissan said it was considering export limits.

A Reuter report said on Wednesday Japanese computer maker Hitachi said it had agreed with the West German firm, Comparex, to limit exports of computer parts it supplied to Comparex for assembly and sale to SA.

Come up

The Japanese Ministry of International Trade and Industry (Miti) has been asking major industries through the Federation of Economic Organisation (Keidanren) to restrain exports to SA after pressure from the Foreign Ministry.

But, a Keidanren official said on Monday Japanese business leaders had asked the government to come up with concrete rules or criteria restricting exports to SA.

(28) 5/1 13/3/88

Secrets kept in sanctions busting case

14

By Ruth Golembo

SECRECY surrounded much of a Cape Supreme Court action this week about lucrative scrap metal exports.

Iscor subsidiary Cape Town Iron & Steelworks (Cisco) applied for an interdict restraining SA Metal & Machinery from exporting 10 000 metric tons of scrap metal to the Philippines.

The urgent application was brought while the metal was being loaded on a ship. It was dismissed by Mr Justice E L King with costs.

The papers before the court were secret so as not to disclose the identity of offshore companies and market routes set up by sanctions busters.

Cisco claimed SA Metal was bound to sell all its scrap to it and five Western Cape foundries.

High price

Kenneth Kynoch, managing director of Cisco, claimed SA Metal had been stockpiling metal and exporting it. Graham Barnett, a director of SA Metal, denied that his company was bound to supply the scrap to Cisco.

According to Mr Kynoch, the world price of scrap metal is exceptionally high and it is in great demand in the Western Cape.

Cisco converts the scrap into billets exclusively for export. It has contracts for the delivery of 30 000 metric tons of billets to a Hong Kong company, Shui Wing.

Delivery of 15 000 metric tons is due this month and the rest in June.

Because of sanctions against South Africa, the contracts are of great importance.

Competition

"We are only able to conclude these contracts because of the high quality of the material delivered by Cisco despite competition from elsewhere.

Cisco could be liable for payment of damages and the failure to produce the goods could harm its reputation.

Richard Cooper, acting for Leo Raphaely & Sons which chartered the ship, said his client had sold the scrap to a buyer in the Philippines. It had to deliver the metal by early April.

Mr Cooper said the company was "trading in climate which can be said to be hostile to South African products and companies".

His client was reluctant to disclose the identity of the buyer and other information about its trading methods.

To circumvent sanctions, Leo Raphaely was obliged to trade through offshore companies.

SA leads in British trade

South Africa received varying signals from its major Western trading partners yesterday. While the country's exports to West Germany plunged by about 25 percent in German mark terms in 1987, British export figures to South Africa confirmed the Republic's place as the leading market in sub-Saharan Africa for British goods.

14 18/3/88

According to figures released in London, exports from Britain to South Africa increased by 12 percent to £949 million, while the country also remained sub-Saharan Africa's largest exporter to Britain.

●See Page 14

Star

SA exports to West Germany drop sharply

18/3/88

Star (74)

By Sven Lünsche

South African exports to Germany plunged by 25 percent in Deutschemark terms in 1987, the South African-German Chamber of Commerce and Industry said yesterday.

German statistical survey figures showed that South African exports fell from R3,1 billion in 1986 to R2,5 billion last year. Imports from West Germany rose by 8,6 percent to R5,2 billion from R4,4 billion in 1986.

A chamber spokesman said a decline in gold and Krugerrand sales was largely responsible for the decrease in exports.

"Sales of the Krugerrand fell by almost 90 percent to R150 million, largely as a result of the European Community ban on sales of the coin. Gold imports, which fell by 53 percent to R230 million, were affected by the drop in industrial demand," the spokesman said.

Coal exports decreased by 53 percent, raw materials in general by 33 percent, semi-finished products by almost 20 percent and end-products by almost 46 percent.

In a few areas, export figures went up slightly, including copper, wood-pulp and foodstuffs.

The decline in exports to West Germany, South Africa's third-largest trading partner, is likely to place even greater pressure on South Africa's balance of payments position because it went hand in hand with an even greater decline in exports to the US and higher imports from the US.

Only last week the Commerce Department said that South Africa's exports to the US had nosedived by 44,4 percent to R1,1 billion.

South Africa's trade surplus as a whole in 1987 was R13,98 billion, compared with R15,31 billion in 1986.

SA-German exports down

BD 18/3/88 LINDA ENSOR

SA EXPORTS to West Germany plunged 25% in deutschemark terms in 1987, the SA-German Chamber of Commerce and Industry said yesterday.

As the dollar value of the deutschemark rose 21,2% over the year, the decline was not substantial in real terms.

The major contributor to the 25% decline was the Krugerrand which dropped about 90%, reflecting the effect of the ban on importing the coins.

According to German survey figures, SA's exports fell from R3,1bn in 1986 to R2,5bn last year while its imports rose 8,6% from R4,4bn to R5,2bn.

The value of gold and coal sales declined 53%.

Graham Boustred, chairman of Amcoal and chairman of the Richard Coal Terminal Co, said tonnages of coal exported to West Germany did not decline — the strengthening of the deutschemark and the plunge in coal prices were responsible for the drop in value.

Raw material exports in general decreased 33%.

DIO 18/3/88

SA-Bonn trade slumps

(74)

JOHANNESBURG — South African exports to Germany plunged by 25 per cent in Deutschemark terms in 1987, the South African-German Chamber of Commerce and Industry said yesterday.

German statistical survey figures showed that South African exports to Germany fell from R3,1-billion in 1986 to R2,5-billion last year. Imports from West Germany rose by 8,6 per cent to R5,2-billion from R4,4-billion in 1986.

South african gold sales to Germany suffered a major knock with a drop of 53 per cent and the Krugerrand fell by almost 90 per cent

Coal exports decreased by 53 per cent whereas raw materials in general decreased by 33 per cent, semi-finished products by almost 20 per cent and end products by almost 46 per cent.

In a few areas export figures went up slightly, including copper, woodpulp and foodstuffs. — Sapa

THE GRANITE SECTOR

Rocks for profit

(74)

You can find it in tombstones and labs, banking steps and war memorials. It's granite and, in its own way, it has become a hot market for exporters. Three local companies, all recently listed, are in the big league.

There is strong demand for South African granite on foreign markets and that has to be bullish for shareholders in the listed companies. Keeley Group, Marlin Corporation and Kudu Granite — all floated on the JSE last year — are the beneficiaries and show the buoyancy of this unusual sector, powered as it is by the weak rand. They are at present selling and exporting just as much granite as they can hew and produce and say they have been able to negotiate higher prices. Since virtually their entire output is exported, any continued weakness in the rand will be favourable for profits.

Surging demand has persuaded the producers to expand output capacities. And all are in a position to do this, as each has ample reserves expected to last for decades.

Barring Kudu, the local industry has been producing — and exporting — for years. But it was only when the rand began depreciating sharply against the dollar from about 1984-1985 that profits started booming. The recent R2/US$ rate made the producers more than comfortable on prospective export profits and, at the present R2,11 rate, their turnover could rise by more than 10%.

PROFITS HARDEN

	Forecast 1988 profit (Rm)	Market Cap (Rm)
Keeley	12,5	149
Kudu	3,9	27
Marlin	14,5	70

Average cost escalations for the industry run roughly in line with local inflation, while capital spending is currently averaging about R3m/year for each company. Export prices (for all products) are around $380/m^3$, amounting to a fob local price of R792 which, after railage of R200/m^3, leaves some R590. Typically, black granite sells for roughly double the price of red and three times the price of grey.

There are negatives which have recently dashed some expectations. In particular, heavy rainfall has slowed down production and hurt profits, particularly at Kudu Granite's operation. However, this kind of weather is unusual in the area and the disruptive wet conditions will not necessarily continue.

Another potential risk lies in the possibility of new producers appearing and expanding supply too rapidly. Existing suppliers

Granite men Peter Gain, Poet Du Toit, Fred Keeley ... making a worldwide mark

argue that additional smaller producers — other than the most recent newcomer, Kudu — might find it difficult to break into the industry and compete with established groups which have built up their infrastructure and markets over decades. Whether this is true remains to be seen, but high quality reserves are apparently difficult to find and newcomers are also compelled to draw on limited supplies of skilled labour.

A concern that applies to other commodity exporting businesses is whether a global recession could cause cracks in the granite market. However, consumption of granite has grown strongly in recent years.

The sanctions threat, if it exists at all, is thought, at this stage, to be limited. Granite markets are highly dispersed and include countries believed to be relatively unlikely to approve of, or engage in sanctions. Customers are generally private individuals or organisations rather than governments and quasi-government institutions. Exported granite has a low-key product profile; is hardly a glamour product; and is delivered in unworked form. Customers have strong preferences for black tombstones in Europe, the Far East and North America and these tastes might not alter easily. Only limited tonnages of granite are shipped at any time, presenting an inconspicuous load compared to bulk ore carriers.

More worrying is that an American senator recently asked for an import levy of up to 10% to prevent dumping by Italy — and, therefore, indirectly by countries like SA which deliver to Italy. Yet this too could be overcome — SA is said to be virtually the only supplier of the popular black granite.

The term granite, says Kevin Kartun of stockbroker Simpson McKie, is used loosely in the rock trade to describe a variety of igneous rocks such as gabbro, norite, syenite, dolerite, tonalite, true granite and porphyry. When these rock types are used for building purposes in the form of blocks, slabs or sheets, they are collectively referred to as dimension stone. To be suitable for building, the material should be resistant to weathering. Because of its durability, granite is increasingly being used instead of sedimentary rocks like marble and sandstone which are more easily damaged by pollution when used outdoors.

One reason why analysts expect demand for granite to remain strong is that it is used extensively in the building and memorial industries. It appears in banks and hotels, on steps and in foyers, for example, and such applications are thought to be more lasting than fashionable. Other uses are in furniture, counter tops, ornamental items and memorials. It is found in laboratories and has applications in hi-tech, where it is used mostly as a base for optical and other equipment because it is stable and resists temperature changes.

Marlin chairman Peter Gain ascribes the strong demand for South African granite — SA supplies 20% of total international trade — to the product's unique characteristics, associated with the central zones of the Bushveld Igneous Complex. He adds that SA maintains strict quality controls, has a proven track record and delivers on time.

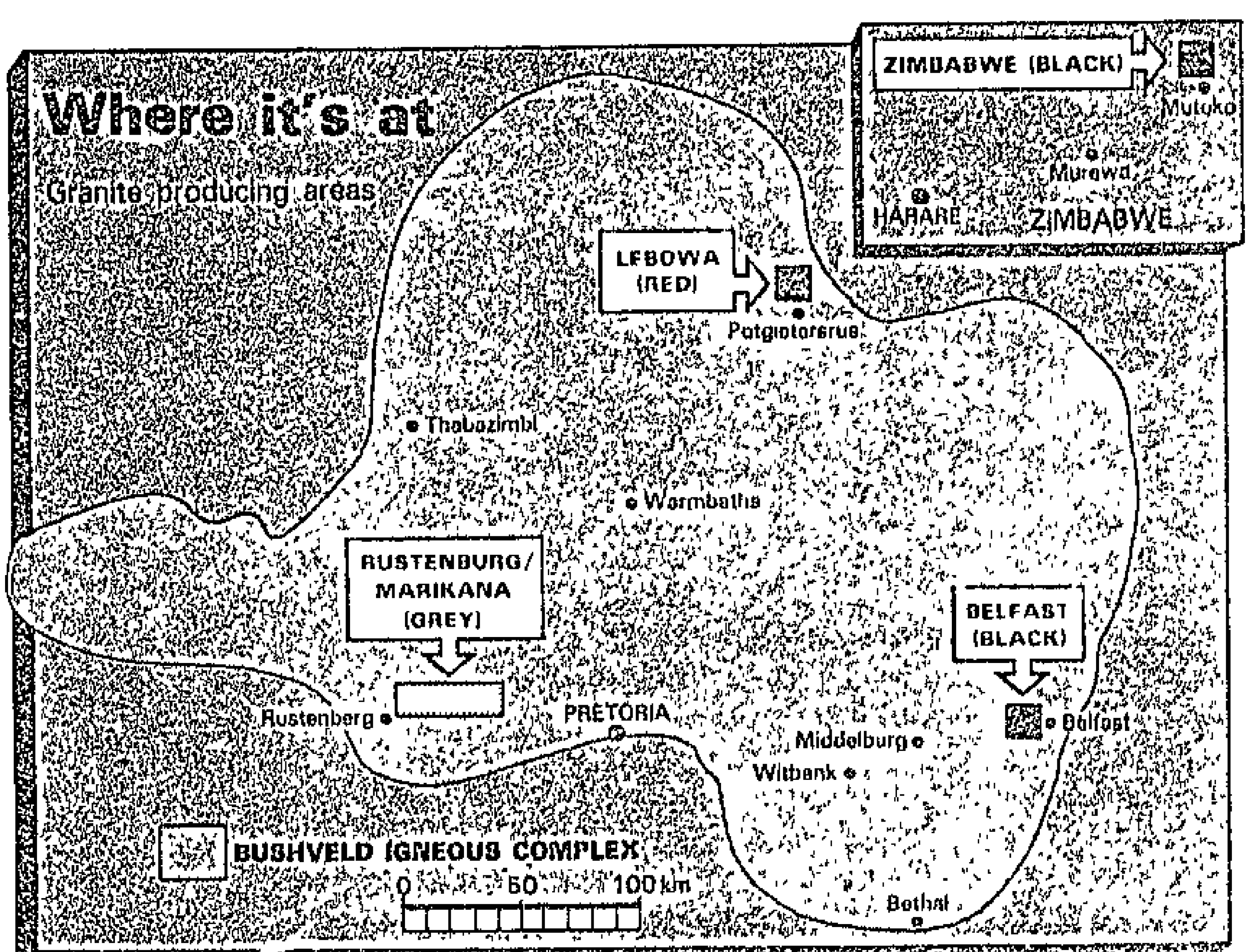
Analyst Peter Hibberd, of stockbroker Edey Rogers, says that commercially viable deposits are selected on the basis of quality and accessibility and that a particularly important aspect of quality is an attractive appearance after polishing. These deposits can be black, pink (with "flame" patterns) or the more usual variegated greys and browns. All of them are exported by SA. The three companies, keeping recovery grades in mind, eventually manage to produce consistent rock with minimal faults, fractures, joints and veins that reduce recoveries of saleable material. Recoveries vary enormously, ranging from 5% in black granite to above 60% in coloured.

All of the companies produce various types of granite and this makes their product ranges and financial profiles quite different. Changes in colour and texture which enhance the appearance of pink or red material would, for instance, not be acceptable in black granite. Although profitable black granite is manufactured by all three producers, Marlin is by far the largest producer of the black variety.

Each company operates a number of quarries in different regions. Keeley is the most diverse with 50 operations, employing more than 1 000 people spread between Zimbabwe and Rustenburg. Kudu and Marlin operate mainly from Rustenburg and Belfast and employ roughly 238 and 600 people respectively. All have large reserves.

Frankel Kruger analyst Keith Bright notes that Keeley is not only the largest South African granite company, but also the world's largest single producer of dimensional granite. More than 90% of income from granite is generated from exports and Keeley has, therefore, established its own freight forwarding and stevedoring company. Formed in 1959 by chairman Fred Keeley, the company is an old operation that has gained considerable experience in the trade.

Marlin has its origins in the Belfast district where production of black granite started on the farm Boschpoort 388JS in 1962. It is the biggest producer of



UK exports to SA rise 12%

LONDON — British exports to SA rose by 12% to £949m last year.

The figure, released in the latest report of the London Chamber of Commerce's Tropical Africa Committee, confirms SA as the leading market for British goods in sub-Saharan Africa.

It shows British traders have not let sanctions interfere with business.

Trade Minister Alan Clark has urged businessmen to continue to do business with SA within the limits of the UK's international obligations.

MIKE ROBERTSON

Delivering a speech last November, he said trade should be determined "by the commercial judgment of those engaged in it".

British business is expected to send five trade missions to SA this year to promote exports.

UK exports to Nigeria, the largest market after SA, fell by £84m to £482m — the lowest level for several years, the report says.

21/3/88

RICHARDS BAY (24)

Queue for action

Ships are reportedly queueing for up to two weeks off Richards Bay to take on bulk mineral export cargoes (excluding coal) from the port.

At costs of between US$6 000 and $8 500 a day, that produces a hefty demurrage bill — uninsurable and generally payable by the shipper.

Small wonder that complaints — however muted and unsourced, since shippers and their agents are anxious not to rile SA Transport Services' (Sats) harbour authorities — are beginning to surface.

Critics isolate five principal reasons for port congestion and loading delays:

- ☐ Prolonged construction of a second bulk loader is curtailing loading schedules of the existing loader at quay 703;
- ☐ Three new quays that should have been signed over to Sats by the contractors are lying idle;
- ☐ Bulk storage bins which were to have been commissioned early last year, were opened only last month;
- ☐ Sats has over-committed the port; and
- ☐ Its rail rates are geared to dissuade shippers from using alternative harbours, such as Durban.

For example, shippers wishing to use Durban rather than Richards Bay will pay between R6/t and R12/t more to rail their cargo to the port. At the higher end of the scale, a 20 000 t export order thus faces increased transport bills of R240 000.

Sats chief director (harbours), Neil Oosthuizen, contends that the principal reason for the congestion which might occasionally arise (Sats disputes the extent of delays), is the result of a 30% increase in traffic passing through Richards Bay. Sats no longer releases detailed statistics on harbour traffic, but figures show that to end-December last year, two-way non-coal trade through the port rose by 20% to 9,1 Mt.

Oosthuizen says the three new quays were intended for conventional cargo handling and their inactivity, therefore, plays only a minor role in port congestion. Sats and contractors LTA are trying to settle the problem.

Richards Bay port manager Basil Schaffler says the delays are also caused by increased volumes. He adds that this over-commitment can't be blamed on Sats, but on clients' preference for using Richards Bay.

Though opinions on the real cause of the congestion are divided, there can be no argument over its consequences; the burden of higher shipping and railage rates will either reduce exporters' margins or their price competitiveness in overseas markets. Moreover, to the inflow of foreign exchange on the trade account, must be debited an outflow in increased shipping payments.

If the current congestion at Richards Bay isn't quickly resolved, Sats may have to re-examine its rail tariff structures and begin re-routing export traffic via Durban and, if necessary, Port Elizabeth. ■

FINANCIAL MAIL MARCH 25 1988

FM 25/3/88

MANGANESE EXPORTS

Harbour ambitions

A last-minute hitch prevented Samancor exporting 25 000 t of manganese ore through Saldanha Bay in January.

Despite the green light from South African Transport Services' (Sats) harbours division, the railways division refused to accept the shipment because of a standing Cabinet ruling that all manganese ore must be shipped through Port Elizabeth.

Harbours obviously knew about the ruling, but whether they chose to overlook it is a matter for conjecture.

The ore consignment destined for Saldanha would have been the first manganese to be shipped through the west coast port. It would have also marked an about face in harbours' policy. Since it took over Saldanha Bay from Iscor a decade ago, it has refused to allow manganese producers to use it.

But now Saldanha is operating at 50% capacity, harbours assistant GM Mike Myburgh says he is prepared to let manganese producers use it on certain conditions: that the port is not busy with iron ore shipments at the time; that exporters send low-grade ore; and that a substantial quantity of iron ore rides "piggy-back" with every shipment.

This is the trend overseas, where major steelmakers demand their iron and manganese ore be shipped in one vessel and specify bulk carriers of more than 250 000 t to carry the freight. Such vessels cannot be accommodated in Port Elizabeth, where the limit is 60 000 t. But they can put in at Saldanha Bay.

Only high-grade manganese ore can be exported economically through Port Elizabeth, because of its limitations. As a result, large quantities of low-grade ore are being stockpiled. There is a market abroad for it if it can be shipped cost-effectively — as it can, through Saldanha.

The harbours division is understandably unhappy with the present situation and has asked the Cabinet to withdraw the ruling, says cargo services chief director Neil Oosthuizen.

"We sent a memo to Cabinet through Sats marketing department, explaining the facts and detailing how SA will benefit by allowing low-grade manganese ore to be shipped through Saldanha," he says.

A mining house source says little low-grade ore flows through Port Elizabeth anyway, so it won't be greatly affected by any loss of cargo to Saldanha.

"In any event," he says, "the spinoff Port Elizabeth will get from the Mosgas project will make its earnings from manganese exports look like chicken feed."

R14m to replace tugs — Louw

RID 26/3/88

(74)

(218)

Political Correspondent

CAPE TOWN — South Africa sold two old tugs to Mozambique last year at a cost of R50 000 each — however, it would cost R14 million to replace them.

The Minister of Transport, Mr Eli Louw, gave a written reply to questions submitted by the nominated Conservative MP, Mr Clive Derby-Lewis.

Mr Louw said the two craft — the Willem Heckrood and the Danie du Plessis — were sold to Mozambique because 'they were outdated and redundant.

"South African Transport Services'(Sats) endeavours to sell the craft on the international market had met with no success.

"The specific model craft is diesel-electric driven," Mr Louw said.

"Should they be replaced by the newer type craft presently available on the market it would be at a cost of approximately R7 million each."

MR LOUW

Mr Derby-Lewis also wanted to know if Sats staff would be involved in operating and maintaining the craft.

"A request for assistance has been received but no decision has yet been taken," Mr Louw said.

Iscor lifts exports, laughs at sanctions

27/3/88

By Don Robertson

SANCTIONS against South Africa have had no effect on Iscor's steel exports.

In fact, exports have increased from 30% of total production four years ago to 40%.

Nols Olivier, senior general manager in charge of marketing, says in an interview in Iscor's house magazine — Iscorian — that the corporation knew it would lose the American market and others were developed.

Mr Olivier says: "At one stage we were exporting to 80 countries, but have conciously reduced this to about 60 selected markets. As long as we maintain our competitive edge in terms of quality and keen pricing, sanctions will not have much of a bite."

Iscor's work force is 57 000 compared with 70 000 before the rationalisation programme was instituted in 1984. Steel production was 7,2-million tons in 1982, but fell to 6-million tons in 1983 and 1984. It is now back to 7-million tons.

Iscor is not particularly worried about expanding steel production by Taiwan, Brazil and South Korea.

"It does not seriously affect Iscor's current position as the 16th-largest producer in the free world since our marketing policy differs from theirs."

However, Iscor does not see any increase in its production capacity in the next 10 to 15 years.

Whether or not Iscor retains its present ranking in production capacity is of no concern. What is more important is that Iscor produces high quality steel and performs competitively in domestic and foreign markets.

Mr Olivier says Iscor recently set a world record for the output of tinplate by producing 30 000 tons in one month. Studies are being undertaken to establish a R70-million plant for tin-free steel in 1990. Tin-free steel has a coating of chromium oxide which is a substitute for tinplate in various applications.

Only five

Iscor will supply 40 000 tons of ultra-high-grade steel for the offshore part of the Mossgas project and could supply 39 000 tons for the onshore development. Iscor is one of only five producers in the world able to produce this high-grade steel.

It is also discussing with motor manufacturers the possibility of producing electro-coated steel for use in cars. Mr Olivier says building of an electro-galvanising plant has been accepted in principle.

It has developed a low-alloy steel for car wheels. This has effectively replaced imports of this steel and about 50 000 wheels are exported each month.

Iscor is considering the production of stainless steel slabs and hot-rolled coils at its Vanderbijlpark plant for export.

DD 28/3/88

Anti-SA moves rebound with chromium shortage

Daily Dispatch Correspondent

LONDON — Attempts by United States stainless steel producers to reduce their dependence on South Africa for chromium, have rebounded on them, as a worldwide shortage of the metal develops, analysts here said.

They said South African producers are concentrating on the needs of northern European and Japanese customers, while according the United States a low priority.

As a result, some traders suggested that US stainless steel manufacturers fear they will soon run out of charge chrome and ferrochrome, and have been reducing their orders for other raw materials.

A boom in stainless steel production has not only fuelled the rapid rise in nickel prices, it has driven the cost of charge and ferrochrome to new highs on the free market and reduced stocks to unusually low levels.

In the last few months the free market price of charge chrome has risen by 43 per cent to 1102-US tonne, while the price of charge chrome has doubled to 1764-US-tonne.

With South Africa producing more than half of the world's chromium and supplying almost all direct to users, free market stocks have been severely diminished by the boom in stainless steel production.

Stainless steel must contain a minimum of 12 per cent chromium.

According to Mr Jim Lennon of the Commodities Research Unit, stocks of charge chrome and ferrochrome had dropped to the equivalent of 1,5 months demand by the end of last year, and have been run down even further since.

He said South African producers had recently concluded charge chrome contracts with their European customers for the second quarter at 1279-US tonne, 12 per cent up on the first quarter.

The authoritative journal, Metal Bulletin, reports that South Africa's low-carbon ferrochrome producers are poised to raise second quarter prices to 2425-US tonne.

It says the producers believe that the rapid increase in prices has narrowed the gap between high and low carbon grades to unacceptable levels and that the differential needs to be re-established.

DID. 6/4/88 (74)

Platinum price hike

JOHANNESBURG — Bullish sentiments aired about platinum recently were supported by a $28 rise in the metal's price over the past week to $536 yesterday — largely as a result of shortages in supply, and strong demand from Japan.

Platinum's morning fix at $538 yesterday marked a five-month high on the London Metal Exchange.

Japanese sales in January came to 150 000 ounces — 20 000 ounces above the monthly average last year.

Analysts say this Japanese buying spree is a result of the low yen price of platinum— DDC

D/D 11/4/88

SA coal will flood Britain after privatisation of electricity — MP

(74)

LONDON — Cheap South African coal will flood into Britain once electricity is privatised, Britain's shadow energy secretary, Mr John Prescott, claimed at the weekend.

Labour MP, Mr Prescott, was commenting on reports here of an impending visit to Britain by a party of South African coal chiefs later this month.

In a meeting at Rugeley in Staffordshire Mr Prescott said: "Morally, politically and economically, it is unacceptable for our electricity industry to be dependent on apartheid coal."

The South African group will explore the possibility of an increased market for their coal in the wake of the impending privatisation of British electricity.

The party will include the Rand Mines chairman, Mr Allen Cook; Mr David Rogans of Anglo America; Mr Bernard Holtshousen of Gencor and Mr Mike Hawarden of Johannesburg Consolidated Investments.

No official sanctions apply to South African coal imports at present but figures have fallen sharply in recent years.

This was due to political pressure, Common Market subsidies for European Economic Community coal and preferential treatment for British coal by the Central Electricity Generating Board.

Once British electricity is privatised, however, individual electricity producers will have more freedom in selecting their own suppliers.

Mr Prescott is at present embattled in a bid to wrest deputy leadership of his party from Mr Roy Hattersley. — DDC

Margaret Thatcher to accept SA cheese

BDay 21/4/88

THEO RAWANA

BRITISH Prime Minister Margaret Thatcher has cocked a snook at sanctions by agreeing to accept a commemorative SA cheese.

Thatcher is to have on her menu cheese No 0001, the first of NCD's limited series of new, hand-made Cheddar cheese packed in the same manner as those exported to London in Queen Victoria's time.

The dairy producer said yesterday that, apart from other awards, it was awarded a trophy for "Best Imported Cheese" in London in the 1930s, and in view of these historic ties with the UK cheese market, it was decided to present the first in the new series to Thatcher.

"Mrs Thatcher was informed of the decision and she wrote back saying she would gladly receive the cheese at No 10 Downing Street," a statement said.

UK Consul-General John Massingham would accept the cheese on behalf of Thatcher at a function at Potchefstroom University to mark Potchefstroom's 150th year festival on Saturday night.

The second cheese in the series would be auctioned at the same function in aid of the university's rag fund and was expected to fetch thousands of rands.

EC export restriction on SA apples

KIM IRVING

LONDON — AN EC decision to severely restrict the tonnage of SA apples exported to the Common Market this season is unlikely to be altered, according to Graham Broomhall, general manager of the European division of the Deciduous Fruit Board.

"It would appear there is little chance of the quota system being amended," Broomhall said yesterday.

This came after an emergency meeting in Brussels of southern hemisphere producers, to discuss a mandatory quota system Broomhall describes as "dangerous" and potentially disasterous for Cape growers.

SA's exports to the EC have been limited to 166 000 tons after a forecast 199 000 tons for the season, an output producers have been gearing up to meet.

A planned meeting last Friday between southern hemisphere producers and Alexander Tilldingcamp, the director-general of DG6, the body responsible for formulating agricultural policy in the EC, was cancelled at the last moment, Broomhall said.

The group had planned to question Tilldingcamp on the basis of the quota system, which followed the introduction in February of import licences, and whether the shortfall from some countries could be taken up by more efficient producers.

"I don't think there is any will to amend it," said Broomhall.

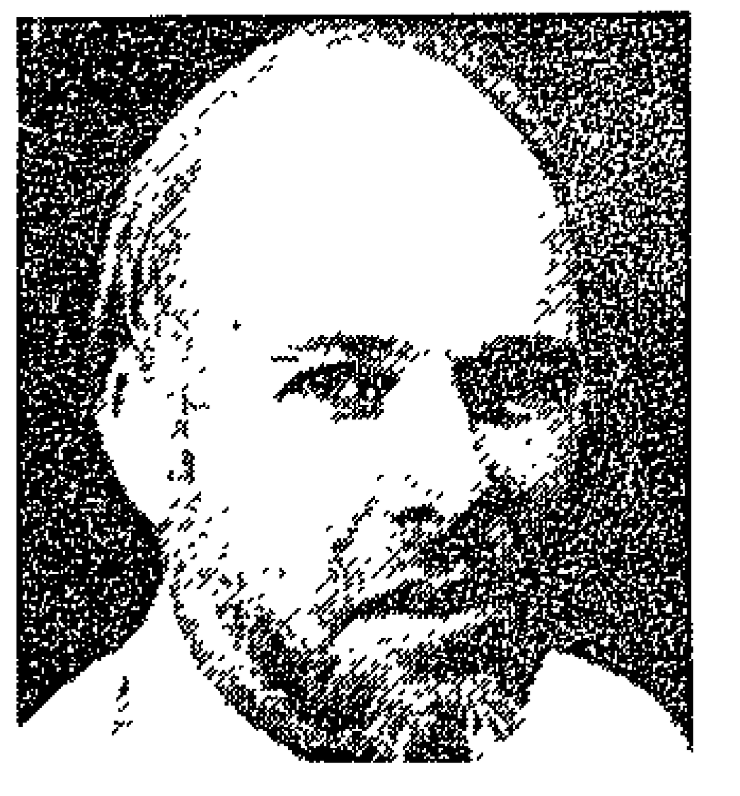
Further representations will be made through the body representing European importers in Brussels, Eucoufel, to the DG6, whose reaction should be known within the next few weeks.

Broomhall hopes the limits will be for this season only.

He says the action contravenes rules laid down by the General Agreement on Tariffs and Trade (GATT).

If the price is right, UK will buy SA's coal

Stimes 1/5/88 (74)



RICHARD ROLFE reports from London

THE South African coal industry's London office was in the news this week.

Led by Allen Cook, deputy chairman of of Rand Mines coal division, a delegation called at the Foreign Office. The industry is concerned that UK opposition to sanctions may be weakening.

Although Prime Minister Margaret Thatcher has vigorously opposed sanctions, the coal men have a point. When the European Economic Community considered a ban SA coal imports in September 1986, Germany and Portugal vetoed the proposal.

The UK line was that it did not like sanctions, but would not stand in the way of any agreement reached by the other 11 EEC members.

With the exception of Denmark and France, which have stopped coal shipments from SA, resulting in a loss of 9-million tons annually, the EEC market is still open.

The figures are no longer published. But Italy is the biggest EEC importer of SA coal, with 6,4-million tons reported in 1985-86, according to Bob Swain of the SA Coal Office in London. The amount is equivalent to 14% of total SA coal exports for that time.

ENEL, the Italian power utility, is said to have signed a contract with SA exporters.

Italy has been diversifying its offtake to Colombia and China, but does not seem keen to abandon SA supplies.

SA offtake may have been increased so that ENEL can live with a standstill agreement — undertaking not to raise its SA coal imports — if it is put in place as a compromise instead of sanctions.

Italy is keeping its powder dry on the coal sanctions issue, as is Spain, the other main EEC coal importer from SA.

Because there is no reason to think Germany or Portugal have lessened their opposition to coal sanctions, the issue does not seem a particularly live one.

But I am sure that the SA industry is right to keep a watching brief in London and in Bonn, where its other office was opened last April.

Job losses

There were two reasons why Mrs Thatcher failed to resist EEC sanctions on SA coal.

The first was that no vital UK interest was directly involved: Britain does not import SA coal. Indeed, Arthur Scargill permitting, the UK hardly imports any coal.

Second, when the issue was live in late 1986, Mrs Thatcher had already had a gruelling summer fighting the proposed Commonwealth sanctions on SA. Although being in a minority of one out of 48 on this issue is her idea of a good time, even she had had enough by the time EEC summit time came around.

The SA coal delegation was obliged to deny it was seeking steam-coal contracts with the Central Electricity Generating Board, the UK's Eskom. Mr Cook said it was accepted that SA coal imports would cause job losses and social problems in the UK.

He said, however, that SA exporters could land supplies in the UK for between £17 and £20 a ton compared with the average £40 a ton the CEGB pays British Coal.

However, I do not think the SA coal industry should write the UK market off. Once the CEGB has been privatised, probably in the next 18 to 24 months, it will almost certainly be letting contracts for new power stations.

At least one is likely to be on the south coast and linked to imported coal.

Australia, China, Colombia and Indonesia will pitch for the business. I see no reason why SA export collieries should not do the same.

It would be up to individual collieries more than a collective effort by the SA industry. BP and Shell, both of which are committed to staying in SA and both of which has large export collieries would probably be the front runners.

Cheapest source

If Mrs Thatcher remains in power and SA exporters can tender competitively, they have every chance of getting the business.

But once the decision is taken to buy energy from the cheapest source, economics usually overrides politics.

The extreme Left-winger Tony Benn authorised the CEGB to sign a long-term contract for supplies of Rossing uranium in the last Labour government.

If the rest of Europe is running on cheap energy — and France has only been able to give up SA coal because of its nuclear-power programme — it is a matter of competitive survival for the CEGB to obtain the most economical inputs available.

With privatisation of the CEGB, the UK's interests will change. Even if it does not import SA supplies, the CEGB will benefit from low prices for internationally traded steam coal.

But if some SA export collieries are forced to close, the market will be tighter and prices will rise.

The gainers will be Australia and the other exporters.

The losers, apart from SA, will be electricity consumers — not only in the UK, but in Germany, Italy and the other EEC nations which rely on imported energy.

* * *

RTZ has sold two major subsidiaries this year. Its oil and gas interests went to the French group, Elf Aquitaine, this week for £308-million. Earlier, RTZ sold Castle Cement for £230-million.

The disposals bear more than a passing resemblance to Newmont's sale of everything that was not nailed down, culminating in its Palabora stake, which was snapped up by Anglo and De Beers this month.

Admittedly, Newmont was selling the family silver to pursue its interests in gold and to pay the debt incurred in its battle last year to thwart the US greenmailer, T Boone Pickens.

But RTZ is extremely keen to polish its image with the investment community. It has no large shareholders and sees itself as vulnerable to a bid.

Predator

Its share price of 385p discounts estimated net assets of 525p — not large by SA standards, but possibly enough to attract a predator such as Hanson.

By selling surplus assets, RTZ hopes to convince the investment community of its superior focus and dynamism and to make itself less attractive to a bidder through having relinquished its easily realised investments.

So sale of its Southern African assets, such as Palabora and Rossing uranium, might fit the scenario. In addition, there is evidence that companies with SA holdings are favourably rerated when they announce they are pulling out.

But RTZ says it is not selling. A spokesman says: "There should not be any doubts on that score".

Analysts believe that even if Palabora were for sale — and Anglo and De Beers would be eager buyers — RTZ would never relinquish Rossing.

RTZ has a long-term commitment to uranium, despite its current oversupply. Also, Rossing is closely linked to RTZ's core uranium interest, Rio Algom in Canada.

As for the effect on RTZ shares of disinvestment from Southern Africa, the effect on the market would not be significant. So, with no real pressure from the anti-apartheid movement, the company seems set to stay.

2/5/88 (74) B/dog

BUSINESS

Exports are the key to economic growth in '89

CHRIS CAIRNCROSS

SOUTH AFRICA'S export performance is going to be the key element determining the country's economic growth trends this year and in 1989, maintains Southern Life's chief economist Mike Daly.

And, he warns, the prospects of stimulus coming from this quarter are exceedingly slim in view of the high probability of a slowdown in the US economy late this year and into 1989.

Daly remarks that the higher import levels now reflecting the renewed strength of the domestic economy will need to be matched by higher earnings of foreign currency, or the country's foreign exchange reserves will inevitably be run down, with the rand weakening still further.

He predicts that the decline in exports in volume terms experienced last year is likely to occur again this year. At the same time, he believes this will be offset by a rise in commodity prices. "Further weakening of the US dollar on world currency markets would further boost dollar-denominated commodity prices," Daly suggests.

In line with the views expressed by other private sector commentators, Daly believes there will only be limited co-operation from employers to the appeal from President P W Botha to contain wage and price increases this year as part of a joint anti-inflation drive.

"The fact that major trade union groups had no input into the formulation of the anti-inflation drive, and that simultaneously the corporate sector continues to announce profit increases consistently above even optimistic expectations, undermines the whole exercise," Daly comments.

He notes, however, that were a major private sector employer to announce a zero or low pay increase, the example might well be followed in a domino effect in commerce and industry.

Daly forecasts that the low point for SA's inflation rate will probably be reached over this first half of 1988 and will rise gradually thereafter, mainly as a result of the higher cost of imports.

He argues that the upward phase of the business cycle is a strong base for arguing that the trend in inflation this year will be moderately upwards from the middle of the year, even if forces from the exchange rate are neutral.

"In the past, inflation has always risen along with increased levels of economic activity, and we would be surprised if this is not the case again," Daly said.

Only a strong commitment from the private sector regarding moderation in wage-setting would break this traditional link, Daly said, predicting an average inflation rate of between 13% and 14% for 1988.

77 6/5/88 FM

COAL EXPORTS

Holding on

Thanks to a world shortage of coal the long-predicted sanctions squeeze has turned out to be something of a non-event. Coal export volumes are expected to at least remain at last year's levels.

Transvaal Coal Owners' Association MD Les Weiss says there is far greater optimism in the industry now than at the beginning of the year, though margins will continue to be low until the rail tariffs to Richards Bay are reduced.

"It's unfortunate that there is no timetable for resolving this problem," he says.

The price of South African coal on the spot market is around US$28/t, giving rand prices of more than R60/t compared to an average of R52/t last year.

A Chase Manhattan Bank survey claims SA will remain the world's third largest coal exporter in 1988 (**see graph**), behind the US and Australia.

Exports, including anthracite, should fall only 300 000 t to 42,3 Mt. Richards Bay port director Willem Kuys confirms that coal exports from the port have been running at an annualised rate of 40 Mt since the beginning of the year.

International demand for seaborne coal is expected to increase by 3,3% this year — from 283 Mt to 292,4 Mt — and there is every indication that importers are disenchanted with two of SA's main competitors, Australia and Red China.

Australian coalminers spent almost half the year on strike over such crucial issues as the size of chickens in their company-supplied Christmas hampers and the size of company-issued gumboots. The Chinese have caused headaches by selling improperly washed coal which contained traces of scrap metal.

But, notes J D Anderson coal analyst Dave Russell: "With mining costs escalating in excess of 15% a year, a concomitant rate of rand depreciation is necessary merely to keep in step with working cost increases."

There have been some disappointments too.

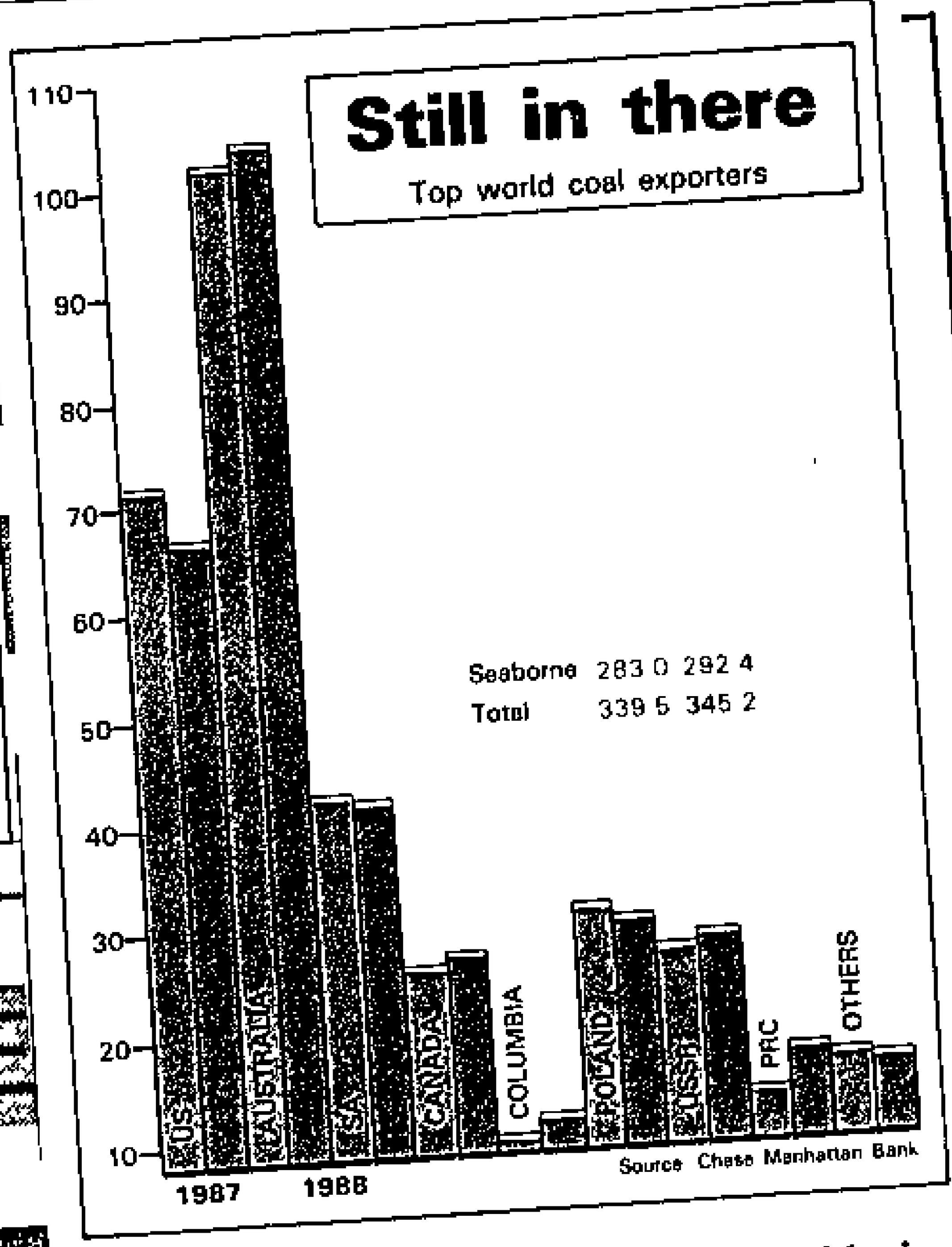
Industry observers expected the Italian Energy Authority to pay at least $27/t for the 4,55 Mt it recently bought from South African producers — but the price was fixed at $25,90/t. Meanwhile, although Hong Kong's total 1987 coal imports jumped 25% to 8 Mt, SA's exports to the city state remained static at 2,5 Mt.

A recent report by Wharton Economic Forecasting Associates says as South African collieries are currently much more labour intensive than their overseas counterparts they should mechanise further to increase productivity.

But industry sources maintain it's not viable to import mechanised equipment, which is usually bought from West Germany and Japan. Also to be considered is the prospect of further labour unrest if there are significant redundancies on the mines.

An alternative route to increased profitability would be to raise domestic prices. But, says chairman of coal distributor MacPhail Holdings, Brian Joffe, mining houses have a responsibility to the domestic user.

"We hope the loss in export income won't lead either to higher domestic prices in compensation or to the closure of mines and a subsequent shortage for the domestic consumer. This could lead to unacceptable increases at a time when the mining houses have a duty, as much as anyone else, to fight inflation." ■



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Botswana treads a tricky path amid the cross-fire

By PETER TAYLOR

GABORONE — For a landlocked country which encompasses a sizeable portion of the Kalahari desert, Botswana exports an awful lot of fish. On the supermarket shelves in neighbouring Zimbabwe, you can buy Botswana hake, pilchards and sardines: a tribute to an ingenious race which has carefully preserved the tribal secrets how how to survive in a hostile environment.

We are talking about the South Africans, of course, who send the fish to Botswana where it is tinned and re-exported to countries which otherwise would object to P W Botha's pilchards.

But credit is also due to Botswana, which performs an ungainly and perilous balancing act between political sympathy for the "front line states" and economic dependence on South Africa.

Accused by Pretoria of harbouring terrorists, it suffers the indignity of cross-border raids like the one a month ago in which South African troops shot up a house in Gaborone, killing four people.

Accused by black states of being soft on apartheid it resolutely opposes sanctions.

Bostwana is obliged to live in the real world. By road and rail, products from Tanzania, Zambia, Malawi and Zimbabwe roll through the parched and sweltering capital of Gaborone en route to South African ports. South African goods, on which those countries rely, move north along the same arteries.

But is Botswana — also the only multi-party democracy left in black Africa — as stable as it appears?

Since the raid on March 28 relations with South Africa have deteriorated rapidly.

Botswana insists that no guerillas of the ANC (African National Congress) are trained on its soil, and that if any are found they will be brought to book. South Africa is certain there are "safe houses" in Gaborone, where operations are planned, and terrorists stay in transit. It does not believe it has the cooperation of the Botswana government.

Only last Tuesday, a limpet mine exploded outside Parliament. Pretoria can hardly be seen to be doing nothing about it.

Botswana just happens to be an easy target. It would be extremely surprising if ANC guerrillas were not being trained somewhere in Matabeleland with the Zimbabwean army, and equally surprising if the South Africans did not know where. But any action in that direction would provoke a much more serious international incident.

The region where the borders of Botswana, Zimbabwe and South Africa come together is likely to remain critical. With President Mugabe's declared intention to move a large part of his army from Matabeleland to bolster the troops fighting MNR rebels in Mozambique, it hardly takes a strategic genius to see that there is room for mischief.

While there are no beggars on the streets of Gaborone, but there is a stark division between the "formal" economy (just 6 000 miners produce the diamonds) and the "informal". The GDP per capita of US$1 700 (R3 740) is meaningless in the bush. Botswana has to make its living within borders which were defined during the "scramble for Africa".

President Quett Masire has a hard act to follow in Sir Seretse Khama, whose statue now adorns the gardens in front of Parliament. Sir Seretse stands serene in suit, tie and pocket handkerchief, the index fingers touching lightly on the third button of the jacket like one of the better sort of barristers beginning a cross-examination.

The test for Botswana is whether it can remain as cool and buttoned-down in the cross-fire between South Africa and the "front line states."

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Apple imports cut

Star 11/5/88

74

The Star's Foreign News Service

BRUSSELS — South African apple imports by the European Community (EC) will be restricted this year with apples from all other southern hemisphere suppliers because France and Italy have large quantities of last year's crop in store.

Traders and consumer groups in Britain are to protest to their government.

Between now and the start of the home-grown season in the autumn, Britain normally imports thousands of tons of apples from the southern hemisphere and North America.

This year's imports into the EC from South Africa will be restricted to 166 000 tons, from Chile (142 000), New Zealand (115 000), Argentina (70 000), Australia (11 000) and others, including the United States and Canada, (17 500).

Fears of SA retaliation

Sanctions could cost US R4-bn

Star 11/5/88

74

By Neil Lurssen, The Star Bureau

Washington

An American ban on imports of South African strategic and critical minerals will cost the US economy a whopping R4 billion a year, according to an official report to be issued here soon.

Over a five-year period from 1988 to 1992 the costs would accumulate to R19 billion, leading to higher prices and reduced supplies in items like car parts for American consumers.

If South African production is disrupted rather than just embargoed by the US, the impact on American and other economies will be even greater, the study says.

And a US ban will subtantially increase the country's dependence on the Soviet Union for supplies, it says.

The report comes at a time when US commerce and industry is counting the costs of the anti-SA sanctions imposed by Congress in 1986 and as it is trying to head off new trade and disinvestment curbs now passing through the House of Representatives.

"As always, the price won't be paid by members of Congress, but by others," the respected *Wall Street Journal* charged in a recent editorial.

Earlier US government reports have estimated the costs of a three-year ban on SA chrome at R10 billion and of manganese at R2 billion — scare numbers for American economists in view of the huge unfavourable imbalance in US foreign trade figures.

Adding to their worry is a recent report by Wharton Econometrics that the US ban on SA coal imports cost the American coal industry R300 million in 1986 and 1987 alone.

And forming a backdrop to their concern are fears that South African anger over US sanctions will lead "hotheads" in the SA Government to demand a ban on strategic exports to the US.

Trade journals here have noted that platinum prices rose this week because of fears of South African retaliation.

The new report was prepared by analysts at the US Bureau of Mines at the request of the State Department. Its purpose is to guide the President and Congress, who have the power to ban strategic and critical minerals from South Africa in terms of the 1986 legislation.

The current sanctions Bill would include bans on strategic minerals like platinum and chrome unless the President certified that they were essential for America's defence

About 90 percent of the world's known platinum group metal reserves are found in South Africa with the Soviet Union holding about 9,5 percent.

Even where South Africa is not the producer, such as in cobalt, which is mined mainly in Zambia and Zaire, the US is dependent on South African transport, the report says. A ban on cobalt shipped through South Africa would lead to substantial price increases, it warns.

● A leader in the US sanctions drive against South Africa, Senator Edward Kennedy, has signalled that he will again this year try to harness the Republic's major trading partners into severing their trade ties.

Scarce info on illegal trading

By Alan Dunn, The Star Bureau

WASHINGTON — A six-month US congressional probe into South Africa's trade links with America has turned up no evidence of large-scale efforts in the Republic to dodge US sanctions.

Noting a cloak of secrecy over South Africa's recent dealings and business affairs, and unproven claims of sanctions-busting, a new report circulating this week among senators and congressmen said: "Information on efforts to circumvent sanctions is scarce."

The report, prepared by Congress's investigations department, the General Accounting Office, was submitted to Senators Edward Kennedy and Lowell Weicker, both central figures in a drive among legislators on Capitol Hill for maximum measures against South Africa, who requested the study.

The investigators said: "We obtained conflicting views about whether South Africa was making significant efforts to engage in extensive circumvention of sanctions, but little evidence exists to support any of these views. This is not surprising, given the nature of the activity."

Star 11/5/88

FRONTLINE STATES

The report said one pointer could be surging exports from southern Africa's so-called Frontline states. South Africa could re-label its own goods and ship them — as it shipped produce genuinely from neighbouring countries — from its own ports.

Another sign of sanctions-busting was the number of probes and convictions related to the US law which imposed sanctions in October 1986, the report said.

US Customs was investigating 20 cases of illegal imports into the US.

It was also investigating 28 cases of illegal US exports.

"Some experts believe that South Africa has no need to circumvent the sanctions because it is able to find new markets."

Also, erecting sanctions-busting machinery was an expensive task, a State Department official said.

Supermarkets won't be open

The ever-faithful local cafes will be on hand to supply essentials for those who run out during the Ascension Day holiday tomorrow, but all the large supermarket chains will be closed.

OK Bazaars, Checkers and Pick 'n Pay will not do business.

Star on sale

The Star will be published tomorrow, Ascension Day.

The newspaper will be available across much of the country as a morning newspaper.

Home deliveries will be made in the morning.

Boost for 'rebels'

England's about-turn on permission for five players to be available for the World tour of South Africa has strengthened the hand of those urging an immediate breakaway from the International Rugby Board.

● See Back Page.

Star 12/5/88

(74)

EC cuts back on SA apple quota

CAPE TOWN — South African apple exports to Europe will be cut by about 10 percent this year following restrictions on imports by the European Community.

The multi-million rand deciduous fruit industry is one of the biggest employers and earners of foreign currency in the Western Cape.

The EC has limited apple imports from all its southern hemisphere suppliers, partly because of dumping of fruit in Europe by some countries and partly to protect European producers, especially France and Italy which have large quantities of last year's crop in store.

Although South Africa's quota is the largest, it has been limited to 166 000 tons, about 10 percent less than usual, according to Mr Fred Meintjes, public affairs manager of Unifruco, the marketing arm of the Deciduous Fruit Board.

He said southern hemisphere countries supplying Europe imposed voluntary quotas but some producers had been undisciplined and had flooded the market with fruit.

It was not known at this stage what the effect on the South African industry would be but it was possible the shortfall in exports would be made up by higher prices in Europe.

In the meantime South Africans could look forward to more export quality apples this year and more class 2 fruit would be sent to the processors.

The cuts could affect some seasonal packing jobs but this would be minimal because the season was nearly over, Mr Meintjes said.—Sapa.

Call to probe alleged arms embargo-busting

Star 12/5/88

The Star's Foreign News Service

BONN — West German Social Democrats have renewed their criticism of the Kiel State Prosecutor's decision not to investigate allegations that West German companies — one of them State-owned — are secretly helping South Africa to break the strict arms-export embargo.

Mr Norbert Gansel, a member of the investigating committee, said yesterday the decision was suspect because it came one day after elections which shifted rule from the Conservatives to the Social Democrats.

Mr Gansel said newly elected Prime Minister Bjorn Engholm was prepared to press for a further investigation.

Falling prices add to problems

SA coal trade hit hard by sanctions

74

Star 16/5/88

By Michael Chester

The combination of sanctions and cut-throat competition on world markets cost South African coal mines almost R1 billion last year, according to new estimates by the Anglo American Corporation.

Mr Graham Boustred, chairman of the Amcoal network of collieries, discloses in an annual review that total export earnings plunged from R3,2 billion to R2,3 billion compared with 1986.

Exports shipped through the Richards Bay coal terminal dropped by 2,1 million tons as South Africa felt the impact of sanctions by the United States, France and Denmark in particular.

But the overall fall in total shipments was held at a relatively modest 6 percent — down to 42,6 million tons — as coal was re-routed to alternative overseas outlets.

Markets over-supplied

Unfortunately, the problems of running the sanctions gauntlet were compounded by a dramatic decline in world coal prices as markets became over-supplied in fierce international competition.

Mr Boustred confirms that significant quantities of coal had to be exported by South African producers at a loss as spot prices were driven below $20 a ton.

Fortunately, price levels had improved in recent months, and contract and spot coal prices were now in the range of $25 to $27 a ton.

The improvements stemmed from China's inability to meet its contractual deals in both Europe and the Far East.

"While current price levels can probably sustain established operations," says the Amcoal chairman, "prices will need to increase further to justify any new investment in export capacity."

Discussions were still in progress between the coal industry, SA Transport Services and the Government on increases in export rail rates, which had dented export earnings by a further R300 million.

While it was encouraging that Sats had agreed to maintain the current rates until April 1989, it was hoped that further relief could be negotiated.

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Platinum price hits seven-month high

PID 24/5/88

74

LONDON — Platinum prices surged yesterday to their highest in seven months on fears of inflation and continuing concern about the reliability of supplies from the world's largest producer, South Africa, metals analysts said.

Platinum was fixed at 576,50 dollars an ounce in London, up 24 dollars from the close on Friday and the highest fix since platinum briefly topped 600 dollars last October.

"When the mood is like this, nobody is going to sell into the rally," said Rhona O'Connell, London precious metals analyst for Shearson Lehman Hutton.

Concern that South Africa, supplier of 80 per cent of the West's platinum, might curb exports to the United States has been a market factor for weeks, but new reports reinforced the worry.

An official of South Africa's far-right Conservative Party said Pretoria should suspend strategic mineral shipments if the U.S. Congress approved any new anti-apartheid sanctions.

Analysts cited the assassination on Sunday of the member of the House of Representatives, Mr Pieter Jacobs, as heightening the supply concern.

Another factor boosting interest is concern about inflation, particularly in the United States where economic growth is faster than expected this year, they said.

Investors traditionally buy precious metals in times of inflation as a means of maintaining the value of their money.

"Inflation is a greater worry now than the fears of a recession," said Geoff Robson, metals analyst for Johnson Matthey Plc.

Platinum faces a continuing supply deficit based in part on unprecedented investment and jewellery demand, especially from Japan. Last week Johnson Matthey said the shortfall may persist for the rest of the decade.

"I suspect that we will see 600 (dollars per ounce)," predicted Miss O'Connell.

But others said the feared platinum supply cut-off is far from reality, noting that U.S. sanctions still must clear Congress, and South Africa has avoided export curbs in the past.

"I cannot see South Africa taking any retaliatory steps involving strategic metals," said Mr Robson. — Sapa-Reuter.

SAA blamed as flowers exports fade

ARGUS 25/4/88

(14)

By DICK USHER
Staff Reporter

SOUTH AFRICA is losing millions in valuable foreign exchange because of changed SAA flying schedules and inadequate freight capacity.

Flower exporters say that their industry, which is worth about R40-million a year, is being seriously affected.

Exporters have criticised SAA for not being able to meet their needs and said that customers were turning to other suppliers.

Flowers are missing the important Monday sales at the Amsterdam market, Europe's major flower centre, while inadequate freight capacity is losing exporters customers because they cannot depend on deliveries.

"Concerned"

Mr Gert Bosch, general manager of the Western Cape Agricultural Union, said that because SAA had changed its flight schedules wildflowers no longer reached the Amsterdam market in time for the Monday sales.

"We are concerned about the present situation," he said.

Mr Barrie Gibson, chairman of the South African Protea Producers' and Exporters' Association, said the problem had been developing for more than a year since the loss of the Helderberg.

"Because of this loss SAA has changed its schedules, which means that flowers now get to Amsterdam only on Monday morning," he said.

"And the Helderberg combined freight and passenger capacity so we're losing out on space."

"Proteas are highly perishable. They lose quality before the mid-week sales.

"And instead of getting two selling days we're confined to one so that customers are cutting back on orders.

"We're being jeopardised by SAA's inability to meet its obligations."

Wildflower exports from the region were worth about R20-million a year, he said.

Mr Tiel Bluhm, general manager for South Africa for Florimex, one of the world's largest flower dealers, said there was a further problem with freight capacity.

Unreliable

His Johannesburg-based company exports wildflowers from the Western Cape and cut flowers from Transvaal to customers all over Europe.

"The space situation in general is pathetic," he said. "It makes us unreliable as exporters because we never know if a consignment will get on a flight.

"Then our customers turn to suppliers from Kenya, Brazil or Israel."

Mr Bluhm said that flower exports had been "hit for six" by US sanctions and were being even further affected by the growing popularity of direct flights to Europe.

"Aircraft have to carry more fuel on the direct flight than if they stopped over at Ilha do Sol — and this further cuts the overall freight capacity."

Alternatives

An SAA spokesman said that when the problem arose protea exporters had been offered three alternatives to get their flowers to Amsterdam.

"They were not happy with those and turned them down. But we're looking into the problem.

"And I guarantee that between SAA and its pool partners there is sufficient freight space. There is no question that we cannot get cargo to its destination on time."

27/5/88

ORE EXPORTS (74)/71

Pretoria relents

The Cabinet has yielded to pressure from mining houses and SA Harbours (*Business* April 29) and will now allow manganese ore to be exported through Saldanha Bay.

To protect Port Elizabeth, which is being used to 50% capacity and traditionally handles SA's manganese ore exports, it will allow only the four lowest grades of ore to be shipped through Saldanha.

Saldanha is operating at only 40% capacity, but its primary purpose is to export iron ore. In order to avoid a possible clash of interests, the Cabinet has limited the quantity of manganese ore that may be exported through Saldanha to 300 000 t/year and is insisting that it ride piggyback with larger quantities of iron ore.

This will benefit Iscor's iron ore mine at Sishen, linked to the port by the Sishen-Saldanha railway line.

Klaus Hanhardt, Samancor's senior marketing manager, says the decision is "great news. The envisaged maximum tonnage is about right.

"The timing is also right. We are dealing with an inquiry from a foreign buyer for 25 000 t of manganese ore. He has re-arranged his schedule to accommodate us and will also take 100 000 t-150 000 t of iron ore, maybe more."

In January, Samancor tried to export 25 000 t of manganese ore through Saldanha. It was to have piggybacked with 150 000 t of iron ore from Sishen. SA Harbours was prepared to accept the consignment, but SA Railways refused.

The Cabinet hopes its latest decision will increase export earnings by enabling exporters of both ores to win back markets they have lost, says Leon Els, a spokesman for Transport Affairs Minister Eli Louw.

No doubt exporters are hoping the same. It's just a pity that help didn't come before the markets were lost. ■

Papers stolen on SA coal imports

(34) B/day 8/6/88.

AMSTERDAM — A small anti-apartheid group said yesterday it had broken into the offices of a Dutch shipping agent and stolen documents on imports of SA coal.

The Split Apartheid group said the documents it had stolen from Combined Amsterdam Shipping Agencies (Casa) in Zaandam showed where booming imports of SA coal via Amsterdam port were actually going.

A spokesman for Casa, in which the Royal Dutch/Shell oil group has an indirect shareholding, said all the company's business documents had been stolen in the overnight burglary.

Shell has been the focal point of a violent anti-apartheid campaign in the Netherlands and scores of petrol stations owned by Shell have been attacked in recent months in protest against the oil group's presence in SA.

Responsibility for the latest incident — an arson attack on two Shell stations on Monday — was claimed in an unsigned statement by anti-apartheid militants yesterday.

Split Apartheid claimed Dutch companies were actively helping SA beat coal import boycotts in France and Denmark, and were also aiding importers in countries like Britain and West Germany in disguising the origin of the coal.

It pointed to a sharp climb in Dutch imports of SA coal from only 250 000 tons in 1982 to 1,7-million tons in 1987.

Typically, Split Apartheid said, Pretoria's coal was shipped out of the Netherlands labelled as Australian, or even Dutch — disregarding the fact that the Dutch ceased mining coal 20 years ago.

The Casa spokesman denied any knowledge of such practices, but pointed out that the Netherlands did not operate an embargo on SA coal imports. — Sapa-Reuter.

By STAN KENNEDY

SPL's export venture paying off

Star 16/6/88

74

One of the pioneers of the South African software industry, SPL, is currently developing software for overseas projects that will bring in R5 million over the next three years.

Of this amount, R1,5 million will flow into its coffers this year.

Mr Lewis Folb, managing director, says the group will further benefit from ongoing royalties from its worldwide sales.

In the year ended February 29, SPL increased its turnover by 28 percent to R35,4 million. Pre-tax profits rose by 39 percent to R6 million while after-tax profits jumped 40 percent to R3,1 million.

Giving his impressions of the past year, Mr Folb said he was encouraged by the speed with which the group had become involved in research and development activities for the export market.

"This is something we started to strategise two or three years ago. Our relationships with our principals Software AG of West Germany, and other overseas companies, have been developed over many years.

"To deal with such companies that have positions of strength in the international marketplace seemed to us the right way to go with our software."

He said the move into the export market would mean that the group's revenue stream would be totally different in the future. SPL currently gets its money from the placing of resources and the charging of people's time on an hourly basis; from the sale of software products to users and maintenance; and from the placing of people on a contract basis or on a permament basis.

Future profits

The group has permanent rights for the sale of the Walker range of application products from Walker Interactive Products, US. It has the source code and copyright and an arrangment which includes an attractive buy-out of future royalty payments.

This, says Mr Folb, would have a positive effect on future profits.

SPL, in business for 20 years, went public in November 1985 and was the first computer company to be listed on the Johannesburg Stock Exchange.

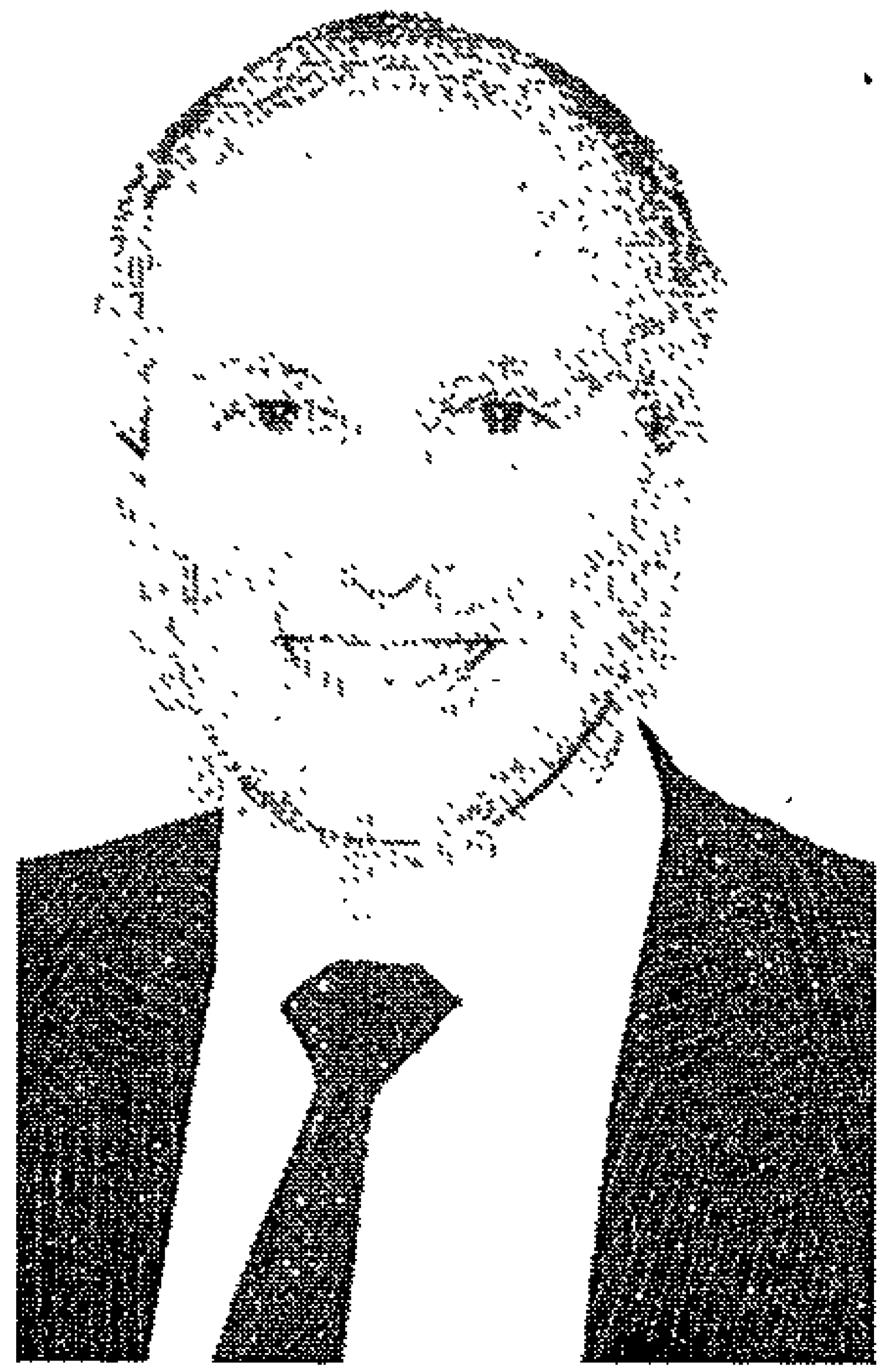
"This has given us more credibility and the ability to attract staff through being given a stake in the company. It has brought greater stability as a result."

Asked if he was driven more by shareholders than by his own "gut feel", he said this was a danger one could run into.

"We have resisted that very strongly. In fact, at the end of the 1987 year, we announced in our results that we would invest some of our profits in overseas export ventures. This is paying off but it was a decision we took in the face of a lot of resistance.

"Ours is not a short-term business and we have to make decisions that reach right into the future. Shareholders have to trust us and rely on our judgment."

He said that after its listing there was a big rush by other computer companies to follow suit which was unexpected. But he felt it had been good for the industry. It had attracted more general business talent into the industry and a lot more money.



LEWIS FOLB — "Shareholders have to trust us and rely on our judgment.

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Bday (74) 17/6/88
A TIMES

Japan puts the lid on SA canned fruit

TOKYO — JAPAN's second-largest retail chain store, Ito-Yokado Co, has suspended sales of South African products because of SA's policy of racial segregation, company officials said yesterday.

They said Ito-Yokado halted imports of canned yellow peaches and fruit cocktail from SA — starting with the April shipments — in line with a decision made at a managers meeting late in April.

Officials said the company took the step because of growing protests worldwide against apartheid.

The situation could not be confirmed with the South African canning industry yesterday, DIANNA GAMES reports.

However, estimates for last year's total imports to Japan of prepared fruits and vegetables from SA amounted to $90m, which sources indicated was not a large market in terms of total imports to Japan from SA.

One company official said they had found there were many customers who did not like apartheid.

"Our basic policy is to find the least expensive products for our customers, wherever they are, in South Africa or the US but we also have to consider the feelings of our customers toward the products we sell," he said.

Ito-Yokado started importing yellow SA peaches in 1984 and SA fruit cocktail in 1985 through Mitsui and Co, a major trading house.

Company officials said Ito-Yokado would keep sales of SA products suspended for some time, until they again became acceptable to its customers.

Mitsui spokesmen in Johannesburg said they had no comment to make on the situation. — AP-DJ.

Mauritius may soon raise custom tariffs on some SA imports

Star 23/6/85

74

Prime Minister Jugnauth

The Star's Africa News Service

PORT LOUIS — Mauritius is studying the possibility of increasing custom tariffs on South African imports.

The moves follow an outcry at the last summit of the Organisation of African Unity over Mauritian links with South Africa.

The spokesman said, however, that if any change was announced it would not affect basic commodities which had no customs duties. It would also not affect raw materials for the export processing zone.

Prime Minister Sir Anerood Jugnauth told the legislative assembly yesterday that Mauritius should "symbolically do certain things" to show his country's sympathy with South Africa's blacks.

He said that for South Africa the volume of trade it had with Mauritius was insignificant.

"South Africa won't be hurt even if Mauritius severed its trade links," he said.

Crashes dip, deaths rise

Star 23/6/85

Road traffic collisions in April this year (32 645) were down 12 percent compared with the previous month (37 095), according to the latest figures by the Central Statistical Services.

However, the CSS points out that the number of casualties during April (10 417) increased by 0,9 per cent over the March figure (10 108).

In April 898 people were killed — a 4,4 percent increase over the 860 deaths in March, due to the larger occurrence of fatal collisions in which two or more people died. — Sapa.

No help for hotel without a phone

Star 23/6/85

EAST LONDON — A popular Transkei Wild Coast holiday resort has been without a telephone for eight months because technicians are unable to get there to repair it.

Pleas for help to the post office have gone unanswered and the Hole-in-the-Wall hotel has now opened an office in Umtata to take bookings.

The hotel management said it appeared that there were no technicians at Mqanduli, where the exchange for the area is situated, and technicians in Umtata had no vehicles available to undertake repairs in the country areas.

A spokesman from the hotel's Umtata office said today countless letters to the post office in Mqanduli, the Umtata Post Office and the Postmaster had all gone unanswered.

Further representations to the Postmaster-General and to the Minister of Telecommunications had brought no results. — Sapa.

US drought likely to give boost to SA grain exports

Star 29/6/88

14

By Neil Behrmann

LONDON — South African grain exports will surge in the coming year because of the severe drought in the United States.

Exports will rise because of a sharp increase in world prices.

The US, the largest producer in the world, also has fewer crops to export so that other nations will be able to fill the gap in the world market and sell more grain.

A large proportion of South Africa's grain exports, mainly maize, however, ends up clandestinely on the African continent.

But even these impoverished countries, in desperate need of aid, may be forced to pay higher prices.

Surge in prices

Corn futures in Chicago have soared to $3,53 a bushel from $2,02 in early May.

Wheat futures have surged to $3,97 a bushel from $3 and soya beans to $10,595 from $6,75.

The surge in these prices has filtered through to the international trade.

Over 40 percent of the United States has been declared a disaster area and crops are expected to be devastated if there is no rain in the coming week.

So far, a large proportion of wheat, barley and oat crops have been lost and corn and soya bean crops are reaching a critical stage in the prolonged drought.

In Montana, North and South Dakota, the wheat crop is expected to be about a fifth of its normal size and crop damage is estimated at more than $2 billion.

These states are experiencing the worst conditions since the Thirties when thousands of farms were forced to sell up during a terrible dust bowl.

Grain stockpiles are vanishing fast.

The government's wheat stocks are around 270 million bushels, near the shrunken levels last seen in 1976.

That was a time when agriculturalists were talking of world food shortages.

Maize stocks are also falling. At 1,4 billion bushels, they will last eight months.

Yet farmers fear that crop damage will slash yields by 25 percent and yields will drop further if the drought continues.

The Mississipi river, one of the world's greatest waterways, is also a victim of the drought.

Massive grain barges carrying 1 400 tons of grain are running aground and are clogging a grain path from the Great Lakes in North America to the Gulf of Mexico in the South.

That means that international freight rates of dry cargoes are likely to rise.

Economists at the International Wheat Council are hastily downgrading supply forecasts of wheat and coarse grains.

Yet even before the drought worsened, consumption at 1,385 billion tons exceeded production by 65 million tons.

World stocks early this month were estimated to be down to 280 million tons from 397 million tons a year ago.

Yet production of major grain producers — the Soviet Union, China, Europe, Canada, Australia and South Africa — are expected to be higher this year.

South African maize output, according to the International Wheat Council, is 7,3 million tons, about 100 000 tons higher than levels in 1986, while wheat production has surged to 3,3 million tons from 2,3 million tons in 1986.

Ahead of the drought, South African exports of maize and sorghum were forecast to be around 1,7 million tons this year.

With production of the rest of the world higher, the surge in prices and lower US exports will help grain competitors around the world.

The US government has subsidised grain exports to reduce a huge stockpile built up over the past few years.

Direct effects

With stocks falling and international prices rising, it has become uneconomic for the United States to sell large quantities of grain to buyers at discount prices.

Besides the direct effects on wheat and maize prices and feed grains, especially soya beans, will have an impact on US and world food inflation. Farmers in America have been forced to kill livestock because the price of soya bean meal is so high.

In the short run, meat prices have fallen because of a glut, but next year they should rise sharply.

In the Northen Hemisphere and the Far East, prices of pork, bacon, poultry and eggs are expected to jump in the coming twelve months because of the rising costs of animal feed.

US drought no help for SA wheat farmers

Star 13/7/88

Own Correspondent

CAPE TOWN — South Africa's Wheat Board chairman has brought little joy back from a meeting in London of the Wheat Council.

Mr Denis van Aarde said yesterday there was little hope that the extensive drought in the US, which is hitting wheat crops there, could bring relief for South African farmers facing a severe cut when the wheat price is set later this year.

This could be particularly serious for Western Cape farmers being squeezed by competition from farmers in traditional maize growing areas who have switched to wheat.

South Africa's wheat surplus could be at least one million tons this season. If this occurs prices would be cut sharply.

Mr van Aarde said higher world wheat prices - which had risen by about 20 percent in recent weeks as a result of the US drought — would not hold.

VAST STOCKS

The US Central Commodities Corporation (CCC) had vast stocks which it could dispose of, holding world prices down, and the Russian and Chinese crops were expected to be good and this would dampen demand.

The CCC also used its stockpile to help US producers "discount" wheat. An export enhancement programme offers buyers the incentive of "free" wheat from CCC stocks when buying from an American producer at the ruling price.

"The long-term effect will probably be a flattening out of prices and although they may finally be slightly higher, there is not going to be a world shortage which could help us market our surplus economically," he said.

Any exports by South Africa to help dispose of the surplus would be at a loss.

The wheat crop is presently forecast at about 3,4 million tons, against domestic demand of about 2,4 million tons.

City firms' export trade looking good

(14)

Sm. Times 14/7/88

Financial Editor

CAPE TOWN firms are still doing well in the export market — although they are unwilling to give details for fear of politically motivated action against them — inquiries revealed yesterday.

Cape Town Chamber of Commerce, which has stopped sending trade missions overseas, is planning to send a single representative to West Germany later this year on behalf of exporters or local firms hoping to enter a new market.

It has invited interested firms to discuss their needs. But the chamber's business affairs manager, Albert Schuitmaker, said he had found most local exporters already had agents in Western European countries.

"Exporters play their cards pretty close to their chests these days, but they still seem to be sending goods to a lot of countries," he said.

"The export trade does not really seem to have slackened off although firms complain that sending goods has become more expensive, and making the arrangements more timewasting and tedious."

The chamber's last trade mission was to the Far East at the beginning of 1985. Now, Schuitmaker points out:"It is no longer viable to arrange formal trade missions to various parts of the world because of the negative attitudes towards SA."

Local firms which confirm they are still exporting range from wine producers to shirt manufacturers.

And the Cape Chamber of Industries told members this week that trade between SA and Britain was increasing steadily.

Its news bulletin quotes the executive director of the United Kingdom/South Africa Trade Association, Nick Mitchell, as saying that British exports to this country were 13% higher in the first four months of this year than in the same period last year. SA exports to Britain were 18% higher.

Mitchell advises members of the association: "Opportunities for UK companies are very good, particularly in Mossel Bay, electricity generation and distribution."

However, he warns, a Democratic victory in the Us presidential elections "would appear to present a major threat to future trade relations with SA."

AUSSIE STRIKE WON'T HELP SA PRODUCERS

SA coal exporters are unlikely to benefit much from Australia's second coal strike in less than a month.

The full extent of the latest strike is not yet known, but the previous one cost Australian producers US$35m a day in lost shipments.

Despite Australia's increasingly shaky reputation as a supplier, and SA's record as a reliable one, Transvaal Coal Owners' Association chairman Les Weiss says local producers are not in a position to take advantage of the situation — even while the strike lasts.

"Local collieries may add a few shifts to cope with extra demand, but the industry has tailored its production to market acceptability. It is still smarting from the lessons of 1985-1987, when excess capacity was introduced to cope with what turned out to be a short-term surge in exports," Weiss says.

Ivor Jones Roy analyst Nic Dinham estimates that if the strike continues for two to three weeks, SA could gain 200 000 t in exports.

He says: "Coal is an industry of large contracts and it would be very unusual to change suppliers as a result of one strike. The Japanese, in particular, are conscious of Australia's poor labour record and have built it in as a factor in their expectations."

More bullish for SA coal, perhaps, is the extra revenue that should accrue to exporters through the weakening rand, higher world prices and the US drought which is affecting coal shipments.

15/7/88 FM

74

PE's crayfish export venture a big success

ARGUS 15/7/88

74

Argus Bureau

PORT ELIZABETH. — A major facility for exporting live crayfish from the Eastern Cape to Europe and the Far East has been developed in Port Elizabeth harbour.

More than 5 000 crayfish are being contained in concrete holding-tanks with running seawater in a custom-built depot.

The R750 000 building is nearly complete. The Minister of Environment Affairs, Mr J C Kotze, is to open the factory on July 25.

But this is only the start. Ultimately there will be facilities for cultivating "salmon trout" (trout that taste like salmon) and for mussel and oyster production.

Two weeks ago, 700kg of crayfish was flown to Hong Kong and fetched twice the price possible in South Africa.

Mr Carlos Simal, managing director of the company, said: "It was a trial run to check the mortality rate, which was 10 percent.

"When we get our chilling facilities in the harbour up to scratch we can reduce the mortality to five percent."

The next consignment, of 500kg, will be flown to Hong Kong at the end of the month.

The crayfish are flown in boxes by SAA. They can survive 48 hours out of the water and were very much alive when the consignment reached Hong Kong's restaurants.

East Coast and West Coast varieties of crayfish are being stored, although generally in South Africa the West Coast variety is preferred.

"In the Far East," Mr Simal said, "the East Coast crayfish is preferred for the large tail and volume of flesh.

"The report-back from Hong Kong is excellent. The restaurateurs are delighted with the flavour."

Also in the factory pipeline are projects for cultivating trout to taste like salmon and for mussel and oyster production.

"We will reserve six tanks to keep the trout in a mixture of freshwater mixed with 10 percent of seawater," Mr Simal said.

"We'll bring the seawater content up gradually to 100 percent when the trout flesh is pink and tastes like salmon."

Ten years ago, in a brief but successful pilot venture, West Coast crayfish were flown in water tanks from Cape Town to the United States.

COAL EXPORTS FM (74)

Venturing out

The joint venture between SA Transport Services (Sats) and a consortium of coal exporters to expand Durban export facilities will not prevent other coal exporters using the port.

Exporter members of the Durban Coal Terminal Company (DCTC) have set up the joint venture with Sats to upgrade and expand coal export facilities through the port.

Depending on the state of the coal export market, the eventual aim is to modernise the Bluff Mechanical Appliance (BMA) at Durban and increase its effective load-out capacity from the current level of about 1,4 Mt annually to 5 Mt. It will cost an estimated R80m.

Sats harbours assistant GM Mike Myburgh says a key point in the agreement is that, should a decision be taken to expand the facility, Sats has undertaken to channel all the coal currently exported from various wharfs at Durban to the BMA. This means loading facilities such as Pier 109, the Rennies bulk handling facility and the Durban bulk handling facility would be closed to coal exports.

In terms of the deal, Sats has given the BMA's loading facilities and infrastructure, which includes two quays for berthing ships, to the DCTC on a 30-year lease. While the operation is described as a 50-50 joint venture, there are, in fact, two classes of shares with different rights. Sats holds all the shares of one class and the DCTC the rest.

The joint venture will be run by a board of 18 directors, only three of whom will be from Sats. Myburgh says finance for the plant's expansion and modification will come from

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the coal companies. The value of the infrastructure contributed by Sats is R11m.

While the coal companies will run the BMA, Sats' rights — set out in the joint venture agreement — include determining when it should be expanded. It also has rights on setting rates for use of the facility and conditions of access for small coal exporters who are not members of the DCTC.

Myburgh says an important consideration was that the facilities be available to outsiders on a common-user basis and that the DCTC not use its position to block other companies from the coal export market. He says Sats has the right to review the tariff at which outsiders are to be charged.

Only if the BMA's total capacity is needed to meet export requirements of DCTC members who have paid for its expansion, will outsiders be excluded. However, Myburgh says Sats has the right to ensure that requests for capacity allocation from DCTC members are not inflated. ■

SA products to find 'niches' in Japan

DIANNA GAMES

JAPAN'S active promotion of the import of manufactured goods would open market niches for SA products, SA's vice-consul in Japan, Georg Stroebel, said yesterday.

He told the Witwatersrand Chamber of Commerce and Industry's briefing on trade opportunities in Japan and South Korea that in spite of the sanctions threat, smaller import companies were eager to import goods from SA and move into gaps left by larger companies cutting back.

Japanese businessmen were not influenced by political considerations and would import by whatever means possible, even via a third country.

The expectation of a medium-term decline in Japan-SA trade resulted from the Japanese government's request for trade restraints, SA products being replaced by cheaper supply sources, increased pressure from US companies and a fear by Japanese companies to be identified with SA.

As well, SA had moved from 18th to 21st on the list of Japan's main trading partners.

Stroebel's figures showed exports from SA to South Korea accounted for most of the increase in trade between the two, rising from R130m in 1982 to R686m in 1986. Imports from South Korea to SA rose from R50m to R144m in the same period.

He said South Korea's manufactured goods market, now closed to SA, could open up after the Olympics and the country was out of the spotlight. The market was now limited to minerals and raw materials.

B/day 22/7/88.

BUSINESS DAY, Wednesday, July 27 1988

(7A) B/day

Row over export of pulpwood to Japan

ARI JACOBSON

A WAR of words has broken out in the timber industry over the export of unprocessed pulpwood to Japan, which local processors say could be earning SA 13 times more if it were upgraded before export.

The exports have resulted in extreme shortages and inflated prices for wood and related products, wood industry spokesmen say.

The price hikes are expected to raise the cost of a broad spectrum of households goods.

Interboard chairman Ed Dutton says this has been brought about by the continued export of unprocessed wood to the detriment of local industry, which could be upgrading the product and exporting it with added value.

A ton of wood chips fetches about $23 whereas a ton of upgraded particle board is priced at about $300.

A Sappi spokesman says the Central Timber Co-operative (CTC) — which represents the private timber growers — has contracted to supply 500 000 tons of wood chips annually to Japan up to the year 2002.

Farmers are being paid a premium which has an inflationary effect on all wood-related products.

CTC GM Rein Franz has declined to comment.

There was a 15% increase in pulpwood prices in March and wood agents are already gearing themselves for a further rise in September. This affects a broad spectrum of household goods, says Dutton.

Sappi and Mondi spokesmen say government has encouraged industry to fight inflation, yet soaring wood-related prices have been worsened by the wood shortage caused by the CTC contract.

"Ironically, government provides large cash and tax incentives for these exports," says a spokesman for a major pulpwood processor.

A Mondi spokesman says the export contract clinched in the mid-seventies was understandable when a hardwood surplus existed which the major processors could not process.

But this no longer applies because these processors have commissioned additional capacity which could add value to the raw material and generate vast export earnings for SA, he says.

However, PG Bison board export manager Lionel Bond says a reasonable amount of upgraded particle board is being exported.

Sanctions could devastate country's cane belt

Star 29/7/81

By Dave Canning

DURBAN — The sugar industry and large parts of Natal and the Eastern Transvaal — would be disastrously affected if the current clamour for sanctions was successful, Mr John Chance, chairman of the SA Sugar Association, said yesterday.

Making another plea for a positive Government decision on the proposed ethanol plant at Richards Bay, he told the association's annual meeting in Durban: "The clamour for more stringent sanctions to be applied to our country grows louder by the day."

Sanctions, if applied successfully, would undoubtedly have a disastrous affect. It would cause the closure of some mills and untold hardship to some employees and cane growers — particularly black growers. More than 750 000 blacks were dependent on the industry.

Many towns throughout the cane belt would suffer. Satellite industries would be badly affected

He said the Government had been made aware of the catastrophic effects on Natal and the Eastern Transvaal should sanctions threats become a reality. "We can only hope that political solutions to our country's difficulties will be resolved before any such actions take place."

An ethanol plant could materially assist in stabilising the economy of the sugar industry and he hoped the Government would take a final positive decision soon.

He did not believe that the Government, which spent billions of rands on capital intensive non-renewable synfuel plants which create major pollution problems, could continue to ignore precedents in a number of leading countries which are diversifing agriculture into ethanol fuel production.

He said the sugar industry's attempts to diversify into ethanol could be jeopodised by vested interests present at various stages of evaluation of the project.

A secretive "black box" approach had been adopted in re-evaluating the ethanol feasibility study, first by the oil industry and then a select sub-committee of the National Energy Council.

"The sugar industry does not query the State's expenditure on strategic indigenous fuels but I believe we have a right to receive similar treatment and to know what parameters are used to evaluate our ethanol project."

The better outlook had enabled the industry, in April, to repay R40 million of the R327 million in loans raised earlier this decade

By this time next year the sugar industry could be in the fortunate position of having repaid at least half of its total loans.

Mr Chance said the association had generated a profit of R15 million from transactions covering the flow of export proceeds. No foreign exchange losses had been experienced on foreign currency loans which had been raised.

However he sounded a warning about SA's position as a major exporter and also warned against thoughts of expanding the industry in general.

The world free market was unlikely to become profitable — except for temporary surges as at present — until the US and EEC changed their agricultural policies.

There were signs that they were beginning to rethink their policies.

However it could be 10 years before agricultural trade barriers and protections were removed completely, if at all.

● Sapa reports from Port Louis that the United States is to buy more sugar from Mauritius this year.

The island says that Washington will purchase just over 12 000 tons of sugar, which represents an increase of 4 000 tons in the US annual quota from Mauritius.

The US has increased its quota this year because it will have to buy 300 000 tons more this year due to acute drought prevailing there.

The sale of the 12 000 tonnes will earn Mauritius about $12 million.

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BUSINESS

Poor export showing hurts SA

GRETA STEYN

POOR export performance during 1987 and the first half of 1988 is particularly disturbing because it stands in stark contrast to international trends, Old Mutual economist David Mohr says in his latest Economic Monitor.

Mohr says total world export volumes rose at an annual rate of about 10% during the second half of 1987 — while in SA's case non-gold export volumes have been on a broadly declining trend since the middle of 1986.

"This poor export performance not only increases our reliance on gold to generate current account surpluses, but at the same time, of course, also underlines our vulnerability to any weakening in the gold price."

The sensitivity of the current account to the gold price was highlighted by the fact that a $10 change in the gold price over a full year translates into roughly R450m on the current account at present exchange rates.

It was also disturbing that the current account had moved into a deficit at a relatively early state of the business cycle. During the 1977/81 upswing, fixed investment had been on a sharply rising trend for more than two years before the current account moved into deficit early in 1981.

Fixed investment spending had not registered any significant recovery yet during the present upswing and the current account position was already under pressure.

Judging from past experience, maintaining a surplus on the current account of the BoP had had a progressively more suppressing effect on the domestic growth rate.

For example, the average real growth rate achieved during the surplus periods up to 1970 amounted to 5,8%, the growth rate for the surplus years of the Seventies to 4,1% and for the Eighties to -0,3%.

"In the absence of regaining full access to international money and capital markets, our potential growth rate can only be increased by means of improving our export performance and/or reducing our dependence on imports."

But the need to generate current account surpluses was not the only constraint on growth. Another potential constraint on the strength and duration of the upswing is SA's limited skilled labour resources.

The Star Finance

Star 7/4/88

SA exports to six countries undermine sanctions effort

TORONTO — A group of six countries, headed by Japan, have sharply increased their annual imports from South Africa in recent years, undermining the impact of economic sanctions imposed by the United States and others.

In all, the six countries — Japan, Taiwan, West Germany, Italy, Spain and Turkey — last year imported $1,76 billion more South African goods than their average imports during the 1983-85 period.

Britain's trade with South Africa has fallen in recent years, due principally to the transfer of the bulk of the diamond trade from London to Switzerland.

The figures are contained in a confidential interim report on the impact of South African sanctions, commissioned by the Commonwealth Foreign Ministers Committee at its inaugural meeting in Lusaka in February.

The committee, meeting this time in Toronto, was set up by Commonwealth heads of government at last year's meeting in Vancouver. It comprises the foreign ministers of Australia, Canada, Guyana, India, Nigeria, Tanzania, Zambia and Zimbabwe. Britain — which opposed the wider, tighter and more intensified application of sanctions in Vancouver — is not represented.

According to the report, Japan's imports from South Africa were last year up by $748 million or 44 percent from their 1983-85 average. Imports by Taiwan and West Germany increased by about $300 million from 1983-85 levels, while Italy, Spain and Turkey registered increases of $100 million to $200 million.

The rate of growth has been fastest in Taiwan and Turkey, where South African imports during have increased by 146 percent and 132 percent respectively.

The report also shows that countries which have introduced major sanctions against Pretoria reduced their South African imports by $1,2 billion between 1985 and 1987 — about seven percent of South Africa's total 1985 exports.

By far the largest reduction was made by the United States, which has cut South African imports by $860 million over this period. Other major reductions were made by Denmark, where imports have fallen from $154 million in 1985 to zero, France, Canada and the Nordic countries.

A separate interministerial report on South Africa's relationship with the international financial system confirms that long-term credits to South Africa have virtually ceased but that short-term trade credits are increasing. The principal sources of these credits are said to be Britain and West Germany.

Last month, Dr Gerhard de Kock, governor of the South African Reserve Bank referred to a gratifying increase in trade credits and suppliers credits, which, he said, serve to ease the balance of payments constraints on economic growth.

Based on the reports' findings, the Committee is expected to discuss the adoption of fresh measures to increase pressure on all countries to reduce trade links with South Africa.

These are likely to include recommendations that tighter restrictions be imposed on the purchase of non-essential South African goods, such as coal, steel, base metals and agricultural products, and that restrictions on trade credits or trade insurance for South African goods should be considered. — **Financial Times**

The Star Finance

Electronics industry urged to enter foreign markets

12/8/88 Star (74)

By Roy Cokayne

South Africa should make a concerted effort to enter and exploit the lucrative international market in electronic goods to counteract the large and negative trade balance associated with these goods, says deputy Minister of Economic Affairs and Technology Dr Theo Alant.

"Expanding our market horizons beyond the relatively small local market will allow us to reap some of the benefits of the economies of scale in which the countries of the Far East are excelling," Dr Alant said at the opening the R4 million Grinaker Electronics Research & Development Laboratory in Waltloo, Pretoria, earlier this week.

Dr Alant said in 1986 the South African market for electronic goods amounted to about R6,2 billion, with the current growth rate being about 15 percent in rand terms.

He said this demand was largely satisfied through imports, which made South Africa the sixth-largest net importer of electronic goods in the world, with a concomitant growing negative trade balance.

Careful attention

"This is a problem that demands our careful attention. In the challenging times in which we live, research and development in industry is playing a more and more important role.

"South Africa will therefore increasingly have to use more of its resources for research and development to ensure itscompetitiveness on international markets," he said.

Dr Alant said the majority of South Africa's industries had so far not devoted much attention to research and development because their manufacturing took place in terms of licensing agreements.

He said this imported technology was still of great value and would surely always be important to industrialists.

However, what was disturbing was that the private sector was not making sufficient funds available for research and development.

"In 1981, only 0,74 percent of the country's gross domestic product (GDP) was spent on research and development and the Government's contribution was appreciably larger than that of the private sector.

"By contrast, in the United States expenditure on research and development constituted 2,47 percent of GDP," he said.

Dr Alant said the Board of Trade and Industry in its final report quite correctly concluded that South Africa should focus more effort on technology-intensive products that sold through uniqueness, rather than competing in the mass production of commodity items.

SA export producers 'unreliable'

79

SA producers have become unreliable sources for foreign buyers, and the negative effect on exports could be far more damaging than sanctions, says SA Foreign Trade Organisation (Safto) CE Wim Holtes.

In an article for Business Day today, Holtes says some companies have actually reneged on export commitments.

SA's export traders and associates abroad are frustrated because producers are not supplying foreign markets due to domestic demand, making SA unreliable for foreign buyers and doing more damage than sanctions, he says.

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B/Day

(74)

Erratic govt policy also blamed

SA's inflation curbs exports, says business

MANDY JEAN WOODS

THERE has been widespread business support for Safto CE Wim Holtes's criticism that SA business is not sufficiently export-orientated.

Reacting to his comments, published in Business Day yesterday, industry and commerce spokesmen said excessive inflation locally had a serious impact on the desirability of exporting goods.

Afrikaanse Handelsinstituut economist Collie Hugo said up to now SA had always been satisfied to let the favourable exchange rate create export markets.

"But the high inflation rate is offsetting the exchange rate and in the end SA goods often sell for higher prices than local goods in export markets. We have to lower the inflation rate to make our exports competitive," he said.

Assocom's Bess Robertson agreed the most pressing problem for exporters was the high inflation rate which eroded any advantages of the exchange rate.

FCI chief economist Roelof Botha said inflation and government's erratic export incentives policy had made exporters wary of developing their potential.

"Exporters demand more stability to relieve their risk factor to some extent. Government continues to revise and alter its policy so exporters do not know what to expect in the long term," he said.

Robinson said other factors inhibiting businesses from exporting were poor levels of productivity, growing political "hassle" factors and costly infrastructures to support 24-hour production.

"It is a fact that some manufacturers prefer to sell locally because it is a simpler operation than exporting," she said.

Botha said complacancy was another deterrent. "To establish export markets one must visit abroad and costs will be incurred. Many companies are not prepared to do that. Also many of them see the hostilities aimed at the state and anticipate being received as *persona non grata* in potential export countries."

● Comment Page 8

'Aluminium exports could be doubled'

74

MARITZBURG — The R400m South African aluminium export market could be raised by as much as 100% in a few years through the increased export of manufactured products, Hulett Aluminium said.

In conjunction with Safto, the company recently held a conference in Johannesburg on value-added export. Executives from 82 aluminium processing, fabricating and manufacturing companies attended.

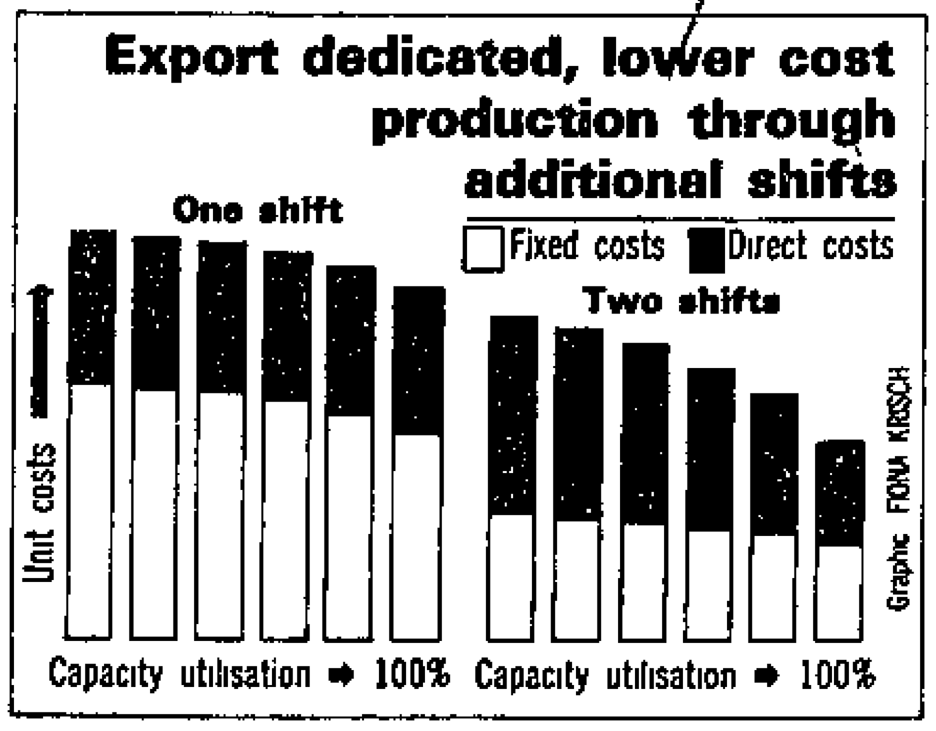
"Although many of us are competing with one another on the local market, which is a healthy condition, there is a decided need to combine forces to utilise export opportunities effectively and make this market work for all of us," said Hulett Aluminium MD Des Winship.

"This will undoubtedly result in long-term growth and profit. Research commissioned by Hulett Aluminium shows that the industry has the technology, management, capacity and resources, but it needs effort and commitment to get this project off the ground."

Safto has indicated that the Board of Trade and Industry (BTI) is totally committed to helping the export drive but needs to know from the industry the nature of existing problems and exactly what strategy they require from the government.

Ann Moore, GM of the membership and information division of Safto, said: "The most important factor as to why manufacturers do not export final product can be put down to management attitude.

"Managements' overall growth objectives may be limited, the perception of exporting may be poor or — as is often the case — there may be an overall lack of export knowledge among managements." — Sapa.



Costs of boosting output for export

Safto CE Wim Holtes this week suggested that SA producers consider extra shifts in meeting export demands. The graph shows the effect of additional shifts on unit costs of production. Holtes says direct costs may rise initially in the second shift, but will drop dramatically as learning curve effects take place. Fixed cost per unit could drop by half, and gradually reduce further.

B/Day 19/8/86 (74)

SA arms sales in the spotlight

MIKE ROBERTSON

LONDON — SA is one of a group of smaller nations who in recent years have been particularly active as arms exporters, according to the Stockholm-based International Peace Research Institute (Sipri).

Institute director Walther Stutzle said SA along with Israel, Brazil, Chile and South Korea were the countries which were forcing political factors — that had dominated the arms trade in recent years — to yield to market forces.

The proliferation of arms suppliers would make it increasingly impossible to enforce arms embargoes on countries like SA. Sipri said the "grey market" in arms sales was rapidly expanding.

This included officially approved exports from governments which are sent by covert or unacknowledged means. The institute estimated that sales worth $2bn a year are being made in the grey market.

Sipri said the arms trade pattern in the 1960s and 1970s where only a few industrialised countries dominated the market may have been only a brief interlude in the history of international relations.

"The political factors that dominated the arms trade in the recent past are yielding to market forces. As that happens, the arms trade is returning to its pattern prior to the Second World War where the trade in military equipment was not dramatically different from the trade in many other industrial products."

The proliferation of arms suppliers was likely to create an anarchic market place.

Increased exports to Angola and other Third World countries like India, Iraq and Syria retained the Soviet Union's place as the world's leading arms supplier.

Its sales totalled $9,6bn, compared to the US which exported $5,8bn worth of arms to developing nations.

Sipri calculated that total world arms sales last year amounted to $35,1bn at 1985 constant prices.

The MINISTER OF LAW AND ORDER:

Yes

(a) and (b) Fall away

CSIR: funds received from private sector

1282 Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

(1) Whether the Council for Scientific and Industrial Research has been receiving funds from the private sector; if so, (a) since when and (b) what percentage of its budget was financed by the private sector over the latest specified period of 12 months for which information is available;

(2) whether any conditions are attached by the private sector to funds so provided, if so, what conditions?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) Yes
  (a) At least since 1963
  (b) 4,42%

(2) Yes, normal conditions of contract, viz that the funds are used for specific research purposes.

Cape College of Education: Fort Beaufort

1285. Mr K M ANDREW asked the Minister of Education and Development Aid.

(1) (a) Who are the members of the council of the Cape College of Education in Fort Beaufort and (b) what are their (i) occupations and (ii) qualifications;

(2) (a) how often does this council meet and (b) on what dates did it meet in 1988?

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(1) (a) Messrs W A Staude, S T Bantom, S Anderson, L C Koch, Mrs A N Tukulu, Mrs Maneli

(b) (i) and (ii) Mr W A Staude:
Regional Director, Cape Region, Department of Education and Training; BA and Post-graduate Certificate of Education

Mr S T Bantom:
Inspector of Schools, Department of Education and Training, Higher Primary Teachers' Certificate.

Mr S Anderson:
Managing Director, Maybaker, SA (Pty) Ltd; Not available.

Mr L C Koch:
Chief Director, Community Development, Cape Provincial Administration; Not available.

Mrs A N Tukulu:
Principal Education Adviser, Education Auxiliary Service, Department of Education and Training; BA (Hons) and Higher Primary Teachers' Certificate.

Mrs W Maneli:
Principal, Department of Education and Training; BA (hons) and University Education Diploma.

Note: According to the relevant regulation the Governing Council shall consist of seven members. At the moment one position is vacant.

(2) (a) Once a quarter in accordance with the relevant regulation.
  (b) 23 March 1988 and 23 May 1988.

Marine products exported 74

1286. Mr R J LORIMER asked the Minister of Environment Affairs:

(1) (a) What quantity of (i) white fish, (ii) rock lobster and (iii) abalone was exported during the latest specified period of 12 months for which statistics are available and (b) what was the rand value or estimated rand value of these exports in each case;

(2) what is the policy of his Department in regard to the quantities of marine products exported.

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) I do not deem it in the national interest to publicly divulge export statistics in respect of the relevant species. I am however, prepared to furnish the honourable member with the statistics privately.

(2) The Departmental policy regarding the quantities of exports of marine products, is aimed at satisfying the domestic demand for sea fishes, having regard to the need to generate foreign currency

Western Transvaal Area Development Board: dissolution

1287. Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning:

Whether the Western Transvaal Area Development Board has been dissolved; if so, (a) on what date, (b) what was the value of this board's (i) assets and (ii) liabilities at the time of dissolution and (c) to whom were these (i) assets and (ii) liabilities transferred?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

The Western Transvaal Area Development Board, has been dissolved,

(a) 1 July 1986;

(b) (i) and (ii) — Details are not available.

(c) (i) and (ii) — To the Administrator of the Transvaal in terms of Government Notice 2885 of 31 December 1987.

Central Transvaal Area Development Board: dissolution

1288 Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning:

Whether the Central Transvaal Area Development Board has been dissolved; if so, (a) on what date, (b) what was the value of this board's (i) assets and (ii) liabilities at the time of dissolution and (c) to whom were these (i) assets and (ii) liabilities transferred?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

The Central Transvaal Area Development Board, has been dissolved;

(a) 1 July 1986;

(b) (i) and (ii) — Details are not available.

(c) (i) and (ii) — To the Administrator of the Transvaal in terms of Government Notice 2885 of 31 December 1987.

East Rand Area Development Board: dissolution

1289. Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning:

Whether the East Rand Area Development Board has been dissolved; if so, (a) on what date, (b) what was the value of this board's (i) assets and (ii) liabilities at the time of dissolution and (c) to whom were these (i) assets and (ii) liabilities transferred?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

The East Rand Area Development Board, has been dissolved;

(a) 1 July 1986;

(b) (i) and (ii) — Details are not available.

(c) (i) and (ii) — To the Administrator of the Transvaal in terms of Government Notice 2885 of 31 December 1987.

East Cape Area Development Board: dissolution

1290. Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning:

Whether the Eastern Cape Area Development Board has been dissolved, if so, (a) on what date, (b) what was the value of this board's (i) assets and (ii) liabilities at the time of dissolution and (c) to whom were these (i) assets and (ii) liabilities transferred?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

The Eastern Cape Area Development Board, has been dissolved:

(a) 1 July 1986;

(b) (i) and (ii) — Details are not available.

(c) (i) and (ii) — To the Administrator of the Cape of Good Hope in terms of Government Notice 2885 of 31 December 1987.

Eastern Transvaal Area Development Board: dissolution

1291. Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning:

Whether the Eastern Transvaal Area Development Board has been dissolved; if so, (a) on what date, (b) what was the value of this board's (i) assets and (ii) liabilities at the time of dissolution and (c) to whom were these (i) assets and (ii) liabilities transferred?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

The Eastern Transvaal Area Development Board, has been dissolved;

(a) 1 July 1986:

(b) (i) and (ii) — Details are not available.

Star 26/8/88 (74)

The Star Finance

Aussie labour problems boost SA coal exports

By Harold Cuming,
Argus Foreign Service

SYDNEY — Industrial problems have created a bleak future for the Australian coal industry, much to South Africa's benefit.

"Countries which would normally order Australian coal are turning to SA as an alternative," said the executive director of the Australian Coal Association, Dr Barry Ritchie.

"There have been a growing number of disputes at Australian mines and overseas shipping is heading for SA instead to pick up valuable coal orders."

Both SA and Canada are reliable suppliers of soft coking and steaming coal, and Australia has lost export orders worth millions of rands in the last year.

The New South Wales Coal Association, of which Dr Ritchie is also executive director, recently learnt that the Brazilian government was bypassing Australia in favour of SA.

"This decision by the Brazilians is a reflection of growing doubts by coal-buying countries about Australia's reliability as a supplier," he said.

"Several New South Wales mines have been negotiating with the Brazilians on contracts worth tens of millions of dollars for semi-soft coking coal.

"This frustrating news will not be the last unless our mines are freed from industrial disputes and archaic work practices."

Dr Ritchie said that in New South Wales six mil-

Dr Barry Ritchie

lion tonnes had been lost in the past nine months because of disputes. These lost export orders totalled A$300 million.

"Because of sanctions, SA coal exports were at one stage declining. But when countries who normally rely on Australia for their coal find they can't get any, they look elsewhere and sanctions are forgotten.

"The price per tonne is about the same in SA and Australia. Countries would prefer their coal from Australia because they perceive us to have a more secure long-term political future than SA.

"But because of disruptions Australia is not producing enough coal for exports."

Dr Ritchie said that until nine months ago, SA could undercut Australia in coal prices.

"But SA now has a much higher inflation rate and black labour costs have risen, along with cartage costs. So we can supply export coal on an equal basis.

"Yet SA is winning the export war, because our unions live in the past.

"The Australian coal industry cannot afford to lose out to SA. If it does, the future of our industry faces total disaster."

He went on: "We are a dying industry and unless the situation is rectified, it is going to mean serious balance of payments problems for Australia.

"The SA coal industry is seen by importing countries as having stability."

Australia now ran the risk of becoming a "banana republic" in coal production, while SA grabbed the crucial millions of export dollars.

. . . but industry must remain competitive

By Sven Lünsche

Notwithstanding political difficulties and sanctions, the SA coal industry can still look forward to sizeable export markets, provided it maintains competitiveness, particularly against Australia and China, says Nedbank in its latest *Guide to the Economy*.

South Africa's coal exports declined by about three million tons to 42,6 million tons from 1986 to 1987, reducing the revenue from coal exports by 27 percent to R2,294 billion.

"But revenue from exports could have been much higher in 1987 had SA exporters acted collectively rather than individually," Nedbank writes. "In trying to beat sanctions they marketed aggressively by cutting prices and without judging the demand and supply situation."

For sanctions to be fully effective, the other suppliers would need to be able to fill the gap left by SA exports, and at the same time remain competitive against SA suppliers.

"This seems unlikely over the medium-term of three to five years," Nedbank says, noting that during 1987 SA's agressive marketing pushed some of Australia's mines out of business.

The bank adds that China, which launched its export drive in 1986, had proved unreliable recently

S A canned fruit exports 'quite good'

O/C ARGUS 27/8/88

By ~~DICK USHER~~
Business Staff

SOUTH African canned fruit exports are holding their own in a difficult market, according to the main exporters.

Mr Carel Stassen, chief executive of Langeberg, said exports were "quite good" considering sanctions against South Africa which had lost this country markets in the United States, Canada and Scandinavia.

Advantages

At the same time, the comparative advantage South Africa had enjoyed through the declining rand had been offset by domestic inflation and declining currencies of competitors, he said.

Mr Robin Merry, managing director of Gants, said that with the change in political emphasis some doors had closed but exporters had managed to expand in other markets, especially the Far East and Europe.

But exporters were managing to keep their heads above water even though the South African inflation rate tended to negate the benefits of a weaker rand.

"We are competing in a market where many of our competitors do not have the same inflation problem.

Competitive

"You cannot keep putting up prices if you want to remain competitive," he said.

Other factors favouring South African exports were the quality, service and reliability exporters offered.

Yesterday, former Transvaal Provin- The PFP in the council warned govern-

Americans count cost of sanctions

74 3/8/88

SA mineral ban could cost the US about $10bn

6/10/88

THE US could suffer shortfalls worth some $10bn if sanctions were to be imposed on the import of strategic minerals and metals from SA.

This is revealed in a US Bureau of Mines survey quoting a recent report from the US General Accounting Office.

Facts from the report are highlighted in the latest issue of the Chamber of Mines newsletter.

The US report says SA's role as a supplier of the 10 leading certified minerals (manganese, industrial diamonds, cobalt, chromium, vanadium, asbestos and the platinum group metals) to the US has varied over the past five years.

"It has become a more important supplier for some, less important for others...

"The Soviet Union is not now, nor has it been, a major supplier of any of the 10 certified minerals since at least 1983.

The report estimates the five-year cumulative direct economic cost of the US embargoes on SA for six of the minerals at $9,25bn.

The report notes that in 1986 SA led the world in the quantities mined for three of the 10 certified minerals — chromium, rutile (titanium) and vanadium.

SA exports ranked second in two of the remaining seven minerals — manganese and platinum group metals.

SA also has the largest reserve base for four of the 10 minerals — chromium, manganese, the platinum group metals and vanadium.

It has 84% of the world reserve base for the platinum group metals. The country is also believed to rank first in world production and reserves of andalusite, a specific type of industrial diamond and grade of chysotile asbestos.

The US Bureau of Mines report assesses the availability of six of the 10 certified minerals and concludes that there are sufficient alternative sources for manganese, chromium, palladium, rutile and vanadium to meet US industrial demand should there be an embargo on SA exports.

But there are not sufficient alternative sources for platinum and rhodium.

Supplies of cobalt would remain available via the use of alternative routes for transporting the material from Zaire, the pricipal US supplier.

Cobalt from Zaire and Zambia is currently shipped via SA rail to SA ports for export. — Sapa.

ZIMBABWE TOLD

Ministry w

SA coal: Belgian probe under way

BRUSSELS — The Belgian government was investigating allegations that officials re-exported SA coal illegally disguised as Australian coal, an Economics Ministry spokesman said yesterday.

He said Economics Minister Willy Claes had ordered the probe after discovering that a ministry department had issued re-export documents describing SA coal as Australian.

He said: "SA coal imported into Belgium was rebaptised as Australian for re-export to a neighbouring country, which could be France."

Unlike France, Belgium does not boycott SA coal.

But it has said it would be prepared to ban imports if the EC decided on a joint boycott to protest against SA's apartheid policies.

The spokesman said Belgium would ask its EC partners to discuss again a proposal for an EC-wide ban, which member states had failed to back so far. — Sapa-Reuter.

74 B/day 7/10/88

EXPORTS

74

Broken link

Traditionally, periods of expansion in the main industrial countries have stimulated SA export growth, leading into prosperity.

The scene is now set for just such a development, with the outlook for the major economies decidedly upbeat.

Growth forecasts for 1988 are being repeatedly revised upwards. Warburg Securities (UK), in a September *Economic Briefing*, estimates 6% growth in Japan, 4% in the US, Canada and the UK, and 3% or more in Germany, France and Italy, attributing this to a "powerful combination of demand pressures" which include consumer spending, investment spending and demand for imports.

Despite this, SA's export prospects have probably never been poorer.

Says Rand Merchant Bank economist Rudolf Gouws: "Export volumes, which started climbing in early 1984 in response to the strong rise in world economic activity, have tailed off — despite the continued rise in world economic activity and trade."

Gouws

Using the index of US industrial production volumes as "a useful proxy for world economic activity," he demonstrates the previous close correlation and recent divergence (**see graph**) between the two indicators.

He attributes the recent trend to:

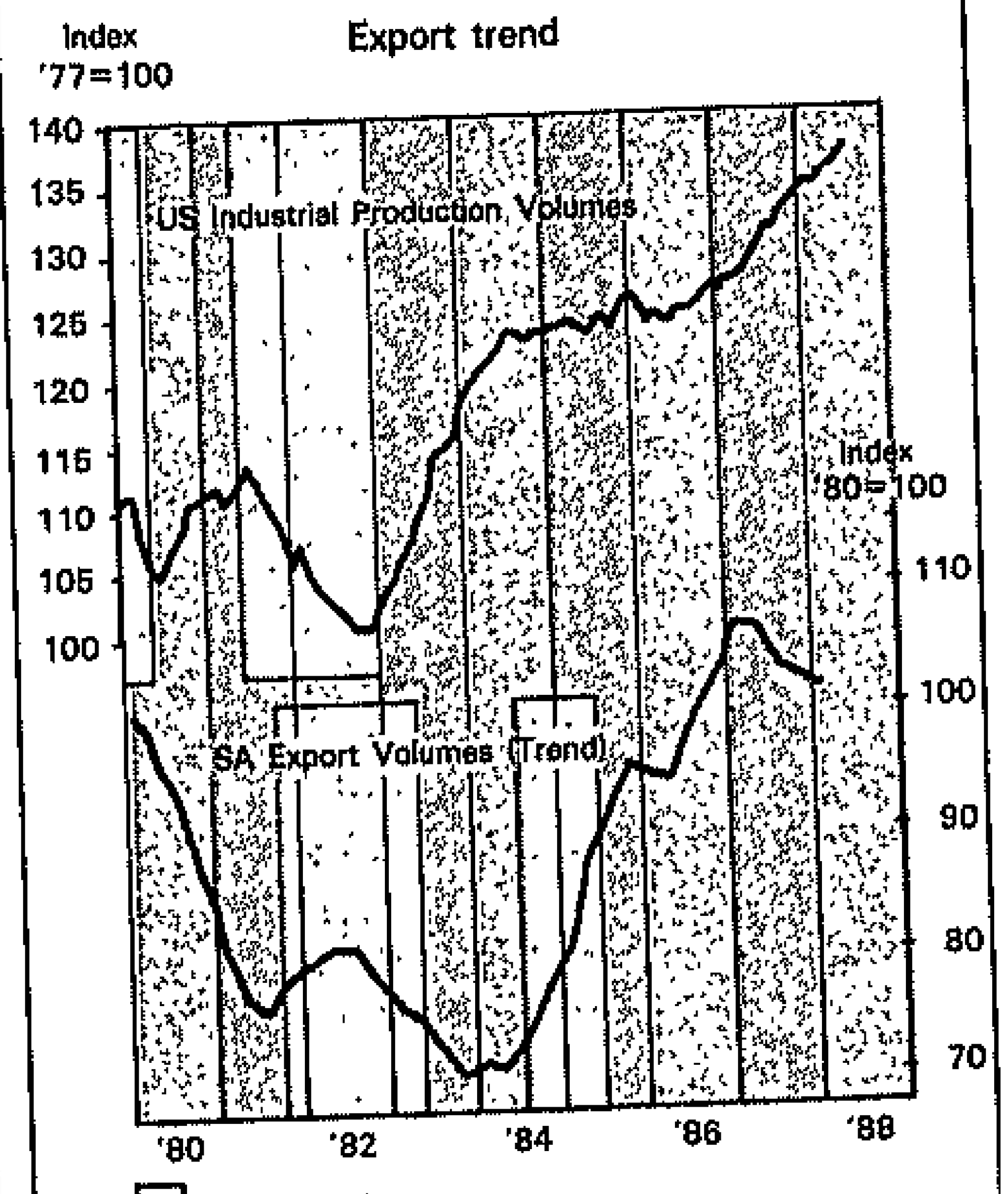
- □ The impact of sanctions on some goods;
- □ High domestic absorption because of the strong revival in local demand;
- □ World oversupply in commodities like uranium and iron ore; and
- □ A shortage of agricultural products because of flood and other crop damage.

What does this imply for the future?

Domestic absorption will drop as SA moves into recession, commodity supplies will adjust, and agricultural output will recover. But sanctions seem to be with us for the indefinite future.

Though it is impossible to assess the relative importance of the factors that have depressed recent export performance, it is safe to assume that, as long as we choose economic isolation to real political change, we will have a forgo export led growth. ■

Diverging paths



Source. Rand Merchant Bank

7/10/88 FM

France gets SA coal despite embargo

CAPE TIMES 12/10/88

74

Own Correspondent

PARIS. — SA coal is reaching France in defiance of a government embargo.

A Belgian newspaper, De Morgen, has claimed that huge volumes of SA coal are being re-exported from Belgium to France as Australian coal.

SA coal exports to France have been banned since 1985.

Both the Belgian and French governments have now opened formal investigations into the matter. Sources here report that a number of Belgian civil servants alleged to have falsified export licences are to be brought to court.

At the same time, the scandal has rekindled calls for a ban on SA coal exports to Belgium, in line with the demands of the Flemish Socialist Party.

The Belgian government is said to be planning to ask its partners in the EEC to consider a general boycott of SA coal.

Investigators were alerted by the rapid rise of coal exports from Belgium to France. From 6 000 tons in 1984 exports rose to 81 000 tons in 1985 and 337 000 in 1986 and reached 540 000 tons in 1987.

According to reports, the volume of Australian coal documented as being re-exported to France now exceeds the total volume of Australian coal imported into Belgium. Most of the coal is bought by big merchants in France for resale to the steel and electricity industries and cement works.

The extent of the coal merchants' involvement in the scandal has yet to be established. The investigations should show whether or not the merchants paid an unusually low price for the coal which, since SA coal is considerably cheaper than the Australian product, would suggest they knew its real origin; or whether, on the contrary, they themselves were tricked into paying "Australian" prices for the cheaper SA coal.

Imports of coal into France are run by a monopoly, the Association Technique Pour L'Importation Charbonnier (Atic). In general, Atic checks the origin of coal imported into France and analyses its quality. But in the case of trade of coal within the EEC, Atic does not intervene directly between suppliers and buyers. Atic admits to being "embarrassed" by the whole affair.

The Documents of Origin supplied by the Belgian traders were in conformity with the imports, Atic said in a statement. "If the French importers did not know the real origin of their purchases, they have been tricked."

Inflation knocks real profits . . .

14/10/88

Fruit exports reach record

By AUDREY D'ANGELO
Financial Editor


Louis Kriel

EXPORTS of fresh fruit from the Cape have achieved record earnings again this year, in spite of sanctions which have closed some markets.

The new growers' co-operative — Universal Frutrade Co-operative (Unifruco) — which took over export marketing from the Deciduous Fruit Board a year ago, announced yesterday that more than 30m cartons of fruit were sold in the last season, earning R773m gross. This is R100m more than in 1987.

Unifruco chairman Leo Fine said that the pay-out to producers in the industry, one of SA's largest earners of foreign currency, would be a record R404m, compared with R347m last year.

This would be possible not only because of the volume of fruit handled but because administrative costs had been cut by 15% for each carton sold.

But, Fine said, inflation meant that the 10% rise in the amount of cash reaching producers' pockets was a fall in profits in real terms.

"Inflation, particularly in the rand value of overseas costs and on production costs has reached such alarming proportions that increases in gross earnings easily end up as a decrease in net earnings.

"The past season is not an exception. It is calculated that real farm income will actually have decreased."

Fine said the industry, which provides jobs for 250 000 people, had achieved significant increases in export earnings every year since 1983 in spite of the fact that a few markets had been lost due to political pressure.

"In the past five years all our trading partners achieved significant growth in dealing with our quality range of fresh Cape produce and we are particularly delighted that producer payments could increase from R123m to R404m over the same period."

Unifruco CE Louis Kriel said Unifruco had set itself the goal of continuing this positive trend over the next five years, with new markets being developed.

It already had more than 40% of the southern hemisphere's share of European markets and was confident it could extend this. Non-deciduous varieties were being added to the range of fruit marketed.

"We have no illusions regarding the challenges facing us. The export environment is still not totally normal for SA and some of our southern hemisphere competitors are doing their utmost to extend and exploit the situation.

"Others continue to dump large quantities on our traditional markets.

"But we have succeeded in achieving greater price premiums above competitive products than ever before by offering quality, reliability, product range and logistical discipline. Also, our industry's track record in social and labour relations has been recognized as one of the best in the whole agricultural world."

Kriel said that every possible measure was being taken to pursue excellence and counter rising costs "because in five years' time only two major southern hemisphere suppliers will survive in the highly competitive Western world market. We shall be one of them."

Gold closes

Rand firms

French importing SA coal

By James Tomlins, The Star's Foreign News Service

PARIS — France is importing South African coal, 20 percent cheaper than any other, despite its 1985 ban.

It is used by France's new steel plants, making them more competitive. (74)

The government purchasing body ATIC has already signed contracts for 800 000 tons for this year, worth over R60 million. Star 20/10/88

In April 1985, Socialist Prime Minister Laurent Fabius called a special press conference to announce anti-apartheid sanctions, including SA coal imports.

SA coal is still either directly shipped straight to France, or routed through Belgian and Dutch ports.

False waybills and country-of-origin handling documents are provided with each shipment. In some cases the coal has been entering France with an Australian label.

Export training drive

THEO RAWANA

THE Southern Transvaal African Chamber of Commerce (Soutacoc) has accepted a SA Foreign Trade Organisation (Safto) offer to train blacks in the export industry.

Soutacoc chairman J K Hlongwane said in Johannesburg this week Soutacoc would invite organisations and individuals that gave papers at the organisation's recent industrial workshop to make good their promises to train blacks in business skills.

"We want them to not only educate blacks in these fields, but also to train them to educate other blacks," said Hlongwane. "We want Safto to train our people in the export trade and to help us identify markets overseas. We are visiting the Chamdor Training centre (in Krugersdorp) soon to see what kind of entrepreneurs it produces."

Workshop speakers included marketing consultant G Knight, who gave a guide to tendering for a contract; and Chamdor Training Centre marketing manager D Dalton, who spoke on Training Courses for Busy Industrialists.

21/10/88 Sowetan

Soviets importing Namibian and SA uranium — report

Star 2/11/87 The Star Bureau (74)

LONDON — The Soviet Union is importing significant quantities of nuclear materials produced in the UK from uranium originating in South Africa and Namibia, according to a British anti-apartheid group.

This is despite Soviet support for a UN ban on trade in Namibian natural resources, and separate Soviet restrictions on imports from South Africa.

The extent of the trade between the UK and the Soviet Union is documented in an analysis of UK trade statistics and customs data prepared by the Campaign Against Uranium Contracts, part of the Namibia Support Committee, produced for Swapo.

Written by MANDY JEAN WOODS

Developing export drive at all levels

□ BILL TAYLOR, MD of Firestone

FIRESTONE's development of an export ethic at all levels of the company contributed towards its export performance over the past three years which resulted in it winning the overall 1988 State President's export award.

With 1985 as the base of 100, Firestone's export sales rose by 36% in 1986 and by a further 152% in 1987. Strict adherence to product quality standards was also an important factor contributing to export excellence.

SA business had to realise that it was part of the world economy and had to be competitive at that level, Firestone MD Bill Taylor said.

"The secret of success lies in the deliberate fostering of a serious company export ethic.

"Jumping in and out of the export market to cushion fluctuating local demand, as too many SA companies have done in the past, brings disrepute not only to the company concerned but to all SA exporters," he said.

Since the company's decision to go into the export market, its full-time export manager had travelled over 180 000km all over the world establishing ties, he said.

"Our export drive has enabled Firestone to create additional employment for the people in the area in which it operates," Taylor said.

The wholly owned SA company — a member of the Federale Group — was also nominated as a winner of the Federale Marketing Award this year.

The company established itself in Port Elizabeth 52 years ago. Recently a tyre factory in Brits was established which is soley concerned with the manufacture of steelbelt car tyres and steelcord truck tyres.

It currently manufactures 257 different styles and sizes of tyres, from the smallest mini-car tyres through tractor and special-purpose tyres, up to giant earthmoving tyres which stand 3m high and weigh 2,5 tons.

The company maintains strong links with international research and development laboratories to keep abreast of the latest technology available.

"Successes are achieved through people who are dedicated and well trained. We are extremely proud to have received this award," Taylor said.

STATE PRESIDENT'S EXPORT AWARDS

EXPORTANDO FLOREMUS

A Business Day Survey

SHOWING ITS METAL

WHAT began as an internal need has resulted in international service excellence.

Jan Potgieter Metals — an agent for various producers of metals, ferro-alloys (noble and bulk) innoculants and deoxidants — first ventured into export markets to source raw materials for its holding company abroad.

But the recession of the late 1970s resulted in severely limited raw materials for export and the company found itself importing these materials.

By the early 1980s, the company was exporting about 85% of South America's ferro-alloy requirements.

Australasia is now Jan Potgieter's primary export market.

Today it represents: Samancor — the world's largest integrated ferro-alloy producer; Codeico, Chile, — the world's largest producer of copper and molybdenum by-products; Union Carbide Zimbabwe; and Shinto Industrial.

In addition, it sells inoculants on behalf of Eletrometallur Brazil and Stein Argentina.

The 10-year old company is the winner in the service sector of the State President's Export Awards.

Hot item among manufacturers

EVERYONE loves a braai and none more so than E & C Charcoal, winner of the State President's Export Award for the manufacturing section.

E & C Charcoal manufactures lumpwood charcoal and charcoal briquettes used in industry and leisure markets.

The company, owned by Pietermaritzburg Businessmen, began operations in March 1976 and started its successful drive into the export market less than a year later. Today, about 80% of its total production is exported. Exports now exceed R8m a year.

E & C Charcoal GM Hilary Greenwood says exports have risen considerably in recent years. In 1985 exports totalled R3,3m, rising to R5,2m in 1986, R7,5m in 1987 and R8m in 1988.

Sales in 1989 could exceed R10m because the low rand makes the product competitive in international markets and there is sufficient raw material available to meet demand, he says.

In 1985 90% of total production was exported, 91% in 1986, 82% in 1987 and 80% this year.

"The drop was because of sanctions pressures. It became more difficult to market our product overseas. Last year we increased our production of briquettes by 40% — a trend we are planning to keep up this year — and we will use the extra production to establish a stronger base in the SA market," Greenwood says.

E & C Charcoal has built up considerable expertise in structuring deals in various kinds of foreign currencies and letters of credit.

"This part of any export business is absolutely essential because a lack of knowledge here can cost you your entire business," Greenwood says.

The main export markets are West Germany, the UK, Holland, Belgium, Israel and the Middle East.

E & C Charcoal's lumpwood charcoal and charcoal briquettes are acknowledged in Europe as being of a high standard.

"Because of the kind of product we sell, quality and service keep us ahead of our competitors," he says.

Braais are for summertime and leisure time, and the seasonal nature of the briquettes make on-time deliveries critical.

"A major factor contributing to our success is that we have concentrated over the years on upgrading our product to a quality one above the rest of the suppliers.

"This has been at the expense of profits, but we viewed it as a long-term policy and are now beginning to reap the benefits of this as buyers frequently request our product by name," Greenwood says.

"We will continue to try to improve our standard where necessary. This is essential to remain in the charcoal market as worldwide there are many manufacturers."

SA delicacy on tables around the world

ASPARAGUS planter and canner Deemster Ltd of Ficksburg, exports about 80% of its total product to eight countries overseas.

Deemster MD Johann Malherbe estimates about 2 000 tons of asparagus will be processed this year. producing a turnover of up to R7m.

Last year, Deemster controlled about 40% of the SA asparagus export market — quite a feat considering that just three years earlier it could lay claim to only 16% of SA's total asparagus exports.

Total sales have shot up by 148% since then, Malherbe says. At the peak of harvesting the crop, up to two tons of asparagus is picked twice a day.

Three years ago the company faced insolvency, but since then a productivity campaign helped boost production and exports significantly.

In addition to winning a State President's agricultural sector merit award for exports, Deemster also recently won a gold class National Productivity Award.

The productivity programme improved yield per acre by 34% as a result of better control, improved picking, fertilising and irrigation systems. Sales per employee also increased by 63%.

Man-hours per carton decreased by 65% and the cost of a carton dropped by 22%.

The company — with 120 full-time employees and up to 2 200 seasonal employees — plans to plant more asparagus on the 1 000ha available and to spend up to R1m expanding the factory's capacity.

Malherbe says he also plans to grow gherkins and become involved in producing vegetables, flower seeds and spices.

☐ JOHANN MALHERBE, Deemster MD

A TOP PLACE

VYANIDE LTD, part of the AECI group, is the major manufacturer and supplier of PVC-coated fabrics (tarpaulins), films and sheet (ring binders and cheque book covers), decorative Renolit PVC for veneer purposes for chip board (television cabinets), glass-clear PVC and vacuum forming in packaging, Vyanide export sales manager Clive Horral said.

It has had a steady increase in export sales during the past three years, one reason it was named a merit winner of the manufacturing sector for the State President's Export Achievement Awards.

The Vyanide export department was established in 1986 and a goal of 100% turnover in exports was set for several years ahead.

Severe competition and political pressures in its export markets inhibited growth in certain countries, but it found great success in others, he said.

To improve sales and develop international markets further, the company is engaged in looking for agents abroad to give service to customers all the time, he said.

Import replacement gets major fillip

SA'S IMPORT replacement programme has been given a major fillip with the completion of capital projects for the local production of strategic raw materials.

The programme has been undertaken by Chamotte Holdings, a minerals group with extensive holdings in calcined flint clay (more commonly called chamotte), magnesite and talc.

Established in 1963, Chamotte Holdings turns over about R9m a year from its clay magnesite and talc mines and exports about three quarters of its annual production of 21 000 tons of chamotte to customers in the Far East, Australia and South America.

Lesser quantities of talc and finer clay products are also exported to various world markets.

Chamotte Holdings CEO Robin Greaves says he expects the company's five new operations — involving the establishment of processing facilities that are set to reduce the country's dependence on imports — will boost turnover from R9m to more than R14m a year, with some R1m in additional revenues being generated by new exports.

"Local production of important raw materials will save at least R2m in foreign exhange for SA every year, and it will reduce its dependence on foreign goods and, in certain instances, permit us to earn valuable foreign exchange," he says.

The project represents the first steps towards increasing the group's product base.

The group's high-quality chamotte, produced from locally-quarried clay at the original works in Bronkhorstspruit, is a vital constituent of refractory bricks and mortars used in the production of steel.

Its Strathmore magnesite mine at Malelane in the eastern Transvaal is SA's only source of that mineral which is of strategic importance to the refractory and metallurgical industries.

Talc, used mainly by the local paint industry, is mined in the eastern Transvaal.

A plant for the production of magnesium sulphate (Epsom salts) destined primarily for the paper, agricultural and other lesser markets, has been completed near Malelane.

Producing about 6 000 tons a year, the facility has the capacity to meet the total requirements of the local market.

Magnesium sulphate produced at the works will replace product now available from overseas suppliers, primarily in West Germany.

Greaves says the group is looking into the possibility of exporting the product to as yet unspecified international markets.

Kilns for the production of a second magnesium product — magnesium oxide — have been completed at the Malelane mining operations. Magnesium oxide is used in paper production and in agricultural and water purification applications. It also forms the basis of more complex magnesium salts used in a variety of industries.

Some 4 000 tons of the product will be produced a year, also successfully replacing imports.

Greaves says: "Chamotte Holdings has installed new facilities at Malelane to produce about 75 000 tons of magnesium carbonate fines annually which are used extensively in agriculture to enrich magnesium-deficient soil."

At Sheba, near Barberton, a plant has been built to produce some 3 000 cubic metres of washed construction sand a month.

Modest quantities of gold and scheelite are recovered in the sand-washing process. The facility is of vital importance to the region as it is the only source of construction sand for the extensive building and rehabilitation projects under way in the area.

"The fifth new project involves the building of a mill which will produce some 3 500 tons of finely-ground clay a year at the Bronkhorstspruit works. The clay is mainly used in the specialised process known as investment casting and in the manufacture of ceramic products," Greaves says.

The group's five new facilities increase total employment opportunities to more than 400.

STATE PRESIDENT'S EXPORT AWARDS

Fruit exporters break records

UNIFRUCO is the privately owned export organisation ... took over the international marketing of fresh deciduous fruit from the Deciduous Fruit Board in October 1987.

This step ended a period of nearly 50 years during which the Deciduous Fruit Board marketed SA's apples, pears, grapes, plums, peaches and apricots with distinction in more than 30 countries around the world.

Last year, in accordance with present privatisation trends, the mainly Cape-based producers of deciduous fruit established their own organisation to handle the international marketing of their products.

Most of the DFB's management and staff joined Unifruco.

The company also acquired the world rights to the well-known "Cape" trademark.

In its first year of operation, Unifruco broke all previous export records in the industry.

A record 30,7-million cartons of fruit were shipped, earning R773m overseas — R100m more than the previous record.

At the same time costs were reduced in many fields, including administrative expenses, where the rate per carton amounted to less than 2% of the gross value. This was more than 15% lower than the previous year.

Unifruco CE Louis Kriel says it is the aim of the industry to repeat its record-breaking performance over the next five years.

"We have to grow to retain our position in a fairly hostile international environment.

"Our share is more than 40% of the European Community markets for southern-hemisphere fruit, and we intend to remain the leaders in volume, quality and service," he says.

Unifruco's business philosophy is simple — market-related growth, one-upmanship in quality, and continued war on costs.

The shareholders in Unifruco are some 2 000 fruit growers, mainly from the Western Cape and Eastern Cape, the lower Orange River and a small number of Transvaal table grape growers.

Apples and pears are sourced from Elgin, Ceres and the Langkloof, while table grapes are grown mainly in the Hex River Valley, Paarl and Upington. Stone fruits are produced mainly in Stellenbosch, Franschhoek and the Little Karoo.

Unifruco chairman Leo Fine is an apple grower in the Elgin/Grabouw region and is particulary proud of his industry's consistent success in exports.

He says the industry has succeeded in achieving record export earnings every year since 1983 in spite of losing markets due to political pressures.

In fact, he says, since 1982 the deciduous fruit industry twice won the State President's award for export achievement in the services sector and has also received two merit awards.

During the past two years the national "Farmer of the Year" award went to Cape fruit growers, Freddie Kirsten of Paarl (who is also Unifruco vice-chairman) and Jan Linde du Toit of Ceres (chairman of the SA Plant Improvement Organisation, which is sponsored by the industry).

Because of the labour-intensive nature of the fruit industry's operations, it is the biggest employer in the Cape. It is calculated that 230 000 people work in the industry, which supports 1,2-million people.

Unifruco employs mainly marketing, operational and administrative staff at its head office in Cape Town and at its offices in London, Hamburg and Brussels.

Technical extension services are also provided to the farmers.

Excellence from Geo Stott

GEO STOTT, established in 1911, has carried forward the goal of excellence into the 1980s. Its outstanding performance in exports has made it a merit winner of the manufacturing sector for the State President's export award in 1988.

The company's main exports are cut steel washers and steel pressings for agricultural and telecommunications use. All products are made from 100% SA raw materials, company chairman Malcolm Stott said.

Exports increased by a whopping 330% in 1986, and by 120% in 1987. For the same periods, exports as a percentage of sales improved by 8,9% and 16,3% respectively.

Inroads into the company's primary export markets in the Far East and South America were difficult. "The markets there are very difficult to penetrate because of the intense local compeition," said MD Brian Stott.

"Our pricing and credit terms had to be competitive with the local markets in the countries we were exporting to," he said.

But by using overseas agents and by making an effort to improve productivity by concentrating on staff training, these goals were achieved.

"Certainly our extended credit and pricing structures and plain old perseverance contributed towards our success in exporting," Stott said.

EXPORTS FOR AFRICA

PREMIER International believes that international marketing is a reflection of one's company and one's country.

It has chosen Africa in the context of SA's natural markets for manufactured and agricultural goods of an essential nature.

Its policy is to become well established in a market place, employing marketing strategies based on long term objectives, then to move on to other markets, CEO Albert Nelissen says.

"Our pholisophy has principally been that of identifying in export markets unfortified areas which are food-related and developing programmes which assist towards alleviating inherent conditions.

Premier International became active as a principle exporter in 1983 even though it was established earlier. Its exports increased by 152% in 1988 compared with 1987.

Identifying areas which lend themselves to assisting African countries and enhancing SA exports is one of its specialities.

The company pioneered a unique project of selling goods to Mozambique miners working in SA and then delivering these goods in Mozambique from its bonded warehouse.

This system is supported by most major mining houses.

Mozambique benefits because the scheme feeds over one-million people which would otherwise be desitute and dependant on the state, Nelissen says.

Premier International was awarded the State President's Award for Export Achievement (overall winner) in 1985. In 1986 it was awarded a certificate of merit in the manfuacturing sector and in 1987 the awards for export achievement in the services sector.

Nelissen says the award serves as an inspiration for Premier to continue its marketing campaign with renewed enthusiasm and vigour, particularly at such a time when the SA business community needs encouragement and friendship from other countries.

A succulent export idea

WHAT started out as a hobby to bring a family together more than 15 years ago has turned into a fully-fledged exporting business involving the whole family.

Weltevrede Succulent Nursery owner Paul Schoeman of Port Elizabeth used to sell insurance.

"I spent a lot of time out of the home and I decided to take up a hobby which would bring give our family more time to spend together. So we took up collecting indigenous succulents," he said.

In just six years that hobby has been turned into a thriving export business with turnover expected to top R1m by 1990. As a result it has been awarded a merit certificate in the agricultural sector of the State President's export awards for 1988.

"When we travelled overseas we saw the demand for indigenous succulents and knew we could supply and so we took the opportunity and opened the business in 1982. We started exporting about a year or two later.

"We never in our wildest dreams imagined it would be like this," he said.

In 1985 86% of total production was exported, 72% in 1986 and 79% in 1987. Total export value was R112 000 in 1985 and this lept up to R221 000 in 1986 and grew to R310 000 in 1987.

"We have already passed that mark this year and expect to top R500 000 by the end of the year," he said.

What is different about this family business is that they only export special varieties of succulents which are not readily available overseas.

Main export areas are Japan, Germany, Spain, Canary Islands, Holland and other European countries.

STATE PRESIDENT'S EXPORT AWARDS

Tubatse wins sector award

TUBATSE FERROCHROME has, because of its continual successes in exporting ferrochrome, been nominated winner of the primary sector (mining) for the State President's Export Achievement Award.

In 1987 it improved its export sales by 69% over the previous year. In that year 85% of its total sales were exported.

In 1987, in concert with the unprecedented worldwide increase in demand for ferrochrome, Tubatse upgraded the quality of its product range to remain competitive.

It upgraded one of its three furnaces and, as soon as the demand-supply situation allowed, decided to upgrade the other two, which resulted in an additional production capacity of 40 000 metric tons per annum.

The Tubatse marketing organisation is structured to allow the maximum contact with all its customers. There is almost daily contact between agents and trading houses which act abroad on behalf of Tubatse.

To keep personal contact with customers, visits are made by the SA marketing staff at least once a year. Clients, in return, are invited to visit the Tubatse plants in SA often.

The visits increase personal contact betwen supplier and customers and assist greatly in promoting a better image of SA abroad.

Marketing personnel are constantly motivated to attend seminars conducted by the manpower division of the company and others for self-improvement purposes in their own and the company's interest.

Contractual commitments have grown to such an extent that a new 60 000 metric tons per annum furnace is to be erected early in 1989, ensuring that Tubatse keeps ahead of market development and complies with customer needs.

Mega-success in micro market

WITH a compound annual growth rate of 144% over the past four years, SA Micro Electronic Systems (Sames) has successfully positioned itself in a number of carefully selected export market niches.

So great is the company's export success that more than 50% of its wafer fabrication output is being marketed off-shore, Sames executive marketing manager Yehuda Zadok says.

Sames distributes its high-quality products via a chain of experienced representatives, each of which covers a specific geographical area. The UK, Spain, Austria, Germany, Switzerland and Israel are its most successful export markets.

Sames' future export plans rely on the fundamental philosophy that export is a long-term commitment, Zadok says.

"There is no successful export venture in the short term due to the high cost of market penetration. A company must have the resources and corporate management the courage to withstand the cyclical nature of the export markets with the ultimate objective of achieving long-term positive returns," he says.

Sames promotes the growth of its export business via the establishment of alliances with overseas companies that are leaders in fields of mutual interest.

In this way Sames will maintain its leading position in those selected niche markets in spite of stronger competitors, Zadok says.

Sames' successes in its export markets are due mainly to its achievements in the local market, he says.

"One of our recent great successes was being among the recipients of the prestigeous Industrial Development Corporation Electronic Design Awards. It is important to note that an additional four of the 10 recipients of the IDC awards had made use of ICs designed and manufactured by Sames."

Goverment support of export activities by way of grants, tax allowances, and so on, are crucial to the success of companies that address export markets.

Because of the cyclical nature of prices in export markets, coupled with the sensitivity of exports to exchange-rate fluctuations, lack of government support can be detrimental specifically during downturn periods, Zadok says.

Sames, established in 1974, is owned by a number of shareholders today, including Altech, Siemens, Plessey, TMSA, Reunert and Grinel. While none of the shareholders holds control, the company benefits from the association with the shareholders, which represent a significant part of the SA electronics industry.

This intimate association enables Sames to transfer the systems know-how of its shareholders into modern microelectronic circuitry, Zadok says.

Sappi export arm does well

SAPPI International — the export arm of the Sappi Group — won the overall State President's Award for Export Achievement. This year, the company features again in the list of award winners, this time as a merit winner of the manufacturing sector.

The company, which recently also won the Business Achievement Award, does not disclose export volumes. But it is estimated its exports total about 40% of turnover (or more than R900m) including acquisitions.

The last reported export figures for the company — published in the 1984/85 annual report — show exports grew substantially by 183,6% from R61m in 1984 to R173m in 1985.

Sappi International MD Ian Forbes said the creation of an offshore infrastructure — in January 1986 — played a crucial role in the company's export performance.

Markets and infrastructures were consolidated, agents rationalised, commissions reduced and representatives sent offshore. This resulted in improved margins all around.

The company has located offshore in the Americas, Europe and the Pacific Rim and is also responsible for marketing in Africa and the Indian Ocean islands.

☐ IAN FORBES, MD of Sappi International

Forbes said. "We have volumes to justify the expense of an offshore infrastructure and the cost has been more than offset by the prices we have managed to obtain."

Sanctions aid vanadium firm

ONE company which has benefited to some degree from US sanctions is Transvaal Alloys, merit winner of the mining sector of the State President's Export Awards.

Company secretary B J Porter said the fact that vanadium was listed as one of the US's five strategic minerals and was, therefore, excluded from the sanctions package had counted strongly in the company's favour.

"But we do have a problem with sanctions in that our US competitors use it as a marketing strategy against us. SA supplies 5% of the Western world's vanadium market so we have to follow the market in most cases," he said.

The company, which employs about 350 people, mines suitable ore and extracts the vanadium contained therein which is then processed into various vanadium compounds.

It started full flake operations around 1974 and since then has been developing an overseas market for its products.

Export sales for the 1985-1987 period amount to 94%-96% of total sales and amounted to R18,4m, R25,9m and R21,2m for the three years in question.

Exports increased 41% in 1986/87 but dropped by 18% in 1987/88. The reason for the drop was the poor rand/dollar exchange rates, Porter said.

"In pure tonnage, our exports were similar to the previous year."

The main export markets are North America, South America, Europe and Japan.

SA is the single largest producer of vanadium in the world. To sell product, the company makes use of international marketing agents who help bust sanctions.

Orders are placed with a London-based company which has enough expertise to offer technical background to existing and potential clients.

"The company is also a member of Vanitec — a body of vanadium suppliers and major users — and this association helps introduce potential clients. It is a door to the market," Porter said.

Exports top of list for award

THE State President's Export Achievement Award was instituted in 1985 to replace the long-established State Award.

It recognises and encourages outstanding achievements in exports, and anyone who has made a significant contribution to SA's export trade — be it companies, individuals or organisations — are encouraged to apply.

The judges base their decision on a number of criteria and winners are determined on a points system.

Applicants are considered if they have sustained exports of a substantial proportion of their total output.

Applicants who have made breakthroughs into particularly difficult markets also merit attention.

Things that count in favour of applicants are aggressive or creative export-marketing techniques which help diversify market outlets and increase earnings.

In-house activities — including product research and design, allocation of resources, staff training and productivity — all earn marks for applicants.

The overall winner receives a floating trophy, representing a lion cast in bronze as well as a medallion which is also awarded to the winners of the various sections.

A merit award earns the participant the right to use the award logo on the company letterheads.

The overall winner this year is Firestone (SA) Pty Ltd.

The winner in the primary sector (mining) is Tubatse Ferrochrome and merit winners in this division are Ferrometals Ltd, Transvaal Alloys and Chamotte Holdings.

The winner of the primary sector (agriculture) is Deemster Ltd and merit winners are Busby (Essential Oils) Ltd, Advance Seed and Weltevrede Succulent Nursery.

Jan Potgieter Metals Ltd was the winner in the service sector and Halijo, Premier International and Unifruco were merit winners.

The winner of the manufacturing sector was E & C Charcoal and the merit winners are Sappi International, Thomas Foundry, Geo Stott and Co, Vynide and SA Micro Electronic Systems.

Japanese ban SA uranium

74

Four Japanese power companies with nuclear energy plants have decided to ban uraium imports from South Africa and Namibia, which were channeled through overseas suppliers.

The ban will effect sales from UK mining group Rio Tinto Zinc (RTZ) and South Africa's Nafcoal.

The companies said that the ban would come into effect as soon as the current contracts with RTZ and Nafcoal expires, which varied from 1988 to 1995.

The action followed on allegation on British TV that six Japanese electric power companies, with the help from RTZ, were openly flouting a United Nations decree against trade in uranium from Namibia. RTZ owns Rossing, one of the biggest uranium mines in the world.

Figures published by the Japanese government show that South Africa provided about 11 percent of Japan's 203 419 tons of uranium imported last year. Britain was the source of 24 percent of Japan's uranium. Britain has no uranium deposits and most uranium described as British originates in Namibia.

The deputy head of the nuclear fuel department of Tokyo Electric, Koji Kaneko said: "RTZ told us there is no Namibian uranium in what they ship to us and we believed what they said."

A Japanese Foreign Ministry official said he believed Japanese companies had been respecting the UN ban.

Last year Japan became South Africa's largest trading partner for the second year in a row, but at the Ministry of Trade and Industry officials are less concerned with Japan's image abroad as with the ability of Japanese industry to obtain raw materials cheaply. — *The Independent and AP*

Japanese car supplies face sanction snags

STar 9/11/88

(14) (1988)

By Michael Chester

The squeeze by Japan on supplies of motor components to South Africa has been confirmed by the National Association of Automobile Manufacturers in its latest quarterly report to the Director-General of the Department of Trade and Industry.

Under growing political from sanction lobbies, the Japanese government has asked suppliers to restrict deliveries to 1987 levels.

An even faster escalation in the cost of imports from Japan results from the slide in the rand exchange rate with the yen.

Price increases on components flowing in from Japanese suppliers bounded higher by 9,8 percent in the September quarter alone compared with price rises of 3,9 percent on components from West Germany.

Domestic inflation compounded pressures on retail prices. Naamsa reports that during the September quarter alone prices of locally manufactured components climbed between 3 and 5,8 percent.

So far this year, says Naamsa, vehicle sales and business conditions have been better than expected, with sales volumes still showing significant increases in the September quarter compared with a year ago.

The dominant influence has been the stimulant from replacement demand by corporate fleets and the car rental sector. But Naamsa believes that exchange rate and production cost pressures have also encouraged a "buy in advance" psychology among motorists as a whole.

That combination, it believes, may keep vehicle sales reasonably buoyant over the next few months.

However, it goes on, the more difficult phase into which the economy appears to be heading is bound to have a negative impact on sales.

SA coal imported on Aussie labelling

Star 22/11/88

By James Tomlins, The Star's Foreign News Service

PARIS — France has imported 1 million tons of South African coal labelled as Australian since an embargo was clamped down in mid-1986.

The total value was in the region of $25 million (about R60 million).

The industry ministry released yesterday the findings of a report started three weeks ago following complaints that South African coal was being shipped to Belgian ports, relabelled Australian and sent by rail to France.

The report said it could not discover whether the French purchasers, the steel industry and the EDF electricity grid were aware of this embargo-breaking traffic.

South African coal sells at $25 a ton against an average of $35 from other countries.

The evening newspaper *Le Monde* commented: "It is difficult to believe that such huge quantities of coal could be imported without the buyers being aware of its real origin."

France also imports South African coal legally. An embargo was declared by Socialist Prime Minister Mr Laurent Fabius in April 1986, but he said current contracts could be honoured.

In 1985 France was importing 6,4 million tons, which fell to 780 000 tons in 1987.

The figure for 1988 is about 500 000 tons.

It is presumed that the French government will be forced to take legal action to stop illegal imports of South African coal labelled as Australian.

Exports boost SA trade surplus

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B/day 24/11/88.

GREETA STEYN

HIGHER exports buoyed SA's trade surplus to a sound R1,05bn in October, signalling the current account on the balance of payments is in good shape.

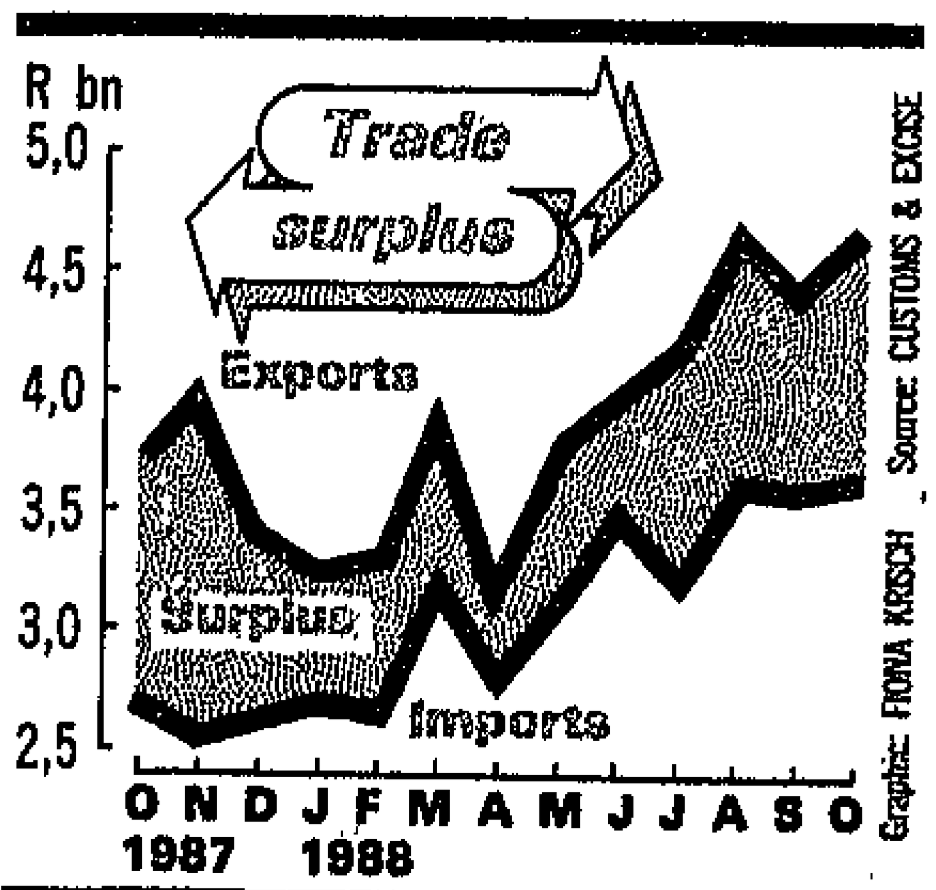
Exports bounced back to R4,72bn from R4,48bn in September. But imports hit a new record for the year at R3,67bn (R3,63bn in September). Economists said the weak rand disguised the levelling-off in import volume.

Standard Bank economist Nico Czypionka said: "The current account is no longer a problem. The trend is obviously higher, and it is particularly pleasing that exports are the driving force."

Significantly, the export performance was not merely the result of a lucky break — such as an increase in the gold price. Improvements were notched up across the board with good results from coal, agricultural products, wool and even industrial products.

Trust Bank's Ulrich Joubert expected exports to take off once domestic demand had slowed down significantly.

Another spin-off from the expected slowdown in domestic demand will be declining import volumes. Czypionka said it was not surprising that imports were not yet lower — the downturn was not firmly in place.



"The economy still has to react to the recent hike in interest rates. But in time, economic activity will slow down and the demand for imports will diminish. With exports already performing well, we can expect bigger things on the current account when imports start dropping."

The trade surplus is still running well below last year's figures. The surplus for the 10 months to October was R7,38bn, sharply down from R12,12bn in the same period last year.

Star 25/11/88

French to halt illegal SA coal

By James Tomlins
The Star's Foreign News Service

PARIS — The French government has acted to halt clandestine South African coal imports which are beating the 1986 ban.

Industry Minister Mr Roger Fauroux told the National Assembly: "The official French coal buying authority, ATIC, took steps two months ago to tighten their controls and halt this traffic.

"The South African coal was being shipped to Belgium and then unloaded to be sent here by train. Somewhere along the line, it was relabelled Australian."

The Minister said that the clandestine traffic since mid-1986, totalling one million tons worth R60 million, "was made with the connivance of agents in the Benelux countries (Belgium, Holland and Luxembourg)".

Mr Fauroux said that the French ban on SA coal had brought imports down from a high of 6,5 million tons to 750 00 tons.

The Minister's statement, made on Wednesday evening, came at the end of a month-long press campaign in France and Belgium over this "Australian" coal.

Main French customers are the State-run EDF Electricity Authority and the new State-run steel plants. SA coal sells in France at R60 a ton, compared with R82 from other suppliers.

Robor coins it as exports boom

S Times 4/12/88

(74)

By Ian Smith

EXPORT strategies that worked helped to lift the taxed earnings of Barlow Rand's Robor Industrial Holdings by 41% in the year to September.

RIH shines in an environment clouded by criticism of South African industrialists' failure to push exports.

The streamlined group's profit jumped from R24,1-million to R34-million on the back of a 35% turnover rise to R601-million.

Taxation

Exports contributed nearly R160-million, or 27% of turnover, having grown from 8% only five years ago.

More importantly, exports' contribution of profit before interest and tax increased from the previous year's 8% to 20% last year.

Export benefits also played a key role in maintaining the low tax charge, which was 10% lower last year at R3,9-million.

"We believe our performance in foreign markets means that our long-term strategy is paying off," says RIH's new managing director, Mike Gahagan.

He says RIH now sells to about 40 companies in Africa, Europe, South America, the Indian Ocean islands and the Far East.

RIH, listed in 1983, is made up of seven companies involved in the manufacture, processing, galvanising, distribution and export of steel products, tube and pipe, stainless steel and aluminium.

RIH International, specialises in exporting and accounts for about 70% of the group's foreign sales. But most of its busines still comes from companies outside the RIH group.

Mr Gahagan says the export success stems from RIH's commitment to foreign markets. Executive throughout the group are aware of the importance of the foreign sales drive.

Recovery

"Years ago we took the view that the domestic economy would not grow at the rate expected in some quarters and we decided to look further afield. More recently we have been helped by the world recovery in steel markets.

"But it does take time and constant effort to gain a foothold."

Too often in the past SA exporters have looked for foreign orders only when the domestic market has collapsed or the exchange rate is extremely favourable.

"You have to hang in there, through bad times and good," says Mr Gahagan.

It is essential to provide a flexible service, accepting small and difficult orders and sometimes accepting unfavourable prices.

The benefits flow when the customer has come to appreciate the product and the service and world prices harden.

Bigger orders come through, leading to volume economies.

"This is what we are beginning to experience," says Mr Gahagan.

One of the major problems is the cost of moving exports from the Reef to Durban. This often equals the cost of shipping exports from Durban to the Far East.

"We are also penalised by higher freight costs when we add value to goods for export," says Mr Gahagan.

But he hopes there may be relief when the Government's new export incentives are announced, saying: "It could result in a big boost to foreign earnings."

SA is leading exporter to Zambia, claims report

Star 15/12/88

74

The Star Bureau

LONDON — South Africa has edged out both Britain and Zimbabwe as the leading exporter to Zambia.

The *Financial Times* said today that South Africa was supplying 20 percent of Zambia's foreign inputs: "Although trade statistics concerning South Africa are not published in Zambia, outside sources estimate that of the R1 692 million of goods imported into Zambia in 1987, about R335 million were South African."

Journalist Nicholas Woodsworth points out that Zambia's President Kenneth Kaunda has built his reputation on a refusal to negotiate with South Africa and neglects few opportunitites to criticise Mrs Margaret Thatcher and other Western leaders "for their compromising stand on the issue".

"At independence, Zambia gave 12 months' notice of its intention to terminate all trade agreements with South Africa."

He says the subject of trade with South Africa is sensitive in Zambia and most government officials refuse to discuss it. Others deny that it exists.

"At shops of the state-owned Zambian Consumer Buying Corporation (ZCBC), for example, there are aisles of South African wine and tinned goods. Yet the National Import and Export Company, ZCBC's supplier, maintains there is nothing of South African origin sold in the shops.

"Private sector companies in Zambia are more willing to admit the economic realities that make it difficult not to buy from South Africa."

He quotes a representative of a shop selling refrigerators and stoves as saying South African goods are cheaper than European, quality is high and transport costs are much lower.

"Unofficial policy, in these circumstances, is to import from wherever goods are cheapest.

Zambia imports vital mining equipment from South Africa, as well as steel, car parts, cooking oil, plastics, detergents, and a wide range of edibles and finished consumer goods.

"We are trying to cut off South African imports progressively," said Mrs C L C Ssewankambo, Permanent Secretary at the Ministry of Commerce and Industry, "but for the moment we cannot do without them."

STAR 15/12/88

Frantic efforts to save fruit

By Dan Side

Five planeloads of export-grade fruit and cut flowers worth millions of rands in foreign exchange, are claimed by anxious freight agents today to be in danger of perishing.

The fruit and flowers were in storage in packing houses around the country because South African Airways was unable to arrange charter transport to European markets in time, the Johannesburg-based agents claimed.

Mr John Diviani, a spokesman for the country's three major perishable freight forwarding agents — Perishable Cargo Agencies, Rohlig and Safcor — described as "enough but too late" SAA's efforts to organise planes of the necessary size to get goods to Europe in time for the Christmas spending spree.

Cancelled

SAA announced last night that it had confirmed five charter flights with a total freight capacity of more than 175 tons and that it was awaiting confirmation of another flight capable of carrying about 35 tons.

The crisis was mainly caused by unseasonably cold weather. Fruit ripened later than expected and, at the request of the cargo agents, at least three of the original eight flights were cancelled.

A SAA spokesman said that arranging a new schedule at short notice, together with the fact that many cargo aircraft were carrying supplies to the Soviet Union following the earthquake, was difficult.

SAA has sole traffic rights for South Africa.

See Page 11.

SAA is giving us a rotten deal, say the fruit exporters

Star 15/12/88

(74)

By DAN SIDE

The local fruit industry struggles to get its product to overseas markets because SAA has limited cargo space, and fruit exporters are not allowed to arrange their own charter flights.

Fruit exporters are calling for an 'open skies' policy to allow freight agents to arrange their own charter flights to place extra South African fresh produce on European markets during the free-spending Christmas season

South African Airways, which has sole traffic rights in and out of South Africa, is unable to meet transport commitments and 200 tons of prime produce around the country is rapidly becoming unexportable

Overseas fruit sales earn R200 million a year in much-need foreign exchange and exporters are concerned that a hard-earned reputation for reliability and quality will be lost

"It's become a perennial problem — and a very serious one," says Mr Louis Kriel, chief executive of Cape exporters Unifruco "The two weeks before Christmas are vital because they give our top-quality fruit a head-start to dominating the main part of the marketing season in the new year"

The three main freight agents involved — Perishable Cargo Agencies, Rohlig and Safcor — have called for changes to the antiquated Air Services Act of 1949 to allow freight consultants to freely arrange their own charters.

Normally, they say, available space on scheduled passenger flights is sufficient to get goods such as choice fruits, cut flowers and lobster tails to European markets, although this space is rapidly being reduced as airlines increasingly cater to passengers with non-stop flights

"Non-stop flights mean airlines sacrifice cargo space for extra fuel," says Mr John Diviani, chief executive of Perishable Cargo Agents, who also serves as spokesman for the other two major companies

Another complaint against parastatal SAA, currently under governmental pressure to become more profitable prior to privatisation, is that it will not arrange northbound charters of perishables unless there is reason to bring in a southbound consignment, which usually consists of higher-paying goods such as electronic equipment.

RATES KEPT HIGH

Mr Pat Corbin, who represents a cargo airline operating DC8s and has been a member of several commissions, says it is no secret that southbound rates are deliberately kept higher by SAA Short capacity ensures higher rates

"Southbound rates cover the costs of round trips," he says.

Mr Kriel says he does not blame SAA for being profit-minded "But at the same time they are being shortsighted as far as the rest of the country is concerned

"Their passenger service is in good shape, and I can't understand the current tendency to be greedy

"The freight agents must do the chartering I don't think that would harm the IATA Carriers at all"

DELAYED HARVEST

Mr Kriel says that 75 percent of the produce exported during the Christmas period is from the Cape and it has to be sent to Jan Smuts Airport before being forwarded to its European destinations

"An open-sky policy would mean that it would be possible to ship directly from D F Malan Airport, not taking up valuable space on domestic Airbuses, not keeping delicate fruit standing on steamy-hot tarmacs, and eliminating some handling costs"

Mr Diviani says SAA has been offered northbound charters, but has lost the opportunity because it takes too long to come to a decision The unseasonal weather has delayed harvest of many agricultural products and made some innovation necessary, he adds

He says freight agents should be given the opportunity of arranging southbound flights

The 1 000-ton air charter limit for the current season is insufficient as export markets could take that amount each in melons and deciduous fruit, with tons of litchis, mangoes, sweetcorn and asparagus in reserve, says Mr Diviani

Mr Corbin says legislation changing the Air Service Act could probably not be passed until 1990

"In the meantime," he says, "SAA should split freight away from passenger service, like the Australians did with good success

Mr Urs Jucker, of flower exporters Bergflora in Cape Town, says "SAA gives passengers the first priority, then general cargo, flowers and fruits and vegetables. They are trying to cut expenses to make it profitable

"On the other hand, we're told to start exporting because of the need for foreign currency Yet we can't get our products out to market"

SAA, invited to comment, did not do so by the time of going to press.

A freight company employee checks export fruit, delayed at Jan Smuts Airport, for possible damage. Behind him are boxes of fruit picked last Thursday which, because of lack of air cargo space, only reached their European customers today.

EXPORTS (74) FMML 16/12/88

Positioned to move

SA is a primary importer of computer technology and office equipment but this could be changing. There are signs that it is positioning itself to become a significant exporter in this field.

It has become "remarkably self-sufficient" in certain areas of microcomputer technology particularly in terms of software (programs which tell the system how to work).

These successful software developers have over several years become strong companies. In order to grow they acquired hardware companies. Their influence has resulted in SA firms putting out some sophisticated PCs which are designed to suit the user rather than the hardware manufacturer.

This is the "gut" reaction of Robert Martell, vice-president and MD of the Europe Africa Middle East division of Seagate. With a $1,3bn a year turnover, and an annual production of 7m units, Seagate is the world's second largest producer (after IBM) of hard or fixed computer storage disks (magnetic storage devices for recording or storing information used and produced by computers).

Speaking to the *FM* at the end of a week-long visit (his sixth) to SA, Martell said: "SA is remarkably self-sufficient in certain areas of technology. I have, for example, seen it growing its own transistor crystals and I believe it will start exporting some of its very sophisticated computer products. If it does it has the potential to become a major force in the computer technology market."

He says that in terms of sales for Seagate the SA market (of which it claims to hold about 85%) is larger in volume terms than that of the UK.

"There are two authorised distributors of Seagate in SA, Punchline and Ebus, and there are about four major PC manufacturers. I believe our product is sold to all of those manufacturers."

He adds that most of the disks being delivered are 20 MB 5¼-inch drive disks (the standard sized drive for the traditional IBM compatible PCs), which is sufficient storage space to fill 15 average sized books.

However, the tendency is for ever increasing memory capacities.

One of the major reasons for this is that microcomputers are being used more and more by businessmen and executives who have no desire to become technologists. "A considerable amount of that memory is used in simply making the computer simpler to operate. There is a direct correlation between the amount of memory (known as overhead memory) and the user friendliness of the computer."

He adds that another reason for the demand for increased storage capacity is the growing sophistication of some of the programs becoming available, particularly in terms of the graphics, for use on individual PCs. There is also a demand for greater memory storage capacity in networks where banks of personal computers are linked.

"The trend, in terms of demand seems, therefore, to be moving for single user systems from 20 MB to 40 MB machines and in the networked systems from 40 MB to 80 MB systems."

Asked about new technological trends in data storage Martell says that though there are several start-up companies in the US which are producing floptical disks — devices which will enable traditional floppy (removable) disks to be used to store up to 40 MB of information by using laser storage technology — he doesn't believe this technology will threaten the hard disk market. "They create too much of a security risk, and the emphasis today is on data security. Having a removable disk which can store that much information makes the information too vulnerable to theft. A thief can simply slip a 5¼-inch disk with 40 MB of information in his hip pocket and walk, undetected, out of a building."

He adds that as far as hard disk development is concerned, while Seagate does not pretend to be on the leading edge, it enters the market when volumes are needed. It will, in the near future, be producing 3½-inch disk drives with the same storage capacity as the 5¼-inch systems currently being manufactured. ■

Car device set to hit platinum

W/C-AR 645 17/12/88

74/82

By TOM HOOD
Business Editor

SOUTH AFRICA stands to lose hundreds of millions of rands in export earnings by the discovery of a substitute for platinum in car exhaust anti-pollution systems.

About R1,5-billion of platinum a year is used worldwide in car converters, the bulk of it coming from mines in the Transvaal.

Ford chairman Donald Petersen told the Pittsburgh High Technology Council this week that his company had developed an inexpensive catalytic converter that was as effective as platinum-based catalysts.

If the cheaper alternative proves successful in tests with 35 000 Ford cars next year and its use spreads, platinum producers will face a serious drop in demand.

The automobile industry took 35 percent of world production last year — even ahead of the jewellery's industry's 30 percent.

The automotive use of platinum was expected to jump in 1989 as the European Community began a phasing in of catalytic converters.

If the industry continued to use the catalysts, European demand was expected to double to 499 000 ounces.

Rustenburg Platinum Mines is trying to determine if there is "anything of substance" in the new Ford autocatalyst, said Barry Davison, managing director of the world's biggest platinum producer.

Rusplat received R2,3-billion from sales in the year to August 31 and paid almost R600-million in taxes.

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F|M 5|1|90

FOREIGN TRADE F|M 5|1|90

Opening up Africa

Africa is still a minor customer for SA exports but is rapidly growing in importance. Africa now accounts for 10% of exports compared with 6,5% in 1984. Estimates put the total flow of trade between SA and the rest of the continent at more than R5bn.

Traditionally, steel and chemicals — which includes fertilisers, pesticides and drugs — are the largest categories of exports But there has been an increase in manufactured goods and foodstuffs.

David Muirhead, of the SA Foreign Trade Organisation's Africa desk, says there has also been a significant increase in the number of African business visitors, especially from Zaire.

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Muirhead notes that manufacturing in SA is geared for the domestic market and the African market is not so dissimilar from the local black market. Household textiles and pots and pans are obvious areas for expansion.

"The Europeans have generally made a hash of Africa. But we have an advantage through the better understanding we have of the continent because we live on it. That may sound obvious but for years we've not really acknowledged it. We've relied on traditional markets in the northern hemisphere."

Muirhead adds that as Europeans look inward after 1992, and push up investment in eastern Europe, the southern hemisphere will have to rely on its own resources. However, on his visits in Africa he has encountered unrealistic expectations of the investments SA can make. SA's economy, he points out, equals less than a quarter of France's.

Businesses often venture into countries well ahead of politicians — a case of the flag following trade. RIH International, for instance, has been operating as Iscor's agent in the frontline states for 10 years. Eight years ago it started supplying the Ivory Coast through a European office.

"When President F W de Klerk visited the Ivory Coast recently, we tended to think that he was opening up a new market. But we've been there for years," says RIH International MD Roy Jones.

One of the Ivory Coast's advantages is that it is part of the CFA franc zone, so foreign exchange is relatively accessible.

However, Jones warns that Africa shouldn't be seen as an alternative market by those affected by sanctions in Europe and North America.

"These markets have totally different requirements. Though the political climate is improving, hardline countries such as Nigeria and Ghana aren't going to lift sanctions in a hurry. And, of course, Africa is a slow growth region and looks likely to stay that way for the moment."

The most significant move into Africa this year has been in Zaire, where wholesaler Metro Cash 'n Carry decided to open a store. It also opened one in Maputo. Metro MD Tony McDiarmid says Zaire was chosen to kick off the venture because it's not hostile to SA. It is politically stable, allows profits to be repatriated and US dollars are sufficiently available there.

"It also has an informal sector that's 20 years ahead of ours and 50 times as big. There are 24-hour, spaza-type stores on the road to the airport. But it doesn't have a proper wholesaling network. At the moment, retail stores operate a bulk store and goods could change hands three or four times in the distribution chain before they reach the customer."

McDiarmid expects the merchandise in Metro's Kinshasa store to be 50% South African, 35% local and the balance mostly from the European Community. "Our research shows that it will be most competitive to buy poultry and dairy products from the EC. SA should provide most of the canned goods, toiletries, wine, confectionery and household cleaners."

Metro has no intention of opening a retail supermarket. Nevertheless, McDiarmid maintains that Zaire would provide lucrative opportunities for an experienced Third World supermarket chain, such as sister company Jazz or its rival Score. Now there is only one good supermarket in Kinshasa and, judging by its prices, it could do with some competition, he says.

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Warehouse constructed

Another venture in Zaire has been Premier International's construction of a R7m bonded warehouse and its R32m contract to supply food to the mining industry. It supplies a whole range of foodstuffs from maize flour to cooking oil, canned fish and beer.

Muirhead adds there are good reasons why other businesses haven't been keen to deal with Africa. "African countries are often inaccessible to SA passport holders, or at least they need visas, and they're uncertain of what kind of reception they're going to get when they get there. There's also a general perception that African countries are bankrupt, so they won't get paid. But even if governments are bankrupt, there's often a demand for goods."

Dealing with French-speaking countries adds other problems: Not only do they understand little English but specifications are based on French, not British, standards.

Energy is another area ripe for business development. Negotiations are still under way with Zaire's electricity authority, but Eskom CE Ian McRae hopes there'll be three transmission legs on the continent by the turn of the century — one through Angola and Namibia; another through Botswana, Zambia and Zimbabwe, and a third through Mozambique and Tanzania.

BER manufacturing survey shows . . .

Firms focus on exports

Cape Times 9/1/90

By AUDREY D'ANGELO
Financial Editor

SA manufacturers are preparing to export more while reducing their dependence on imports, according to the latest survey of the manufacturing industries by the Stellenbosch Bureau for Economic Research (BER).

Most of them are trying to increase productivity by making fuller use of existing capacity rather than buying new machinery.

And many are already working off backlog orders, with production capacity to spare, as demand slackens.

The report, by G M Pellissier, points out that "The challenges facing the manufacturing sector in SA in the 90s are likely to be the most significant in the socio-political evolution of SA.

"The manufacturing sector per se will be under renewed pressure to live up to expectations as the sector which should be the main engine of economic growth and social welfare, and second to none in importance, while the diminishing primary sector is on the decline.

"The evaluation of manufacturers' reaction to business opportunities rests on the prime indicator of their intention to invest in production factors.

"According to the results of this survey, 7% of manufacturers intend to increase their real investment in machinery and equipment over the next 12 months. This is slightly less than the 11% net in the previous survey."

But, the report continues, a previous survey showed that investments in new production techniques and ways to reduce costs were significant considerations, while investments to increase production capacity and to create new products were not significant.

"It seems that local manufacturers intend to comply with higher foreign demands by better utilization of existing production facilities.

"To invest, the businessman must have confidence in the course of the economy. The manufacturing sector is still experiencing buoyant business conditions. Confidence prevails marginally, with 51% of manufacturing respondents expressing satisfaction with present business conditions.

"General business conditions over the next 12 months are, however, expected to be at somewhat lower levels than at present.

"Sales volumes of manufactured goods in the fourth quarter of 1989 were, according to our respondents, still greater than in the same period a year ago. Substantially lower sales are forecast for the first quarter of 1990 with a drop, in index terms, from 119 to 95.

"The volume of new orders received remains on a downward trend and is expected to cross the 100 neutrality level in the forecast quarter.

"To comply with a more sluggish demand in the quarter, production volumes are expected to be reduced relative to the same period a year ago.

"Unfilled orders in relation to sales remain on a negative basis — that is, below the 100 neutrality level, indicating that manufacturers are working off their backlog orders with available spare production capacity.

"This is underscored by the decline of four percentage points in the number of respondents experiencing full production capacity utilization, together with an overall shortening in delivery periods and the accumulation of stocks of raw materials and finished goods."

Discussing the labour situation, the survey says fewer factory workers were employed in the last quarter of 1989 than in the same period a year ago. The average hours worked by each factory worker were expected to decrease in the coming quarter.

"The significance manufacturers place on fixed investments to reduce costs points towards investments in automation equipment and capital goods, signalling future curtailment of labour."

The report says that "due to the recent lifting of socio/:political restrictions by the government, the general political policy as a perceived constraint hampering current manufacturing business activities decreased substantially on index from 34 to 29 points.

"Expectations of manufacturers about price increases remain at high levels."

COAL INDUSTRY

Running out of steam

A stronger rand could offset benefits of higher volumes

Coal shares on the JSE had a powerful run during 1989 — largely thanks to improved conditions for SA exporters on the international coal market. But the coal share index topped out in September and has since dropped back to reflect changed circumstances.

Still, there's no reason for investors in these shares to start donning sackcloth and ashes; the export market continues to look good. However, while coal export volumes should continue to rise this year, the increases in dollar prices being achieved for 1989 delivery are below expectation. And what looks a firmer rand-dollar exchange rate is going to trim profit margins further.

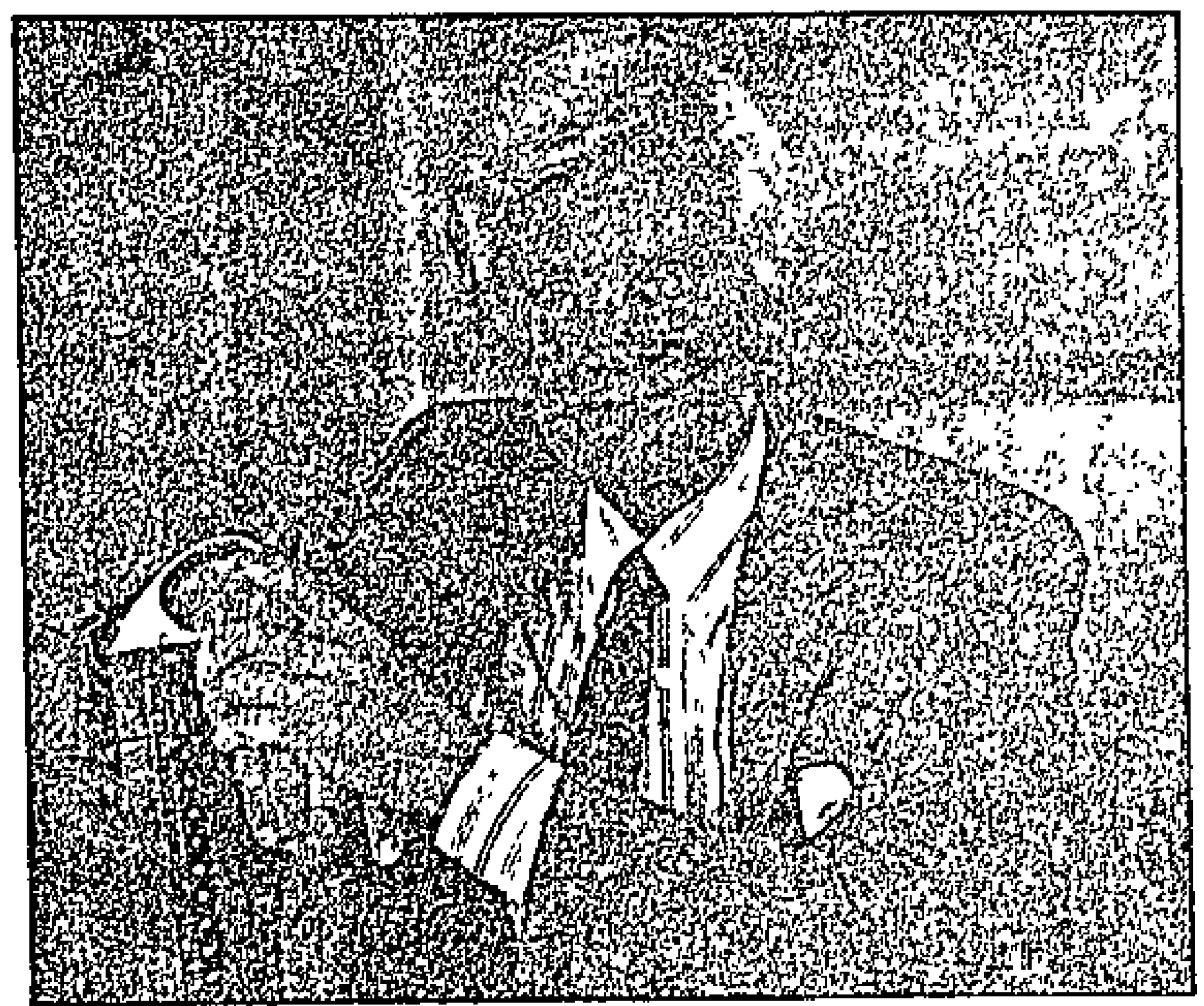
The JSE actuaries Coal index rose 76%, to peak at 2 415 on September 28 from the 12-month low of 1 368 on December 21 1988. It has since drifted down to current levels of around 2 220. Over this period Amcoal rose from R44,50 a share to peak at R80 before drifting back to current levels around R73, while Trans-Natal Coal Corp rose from 500c to 865c before retreating to 775c. Witbank Colliery (Wit Colls) moved from R47 to peak at R74; the share eased to about R69 before recovering to stand at about R72,50.

Wit Colls's performance has been firmer than that of the other coal counters because of the group's acquisition, in partnership with JCI, of BP's Middelburg export mine. The deal is good news for Wit Colls and may result in a rerating of the share because of the company's greater export volumes and the way it has limited its debt exposure through bringing in cash up front from JCI.

The export market is the driving force in the fortunes of coal companies. This is because the domestic market will remain flat — probably until the end of the century — as a result of Eskom's rationalisation programme at its coal-burning power stations.

Improved dollar prices for coal during 1989 were the result of an increase of about 3% in the total world demand for steam coal, while a number of countries other than SA failed to hit planned export tonnages.

The most important was probably China, where soaring internal demand has forced the country not only to default on planned exports but also to become an importer of coal. Australian coal mines were hit yet again by labour problems, while operations at the huge El Cerrejon mine in Colombia were hampered by the effects of two hurricanes and more labour unrest.



Wit-Colls's Sealey ... volumes not of primary concern

The SA coal exporters were major beneficiaries. Coal prices for 1989 delivery rose by nearly 20% in dollar terms and the Richards Bay Coal Terminal (RBCT) worked flat out. Though one stacker/reclaimer was down for months, coal shipped through the port during calendar 1989 came close to the nominal capacity of 44 Mt/year, according to Wit Colls chairman Allen Sealey. He says 1990 exports via Richards Bay could reach 46 Mt.

That is the good news. The bad news is that dollar prices appear at least temporarily to have run out of steam, bearing out comments made in October by Trans-Natal Coal Corp (TNC) chairman Brian Gilbertson. He said then that: "In view of these developments, and more recently of the coal mining strikes in the USSR, US and Canada, it is surprising, indeed worrying, that steam coal prices have not risen above the level of some US$32/t fob Richards Bay."

The key export contract is with Enel, the Italian counterpart of Eskom. In the negotiating season with European customers at the end of 1989, this contract was settled at levels lower than hoped for by the SA exporters.

It was settled at $31/t for 27 mj/kg (megajoules per kilogram) coal, which is a low heat value product. That was an increase of $1,25/t or 4,2% on the 1988 Enel price of $29,75/t. The Enel contract is important because it acts as a benchmark price for other European customers. Coal industry executives say other contracts have been settled at higher prices ranging up to $34/t, but those relate to higher heat value coals.

Trans-Natal's Gilbertson ... worries over price levels

Overall, the increases are seen as disappointing — particularly when viewed against the higher prices that coal exporters in countries other than SA have been achieving. "In the markets where SA coal is subject to sanctions or threats, the other exporters are scoring off us. We're getting dollar increases of about 5% whereas the Colombians are getting increases of up to 10% and the Australians are getting increases of about 7%," says one coal company executive. Another notes that "the South African discount is not reducing despite the firmer market conditions."

Negotiations are still under way for 1989 prices in the Far Eastern markets, which usually settle by about March. As is usually the case, the accusations are flying between the SA exporters as to who chickened out in the negotiations, or deliberately undercut competitors, with the result that hoped-for dollar price increases did not materialise.

The biggest problem for SA exporters this year could be a stronger rand, particularly if gold maintains its firmer trend. The SA monetary authorities are taking advantage of the strength of the dollar gold price to allow the rand to appreciate against the dollar.

However, a stronger rand reduces rand revenues for the coal companies unless they can get dollar prices high enough to offset them — which is not happening. The rand has strengthened against the dollar by nearly 8% from its average value for the September quarter compared with the average 5% increases being negotiated on dollar coal prices. If gold really gets going the rand is going to strengthen further.

However, conditions on export markets are good enough for the SA exporters to be embarking on an expansion at RBCT, though industry executives are doing their best to play this down. They prefer to describe it as a modernisation programme to guarantee the nominal throughput of 44 Mt. The bottom line is that after the R239m programme, which will install new equip-

FM 12|1|'90 (74)

ment, including another stacker/reclaimer, the terminal will be able to handle 48 Mt/year. There are plans to spend a further R100m on new locomotives and upgrading the Richards Bay railyards. This would allow output to be pushed further to 53 Mt/year.

Not all the RBCT exporters appear happy about the plan, because of the threat of oversupply in the market. An oversupply would hit the SA exporters worst because of the country's dicey political status. TNC's Gilbertson tells me he would rather see higher prices than greater availability of product. However, TNC has gone along with the expansion; it has the power of veto in the RBCT but did not exercise it.

The expansion is being treated as a "brownfields" expansion of the RBCT. This means only the existing members will participate in it, in proportion to their shareholdings in the terminal.

Companies holding Phase 4 export permits which are not already members of the RBCT will not take part. How these companies would enter the export market was the subject of heated debate back in 1982-1983, when the future for the SA coal exporters seemed unlimited. The then Minister of Mineral and Energy Affairs, F W de Klerk, told parliament in May 1982 that more than 100 applications for the annual export of more than 200 Mt of coal had been received for the 32 Mt/year Phase 4 export allocations which were up for grabs at that time.

"The one good thing about the sanctions issue is that it flushed all these rats and mice back down the drains, some never to be heard of again," says the chairman of one RBCT member company. "Their participation in the RBCT is a non-issue. We put up the money and took the risks and are entitled to the full benefits of the brownfields expansion of the present facilities to their economic limits."

That's fighting talk; but, apart from sanctions, there are two major reasons why the issue of new exporters is not as heated now as a few years back. Two major mining companies which were not RBCT members have gained access to the club. After the Transvaal Coal Owners' Association (TCOA) handed back its 10 Mt/year export quota to its members, JCI received a direct 1,3 Mt/year quota in the terminal and GFSA got a 1 Mt/year quota.

The other major mining house that is not an RBCT member, Anglovaal, appears to have lost interest in the coal market, despite its 1 Mt Phase 4 allocation. It sold its last operating coal mine to Witbank Colliery last year and seems content with its passive stake in the business held through Anglo Transvaal Collieries' shareholding in Witbank Colliery.

The other reason is that the relationship between the RBCT members and Sats has improved dramatically under new Sats GM Anton Moolman, compared with the situation that prevailed when former GM Bart Grové was in office. Sats previously championed the cause of the new exporters to the point where it nearly built a new coal terminal for them at Richards Bay.

"Sats' standpoint was that, because the rail line to Richards Bay could shift 65 Mt of coal annually, that was what the country's annual exports should be. It was neither here nor there that we couldn't sell the stuff. Moolman is a different entity. He is a businessman as well as a railroad executive," says a coal company executive.

Expanding capacity

Market conditions have also improved for exporters using Durban, where the exporters grouped under the Durban Coal Terminal Company (DCTC) have started modernising and expanding the capacity of the Bluff Mechanical Appliance (BMA). The DCTC set up a joint venture with Sats over the BMA in 1988, with the ultimate aim of renovating the appliance to handle the full 5 Mt/year of coal which the port of Durban is authorised to export. The coal is now exported via the BMA, conventional loading quays, the Maydon Wharf 5 (MW5) terminal and the Durban Bulk Shipping (DBS) terminal.

Coal used also to be exported via Pier 109 controlled by the Maputo Exporters Committee (MEC). But the MEC has sold this facility to Rennies, which intends using it for loading grains, feedstocks and other bulk materials.

DCTC chairman André van Rooyen stresses the rate of expansion of the BMA is 'completely determined by the state of the coal export markets. The BMA had the capacity to export 1,4 Mt/year when the joint venture was set up in 1988, and this has been increased to 1,7 Mt for the financial year to June 1990.

Van Rooyen says estimates on expansion for the financial year to June 1991 will only be made in April/May 1990 when the DCTC members meet to agree on the capacity required and the tariffs to be charged for use of the BMA. Sats has given permission for coal export levels through Durban — other than the BMA — during calendar 1990 to run at 1,2 Mt via the conventional quays, 0,9 Mt via MW5 and 0,6 Mt via DBS. That puts present coal export capacity through Durban at about 4,4 Mt/year.

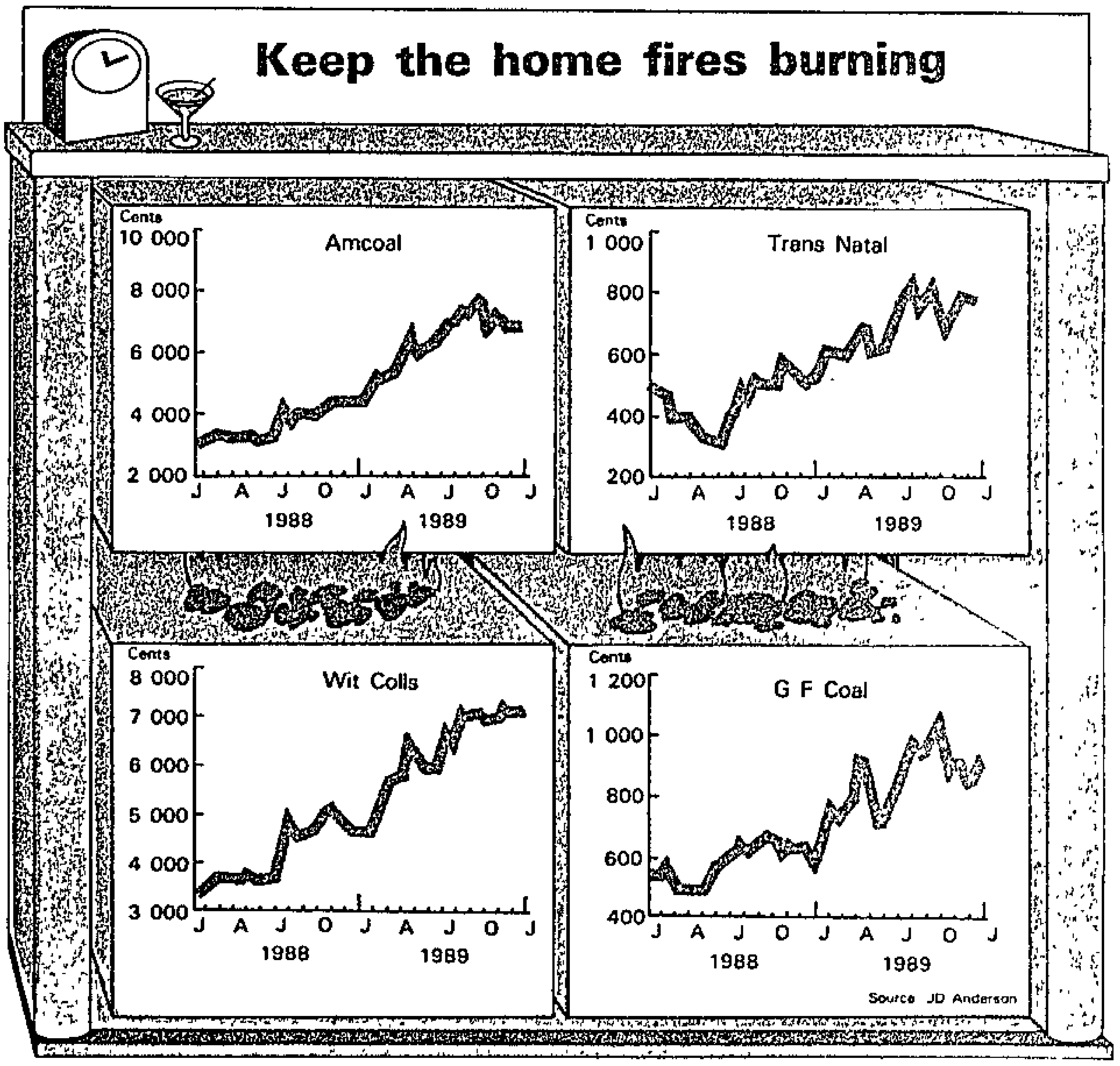
When the long-term aim of exporting 5 Mt/year through the BMA is reached, Sats will not allow coal to be exported through the other facilities at Durban being used now.

Despite the expected higher sales volumes, the general expectation is that profit growth for the coal companies is going to be unexciting in the year ahead.

That makes coal shares look fully priced at present. On balance, a stronger rand is probably going to sap much of the benefits of revenues from higher sales tonnages and there's the ever-present issue of increases in working costs.

However, benefits of 1989 are still flowing through, particularly to Amcoal with its March year-end. Earnings for the year should be at least 60% up on the year to March 1989 and the dividend could be increased by about 33%.

Brendan Ryan



'SA's dependence on gold has decreased'

(74)

RIAAN SMIT

THE SA economy has been undergoing a structural adjustment in the 1980s in the form of reduced dependence upon gold export earnings in its total export mix, the Bank of Lisbon International says in its Economic Focus for December last year.

In spite of the onset of trade sanctions, which might have been expected to lead to an even greater dependence on gold exports, which are sanctions-proof, the opposite has occurred, Economic Focus says.

"This can be attributed to falls in domestic gold output and dollar prices of the metal, as well as a resurgence in merchandise exports since the end of 1987."

The report says the irony is that this growth in merchandise exports would appear to be partly the product of trade and capital sanctions, which forced exporters to look for new markets.

Exports have also been strengthened by the competitive position of the rand.

From a high point of 44,5% in 1980 the share of the country's net gold export earnings in its total export earnings from goods and services contracted to 33,3% in 1988.

Economic Focus says that during the first half of 1989 this percentage fell further to 28% because of a strong rise in merchandise exports, and a fall in the dollar price of gold.

The share of aggregate mineral exports in total exports of goods and services has similarly declined from around 59% in 1980 to approximately 50% in 1987, it says.

Merchandise exports increased in volume by 7,3% in 1988 and possibly 10% in 1989.

The report says although obstacles remain, an export culture may be emerging for the first time in which business outside the mining and agricultural sectors are focusing more attention on exporting as an ongoing business.

BDay 15/11/90

World ivory ban may cost SA park millions

ANDREW GILL

THE international ban on trade in ivory comes into effect today, and it could cost the National Parks Board between R4m and R6m, says NPB director of special services Anthony Hall-Martin.

The ban, announced at the Convention of International Trade in Endangered Species (Cites) conference in Lausanne last October, will effectively halt ivory sales by the Kruger Park — SA's only legal ivory seller.

The park has not reduced elephant culling, and ivory is being stockpiled.

In an attempt to overcome the loss of revenue, and cuts in its budget, the NPB has raised tariffs and embarked on an expansion programme to lure tourists.

Government contributions to the NPB decreased from more than R8m in 1988 to less than R3m in 1989.

Tariff increases of about 30% come into effect in April.

Environmental education manager Johan Verhoof said yesterday the NPB was upgrading facilities and creating new ones in various parks.

The Kruger Park is running at 90% capacity all year round. No more development is being planned there because the board had decided on maximum accommodation of 4 000 beds.

Hall-Martin said SA had asked Cites to send experts to the country to investigate its elephant control measures, in an effort to return SA to the list of nations allowed limited ivory trade.

There would obviously be adverse reaction from some quarters but a scheme to identify the origin of tusks, run by the Parks Board and UCT, would counter possible allegations that SA was "laundering" ivory, he said.

Elephant leather would also be affected by the ban. "The leather sometimes brings in more revenue than ivory, and we have had to stockpile that, too," he said.

New batch of managers

BDay 18/1/90

PIERRE DU PREEZ

THE second batch of graduates from the Joint Management Development Programme (JMDP) received their diplomas at a ceremony in Johannesburg this week.

The JMDP — a joint venture between 40 SA companies and various institutions including the Paris Chamber of Commerce and the Urban Foundation — is aimed at producing competent middle management.

The 29 graduates of all races completed a three-year course, including eight weeks of "off-the-job" training a year, with the balance being conducted in the workplace.

Jean-Claude Mas, the Paris chamber's vice-president, attended the ceremony.

Guest speaker Prof Karl Hofmeyr of Unisa said the "French connection" had helped make the JMDP a success, setting it apart from other programmes.

He said the challenge of being a manager now included an awareness of and willingness to become involved in broader SA issues and to speak out against inequities.

● See Page 8

B/Day 19/1/90.

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CREDIT GUARANTEE SPLITS EXPORT COVER

LINDA ENSOR

CREDIT Guarantee Insurance Corporation (CGIC) has introduced greater flexibility into its insurance cover for exporters by separating commercial and political risks.

Previously only a comprehensive package was available.

MD Chris Leisewitz says the move will mean lower premium rates, but he could not detail the size of the reduction as rates are tailored to each export and to the political risk involved.

Commercial risks are attached to a particular firm while political risks, Leisewitz says, attach to a particular country — essentially those whose foreign exchange record or circumstances jeopardise payment.

The under-developed countries of Latin America and Africa fall into this category.

However, as political risk also covers sanctions, boycotts and strikes, exporters to Britain are not invulnerable. A number of strike-related claims have been paid.

In terms of the newly introduced separation of risks, it would be possible, for example, to insure for political risk in ten countries and for commercial risk in one.

R2bn export boost for motor firms

22/1/90 (74)

From EDWARD WEST

JOHANNESBURG. — The local motor industry is expected to get a R2bn export boost next year when several local manufacturers begin production of exhaust systems for European markets.

The EC is to introduce a clean air policy begining in 1993. Already some EC countries are offering pre-legislation tax incentives to automobile buyers equipped with catalytic converters, said Johnson Mathey, the world's largest platinum dealers.

SA mines 80% of world's platinum, a key component in converters which cut exhaust pollution. The production of converters in SA makes sense in terms of mineral beneficiation and the latest phase of the local content programme, analysts said. The move is expected to boost local demand for platinum.

Industry sources said at the weekend that at least three large catalytic converter plants for the manufacture of exhaust systems were on the drawing board.

The first plant in SA is to be built in Port Elizabeth, and is expected to produce one million converters a year, which will be sold to SA motor manufacturers for export.

A local company, Algorax, is to start production on the R25m plant within weeks, company spokesmen said.

The technology and design for the plant will be provided by German chemical company Degussa AG which owns 50% of Algorax and production is expected to start in January 1991

Motor industry sources said negotiations were taking place for the creation of other plants, but declined to give details.

German manufacturers were said to be involved in setting up their own SA plants Mercedes Benz, however, declined to comment last week and Volkswagen denied that they were involved.

Growing concern over atmospheric pollution in Europe has given impetus for the production plants.

From January 1993, EC legislation will impose 1983 US exhaust emission standards.

A Johnson Mathey report said demand for platinum will rise steadily in Western Europe in the next three years as a result of increasing advance voluntary compliance and first stage legislative requirements for big cars.

When the EC legislative programme begins to take effect in France, Italy and Britain, which in 1988 accounted for 50% of European vehicle registrations, a major increase in platinum demand is forecast as converters become standard equipment on new vehicles, the report said.

In 1988, Switzerland, Norway and Sweden joined Austria in requiring all new cars to meet US 1983 emission standards which is usually done by fitting platinum-rodium three-way catalysts.

The report further stated there were signs that the US authorities would decide to follow California's lead and tighten exhaust emission standards.

Motor manufacturers would benefit in terms of the programme by offsetting the value of their imports to converter export values.

Chris Davies (left) and Flip Rademeyer have been appointed to the board of Messina Ltd.

Paul Ferguson has been appointed non-executive chairman of Kudu Granite Holdings.

rate seen

JOHANNESBURG — The top 100 SA industrial companies listed on the JSE predict an average inflation rate of 16,1% in 1990 compared to last year's 15,1%, and a real economic growth rate of 1,8% compared to 2% in 1989.

These are the findings of a report entitled "The Business Environment and Marketing Strategies of Manufacturing Industries in 1990" from the Bureau for Market Research at the University of SA (UNISA)

The report is based on the views of corporate executives at the companies involved in the survey.

The dollar/rand exchange rate is expected to range between R2,55 and R2,85, with an average of R2,74, compared to last year's average of R2,62.

Another prediction is a prime overdraft rate of 18% in December 1990 compared to the present 21%, and an average gold price of $400.

The businessmen foresee an increase in the percentage total of unemployment, labour unrest and strikes.

A decline in economic growth in 1990 is predicted, but social and political predictions indicate a less pessimistic view of the business climate compared to 1989. — Sapa

Court action over Zairean copper exports

DANIEL SIMON

AN URGENT application was brought before the Rand Supreme Court by a senior Zairean police officer yesterday to "freeze" about R1,5m worth of illegally exported copper hidden in nine Sats railway carriages now lodged at a Sats goods yard.

B/Day 23/1/90

The application follows the recent arrival in SA of Zaire's Industrial Security Police Inspector-General Mola-M'Bunza Ekekya to conduct investigations into large-scale illegal exports of Zairean minerals to SA.

Advocate Chris Eloff, who acted for Zairean state company Gecamines, which owns Zaire's copper resources, said the matter had been postponed to February 13.

"The respondents have been given until next Monday to file affidavits. We will then bring in a replying affidavit by February 8," he said.

In a letter included in court papers, Ekekya also appealed to Foreign Affairs Minister Pik Botha to help his country, which faced serious economic problems, including frequent mineral thefts.

"The latest occurrence has been exposed by the impoundment of 33 railway carloads of minerals by the SA Police," Ekekya said in the letter.

He told Botha that the frauds had been committed through Zaire's state railways and customs department through the falsified invoicing of railway bills and the non-payment of tariffs.

Ekekya told the court the respondents in the matter were Sats, Eufrasia Trading, Universal Wholesalers, Joannides Agencies and Zairean national Bintu Kasongo.

He said Eufrasia Trading was a sole proprietorship based in Kinshasa and owned by one Kungulu Gbemani whose

☐ To Page 2

Zairean copper

☐ From Page 1

B/Day 23/1/90

interests were represented in SA by B T Hillary of Universal Trading Incorporated.

Ekekya said Kasongo was represented in SA by Germiston export agents Joannides Agencies. Another SA firm mentioned in papers is Universal Wholesalers CC.

He said Eufrasia Trading was the holder of a Zaire Department of National Economy and Industry permit entitling it to trade and carry out marketing operations in copper scrap only inside Zaire.

He said all copper exports to SA were carried by Sats and handled by Renfreight Forwarding.

He said that on January 11 Renfreight Forwarding export manager Fernando Boloto told a Gecamines official that railway carriages, which had not been consigned to Renfreight, had been recently shunted into a private siding. The doors were welded shut and the contents said to be timber.

The carriages were opened on January 15 and copper slag found which, said Ekekya, was identifiable as the property of Gecamines.

Ekekya said that a further seven carriages found at Sats's Kaserne depot, also contained copper in various forms.

Ekekya said the carriages were consigned to a person known variously as Mr John and Mr Joannides, care of Magnew Transport, Railway Siding, Rooikop.

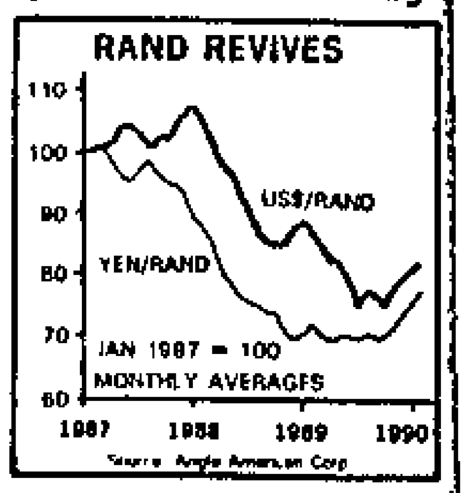
He said that on being notified, the SA Police launched an investigation.

Exporters on rack as the rand rallies

S/Times 28/1/90 (74)

Business Times Reporters

THE firmer rand is devastating the earnings of exporters. It has strengthened by nearly 10% against the dollar and the yen since September. Foreign-currency earnings by companies could fall by R4-billion a year if the rand and export volumes remain unchanged.



Because companies cannot effect concomitant cost savings, the R4-billion comes virtually straight off the bottom line

The improved political outlook, together with monetary and fiscal discipline, a healthier balance of payments and possibly a weakening dollar, could push the rand still higher and squeeze exporters even harder

The Reserve Bank is on record that it will not allow the rand to kill non-gold exports — but Governor Chris Stals says curbing inflation is the priority The inference is that the bank will not try to suppress the rand's rise yet.

Killing

Because the harder rand means lower inflation, cheaper imports and travel, consumers welcome it But exporters, who made a killing in SA's darkest hour when the rand was on the floor, are struggling.

Gold, platinum, diamond, sugar and coal exporters have received some compensation from higher dollar prices — but returns from other commodities have plummeted in dollar terms.

- The ferrochrome price has fallen by 34% from \$0,84 a pound to \$0,55 since last August
- Stainless-steel prices are down 35% in seven months.
- Vanadium has fallen by 66% from \$7,5 a pound last July to \$2,5
- Copper has plunged by 30% from \$3 400 a ton a year ago to \$2 363

The share prices of several large exporting companies have cracked. Samancor is down from a recent high of R24 to R15, Phalabora Mining from R65 to R56,50, Vansa from R9 to R4,25 and Highveld from R22 to R15,25

Other prices have held highs, including Associated Manganese, Haggie and Barlows Analysts hope Barlow Platinum and other companies will compensate Barlows from the expected downturn at Middelburg.

Nullified

For gold mines, the firmer rand has partly nullified the 15% rise in the metal's dollar price in the past four months

When gold was at \$360 in September, a dollar was worth R2,75, so the price to the mines was R990 an ounce Today, with a gold price of about \$415 and the dollar worth about R2,55, the rand price is roughly R1 060 The mines' rand price has risen by only 6,8% But their costs are rising at more than 15% a year.

Barlow Rand managing director Warren Clewlow warned this week that profits of his mega-group's biggest earner, Middelburg Steel & Alloys (MS&A), were bound to fall Analysts estimate the impending earnings fall at 30% to 50%.

Paddy Probert, general manager of MS&A's ferrochrome division, says strategy is to watch the long term MS&A sees prices reviving in two to three years Its new R250-million world-first chromium direct reduction plant will reduce its variable costs

Iscor managing director Willem van Wyk says a softer trend in world steel prices is even more worrying than the harder rand

Like other chief executives interviewed by Business Times, he will not speculate about the effects on Iscor's earnings.

Incentives

Hans Smith, managing director of Samancor, Gencor's biggest profit earner, says a 10% stronger rand could knock 30% off an export company's bottom line

After flagging last year, ferromanganese prices are close to a high of \$650 a ton, But rand receipts are still expected to be down — and

● To Page 3

Hawton happy about Kei deal

Business Times Reporter

S/Times 28/1/90

TRANSKEI Sun International (Transun) is ready to expand its casino empire in Transkei after settling its differences with the Government.

Buddy Hawton, chairman of parent Kersaf, says the settlement is a breakthrough for Transun, even though it has lost its exclusive gaming rights in the central and southern regions of the territory

"The northern areas closest to Durban and the south coast were most important to us and we have exclusivity there

"In addition, we have agreed to casino levies of 7,5% for three years and 10% thereafter. We are also glad it is an eight-year agreement The previous one was for only six years"

Mr Hawton says Transun paid nothing for the settlement, not even the Transkei Government's legal costs.

Island

But the agreement is strictly between the company and the Government It does not affect Sol Kerzner or anyone else involved in a R2-million payment to former President Matanzima.

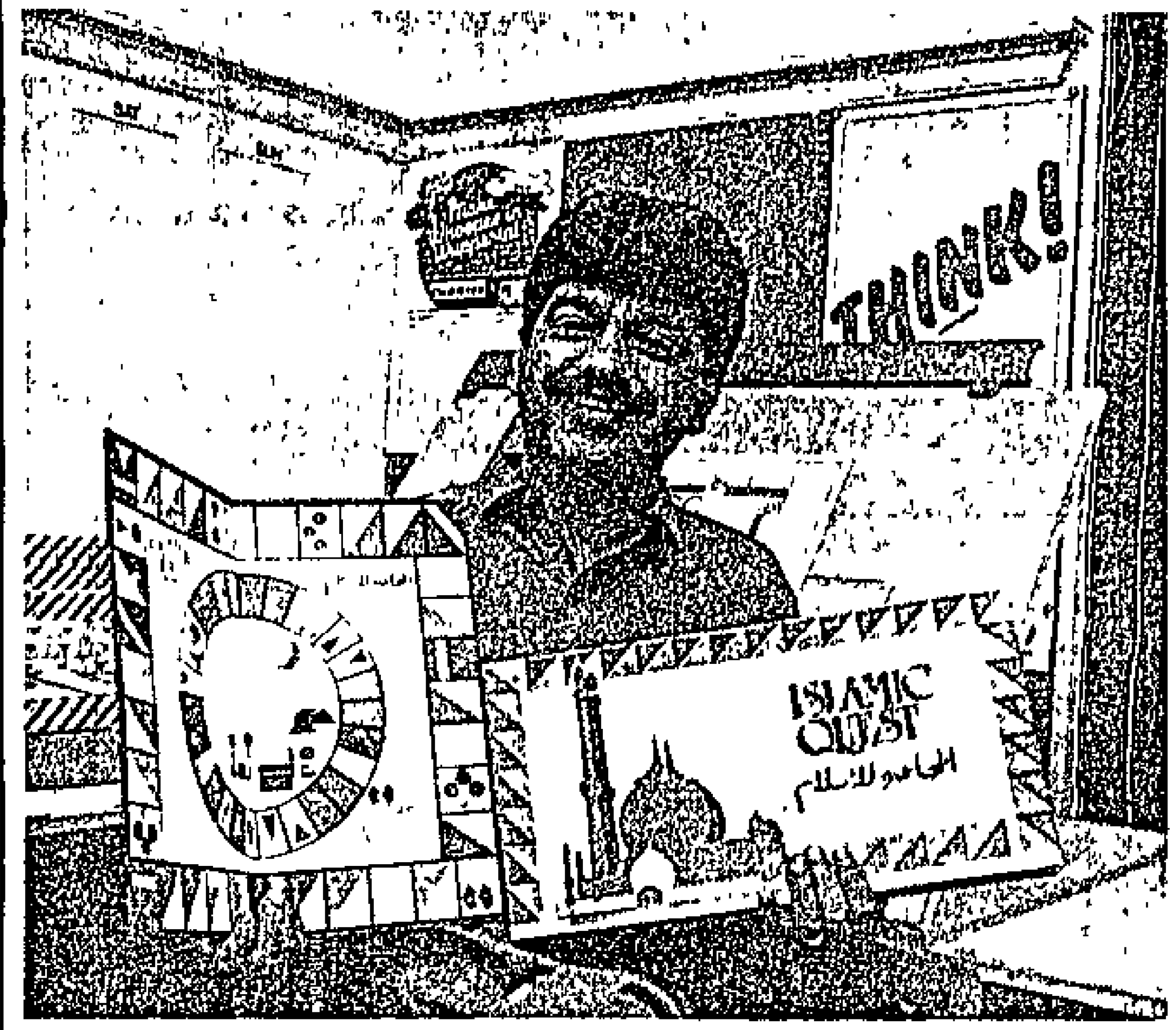
Mr Hawton says his company will consider spending many millions on extending the Wild Coast Sun and in other places

Former Western Province cricketer Andre Bruyns and Roy Meaker, his Durban businessman partner, have been prevented by the new agreement from going ahead with their proposed casino resort at Umzinkulu

The site on an "island" of Transkei territory is inland but in a beautiful setting It is closer than the Wild Coast Sun to Durban.

Mr Hawton says the agreement means that Transun will have exclusive rights to the Umzinkulu area The company is interested in the area because it is close to the Maritzburg and Natal Midlands markets.

Mr Hawton says the agreement requires Transun to close two small slot-machine operations, one at Idutwa and the other at Mount Frere in a



FAIZAL HAFFEJEE ... world quest for a publisher Picture: Margot Williams

Faizal's game plan hits £15m jackpot

By Charmain Naidoo

A SOUTH African has signed contracts worth £15-million (about R61-million) with two London-based Arab publishers for the rights to his religious game and encyclopaedia.

Faizal Haffejee and his brother Zane travelled to many parts of the world in trying to sell their game Islamic Quest, launched in SA a year ago

They struck gold when an Arab publisher — he fears blacklisting because of the SA connection and wishes to remain anonymous — offered them a deal.

Guarantee

Mr Haffejee says "He wants to manufacture, market and distribute my game worldwide — excepting South-East Asia, Singapore and Australia, which we will handle

"In the first year, we are guaranteed sales of a million sets and 5-million in the next three years

"I will receive a minimum of £4 a set plus £100 000 a month for 12 months for the purchase of the rights"

The second publisher has

When the brothers set out last year on a 16-country tour to sell Islamic Quest — a trivial pursuit-type game dealing with Islamic general knowledge — they had R78 000

"We took every cent we had because I believed there were enough Muslims who would be fascinated by my game It teaches children and adults about the religion

"In Paris alone — Islamic Quest is being translated into French — there are 5-million Muslims"

Islamic centres, especially in the Middle East, competed for sole rights to the game Most were not prepared to produce the game, wanting only the product.

"As South Africans we knew we would have problems in setting up factories in Europe Anyway, we did not wish to become involved in production of the game for a world market To keep our hand in the business, we have a factory in Malaysia and will distribute to South-East Asia, Singapore and Australia.

"Our Arab publisher will manufacture the game in Jordan."

The publisher said from London that he expected the game to be a top seller.

After Islamic Quest was launched in SA, 10 000 copies were sold within weeks.

"It was sad that we had to go abroad to find a publisher. We tried here, but had neither financial support nor the resources to market the game internationally," Mr Haffejee says

Expensive

Another obstacle was that South Africans found the game, retailing at R65, expensive It costs the Haffejees R35 to produce the board and cards that make up Islamic Quest.

Mr Haffejee says "I thought up a game for SA Airways, but it was rejected International flights can be long and boring, so I designed a simple board game to fit in a seat pocket

"Now I am negotiating with four American and two European airlines and will take the best offer."

Exporters

S/Times 28/1/90 (74)

● From Page 1

costs are due to rise.

Haggie group managing director John Feek says 1990 will be a challenging year for the world's biggest wire-rope producer.

Mr Feek says the stronger rand is not the only problem. His company has to contend with high domestic inflation.

MS&A and Highveld Steel both believe that the only way to beat the strengthening rand is to cut costs and control inflation. The heartening side-effect of a strong rand is reduced inflation.

Highveld Steel general manager, marketing Robert Herbertson believes a strong rand will have a directly proportional effect on export profits. The only way to combat a stronger rand is to restrain costs.

"It will be a more difficult year than 1989, but we are geared to cope."

Mining houses are among those hardest hit by the stronger rand. They stand to lose billions.

Rand Mines gold division chairman Clive Knobbs says the flattening of revenue has a serious effect on profit margins. But he is confident that the rand will weaken in coming months.

Other rand hedge stocks that are bound to suffer from a rand recovery are Safren through Safmarine, Plate Glass, Richemont, Oceana Investment Trust and First Investment Trust. The latter three are affected mainly by the firm rand.

STAR 14/2/90 (74)

SA exports a 'key issue'

The future exporting of SA produce has become one of the key issues raised at Agrocon.

Agricultural attaches at SA embassies in Europe and the US say in a report prepared by the Department of Agriculture that the crumbling of the Iron Curtain had opened up many trading possibilities, and particularly for farm produce.

"Western governments will have to give large amounts of financial help to ensure that the new order (in Eastern Europe) is successful. In the short-term, it means food and other produce will be in greater demand than before," the report says.

The chance for organised agriculture to export to the Eastern Bloc had come about because the US had identified the Far East as its main market.

The produce — particularly wool, sugar, citrus, fresh fruit, and maize — would probably be exported initially through Europe, conference delegates were told.

One problem which would have to be overcome was terms and methods of payment.

"The importance of agricultural exports cannot be over-emphasised, the total value of such exports during 1988 was R3,9 billion, 8 percent of the total exports that year," the report added.

The Far East was also likely to be a major export area for South African produce in future.

Tractor protest

STAR 14/2/90

Farmers are questioning whether the local content programme for tractor engines should continue, because in some cases it was costing 80 percent more to buy a local unit than one imported.

Mr Gerhard Basson, group managing director of Sentrachem, told Agrocon that the "duty protection on tractor engines seems excessive and should be reviewed".

He suggested that duty be levied on the total value of a tractor with an imported engine, as now, but rather on the value of the engine itself.

Mr Basson said significant improvements had been made in diesel engine technology.

"While increased local content is desirable from the South African view, tractor manufacturers have great difficulty in getting enough volume for prices cheaper than imported units."

Chicken rules the roost at braais

The humble chicken is giving cattle farmers the bird because it is very busily changing the face of the traditional South African braai. STAR 14/2/90

Red meat used to hold sway as the braai ingredient, but today it is the braaikuiken which has taken over.

Delegates to Agricocon have had to face the Chicken Challenge head-on this week: red meat, the conference heard, is almost a luxury these days.

Red meat is not increasing its market share, confided Professor J M Laubscher to a group of 310 agricultural experts, and it appears to have little place in the lifestyle of more and more South Africans.

Instead, enter The Chicken ... all 320 million of them.

South Africans consumed far more red meat in the 1970s than they are doing now — and projections for 1990 show per capita consumption of beef, for instance, will drop to just over 14 kg, a far cry from the 30 kg recorded in 1960. Mutton consumption per capita this year will be about 4 kg, compared to nearly 10 kg in 1970.

But chicken has gone from 2 kg in 1964 to an estimated 16 kg this year.

R611 926 in dairy export losses

Cap Tms 26/1/90

By BARRY STREEK
Political Staff

THE Dairy Board exported products at a loss of R611 926 in the 1987/88 financial year but imported dairy products which were sold at a profit of R6 million, the former auditor-general, Dr Joep de Loor, said yesterday.

The export losses involved R509 608 for butter, R79 818 for cheese and R22 500 for milk powder and were written off during the year against the board's stabilisation fund, he said in his report tabled in Parliament yesterday.

In his report into the Wool Board for the year between July 1987 and June 1988, which was also tabled in Parliament yesterday, foreign loans of R290m, together with exchange rate losses amounted, to R548,3m by the end of June 1988.

Interest on the foreign loans amounted to R50,3m for the year.

How growth, not sanctions, is killing apartheid

BDay 21/2/90 74

BILL JAMIESON of the London Sunday Telegraph

A SLIM, handsome stainless steel ballpoint, set off with a gold plated clip, tells its own story of sanctions in SA.

It was made to mark the 21st anniversary of Highveld Steel and Vanadium, the steel plant based at Witbank in the eastern Transvaal. In the first six months of 1989 profits of Highveld Steel surged 400% to a record.

Highveld's Vanadium spinel is used in the Soviet Union's trans-Siberian pipeline. Another customer is the US. Vanadium is used in cars and defence equipment.

Vanadium spinel, capable of withstanding extremes of temperature, is one of ten minerals which America exempts from sanctions. Six of them are worth $10 billion to the US over a five-year period.

The curious case of the Highveld pen sums up the sanctions conundrum. Do they really work? Or is all the clamour, to adapt the phrase of a black leader on SA's past attempts at reform, just "a wheelbarrow full of tins?"

Among European community ministers in Dublin this week, Mrs Thatcher seemed on her own. But when words come to deeds, how alone is she?

In the four years 1985 to 1988, France's imports of SA goods more than doubled, from $275m to $638m. At the same time, French exports to SA rose 20% to $575 million.

Impact

Over the same period, Germany's imports from SA almost trebled from $567m to $1,6bn; its exports to SA have shot up from $1,7bn to $3,3bn.

So-called "trade" sanctions have had a measurable impact in only two areas, coal and vegetable produce. But together they account for less than 5% of SA's total exports.

Last year the SA economy grew by 3% and its balance of payments surplus soared 31% to a record R13,4bn. It is not the weakness of this economy but its resilience that has been a striking feature of recent years — to the point where shortages of black skilled talent are acute.

What then, if not sanctions, forced President de Klerk to release Nelson Mandela?

Danie Venter, economist and author of South Africa: Sanctions and the Multinationals, says: "It is economic growth that has cracked apartheid, not economic sanctions."

Ironically, where sanctions have hurt is slowing this growth. The cutting edge has been the ban on new international bank lending and repayments of existing debt.

The most recent assessment of this "lost" growth was given last November by Chris van Wyk, chief executive of Bankorp. Studies by the bank showed a cumulative foreign exchange loss of R40bn due to sanctions and disinvestment since 1985.

Van Wyk said: "The effect of the total foreign exchange loss of R40bn has been a total production loss of about R80bn and a total spending or "standard of living" loss of about R100bn. Real consumer spending is about 15% lower than it could have been and the country's GDP is at least 10% lower than without sanctions.

"Employment is about half a million lower than it could otherwise have been . . . 80% of new job seekers are black people. The harshest burden of sanctions has fallen on them."

Practise

The most dramatic examples of how sanctions rewards and punishments have been reversely switched can be found in the "corporate social responsibility" pull-outs by American multinationals. A total of 161 American companies have disinvested, 51 by way of sale to South African buyers, many at bargain prices.

Meanwhile, the number of American companies observing the Sullivan Code of good employment practice fell from 128 to 42. Venter calculates that in 1984 the per capita benefit for black "Sullivan" employees totalled R340. By 1987 that figure had climbed to R2 350 and could have been much higher but for disinvestment. Some, such as Kodak, shut down altogether, with resulting unemployment.

"Those who suffered from disinvestment were blacks. Those who were supposed to be punished were rewarded: whites were able to buy these businesses at knock down rates."

Nelson Mandela's call for continued sanctions is not echoed by all blacks. Inkatha, representing seven-million Zulus, has spoken against. Last Friday Fabcos, which represents 1,2-million black self-employed and small businesses, met Mandela to express concern over the ANC's nationalisation and sanctions policy.

Such voices strain to be heard over the wheelbarrow full of tins.

LETTERS

Regarding the issue of education,

imprisonment at the Rivonia Trial. He was released in October 1989.

FARMING EXPORTS TO HIT R6bn

GERALD REILLY

PRETORIA — Last year's agricultural exports — the best in decades — would have earned at least R6bn once final accounts had been assessed, agricultural authorities here said.

This compared with R3,8bn in 1988. SA Agricultural Unions chief economist Koos du Toit said this year was unlikely to get close to matching the 1989 export earnings levels.

Major contributor to 1989 forex earnings was maize. Farmers produced a 5,5-million ton surplus which earned more than R1,3bn.

Wheat for the first time contributed substantially — earning nearly R500 000.

Wool had a bumper year in both quality and quantity, although prices sagged in the last quarter of the year, earnings abroad reached nearly R1bn.

Du Toit estimated sugar forex earnings at between R700m and R750m, although no detailed statistics were available.

Citrus and deciduous fruit, although targets of boycotts, earned nearly R1bn. BlDay 21/2/90.

Hides and skins, Du Toit said, had also become significant forex earners reaching more than R100m last year.

"However this year is going to be something different," he said.

Droughts had taken their toll of the wheat crop — which was estimated at less than 2-million tons — and, for the first time in years, wheat would have to be imported to supplement local stocks.

Unless

74

Maize, too, has been hit by drought with the threat of a crop not much bigger than 7-million tons.

And it could be less unless good rains fall within days in the western Transvaal and north-western Free State.

"So the prospects are not bright for big forex earnings from agricultural surpluses this year."

And this, Du Toit said, "illustrates the boom and burst uncertainties of agriculture in a fickle climate".

AGRICULTURE FM 2/3/90

Mixed forecast

Overall, prospects for farm exports this year look decidedly dim, compared with last year (*Business* February 2). But at least some agricultural sectors can look forward to a good year.

Among them are the western Cape's huge deciduous fruit industry where export marketing company Unifruco is expecting bumper crops.

74

"I am confident we will beat last year's record R927m in export revenue and hit the magic R1bn figure," says Unifruco GM Louis Kriel. "SA's improved political situation has created a better overseas climate for our products, though we expect sharper competition, especially from Chilean producers."

Citrus producers expect a repeat of last year's record exports of 30,3m cartons which

led to gross export sales of R830m.

"The level of water for irrigation is good in all our major production areas, while most have experienced good climatic conditions through spring and early summer," says Citrus Exchange GM-operations Arend Venter. "Indications are that the 1990 crop should be as good — or better — than last year's."

Dairy farmers face a possible surplus as growth in milk production overtakes demand. "We expect demand to grow by about 0,8% this year, compared with an estimated increase in production of 3%," says Dairy Board GM Edu Roux.

Nevertheless, the sector's producer income is expected to increase marginally from last year's R1,12bn to R1,27bn. Retail turnover, meanwhile, should grow from the previous season's R2,15bn to R2,35bn. Surplus production will either be exported or bought by the board at a minimum price.

The booming chicken industry will no doubt have to cope with reduced demand this year as red meat prices start drifting lower as the economy cools. The price of the two products moves in tandem because consumers substitute one for the other depending on the direction of red meat prices.

With an estimated output of 350m broilers, chicken producers should gross between R1,6bn-R1,9bn this year. However, producers fear falling demand could force prices lower.

The powerful red meat (beef, mutton and pork) sector also expects a fall in real returns as a result of the economic slowdown. With beef and pork supplies expected to grow by 10% this year, prices should come down sharply. The Meat Board still predicts a 6% rise in beef prices. The board's chief statistician, Pieter Kempen, predicts beef producers should gross about R2,3bn this year, mutton producers about R835m and pork producers about R420m. The projected gross income for the sector of R3,55bn is slightly above last year's R3,3bn.

The story is different with cotton. The combination of late cold spells, delayed plantings and a drought in the central Transvaal could lead to a smaller cotton crop at a time when world markets are looking better. Cotton Board GM Johan Gillen says last year's 390 000-bale crop could drop to 300 000-330 000 this season. "And, with local demand expected to grow to 400 000 bales in 1990, this leaves nothing for export," he notes.

This is unfortunate because a poor US crop of about 12,5m bales should drive down total world production to an estimated 80m bales this year — less than world demand of 86m bales. Gillen says this could reduce world stocks to only 25m bales, so world prices should go up — though the weakening US economy is dampening demand.

Nevertheless, SA producers should indirectly benefit from higher world prices because the board's new marketing arrangement will move local prices closer to the UK's benchmark cotton prices But whether a lower yield this year brings in more than

74 . FM 2/3/90 .

last year's revenue of R350m is uncertain. Last year, producers received R3,55/kg (each bale weighs 200 kg), while world prices hovered between R4,50-R5,20/kg. ■

MAIZE SURPLUS RAKES IN FOREIGN EXCHANGE

(74)

GERALD REILLY

PRETORIA — The export of the near record surplus of 4,2-million tons from the maize crop earned the country R1,25bn in foreign exchange, Maize Board deputy chairman J Schabort said in Potchefstroom yesterday.

B/Day 15/3/90

Speaking at the annual congress of the National Maize Producers Organisation, Schabort said the board had moved swiftly to speed up the export process to get full advantage from the relatively high world prices, which fell later in the season.

The speedy handling of the export operation saved producers R18m.

In three months, the board exported a record 1,5-million tons.

Railnet earned R275m in railage and Portnet R30m in harbour charges.

Schabort said the "hedging" work group had achieved phenomenal results and in spite of the high element of uncertainty associated with a hedging programme, the group correctly forecast the market, time after time.

The result was a commercial profit of R91m or R8,50 a ton for producers.

It would be unrealistic to expect such a situation to be repeated, Schabort said.

should not be forced by government to work.

"They must want to work themselves. That bolsters competency," Mavundla said.

pany went to great lengths to ensure it did not simply accept agencies' credentials at face value.

"In BLGK's case, four exhaustive working meetings were held with the

Prior to this appointment, our experience with the motor industry was disappointing where creative pitches were called for."

The appointment is with immediate effect.

Rise in fruit exports likely

ZILLA EFRAT

CITRUS and deciduous fruit growers are expecting exports to increase, but avocado producers expect export volumes to drop. BDay 15/3/90

However, says SA Advocado Growers' Association MD Colin Partridge, the avocado industry is looking forward to a "reasonable" season. The Israelis have had a larger crop than last year, but they are not expected to flood the market.

Because of the smaller SA crop, exports are expected to be lower than last year's 8,7-million cartons and to average between 7,1 and 7,3-million cartons this year.

On the deciduous side, a Unifruco spokesman says: "We are having a good season in terms of crop volume.

"Our exports are going well, but we are only midway through the season and there is still a long way to go before we can reflect on our success."

Citrus Exchange GM operations and finance Arend Venter says citrus growers have had good blossom and fruit set because of good irrigation and favourable climatic factors.

(74)

Citrus crop estimates show a considerable increase over the 1989 figures. Based on latest estimates, the southern African citrus industry could export as many as 34-million cartons this year compared with about 30-million cartons last year, a 13% increase.

However, Venter says it is far too early to make export predictions. Like all export industries, the citrus industry is also vulnerable to cost inflation, which is higher than the inflation rates in its export markets.

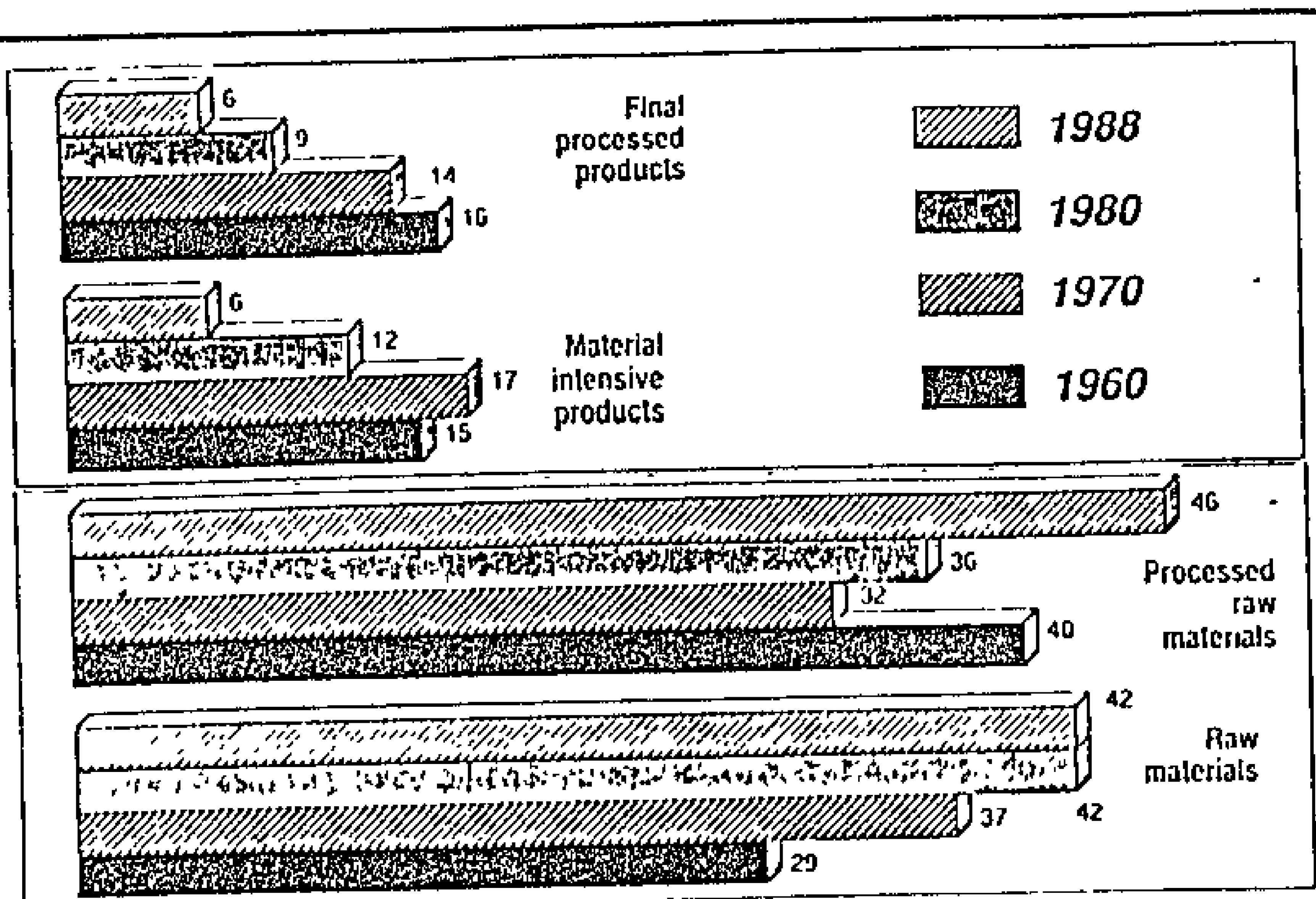
As a result, the industry is likely to come under severe pressure in the long term, particularly if the rand strengthens significantly against the currencies of its export markets.

Venter says early indications are that citrus fruit quality may also be better than in previous years.

74

A devastating critique of our exports failure

By ALAN HIRSCH



Source: Department of Finance Budget Review, March 14 1990

ONE of the most interesting features of the Budget Review issued by the Department of Finance is Annexure B, tucked in right at the back of the report.

It is a brief analysis of the structural crisis of South Africa's economy, written by two of South Africa's most powerful economists, Minister of Economic Co-ordination Wim de Villiers assisted by Jan Lombard, a deputy-governer of the Reserve Bank.

They point, as economists often have, to the declining role of personal savings and the rising importance of private corporate savings, and note that the "increasing concentration of saving funds in a small number of institutions and corporate conglomerates ... must eventually result in a sub-optimal investment structure".

Maybe this is why the African National Congress's call in the Freedom Charter to nationalise the banks seems in some ways more appropriate today than in the 1950s.

The budget's answer is less radical: to try to increase personal savings through tax cuts. Perhaps this doesn't recognise sufficiently that the low level of personal savings is a result of the low level of personal disposable income.

Another major point De Villiers and Lombard make is that the process of capital deepening that has occured in the economy, especially since the early 1970s, has not given rise to comensurate increases in productivity.

The reason, they suggest, is over-investment in capital goods encouraged by an over-valued rand and protectionist policies encouraging uncompetitive industries.

Their answer seems to be that the rand should remain low, that protectionism should be dropped, and that wages should be lowered to rectify the balance of investment between capital and labour.

What they seem to miss here is the possibility of government intervention to increase the productivity of labour though a co-ordinated industrial strategy.

Perhaps the most devastating section of the report is De Villiers and Lombard's analysis of the changing composition of South African exports. In short, they show that, contrary to one's expectations of a developing economy, raw and processed materials have been a rising component of exports, compared with manufactured goods.

Clearly, goods manufactured in South Africa are making no impression on international markets at all. The trend is strongly evident before the 1980s, so sanctions cannot really be blamed. (See graph.)

The reasons for the failure of the manufacturing exports are those already mentioned by the authors. One is a tariff structure designed to protect import-substitution industrialisation, leading to the importation of expensive capital goods and intermediate goods, and distorting the price structure of industry.

They also note that domestic suppliers of intermediate goods have been able to raise the prices of their products close to the level of imports, similarly making the final products manufactured here too expensive to export.

The implicit solution to the crisis in export marketing for De Villiers and Lombard is to do away with protection and support incentives. The approximately 25 percent cut in the trade promotion item in this year's budget indicates that the new export promotion programme, due to begin in April, will provide much less direct assistance to exporters.

Export industries put up stunning performance

Star 12/3/90

7F

By Derek Tommey

Exporters are breaking all records.

Trade figures published at the weekend show exports boomed in February, rising to R5,05 billion.

This was an increase of R1,25 billion, or 32,9 percent, on the figure for exports in February last year.

Altogether, exports in the first two months of this year rose 28,9 percent to R9,92 billion from R7,7 billion last year.

The spurt should greatly help the economy this year.

It means booming export industries injected R2,2 billion more in the form of job and wealth-creating money into the economy in the first two months of this year than they did in the same period last year.

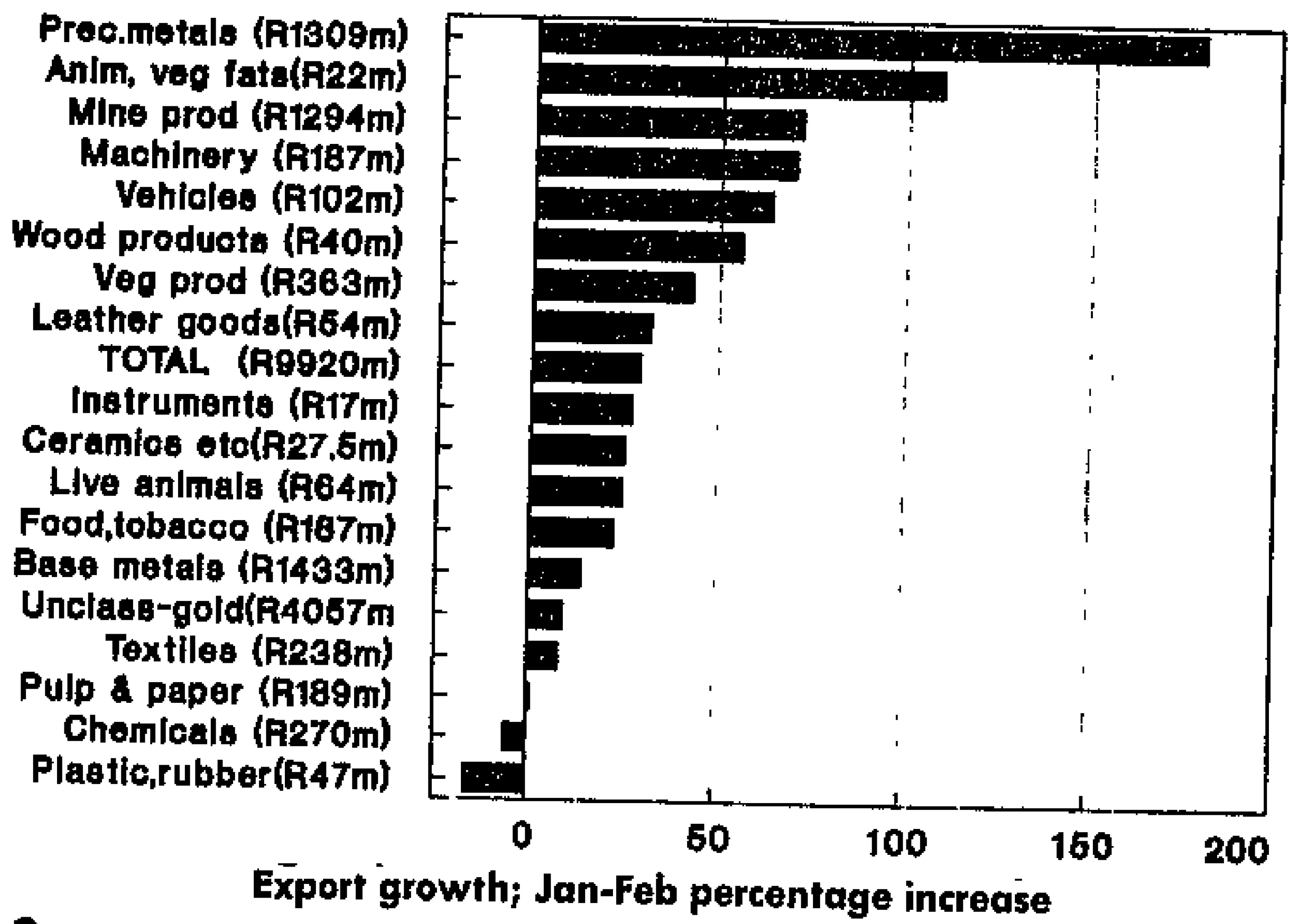
It means mines and manufacturing plants must be working nearly flat out to supply the export markets and must be thinking about expanding their operations and creating even more jobs.

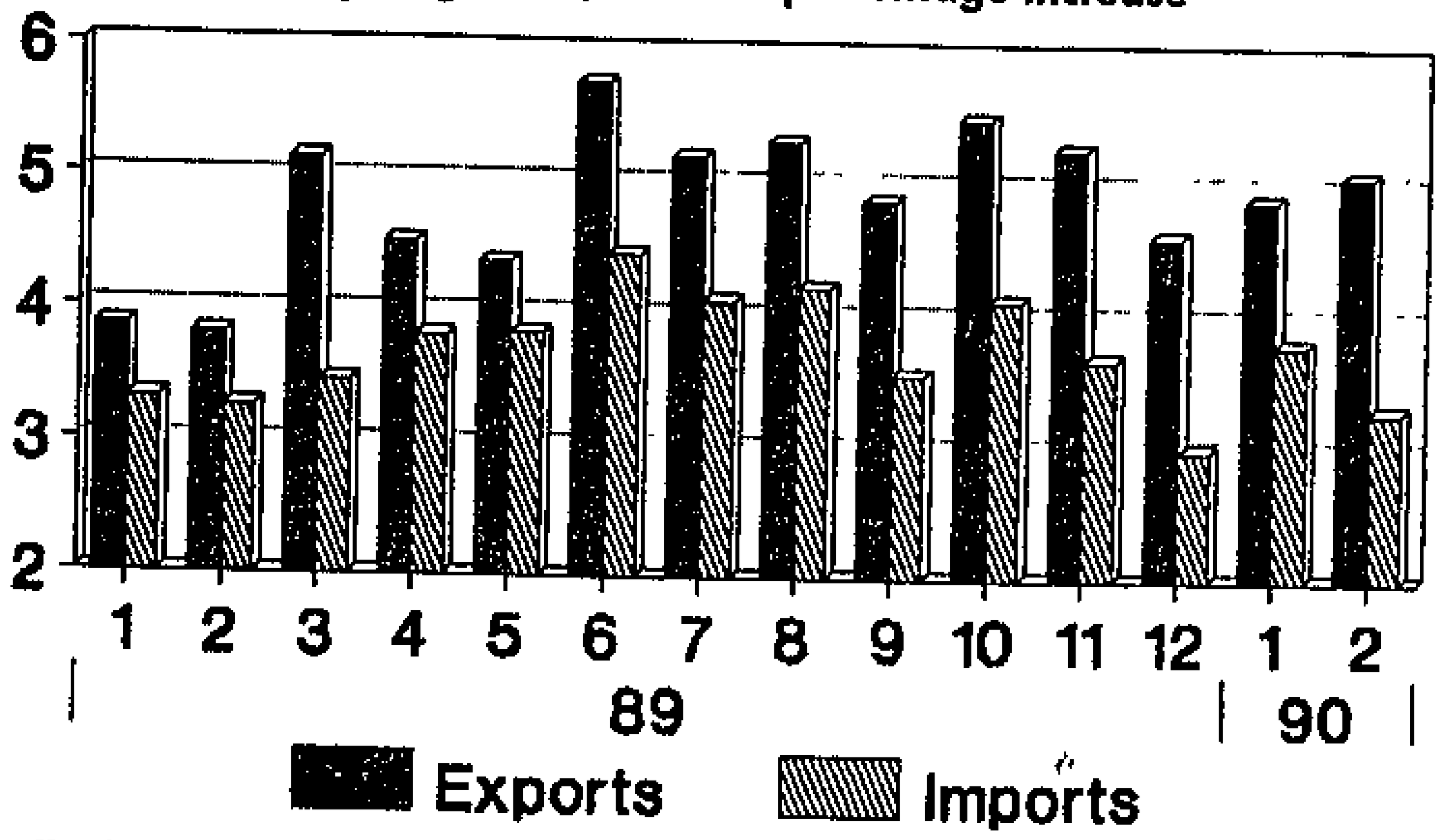
It is clear that while there may be some soft patches in the economy this year, there is unlikely to be a major reduction in activity unless the world economy turns sharply downwards, which seems most unlikely at the moment.

SA has a fairly open economy. If its export industries are doing well, so too must the economy as a whole.

However, it also means that the Government must stick closely to its policy of curbing inflation to ensure that these excellent export earnings are maintained.

Any slacking by the Government in its drive against inflation could lead to a jump in domestic inflation and a sharp reduction in the competitiveness of local industry in foreign markets.





While exports have boomed, imports have remained low. The import bill in February was R3,28 billion — only R30 million more than a year ago. For the first two months of the year imports cost R7,06 billion — just 7,3 percent more than the R6,58 billion of a year ago.

The combination of high exports and low imports produced a trade surplus in February of R1,76 billion — the largest monthly surplus since October 1986, says Bruce Donald, Safto's economist.

For the first two months of the year, the trade surplus was R2,87 billion — 2,5 times the R1,14 billion surplus of a year ago.

Mr Donald says that assuming service payments of R10 billion, South Africa is looking at a current account surplus this year of R7,7 billion.

Even under the worst capital outflow scenario of R7 billion, SA should comfortably meet its debt obligations this year and be able to enlarge its foreign exchange holdings.

Iscor optimistic about better times ahead

Str 21/3/90

74

By Derek Tommey

Iscor could show better profits later this year.

MD Willem van Wyk said in an interview last night that there had been some reduction in the over-supply situation in the steel industry abroad. He expected this to lead to an improvement in export prices from the third quarter of this year.

The over-supply position has been hurting Iscor recently. It has been affecting current export prices and led Iscor to announce four weeks ago that earnings for the six months to June were likely to decline.

The expected increase in export prices should lead to an improvement in Iscor's earnings in the six months to December.

Mr van Wyk said it was too early to put any figure on the extent of the expected upturn in prices, but orders being placed with the steel industry worldwide for delivery in four to six months' time showed that prices were about to rise.

Mr van Wyk said the improvement in the steel market was the result of production cutbacks by overseas producers, resulting in a better supply-demand position.

The industry had learned the hard way in the early 1980s that it did not pay to maintain full production at all times.

Reviewing other developments at Iscor, he said that operations at the new Corex plant were exceeding his highest hopes. Corex is a world first, using coal instead of coke to make steel.

He said the Corex plant was producing at designed capacity and its product was excellent.

Consumption of coal and oxygen had been below estimates. Mr van Wyk believed that with more experience the plant could be made to function even more efficiently. Iscor's iron ore exports were also running at record levels and prices of iron ore had firmed recently.

The overseas steel industry recognised it had to pay more for iron ore than it had in the past if it wanted continuity of supply.

Mr van Wyk said the move to liberalise East European business should result in a significant increase in world steel consumption in the long term.

But current efforts by East European steel plants to improve output and quality could lead to a short-term increase in the amount of steel going to Iscor's markets. He believed China could become a major market for steel products as it made progress in re-organising its economy.

In 1989 exports of iron ore rose by more than 28 percent to almost 15 million tons, according to the annual report of the Department of Mineral and Energy Affairs, which was tabled in Parliament yesterday.

The total value of South African mineral sales last year was more than R37,668 billion, or 11,7 percent more than in 1988, of which export earnings accounted for more than 79 percent or R19,825 billion.

The report says total gold output last year amounted to 604 tons — 2,2 percent less that the previous year, while the production of rough diamonds increased by 6,5 percent to over 9 million carats. Coal was the biggest contributor to foreign exchange earnings after gold and 45,51 million tons valued at more than R3,5 billion were exported.

● A conference in Toronto has been told that the recovery in base metal prices should remain strong in 1992-93

This was the message given to the Prospectors & Developers Association of Canada by Tim Petterson, a director of the Metals & Minerals Research Services consultancy organisation, reports the *Financial Times*

He said that in 1989 dollar terms, real prices in the next four to five years would average 87c a pound for aluminium, 88c for copper, 31c for lead, $3,50 for nickel and 50c for zinc.

SA exports to Canada rose by 50 pc in 1989

Star 22/3/90 **The Star Bureau** (74)

WASHINGTON — In spite of economic sanctions and calls for their intensification, South Africa's exports to Canada increased by 50 percent last year compared with 1988, according to the South African ambassador to Ottawa, Mr Hennie de Klerk.

The envoy told Canadian media that sanctions had "almost disappeared" as an issue because the South African Government believed they would be lifted by most countries in a matter of months.

Britain had already lifted some sanctions, African countries had never introduced sanctions, and trade delegations from Britain and Eastern Europe would be arriving in South Africa soon, he said.

"So sanctions are not really a big thing any more, but the sooner the trade barriers are removed, the better," he added.

Mr de Klerk pointed out South Africa's trade with Canada had always been minimal, but nonetheless exports to Canada had improves strongly last year over the year before, in spite of sanctions.

Mining cashes in on soaring exports

Star 23/3/90 (74)

By Derek Tommey

Soaring mineral exports helped the mining industry earn R36,7 billion last year, which was R4,4 billion, or 14 percent, more than it earned in 1988, says the Chamber of Mines in its 1989 annual review.

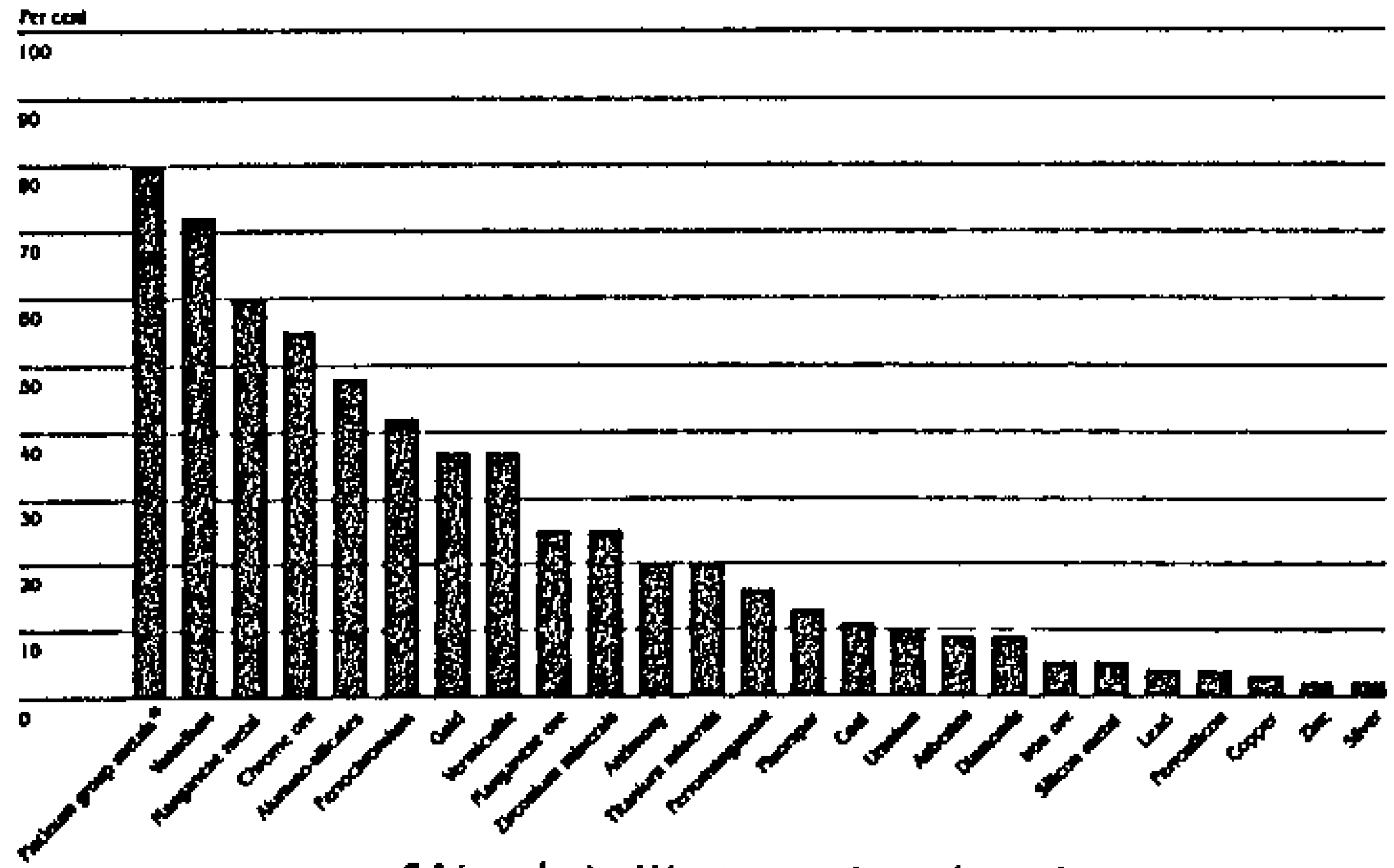
Gold earnings virtually stagnated, rising only 3,6 percent from R18,6 billion to R19,2 billion.

But sales of almost every other metal and mineral increased dramatically.

Sales of minerals and metals other than gold rose 27 percent from R13,7 billion to R17,4 billion — equal to real growth of 13 percent, while exports of these commodities rose 33 percent from R7,3 billion to R9,8 billion.

Coal made a significant contribution to growth. The industry currently contributes nearly 19 percent of total mineral sales revenues amid is now well established as SA's second-largest foreign exchange earner.

Total coal sales rose 21 percent to R7 billion, while exports, running at around 44 million tons, rose 30 percent in value to R3,6 bilion.



SA's role in Western mineral production

*Includes Bophuthatswana

Buoyant demand in the international steel industry boosted chrome and manganese.

Increased volumes and hardening prices led to the value of chrome exports rising 58 percent to R275 million.

Manganese exports rose 120 percent to R612 million and iron ore exports 56 percent to R495 million.

Platinum group metals were in exceptional demand in 1989. This was primarily because of strong demand for platinum and rhodium as a result of last year's record production of cars.

Platinum and rhodium are the essential elements for catalytic converters used to clean noxious gases from exhausts, and which are now mandatory in most industrialised countries.

Export earnings of "miscellaneous" metals, including platinum, rose 20 percent to R3,2 billion.

Asbestos exports showed a strong recovery, rising 73 percent to R168 million.

Exports of copper were 66 percent higher at R820 million, while zinc sales rose 92 percent to R67 million.

Other metals and minerals exported on a significant scale included fluospar (R99 million), lead concentrates (R100 million) and "other minerals", which include vanadium, alumino-silicates, zirconium, antimony and titanium (R447 million).

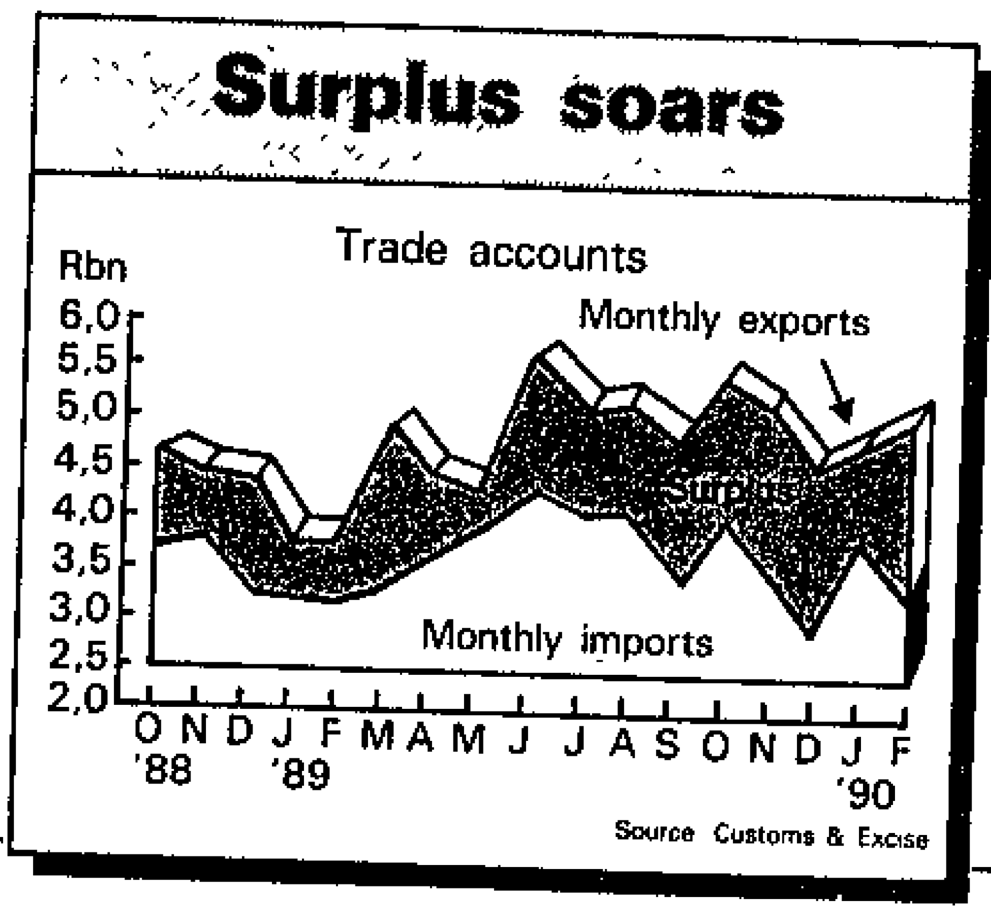
Kennedy Maxwell, president of the Chamber of Mines, says the export figures show the dependence of mining on international markets and, conversely, how important the industry is as a supplier of vital raw materials to the manufacturing industries of the world.

While weakening base metal markets may have a negative effect on some mining sectors, a firmer gold price and growing international demand for coal should ensure that 1990 will prove to be a good year for South Africa mining, he says.

FOREIGN TRADE F/M 23/3/90

February windfall (74)

Imports fell across a wide spectrum in February, to just under R3,3bn, down 16,7% from January — additional evidence of a cooling economy. Exports rose 3,5% to more than R5bn — with growth concentrated in certain sectors — mineral products and pearls, semi-precious and precious stones. Adjusting for inflation, as measured by the CPI, the real value of February imports fell 6% in the past 12 months, while exports increased ~~a healthy~~ 12%. F/M 23/3/90 (74)



The trade surplus in the month was nearly R1,8bn, up from R1,1bn in January and R553m in February 1989. It was the highest recorded monthly surplus since February 1987, says Old Mutual's Andre Roux.

Total surplus in the first two months of 1990 is R2,9bn (1989 R1,1bn), with imports of R7,1bn (R6,6bn) and exports of R9,9bn (R7,7bn). So the year is off to a good start.

In February, value of mineral product imports decreased 60% from January, while chemical products fell 16%. Textiles, plastics and rubber (and products), machinery and equipment and transport vehicles and equipment (including aircraft) all dropped 22%. These were partially offset by a 40% increase in import of unclassified items — mostly oil and arms — from R392m to R552m.

Exports are also headed in the right direction, despite a relatively stable rand, helping realise a surplus of at least R1bn for the ninth straight month. "At these levels we are well away," says Roux. "We can make foreign debt repayments and still restore depleted foreign reserves."

Revenue from pearls, semi-precious and precious stones surged R828m, up 72% from January. Exports in this category in the first two months of the year were worth R1,3bn, up 180% from R467m in 1989.

Mineral product exports (excluding gold) rose 25% from January to R718m in February. So far in 1990, mineral exports are worth 72% more than the R753m in the same period last year.

Chamber of Mines economist Ivor Leibowitz attributes the rise to an excellent year for coal producers, increasing output of platinum and strong diamond sales.

But exports of unclassified items, mainly gold and arms, were worth just over R1,7bn in February — down 25% from January's R2,3bn. In the first two months of 1990, this category totalled R4,1bn, up 10,8% on R3,7bn in the first two months of 1989.

Though huge shifts in import and export

F/M 23/3/90 (74)

values in February are of great interest, Anglo American's Jim Buys warns against putting too much emphasis on monthly figures. "Mineral products are notorious for considerable month-to-month fluctuations, influenced by such factors as the number of ships leaving SA at any time."

Buys expects higher volumes in 1990 will help offset significantly lower prices for base metals, steel and ferro-alloys. He sees the drop in international prices as necessary if world growth is to be maintained. ■

FM 27/4/90

TRADE (74)

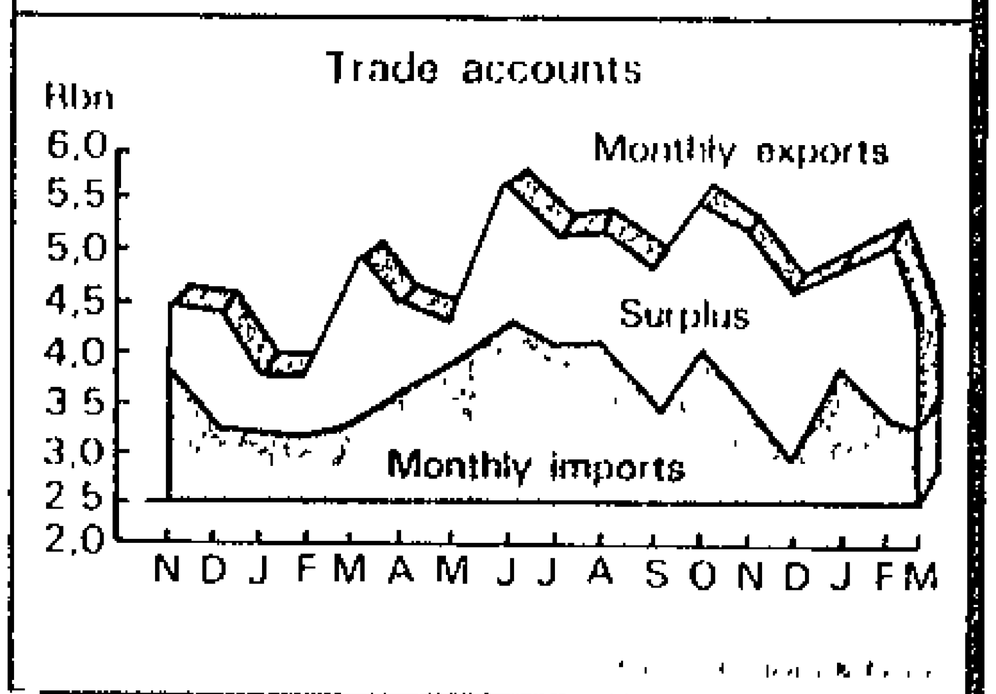
Seasonal bumps

Exports in March totalled R4,5bn, well down on February's R5bn, largely as a return to the underlying trend after a seasonal surge in pearls, precious and semi-precious stones (mainly diamonds) and mineral products in February.

Exports of these fell 70% in March to only R250m, after jumping 72% to R828m in February, while mineral products fell 26% to R530m in March, after February's 25% increase to R718m.

Economists emphasise the need for caution in analysing monthly figures, particularly in these notoriously volatile categories. Anglo American's Jim Buys says factors such as payment timetables, shipment schedules and irregular diamond auctions can cause large swings.

Exports off



Total exports fell R547m while imports rose a minimal R45m to R3,3bn, leaving the trade surplus, at R1,2bn, 34% down from February's R1,8bn.

Econometrix chief economist Azar Jammine calls the figures "disappointing but no cause for panic," saying import volumes have remained static, reflecting successful attempts to cool the economy and the surplus will still meet foreign debt obligations.

Despite the slump, pearls and precious and semi-precious stones are still up in nominal terms in the first quarter, compared with last year, while mineral products are up 43%. Some export losses were offset in other categories.

Vehicle sales were up 56% on February, vegetable products 16%, machinery and electrical equipment 19% and textiles 23%.

The first-quarter surplus is just over R4bn, 46% more than last year's.

Maize surplus could earn up to R400m

74

B/Day 27/4/90

GERALD REILLY

PRETORIA — The maize industry's expected surplus of 1,3-million tons from the current crop could earn the country up to R400m in foreign exchange providing international market conditions remained reasonably stable.

8 Maize

And in a statement here yesterday Maize Board chairman Hennie de Jager said the producer price for the 1989/90 season had been fixed at R265 a ton from May 1 for white and yellow maize — 9,5% higher than the board's delivery price last year.

The board's selling price to the trade for white maize would be raised by 5,9% to R393 a ton and yellow by 8,1% to R360 a ton.

The actual total crop is estimated at 8,7-million tons and delivery to the board on which prices are based should reach 7,5-million tons. Authorities estimate producers' gross income from deliveries at around R2bn. 27/4/90

De Jager said the higher producer price was possible because the export surplus at 1,3-million tons was markedly smaller than last year's 5,5-million tons and the losses and export costs correspondingly lower.

Producers would receive smaller supplementary payments. B/Day

SMITH MINING FM 30/3/90

Targeting exports

After a year of rationalisation, Smith Mining is looking to grow through the development of its export market and acquisitions. 74

In the 1989 year, pre-tax profit rose a modest 15,1% on turnover growth of 17,9%. A slight reduction in the pre-interest margin reflects difficulties in the first half with previous acquisitions and stiffer competition. A healthy cash flow enabled the company to slash its debt and have R2,5m cash earmarked for acquisitions this year. Export incentives and assessed losses helped to re-

FM 30/3/90 74

Activities: *Manufactures and supplies drilling related equipment.*
Control: *Directors 80%.*
Executive chairman: *D L Stevens.*
Capital structure: *25m ords of 10c. Market capitalisation: R20m.*
Share market: *Price: 80c. Yields: 8,1% on dividend; 24,5% on earnings; PE ratio, 4,1; cover, 3,0. 12-month high, 90c; low, 65c. Trading volume last quarter, 136 000 shares.*

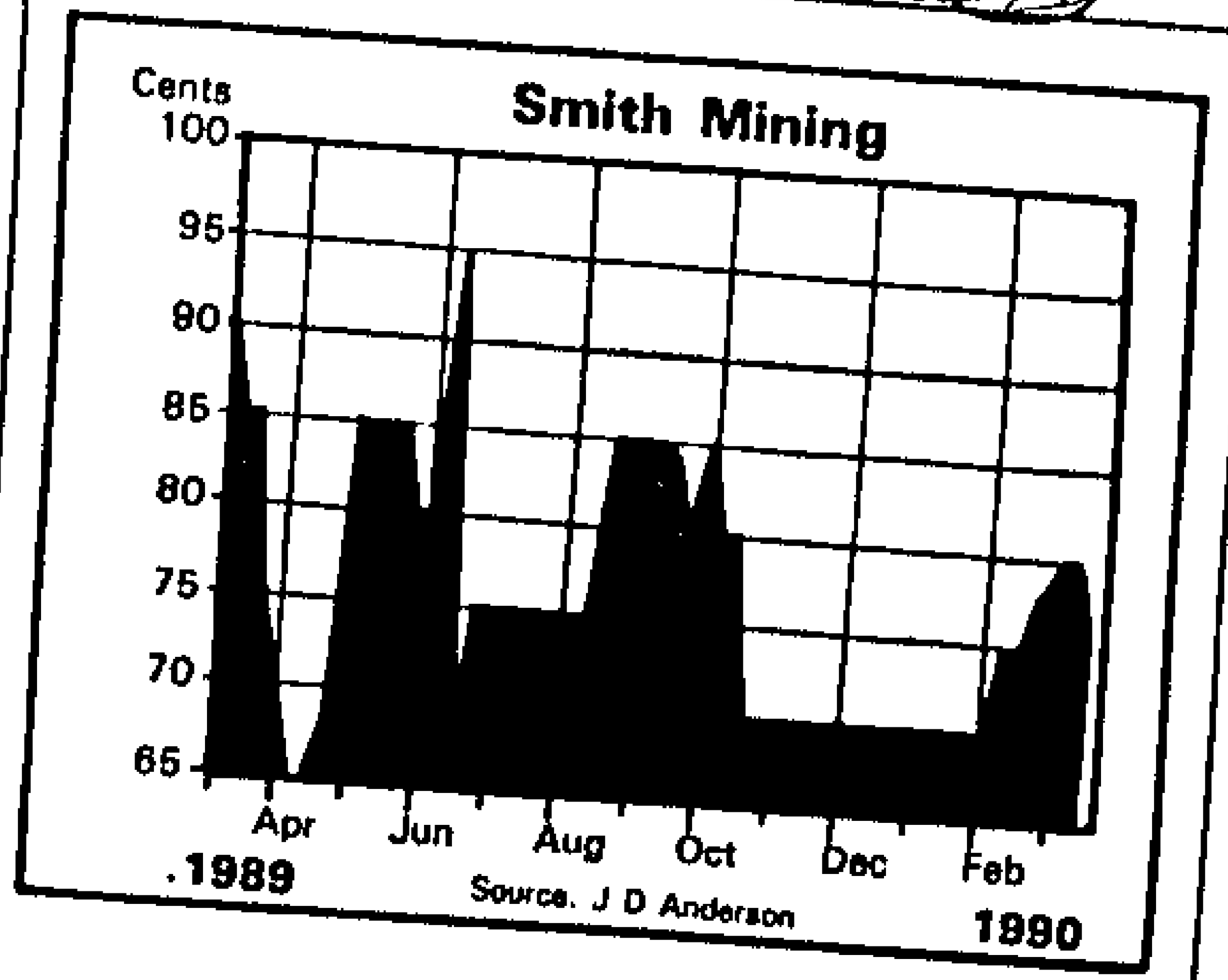
Year to Dec 31	'87	'88	'89
ST debt (Rm)	—	1,76	0,36
LT debt (Rm)	1,36	1,42	0,63
Debt:equity ratio	—	0,20	—
Shareholders' interest	0,62	0,52	0,62
Int & leasing cover	—	22,0	32,6
Return on cap (%)	21,0	23,7	25,9
Turnover (Rm)	25,2	38,7	45,6
Pre-int profit (Rm)	4,2	6,8	7,8
Pre-int margin (%)	16,5	17,7	17,1
Earnings (c)	18,2	14,9	19,6
Dividends (c)	4,0	5,0	6,5
Net worth (c)	52	61	75

duce the tax rate to 35% (45%).

Management concentrated on consolidating and rationalising operations after the acquisition of six companies in the past three years. The operations of all subsidiary companies became divisions of Smith Mining Equipment in January. Chairman Dave Stevens expects that this will improve control and streamline the sales effort.

Exports expanded significantly and Stevens expects these to accelerate. He predicts that, as a percentage of turnover, exports will

FM 30/3/90 74



rise from 4% to 12% in 1990. A separate division has been established to concentrate on this market. Smith Mining has established markets in Europe, Australasia, the US and Africa; possibilities in South America are being investigated.

All other divisions are forecasting improved performance this year; 90% of turnover relates to the local mining and exploration sector, where the outlook appears favourable, with several new shaft systems announced. Stevens believes the recent tax changes affecting mining companies will lead to increased exploration and mining activity.

Returns have remained high and the rationalisation and strong balance sheet suggests shareholders will continue to benefit. The share looks fair value. *Pam Baskind*

NU-WORLD FIM 30/3/90

Stocking up (74)

Activities: *Manufactures, distributes and exports domestic appliances and wiring accessories.*

Control: *Goldberg family 85%.*

Chairman: *J Temple; MD: M S Goldberg.*

Capital structure: *12,8m ords. Market capitalisation: R5,8m.*

Share market: *Price: 45c. Yields: 9,6% on dividend; 36,9% on earnings; PE ratio, 2,7 ; cover, 3,9. 12-month high, 80c; low, 33c. Trading volume last quarter, 88 400 shares.*

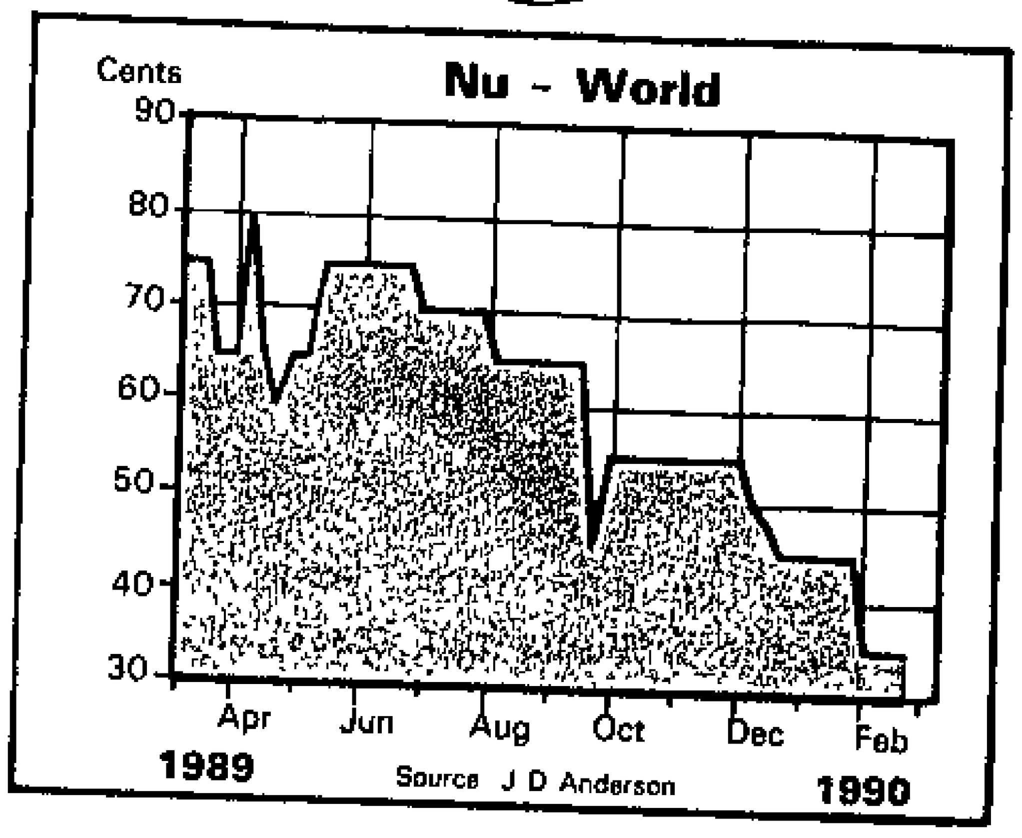
Year to Aug 31	*'87	'88	'89
ST debt (Rm)	—	0,5	3,0
LT debt (Rm)	—	0,4	1,8
Debt:equity ratio	—	0,16	0,96
Shareholders' interest	—	0,45	0,33
Int & leasing cover	—	29,85	5,36
Debt cover	—	2,21	0,47
Return on cap (%)	—	37,46	22,75
Turnover (Rm)	12,1	19,0	26,7
Pre-int profit (Rm)	1,6	2,91	3,62
Pre-int margin (%)	15,3	15,3	13,7
Taxed profit (Rm)	0,8	2,8	2,9
Earnings (c)	6,1	14,3	16,6
Dividends (c)	—	4,3	4,3
Net worth (c)	—	27,4	26,7

* Pro forma

Nu-World's 1989 results reflect its dependence on the highly cyclical consumer market and a heavy capex programme.

Deteriorating economic conditions, a

FIM 30/3/90 (74)



tightening of credit restrictions and increasing competition slowed turnover growth to 35% (57%) and reduced the pre-interest margin. Also, stock levels jumped by no less than 110%, with the rise attributed largely to the increased stocking of certain imported products and raw materials, to overcome poor delivery problems and the introduction of new product lines.

The debtors' book lengthened but financial director Alan Lipchin says bad debts remain insignificant because most customers are large wholesalers and retailers.

The run-up in stocks and debtors, combined with additional long-term loans, resulted in sharp deterioration in debt and interest cover and the debt:equity ratio climbed to 0,95. The long-term borrowings were provided by the IDC at subsidised interest rates for investment in fixed assets and R&D.

An additional IDC loan of R3,3m has been taken since year-end to repay short-term debt. Lipchin says the debt:equity ratio improved marginally at the half-year (0,87) and forecasts a debt:equity ratio of 0,65 by year-end. The IDC borrowings are at rates between 5%-15%, which reduces the negative impact of the high debt level and provides some competitive advantage.

With the capex programme ending, funding requirements should ease this year. The group has made substantial investments in plant and machinery as part of a European export drive. Exports to Europe and Africa represented 15% of turnover in 1989 and are growing. New export incentives effective from next month are expected to insulate these operations from exchange rate fluctuations and the exports may provide a buffer against domestic economic conditions.

Export and other allowances enabled a fall in the effective tax rate to 27% (35%). No significant change is expected.

Management believes that, despite difficult trading conditions, the declining trend in turnover growth will be reversed and margins maintained in the 1990 year. Lipchin says that figures for the first half show improved sales, market share gains and better control of stock and debtors. If these trends continue throughout the year, a meaningful rise in earnings can be expected.

Improved prospects have not influenced the share price. It continues to drift downwards on small volumes.

Pam Baskind

FINANCE

B/Day 2/4/90

Limited prospects for coal exports

74

EDWARD WEST

MAJOR increases in coal exports from SA were unlikely, and expectations in the early 1980s of exports running between 60-million and 70-million tons annually would not be realised before the turn of the century.

This was concluded by Rand Afrikaans University Institute for Energy studies director D Kotze at the 1990 Coal Outlook conference last week.

Kotze said SA had prided itself as being the cheapest coal producer in the world. However, this advantage had been eroded by high inflation, and but for the weakened rand SA would have priced itself out of the international market.

The high inflation in SA resulted from distributing more income without an accompanying increase in productivity. Labour reforms would introduce further problems.

On top of these factors, rapid escalation of rail rates undermined competitiveness.

The average mine's cash cost was around R28/ton. Add to that R30/ton in transport costs, which was likely under a privatised Transnet, and one was left with R7 to R15 a ton to service capital, Kotze said.

Assuming a 30-year project life and an 18% per annum discount rate, a provision of R29/ton was required to recoup capital. At present FOB prices there was no incentive for the industry to invest in new production capacity.

Furthermore, oil prices were expected to increase only modestly in real terms in years to come, which was not a bullish factor for coal.

However, Davis Borkum Hare technical analyst Dana Wakefield said present factors bidding the good fortune of coal exports were the rand's decline, and successful marketing drives.

Other plus factors were a decline in international stockpiles leading to higher international prices. Australia and China faced strikes and disruptions while Colombia was hit by floods and quality control problems. Australia and China had not been able to deliver the goods to some of the markets won from SA.

Overseas demand would grow between 2% and 4% annually, but SA could participate only if sanctions were lifted. In the current political climate, this was becoming a possibility, Wakefield said.

Kotze felt the liberation of Eastern European countries provided many opportunities for SA coal.

The industry would have to operate by seeking only strategically located prime deposits, which would allow growth without large infrastructural investments. The use of low cost operating methods was needed.

Wine exports up by 85% — but locals go slow

ARGUS 3/4/90

By ANDREA WEISS
Staff Reporter

KWV increased their export turnover by an exceptional 85 percent during 1989 to dispose of a wine crop which was the largest yet in the industry.

However, sales on the domestic market were sluggish, according to the KWV chairman Mr Pietman Hugo's annual report.

The 1989 wine crop was five percent larger than the last record of 9,1 million hectolitres in 1983. The crop follows relatively big crops in 1987 and 1988 and has been ascribed to favourable conditions during the growing season.

During the "exceptional export year" of 1989, grape concentrate and brandy exports doubled while brand products showed a slight drop in volume.

New markets were found for bulk natural (unblended) wines making this a "significant category" on the international market.

The good export results were achieved in a market environment "which did not always favour South Africa", Mr Hugo points out".

Local consumer spending at retail level was only one percent higher than in 1988.

Sales of medium-priced wines dropped by about seven percent and those of natural wines by 0,3 percent.

The demand for high-priced red wine grew by 4,4 percent and sparkling wine showed a 14 percent growth. The brandy market showed a five percent increase.

The producers's income from the 1989 wine crop was R451,75 million which is an increase of 6,6 percent on 1988.

The KWV's net income for 1989 was R35 million compared to an income of R27 million in 1988.

● The Rural Foundation has agreed to develop a manpower code and a set of guidelines for personnel practices in the wine industry following negotiations with the KWV, Mr Hugo announced.

But the code to be developed this year will not be "prescribed" to producers.

Last year, 23 co-operatives concluded recognition agreements with the National Union of Wine, Spirits and Allied Workers. A total of 14 cellars also negotiated with this union regarding employee benefits, according to Mr Hugo.

Tribute to police dead

PRETORIA. — Policemen here have paid tribute in a memorial service to the 71 members of the force who died on duty in the past 12 months. — The Argus Correspondent.

SA emerges as major international steam coal market player

B/Day 10/4/90

EDWARD WEST

SA EXPORTED 39-million tons of steam coal in 1988 and in the space of a few years has emerged from relative obscurity to become a major international supplier.

The largest international steam coal trader in 1988 was Australia which exported 42,4-million tons. SA exported 39-million tons while the US exported 29,9-million tons, Rand Afrikaans University Institute for Energy Studies director D Kotze said at a recent coal conference.

He said 20 years ago SA exported less than 2-million tons of coal a year. In 1989 SA exported approximately 47-million tons of steam and hard coal.

Kotze said although there was little agreement on how steam coal trade would grow in the future, it was generally expected it would increase by between 5% and 6% annually for the next five years.

Official SA export statistics on countries of destination are not released, but Kotze quoted figures from the International Energy Agency.

A Witbank Collieries' spokesman said last week SA still achieved some of the lowest prices for coal on the international market. This was to a large extent due to the political discount on SA international prices.

This discount varied between US$4 and US$7 a ton depending on which market SA was supplying. Improved world prices and an improved political climate would stimulate new coal-mining investment in SA, he said.

Substantial increase in coal exports likely

Star 18/4/90

Diagonal Street

74

SVEN LUNSCHE

South Africa's share of the world coal market will increase substantially this decade according to two separate surveys by the Department of Mineral and Energy Affairs and stockbrokers Davis Borkum Hare.

Both analysts predict that SA coal exports over the next ten years could rise considerably from last year's level of 45,5 million tons, given an expected increase in international demand from about 310 million tons last year to 525 million tons by the year 2000.

The Department of Mineral and Energy Affairs forecasts that SA's share of the worldwide export market could rise from its current levels of just over 12 percent to 13,6 percent by 1995 and to 15,8 percent by 2000.

In nominal terms this could see exports of 56 million tons by the middle of the decade (comprising steam coal sales of 51 million tons and metallurgical coal sales of 5 million tons) and 76 million tons by 2000 (steam coal sales of 69 million tons and metallurgical coal sales of 7 million tons).

Dr Manny Pohl of Davis Borkum Hare is less optimistic, but still expects compound growth of around 2,5 percent a year over the next ten years.

He puts forward two possible scenarios — a high case and a low case outlook — with the deciding factor between the two being the lifting of sanctions.

In Dr Pohl's high case scenario exports total 62,1 million tons by 1995 and 68,5 million tons by the end of the decade. The respective figures for the low case are 55,5 million tons and 62,1 million tons.

"The demand for steam coal should continue to grow steadily because, even with low oil prices, coal is still the most viable option.

"It has been suggested that the Richards Bay coal terminal should be further increased to a secured throughput of 53 million tons, but this would not be without risk," Dr Pohl says.

"Although overseas demand will grow by between two and four percent a year, South Africa's overseas participation will only be possible if sanctions are lifted, which does appear possible given the current political climate."

In the short-term Dr Pohl is optimistic that South Africa can at least maintain 1989's export level of 45,5 million tons this year.

He lists a number of factors which bode well for the coal industry this year (despite the fact that some traditional markets for SA coal were taken over by Australia and China.):

- The decline in the value of the rand.
- Succesful marketing drives to overcome sanctions.
- A decline in world-wide stockpiles of coal leading to higher overseas prices.
- Australian and Polish suppliers face strikes and disruptions.

Dr Pohl adds, however, that SA producers are still having to accept prices that are at a discount to world market prices, as they struggle to find new markets in the face of sanctions.

Help offered for SA entry into US markets

LINDA ENSOR

A US trade finance company is offering assistance to SA companies wishing to penetrate the US market, a move with major potential for SA exporters should sanctions be lifted. B/Day 19/4/90

Texas-Carolina International Corporation (TCI) will, however, work only with companies that feasibility studies have found to have export potential.

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While imports by the US of some SA products — mainly textiles, foodstuffs and iron and steel — are prohibited in terms of anti-apartheid legislation — there are still several possibilities for SA exports, says David Graham, international trade GM of the SA Foreign Trade Organisation (Safto).

Ian Robb, TCI's chief operating officer, says that often SA businessmen arrange a heavy visiting programme to the US "without any perception of the market or how to do business here.

"We are providing them with an easier way to penetrate the market without the need for large expenditures in exploratory visiting and promotion without direction. Our programme would assist them to pinpoint resources and give them guidance as

☐ To Page 2

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US markets

B/Day 19/4/90

☐ From Page 1

necessary."

Once a product or service is found acceptable by the market, TCI would also help the firm form a corporation in the US and, in conjunction with the exporter, staff and train sales personnel and assume responsibility for their management.

Robb says the programme is an economical one designed to take advantage of export incentives available from the SA government.

Graham says if sanctions are lifted the US will be a major potential export market for SA exporters

Safto estimates that SA's direct exports to the US as a percentage of its total exports has dropped from 19% in 1987 to 9% in 1989, mainly because of the Comprehensive Anti-Apartheid Act and concern about consumer resistance.

Graham says TCI has approached Safto informally, adding that the past success of SA exporters to the US has been achieved largely through using a local base. "It is a massive market and there is no possibility of tackling it as a whole. One has to specifically target one's area."

City firm's bid for Soviet trade

W/ARGUS 21/4/90 (74)

By TOM HOOD,
Business Editor

A TWO-MAN delegation from Cape Town flies to Moscow this weekend in a bid to export a variety of consumer goods to the Russians.

The businessmen are Mr Zhaun Amid, managing director of the Zhauns group of companies, and his partner Mr Nicky Sevim.

Zhauns is best known as a textile wholesaler and retailer with 30 stores and growing — and probably the country's largest textile chain.

The group was approached by a Russian company looking at the possibility of importing a large variety of goods to the Soviet Union, said Mr Amid today.

"The Russians visited South Africa and the Zhauns group had high-level meetings with businessmen in various walks of life here and lots of samples have already been forwarded to Russia."

Foreign goods are scarce in the Soviet Union and are normally sold in special tourist shops for American dollars or other hard currencies. The low rand exchange rate could give the Russians more South African goods for dollars than they could buy in Europe.

The two men left after finalising a multi-million-rand deal by which the Zhauns group took over the Revelation Manufacturing Holding group, including the former Rennies Luggage, from Picardi Properties

Other companies taken over are Invincible Sports, Super Springbok and Mitre Balls.

Remaining in Picprop are Logans Sports, Sechnic and various properties including cash.

The acquisition makes the Cape-based Zhauns one of the country's largest luggage manufacturers and distributors.

Its newly acquired luggage division will add Revelation lines to its Club Luggage and top-of-the range Samsonite products. The Rennies name will be used again.

Mr Amid and his partner in the Club group Nicky Sevim said: "A special export division has been established in Zurich with Swiss partners who will be handling the Middle East and Eastern Europe clients."

The takeover of the new group includes the manufacturing of Revelation luggage, the famous Super Springbok rugby balls and various other Springbok products, Mitre soccer balls and Invincible boxing gloves.

The Zhauns and Club group has diversified into property, watches, finance, electronics, television, luggage, sports goods and a travel agency.

The huge Revelation-Invincible manufacturing operation at Epping is being moved to a five-storey building at Salt River already owned by Zhauns.

Mr Sevim will control the Club group, which started only three years ago and is now one of the leaders in its field.

One of Club-Revelation's newest exports are crocodile attache cases which sell for up to R7 000 at the famous Harrods store in London.

Another big and exciting business is Telnova, a subsidiary in the process of making low-price television sets in black and white to cater largely for the African market.

The group started its own successful travel agency, Trav-

● See page 3.

City company in bid for Soviet trade

● From page 1.

el King, six months ago at Club's new headquarters in the historic head office building in Spin Street, Cape Town.

Zhauns started in 1950 as a one-man textile retailer and has grown into a multi-million-rand diversified empire.

Mr Amid said Zhauns would not be doing a reverse takeover with the listed Picprop nor would it be seeking a listing on the JSE at this stage.

Star 24/4/90 (74) (88) (88)

Cape businessmen seek Soviet deal

By Tom Hood

CAPE TOWN — A two-man delegation from Cape Town flew to Moscow over the weekend in a bid to export a variety of consumer goods to the Soviets.

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the medical schemes move- ple belonging to registered medical schemes. dentists 11,3%, (11,7%) and other benefits 6,2% (6,5%).

74

East bloc offers SA opportunities

B Day 2/5/90

ZILLA EFRAT

EASTERN European countries will become more important trading partners for SA and further diversify its export markets, but will not replace SA's traditional markets, says Safto CE Wim Holtes.

He says the demise of the Iron Curtain presents a variety of opportunities to businessmen around the world.

Eastern Europe, previously relatively insular, is now encouraging trade with and foreign investment from the West.

But a great deal stands in the way of smooth reintegration with the world economy. Economic backwardness, the absence of modern free market structures, debt problems, foreign exchange shortages and political instability are but a few of the problems facing the region.

Cautions

Holtes says SA exporters will benefit directly from developments in Eastern Europe by being able to supply the products demanded by the region. They will also gain indirectly through any growth that the new era implies for the economies of Western Europe.

He says although SA has traditionally exported to the region, South Africans have recently begun to show a far greater interest in potential market opportunities in Eastern Europe.

But he cautions that at this stage there has been no official change in the trade policy of these countries to SA.

While the re-establishment of official trade and diplomatic ties is likely, these countries cannot be expected to embark on any large-scale bilateral trade initiatives with SA and any developments will remain low key for some time, says Holtes.

According to the April/May Safto Exporter, SA's trade with Comecon countries was less than R70m in 1985. If this trade still accounted for the same proportion of SA's total trade, the figure was likely to have risen to R120m.

More than 90% of SA's exports in 1985 were mineral products, while imports consisted of a broad range of manufactured items.

Assuming the total market size of Comecon markets to be about 12% of the EC market, a theoretical market around R2,4bn awaits the SA exporter, says the Safto Exporter.

Holtes says the failure of Comecon has forced most member states to up their imports, even in the short term. This is expressed in the rising purchase of consumer products (to ease political tensions) and increasing imports of machinery, equipment and other industrial goods (as a corollary to economic liberalisation).

The Safto Exporter says trade between Eastern European and Western industrial countries accounted for less than 2% of world trade in 1988. But intra-Comecon trade stood at between 40% and 70% of the region's total trade.

Opportunities will begin to emerge as the East bloc markets open up their doors to the West in the search for hard currency transactions, especially for raw materials and machinery, says Holtes.

According to Safto, products that should enjoy easier access to these markets include beneficiated minerals, steel products, engineering components and foodstuffs. Basic consumer products such as soap, detergents, medicines and footwear may also prove successful.

A major obstacle to be overcome in approaching Eastern Europe is how to obtain the information needed to penetrate the market.

Trade and production statistics, company directories, and general market information, often taken for granted in the West, are frequently unavailable.

As a result, Safto is introducing a programme to supply SA companies with introductions to local contacts in the region and critical market information.

However, the largest obstacles to trade in the region are foreign debt problems and shortages of foreign exchange.

As a result, SA companies must give careful attention to payment when approaching Eastern Europe, warns Holtes.

The Star

Finance

SA 3/5/90

Higher export prices help boost Amcoal

By Derek Tommey

Increased export revenue helped boost the earnings of the giant coal producer Amcoal in the year ended March, by 55 percent to R256,2 million. Shareholders have been rewarded with a 28 percent increase in dividends.

Amcoal has declared a final dividend of 280c making 385c for the year against 300c last year. Dividend cover has increased from 2,2 to 2,7 times.

The chairman, Mr Graham Boustred said that three major factors contributed to Amcoal's improved earnings. Greater tonnages were sold in the export markets at prices that were on average some $3,50 higher, which, together with the weaker exchange rate, resulted in significantly improved rand prices being realised.

In the domestic market, the income earned by the new collieries supplying Eskom increased as a result of further investments in these collieries. Finally, the group's earnings from its cash resources increased due to higher interest rates and improved cash flows.

However, on the basis of the current rand/US dollar exchange rate, Amcoal says earnings will be largely unchanged in 1990.

Export profit margins are expected to be lower owing to increased operating costs and high railage rates which will not be fully offset by higher US dollar prices.

Moreover no big increases are expected in the tonnage of coal exported.

Although the rated capacity of Richards' Bay is being increased by nine milion tons a year, the current view is that the increase in coal exports will be limited to an additional one million to two millions a year.

However, the positive political climate could lead to new export markets opening to South Africa.

Foreign earnings from coal exports last year rose to R3,6 billion from R2,8 billion in 1988.

Mr Boustred says a calmer industrial relations mood prevailed on group collieries for most of the year, but recently this has deteriorated as a result of raised expectations at the prospect of impending political changes.

The Group's operating profit, after setting aside R60,0 million for amortisation and depreciation, increased by R148,2 million to R459,4 million.

Interest and investment income amounted to R104,3 million and profit before taxation was R563,7 million (1989 : R364,2 million). Taxation amounted to R305,8 million (1989 : R193,7 million).

FM 4/5/90 (74)

COAL EXPORTS FM 4/5/90

Hitting a ceiling (74)

It was a short-lived summer for coal exporters — leaner times are already back.

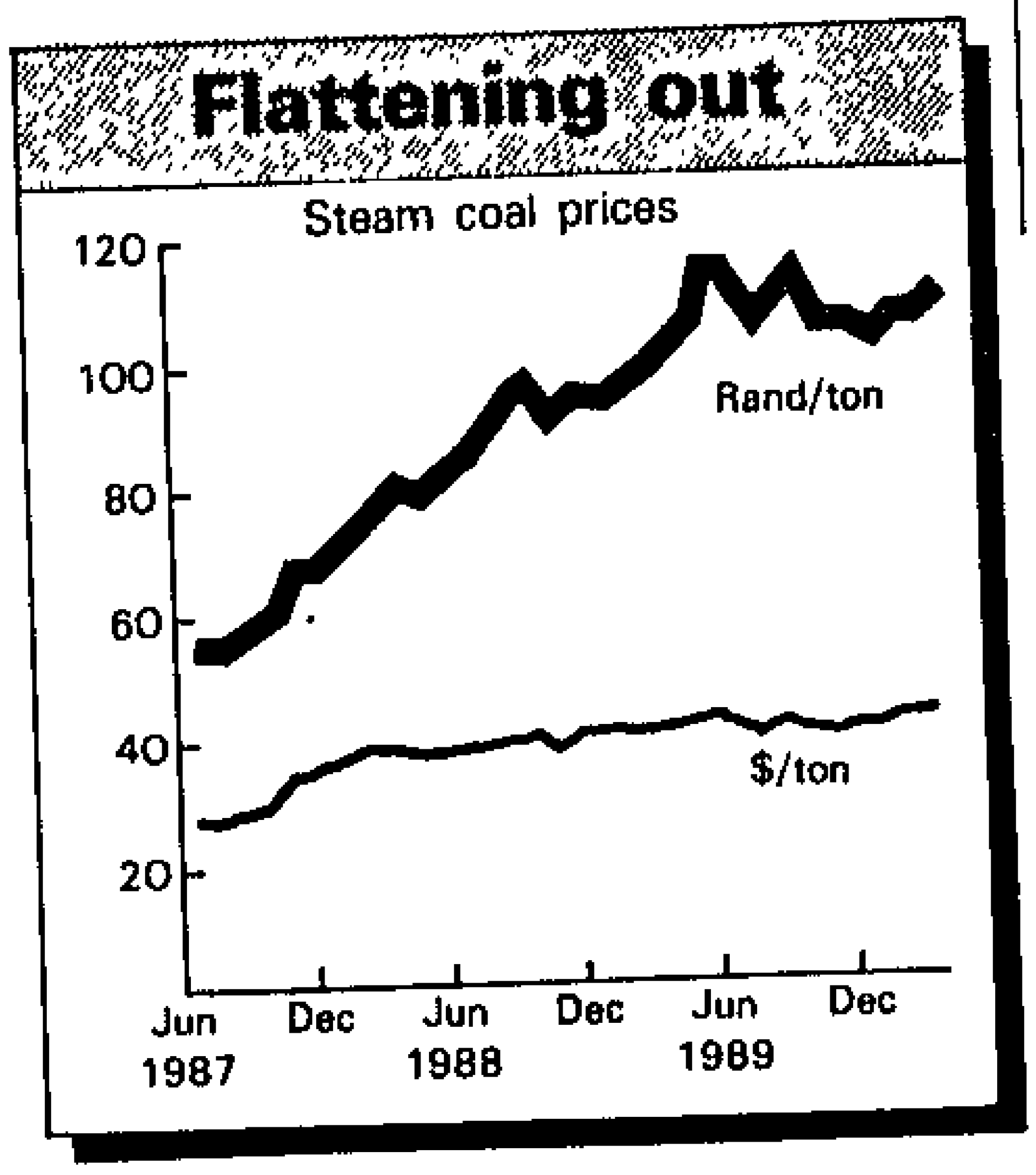
This is the view of Allen Cook, deputy chairman of Witbank Collieries. His pessimistic view is shared by most industry observers.

"We had full order books around October-November," he says, "but then there was a mild winter in Europe and our competitors sorted out their various short-term problems."

SA made the most of the strikes in the US and Australia and the teething problems at Colombia's giant El Cerejon mine. But some markets remain closed to SA and Cook does not expect sanctions to be lifted soon.

Trans-Natal MD Mike Salamon says: "Some positive noises have been heard but as yet we haven't seen firm action." Some countries, including France and Denmark, have a total ban on SA coal and Japan has capped the dollar value of coal imports at 1986 levels. "Apart from the politics, Japan is under pressure to buy American coal — even at a premium — to reduce its trade surplus with the US."

In contrast, JCI is extending its Tavistock Collieries' export production by 2,4 Mt and Amcoal is to expand its Landau colliery. In volume terms, the outlook for exports seems quite promising. The international steam coal market is expected to grow from 191 Mt this year to 317 Mt by 2000 but Frankel Kruger's Kevin Kartun says the dollar price of coal will grow at only a modest 2% a year real terms, or 7% after US inflation, which is less than half the cost increases of SA producers. "Without improvements in productivity, SA will lose its competitive edge and several collieries will become extremely marginal," Kartun says.



He believes SA coal is still subjected to a political discount of \$4-\$7 a ton. Cook says producers have relied on the weakness of the rand but the renewed strength of the currency could now wipe out any gains in the international price. Prices are about \$2 higher than a year ago (**see graph**) and, combined with the currency depreciation, this means producers are receiving 11% more in rand terms — well below the inflation rate.

SA still enjoys a reputation as the world's cheapest major producer of steam coal but the cost pressures are starting to tell. The railways raised tariffs by 17,75% on April 1 and there is serious concern that this year's mine wage increases could exceed this percentage.

By the end of next year the potential for coal exports will reach a ceiling. The Richards Bay Coal Terminal will then reach its new nominal capacity of 53 Mt, which in practice means a guaranteed capacity of 48 Mt. This has been achieved by additions to capacity and removing bottlenecks at the relatively low cost of R317m. Any further development on top of that, along the lines of the mothballed Phase 4 plans, would involve far more costly expansion.

Expansion through the other two coal ports, Durban and Maputo, is unlikely. Maputo is an inefficient port and the rail link to it is regularly cut by Renamo's activities. Durban is a suitable port for smaller tonnages that cannot be handled by Richards Bay. But it costs R65 to transport a ton of coal from the eastern Transvaal to Durban, compared with R29 to Richards Bay.

The domestic coal market is not much more encouraging. Eskom is not planning to build any new power stations until the next century and Kartun describes the rest of the market as "mature," with the prices fetched by lower grades of coal, in particular, still in the doldrums. ■

R1-bn boost for SA car industry

STAR 4/5/90

By Sven Lünsche

South Africa's motor industry is set for a R1 billion export boost next year when several manufacturers begin production of exhaust systems which incorporate platinum-based autocatalysts.

The export drive has been made possible by recent moves to produce these autocatalysts locally.

UK-based Johnson Matthey (JM), in which Minorco holds a 38 percent stake through Charter Consolidated, yesterday announced plans to build a R35 million catalytic converter plant in Germiston, which will produce up to 2 million converters a year.

JM is the world's largest manufacturer of autocatalysts and has been expanding production worldwide as clean air legisation in most industrialised nations forces car makers to fit catalytic converters to exhaust systems.

Earlier this year, Port Elisabeth-based Algorax started construction of a R25 million plant which is expected to produce one million converters a year from next year.

And industry sources said yesterday that negotiations were taking place for the creation of other plants.

The local manufacture of autocatalysts will boost demand for platinum.

Christoper Clark, an executive director of JM, said yesterday that when in full production the Germiston plant could use up to 100 000 ounces of platinum a year.

JM, which is also Rustenburg Platinum's sole marketer, will make use exclusively of platinum supplied by the mine. Rusplats announced last week that it will increase production by 30 percent over the next 40 months.

The autocatalysts will be sold to local motor manufacturers, who will either produce the converters directly or contract out to component manufacturers.

When exported the catalytic converters, which currently cost up to R250 each, will provide a signficant bonus to the manufacturers. Industry sources estimate the potential for export earnings at around R1 billion.

This in turn will allow the car makers to offset the value of their imports against converter exports in terms of Phase 6 of the value-based local content programme for the industry.

Mr Clark said that JM had discussions with local motor manufacturers before giving the go-ahead for the plant and he is confident that the full production will be taken up.

Production of converters in South Africa also makes sense in terms of incentives provided for local mineral benefication and could speed up the call for local regulations on tighter emission standards for cars.

The demand for platinum-based autocatalysts, which already accounted for almost half of 1989's total demand for platinum of 3,4 million ounces, is set to soar over the next few years.

The European Community has announced that it will introduce a clean-air policy in mid-1992, forcing small cars to have autocatalyst converters fitted to their exhaust system.

This legislation could be extended to medium and larger cars by 1993, while tighter emission regulations are also expected to be enforced in other industrialised nations.

JM estimates that the European market alone will be worth £500 million by 1993.

simplicity equals simple-mindedness

The search for obfuscation has another source in Sociology. Much of what sociologists have to say has already been said--frequently much better--by novelists, poets, playwrights, philosophers, historians, statesmen, generals and peasants. Very little in Sociology is original. The methodology is largely derived from gambling, biology and economics. The "theory" is a grab-bag of hunches based on the common sense and experience of others. This intellectual poverty must therefore be hidden through opaqueness of presentation. Nothing deflates the claims of sociology better than restatement of its most fashionable "theories" in simple everyday l-

Exports take the low road

S. Times 6/5/90

Business Times Reporter

STAND by for lower export volumes and prices.

That is the warning from Anglo American Corporation senior economic consultant Aubrey Dickman. He says South Africa must expect this year's earnings from exports to be lower than last year's.

"Given the critical importance of the gold price, a more cautious view of export earnings should be taken than that predicted in the Budget review," he told the University of Stellenbosch School of Business.

Mr Dickman says predicted trends in world trade, Organisation for Econocmic Co-operation and Development gross domestic product and industrial production suggest only a modest increase in SA exports.

But two critical aspects cloud the issue — changes in demand from cyclical industries and the varying contribution of agriculture.

"This year we shall have to take account of the levelling off in the base-metals and ferroalloy sectors as well as in pulp and paper. Although coal should produce another plus, the picture shows a mixed bag."

The answer to the second question depends on the sociologist's specialty area and the level of problems addressed. At one end of the spectrum, methodologists can safely continue their arcane pursuits with little concern for any substantive issues, but they, too, would do well to remember that population biology was one of the main sources of modern statistics. While lately sociological statistics is largely derivative of economics, an earlier generation was beholden to Galton, R. A. Fisher and other prominent biostatisticians. Methodologists better than other sociologists should be in a good position to understand the continuity between biology and sociology, if only they started thinking more substantively Game theory, for instance, is

equally applicable to biological and sociological problems.

At the "humanistic" end of the sociological spectrum, sociologists interested in the ideological superstructure, in the specific cultural content of institutions and in the detail of cultural variation, diversity and change are probably also safe in ignoring biology. Sociologists of knowledge, of the arts, of literature, of music, of culture, as well as all those who make a living by engaging in the exegesis of their predecessors can afford to remain comfortably ignorant of biology

For any sociologists in the central specialties of kinship and marriage, microsociology of small groups, social psychology, class and ethnicity, graphy, ecology, deviance, political sociology, and social change, I eve that the price of sticking one's head in the biological sand is a inuing trend of sociology toward a sterile, abstracted scholasticism out of h with human behavior, and away from the scientific mainstream. ology's claim to scientific status can no longer be upheld primarily ugh a façade of quantitative methodology. It must be anchored in a retical paradigm that satisfies scientific canons. Such a theoretical paradigm sociology signally failed to produce in over a century of self-conscious existence. The main reason for that failure is that Sociology turned its back on the one theory that was overwhelmingly successful in explaining change and variation in life forms on this planet: evolution by natural selection. If sociology fails to join the scientific mainstream, it might survive for another century as a scholastic discipline, but it will never be taken seriously as a science. Number crunching in a theoretical vacuum--the present state of the discipline--will not do the trick.

Will sociologists adapt to the biological challenge? For the most part, I think not, although I should be delighted to be proven wrong. It is true that

Export blow for Rex True

By Neil Behrmann

LONDON — A major British buyer of Rex Trueform suits has suffered severe losses in its latest financial year because of the crippling UK retail recession.

The company, Next, a major high street retail chain has been affected by poor management decisions during the past few years and the surge in UK interest rates.

As a result of store closures, 'Next for Men' shops are expected to order less Rex Trueform goods this year.

In the year ended January 1990, turnover dipped by 16 percent to £949 million and operating profit fell 61 percent to £36 million.

After exceptional items relating to store closures and staff redundancies, a profit of £62 million in the previous financial period was converted into a loss of £47 million in the latest period.

"The rapid expansion of the group in the late 80's has put a significant financial, managerial and operational strain on the business," says David Jones, chief executive of Next.

"We suffered not only from a downturn in consumer spending, but also from problems in our merchandise ranges."

The second half performance was a significant improvement on the first half, says Mr Jones, but it has not resulted in any improvement in profitability.

Due to a rapid increase in the number of branches and selling space in 1988, average sales per square foot was seriously eroded. This coupled with intensive competion (leading to higher markdowns), the high cost of rents and occupancy costs, has had a detrimental effect on proftability this year.

Mr Jones says that to increase cash resources, the company will sell non core businesses.

He expects another poor year in 1990, however, particularly since UK base lending rates are 15 percent.

The Star Finance

Star 16/5/90 (74)

Lesotho group leads way for SA clothing exports

By Mike Peirson

DURBAN — With the country's clothing industry facing widespread cutbacks in jobs and production, South African companies may have to embark on a concerted export drive if they are to weather the storm of reduced local demand and soaring operating costs.

The success of such a drive is clearly illustrated by the track record of the Lesotho Clothing Group which, based on big exports, is to expand its production capacity substantially.

The company, manufacturers of the Instinct Sportswear range, had record sales in the first quarter of this year, with turnover nearly 60 percent higher than the corresponding period last year.

Group chairman Dr Paul Holden said: "Export turnover, by far the largest component of sales at this time of the year, accounted for a large part of the sales growth, with exports to Europe rising by more than 200 percent."

In sharp contrast clothing manufacturers in other areas are being forced to rationalise their operations.

As one of the first industries to be hit by an economic downturn the clothing industry is feeling the squeeze as major retailers cut back on stocks and either refuse late orders or make discounted payments.

A survey conducted by the National Clothing Federation in February showed that 35 percent of all fabric deliveries were running behind schedule.

Clothing manufacturers are heavily penalised for the late deliveries resulting from the production disruptions. Compounding the retailer pressure, manufacturers have been hit by huge cost increases in labour and fabric.

Cautious of being lulled into a sense of false security, Dr Holden said he recognised that South Africa's economy was headed for a rocky period. He believed, however, that his company's mix of local and international sales would provide a hedge against the predicted economic downturn.

"Our South African sales bookings for the second half of the year are significantly higher than they were at this time in 1989.

"Nevertheless, if sales towards the end of the South African summer tail off and we do not get the orders we anticipate we will start producing our export order earlier.

"This year many of our export customers would have liked to have received their goods six to eight weeks sooner than we were able to supply them. If the local market fails to meet our expectations, we will simply be able to give those customers better service."

Unlike most southern African clothing companies, Lesotho Clothing's period of maximum sales are recorded in the first quarter of the year as the company's products are supplied to meet summer demand in the northern hemisphere.

Dr Holden said forward sales bookings for the next few months, both on the domestic market and internationally, were extremely strong.

"Rather than laying off workers as many South African companies are doing, we have been looking for extra production space.

"This has been found in Lesotho both by sub-contracting with other Lesotho-based clothing companies and by increasing production capacity."

The company was established in 1981 with a workforce of 30. The extension will boost its current staff of 600 by 150.

Competing in the international markets requires continuing efforts to bring down costs. Like many other manufacturers, Lesotho Clothing, has been experiencing upward cost pressures, particularly in wages which have resulted in pressure on profit margins.

To counter this the company is increasing the sophistication of production methods to make it less reliant on labour-intensive manufacturing methods.

B/Day 18/5/90 (74)

Rising exports balance trade with UK again

ZILLA EFRAT

SA's exports to the UK jumped 43% in the first quarter of this year and for the first time since 1986, trade between the two countries was in balance, said British Consul-General John Doble yesterday.

Speaking at a Sabrita (SA Britain Trade Association Limited) luncheon in Johannesburg, Doble said trade between SA and the UK was flourishing.

While the UK's exports to SA in 1989 had remained static at £1bn because of SA's tight monetary policy, SA's exports to the UK rose 9,5% to £885m.

However, in the first quarter of this year trade between the two countries grew considerably, the UK's exports rising 14% while SA's jumped 43%.

The UK's major exports to SA included power generation, railway engines, machine tools, mining equipment and whisky.

Doble said invisible trade was also healthy, especially as Lloyds had long had expertise in the special insurance needs of SA industry.

In addition, he believed there was great potential for new British investment, following the recent lifting of the UK's ban on new investment.

But the two provisos for this were that SA achieved a new constitution acceptable to the majority of its people and that this constitution retained a largely free market economy.

While SA would be competing for new investment with Eastern Europe, it had, unlike Eastern Europe, a functioning free market economy and business practices with which UK companies were familiar.

Doble said almost all top UK firms had remained in SA, despite great pressure to disinvest, because of their faith in SA's future, and because they had an eye to future business.

Once political reform had unleashed SA's economy from the restraints of apartheid and sanctions, he expected to see most UK firms investing in expansion.

The enhancement of black living standards would create new demand in sectors like construction, water and electricity supply, furnishings and domestic equipment, he said.

In addition, increased demand would also come from other southern and central African countries, especially because of foreign aid to rebuild their economies.

Much of the equipment and expertise would come from SA. UK firms bidding for contracts would probably bid through their SA subsidiaries or SA partners.

Doble said SA was more important to Britain than it was to any other country in the world, apart from its immdediate neighbours.

There was a multiplicity of links between the two countries.

About half of all overseas investment in SA was British, to a large extent because of historical reasons.

In addition, many SA citizens were also UK citizens and even more had some degree of British ancestory.

As SA changed so would its relationship with the UK, but continuity, rather than change, would be the hallmark of the UK's relationship with SA in the 1990s, said Doble.

Expected slowdown in SA's export effort

74

B Day

7/6/90

ANDREW GILL

SA's export effort will deteriorate considerably in the next 12 months despite the fact it is expected to outstrip import growth, according to Sanlam's economic research department.

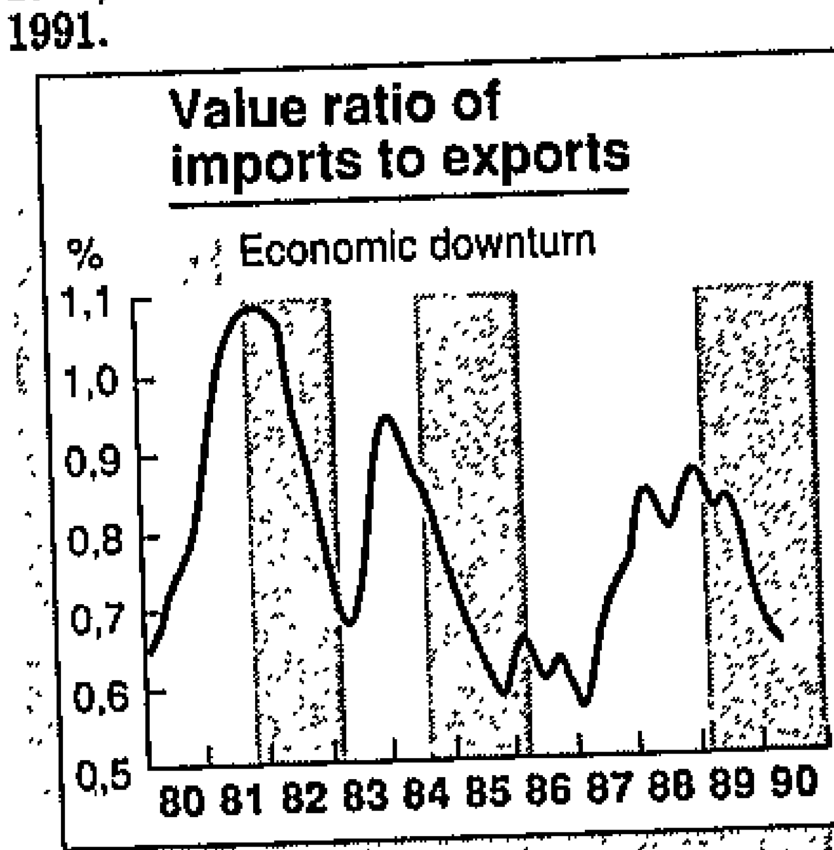
Sanlam's latest Economic Survey says lower foreign growth, a declining gold price and the fact that SA's export prices are increasing more slowly than others will lead to the decreased growth.

The survey adds that the present economic downturn is gathering momentum and is likely to see SA's real gross domestic product (GDP) increasing by a mere 0,5% in 1990.

The prediction is backed up by other economic departments, including First National Bank (FNB), which has put its GDP estimates for this year at between 0,3% and 1%.

FNB expects GDP growth next year to be between 1% and 2,4%.

Sanlam expects this slow growth, compared to 3,7% in 1988 and 2,1% in 1989, to continue until the middle of 1991.



Graphic FIONA KRISCH Source SANLAM ECONOMIC REPORT

It says the economic downturn has only recently sharpened because of various favourable factors that are now looking less promising. These include last year's unusually good export performance.

On the question of interest rates, the survey says there can be no question of them declining at this stage.

Reasons given include the present weak performance of the gold price, low foreign reserves and the reluctance of the inflation rate to drop.

Indicators

The Reserve Bank's recent move to bring banks' repurchase agreements onto the balance sheet is likely to retard interest rates further if brought into effect.

Key economic indicators are also not expected to perform well in the near future, says Sanlam, which expects the inflation rate to be between 13% and 14% at year end, an average 14% for the year.

FNB has predicted an inflation rate of 12,5% to 13,9% at the end of 1990.

Their predictions for next year do not foresee it dropping below the planned 10% by the end of 1991. The rate is expected to be between 10,6% and 13,3% in 1991, says FNB.

And according to the latest Stellenbosch University's Bureau for Economic Research report, the BER's business confidence index declined from a level of 56,2 points in the fourth quarter of 1989 to 48 points in the first quarter of 1990, representing a 17% fall.

The biggest declines were in the retail, motor trade and building sectors.

R11-million export deals for tools and sheet metal

(74)

The Argus Bureau Argus 8/6/90

PORT ELIZABETH. — Delta Motor Corporation has landed two major export contracts.

The corporation has a two-year R11-million contract to make press tools for a joint truck programme in Europe and has been awarded a major export contract by Opel to supply sheet metal for the European market.

In a statement the company said it was also negotiating to buy a major car rental company. Delta and Tollgate Holdings, which controls Budget Rent-A-Car, have entered preliminary negotiations for Delta to acquire the rental company.

It is understood that the corporation's offer has been accepted but there are still details to be sorted out. But confirmation of the impending deal has been given by both companies.

According to the statement the award of the Opel export order follows the installation of five new presses, representing an investment of R12-million which will increase its press shop capacity by 33 percent.

Recently the company has acquired an air-conditioning operation and a plastics plant in Port Elizabeth and an electronics company in Pretoria.

The plastics plant, Industrial Mouldings, allows the corporation to produce its own plastics needs for vehicles far more cheaply than before. The air-conditioning company Connoisseur Air has already won its first major order since Delta took it over — air conditioners for Volkswagen's CitiGolf.

Parts exports may net R400m

Bl Day 12/6/90

GERALD REILLY

PRETORIA — Net earnings from the export of vehicle spares and components this year should top R400m, National Association of Automotive, Components and Allied Manufacturers (Naacam) director Denzel Vermooten said. (122) (74)

He said scope for expanding international markets was great provided there were no drastic shifts in the rand exchange rate as domestic inflation was brought under control.

From January to March, component exports' value reached nearly R200m. This was a gross figure which took no account of the costs of manufacturers' imported materials.

SA pedal power soon for U

W/E Argus 23/6/90 (74)

By TOM HOOD
Business Editor

THOUSANDS of Britons will soon be riding South African-made bicycles.

A multi-million-rand export order for 100 000 bicycles a year has been landed by the new Cape Town-owners of Western Flyer Manufacturing, the country's largest cycle factory.

The plant at Dimbaza in the Ciskei was recently taken over by Merchandise Buying Syndicate, a diversified company with head offices in Long Street.

The cost of the acquisition has not been disclosed, but the factory has stock worth more than R5 million.

Managing director Ellian Perch said this week that when he heard the factory was on the market he visited it and was impressed.

Maybe he had a better eye for the potential of the current cycling boom than most businesmen — his father had a cycle shop in Kraaifontein and he was a track racing cyclist in his younger days.

The factory started in 1976 and went through a succession of owners until the People's Bank of the Ciskei, a shareholder, took full control after business was hit by increasing imports from the Far East.

The British export contract was won by price and quality standards, said Mr Perch, who visited several major British cycle retailers and received "positive" acceptance.

"The contract represents only 4 percent of the British market, so there is scope for exporting even more."

In getting the order the factory had to overcome the handicap of paying 20 percent more for Iscor steel tubing than Taiwanese cycle manufacturers, who get a 20 percent discount from Iscor, said Mr Perch

The factory is about to start production of a new lightweight ATB (called mountain bike in South Africa) making up 60 percent of the exports.

The other 40 percent will be racing bikes. The new ATB will be cheaper than imported American and Italian machines, the price of which is inflated by the low rand exchange rate.

House labels

Production is also being expanded by a full range of lower-priced bikes under the Western Flyer label or house labels for major retailers.

Transport costs from South Africa are half those from Taiwan, the world's major cycle exporter, while the low-rand exchange rate to sterling makes South African bikes a bargain in Britain.

Mr Perch said this week he aimed to upgrade standards and let the consumer decide if he wanted to pay cheap for a basic bike or pay a little more for something better and more reliable.

"In this business, some people would buy an inferior chain just to save 50c," he said.

Big changes have been made in the few weeks since the new owners took over, with stricter

See page 3

Britons soon to go a-biking SA style

W/E Argus 23/6/90

From page 1

quality control and a big expansion on the cards.

The company had a franchise to make Peugeot cycles, the world's largest single brand, he said. The French factories made about 350 different kinds of bicycle in five sizes and eight colours.

But the Dimbaza plant would concentrate on a few racing models, three sizes of ATBs and children's BMXs.

Puegeot closed its South African factory eight years ago and Western Flyer took over the franchise. Machines are now made to strict French specifications, with frames and paint being sent regularly to Peugeot for inspection.

After battling for years against cheap imports, Westen Flyer has joined other manufacturers in asking the Board of Trade and Industrties to impose dumping duties on low-price BMX imports from Red China.

Mr Perch said South Africa had no official safety standards for bicycles and was one of the few countries prepared to accept the Chinese models. Britain, Australia and Sweden would have rejected them.

"We lack the safety standards of those countries, which include compulsory reflectors front and back and on the pedals, and stress tests on frames.

"Sweden insists on reflectors being painted on the tyres. Australia has the toughest regulations and sends inspectors to Taiwan to check every single bike before it is exported to Australia."

The company also owns factories in the electronics and furniture industries. These are Genvetics at Atlantis, where 100 workers are employed mainly on making music centres.

The other factory, Sunscene in Johannesburg, employs 150 making outdoor furniture and cushions.

The balance of MBS business is importing electronic and other products for the domestic market.

Cycle firm wins big UK order

Star 26/6/90

By Tom Hood

Thousands of Britons will soon be riding South African-made bicycles.

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The cost of the acquisition has not been disclosed, but the factory has stock worth more than R5 million.

Managing director Ellian Perch, whose father had a cycle shop in Kraaifontein, won the British export contract "on price and quality standards".

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The balance of MBS business is importing electronic and other products for the domestic market.

B/Day 26/6/90 (74)

New record for seaborne coal trade

EDWIN UNDERWOOD

WORLD seaborne coal trade has reached a new record of 323-million tons with exports of steam coal expected to overtake its rival coking coal, according to the monthly shipping review of London shipbroker Simpson, Spence and Young (SS & Y).

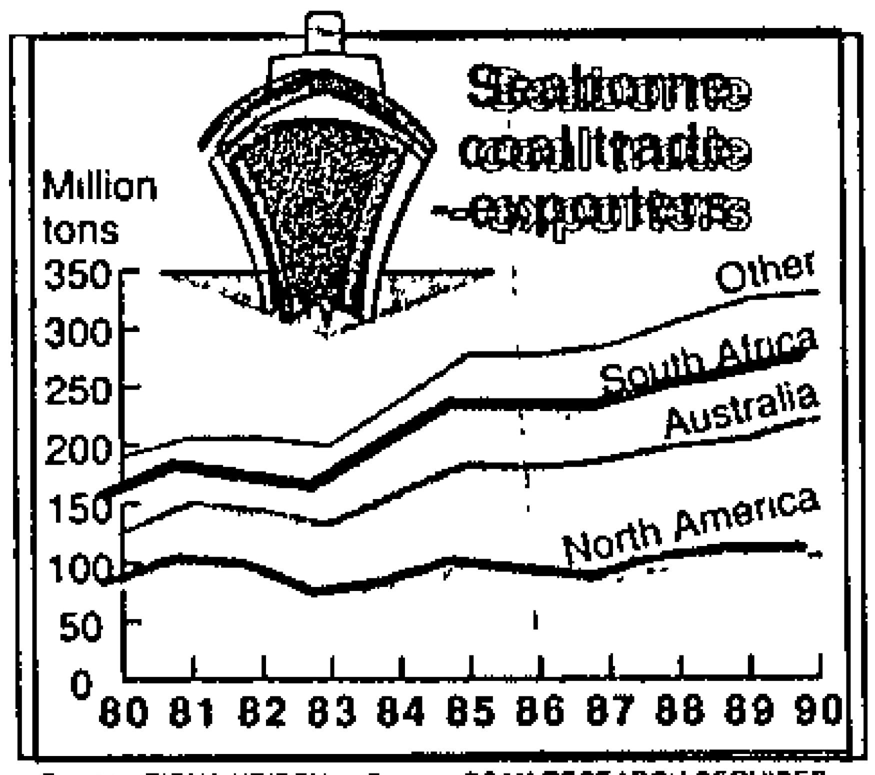
The new record is due to increased global crude steel production forcing coking coal trade to a new level of 163-million tons. This is one-million tons above the 1988 total.

SA had a better year with export volumes showing the first signs of reviving after two to three years of sanctions.

Most of the demand has been generated by the EC, with French buyers being active on the international market. This is due to a reduction in domestic coal production and a fall of 30% in hydroelectric output because of severe drought conditions.

The increased coal trade is attributed to a 13% rise in the trade of steam coal, reaching a level of 160-million tons.

The US increased its market share in the coking and steam coal sectors — achieving almost half the total international trade increase. Australia retained its dominant position as the largest exporter in terms of sales by volume.



Graphic FIONA KRISCH Source SS&Y RESEARCH SERVICES

Surprisingly, says SS & Y, Columbia achieved a 30% increase in exports to reach a new record of 13-million tons. Venezuela and the UK increased shipments. Columbia and Venezuela were expected to increase exports this year.

Demand in the Asia/Pacific region remained stagnant and was not expected to improve this year.

SS & Y says prospects of further increases in world seaborne coal trade remain good but are dependant on developments in the steel industry and the severity of the fall in coking coal demands.

With export reductions expected in Europe, the international coal trade is expected to benefit in the short term.

Italy in world lead as SA's top export market

CAN - Trips 7/7/90 74

AS ONE of the world's top five industrial nations and, from this week, in the chair of the European Community, Italy has quietly become one of South Africa's biggest export markets. ROGER WILLIAMS reports.

ITALY, in a rapid improvement in trade, political and cultural relations with South Africa, has become one of this country's major economic partners — with the release of figures showing that it is now the leading importer by value of South African products.

The Italian Embassy in Pretoria says that since President F W de Klerk's recent visit to Rome another high-level mission of Italian industrialists is expected to visit South Africa soon — probably towards the end of September.

The fact that Italy took over the chair of the European Community this week is being seen as another plus factor in the strengthening of this country's trade relations with Italy and Europe in general.

Precious metals

The Italian Embassy says while West Germany remains South Africa's top two-way trading partner, Italy has overtaken Japan as South Africa's best export market with a growth of 39% last year.

Italy's main imports are gold — Italy being a world leader in gold-craft — and other precious metals, and coal, needed for generating power.

Embassy figures show that Italy's imports from South Africa were valued at R6,8 bn in 1989, almost double the value of imports in 1987 (R3,6 bn), and nearly 40% up on 1988 (R4,9 bn).

Precious metals account for 70% of Italy's imports from this country.

The South African Foreign Trade Organisation (Safto) points out that, in statistical comparisons, allowance must be made for the fact that West Germany and Britain do not include gold in their figures for imports from South Africa.

GERMANS STILL MAIN PARTNER IN TWO-WAY TRADE

Although Italy's exports to South Africa last year, valued at R1,6 bn, increased by 22% over 1988, they were only 25% the value of that country's imports from South Africa.

Project discussions

These exports include machinery, spare parts, electrical equipment, tractors, telecommunications equipment and plastics.

The Minister of Trade and Industry, Kent Durr, has said that Italy, as the fifth largest industrial country, is a "formidable" trading partner with whom South Africa is keen to encourage trade. He has confirmed that discussions are under way on "potential industrial projects" with Italy.

Safto also sees Italy as an important "target" trade development area.

Joint industrial ventures using South African raw material and Italian finance are said to be possible after top-level talks in Cape Town in March between a delegation from Rome and South African government figures and industrialists.

Opportunities

The leader of the delegation, Italian Minister of Trade and Industry Adolfo Battaglia, said during the visit he had "outlined a scheme of general agreement" with Durr which would allow Italy "to provide a useful contribution to development in South Africa".

Battaglia indicated that recent political developments in South Africa had provided these opportunities.

Italian Ambassador Mario Piersigilli has said De Klerk's recent visit to Rome highlighted "the rapid improvement of relations at present enjoyed between Italy and South Africa".

'Economic restrictions working'

74

Trade surplus up by 43% as exports surge

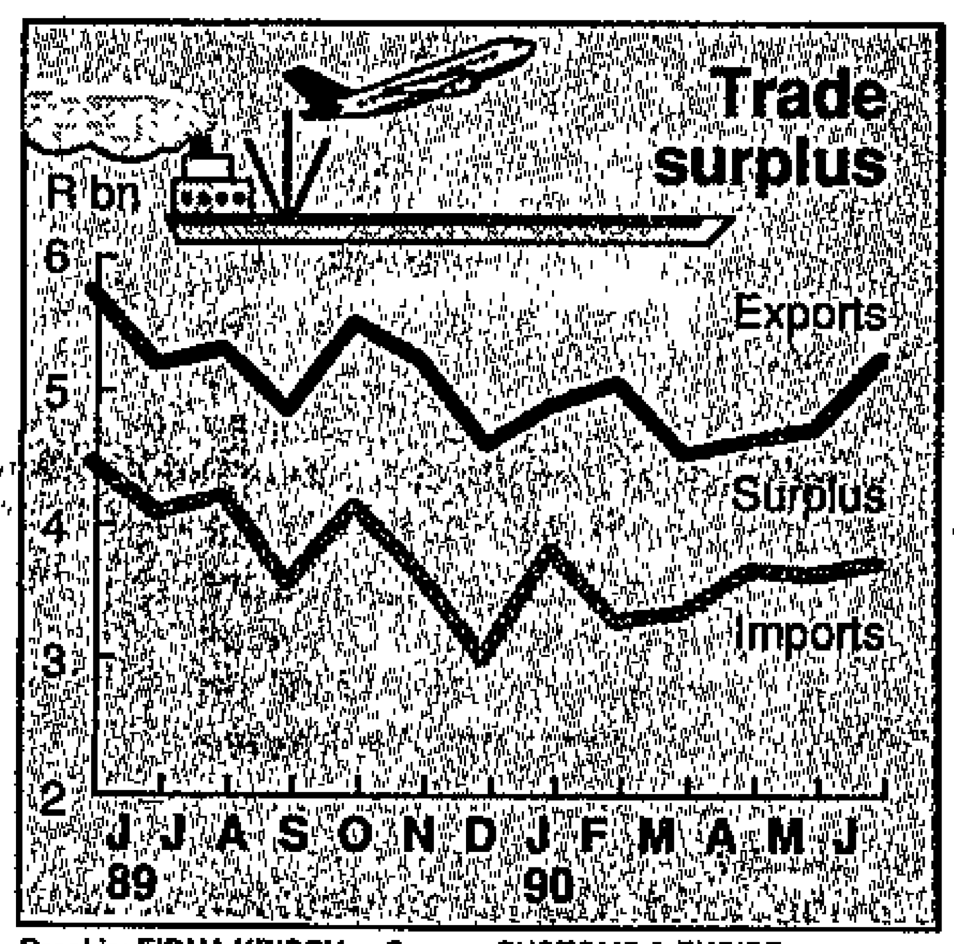
B Day 19/7/90

SHRUGGING off a weak gold price in June, SA's trade surplus jumped by about 43% from May to a healthy R1,54bn because of surging exports and weak imports.

The hefty June trade surplus, the second highest this year, helped alleviate pressure on the balance of payments during a month of heavy foreign debt payments. With the foreign debt problem cleared, the trend on the trade balance suggests SA will be able to build up foreign exchange reserves during the remainder of the year.

Safto economist Bruce Donald said: "Pressure on the current account to produce healthy surpluses will be reduced in the second half of 1990, as a result of smaller debt repayments during this period. The falling ratio between SA's debt commitments and its trade surplus is likely to mean a growth in foreign reserves during July to December 1990."

The current account balance is the trade



Graphic: FIONA KRISCH Source: CUSTOMS & EXCISE

GRETA STEYN

balance less net payments for foreign services. A current account surplus of R4bn-R5bn is expected for the year as a whole.

The Customs and Excise figures released yesterday showed exports were up by 11,5% in June from May to R5,22bn — the highest level so far this year. The continued strong performance of non-gold exports is the result of a shift to foreign markets because of a weakening of the domestic economy, some easing of sanctions and good international demand for SA's non-metal minerals.

Over the past six months, mineral exports surged by 23% from the same period in 1989 to R3,6bn. Revenues from the unclassified category of exports — mainly gold — were up by less than 1%.

Imports rose slightly in June from the preceding month (R3,68bn from R3,6bn) but economists noted the trend was still firmly down.

The Standard's Nico Czypionka said: "The trend in imports is one of the most important indicators that restrictive economic policies are working. The balance of payments is performing well in the face of a weak gold price and pressure from foreign debt payments."

Over six months, imports went down by 4% compared with the same period last year. Donald noted that imports were probably down by 10% in volume terms.

"Imports of machinery dropped by 6% during the period, verifying our view that the investment cycle is in a downward phase after a strong recovery in 1988 and 1989. This trend should continue in the next 12 months as the economy cools further," he said.

Healthy rise in trade surplus

(74)

By Sven Lünsche

Star 19/7/90

The continued growth of SA's merchandise exports is probably preventing the economy from plunging into full-scale recession.

The trade surplus in June surged to R1,54 billion from R1,08 billion in May, boosting the cumulative surplus for the first half of 1990 to R7,63 billion.

This represents a 38 percent rise on the R5,52 billion surplus achieved in the same period last year and implies a continued improvement in the balance of payments position.

Safto economist Bruce Donald says: "The improved trade performance eases the pressure on the current account to produce healthy surpluses. This pressure will be further reduced in the second half of the year, as a result of smaller debt-repayment commitments.

"The falling ratio between SA's repayment commitments and its trade surplus is likely to mean a growth in gross foreign reserves in the second six months."

The rise in the surplus follows sustained nominal growth in exports and a substantial fall in imports in the wake of the slowdown in domestic demand.

The trade figures, issued by the Department of Customs and Excise yesterday, show exports gained 11,5 percent gain in June to R5,22 billion, but for the first half of the year grew by only four percent to R28,93 billion (January to June 1989: R27,76 billion).

Mr Donald says the slowdown in the growth rate in the six months was not surprising in the light of declining domestic activity and the flattening of international growth.

Earnings from the unclassified category of exports (mostly gold) rose by only one percent in the first half to R11,95 billion (R11,87 billion), while the value of base metal exports declined by five percent to R4,36 billion (R4,61 billion).

The most important contributors to export growth were mineral products, which increased by 23 percent in value from R3,6 billion to R2,92 billion, as coal exporters benefited from SA's improved political situation.

Export of machinery improved by 36 percent, while transport equipment revenues rose by 62 percent.

Total imports in the first six months were four percent lower at R21,31 billion (R22,24 billion), with monthly imports in June at R3,68 billion slightly up on May's R3,6 billion.

Mr Donald estimates that taking into account the depreciation of the rand, import volumes were probably down by more than 10 percent in the first half.

Imports of machinery dropped six percent to R6,36 billion from R6,75 billion in 1989, indicating a sharp slowdown in fixed investment.

"This trend should continue in the next 12 months as the economy cools further," Mr Donald says.

Exports surge but economy sinks into a 'light' recession

74

July 90

By Sven Lünsche

Back—tracking on earlier forecasts that the economony could be headed for a soft landing, the Reserve Bank has admitted that the economy is experiencing a light recession.

In its latest quarterly bulletin the bank estimates the aggregate real output in the economy in the first quarter of this year declined by a seasonally adjusted annual rate of 1,5 percent and could cool further in the second quarter.

The slowdown comes despite a continued strong performance by South Africa's merchandise exports, which substantially lifted the balance of payments position.

Following a similar trend in the last quarter of 1989, the decline in GDP means that the consolidation of the economy which had been experienced last year "has now hardened to a light recession".

Mining sector

The contraction in GDP can be attributed primarily to some further shrinkage of real value added in agriculture as well as to notably more substantial declines in physical output in the mining sector, particularly in gold mining.

"The low level of GDP growth in the first quarter means that growth at a fairly significant positive rate will have to be attained for the rest of the year if non-negative growth is to be realised in 1990," the Reserve Bank says.

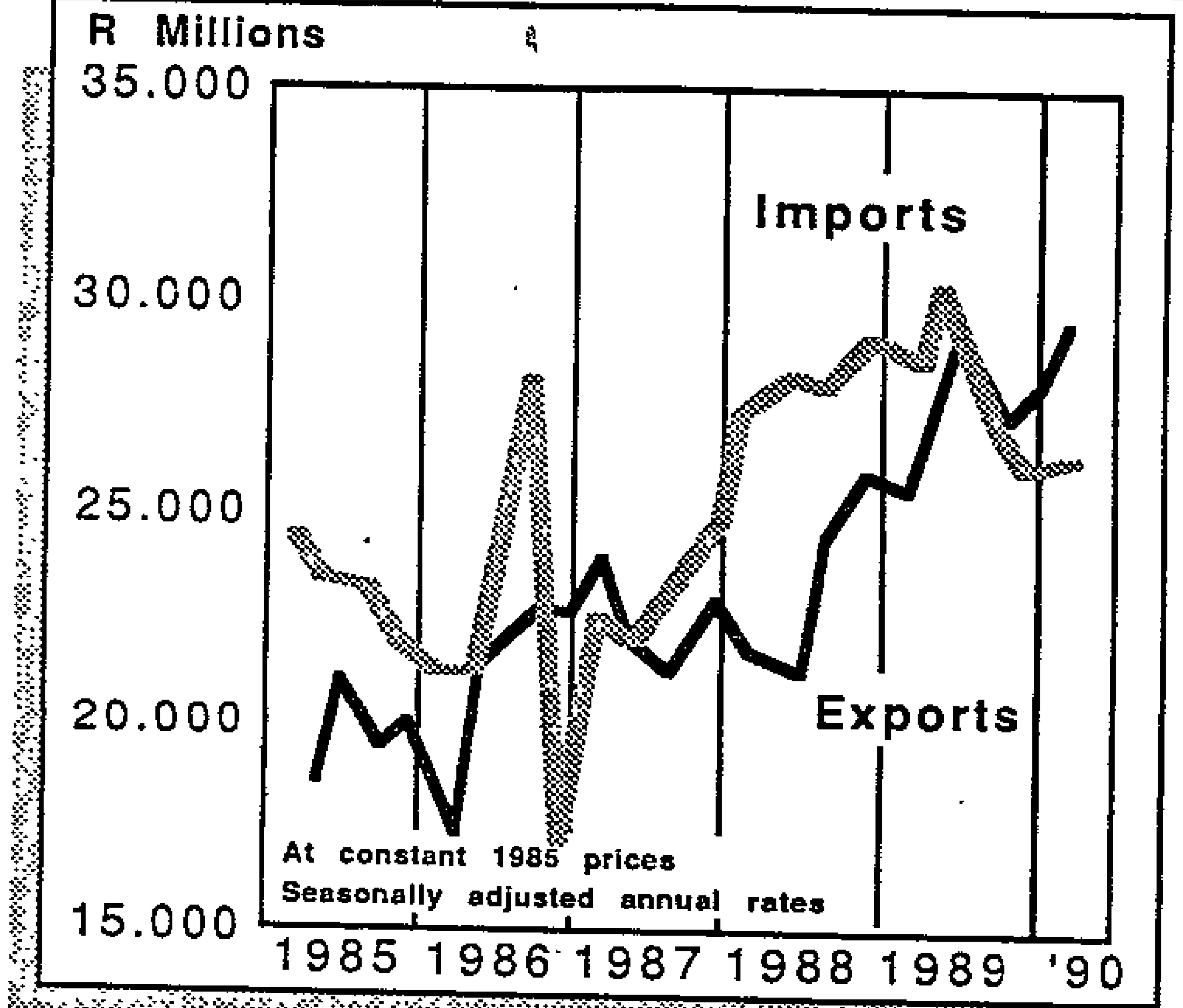
"Particularly worrying is the second consecutive quarterly fall in the growth rate of gross domestic fixed investment to an annualised level of about four percent."

Particularly strong falls were recorded by the private sector, in the sub-sectors of agriculture, construction and finance, and by the public sector following the recent cutbacks in capital expenditures.

Despite sanctions and a steady rand the volume of exports hit a record high in the first quarter of this year.

This partly offset the decline in gold exports and allowed the forex reserves to rise to levels equal to 2½ months of merchandise imports and 1½ months of imports of both goods and services.

REAL MERCHANDISE IMPORTS AND EXPORTS



South Africa's gross forex reserves in the first quarter improved by nearly R900 million to R7,8 billion.

The value of merchandise exports rose by nearly eight percent from the December quarter last year to R41,66 billion in the first three months of 1990, which boosted the volume of these exports by 2,5 percent compared with the 1989 June quarter.

Particularly strong performances were recorded by the paper and paper products sector, the textile industry and mineral exports.

This is even more impressive when compared with the 11,5 percent decrease in the value of gold exports to R17,8 billion between the fourth quarter 1989 and the first quarter of this year.

The value of gold exports was actually lower than in any quarter since the second quarter of 1987, which the bank ascribes to the decline in quarterly gold production volumes to their lowest level since the third quarter of 1987.

However, the strong performance by merchandise exports, coupled with a substantial fall in net service and transfer payments to non-residents from the previous high levels, allowed the current account of the balance of payments to rise to an annualised R5,6 billion — in line with the bank's targets for the year.

In an interesting sidenote the bank says the reclassification of Namibia as a foreign country resulted in a drastic downward adjustment of last year's current account surplus from R4,1 billion to R3,1 billion. In the December quarter alone the readjustment pushed the surplus from the original figure of R5,9 billion to R4,4 billion.

The capital account of the balance of payments also improved substantially in the three months, as the total net outflow of capital not related to reserves fell back from R1,1 billion to R400 million, the smallest outflow since the first quarter of 1987.

Capital outflows

This follows a net swing of more than R1,3 billion (from an outflow of R800 million in the fourth quarter 1989 to first quarter inflows of R500 millon) in the net movement of short-term capital.

However, the outflow of long-term capital increased from R300 million to R900 million over the same period, which was accounted for largely by increased net sales of JSE stocks by non-residents. Public corporations remained net importers of foreign capital.

Export squeeze for SA coal

By DAVID CARTE

ALLEN COOK, deputy chairman of Rand Mines' coal division, sees export prices weakening in the next few months.

"We are selling at $31 a ton compared with $38 in June 1988 and $27 at the low in September 1987. The contracts are negotiated in November each year. Some SA suppliers are undersold and will no doubt be prepared to pare prices.

"After many costly strikes, the Australians have signed productivity agreements with trade unions and are producing apace.

"Producers in the United States, Columbia and China are overcoming problems."

Another setback for SA's coal has come from natural-gas competition in Europe.

"Because the Russians are not buying grain, bulk carriers are experiencing difficulty in filling their ships. So freight rates have plummeted, cutting into the $2/ton freight advantage we have over the Australians in supplying Europe."

Rail tariffs to Richards Bay have become an increasingly intolerable burden, having risen from R7,50/ton to R31 since 1983.

SA coal exports have risen from a million tons a year 13 years ago to 49-million.

The coal-mining industry's competitive advantage depends heavily on its reputation as a reliable supplier. Reliability of supply depends in turn on good labour relations.

Perhaps because wages have outstripped inflation for the past 20 years and coal mines are not as mechanised as they could be, National Union of Mineworkers coal branches have tended to be less aggressive than their colleagues in gold mining. Things could change this year.

Knowing that marginal mines are in trouble, gold miners have settled with the employers — but the colliery workers have not.

Mr Cook is far from despondent, however. There are several long-term positives for SA coal.

Pollution

The first is that world consumption increases with population growth.

There are high hopes of an industrial renaissance in Eastern Europe. Air pollution there is so bad that demand is likely to increase for high-quality low ash and sulphur coal.

Coal is under attack, but the world environmental lobby is still strongly against nuclear power. Solar, wind and other types of energy are likely to remain insignificant for years.

The prospect of reduced sanctions is also cause for hope.

[T]edelex

[...]d of last year's figures."

[...]lljoy is curtailing growth to maintain market share. "The faster and the [...] we grow the higher our borrow[...] Gearing could be dropped to zero [...]ot buying new sets.

[T]his would enhance short-term [...]its and cash flow, but stunt long[...] growth."

[...]mpisal's new 51cm sets carry a [...]thly rent of R69,70, including sales and risk cover. The 67cm sets cost [...]83.

[...]eljoy's new 51cm sets cost R74,65 the 67cm one R86,01.

JACK COHEN

[...] respect of [...] million in a right[...] Focus Holdings right[...]

BDay 23/7/90 (74)

EDWIN UNDERWOOD

EC iron imports reach 10-year high

SA IRON ore exports to the EC jumped 38% to 6,2-million tons last yearfrom 4,5-million tons in 1988, boosting EC iron ore imports to a 10-year high.

Iscor mining products GM Emile Raads said last week SA's three major western European customers had made slight adjustments to their production techniques to accommodate SA exports, which were slightly cheaper. Subsequently, certain technical difficulties, which resulted from dealing with other iron ore exporters, were overcome.

Simpson, Spence & Young's (SS&Y) July monthly shipping review said EC imports of iron ore rose 6% to 134,8-million tons in 1989 — the highest level of the decade — compared with 127-million tons in 1988.

SAA promotes export awareness

B/Day 25/7/90

(74)

SAA has embarked on a programme to act as a facilitator to exporters.

It is tying up with organisations such as Safto and is pooling its resources to provide potential exporters with assistance, information and guidance.

SAA says it will promote an export awareness and culture among SA companies.

Most businessmen accept the anti-SA tide is turning and new business opportunities are opening up for SA exporters.

United Europe 1992, commercialising Eastern Europe, an increasingly friendly Africa and the possibilty of the US lifting sanctions, hold great promise.

(228)

Highlighted

However, SA tends to be a commodity exporter, and the need to export value-added products has been highlighted by authorities and business leaders.

SAA says the cargo industry has developed a level of sophistication beyond that of many exporters and the freight industry has systems in place to cope with competitive new challenges.

Most freight forwarders are established and specialised. They have international links tying them to companies in all corners of the globe and their expertise in dealing on an international scale is proven.

Geared up

SAA has geared up to assist exporters. As an IATA carrier, it has links through interline agreements with most major carriers.

It has also paid attention to ensuring its cargo capability qualifies it as an international freight carrier.

SAA says it and the freight industry are ready — all that is needed is exporters.

TRADE - 1 FM 27/7/90

Surplus up

(74)

Customs & Excise figures show rises in 13 of the 22 categories of exports in January-June over the first half of 1989, including:

□ *Vehicles, aircraft, vessels and associated transport equipment,* up 62% to R442m;
□ *Optical and photographic equipment,* which improved 44,4% to R65m;
□ *Machinery and electrical equipment,* 36,3% to R622m; and
□ *Mineral products,* 23% to R3,6bn.

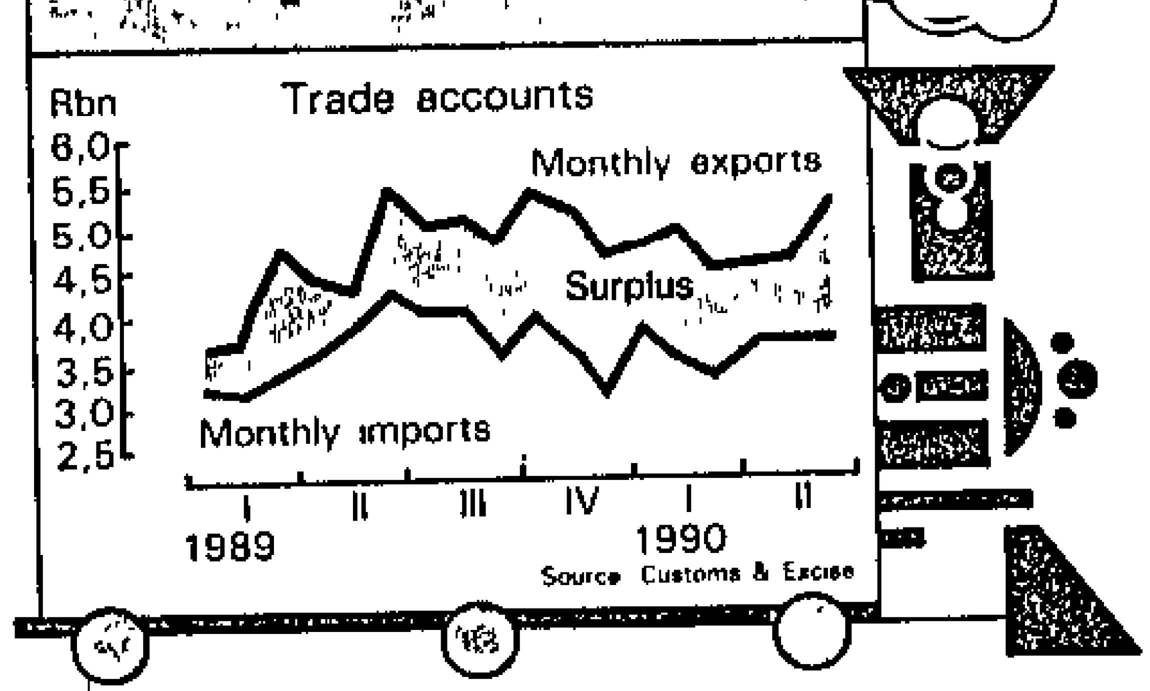
Safto economist Bruce Donald says the last was mainly due to better coal markets.

Exports of works of art, collectors' pieces and antiques, though only R15,2m, were up 100% on last year. One source suggests this could be emigrants' possessions leaving.

Total January-June exports were 4% up on last year, at R28,9bn. In June alone they grew 11,5% on May's figure to R5,2bn.

FM 27/7/90 (74)

Exports soar



January-June imports fell 4,2% to R21,3bn, with declines in half the 22 categories. For June they increased 2,2% over May, to R3,68bn.

The half-year surplus total of R7,6bn is 38,1% up on last year. The June surplus leapt 42,4% from May to R1,54bn.

An encouraged First National Bank group economist Cees Bruggemans notes that real 1989 exports rose on 1988 and continued at much this pace in the first quarter of 1990 (9,5%). "This reflects the world economy, especially Europe and the Far East, which are still doing exceptionally well."

Says Bankorp chief economist Nick Barnardt: "After last year's good performance, the excellent current account so far this year mainly reflects the remarkable non-gold exports, which were the highest ever."

He estimates a first-half current account surplus of more than R3bn compared with R3,1bn for the whole of 1989, despite the lower gold price and removal of the Namibian current account surplus, estimated at R1bn. So the year's surplus could top R6bn.

"The sharp weakening of the rand-dollar exchange rate in 1984-1986 opened up a lot of export opportunities for manufacturers. These were not immediately used," says Barnardt, "partly because of sanctions and partly because domestic political uncertainties undermined fixed investment.

"But as things stabilised, many manufacturers started making a more substantial commitment to exports in terms of fixed investment decisions. We are now seeing a lagged effect of the sharp decline of the rand in the mid-Eighties." ■

Despite some opposition . . .

Cnt Times 7/8/90

74

Export markets opening for SA

By AUDREY D'ANGELO
Business Editor

NEW export opportunities are opening up for SA in Europe, Cape Town Chamber of Commerce tells members.

Emphasizing that "West Germany is one of the biggest import markets in the world and maintains one of the lowest import duties", the chamber's news bulletin lists products wanted there.

It also tells Cape Town furniture manufacturers that there is an opportunity for them to export components to Italy for assembly in the Pordenone region.

Renfreight Forwarding (SA) tells clients that it is preparing for Europe 1992, when tariff barriers between European Economic Community members come down.

Urging more manufacturers to get into the export market Ron Haywood, executive director of the SA Federated Chamber of Industries, points out that this could increase volumes to such an extent that "both the goals of domestic price stability and balance of payments stability will be complemented."

And Trevor Woodburn, MD of executive search consultancy Woodburn Mann (Pty), says SA "is poised to re-enter the global arena" and there is an upsurge in demand for top-level executives who can "fill dual roles — that of a local manager well versed in the intricacies of the SA marketplace and that of a locally based 'global manager.'"

The Chamber of Commerce newsletter says that, according to the SA trade representative in West Germany, A J S van der Merwe, "the general attitude towards SA is one of expectation.

"The declared policy of the West German Government is still that international trade holds benefits for all parties involved, and that economic sanctions should not be used to bring about political change."

However, the chamber warns that consumer resistance to SA products has been felt in most West German chain stores. But, it says, "the effect is relatively limited and is not expected to increase in the near future, as a result of the reforms currently taking place in SA."

It also warns that participation in exhibitions and trade shows has been affected, particularly in Hanover and Keulen. It therefore advises any company wishing to take part in West German fairs to "make enquiries for updated information on this policy."

In spite of this, the chamber points out that the West German economy is still growing and consumers have a very high disposable incomes. There are therefore opportunities for SA manufacturers and exporters "in every sphere of economic activity."

It gives a long list of products with market potential in West Germany, ranging from automotive parts, semi-precious stones, jewellery and security equipment to flowers, concentrated fruit juices and woven fabrics.

The chamber says that the Pordenone region manufactures 65% of the furniture exported from Italy. The Pordenone Chamber of Commerce for Industry, Craft Trades and Agriculture has invited local manufacturers who can provide components for furniture to contact it.

Meanwhile, Renfreight senior executives have visited Europe to discuss expected developments with their major forwarding partner, the Lep Group.

Pointing out that Europe accounts for 50% of SA's trade at present, Eddie Stead, divisional GM of Renfreight Forwarding SA, said that "with the rapidly changing Eastern European environment this percentage is likely to increase substantially."

Lep has been Renfreight's agent in Germany, France, Spain, Britain, Portugal, Italy and Switzerland for four years. Now it has also been appointed Renfreight's agent in Belgium and Holland.

Stead said that the Benelux countries would remove their tariff barriers next year, becoming "the pilot, or test case," for Europe '92. Belgium and Holland were "the critical gateways into and out of Europe."

Appointing Lep the company's agents there "enables Renfreight to take advantage of the enormous infrastructure Lep has developed in preparation for 1991."

Stead said Lep had now established delegation offices in Poland, Hungary, Czechosolvakia and the Soviet Union. "The Eastern bloc has long been serviced by Lep and their experience and knowledge of these countries will stand them in good stead as the markets open and develop for imports and exports."

way.

'No SA trade with Iraq

76

9/8/90

Staff Reporter

SOUTH AFRICA did not trade with Iraq, Mr Pik Botha, Minister of Foreign Affairs, said yesterday when asked about reports that Iraq was using South African G6 self-propelled artillery systems.

The minister also said that Iraq had no assets in this country, a spokesman for Mr Botha said last night.

The reports followed articles in the latest edition of the authoritative magazine Jane's Defence Weekly that the United Arab Emirates had ordered up to 70 155mm G6 self-propelled artillery systems.

Armscor has a policy of not disclosing or commenting on any of its overseas sales in view of the international arms embargo against South Africa.

Rand rally puts squeeze on exporters' margins

BDay 9/8/90

74

ANDREW GILL

THE rand's recent rally against the dollar, and depressed commodity prices on overseas markets have had an adverse effect on exporters, whose margins are suffering as a result.

The rand has strengthened by over 3% in two months against the dollar and depressed overseas markets have seen some commodity prices fall by over 50% since their highs in mid-1989.

SA Foreign Trade Organisation (Safto) CE Wim Holtes said the rand's appreciation was having a negative effect on all exporters but mainly on primary producers who were not covered by the export incentive scheme.

He said the Reserve Bank had indicated it would attempt to keep the exchange rate at around the R2,60 level, adding that he expected they would keep to that policy.

A possible means of counteracting the negative effects of the appreciating rand was to enter the new markets in Eastern Europe, he said.

Sappi international GM Rob Hope said the firmer rand made life difficult for exporters although some overseas markets had picked up during the year.

He said the rand's appreciation against the dollar had to some extent been balanced out by the weaker position against other currencies like the pound and Deutsche mark.

"However the rand is stronger than we would like to see it," he said.

An AECI spokesman said the rand's appreciation against the dollar exacerbated the effects of the depressed internatonal markets.

"Some commodities have fallen over 50% since their late-1988 highs and the stronger rand has contributed further to exporters problems," he said.

An upturn in the overseas markets was not likely, he said, "but with the Middle East crisis being an unknown, anything can happen".

A Middelburg Steel & Alloys spokesman said the strengthening of the rand aggravated the disparity between domestic and international inflation rates and was hitting exporters' profitability.

Coal income expected to offset oil rise

ANDREW GILL (74)

THE impact of higher oil prices on SA's balance of payments (BoP) would be largely offset by the resultant rise in coal and energy export earnings in the short term, economists said yesterday. B Day 15/8/90

Gold's recent surge above $410 would, if sustained, see SA's reserves boosted considerably, they said.

Standard Bank economist Nico Czypionka said increased overseas energy needs, due to lower world oil output, could compensate for the higher cost of importing oil because of the higher earnings from coal.

He said gold's rally would therefore be an added bonus for the BoP situation but the inflationary implications of higher oil prices could not be discounted. There was also a possibility the reversal in gold's downward trend would stick even if the crisis subsided.

However, a "fly in the ointment" was that if the crisis became full-blown, sustained higher oil prices could have worldwide recessionary implications. "In that case SA would suffer just like everyone else."

Rand Merchant Bank economist Rudolf Gouws said although the rise in the oil price was bigger than that for gold, its contribution to the BoP was not as important.

But it was very much in the balance because coal contracts were generally long term and higher earnings would therefore not be realised immediately.

Star 22/8/90 (74)

Trencor earnings boosted by export and overseas activity

By Ann Crotty

A sterling performance from export and overseas activities has enabled Trencor to report a 69 percent hike in earnings for the 12 months to June.

Over 50 percent of group earnings now stem from overseas sources.

Earnings per share were 571,7c (337,8c).

A final dividend of 100c a share has been declared, bringing the total to 130c — 94 percent up on the previous year's 67c.

This takes dividend cover down from five to 4,4 times. The lower dividend cover is in line with the reduction in gearing, which is down to 30 percent.

On a 13,7 percent increase in turnover to R784,6 million (R689,7 million), pre-tax income shot up 44 percent to R112 million (R77,7 million).

This reflects the change in contribution from the four divisions — manufacturing, motor trade, trading and transport — with the trading division making a far larger contribution in both absolute and percentage terms.

The change in divisional contribution is reflected in the reduced tax rate — down from 30,6 percent to 21,6 percent.

The trading division covers export activities and foreign associates. The former enjoys export incentives and the latter incurs minimal tax rates.

Attributable income was up 69 percent to R81,8 million (R48,4 million).

A break-down shows manufacturing's contribution to pre-tax profit slipped from 39 percent to 30 percent.

Motor trade

Motor trade (including tyres) was down from 30 percent to 26 percent. Transport's contribution fell from 14 percent to eight percent and trading shot up from 17 percent to 36 percent.

The changes reflect the relatively much stronger performance from the export and overseas activities.

But chairman Neil Jowell says in absolute terms contributions from all divisions were up.

"We had expected a reduction on the domestic front, but it didn't happen. It was only towards the end of June that we noticed much weaker conditions."

Referring to the strength of export activities, Mr Jowell says: "The Government's policy of promoting exports encouraged the Hendred-Freuhauf subsidiary to increase significantly the volume of containers made for export and to introduce new poducts such as tank containers and components for containers.

"These were well received in foreign markets after initial start-up problems and, with higher volumes, made a major contribution to this year's earnings."

This has encouraged the group to increase capacity, despite the uncertain world economy and reduced prices.

The changing government export strategy is likely to favour the Hendred-Freuhauf manufacturing activity since it involves no import content.

For financial '91 management is expecting a reduction in contribution from domestic activities, but an increased contribution from overseas and exports to the extent that they will account for around 60 percent of earnings.

Argus 23/8/90 (3 ...)(...)(...)(74)

SA booze beats boycott

The Argus Foreign Service

LONDON. — South African wine and beer are losing some of their stigma and selling 30 percent more across Britain this year.

"I know what has made the difference," said Mrs Margaret Steadman of importers Edward Cavendish. "The release of Mandela."

The freeing of the African National Congress leader and President De Klerk's reforms have apparently loosened inhibitions to such an extent that Britons are now recognising the "good quality and value for money" of South African wines.

White wines have proved most popular, particularly the Chenin Blanc and Sauvignon Blanc lines imported by Edward Cavendish.

Castle and Lion lager have been selling well, helped perhaps by a heatwave.

The new attitude has resulted in South African wines reappearing on restaurant wine lists.

Mr Norman Kramer, of importers Collisons, said there had "definitely been a softening" towards buying South African wines.

He said the increased demand had arisen from word of mouth. He predicted it would soar when supermarkets start displaying Cape wines prominently.

But he warned that the increased sales could be hampered by recent price increases on the products from South Africa.

The issue of selling South African products is still sensitive enough for all the outlets interviewed here to decline to give figures on how much they sell.

Farming exports hit record high

GERALD REILLY 74

PRETORIA — The value of agricultural exports in the first five months of 1990 amounted to a record R1,752bn, Agriculture Minister Jacob de Villiers said at the weekend.

Opening the Pretoria Show, De Villiers said one-third of SA's total farm production was exported. Some sectors of the industry obtained as much as 90% of their income from exports. B|Day 27/8/90

This was almost 8% of the country's gross export value. Although certain products had to be imported, agriculture had always maintained a favourable and positive export balance.

Fruit set to earn R1bn for SA as foreign barriers come down

(B) (74)

B/Day 29/8/90

LESLEY LAMBERT

CAPE TOWN — Foreign earnings from deciduous fruit exported during the 1990 season should easily exceed a record R1bn this year on relatively healthy volumes of 33-million cartons interpreted by marketers as a sign that local produce is becoming more acceptable overseas.

Louis Kriel, MD of Unifruco, the marketing arm of the deciduous fruit industry, said recently that the business climate in which the industry traded this year was the best he had experienced in 30 years of international travel.

The favourable response to President F W de Klerk's February 2 speech, visible improvements in the working conditions of labourers in the fruit industry and the opening of Eastern European markets had all contributed to new or more accessible marketing opportunities, he said.

In many countries SA fruit was now being judged on commercial rather than political considerations.

"Sanctions are still being enforced by those countries which originally imposed them, but the boardroom boycotts — the decisions by English and European companies not to buy our produce — are falling away."

Kriel said 33-million cartons of fruit had been exported during the 1990 season which is drawing to a close.

This represented 10% growth on last year's export volumes and, although it lagged behind the domestic rate of inflation, it was higher than last year's marginal improvement from 29,8-million to 29,9-million cartons.

"With only a few exceptions, we produced fruit with exceptionally good appearance and eating qualities, and we find ourselves in a very bullish market for Cape products," Kriel said in a recent edition of a local trade magazine.

Although the value of the exports will only be known when Unifruco announces its annual financial results in October, it can safely be assumed that foreign earnings, which grew by 20% to R924m last year, will exceed R1bn this season.

But the degree by which foreign earnings exceed sales this year compared with last is likely to be circumscribed by a relatively stronger and more stable rand.

This year there will also have been further substantial increases in wage and packaging bills.

Machinery export boom shows increase of 35%

BDay 6/9/90 (187) (74)

ANDREW GILL

MACHINERY exports have grown by more than 35% this year and are set to continue rising as one of the fastest growing export categories.

From January to July this year the sector's exports jumped 35,4% to R740,1m from R546,6m in the first seven months of 1989.

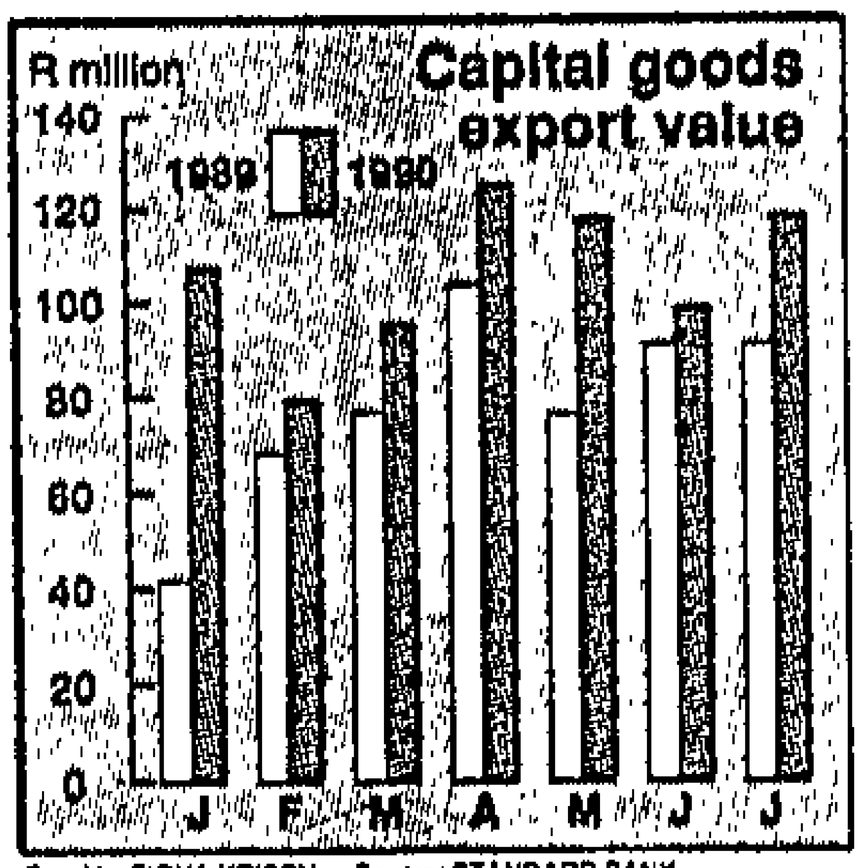
The machinery or capital goods sector comprises machiney and mechanical appliances, electrical equipment, sound recorders and reproducers, television image and parts and accesories of such articles.

Since the beginning of the year machinery exports have consistently outshone last year's figures.

As more opportunities opened up for SA exporters in various overseas markets and previously clandestine deals became acceptable, machinery exporters would be able to take advantage of niche markets with underdeveloped engineering industries.

So said Breyer Development Services MD John Bell, who pointed out there were various developing and parallel developing countries (in engineering terms) that had small or non-existent engineering bases.

They were predominantly in the southern hemisphere, ranging from South America to Australia to South-East Asia.



Graphic: FIONA KRISCH Source: STANDARD BANK

The niche market SA exporters should be looking for were countries presently importing from developed countries like the US and Britain.

In South America Chile was an important client for SA, he said. It was a rapidly expanding economy with low import duties and a predominantly minerals based economy.

It needed mining and other machinery and SA equipment was ideally suited to the conditions prevailing in the country, he said.

Australia was a similar case with mining equipment similar to SA standards but local manufacturers did have a fair amount of protection.

The greatest concentration of demand, he said, was in the Association of South-East Asian Nations (ASEAN) countries where some of the fastest growing economies were working from an underdeveloped engineering industry.

SA could export cheaper products to the countries, with instances where SA equipment was half the price of other products, he said.

Their standards were very similar to SA's because they were both derived from British standards.

In July capital goods exports were 31% higher at R118,1m from R90,4m in July 1989.

The largest difference was in January, up 161,8% to R107,3m from R41,6m.

Imports decreased steadily this year, although they were still substantially higher than exports.

In the period January to July this year they were 5,8% lower at R6,36bn from R6,75bn in the corresponding period last year.

Other value-added sectors to have shown strong improvement were the vehicles, aircraft and vessels category — up 72% to R571,8m and the prepared foodstuffs, beverages, tobacco and manufactured tobacco substitutes category — up 18,6%.

(74)

DECIDUOUS FRUIT EXPORTS

FM 7/9/90

BREAKING THROUGH

A combination of positive political change in SA and a top-quality crop of record size has re-opened doors in Europe for local deciduous fruit growers, says Louis Kriel, MD of Unifruco, the industry's international marketing arm.

In West Germany, the industry's second biggest market after the UK, six of the eight supermarket chains that have boycotted SA fruit since 1985 asked Unifruco to start supplying them again earlier this year.

"Boardroom boycotts" in other countries are also easing and there are indications of a move in Scandinavia to lift government-imposed sanctions on SA fruit, he says. Government sanctions now prevent SA selling fruit in Scandinavia and North America, which represents 17% of the export market.

"The change in Europe is all the more remarkable considering the negative population growth in the region and relatively depressed consumer demand in recent years. But then the trend towards healthier living has worked in our favour."

Export earnings from SA deciduous fruit sales in Europe this year will top R1bn for the first time. It was reported recently that SA citrus would also earn more than R1bn on foreign markets this year.

Helped by the transformation of East Germany, Unifruco's sales in Europe will show their biggest increase in West Germany, Kriel says. But Unifruco's largest market is the UK, where it will sell about one-third of its products this year.

Since 1985 SA fruit has been a main target for anti-apartheid activists in Europe because of its high marketing profile.

FM 7/9/90 (74)

Kriel says Unifruco was able to ride out the storm because it supplies high-quality products and has good relations with the trade in Europe. This is due largely to an intensive lobbying programme that includes bringing trading partners to SA to see how the industry operates — and in particular its role in social investment programmes and its importance as a provider of jobs.

"But from February onwards the situation changed dramatically. The market was buoyant because of what was happening in eastern Europe and there was a new atmosphere towards SA because of what was happening here."

He says SA fruit is again able to command a premium for quality in Europe over its main competitors. When resistance to SA fruit was at its height, Unifruco had to drop prices to the same level as competitors to stay in the market. SA supplies 44% of all southern hemisphere deciduous fruit sold in Europe, including 52% of citrus and 58% of sub-tropical. The country's closest competitors are Chile with 18%, followed by Argentina and New Zealand with 12% each and Brazil with 7%.

About two-thirds of the locally produced deciduous fruit is exported. The re-opening of overseas markets and the increasing demand could affect the domestic market. "Urbanisation and increasing consumer demand mean we face a dilemma in allocating fruit to the different markets. But our policy is to maintain a good balance in market allocation in both quality and volume."

Since 1980, Unifruco's "first cornerstone of corporate philosophy" has been to encourage farmers to grow more. "We've never backed away from that, even when we lost the Scandinavian and North American markets," says Kriel ■

Proteas wilting before cruel cut

By DIRK TIEMANN

THE PROTEA, SA's national flower, which earned R25-million in exports last year, is wilting in international markets after transport subsidy cuts.

The value of State subsidies last year was R7,6-million — R3,2-milion for domestic transport and R4,4-million for the international legs. They have been cut to R3-milion — and next April they will be abolished.

About 2 500 tons of fresh flowers were exported by air last year. Western Cape producers' contribution was large, but they face a problem. S/Times 9/9/90

They need subsidised transport from Cape Town to Johannesburg to compete with producers in the Transvaal who are near Jan Smuts Airport.

The domestic transport subsidy, based on a rating system for all feeder airports to Jan Smuts, has been halved this year. The subsidy differs according to distance.

Barry Gibson, director of Mountain Range Flora, a protea and Cape greens exporter, says he now pays 38c a kg extra for transport from Cape Town to Johannesburg.

Abolition of the airfreight subsidy to Europe adds to producer costs. Mr Gibson says the 14c a kg subsidy his company received served as a cushion.

Delays (74)

"It partly covered our damage claims against international carriers which accept no liability for product damage through flight delays and other problems."

SA flower and fruit exporters face an EEC import tariff of 24% in the European summer and 17% in winter.

Mr Gibson says this winter's exports were the lowest on record because of resistance by importers faced with higher freight costs.

"We would like Cape Town to be a fully international airport because it offers a more direct route to Europe."

Cape Town and Durban also offer international flights, but only to London. Jan Smuts offers flights to other European and Far East destinations.

Fruit exporters face a similar dilemma. Most fruit can be shipped, but some cannot survive two weeks at sea. Air exports are also important early in the season, when it is vital that produce arrives in top condition.

This allows exporters to set a price for the rest of the season's crop which is carried by ship.

Steel tube exports expected to rise

Bo Day 13/9/90

EDWIN UNDERWOOD

THE export of steel tubes and pipes was expected to jump by 12% by the end of 1991 as government's new incentive scheme breathed new life into the market for finished product exports, Association of Steel Tube and Pipe Manufacturers of SA president Mike Gahagen said yesterday.

SA averaged 155 000 tons in exports of steel tubes and pipes a year for the five-year period from 1985 to 1989, and it was estimated that exports of 174 000 tons would be achieved for 1990 and 1991.

Exports constituted 27% of SA's steel tube and pipe manufacturing capacity of 550 000 tons, and were expected to take up 32% of this capacity by the end of 1991.

Gahagen said the industry was to commence its most challenging period in the export arena and had to continue to pursue its productivity drive and establish new export markets especially as the association was optimistic that the pressures exerted by American and European sanctions would be relaxed.

In this event, SA mills would be taxed to produce the additional volumes to be supplied to these major markets, he said.

Untapped

A spokesman for the association said the industry exported to the UK, Europe, the Middle and Far East, Africa, South America and the Indian Ocean Islands.

Gahagen said the major development that SA steel tube and pipe manufacturers achieved, when sanctions were imposed in 1986, was the penetration of previously untapped markets in Africa, Asia and elsewhere.

"We believe that if America and Europe were to be re-opened, we would not lose these now established markets for SA tube and pipe, but would continue to service them while re-establishing ourselves in America and Europe."

However, Gahagen said the industry would have to respond by conducting better market research and introducing new and better technologies and manufacturing procedures as well as downstream manufacturing to assume these new challenges.

"This may have to occur through investment in our existing SA consumer base, thereby assisting them to expand both their facilities and organisational structure to meet these challenges," he said.

Atech exports to soar

SI Times 16/9/90

TWO COMPANIES in the Atech group expectexports to soar in the 1990s.

Johannesburg based Uni-Power Handling exports UK-designed docking equipment to the UK Lift Company of Watford, with which is has a licence agreement.

Uni-Power sales director Allen Lotter says exports will increase when a single European market is established in 1992.

"The shipment of goods is highly mechanised at European warehouses for efficiency and labour saving. Our four-year-old arrangement with the UK company will ensure we enjoy new opportunities when that market opens up."

191 74

Potential

Rebar Equipment exports SA-designed bending and shearing machines to the US for use in construction.

The company has an association with Pennsylvania-based KRB Machinery, the largest supplier of this equipment in North America.

KRB recently expanded from its East Coast base to open an office in California It is developing markets in Australia and South America to increase Rebar's export potential

American rebar yards traditionally used mechanical bending and shearing equipment

"We introduced them to our electro-hydraulic machines incorporating sophisticated electronic controls developed by KRB The equipment is robust and extremely successful and most of the rebar yards in America now standardise on it," says Mr Lotter.

Frost proves boon for fruit farmers

BDay 17/9/90

(74) Fruit

LIZ ROUSE

THERE is strong foreign demand for Cape fruit as a result of the European crop from the past season having been affected by frost.

Consequently, export prices are particularly high and the industry is enjoying a good season, W B Holdings directors say in their comment on their interim results.

Industry selling initiatives on the international market had largely normalised trading conditions, resulting in additional opportunities for exporters. However, the local market had remained fairly static.

The firm's earnings slipped 38,2% to 21c (34c previously) in the six months to June mainly because of a lower contribution from its pelagic fishing division and a fall in dividend and interest income. The interim dividend was cut to 7c (9c). Turnover rose to R5,8m (nearly R4m).

W B directors predict earnings of 35c a share before extraordinary items for the year to December 1990. Fruit exports are expected to compensate for lower fishing profits.

United Fishing Enterprises, in which W B Holdings has a 9,18% stake, is budgeting for a reduced profit for the full financial year, partly because of slower sales.

SAA launches export drive

B10cm 21/9/90

MANDY JEAN WOODS

SAA has announced a campaign to make companies with the potential to export more export-conscious.

A three-pronged approach includes an Export Writers Award to encourage journalists to give more attention to export matters; the launch of a comprehensive export advice package developed with SA Foreign Trade Organisation (Safto); and the promotion of specific routes to lucrative markets in South America, the Far East and Africa. 74

In a speech at a gala banquet to launch the promotion yesterday, SAA CEO Gert van der Veer said the time had come for SAA Cargo to play a greater role in transporting goods quickly and efficiently to those markets opening up to South Africans.

Foreign exchange earned by exports could help fund vital social development programmes at home.

Cover for export deals

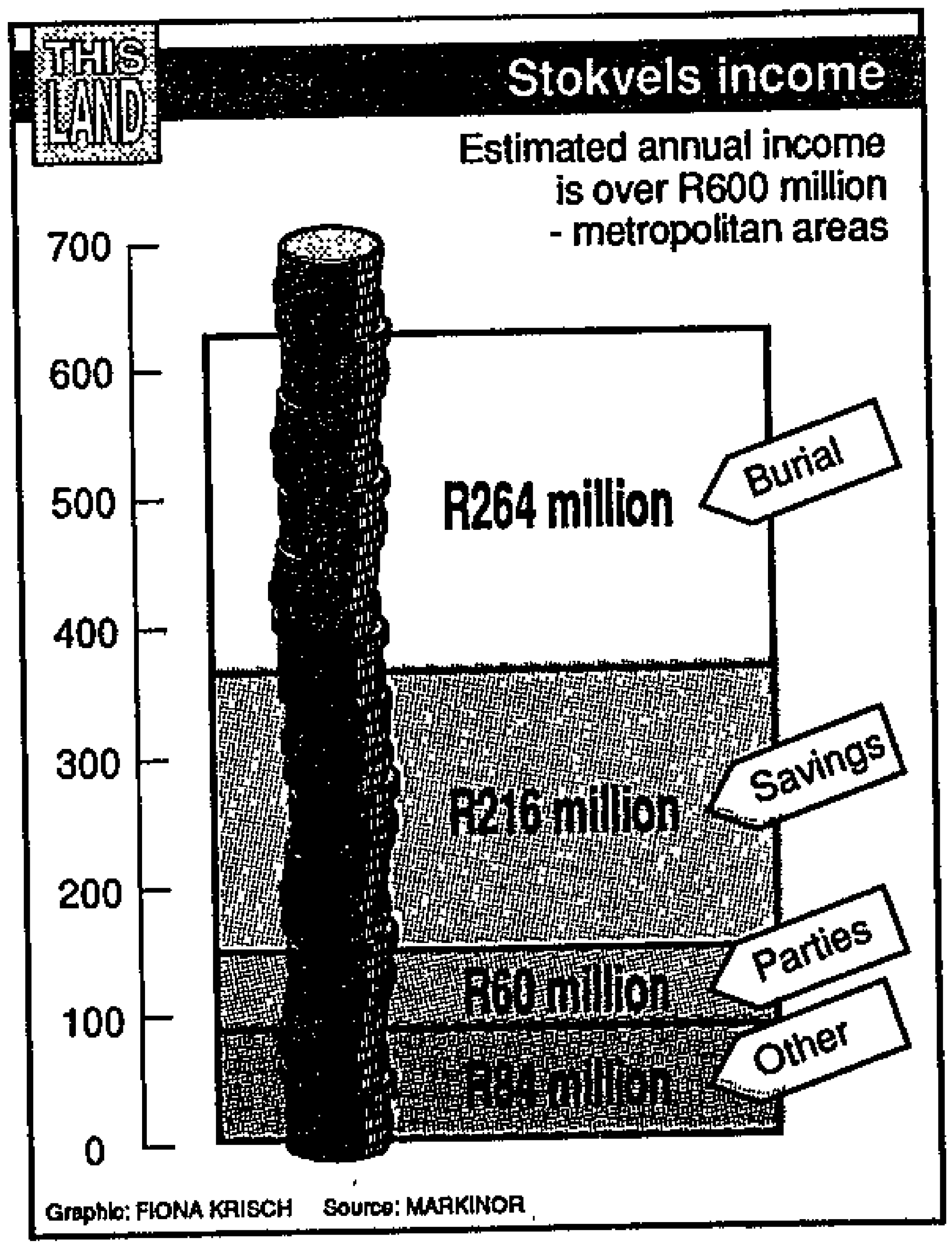
BDay 27/9/90

ZILLA EFRAT 74

CREDIT Guarantee Insurance Corporation (CGIC) has reopened its short-term cover to export credit transactions with Madagascar, Bolivia and Venezuela — countries on which cover was previously suspended.

Recent talks between the SA and Madagascan governments have created new opportunities for exports.

CGIC senior manager Gernot Kruger says: "We are now able to cover the political and commercial risks attached to such trade, but the acceptability of the commercial risks depends on the financial situation of the buyer in Madagascar."



WORLD CITY

Saldanha finds a R1 500-m platform for export success

AK643 1/10/90 (74)

By TOM HOOD
Business Editor

EXPORT inquiries for R1 500-million worth of oilfield equipment have flowed into Saldanha since the completion of the 14 600-ton platform for Mossgas.

It could mean 750 new jobs, mostly highly skilled and well-paid, for several years.

The inquiries come from South American and African countries and are for five platforms similar to the Mossgas one finished two weeks ahead of time and within a R300-million budget.

The Saldanha yard has gone all-out to seek export orders, according to officials of Genrec Offshore, the operating company.

A world boom in oil exploration has been caused by the Gulf crisis, which doubled oil prices in a few weeks and made a number of oil deposits payable for the first time. The low rand could also help South African companies undercut other countries.

First in Africa

The Saldanha platform was the first to be fabricated and assembled on the African continent. At its peak, the project employed 748 workers, 80 percent of them from the Western Cape.

Mr Bernard Smith, managing director of Mossgas, said the Mossel Bay project was now clearly commercially viable with world oil prices increasing to $40 a barrel

"We estimated Mossgas would be viable at a price above $25," he said.

"Mossgas will provide the cheapest cash-cost fuel in this country at any reasonable petroleum price"

He also estimated Mossgas would save the country R24-billion a year in foreign exchange, doubling earlier calculations.

Unifruco lifts earnings to record R1,4bn

CAH Times 4/10/90

74

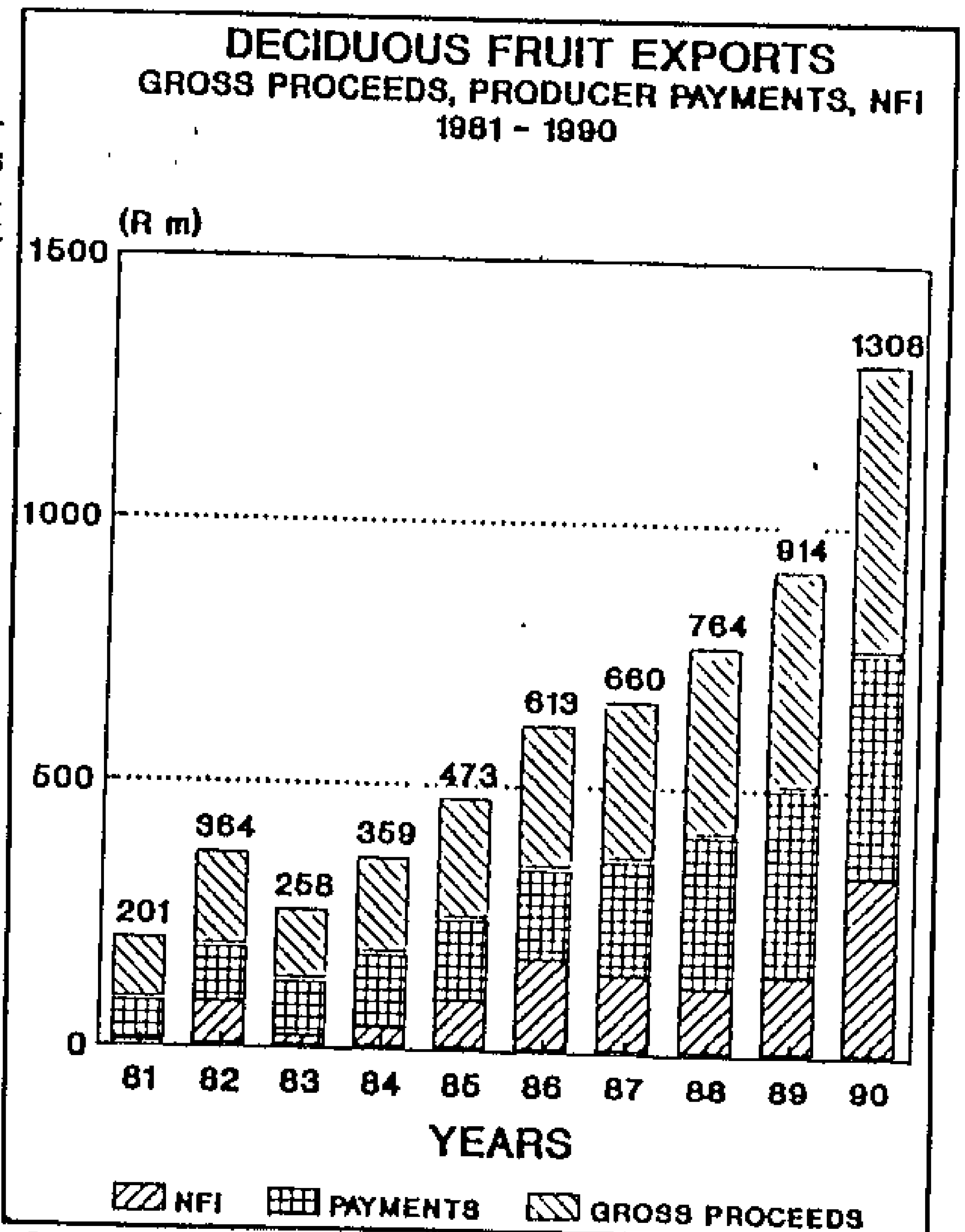
By AUDREY D'ANGELO
Business Editor

WESTERN CAPE deciduous fruit growers have again achieved record gross export earnings. The Financial Mail reports that, thanks to an improved political and trading climate overseas — and an exceptionally good crop — gross export earnings by the the farmers' international marketing company, Unifruco, increased by nearly R400m to a record R1,3bn in the past season.

This is the eighth year in succession that gross earnings have risen, regardless of sanctions and fluctuations in the rand.

Last year they rose to R914m from R764m in 1988 and R660m in 1987.

They are expected to be even better in the current year, with the opening up of new markets in Eastern Europe and the expected lifting of sanctions.



But a 43% rise in gross profits and a bigger pay-out to farmers does not necessarily mean higher net profits. Growers point out that rising costs and wages are eroding these every year.

And higher oil prices will mean bigger freight bills.

However, the 43% rise very comfortably outstrips inflation and is more than can be accounted for by exchange rate weakness.

The Financial Mail quotes Unifruco chairman Leo Fine as saying that improved perceptions of SA in Europe mean fruit from this country is again judged solely on merit.

This has allowed more aggressive marketing, and changes in Eastern Europe have opened up new markets.

Unifruco MD Louis Kriel says that the export market for fresh fruit will continue to expand.

He forecasts that deciduous fruit production in SA will grow by more than 50% in the next four years, providing more jobs.

But he points out that the Middle East crisis will push up the cost of distribution.

He believes that prejudice against buying SA exports will disappear as the full implications of reform are understood overseas. But he expects the already growing competition from South America to increase as the potential of new European markets attracts more producers.

Detailed results of the last season will be announced to growers at Unifruco's annual meeting in Stellenbosch today, when prospects for the current year will be discussed.

Farmers' boost for SA

Cape Times 4/10/90

74

Finance Staff

FRUIT exports from farmers in Boland during the past deciduous fruit season have helped boost South Africa's foreign exchange earnings.

This year fruit farmers' exports netted the country R1,3 billion — 43% up on the previous season's R914 million.

The farmers sent 33,6 million cartons of fruit out of the country, an increase of 12% on the previous season. The growth confirms the increasing international acceptability of the major South African export market.

Report — Page 9

Agricultural exports net SA R1,75bn

LESLEY LAMBERT and GERALD REILLY

THE past season's deciduous fruit exports, coupled with the 1,5-million ton surplus from the 1989/90 maize crop, has netted the country about R1,75bn in foreign exchange.

This figure consists of R1,3bn — 43% up on the previous season's R914m — raised by fruit exports and R450m from the maize surplus.

(74)

Already, R767m (R501m last season) of the R1,3bn has been paid out to producers.

This record performance was achieved on a 12% growth in sales volumes from 30-million cartons of fruit last year to 33,6-million this year.

The growth in fruit earnings confirms the increasing international acceptability of the SA export market, while the 53% growth in producers' gross income indicates that foreign distribution and marketing costs have been kept under control.

But producers' net earnings have once again been hammered by domestic inflation and local production and packaging costs. B|Day 4|10|90

Unifruco, the industry's international marketing company, estimates that the net earnings of the producers of a number of the fruit varieties were actually lower than before in real terms as a result of rampant domestic costs.

Unifruco chairman Leo Fine attributed the growth in gross earnings largely to the achievement of better unit prices in export markets, but said that the increased volume and quality of the crop, coupled with foreign exchange benefits, had also contributed.

Unifruco MD Louis Kriel recently pointed out that on a macro level, major factors for an improved performance were the opening up of Eastern European markets and an improved political climate.

Gross earnings of apple producers, who had been through some tough competitive trading years, grew by 51% to R657m, even though volumes declined by 3%.

The gross earnings for grape exports increased by 32% to R320m on 19% volume growth, in spite of some rain-related prob-

□ To Page 2

Agricultural exports

(74) □ From Page 1

lems experienced by producers in the Hex River Valley region. Pear earnings increased by 38% to R249,8m on 29% volume growth and stone fruit earnings grew by 43% to R71,3m on 27% volume growth.

Kriel said that while the export market for fresh fruit would continue to grow, greater competition could be expected from South American countries which were also targeting new opportunities in Europe.

On the maize side, the export programme which led to the bumper R450m earnings figure would run until next year, the Maize Board said.

Until end-July, international market prices were about $124 a ton.

B Day 4/10/90

However, an above average US crop has raised world supplies with a consequent dip in the price to less than $100.

On the eve of planting this season's crop, the Maize Board's projected prices range from R321 for a 7-million ton crop to R267 for a large 10-million ton crop.

Nampo economist Kit le Clus said he expected input costs to rise by about 13% during the coming season.

The comparatively low input cost escalation was due mainly to cash-strapped farmers cutting back on inputs and the fact that the crop was expected to be planted over a record small area of 3,1-million hectares.

Nampo estimates planting and growing the new crop will cost farmers about R2bn.

Citrus industry set to pass R1bn mark

Cape Times 5/10/80

74

By PETER DENNEHY

THE Southern African citrus industry's total overseas gross income is about to exceed the R1bn mark for the first time.

Mr Arend Venter, general manager, operations and finance, of the SA Co-operative Citrus Exchange Ltd, disclosed this yesterday soon after Unifruco — which deals with deciduous fruits — reported that Western Cape fruit farmers had boosted South Africa's foreign earnings by R1,3bn.

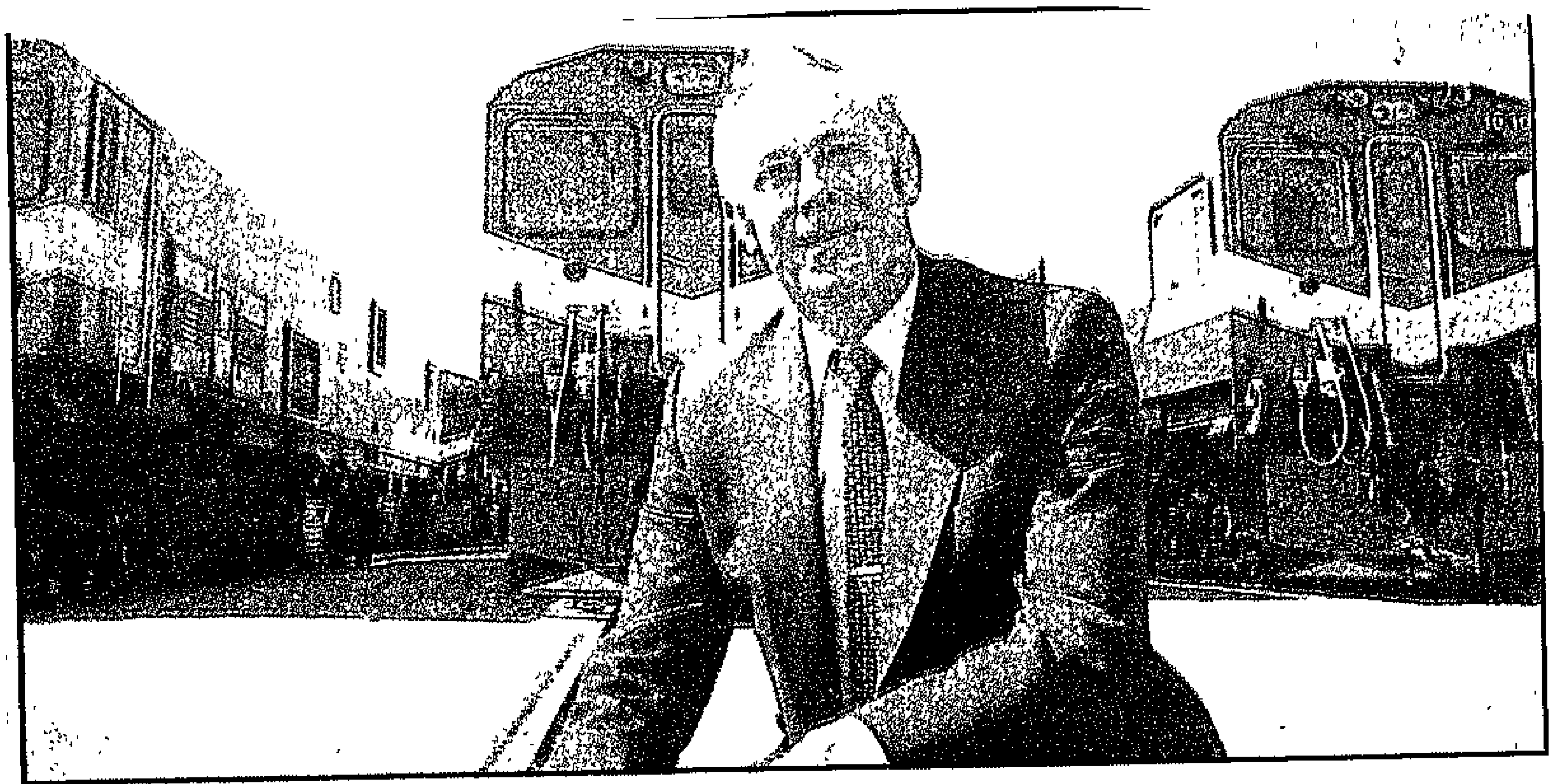
Packing of citrus would continue until the middle of this month in the Cape, while it had already ended last month in the Transvaal, Natal, Zimbabwe, Mozambique and Swaziland, he said.

This year's total Southern African citrus crop was 52 million cartons, of which 30,3 million would be exported.

"The early varieties have had a relatively good sales season," Mr Venter said, adding that as long as the current "relatively buoyant market conditions" prevailed, the citrus industry's overseas income would exceed R1bn.

Citrus fruits were selling at fairly high prices this season, and growers had received higher payouts, but production costs had increased, he said.

On average, 60% of any citrus crop was exportable, and this section brought in 92% of the industry's income. Locally sold fresh fruit took up 15% of production, but generated only 6% of income.



FULL STEAM AHEAD ... Bob Bingham of Union Carriage Picture: COBUS BODESTEIN

African trade grows

Business Times Reporter

S Times 7/10/90

SA trade with Madagascar took off last week with the first of two shipments of fertiliser leaving Durban harbour.

(74)

The shipments, of 5 000 tons each, are from C&G International."We believe this is only the beginning of long-term trade with Madagascar.

"Apart from the second shipment due to leave in the middle of October, we are negotiating the export of a variety of capital goods and consumer products," says Jacob Wessels, a spokesman for the company. Trade with African countries is increasing, he says.

Countries such as the Ivory Coast, Togo, Zaire, Zambia, Zimbabwe, Malawi, and Mauritius are increasingly importing from SA.

Maize export earnings set to plunge

6104 7/10/90

ACHMED KARIEM

SA would earn R1bn less in foreign exchange from this year's maize crop, Maize Board MD Hennie Davel said yesterday.

'The country would earn R350m from maize exports, he said, compared with last year's earnings of R1,4bn.

"The reasons for this are a smaller exportable surplus (1,3-million tons against 4,2-million tons last year); a lower world price of maize compared with that of last year (at present $100 a ton against $120 a ton last year); and the stronger rand/dollar exchange rate," he said

Davel said a large maize crop meant higher earnings for SA. 74

However, as export losses were carried by the maize producers, large surpluses meant lower prices per ton to the farmer.

He said 7,4-million tons were delivered to the Maize Board against last year's 10,6-million tons, primarily because of a lower yield and a less favourable climate.

The US was expecting a bumper crop of 206-million tons, while the Soviet Union had experienced a good crop and would import 8-million tons less.

Yellow maize for exports currently sold for R256 a ton, while on the local market yellow maize sold for R342 a ton (net), he added.

Local firms seek foothold in Europe

LESLEY LAMBERT

AN INCREASING number of SA manufacturers are positioning themselves in tax-sheltered offshore bases to ensure a foothold in the EC before 1992.

Export companies in other countries began establishing European links during the 1980s in anticipation of new trading opportunities, but political considerations and sanctions inhibited similar action by SA companies.

An increasingly acceptable political environment has encouraged foreign countries on the lookout for new investment to start marketing to SA exporters.

Since March this year, a Madeiran company has been discreetly marketing the Portuguese island's 120ha industrial free trade zone which offers foreign investors trade incentives, a zero tax rate until 2011 and access to growing European markets.

Property group J H Isaac's international division, in conjunction with Pivotal Projects, recently secured a 50-year lease on 150 000m² of industrial land in the Madeiran trade zone which it is developing into an industrial park with self-contained units of between 250m² and 9 000m².

According to JHI special projects broker Billy Rautenbach, 17 000m² of the area has already been signed up by SA manufacturers of building supplies, pharmaceuticals, wooden furniture, household appliances and plastic piping. A further 50 000m² is being negotiated.

Luiza Pestana, a manager of the Madeira Development Company which is marketing the Madeiran free trade zone, has attracted two SA companies to the Portuguese island.

David Graham, an assistant GM at the SA Foreign Trade Organisation (Safto), says SA exporters are also considering Spain, Portugal, Malta and the Isle of Man, all of which offer some form of incentive.

"SA companies are no longer looking at offshore operations to avoid SA origin sourcing. They are now doing it for strategic reasons — to get a foothold in the expanding European market before 1992."

Many of the local companies which establish offshore bases use them as final assembly operations for products which are partially manufactured in S.

Other companies establish licensing or subcontracting agreements with foreign operations.

Africa affording more opportunities for business

(74)

Star 25/10/90

By Duma Gqubule

The rapid opening up of Africa and the re-establishment of direct links between South Africa and the rest of Africa holds great promise as well as challenges for the South African business community.

Mr Wim Holtes, chief executive officer of the South African Foreign Trade Organisation (SAFTO) said in Johannesburg yesterday that Africa was now a major recipient of official development funding ammounting to as much as R40 billion a year.

"Even a modest share of this flow of development assistance would provide South African contractors, engineering companies and consultants, as well as South African supporting industries with substantial business opportunities," Mr Holtes said.

Current South African exports to Africa were well over R5 billion a year and growing at the rate of 40 percent a year.

Mr Holtes said South African companies had a competitive advantage in delivery times, low costs, familiarity with working conditions and labour force and similarity of agro-industrial, mining and infrastructural expertise.

He said SAFTO had undertaken a major multi-exporter study into business opportunities available through international aid programmes and well over a hundred South African business groups were involved.

Seardel group sees exports rising to R50m

By AUDREY D'ANGELO
Business Editor

NINJA turtles — action dolls based on the cartoon figures, which are currently the most popular children's toy — are helping to push up profits for the Seardel group.

Executive chairman Aaron Searll said at the annual meeting yesterday that its toy division, Prima Toys, had secured sole distribution rights for Ninja turtles in SA.

"Unbelievable" demand for the turtles had boosted Prima Toys' turnover by 20% so far this year and was expected to push it up by another 20%.

But most of Seardel's profits come from clothing, which accounted for 77% of group turnover and 72% of operating income in the year to June 30.

Searll reported that group turnover of R261,8m for the first three months of the current year was 14,8% higher than in the same period last year.

However, tightly squeezed margins mean that profits have not risen in proportion to this. Searll said estimated group pre-tax profit for the quarter was "on a par with last year."

The group reduced its borrowing ratio to 75% of equity by June 30, compared with 110% the year before.

Advising a further reduction, the chairman of the Shareholders Association of SA, Issy Goldberg, said the borrowings were the reason the share traded at only 230c when its net asset value was nearly R5.

Congratulating the directors on keeping dividends low in order to plough back profits, Goldberg said that if they continued to do this the share was "one of the cheapest in the country.

"This company is poised to become one of the major players in this country, provided it reduces its debts.

"Dividends will come when the gearing is reduced," he promised, comparing finance charges of R30,2m in the past year to "a kick in the solar plexus".

Goldberg pointed out that of every rand received by the group, only 2,75c was profit — from which dividends had to be paid to shareholders. He suggested that this should be explained to the workforce.

Discussing clothing exports, Searll said they had earned R35m for the group in the past financial year. This was 5% of total sales.

"This year we are expecting exports to top R50m. We aim to increase it to R10% of turnover in the longer term."

Some exports were already going to African countries. And Eastern Europe was a possible market in the future. But at present the clothing exports were targeted mainly at Western Europe.

Searll said he did not expect the world-wide economic downturn to affect the company's export plans. "That market is so vast that R50m is only a tiny part of it."

Star 26/9/90 (74)

Seardel turns to exports as local clothing market shrinks

By Maggie Rowley

CAPE TOWN — Seardel Investment Coroporation is aiming to double exports within the next 18 months, chairman Aaron Searll said yesterday.

Clothing exports brought in R35 million for the group — five percent of total sales — in the past financial year, he told shareholders at the group's annual meeting.

"This year we expect exports to top R50 million and are aiming to increase this to 10 percent of sales in the longer term," he said.

While the group concentrated on sophisticated markets, particularly in Europe, the rest of Africa presented export opportunities and a few countries had already been targeted.

In spite of extremely difficult trading conditions, group turnover for the first three months of the current financial year showed a 14,8 percent increase over last year at R261,8 million.

Estimated group pre-tax profit for the first quarter was on a par with last year.

The toy division and the electronics division were both performing excellently and had increased market share.

Chris de Bruin, chief executive of the Sharp Electronic division, said that although the consumer electronics industry was having a hard time, it had capitalised on the fact that many of its competitors were in complete disarray.

"We have increased our market share considerably and in spite of many of our competitors having a torrid time we are looking to tremendous growth in turnover and profits for the current financial year."

Aaron Searll . . . difficult time for clothing division.

Mr Searll warned that the current financial year would be extremely difficult, especially for the clothing division, which accounted for 72 percent of group turnover.

As a result budget forecasts for the group — an 11 percent increase in turnover to between R940 million and R1,1 billion and a five percent increase in profit to between R43 million and R47 million — were purely an indication.

Earnings a share for the past financial year were 101c. A final dividend of 14c (13c) brings the total payout to 22c (21c) for the year.

Mr Goldberg said the relatively low dividend had no doubt contributed to the unattractiveness of the share in investors' eyes.

Mr Searll said interest-bearing debt was slashed by R27 million to around R90 million during the year, resulting in finance charges of about R30 million.

AFRICAN TRADE (74)

A PREMIER CHALLENGE

Crumbling transport systems, scarce convertible currency, miserable consumer buying power — the pitfalls of trading with Africa are well-known. FM 26/10/90

As Premier International CE Albert Nelissen puts it: "You can lose a fortune in trading in Africa. You need strict control over cash flows and inventories. Quick deals do not work — you must go in and stay in the market. The best solution is to have your own people on the spot."

(74)
FM 26/10/90

Premier dived into the intimidating African market in 1982 and, where other companies have foundered, the Johannesburg-based food conglomerate has succeeded. Premier's experience holds valuable lessons for other SA companies now taking the plunge as political reform at home generates vastly expanded opportunities elsewhere on the continent.

Nelissen

Even before February 2, Premier's African trade was booming — in 1987 it jumped by 82% in value over the year before, in 1988 by 58%, last year by 66%, and so far this year by a further 82%. (Nelissen won't disclose the total volume or value of Premier's African trade.)

Moreover, new markets continue to open. "While trade with southern African states grew strongly since February, over the last few months a completely new atmosphere has been visible in our relations with the rest of Africa," he says. "Countries as far afield as Ghana and Egypt now show interest in buying from us."

Nelissen says Premier's secret in trading with Africa lies in "doing everything ourselves" — not through third parties or agents. The group's trade relations, he notes, involves not only selling consumer goods in African markets, but also joint venture investments, takeovers and management

FM 26/10/90 (74) **BUSINESS**

agreements. In addition, by restricting its African trade to essential commodities such as food, building materials and pharmaceuticals, the group has had no trouble in getting paid.

But where does the buying power come from? Nelissen says a successful African trade requires investing in local business ventures to create both local currency and foreign exchange reserves. This also provides a ready market for exports.

In Zaire, for example, Premier has just obtained timber concessions over 2m ha of virgin forests from local public corporations. Sawmills will be built and finished wood products exported, which will raise both local currency and foreign exchange — buying power for imports from SA. Zaire is Premier's largest African export market, followed by Mozambique, Zambia, Malawi and Angola.

In Mozambique, Premier has established innovative harvesting schemes involving timber, cashew nuts and copra, a coconut product. In addition, Premier has set up six depots across Mozambique and stocked them with consumer goods and basic foodstuffs for sale to the 450 000 dependants of Mozambican mineworkers who work in SA. The goods are paid for in rands deducted from the mineworkers' wages.

Nelissen believes strongly that SA should concentrate on developing the 150m-strong southern African market. "There is enormous potential for expanding trade relations between SA, Mozambique and Angola once the wars in these countries are resolved." Angola, he notes, offers the potential for barter trade in valuable commodities such as oil, coffee, diamonds and timber.

SA's improving political image is only one reason for the improvement in African trade links. African countries are being forced to deal with SA, Nelissen says, because aid and credit handouts are drying up as the end of the Cold War diverts the attention of the superpowers to the markets where their money can go furthest.

"The trouble is that Africa has a bad image as an investment market — poor economic growth and weak financial management have led to disillusionment with the continent's economic future," he says. "The world is disinvesting from Africa — and even world bodies such as the International Monetary Fund would prefer to channel their aid for Africa via the private sector in SA." ■

(74)

COMPANIES

Monatic aims to beat local slowdown by boosting exports

BDay 30/10/90

LESLEY LAMBERT

CAPE TOWN — Cape-based clothing company House of Monatic is aiming to boost its export volumes to up to 18% of annual turnover, thereby offsetting the slowdow in local demand, says MD Doug de Jager.

Commenting on the company's interim results, in which earnings declined to 8,7c a share (11c), De Jager said House of Monatic started exporting 18 months ago.

It hoped to boost volumes gradually to between 10% and 18% of annual turnover.

A combination of new opportunities in European markets, the expected ending of sanctions and inadequate local demand, had encouraged a number of other Cape manufacturers and wholesalers, including Seardel, to increase their export efforts.

House of Monatic's turnover for the first six months of the year to end-August increased by 39,2% to R36,5m, while operating income grew by 38,4% to R4,6m.

The pre-tax operating margin remained unchanged at 12,7%.

But increased finance charges, and a tax payment which had not been required in the comparative period last year, whittled attributable earnings down to R2,8m (R3,6m), or 8,7c (11c) a share.

No interim dividend was declared.

De Jager said that while forward orders for the summer season were satisfactory and production was on schedule, orders for the 1991 winter season were relatively slow as a result of declining retailer confidence.

He said he hoped an improvement in export orders and strict management of cost and working capital would help to offset the effect of the economic decline during the remainder of the financial year.

Star 30/10/90 (74) BUS

World hotel chain buys SA software

A R6,5 million contract for locally developed software and hardware has been awarded to Pretoria computer company Astro Technologies by one of the world's largest hotel chains.

Astro, a wholly owned subsidiary of DMS Computers, is to provide the software and equipment to Prologic, the data processing arm of the international French-based hotel chain Accor.

DMS managing director Mel Cunningham said his company had signed a three-year agreement to supply its Astrotel hotel management package and Astro computers for installation by Prologic in 458 hotels around the world.

Prologic had also acquired a licence to sell the software and equipment to French-speaking countries worldwide, and a licence to install 600 Astropos restaurant management systems.

"The R4 million hardware contract makes DMS the only local company to export computer hardware. The ultra-slim desk-top Astro computer is 100 percent SA designed and manufactured."

The Astor group owns 1 360 hotels in 26 countries and has an annual turnover of $19,2 billion.

In the next financial year, the chain will open a new hotel every three days.

Antoine Medawar, international marketing director of Prologic, said: "To set up Astrotel in the 458 hotels within the stipulated three-year contract period, Prologic will have to carry out one installation every two days starting on November 10 this year.

"The system is easy to install, so we should manage it comfortably."

Prologic investigated software packages developed by vendors from many parts of the world.

"Astrotel was up against some tough international competition.

Impressed

"We chose it because we were impressed by the system which is easy to install and operate, yet provides extensive information in the form of advanced management reports."

Mr Cunningham said Astrotel was a comprehensive package designed to manage medium-sized hotels of 190 rooms or less.

It was tailor-made for the industry which experienced frequent staff changes and lacked sufficient time for staff training. It was easy to use and was intended for people without previous computer experience.

The Astrotel system will be promoted at the New York and Paris hotel shows in November. — Sapa.

State President's Export Awards

A Star survey

STAR 6/11/90

Sanachem takes prize in services

Agricultural products manufacturer Sanachem has been named the winner of the State President's Award for Export Achievement in the services sector.

Sanachem, a subsidiary of JSE listed Farmag, exports a range of generic chemical products, including agricultural pesticides, and provides a range of services to its sister companies and foreign customers.

Based at Verulam outside Durban, the company's exports have more than doubled during the past three years, says export manager Colin Foster.

With markets established in South America, Africa and the Indian Ocean Islands, he says export achievements are particularly notable as progress was made against strong rivalry from overseas-based multi-nationals.

"Keen pricing, top quality generic products and special packaging are some of the factors which have helped us to notch up a list of successes," says Mr Foster.

Noting that exports to year-end February 1990 totalled R39 million, he expects a marginal increase this year despite a slowdown in most economies worldwide.

Sanachem, which assists its four sister companies in the Farmag group with their exports of machinery to pharmaceuticals, provides its foreign trading partners with a local shopping service for quality goods at the best prices available.

As part of its ongoing international thrust, Sanachem has established sales offices in four countries this year.

Another initiative has led to its products being subjected to overseas field trials.

Star 6/11/90 (Boletus) (74)

Wild mushrooms prove a winner

A small company based at Amsterdam in the Eastern Transvaal has displayed great enterprise in finding overseas export markets for all the wild mushrooms it gathers and processes.

Boletus Mushrooms, owned by Aldo Gallino, has won a runners-up award for its export achievements.

Operating out of a factory close to the Swaziland border, the company gathers wild mushrooms throughout forest areas of mainly the eastern Transvaal and a few areas of Natal.

The entire seasonal pickings are exported to Europe.

According to Mr Gallino, his company obtains picking rights from landowners in various districts and pays them according to the quantity reaped.

So successful has its overseas marketing venture been that the value of mushroom exports increased to R4,5 million at year-end February 1990, compared with R2,4 million the previous year.

After gathering and transporting to the factory in refrigerated trucks, the mushrooms are either dehydrated, frozen in nitrogen or cooked and preserved. The produce is then packed and sent abroad by sea or air.

So consistently successful has exporting been that Mr Gallino is looking at new markets on other continents and is seeking additional picking areas in the Transvaal to meet the expected increase in demand.

Star 6/11/90

Saflec impresses foreign market

Hi-tech security equipment manufactured by Johannesburg-based Saflec has impressed international organisations, including a number of embassies, police forces and military units abroad.

According to Saflec CE Bill Young, the company's export drive in the past three years has resulted in exports increasing 1 200 percent.

"While this was off a low base, exports increased 243 percent and accounted for 52 percent of total production at year-end February 1990. In 1989 they were up 496 percent on the previous year," he says.

Saflec's export achievements have earned the company a runners-up merit award in the manufacturing category.

Claiming almost 100 percent local content, the company's series of walk-through metal and bomb detectors and various other specialised hi-tech equipment are used to detect concealed weapons, precious metals and high value items.

The equipment and its capabilities have been sold to various business organisations, foreign embassies and police forces of several countries. All of SA's embassies have also installed certain equipment supplied by Saflec.

Mr Young attributes export success to the quality of its products which he claims rank with the world's best and company marketing strategy.

Export strategy includes displaying equipment on major exhibitions held annually in Europe, the US and Far East.

Samancor's foreign earnings hit R1,6-bn

By Lynn Carlisle

Samancor MD Hans Smith says increased volumes arising from progressive marketing contributed to improved export earnings.

From an export base of R723 million at year-end June 1988, chrome, manganese and alloys producer Samancor boosted foreign earnings to R1,65 billion in its financial year ending June 1990.

Presented with the State President's Award for Export Achievement at a banquet held in Johannesburg last night, Samancor MD Hans Smith says increased volumes arising from progressive marketing contributed to improved export earnings.

In recent years Samancor, the world's largest producer of ferro-alloys and ferrochrome and the second largest supplier of ferromanganese, was well prepared to take advantage of growing international demand for these products.

Courage

Mr Smith says Samancor had showed the courage of its convictions by investing substantial amounts to upgrade and expand its production facilities at times when certain economic indicators suggested such investment was risky.

This strategy had paid off handsomely, particularly where the largest investment was made in providing two new ferrochrome furnaces at the Tubatse Division of Samancor Chrome Limited.

Over a two-year period Tubatse, the recipient of this year's State President's past winner merit award in the mining sector, improved annual production from 180 000 tons to 300 000 tons. It also increased the strength of its work force by 25 percent.

He says the Samancor group had trained and established a hardcore team which was able to increase sales volumes of ores and alloys in the face of strong international competition.

"We succeeded in clinching new, first-time business in certain smaller countries while simultaneously boosting sales volumes in markets where we have been regarded as reliable suppliers of strategic products," says Mr Smith.

Unfortunately, world economies are less buoyant this year and demand for ferrochrome has eased considerably. The prospect of protracted conflict in the Middle East was also doing nothing to improve economic outlook.

While Samancor does not forsee its export performance matching that of 1989, it remains one of the most competitive suppliers in the world.

"Still, we expect to hold our own in the current situation, despite growing international competition," says Mr Smith.

Star 6/11/90 (74)

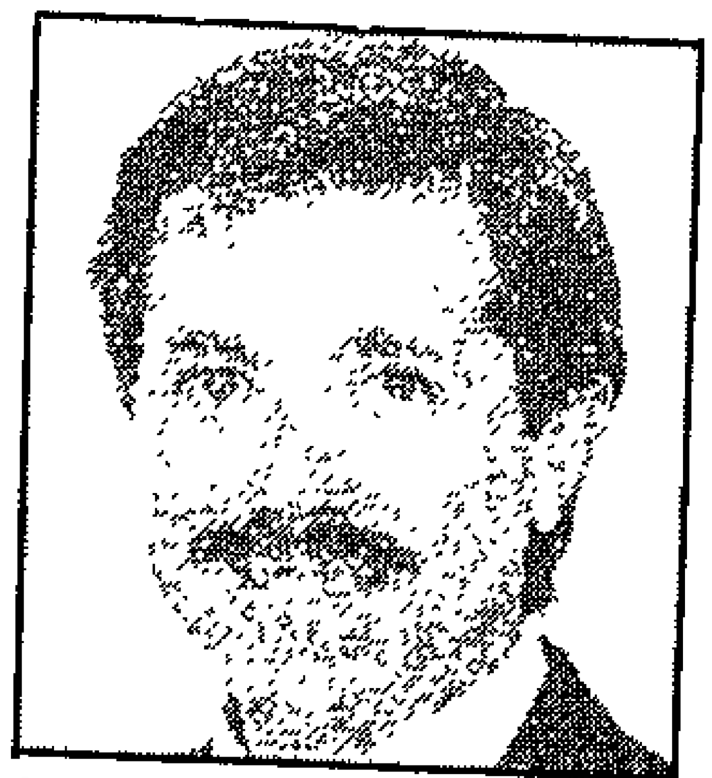
Sanctions can't stop KWV

Sanctions dealt a damaging blow to the SA wine industry over the past decade, but KWV adapted its strategy and created 10 new markets under adverse circumstances.

This achievement has earned KWV a runners-up merit award in the agricultural sector of this year's State President's Export Awards.

KWV chief marketing executive Jannie Retief says exports for calendar 1989 increased by 94,1 percent over 1988 exports, which in turn were 22,1 percent higher than the previous year.

When traditional markets were wiped out with the imposition of sanctions, KWV brand products took a low profile over most of the 1980s. Then to compensate, bulk exports employing mainly unidentified products were introduced.



Jannie Retief . . . KWV chief marketing executive.

In the process a dramatic growth in exports was achieved, so that KWV has increasingly been able to market products which realise a higher income than distilling wine.

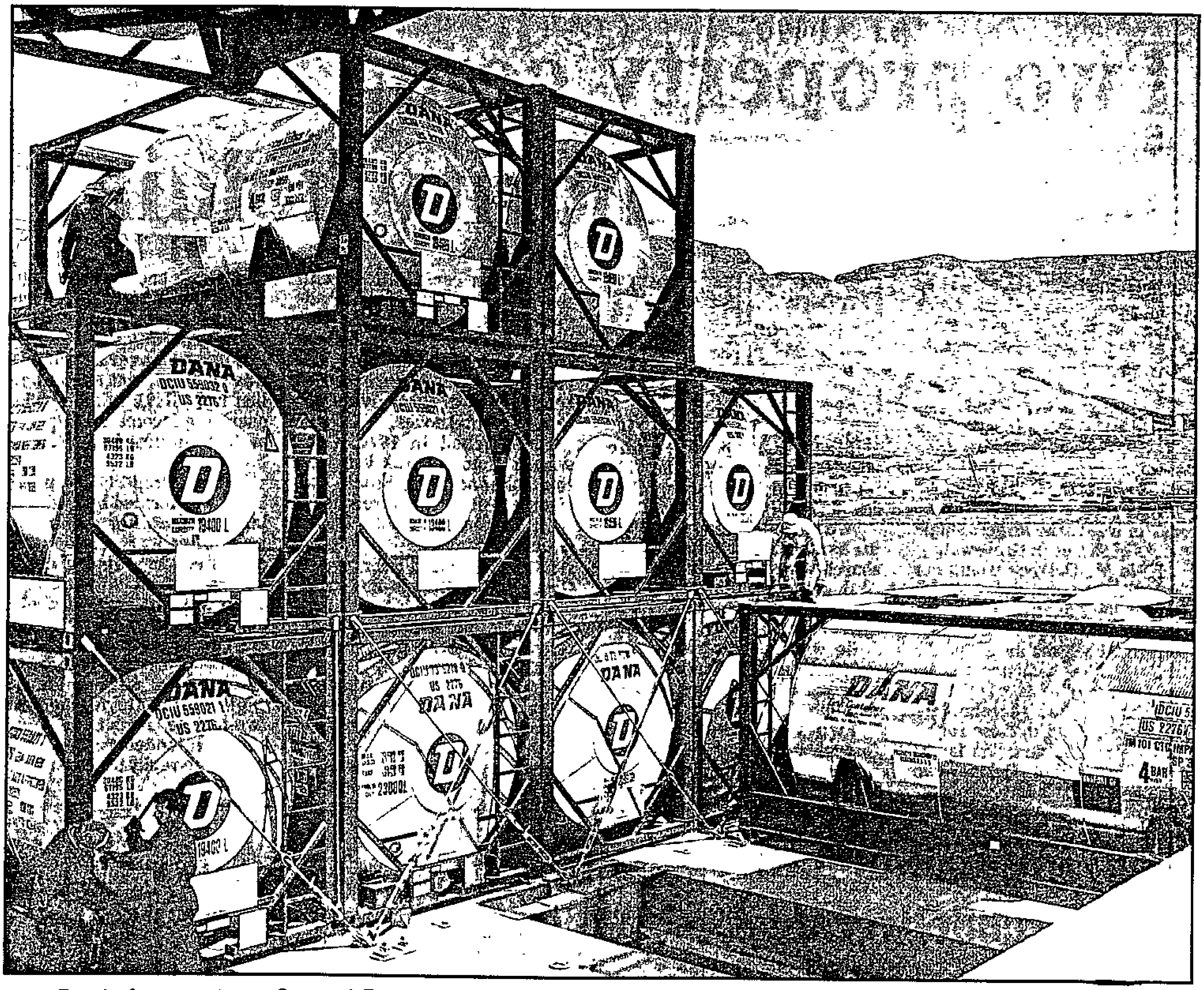
Mr Retief says that in 1988, the entire wine industry was only able to export one million litres of white wine.

"KWV, which until then had no experience in shipping such a complicated cargo halfway around the world, was able to build up markets and gain the technical know-how to be able to export more than 20 million litres of bulk white wine.

"All this has contributed to keeping the wine industry on a sound footing," he says.

Initially KWV sold bulk wine spirit, but because of the low returns on this product it decided to look at other ways and means of improving revenue for the South African wine farmer.

These included the establishment of a grape juice concentrate plant at Robertson, which has been expanded to such an extent that it now operates throughout the year.



Ready for export . . . Consani Engineering's tank containers aboard ship in Cape Town's Table Bay harbour.

Star 6/11/90 (74)

Quality key to Consani's success

By Lynn Carlisle

Leading tank container manufacturer Consani Engineering has won the top export award in the manufacturing category, having substantially increased its exports against stiff international competition.

The adjudicating committee of the State President's Award for Export Achievement recognises the company's sustained successes in exports to the US and Europe over the past three years.

Exports increased 71 percent in the year ending June 1989 compared with the previous year, and rose another 153 percent in year ending June 1990, notes Elsies River-based Consani Engineering MD Ian Bell.

He ranks Consani as the world's second largest manufacturer of stainless steel containers, used primarily for transporting hazardous and non-hazardous substances.

"Our estimated world market share of 17 percent comprises 60 percent of total manufacture."

Exports for the year ending June 1990 were valued at about R53 million, he adds.

Competition

Consani has made a significant contribution to SA's overall exports in the face of stiff competition from abroad and the refusal of certain overseas countries to trade openly with SA manufacturers.

Mr Bell believes his company's well-engineered product, which incorporates some 80 percent local content, is recognised internationally as one of the best available.

Although the low-value rand has assisted exports, the company's success stems mainly from product quality and its excellent and sustained back-up.

Thus not only do containers meet stringent British official ISO standards, but the company ensures that specialist staff travel regularly abroad in order to attend to customer needs.

"Our staff compliment of 720 has played a phenomenal role in both the manufacture and marketing of products for the export and domestic markets," says Mr Bell.

Operating on a multi-shift basis and employing a "just in time" manufacturing system, Consani produces four containers a day, the majority of which are made from stainless steel supplied by Middelburg Steel & Alloys.

R600m drop in farming exports expected

74

GERALD REILLY

PRETORIA — The value of agricultural exports this year will decline by more than R600m compared with the sector's record foreign exchange earnings last year.

Official Agriculture Department estimates put the value of this year's exports at R5,1bn.

The main reason for last year's record R5,7bn foreign earnings was the high level of wool prices internationally and a huge maize crop of 11,5-million tons which left a surplus of nearly five-million tons for export.

Wool prices have dropped by more than 15% this year because of world oversupply. Foreign earnings in the January-October period totalled R449,6m.

B10ay 8/11/90

The 1989/90 maize crop was down by nearly 3,5m tons, leaving a small export surplus expected to earn about R340m.

This compares with foreign earnings of R1,4bn the previous year.

Sugar earnings are also down. An SA Sugar Association spokesman says exports are expected to earn R559min the current trading year compared with R698m in 1989.

However, total foreign exchange earnings have been strongly boosted by a big increase in the value of fresh deciduous fruit shipped abroad — up by more than 40% from R920m 1989 to an estimated R1,337bn this year.

74

Sub-tropical success for Tvl exporter

Upping exports of sub-tropical fruit by 2 500 percent over a five-year period has earned Tzaneen-based Wayland Green Exports top honours in the agriculture sector of the 1990 State President's Award for Export Achievement.

From a modest beginning five years ago, when it exported 800 tons of sub-tropical fruit, Wayland Green currently sells 20 000 tons abroad valued at R38 million.

"I believe the reason for our success to date can be ascribed to a number of factors," says Wayland Green group MD Nino Burelli.

"Primarily we are a strong team, have all the same values, believe strongly in the production of quality products and in servicing our clients to the best of our ability.

"We have as a group integrated vertically as far as possible in producing, packing and marketing our products — something which is not very common at this time in South Africa," he says.

Top quality

A large portion of the product exported is grown by the members' own farms. The balance comes from producers who have a similar marketing philosophy regarding top quality continuity of exports.

A primary objective of the group to form an internationally recognised quality brand for 'sub-tropicals' was achieved with the introduction of the Katope (Zulu name for avocados) brand.

Wayland Green Exports is presently involved wholly or partly with 11 packhouses which handle the Katope brand.

The group's view has always been long-term, Mr Burelli emphasises.

"Even with the constant threat of sanctions, we believed in creating a sound base from which our product line could grow."

Value of home plans passed rises 16,2%

GERALD REILLY

PRETORIA — Building plans passed in the first eight months of this year increased by 16,2% compared with the same period last year, according to Central Statistical Service. B/Day 9/11/90

The value of plans for houses increased 7,4% to R2,241bn, and for flats and townhouses 35,2% to R505,5m.

Plans for non-residential buildings increased 8,5% in value from R1,901bn to R2,064bn.

Additions and alterations plans were valued at R2,130bn — an increase of 31,7%.

Citrus may net SA R600m

(74)

GERALD REILLY

PRETORIA — This year's citrus exports will earn the country R600m in foreign exchange — R100m more than last year, says Citrus Exchange GM Arend Venter.

About 30-million cartons had been shipped abroad so far this year — about the same as last year's total, he said. Total gross value at the point of sale abroad would be about R1bn.

Venter said the packing season for the industry in southern Africa had come to an end, and the last portion of the crop was now being marketed.

During the first part of the season export markets had been relatively buoyant.

However, during the second half severe competition from South America had created difficulties.

Venter said overall prices had been higher than during the previous season.

The main reasons for the sharp upturn in production costs were the high costs of inputs, the weak rand, escalating wages, and the high local inflation rate.

Venter said the belief that fruit farmers were in the pound seats was wrong, mainly because of the inflation spiral, which had forced prduction costs to record levels.

B/Day 9/11/90

Inflation seen endangering export effort

Star 16/11/90.

(74)

Because of the export-friendly rand exhange rate, manufacturers have been competitive on overseas markets.

But, says Wim Holtes, CEO of the South African Foreign Trade Organisation (Safto), the high level of inflation makes the competitive edge fragile.

He told Safto's annual general meeting in Sandton yesterday the problem was exacerbated by spiralling labour costs and unrealistic wage expectations.

"In this respect it is ironic that, as sanctions become less relevant, labour unrest becomes a worrying constraint on export investment and foreign delivery schedules."

He said: "In the short term, export strength in value-added products remains mainly in materials-intensive products. Major export sectors falling into this category will now have to adjust to a lower level of assistance than they received previously, without the full windfall of a soft rand.

"In the long term, our future no doubt lies in the export of market-oriented, fully manufactured products.

"It will, however, take many years of further industrial sophistication before our export and employment needs can benefit from meaningful export growth in this sector of industry," he said.

— Sapa.

Export boom brings the cash flowing in

Star 17/11/90

(74)

DEREK TOMMEY

EXPORTERS broke all records last month raising hopes ofa strong job-creating economic upturn in the New Year.

Exports soared in October to R6,3 billion. This was an increase of R1,4 billion on the September figure and of R900 million on a year ago.

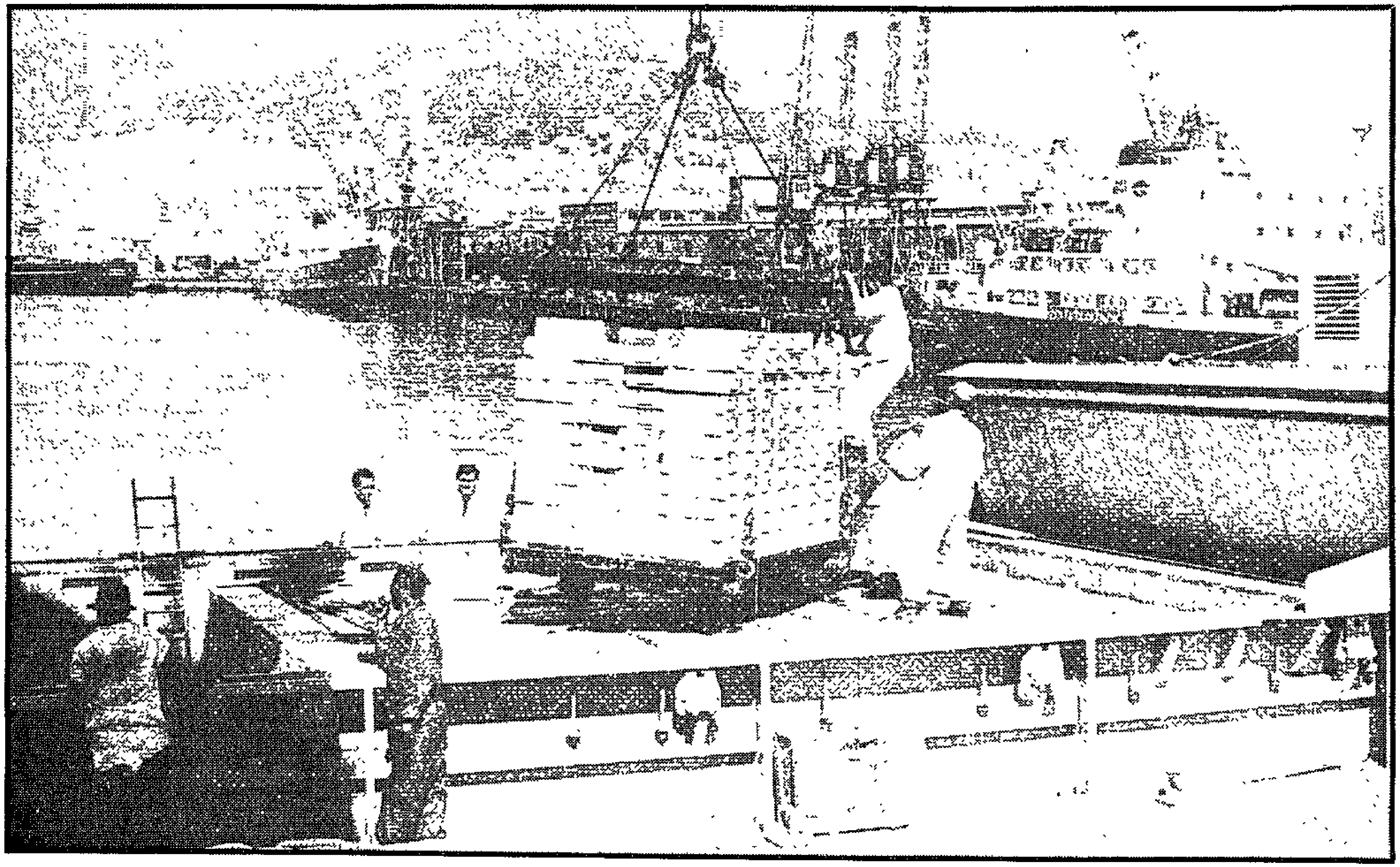
This jump in exports in October was something of a mystery, occuring in the unclassified category, which includes gold, diamonds, uranium, platinum and oil.

Mr Bruce Donald, Safto's economist, believes that the surprise increase in this category could reflect the transfer of diamond stocks from South Africa to the Central Selling Organisation overseas.

According to Customs and Excise figures October was the third best month ever for South African diamond sales.

But what is not in doubt is that last month R6,3 billion — some 21 percent more than a year ago — was injected into the economy.

This will undoubtedly create more business for many companies and above all help to create more jobs.



BONANZA: An export boom is under way in everything from apples and pears to diamonds and machinery. Here dockworkers load crates of fruit at Cape Town bound for the export market.

This growth in exports is expected to continue in the months ahead as and whenseveral major markets partly or completely closed to South African exporters are opened again.

Western Europe is already South Africa's biggest customer. But certain trade sanctions are preventing South Africa exploiting this market to the full.

Sanctions hope

However European politicians say these sanctions could go soon — possibly even before the end of the year.

This would let South African steel and coal producers renew or increase their sales to Europe and further boost foreign earnings..

But an even bigger bonanza looms. Attitudes in the United States have also changed. Senior American Government officials interviewed recently believe that President Bush might be able to get the American Congress to lift sanctions against South Africa by the middle of next year.

The way would then open the door for South African exporters to sell a huge range of products, ranging from steel and fruit to textiles and mining machinery into the world's biggest market.

The main aim of Government's economic policy today, in fact, appears to be to increase exports. The payoff could transform South Africa — greater foreign earnings, more employment, more investment — and the pushing the economy to significantly higher levels of activity.

This is not an original policy. It is the one that was followed by West Germany, Japan, Taiwan, South Korea — all countries which today are important economic powers. If South Africa adheres to this policy it could be on its way to becoming the world's "economic miracle" of the 1990s.

However, continued inflation is still seen as a major threat to achieving this happy state of affairs. High prices in South Africa makes it more difficult to sell South African goods overseas which would endanger the hoped-for export boom.

This explains the Government's continued insistence on keeping the money supply tight and interest rates high. Firms which put up prices in these conditions will see sales slump.

The current tight conditions, meanwhile, limited the rise in imports in October to only R300 million to R3,9 billion. This gave South Africa a record monthly balance of payments surplus of R2,4 billion — up from R1,3 billion in September and R1,4 billion in October, last year.

Economists point out that this record trade surplus should open the way for a drop in interest rates — once the inflation rate is seen to be easing.

One reason interest rates in South Africa are kept high is to encourage local companies to borrow overseas where rates are lower. This brings in foreign capital and makes it easier for the country to repay its foreign debts.

But huge trade surpluses like the one last month will reduce the need to attract foreign trade capital (though not foreign in vestment capital) — and therefore the need for competitively high interest rates.

Mr Donald says the top export performers in the first 10 months of 1990 were machinery (up 29 percent) and transport equipment (up 70 percent). Chemical exports were also doing well. Base metals continued to suffer.

Meanwhile, the lack of buoyancy in imports in October could well have been the result of a drop in oil purchases.

October exports soar to R6,26bn

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Sales of arms 'trigger record trade surplus'

B1 Day 19/11/90.

ANDREW GILL

BOOMING arms sales in the wake of the Gulf crisis could be the reason behind October's record R2,67bnin unclassified exports, economists believe.

SA's unclassified and undisclosed exports, usually mainly gold and arms, pushed its trade surplus in October to its highest level yet of R2,33bn from September's R1,27bn. Latest Customs and Excise figures show exports soaring to R6,26bn and imports rising to R3,92bn.

Economists crossed off gold, platinum and uranium as the reason for the surge in unclassified exports as precious metal prices in October were low (gold: R968/oz compared with R1 001/oz in September) and gold output was not much higher.

They also discounted the possibility of oil exports during the period. A finance department spokesman concurred with this.

Armscor spokesman Bertrand Retief yesterday would not confirm or deny the speculation about arms sales, but said there had been increased inquiries from the Gulf region since the crisis began.

It is believed that the United Arab Emirates and Saudi Arabia are importers of SA arms but Armscor does not give details of its exports.

Nedcor economist Edward Osborn rejected the possibility of a large balance of payments adjustment which is also included in the unclassified category saying this was not a major factor in the figures. The figures, he said, pointed to an increase in arms sales.

Both Rand Merchant Bank economist Rudolf Gouws and Bankorp economist Johan Els said the jump in unclassified exports was surprising due to the lower rand gold price in October.

Another export sector which experienced a large jump was jewellery, mainly diamonds, up R783m from September. This was the third largest figure on record for one month and Safto economist Bruce Donald speculated it was a transfer of diamond stocks from De Beers to the Central Selling Organisation.

There are ten sites a year where diamond stocks are moved and two may have fallen in the same month. Osborn said the higher exports did not, however, point to an export boom because the two major performers, unclassified and diamonds, were particular and partly seasonal.

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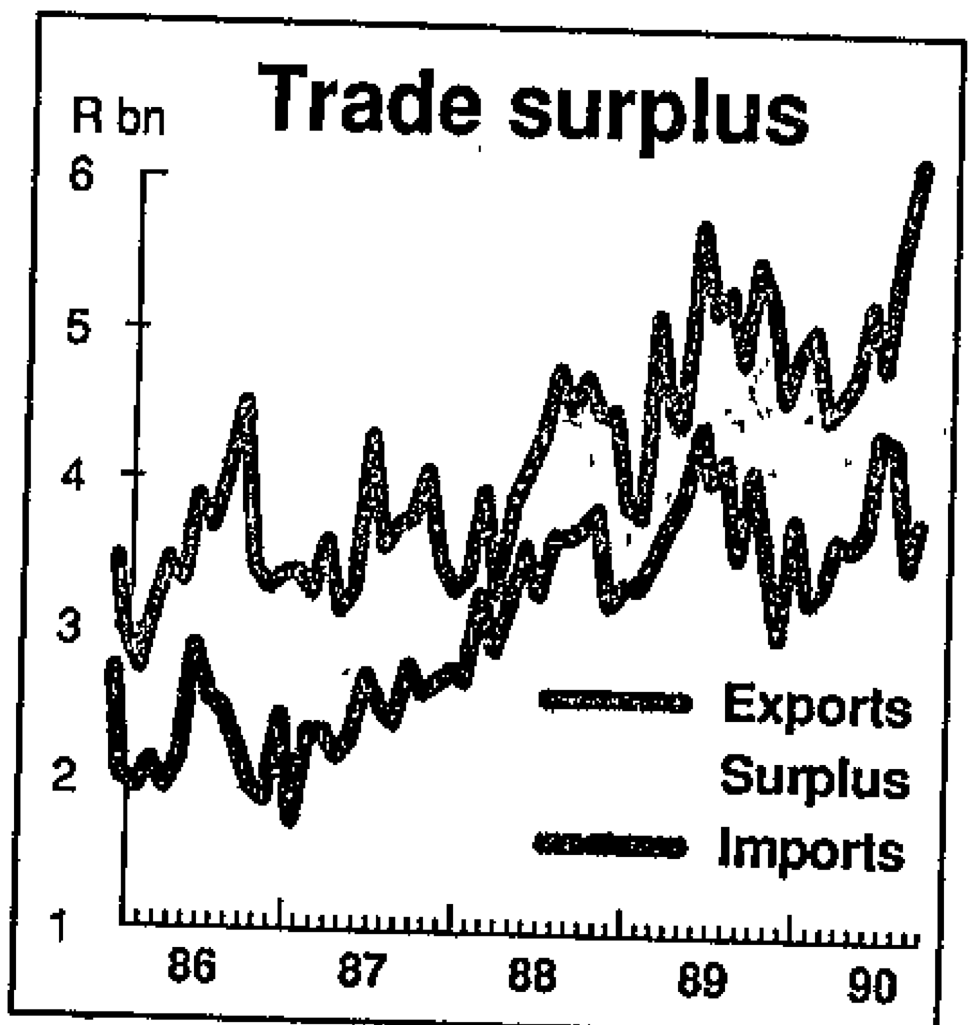

Graphic: LEE EMERTON Source: CUSTOMS & EXCISE

Arms sales

B1 Day 19/11/90

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☐ From Page 1

The surge broke various export records and has eased fears that the balance of payments situation could become untenable as a result of the Gulf crisis.

Economists said estimates of the current account surplus this year would have to be revised upwards to between R4,5bn and R5bn, which is well above the pessimistic estimates made at the beginning of the Gulf crisis.

The October surplus was 63% above that of October last year.

Unclassified imports in October fell by R207m to R483m despite continued high oil prices during the month, leading economists to believe that SA had made use of what Donald termed was SA's "abundant" oil reserves. He estimated an average oil price in October of $34,5 a barrel.

Osborn said the fall in unclassified imports pointed to a decrease in physical volumes of oil bought, because October's price was over $2 above September's. July's massive R759m bill at oil prices of about $20 a barrel may have been sufficient to complement purchases in subsequent months, he said.

At R6,26bn, October's exports were the highest yet recorded while the cumulative exports at R50,5bn were 3% above those of last year.

Cumulative imports were 3% down on last year while October's import bill was 4% below that of last October.

The best export performers since the beginning of the year were machinery (up 29%) and transport equipment (up 70%).

Fruit exports boosted by political climate — Kriel

B Day 19/11/90 (374)

Business Day Reporter

POLITICAL changes in SA have already had a favourable impact on fruit exports, with continental supermarkets expressing interest in renewing orders, says a report in Friday's Financial Times.

The report quotes Unifruco MD Louis Kriel as saying six out of eight German supermarkets which had stopped supporting Unifruco this year invited it to start supplying again.

He said he did not believe the US, Canadian and Scandinavian markets would remain closed to SA beyond 1991 and estimated that their opening could add 20% to Unifruco's potential.

The Financial Times report quoted Citrus Exchange GM: operations and finance Arend Venter as saying that drought and an ambitious replanting programme had meant that for the past six to eight years the citrus industry had not had the capacity to meet fully the demands of all of its markets in terms of type and size.

He said total citrus production was due to rise significantly in the near future, and the suspension of sanctions would help in disposing of the increased volume.

Venter anticipated that export volumes — normally about 60% of the total crop — could increase from the current 30-million cartons to 46-million cartons by 1998.

The deciduous fruit and citrus industries earn about 80% and 90% of their total returns from exports and both sell the bulk of their production to the EC.

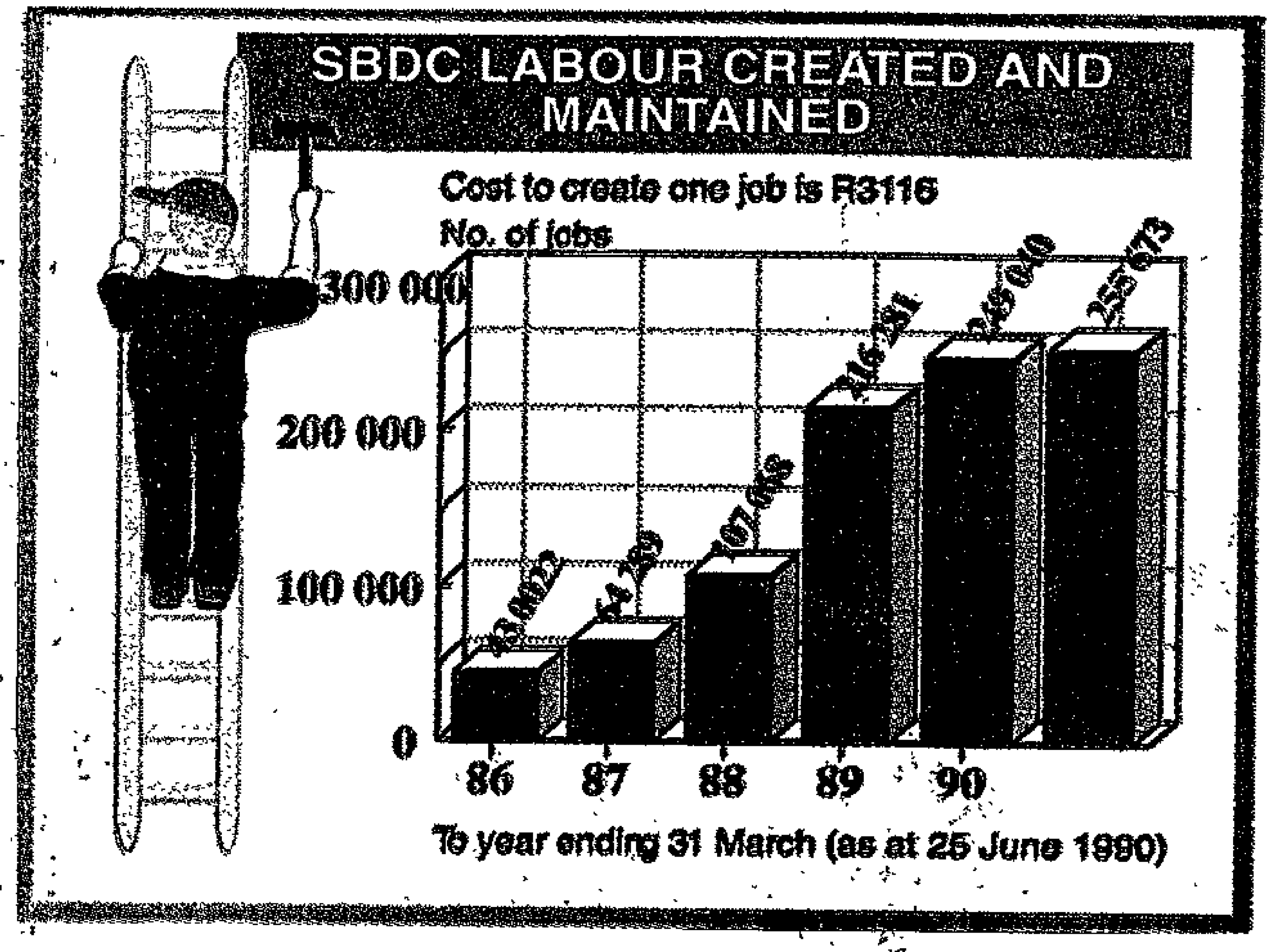
Gross export earnings of Unifruco, the international marketing company of the deciduous fruit industry increased by nearly R400m (43%), to R1,3bn in the season to the end of September. UK sales increased from £79m to £102m and sales to West Germany from DM140m to DM205m.

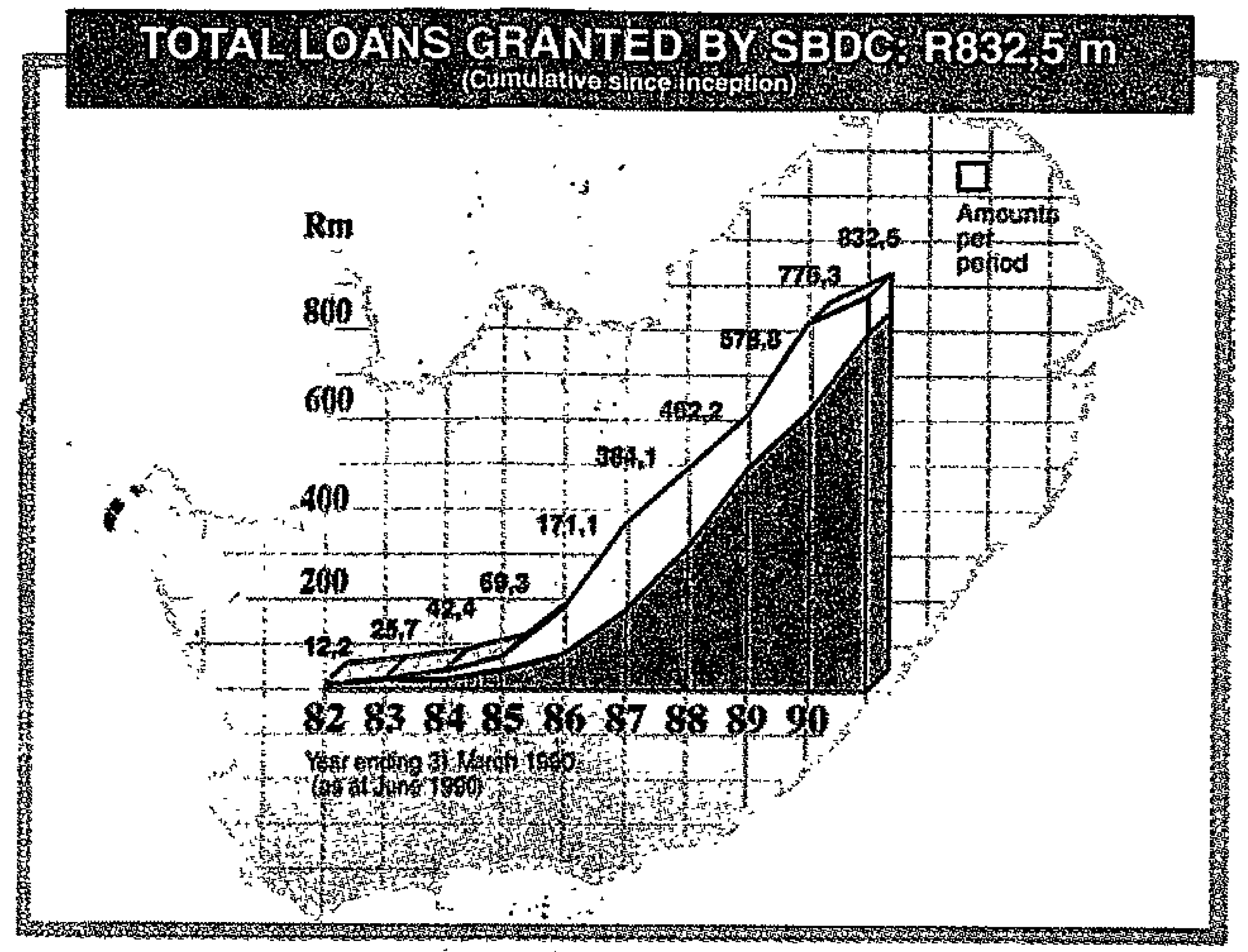
Unifruco chairman Leo Fine said the 43% earnings increase was attributable to a bigger crop, a more favourable exchange rate and better unit prices overseas.

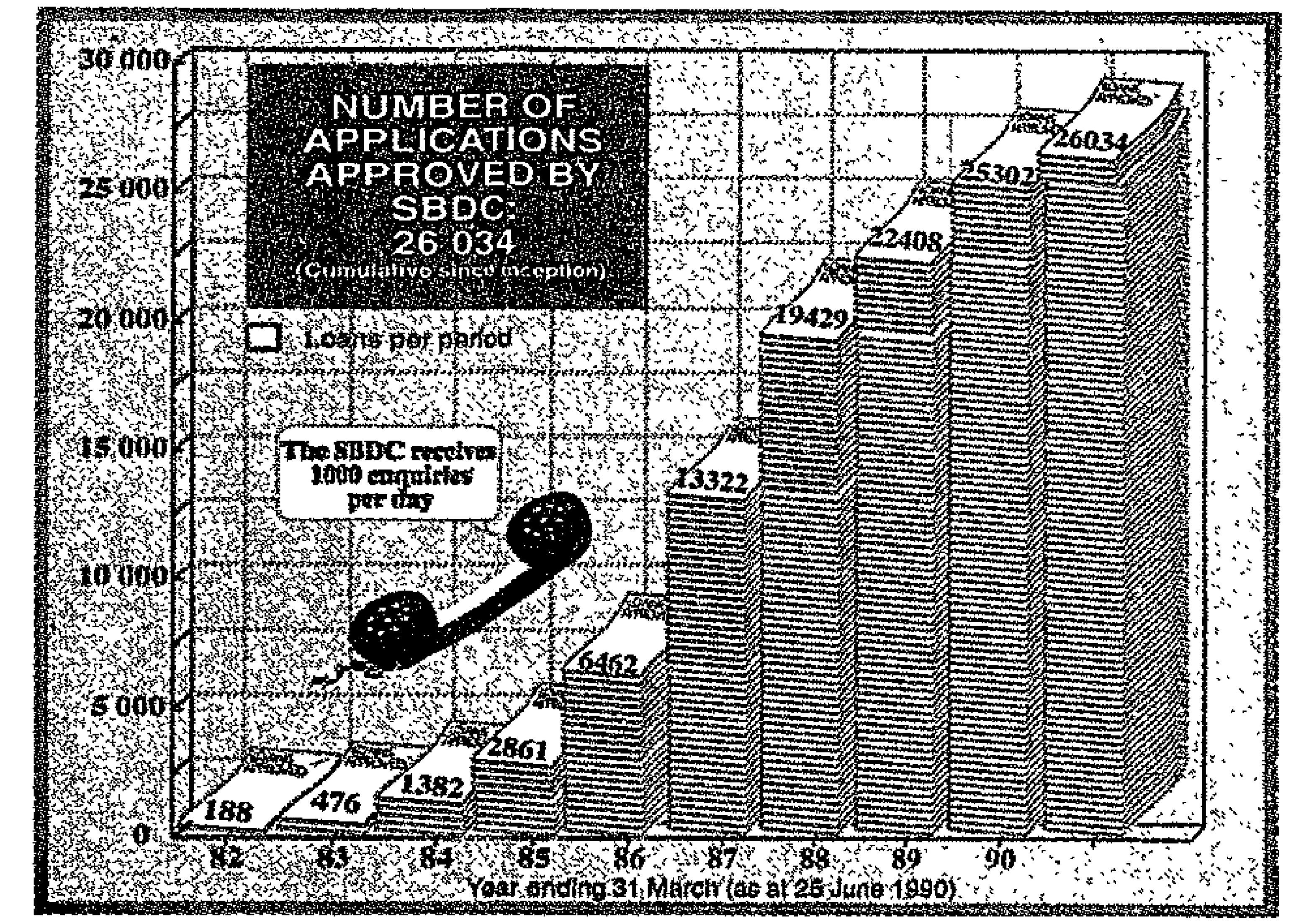
☐ SMALL BUSINESS DEVELOPMENT CORPORATION

SBDC
10 years of success
A Star survey

The Giraffe, invented locally, now seen on film sets across the world







A long unwinding film of success

74

By Jacqueline Myburgh

More and more small business firms are being encouraged by the SBDC to spread their wings and test their initiative and expertise on world export markets. Successes are multiplying.

Ken and Deanne Eddy have used their engineering talents to break into an international arena where South Africa may have been considered still at the apprentice level — the film industry.

The husband-and-wife team found their inspiration when they spotted the sky-high cost of importing into South Africa the specialised movie equipment needed by local film-makers — in particular the sort of gear needed to shoot panoramic scenes from helicopter level.

"Why not design and make the apparatus here at home?"

The first test of the equipment they manufactured came with the production of the well-known SA Tourism Board travelogue "A World in One Country" — with Deanne at the controls of the helicopter they used, and Ken on the camera.

The critics both at home and overseas ran rave reviews. The awards flowed in. So did the export orders.

When the film director of the Shaka saga needed a light and versatile crane capable of swinging cameramen around at rooftop level to look down and catch the magic of the spectacular mass impi scenes, the Eddys sat down and designed a slender mechanical skyscraper that they named the Giraffe — what else?

Today, the Giraffe is an unmistakable piece of equipment on any big film set. Overseas film-makers visiting South Africa were immediately interested. And today the lanky Giraffe is an unmistakable piece of apparatus at work on film sets around the world.

The Eddys currently export helicopter apparatus and cranes to Canada, Britain, Kenya, South America, France and the USA.

Their reputation goes on growing from displays at such international exhibitions as Photokina in Cologne and Olympia in London.

Turnover of the business has increased tenfold in the past five years. Ken and Deanne have seven employees and are currently setting up new premises at Paarden Eiland with a view to further expansion.

Three Cape Town entrepeneurs who also took the international route have had their achievements rewarded by being named in the list of "Entrepeneurs of the Month" that the SBDC uses to record top small business performers.

Firefite (Pty) Ltd is a family business involved in the manufacture and export of fire detectors to almost 20 countries world-wide.

When Robert and Margerett Macfarlane started their business — installing fire detectors — 20 years ago, they operated from home. Initially, the fire detectors were imported from overseas, but soon the couple decided that they should manufacture the apparatus themselves.

Two years later they opened a small office with three employees.

The company expanded and today the Macfarlanes manufacture one of the world's most advanced fire detector systems. They serve 70 percent of the South African market and are the only manufacturers of fire detectors in South Africa.

About 10 years ago, Robert's brother Malcolm and his wife Minnie joined the company in order to facilitate further expansion. By this stage, Robert and Margerett had visited Europe and Britain with the purpose of exporting their equipment and establishing an international company.

They discovered, however, that they were not competitive on the export market but returned with knowledge which enabled them to improve their existing system to measure up to international standards.

Later, a sale and technical service centre was established in Britain, enabling the Macfarlanes to provide overseas customers with a first-class service.

Malcolm and Minnie left for England to establish and run this office.

Today, Firefite fire detectors are exported to, amongst others, Britain, Spain, Italy, Portugal, Germany, The Netherlands, Belgium, Australia, Communist China, Hong Kong and Singapore. Plans for further expansion are in the pipeline.

The Macfarlanes' success can be attributed chiefly to their professional approach. They strive towards becoming world leaders and not followers, as is clearly reflected in their motto: "A Commitment to Excellence".

Another export success story is that of Gabler Medical, established 26 years ago by Alfred Gabler, senior.

In those days, almost all medical equipment was imported, and Mr Gabler seized the opportunity to manufacture certain items locally, and to introduce a range of innovative products as well.

Today, Gabler Medical claims the largest share of the local market, despite having remained a small company with only 25 members of staff.

Shortly after Reiner Gabler joined the company about 2½ years ago, a decision to actively seek export markets was taken.

Initially, they made use of the services of export organisations, but Reiner soon realised that their only chance of success would be to explore the overseas market personally and thoroughly.

Political pressure was one of the biggest stumbling blocks and this led to their marketing the products under trademarks which would be acceptable in Europe.

Exports bring in over R1-bn

Star 4/12/90

The export market last year accounted for about 30 percent of the income yielded by the maize crop, earning South Africa more than R1 billion in much-needed foreign currency but dragging down the income yield to hard-pressed farmers.

Forced into competition against heavily subsidised exports from the EEC countries and the United States, local maize can only be exported at a loss. The final subsidy on domestic sales — a mere R38 million, which does not cover the industry's handling and storage bills — is payable up to April next year ... and then the industry is on its own.

Large international surpluses have forced down the export price of maize — but at present low rand values this does not, taken on its own, have a depressing effect on local domestic prices. In 1989/90 the board exported maize at a harbour price of R325 a ton — only 5 percent lower than its average domestic selling price for the year.

But the spiralling costs of railing maize to the coast — currently R80 a ton — make exports unprofitable even at the most favourable exchange rate.

"We are faced with a Catch-22 situation. The export of maize earns South Africa foreign exchange while stimulating the economy, providing employment and giving work to Spoornet. But high local costs make it a non-starter for the maize producer," says deputy general manager Peter Cownie.

The quality of the local product has earned South Africa considerable international respect, which goes some way towards mitigating its export losses. Its biggest customers, the Middle East and the Far East, buy large quantities of yellow maize.

"Japan buys its supplies from China, the US and South Africa — but our maize is seen as the benchmark of quality on the international market," says Jeff Wayland, assistant general manager (international marketing) at the Maize Board.

"While US maize gives only a 67 percent yield of starch, the South African product — being sun-dried — yields 73 percent. As a result we can command a premium price on the international industrial market for white and yellow maize."

But demand from this market sector is limited — and any surplus must be sold on the export feed market. Here, white maize — essentially a product for human consumption — is regarded with disfavour. Yellow maize is preferred by poultry farmers, since it colours the egg yolk and the flesh of the bird — and their influence is strong enough to force the price down among all buyers. Export sales of yellow maize — apart from a few long-term agreements with buyers in Taiwan, Mauritius and Japan — are conducted on a tender basis.

A standard contract is used, and the tender is usually for two units of 16 500 tons each — the quantity required to fill a handy-sized vessel.

"Each tenderer submits a provisional bid in a sealed envelope before the board's deadline. On the day of the tender — which takes place weekly — each buyer makes and adjustment to his provisional bid. After the tenders close the envelopes are opened and the provisional bids adjusted according to the buyers' instructions — and the tender is usually awarded to the highest bidder," explains Mr Wayland.

The board is, however, not obliged to sell. If the highest tender is below the free-on-board value of the Gulf price and the board is not under pressure to clear storage space it will hold back that load of maize to offer on a future tender.

The tender system applies mainly to yellow maize, while export sales of white maize can be negotiated outside the tender system.

"With yellow maize, the board has an agreement with the trade not to sell more than a certain percentage of its export crop on direct negotiation, and to sell the rest on the tender system. But white maize has a limited premium market and the board has reserved the right to negotiate the highest possible price," says Wayland.

Exports to Africa surge by 40%

(74)

CAPE TIMES 5/12/90

From TIM COHEN

JOHANNESBURG. — After years of remaining fairly constant, SA exports to African countries have surged by about 40% this year and will breach the R5,5bn mark, according to SA Foreign Trade Organisation's Martin Smith.

"South African's should be cracking open the champagne," Smith said, but warned that the growth would probably level off next year.

Smith, co-ordinator of the southern hemisphere division of Safto, said the although import and export figures were not released for individual African countries, it was known that trade with Zaire and Madagascar among others had expanded greatly.

The sudden increase in trade was primarily due to the SA government's reform initiatives which had resulted in trade with SA becoming more politically acceptable.

Smith said Safto expected the surge to lose steam over the next few years, until further markets opened up for SA exporters.

Imports from African countries had also increased dramatically although even after the increase was accounted for, SA would only import goods worth about R1,2bn.

African countries were aware that SA might dominate the region, but had themselves established that they could save large amounts of money by sourcing their imports from SA rather than from Europe, for example, he said.

In the case of Kenya, this saving would amount to about 20% of its total import bill.

A senior government advisor said yesterday the cabinet had in the early 80's decided to refrain from publishing statistics of SA's trade with other African countries.

The government took this decision at the request of the countries concerned, because they might have been embarrassed by the extent of trade with a country which had such unacceptable political policies.

But the cabinet's decision was regularly reviewed, although no change could be expected in the immediate future.

The source said manafactured goods made up the bulk of exports to African countries in hard currency transactions. The increase in trade was therefore not simply due to the initiation of a few large projects.

The source also warned against projecting the increase in trade with African countries too far into the future, pointing out that many African countries had limited foreign exchange resources.

African countries were "famous" for printing import permits and then were not able to pay because of foreign exchange shortages, he said.

This resulted in the countries accumulating substantial arrears, forcing exporting countries to "queue-up" to be paid.

One possible reason for the increase in trade with Africa was that SA was not owed as much as many other countries because it had not yet joined the queue.

Sapa reports that trade between Zimbabwe and SA had increased tremendously over the last five years, according to SA trade mission representative in Zimbabwe Nico Nel.

In an interview with the national news agency Ziana, Nel — attending the Confederation of Zimbabwe Industries business conference at Victoria Falls — said the level of trade was expected to increase even further in the future because of Zimbabwe's trade liberalisation.

"The volume of trade has increased tremendously and is still rising. We foresee, with trade liberalisation now in place in Zimbabwe, that the figure will even rise further," said Nel.

SA primarily imported agricultural produce and minerals from Zimbabwe, especially tobacco and asbestos.

"We hope to soon import some maize, since Zimbabwe has a surplus. We would also prefer to import meat as well, like in pre-independence days," Nel said.

Surge in SA exports to rest of Africa

(74)

TIM COHEN

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SA exports

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(74)

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Export outlook gloomy for 1991

(74)

B/Day 6/12/90

GRETA STEYN

SA's exports will be knocked on a number of fronts next year — causing the country to achieve a smaller current account surplus than in 1990, economists predict.

Sagging world demand for base metals, a drought-stricken agricultural sector, downward pressure on the platinum price and less demand for diamonds are expected to knock exports. The gold price, which makes up about 45% of SA's exports, cannot be expected to come to the rescue.

Economists expect exports to rise between 5% and 8% in rand terms, with volumes remaining on virtually the same level as this year.

One of the main factors to depress exports next year will be sagging world demand for commodities. Old Mutual's Rian le Roux said base metals were an important component of fixed investment spending and with the world in recession the demand for these commodities would weaken further.

"Commodity prices usually lead the business cycle, as is proved by the softening we have already seen," he said. All commodities, including gold, made up about 80% of SA's total exports.

Nedcor's Edward Osborn saw the demand for diamonds dropping as world incomes fell. Platinum would also be under pressure because of lower demand from car manufacturers as the Gulf crisis meant less fuel consumption.

The agricultural sector is in the grips of a drought, with SA forced to import maize instead of exporting. GDP figures released last month showed the agricultural sector was the main factor behind negative GDP growth, recording negative real growth of an annualised 38% in the third quarter from the second, seasonally adjusted.

On imports, economists predicted little change in volumes as well, but an increase in the rand value as a result of a weakening exchange rate. Also pushing up the rand value of imports will be higher world inflation. With net foreign payments for services and transfers expected to rise slightly, the overall balance on the current account is forecast at R3bn-R4bn, against this year's expectations of almost R5bn. Osborn said next year's surplus would probably not be enough to cover foreign debt payments, but if SA continued to benefit from debt rollovers and short-term capital inflows, foreign exchange reserves would not necessarily fall.

Cheers! Europe is catching the spirit of new SA

THE SUNDAY MORNING ASSESSMENT

by Jeremy Brooks and Isabel Conway

THE "new South Africa" is the toast of Europe as specialist imports of Cape wines, fresh fish and South African beers probe the market.

Retailers, sensing an end to a decade when SA fruit, for instance, had to be labelled to disguise its origin, are emerging openly with promotions of new ranges.

In London, one company has already applied for a government licence to supply beers — mainly Castle — to at least six pubs in the city centre.

"There are many problems still ahead of us," said Castle promotions director Allan McCallum, who organised a live satellite broadcast of the Currie Cup final to a West London sports centre.

"Most pubs are owned by national breweries and getting them to supply South African brands will take some arm twisting. We hope to get the go-ahead by the end of the month."

Mr McCallum said his company had first identified bars in London frequented by South Africans, but eventually hoped to expand into the areas around those points.

In Holland, wine importer Hans Schuchard said the eight prosperous years he enjoyed before the boycott are about to return. He has bought himself a new luxury car.

S | Times 9/12/90 74

Imports

"The tide is changing. Soon Dutch wine stores will be openly displaying my South African products again," he said.

Some outlets, he added, were already openly advertising in the media and circulating special offer promotions to customers.

The Dutch drank 400 000 litres of SA wine last year, a tiny part of the total 217-million litre consumption, dominated by French imports.

The South African share of the market — 0,28 percent — is still greater than that of California, Chile or Australia.

Mr Schuchard, who is hoping for a 50 percent increase in imports within the next 12 months, said he hated having to mix politics with business.

"Now that there are changes taking place and the debate is more open, I am reluctant about approaching new business with references to Mr De Klerk and his reforms.

"I feel my saying 'He's doing OK, isn't he?' might prompt disagreement and raise matters which have nothing to do with my wines and whether people want them."

Some bottlestores that openly displayed SA wines at the height of the boycott in 1985 were subjected to protests ranging from peaceful visits from anti-apartheid sym-

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Europe catches SA spirit

74 □ From Page 1

S/Times 9/12/90

pathisers to fire-bombs.

"I stuck exclusively to South African wines even when the times were rough," said Mr Schuchard.

"Now Dutch importers are waking up to the fact that the quality of Cape wine is excellent.

"Most are 12 years too late — I already have the pick of the vintages in my cellars."

Mr Schuchard has priced his wines in the middle bracket, leaving the low end of the market to the French Beaujolais and Cotes du Rhone.

Most are selling for between R30 and R50, with the "Rolls-Royce" — Meerlust Merlot 1986 — selling for at least R100 in stores and double that in restaurants.

Mr Schuchard, referring to the powerful anti-apartheid lobby in Holland, said: "They are entitled to their point of view. But I believe the boycott has outlived any useful purpose, and influence in other areas should be brought to bear."

In London, a company calling itself Fish for Africa, based in St John's Wood, is selling fresh kingklip, Cape salmon and Mossel Bay soles.

"We are making arrangements to get in crayfish as well," said a spokesman.

"At present, most of our customers are former South Africans, going mainly for kingklip. But word is spreading fast."

Price inflation, high costs hit mineral exports

B Day 17/12/90

MARC HASENFUSS

RISING costs and price inflation had weakened the international competitiveness of SA's mineral exporting industry in 1990 compared with 1989, the latest Mineral Bureau (MB) Bulletin says.

During 1990 the SA mining industry's Producer Price Index (PPI) increased by 12,5% against 7,2% in Australia, 5,4% in Canada and 4,5% in the US.

SA's Wholesaler Price Index (WPI) for the year was projected at 13,7%, compared with 7,1% for Australia, 3,9% and 1,9% for the US and Canada.

74

The MB reports the negative impact of the PPI and WPI rise on the mineral industry's competitiveness was only fractionally softened by a 1% decline in the effective rand exchange rate in 1990.

The rand exchange rate dropped by an average 12,4% over the last five years, against an average fall of 3,5% for Australia and an annual strengthening of the Canadian dollar (0,28%) and US dollar (0,06%).

The MB said it was imperative that costs and price inflation be contained so that the mineral industry remain competitive on international markets.