FOREIGN TRADE

- GENERAL

1986

Zimbabwean Christians challenged on socialism

Star 27/1/86

The Star's Africa News Service

HARARE — Why do Christians raise their hands in horror at the mention of socialism?

This was the question asked by the President of Zimbabwe, the Reverend Canaan Banana, the head of a state which espouses socialism based on Marxist-Leninist principles.

President Banana, the 49-year-old Ndebele Methodist minister who loves soccer (State House has its own team) and poetry, is strong on the subject of the church and its place in society.

In a recent address to churchmen in Harare, President Banana said the Christian Church had a much longer history of socialism than the five or so years of Zimbabwe's independence.

He quoted the text from Acts 2 : 44 — 46:

"All the believers were together and had everything in common. Selling their possessions and goods, they gave to anyone as he had need. They broke bread in their homes and ate together with glad and sincere hearts."

"Show me a more practical example of fellowship and common solidarity than this," he said.

CONTAMINATED

It was socialism at its best, people living as a collective, sustained by collective efforts.

Mr Banana said Christian traditions had become contaminated by western cultural values of individualism and the sanctity of private property.

"African theologians have a duty and a responsibility to cleanse Christianity of the garbage of out-moded dogmas that have polluted it.

"Our own African way of life, our traditions and our cultural values have always emphasised our inter-dependence, co-operation and mutual solidarity. The tendency towards individualism and cut-throat competition is foreign to us.

"We are by upbringing averse to individual advancement at the expense of of other people in the collective," he said.

The President said he hoped and believed Christian churches in Zimbabwe had gone past feeling frightened and horrified at the mention of socialism.

South-easter indulges in so

"Rough winds do shake the darling buds of May . . . ." For the Cape Doctor roaring along the Foreshore is no respecter of a maiden's virtue . . .

"And summer's lease hath all too short a date . . . ." Although one might argue that any season bringing the South-easter is long enough . . .

SADCC reviews its struggle to

Coup puts SA

HARARE — The black states of Southern Africa, struggling to shed the yoke of economic dependence on South Africa, meet this week to review progress with their efforts brought into sharp focus by the coup in Lesotho.

Disorder in South Africa over the past year has generated widening international interest in the Southern African Development Co-ordination Conference (SADCC), founded in 1980 to reduce the reliance of its nine members on Pretoria.

South Africa's role in the toppling of the Lesotho Government, its virtual blockade of the enclave within its borders triggering last week's military takeover, underlines the very reason for SADCC's existence, organisation officials said.

The group will hold its annual consultative conference with key backers in Harare tomorrow and Friday, reviewing the past five years and charting plans for the next five with high-ranking delegations from more than 40 countries and international organisations.

In documents prepared for the meeting, expected to be its biggest ever with more than 500 participants, the SADCC estimates that South African aggression and destablisation during the period 1980-1984 cost its members $10 billion (about R25 billion).

The figure exceeds total foreign aid received by the nine in that period and equals one-third of their export earnings during those five years.

SADCC members are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

SADCC officials said Lesotho's new military government had advised them it would attend the meeting as scheduled but had not said who would be its representatives.

"South African military aggression and economic destablisation continued unabated and even intensified during 1985," noted a review of the past year to be given to all delegates.

It said the effects of South African actions ranged "from major acts of sabotage to the destruction of homes, clinics, schools, bridges, machinery and equipment. They have included the forced diversion of traffic ... to death by starvation".

Despite the fact that dependence on South Africa was still "a harsh present reality" for most of its members, the report urged greater international economic sanctions against Pretoria to accelerate the abolition of apartheid and increased aid to the SADCC to cushion the effects of sanctions on other states of the region.

Relations between South Africa and the different SADCC members vary widely, with some — such as Lesotho, Botswana and Swaziland — almost totally economically dependent on their giant neighbour.

Malawi is the only member to have diplomatic relations with Pretoria, while Tanzania and Angola have no ties at all.

The SADCC has identified more than 400 projects in the fields of transport, agriculture, industry, energy, communications, manpower and mining which are budgeted to cost $4,8 billion (about R12 billion).

ndulges in some heavy-handed flirtation

summer's lease hath all too short a date Although one might argue that any season 'ging the South-easter is long enough . . .

"Sometimes too hot the eye of heaven shines . . . ." And too hot the eye of the camera shines upon one's efforts to defeat the wind . . .

"And every fair from fair sometimes declines . . ." One may decline, but it's enough to make her hair stand on end. (Apologies to Shakespeare.)

its struggle to end dependence on Pretoria

STAR 27/1/86. (74)

ts SA in sharp focus

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So far, $2,3 billion (about R5,7 billion) has been received from donors or is under negotiation.

Diplomats and aid workers closely involved in the projects said the group goes into this week's meeting on an optimistic note.

Following the end of the three-year drought, the economies of the SADCC countries began to grow in 1984 for the first time in five years and this was moderately sustained last year.

They had also benefited modestly from the global economic position, whereby inflation had remained low and interest rates had fallen. But the report noted that most SADCC states had large external debts and "find servicing their external debt a crippling or even an unsustainable burden".

Prior to the meeting, the five Nordic countries will sign a new aid package to the SADCC on Wednesday for an undisclosed amount which they have said is designed to encourage a shift in trade from South Africa to its black neighbours. — Sapa-Reuter.

Sweden's aid minister to meet ANC, Kaunda

STAR

The Star's Foreign News Service

27/1/86

STOCKHOLM — Sweden's aid minister left for Harare today at the start of a two-week tour of the nine Southern African Development Coordination Conference (SADCC) countries during which she will meet ANC leader Mr Oliver Tambo and Zambia's President Kenneth Kaunda.

In an interview with *The Star*, Mrs Lena Hjelm-Walle'n said she wanted to ensure Swedish aid was efficiently used by the SADCC countries towards greater economic independence from South Africa.

She will attend the SADCC conference in Harare and meet representatives from Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

Mrs Hjelm-Walle'n said Swedish aid to the ANC was specifically for humanitarian purposes.

'ANC DOES NOT USE SWEDISH MONEY FOR VIOLENCE'

"We object very much to apartheid policies in the region and our aim is to help the frontline states survive without depending on South Africa," she said.

"Swedish aid to the ANC is for peaceful purposes, schools and suchlike only. I'm positive about that. Our aid is not for ANC or Swapo bases. We help in the refugee camps and with schools, and provide legal help when needed.

"The leader of the ANC knows we condemn violence and I'm sure they do not use our money when they use violence — otherwise we would stop our support of the ANC."

(74) BUS DAY 14/2/86.

Scope provisionally liquidated as banks cut off credit

BRIAN ZLOTNICK and STEPHEN ROGERS

SCOPE Industrial Holdings, under pressure from its main banker, Trust Bank, was placed in provisional liquidation yesterday by the Supreme Court.

At Monday's meeting between Scope and its bankers — Trust Bank, Barclays and Nedbank — the directors were informed that the banks would no longer provide credit facilities.

The banks said that if Scope's directors did not immediately make an application for provisional liquidation, then Trust Bank, as the major creditor, would make the application.

Of the consortium of bankers, Trust Bank has the largest exposure with subsidiary, Scope Precision Engineering, owing it R7,6m. There are also undisclosed amounts owing by other group companies to the banks.

It has now been disclosed that in December 1985, Scope's liabilities of about R9m exceeded its assets by R1m.

After the meeting with its bankers on Monday, Scope's shares were suspended on the Johannesburg Stock Exchange at the company's request, on the grounds that it was experiencing severe cash-flow problems.

The shares have been heavily-traded over the past six months, with about 10-million shares — equivalent to 41% of its equity — changing hands.

Stockbrokers and investors are, no doubt, looking to the JSE committee to investigate the unusually-heavy trading which suggests that some sellers were blessed with extraordinary prescience.

JSE president Tony Norton merely says: "Only once we have all the facts at hand, will we make a decision on whether to investigate the matter."

However, in an affidavit to the court, the directors have stated that they own some 58% of the equity.

Their holding appears to have fallen sharply from about 87% of a year ago.

74 BUSDAY 19/2/86.

SA Bias lifts earnings a share by 10% to 119c

PRISCILLA WHYTE

SA BIAS, an industrial investment holding group, has lifted earnings a share by 10% to 119c (108c) for the year to December.

The final dividend has been raised by 3c to 25c to make a total of 34c (31c) for the year.

MD Chris Seabrooke says the group's loss-makers, Marathon Packaging, BMD Gift Wholesalers and Veeway Consumer Electronics, have been sold off and he expects an improvement in trading conditions for the 1986 financial year.

He estimates that earnings and dividends will advance by not less than 30% this year.

Projections over the past few years have tended to be conservative.

There are two major profit contributors: SA Bias Binding and associates and Merhold.

Seabrooke intends expanding SA Bias Binding internationally because he believes it has a competitive edge in the UK market.

"We propose to establish foreign-based manufacturing facilities rather than confining international activities to exports," he adds.

In the past three years SA Bias Binding has switched its orientation as a distributor of trimmings and accessories to being a manufacturer. During that period the group has acquired 11 operations.

For the year to December, SA Bias' operating profit jumped 21% to R6,1m, but operating losses of R1,5m (loss R1,2m) were incurred by divisions which have now been sold.

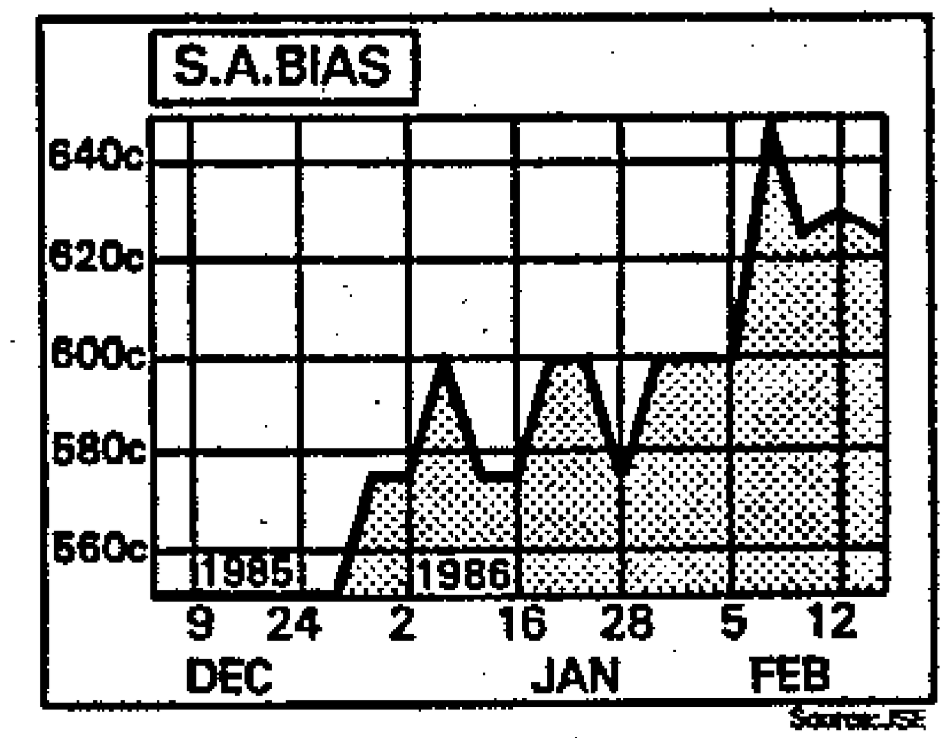
Seabrooke is adamant that all the group's assets are now being well used except for a partially-unlet property on which Marathon Packaging was located prior to disposal.

The after-tax profit of continuing operations rose to about R5,5m (R3,9m), of which R2,7m was contributed by SA Bias and R2,8m by Merhold. This 50%-50% split is expected to continue in 1986.

SA Bias Binding's earnings increased marginally, whereas Merhold's earnings appreciated 20%, because of Metrade's increased export volumes, and Merchant Shippers maintained its earnings.

During 1985, SA Bias bought Dalbac and the bias binding and waistband division of the Berzack Group in the Cape and an expansion programme at its Estcourt factories is under way.

SA Bias was trading at 630c yesterday and yield's 5,3% on dividends. Taking into account the latest results



and Seabrooke's positive forecast for this year, the share has upside potential.

The news of the favourable results could well lift the share price.

COMPANIES

19/2/86.

74

BUS DAY

Abercom swings back into profit

STEPHEN ROGERS

ABERCOM, the Sanlam-controlled engineering group, has swung back into profit to report earnings of 17c a share (loss 46c) for the six months to December.

However, earnings from continued operations fell to 18c a share against the previous year's interim earnings of 23c.

A loss of R308 000 was recorded by discontinued operations — due to the sale of the group's Techniform subsidiary — which reduced overall earnings a share by 1c.

The dividend was maintained at 6c a share.

The number of shares in issue (average) was reduced from 21,5-million to 20,3-million due to the elimination of a staff share purchase scheme.

Chairman Peter Herbert says the group should perform better in the second half and, given no significant changes in the exchange rate, attributable earnings for the year should equal last year's earnings on continued operations of R11,4m.

This puts the share on a high prospective earnings yield of 23,8% and — with an expected dividend cover of three times — a dividend yield of 7,9%.

Turnover rose 40% from R89,1m to R126,6m with overseas operations accounting for about 65% of turnover and local operations the remaining 35%.

However, the increase was due in part to the consolidation of US acquisition Sturtevant results and the fall in the rand during the period under review.

Herbert estimates that the local plants are currently operating at about 50%-70% of production capacity.

With operating margins down to a low 4,4% (5,1%) operating profits increased 22% to R5,6m (R4,6m), and with net interest turning from a positive R296 000 to a negative R1,7m — due mainly to an increase in borrowings to finance the Sturtevant acquisition — pre-tax income fell from R4,9m to R3,9m.

The increased borrowing has lifted gearing from 42% to 54%.

A tax bill of R101 000 (R35 000) left taxed profits standing at R3,8m (R4,8m).

The loss on the sale of Techniform reduced taxed and attributable profits on total operations to R3,5m.

After falling to a low of 120c last year the share has almost doubled to presently stand at 235c.

At long last the worst may be behind the group and the high-risk profile of the share seems to have been substantially reduced.

SA will trade with anyone — Pik

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STAR 25/2/86

By Susan Pleming

The Government would trade with any country, including communist countries, as long as they paid for the goods, the Minister of Foreign Affairs, Mr Pik Botha, said last night.

At a Yeoville meeting for the Bellevue/Judith's Paarl National Party by-election candidate, Mr Sam Bloomberg, Mr Botha said: "If you sell your mealies to the Soviet Union or the United States it does not matter. As long as they sign on the dotted line that is good enough."

In response to a question from the audience regarding the "boycott of goods to Lesotho", Mr Botha said Lesotho had not experienced a trade boycott.

Of the presence of troops in the townships, Mr Botha said "hundreds of blacks" had asked the Government to bring the troops into the townships to protect them. He said when violence subsided the state of emergency would be lifted.

Mr Botha said South Africa had found itself in "a most challenging time".

There was strong pressure from abroad for South Africa to change and to implement reform.

Asked why he had not joined the PFP when the State President had treated him "like a small boy" for saying there could be a black President, Mr Botha said: "I would rather take 10 more hidings from the State President than join the PFP."

Amounts owed

606. Mr H H SCHWARZ asked the Minister of Finance:

What amounts were owing to private bodies and persons by the Government, other than on bank facilities and stock issues, as at the latest specified date for which figures are available?

The MINISTER OF FINANCE:

R1 238 701 159—as at 28 February 1986. (This amount excludes foreign loans, stock issues and Treasury Bills).

Gold

617. Mr H H SCHWARZ asked Minister of Finance:

What quantity of gold was made available in the Republic in 1985 to (a) jewellers and (b) other concerns for manufacturing purposes?

The MINISTER OF FINANCE:

(a) 741 048 314 gram

(b) 1 146 366 700 gram

QCOL 747
HANSARD 25/3/86 74

Milk-powder

618. Mr H H SCHWARZ asked the Minister of Finance:

(a) What (a) total quantity of milk-powder was (i) exported and (ii) imported from 1 December 1984 to the latest specified date for which figures are available and (b) was the value of the milk-powder (i) exported and (ii) imported during that period?

The MINISTER OF FINANCE:

(1) The export and import statistics in respect of milk-powder for the period 1 December 1984 to 31 October 1985 are as follows:

(a) (i) 7 542 839 kg

(ii) 4 837 895 kg

(b) (i) R12 643 565

(ii) R 6 324 733

(2) The above-mentioned information will, with effect from 1 November 1986, not be available as the relevant tariff heading has on the recommendation of the Board of Trade and Industries, been amended.

QCOL 748
HANSARD 25/3/86

Pensions

628. Mr B B GOODALL asked the Minister of National Health and Population Development:

Whether persons belonging to State pension schemes may purchase additional pension for past services; if so, (a) what is the total actuarial liability resulting from the purchasing of such pensions for past services in respect of each specified State pension fund and (b) in respect of what date is this information furnished?

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

Yes.

(a) Information will only be available after completion of the actuarial valuation of each fund.

(b) See (a).

Own Affairs:

25/3/86 QCOL 748
HANSARD

Private schools

24. Mr H D K VAN DER MERWE asked the Minister of Education and Culture:†

(1) (a) How many private schools are there in the Republic and (b) what is the total number of (i) pupils of all race groups and (ii) non-white pupils in these schools;

(2) whether all private schools in the Republic fall under his Department; if not, (a) how many fall under his Department and (b) what is the total number of (i) pupils of all race groups and (ii) non-white pupils in these schools;

(3) in respect of what date is this information furnished?

The MINISTER OF EDUCATION AND CULTURE:

(1) (a) Only the number of private schools registered with provincial educational departments is known to this department.

(b) Falls away.

(2) No.

(a) None.
There are, however 226 schools which at present still fall under provincial education departments.

(b) For the schools mentioned in 2(a) the numbers are as follows:

(i) 55 398.

(ii) 5 569.

(3) December 1985.

QCOL 750.
HANSARD 25/3/86

Students registered

30. Mr H E J VAN RENSBURG asked the Minister of Education and Culture:

How many (a) White, (b) Coloured, (c) Asian, (d) Black and (e) other students were registered in 1985 at each university falling under the control of his Department?

The MINISTER OF EDUCATION AND CULTURE:

University	White	Coloured	Asian	Black	Other
Orange Free State	8 400	21	—	37	—
Natal	8 400	238	1 577	994	—
Rhodes	2 904	116	140	375	—
Rand Afrikaans	6 555	60	3	42	—
Witwatersrand	14 287	230	975	983	—
Potchefstroom	8 725	27	3	51	—
Port Elizabeth	3 573	265	27	49	—
Pretoria	19 119	2	8	6	—
Cape Town	10 079	1 154	269	338	—
Stellenbosch	12 924	203	7	15	—
South Africa	46 281	3 872	8 210	17 556	—

The above provisional statistics were obtained from SAPSE table 2.7 received from the universities and included undergraduate and post-graduate students.

State Revenue Account

31. Mr H E J VAN RENSBURG asked the Minister of Education and Culture:

What was the total capital expenditure from the State Revenue Account on universities under the control of his Department during the 1985-86 financial year or the latest specified period of 12 months for which figures are available?

The MINISTER OF EDUCATION AND CULTURE:

The total expenditure from the State Revenue Account was—

1985-86: R1 727 186.

This amount was in respect of the University of Pretoria for the extension of the

TRADE FINANCE 74 28/3/8

Into the breach FIN MAIL

Importers and exporters worried about trade finance can turn with confidence to confirmers, who provide funds to ease the flow of goods into and out of SA. The industry expects "dramatic growth" this year. Chris Seabrooke, MD of Merhold, points out that some banks are still keen to do business with SA, though with a lower profile on the credit side.

The problems of 1985 have enabled trade finance houses to coin-in new business. Most have achieved steady profit growth and maintained lines of overseas credit despite the debt standstill, though Ewing McDonald experienced problems because of its foreign clientele base and by expanding too quickly without sufficient knowledge of foreign conditions.

Demand cash

Suppliers who, until last year, would have given importers credit, now demand cash payment up-front. So confirmers are inundated with inquiries.

Confirming houses provide the following services:

☐ Financing imports in rands, dollars, sterling and D-marks;
☐ Pre-shipment finance to exporters and finance of export debtors;
☐ Sourcing and arranging freight and forwarding, foreign currency and marine insurance;
☐ Financing local purchases and working capital;
☐ Financing receivables through discounting customers' bills of exchange; and
☐ Financial and corporate services as an overall package.

Larger participants are Reichmans, Merhold (holding company for Merchant Shippers) and Gerber Goldschmidt. Others are Ewings, Trade & Industry (which has just

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announced a massive loss, against the trend) and Brown Brothers.

Reichmans, for instance, has foreign offices in London, Geneva and New York. MD Milton Levine has a wide spread of customers dealing in products such as steel, computers, furniture, tableware, electronics and textiles.

"Unlike banks, we are close to our customer at a management level. Adequate provision is made for bad debts, but gearing is well below the norm of 900%. Because of the network of contacts at home and abroad, our credibility is high; which helps explain why most new business comes from referrals."

Technology and techniques are sophisticated. Reichmans, for example, has developed, in conjunction with Data Control Services, a fully integrated software system to monitor precise levels of exposure.

Trade financing dates back to the 19th Century. The main assets are management-communications expertise. Client bases and relations with insurers, shippers and suppliers are difficult to unscramble. Thus, the industry is certain to become entrenched as it competes with and complements the banks.■

Oil-prices fall will help West but not East

11/4/86

Bus Day

(74)

GENEVA — The fall in oil prices bodes well for the West and ill for the East, judging by the annual survey published by the United Nations Economic Commission for Europe in Geneva on Wednesday.

"For the first time in many years, it will be possible (in Western Europe) to adopt policies to improve growth and employment without running the risk of a resurgence of inflation."

Growth in these economies this year "could be at least 3,5%, opening the prospect of a return to lower levels of unemployment", says the 506-page survey.

The survey notes that in Britain, oil accounts for about 5% to 6% of national income and 10% of exports, but also for over 5% of imports, giving some offset to a fall in the oil price.

Lower oil prices will now have "an adverse effect" on export earnings and output growth in Russia and other East European countries, though their exports may benefit from higher growth rates in the West.

On balance, the survey says, their output growth is likely to fall "somewhat below" the aggregate targets of 4% in annual plans set before the fall in oil prices.

The survey finds that the growth of medium- and long-term funds borrowed in the West last year reached a record level of $5,20bn. About 80% of this was raised by Hungary, East Germany and Russia, while Poland had no access to the loan market because of its financial difficulties.

It estimated that the net indebtedness (gross debt less Eastern assets in Western Banks) reached about $71bn by the end of last year, with Russia accounting for more than $19bn of this.

Moet and Chandon's sparkling SA profit

BUS DAY 3/4/86

IN A year in which many liquor distributors struggled merely to maintain sales, Moet and Chandon's local agent increased demand for the champagne by a large margin during 1985.

Moet shipments to SA bubbled and sparkled last year to show a 28,5% increase over 1984.

Champagne industry shipment figures for the 12 months ended December 1985 gave Moet and Chandon (including its super premium brand Dom Perignon) a 38,6% market share, compared with its nearest competitor's 9,4%.

Niel van Zijl, MD of World Wines and Spirits, Moet and Chandon's local distributor, said: "We have shown that against a general picture of deepening depression and inflation, it is possible to succeed in SA with a good product plus first-class marketing and sales support.

"Prices went up, the rand went down. You'd think it would have driven people to the bottle. In many cases it didn't. Sales of many drinks fell as money got tighter.

"But not in the case of Moet and Chandon. Undeterred by these problems, we strengthened the champagne's position as the top seller."

He said it had been shown that premium liquor brands withstand an economic crisis better than, say, middle-priced brands.

"I am convinced that when you are selling a luxury product and your price is high, there will always be a demand for that product."

Van Zijl said that Moet and Chandon's performance confirmed the strong franchise built up for the world's favourite champagne and was evidence of its quality and image. — Sapa.

Sellers to meet buyers at the fair

City Press
April 6, 1986

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A "MATCH-MAKER" trade fair – designed to bring foreign corporations operating in SA into contact with black companies which can supply some of their needs – is to be held in Johannesburg on April 23 and 24.

The fair is co-sponsored by the Greater Soweto Chamber of Commerce and Industry and the US Chamber of Commerce.

It will be held at the National Exhibition Centre, Crown Mines, Johannesburg, and will be open between 10am and 5pm both days.

The fair is meant to give black businesses an opportunity to promote their goods or services to prospective buyers.

US, South African and foreign corporations operating in SA will be invited to make contact with potential suppliers from the black private sector.

Admission will be by invitation to senior executives and buying officers of major industrial enterprises.

The US Department of Commerce initiated the project. Under-secretary for International Trade Bruce Smart said the concept flowed from Reagan's Executive Order in September, 1985, which placed restrictions on trade with the SA Government and stressed the need for the US to keep an active and influential presence in SA to promote efforts toward peaceful change.

The department says the black companies involved have been "disadvantaged" in the sale of their goods and services by apartheid.

★ A nine-man committee of business-orientated black people has been given two months in which to formulate an action plan to enable US companies operating in SA to make a meaningful contribution to the development of small black business.

The committee was formed at a recent meeting at Wits Business School.

South Africans 'must admit vital links with the rest of Africa'

SPAR 11/4/86 (74)

By Gary van Staden,
Political Reporter

It was time for South Africans to be honest with themselves and admit that the country's links with Africa — specifically regional trade — had become of vital strategic importance, the Deputy Director-General of Foreign Affairs said.

Addressing a South African Institute of International Affairs (SAIIA) meeting at Wits University last night, Mr Neil van Heerden said co-operation between South Africa and its neighbours was very much to this country's advantage as well as to others in the region.

Pleading a case for negotiation as a first option rather than seeking a military solution in the event of a regional dispute, Mr van Heerden added that co-operation and co-existence held many benefits for South Africa.

Mr Neil van Heerden

"All the states in Southern Africa are in more or less the same boat and their joint sense of survival could produce a strategy for co-existence which would ensure that in 50 or 100 years this will still be a viable place in which to live," Mr van Heerden said.

He said the basis for forging regional co-operation lay in the many facets of the region's undeniable interdependence.

According to Mr van Heerden, these factors could prove even more important than the opposition South Africa's neighbours obviously held against apartheid.

Mr van Heerden pointed out that hundreds of thousands of workers from neighbouring states found employment in South Africa and a large and ever-increasing volume of South African exports were finding markets in the region.

"We have developed costly transport routes which can only be viable if we rationalise by taking into account all the sources of traffic in Southern Africa," he added.

In addition, all countries in the region were threatened by the same human, animal and plant diseases and could be the victims of superpower rivalry, Mr van Heerden commented.

Such co-operation was not beyond the realms of possibility, but — among other important factors — more and more lines of communication would have to be opened between South Africa and its neighbours.

According to Mr van Heerden such lines of communication could act as a "safety net" in the event of an incident and prevent what could otherwise grow into military action.

He added that formal Nkomati-type agreements were not always necessary so long as a series of informal agreements could be implemented.

Mr van Heerden has held several official posts abroad, one of them SA Ambassador to West Germany. He also served as head of the Africa Desk in the Department of Foreign Affairs.

Mr van Heerden recently played a leading role in the negotiations with the Lesotho Government on the highlands water project — among other issues.

FOREIGN EXCHANGE/David de Kock

A sterling trend

78

BUS DAY 17/4/88.

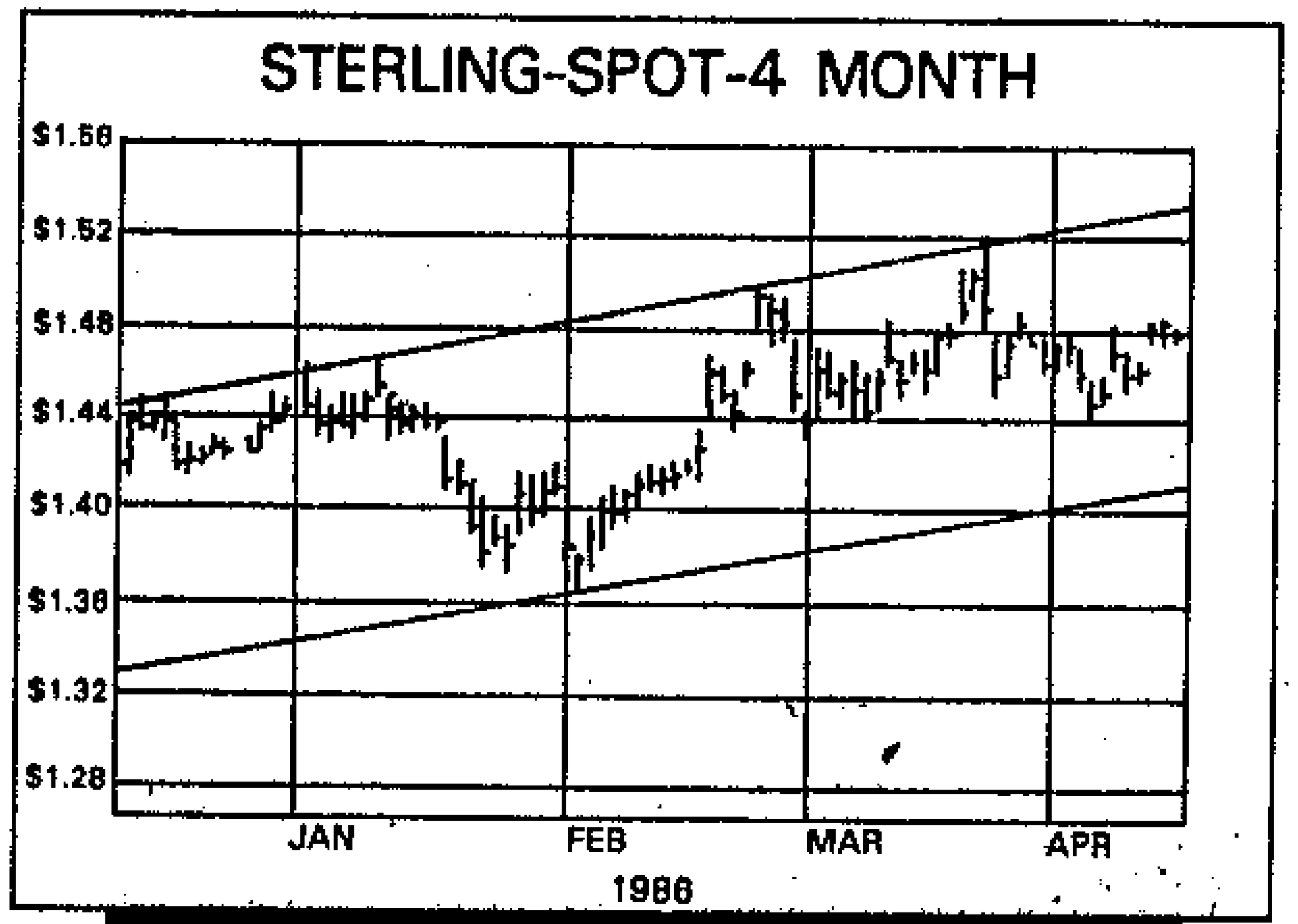
DESPITE the oil price fall, the pound has maintained its upward path. Falling oil prices have merely caused extended plateaux in the trading range against the US dollar while, if you look at the one-year graph you will note that each fall coincided with an Opec meeting.

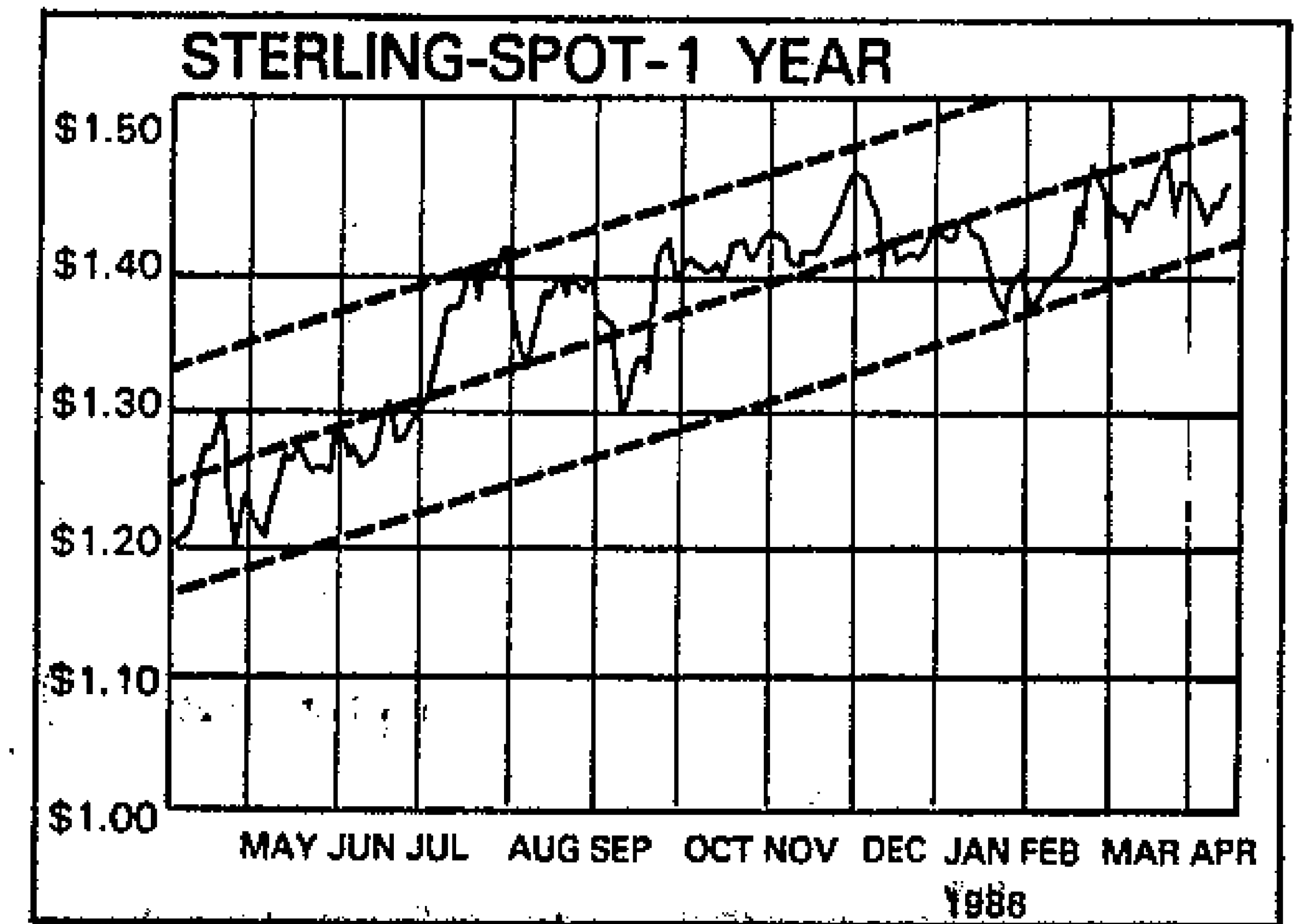
These falls were retraced almost as quickly as they occurred and the uptrend held firm.

In fact, you will note three parallel lines on the longer-term graph. Sterling trades in the bottom half when it is under pressure, primarily from oil-related factors and in the top half when the pressure eases. Because the trend is upwards, the inclination tends toward a move into the upper channel.

Regular readers would have noted that short-term chart formations, such as the ascending wedge etc, were a major factor in the Deutschemark analysis. This is not really the case with sterling at present. An important factor in currency technical analysis is that each currency has its own peculiarities from time to time.

With sterling, it is channels, with shoulder-head-shoulder (S-H-S) formations playing a role in the medium term. This makes for relatively easy decisions in the management of sterling exposures.





As long as sterling is in the lower channel, importers could consider buying pounds against dollars. Obviously, the nearer to the lower channel limit, the better. Exporters would look to selling pounds against dollars when sterling is in the upper channel. And again, it is preferable to get as close to the upper channel limit as possible. By following these simple rules you may miss some opportunities in sterling, but you will not go far wrong.

For those who have an interest in maximising the opportunities, ie getting as favourable a rate as possible, we need to look at the medium-term S-H-S formations. We have a massive inverted S-H-S formation with the shoulders formed in late December and early March and the head showing in early February.

This formation is predicating a move to £=$1,62, which would still mean that the pound remains within the longer-term uptrend channel, which presently has an upper limit of $1,70. The S-H-S formation was almost aborted in early April when we had a retracement to the shoulder line at $1,44. If this level had been breached, we could have had a further fall to $1,40, being a result of the "normal" S-H-S formed during March.

That formation is, however, not yet over. We would first have to breach the shoulder line presently at $1,49, but it would seem that this is a likely event today. If this level is breached, we have another inverted S-H-S to contend with, and a potential short-term move to $1,52.

Are you still with me in this maze of numbers? Let me summarise. Sterling tends to trade in very clear channels. To maximise opportunities within these channels, you need to watch for shoulder-head-shoulder formations. We have a massive inverted formation showing a move toward $1,62. Subsequent to this we have two smaller formations which contradict each other. One is showing a down move, potentially to $1,40, while the other suggests an up move to $1,52. The critical level to watch is at $1,49. If this is breached, we go to $1,52; if not, we still have the potential to slip to $1,40.

Robert Townsend ("Up the Organisation") once posed the question that if you are not in business for fun or profit, then what the hell are you doing there? Trading in sterling can be both fun and profitable. As always, there is a risk, but it tends to be minimal compared to other more volatile currencies (the rand!) and the profit opportunities far outweigh the risk. This makes it fun.

□ *David de Kock is MD, Forisk Currency Management SA.*

Refilwe	28 707
Zithobeni	19 219
Botleng	69 730
Tsakane	898 426
	R1 980 206

(c) To compensate the community councils for deficits on their general accounts.

G CUL 1339

HANSARD 23/4/86

74

Foreign exchange

608. Mr H H SCHWARZ asked the Minister of Agricultural Economics:

What is the estimated loss of foreign exchange suffered by the Republic in 1985 in respect of (a) additional imports and (b) loss of exports attributable to drought conditions in the Republic?

The MINISTER OF AGRICULTURAL ECONOMICS:

(a) R600 million.

(b) R400 million.

Motor vehicles stolen

613. Mr H H SCHWARZ asked the Minister of Law and Order:

(1) (a) How many motor vehicles were reported stolen during the period 1 January to 31 December 1985 and (b) what is the value of the motor vehicles stolen during such period;

(2) how many such vehicles were recovered in (a) an undamaged, (b) a damaged and (c) a cannibalised condition?

The MINISTER OF LAW AND ORDER:

(1) (a) 42 696 motor vehicles were reported stolen.

(b) R180 000 000,00.

(2) (a) 1 300.

(b) 456.

(c) 3 517.

Thefts from cars

614. Mr H H SCHWARZ asked the Minister of Law and Order:

(a) How many thefts from cars were reported during the period 1 January to 31 December 1985 and (b) in how many cases were recoveries made?

The MINISTER OF LAW AND ORDER:

(a) 92 277

(b) 8 570.

Note: Abovementioned statistics are furnished for the period 1984-07-01 until 1985-06-30. Statistics with regard to the period 1985-07-01 until 1985-12-31 are not readily available.

CACR 1339

HANSARD 23/4/86

East London: offences

638. Mr E K MOORCROFT asked the Minister of Law and Order:

How many cases of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm, (d) common assault, (e) rape, (f) robbery, (g) theft of vehicles and cycles, (h) damage to property, (i) housebreaking with intent to steal and theft and (j) possession of drugs were reported at each specified police station in the East London police district in 1985?

The MINISTER OF LAW AND ORDER:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
East London	40	15	397	547	67	194	291	268	963	—
Tyityaba	—	—	2	1	—	—	3	—	1	—
Duncan Village	48	14	626	283	78	108	30	116	210	—
Fort Jackson	9	7	16	102	10	11	8	15	53	—

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Gonubie	13	4	57	19	10	19	27	24	147	1
Komga	3	4	23	20	4	4	7	6	42	—
Bluewater	11	2	93	41	20	9	5	16	93	—
Cambridge	16	22	76	122	23	71	226	92	927	—
Kei Mouth	2	2	50	24	4	1	3	5	76	—
Beacon Bay	3	3	23	13	10	12	42	10	137	—
King William's Town	9	16	140	242	18	45	131	68	351	—
Berlin	—	7	13	18	3	7	5	3	50	—
Bolo	7	1	17	5	1	—	1	—	8	—
Keiweg	—	—	14	7	2	2	1	6	18	—
Kubusiedrift	—	—	4	—	—	—	—	—	1	—
Stutterheim	8	6	207	76	18	9	23	33	187	—
Kidd's Beach	2	4	30	10	10	2	7	9	66	—

Note: Abovementioned statistics are furnished for the period 1984-07-01 until 1985-06-30. Statistics with regard to the period 1985-07-01 until 1985-12-31 are not readily available.

Grahamstown: offences

639. Mr E K MOORCROFT asked the Minister of Law and Order:

How many cases of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm, (d) common assault, (e) rape, (f) robbery, (g) theft of vehicles and cycles, (h) damage to property, (i) housebreaking with intent to steal and theft and (j) possession of drugs were reported at each specified police station in the Grahamstown police district in 1985?

The MINISTER OF LAW AND ORDER:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Grahamstown	55	22	510	322	44	60	163	313	808	3
Alexandria	5	4	111	112	14	6	10	29	76	—
Alicedale	—	—	40	35	3	3	1	4	28	—
Balfour	—	—	21	7	1	—	1	4	8	—
Bathurst	1	3	42	17	6	—	3	8	24	—
Committees	—	2	5	3	—	1	2	—	7	—
Doringkloof	—	1	6	5	—	—	—	—	5	—
Fort Beaufort	10	5	195	65	8	11	21	75	130	—
Fort Brown	1	2	4	—	—	—	1	1	5	—
Kaffir Drift	1	—	17	3	2	—	1	2	27	—
Kenton-on-Sea	1	1	54	46	3	1	4	14	42	—
Kinkelbos	—	2	15	15	2	—	—	5	35	—
Paterson	2	5	78	40	7	7	7	8	44	—
Port Alfred	11	5	156	171	28	15	12	58	205	1
Riebeeck East	—	—	16	6	1	—	—	2	10	—
Sevenfountains	1	5	18	10	1	1	2	3	19	—

Note: Abovementioned statistics are furnished for the period 1984-07-01 until 1985-06-30. Statistics with regard to the period 1985-07-01 until 1985-12-31 are not readily available.

UK TRADE 25/4/86 FIN MAIL

(74)

FEATURE

Cementing the links

UK business has, in general, remained remarkably staunch in its support of long-established trade links with SA. Local exporters and importers who rely on British connections for their trade should be happy for that in an ever more hostile world.

But the far-sighted are not content to assume that the long-standing special relationship will survive just because it has existed for so long.

Working constantly at nurturing the links, often behind the scenes, is the South Africa Britain Trade Association (Sabrita), which celebrates its 21st anniversary next month. The low-key organisation can look back on a successful run of cementing and improving trade and investment links between two traditional trading allies.

And the value of the Sabrita contribution is obviously not totally unrecognised. "Support has been steadily increasing, and we have signed up 45 new corporate members in a surge of interest since last June," Sabrita executive manager Evonne Roux tells the *FM*. Sabrita membership now stands at 320, of which some 300 are corporate members.

New members include groups like Cementation, Fisons Pharmaceuticals, Norwich Union, Murray & Roberts, Clicks Stores, Boots (SA), Cargo Carriers and Escom.

In fact, the membership register reads like a corporate Who's Who. A cursory alphabetical glance shows names like Afrox, AECI, ATC, Babcock Africa, Blue Circle, BP (SA), Bowring Barclays, Brooke-Bond Oxo, BTR (SA), Cadbury-Schweppes, EMI (SA) and major South African groups like Anglo American and Rembrandt and all SA's major banks.

Although most members are British-based companies, South African groups like Federale, Wesco, Sasol, Escom and Volkskas add to the cross-pollination.

Sabrita's "tight, shoe-string budget" is financed from annual membership fees and by contributions from five sponsor groups — Barclays, Standard, Anglo American, Rembrandt and ICI.

What are Sabrita's aims?

Says Roux: "Together with the UK-based United Kingdom South Africa Trade Association (UKSATA), we play a vital, if low-key, role in keeping trade and political communication lines open. It is in both countries' interests that Britain's large South African investment is protected, while strong two-way trade is vital to both economies."

The latest UK-SA trade figures, for the period January to October 1985, show a R550m balance in the UK's favour. British exports totalled R2,276 billion while South African exports to the UK were worth R1,73 billion.

Sabrita's important role in keeping relations on an even keel is partly reflected by the fact that the SA-UK relationship has been less subjected to the traumatic sanctions and disinvestment threats that characterise SA's stormy links with the US. But, that said, the two-way trade has for years survived strong trade union opposition.

Sabrita's Roux ... working at trade

Using its high-level business, financial and political contacts in both countries to strengthen the bilateral links, Sabrita promotes and supports missions to the UK by senior South African executives. It maintains personal contact and liaises with visitors, holds monthly meetings, business lunches and constantly communicates with trade, industry and foreign affairs officials of both governments.

Roux says the recently-formed British Industry Committee on SA (Bicsa), backed by the Confederation of British Industry and by UKSATA and supported by major British companies with substantial South African interests, is also playing a vital role in explaining UK business policy on apartheid and its support for peaceful change and reform in SA.

Bicsa chairman Sir Leslie Smith visited SA in February to assess the socio-political-economic situation for himself, she adds. Smith met Sabrita president Murray Hofmeyr and other senior council members.

Apart from the socio-political function, Sabrita's strongest involvement is in trade and investment.

"We receive about ten trade inquiries from the UK every month, but potential South African exporters could make far greater use of our contacts and information bank to expand this trade," says Roux. "Our monthly bulletin — sent to 400 local and 50 British subscribers — could be used more extensively.

"We welcome inquiries from South African businessmen who want to promote their goods or establish new trade links with the UK. After all, it is in the interests of all in SA to promote and retain British investments."

BUS DAY 25/4/86

Franchise boosts barter network

ALAN SENDZUL

BX TRADE EXCHANGE SA has been awarded a major franchise to link its client base internationally through a computer network called ITEX.

Barter, still considered in a pioneering phase in SA, is a proven and legitimate way of getting around trade and political obstacles.

MD Martin Kagan says: "By joining the barterwire network we are able to offer a wide range of goods and services worldwide by using ITEX trade dollars, effectively trade credits."

Retail barter has been operating successfully in the US for more than 25 years and now has a market value of about $700bn.

Barter deals will now be possible nationally and across borders with the probability of reducing foreign exchange outlay.

There are about 500 sectors, from retail to manufacturing, affiliated to the BX Trade Exchange.

● COETZEE

SA's first contra firm is launched

28/4/86 74 BUS DAY

● STRAKER

STEPHEN CRANSTON

CONTRA International, SA's first contra trade specialist firm, was launched at a Press conference last week by chairman Schalk Coetzee and operations executive Steve Straker.

Contra trade is similar to counter trade, as barter is involved, but unlike counter trade — which involves only three or four parties — hundreds of parties can be involved in contra trade, said Coetzee.

The company will have subscribers who will be allocated a credit ceiling in line with their size and balance sheet strength and who, subject to this ceiling, may trade with other subscribers in a cash-free environment.

Subscribers will supply their own products or services and draw on the products and services of other subscribers.

By drawing on other subscribers, they reduce their credit availability; by providing products or services, they raise this ceiling.

Hotels, travel agencies, and engineering and manufacturing operations have shown interest.

Contra International itself will provide subscribers with information on potential customers and will take a 6% commission from suppliers.

It is concentrating on building up the domestic infrastructure for contra trade, but is hoping to have a truly international network, so it has opened offices in New York, London and Hong Kong.

BUS DAY 6/5/86 (74)

PARLIAMENT

Foreign 'change of tone' noted on SA


● EGLIN

DESPITE the international anger at SA there were signs that a more constructive attitude was developing among some foreign governments, official Opposition leader Colin Eglin said in the House of Assembly yesterday.

Opening the debate on the Foreign Affairs Budget vote, he said SA's image and government's credibility had hit an all-time low in the second half of last year.

"This was, in part, because of an orchestrated and sustained campaign by certain organisations abroad to denigrate SA wherever and whenever they could.

"In their campaigns, these organisations have been prepared to resort to special pleading, selective morality and to a one-sided presentation of the South African situation.

"But we would be very stupid, and very wrong, if we saw these campaigns as the only, or even, the prime reason for the serious problems which South Africa is experiencing in its relationships with the rest of the world and especially its main trading partners in the West.

Events last year such as the abortive Cabinda raid, the threats to expel foreign workers, the Gaborone attack in June and the revelations of South African involvement with Renamo, even after the signing of the Nkomati Accord, had "played right into the hands of enemies".

International events had, however, been overshadowed in importance by events inside SA.

Among these were the declaration of the state of emergency, the widespread violence in the country, particularly from the side of government, the continued application of apartheid and the way government dragged its heels in carrying out its own commitment to reform.

"This image of a heel-dragging, time-wasting, decision-ducking government was confirmed in the State President's disastrous Rubicon speech on August 15.

"Our enemies rubbed their hands with glee. Our friends threw up their hands in despair. Pressures built up, limited sanctions were applied. Ambassadors were recalled and the accreditation of military attaches were withdrawn.

"Yet, amid this international anger and frustration, I believe there were also signs of a more constructive attitude developing.

"People in some Western countries, and to an extent in Africa, appeared to be realising that it was not good enough to pressure and to punish; that if a catastrophe was going to be avoided, a constructive effort had to be made to assist the process of dismantling apartheid."

Eglin said he had detected this "subtle change of tone" in his discussions with representatives of governments and of the private sector who have an interest in SA. — Sapa.

for being angry with him.

Jan Erasmus, MD of Prestasi, believes it is not so much the Registrar himself, but the Act that failed to provide sufficient powers.

More importantly, as Erasmus is quick to point out, the aspect of licences needs looking at. "Our market cannot absorb the business now flowing out of AAMI," he says. "The limitation of licences has effectively turned insurers into protected species and we don't have enough capacity."

Not surprisingly, perhaps, the market is whispering about other companies set to follow AAMI down the tubes.

Reg Buckland, MD of Priceforbes Federale Volkskas, points out: "The sad thing is that insurers may not have the capital base to back up all this new business. So-called new business strain squeezes solvency margins, which are already fairly thin in some cases."

Contrary to widespread press reports, a spokesman for the MVA fund points out that all motorists are covered for Third Party insurance since they pay via the petrol levy. Those holding discs from AAMI simply need a new claims administrator. ■

FOREIGN TRADE 74

Oil enigma

FIN MAIL 30/5/86

The most surprising aspect of the April preliminary statistics from Customs and Excise is that January-April unclassified imports leapt to R2,6 billion, up 115% from R1,2 billion for the same period last year. The reason is a mystery.

On the export side "unclassified goods and BoP adjustments" totalled R5,5 billion (R4,7 billion last year), understood to be mostly gold.

The sharp rise in unclassified imports has been evident for most of this year and was most marked in the first two months. The R400m April increase is less than the rises of the previous three months. For the first quarter, unclassified imports were R2,2 billion compared to R800m in the final quarter of last year, an increase of 175%.

The question economists are asking is: "Is it oil?"

In his latest *Business Brief*, Barclays' Cees Bruggemans suspects "something far more exceptional took place which, if it was oil, was the equivalent of some 25m barrels at a value of R1 billion." He says: "What makes this reasoning less than plausible is the physical reality of taking in such an enormous amount of oil in a short period, in *combination* with a total absence of shock in the forex market that surely would have noticed the kind of tightening an annualised current account surplus of R2 billion and a capital account commitment of R4 billion would have implied."

He comments that apparently a lot of flight money leaves through acknowledged channels without being officially recognised. "All we end up with at the end of each quarter is a statement of short-term capital outflows, without anybody having the foggiest idea where the stuff went."

Volkskas economist Adam Jacobs agrees: "We are worried, as this reflects the degree of uncertainty around."

Certainly, there are those who argue that it suits the Bank to downplay the current account as debtors are lined up. The Bank vehemently denies this: "We take the information as it is supplied to us. There is no question of fiddles, and if we find any doubtful figures we look into them."

So what is the explanation?

The most plausible is that it is oil payments deferred from last year. Only those with access to official figures know, and even the Bank does not have full access to classified information.

The trade surplus has become particularly important in view of the need to maintain a strong current account. The trade surplus (merchandise exports and net gold exports less merchandise imports) was R12,9 billion last year. This was offset by a negative R6,1 billion for services (receipts minus payments) leaving a R6,75 billion surplus for total goods and services. The final (smallest) item is transfers, R358m last year, bringing the balance on current account to R7,1 billion (see table).

Current account

Jacobs calculates that, given this, an average R600m a month can be allowed for services. He thus estimates the current account surplus for the first four months of 1986 at R1 billion. "This means we need a R3 billion surplus for the remaining eight months to get the R4 billion generally expected for 1986."

Jacobs believes this is attainable. "In the first two months we had large extraordinary items, mainly oil and probably arms imports, unlikely to recur."

Explaining the slump in annualised current account surplus from R12 billion in the last quarter of 1985 to R2 billion in the first quarter of 1986, Bruggemans says "it would appear that imports are to blame, particularly oil." Import expenditures during the first quarter increased 22% from 1985's final quarter, he notes.

The classified import figure for the first quarter of 1986, when the spot oil price averaged $17,40 a barrel, suggests SA imported nearly twice as much oil as in the same quarter last year. ■

TRADING PLACES
CURRENT ACCOUNT TRENDS

RM

	1978	1979	1980	1981	1982	1983	1984	1985	1986 (est)
Merchandise exports, f.o.b.[1] ..	7 449	8 813	9 766	9 679	10 142	10 207	12 695	20 018	
Net gold exports[2]	3 864	6 003	10 141	8 340	8 627	9 929	11 684	15 460	
Service receipts	1 949	2 334	2 761	3 084	3 506	3 565	4 441	5 778	
less Merchandise imports, f.o.b.	8 019	9 739	14 159	18 111	18 004	15 863	21 356	22 644	
less Payments for services	4 010	4 694	5 984	7 236	7 820	7 896	9 213	11 958	
Total goods and services (net receipts)	1 233	2 717	2 526	−4 344	−3 549	−58	−1 748	6 754	
Transfers (net receipts)	97	163	293	370	339	363	338	358	
Balance on current account ...	1 330	2 880	2 818	−3 974	−3 210	305	−1 410	7 112	4 000

[1] Published custom figures adjusted for balance of payments purposes.

[2] Net foreign sales of gold plus changes in gold holdings of the Reserve Bank and other banking institutions

Source: Reserve Bank Quarterly Bulletin

APRIL TRADE FIGURES

The R973m April trade surplus was the highest this year. Exports were worth R3,1 billion and imports R2,1 billion. January-April exports totalled R12,3 billion (R10,8 billion last year) and imports R8,9 billion (R7,4 billion).

South African Foreign Trade Organisation's Ann Moore is worried that this 14% increase in exports, the same as in March, "shows a levelling off."

Moore cautions against reading too much into monthly figures. Last month's surplus was R783m. In April last year, it was R775,5m. This April's increase is mainly because of the R500m rise in net gold output, after a drop in March.

Europe remains SA's largest trading partner. This year to April exports totalled R3,2 billion compared with R2,9 billion last year, while imports stood at R3,6 billion (R3,5 billion). Asia was SA's second largest export earner (R1,8 billion compared with R1,7 billion last year), followed by America (R1,1 billion), Africa (R548,3m) and Oceania (R115m).

After Europe, Asian imports rated second (R1,3 billion), followed by the US (R1,1 billion), Africa (R198,8m) and Oceania (R82,4m).

FIN MAIL

INFLATION 244 153

30/6/86

Waging a war

After April's inflation figure of 18,6%, economists are getting "a little nervous about their projections," as one put it. Compared with March, at 18,9% year-on-year, April does reflect a fall, but not as much as expected.

Big increases came through for food and clothing, while the petrol price cut was too

BUS DAY. 30/5/86.

Trade with Africa — the open secret

74

ANNABELLE GORDON

THERE are currently 13 African countries that officially trade with SA. They are Botswana, Comores, Ivory Coast, Lesotho, Malawi, Mauritius, Mocambique, Reunion, Swaziland, Zambia, Zaire and Zimbabwe. Since 1980 they accounted for R1bn worth of exports and this year R2b is expected in nominal terms — thanks to geographic proximity.

"Because of infrastructure problems other countries rely on us for survival. There is not a country on this continent that does not trade with SA," says Sally Gallagher MD of Business Development Africa.

"We could add 65% over and above the R1b in "unofficial" exports which do not show in the statistics. Due to the drought we could not export more."

"Africa has had two decades of independence now. Even the newer places like Zimbabwe, are experiencing trying times. If governments want to stay in power they have to feed their people which brings us back to what we said 10 years ago: we have the product, the quality, the price and delivery. Acceptable or not, it will go where it is needed because that is economics and that is what counts, not politics.

"If we go to a hostile country, there are ways of handling matters. For example, we have "other" labelling; it is not peculiar to SA, everyone does it.

"The range of products has not changed much. The African market is very important to our exporters. Everything goes up north, from basic items to luxury items — even diet foods!

"The African market changes; it used to be anti-West because of post-Colonial politics. Now survival is the name of the game and they want Western goods.

"The African market to us is big, to others — like the US — it would be small. Personal communication contact is vital. Once you are accepted and trusted they do respond to you and your business needs.

"The export fraternity is perhaps not aggressive enough. Supplying the domestic market is easy, where you have had slight busts in the economy and get a surplus, suppliers have done one-off sales or dumped, giving a bad name to the serious exporters.

"Now that the local market has decreased they have been looking to export anywhere and purchasing power parity is far more competitive with the lower rand so they want to look at southern African markets as well as internationally.

"I have never come across such an interest in Africa from Britain and Europe. Britain wants to regain her old traditional markets in Africa, and is aggressive ... we must watch that.

"Africa has difficulty with exports because of diminishing foreign exchange being a problem. In some countries forex is in foreign aid programmes. Instead of sending an export manager, companies should send a financial expert. It is the financial package that gets you the business. There is limited credit guaranteed finance from SA but it is not easily come by."

Gallagher has been involved in exports for 18 years. She finds SA exporters have become shrewd and found ways and means of getting markets up Africa even without subsidies from government.

"The SA exporter is generally risk-adverse," she smiles.

"The Lebanese crisis (Lebanon was the gateway to the whole Middle East at one time) was devastating to see ... the banks were operating out of milk stores! We got badly burnt with the Iranian crisis. Each country has a perceived difference and one needs to know them all.

"Because of security problems at Mozambique and Angola, with the result that ports are inefficient and road links inadequate, Africa has to route its goods through SA. Several countries would prefer not to do so but have no option and use more expensive transport to get guaranteed, timeous deliveries.

"It is now more realistic for Africa to buy from the PWV. We are back to the geographic proximity we mentioned earlier. Transport is crucial.

"A critical situation exists in Malawi as traditional routes to the sea are severed; Nacala container port and Beira breakbulk are not operable now so Malawi incurs heavy transport costs on her sugar due to the political problems of her neighbours. Malawi exports food — it is a great success story — but has to use SA transport and harbours. Despite this, Malawi remains the most disciplined of all African states where payment is concerned."

MOORE ... satisfying requests

Ace takes Sats spare space

THE first private enterprise company to lease SA Transport Services property in Durban is Ace Haniel, the shipping and forwarding subsidiary of the German multinational Haniel Spedition.

Rudi Kotze, Natal regional manager, says: "The move to the 8 000m² warehouse at the docks (formewrly a maize shed) is ideal beacuase of proximity to ships and the resultant savings in transport costs for clients. We have revamped the facility, which will operate 24-hours a day, seven days a week, under manager Rasool Mayhoodeen."

The move is part of Ace Haniel's expansion programme in SA.

Safto has all the necessary answers

HELGA ST BLAIZE-MOLONY

THE South African Foreign Trade Organisation (Safto) is still the most important foreign trade organisation in the country.

Established nine years ago, Safto is the only organisation which can claim to offer "a one-stop export service."

Necessary

In fact, GM Anne Moore argues, it is more necessary than ever to be able to offer a wide variety of services capable of satisfying all requests.

The foreign trade business has changed dramatically during the past decade, particularly for a South African exporter, explains Moore. Now there are a number of complicated questions which need delicate answers. And apart from the political pitfalls which SA traders face, there are geographical differences also in need of careful handling.

Foreign trade

In addition to these more esoteric aspects of foreign trade, most first-time exporters require guidance on basic financial, marketing and administrative questions. Even experienced exporters, Moore says, need advice from time to time.

Safto's approach, she adds, is to try to train companies to handle their own exports. "What SA needs is companies with in-house ability."

But Safto accepts many companies either do not have the time or the manpower to efficiently organise their own export projects. Members of Safto pay an annual fee of R50, for which they are entitled to a number of on-going services including use of research teams and availability of expert advice.

The main advantage to using Safto is that it is big and established long enough to have knowledgable staff and good overseas contacts. Its services range from marketing management and administration to research and training.

Organisation

The organisation is also unlikely to disappear under a recessionary cloud. It is government-funded, owing to community work and training projects for the Department of Trade and Industry.

Until recently, Safto's disadvantage was that it appeared to have no competition and therefore could operate more or less as it wished. But new entrants to the market have been challenging Safto's position recently.

Part of a changing world

PROVIDING a full range of transport and customs broking services, Walon has been part of the changing world of cargo movement which mirrors the state of our economy.

"The last six months have been one of the toughest periods experienced by us in a decade of operating in the Republic. In the face of decreasing overall volumes and pressured margins, it is only those companies which have adapted themselves to changing circumstances which will survive," says Denis Mussche, local chief executive.

The volumes historically generated to and from SA's trading partners are no longer enough, and only expansion into new activities can ensure viability.

The most marked development in recent months has been the success of the export drive, where Walon's international network was invaluable. Combined with this, expansion into neighbouring territories and the Indian Ocean islands has provided a broader base of activities.

Known for its speciality in the movement of capital project cargo, Walon continues to handle abnormal loads for SA industry.

"This market sector is presently in the doldrums and prospects are bleak in the short and medium term. Forecasts are dangerous in the very volatile local market, but we are daily surprised by the underlying resilience of SA industry. We don't believe there will be any meaningful growth — exports excluded — until the political climate knows stability. This doesn't alter our commitment or our ongoing investment programme."

When a specialist is needed

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SINCE the advent of SA's latest recession, and the call for an export-led recovery, a number of foreign trade service offices have set up in competition to Safto. At the same time, an increasing number of businesses are looking to export.

One organisation which has rapidly gained a reputation for being the expert on trade with Africa is Business Development Africa (BDA), established two years ago and run and managed by ex-Safto employee MD Sally Gallagher and her partner John McGrath.

"We specialise in the promotion of two-way trade among the Southern African Development Co-ordinating Conference (SADCC) countries," says Gallagher. This covers the provision of information and advice on project development, aid programmes and financing facilities.

Durban-based Export Marketing and Management Consultants runs a more comprehensive service geographically, but specialises in marketing evaluation, administration, freight management and trade missions.

Run by Nora Hill and Keith Anderson, the company has established contacts in Taiwan, Hong Kong, Germany, Korea and the USA.

Dr P Kieser Associates is a newly-established export service company. It has an office in Lisbon which services Portugal, Spain, North Africa and Brazil. Its associates in the UK, France and Germany service the rest of the EEC as well as the Middle East and Turkey. In Australia, Kieser's associate services New Zealand, Indonesia, Philippines, Singapore and mainland China.

The company undertakes international marketing, partial manufacture of goods in Lisbon, the establishment of off-shore facilities, export finance and export documentation and logistics.

Other companies springing up are beginning to provide more and more specialised services. Their advantage over Safto is that they are smaller and therefore more flexible and more capable of offering a personalised service.

Another important aspect to exporting is that of taking part in trade exhibitions worldwide. South African manufaturers have gained a poor reputation in this area, says Exhibitions International MD Anton Post.

His company specialises in organising and setting up participation. It will establish what presentation is needed and how to promote the product on manufacturer at an exhibition.

Government incentives are available for this purpose, says Post who believes South Africans are not properly aware of how effective exhibitions can be: "If your participation in an exhibition is fully arranged, many useful contacts can be made, ideas can be exchanged and often a clearer path to establishing sales can be mapped out."

Export trade good but imports suffering

74 BUS DAY. 30/5/86

THERE ARE basically three types of ships agency involvement. "Firstly, the liner trade is the cellularisation trade, containerisation. Regular cargo on a regular service between two countries," explains Graham Wood, development executive at Ace Haniel.

"Our major trading partner is the UK. The north-western Continent is looked after by the SA European container service, of which Safmarine is our national flag carrier, in conjunction with several European national flag lines.

"We are led to believe they are enjoying a good export market because of the rand/dollar parity, but imports are suffering and will continue to do so."

Import cargo is usually of a capital nature: heavy plant, machines and goods of a consumer nature. The freight rate is high. Shipowners' revenue when trading with SA is generated on import cargo, whereas our exports — raw material or agricultural cargo — is low in revenue.

Shipowners trading with SA rely on our import trade to cover costs and the exports are the cream on the top.

"Once imports suffer, as is presently happening, it has an adverse effect on revenue. Even though exports are running higher, that does not generate the usual total revenue as it would if imports were higher. They have a problem now."

"The bulk and tramp trade is what it says: they tramp the world — there is no regular service. They are only interested in bulk service, unpacked large tonnages where cargo is poured into the ship — like coal, iron ore, grain and maize."

From a ship's agency point of view they work on a charter party, whereby the ship is hired for a particular trip to whoever has the cargo. That contract outlines all the conditions involved in loading, travelling, etc.

"Despite political considerations, our raw materials are in great demand, which is helped further by the low rand.

"SA has become a good market, our price is right, commodities are good — promoted by the fact that freight rates negotiated are reasonable thanks to the low bunker fuel price.

"Finally, there is the service requirement trade, vessels coming in purely for the BSW&R — bunker, stores, water and repair — trade."

Cruise liners fit in there; they simply come in as part of their cruise. BSW&R was lucrative, but it has fallen off drastically.

Until recently Ace Haniel was in the freight forwarding industry. Now a policy decision has been taken to broaden the service industry base to include anything else that pertains to it — like ship's agency. The company tries to provide clients — importer or exporter — a total door-to-door service.

SA's TOP 10 MARKETS

Exports (Rm)

	1985	%	1984	%
USA	2 421,0	8,2	1 733,8	8,4
Japan	2 255,7	7,6	1 583,4	7,7
Britain	1 729,9	5,8	919,0	4,4
Switzerland	1 126,0	3,8	1 521,7	7,4
Netherlands	1 082,0	3,6	485,3	2,3
W. Germany	1 006,4	3,4	790,4	3,8
Italy	823,2	2,8	516,6	2,5
Hong Kong	514,6	1,8	373,6	1,8
France	503,1	1,8	456,8	2,2
Belgium	487,3	1,7	338,1	1,6
Total	**29 675,3**		**20 695,9**	

☐ **THE biggest national market for SA exports is the US, as the above chart shows. But the US accounted for a declining percentage of the total in 1985. By far the biggest decline among the top 10 markets was Switzerland (down 24%), while the biggest gain was in the Netherlands (up 123%). There was also a big increase in exports to Italy (up 59%).**

'Simplify trade procedures'

A LACK of standard documents for foreign trade transactions costs SA business anything up to R100m a year.

"Without standard documents and procedures, hundreds of thousands of errors are made each year in export/import transactions. It's not only time-consuming but very costly," says Fanie Jordaan, senior manager, international operations of Standard Bank's international division. He points out that until 1984, SA was 10 years behind other countries in trade facilitation.

And compounding the problem is that import/export transactions require many different documents and hundreds of copies. Jordaan says many internal documents and forms are generated by both companies and authorities involved in international trade, creating immense standardisation problems.

Helping to solve these issues — by cutting down and simplifying the paperwork — is the Simplification of Trade Procedures SA (Sitprosa).

The association is part of a worldwide network of national trade facilitation bodies whose aim is to promote, develop and implement simpler international trade procedures and documents.

Though Sitprosa has been in existence in SA for many years, it has only recently become active with government granting special financial aid to the association.

Sitprosa is supported by many local private and public sector organisations involved in international trade .

The need for standardisation is highlighted by the fact that banks reject about half of all sets of documentary credit documents on first presentation because of discrepancies.

Jordaan points to a number of recent breakthroughs in trade simplification made by the association. These include the production of local export documents to meet world standards; writing SA's first definitive export documentation and procedures manual; and tackling a range of smaller local problems.

One of Sitprosa's major projects has been the production of a set of standard export documents produced to world documentation standards. The set consists of a master form and 10 standardised documents.

The process, known as a "one-run" system, speeds up the transaction operation and is also accurate.

Another achievement is the development of documentary credit checklists designed to cut the cost and risk involved in this type of trading. The purpose of documentary Letters of Credit (LC) is to give prompt and secured payment. These benefits are often lost because of the lack of standard procedures.

Standard Bank's international division recently provided the financial assistance for and published two documentary credit checklists for Sitprosa under licence from Sitpro, London.

Standard has also been involved in the introduction of simpler marks for shipping containers that meet with international labelling standards.

Jordaan says the next challenge will be the development of electronic trade data interchange, where the savings are potentially huge.

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SANCTIONS

Countering the threat

While the international sanctions debate rages, South African business and industrial sectors are taking stock of the economy's strengths and weaknesses.

There is little doubt that they will find answers to whatever is thrown SA's way, but sanctions will have to be overcome at some cost to the economy.

In the front line will be black employment, but much depends on the severity of the measures taken against SA foreign trade. Alternative ways of earning foreign exchange will inevitably increase the cost base of the economy, but there is almost certain to be, in the short term at least, an increase in economic activity.

Recent moves have sent a clear signal to the business community that the government is in no mood to pay for its trade links with the outside world by bowing to political pressure.

Some SA hi-tech companies have already shored up their operations against sanctions by building stocks of vital imported materials. Others are looking at counter-trade as a way around boycotts of goods, and there is no doubt that shadow companies, to act as middlemen in import and export deals, have already been set up.

"Offers to find ways of overcoming bans on exports are now streaming in to individual company offices from hundreds of foreign companies and interest groups — at a price," says Safto CE Wim Holtes, who has just returned from a European visit.

"Sanctions would act as a tremendous negative stimulus to the economy. We will be forced to fight for our very survival, but the position is still very confused and nobody knows what action will be taken on exports, imports, air and sea links, technology and finance," he adds.

Holtes says SA industry would have to focus strongly on more sophisticated marketing techniques. They would have to use alternative export routes, improve the quality of local production and become more competitive in the international marketplace.

Research and development will have to be increased to improve local products. "Far greater demands will be placed on the marketing skills of our exporters. It'll be tougher to survive in the world out there," says Holtes.

"Diversification into new markets and an increased market spread — to lessen the impact of sanctions — will be necessary. If these demands are met, at whatever cost, there'll still be room for increasing exports," he adds.

Exporters will, however, have to keep a lower profile and export sales figures will have to be kept confidential to avoid giving ammunition to SA's trade enemies, he suggests.

"The European Community's intended ban on our agricultural exports protects their farmers against competition, while Canadian action against Krugerrand sales was followed by increased sales of the Maple Leaf gold coin. It is also significant that the proposed areas for US sanctions include a ban on SA steel exports, of direct interest to an ailing domestic steel industry," he says.

The prospect of sanctions is daunting, but it is a "survivable situation, provided we work harder at it," adds Holtes.

The final form of sanctions legislation is now being debated in the US (see page 74), Europe (see page 72) and Australasia. Any formal SA reaction — policy or practical — must depend on the nature of the final sanctions package. There are no clear answers at this stage.

Government sources remain silent as a quiet diplomatic battle goes on to limit the effects of sanctions. There is, however, little doubt that government will have to help companies minimise the effects of export sales losses and increased costs.

Apart from the negative effects, there is a positive side to the sanctions story. Import substitution would be an obvious spur for economic growth when supply boycotts begin to bite, and there are other less visible spin-offs.

"Greater self-sufficiency and a 'Buy South African' campaign would boost industry, ensuring that under-utilised production capacity comes into play," says Afrikaanse Handelsinstituut (AHI) president Christie Kuun. "Technology and capital remain two problem areas, but steps could be taken to overcome these difficulties."

Kuun says the hi-tech problem could be tackled in the way the arms ban is being fought by Armscor, and the shortage of capital would be a spur for the more gainful use of scarce production resources in the economy.

"Meanwhile, the rand's very strong recovery shows there is little panic about the possible negative effects of sanctions," adds Kuun.

A tragedy

Anglo American economist Aubrey Dickman is less sanguine. He says sanctions would be a "tragedy," although there might be a false boom, based on import replacement and the need for self-sufficiency. "The dangers lie on the export side, as we need foreign exchange to pay for our imports," he says.

However, Dickman doubts that total sanctions will be applied. He cannot see countries like the US, the UK and Germany imposing a blanket ban on SA platinum, gold, diamonds, chrome and other essential minerals — and that always leaves a door open to hard bargaining. He says, however, even limited sanctions would have an impact on local business confidence.

"Sanctions would, nevertheless, act as a fantastic protective measure for some local industries, but it remains a very serious threat. We can do anything — at a cost," he says. ■

BAREND'S BONUS

All the weeping and wailing appears to have borne some fruit for SA's beleaguered motor industry. The package of stimulatory measures for the economy announced (see page 47) this week has been hailed as the best news for the industry in two years.

The measures, which will have a direct impact on the motor industry, are:

- ☐ A cut in excise duties on motor vehicles, which has been estimated to be worth some R70m a year;
- ☐ Easing of the fringe benefit tax applicable to motor cars, and,
- ☐ The removal of the import surcharge on about a third of the items currently subject to import surcharge, which will save the industry another R180m a year.

Says Naamsa's Nico Vermeulen: "We also believe it's significant that the minister has accepted, in principle, the need to introduce a more reasonable and equitable basis of valuation of the private use of company-owned vehicles.

"Once the details of the new tables have been released, there will be significant benefits to both the motor industry and to taxpayers who have private use of company-owned cars."

The injection of another R300m into the economy — by the early repayment of the 1980 loan levy — and other general measures will give consumers more money to spend and could improve the outlook for motor manufacturers and distributors.

Govt believes SA would be better able to cope with embargo blues than its neighbours

74 STAR

Sanctions will hit sub-continent

26/6/86

Staff Reporter

The South African Government maintains that economic sanctions against South Africa would affect the entire sub-continent.

And South Africa, because of its more resilient economy, would be better able to absorb the impact than its neighbours.

The country's leading role was shown in a recent Department of Foreign Affairs publication, "South Africa — Mainstay of Southern Africa."

It examined areas of inter-dependency between South Africa and 10 Southern African states and demonstrated how these states would suffer in the event of sanctions.

● **Foreign labour** — If employment opportunities were reduced by sanctions, the SA Government would "be obliged to give preference to its own citizens in the labour market".

The implication is that South Africa could expel about 350 000 foreign blacks legally employed in South Africa — 139 000 from Lesotho, 60 000 from Mozambique, 30 000 from Malawi, 26 000 from Botswana and 17 000 from Swaziland.

These workers send home half their total earnings. In 1983 this money accounted for more than 50 percent of Lesotho's GNP.

If each of these workers support six people at home, nearly two million women and children depend on earnings in South Africa.

In addition, the number of foreign blacks living and working illegally in South Africa is estimated at 1,2 million. Most come from Mozambique, Lesotho, Botswana, Swaziland and Zimbabwe.

● **Electricity** — If foreign capital were closed, Escom would be forced to curtail expansion and put South Africa's power needs first.

Escom supplies all of the electricity used in Lesotho, 79 percent in Swaziland, about 52 percent in Botswana and 60 percent of power used in Maputo, the Mozambiquan capital.

● **Railways and harbours** — SA Transport Services are a lifeline for Southern Africa.

At least 45 percent of the combined total imports and exports of Malawi, Zimbabwe, Zambia and Zaire are carried to and from South African ports and virtually all by Botswana, Lesotho and Swaziland are routed through South Africa.

Last year, 5 883 SATS freight cars on average were used in these states on any given day.

● **Trade** — Few African countries admit to trade relations with South Africa but there is a flow of goods between 47 African states and the country.

In 1983 South African exports to Africa amounted to R1 800 million (about 10 percent of total exports) while imports came to R400 million (2,5 percent of total imports).

Sanctions would undermine South Africa's capacity to supply these vital imports. Alternative sources would be more expensive.

● **Petrol** — Botswana, Lesotho, Swaziland and Namibia obtain all their petroleum products from South Africa, while Zimbabwe and Zambia rely on South Africa's transport network to bring in much of their supplies.

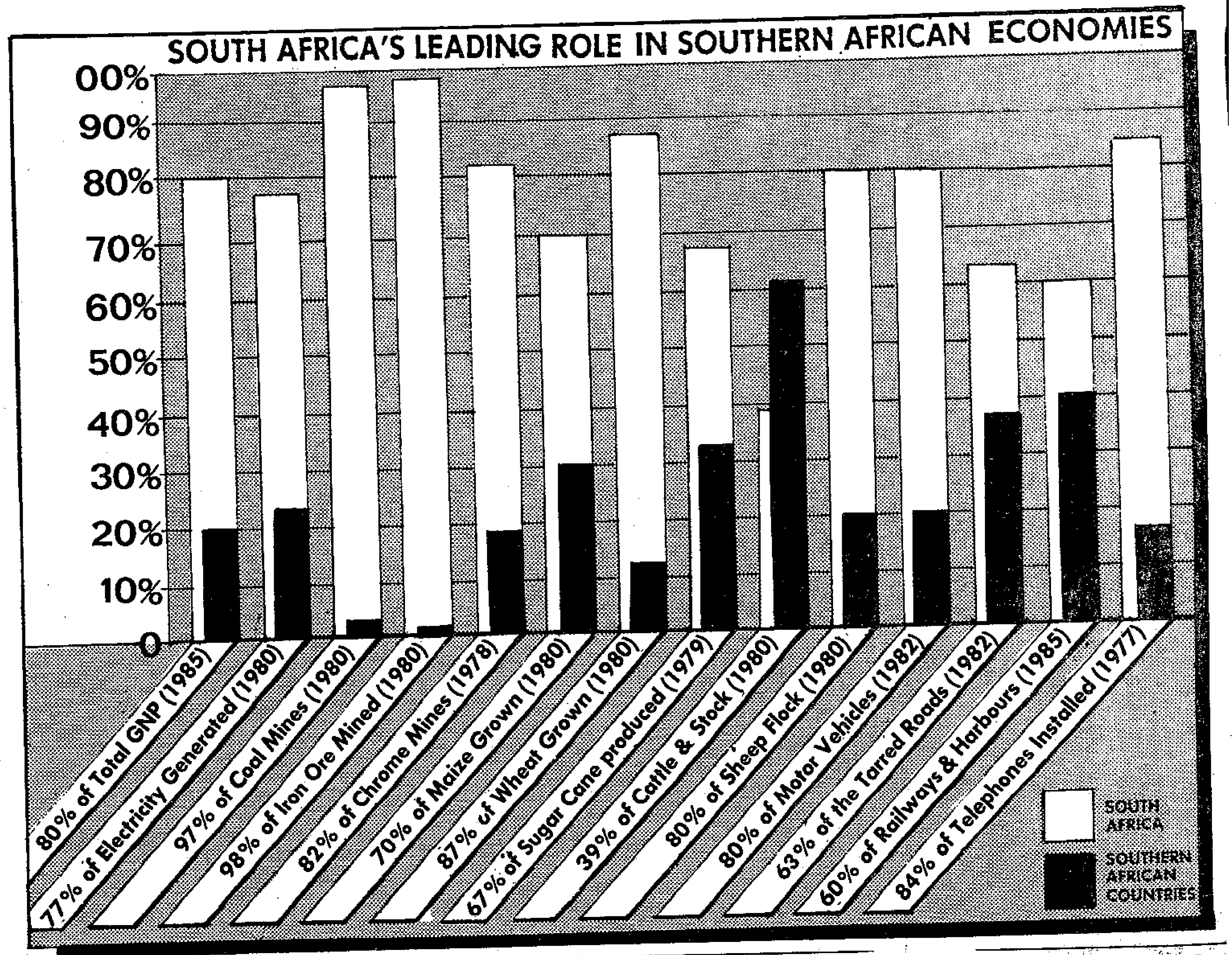
An effective oil embargo could mean a sudden and catastrophic cut-off of supplies of South African oil from coal products to at least Botswana, Lesotho and Swaziland.

● **Credit** — Both public and private sectors provide credit to sub-Saharan Africa. The Government has provided R214 million in development funds to Southern and Central African countries.

The Credit Guarantee Insurance Corporation based in Johannesburg, which enjoys reinsurance facilities from the Government, has provided African countries long-term credit guarantees in excess of R350 million, of which about R200 million was outstanding in September last year.

It has extended short-term credit of more than R250 million a year, of which R80 million was outstanding in September last year.

● **Posts and telecommunications** — All international telecommunications traffic of Lesotho and Swaziland and some of Botswana's is routed through South Africa. SA telecommunications link Swaziland direct with the United Kingdom.



EEC considers ban on fruit and wine

Australia may lead sanctions squeeze on SA

STAR

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Melbourne

As pressures for tough sanctions on South Africa hot up in Europe, Australia is expected to consider going it alone soon.

Measures which Australia is likely to take include closing South Africa's commercial office in Melbourne, revoking SAA's landing rights, banning tourist promotion and cutting imports — particularly fish.

The Australian Government is expected to receive a detailed submission from its Department of Foreign Affairs within two weeks, reports *The Star* correspondent in Melbourne.

Meanwhile, it is learnt from London that a fresh initiative by Britain and the European Economic Community (EEC) is likely to be pegged on an insistence on the unconditional release of Nelson Mandela and a suspension of violence — the two issues central to the recommendations of the recent Commonwealth Eminent Persons Group report.

Any move by the EEC could involve a visit to South Africa by a troika comprising British Foreign Secretary Sir Geoffrey Howe and the Foreign Ministers of Holland and Belgium, Mr Hans van den Broek and Mr Leo Tindemans.

Other proposals before the EEC council meeting include one from the Dutch for a ban on the import of South African fruit, vegetables and wine, and one which would limit government-backed export credits to firms trading with South Africa.

West Germany has still to make a decision on its position, but a senior diplomat in Bonn said: "We want a common position among the twelve (EC members), but you can assume that West Germany will be close to the British position."

UK protests

The British Government has meanwhile strengthened its stand on South Africa by formally protesting to the South African Government about the widespread arrests and detentions under the state of emergency.

The protest was made yesterday to the South African Ambassador in London, Dr Denis Worrall, after he had been called to the Foreign Office.

A similar protest was made in Pretoria by the British Embassy.

Dr Worrall was told that Britain deplored the restrictions — including those on the Press — imposed under the state of emergency, and the detentions of community, church and trade union leaders.

The protests are seen as another sign of the British Government's preference for strong diplomatic pressure on South Africa rather than economic sanctions, which would damage the British economy and interests. — The Star's Foreign News Service.

74 B-DAY 2/7/86.

"THE VITAL VIEWPOINT"

Worrall's debt threat puzzles SA's monetary authorities

GERALD PROSALENDIS

SA ambassador Denis Worrall has the SA monetary authorities nonplussed with his veiled threat yesterday that SA might retaliate by reneging on its foreign debt commitments if tighter sanctions were applied.

● WORRALL

"We are still not certain that he meant what he said as a threat. Rather, he was analysing what the consequences of sanctions would be," said a senior official.

"Presumably, he meant that if the worst comes to worst and comprehensive sanctions were applied, our ability to repay debt would be reduced," he added.

Yesterday, the Finance Ministry was attempting trying to contact Worrall.

Giving evidence to the House of Commons Foreign Affairs Committee, Worrall had said: "We are able to reciprocate with sanctions. We could cause chaos in southern Africa — something which is not sufficiently recognised.

"And, although I do not say it will happen, but if there were sanctions on the scale indicated by the EPG, then SA certainly would consider not repaying its international loans. All Mexico and a few others need is a precedent and it would bring down the whole Western financial system.

"I am not saying this is a consideration at the moment — I must stress that — but the point is if you put SA in an extremist situation, that kind of consideration might apply."

Reserve Bank Governor Gerhard de Kock said that Worrall's statement "does not affect the present interim arrangement with our foreign creditors which runs until June next year. I am not aware of any change in policy."

● COMMENT: Page 6

SA had already repaid the bulk of payments inside the standstill net — less than $100m was left to be paid by June, he said.

3/7/86 STAR

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Worrall intended no threat

CAPE TOWN — The South African Ambassador to London, Dr Dennis Worrall, intended no threat when he said the country might consider reneging on its foreign debt if sanctions were applied, according to a Press statement released by the Minister of Finance, Mr Barend du Plessis.

"It is clear from his verbatim testimony Dr Worrall intended no threat but merely pointed out South Africa would have to consider not repaying its international loans if the country were to be placed in an intolerable situation by the kind of sanctions suggested by the Eminent Persons Group, certain Commonwealth members and members of the European Economic Community," the statement said.

Du Plessis

"A country that is prevented from exporting will obviously not be able to earn foreign exchange required for meeting its other international commitments.

"Dr Worrall said, 'I am not saying this non-payment of international debt is a consideration at the moment - I must stress that - but if you put South Africa in an extremists situation, that kind of consideration might apply'."

"This puts his intention beyond any doubt. It is well known that it has never been the policy of the South African government to hit back at boycotts or sanctions.

Denis Worrall

"It has constantly pronounced its rejection of punitive measures of this kind and, by the same token, of retaliation against such actions. It is also known that South Africa has up till now scrupulously complied with all the obligations it accepted under the interim arrangement for the repayment of its foreign debt, and it intends to continue to do so."— Sapa.

Star

Worrall's debt jibe harmful, says PFP

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By Frans Esterhuyse
Political Staff

CAPE TOWN — Assurances from Minister of Finance Mr Barend du Plessis could not undo the initial harm caused by Dr Denis Worrall's "ill-advised" remarks suggesting that South Africa could renege on its foreign debt under pressure of sanctions.

This was said yesterday by a Progressive Federal Party spokesman on finance, Mr Ken Andrew, MP.

He was commenting on an explanation from Mr du Plessis that the remarks by Dr Worrall, the South African Ambassador to London, were not intended as a threat, but as a statement of fact.

Mr du Plessis had said in a statement that Dr Worrall had merely pointed out that South Africa would have to consider not repaying its foreign loans if it was put in an intolerable situation by the kind of sanctions proposed.

Mr Andrew said: "It is interesting to see that Mr du Plessis is attempting to undo the damage that is likely to be caused by Dr Worrall's ill-advised remarks about South Africa reneging on the repayment of foreign debts.

FIRST IMPRESSION

"Mr du Plessis can rationalise as much as he likes, but he is naive if he believes the first impressions created by Dr Worrall's remarks will not harm South Africa's financial standing."

Mr Andrew said it was unfortunate for South Africa that some Cabinet Ministers and senior officials seemed to think that belligerence and counter-threats were the way to handle "a very delicate and dangerous situation".

Good international relations were of great importance to South Africa, and it was about time the Government took swift action internally to bring about change, he said.

Externally, the Government should concentrate on "building bridges rather than handing out insults and making threats".

"Clearly South Africa should not accept being dictated to by other countries," added Mr Andrew.

To believe, however, that South Africa could ignore the advice of well-intentioned friends abroad, and to think the country could live in isolation from the rest of the world was short-sighted and dangerous.

Whining over interest

Mercury Correspondent

PAARL—Prominent Stellenbosch wine farmers are facing a financial crisis as a result of taking big overseas loans when the interest abroad was much lower than in South Africa.

Now the cycle has turned and they are, apparently, in desperate straits.

Their neighbours, the Paarl wine farmers, resisted the temptation then to raise overseas loans at low interest rates.

A senior executive of a large Paarl bank said yesterday that his bank had advised wine farmers against going for overseas loans although 'some banks' had not done this.

A Paarl wine farmer said he had followed the advice not to go for foreign money and was not in 'deep financial trouble today'.

BUSD147

SA bank ups trade overseas

58 74

LESLEY LAMBERT

TRUST BANK is intensifying the treasury and fee-earning activities in its London and Hong Kong offices to facilitate growth in the corporate business, which forms the bulk of its international operations.

"Our brief is to develop these auxiliary services to support the corporate base in these two branches and to provide on-the-spot monitoring of the financial developments in both countries," says the bank's off-shore activities GM Helmut Bahrs.

The international trend for banks to concentrate more heavily on fee-income activities is largely an attempt to package products around clients' needs, rather than to present them with the bland facilities which may be available.

Says Senior GM Johan Howell: "Our aim is not to try to become market leaders but to facilitate trade flows and maintain a conservative and low-key presence. In this way we will maintain the good relationships we have built up with the financial authorities of both countries.

"These branches were set up mostly to facilitate trade, not as operations to fund SA and we will certainly not allow ourselves to be persuaded to generate funds for SA and jeopardise the relationships we have built up." He says, however, that if the business is within the limits of what the bank is permitted to do in terms of negotiations with the two countries, and it is profitable, they will go ahead.

The bank has employed two highly-experienced forex dealers — Paul Kemp from Barclays Bank and Keith Flood from Finansbank — to help develop the treasury activities.

The bank's international operations presently have a combined asset base of about R200m, most of which has been created in the two countries for local corporate clients.

More than 80% of the branches' business is in corporate finance, according to Howell.

Mercury: 21/07/86

Mauritius unlikely to boycott S A

Finance Editor

TRADE between South Africa and Mauritius should expand steadily and not be affected by boycotts, the trade representative in South Africa, Mr Jean Michel de Senneville, said in Durban on Friday.

He said it was most unlikely that Mauritius would impose trade sanctions against South Africa but might be forced to join other countries in calling for boycotts.

It was heavily dependent on South African goods to achieve its economic targets of high growth (now 6%) and low inflation (now 4,3%) and unless the 'instigators' of sanctions came up with financial compensation the island would not be able to afford to impose sanctions.

A second trade mission to Mauritius is being mounted in September, Mr de Senneville told almost 100 businessmen at a Durban Metropolitan Chamber of Commerce seminar.

It follows a highly succesful mission in April and its aim is to introduce the export process zone to business and establish trade links.

Manufacturers who carry out most of the processing of goods on the island are able to gain access to the Common Market as the island is a Lome Agreement signatory.

The whole island now enjoys the incentives given to the export process zone which include 15% company tax and no tax on dividends for 10 years.

Mauritius imports goods worth R103m from South Africa and sends R7m worth of goods to this country.

BusDAY 74 23/7/86

Rive: SA problem is balance

SA's most basic current problem is to bring economic growth into balance with population growth — or the other way round — says former KwaZulu-Natal Planning Council chairman Louis Rive.

Speaking at the SA Permanent Building Society's AGM yesterday, he said: "Empirically we know that this can be achieved only by raising the standard of living of the masses.

"Let us therefore make this national priority number one.

"The current syndrome of despondency is an indictment against ourselves.

"Surely, we have not lost our vision, our innovative ability, our drive and our will to survive? What would appear to be insurmountable problems are in fact glorious challenges and opportunities.

"The government's White Paper on urbanisation presents such an opportunity.

"I would suggest, though, that urbanisation *per se* should not be seen as the total answer — it should be seen as an integral part of the entire scene of which rural development, industrialisation and a small business development are equally important components.

"What is sorely needed is a total socio-economic plan accommodating all these elements.

"I am convinced that we are not serving the best interests of our country by fragmented planning and unco-ordinated action.

"The thing that bothers me is the lack of a comprehensive plan into which the microplanning, which is being undertaken by *ad hoc* institutions, can fit in a meaningful way." — Sapa.

Mercury 31/07/86

(74)

S A trade link cut could cripple front-line states

Mercury Reporter

MOZAMBIQUE'S crumbling harbours and collapsed rail system could throttle the trade of the front-line states if the South African Government cut trade links in retaliation for sanctions.

Mozambique's ports once provided a major trade outlet on southern Africa's eastern seaboard. But years of administrative incompetence and Renamo sabotage have crippled communications, Durban shipping sources say.

High harbour fees, broken-down cranes, misplaced buoys and official disinterest have led at least one international shipping company to decide in the past two months to stop calling at Mozambican ports.

Others have not done so for years, preferring to deposit Mozambique-bound cargoes in Durban for transshipment by small coasters.

Sources say a small mountain of international food aid is in storage in Durban. Yet once food shipments get to Mozambique they seldom find their way out of the coastal towns because of Renamo attacks.

A newer phenomenon is the appearance of bands of hungry Frelimo deserters whose pillaging adds to the troubles of the war-torn countryside.

So bad has the situation become that Zimbabwe has sent its own soldiers to guard the vital Beira oil pipeline and railway.

Raided

The rail line from the northern port of Nacala, which once carried much of Malawi's trade, has been virtually inoperative for years. The story is told that trains have to carry tracks and sleepers to repair blown-up sections as they go.

The port itself has occasionally been raided by Renamo.

Shipping experts admit that facilities in the capital and major harbour, Maputo, have improved recently. A sugar terminal and a refrigerated fruit terminal operated by South African companies are working well, as is a British-run container terminal.

A huge Russian trawler fleet based in Maputo is well equipped with accommodation barges, workshops and a drydock, all afloat.

But an undredged entrance channel, whose marker buoys have drifted out of position, means that only ships with a draught of less than 10 m can enter.

And regular Renamo attacks in the hinterland prevent the port from being a reliable trade outlet.

Mozambique's second-largest port, Beira, is in worse condition.

Only about half its cranes are said to be working and it still relies on steam engines to move trains about the port.

But efforts have recently been made to improve it. The entrance buoys have been repositioned and a dredger has been at work.

Mozambique's small harbours such as Quelimane and Macuse are said to offer almost no normal facilities to ships.

5/8/86

Sabrita steps up drive to develop trade links

By Frank Jeans

Even at a time when the threat of economic sanctions worsens, the South Africa Britain Trade Association (Sabrita) is playing a key role in the drive to step up bilateral trade between this country and the UK.

In a statement, Sabrita says: "The association stands behind the recently-formed Committee for British Industry in South Africa (Bicsa), for only by continuing to promote trade and investment between the two countries can sufficient jobs be created to provide employment or the ever-increasing numbers who are coming on to the labour market.

INCALCULABLE HARM

"It is one thing for our ene mies to pressurise this country to eliminate apartheid but it is a totally different matter for them to take the additional steps of imposing comprehensive sanctions.

"To do the latter would do incalculable harm to the South African economy and to all the nations who trade with us."

To bring the message home, Sabrita has organised a seminar Doing Business with the UK to be held on September 1 at the Johannesburg Country Club.

Speakers will cover topics such as The UK Sales Office — Gateway to the EEC, Currency and Risks Financing, Marketing in the UK, Tax Havens and SA Exporter Incentives.

KENNETH Kaunda . . . supported sanctions.

SA PUTS SCREW ON ZAMBIA

PIK Botha . . . warned of tighter control.

Sowetan 7/8/86

74

SA Press Association

VITAL imported goods, which keep Zambia's economy going, are likely to dwindle to a mere trickle in a matter of days following the implementation by South African authorities of a customs clamp on all supplies flowing through this country to the landlocked state.

The majority of Zambia's imports pass through South Africa, and the full impact of the measures imposed by the Commissioner of Customs and Excise since Monday, only became evident yesterday.

Essentially, a provisional payment, or cash deposit, now has to be paid on all goods destined for Zambia; forwarding agents in South Africa either cannot afford or refuse to lay out the millions of rands required due to the risks, and Zambian importers will be unable to come up with the money from their side because they lack foreign exchange.

Clamp on all vital imports

The result, according to an explanation of the practical effects of the measures given yesterday by Mr Allan Cowell, executive director of the SA Association of Freight Forwarders, will be a severe shortage in Zambia of petrol, wheat, coal, clothing, tinned goods . . . "you name it" . . . within two to three weeks.

Zambia's President, Kenneth Kuanda, was one of the most vociferous supporters of a Commonwealth sanctions package against South Africa, accepted on Tuesday in London at the end of a three-day mini-summit meeting.

At a Press conference in Pretoria on Tuesday night, the Minister of Foreign Affairs, Mr Pik Botha, said his Government would not retaliate against the pro-sanctions African states but warned of tighter controls over imports passing through South Africa and of stricter border control in view of their attitude.

Loophole

Zambian importers still have a loophole in that they can import their goods using Zimbabwe as a first destination, but observers say it is "not unlikely" South Africa will take action to close this gap.

From tomorrow a "monitoring" system of import licensing will apply to all goods exported from Zimbabwe — which is also in the forefront of sanctions demands against South Africa — and passing through this country.

Unrest stories

THIS issue of the *Sowetan* has been produced under conditions that amount to censorship. ALL stories that relate to unrest, the state of emergency and the activities of the security forces were supplied by the Bureau for Information established by the Government.

Additional facts or information which we may have had relating to unrest had to be approved by the bureau or cannot be published.

Nine killed in mine explosion

NINE workers died and 15 were injured yesterday in an underground explosion at Deelkraal gold mine, Goldfields said in a statement released in Johannesburg.

The condition of three of the injured is serious but not critical. The injured are all being treated at the Leslie Williams Memorial Hospital near Carletonville, the statement said.

The cause of the explosion, which occurred about 12.15pm yesterday in a development area and at a depth of 2 000 m, is still being investigated, the statement added without elaborating.

Sowetan 7/8/86

Customs clamp could dry up fuel supplies

Black Africa begins to feel SA pressure

Star 28/8/86

Pressure on Zambia and Zimbabwe is mounting as South Africa continues to delay the movement of imported goods to the landlocked states.

Freight agents have warned that certain goods — such as fuel and mining equipment — could dwindle to a trickle as the result of the implementation of the customs clamp.

In another development, Minister of Finance Mr Barend du Plessis has warned that if sanctions are imposed, South Africa's capacity to service its foreign debts would be reduced, and it would be forced to impose protective controls on imports.

"Should sanctions be implemented on any substantial scale," he said, "we shall have to react and shall be forced into introducing protective measures that will enable us to balance our trade account and overall balance of payments."

South Africa began to exert pressure on its pro-sanctions neighbours after the decision by Britain and the Commonwealth to impose various new punitive measures.

The retaliatory action follows a warning by Minister of Foreign Affairs Mr Pik Botha that South Africa would protect its own interests and could hit back at hostile neighbours.

'Survey'

Measures taken by South Africa since Monday are:

- The imposition of a substantial deposit to be paid on all imported goods destined for Zambia. This is expected to cause delays in the movement of cargo because of the problems involved in moving currency from Zambia to South Africa.
- A check has been ordered on all goods from Zambia and Zimbabwe destined for export through South African ports. The Department of Foreign Affairs said the checks were being done for a statistical survey on the nature and extent of the exports.

But feight agents say the delays are also affecting imported goods being transported to those countries through South Africa.

At Beit Bridge, transit goods from Zimbabwe destined for export through South African ports are being thoroughly checked, resulting in delays of up to 24 hours.

South Africa's counter-measures do not seem to have had any immediate effect on the flow of road-transported cargo through border posts to Botswana.

Beit Bridge steps up border cargo searches

By Dirk Nel and Craig Kotze

BEIT BRIDGE — Transit goods from Zimbabwe, destined for export through South African ports, were being subjected to thorough checks at the Beit Bridge border post yesterday.

Although there was no big build-up of road traffic because of the checks, a traffic jam could develop unless departure times from Zimbabwe are staggered during peak periods.

It was clear that the intended careful monitoring of trade between the two countries, mentioned earlier this week by Foreign Minister Mr Pik Botha, had begun in earnest.

Many imports to Zimbabwe via South African harbours are apparently going by rail, judging by the number of empty trains seen moving southwards during the last few days.

A fair number of these trains will soon be returning fully loaded, and their effect on the trade routes traffic will become evident when they are stopped for thorough checks.

Some road transporters in Messina said they were ready to relieve possible railway bottlenecks on the border.

Tanker railway trucks, used for the transportation of fuel and fertiliser, have been much in evidence lately.

On the Botswana border, South Africa's counter-measures against its pro-sanctions neighbours do not seem to have had any immediate effect on the flow of road-transported cargo.

The Star yesterday visited the main border posts between South Africa and the landlocked Frontline state near Mafikeng, Zeerust and Gaborone.

Bophuthatswana officials at the Ramatlabama post near Mafikeng said only the usual checks were being applied and traffic was normal.

Outside Zeerust, officials said the only checks being made were those carried out as a matter of course.

"Nothing out of the ordinary is going on here and the situation is just like it is every day," one official said.

Tit-for-tat puts Durban freight men in a fix

74 Mercury 14/08/86

Mercury Reporter

SOUTH Africa's newly imposed requirement of a cash deposit on goods to be shipped to Zambia has put Durban freight forwarders in a Catch-22 predicament.

Customs authorities in Durban will not release goods until the deposit has been paid, but Zambian authorities have not allowed currency to leave the country until goods have arrived in Zambia.

Freight forwarders are left to put up the deposit — which could run into millions of rands on large consignments.

Forwarders are reluctant to pay the deposit for fear they may get it back only months later — or never.

Extra documentation is now required to prove goods have reached Zambia, and forwarders are not confident that the Zambian authorities will provide it efficiently.

They say the flow of goods to Zambia is likely to be slowed down 'dramatically'.

'Both governments are being bloody-minded to each other,' said a senior member of a Durban forwarding company who, like others, did not wish to be named.

Freight forwarders say the usual system practised worldwide, whereby customs holds a forwarding company's bond to cover duty and tax payments should irregularities occur, has proved adequate.

SA eases border trade clamps

BUSDAY 25/11/86

HARARE — The flow of goods through the SA-Zimbabwe border posts at Beitbridge had returned to normal despite recent clamps introduced by SA, Zimbabwe's *Sunday Mail* said yesterday.

It said import and export traffic was no longer subject to major hold-ups, although the measures imposed by SA to monitor trade were still much in force.

The clamps were widely believed to have been a response to the action by Zambia and Zimbabwe in spearheading the international campaign for sanctions against SA.

Drivers and transport company employees said SA security men were still delaying each truck for several hours by conducting meticulous searches of its cargo.

Reports in British newspapers of a pile up of Zambian copper at the border were shown to be untrue.

Drivers said SA "red tape" delays used to take much longer when the new procedures were first implemented a fortnight ago.

After going through customs procedures at the SA side of the Limpopo, trucks en route from the north are reportedly segregated into those from Malawi and Zaire, which are allowed to proceed, and those from Zimbabwe and Zambia, which are detained at Messina, for searches. — Sapa.

Kliptown: person shot

HANSARD

*5. 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, was shot by a member of the South African Police in Kliptown on or about 16 June 1986; if so, (a) why, (b) what was the age of this person and (c) what were the circumstances surrounding this incident;

(2) whether an investigation has been held into this incident; if not, why not; if so, (a) when, (b) what is the rank of the person who was in charge of this investigation and (c) what were the findings;

(3) whether he will make a statement on the matter?

The MINISTER OF LAW AND ORDER:

(1) No.

(a) to (c) Fall away.

(2) Yes.

(a) 17 June 1986.

(b) A Detective Sergeant in the South African Police.

(c) The investigation has not yet been completed.

(3) No.

Std 10 examinations

HANSARD

*6. Mr K M ANDREW asked the Minister of Education and Development Aid:

(1) Whether any Black pupils wrote Std 10 examinations during the second quarter of 1986; if not, why not; if so, how many pupils (a) passed and (b) failed the examinations;

(2) whether any such pupils obtained matriculation exemption?

†The DEPUTY MINISTER OF EDUCATION AND DEVELOPMENT AID:

(1) 6 858 standard 10 pupils wrote examinations during the second quarter of 1986.

Due to the investigation of alleged irregularities in respect of a number of candidates no final statistics can be published at this moment.

(a) and (b) Fall away.

(2) Falls away.

Crossroads/KTC

HANSARD

*7. Mr K M ANDREW asked the Minister of Constitutional Development and Planning:

Whether any food, blankets, clothing, medicines and/or other items have been provided by the State to persons from the Crossroads and KTC areas who moved to the tents in Khayelitsha; if not, why not; if so, (a) what specified items, (b) when, (c) what was the total cost to the State of providing these items and (d) in respect of what date is this information furnished?

The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

Yes.

(a) Tents, mealiemeal, samp, sugarbeans, sugar, powdered milk, soup powder, blankets, pots, salt and plastic bags for food.

(b) As from 4 June 1986 up to 21 August 1986. Action still proceeding.

(c) R843 942,72 (eight hundred and forty three thousand nine hundred and forty two rand and seventy two cents).

(d) For the period 4 June 1986 up to 21 August 1986.

Arms/ammunition

HANSARD

*8. Mr K M ANDREW asked the Minister of Law and Order:

Whether any persons who illegally possessed arms or ammunition surrendered such arms or ammunition as a result of the indemnity from prosecution offered in terms of Government Notice No 2787 dated 10 December 1985; if so, how many (a) arms and (b) rounds of ammunition had been so surrendered as at the latest specified date for which information is available?

†The MINISTER OF LAW AND ORDER:

Yes.

(a) 30 817 arms.

(b) 22 195 rounds of ammunition.

SA Embassy in France

*9. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Foreign Affairs:

(1) Whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, was attached to the South African Embassy in France; if so, (a) when, (b) in what capacity and (c) what is the name of this person;

(2) whether this person was asked by the French Government to leave France in or about January 1986; if so, (a) why and (b) what action was taken by the Embassy as a result;

(3) whether this person subsequently returned to France in an official capacity; if so, (a) when, (b) why, (c) in what capacity and (d) who took the decision in this regard;

(4) whether any action was taken against this person by the French Government following his return to France; if so, (a) what action, (b) when, (c) why and (d) what was the response of the Embassy to this action;

(5) whether he will make a statement on the matter?

The MINISTER OF TRANSPORT AFFAIRS (for the Minister of Foreign Affairs):

The Minister of Foreign Affairs indicated that he will discuss this matter personally with the hon Leader of the Official Opposition.

Pietermaritzburg/Edendale railway line

HANSARD

*10. Mr P C CRONJÉ asked the Minister of Transport Affairs:

(1) Whether a commuter railway line has been planned between Pietermaritzburg and the Edenvale area; if so, (a) what route will it follow, (b)(i) how many stations will there be on this line and (ii) where will these stations be situated and (c) when will construction commence;

(2) whether any new commuter rail services are being planned for the Greater Durban area; if so, (a) where and (b) when will construction commence, in each case?

†The MINISTER OF TRANSPORT AFFAIRS:

(1) No. (a), (b)(i), (b)(ii) and (c) Fall away.

(2) Yes.

(a) Between Umgeni station and Inanda settlement area.

(b) No decision has as yet been taken.

HANSARD

Sanctions

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*11. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Foreign Affairs:

(1) Whether, following decisions on sanctions reached by the Commonwealth mini-summit early in August 1986, the South African Government has had any direct communications with the (a) President or Government of Zambia and (b) Prime Minister or

Government of Zimbabwe regarding (i) trade sanctions between the Republic and these countries and (ii) restrictions on the transport of goods to and from these countries through the Republic; if not, why not; if so, when in each case;

(2) whether he will furnish the House with information on the matters discussed on these occasions; if not, why not; if so, (a) what matters were discussed and (b) what was the outcome in each case?

The MINISTER OF TRANSPORT AFFAIRS (for the Minister of Foreign Affairs):

(1) (a), (b), (i) and (ii) Regarding the effect of sanctions on neighbouring states that might be imposed by foreign countries, discussions were from time to time held with representatives of the Zimbabwian Government through our Trade Representative in Harare. South Africa has no such representation in Lusaka.

The South African Government does not believe in trade sanctions and boycotts and does not impose such actions against other countries as we are against the interference in the internal affairs of other countries and we believe that ideological differences should not stand in the way of trade.

It has been decided, in line with international practice, to take certain steps to protect sectors of the South African private sector and to obtain a correct statistical picture of transport and trade patterns and also to ensure that transit traffic reaches its destination. These steps are handled by the relevant Departments and not by the Department of Foreign Affairs.

(2) Falls away.

HANSARD

Zambia/Zimbabwe/Malawi/Mozambique: goods transported to/from

*12. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Foreign Affairs:

(1) Whether the South African Government has taken any steps to monitor goods transported through the Republic to or from (a) Zambia, (b) Zimbabwe, (c) Malawi, (d) Mozambique and (e) any other specified African country; if so, (i) what steps (ii) for what purpose and (iii) with what results;

(2) whether any further steps are being taken or contemplated in respect of goods so transported; if so, (a) what steps, (b) in respect of which countries and (c) for what purpose?

†The MINISTER OF TRANSPORT AFFAIRS (for the Minister of Foreign Affairs):

(1) (a) and (b), Yes, with regard to incomming traffic.

(c) No.

(d) No.

(e) No.

(i) and (ii) I refer the honourable Leader of the Official Opposition to my reply on Question No 11.

(2) Falls away.

For written reply:

General Affairs:

Gross domestic product

HANSARD

1044. Mr L F STOFBERG asked the Minister of Foreign Affairs:†

(1) Whether his Department (a) institutes investigations, (b) makes calculations and (c) monitors results on a regular basis with a view to determining the gross domestic product of (i) each independent Black state and (ii)(aa) Botswana, (bb) Lesotho and (cc) Swaziland; if not, why not; if so,

(2) (a) at what intervals and (b) what were the results of these investigations over the past five years?

HoA

The MINISTER OF FOREIGN AFFAIRS:

(1) No. The BLS-countries and the TBVC-states perform this task themselves. RSA institutions such as the Central Statistical Services, Reserve Bank, as well as the Development Bank of Southern Africa do, however, on request assist the TBVC-states in a technical and advisory capacity in this regard. Moreover a Sub-Committee on Financial statistics has been established in the SATBVC multilateral system where problems in this regard are discussed and efforts are made to find solutions jointly. This co-operation has also resulted in the training of future statisticians from the TBVC-states at the University of Pretoria to enable them to attend to the specific needs of each independent Black state.

(2) (a) and (b) Fall away.

HANSARD

Allowances/pensions

1134. Mr L F STOFBERG asked the Minister of Constitutional Development and Planning:†

(1) With reference to his reply to Question No 1008 on 23 May 1986, on what basis does his Department keep statistics on the payment of (a)(i) maintenance allowances for unmarried mothers and (ii) other social allowances and (b) social pensions;

(2) whether he will furnish the available statistics on maintenance allowances for unmarried Black mothers; if not, why not; if so, what are the relevant statistics?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) (a)(i)(ii)(b) All social pensions are paid by way of a computer program, which is programmed on such a basis, that data relating to specific types of pension, cannot be extracted. In compliance with the regulations promulgated by virtue of the Children's Act, Act 33 of 1960, cohabiting adults do not qualify for a maintenance allowance for their children. The current policy is that maintenance allowances are paid to mothers whose husbands—

(i) are serving prison sentences;

(ii) have eloped; or

(iii) are deceased

in respect of a maximum of four children, but in the case of an unmarried mother, only in respect of one child.

(2) During July 1986 children's allowances were paid to 8 218 mothers, including unmarried mothers, in respect of 17 884 children, at a rate of R11,00 per child per month for normal maintenance, and R48,00 per month per child in foster-care.

Reference books/influx control

1160. Mrs H SUZMAN asked the Minister of Constitutional Development and Planning:

(a) How many (i) males and (ii) females were arrested by officers of Development Boards for offences relating to reference books and influx control in each of the main urban centres of the Republic from 1 January 1986 up to and including the date on which arrests for such offences were suspended, (b) what was the total number of such arrests in the Republic during this period and (c) on what date were arrests for such offences suspended?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(a) Arrested by officers of Development Boards:

	(i) Male	(ii) Female
Bloemfontein	44	14
Durban	0	0
Johannesburg	0	0

Government of Zimbabwe regarding (i) trade sanctions between the Republic and these countries and (ii) restrictions on the transport of goods to and from these countries through the Republic; if not, why not; if so, when in each case;

(2) whether he will furnish the House with information on the matters discussed on these occasions; if not, why not; if so, (a) what matters were discussed and (b) what was the outcome in each case?

The MINISTER OF TRANSPORT AFFAIRS (for the Minister of Foreign Affairs):

(1) (a), (b), (i) and (ii) Regarding the effect of sanctions on neighbouring states that might be imposed by foreign countries, discussions were from time to time held with representatives of the Zimbabwian Government through our Trade Representative in Harare. South Africa has no such representation in Lusaka.

The South African Government does not believe in trade sanctions and boycotts and does not impose such actions against other countries as we are against the interference in the internal affairs of other countries and we believe that ideological differences should not stand in the way of trade.

It has been decided, in line with international practice, to take certain steps to protect sectors of the South African private sector and to obtain a correct statistical picture of transport and trade patterns and also to ensure that transit traffic reaches its destination. These steps are handled by the relevant Departments and not by the Department of Foreign Affairs.

(2) Falls away.

HANSARD 74

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†The MINISTER OF TRANSPORT AFFAIRS (for the Minister of Foreign Affairs):

(1) (a) and (b), Yes, with regard to incomming traffic.

(c) No.

(d) No.

(e) No.

(i) and (ii) I refer the honourable Leader of the Official Opposition to my reply on Question No 11.

(2) Falls away.

For written reply:

General Affairs:

Gross domestic product

HANSARD

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(2) (a) at what intervals and (b) what were the results of these investigations over the past five years?

HoA

The MINISTER OF FOREIGN AFFAIRS:

(1) No. The BLS-countries and the TBVC-states perform this task themselves. RSA institutions such as the Central Statistical Services, Reserve Bank, as well as the Development Bank of Southern Africa do, however, on request assist the TBVC-states in a technical and advisory capacity in this regard. Moreover a Sub-Committee on Financial statistics has been established in the SATBVC multilateral system where problems in this regard are discussed and efforts are made to find solutions jointly. This co-operation has also resulted in the training of future statisticians from the TBVC-states at the University of Pretoria to enable them to attend to the specific needs of each independent Black state.

(2) (a) and (b) Fall away.

Allowances/pensions

HANSARD

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The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(a) Arrested by officers of Development Boards:

	(i) Male	(ii) Female
Bloemfontein	44	14
Durban	0	0
Johannesburg	0	0

29/8/86.

REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

Staatskoerant
Government Gazette

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Buitelands 60c Other countries
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GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN HANDEL EN NYWERHEID

No. R. 1824 **29 Augustus 1986**

HANDELSOOREENKOMS TUSSEN DIE REGERINGS VAN DIE REPUBLIEK VAN SUID-AFRIKA EN ZIMBABWE

Hierby word vir algemene inligting bekendgemaak dat die Handelsooreenkoms wat in Goewermentskennisgewing R. 1967 van 1 Desember 1964 gepubliseer is, soos volg gewysig is:

Aanhangsel B, Deel I

Deur die uitsluiting van onderhemde en mans- en seunsonderbroeke wat binne CCCN-tariefpos No. 60.04 val, van die konsessie.

Aanhangsel B, Deel IV

Deur die skrapping van vroue- en dogtersonderhemde wat binne CCCN-tariefpos No. 60.04 val.

Aanhangsel B, Deel IX

Deur die vermindering van die gespesifiseerde omvang van die korting ten opsigte van skoeisel van die volgende beskrywing tot 10 % *ad valorem:*

> "Katoennetwerk- en seildoekskoene van die tennis- of gimnastieksoort, waarvan die sole, met uitsondering van die 'socking', heeltemal uit rubber bestaan".

Die wysigings tree in werking op 19 September 1986.

GOVERNMENT NOTICE

DEPARTMENT OF TRADE AND INDUSTRY

74

No. R. 1824 **29 August 1986**

TRADE AGREEMENT BETWEEN THE GOVERNMENTS OF THE REPUBLIC OF SOUTH AFRICA AND ZIMBABWE

It is hereby notified for general information that the Trade Agreement which was published in Government Notice R. 1967 of 1 December 1964, has been amended as follows:

Annexure B, Part I

By the exclusion from the concession of vests and men's and boys' underpants falling within CCCN tariff heading No. 60.04.

Annexure B, Part IV

By the deletion of women's and girls' vests falling within CCCN tariff heading No. 60.04.

Annexure B, Part IX

By the reduction of the specified extent of the rebate in respect of footwear of the following description to 10 % *ad valorem:*

> "Cotton-mesh and canvas shoes of the tennis or gymnasium type, the soles of which, excluding the socking, are wholly of rubber".

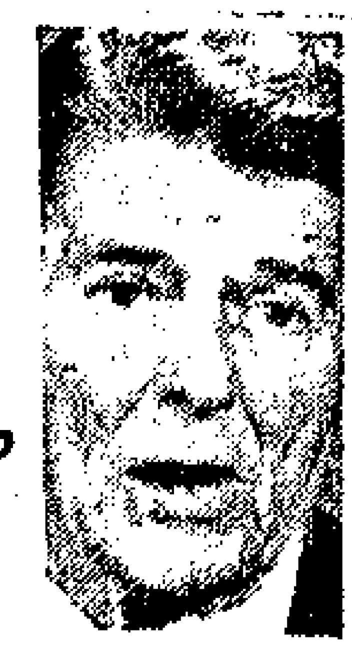
The amendments will take effect on 19 September 1986.

R500m aid plan seen as falling short

Beira lifeline no big help for states

74

BUS DAY 24/9/86



● REAGAN

HAMISH McINDOE

THE Beira Corridor lifeline proposed by the Reagan administration will not solve the Frontline states' problems should sanctions be imposed against SA.

Political observers doubt that the "Marshall Plan" — thought to be about $500m — will reactivate the beleaguered corridor and significantly improve other transport links in the Frontline states.

A reliable source with close links to Washington said yesterday a joint aid-and-sanctions announcement was unlikely to be made as part of Reagan's formal response this week to Congress's anti-SA sanctions Bill.

"Signs are Reagan will use his presidential veto by Friday and not amend his Executive Order to block the Bill.

"Aid to Frontline states and other measures, such as Secretary of State George Shultz's trip to the region, are expected to be punted as a positive alternative to sanctions," he said.

Describing the level of aid as a "drop in the ocean", SA Institute of International Affairs (SAIIA) programme director Leon Kok said yesterday at least $4bn would be needed to clear the Beira Corridor alone.

Broadly, about $2bn would be needed to improve the rail link from Zimbabwe and the same amount needed to upgrade harbour fascilities at Beira.

"Put in perspective, the package is no more than a springboard to development — however welcome it is," Kok said.

Foreign Affairs Deputy Minister Ron Miller said aid of $500m appeared to tally with a Southern African Development and Co-ordination Conference study — completed last year — estimating the cost of modernising Beira and repairing the rail link from Zimbabwe.

"And this did not include the cost of maintaining security in the area."

Miller said he was not surprised by the SAIIA's sharply increased estimate, after two years of inflation and deterioration in the territory.

World Bank figures show traffic at Mozambique's three Indian Ocean ports fell by about 70% from 13,4-million tons in 1974 to 3,6-million tons in 1983.

At least 45% of the imports and exports of Zimbabwe, Zambia, Malawi and Zaire are channelled through SA.

Reports say US aid had also been earmarked for clearing the log-jam at the Tanzanian port of Dar es Salaam.

A US Embassy spokesman in Pretoria was unable to confirm reports that the package would be phased in over the next five years.

POLICE deny

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Africa Institute underlines trade reliance

SA's neighbours: Who owes what to whom

25/9/86 BUS DAY

NEW details of SA's trade with Africa have been exposed by the Pretoria-based Africa Institute.

These details, which have been published in the latest issue of the institute's magazine, *Bulletin*, show that most Southern Africa countries' economic fortunes are linked closely to the South African economy.

The article, written by Andre Wilsenach, estimates that 249 921 legal workers from seven neighbouring countries sent back R537,6m a year during 1983/4, providing a major source of income for those countries.

It also concluded that Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zaire, Zambia and Zimbabwe were heavily dependent on

Own Correspondent

SA for their exports and imports, and assistance with railway transport and servicing of aircraft.

Botswana exported 90% of its products to or through SA in 1984/5. SA Transport Services (Sats) carried 409 059 tons of its imports.

More than 90% of Lesotho's imports, about R420m a year, came from customs-union countries, and all its exports went through SA.

SA provided about 40% of Malawi's imports, and Sats handled about 24 400 tons in exports.

In 1984, SA was the second largest supplier of goods to Mozambique — after Russia.

About 85% of Swaziland's imports came from SA and 80% of its exports went abroad through SA.

About 57% of Zaire's imports went through SA, while 45% of its copper, 65% of its lead and 40% of its cobalt was exported through SA.

In 1984/5, Sats transported 278 936 tons of Zaire's exports.

During the same year, Sats transported 122 366 tons of Zambia's exports and 390 203 tons of its imports, of which 52 419 tons were imported through SA harbours.

These figures represent about 70% of Zambia's total imports and 40% of its total exports.

SA, with an overall trade figure of R382m, was Zimbabwe's largest trading partner.

"Informed sources are of the opinion that 65% — 90% of Zimbabwe's exports and 65% — 80% of the country's imports go through SA," the report says.

and well built ... [illegible]

Extent of S A's secret trade with Africa revealed

AN 14 25/9/86 (74)

Mercury Correspondent

CAPE TOWN—New details of South Africa's secret trade with Africa have been revealed by the Pretoria-based Africa Institute.

The details, which have been published in the latest issue of the institute's magazine, Bulletin, show that the economic fortunes of most countries in southern Africa are closely linked to the South African economy.

The article, written by Andre Wilsenach, estimates that 249 921 legal workers from seven neighbouring countries sent back R537,6 million a year during the 1983/4 period and provided a major source of income for those countries.

It also concludes that eight countries — Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zaire, Zambia and Zimbabwe — were heavily dependent on South Africa for their exports and imports, assistance with railway transport and servicing of aircraft.

It said that in 1984/5 Botswana exported 90% of its products to or through South Africa and the South African Transport Services carried 409 059 tons of its imports.

More than 90% of Lesotho's imports, about R420 million a year, came from customs-union countries and all its exports went through South Africa.

Malawi

South Africa provided about 40% of Malawi's imports and the S A Transport Services handled about 24 400 tons in exports.

'It is estimated that SATS carried about 60% of Malawi's exports and 50% of its imports.'

In 1984, South Africa was the second-largest supplier of goods to Mozambique after the Soviet Union, and in spite of the unreliability of Maputo harbour, South Africa transported 805 091 tons from the harbour and 849 726 tons to the harbour.

Mozambique earned R117 million from the 60 000 workers employed in South Africa in 1983.

'Mozambique relies heavily on South African centres for higher education and between 1975 and 1985 about 5 800 students received training in South Africa.'

About 85% of Swaziland's imports, about R512 million, came from South Africa and 80% of its exports went abroad through South Africa.

'About 57% of Zaire's imports go through South Africa, while 45% of its copper, 65% of its lead and 40% of its cobalt was exported through South Africa.'

In 1984/5, SATS transported 278 936 tons of Zaire's exports.

During the same year, SATS transported 122 366 tons of Zambia's exports and 390 203 tons of its imports, of which only 52 419 tons were imported through South African harbours.

'These figures represent about 70% of Zambia's total imports and 40% of its total exports.'

South Africa, with an overall trade figure of R382 million, was still Zimbabwe's largest trading partner.

'Informed sources are of the opinion that 65% to 90% of Zimbabwe's exports and 65% to 80% of the country's imports go through South Africa.

Railways

'Experts are of the opinion that Beira harbour could only handle 800 000 tons of Zimbabwe's annual total of imports and exports of about 8 000 000 tons.

'The rest of the country's imports and exports are handled by South Africa's harbours and railways network,' Mr Wilsenach said.

23/9/86 BUSDAY

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Import/export breakdown omitted

Authorities abridge foreign trade report

THE Commissioner of Customs and Excise has issued a significantly abridged monthly foreign trade report which omits the customary breakdown of world trading zones and of the type of products SA imported and exported.

The preliminary report for the year up to the end of August only reflected the total amounts of money traded.

A Customs and Excise spokesman said in Pretoria he could not comment on the omission. He had been asked if it was intended as a counter-sanctions measure.

The report showed SA recorded a favourable trade balance of R8 249,4m for the year up to the end of August.

This was an increase of R1 123,6m from the end of July figure, and R444,6m more than had been recorded by the end of August last year.

By the end of August this year, SA had exported goods worth R26 606,3m while importations ran to R18 356,9m.

The more detailed trade reports issued previously contained a breakdown of goods imported and exported.

From these tables it was apparent that SA earned the bulk of its foreign exchange from the exportation of base materials and minerals, while spending billions of rands on importing manufactured products. — Sapa.

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NEW DIRECTIONS

Life after sanctions

The sanctions that the Americans have chosen to apply to this country are a remedy of despair. They will do more harm than good; but that cuts no ice with Congress and our allies abroad. Whether US sanctions will ever be lifted, even if all the conditions for doing so were to be met, is doubtful in the present climate of world opinion.

It would be foolish to underestimate the economic and political burden that they will place on this country. The precise outcome is impossible to calculate accurately, while a guess runs the danger of being either alarmist or unjustifiably sanguine. But life will go on, and we need to reappraise our own policy options so that we do not inadvertently aggravate matters.

One fact stands out. Foreign trade is the lifeblood of this economy, much more so than it is of the US or even Switzerland. In SA, it accounts for about 60% of gross domestic products, against Switzerland's 40% and less than 20% in the US. It stands to reason, then, that we must do all we can to enhance our foreign trade in the face of more political constraints.

To do this, we need to re-establish credibility in the eyes of those who are still willing to trade with us. We will not be able to do so in any forum or debate, as our opponents are not open to reason. Nor do we really have the economic or political muscle to demand an eye for an eye, except where the Frontline states are concerned.

American dismay — or was it outrage? — at Foreign Minister Pik Botha's now celebrated telephone calls, which were no more than veiled threats, stands out as an example. Even if Pik Botha did interfere in domestic US matters, there is definitely a double standard involved in America's response. Unhappily, in the affairs of nations, different standards — both moral and economic — have always applied to the powerful and the weak. Apartheid is now so thoroughly reviled, that any means to its end are widely accepted.

For a nation in our position to stand up and threaten retaliation, even if it be in reaction to sanctions, does more to solidify opposition than to mitigate the measures against us.

The re-establishment of national credibility becomes all the more important when trade has to be clandestine, and every dishonest Johnny that ever graced an import-export agency is knocking at our doors.

The business community, which has tended to over-emphasise its ability to bring about social change in the short term, has patently not been able to deliver. It has taken

We must avoid making life after sanctions worse than it need be. That means some new policies are needed and new ministers to steer them.

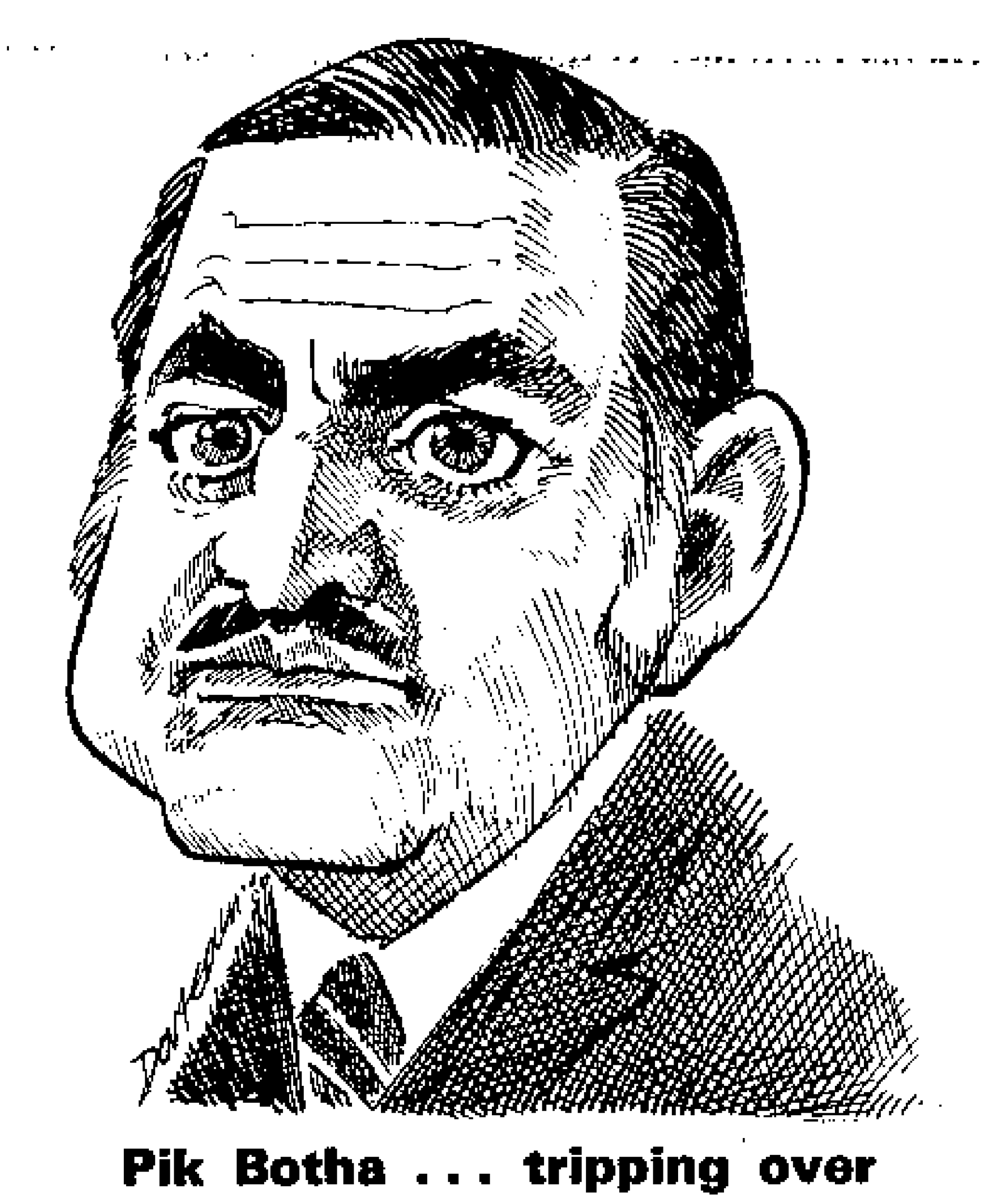
President P W Botha too much at his word and must now repair the damage this did to its own credibility.

Much the same can be said of the Department of Foreign Affairs, especially after Pik Botha's European mission ahead of the disastrous Rubicon speech. Both his and Denis Worrall's retaliatory pugnacity further undermined our international credibility since the heady days of the Nkomati Accord.

With the benefit of hindsight, it is possible to argue that low-key foreign ministers and diplomats have proved to be the most able in tough circumstances. It has been said of Anthony Eden, an effective British foreign minister, that not only did he bore, he bored for England. Maybe we could, again with the benefit of hindsight, say something similar of the late Hilgard Muller. Certainly, our diplomatic problems are now going to be similar to those he faced in the years when apartheid was deepening.

When a foreign minister has domestic political ambitions, it stands to reason that as a diplomat he is less effective. That must be true of Pik Botha now as he eyes the State Presidency and probably accounts for his misjudged telephone decision. His own situation is aggravated by his well-known verligte views, which means that he has to overcompensate to pacify the conservatives. In this age of rapid communications, it is impossible to be diplomatic abroad and a political hawk at home.

Perhaps it is time for a new person to take over this important portfolio, which will inevitably become even more important under sanctions. We do not suggest that Pik be demoted, but circumstances have changed and now require a different style. In the rumoured Cabinet reshuffle, he may be better heading the Department of Finance, where his international profile and unswerving capitalism would be an asset. It would also elevate the status of the portfolio within the Cabinet.



Pik Botha . . . tripping over ambition

Barend du Plessis is badly needed back in education, where he made a profound mark before. It is a portfolio rapidly approaching chaos and it would surely be no skin off his nose to be a confident and proven Minister of Education, rather than an indifferent and uncomfortable Minister of Finance. Besides, anyone who can get black children back to school would win high honours in Pretoria.

In Foreign Affairs, either Denis Worrall or Dawie de Villiers are possible candidates. The former has the drawback of being too able and enthusiastic a verbal sparring partner on television to be an effective low-key diplomat. The latter is probably too diffident in Cabinet for the foreign affairs portfolio, although his record in London suggests he is more effective as a behind-the-scenes diplomat.

There is another reason for our wanting Pik Botha as Minister of Finance. He would be stronger than Du Plessis in the Cabinet at holding at bay the powerful economic interventionists who, if they gain increasing influence, could encourage policies here that will make sanctions harder to overcome.

Domestic economic policy must be geared to counteracting the isolationist impact of sanctions. We must not reinforce that impact by adopting protectionist policies; creating trade barriers; protecting inefficient producers, unless the strategic argument is overwhelming; and adopting other measures that will tend to close, rather than open, the economy.

We need to become more efficient by reducing controls and restrictions and allowing the forces of supply and demand greater — not less — sway in allocating resources.

The crucial matter of inflation needs to be tackled by a minister sufficiently powerful to push through the difficult measures needed to stabilise prices. This will require perseverance and courage, of which Pik Botha has shown he has substantial reserves.

To stabilise the currency and restore confidence in it, we need to unify the two exchange rates and simultaneously abolish exchange controls. The time to do this is when the gold price is buoyant and the rand is looking more robust.

If this were to happen, we guess that the rand's value would tumble temporarily to about US35c, which would of course inject some inflation into the economy. But it

DESTRUCTIVE ENGAGEMENT?

Our Washington correspondent writes: Despite what everyone may say, it was not Pik Botha's fault that the US Congress overrode President Reagan's veto and pushed through stiff economic sanctions against the South African government by a 78-21 vote.

The man who lost the battle was US President Ronald Reagan. It was his first major defeat in six years of legislative slugging with the Congress. His failure to forestall sanctions is a major foreign policy setback.

Biggest loser, to be sure, is southern Africa in general and SA in particular. The Senate override last week leaves US policies in the region adrift. An interesting vantage point from which to watch the sanctions showdown was SA's Washington embassy. Ambassador Herbert Beukes's legislative watchdogs knew even before the White House that the Senate vote had turned against them. Their early warnings to Pretoria nudged the Foreign Minister into action — but sometimes you can be too smart.

Interesting, however, was the reaction of Finance Minister Barend du Plessis and Reserve Bank Governor Gerhard de Kock, who were having a farewell cocktail party at the embassy to mark the end of the annual World Bank-IMF meetings.

The Du Plessis staff was particularly bitter about Pik Botha's telephone calls to senators Richard Lugar, Ed Zorinsky and Charles Grassley, whom the foreign ministry erroneously believed would be susceptible to threats of losing South African grain purchases from their Midwest home states.

The Botha phone calls were probably prompted (and certainly approved of) by such friends as senators Jesse Helms and Paul Laxalt. This says a great deal about the quality of American allies who have rallied to Pretoria's side.

SA buys no wheat from Grassley's state of Iowa; Zorinsky shrugged off the call. Only Lugar, who chairs the Senate Foreign Relations Committee, was genuinely offended. And that was due more to the fact that the White House did not take his advice on SA.

Some oldtimers at the embassy recalled with irony that it was Pik Botha who, presenting his credentials as SA's ambassador to the White House in 1975, startled Gerald Ford with a long, inappropriate lecture on the strength of South African resistance to outside pressure. That began the long downhill slide in US-SA relations.

But special venom was reserved by the finance minister himself for South African business and banking leaders who have been giving anti-apartheid forces outside the country a clear signal that they do not support government's race policies.

In the Washington struggle over sanctions, the SA Foundation turned into the centre of dissent from government's policies.

But special delegations of businessmen, including a major corporation's team who passed through town last week, gave American politicians on both sides the clear impression that pressures on Pretoria would be welcomed in some parts of the country.

"We know who these people are," Du Plessis told the *FM*. "We hear their voices on the BBC and see their pictures with Oliver Tambo in London and Lusaka.

"And we know what to do with them when the time comes," he added, with no attempt to hide the menace in his voice.

Who are these dissenting forces, he was asked?

"You know them better than I do," Du Plessis replied, but went on to mention "Certain bankers, some of the mines and most of those Johannesburg merchants."

So what exactly does government intend to do about business dissent inside SA?

"We shall give them an opportunity to come out into the open and state their case. We will make them put their case to their colleagues in a great forum. Then, when they can't persuade the others to follow them, why should we listen to them at all?"

But the fault for the sanctions defeat remains squarely on Reagan's desk. The president allowed his personal distaste for economic sanctions of any kind to be seized upon by friends and foes alike as a signal that he would fight it to the end.

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should be short-lived. For at that price, South African shares would become more attractive to foreigners, especially if they knew that, in the event of a sudden political setback, they could get their money out.

A capital inflow in these circumstances would be rather hot money, and some domestic flight capital might take off, but the net result would be a more stable currency with a tendency to firm rather than ease.

Of course, our position in the world is not going to change overnight, even if we adopt the policies outlined. But a rejuvenated — although low-key-foreign policy and an expression of confidence in more open domestic economic policies, will at least start us back on the long road to acceptance. ■

☐ See *Economy, World, Business, Markets*

FIN MAIL 10/10/86.

INTEREST RATES

What goes down . . .

The sudden upward swing in long-term interest rates in recent weeks is easier to describe than explain. The burning question for businessmen, however, is whether they indicate a sustained economic recovery from the depths of a particularly long and deep recession.

It is possible that in recent weeks there was a fundamental change in the interest rate pattern. The foundations for an upturn may have been laid. The problem is whether they are sufficiently firmly based.

It is a particularly crucial question for companies that have seen some quite considerable swings back into profitability largely because of lower borrowing costs. These recoveries could be in jeopardy if the cost of capital should begin rising without a compensatory increase in aggregate demand.

Of course, access to relatively cheap equity capital, as share prices edge up, and the slightly firmer rand and buoyant gold price will cushion this tendency and allow more time for demand to be regenerated. However, the long-term rates trend must, nevertheless, be causing some concern in boardrooms.

There would be less reason for concern had the firmness in long rates been matched by a sustained turnabout in short-term rates. For that would have indicated a need for working capital stimulated by rising demand. But with the banks awash with cash, short-term rates have probably not yet reached their trough — unless the Reserve Bank decides to manage these rates upward.

It could reason that having lowered its key rediscount rates 12 times since May last year — albeit from dizzy heights — the time has

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Govt news clamp on trade, shipping?

Dispatch Correspondent

CAPE TOWN — A general clampdown on detailed information about imports and exports, in reaction to trade sanctions, is expected to follow a cabinet decision — referred to yesterday by the Minister of Trade and Industry, Dr Dawie de Villiers.

Dr de Villiers was commenting on the Durban port authorities' refusal to release the daily list of ships in the harbour "following a request from the minister of Trade and Industry".

A Sats spokesman said the Durban action could be extended to include all South African ports.

A spokesman for Dr De Villiers, said yesterday that the minister had referred to "a decision taken at cabinet level, which would have been conveyed to South African transport services".

Referring to the decision of the Durban port authorities, the spokesman added: "This is in line with the minister's views, that it is not in the national interest that details of our trade relations be divulged, if these could be used against us."

The deputy minister of Trade and Industry, Mr Kent Durr, said while it was important that the government should not over-react by following a road of strict control, there would be times when it would be appropriate to withhold certain information — because of legitimate requests from importers and exporters.

Mr Durr recalled that in World War II, no information about shipping movements had been officially divulged, and the public had been exhorted "not to talk about ships and shipping".

The Progressive Federal Party's spokesman on finance, Mr Harry Schwarz, said: "This move (the withholding of shipping information) doesn't surprise me at all. Where you have sanctions you are bound to have sanctions-busting.

"Imports and exports are the life-blood of our country, and I can't see that the government could act otherwise than to call for the withholding of detailed information on our foreign trade."

Mr Schwarz said a much-greater "tightening up of security" could be expected where information on foreign trade was concerned.

"I think we are going to see increasing application of the enabling legislation already passed by Parliament, to ensure such security," he said.

Chamber warns on sanctions sell-outs

Exporters and importers must 'pull together'

STAR (74) 13/10/86

By Chris Moerdyk

One of the more serious problems of sanctions was local businesses "selling each other out".

Mr Pat Corbin, president of the Johannesburg Chamber of Commerce, said sanctions spawned self-interest and competing exporters could resort to leaking information on a competitor's sanctions-busting.

"After 30 years in international trading and throughout Rhodesian sanctions I have often seen this. By having to resort to clandestine documentation and freighting to get round sanctions some companies might find their competitors see this as an unfair trading practice.

OWN INTERESTS

"It could be very tempting to sell out competition, particularly if this meant gaining an extra piece of the market."

All sectors of business had to realise it was in their own interests to "pull together".

"Importers have just as much interest in promoting exports as exporters. Without the foreign exchange earned by the export sector, importers would not be able to function. Lack of foreign exchange could lead to foreign currency curbs or limitations which could mean import quotas or restrictions."

In normal circumstances, commerce and industry would benefit from as little Government interference as possible but sanctions created the need for maximum liaison with Government as some regulations affecting imports and exports would have to be revised.

"South Africa has substantial buying power. Government and business must work together to use this to the best advantage. There is tremendous unrealised muscle which could be used in counter-trade should it become necessary to increase exports."

He said this would mean importers and exporters co-ordinating to ensure imports from a particular country could, to an extent, be balanced or counter-traded with exports.

With regard to import replacement, he said one of the biggest misconceptions was that this would be brought about by sanctions.

"Sanctions will not stop us getting anything. There is no doubt international trading is and always will be above politics and because of this there are hosts of private traders all over the world who will ignore political considerations and fall over themselves to sell South Africa anything it wants.

"But if we do not maintain a strong balance of trade by co-operation between exporters and importers and liaison with Government, the availability of foreign currency might diminish. With international debt repayments, this becomes even more important.

"If we are forced into a situation where foreign currency availability is diminished it could mean import controls and import replacement."

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14/10/86

Govt places trade behind veil of secrecy

GERALD PROSALENDIS
Economics Editor

THE Commissioner for Customs and Excise has abridged preliminary trade statistics on imports and exports from a four-page document to one line — placing trading relations behind a veil of secrecy.

The release for the period January to August supplied only the rand value of SA exports and imports, comparing them with the figures for the same period last year.

Previous reports provided statistics on 22 categories of goods, as well as a breakdown of the rand value of SA's imports and exports into the world zones of Africa, Europe, America, Asia and Oceania.

Through this move, government has made nonsense of future economic analysis of SA's trading relations.

Previous preliminary statements of trade statistics gave the rand value of exports and imports under the following categories: animals and animal products; fats and oils; foodstuffs, beverages, spirits and vinegar and tobacco; mineral products; chemical products; artificial resins and plastics, cellulose, rubber and synthetic rubber; hides and skins, leather and fur; wood; paper and paper-making material; textiles; footwear, headgear, umbrellas, sunshades, whips and riding crops; articles of stone, plaster, cement, asbestos, ceramics and glass products; pearls, precious and semi-precious stones, precious metals, coins and imitation jewellery; base metals; machinery and mechanical appliances; electric equipment; vehicles and aircraft; optical, photographic and precision instruments, clocks, musical instruments, television and sound equipment; miscellaneous articles; art and antiques; and, unclassified goods and balance of payments adjustments.

Mixed reaction to recent curbs on trade information

STAR 16/10/86 (74)

By Chris Moerdyk

There has been a mixed reaction to recent moves, mostly by Government agencies, to curb information on South African trade figures, shipping schedules and other sanctions-related issues.

Trade statistics from the Commissioner for Customs and Excise have been reduced from what was a four-page document to a single line. In Durban, the port director has halted the publication of shipping lists in local newspapers.

South African Airways has closed the door firmly on any information with regard to sanctions, and numerous government departments have resorted to "no comment".

The president of the Johannesburg Chamber of Commerce, Mr Pat Corbin, said South Africa needed a pragmatic approach to sanctions.

"We obviously must not make available information that could be used to our detriment. One must remember that in the case of the United States, for example, they are watching out for any country which supplants our export trade to the US. Publication of relevant information could embarrass countries that are helping South Africa, so it does make sense to keep it under wraps."

'KNEE—JERK' REACTION

The chief executive of an international shipping line told *The Star* that he could not see the point of withholding shipping lists. Anyone, he said, could find out about shipping schedules reasonably easily.

He added that under normal circumstances shipping and forwarding companies did not make available information on cargoes or freight routes.

Mr Mike Perry, author of a recent paper on "The Challenge of Sanctions," said these moves appeared to be something of a "knee-jerk" reaction.

"It will be a year or so before we get hit by a second wave of sanctions, and in the interim we should be publicising the goods we are buying from our top four supplier nations. Quite simply if we start hiding what we buy we will be seriously reducing our negotiating power.

"For example, we should make sure that the automobile trade unions in Germany know how much South Africa purchases in motor vehicle parts to encourage them to work against sanctions of German exports to South Africa."

Koornhof hints at gag on SA's trade secrets

By Colleen Ryan, Political Reporter

The sanctions campaign made it necessary for greater "filtering of information" about South Africa's world trade links, President's Council chairman Dr Piet Koornhof said yesterday.

He added: "A new perspective on the dissemination of information useful to our foes must be assumed.

"This concern for the careful deployment of information must filter through to all levels of our trading and industrial organisations."

Dr Koorhof was addressing a meeting of the Executive Association of South Africa in Johannesburg.

He said protectionism was on the increase.

Disinvestment and sanctions against South Africa no longer had "anything to do with politics, but are tools in the economic struggle".

He said an example of self-interest was the ban on steel imports by the European Community countries and the United States, while they continued to import manganese, platinum and chrome, for which there were no substitutes.

Dr Koornhof said South Africa could not afford to withdraw "into the laager" and would continue to be a reliable exporter.

He emphasised the importance of import replacement and promotion of South African exports and revealed that an inter-departmental government task group had been appointed to examine government purchases to identify areas where import substitution was possible.

Dr Koorhof added: "As a first step, certain goods have been identified, including hydraulic and pneumatic cylinders and components, electrical cable, motor steel and transformers."

There was also scope for import substitution in electronics.

He said the Government realised the importance of boosting exports and had appointed a Trade and Industry committee to investigate export incentives.

How America sees South Africa

BUS DAY 24/12/86

The American Consulate in Johannesburg, seeking ways to increase US exports to SA in spite of sanctions, has drawn a devastating picture of the local economy. This excerpt summarises the report

AMERICAN exports to South Africa in 1985 suffered a calamitous fall to 50% of the level of earlier years. Sales were approximately $1,25bn, compared with about $2,50bn in 1983 and 1984.

Projections for 1986 indicate a further erosion to below the $1bn level. SA fell from its position as purchaser of half of all US exports to Africa in 1984 to less than one-third in 1985, at a time when total American shipments to the continent were already declining.

SA's exports to the US remained steady throughout, swinging a bilateral trade balance to a 2:1 deficit for the US.

The reasons are not far to seek: an undervalued but emotionally freighted rand collapsed to an average of US$0,443 in 1986, to under US$0,40 in 1986, compared to well over US$1 only three years ago.

US products are accordingly overpriced, while South African goods are dollar bargains. This is a result of SA's depressed economy, itself a reflection of internal unrest and consequent international isolation.

Foreign governments will increasingly apply trade and investment restraints during 1987, adding to the cost and risk of doing business in and with SA. Pressures from or withdrawals by private industry, whether politically or economically motivated, will drive SA more and more into itself.

The US, as a major trading partner, stands to sacrifice market share and local equity to competitors. The image of American private enterprise is already rather negative, not only in the eyes of government but the people of all segments of the population. This political attitude will adversely affect sales.

In this political atmosphere, US companies will minimise their local involvement, distancing themselves from the marketplace and further eroding their positions.

Sales to SA will be increasingly cloaked by third country subsidiaries, thus largely vanishing from US trade figures.

In the US, anti-apartheid consumer boycotts, state and municipal restrictions and industrial actions will make further inroads into trade in both directions.

Investment is for all of the same reasons in a negative flow, responding to calls for both disinvestment and divestment.

The "hassle factor," as has often been said, compels corporate management to question whether an insignificant proportion of their global business can be allowed to consume a disproportionate amount of their attention.

There is, however, the desire to retain their foothold in a potentially rewarding market, as well as the principle of not yielding to political pressure.

SA, like other developing industrial countries, such as Canada and Australia, needs positive infusions of foreign capital in two periods out of three to achieve an acceptable rate of growth.

The on-going foreign debt standstill, an effective international credit freeze, and the flight of hard currency in dividends and corporate loan accounts ban any likelihood of capital inflows.

SA will not achieve even a 2% growth in GNP, at a time when its 20 000 000 blacks are achieving a 4% population growth rate.

Net emigration by whites, particularly in the most productive occupations and age groups, will cause further deterioration in the domestic economy.

This population loss will also accelerate the swing of real buying power from whites to blacks, putting new requirements on manufacturers in terms of product development, distribution channels and consumer credit. High priced American imports will find the going hard.

Inflation is running at 17,4% in 1986, with at least 16% forecast for next year. This is probably optimistic, since the downward trend of the rand itself fuels inflation.

Labour stayaways and industrial sabotage will disrupt both commerce and industry, with lost productivity contributing higher costs to the spiral of inflation.

Loss of earnings, while counter-inflationary on the surface, will lead to civil disturbances and their costs in property damage and police operations.

Faced with severe economic sanctions, the South African government would be likely to inflict counter-measures on its neighbours and its indigenous black population.

The general decline of the regional economy would further discourage American traders hoping to treat Southern Africa as a single marketplace.

While the damage to its economic hostages could be traumatic, SA would also suffer severely from loss of revenue from infrastructural services, burgeoning unemployment and higher costs for border defence.

Under economic siege, the South African mentality would lead the minority population to laager.

Indeed, there is evidence that government and many white citizens would almost welcome punitive sanctions, including international quarantine, as preferable to continued uncertainty and anxiety.

An effort is already underway to condition the electorate and reposition the economy to withstand siege.

This means import substitution, lower industrial standards, reduced reliance on high technology, bias toward labour-intensive industries and privatisation of state and parastatal corporations to shift the burden from government to the private sector.

It is the history of this nation to move away from trouble, to resist foreign intrusions and to exalt self-reliance.

19th Century America's "Splendid Isolation," also founded on remote self-sufficiency, is a good parallel, but in fact SA is closer to becoming just another African state: a chronic debtor, import starved, ridden with ethnic diversities, a repressive regime unable to manage its own domestic constituency in any positive way, whose only leverage is its ability to manipulate foreign governments and attract international attention — for better or worse.

This is not an ambience which can attract US trade and investment.

The South African economy remains essentially under state management. The 40% which is in private hands is in its turn dominated by five industrial giants: Anglo American, Sanlam, Barlow Rand, General Mining and South African Mutual, from which it can be seen that the country has some characteristics of a one-crop economy — the crop being mining and its associated finance.

Government control of infrastructure tariffs, price controls, commodity and agricultural marketing and protection of industry imposes obstacles to free trade.

A monstrous bureaucracy superintends a maze of commercial regulations at national, provincial and municipal levels. An historical insistence on exceptionally high First World industrial standards imposes further costs on importers as well as local producers.

These elements combine to make market entry very difficult. Tariffs on imports, especially luxury goods, can run to 100%.

On the other hand, there are not yet any significant import licensing requirements. For American exporters, US controls on all sales to the police and military, to the sales of certain equipment — notably computers — to specified government entities and the time-consuming procedures for obtaining approvals of most high technology products are more serious barriers.

The possibility that SA will in the near future selectively exclude imports in reprisal against boycotting countries is perhaps more real than denial of certain strategic products or services to its overseas antagonists.

Reducing the obstacles to improved trade with SA is not within the gift of the US or other foreign nations.

Removal or at least acceptable amelioration of the institutionalised racial injustices operating within SA, to the disadvantage of the majority of its people, is required.

The exchange rate would improve, employment and productivity would improve, many inflationary influences would abate and world opinion would allow international free enterprise to resume its rightful role of developing commercial and industrial opportunities into profitable businesses.

This can only be achieved in a post-apartheid South Africa.

7/11/86 STAR

Britain tells the UN: apartheid has to go

The Star Bureau

NEW YORK — Sir John Thomson, Britain's ambassador to the United Nations, yesterday called again for the elimination of apartheid.

He was speaking on behalf of the 12 European Community (EC) nations. Britain occupies the presidency of the Council of European Ministers until the end of the year.

"There is an urgent need for peaceful change through a genuine national dialogue, across lines of colour, politics and religion," he told the General Assembly during its second day of debate.

Six resolutions

"Conditions must be created in which dialogue can begin and the necessary changes made. But such a dialogue is impossible while black leaders remain imprisoned or detained and anti-apartheid organisation proscribed."

The assembly debate on apartheid policies is an annual item for discussion.

It will end on Monday when the 159-nation body — excluding South Africa — will be called on to vote on a package of six resolutions calling for full mandatory sanctions on Pretoria, including an oil embargo.

Diplomats told The Star Bureau that once the debate was over there would be a call for a meeting of the Security Council to consider sanctions. The council is the only UN body that has the authority to impose mandatory sanctions.

Sir John Thomson is, coincidentally, also president of the Security Council this month.

"Apartheid," he told the assembly, "is an insult to the dignity of those it affects and a flagrant violation of the human rights and fundamental freedoms set out in the UN Charter and in the universal declaration of human rights to which we attach the highest importance.

"It is, in short, an institutionalised system of state racism which deprives the majority of the people of South Africa of their civil, political, economic, social and cultural rights."

He accused the South African authorities of reacting "ruthlessly" to the efforts of the large majority of the people to secure the abolition of apartheid, and said too few reforms had been introduced.

"These change have been too few and too slow to stem the surging tide of bitterness and bloodshed in the country. They have done nothing to address the root of the problem."

The Israeli delegate, Mr Benjamin Natanyahu, sharply attacked those who drafted the resolutions for alleging Israel's collaboration with South Africa.

Israel's trade with South Africa was barely visible compared to that of European, Arab and other states, he said.

"The assertion of a special place for Israel among the nations is exactly that — a groundless assertion endlessly repeated by those who wish not only to defame Israel but also to deflect attention from their own furtive and enormously profitable trade with Pretoria.

"The battle against apartheid has reached an historic junction. It can either surge forward on a straight path to the total abolition of this hateful system, or it can sink into the mud of falsehood and vindictiveness."

Japanese importers get special request

The Star Bureau

LONDON — Japan's Ministry of International Trade and Industry has appealed to importers not to undermine economic sanctions imposed on South Africa by the United States and European Community.

The written request was sent to 30 organisations, including the Japan Iron and Steel Federation, the Japan Coal Association and the Japan Foreign Trade Association.

Japan has already banned imports of iron and steel products, and therefore the request was aimed mainly at potential coal imports.

The request is unlikely to cause distress among Japanese coal buyers since they are already planning to reduce imports because of weak local demand.

The ministry's move came a day after a delegation of the Non-Aligned Movement led by Mr Witness Mangwende, the Zimbabwean Foreign Minister, visited Japan to urge it to impose comprehensive and mandatory economic sanctions against South Africa.

Mr Tadashi Kuranari, the Japanese Foreign Minister, rejected the call for mandatory sanctions on the grounds they would lead to a deterioration of South Africa's domestic situation and make the government there more obdurate.

However, he said Japan had extended an invitation to African National Congress leader Mr Oliver Tambo to visit the country next year and was preparing to send a study mission to the Frontline states.

7/11/86 STAR

Boasting won't help us, say angry officials

The Star Bureau

WASHINGTON — Talk of sanctions-busting is enraging South African representatives here who say it is hardening the attitudes of US officials now drafting the rules.

American officials presently working on the "final guidance" — a list of definitions and schedules of what South african imports are banned — have signalled to them that they view efforts to beat the new sanctions as a challenge.

HAMPERED

Infuriated SA representatives in Washington are also currently negotiating with US authorities about imports frozen on quaysides and in bonded warehouses, and debating definitions of steel and the like. Their efforts, they say, are being hampered by sanctions-busting boasts.

"It is making it damned tough for us," said one senior official. "US authorities are now writing regulations, and are feeling challenged. This is not going to make it any easier for our companies to export."

A prominent businessman agreed: "The various organisations doing this have been most indiscreet."

Church's money links with SA under fire

The Star Bureau

LONDON — A legal assault is being mounted on the Church of England's investments in companies with South African links.

The church has insisted that it would be unlawful to sell its South African holdings, but a legal opinion obtained by the Dean of St Paul's, the Very Rev Alan Webster, says that charitable trusts — like the church's — can decide not to invest for moral reasons.

The issue will be debated at the General Synod next week.

In the meantime, a delegation of MPs and members of the general synod is to see Britain's Charity Commission to discuss the church's disinvestment.

The Charity Commission has indicated that charities can decide not to invest for moral reasons and would welcome a discussion on the subject.

The Church Commissioners, however, question whether the purpose of the trust administered by them is "for the cure of souls or the benefit of the clergy".

IBM, Coke, GM still under fire

STAR 7/11/86

By Chris Moerdyk

In spite of recent disinvestment moves, General Motors, IBM and Coca-Cola have been accused by the American Friends Service Committee (AFSC) of continuing to "make profits from the apartheid system".

In a statement issued from Philadelphia, the head of AFSC's South Africa section, Mr Jerry Herman, said: "While we welcome their recent announcements, the IBM, GM and Coca-Cola changes in South Africa must be seen as interim steps toward the necessary total US economic disengagement in that country."

REPRESSION

An AFSC researcher and author, Mr Thomas Conrad, whom the organisation claims to be one of the foremost US authorities on computer exports, said IBM's equipment had been used for years in sensitive military or strategic ways "as well as to repress blacks and other people".

"IBM technology is widely used by local government officials, who are in the forefront of enforcing the apartheid system. Their sale of (the South African) operations will in no way limit their sales to South African authorities."

A spokesman for IBM said in Johannesburg yesterday the company had not sold equipment to listed or restricted government agencies since 1976.

"This was not only as a result of pressure from the US but also on our own initiative. And the new company has recently given a public commitment not to market its products in these areas in the future."

● The American Friends Service Committee, a Quaker organisation, was founded in 1917 to "relieve human suffering and find new approaches to world peace and bring about non-violent social change". It is a co-recipient of the Nobel Peace Prize.

11/11/86 BUS DAY (74)

How to cope with sanctions

With the uncertainty over the outcome of sanctions it is difficult for businessmen to plan ahead, but government and the private sector are currently examining ways of circumventing these punitive measures, reports STEPHEN ROGERS

WITH the sanctions net drawing tighter around SA, government and many private bodies are presently exploring various means to circumvent these punitive measures.

Pat Corbin, president of the Johannesburg Chamber of Commerce, believes, however, that we may be premature in drawing conclusions on the effects of sanctions.

"Although a lot of sanctions legislation has been passed (in Europe and America) we do not yet know how punitive the final laws will be in practice."

This was illustrated recently when Denmark voted to ban trade links with SA.

However, Danish firms were given a six-month period to adjust, and those heavily dependant on SA goods may apply for an exemption period of up to two years.

"If we take the orginal EC proposals to ban coal exports there are still too many questions unanswered. Will it affect current contracts? How will it affect quasi-government bodies that have contracts with SA?"

"Furthermore, the element of self interest must be taken into account. West Germany is showing considerable opposition to the proposed ban because she is a major customer, while other countries not affected are making renewed sanctions demands."

But most people believe it is inevitable some form of effective multi-lateral sanctions will be implemented. What effect will this have on the SA economy?

"Sanctions — which will concentrate primarily on our exports — will deprive SA of vital foreign exchange earnings," says Corbin.

Exporters are already subject to "informal" sanctions and have lost orders, been forced to export at lower prices or to provide special terms and conditions in order to retain markets, as foreign customers levy a political discount on SA goods.

Exports to the US and Scandinavian countries have been particularly affected in this manner.

Furthermore, although the fall in the rand has assisted exporters, this advantage has been negated by exporters being required to give extended credit terms to retain markets.

As the rand starts to rise and with SA's relatively high inflation so exports will further lose their competitive edge.

The restriction on exports through sanctions — formal and informal — will lead to a shortage of foreign exchange.

Not only will this reduce SA's ability to import but will also, in all likelihood, lead to government tighting its control on an already highly regulated economy.

Measures may be introduced to regulate imports, the allocation of foreign exchange, and ultimately the means of allocation of scarce resources in the economy.

Financial sanctions — which caused an outflow of foreign capital and resulted in the foreign debt standstill — have already retarded economic growth. Furthermore, it has been estimated multi-lateral sanctions will result in over one-million jobs being lost, primarily in export-related industries.

Another effect sanctions have already had is the draining of confidence from the business community.

How then does SA cope with the sanctions threat?

"The sanctions problem cannot be dealt with by one party in isolation. There must be an awareness that all sections of the community have a vested interest in fighting sanctions and keeping our export markets open.

For example, importers may not believe that they will be affected but if SA does not earn sufficient foreign exchange then the supply to importers will have to be rationed."

The private sector has already been in consultation with government on the need to maintain exports.

Apart from earning vital foreign exchange, exports serve to keep trade links open, thereby negating the desired affect of sanctions.

With the emphasis on exports it has been suggested that government provide financial assistance to those exporters faced with cashflow problems. It is believed government export incentives are presently being revised.

As sanctions are applied to SA's primary markets, alternative markets will be found through which exports can be channeled.

"Creating alternative markets shouldn't be too difficult. We have had numerous offers of help from abroad in this matter. However, it may mean we will have to enter less sophisticated markets with a reduction in profitability," says Corbin.

SA goods could also by-pass sanctions by legitimately changing their country of origin. If the final process of production takes place, for example, in Swaziland, then goods may be classified as produced in that country.

This practice already exists in Europe where US set up the final stage of production in an EC country in order to avoid the community tariffs.

Counter-trading agreements — which are practised in many Western countries — could also be adopted. In these agreements foreign tenderers, in return for contracts, are asked to give a commitment to develop SA exports.

It is estimated that more than 25% of SA's trade passes through international trading houses at present. With international associates ensuring an effective spread of SA goods in world markets, these institutions could be used to funnel further trade abroad.

SA has the means, to a certain extent, to circumvent the sanctions campaign, albeit at the cost of restricted economic growth and higher unemployment.

However, the success of any counter-sanctions move will depend on measures being adopted in anticipation of sanctions rather than in response to them.

"If a foreign market is lost through sanctions it will be difficult for us to regain it," Corbin warns.

13/11/86

Trade ban gets tougher

By Alan Dunn, The Star Bureau

WASHINGTON — The United States is about to issue a set of tough regulations enforcing economic sanctions against South Africa which effectively scrap periods of grace for some imports from the Republic.

The "final guidelines" to be published soon by the US Treasury Department are understood — from a source who has seen them — to take a strong line on implementing the Comprehensive Anti-Apartheid Act of 1986 containing the sanctions.

The US State Department yesterday issued a list of more than 160 South African "parastatal organisations" whose products are outlawed as imports in the US.

The "final guidelines", now awaiting the approval and signature of the Treasury Secretary, Mr James Baker, are expected to spell out dates when those parastatal products and others commodities affected by the legislation will be banned in the US.

"They have taken the hardest line they can," said a South African source aware of what the Reagan Administration's guidelines contain.

MONITORING

The guidelines are expected to emerge within days. While the South African Government was apparently not consulted on the list of parastatal organisations, officials in Washington have been monitoring the penning of the guidelines.

Some officials had hoped that the Reagan Administration might not impose the toughest interpretation of the sanctions Act. But it is believed aides to Senator Edward Kennedy, a strident anti-apartheid legislator, have worked hard to see that the strongest instructions are sent out to US customs posts as soon as possible.

In terms of the sanctions law, no article grown, produced, manufactured, marketed or exported by a parastatal organisation may not be imported.

American officials worked for some weeks to establish definitions of "parastatal" before the list was drawn up.

"Importers should be aware that the list of parastatal organisations is not all-inclusive," according to a notice issued by the US Assistant Secretary of State for African Affairs, Dr Chester Crocker.

"They have covered all bases," said one South African official. "Now what they will do if there is sufficient evidence from a particular company that it is not parastatal is remove it from the list."

He expected some companies to challenge their inclusion on the schedule.

● **For the list of companies, see Page 7.**

Trade ban: full US list of SA groups

13/11/86

The Star Bureau

WASHINGTON — The full United States State Department list of South African "parastatal organisations" prohibited from trading with America in terms of the Comprehensive Anti-Apartheid Act of 1986 is:

African Body and Coach (Pty) Ltd (Putco subsidiary); Altana (Pty) Ltd; Aluminum (sic) Investment Co (Pty) Ltd; Alusaf (Pty) Ltd; Alustang (Pty) Ltd; Alzira Financial (Pty) Ltd; Andromeda Electronic Systems (Pty) Ltd; Armaments Corp of South Africa Ltd (Amscor); Atlantis Aluminum (Pty) Ltd; Atlantis Diesel Engines (Pty) Ltd.

Atlas Aircraft Ltd (Armscor Subsidiary); Atomic Energy Corp of South Africa; Avon Wire (Pty) Ltd (Union Steel subsidiary); Bophuthatswana National Development Corp Ltd; Cape Town Iron and Steel Works (Pty) Ltd (Iscor subsidiary); Central Energy Fund (Pty) Ltd (and subsidiaries); Ciskei People's Development Bank; Coastal Coal (Pty) Ltd (Iscor subsidiary); Commission for Fresh Produce Markets; Community Development Fund.

Computer Technology (Pty) Ltd (Comtec); Cooperative Wine Growers (KWV); Corp for Public Deposits; Council for Scientific and Industrial Research and its subsidiary institutes; Crown Body and Coach (Pty) Ltd (Putco subsidiary); Dalestone (Pty) Ltd (Iscor subsidiary); Department of Posts and Telecommunications; Development Bank of Southern Africa (DBSA); Donkerhoek Quartzite (Pty) Ltd (Iscor subsidiary); Dubigeon Plastics SA (Pty) Ltd (Putco subsidiary).

Dunswart Iron and Steel Works (Iscor subsidiary); Duntex Property (Pty) Ltd; Durban Navigation Collieries (Pty) Ltd (Iscor subsidiary); Electricity Supply Commission (Escom); Eloptro (Pty) Ltd (Armscor subsidiary); Ernani Property (Pty) Ltd (Arsmcor subsidiary); Export Finance Development Co (Pty) Ltd; First National Development Corp of South West Africa Ltd; Fisheries Development Corp of SA; Foskem (Pty) Ltd.

Grootageluk Coal Mine Construction Co (Pty) Ltd (Iscor subsidiary); Heckett SA (Pty) Ltd (Iscor subsidiary); Hall and Pickles (Coastal) (Pty) Ltd (Union Steel subsidiary); Hlobane Colliery (Iscor subsidiary); Hooggenoeg Marketing (Pty) Ltd (High Enough); I Stores (Pty) Ltd (Iscor subsidiary); Imcor Tim (Pty) Ltd (Namibia) (Iscor subsidiary); Imcor Zinc (Pty) Ltd (Namibia) (Iscor subsidiary); Industrial Development Corp of South Africa Ltd (IDC); Industrial Minerals Development Co (Pty) Ltd.

Infoplan (Armscor subsidiary); International Karakul Secretariat; Iscor Berlin (Pty) Ltd (Iscor subsidiary); Iscor Utility Stores (Pty) Ltd (Iscor subsidiary); Kangwane Economic Development Corp Ltd; Kentron (Pty) Ltd (Armscor subsidiary); Kindoc Group; Klein Karoo Landbouko-operasie Ltd (ostrich products); Konbel (Pty) Ltd; Konchem (Pty) Ltd (Armscor subsidiary).

Konoil (Pty) Ltd; kwaNdebele Development Corp Ltd; kwaZulu Finance Investment Corp Ltd; Land and Agricultural Bank of South Africa; Land and Agricultural Bank of South West Africa; Lebowa Development Corp Ltd; Light Metals Investment Co (Pty) Ltd; Lyttelton Engineering Works Ltd (Armscor subsidiary); Marmain (Pty) Ltd; Mavaco (Pty) Ltd.

Mercedes Datakor (Pty) Ltd; Minsa (Pty) Ltd (Iscor subsidiary); Motor Vehicles Assurance Fund; Musgrave (Pty) Ltd (Iscor subsidiary); Nabucco Investments (Pty) Ltd; Naschem (Arsmcor subsidiary); National Building and Investment Corp (South West Africa); National Materials Service Corp (Pty) (Union Steel subsidiary); National Selection (IDC subsidiary); Navik (Pty) Ltd.

Ootra Inmakers (Pty) Ltd (Eastern Packers); Palafos (Pty) Ltd; Phosphate Development Corp Ltd (Foskor); Pietersburg Iron Co (Pty) Ltd (Iscor subsidiary); Post Office Savings Bank; Pretoria Metal Pressings (Armscor subsidiary); Public Investment Commissioners; Putco Ltd; Qwaqwa Development Corp Ltd; Rand Water Board.

Rehoboth Finance and Development Corp Ltd; Reinsurance Fund for Export Credit and Foreign Investment; Rosamond Properties (Pty) Ltd; Rustenberg Industrial Finance (Pty) Ltd; Saldok (Pty) Ltd; Sapekoe (Pty) Ltd (and subsidiaries); Sasol Ltd (and subsidiaries); Sasol Three (Pty) Ltd; Satchem (Pty) Ltd; Shangaan/Tsonga Development Corp Ltd.

Siemens Ltd; Small Business Development Corp; Somchem (Pty) Ltd (Armscor subsidiary); SA Abattoir Corp; SA Abattoir Commission; SA Banana Board; SA Banknote Co; SA Broadcasting Corp; SA Canning Fruit Board; SA Chicory Board.

SA Citrus Board; SA Cotton Board; SA Dairy Board; SA Deciduous Fruit Board; SA Development Trust Co Ltd; SA Dried Fruit Board; SA Dry Bean Board; SA Egg Board; SA Gas Distribution Corp Ltd; SA Inventions Development Corp.

SA Iron and Steel Corp (and subsidiaries) (Iscor); SA Karakul Board; SA Lucerne Seed Board; SA Maize Board; SA Meat Board; SA Mint; SA Mohair Board; SA Oilseed Board; SA Potato Board; SA Reserve Bank.

SA Rooibos Board; SA Sugar Association; SA Tobacco Board; SA Transport Service (including South African Airways); SA Wheat Board; SA Wool Board; South Atlantic Cable Co; Southern Oil Exploration Corp (Pty) Ltd (Soekor); Southern Oil Exploration Corp (South West Africa) (Pty) Ltd; South West Africa Broadcasting Corp.

South West Africa Karakul Board; South West Africa Water and Electricity Corp (Pty) Ltd; Steel Sales Company of Africa (Iscor subsidiary); Suprachem (Pty) Ltd (Iscor subsidiary); Swartklip Products (Pty) Ltd (Armscor subsidiary); Tecnetics (Pty) Ltd; Thames Wire and Cable (Pty) Ltd; Transkei Development Corp Ltd; Transvaal Copper Rod Co Ltd (Union Steel subsidiary); Tshikondeni Mining Co (Pty) Ltd (Iscor subsidiary); Tusitala (Pty) Ltd.

Union Steel Corp; Usco Aluminum Corp (Pty) Ltd (Union Steel subsidiary); Usco Aluminum Systems (Pty) Ltd (Union Steel subsidiary); Usco Huiseienaars (Pty) Ltd (Union Steel subsidiary); Usco Kabelmaatskappy (Pty) Ltd (Union Steel subsidiary); Vantin (Pty) Ltd (Iscor subsidiary); Veldmaster (Pty) Ltd (Union Steel subsidiary); Veldmaster Incorporated (US) (Union Steel subsidiary); Venda Development Corp Ltd; Virema (Pty) Ltd.

Voms (Pty) Ltd (Putco subsidiary); Voms Parts (Pty) Ltd (Putco subsidiary); Vryheid (Natal); Railway Coal and Iron Co (Iscor subsidiary); Yskor Langoed (Pty) Ltd (Iscor subsidiary); Yskor Newcastle Grondbesit Ltd (Iscor subsidiary).

US embargo on 166 firms

N 14 13/11/86 74

WASHINGTON—The U S State Department yesterday released a list of 166 South African 'parastatals' owned, controlled or subsidised by the Government whose products are to be embargoed under the comprehensive Anti-apartheid Act.

Simon Barber

The list covers a broad array of companies from obviously public sector entities like Iscor, Armscor, SATS, Escom, and the various commodity boards and homeland development corporations, to Putco, Siemens, KWV Wineries and the Klein Karoo Landboukooperasie, which sells ostrich products.

While many of the products affected are banned under other sections of the Act, the list's much-delayed publication puts the finishing touches on what is the most sweeping set of sanctions ever imposed on South Africa by a Western country.

An explanatory note signed by Dr Chester Crocker, the Assistant Secretary of State for Africa, emphasised that the list was 'based on information currently available to the U S Government' and should not be considered 'all-inclusive'.

'Before making a commitment to import, importers may wish to seek guidance from the Office of Southern African Affairs to ascertain whether a corporation, partnership or entity has (subsequently) been defined as a parastatal organisation.'

Organisations were 'presumed' to be Government controlled under one or more of the following criteria:

'Where the S A Government owns more than 25% of the outstanding voting securities of a firm, if no other person owns an equal or larger percentage.

'Where the majority of a firm's board of directors are S A Government officials.

'Where a firm is operated by the S A Government pursuant to the provisions of an exclusive management contract.

'Where the S A Government has the authority to appoint the majority of the members of a firm's board of directors or a firm's chief operating officer.'

Government-subsidised firms were those 'receiving any financial assistance on preferential terms from the S A Government, other than that generally available to the public' and except where the assistance was minimal.

'Any person' may appeal against the State Department's findings by writing to the Office of Southern African Affairs.

'Any submission should contain detailed information as to the stock ownership and composition of the board of directors of the particular corporation, partnership or entity as well as the amount of industry-specific assistance received by (it) from the Government of South Africa.

'The Department of State will attempt to provide a response within 30 days.'

Boom in business between SA and African countries

CAPE TIMES 18/11/86 (74)

By AUDREY D'ANGELO
Deputy Financial Editor

SOUTH African firms are doing business with 33 countries in Africa and this may be a growing trend now that sanctions are cutting off access to some US and European markets.

So says export agent Gunnar Hagelberg, who, with his partner in Scan International, fellow Swede Goran Morander, specialize in exports to African countries.

Vast potential market

Mr Hagelberg said yesterday: "Trade with other African countries increased by between 60% and 70% in the past year.

"SA exports to black Africa could be worth R3 billion this year.

"Black Africa is a vast potential market, but it is only in recent months that South African firms have realized the extent of the demand for a wide variety of goods.

"Many firms now successfully exporting to black Africa started doing so only in the past two years when they started encountering difficulties overseas.

Possible payment delay

One disadvantage, however, is that firms may have to wait up to 120 days for payment due todelays in sending currency.

Mr Hagelberg advised taking out insurance through the Credit Guarantee Corporation.

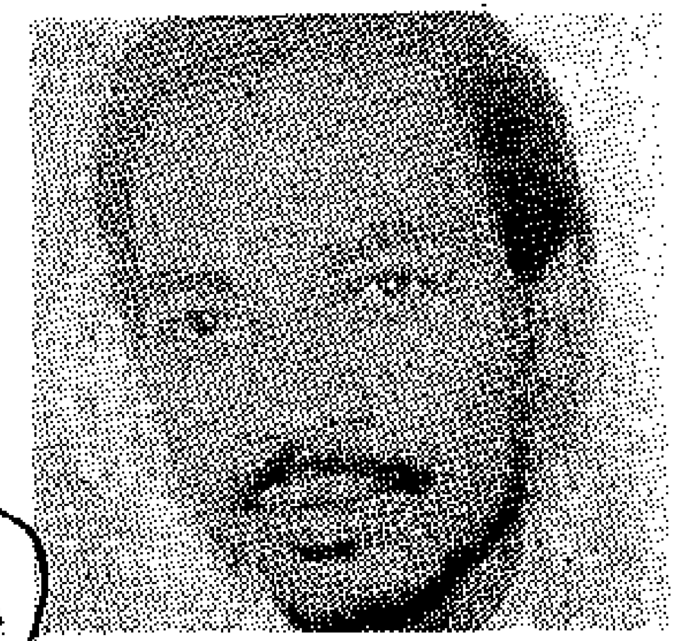
Scan International has permanent representation in several African countries, excluding Zimbabwe and Zambia.

Dennis Foster has been appointed an alternate director of Jack Frost (Cape Town) (Pty) Ltd.

November 19 1986

SA exporters are advised: create invisible routes

19/11/86 SMR 74



Mr Anthony van Wyk ... "opportunities galore".

By Michael Chester

South African manufacturers faced with growing hassles over sanctions have been advised to take "invisible routes" in creating joint business ventures with overseas contacts to keep a foothold in key export markets.

Mr Anthony van Wyk, managing director of Investment Research and Development of Johannesburg, has returned from an overseas study tour of the new sanctions scenario with the message: "There are opportunities galore for South African companies to launch joint ventures that can be used as springboards into the huge European markets."

He said there was a potential to go into partnerships in a number of areas in the southern zone of the European Community where people were anxious to attract new industries and where it was possible to escape the hassles of a South African identity.

Mr van Wyk was interviewed on his return from leading a six-man team of South African experts to test out contacts on the possibilities of averting any isolation from the mainstream of international flows of high technology research results.

"We had positive responses from businessmen and research institutes in several countries," he said. "The only stipulation is that agreements on joint ventures or hi-tech exchanges stays on a purely business-to-business basis, without exposure to the sort of publicity that can draw political flak.

LOW PROFILE

"Our advice to South African companies is to maintain a low profile and seek legitimate solutions to sanctions problems, rather than resort to piracy of hi-tech research and devious circumvention of new rules laid down by overseas governments.

"A crucial aim should be to maintain an international reputation for business integrity, whatever the temptations to scrap the rule books in angry retaliation to sanctions.

"South African companies will find that 99 percent of overseas contacts are willing to strike new business deals — as long as they are invisible to mischief makers and steer clear of the political arena.

"First and foremost," he said, "international businessmen still hold to the old dictum that 'business is business'. Even if overseas politicians can call a halt to visible trade with South Africa, overseas businessmen have a far deeper interest in maintaining close contact if they can work out deals that stay outside the political focus."

FINMAIL 28/11/86 (74) (283)

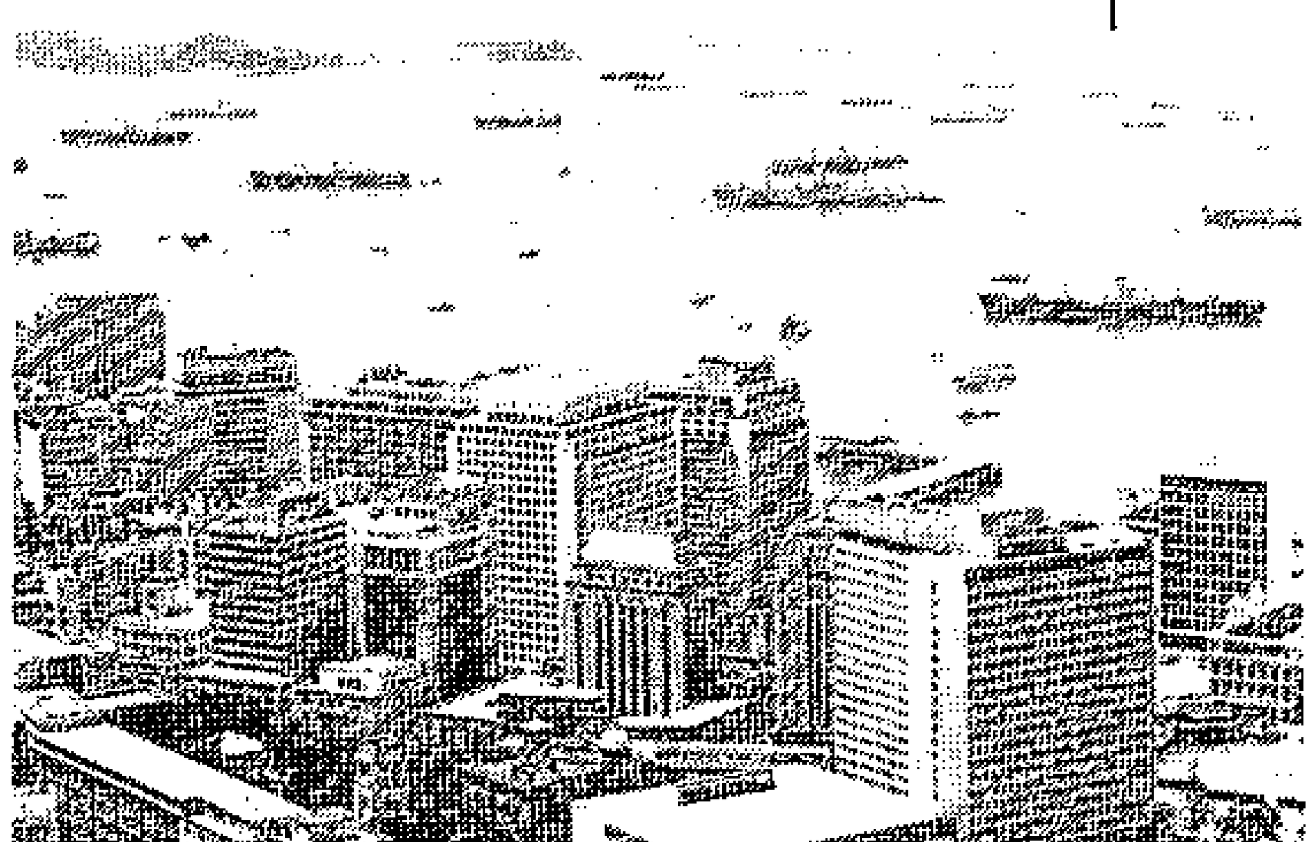
HONG KONG

OK bar trade?

Many South African interests with offshore activities have been expecting sanctions for years, and have created foreign structures to facilitate trade.

The intricacies of such structures vary. However, companies with financial structures directly exposed to sanctions developments are often caught short. So the news that Hong Kong is to bar trade with SA could be a blow for companies that have used the colony as an offshore base.

Using Hong Kong as a conduit for trading with "unfriendly" nations effectively disguises the origin of a venture. But, just as important, the structure does not increase the overall tax burden on dividends from trading subsidiaries, based in Hong Kong.



Oriental Plaza . . . financial structures for SA

Arthur Andersen's Graham Cochrane adds that international selling or buying companies in Hong Kong have been favoured by South African importers or exporters trading with China, the Far East and Australia. If properly structured, no liability for Hong Kong tax arises on any mark-up or commission earned by a Hong Kong trading company.

In addition, the South African marketing allowance may still be available to the South African exporter. Cochrane argues that the colony has been a particular favourite in recent months. The Hong Kong Budget of February 26 decreed that interest income earned "offshore" would be tax-free from April 1 1986.

Before this, a 1984 statute had broadened the scope of taxable income in Hong Kong; offshore interest earned was taxed at 16,5%.

Cochrane reckons the Hong Kong trade ban will not affect South African offshore holding or trading companies directly. "But the attitudes shown by the legislative council of Hong Kong should not be ignored. Future foreign investments should only be channelled via that country if no other more certain alternative is available."

At present companies based in Hong Kong are not affected by the sanctions package. But its value for structuring foreign activities to get around sanctions may end before China takes over in 1997. ■

US Govt blacklists 166 SA companies

Cape Times 13/11/86

74

From SIMON BARBER

WASHINGTON. — The US State Department yesterday released a list of 166 South African "parastatals", owned, controlled or subsidized by Pretoria, whose products are to be boycotted under the month-old Anti-Apartheid Act.

The list covers an array of companies from obviously public sector entities like Iscor, Armscor, SATS, Escom and the various commodity boards and homeland development corporations.

It also includes Putco, Siemens, KWV and Klein Karoo Landboukoöperasie, which sells ostrich products.

While many of the products affected are banned under other sections of the Act, the list's much-delayed publication puts the finishing touches on what is the most sweeping set of sanctions ever imposed on SA by a Western country.

'Not all-inclusive'

An explanatory note signed by Dr Chester Crocker, the Assistant Secretary of State, stressed that the list was "based on information currently available to the US Government" and should not be considered "all inclusive".

"Before making a commitment to import, importers may wish to seek guidance from the Office of Southern African Affairs to ascertain whether a corporation, partnership or entity has (subsequently) been defined as a parastatal organization."

□ A spokesman for KWV, Mr Kobus Smit, said last night: "We are not going to loose anything because of this embargo."

He denied KWV was government-sponsored and said "we do not receive one cent from the government".

Escom spokesman Mr Andre van Heerden said: "We do buy some electrical goods from America, but if these are embargoed, we will find other markets."

□ Botha rebukes French leaders, page 3

12/12/86. FIN MAIL

Can free enterprise survive?

The final part of this *FM* survey on sanctions considers some of the broader social and strategic issues likely to be thrown up in the medium to long term.

The chances of free enterprise surviving sanctions intact (let alone the post-sanctions socialistic black government many people fear is inevitable) must be extremely low. While the private sector will continue to play an important role, particularly in sanctions-busting where government's intellectual and bureaucratic ponderousness renders it impotent, increasing bureaucratic control will be difficult to ward off.

One of the most important factors in Rhodesia's 15-year survival under sanctions was that it had a nimble, intelligent and adroit civil service which allied itself with an equally dextrous private sector. That example will no doubt be used as a model here. Unfortunately, our civil service may be an obstacle rather than an aid.

"With the structural dislocation of manufacturing industries, the State will have to assist," says Bryan Bench, research officer at the SA Institute of International Affairs.

"To me it is self-evident that the State's operations will have to expand. Priming the pump cannot lead to a massive blooming of capitalism. Employer organisations will have to monitor their interests a lot more closely.

"The enthusiasm that followed Pik Botha's statement in Witbank inviting the world to 'hit us with sanctions and we will show them what we can do' was ill-advised."

Bench points out that the private sector already depends fairly heavily on government contracts. The military-industrial complex is completely under government control. "This could expand into the service sector, the computer industry and others," he says.

The prospect of improved economic growth in the next two to three years, however, will provide a respite for the free market system. "The arguments to try to save the market economy will probably prevail through to about 1989," says JCI economist Dr Ronnie Bethlehem. "In the initial phase, SA will probably benefit from sanctions. It is when deterioration begins that the pressure on the market economy will become intense."

Econometrix's Tony Twine believes that the concept of inward industrialisation being touted with enthusiasm as a solution to SA's problems will involve increased government intervention. "Unfortunately, government is not capable of optimally introducing resources into the system, so we will end up with the wrong things being produced in the wrong quantities at the wrong price, and shortages and distortions will develop. Everybody will be building dams when actually we need canned peaches."

Increasing centralised control does not, of course, automatically lead to the total withering-away of the private sector. "It is possible to have an economy which is both protected and directed, and yet have free enterprise survive," says Nedbank's Edward Osborn. "Government should aim for this.

"It does not have the knowhow and competence to take over every aspect of the economy. This is evident in the way government is approaching the private sector, particularly since 1980.

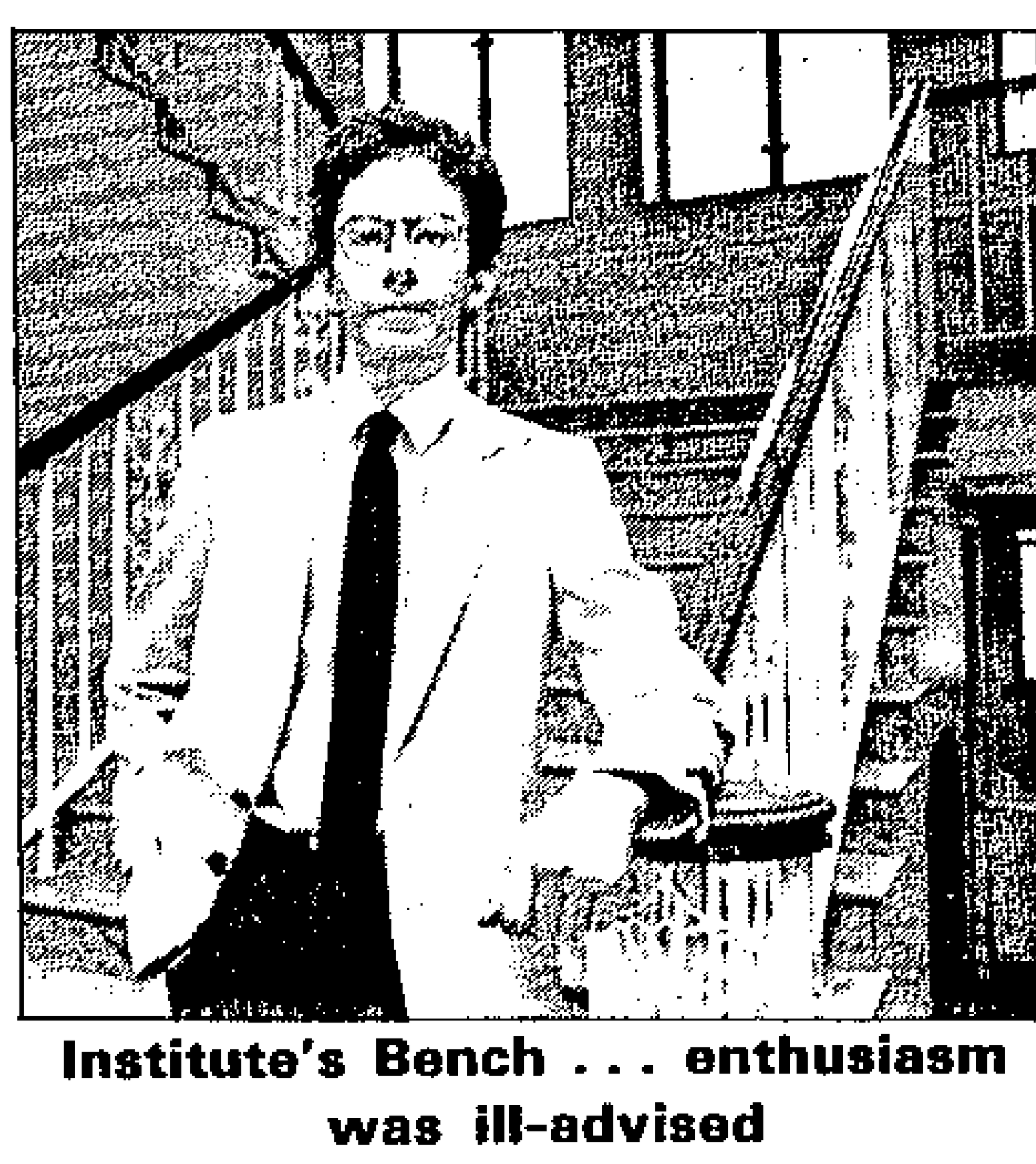
"A siege economy would be as free as now in some respects. However, government will be drawn into a greater involvement and interference with industry, if only to protect the BoP through imports. In extreme conditions government may have to impose strict import controls."

Fears are widespread in the business community. "Free enterprise is now more threatened than ever," says consultant Mike Perry. "Already the government has started exercising more control. Mines, for instance, are being told who they may or may not employ.

"When the sanctions screw is tightened and really starts to affect our ability to import, government will start allocating foreign exchange to business and dictating what it may be spent on.

"From that time on, bureaucracy rules. We will have civil servants dictating what sort of technology inputs we can bring in. We will see a lowering of standards in business, which will lead to increased inflation."

Free Market Foundation executive director Leon Louw argues that the correct approach would be precisely the opposite. "Government could neutralise sanctions just by reducing its foreign trade restrictions," he says. "If sanctions impose an additional 10% transaction cost on foreign trade, government could easily bring about an equivalent reduction in trade barriers.


Arnold Pronto

Institute's Bench ... enthusiasm was ill-advised

"Government should release the creative energies of the free market, which is likely to be much more imaginative in overcoming sanctions than the bureaucracy. Unfortunately, the knee-jerk reaction of government will be to try to control things. This would be insane, like shooting yourself in the foot."

It is little consolation that, as PFP leader Colin Eglin observes, free enterprise is a limited concept in SA in any case. Clearly, says Eglin, sanctions will weaken the private sector, make it less independent and increase the State's role in planning and regulating economic activities.

The question is, how far will the process go?

"My real fear is of ending up in a totally controlled Communist-type economy," says Econometrix chief economist Azar Jammine. "In the past decade, industrial and financial concentration has increased dramatically. The economy is far less versatile, and we don't have the spirit of entrepreneurship we once had.

"The private sector is a sitting duck for nationalisation — and this will be very tempting to a future black government."

Job losses

Sanctions, it is widely said, will hurt the very people they aim to help — the blacks. This is borne out by projections by Johannesburg Consolidated Investment's group economics consultant, Dr Ronnie Bethlehem, who postulates that 2m jobs will be lost by the year 2000 as a result of sanctions. By then, he reckons, only 8m people will be in employment — barely more than the 7,7m now — whereas without sanctions the figure could be 10m.

"By far the greatest proportion of jobs lost would be in the unskilled category," says Bethlehem, "for, under sanctions, the total number of skilled jobs would actually increase as sanctions necessitate more capital-intensive production to maintain competitiveness and profitability in export markets."

In the short term, employment could rise under the impetus of import-replacement activity, and could even return to the long-run trend line. "However, after 1988-1989, as sanctions escalate, the benefits of this adjustment would most likely exhaust themselves. The business sector, to sustain profitability and competitiveness, would have to be ruthless in retrenching surplus labour."

At least part of the cost of sanctions could be displaced to other countries in the region by, for example, repatriating migrant workers. Even so, it will not be possible to avoid increasing unemployment within SA.

The main beneficiaries of sanctions are likely to be technically and professionally qualified workers. The continuing brain drain would increase their scarcity and thus place a premium on their skills.

In addition, Bethlehem points out, these classes, because of accumulated savings, are best positioned to protect themselves against inflation, through hedged investments. "The increase in share prices since the sanctions crisis broke in June is a reminder that the processes of adjustment do not only concern the distribution of income," he says. "They also concern the distribution of wealth.

"Increases in share prices relative to fixed income securities and property redistribute wealth on a large scale from middle and lower income groups to the more privileged; there is little that the authorities can do to counteract it. It is an irony advocates of sanctions appear to have overlooked."

Rhodesian analogy

Is Rhodesia relevant? Do its 15 years' survival in the face of economic sanctions have a message as SA sets off down the same path?

"I don't think it's terribly relevant," says Safto GM Ann Moore. "We have a different type of economy from Rhodesia in 1965. We have gone much further down the line in manufacturing industry, so continued industrialisation requires different things.

"Rhodesia could and did go quickly into simple forms of import substitution. Our needs are far more complex and sophisticated. We need more advanced technology and more capital." She notes, too, that Rhodesia had SA, not only as a conduit for imports and exports and a filter against the outside world, but as a major market.

"Each case is unique," agrees Edward Osborn, a former Secretary for Agriculture and Deputy Secretary to the Treasury in Rhodesia/Zimbabwe under Ian Smith and later Robert Mugabe. "SA will also be unique; so will resolution of the problem."

Osborn (now of Nedbank) is in a better position than most to know. His sources of information about Rhodesia are impeccable, and he has used them to produce an authoritative study of the Rhodesian sanctions era for stockbroker Ivor Jones, Roy. This has been followed by another impressive document for Ivor Jones, *SA Under Sanctions.*

Despite Osborn's conclusion that SA could survive sanctions for longer than Rhodesia, his advice is chilling.

"What comes out of the politics of the situation is that when you have a possibility of resolving the problem, grasp it with both hands," he says, remembering Ian Smith's lost opportunities at the talks on *HMS Fearless* and *HMS Tiger.* "The great danger is having the thing drag on.

"Sanctions do ultimately work, either in achieving some kind of political end result which may or may not have been the intention at the outset, or in extraordinary distortion of the whole economic structure. Rhodesian UDI went on for 15 years. One would hope the same thing will not happen to SA."

One should be in no doubt as to the severity of the impact of sanctions on the Rhodesian economy. They resulted in an immediate contraction of exports of tobacco, asbestos, chrome ore, copper, sugar and beef by more than half. This, together with the loss of the Zambian market for manufactures, cut 40% off merchandise exports.

Though total exports recovered steadily after 1966, they did not return to 1965 levels until 1972. Then, after peaking in 1974, exports declined again and by 1980 were back to the 1965 level.

True, Rhodesia survived nearly 15 years, but at great cost. "Rhodesia was compelled to react to mandatory sanctions by imposing the severest forms of control on the economy, particularly import control, exchange control and fuel rationing," writes Osborn.

"Virtually all imports of luxury goods were eliminated, imports of vehicles on wheels substituted by completely knocked-down kits for local assembly, imports of food reduced to a minimum and priority given to raw materials for domestic manufacturing industry and capital goods.

"Even so, supplies were always critically short, but more severely so when allocations had to be cut back further to make way for imported fuels. By 1979, imported fuels represented 30% of total imports."

Rhodesia did, indeed, have some golden years of growth in the middle phase of UDI. Osborn identifies four distinct phases during the 15-year siege. During the first three-year adjustment, GDP growth averaged 3,9%. The next six years were a period of boom, when growth averaged 8,6%.

This came to an end in 1975-1978, when everything seemed to go wrong. Perhaps most critical was the world oil crisis, imposing an additional burden which the seemingly virile but delicately balanced economy could not sustain.

But it also coincided with escalating armed conflict and the withdrawal of Portugal from Mozambique, which ultimately placed unbearable strain on Rhodesian manpower and made it wholly dependent on SA. During this phase GDP declined by 3,4% annually.

Sometimes forgotten is that this dependence on SA eventually put Ian Smith at the mercy of PM John Vorster, who put the final nail in Smith's coffin when he withdrew support in exchange for a nebulous promise by Henry Kissinger that the US would adopt a softer stance towards SA.

Finally, from 1979-1981, when the transitional government was in power and resolution of the Rhodesian question was at hand, there was a recovery to an annual growth rate of 2,1%.

Official figures show that Ian Smith handed over an economy which was not bankrupt — if not exactly in blooming health. The balance sheet of the Reserve Bank of Zimbabwe-Rhodesia reflected gold and foreign reserves of $139m in 1979, against a foreign loan liability of $8m.

But was even this modest bank balance the truth? Says Osborn drily: "This can only be a spurious claim of national solvency at the eve of independence, for short-term foreign indebtedness and government's foreign liabilities must have been considerably more."

Rhodesia on the eve of UDI was a small but innately sound and diversified economy. Ten years as dominant partner in the Federation of Rhodesia and Nyasaland had given it a strong financial institutional structure.

It enjoyed low inflation, low interest rates and a stable money market. There was no monetary restraint on enterprise. In those respects, it was better placed then than SA now. Another difference is that the imperial context of Rhodesia's UDI was completely different from that in which SA will battle sanctions in the next decade.

Here the issue is the transfer of power from white to black, an emotive issue which will not easily be abandoned by the outside world.

"The world has lost its innocence," says Osborn. "It has crossed the divide between sanctions and no sanctions. It imposed sanctions on Rhodesia with considerable thoroughness and on a prolonged basis. It did not tire — the Rhodesians did."

Blow to morale

The sense of isolation from the real world sets up a severe morale problem among the more dynamic members of a society — the young, intelligent and highly skilled.

Banking, retailing and computer programming are among many sectors where techniques rank with the best in the world. In a siege economy, as the country is starved of technology and know-how, already depleted valuable human capital will lose ever more of its more mobile members.

"When you fall behind, a lot of more competitive people leave," says Mike Perry, MD of strategic management consultant Mike Perry & Associates. "They will probably never return if SA slips into permanent backwardness."

More mobile people also tend to be more liberal. This creates problems for, among others, the Progressive Federal Party. But of more concern to PFP leader Colin Eglin is that the reformist initiative will be lost.

"I think there will be a tendency to consolidate and rally round the government," he says. "Attention will be diverted from fundamental reform to how to live under sanctions. If you put those together, in the short term it will shift the centre of gravity of white voters towards the right and away from the concept of reform."

Eglin concedes that these negatives may be offset to a degree by increased attention to import substitution and labour-intensive manufacturing, but in the medium term, as the economic situation deteriorates, socio-economic conditions for blacks will deteriorate, especially in urban areas.

In the long term, Eglin sees continued gradual deterioration of the infrastructure which will make it even harder to shake off the "legacy of apartheid." Vast reconstruction would be required, he argues, "and you will not be able to achieve that in a situation of economic repression."

In Eglin's view, two things have to be done: "To the extent that sanctions will have a negative impact on the reform process, one has to try to counter it. Sanctions are a direct consequence of the internal situation, and South Africans should not change moral course. The things that need to be done internally will also lead to reasonable relations with our Western partners.

"Secondly, if sanctions cause unemployment, one must replace those jobs in another way. The negative socio-economic impact must be minimised."

Eglin, however, has little hope that government is at all susceptible to his pleas. "Government seems not to know what to do, it is battening down the hatches and trying to ride out the storm."

Eglin detects since early May a perceptible hardening of attitude in government towards fundamental restructuring of the political equation. This flowed from evidence of a white backlash, the breakdown of law and order in the black townships and misinterpretation of President P W Botha's statements on power sharing.

"His own reform process and the words he used — such as power sharing — raised expectations to a level he realised he had no intention of fulfilling," says Eglin.

Boycott phases

Despite three or four decades of piecemeal sanctions of various kinds, SA has reached a clear watershed in its boycott history. It is only now, in the view of most observers, embarking on an era similar to the 15 years of Rhodesia's UDI.

An analysis by Johannesburg business strategy consultant Mike Perry identifies three phases in the sanctions life-cycle.

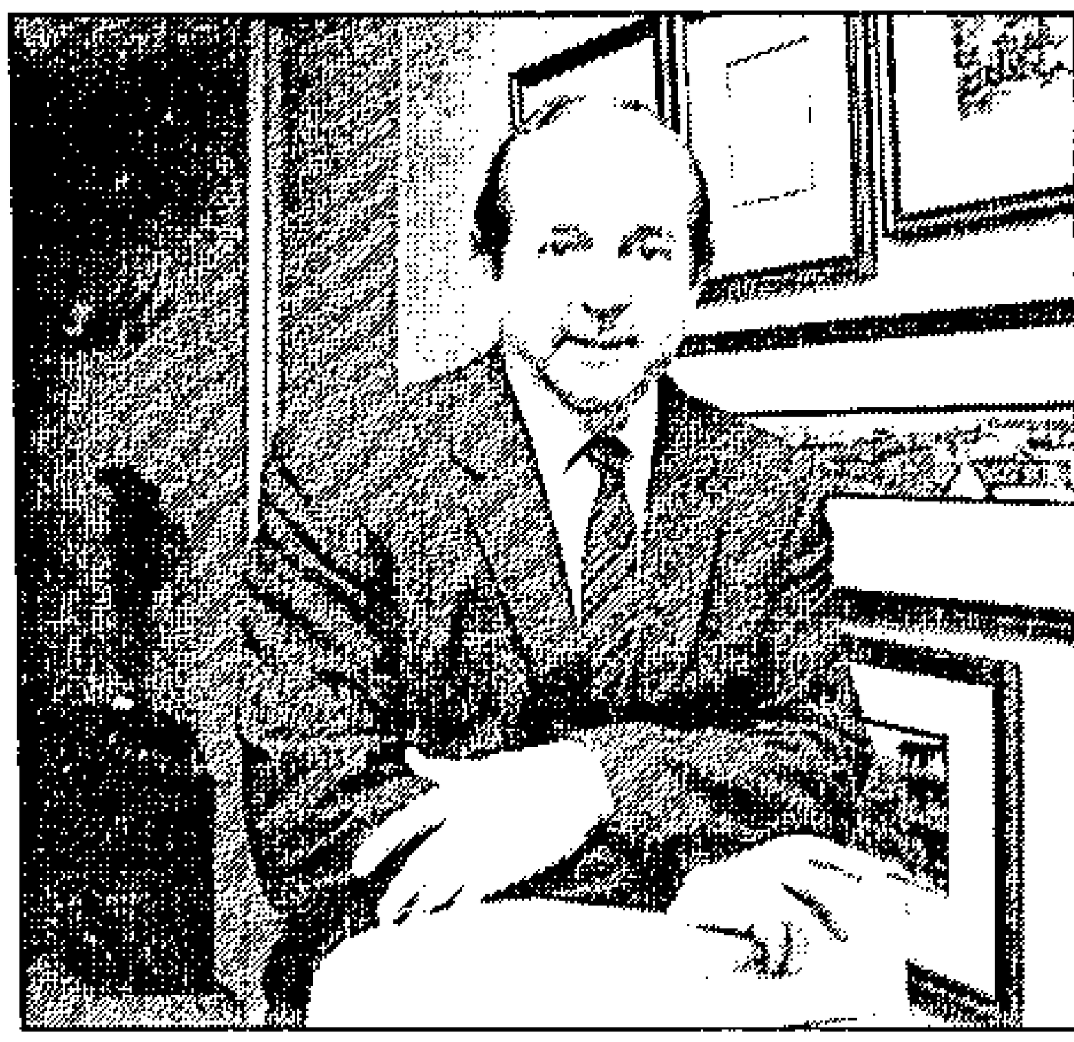
Phase 1, which he calls "The gathering storm," has begun. This is characterised by both severe threats and profitable opportunities. The initial shock of sanctions is felt during this phase, which will last, Perry estimates, 12-18 months.

The economy suffers a sharp once-off "terms of trade effect" as exporters have to pay middlemen and develop new markets, often on a price-penetration basis. Businesses invest in disguising and re-labelling products and using secret distribution channels either to retain existing markets or develop alternatives. This, of course, costs money — the "sanctions discount" which in Rhodesia was put at 10%-15%.

The shock, however, may be somewhat less severe than that experienced by Rhodesia during the same phase because of the greater diversity of the economy.

Import control is introduced, with an adverse effect on economic efficiency, and import substitution sparks a boom in local manufacturing.

Phase 2 is a period of rapid expansion, but it is, says Perry, a "misleading boom." The effectiveness of sanctions in the early part of this phase declines, and export market and product diversification starts to pay dividends — but export profitability remains low because of the sanctions discount.



Raymond Preston

Consultant Perry ... phases in the sanctions lifestyle

Import substitution, on the other hand, begins to pay off in terms of economic output and employment creation. In Rhodesia, this phase lasted six years; Perry believes it could be about the same here.

While this scenario is highly speculative, two political developments (elections in Britain and the US) during the next two years inject confidence into the projections. President Reagan's departure will almost certainly bring an end to any cushioning of sanctions policies in the US. And in the UK, if the Conservatives lose the next election, a tougher stance is certain. In any case, pressure for more sanctions is bound to continue both in the Commonwealth and in the EEC.

Towards the end of Phase 2, the impetus from import substitution begins to fail as projects become increasingly capital-intensive, foreign currency-intensive and hi-tech intensive.

Phase 3 is one of permanent deterioration. The sanctions net is widened, the foreign currency constraint tightens, domestic economic expansion fails to keep pace with population growth, and unemployment grows. The security threat begins to soak up more and more government spending.

"In this phase, sanctions' effectiveness shifts from the impact on exports to the impact on investment levels, on job generation, on technology, on the brain drain and on the renewal and replacement of obsolete equipment," Perry says.

"Government must make changes to make SA acceptable to the outside world. If we get into Phase 3, we won't recover."

As evidence for this, Perry points to Zimbabwe which, he says, is performing as though sanctions were still in force. "Businessmen are not much better off than during the sanctions era," he says.

His gloomy view is supported by Nedbank chief economist Edward Osborn. "In extremis, you create an uneconomic economy," he says. "After sanctions, it remains so for ever. There is no question of opening up the Zimbabwe economy to foreign competition. The whole panoply of protection Ian Smith put in place 20 years ago is still there."

Perry's analysis ties in neatly with the "sanctions threshold theory" of the SA Institute for International Affairs. This describes the thresholds for each progressive tightening of sanctions.

"In terms of this theory, there are three conditions for comprehensive sanctions," says research officer Bryan Bench. "Continued occupation of Namibia; continued destabilisation of neighbouring states; and domestic unrest and repression.

"We have seen differing attitudes develop towards sanctions by particular groups in the West. The US has gone furthest down the road because apartheid and the southern Africa issue have become an intrinsic part of the civil rights question in the US and as such are now a domestic political issue."

This is not the case in Europe, however. There is no great population movement pressuring for sanctions in Whitehall, Bonn and other capitals. Indeed, the sanctions question in Europe is marked by deep divisions.

Both Britain and Germany have a high dependence on strategic minerals from SA. Britain, in addition, has strong ties of history, culture and kinship — not to mention the fear that an estimated 800 000 people in SA with a claim to British citizenship may be forced to return.

Though the generally accepted figure of 600 000 may be an over-estimate, Portugal's expatriate community in SA is undoubtedly large. The problem for Portugal is uniquely sensitive. Not only do these people repatriate large sums of money to their homeland, they have the vote in Portugal.

Progress on sanctions in Europe has also been affected by the extreme nature of the measures approved by Congress. Had they been milder, a number of other nations could have taken a lead from them.

Bench does not believe Japan will meekly follow the US lead. "They operate differently," he says. "The pressures and lobbying on the Japanese government are qualitatively different."

Sri Lanka will try to cut S A trade

(74)

N/H 27/12/86

COLOMBO—Sri Lanka will try to level trade with South Africa which has tilted enormously in favour of the Republic following unprecedented large-scale imports of beet sugar and rectified spirits, Commerical Department officials in Colombo have said.

In 1984 Sri Lanka had an edge of 1 400 000 dollars (about R3 000 000) in her favour over South Africa in trade, but last year the deficit totalled 13,3- million dollars (about R28-million) in favour of South Africa.

Links

Sri Lanka last year exported items worth 13,9-million dollars (about R30- million) to South Africa as against imports valued at 27,1-million dollars (about R60-million), officials said.

Although Sri Lanka has joined the international condemnation of apartheid and banned public sector trade with South Africa, it has permitted the private sector to continue commercial links with the Republic.

Colombo's imports from South Africa last year included beet sugar, rectified spirits, chemical fertilizer, and iron and steel products. — (Sapa)

FOREIGN

TRADE

- GENERAL

1987

Bad debts in SA start to decline

(74)

GERALD REILLY

BDay 27/11/87

SOUTH AFRICANS have continued to chip away at their debt mountain, Central Statistical Services figures show.

For the three months to end-September, summonses issued for debt decreased by 8,7% to 210 242, compared with the third quarter last year.

Civil judgments for debt in the same period decreased by 4,4% to 111 277.

However, compared with the previous three months, April to June, summonses issued increased by a seasonally adjusted 3,4% and judgments marginally by a 0,89%.

Assocom economist and statistician Ed Verberg said consumers were now in a better postion to reduce debt than they a had been for a long time.

Personal incomes were rising at a faster rate than for a number of years, there was a slight increase in employment and a marginal fall in the inflation rate.

Demand for credit had been slack, this being reflected in the cautious approach of many consumers to hire purchase and credit buying.

However, with the prospects of higher disposable incomes, the demand for credit, particularly over Christmas and New Year, could be expected to strengthen.

11/12/87 FM

COUNTERTRADE

Spreading the net

Countertrade deals could substantially boost SA's foreign trade earnings — once big public corporations like Eskom and the Industrial Development Corporation (IDC) begin using their massive import leverage. Government has already given the internationally acceptable concept its blessing, although it has not been made a *condition* for State tenders as in some countries.

To many, "countertrade" implies shady dealings in which unsaleable Western goods are exchanged for Third World commodities. The countertrade underworld was given a sinister slant over the US arms for hostages to Iran scandal — one of the most unusual examples of barter in recent times.

But this image of countertrade is certainly misleading. As Corbank's Tony Andrew says: "There is limited use in swapping tractors with our neighbours for maize or avocado pears. At the end of the day, exporters prefer hard currency. But countertrade could be started by government and large corporations who need European or Japanese technology.

"For example, it should be written into tenders for the Mosgas projects that, say, a certain amount of coal should be purchased as part-payment. And instead of the normal escalation clauses for an Eskom power station, the technology exporter could be expected to take a few shiploads of minerals."

Pretoria has recently changed its stance on countertrade. Cabinet now formally recommends that semi-government bodies have a countertrade jelement in a very agreement.

Says Effective Barter MD Eugene St Clair: "Public corporations and major companies are not using their immense leverage on imports to the benefit of exporters. It is difficult to get investment in this country, but multinational hi-tech companies are selling into a shrinking world economy, and if they can find a market in SA why not encourage them to buy our goods?"

Eskom's Johan Klopper, in charge of investigating countertrade since September 1, says: "We carry surplus inventory which could be countertraded with our suppliers and we're talking to corporations like Iscor and Gencor. We have also suggested that a countertrade element could form part of a tender."

On the low-tech level, TFC Tours recently exchanged rooms on cruise ships for large supplies of the Bulgarian beer Astica, in a deal arranged by the London-based Barter Group.

A substantial countertrading network must first be created — and this can only be done with the support of both business and government.

Says St Clair: "In Singapore, countertrading companies are given tax incentives, while in Japan manufacturers like Toyota and Mitsubishi have substantial holdings in trading houses. In SA, the trading houses are here to buy metal and mineral products and sell European and Japanese manufactured products. If they were encouraged to sell other South African products as part of countertrade agreements, then they certainly would."

All they need is the green light. ■

BDay 24/11/87

A competitive tool for an overall marketing strategy

Countertrade can open new markets

DAVID FURLONGER

TOO many companies were frightened of countertrade because they did not understand it and because it did not fit in with entrenched business ideas, businessmen were told yesterday.

London-based countertrade consultant Mike Hockridge told a conference in Johannesburg many companies were too compartmentalised, with no room for movement. Countertraders must be able to operate on an all-encompassing basis with access to all departments.

Businessmen were nervous of the idea that a sale of their products could mean them accepting unaccustomed goods in exchange. But a good countertrade manager could improve a company's profit levels by creating new markets.

"Countertrade is not as quick nor as profitable as a cash sale," he said. "But it is profitable if properly managed and it is a good means of doing business in hitherto closed markets."

US countertrade expert Leo Welt said companies willing to engage in countertrade were more likely to win international contracts. It should be seen as a competitive tool to be used as part of an overall marketing strategy.

Welt said countertrade existed in five basic forms:

- □ Barter — a straight goods-for-goods deal in which no cash is exchanged;
- □ Counter-purchase, or parallel barter — a supplier agrees to reciprocal purchases of goods and services from the buyer within a set period;
- □ Compensation or buy-back — the sale of technology, equipment or plant with a contractual commitment to buy back some of the goods produced;
- □ Evidence accounts — commercial agreements, usually between manufacturers and foreign governments, in which the former sells his goods but simultaneously buys local products;
- □ Bilateral clearing agreements — inter-government trade agreements establishing the basis for trade balances.

US lawyer Don de Kieffer, who specialises in countertrade contracts, warned that SA companies planning countertrade with the US faced several hurdles. Protectionist laws could also be applied to countertrade, where it brought in cheap-selling goods.

Anti-dumping laws, countervailing duties and sections of the Tariff Act and Trade Act could all be used against goods entering the US through countertrade agreements.

In the case of SA, sanctions-led embargoes on the import and export of certain goods also applied to countertraded goods.

74 B/day 15/10/87

Third World debt is getting worse — expert

Own Correspondent

LONDON — Third World debt problems were getting worse rather than better, with banks likely to be forced into even bigger loan write-offs, an Overseas Development Institute conference concluded earlier this week.

Institute researcher Sheila Page said there had been a dramatic change of mood during the past year, with an increasing acceptance of the need to give debtors some form of relief.

Blanket solutions to the problems were still out of favour because of the widely differing circumstances of debtor countries and because of the need to take the individual circumstances of creditors into account.

But the UN recently went so far as to suggest that banks would eventually have to consider some form of "debt forgiveness", while even the usually cautious IMF had said it would be impossible to deal effectively with the debt problem unless the face value of debts more properly reflected their discounted market values.

The IMF stopped short of saying how that should be done, but major debtors like Brazil, Mexico and Argentina were arguing for some form of interest capping arrangement which would reduce the real burden of their debts.

Brazil dropped a bombshell during the recent IMF annual meeting in Washington when it presented banks with a plan for rescheduling its $68bn of commercial debts which included arrangements for limiting interest payments and called for $10,4bn of new money while at the same time refusing to accept an IMF economic programme.

Brazil, the biggest Third World debtor, owing $110bn in all, suspended all interest payments on commercial debts since February.

The banks are digging in. They are due to meet Brazilian central bank president, Fernando Milliet, for key talks in New York next week, with both sides apparently anxious to prevent American bank regulators taking a gloomy view of Brazilian debt and declaring it to be "value impaired".

Many Third World experts said the fact that countries like Brazil and Ecuador had decided to suspend payments was in itself proof the situation was unsustainable and that radical answers were needed.

They said the recent rise in American interest rates could bring the debts crisis to a head, with every 1% rise adding nearly $3bn a year to the service costs faced by the 15 most heavily indebted nations.

L(# SA is losing heavily in wake of sanctions :ERTAIN

Sowetan 26/10/87 (74)

SOUTH Africa lost more than R500 million in export business last year while income derived from import trade cost the country more than R5 billion in the same period.

The startling revelation was made by the chairman of the American Chamber of Commerce in South Africa, Mr Ian Leach, at a seminar convened by the Institute of Industrial Relations in Johannesburg.

Mr Leach said: "While many observers and followers of sanctions will argue that their impact is minimal, recent trade statistics released prove that this damaging piece of legislation (the US Anti-Apartheid Act of 1986) has impacted dramatically on the South African economy.

"Statistics released by the US Consulate of Johannesburg show that exports of commodities banned under the Act have effectively dried up. . . ."

Mr Leach said exports of uranium products, iron, steel and coal fell from R351 million in the first six months of 1986. Some exports outside the sanctions net have also declined.

"The exports of gold and silver, industrial diamonds and motor fuel have fallen from R236 million to almost nothing," Mr Leach said.

Also, Mr Leach said, South Africa exports to the US crashed by 45 percent from R2,6 billion in the first half of 1986 to R1,4 billion this year.

Imports were unchanged at R1,2 billion but South Africa's trade surplus with the US fell from R1,4 billion to only R200 million.

"The figures indicate that America has strictly enforced sanctions," he said.

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74 B/day 27/11/87

Boost exports, expand domestic markets, double manufacturing base

SA needs great growth to achieve goals

MICK COLLINS

SA must boost its exports, expand domestic markets and double its manufacturing base by 2000, if it wanted to achieve the economic growth that would satisfy even the basic aspirations of all its people, CSIR president Chris Garbers said yesterday.

Garbers said when he opened the first R4m phase of a multi-million rand research facility at Cullinan Refractories in Olifanstfontein: "During the past two decades the manufacturing sector has had to absorb many shocks and the industrial sector, which should be the major engine of economic growth, became increasingly less attractive for investment."

Reserve Bank data showed a decline in fixed investment in nearly all economic sectors, where the manufacturing index highlighted the fact that fixed investment had declined from the 1981 base to 42% in 1986 in real terms with the implication for concommitant unemployment.

Garbers referred to an NPI analysis which showed employment of blacks was lower in 1985 than in 1970, with an accumulated population growth unaccounted for.

"In addition, if manufacturing companies listed on the stock exchange assessed their real incomes by, inter alia, discounting inflation and capital replacement costs, few manufacturers would show a profit in many of the past 10 years."

With companies now operating in mature markets, they either had to find new markets, develop new products or diversify into new areas altogether.

Garbers said: "The future of this country is dependent on developing a sound technology base. Largely due to Cullinan, SA is a net tonnage exporter of refractories. Without doubt, SA possesses the refractory manufacturing capabilities and technological knowledge comparable to any other nation.

"There is no reason why the SA refractories industry cannot become world leaders in all aspects of refractories technology. The degree of sophistication necessary for high-tech ceramics manufacture for non-refractory applications is also available and offers wide scope for diversification."

FTM 13/2/87

FOREIGN TRADE

Preliminary statistics for 1986 reveal a trade surplus of R15 billion (up 9,4%). Most growth in both exports and imports involved Asia, and the biggest gain in export items was vegetable products.

The bulk of imports still came from Europe, at R12 billion, 45% of the R27 billion total. Such imports, however, only increased 12%, compared to a 42% increase in imports from Asia. Exports to Asia increased by 24%, the sharpest increase in total exports of R42 billion.

More than half exports, some R22 billion, are unidentifiable under the heading "unclassified goods and balance of payments adjustments." Imports under this head were R5,3 billion, up 38%.

Of identifiable imports, prominent were machinery, mechanical and electrical goods (R7,3 billion); chemical and allied products (R3 billion); vehicles, aircraft, vessels and parts (R3 billion); instruments in the optical, photographic, medical, time-keeping, TV and sound areas (R1,2 billion); and resins, plastics, rubber and the like, R1 billion.

Heading exports were mineral products at R4,9 billion (down 1,7% on 1985); base metals and articles of base metal at R4,8 billion (up 14%); precious, semi-precious stones and precious and finished precious metals at R3 billion (up 17%); chemicals and allied products at R1,2 billion (up 26%); and vegetable products at R1 billion (up 48%).

Ford UK stops trade with SA

20/2/87 .74

The Star Bureau

LONDON — Ford UK is to cease trading with South Africa.

Present trade links of R140 million a year, mostly exports to South Africa of spares and components for the Sierra range, are to be phased out. Legally binding contractual arrangements will run their course, but will not be renewed.

This will leave Samcor, which was Ford SA until 1985, without its British supplies of body panels, components and service parts for the Ford Sierra.

The move follows intensifying anti-apartheid pressure from trade unions and activists, but Ford UK says the decision to phase out its supplies to Samcor is based largely on commercial considerations.

It says the same applies to the cancellation last year of imports from South Africa of P100 pick-up vans.

The Anti-Apartheid Movement has [illegible] the announcement as a major victory.

The MINISTER OF TRANSPORT AFFAIRS:

	(a)	(b)	
(1) (i)	(aa) 627	Class 15F	As at 31 January 1987
	(bb) 12	Class 15AR	
(ii)	(aa) 16	Class NGG	
	(bb) 480	Class GMA/M	

(2) *(a)* and *(b)* Yes. The locomotives referred to in part (1) (ii) *(bb)* of the question have been placed as follows:

De Aar	187
Klerksdorp	30
Germiston	92
Capital Park	42
Bloemfontein	13
Volksrust	19
Kroonstad	10
Witbank	5
Springs	2
Breyten	2
Mason's Mill	10
Pietersburg	3
Touwsrivier	9
Midlandia	9
Sydenham	7
Krugersdorp	40

(c) The locomotives, excluding the 40 at Krugersdorp earmarked for the Transport Services Museum's national collection, are put up for sale by tender. In the event of no tenders being received they are dismantled and cut up.

(d) (i) *(aa)* and *(bb)* Locomotives are covered with grease and oil.

(ii) All brass and copper parts are sealed in the coal tender.

Hansard 23/2/87

Khayelitsha: demolition of buildings

543. Mr K M ANDREW asked the Minister of Law and Order:

(1) Whether members of the South African Police were called to Khayelitsha, Sites B and C, on or about 2 December 1986 in connection with the demolition of houses and a community centre in this area; if so, *(a)* what were the circumstances surrounding their being called to Khayelitsha on this occasion, *(b)* how many houses were demolished and *(c)* who demolished the buildings in question;

(2) whether the Police took any action as a result; if not, why not; if so, *(a)* what action and *(b)* with what result?

The MINISTER OF LAW AND ORDER:

(1) and (2). Yes, but because the dispute between the residents of Khayelitsha, Sites B and C and the leadership of the respective communities was defused and settled by the intervention of the South African Police and the Chief Director, Housing of the CPA Community Services in the Western Cape, I do not regard it in the interest of the communities to furnish any information with regard to this matter.

Hansard 23/2/87

Complaints about Black person

544. Mr K M ANDREW asked the Minister of Constitutional Development and Planning:

(1) Whether a certain Black person, in respect of whom particulars have been furnished to the Minister's Department for the purpose of his reply, is or was in any way attached to his Department; if so, *(a)* in what capacity, *(b)* when, *(c)* what are or were the responsibilities of this person and *(d)* what is his name;

(2) whether he or any official attached to his Department has received any complaints about this person; if so, *(a)* from whom, *(b)* when and *(c)* what was the nature of these complaints;

(3) whether any action has been taken by his Department as a result of these complaints; if not, why not; if so, *(a)* what action, *(b)* when and *(c)* with what result?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) No.

(2) No.

(3) Falls away.

Amounts owed by State

546. Mr J J B VAN ZYL asked the Minister of Finance:†

7 V) 23-2-87

What amounts were owing by the State on *(a)* 31 December 1985, *(b)* 31 January 1986, *(c)* 30 June 1986, *(d)* 31 October 1986, *(e)* 31 December 1986 and *(f)* 31 January 1987?

Hansard

The MINISTER OF FINANCE:

(a)	31 December 1985	R37 949 959 288,21
(b)	31 January 1986	R38 743 457 834,21
(c)	30 June 1986	R42 416 796 182,21
(d)	31 October 1986	R44 338 402 540,40
(e)	31 December 1986	R45 582 300 446,96
(f)	31 January 1987	R45 921 940 319,57

Stolen vehicles

547. Mr J J B VAN ZYL asked the Minister of Law and Order:†

(a) How many motor vehicles were reported to the South African Police as stolen in the calendar years 1983, 1984, 1985 and 1986, respectively, and *(b)* what is the estimated value of these vehicles in respect of each of these years?

The MINISTER OF LAW AND ORDER:

(a) 1983—45 078
1984—45 025
1985—42 696
1986—58 119

(b) 1983—R177 915 795
1984—R171 845 677
1985—R180 000 000
1986—R871 785 000

Note:

1. I also refer the hon member to my reply to written Question Nr 101.

2. Although less vehicles were stolen during 1985 than 1984, the estimated value increased. It can mainly be contributed to the general increase in the price of motor vehicles. The same goes for the increase during 1986 as opposed to 1985.

Strikes

548. Mr J J B VAN ZYL asked the Minister of Manpower:†

(a) How many employees in each race group were involved in strikes in each calendar year from 1980 up to and including 1986 and *(b)* in respect of each of these categories, (i) how many strikes were there, (ii) how many man-days were lost, (iii) how many employees were in service and (iv) what was the estimated loss in wages?

The MINISTER OF MANPOWER:

Hansard 23/2/87

23/2/87 Hansard

ing their boycott plans, the agency

5 more firms taken off US blacklist

Dispatch Correspondent

13/3/87

DD

74

JOHANNESBURG — Five more South African companies have been removed from the Washington "hit list" that prohibits local firms trading with the US.

The original list of 166 "parastatals" said to have ties with government is now believed to have been whittled down to 156 with more appeals still to be heard by the US State Department.

One of the companies, Veereeniging-based Thames Wire and Cable (TWC), said it had been informed on Wednesday of the US decision.

A spokesman for the US Information Service in Pretoria confirmed that TWC had been removed from the blacklist and said four more companies, as yet unnamed, also had their US trading rights restored.

The spokesman said the companies involved had appealed to the State Department.

"The State Department reviewed the material which was supplied by the companies as evidence and rescinded its earlier decision."

The original 166 companies were banned from trading with the US under the Comprehensive Anti-Apartheid Act, which was enacted by Congress in November last year as part of its sanctions legislation.

Any company was presumed to be government-subsidised if it was receiving any financial assistance in preferential terms from the SA Government, other than that generally available to the public.

At the time US export—import agencies were warned to ascertain whether or not the South African organisations with which they were dealing were not classified as parastatals by the State Department.

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Moves afoot to crush illicit dealing

Maize black market costs board millions

B Day 2/4/87 Maize 74

BLACK-MARKET dealing by maize farmers is costing the Maize Board millions of rands in lost levies.

By selling direct to outsiders, farmers are being paid more than they get from the board, but less than the board charges its customers after including levies.

Board officials say the dealing has been going on for some months and they want to stamp it out before the new crop comes in during the next few weeks.

The board said yesterday it was ready to introduce strong measures to crush illicit dealing and that inspectors would be called in to police the industry.

Board chairman Hennie de Jager said he knew illegal transactions had taken place or were being planned.

He said: "Rumours are reaching the board almost daily about contraventions. Maize producers and buyers are seriously warned not to sell or buy illegally."

He said the board, its agents and maize traders were the only legal buyers in controlled areas — the main growing districts.

Offenders could be prosecuted, were liable to pay the levies and could even lose the full value of the maize in question.

MICK COLLINS

De Jager said: "Maintenance of the one-channel marketing system is in the long-term interest of producers as well as consumers. Producers and buyers who obviate these marketing arrangements harm the larger number of law-abiding producers who have to carry the cost and export losses of the industry."

Furthermore, the orderliness and stability of maize marketing would be upset.

De Jager said: "This can have serious consequences for the industry with regard to quality and continuity of supply.

"I would like to point out that if problems are experienced due to transactions of this nature, the producer will not be able to revert to existing legislation."

Financial losses were possible as producers would not be entitled to supplementary payments at the end of a marketing season.

De Jager said: "The board is aware of contracts which are being concluded to obviate the one-channel prohibition.

"Although the legality of these contracts has not yet been tested in a court, such transactions are contrary to the spirit of the one-channel marketing scheme."

France promises to back Frontline states

(75)

STAR 6/4/87

The Star's ForeignNews Service

PARIS — France told the ambassadors here of the six Frontline states: "We support you."

Foreign Minister Mr Jean-Bernard Raimond told them in his Ministry on Thursday: "We have decided to show our support for your countries, and mark our desire to contribute to your economic development by reducing your dependence on South Africa."

He announced that top-ranking diplomat Mr Fernand Wiboux would leave Paris today for Maputo on the start of a two month fact-finding mission to the capitals of the Frontline states.

Mr Raimond added: "Mr Wiboux will hand over messages from Premier Jacques Chirac to his six Frontline counterparts to stress France's presence and role in Southern Africa."

Mr Raimond assured the six ambassadors of the French government's total opposition to apartheid.

NO PLANS FOR PRETORIA

Mr Wiboux will leave Maputo today for Dar es Salaam, Luanda, Lusaka, Harare and Gaborone. There appear to be no plans for him to go to Pretoria.

France has so far maintained a "low profile" within the 12-nation Common Market over a call for total sanctions against South Africa. But clearly France might well reconsider its policy of opposing sanctions once the government has studied the Wiboux report.

It was learnt later that the six African ambassadors expressed concern over the delay in granting independence to Namibia, the slowness in dismantling apartheid and the stalemate over all major Southern African questions.

Diplomatic observers here say that the Wiboux mission might herald a harder French line towards South Africa.

Troubleshooter Mr Wiboux is a former governor of the French Pacific territory of New Caledonia, where he managed to calm down a civil war atmosphere caused by militant Kanaks demanding immediate independence.

(74)

Customs publication scrapped by Cabinet

HELENA PATTEN

A CABINET decision led to the discontinuance of a Customs and Excise publication, Monthly Abstracts of Trade Statistics, says a department official.

Detailed information on SA imports and exports contained in the publication is no longer being made generally available because "in these times, some things are considered confidential".

The last issue of Monthly Abstracts was published in September last year.

John Bell, MD of Breyer Development Services, an export marketing consultancy, says he is unaware of the discontinuance of the publication because he has seldom used it.

He says the information in it has become less and less meaningful, and he now uses overseas customs and excise publications, which are much more accurate.

He believes in the principle of freedom of information and that muzzling this kind of information will make people generally less aware.

It will make things more difficult for SA exporters, but those determined enough will get the information anyway, Bell adds.

Rand Merchant Bank group economist Rudolf Gouws says the publication will be missed by those in the industry who use it for ascertaining the size of local and overseas markets.

It is always a pity to have information restricted but, perhaps, the situation in SA calls for it, he adds.

Trade group calls for scrapping of rent collection Bill

STAR 25/6/85

By Michael Chester

Extended battlelines were drawn today by big business in its fight to block government moves to compel employers to act as rent collectors to break the black rent boycott.

The South Africa-Britain Trade Association (Sabrita), in Johannesburg, and its twin, the United Kingdom-South Trading Association, in London, have joined the fray.

Urgent appeals to the Government to abandon the proposals have been made since the return of a Sabrita mission that collected evidence that business anxiety over the repercussions was acute in Britain.

Formal submissions have been lodged with the Standing Committee on Constitutional Development and Planning pressing for the withdrawal of the rent collection proposals in the Promotion of Local Government Affairs Amendment Bill.

This was announced today by Mr Murray Hofmeyr, president of Sabrita and executive director of Anglo American, one of several business giants that have voiced alarm.

Mr Hofmeyr said Sabrita's opposition to the Bill was based on two arguments:

- "If the Bill becomes law, employers will be drawn into disputes to which they are not a party, which could have far-reaching adverse implications for industrial relations and which might result in strikes and other industrial action.
- "The Bill introduces a highly undesirable precedent into our law, namely that a statement by a Government official will enjoy the same force and effect as a judgment by a court of law."

3/7/87 (14)

IMPORT-EXPORT

Confusing Customs

SA importers and exporters to the EEC can expect some hiccups in January, when new regulations, called Customs 88, come into force.

Customs 88 comprises firstly a single administrative document (SAD) common to all EEC countries. Designed to aid computerisation of documentation, it will replace import and export declaration forms and community transit documents. Developed as an eight copy set, copies 1-3 are for export, 4-5 for community transit and 6-8 for import.

Secondly, a "harmonised" commodity description and coding system (HS) for classifying goods throughout the world (including the US and Canada) should come into place. This is a six-digit code, replacing the Customs Co-operation Council Nomenclature four-digit code, although some "developing" countries will apply it only at a four-digit level EEC and UK can add further detail for their own purposes.

While SAD is designed for computer generation, many computer printers will not print eight-copy sets, so two sets of four-copy alternatives have also been developed.

But even with the right documents properly filled out, adoption of Customs 88 is still likely to cause delays. Already, strikes by Customs and Excise officials in the UK, which in 1985 handled some 5m import entries and 4m export entries, have caused a backlog of work on the four major changes in import and export procedures which will afect international traders from January.

However, such problems will mainly affect the EEC, rather than the SA, according to Doug Elliott, director of the Department of Customs and Excise in Pretoria. Most of the new regulations relate to the movement of goods within community countries, he says.

It seems likely that the main problem South African traders will face is that of confusion, as their goods arrive at, or leave European ports during the change to the new system.

Eliott says the change to the six-digit code appears to be the only change which will have a direct effect on South African importers and exporters, but this should not cause difficulty as SA will also be going on to the HS system in January. Computers which are used for processing the documentation — are being re-programmed to deal with the system, he says.

UK reports suggest that, with only six months to go, little training on the 1988 system has yet been implemented.

Further confusion may result from a third change taking place in the EEC: a new integrated tariff (Taric) structure which will be introduced for use by all EEC members.

Already, UK Customs have failed to meet the deadline for production of a dummy tape and full printed tariff tape specification sufficient to commence software preparation. This is not only because of strikes but also, apparently, thanks to the complexities of the tariff.

HM Stationery Office (HMSO) in the UK can provide a draft specification and this is being used by many software houses there that offer packages on Customs documentation. A full and complete tape of the 1988 tariff should be available by November.

A UK Customs spokesman, while admitting to some slippage, claims there is no reason to be despondent and that the data package will reach those who have ordered it in time for the 1988 deadline.

"The specifications have been issued for them to write their software and we are currently working on the completed tariff tape," he says. The final data tape will be 1 600 bits per inch, nine track with an ICL VME format. For a single user, the tape package will cost £150 plus VAT from HMSO.

Yet a further change in regulations is that the present UK Customs Departmental Entry Processing (DEP) system will be replaced by a Customs Handling of Import and Export Freight (Chief) system. Thankfully it has been decided that it would be impractical to introduce this at the same time as the new tariff and SAD, so exporters and importers have some breathing space to familiarise themselves with the new procedures.

Greater use of the direct trader input (80% of import entry information is given to the Customs electronically, with the trader submitting on-line data relevant to his Customs declaration in advance of paper documentation) will be made by Chief, as well as operating with more functions and at more places than the present system.

Chief is seen as a move towards the EEC's ambitious programme for ultimately allowing a full interactive data exchange between Customs administrations. However, Elliott tells *FM* that SA would look at interactive data exchange only as a long-term project. ■

BDay 6/7/87 (74)

Japan-SA trade surges as sanctions bite

Japan-SA trade grew 25% last year as Western countries imposed more comprehensive sanctions. Just-released statistics reveal Japan is poised to supplant the US as SA's biggest trading partner.

JAPAN is poised to supplant the US as SA's biggest trading partner as Western sanctions take hold.

Japan's two-way trade with SA last year surged 25% to $3,6bn, while US-SA trade — hit by anti-apartheid sanctions — eased to $3,63bn, according to newly-released official trade figures.

The statistics reveal a warm business relationship. But for Japanese diplomats, who maintain a cool stance towards SA, they are an acute embarrassment.

Tokyo has prohibited direct Japanese investment in SA and banned bank loans and weapons sales since 1965. It has also restricted tourism and cultural exchanges.

Two years ago, Japan joined the US and Western Europe in barring imports of Krugerrands and halting sales of computers to the SAP and military.

Last September it pushed through another sanctions package blocking SA iron and steel products.

"We do not promote trade with SA," asserted a Japanese official, who asked not to be identified. "Being SA's No 1 trading partner is something we want to avoid at all costs."

It was so embarrassing for Katsumi Sezaki, Japan's consul-general in Pretoria, he resigned his membership of Johannesburg's thriving Nippon Club because of its declared aim of forging even closer trade links between the two countries.

In any event, Hitachi computers are very much less in evidence here than the Ford Sierras or Land-Rovers widely used by police.

"The Japanese aren't breaking any rules that aren't broken by other companies — disinvestment or no disinvestment," said a local businessman.

About 55 Japanese companies have offices in SA, and although 10 withdrew last year, those left include most of the big-name firms like Sumitomo and Mitsubishi.

The semi-official Japan External Trade Organisation is also represented, but insists it does nothing to encourage trade.

Seiko watches, Sony televisions, Nikon cameras and a host of Japanese appliances are hard to ignore in department stores. Japanese car, mainly Toyotas and Nissans, dominate the local car market.

Japan sold goods worth $1,4bn to SA last year, mainly car parts, video recorders, television sets and electronic equipment. Imports from SA totalled $2,2bn, mostly coal and rare metals and minerals.

SA business accounts for only 1% of Japan's total trade, but some imports are more important than that figure suggests.

The country last year bought nearly 20% of SA's coal exports, worth R3,2bn.— Reuter.

SA blacks urged to trade with US

THEO RAWANA

A PROMINENT black American yesterday urged black SA businessmen to trade directly with their counterparts in the US.

Despite sanctions black businessmen in the US were prepared to trade with black South Africans, former head of the Washington D C Chamber of Commerce Malcolm Beech, said.

He was speaking at the 23rd annual conference of the National African Federated Chambers of Commerce (Nafcoc) in Johannesburg.

"In all the anti-SA sanctions talk going on in the US, blacks do not know there is organised black business like Nafcoc. But now that we know, we are prepared to help you," Beech said.

SA black business today was in the same position as its US counterpart in the 1940s, he said.

"Develop the retailing business and get into manufacturing and you must know that you have a world-wide market.

He urged black managers to use their know-how to develop black business.

Senior research fellow at the University of Zululand Paul Zulu, said black business could intervene in the education crisis by establishing private schools which would be directly under black control.

S/Day 7/7/87

74

SA-Zimbabwe trade link in danger

29/7/87

74

By DAVID BRAUN
Political Staff

THE trade link between South Africa and Zimbabwe was in jeopardy today as Pretoria awaited details of a secret Harare plan to sever commercial ties between the two countries.

The plan, referred to by Foreign Minister Mr Pik Botha in a statement last night, lumped South Africa with SWA/Namibia, South Korea, Israel and the Republic of China as "designated countries" from which all imports were prohibited unless special exemption had been granted.

Attempts by South Afica's trade representative in Harare, Mr Johan Viljoen, to get an official explanation from the Zimbabwe Government have so far been unsuccessful. He has applied for but not been granted an interview.

Jumped the gun

It is understood that a series of urgent meetings in Harare has put a brake on the immediate implementation of the plan, although it had reached such an advanced stage that officials jumped the gun when import permits for some goods were stamped "not valid for designated countries".

The plan for restricting trade is now officially frozen while a fresh examination is made of the implications.

South Africa is Zimbabwe's largest trading partner.

Mr Botha said last night that the Zimbabwe Government had to accept responsibility for the consequences that would flow from its decision.

"The South African Government has taken note of the fact that Zimbabwe has chosen not to make this decision public and has informed only those affected in closed meetings," he said.

"Self-inflicted"

"Apparenty Zimbabwe would like to continue to pretend to the world that South Africa is the cause of that country's economic problems, whereas the wounds that Zimbabwe apparently suffers are self-inflicted."

The Trade Minister, Mr Danie Steyn, said today that Zimbabwe would have "an enormous problem" finding alternative suppliers at competitive prices.

The Argus Africa News Service reports from Harare that Zimbabwe's business community is confused after first being told of the new system of restricted trade and then, after urgent representations to Prime Minister Robert Mugabe, that the proposal had been "frozen".

Industrialists were given to understand that they would be allowed at least six months to search for other markets and sources of supply.

Leaders of commerce, however, were initially told that the "ban" would apply immediately.

Strict silence

Business sources, all of whom are extremely guarded in their comments, say that perhaps one in 10 applications for currency to import goods are already being stamped "not for use in designated countries".

Other permits and applications are being processed without this prohibition.

The government, in spite of reports outside the country pointing to the dangerous consequences for Zimbabwe, has so far maintained strict silence.

Mr Mugabe has been on the move continually since the first hint of the embargo broke last week, and on Sunday flew to Addis Ababa for the OAU summit.

He returned last night to be here for today's Budget.

Zimbabwe trade 'review'

Cape Times 30/7/87

HARARE. — Zimbabwe was reviewing its trade ties with South Africa, the Minister of Information, Mr Nathan Shamuyarira, said yesterday.

He was responding to a telephone query from foreign media based in Harare after widespread reports that Zimbabwe planned to stop South African imports.

"The position on sanctions is under review and a decision will be made in a few days," Mr Shamuyarira said.

Last week, in a move so far not reported in Zimbabwe, government ministers privately briefed influential business groups on a proposal to stop imports and exports to and from South Africa, business sources said.

South Africa is Zimbabwe's largest trading partner and the proposal caused widespread concern in commercial and industrial circles. The sources said, however, that this week they were informed the plan had been frozen pending further discussion.

In South Africa, the Minister of Foreign Affairs, Mr Pik Botha, warned that Zimbabwe must bear the consequences of whatever action it takes.

More than 20% of this country's imports came from South Africa last year, about two-thirds classified as economically essential. South African transport routes also carry more than two-thirds of Zimbabwe's trade with other countries.

Last Friday, some businessmen received foreign exchange import licenses endorsed for the first time as not valid for South Africa, South Korea, Taiwan and Israel. — Sapa-Reuter

BDay 30/7/87

Trade links with SA spark high fevers

HARARE — Mention of Zimbabwe's trade ties with SA is likely to send temperatures in this city soaring.

Government officials are incensed that, seven years after independence, economic links with the nation they call the "racist regime" remain umbilical.

And in the white-dominated business world, the subject evokes fevered talk laced with words such as "vital" and "essential".

Apparently, on the orders of Prime Minister Robert Mugabe, two ministers and another senior official privately informed the country's three main commercial bodies of a plan to end trade with SA, business sources say.

But little has been done by either Western nations or Africa, and Mugabe has been unable to fulfil his own commitment to an 11-point Commonwealth sanctions package.

SA is easily Zimbabwe's largest trading partner, buying 10% of total exports worth US$125m in 1986 and supplying more than 20% of total imports, valued at $210m last year. Over 60% of the imports are classified as essential. — Sapa-Reuter.

Zimbabwe businessman silenced by reality of trade ban

Star (4) 3/8/87

By Robin Drew,
The Star's Africa News Service

HARARE — A shocked business community in Zimbabwe is recovering from the fright it received as news spread by word of mouth that the government was about to halt trade with South Africa.

For 10 days rumours flashed around, there were late night meetings and intensive lobbying as the fear mounted that Mr Mugabe was going to throw down the gauntlet and embargo trade with South Africa.

Finally relief came with the word that pragmatism had won the day and while the government was no less determined to reduce trade, it had accepted that directives virtually banning trade at this point would be disastrous.

Analysts have not yet decided if the sequence of events amounted to a ham-handed effort which went awry, or whether it was done deliberately as a form of "shock treatment" to force traders to realise they must seriously look for other sources of supply and markets.

The shock to businessmen was delivered two weeks ago when the Trade and Commerce Minister, Dr Oliver Munyaradzi, told their leaders there was an immediate embargo and only in exceptional cases would permission be granted for the import of goods from South Africa.

MUNYARADZI BERATED

It appears that Dr Munyaradzi, who had been berated by Mr Mugabe for not getting on with reducing dependence on South Africa, acted too forcefully for some Cabinet members, who lost no time in voicing their objections.

Getting to grips with the details was a nightmare because there was nothing on paper and the government and business leaders took refuge in silence.

Inevitably the rumour factory went on overtime. And rumours were fuelled by the appearance of a stamp on some import permits declaring them invalid "for designated countries".

In the middle of all this came the budget with no reference at all to the burning topic. Instead by changing the customs duty to include freight and insurance in dutiable amount, it made neighbouring South Africa an even greater attraction for importers.

Finally the word came that the cabinet had decided to back away from a trade ban and instead to leave it to the private sector to do its best to swing away from South Africa.

There is speculation that pressure may well be put on major importers when applying for import permits, to go to sources other than South Africa. Two committees have been formed to liase with the private sector and to keep the cabinet informed of progress in using Beira, instead of South African ports.

21-27/8/87
W Mail

As the West scuttles away, the Japanese tip-toe into the gap

The Japanese have taken a firm line on sanctions against South Africa. Of course, no-one's taking that too seriously. DUNCAN INNES on why you may find yourself taking Japanese lessons soon

Botha practising his *come hither* look

JAPAN is poised to become South Africa's main trading partner. Last year trade between South Africa and Japan grew by 25 percent to $3,6-billion (about R7,2-billion), while our trade with our biggest trading partner, the United States of America, fell to $3,63-billion (about R7,26-billion).

This closer trading link has been achieved despite the Japanese government's official policy of opposing links with South Africa.

Officially, Japan has prohibited direct investment in South Africa, as well as bank loans and the sale of military equipment to this country. It has also banned the sale of Krugerrands in Japan and imports of South African iron and steel. It has stopped visas for South African tourists and banned computer sales to South African government institutions.

Despite this, Japanese industry's voracious appetite for our strateg[ic] minerals and metals, coupled wi[th] our own consumption of Japane[se] consumer goods and automated pro[d]ucts, has caused trade between th[e] two countries to soar.

But it is not only in the trade spher[e] that economic links between the tw[o] countries are growing. Many leadin[g] Japanese financial institutions are currently scouring the world for new investment opportunities — and Sout[h] Africa is one of the countries they ar[e] looking at.

Japan's financial strength is awe[-]some. Seven of the eight larges[t] banks in the world (in terms o[f] assets) are Japanese. The world['s] three biggest insurance companies ...

of their assets in foreign securities (the actual current figure is around three percent), while Japanese banks have now had all restrictions on opening foreign branches withdrawn.

The next question is: where will this capital go?

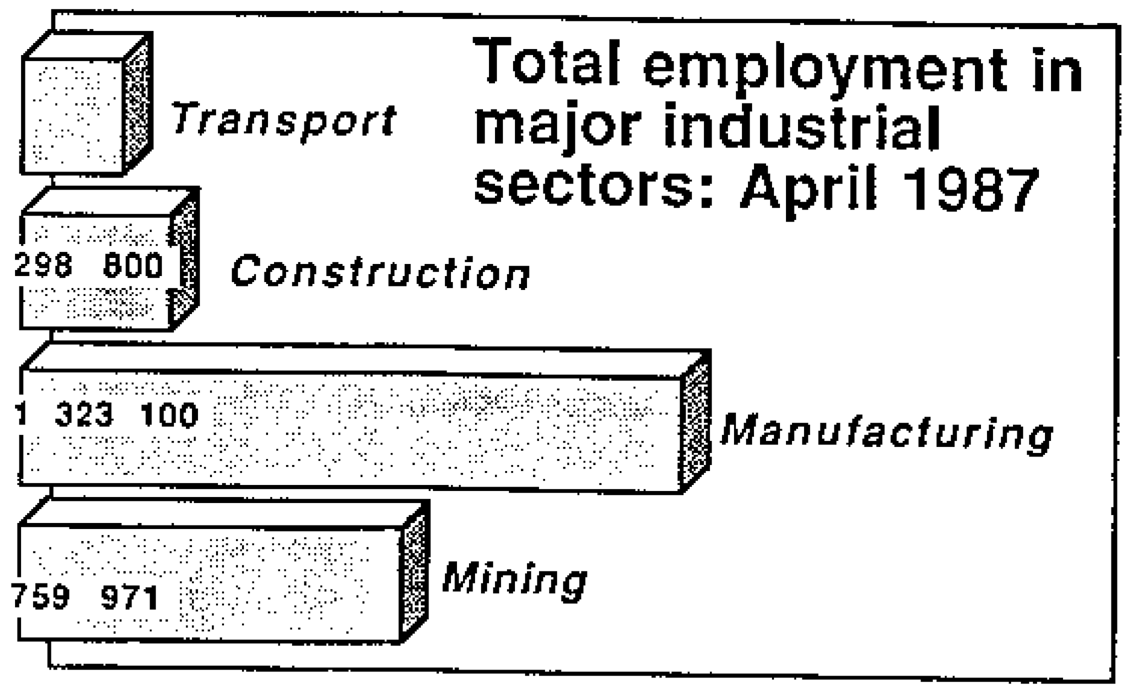
The main targets for the Japanese are Western Europe and, especially if the dollar goes into another tailspin, the United States. But they are un-

BUSINESS BAROMETER

GENERAL INDICATORS

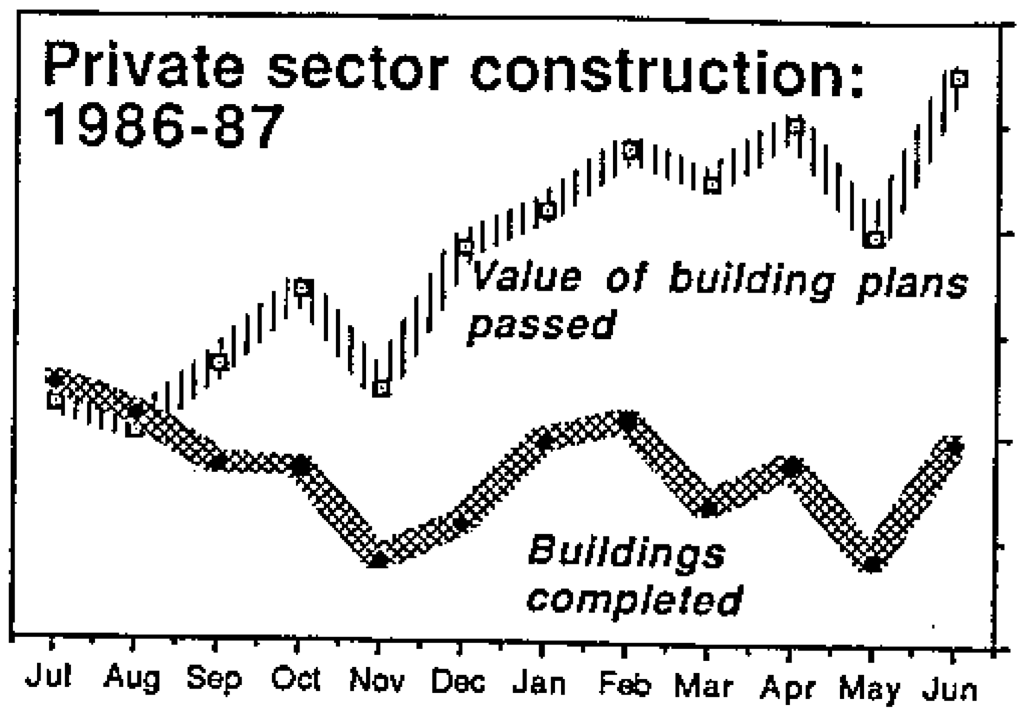
DISINVESTMENT

120 United States companies severed their direct investment ties to South Africa between January 1984 and June this year, compared with only 36 non-US companies, according to the Washington-based Investor Responsibility Research Centre. An IRRC survey of 287 major European, Australian and Japanese corporations with business links to South Africa found that at least 18 companies with no links to the US have more employees in South Africa than does the largest US employer here.



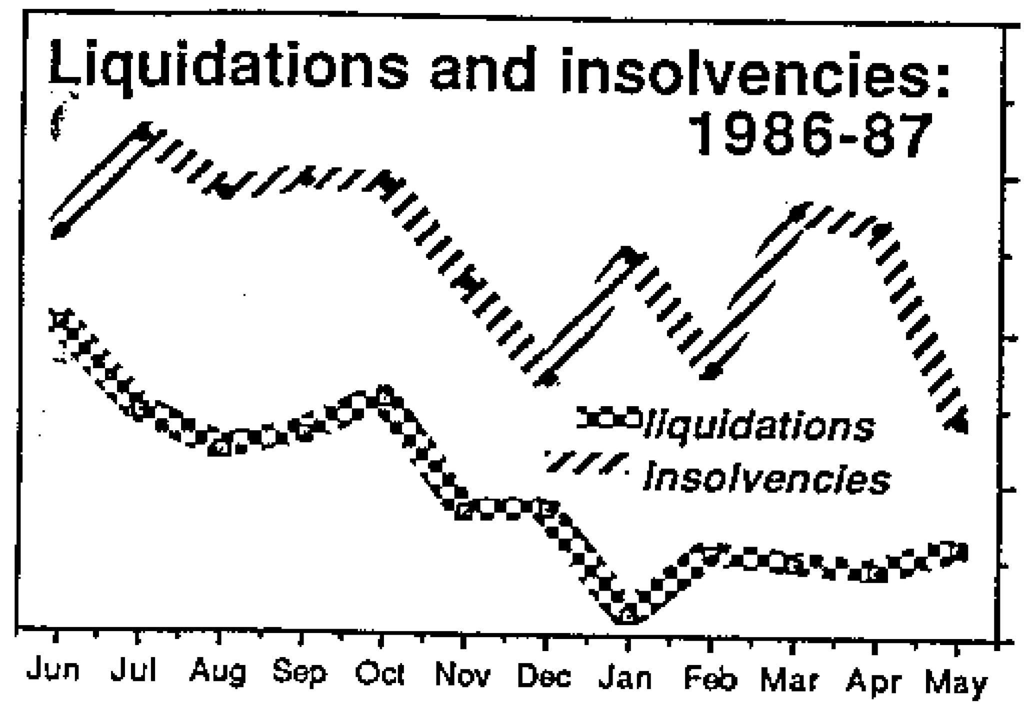
JOBS AND JOB LOSS

Employment figures recently released by the Central Statistics Service show the extent of job loss in the manufacturing and construction industries over the last three years. Manufacturing employment in June this year showed a decrease of four percent on the total for June 1984: 1 323 400 compared with 1 380 000 in 1984. Employment in construction was 299 000 in June this year, a decline of six percent since June 1984. The graphs show total employment and average salaries and wages for the major industrial sectors for April this year.



CONSTRUCTION INDUSTRY

The situation has improved for private construction companies, with the number of building plans passed for June 1987 showing an increase of 56,7 percent on the same month last year. Plans passed for residential buildings increased by 57,7 percent while those for non-residential buildings, by 65,3 percent. The total value of buildings completed for June this year was 3,8 percent lower than in June last year.



LIQUIDATIONS AND INSOLVENCIES

The number of companies and close corporations which went insolvent was 6,5 percent higher in the second quarter of this year than in the first — but 41,8 percent lower than in the second quarter of 1986. Insolvencies of individuals and partnerships for the three months to May this year showed an increase of 10,7 percent compared with the previous three months and a decrease of 8,3 percent compared with the same period in 1986.

FINANCIAL INDICATORS

Johannesburg Stock Exchange Indices

JSE Indexes	19/8/87	WEEK AGO	% CHANGE
All Market Index	2669	2667	+ 0,07
All Gold Index	2315	2359	- 1,9
Industrial Index	2222	2216	+ 0,3

Short-term interest rates

	19/8/87	WEEK AGO	YEAR AGO
Three-month bankers' acceptances	8,85%	8,75%	11,0%
Prime overdraft rate	12,5%	12,5%	14,5%

Gold Price

19/8/87	WEEK AGO	% CHANGE
457,50	461,20	-0,8

Selling price: Major currencies against rand

	19/8/87	WEEK AGO	% CHANGE
US dollars	48,28	47,38	+1,9
Pounds Sterling	333,37	332,48	+0,3
Deutsche Mark	0,8905	0,8982	-0,9
Yen	70,41	71,76	-1,9
Swiss Franc	0,738	0,7459	-1,1
Financial Rand	,2800	,2875	-2,6

US Dollar against major currencies

	19/8/87	WEEK AGO	% CHANGE
Dm	1,844	1,8941	-2,6
Sterling	1,61	1,5717	+2,4
Yen	145,85	151,37	-3,6
SwFr	1,528	1,574	-2,9

Source: First National Bank

Own Affairs:

Farmers: sequestration

62. Mr T LANGLEY asked the Minister of Agriculture and Water Supply:†

(1) Whether the emergency plan to render assistance to farmers facing sequestration has been implemented; if not, why not; if so, (a) from what date, (b) (i) how many applications for assistance have been received, (ii) how many such applications have been (aa) granted and (bb) refused and (iii) in respect of what date is this information furnished and (c) what is the attitude of the private sector in this connection;

(2) whether he will make a statement on the matter?

The MINISTER OF AGRICULTURE AND WATER SUPPLY:

(1) Yes.

(a) 8 June 1987.

(b) (i) 129.

(ii) (aa) 14.

(bb) 66.

(iii) 20 August 1987.

(c) Positive.

(2) No.

Note: Of the 129 applications 5 received the normal assistance and section 21 (1) sertificates were issued and further enquiries made in respect of 8 applications. Further information was requested regarding 6 applications and 30 applications are under consideration.

WEDNESDAY, 26 AUGUST 1987

†Indicates translated version.

For written reply:

General Affairs:

99-year leasehold scheme

278. Mr K M ANDREW asked the Minister of Constitutional Development and Planning:

How many houses (a) built and (b) sold in terms of the 99-year leasehold scheme were financed (i) by building societies and (ii) by means of private capital from the inception of this scheme to the latest specified date for which figures are available?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

Reliable information is not readily available in the form in which the hon member has asked the question. Information that is available on the sale of houses built and sold in terms of the 99-year leasehold scheme is as follows:

Transvaal:
Statistics are kept of houses sold in terms of 99-year leasehold scheme only. No record is kept of the financial source of the purchaser.

Natal:
(a) (i) and (ii) Nil.
(b) (i) 42.
(ii) 423.

Orange Free State:
(a) (i) 1 881.
(ii) 1 795.
(b) (i) 302.
(ii) 1 803.

Cape Province:
(a) (i) 3 849.
(ii) 323.
(b) (i) 3 849.
(ii) 1 655.

Information as on 30 June 1987.

Kleinskool/Chatty River/Uitenhage Road

313. Mr D J N MALCOMESS asked the Minister of Constitutional Development and Planning:

(1) Whether the area between Kleinskool, the Chatty River and Uitenhage Road is to be proclaimed as a group area for Coloured persons; if so, (a) why and (b) when;

(2) whether this area was proclaimed as a group area at an earlier date; if so, (a) when and (b) for what race group;

(3) whether any persons who are not Coloured are living in this area; if so, how many (a) White, (b) Coloured, (c) Indian and (d) Black persons were living in this area as at the latest specified date for which figures are available;

(4) whether persons who are not Coloured are to be moved from this area; if so, (a) when and (b) where are they to be moved to;

(5) whether the Group Areas Board has sat to consider the question of proclaiming this area as a Coloured group area; if so, when;

(6) whether a decision has been taken regarding the proclamation of this area as a Coloured group area; if so, (a) when and (b) what was the decision?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) The matter is still under consideration. (a) and (b) Fall away.

(2) No. (a) and (b) Fall away.

(3) Yes, on 9 July 1987 the figures were as follows:

(a) None.

(b) Approximately 600 families.

(c) None.

(d) Approximately 900 families.

(4) Should the area be proclaimed as a Coloured group area, a decision will be made regarding housing of persons who are not of the Coloured group. (a) and (b) Fall away.

(5) Yes, on 13 August 1987.

(6) No, not yet. (a) and (b) Fall away.

Customs and Excise Act: contraventions

327. Mr R W HARDINGHAM asked the Minister of Finance:

Whether his Department has received any reports of contraventions of the provisions of the Customs and Excise Act, No 91 of 1964, in regard to rebates on fuel for the purposes of (a) agricultural production, (b) fishing industry engines, (c) public passenger transport services and (d) stationary machinery in underground mines; if so, (i) (aa) how many reports in respect of each of these categories and (bb) in respect of what date is this information furnished and (ii) what action has been or is being taken in each case?

The MINISTER OF FINANCE:

(a) Yes.

(b) Yes.

(c) Yes.

(d) No.

(i) (aa) Separate statistics are not available. Written as well as verbal reports were received.

(bb) Falls away.

(ii) All complaints were investigated and where underentries in excise duty were detected, those concerned were assessed for the duty. Where possible the excise duty was collected and penalties imposed. It must, however, be pointed out that not all the claims could be enforced because of certain legal problems arising from the inherent nature of the system. An important shortcoming of the system was that the privileged user could obviously not be compelled, at the time of purchase of the cheaper fuel, to furnish an accurate indication of expected consumption on rebatable activities. Total reliance had to be placed on his honesty and even if his consumption of rebate fuel subsequently appeared suspicious,

HoA

Hansard 26/8/87

Hansard (74) 26/8/87

HoA

Technology: set to take the high road?

Govt 'must make direct grants and concessions'

28/8/87

HELOISE HENNING

GOVERNMENT must make direct grants to industry and introduce tax concessions for technological development (TD) if SA was to have an economically successful and politically stable future, Altron Group technological director David Jacobson said.

Using Clem Sunter's paradigm in the analysis of SA's future, Jacobson told the UCT Graduate School of Business Association in Johannesburg last night the "high road" for SA's technology lay in boosting and restructuring its export mix. That was only possible if industrial research and development, or TD, took place.

He said the creation last year of a Department of Economic Affairs and Technology gave technology its rightful place. But the gap between the Council for Scientific and Industrial Research (CSIR) and industry could only be bridged if CSIR allocated "a fraction" of its parliamentary grant to industry.

The grant could be given with the "string attached" that industry only spend the funds on market-driven TD.

Jacobson said many believed the development under licence in industry of components and equipment had retarded local technology development.

In fact, SA's ability to produce products and systems had increased vastly and had sharpened production and management skills.

Events which had isolated SA had caused the growth of a secondary industry. The Second World War had provided the impetus for the creation of a local electrical engineering industry that then exported to Britain.

The electronic growth in SA took off with the Post Office's impetus to stimulate local manufacturing with the transformation of electronic design.

While government had been stimulating growth, private industry had not been dormant. Jacobson referred to Altron's "vigorous commitment", since September 1985, to the expansion of TD.

NATIONAL/INTERNATIONAL

Top SA business team in Europe to boost trade

By DEREK TOMMEY
Finance Editor

TOP businessmen are to visit London, Paris and Madrid in the next few days to urge those countries to increase trade and investment in South Africa.

The delegation is being led by Mr Harold Groom, president of the Associated Chambers of Commerce.

Mr Groom said today he would tell senior trade and government officials in those countries that if their intention was to uplift South Africa's black population, South Africa should be a capital importer and not a capital exporter.

He would tell them that most of the blacks Assocom had consulted, and these had included most of the moderate black leaders, did not see any sense in sanctions against this country. He would say sanctions had been counter-productive.

Agreements

The party would also meet senior trade union officials in Britain. These would be told about the progress in ending job reservation and developing trade unions in this country. They would also be told that South Africa needed their support in the creation of jobs and that they must not play a role which was totally negative.

Mr Groom said the party would meet Mrs Lynda Chalker, Britain's deputy foreign secretary. It would sign business co-operation agreements in Paris and Madrid. The party had been told it would be able to meet senior government officials in those cities.

The delegation flies to Europe on Thursday and includes Assocom's chief executive, Mr Raymond Parsons, and the presidents of the three largest chambers of commerce, including Mr Michael Boyes, president of the Cape Town chamber.

Reform

In a statement, Assocom said the purpose of the visit was to exchange views with leading businessmen, bankers and politicians in the three countries on the latest internal and external events affecting South Africa, and to reinforce overseas economic links.

Mr Groom

The discussions will include the reform process in South Africa, the state of the economy, labour relations and, most importantly, sanctions.

The statement said the visit had been timed "to take place ahead of the Commonwealth conference in Vancouver and the review of the US Anti-Apartheid Act, both of which are scheduled for early October".

The delegation, which will visit Britain, France and Spain on a 10-day goodwill mission, said sanctions against South Africa have been counter-productive.

Members added in a statement: "It remains important that, whatever political differences may exist between countries, the private sector should continue to promote dialogue and communication overseas."

ARGUS 14/9/87
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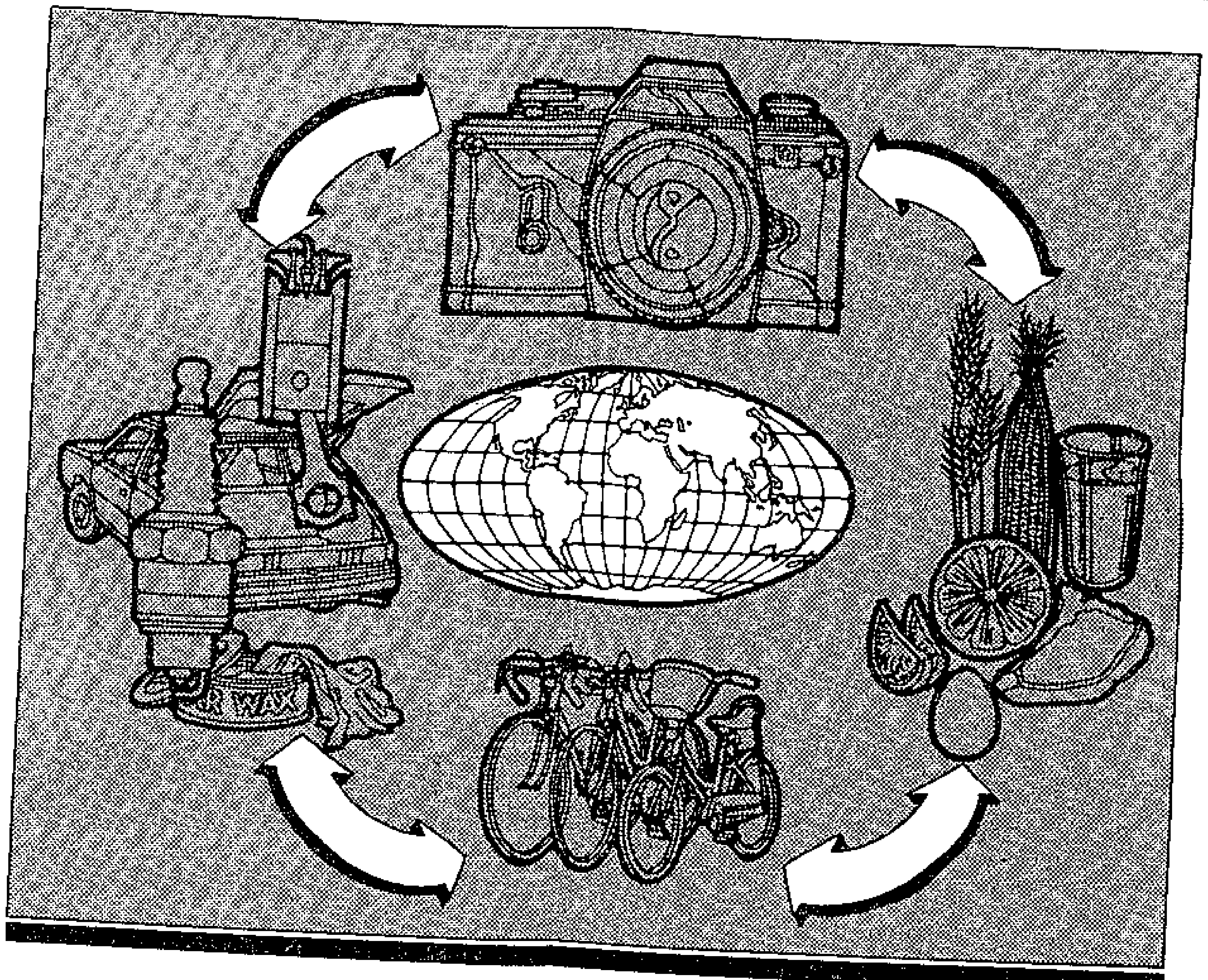
74 B/day 1/12/87

For SA, it's a case of barter late than never . . .



Graphic: JOHN McCANN

DAVID FURLONGER/Industrial Editor

SOUTH AFRICAN businessmen turning to counter-trade as a means of increasing foreign trade can draw upon centuries of experience to help them.

For counter-trade — the exchange of goods and services without money necessarily having to change hands — is as old as business itself.

The idea may be new to many South African companies trying to overcome trade embargoes, penetrate protected foreign markets or save foreign currency, but everyone else has been doing it for years.

As an international counter-trade conference in Johannesburg was told last week, it is money — not barter — that is the newer form of conducting business. Now that exchange rates and other vagaries of the financial system are complicating trade, businessmen are returning to the old ways.

But what are the old ways? Counter-trade may have started life as a straightforward barter system, but it has been refined by modern needs.

American counter-trade expert Leo Welt divides it into five forms: barter, counter-purchase, compensation, evidence accounts and bilateral clearing agreements.

Barter is a straight goods-for-goods exchange under a single contract. No cash is required, and although there are no letters of credit, parties may obtain parallel bank guarantees in the form of standby or performance bonds.

These insure that, in the case of default, the defaulter compensates the other in hard currency.

Counter-purchase is also referred to as parallel barter. A supplier agrees to reciprocal purchases of goods or services from the buyer within a given period of time.

The deal is usually short-term, and the counter-purchases, or parallel deals, are effectively two separate contracts. Each party pays the other in cash guaranteed by letter of credit.

In the case of compensation, or buy-back, the sale of technology, equipment or plant is tied to a contractual commitment to buy a certain quantity of the goods produced on that equipment.

Such deals are usually long-term and high-value. According to Welt, compensation deals also consist of two separate contracts linked by a protocol agreement.

The fourth form of counter-trade — evidence accounts — are commercial agreements, usually between manufacturers and foreign governments, establishing the basis for a bilateral balance of trade.

The company sells a predetermined volume of goods and services while simultaneously buying local products to balance the account. Counter-trade products normally can be bought from various suppliers within the country.

Bilateral clearing agreements take place at government-to-government level and establish a basis for trade balance. Arrangements are made for a set volume of goods and services to be exchanged within a given period. Accounts are kept in a single currency for effective monitoring.

An imbalance brings a halt to two-way trading, and at the end of the period the account is brought back into balance by either a cash payment or "switch trading".

Counter-trade may offer several advantages over conventional trade methods. Apart from anything else, in a world where the practice is becoming more common, it is a competitive tool. A company seeking a conventional trade contract may have an edge if it can offer something extra.

Counter-traders say it is also a means of guaranteeing long-term sources of raw materials and goods, often more cheaply than from elsewhere, by accepting them in return for one's own products.

Says Welt: "Companies also employ counter-trade to gain prominence in a new market, to show good faith and to establish themselves as reliable partners, willing to accept domestically-produced goods."

Foreign experience was that companies had also used counter-trade to lower tax and tariff obligations by under-stating the nominal value of a transaction.

Welt adds: "The advantages of counter-trade to the purchaser are equally compelling. It preserves hard currency.

"Countries with non-convertible currencies look to counter-trade as a way of assuring that expenditures for imports are offset by the foreign seller's obligation to buy something locally.

"Counter-trade improves the balance of trade. It allows companies to gain access to new markets for exportable goods. Countries can use the marketing and distribution networks of the sellers to enter new areas outside their reach."

It may also enable a country to dispose of goods at a higher price than under a cash-for-goods deal.

An example is the Organisation of Petroleum Exporting Countries (Opec). When oil is sold as part of a counter-trade deal, it is at the official benchmark price, several dollars higher than the current price on the open market.

There are problems, however. To practice counter-trade, a company has to abandon many of its tried-and-trusted business methods.

Companies become involved in goods outside their usual sphere of knowledge, they deal with unknown suppliers, they may pay inflated prices for certain goods and costs are increased by the use of middlemen and extra legal services.

"Companies may find themselves obliged to enter new types of contract negotiations, currency transactions, risk management and financing in order to secure a counter-trade deal," says Welt.

London-based consultant Mike Hockridge says counter-trade may not offer the same margins as conventional cash deals, but a reduced profit is to be preferred to no deal — and therefore no profit.

It is also a means of broadening the business base by opening hitherto closed markets.

He agrees with Welt that fear of the unknown keeps many companies from the counter-trade field.

'People are scared of counter-trade, but only because they do not understand it and can't get used to the idea that to sell, for example, a tractor, might mean taking in exchange oil or wheat or copper or wine or whatever.

"Many major corporations are set up on a functionalised basis, which is a negative when it comes to setting up a counter-trade. Departments get tunnel vision and don't want to know what happens outside their own operational area.

"Counter-traders must be able to operate on an all-encompassing basis within a company and have access to all departments. You must take a broad view."

FM 2/10/87

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SA TRADE LINKS

Continental power

Rembrandt's Anton Rupert gave some of the reasons why World Bank executive Edward Jaycox this week excluded "mineral rich SA" from his statements that Africa is the "economic crisis of the planet" and "the number one challenge in development."

Speaking at his inaugural address as chancellor of Pretoria University, Rupert said SA had trade links with "more than 40 African states." Its trade surplus with Africa was now running at an estimated R3 billion a year." And since the fall of the Smith government, trade between SA and Zimbabwe had "increased by 250%."

Jaycox, speaking on the release of the World Bank annual report, said the reasons for Africa's crisis included falling commodity prices, rising debt, undependable weather conditions and political tensions. Rupert said that in 1984 Africa's food imports swallowed up 20% of its total export earnings.

"Armed conflict, economic decline, starvation and epidemics in neighbouring states have resulted in a stream of hundreds of thousands in search of food, work and safety across SA's borders. During the past few years about 1 800 illegal immigrants from Mozambique alone were repatriated monthly." ■

Swedish trade freeze

5/10/87

74

JOHANNESBURG — Direct supplies from companies accounting for 50 per cent of Sweden's trade with South Africa have been frozen pending applications for exemption from the general trade ban.

The Swedish Legation Minister, Mr Jan Lundvik, said Atlas Copco and Sandvik had been told last Thursday not to trade with South Africa for a week until the government made a decision.

The firms asked for exemption under a clause in the ban allowing continuation of trade where prohibition would have the reverse effect of the intended purpose of the embargo.

Swedish newspapers reported the companies as saying their withdrawal would benefit a South African company — and Pretoria.

Mr Lundvik said the latest companies to get their applications for exemptions rejected were: Jegab Display, Swemac, Frigoscandia, Ahlsell Mineral and Nobel Pharma.

A dialysis equipment supplier, Gambro, had received an exemption, he said. —DDC

(74) Bday 8/10/87

Trade details are kept secret

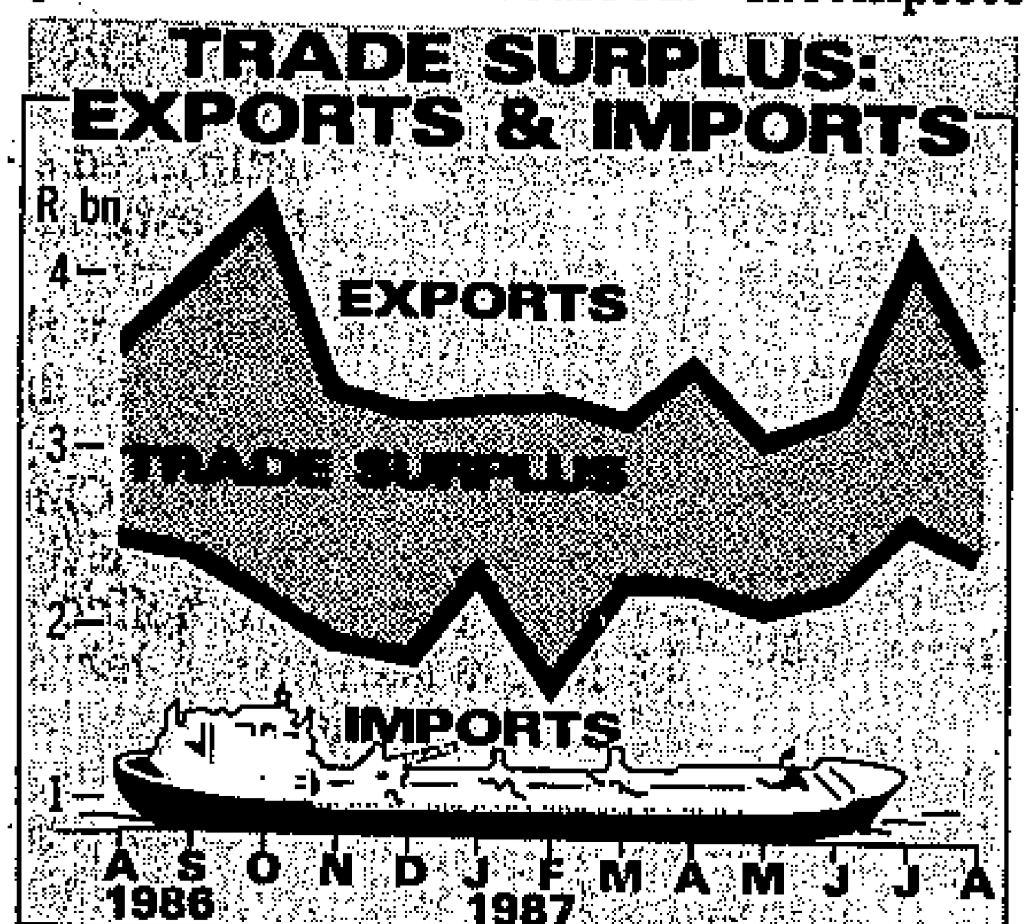
GRETA STEYN

THE customary breakdown of SA's trade with the world was omitted from August's trade figures released yesterday by the Department of Customs and Excise.

In the past, the monthly release broke down SA's trade flows to America, Europe, Asia, Oceania and Africa.

Yesterday Customs and Excise refused to comment on why the details had been omitted. An official said the issue was "sensitive", but the move was widely believed to be a measure to counter sanctions.

This was the second time in just over year this had occurred. Incomplete trade statistics were also released in September last year, when not only the world trading zones but also the breakdown of products imported and exported went missing. The response to last year's move was negative — especially among economists — and it was soon reversed.



Graphic: FIONA KRISCH Source: CUSTOMS & EXCISE

The figures released yesterday showed SA's trade surplus narrowed to R1,1bn in August, after notching up R1,63bn the previous month. Significantly, both exports and imports declined — exports fell to R3,57bn in August from July's R4,3bn and imports fell to R2,47bn from R2,67bn.

Economists said last month's sharp increase in exports, causing the trade surplus to jump to R1,63bn, had been an aberration. The jump was due to a sharp hike in the "unclassified category" of exports — and in August exports in this category fell back to their usual levels.

The slowdown in imports in August, economists said, reflected the sluggish state of the upswing.

Exports for the first eight months of the year totalled R27,79bn and imports R18,38bn, which brought the trade surplus for the year to R9,41bn — compared with R9,01bn a year ago.

'80 000 black businessmen visited'

CAPE TIMES 8/10/87

SA trade with Africa 'thriving'

JOHANNESBURG. — South Africa seems more confident than ever that secret and open trade with its black-ruled neighbours and the rest of Africa will continue to thrive in spite of calls for stronger economic sanctions against Pretoria.

SA remains Africa's economic superpower, acutely aware of the inability of other southern African countries to survive without it and adroit at circumventing sanctions, analysts say.

"If, economically, SA sneezes, the rest of southern Africa will get a very bad cold, if not influenza," according to SA business leader Raymond Parsons.

Black African states are expected to press for more international sanctions against South Africa when Commonwealth heads of state meet in Vancouver, Canada, next week.

But businessmen seemed unconcerned about the impact of the meeting. Parsons, CE of SA's Association of Chambers of Commerce, believed it would emphasise the need to help SA's poor neighbours rebuild economically.

"Although this may be presented as a blow against SA, in fact SA stands to be a major beneficiary," he said.

SA generated 75% of southern Africa's gross domestic product and can only benefit "if we have trading partners in the region who need and can pay for our goods and services", he said.

Government official Glen Babb boasted that South Africa had so much business success with the rest of Africa that its biggest city and business capital, Johannesburg, "has become the New York of Africa".

"There is a fascination in Africa for our successes," said Babb, South Africa's deputy director general of Foreign Affairs, in a speech last month.

Babb said South African trade with black Africa now totalled nearly R3 billion rand ($1,5 billion) annually, a figure which analysts said was impossible to confirm because of substantial secret dealings.

"Eighty thousand black businessmen came to our country last year — Ghanaians and Ugandans have come to sell their skills here," he said.

Babb did not say how many countries were involved but the Johannesburg Star newspaper quoted unnamed sources last week as claiming that more than 45 of the continent's 50 states have trade or aid relations with South Africa.

"One can only infer from the figures that black Africa's desire for dealings with SA overrides its abhorrence of apartheid," the newspaper said.

Efforts by southern African countries to cut their overwhelming dependence on South African transport routes are starting to bear fruit due to aid from Europe and North America, regional political and business leaders said.

Economists here estimate that over 50% of South Africa's foreign trade is "semi-clandestine" and say that Pretoria's cheap currency, the rand, gives the manufacturing industry an advantage in Africa and elsewhere. — Sapa-Reuter

Thatcher in row over SA trade

VANCOUVER — A row between the British Prime Minister, Mrs Margeret Thatcher, and her Canadian counterpart, Mr Brian Mulroney, over Canadian trade with SA has got the Commonwealth summit off to a bad start.

And it was quickly followed by Mrs Thatcher's contemptuous rejection of Mr Mulroney's proposal to rekindle the Eminent Persons' Group (EPG).

The countries' delegations were involved in a heated dispute over an attempt by British officials to use outdated trade statistics to embarrass Canada.

by Mike Robertson, Daily Dispatch man at the Commonwealth summit

After Mr Mulroney had said in a TV interview here that he was in favour of more sanctions against South Africa, British officials said the latest trade statistics showed Canadian trade with South Africa was on the up — by as much as 47 per cent.

However, Mr Mulroney's media secretary, Mr Marc Lortie, immediately said the British statistics were for 1986 and not relevant — as the Commonwealth sanctions measures were only introduced in London late last year.

Figures he produced showed Canada's trade with South Africa was down by 50 per cent in the first half of this year.

Mr Mulroney's EPG idea involved a small group of foreign ministers being appointed to monitor developments in South Africa and to try to promote dialogue.

Mrs Thatcher said such an idea would serve no useful purpose and would only irritate President P. W. Botha.

A senior Canadian official commented on this statement, saying: "Just because the British don't like something doesn't mean its dead in the water."

● Ian Hobbs reports from London that the Evening Standard said last night the confrontation between the two prime ministers had put the summit "on course for a fiasco".

The Queen, as ceremonial head of the Commonwealth, was also believed to be concerned that the summit could be marred by yet another South African wrangle.

Mrs Thatcher had a meeting with the Queen after her angry confrontation with Mr Mulroney and was preparing to urge Commonwealth leaders not to parade their differences but to concentrate on areas of agreement

The newspaper quoted Mr Mulroney as saying: "Mrs Thatcher has not behaved as a guest in his country should."

The Canadians were "infuriated by a propaganda exercise by the British side which seems to have gone badly wrong".

The newspaper's reporter, Charles Reiss, said Mr Mulroney told him the British figures were "nonsense."

The report quoted Mr Mulroney as saying: "As a guest, one would expect Mrs Thatcher to confirm the figures with us".

Mr Mulroney, as host and chairman of the conference, spent 45 minutes with Mrs Thatcher on Monday. The British hoped this meeting would "take the steam out of the row on South Africa," said the Standard.

It said Mr Mulroney had also said the talk with Mrs Thatcher concerning the EPG had been "very vigorous" with her turning down any notion of new sanctions against South Africa.

"She scorned a compromise proposal from Mr Mulroney for a high-powered team of Commonwealth foreign ministers, possibly to include Britain's Sir Geoffrey Howe, to search for progress in South Africa".

The British said they were highly sceptical of the idea and did not know what such a committee would be supposed to do.

Mr Mulroney acidly responded that such a committee might, at least, have prevented the latest misunderstanding.

See also page 15

More boycott talk? SA can afford to be smug

SOUTH AFRICA'S secret and open trade with the rest of Africa will continue to thrive despite calls for stronger sanctions, say businessmen and government officials.

South Africa remains Africa's economic superpower, conscious of the inability of other Southern African countries to survive without it and adroit at circumventing sanctions, analysts say.

As a result South African business people and government officials do not seem too concerned about next week's meeting of Commonwealth heads of state, at which African leaders are expected to call for intensified sanctions.

South African trade with the rest of the continent now totals nearly R3-billion a year, according to Deputy Director General of Foreign Affairs Glen Babb. Analysts say the figure is impossible to confirm because of substantial secret dealings.

One newspaper report has put the number of African countries trading with South Africa at more than 45.

And Assocom Chief Executive Raymond Parsons estimates that South Africa generates more than 75 percent of Southern Africa's gross domestic product and can only benefit "if we have trading partners in the region who can pay for our goods and services".

Parsons said the meeting of Commonwealth heads of state in Vancouver next week would emphasise the need to help South Africa's neighbours rebuild economically.

Economists estimate over 50 percent of South Africa's foreign trade is "semi-clandestine" and say the cheap rand gives South African manufacturing industry an advantage in Africa and elsewhere.

- The West German Trade Union Federation (DGB) this week urged consumers to boycott South African goods, especially foodstuffs, in protest against apartheid.

The DGB also called on the West German government to push for European Community sanctions against imports of such goods as coal from South Africa

- The New York Times said in an editorial this week that Washington should maintain its sanctions against South Africa as a clear signal of US opposition to apartheid.

— Sapa-Reuter.

W/Mail 9-15/10/87

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of THE GUARD

SA-Canada trade down

GERALD REILLY

PRETORIA — Sanctions have bitten deep into SA's trade with Canada, say authorities in Pretoria.

At the Commonwealth summit in Vancouver this week, UK officials claimed, in an effort to illustrate the futility of sanctions, Canada-SA trade had increased by 47%.

Canadian officials countered by saying UK statistics were for 1986 and, in fact, trade was off 50%.

A Canadian embassy official said in Pretoria although no figures were available, SA-Canada trade had taken a dive since sanctions were imposed.

And a Safto source confirmed trade was shrinking. Figures for 1985 showed imports from Canada vaued at R270m and exports to Canada at about R200m.

BDay 15/10/87

SA's trade surplus continues to be reflected in the Reserve Bank's gold and foreign reserves, despite holdings dipping marginally for the second successive month. September's R60m-odd drop means reserves are now some R160m off their R7,1 billion record at the end of July.

With a higher value — R860,67/oz compared to August's R839,10/oz — its gold holdings (6,3m oz) increased to R5,4 billion compared to R5,2 billion in August (6,23m oz).

It is thus the decline in foreign assets to R1,5 billion from R1,8 billion in August that has resulted in the overall drop. ■

TRADE AND RESERVES 14

Saving ink

At least Customs and Excise should be saving taxpayers' money by reducing printing costs. The first page of its monthly preliminary statement of trade figures, which until now has indicated regional trade flows, is virtually blank.

Trade Commissioner Daan Colesky tells the *FM* that, unlike last September's one-off phenomenon of not providing a regional breakdown, the omission will be the pattern "for the time being." So ignorance of with whom SA trades and to what extent has been institutionalised.

All Colesky will explain about such a major decision is "there are no special reasons." Is it to do with foreign pressure on South African trade? "You can draw your own conclusions."

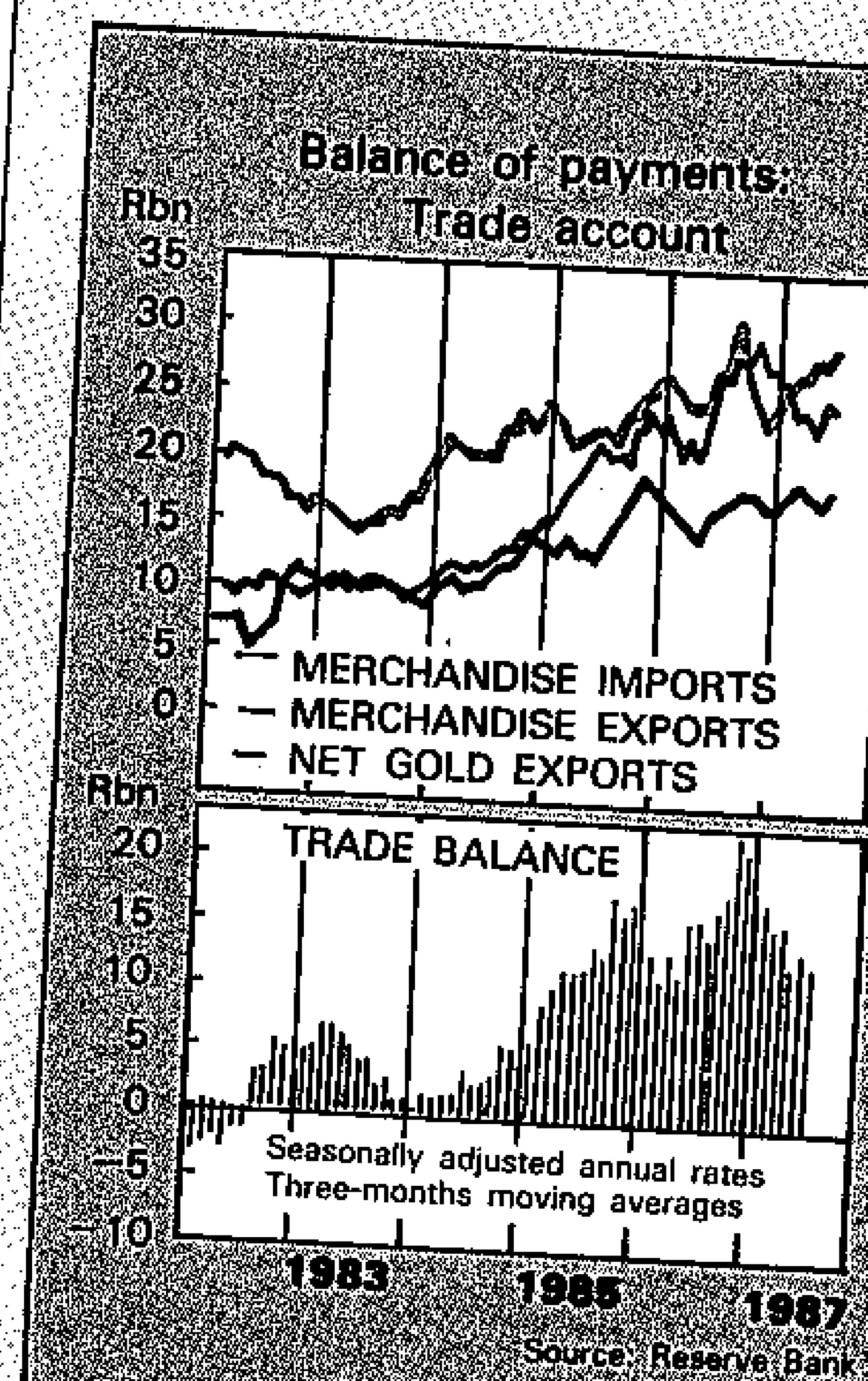
Detailed analysis of trade figures is vital to understanding how an economy is performing, as the huge impact US trade figures have had of late on international markets both before and after their release has shown. Colesky says: "I can understand the problems;" but merely adds that "it is unfortunate."

Even before this the signs were ominous. The amount of exports hidden in the category "other unclassified goods and balance of payments adjustments" has been creeping over 50%. In August this sector came to R15,3 billion, or 55% of total exports.

Still, we can be grateful that SA's trade surplus for the first eight months of this year has grown to R9,4 billion (exports billion, imports R18,3 billion). At the same time last year, the surplus was R9 billion (exports R27,3 billion, imports R18,3 billion).

August exports dropped to R3,57 billion from R4,3 billion in July, while imports dropped to R2,47 billion from R2,67 billion. Over the first eight months of 1987, exports have averaged R3,5 billion and imports R2,3 billion.

TRADING PICTURE



The current account surplus on the balance of payments shrank in the second quarter "due to a fairly large decline in net gold exports and a significant further rise in the value of merchandise imports," according to the Reserve Bank's latest *Quarterly Bulletin*.

In value terms merchandise exports, which fell 12% in the first quarter, recovered modestly by 2,5% in the second quarter. The Bank attributes this to slight increases in export prices and volume.

On the import side there was a 3,5% increase from the first to second quarter "attributable entirely to an increase in import prices." Import volumes fell 4%, thanks to a drop in mineral imports (excluding minerals, import volumes rose by over 7%).

Import volumes are still very low. At the end of the second quarter they were a mere 4% above the level a year ago and still 21,5% below their record at the opening quarter in 1984.

Japan SA's biggest trader

24/9/87

WASHINGTON — Japan has replaced the United States as South Africa's leading trading partner, moving into the gap left by US companies that have pulled out since sanctions were imposed a year ago.

This new prominence has embarrassed Japan's industry and government, causing concern that it may create a backlash in the US.

It has also caused the Washington Administration to commission a study to determine whether Japan is taking "commercial advantage" of the US sanctions.

Japanese diplomats here are reluctant to release figures on trade with South Africa, but they acknowledge that Japan has moved ahead of the US as South Africa's leading trading partner.

Estimates based on trade figures for the first six months of this year put Japan's trade with South Africa at about $3.1-billion this year, and the US' at about $2.5-billion.

Both countries trade with South Africa is down on last year.

Anti-apartheid groups are threatening some form of action, including a possible boycott of Japanese products by US blacks.

The Reverend Mr Leon Sullivan specifically listed Japan as a possible target of an American consumer boycott when he announced in June that he was abandoning his support for US companies doing business in South Africa.

In a recent interview, he criticised the Japanese Government, which he said has never agreed to meet him on the issue.

Japan has no diplomatic relations with Pretoria, but does have a consulate there.

Japan has banned direct investment in South Africa and government officials have called on Japanese industry to be prudent in its business dealings with Pretoria, but has refused to place an embargo on purchases of South African coal, considering it vital to the economy.

Last year, Japan bought 20 per cent of Pretoria's coal exports, worth $1,57-billion.

Call for UK workers to boycott SA goods

DD 24/10/87

Daily Dispatch Correspondent

LONDON — The President of Swapo, Mr Sam Nujoma, yesterday called on British airport and harbour workers not to handle South African goods or carriers.

He was addressing a press conference here at the start of his two week visit to Britain.

During the visit he will meet a number Opposition politicians and dignitaries, including the Labour leader, Mr Neil Kinnock; the leader of the Liberal Party, Mr David Steel; and the Deputy Commonwealth Secretary-General, Chief Emeka Anyaoku.

Mr Nujoma is also guest speaker at today's mass Sanctions Now march through London, organised by the Anti-Aparthied Movement (AAM). Orgnisers expect about 100 000 people to take part in the demonstration.

Sharing the platform at yesterday's press conference with the AAM president, Archbishop Trevor Huddleston, and a Labour MP, Mr Bob Hughes, he commented on the role individual British people could play in pressing for formal sanctions against South Africa.

Mr Nujoma said he was grateful for the effort already being made by the many "friends and supporters of the democratic people of South Africa and Namibia" despite the policies of the Thatcher government.

"We call upon the British people — the workers in airports and harbours — to refuse to handle South African Airways planes and all vessels going to and from South Africa.

"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 the people of Britain did not support the apartheid system, he said.

Durr refutes claim of SA-Japan trade

B(day) 2/11/87

DIANNA GAMES

THE total volume of trade between SA and the US has remained almost static while that between SA and Japan has risen marginally, according to figures provided by Deputy Finance Minister Kent Durr.

Durr was reacting to a recent report from Washington in which US Assistant Secretary of State Chester Crocker said Japan had overtaken the US as SA's largest trading partner.

Crocker said it was "only natural" other countries would step into the gap created by US sanctions.

Estimates recently published in the Washington Post placed Japan's two-way trade with SA at about \$3,1bn this year with US two-way trade estimated at \$2,5bn.

But, said Durr, the figures on which US estimates were based were distorting the real picture as they did not take into account the exchange rate and the true picture was not that portrayed by Crocker.

He said in physical terms, the volume of SA's two-way trade with the US in 1985/86 was 9% of the total foreign trade and remained the same for 1987.

In rand terms, the figures of trade with the US as a percentage of the total were 9% and 11,5% respectively.

The physical volume of trade with Japan in 1985/86 was 7% of the total while in 1987 it was 9%, while in rand terms the figures were 7% and 12,5% respectively.

He said 70% of the apparent increase in trade figures was accounted for by the exchange rate.

Durr said the rand fell in sympathy with the dollar while the yen hardened against the dollar.

SA-Austrian trade strong

Bday 3/11/87

SANCTIONS have not affected trade between SA and Austria to any major extent, says Heinrich Baminger head of the Africa desk at Vienna's Austrian Federal Economic Chamber.

Baminger is leading an trade mission of 18 companies which is in SA to discuss import/export opportunities between the two countries.

SA imports industrial sector capital goods from Austria and exports fruit, vegetables and minerals.

Trading between the two has decreased over the past few years but Baminger ascribes this to low SA economic growth, the low value of the rand and the revalued Austrian schilling. He says sanctions have had a limited effect on trade as they have only affected a small number of products such as Krugerrands. — Sapa.

SA trade with China urged

By DIANNA GAMES 4/4/87

THE People's Republic of China could become an important new trading partner for SA businessmen, say the organisers of a seminar on trade with the PRoC held in Johannesburg this week.

Ralph Roblaa of international trading company Mutex said there had been a mixed response to the seminar, partly because it dealt with a communist country, but there had been much private sector interest.

Everyone was looking east, he said, as Europe was a saturated market and trade with it could still be affected by sanctions.

It was important for South Africans to look for new markets, and to take advantage of the new open policy on international trade adopted by the PRoC, he said.

But trading would have to be done via middlemen because of delicate political relations.

Friday and doctors said they had responded en-

as a British newspaper has exclusive rights to

SA-US trade volume almost static — Durr

Daily Dispatch Correspondent

JOHANNESBURG — The total volume of trade between South Africa and the United States has remained almost static while that between the Republic and Japan has risen marginally.

This is according to figures provided by the Deputy Minister of Finance, Mr Kent Durr.

Mr Durr was reacting to a recent report from Washington in which the US Assistant Secretary of State, Dr Chester Crocker, said Japan had overtaken the US as South Africa's largest trading partner.

Dr Crocker said it was "only natural" that other countries were going to step into the trading gap created by US sanctions.

Unofficial estimates published in the Washington Post last week placed Japan's two-way trade with South Africa at about \$3,1bn this year with US two-way trade estimated at \$2,5bn.

But, Mr Durr said, the figures on which US estimates were based distorted the real picture.

He said they did not take into account the exchange rate and the picture was not what Dr Crocker had portrayed.

He said in physical terms, the volume of South Africa's two-way trade with the US in 1985-86 was nine per cent of the total foreign trade and remained the same for 1987.

In rand terms, the figures of trade with the US as a percentage of the total were nine per cent and 11,5 per cent respectively.

The physical volume of trade with Japan in 1985-86 was seven per cent of the total while in 1987 it was 9 per cent.

In rand terms the figures were seven per cent and 12,5 per cent respectively, he said.

He said 70 per cent of the apparent increase in trade figures was accounted for by the exchange rate.

Mr Durr said the rand had fallen in sympathy with the dollar while the yen had hardened against the dollar.

● South African exports to Germany plummeted by a massive 27,1 per cent — from R2bn to R1,5bn — in the first seven months of 1987.

German exports to South Africa were practically unchanged dropping a marginal 0,25 per cent to R2,7bn compared with the same period last year.

'SA remains a force in trade'

Despite increasing international pressure and the call for sanctions South Africa remains a major force in world trade.

Mr. Alwyn Schlebusch, Minister in the State President's Office told guests at the Export Achievement Awards banquet in Johannesburg last night that last year this country was in 27th spot in the export league of 161 nations.

"In the January-August period of this year, we exported goods valued at R27,8 billion," said Mr Schlebusch.

"Since imports have remained fairly constant over the same period the foreign trade surplus up to August this year was R9,4 billion."

He emphasised, too, that the outlook for exports was even better.

● Export Achievement Award winners on Page 19.

up 38% at 60c (46c).

CAPE TIMES 11/11/87 74

Bigger demand for Safto's services

JOHANNESBURG. — Difficult world market conditions for SA exporters resulted in a boom in demand for the services of the SA Foreign Trade Organization (Safto).

Over the past year Safto's income rose by 76% (54%) to R10,2m. — the second successive year it achieved an abnormally high growth rate.

The high rand cost of foreign market activities saw operating expenditure increase substantially but the group still recorded a surplus of R26 619 (R39 804).

In his annual report Safto chairman Warren Clewlow says SA's export performance in 1985/86 was aided by a weak rand.

"In view of the generally more difficult market conditions abroad and a firmer rand in 1986/87, export growth during the past financial year was satisfactory."

Total gold and merchandise exports increased by 12% to R43,2bn while non-gold exports alone reflected an increase of 15% over the previous 12 months.

Exports to Taiwan rise 63%, imports rise 104%

74

B/day 13/11/87

DIANNA GAMES

EXPORTS from SA to the Republic of China (RoC) increased by 63,19% in the first eight months of this year, compared with a rise of 45,4% in the same period last year.

And imports from RoC to SA have risen by 103,5% in the first eight months of this year compared with the same period last year.

These figures were released yesterday by Economic Affairs and Technology Minister Danie Steyn at the AGM of the SA-RoC Chamber of Economic Relations in Johannesburg yesterday.

Steyn said there had been dramatic changes in the RoC in recent times which had created a climate for increasing co-operation and trade and investment opportunities between the two countries.

The "liberalisation" of the economy included access to the Taiwanese agriculture and fishery market with reduction of import tariffs and removal of tariff barriers.

He said the relaxation of foreign exchange restrictions were of great interest to the SA business sector. Outward remittances of up to US$5m could be made without prior approval, and investment overseas was no longer subject to any restrictions.

SA was "blessed" with a different marketing focus from the East which could be exploited, he said.

And it was the single identifiable marketing point to sub-Saharan Africa, at present carrying out trade with about 50 African countries, he said.

CUSTOMS & EXCISE

74

A new rulebook

SA's new "harmonised system" customs tariff to take effect on January 1 is already out of date. The tariffs were published in a special 2 200-page Gazette on November 6.

Customs and Excise Commissioner Daan Colesky says amendments to bring the new system up to date will be published on January 1. The mammoth Gazette contains changes up to July 31 this year. But some amendments prior to that are not included, plus changes for the rest of this year.

The harmonised system will come into operation simultaneously in many countries, notably in the EEC countries, with the US following later next year.

Deputy Finance Minister Kent Durr says the new tariff is "basically a modernisation of existing descriptions of items of trade. It flows from SA's signing of a new international customs convention already agreed to by the major trading nations, including SA's major trading partners."

Price Waterhouse's Doug McLennan says the authorities have underplayed the significance of the new system. "Some companies have whole computer databases that will have to be completely redone."

The change is simply an international harmonisation at the instigation of the Customs Co-operation Council in Brussels.

The new book is "simpler and fuller" than the existing tariff. It includes new categories and items, and also describes existing categories in more detail. Durr says this will enable the authorities to "operate with a scalpel rather than a shotgun."

In effect there should not be changes to rates. Earlier this year, legislation was published to avoid anomalies in rates. But in the new book a reclassification could mean a lower or a higher rate in a particular case. Tariff classification has always been the most complex area in customs work, and old hands don't expect the new system will be any easier.

There is no deadline as such for reaction to the 2 200-page Gazette. Colesky has power to amend retroactively any errors seen as inevitable in such a large slab of paperwork. There is a two-year "bedding down" period in which untoward disruptions to trade and industry can be removed or modified.

Says one expert: "It's more specific so it's to be welcomed. Because it's more specific one can only hope that we will avoid some of the extraordinary use of language which has characterised determinations."

Nevertheless, McLennan argues that tariff classification will remain contentious. For example, in the new tariff, dolls regarded as representing human beings fall under 9502; "other dolls" fall under 9503. Where, for instance, would a model of Superman fit?

☐ Submissions to the committee chaired by Daan Colesky should be addressed to the Harmonisation Committee, c/o Commissioner for Customs & Excise, Private Bag X47, Pretoria 0001. ■

(74) F/M 20/11/87

FINANCIAL MAIL NOVEMBER 20 1987

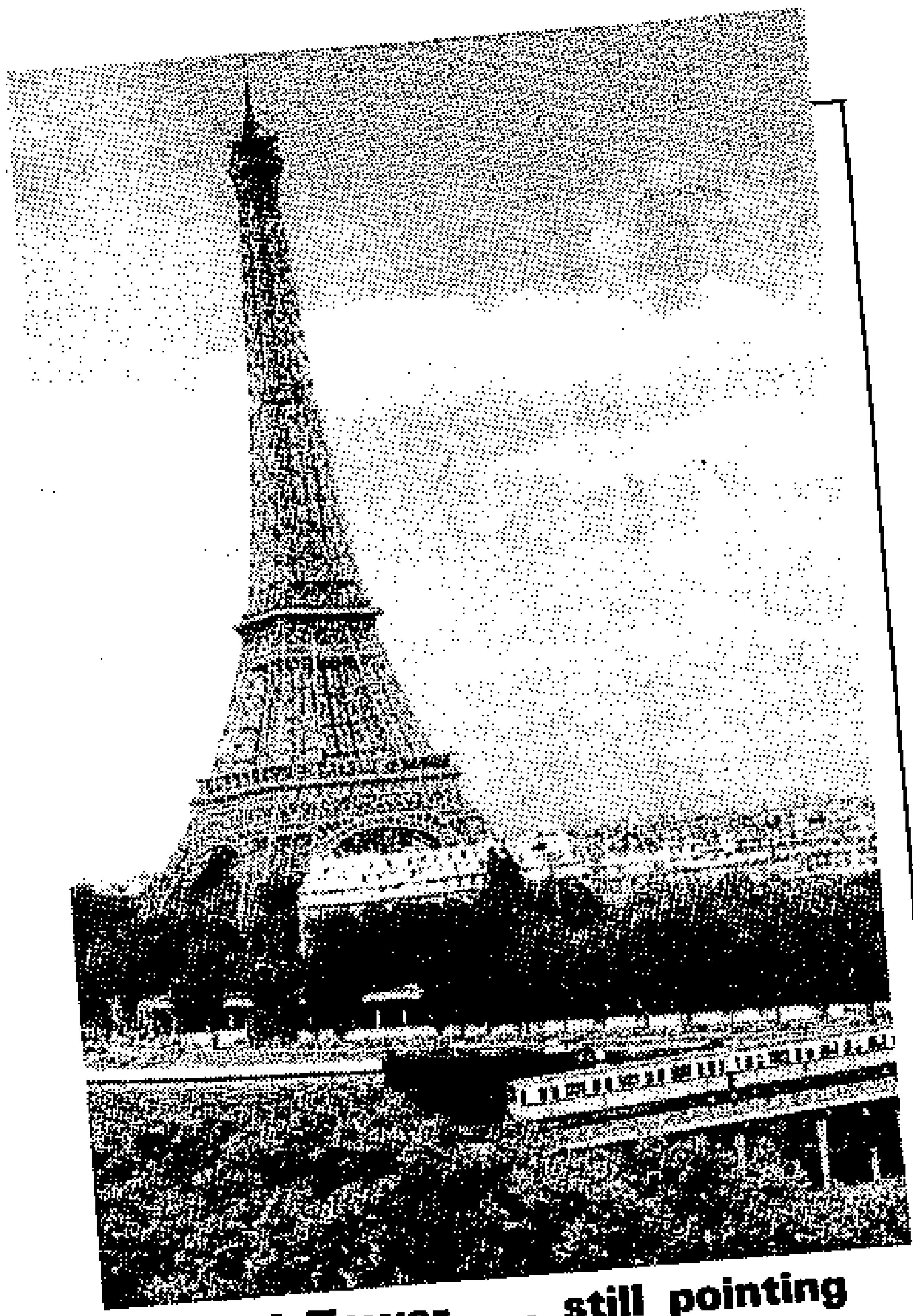
FRENCH TRADE (74)

Down she goes

SA's trade with France contracted substantially in 1986, with South African exports falling by a hefty 41,2% and imports by 19,4%. The outlook for the whole of 1987 is that trade should remain at the lower levels.

However, the fall in trade is not merely a factor of politics, says Jean-Marie Bellat of the French Embassy Trade Section.

"Politics played very little role in the French government's decision not to renew SA's two coal contracts," he tells the *FM* — a statement which seems to directly contradict the official French position on trade with SA.



Eiffel Tower . . . still pointing up, but trade is down

Bellat claims SA now has major competitors in coal mining. "France has a long-term contract with Colombia, but other countries like Red China also produce vast amounts of coal." In addition, he maintains that France is using less coal these days because of its strong move to nuclear power.

French coal imports of 1,2 Mt in 1985 fell to 600 000 t in 1987, says Bellat.

The 43% fall in French orders for South African uranium between 1985 and 1986 was less severe than the 68,7% drop in coal imports, but significant nonetheless. Other products down 25% or more were lead, zinc, copper, leather, animal hides and nickel.

Another reason for the fall in bilateral trade was the decision of State-controlled French car manufacturers to close the ailing Renault and Peugeot plants in SA's overtraded market. This was not prompted merely by politics. The problems these companies are experiencing internationally have been well documented.

Conversely, certain imports from SA have increased. Among these are food products; raw or semi-treated primary minerals and certain fabricated industrial products. This was partly due to the weakened rand and enhanced competitiveness of South African goods. Paper and food exports were among the first to benefit.

FM 27/11/87

FOREIGN TRADE GENERAL

1988

Foreign developments hit SA growth prospects

B/day 25/1/88 74

HELENA PATTEN

SA'S economic growth in 1988 and 1989 will depend on the effect of foreign trends in growth and inflation on SA's export position, says Southern Life economist Mike Daly in his latest Economic Comment.

He says recent international developments have "reduced prospects for sustained economic growth in SA through to 1989".

The estimated 1987 current account surplus of R6bn would fall to around R3bn in 1988 under the "certain impact of rising import volumes and prices, and a certain fall in export volumes (around 3% after a 2% fall in 1987) and a less certain fall in commodity prices.

International stock exchange collapses and sanctions will inhibit revenue from exports, but the falling dollar will be a major reason for international commodity prices to firm on average because most commodity prices were denominated in the US currency.

He says in the current local economy "nearly every important indicator of economic conditions has moved up a gear as we enter 1988".

These include increased volumes of manufacturing production, an upward trend in real wholesale sales, real growth in disposable income in 1987, private consumption expenditure up 4% in 1987, stronger consumer credit demand, a strong net gold and foreign exchange position, an end to the reduction of inventories and manufacturing investment, and a softer inflation rate.

But the balance of payments could restrict growth for the first time in three years, while inflation in 1988 could renew an upward trend in response to a rand allowed to depreciate by the Reserve Bank.

ASIAN TRADE (74)

Time to go Asean

Despite efforts to limit Far Eastern trade with SA, statistics show that a growing portion of SA's foreign trade is with the booming Pacific Basin countries — possibly a direct result of falling trade with the US and the EEC following the imposition of sanctions.

And the so-called Asean countries — Singapore, Malaysia, Brunei, Thailand, the Philippines and Indonesia — as well as Red China could feature more strongly in future trade.

Says John Bell of trade consultants Breyer Development Services: "The best opportunity by far lies in the export of machinery equipment and semi-processed materials to the developing industries of the Asean countries. This bloc is probably the most concentrated area of development in the world today. Ports, roads, railways, power generation, mining, construction are all playing their part and South African manufactured goods are ideally suited as they are

FINANCIAL MAIL JANUARY 8 1988

SA-Japan trade increases

26/1/88 B/day

DIANNA GAMES

THE total value of trade between Japan and SA in 1987 increased from 1986 by 2% on a yen base and 19% on a US dollar base, according to a preliminary estimate released by the Japanese consulate yesterday.

The figures come amid reports from Reuters that Japan's position as SA's top trading partner is causing Foreign Ministry officials in Tokyo embarrassment and prompting accusations that Japan is filling the trade vacuum left by disinvesting US firms. This was denied by the Japanese.

Consulate spokesman Shikeaki Koga said the total figure was US$4,27bn, or Yen 619,6bn. The 1986 figure for its two-way trade was $3,59bn, according to Reuters.

Koga said a breakdown of the figures had been released in Tokyo, but there had been a delay in releasing them to the SA representatives.

This prevents a comparison with US-SA trade figures in the ongoing speculation about whether Japan has overtaken US as SA's major trade partner.

In November last year, figures published in the US estimated Japan's two-way trade with SA at about $3,1bn for 1987, against US two-way trade estimated at $2,5bn.

These figures were criticised by SA's Deputy Finance Minister Kent Durr for not taking into account the exchange rate.

The latest US-SA trade figures available — those for the period January to June 1987 — show a massive drop in US imports from SA. In 1986, the total of these imports for that period was $1,191bn dropping to $654,9m in 1987.

Japan 'embarrassed' at being SA's top trade partner

Cape Times 27/1/88 74

Own Correspondent

TOKYO — The Japanese government is embarrassed about the country's emergence as South Africa's leading trading partner, but foreign ministry officials said the reason for this is rise of the yen. They said there has been no increase in trade.

The publicity surrounding the development may push the Japanese government into taking additional sanctions against South Africa. But divisions exist within the government over the need for further action. Some officials claim that Japan's sanctions are already tougher than those of most Western countries.

According to the International Monetary Fund statistics, the United States slipped to fourth place among South Africa's trading partners in the first seven months of last year, while Japan was a clear leader, 13% ahead of West Germany in second place, and 59% ahead of Britain in third.

In dollar terms, Japanese trade with South Africa rose 24% between 1984 and last year, while in yen terms it declined by 24%.

Japanese officials think they have been unjustly criticized by other countries. Their sanctions against South Africa include restrictions on investment, travel and imports and exports of certain strategic products.

Some officials also believe the government should put pressure on certain key exporters to South Africa to restrict their imports to that country. For example, Japan's exports of iron and steel and motor vehicles to South Africa increased last year.

But there is no consensus within the government to put pressure on exporters.

Similarly there seems to be no agreement on whether the country's policy should be to continue to put pressure on the South African government or to press for full economic sanctions.

Officials said the Japanese people's lack of awareness about the South African situation made it difficult to win support for tougher action against the South African goverment.

They hoped that the Attenborough film "Cry Freedom", which is to open in Japan soon, would have an effect on public opinion.

● Japan yesterday joined the US in imposing tough sanctions against North Korea to protest against the alleged sabotage of a South Korean airliner last November, in which all 115 people aboard died.

Jap trade with SA cause for concern

Graham Earnshaw: Tokyo

Japan's position as South Africa's top trading partner is causing Foreign Ministry officials embarrassment and prompting accusations that Japan is filling the trade vacuum left by US firms which have withdrawn.

It is ironic that, as Japan's trade with South Africa continues to expand, people of Japanese race are treated as honorary whites under the apartheid laws that have led many countries to restrict contacts.

Japan also enforces a number of restrictions on links with South Africa, but the trade figures just keep growing.

According to official Japanese figures, Japan became South Africa's number one trading partner in 1986, just edging out the United States with two-way trade amounting to 3,59 billion dollars.

The estimated trade total for last year is 4,27 billion dollars, a sharp rise even allowing for exchange rate fluctuations, officials say.

"These figures certainly embarrass the government," said one Foreign Ministry official. "We are admantly opposed to apartheid, but the behaviour by Japanese companies with regard to South Africa does not tally with the government's policy."

A spokesman for Japan's top business confederation, Keidanren, declined to comment.

Not alone

A Ministry of International Trade and Industry official said Japan was not alone is experiencing a jump in trade with South Africa; a number of West European countries with South African links were in the same situation.

Japanese economic sanctions against South Africa, introduced in 1986, include a ban on the export of computers to South African agencies enforcing apartheid and a ban on imports of South African iron and steel.

However, South Africa is a major source of coal and rare metals for the hungry Japanese industrial machine, and half of Japan's exports to Africa go to South Africa.

Political analysts say Japan is unlikely to enforce stricter sanctions against South Africa in the near future: for a start, the ruling Liberal Democratic Party is strongly influenced by conservative business interests.

"The head of Keidanren is more powerful than the Prime Minister sometimes," said one official.

Also, there is a rumbling dispute between the powerful Ministry of International Trade and Industry and the Foreign Ministry over how much pressure to apply to Japanese companies to restrict their business dealings with South Africa.

Complex

Officials say the almost total lack of interest in, and knowledge of, apartheid among Japanese people is another factor.

One said that some Japanese businessmen visiting South Africa even relished their "honorary white" status.

"Some Japanese businessmen in South Africa feel happy to be treated as a white. Even today, so many Japanese have a complex about the whites," the official said.

In an effort to give apartheid a higher profile, Foreign Ministry officials are even privately encouraging people to see the new Richard Attenborough film Cry Freedom, the story of South African black leader Steve Biko who died in jail in 1977.

"We hope it will be popular and that Japanese people will start to recognise the facts," said a Foreign Ministry official.

Officials denied that Japanese companies were filling a trade vacuum caused by the withdrawal of a number of American companies. "This is a completely inaccurate analysis," said one.

A securities firm analyst, however, said: "They (the Japanese companies) have no particular moral scruples about trading with South Africa or anyone else as far as I can see." — Sapa-RNS

DID 29/11/88.

Free trade on the way

74

The general manager of the Maize Board, Dr Hennie Davel, says free agricultural trade, which already applies overseas, will operate in South Africa within the next five years.

Opening the annual congress of the Association for Crop Production in Bloemfontein, Dr Davel said the possible effect of this would be that local products would have to compete with imported products. As the economy became more market-orientated, agricultural and crop production as well as agricultural research in South Africa would have to adapt to the market needs, he said.

ARGUS 3/2/88 (74)

Africa economic decline seen as chance for SA

GERALD L'ANGE of The Argus Africa News Service reports

AFRICA'S calamitous economic decline has undermined its will and capacity to continue fighting apartheid with the same dedication as in the past, says a leading Africanist, Dr Erich Leistner.

He believes the changed conditions "open up opportunities for South Africa to forge mutually beneficial infrastructural as well as other bonds with neighbouring states".

Dr Leistner, director of the Pretoria-based Africa Institute, writing in the institute's latest bulletin, says: "As the growth of South Africa's trade relations in recent years has shown, practically no African state allows its political dislike of South Africa to stand in the way of commercial common sense.

"And to the extent that worldwide economic difficulties, combined with Africa's domestic problems, compel African governments to rely more on their own resources and less on outside aid, their readiness to put national economic interest above political principle may be expected to increase."

He says that while South Africa's relations with Zimbabwe, Botswana and Mozambique became more strained last year, economic developments have continued to erode both the will and the capacity of states in the region and throughout the continent to pursue their struggle against South Africa.

He believes that "in the face of mounting problems with external debts, foreign exchange, food, unemployment and urban growth, Africa's solidarity and sense of purpose are faltering".

This was illustrated last year, he says, by the low turnout of heads of state (19 out of 50) at the annual Organisation of African Unity summit, the even lower attendance (nine heads of state) at the special summit on Africa's foreign debt problems in December, Zimbabwe's termination of electricity purchases from Zambia and the ending of its 31-year-old customs agreement with Botswana.

The expulsion of foreign workers from Nigeria a few years ago, the growing tension between Mozambique and Zimbabwe over traffic and security in the Beira corridor and the problems besetting the Southern African Development Coordination Conference and regional co-operation schemes show "how national self-interest tends to prevail over common objectives in adversity. African states obviously are not unique in this regard".

Dr Leistner says the Nkomati Accord, the Lesotho Highlands water scheme, South African participation in the proposed Sua Pan soda-ash project in Botswana, South African aid for the modernisation of Maputo harbour, South and other examples of co-operation "are difficult to reconcile with the popular belief that the Republic is bent on destabilising and impoverishing its neighbours".

He adds: "In view of South Africa's trade surplus with all African countries (which in 1985 was of the order of R3 000-million), economic relations with neighbouring and more distant African countries are patently of such major importance that official spokesmen refer to Africa as the Republic's economic hinterland and emphasise the country's interest in being surrounded by prosperous neighbours (and trading partners).

"In this respect the growing number of African countries in which the RSA is represented, mostly by trade missions, may be noted: Malawi, Zimbabwe, Swaziland, Mozambique, Lesotho, Mauritius, Seychelles, Comores, Reunion, Ivory Coast, Euatorial Guinea as well as one or two more in West Africa."

However, shortages of foreign exchange hamper the expansion of South African imports, says Dr Leistner, as does the limited range of goods, mostly raw materials, which African countries can sell to the Republic in return.

Dr Leistner says more African countries are unable to meet their debt obligations. At the same time, the Western countries' own economic difficulties lessen their ability and willingness to help these states.

He also says that "ironically, just as African countries are increasingly embracing private enterprise, private capital is fleeing the continent".

"Horrendous future"

If present trends continue, says Dr Leistner, Africa's future — to quote the Economic Commission for Africa — is "horrendous". There is little hope that the adverse trends will be reversed, however.

"Very high population growth rates are largely responsible for the increasingly grave imbalances bertween supply and demand in respect of food, education, health care, housing and employment, not to mention the frightening rate of deforestation and desertification due to the imbalance between land usage and ecology."

These imbalances might be redressed to some extent by the relentless spread of Aids.

"However, for a realistic understanding of Africa's economic — and hence human — calamities it has to be realised that high population growth per se is only a manifestation of a fundamental polarity.

"That is the polarity between the worldviews, value systems, social practices and levels of scientific and technological skills that prevail in Africa today on the one hand, and those that are essential for the functioning of present-day industrial societies on the other.

"The inability of Westerners to grasp the nature of this polarity, and their consequential attempts to engineer 'development' by injecting 'aid' funds, goes a long way to explain Africa's growing predicament.

"The primary other causes are Africa's inadequate political leadership, the operation of the

Reservations about trade info controls

HELEN WISHART
and DIANNA GAMES

INDUSTRY has expressed reservations about new measures to tighten up controls on the disclosure of information on goods and services set out in a Bill tabled in Parliament this week.

The new moves, which extend current government powers to prohibit disclosure of trade information, have also been criticised by the Conservative Party.

Federated Chamber of Industries president Hugo Snyckers said yesterday against a background of sanctions and boycotts the FCI supported the principle of limiting the disclosure of information which could damage the industry.

He added: "However, the change in criteria in the Bill from 'national security' to 'public interest' seems to grant very wide and unfettered discretion to the Minister, the need for which is not at present clear to us."

He was commenting on the National Supplies Procurement Amendment Bill, which would empower the Economic Affairs and Technology Minister to prohibit by written notice the disclosure of information about any "goods or services", and any statement, comment or rumour calculated directly or indirectly to convey this information if he believes it to be in the public interest.

At present the Minister can do this only where he believes banning information is in the interests of state security, and has to officially gazette his decision.

Government has declined to give reasons for extending the Minister's powers or to elaborate on the goods and services to which the Bill refers.

W/Mail 5-11/2/88

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Ominous new black-out bill

AN ominous new Bill tabled in parliament this week will place extensive power in the hands of the minister of economic affairs to control information about "any goods or services" he feels it is "in the public interest" to restrict.

The government has not stated precisely what sort of information it wants to control, but the new Bill is clearly aimed at controlling information about goods and services which could be affected by sanctions.

In the past, the minister of economic affairs could slap a ban on information if he believed this was necessary for the security of the state.

But, in terms of the National Supplies Procurement Amendment Bill, he will soon be able to impose similar restrictions if he believes it to be "in the public interest".

In the past, the minister could only impose controls by notice in the Government Gazette.

In the new Bill, these prohibitions can now be imposed on any individual or any group.

Anyone who violates the Act outside South Africa, will be charged on re-entering.

ANCW 8/2/88

Japan urged to restrain SA trade

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TOKYO. — Japan's leading business organisations today urged member firms to restrain their trade with South Africa, following a government plea.

The director of the Federation of Economic Organisations (Keidanren), Mr Masaya Miyoshi, told reporters it had asked member firms to "voluntarily restrain themselves from trading with South Africa".

He provided no details of what the organisation considered restraint and did not specify a time-frame for the action.

Foreign Ministry officials have expressed embarrassment over Japan's position as South Africa's top trading partner and are concerned that Japan might be criticised for filling the trade vacuum left by American firms which have pulled out.

The Foreign Ministry late last month called on the Keidanren to act cautiously in trading with South Africa in the face of expanding trade between the two countries.

Japanese-South African bilateral trade amounted to nearly R9 000-million in 1987, up 19 percent in dollar terms and two percent in yen terms over the previous year, a Foreign Ministry official said. — Sapa-Reuter.

Restraints on trade sought

10/2/88

Star

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TOKYO — Japan's leading business organisation has urged member firms to restrain trade with South Africa.

Director Masaya Miyoshi of the Federation of Economic Organisations provides no details of what he considers restraint and does not specify a time-frame.

Foreign Ministry officials are embarrassed over Japan's position as South Africa's top trading partner and are concerned Japan might be criticised for filling the trade vacuum left by departing US firms.

The Foreign Ministry last month called on the federation to act cautiously in trading with South Africa. Japanese-South African bilateral trade amounted to \$4,27 billion in 1987, up 19 percent in dollar terms and two percent in yen terms over the previous year. — Reuter.

Platinum prices rise on world markets in wake of coup attempt

D/D 11/02/88

74

LONDON — Platinum prices edged higher here yesterday after news of the coup attempt in Bophuthatswana, where some of Southern Africa's major platinum mines are located.

London dealers said platinum prices rose to around $464 an ounce at midsession, up $14 from Tuesday's close.

They noted that the unrest in the homeland had led to army orders for most residents not to report for work today.

Platinum prices in New York also opened sharply higher.

Platinum for April delivery was quoted $11,40 higher at $466 an ounce.

Analysts said the firmness stemmed from concern over disruptions of platinum shipments from that area. Trade estimates show the region produces up to one million ounces out of total annual world output of three million ounces.

"It's a highly significant producer where Impala Platinum mines are located," said Mr John Brimelow of Keane Securities in New York.

Mr Jeff Nichols of American Precious Metals Advisors noted the coup did not have an impact on South African platinum shares on the Johannesburg stock exchange. "It's doubtful there will be lasting effects on supplies," he said.

About 80 per cent of the non-communist world's platinum is supplied by South Africa. — Sapa-RNS

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The lure of countertrade too strong for SA to resist

☐ TRADE WINDS . . . barter has become a necessity for SA as sanctions and political pressures mount up

MICK COLLINS

EXPEDIENCY makes for some strange bedfellows, but none so odd as the type encountered in the straight swap.

Outside pressures of late have seen SA traders willing to get into bed with just about anybody — provided the price is right.

But bartering for SA — with powerful anti-apartheid factions baying at its heels — has taken on a serious significance of national interest.

Last year, the Department of Trade and Industry (DTI) instructed parastatals that they should countertrade imports of over R5m.

Off-set, barter, buy-back and other countertade deals were hitherto legal but not offical policy in SA.

Although every deal is constructed according to specific needs, there are typical applications where the barter, counterpurchase, buy back and evidence accounts lead the field.

BARTER is a straight goods for goods transaction where risk is reduced with bank performance guarantees.

Reciprocal

One of the more common variations is COUNTERPURCHASE or PARALLEL TRADE. In this case, two separate contracts are drawn up and the parties agree to a short term reciprocal purchase of each other's goods or services.

Even capital intensive projects can be countertraded. Plant, technology and know-how can be traded for the purchase of the resultant goods. This type of transaction is known as COMPENSATION or BUY BACK.

EVIDENCE ACCOUNTS are used by certain foreign governments to control the balance of trade, where the exporter sells a preset volume of goods and services, while simultaneously buying local products from various suppliers.

Sanctions killed off at least one deal for Effective Barter, one of the few companies in SA that deals in non-conventional trade.

Rethink

Last year, Effective Barter negotiated a deal with the Kansas Wheat Farmers to swap 25 000 tons of wheat for 150 000 cases of Stellenbosch wine.

Says Effective Barter MD Eugene St Clair: "President Reagan's Anti-Apartheid Act put paid to that $2,5m deal."

But St Clair, who has been roped in to teach the big state corporations about countertrade, is also in no doubt that two years of trade embargoes and disinvestment have caused Pretoria to rethink its policy.

As matters stand, it is also believed no countertrade deals have been signed by SA's big corporations with their First World trading partners.

"But that's all changing now," said St Clair. "In the current trading climate, private sector companies are hungry for information on countertrade.

"They've always had the money to pay cash for their imports, but the recent recession and sanctions have changed all that."

Favour

The DTI's deputy director-general Frans Scheepers is adamant future state tenders will contain a clause saying the adjudicators would favour foreign suppliers who offer contertrade proposals on buying SA goods and services in return for the order.

But the DTI also keeps a sharp lookout for violations of the Reserve Bank's foreign exchange control regulations. It also has to contend with the possible evasion of import duties and the exchanging of products which could be injurous to local industry.

To date SA's only major countertrade deal was a fiasco. Five years ago, the country's Maize Board swapped 200 000 tons of yellow maize for 208 000 tons of Rumanian urea in a deal that suffocated the local fertilizer industry after the urea was dumped on the market.

The rumour goes that Pretoria was so stung by the deal that it ditched any further plans to countertrade — until late last year when government activated a barter deal with Mozambique which saw SA swapping wheat for groundnuts.

Government strongly denies that sanctions have pushed Pretoria out of the conventional trading "laager".

Two year's ago, government was equally adamant that it had no plans to offset sanctions by countertrade after it set up a secretariat for non-conventional trade in the DTI. The move triggered a spate of local and overseas press reports to the contrary — which Pretoria attempted to scotch.

Says Scheepers: "In the past, official policy was to eschew countertrade because of SA's membership to the IMF and Gatt.

"Neither body is quiet on these trading practices but we also woke up to the fact that its not the way world trade was going. In short, SA was cutting its nose to spite its face by being a good Gatt and IMF member."

The latest moves have seen the setting up of inhouse barter units by the larger corporations, which points to the growing influence of the swap in SA's foreign economic ties.

DIP 26/2/88

Japanese attempt to curb trade with SA

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TOKYO — Japan's attempts to extricate itself from what it sees as an embarrassing position as South Africa's top trade partner are already affecting trade elsewhere, notably in the world sugar markets.

Tokyo trade houses said sugar supplies in Asia would be tight this year as Japan tried to cut sugar imports from South Africa and take more from other suppliers.

They said the government had asked them to exercise restraint in trade with South Africa, although it had not yet officially requested a cutback.

"We think that total South African sugar imports will decrease in calendar 1988 because every company is trying not to increase trading volumes with them due to political sensitivities," said a trader at one major house, who declined to be identified.

As the United States, West Germany and Britain cut back business ties with South Africa in protest against its policies of racial segregation, Japan in 1987 found itself South Africa's top trade partner with a total $4,27 billion in bilateral trade against $3,58 billion in 1986.

The sugar market has become the first major commodity market to be seriously affected by Japan's changing policy toward South African trade. It also buys substantial amounts of coal, grains and gold from South Africa.

Japan is South Africa's biggest sugar customer. It took more than 400 000 tons in 1987, and 331 866 tons the year before. In 1986, South Korea bought 194 000 tons of South African sugar and Canada took 128 000.

Japan's other main suppliers are Thailand and Australia.

Traders agreed that around 350 000 tons a year from South Africa would not cause too many political problems.

But, another trader said,"another 50 000 tons or so of Japanese purchases from Asian producers will accelerate the supply shortage in the Asian sugar market."

A severe shortage has already pushed Asian sugar prices to unseasonably high levels.

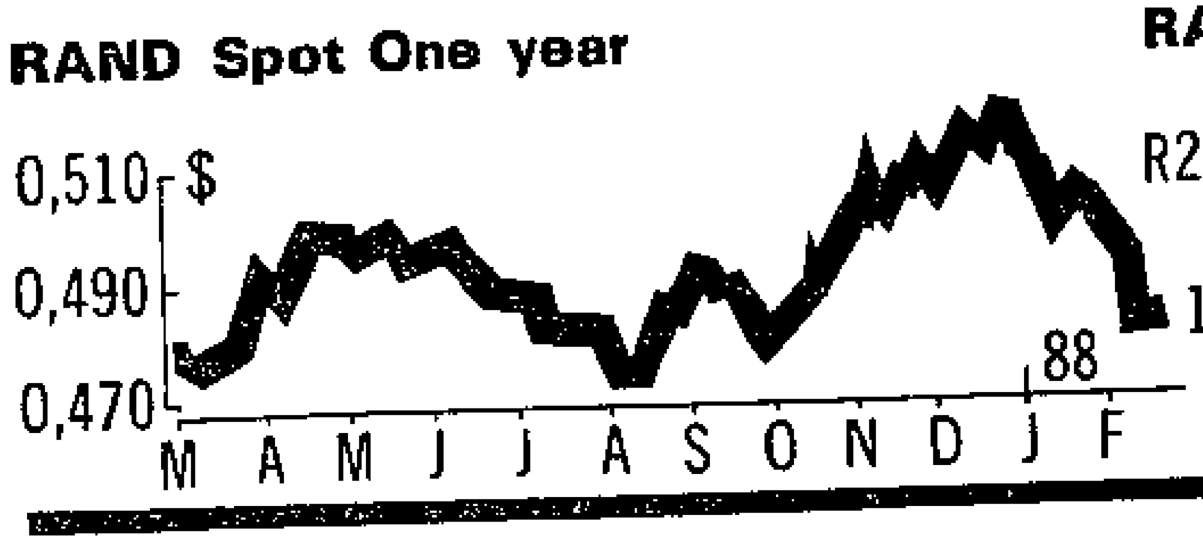
"The problem is that we depend on only four nations to import sugar," an official at a sugar refining company said.

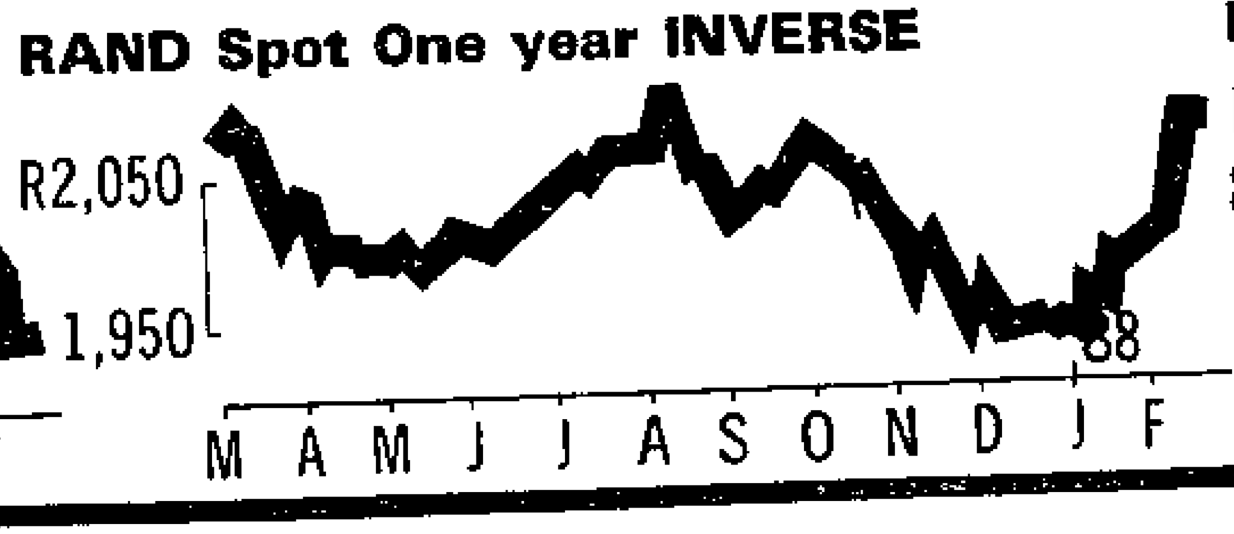
However, the fourth supplier, Cuba, has proved a most unreliable source, the traders said.

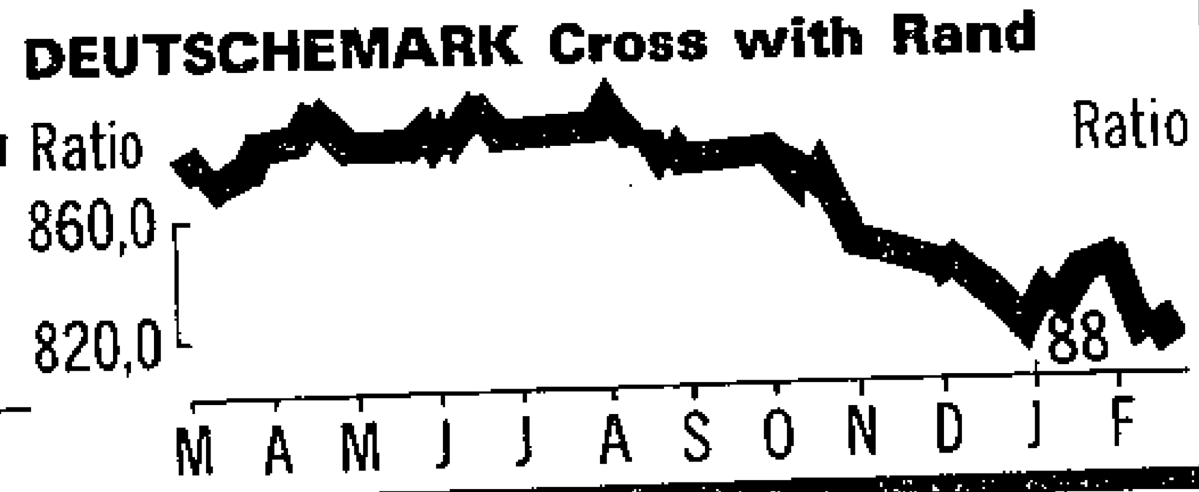
Brazil could be a big supplier but shipping costs make would make its sugar expensive for Japan, they said. —Sapa-Rns

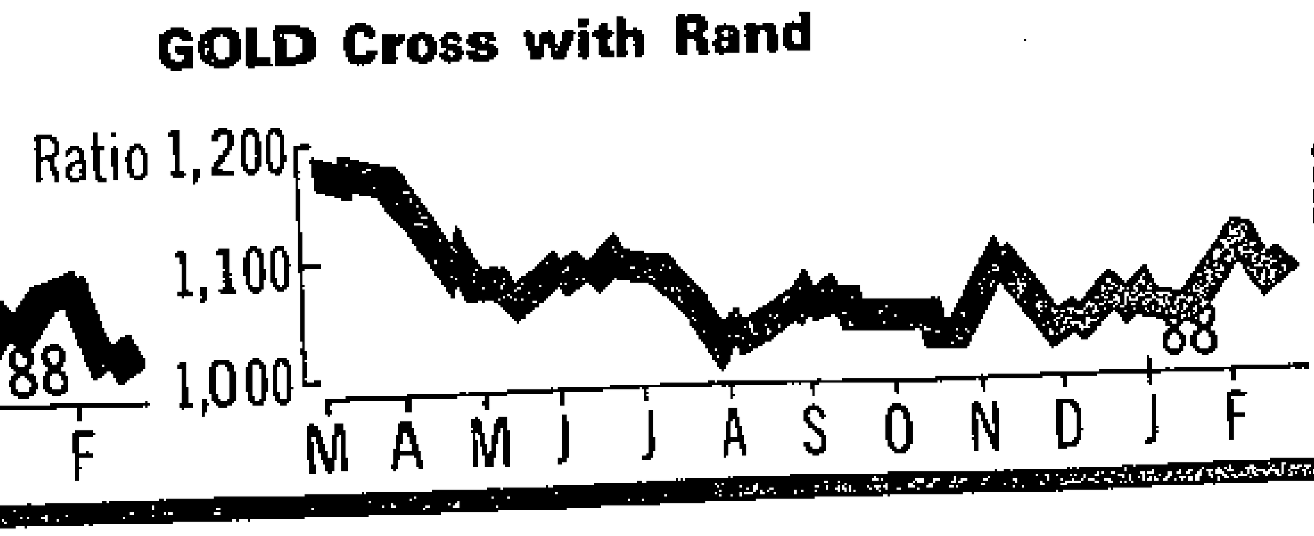
FOREIGN EXCHANGE/David de Kock

74 B/day 25/2/88.









Source: REUTERS
Graphic: JOHN McCANN

Coming to a conclusion . . .

NEXT Tuesday when we come in to work we will find the rand quoted "the other way round". Instead of, say, R1 = US$0,4800 it will be quoted as US$1 = R2,0833.

What does this mean, and what kind of strategies should be employed in preparation for the turnaround?

At first glance it seems the switchover is little more than an administrative headache. However, as I illustrated in an earlier article, we should see a narrowing in the buy/sell spread, which will lower transaction costs quite considerably.

Until Tuesday, and in the days that follow the switchover, we will not know the extent of the spread. The spread is determined by the market-makers — in this instance, the larger banks — and I hear that some of these are pressuring for the spread to remain at 30 points — the equivalent of the present seven points on an uninverted basis.

However, it seems some of the smaller banks are not going to bow to big brother and are going to reduce the spread to around 10 points.

The strategy appears to be based on using the opportunity to wrest a larger share of corporate foreign exchange business by offering finer rates.

This, incidentally, has been a trend amongst the smaller banks for some time now.

The question of the spread has some significance for strategies going into the switchover, but the future direction of the rand is the most crucial aspect.

Other factors

The rand has fallen sharply since the beginning of 1988, partly because of renewed strength of the dollar but mainly because of the fall in the price of gold.

Having said that, however, we find that the rand gold price has been rising and the cross rate with the DM is back to the lows of 1987. By implication, the rand has weakened by too much on a relative basis — other factors must have caused the oversold condition.

A brief survey of the market has come up with the following possible reasons:

☐ A general statement by the Governor of the Reserve Bank that the rand could trade in an approximate range of 45 to 50 cents during 1988 was used to encourage dollar buying;

☐ Some round tripping in commercial/financial rand was taking place — highly unlikely at this point in time;

☐ The financial rand was to be abolished — now officially put to rest;

☐ The seven-day rule for exporters was to be abolished, causing exporters to hold back on dollar sales;

☐ The introduction of a new rand options instrument has necessitated dollar buying to protect option prices;

☐ The Reserve Bank did not have sufficient reserves. Old hat — this has become a standard reason to encourage downside speculation on the rand, but it has no basis in fact; and

☐ The rand is to be officially devalued after the switchover, although how you devalue a floating currency is beyond me.

This is all speculation, and few of the reasons can be even partly justified. But if one narrows down the possibilities, perhaps the earlier part of this sentence will apply.

It has been suggested that dollars made available by exporters and the Reserve Bank have been used to purchase third currencies, and that there are now few available for importers and thus the local unit has been pressured.

Aberration

When it comes to the bottom line, exchange rates are affected by fundamental factors, technical factors and sentiment.

At the present time, none of these have materially influenced the recent weakness of the rand.

To my mind, we have experienced a short-term aberration (which is not unusual in the lead up to a switchover) and some recovery of the local unit could be anticipated.

Having established this outlook, what kind of strategies should be employed for the switchover? Let's look at it from the point of view of present kick-off positions:

☐ **UNCOVERED RAND/DOLLAR IMPORTS:** In view of the expected trend in the rand, these could well be left uncovered.

☐ **COVERED RAND/DOLLAR IMPORTS:** These could be left alone, with a view to establishing contra contracts at lower spreads immediately after the switchover on March 1. The danger lies in the possibility of the spreads not narrowing and the rand appreciating in the meantime.

☐ **RAND/DOLLAR EXPORTS:** There is a possibility that the seven-day rule may fall away in the switchover, but this need not be considered in developing a strategy. If it were to happen it would be a bonus, giving added flexibility to the export sector of our market. At this stage it would be prudent to cover rand/dollar exports to take advantage of the low spot rate and wide forward premiums.

It is going to be an interesting day next Tuesday, and I hope you enjoy the four days of peace from foreign exchange in the meantime.

☐ *David de Kock is Director, Currency Risk Management.*

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FOREIGN TRADE

Taiwan wants more

Taiwan obviously does not have the same sensitivities to trade with SA as Japan. Bilateral trade between the two countries jumped 67% last year to US$911m, from $546m in 1986.

Taiwan's economic counsellor in SA, C C Kan, says trade should grow to $3bn by 1990, with longer-term trade potential around $8bn, at current values.

"We are not satisfied with present levels, especially when compared with Japan's $4,27bn trade with SA in 1987," says Kan.

SA's world trade last year amounted to $35,7bn, with a favourable balance of $4bn. SA's current balance of $80m with Taiwan should remain positive, adds Kan. He says the countries' economic needs are complementary.

"We need your minerals and agricultural produce, while we have the ability to provide many of your requirements for machinery and scientific equipment — at prices an average of 50% below that charged by your traditional trading partners in Europe and the US."

Metals, alloys like stainless steel, precious minerals for jewellery manufacture and farm produce top Taiwan's current shopping list in SA. However Kan is disappointed at the slow pace of progress on joint ventures involving mineral beneficiation and jewellery manufacture.

"The April 20 ministerial conference between our two countries, to be held in SA, will look into these matters and hopefully the initiatives will be taken further. Taiwan is already a major jewellery manufacturer and these joint projects will be to our mutual benefit."

In 1987, Taiwan's international bilateral trade amounted to $88bn, with a favourable trade balance of $19bn. Foreign exchange reserves have grown to $75bn. Last year, 80% of that was invested in US dollars, but recently there has been a move into other denominations like yen and D-mark, says Kan.

About 120 Taiwanese factories have opened in SA's black homelands, constituting a total investment of around $100m. The next step, says Kan, is to persuade some big electronics, home appliances and plastic companies to move to SA.

The question of multiple entry visas and residence permits for Taiwanese nationals (*FM* October 9, 1987) has been resolved. So the red carpet is out for Far East investors.

Since Taiwan opened the door to offshore investment by its residents — to a maximum of $5m per person — in July, Thailand has already benefited to the tune of $540m.

The US, of course, has been the largest beneficiary of all. But although it badly needs all the foreign investors it can get, SA, still suffering from an image hangover of the past three years, has been at the end of the line. ■

Hansard

been entered into in the Republic since the repeal of the Prohibition of Mixed Marriages Act, No 55 of 1949, and (b) in respect of what specified period is this information furnished?

The MINISTER OF HOME AFFAIRS:

(a) (i) 28

(ii) 662

(iii) 160

(b) 19 June 1985 to 31 August 1987.

Publications Act: items declared undesirable

262. Mr S S VAN DER MERWE asked the Minister of Home Affairs:

(1) How many items were declared undesirable in 1987 in terms of section 47(2)(a), (b), (c), (d), (e) and (f), respectively, of the Publications Act, No 42 of 1974;

(2) whether any appeals have been lodged against decisions to declare any such items undesirable; if so, how many cases in respect of each of the categories referred to in section 47(2) of the said Act (a) had been (i) upheld and (ii) dismissed and (b) were still pending as at the latest specified date for which information is available?

The MINISTER OF HOME AFFAIRS:

	Publications or Objects	Films	Public Entertainment
(1) Section 47(2)(a)	301	50	1
Section 47(2)(b)	10	2	—
Section 47(2)(c)	12	—	—
Section 47(2)(d)	31	1	—
Section 47(2)(e)	485	6	—
Section 47(2)(f)	—	—	—
(2) Yes			
(a) (i) Section 47(2)(a)	9	18	—
Section 47(2)(b)	—	—	—
Section 47(2)(c)	—	—	—
Section 47(2)(d)	—	—	—
Section 47(2)(e)	8	—	—
(ii) Section 47(2)(a)	11	10	1
(b) Section 47(2)(a)	5	2	—
Section 47(2)(e)	13	—	—

Proclamation AG26/AG9: persons held in SWA

270. Mr S S VAN DER MERWE asked the State President:

Whether any persons are being held in South West Africa under Proclamation (a) AG26 and (b) AG9; if so, (i) how many persons in each case and (ii) in respect of what date is this information furnished?

The STATE PRESIDENT:

(a) (i) none

(ii) 15 February 1988

(b) (i) 29 persons

(ii) 15 February 1988.

Proclamation AG9: persons in detention

271. Mr S S VAN DER MERWE asked the State President:

(a) How many persons who are being held under Proclamation AG9 in South West Africa have been in detention for more than 30 days and (b) in respect of what date is this information furnished?

The STATE PRESIDENT:

(a) none

(b) 15 February 1988.

~~Customs Union Agreement:~~ amounts paid over

284. Mr H H SCHWARZ asked the Minister of Finance:

(1) What amounts were paid over to (a) each of the independent Black states and (b) (i) Botswana, (ii) Lesotho and (iii) Swaziland in terms of the Customs Union Agreement in the 1987-88 financial year;

(2) what was the balance that accrued to the Republic of South Africa?

The MINISTER OF FINANCE:

(1) (a)

Hansard

Transkei	Bophuthatswana	Venda	Ciskei
R350 516 000	R411 569 000	R67 070 000	R156 117 000

(1) (b)

(i) Botswana	(ii) Lesotho	(iii) Swaziland
R284 962 000	R157 396 000	R134 928 000

(2) The estimated balance in respect of customs duty, excise duty and surcharge amounts to R2 555 442 000.

Milk-powder exported/imported

285. Mr H H SCHWARZ asked the Minister of Finance:

What (a) total quantity of milk-powder was (i) exported and (ii) imported from 1 September 1986 to the latest specified date for which figures are available and (b) was the value of the milk-powder (i) exported and (ii) imported during that period?

The MINISTER OF FINANCE:

The export and import statistics in respect of milk-powder for the period 1 September 1986 to 30 September 1987 are as follows:

(a) (i) 800 964 kg

(ii) 14 222 924 kg

(b) (i) R2 744 717

(ii) R23 232 576

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Gold made available for manufacturing purposes

286. Mr H H SCHWARZ asked the Minister of Finance:

What quantity of gold was made available in the Republic in 1987 to (a) jewellers and (b) other concerns for manufacturing purposes?

The MINISTER OF FINANCE:

(a) 2 218 694.500 gram (1 064 522.200 gram in 1986).

(b) 503 608.200 gram (858 388.100 gram in 1986).

Compulsory military service: conscientious objections

354. Prof N J J OLIVIER asked the Minister of Defence:

(1) Whether any legislative changes are being considered to provide for conscientious objection to compulsory military service on the same basis as religious objection; if not, why not; if so, (a) what changes and (b) when will such legislation be introduced in Parliament;

(2) whether any consideration is being given to reducing the period of alternative service for religious objectors; if so, when is it anticipated that changes will be introduced?

The MINISTER OF DEFENCE:

(1) No, the hon member is referred to Hansard 1983, column 3548 in this regard. The situation is unchanged.

(2) The hon member is referred to the Defence Amendment Act, 1987 (Act 45 of 1987), in which this power is in fact vested in the Minister of Defence.

Mainline/commuter passengers

377. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

What was the total number of (a) first-class and (b) third-class (i) mainline and (ii) commuter passengers transported by the rail services of the South African Transport Services in the Republic in the 1986-87 financial year?

The MINISTER OF TRANSPORT AFFAIRS:

(a) (i) 248 999

(ii) 75 918 186

(b) (i) 12 132 118

(ii) 522 686 438

Own Affairs:

Private schools: subsidies

11. Mr D J DALLING asked the Minister of Education and Culture:

(1) Whether any private schools in (a) the Transvaal, (b) Natal, (c) the Cape Province and (d) the Orange Free State (i) have applied for and (ii) have been granted a subsidy for private schools in 1988 in terms of the Private Schools Act

BTI toughens up on tariff protection

Bday 2/3/88

MICK COLLINS

THE Board of Trade and Industry (BTI) is to crack down on industry seeking tariff protection and has warned it will scrutinise all applications more closely.

The move is said to be in line with President P W Botha's call for greater discipline in price setting and wage and salary increases.

BTI chairman Lawrence McCrystal says closer scrutiny of the price history of industries which apply for tariff protection will be enforced immediately.

"It has always been the practice of the board to examine the price history of industries which apply for tariff protection.

"However, in the light of the President's call for discipline, it is the intention of the BTI to look more closely at these aspects in future."

He says the records of applicants seeking customs duty assistance will be examined with regard to their wage increases, prices, and labour and capital productivity.

Eastern Cape

74 B/day 2/3/88

Shipping deal will benefit SA trade

MICK COLLINS

A VESSEL-SHARING agreement recently concluded by three giant international transportation groups will ultimately benefit SA shippers, local shipping sources said yesterday.

The deal, which was signed in the US, will see the world's largest container vessels servicing the US/North Europe and Mediterranean trade routes.

Nedlloyd Lines regional manager Joop Weddepohl said the demise of US Lines last year had released a fleet of 12 giant container carriers.

"An agreement was reached by Nedlloyd Lines, P & O Containers and Sea-land Services as to a vessel-sharing operation covering Nedlloyd's present trans-Atlantic services," he said.

"This in turn will release the Lines' current trans-Atlantic ro-ro and cellular ships for deployment on other trade runs within Nedlloyd Lines' worldwide network of liner services."

The result, he said, would create a ripple effect within Nedlloyd operations around the world, with all trading regions — including southern Africa — being re-tonnaged and upgraded.

The vessel-sharing agreement covers ocean transportation only.

"Before entering into service, the 12 Atlantic-class cellular ships will undergo modification.

"This will ensure the vessels are equipped to meet the specific requirements of the trans-Atlantic run, including accommodation for 20-foot containers," he said.

Sappi to expand its board production

5/3/88

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Sappi Novobord is to launch a R70 million expansion project at its White River particleboard plant.

The expansion involves the building of two plants, a medium density fibreboard (MDF) plant and a new particleboard plant. The new plants will use advanced technology to make quality panels in a continous process, similar to the papermaking process.

Making the announcement, Sappi Timber Industries managing director Kim Jokipii explained that with its increased production Novoboard would be able to keep up with local demand as well as expand its current export markets.

"Demand for superior quality MDF for use in the furniture industry is growing fast and there is currently only one supplier in South Africa.

"We anticipate that demand for both MDF and particleboard can only increase as the country catches up with the low cost housing backlog."

Mr Jokipii added that the process that Novoboard has purchased from Siempelkamp in Germany is at the leading edge of particleboard technology.

"There are only eight plants in the world using this process at present although some 15 installations have been ordered.

"Sappi has awarded a turnkey contract to Siempelkamp to supply and erect the equipment which is equipped to produce panels with advanced features."

When completed in May next year the expansion is expected to boost Novoboard's current production by some 70 percent and will enable the company to add to its existing product range and make further progress in export markets, it says..— Sapa.

(74) B/day 9/3/88.

Foreign Ministry asked to give directive on SA

Japan might order 10% cut in trade

WILLY STERN

TOKYO — Japanese business leaders have informally petitioned the Japanese Foreign Ministry to issue guidelines for reducing SA trade by a certain percentage.

An increasing number of business and government sources in Japan agree the volume of trade with Pretoria will not decrease significantly unless the Japanese government gives a specific order to reduce trade.

A 10% reduction is believed to have been under discussion this week.

Traders said the realities of the market place made it difficult for individual corporations to dramatically reduce profitable trade with SA without direct government interference.

At last count, of the 64 Japanese firms doing business in SA, only five said they had withdrawn operations or planned to pull out.

The news comes on the heels of this week's announcement by the head of Japan's largest business organisation, the Federation of Economic Organisations (Keidanren), that Japanese firms should restrain trade with SA to reduce the bilateral trade volume.

Keidanren president Eishiro Saito said restraints on certain business activities with SA, officially banned by the Japanese government, were not enough to counter overseas criticism of Japan's huge volume of trade with SA.

Keidanren leaders recently warned Japanese Foreign Minister Sosuke Uno that moves by individual firms to stop or slow business ties with SA might incur legal charges from SA companies for breaches of contract.

The Fuji Film Company appeared to be definite on pulling out its operation within two years, and Hitachi said its sales of mainframe computers on an OEM basis through a West German company would be halved in fiscal 1988.

A Nippon Steel official said it was preparing to cut back steel purchases from SA and the Japan Automobile Manufacturers Association said car exports to SA would be held below the 1987 figure. Several others said their trade with SA had been levelling off.

DIANNA GAMES reports a Toyota spokesman in Johannesburg said it was likely Japan would restrict its growth in SA and restrict supplies, but there was no question of their stopping supplies.

A spokesman for Tek Corporation, which distributes Pioneer products, said they were seeking clarification on Pioneer's announcement that it would be stopping supplies to SA once existing contracts ran out.

Tek's contract with Pioneer expires in 1990.

SUNPAK SHINES

Six months to	Feb 28 '87	Aug 30 '87	Feb 29 '88
Operating Inc (Rm)	2,4	4,4	4,0
Pre-tax profit (Rm)	2,3	4,3	3,9
Taxed profit (Rm)	1,4	2,7	2,7
Earnings (c)	3,4	6,7	8,7

definitely be an advantage if Gericke remains as the ideas man, as it was apparently he who saw the potential in Foamtek which was unrecognised by the Japanese developers.

If Sunpak just maintains its present growth rate on traditional products for the year, the share is on a forward p:e of 5. With Foamtek, its p:e is 3. Even in this market, that looks pretty cheap. *Pat Kenney*

COAL 11/3/88 (74)

Still gloomy

Hands up all those who bought Trans-Natal at between 500c and 650c during the past six months as a recovery stock because they thought fundamentals for coal producers could not get much worse. Well, you were warned to leave the shares alone (*FM* September 11).

With the price now down around 400c following the worse-than-expected interim result and passed dividend, the share finally could be worth speculating in for recovery prospects. But, although there are a few glimmers of light in the outlook for South African coal exporters, the overall situation remains poor.

Let's start with the good news. The rand has fallen to about US48c from US50c, combined with a slight increase in dollar coal prices. This is providing some relief on squeezed coal revenues. More important, a compromise solution to the year-long wrangle between coal exporters and Sats over the Richards Bay railway line tariff could, at last, be close.

Transport Minister Eli Louw's announcement last week, that Sats would not increase its published general tariffs this year, does not necessarily apply to the Richards Bay line, which runs on a negotiated contract rate. However, coal industry sources hope that it will apply and that this year they will be required to pay only the direct, unavoidable Sats cost increases such as fuel.

Witbank Colliery chairman Allen Sealey, who is co-ordinating the coal exporters' negotiations with Sats, declines to comment on current negotiations other than to say they are continuing. "The industry is pleased with the attitude being taken by Sats management," he adds. A Sats spokesman would also only say that negotiations continue.

All the exporters except Shell had refused to pay rail rates imposed with effect from September 1 last year and continued to pay only the April 1 tariffs. Sealey tells me that, two weeks ago, dissenting exporters started paying the full September 1 rates and paid in the backlog of costs owing to Sats. But even if Sats freezes the Richards Bay rates this year, the September 1 tariff of about R23/t from Witbank to Richards Bay is still far too high for nearly all the coal exporters.

Analysts Stephen Oke and Mike Algeo, of stockbroker Mathison & Hollidge, estimate that, with the September 1 rail tariffs, most exporters need about $27/t fob Richards Bay for their coal just to break even. Current spot prices range from US$23/t-$25/t, depending on quality. Contract prices are normally higher, but the analysts point out that no contract prices have been set for 1988 delivery.

Each year, Italian power utility, Enel, is normally the first customer to settle and this, therefore, sets a benchmark contract price for the industry. This year, the utility is stalling on negotiations. The reason is that Enel received a directive from the Italian government, similar to that which Japanese consumers earlier got from Miti, aimed at finding ways of reducing offtake of South African coal. The analysts say the Enel action is not a good omen for prices and volumes in 1988.

Sealey confirms that local exporters have had three negotiating sessions with Enel and have yet to reach agreement. He is worried about possible drops in export volumes to Japan because of the Miti directive.

Official figures have not yet been released, but Richards Bay coal terminal (RBCT) exports were about 38 Mt for 1987, with Oke and Algeo putting actual 1987 shipments at 37,8 Mt compared with their estimate in May 1987 of 37,4 Mt. Sealey puts RBCT exports for 1988 at a maintained 38 Mt. Oke and Algeo's estimate is 37,5 Mt, but they say this tonnage could be lower if the exporters restrict volumes to 36 Mt to try to get prices up. They point out that RBCT coal sales to Japan dropped from 8,1 Mt in 1986 to 7,2 Mt in 1987 and assess sales to Japan at 7 Mt for 1988.

The analysts conclude that only marginal increases in dollar prices will be achieved and that despite the forecast weaker rand, the earnings profile for the export industry will decline further in 1988. However, much will depend on whether the industry succeeds in getting the September 1 tariff increase reduced or removed. *Brendan Ryan*

CONSUMEX

Snoring loudly

According to Solly Krok, Consumex (formerly Amalgamated Industrial Investment Corp, or AIIC) was "a sleeping giant". Certainly the adjective is correct — the September interim results are still not out and Krok Group's financial director Bob Garnett confirms that Consumex, now in the food sector, hit substantial production difficulties.

EPS for the year to March could be as low as 10c, 5c short of the 15c forecast in last year's transmuted listing statement.

Evidence is building up that the Krok

Sowetan 11/3/88

74

Benefits of new quoting system

By an Economist

TRADING in the rand began on a cautious note on Tuesday, March 1, in reaction to the change-around from the indirect way of quoting the rand to the direct quotation system.

A foreign exchange quotation is the price of one currency expressed in terms of another currency, for example, Rand 1 = US$,50.

All major currencies, with the exception of some such as the British pound, the Australian and New Zealand dollars, Irish punt, and the SA rand prior to March 1 1988, are quoted directly.

This means that a variable amount of the domestic currency is quoted against a fixed amount of the foreign currency.

Thus, an indirect quotation of the rand against the dollar would be R1 = $,50 whereas under the new system, the direct way of quoting the dollar rand exchange rate would be the exact inverse ie: US$1 = R2 which equals R1 — $,50.

This method of quoting brings the rand more in line with the rest of the world. Although the changeover constitutes a simple arithmetic process with the new foreign exchange rate merely a reciprocal of the old way of quoting, there are definite benefits attached.

Camouflage

The one most commonly cited is the psychological benefit of quoting a higher number to signify a lower dollar/rand exchange rate.

A rand of $,47 would translate into R2,1276, whereas a lower rand of $,46 would be quoted as R2,1739. This is serving to camouflage the weakening of the rand against the dollar — a trend which is expected to continue throughout this year.

The main reason for the lower rand is the pessimistic outlook for gold, due to a scenario of low inflation, as well as the relatively steady to stronger dollar which is trading around Deutschemark 1,68 to Deutschemark 1,69 and yen 128 to yen 129.

This is putting the rand under pressure. Moreover, it suits the Reserve Bank not to support the rand much at its lower levels because a depreciating currency could prevent the current account surplus from being whittled away.

The authorities deem a current account (exports minus imports) essential as export earnings are used to repay our foreign debt as we no longer have access to overseas lending facilities.

A lower rand will make imports relatively more expensive as well as stimulate our exports which will become more competitive internationally thus contributing to a favourable position on our current account.

The rand's losses against the dollar have been better disguised than its weakening against certain key currencies over the past month.

The exchange rates of the rand listed below indicate this clearly. February 1: Dm ,8469 Yen 69,15 Stg 3,510. February 25: Dm ,8081 Yen 66,48 Stg 3,699. March 4: Dm ,7897 Yen 60,20 Stg 3,795.

Besides the psychological benefits of the direct quoting system, certain other changes should also be noted.

Psychological advantage

While the selling rate of the rand was quoted first (on the left) under the old system, using the direct quotation method, the buying rate is quoted on the left, that is, if the rand is trading at $,4700/07 or its inverse equivalent of R2,1246/76, $,47 would be the selling rate of the rand whereas in the latter case R2,1276 would be the selling rate.

Since the changeover, the buy/sell spread of the rand has fluctuated between 15 and 30 points as opposed to the maximum 10 point differential under the old quoting system.

The spread on quoting (that is, the buying rate minus the selling rate) determines the banks profit margins.

The major banks prefer a wider spread in order to maximise their profits whereas the smaller banks can make inroads into the market by offering a narrower spread.

The margins should become much better defined soon.

Many market participants foresee a 10 to 20 point spread in the near future as the market settles into the direct quoting system.

A narrower spread is expected to encourage more competition between banks and thus add to the efficiency in the market.

The inverted rand is always worth R100 per point per $1 million. Previously this was only true when R1 = $1.

Thus irrespective of the trading level of the rand, the value per point will always be identical.

Following on from this, there is no pressure to have a lower rand in order to have a greater value per point so that greater trading profits can be made.

This will tend to lessen the effect of speculators as each rand movement will be of a far less magnitude and thus present the opportunity for far smaller profits to be made.

The volatility of the rand is expected to be reduced under the direct quoting system which is thought also to have the additional benefit of lowering the transaction costs of traders.

FOREIGN TRADE 8/1/88 74 FM

Talking Turkey

Is SA's trade with Turkey about to take off on a magic carpet ride? A Turkish businessman who advertised trade services in last week's *FM* says over 40 South African companies and business organisations have already contacted him.

A A Ramazanoglu, of International Business Services in Istanbul, says respondents include several Indian businessmen.

SA-Turkey trade links were highlighted recently with the news that SA is offering substantial duty rebates on Turkish imports. Early speculation was that the rebates were being offered as part of a countertrade deal, possibly to secure large coal or steel exports to Turkey.

However, trade sources have discounted this, claiming the rebates are intended to lessen the huge trade imbalance in SA's favour. By encouraging imports of Turkish goods, it is hoped to ease the way for further exports to that country from SA. Turkey is also seen by some as a conduit to other markets in the Middle East and south-eastern Europe.

Ramazanoglu, who says he is the publisher of Turkey's official business guide and the *Export Turkey* magazine, says: "Coal and metal exporters have the best opportunities in Turkey. Turkish goods such as garments and leatherware should find a market in SA.

"Free trade zones at Mersin and Adana, with a third port likely soon, also offer an opportunity for South African goods to be reclassified — probably after they've been finished in Turkey, but not necessarily so."

Safto and Assocom have both telexed Ramazanoglu and are particularly interested in plans to set up a Turkey-SA trade association.

Says an Assocom spokesman: "We plan to set up a SA-Turkey Chamber on similar lines to our Latin America Chamber. No doubt we will then be liaising with him." ■

ALUMINIUM

Alusaf caution

Alusaf may be an early candidate for privatisation, but prospective investors should proceed with caution.

The future of the Richards Bay aluminium smelter hinges on two issues: maintenance of SA's international trade ... keeping margins low in a highly competitive industry.

Squeezed margins, ironically, may be good for Alusaf, since the merest hint of sanctions is reportedly enough to attract bids from a rash of alternative alumina suppliers. Alusaf is totally dependent on imports of the raw material and earns half its income from exports.

In the present political climate this reliance on world markets for both raw materials and export sales appears to have placed Alusaf in a vulnerable position. Technical director Pieter de Waal concedes this might be so in principle, but believes the world over-supply of alumina probably rules out the danger. SA could probably source alumina from a range of different suppliers if it had to.

On the face of it, the economics of the domestic aluminium industry are easily explained. Alusaf last fixed its domestic price in October 1987 at R3 860/t, which at current rand/dollar exchange rates, represents an almost 10% discount on the London Metal Exchange price of $2 040/t.

However, daily LME quotes vary according to world stocks and may range over 12 months from $1 200/t to $2 040/t. When stocks are high, prices are low — and vice versa. In exchange rate terms, South African users may sometimes pay well below international prices, sometimes sharply above.

South African aluminium supply is influenced by two main factors:

☐ Production is capital-intensive and consumes huge amounts of electricity. Alusaf has about R500m invested in a 170 000 t/year plant, accounting for 1,2% of world smelting capacity of 14 Mt. It is SA's single largest consumer of electricity, which accounts for a third of operating costs; and

☐ Worldwide, smelting margins are low and investments are recouped over periods of up to 20 years. Producers tend not to throw the switch when prices begin to fall and stock levels are slow to adjust to price changes.

Consumers' horizons are shorter and demand is price-sensitive because of competition from alternatives such as plastic, copper and timber.

Price competition is unavoidable and can lead to periods when the landed duty-paid price of aluminium is below the domestic price, or alternatively, when local buyers pay a premium on world prices. This reached a peak in the early Eighties, when import control kept local prices almost 50% above the effective import price.

Because of the weaker rand, domestic prices have more recently compared favourably with the import price equivalent and, accordingly, the 20% tariff protection is seldom necessary.

Alusaf supplies around 90% of South African aluminium requirements and gross sales income is divided equally between domestic and export sales. By its own calculation, export income net of import costs amounted to R120m last year. ■

KENNISGEWING 156 VAN 1988

DEPARTEMENT VAN MINERAAL- EN ENERGIESAKE

UITHOU VAN GROND VIR DIE DOELEINDES VAN 'N OPENBARE PAD

Die Mynkommissaris vir die myndistrik Johannesburg het 'n strook geproklameerde grond op die plaas Vogelfontein 84 IR, distrik Boksburg, myndistrik Johannesburg, provinsie Transvaal, soos getoon op 'n kaart waarvan afdrukke onder RMT R81/87 in die Mynbriewekantoor, Johannesburg, en in die kantoor van die Mynkommissaris, Johannesburg, bewaar word, kragtens artikel 179 (1) (b) van die Wet op Mynregte, 1967 (Wet 20 van 1967), vir die doeleindes van 'n openbare pad uitgehou.

(19/5/1/2428)

(18 Maart 1988)

NOTICE 156 OF 1988

DEPARTMENT OF MINERAL AND ENERGY AFFAIRS

RESERVATION OF LAND FOR THE PURPOSE OF A PUBLIC ROAD

The Mining Commissioner for the Mining District of Johannesburg has, in terms of section 179 (1) (b) of the Mining Rights Act, 1967 (Act 20 of 1967), reserved for the purpose of a public road a strip of proclaimed land on the farm Vogelfontein 84 IR, District of Boksburg, Mining District of Johannesburg, Province of the Transvaal, as shown on a diagram, copies of which have been filed under RMT R81/87 in the Mining Titles office, Johannesburg, and in the office of the Mining Commissioner, Johannesburg.

(19/5/1/2428)

(18 March 1988)

KENNISGEWING 157 VAN 1988—NOTICE 157 OF 1988

P.5.01A

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VOORLOPIGE OPGAWE VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS

PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE

Opmerking.—Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grootliks aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans

L.W.—Die oorskakeling na die Geharmonieërde Tariefstelsel met ingang van 1 Januarie 1988 het die indeling van sekere kommoditeite verander. Wanneer die afdelingstotale vir 1988 dus met die van 1987 vergelyk word, moet die moontlike verskille as gevolg van die oorskakeling nie uit die oog verloor word nie.

Remark.—The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments

N.B.—The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 with those of 1987 the possible differences due to the change-over should therefore be taken into consideration.

TYDPERK: JANUARIE 1988—PERIOD: JANUARY 1988

	Invoere—Imports		Uitvoere—Exports	
	1988	1987	1988	1987
TOTAAL IN MILJOENE RAND—TOTAL IN MILLIONS OF RAND	2 717,6	2 407,0	3 267,9	3 337,0

TABEL B: TOTALE IN MILJOEN RAND VOLGENS AFDELINGS VAN DIE GEHARMONIEËRDE STELSEL
TABLE B: TOTALS IN MILLION RAND ACCORDING TO SECTIONS OF THE HARMONIZED SYSTEM

Afdelings—Sections	Invoere—Imports		Uitvoere—Exports	
	1988	1987	1988	1987
I. Lewende diere; dierlike produkte Live animals; animal products	26,5	15,0	8,8	35,3
II. Plantaardige produkte Vegetable products	55,4	48,6	25,0	97,2
III. Dierlike en plantaardige vette en olies en splitsprodukte; voorbereide spysvette; dierlike en plantaardige wasse Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes	18,4	24,8	2,5	3,9
IV. Voorbereide voedsel; dranke, spiritus en asyn; tabak en vervaardigde tabaksurrogate Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	43,1	46,4	42,0	48,2
V. Mineraalprodukte Mineral products	17,1	34,2	260,3	289,9
VI. Produkte van die chemiese of verwante nywerhede Products of the chemical or allied industries	246,2	275,6	39,1	76,2
VII. Plastieke en artikels daarvan; rubber en artikels daarvan Plastics and articles thereof; rubber and articles thereof	124,6	99,9	7,1	12,4

Afdelings—Sections	Invoere—Imports		Uitvoere—Exports	
	1988	1987	1988	1987
VIII. Ongelooide huide en velle, leer, pelsvelle en artikels daarvan; saal- en tuiemakersware; reisartikels, handsakke en dergelike houers; artikels van dierederm (uitgesonderd sywurmsnaar) Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	11,9	8,7	11,6	15,4
IX. Hout en artikels van hout; houtskool; kurk en artikels van kurk; fabrikate van strooi, van esparto of van ander vlegwerkstowwe; mandjiewerk en vlegwerk Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw; of esparto or of other plaiting materials; basketware and wickerwork	19,6	14,8	11,4	9,8
X. Pulp van hout of van ander veselagtige sellulosiese stof; afval en oorskiet van papier of papierbord; papier en papierbord en artikels daarvan Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard of paper or paperboard; paper and paperboard and articles thereof	75,5	49,3	29,1	51,7
XI. Tekstiele en tekstielartikels Textiles and textile articles	114,6	91,8	54,8	49,8
XII. Skoeisel, hoofdeksels, sambrele, sonsambrele, wandelstokke, sitstokke, swepe, karwatse en onderdele daarvan; bereide vere en artikels daarvan gemaak; kunsblomme; artikels van mensehaar Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair	7,6	6,2	0,1	0,5
XIII. Artikels van klip, gips, sement, asbes, mika of dergelike stowwe; keramiese produkte; glas en glasware Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	22,9	21,0	4,4	7,6
XIV. Natuurlike of gekweekte pêrels, edel- of halfedelstene, edelmetale, metale met edelmetaal bedek, en artikels daarvan; nagemaakte juweliersware; muntstukke Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin	10,3	9,2	284,7	115,3
XV. Onedelmetale en artikels van onedelmetaal Base metals and articles of base metal	124,9	151,2	313,5	338,8
XVI. Masjinerie en meganiese toestelle; elektriese toerusting; onderdele daarvan; klankopnemers en -weergewers; televisiebeeld- en klankopnemers en -weergewers, en onderdele en bybehoorsels van sodanige artikels Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	752,1	624,3	22,1	32,7
XVII. Voertuie, lugvaartuie, vaartuie en verwante vervoertoerusting Vehicles, aircraft, vessels and associated transport equipment	308,5	235,4	16,7	24,9
XVIII. Optiese, fotografiese, kinematografiese, meet-, kontroleer-, presisie-, mediese en chirurgiese instrumente en apparate; uurwerke en horlosies; musiekinstrumente; onderdele en bybehoorsels daarvan Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	99,6	82,8	2,2	3,8
XX. Diverse vervaardigde artikels Miscellaneous manufactured articles	21,1	16,7	3,2	5,3
XXI. Kunswerke, versamelaarsstukke en antieke Works of art, collectors' pieces and antiques	3,7	2,4	0,4	0,2
Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings Other unclassified goods and balance of payments adjustments	614,0	548,7	2 128,9	2 118,1
Groottotaal—Grand total	2 717,6	2 407,0	3 267,9	3 337,0

(18 Maart 1988)/(18 March 1988)

74 B'day 22/3/88

Banks turning to forex for profit

LONDON — Many international banks and other financial institutions have targeted foreign exchange as a key activity to prop up sagging profits damaged by the Third World debt crisis and last year's share market crash, bankers and analysts said.

While traditionally not a major profit contributor for banks, Rod Barrett of British brokerage firm Hoare Govett said foreign exchange was good business for banks increasingly "under pressure to concentrate on their market strengths".

"There is no doubt it has become a core profit line rather than a peripheral profit line in the last couple of years," said Tim Goode, a director of Britain's midland bank Montagu.

Foreign exchange has won a spotlight because of earnings setbacks suffered by banks in problem loans to less developed countries and intense corporate lending competition.

It also has gained renewed attraction as trading in eurobonds and equities remains at a low ebb after last October's worldwide share collapse and merchant banking activities such as rights issues and venture capital continue to suffer.

Dealers report that foreign currency exchange volumes are soaring with daily spot turnover in London now way above the US$90bn estimated by the Bank of England two years ago. — Reuter.

cials following the R29,85.

D/D 31/3/88

Ex-SA ambassador criticises govt's foreign trade policy

74

286

JOHANNESBURG — The former South African ambassador to the United Nations, Mr Kurt von Schirnding, has criticised the government's "short-sighted foreign policy of taunting foreign trade partners to impose sanctions".

Addressing the South African German Chamber of Commerce on international perspectives on South Africa, Mr Von Schirnding — in his capacity as the South Africa Foundation director general — said Pretoria's defiant confrontation with trading partners in the United Nations by telling them "to do their damndest" to impose sanctions was confrontational and dangerous.

"However pressed we are to taunt powers to apply sanctions and do their damndest, it is a very short-sighted policy to adopt. We cannot hide for ever between the veto power of the Unites States and Britain," he said.

Mr Von Schirnding emphasised that the February 24 restrictions and the future of the temporarily reprieved Sharpeville Six had detrimental effects on the international community's perception of South Africa.

"The coutry's main Achilles heel is its lack of perception of what marketing is all about. We don't have many more feet to shoot ourselves in. The February 24 restrictions might have been necessary but not justified," he said.

He also questioned the necessity of the "imposition of draconian measures " while jeopordising South Africa's foreign relations.

Swiss trade with SA more than doubled

30/3/88 Star 74

The Star's Foreign News Service

GENEVA — Campaigns by anti-apartheid organisations against South African goods have been ineffective in Switzerland.

Switzerland's imports from South Africa, excluding gold, more than doubled from 1986 to 1987.

Supermarkets and even small shops continue to stock arrays of South African produce, particularly fresh fruit. Large chain stores such as Migros and Denner stamp all such items, "South Africa" or "imported from South Africa," but this is not putting off consumers.

Imports of South African goods excluding gold amounted to almost 400 million francs (R632 million) in 1987, compared with around 153 million francs (R238 million) in 1986.

But this has not pleased the mass circulation Sunday newspaper *Sonntagsblick*, which has taken exception to what it calls "the increasing fondness for products from the Cape."

A full-page article in the paper was headlined: "Switzerland is the most important support of South African racists".

The paper claimed that between two-thirds and three-quarters of South African gold is marketed by Switzerland — something which Swiss banking experts say is "doubtful".

Switzerland no longer reveals figures on gold imports, having stopped the practice in 1980 following angry protests by South Africa and the Soviet Union. But experts believe South Africa to be selling around half of its gold through the "Big Three" Swiss banks which run a gold pool in Zurich.

DEFEATED

A Socialist Party motion against trade with South African was heavily defeated in the Swiss Parliament last week, with the majority Conservative parties as well as the Government itself repeating the basic Swiss position. This is that it strongly opposes apartheid, but Switzerland, as a neutral country, does not join in economic boycotts.

At Migros, which is the biggest Swiss supermarket chain, spokesman Erich Kissling said: "We do not engage in politics and leave the decision to our customers."

At the Denner discount chain, which stocks much South African canned goods, spokesman Peter Christen said: "There has been absolutely no drop in sales of South African products."

DAIL

Bid for R2bn Taiwan trade

8/4/88

74

JOHANNESBURG — An elaborate bilateral trade drive is underway to boost South Africa's trade with Taiwan to $2 billion a year by 1990.

Coming off a base of $600 million in 1986 and a current estimated base of $1,2 billion for 1987—88, the target could well be within reach, according to the SA Foreign Trade Organisation (Safto).

Safto export management services general manager, Mr Warren Smith, said yesterday that Safto's counterpart in Taipei, the China External Trade Development Council (Cetra), had made the forecast.

He said in view of sanctions, trade statistics locally were being closely guarded and figures, forecast or otherwise, were not being released.

"But Cetra chairman, Dr P K Chiang, has gone on record as saying Taiwan wants to increase two-way trade and that the $2 billion mark can be achieved.

"All I can tell you is that trading activity has increased tremendously in the last two years. Due to government (SA) restrictions no statistics can be released but the tempo is quickening."

However, published statistics show that South African imports from Taiwan grew by 93% last year and two-way trade increased by 54% in 1986 and 66% in 1987.

Mr Smith was speaking on his return from the opening of the South African Export Mart at the World Trade Centre in Taipei.

Mr Smith said: "South African business has taken over 230 stands at the exhibition. This is a sample showcase for our goods in the Asia—Pacific marketplace. One of the advantages of exhibiting in Taiwan is that about 50% of the buyers are foreign. That is, they are not Taiwanese.

Commenting on past criticism of Taiwan's trading policies, Mr Smith said the upsurge in trade with South Africa was as a direct result of the "liberalising" of China's trading structures. Also, import duties had been brought down considerably.

The country's trade surplus in 1987 hit a record $19,03bn — a jump of 21% on the previous year. Taiwan's 1987 exports and imports also rose to record levels. Exports were listed at $53,53bn, up 34,5% and imports were up 42,8% to $34,5 billion.

ARGUS 11/4/88 (74) (280)

Japan takes action against trade with SA

NAIROBI. — Japan is campaigning for closer ties with black Africa while trying to curb the growth of its new role as South Africa's top trade partner.

The strategy, a leading Tokyo economist said during a visit to Nairobi this week, marks a shift away from a policy that has long been dictated by the needs of Japanese industry for metals and minerals produced by South Africa.

"I believe Japan's action to tone down trade and business with South Africa is not just rhetoric, or lip service," said Mr Ichiro Inukai.

Mr Inukai, economics professor at the International University of Japan, visited Kenya as an envoy of the Japanese Foreign Ministry.

He said in an interview that Tokyo's relations with black Africa reflected sharply rising aid, efforts to bolster trade and participation in mineral exploration.

His trip came amid a flurry of diplomatic visits scheduled by officials from Zambia, Mozambique, Ethiopia, Somalia, Rwanda and Botswana to Japan in the first half of 1988 to discuss aid.

Development aid

Japan has earmarked R1 000-million in development aid for black Africa in the next two years.

This, Mr Inukai said, means that Africa will get 11 percent of Japan's aid to the Third World, up from only three percent in 1970.

Mr Inukai described as "unusual" the decision of Japan's Minister of Trade and Industry, Mr Hajime Tamura, to summon the presidents of six major trading houses last month to urge them to restrain trade with South Africa.

Tokyo's trade with South Africa developed from its drive to rebuild the Japanese economy after World War 2.

Concrete action

"We could say that because of raw materials, resources which Japan didn't have and couldn't get outside South Africa, we've had a sort of excuse so far . . . trade with South Africa could be regarded as a matter of national security," Mr Inyukai said.

But, he added: "Bearing in mind world opinion on apartheid and the economic power Japan now has, it seems that our Government has finally decided to take concrete action."

Japan last year replaced the United States as South Africa's biggest trade partner and is sensitive to charges that it is exploiting a vacuum created by the withdrawal of American, British and other companies over apartheid.

Mr Shigeru Yamakawa, Nairobi-based executive director for the semi-official Japan External Trade Organisation (Jetro) in Africa, says a tendency to monitor trade in dollar terms is misleading.

Two-way trade reached 4 300-million dollars in 1987, up 19 percent in dollar terms but two percent in yen terms over 1986, according to the Japanese Foreign Ministry.

Japan sells mainly cars, television sets and other electrical and electronic gadgets to South Africa. It buys coal, gold, platinum and strategic metals and minerals, like manganese and ferro-alloys, along with grain.

Bans imports

Tokyo has barred direct Japanese investment in South Africa, and bank loans and arms sales to it, since 1965.

It now also bans imports of Krugerrands and sales of computers to the South African police and military, restricts tourism, cultural and educational links, and no longer permits the Jetro office there to promote new business.

Mr Yashuji Akagawa, head of the giant Marubeni trading firm's South Africa office, voiced support last September for continued economic links with South Africa as vital to both sides.

But Mr Inukai quotes a business leader in Tokyo telling him that Japanese firms in black Africa were complaining. "Report after report said 'please take some action'," the businessman recounted.

Mr Inukai said that ideas to limit ties with Pretoria and boost black African trade include switching some Japanese purchases of maize from South Africa to countries like Zimbabwe, Kenya and Tanzania.

Japan, which already buys copper from Zambia and Zaire, and iron ore from Liberia, was looking, too, at whether black African countries could supply strategic materials such as uranium and platinum, that it now buys from South Africa.

Mr Inukai said it appeared that the Japanese Government may at present want to halt only further growth in trade with South Africa. But in the long term it might seek a reduction.

"That could depend on where we can get alternative supplies of chrome, nickel and those kind of rare metals," he added. — Sapa-Reuter.

stances, an advance payment may also be collected to protect the Department's income.

Printing contracts awarded to two companies

831. Mr D J DALLING asked the Minister of Communications:

(1) Whether his Department awarded any printing contracts in 1987 to two companies, the names of which have been furnished to the Commission for Administration for the purpose of the Minister's reply, or to their associated companies and printing operations; if so, (a) in respect of what publications or printed matter, (b) how many copies of each publication or item were ordered from each company and (c) what are the names of the companies concerned;

(2) whether these contracts were put out to tender; if not, (a) why not and (b) what was the total amount paid by his Department in respect of each of these contracts; if so, what was the (i) tender price originally accepted, and (ii) total amount paid out, in respect of each contract;

(3) whether his Department subsidizes any publications published by the above companies; if so, (a) which publications and (b)(i) why, and (ii) what is the amount of the subsidy, in each case;

(4) what total amount was spent by his Department in 1987 on printing and publishing involving (a) the above companies and (b) any other specified companies?

The MINISTER OF COMMUNICATIONS:

(1) Yes;

(a)	(b)	(c)
Telex directory for the RSA	55 100	
Telephone directories —		
Pretoria White Pages	394 729	
Pretoria Yellow Pages	130 241	Die Pers-
Johannesburg White Pages	930 361	korpo- rasie van
Johannesburg Yellow Pages	282 419	Suid-
West Rand	670 192	Afrika
East Rand	659 791	Beperk
Durban White Pages	424 064	
Durban Yellow Pages	238 407	
Northern Transvaal	95 824	
Eastern and South-Eastern Transvaal	156 381	
Western Transvaal	121 989	
Natal South Coast	46 022	
Natal North Coast	69 808	
Pietermaritzburg and Natal Interior	158 854	
Vaal Triangle	129 519	
Business and Industrial directory	40 320	
Cape Peninsula White Pages	550 247	
Cape Peninsula Yellow Pages	353 347	
Boland and West Coast	153 331	
Southern Cape	68 595	
Karoo and Namaqualand	34 090	
Northern Cape	86 604	
Orange Free State	208 777	Nasionale
East London and Eastern		Koerante
Cape Country	128 022	Beperk
Port Elizabeth and Surrounding Area	156 349	
Postel	±600 000	

(2) yes, for a period of 10 years with effect from the 1981/82 publications in respect of telephone directories and 3 years with effect from 1 September 1986 in respect of Postel, the official personnel newspaper. The amounts paid out in respect of these contracts for 1987 are as follows:

Telephone and telex directories:	Die Perskorporasie	R18 994 085
	Nasionale Pers	R7 423 636
Postel:	Nasionale Pers	R127 971

There are no firm tender prices involved, only basic tariffs in respect of the various components from which the publications are compiled and also provision for annual escalaction;

(3) no,

(a), (b)(i) and (ii) fall away;

(4) (a) the amounts mentioned in 2(b) above; and

(b) R13 748 497 to various other companies of which the following are the most important:

Company	Amount spent R
Reliance Printing Works	718 000
Tvl Envelopes	1 102 000
Computer & Prestige Colour Printers	2 648 000
Bros Printing	235 000
Lexlines	1 371 000
Silveray	597 000
Merpak	711 000
Masterform	320 000
Albion Press	586 000
JB Printing	374 000
Barlan Forms	224 000
Tradeforms	201 000
Moore Paragon	1 294 000
Knox Printing	136 000
System Forms	290 000
Telkor	102 000
Variprint Business Forms	162 000.

Value of imports from/exports to Turkey

868. Mr D J N MALCOMESS asked the Minister of Finance:

With reference to the reply of the Minister of Economic Affairs and Technology to Question No 222 on 8 March 1988, what was the value of South Africa's (a) imports from and (b) exports to Turkey in each of the latest specified three years for which figures are available?

The MINISTER OF FINANCE:

It is the government's policy not to make figures of the Republic's trade with individual countries available.

However, should the honourable member so desire the figures will be made available to him on a confidential basis.

(14)

Employees: extra employment/own businesses

915. Mr C J DERBY-LEWIS asked the Minister of Communications:

(1) Whether employees in his Department are permitted to (a) take on extra employment and (b) participate in any type of business of their own; if so,

(2) whether this permission is granted subject to any conditions; if so, what conditions?

The MINISTER OF COMMUNICATIONS:

(1) (a) and (b) Yes; subject to prior permission being obtained in terms of Section 38(1)(b) of the Post Office Service Act, 1974;

(2) yes, on condition that —

(a) the performance of extra work or participation in a business undertaking in no way hampers the official in the performance of his/her official duties;

(b) the work/activity is performed/exercised entirely outside the prescribed hours of attendance: Provided that if the activity is of an educational nature and in the interest of the Department a maximum of 10 hours per week may be spent thereon during official hours;

(c) the work is not of such a nature that the Department or the Government may be embarrassed in any way; and

(d) the permission may be rescinded at any time.

school sports facilities on schoolgrounds:	
— Primary	R98 519,00
— Secondary	R1 196 127,00
	R1 294 646,00
Sports education, training courses and meetings in schoolsports	R1 467 970,39
	R2 762 616,39
(ii) Out-of-school sport Training, training courses and sports meetings	R944 702,28
(iii) Community facilities Sports facilities: Out-of-school — facilities in the community for the community	R2 737 546,00
(iv) Central Sports and Recreation fund	R2 537 770,53
	R8 982 635,20

Eskom: postponed payments of amounts due

989. Mr C J DERBY-LEWIS asked the Minister of Administration and Privatisation:

With reference to the reply to Question No 752 on 29 March 1988, (a) how many of the 313 large consumers which exceeded the period of grace allowed for payment of amounts due to Eskom in respect of bulk electricity were municipalities, (b) what was the total amount outstanding and (c) in respect of what 12-month period is this information furnished?

The MINISTER OF ADMINISTRATION AND PRIVATISATION:

(a) Of the 313 bulk supply points which were in arrears at one or other time during the 12-month period 1 April 1987 to 31 March 1988, 197 were municipal accounts of which most were in rural areas.

(b) and (c) At the end of January 1988 there was an amount of R5 173 712,48 outstanding in respect of accounts rendered to municipalities for electricity for the month of December 1987. All municipalities are however paying on a regular basis and by the end of March 1988 this amount has been reduced to nil.

Vegetable oil: importing/exporting

1014. Mr W J D VAN WYK asked the Minister of Agriculture:†

(1) Whether any vegetable oil was imported in the first quarter of 1988; if so, (a) why and (b) how many tons;

(2) whether part of the new season's production of vegetable oil is to be exported; if so, (a) why, (b) how many tons and (c) to which countries;

(3) whether any such oils has been or is to be carried over to the new season; if so, how many tons?

The MINISTER OF AGRICULTURE:

(1) Yes;

(a) to supply the shortage which resulted from the drought during the 1987/88 season and to meet the demand for special oils which are not available locally;

(b) approximately 30 045 tons;

(2) yes;

(a) as a result of an expected surplus production of groundnuts and sunflower seeds;

(b) it is still too early in the new season to make an estimate of the quantities which could be available for export;

(c) oil expressers will decide themselves to which countries they are going to export;

(3) yes, but the quantities cannot be determined at this stage.

Meat: quantities imported

1017: Mr R W HARDINGHAM asked the Minister of Agriculture:

(1) Whether any (a) beef, (b) lamb/mutton and (c) pork has been imported since 1 January 1988; if so, (i) what quantities of each as at the latest specified date for which figures are available and (ii) for what purpose in each case;

(2) whether the conditions relating to these importations are being adhered to; if so, under whose scrutiny; if not, why not;

(3) whether any action is being taken against offenders and possible offenders in this regard; if not, why not; if so, what action;

(4) whether he will make a statement on the matter?

The MINISTER OF AGRICULTURE:

(1) Yes, since 1 January until 30 April 1988;

(a) (i) approximately 5 629 tons;

(ii) approximately 5 135 tons for the manufacture of meat products and approximately 494 tons for sale by auction to registered butchers;

(b) (i) 600 tons;

(ii) 500 tons for sale by auction at the Cato Ridge market only and 100 tons for the manufacture of meat products;

(c) (i) 414,5 tons;

(ii) the manufacture of port products;

(2) yes, the Meat Board;

(3) yes, criminal as well as administrative actions in terms of the Marketing Act, 1968 (Act 59 of 1968), and the Livestock and Meat Control Scheme;

(4) no, a statement is not considered necessary.

Mosgas project: tender documents

1027. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

Whether tender documents in respect of the Mosgas project are written to favour specific products; if so, (a) why and (b) which products are involved?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(a) and (b)

The general tender documents are not written to favour specific products but they are written to specify the technical and operational requirements of the project.

Bophuthatswana: Eskom electricity

1038. Mr C J DERBY-LEWIS asked the Minister for Administration and Privatisation:

Whether Eskom supplies electricity to Bophuthatswana; if so, on what basis?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION:

Yes. Electricity is supplied at Eskom's standard tarrifs at 29 points of supply in Bophuthatswana. The total supply ~~amounted to 2 124 million kilowatt~~ hours in 1987.

Mmamatsuwe power station, Bophuthatswana: cost of construction

1039. Mr C J DERBY-LEWIS asked the Minister for Administration and Privatisation:

(1) Whether his Department contributed towards the cost of constructing the Mmamatsuwe power station in Bophuthatswana; if so (a) to what extent and (b) (i) what was the total cost involved and (ii) in respect of what date is this information furnished;

(2) whether his Department was involved in the tender procedure in respect of this power station; if not, why not; if so,

(3) whether his Department was furnished with any details regarding the company to which the tender for this power station was awarded; if so, (a) to which company was the tender awarded, (b) in which country is this company registered and (c) (i) who are the directors of the company and (ii) what are their nationalities?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION:

(1) No

(a), (b) (i) and (ii) fall away.

(2) No, because the Department of Mineral and Energy Affairs nor Eskom was approached for advice on the tender procedure of this independent state.

(3) No

(a), (b), (c) (i) and (ii) fall away.

Booklet: South Africa at a Glance

1065. Mr P G SOAL asked the Minister of Information, Broadcasting Services and the Film Industry:

(1) Whether the Bureau for Information was responsible for the compilation and distribution of a booklet entitled "South Africa

Hansard

(2) Yes. A road transport service was introduced.

(3) The economy of the line is presently being evaluated in accordance with a new branch line strategy. As soon as the results are known a final decision whether or not the line should be closed will be taken.

Processed foodstuffs: increase in importation/ decrease in exportation

74

*33. Mr D G H NOLTE asked the Minister of Economic Affairs and Technology:†

(1) Whether there was (a) an increase in the importation of, and (b) a decrease in the exportation of, processed foodstuffs, during the latest specified period of 12 months for which information is available; if so, (i) by what percentage, and (ii) why, in each case;

(2) whether his Department is taking steps to encourage more efficient manufacturing processes; if not, why not; if so, what steps;

(3) whether he will make a statement on the matter?

†The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) (a) and (b) It should be explained that in the circumstances of the increasingly complex situation that South Africa faces internationally, particulars of the country's foreign trade are regarded as sensitive information of which an analysis in any form should not be made public. This applies so much the more in the case of agricultural products which represent one of the items singled out for international action against South Africa.

(2) Yes. When considering applications for the introduction of additional customs tariffs, the efficiency of local manufacturers is taken into account. Apart from this, Government is taking certain actions with regard to the improvement of technology.

(3) No.

Own Affairs:

*1. Mr A GERBER — Education and Culture. [Withdrawn.]

Meetings by outside agencies at schools: completion of TED 493 form

*2. Mr A GERBER asked the Minister of Education and Culture:†

(1) Whether school principals falling under the Transvaal Education Department are required to complete a TED 493 form in respect of each meeting held by outside agencies at their schools; if so, what steps are taken against school principals who fail to complete these forms; if not,

(2) whether the size of meetings is a determining factor as regards the completion of such forms; if so, what are the relevant particulars in this connection?

†The MINISTER OF EDUCATION AND CULTURE:

(1) No, the applicant completes form TED 493 for consideration by the local governing body;

(2) no.

Mr A GERBER: Mr Chairman, arising out of the hon the Minister's reply, is it left to the discretion of the school principal concerned to decide whether it is necessary for the form to be completed; and can the hon the Minister indicate to us how large the meeting may be before it becomes necessary to complete the specific form?

†The MINISTER: Mr Chairman, I think it is unnecessary for me to reply to the hon member's supplementary question, because, in response to the hon member's original question, I very clearly indicated that the size of the meetings is not a determining factor. There is not an exact number of members which will give us that cut-off point. I also refer the hon member to the reply to his own question, Question No 2 of 29 March 1988, where he will obtain further details.

Non-White students accommodated in Hippokrates/Francie van Zijl hostels

*3. Mr A GERBER asked the Minister of Education and Culture:†

(1) Whether he will furnish information on the Hippokrates and Francie van Zijl hostels of the University of Stellenbosch; if not, why not; if so,

(2) whether permission has been granted for non-White students to be accommodated in the above-mentioned hostels; if so, (a) by whom and (b) how many non-White students are accommodated in these hostels at present;

(3) whether exemption from the provisions of the Group Areas Act has been obtained in respect of these hostels; is so, (a) when and (b) on what (i) grounds and (ii) conditions; if not, what procedure was followed in this connection;

(4) whether he will make a statement on the matter?

†The MINISTER OF EDUCATION AND CULTURE:

(1) Yes, in so far as it falls within my jurisdiction since the hostels are the responsibility of the council of the University of Stellenbosch;

(2) yes,

(a) by me, but I wish to point out that this permission does not establish a precedent for the opening of other similar residences as each such application is considered in terms of Item 14 of Schedule 1 of the Constitution,

(b) 7 in Hippokrates and 1 in Francie van Zijl;

(3) this question should be put to the Minister concerned;

(4) no.

†Mr P W COETZER: Mr Chairman, arising out of the hon the Minister's reply, is he aware of the fact that the first application ever approved for a person of colour to stay in a White university hostel was approved by the hon the Leader of the Official Opposition in the days when he was still a Deputy Minister in the NP?

†Mr J H VAN DER MERWE: You still falsified those things.

†The CHAIRMAN OF THE HOUSE: Order! The hon member for Overvaal must withdraw the charge of falsification.

†Mr J H VAN DER MERWE: Mr Chairman, may I address you on that?

†The CHAIRMAN OF THE HOUSE: No, you may not address me on that.

†Mr J H VAN DER MERWE: There was a debate on that matter.

†The CHAIRMAN OF THE HOUSE: Order! It does not matter. My ruling is that you may not acuse another hon member of falsifying things.

†Mr J H VAN DER MERWE: I withdraw it, Mr Chairman.

†Mr H A SMIT: Mr Chairman, on a point of order: The hon the Leader of the Official Opposition said the same thing.

†The CHAIRMAN OF THE HOUSE: I did not hear it. Did the hon the Leader of the Official Opposition say that?

†The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, I used the word "falsified", but I did not use it in regard to this matter.

†The CHAIRMAN OF THE HOUSE: I shall then leave it at that.

†Mr F J LE ROUX: If I were you, I would rather keep quiet about that document. Your history with regard to that document is not all that unblemished.

†Mr D S PIENAAR: It is a falsified document.

†The CHAIRMAN OF THE HOUSE: Order! I do not think the supplementary question of the hon member for Springs necessarily arises out of the reply, and we shall therefore proceed to the next question. [Interjections.] Order!

Policy directive on school sport/culture issued

*4. Mr R M BURROWS asked the Minister of Education and Culture:

(1) Whether he or his Department recently issued a policy directive on school sport and culture to provincial education departments and schools; if so, (a) when and (b) what persons or bodies were consulted before the policy was decided upon;

(2) whether this policy directive document is available to members of the public; if not, why not;

(3) whether he will make the official policy directive document available to Parliament; if not, why not?

†The MINISTER OF EDUCATION AND CULTURE:

(1) Yes.

(a) 28 March 1988,

(b) the ministerial representatives,

Hansard

D10 4/5/88 (74)

SA exports up, imports down

PRETORIA — Trade exports by South Africa from January to March this year amounted to R10 573,4 million and imports to R8 679,5 million, according to the preliminary statement of trade statistics released by the Commissioner of Customs and excise here yesterday.

In the equivalent period last year, exports totalled R10 051,6 million and imports R6 451,6 million.

The statement includes the following commodities imported during the January to March quarter (1987 figures in brackets):

Animals and animal products R68,9 million (R58,5 million), vegetable products R153,5 million (R124,8 million), animal or vegetable fats and oils R75,3 million (R47,7 million), prepared foodstuffs, beverages, spirits, tobacco R180 million ((R139,8 million), mineral products R82,1 million (R65 million), base metals and articles of base metal R435,4 million (R329,6 million), machinery, mechanical and electrical appliances and accessories R2695,7 million (R1717,1 million), vehicles, aircraft, vessels and associated transport equipment R1170,6 (R734,6), miscellaneous manufactured articles R70,8 million (R45,6 million), wood and articles of wood, basketware and wickerwork R63,2 million (R38,6 million), textiles and textile articles R367,2 million (R269,8 million), and footwear, headgear, umbrellas, whips and artifical flowers R25,8 million (R22,4 million).

Exports included animals and animal products R47,9 million (R101,5 million), vegetable products R148,3 million (R348,6 million), animal or vegetable fats and oils R20,6 million (R15,1 million), prepared foodstuffs, beverages, spirits, tobacco R198,7 million (R199,5 million), mineral products R1085,5 million (R936,1 million), base metals and articles of base metal R1308,1 (R1064,1 million), machinery, mechanical and electrical appliances and accessories R137,6 million (R127,2 million), vehicles, aircraft, vessels and associated transport equipment R79,7 million (R94,5 million), miscellaneous manufactured articles R19,6 (R22,2 million), wood and articles of wood, basketware and wickerwork R38,2 million (R35,6 million), textiles and textile articles R327 million (R240,2 million), and footwear, headgear, umbrellas and articicial flowers R2,7 million (R3,3 million). — Sapa

Amcoal pays same again

Star 5/5/88

(74)

By Sven Lünsche

Plagued by diminishing export earnings and a lower rand exchange rate, Anglo American Coal Corporation (Amcoal) once again reported a reduction in earnings for the financial year to end-March.

While earnings for the second half of the year at R54,7 million were nine percent ahead on the R50,2 million recorded for the first half, attributable income for the year as a whole declined by 45,2 percent from R190,9 million to R104,9 million.

Earnings a share fell from 781,1c to 429,4c.

Amcoal declared a final dividend of 160c, maintaining the annual dividend at 240c, despite, what the directors described as, lower earnings due to the decreased level of exports and reduced profit margins.

Operating profit before amortisation and tax was R273,7 million — 40 percent below that achieved in the previous year.

Amortisation of mining assets and depreciation of refractory assets absorbed R6,1 million more at R43,8 million, leaving pre-tax profit of R229,9 million, compared to R417,7 million in the previous financial year.

Normal and deferred tax were down by almost R105 million to R118,2 million.

The directors reported that total sales of coal and coke were 42,5 million tons — 1,6 million tons more than last year. However, turnover decreased by threepercent to R1,144 billion, mainly as a result of lower export revenues.

Commenting on the results the directors said: "Based on recent trends in international coal markets, the lower rand dollar exchange rate and subject to no further sanctions, Amcoal's earnings from coal exports are expected to show some improvement. There should also be further growth in domestic earnings.

Accordingly, the group was forecasting improved results for the year ahead.

Details of trade with Eastern bloc refused

South Africa maintained a policy of neutrality as far as the origin or destination of its foreign trade were concerned, and details of imports from Eastern bloc countries were "unfortunately not available for publication," *Economic Affairs and Technology Minister Danie Steyn* said in the House of Assembly yesterday.

Star 6/5/86

SENSITIVE INFORMATION

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Replying in writing to a question from Mr Clive Derby-Lewis (CP nominated), the Minister said: "In the circumstances of the increasingly complex situation that South Africa faces internationally, particulars of the country's foreign trade are regarded as sensitive information and it is not considered advisable to divulge an analysis of this in any form.

"This applies in particular in respect of any trade with Eastern bloc countries," he said. — Sapa.

Fortress economy trend worries Matie expert

74 289

CAPE TIMES 10/5/88

Own Correspondent

JOHANNESBURG. — A warning that the impact of trade and financial sanctions would be felt in the coming months was given yesterday by the Bureau for Economic Research (BER) at Stellenbosch University.

It said relations with the international community over the next year were not expected to worsen dramatically, but the sanctions already in force would start to make their effects felt soon.

"This will be compounded by the negative effects of a general slowdown in the world economy, resulting in a two-fold inhibition of growth for South African merchandise exports," BER director Dr Ockie Stuart said.

"We are now experiencing some of the typical signs of an economic cyclical upswing in its mature phase, but many traditional signs of a genuine upswing are not showing up. This is a worrisome trend, since it is a situation that is symptomatic of a fortress economy."

On the political front, he said the government's continuation of the state of emergency might be beneficial in the short term but did not appear to be tenable in the longer term.

Commenting on the results of the BER's latest in-depth study of trends across a broad spectrum of trade and industry, Dr Stuart advised business people to start tightening their belts.

"We are riding relatively high on a vigorous wave of consumer activity at the moment, but businesses must prepare to start working harder for their profits.

"Unemployment is still rising and fixed investment has, in recent months, not come on stream at all, other than in housing. It seems realistic to expect that once again the balance of payments will damp down economic growth, contributing to a lowering of living standards and further increases in unemployment."

The narrowing of South Africa's trade surplus from more than R1 billion a month on average during 1987 to a level in the region of R550 million and R647 million in January and February respectively this year, gave cause for concern, Dr Stuart said.

A slow, orderly depreciation (6,3%) in the dollar/rand exchange rate was expected in 1988, which in turn implied a dollar/rand exchange rate of just below 45c by the year end. The rand would continue to fall against the American currency in early 1989 and was expacted to be around 42,5c by the middle of next year.

"It is important to realize that the dollar itself is expected to depreciate against other major currencies during this period. The rand will therefore depreciate even more sharply against, for example, the Deutschmark. The DM/rand exchange rate is expected to be about 69c by mid-1989," Dr Stuart said.

CAPE TIMES 10/5/88

Star 10/5/88

Sanctions crunch coming — BER

By Sven Lünsche

South Africa will feel the pinch of financial and trade sanctions significantly for the first time in the coming months, the Bureau for Economic Research at Stellenbosch University (BER) has predicted.

Commenting on the results of the BER's latest study of trends across a broad spectrum of trade and industry, director Dr Ockie Stuart says a full economic upswing cannot be achieved without substantial foreign investments.

"We are now experiencing some of the typical signs of an economic cyclical upswing in its mature phase, but many traditional signs of a genuine upwsing are not showing up. This is a worrisome trend since it is a situation that is symptomatic of a fortress economy," he says.

"Unemployment is still rising and fixed investment has in recent months not come on stream at all, other than in housing. "It seems realistic to expect that once again the balance of payments will damp down economic growth, contributing to a lowering of living standards and further increases in unemployment," Dr Stuart says.

While relations with the international community over the 12 months were not expeced to worsen dramatically, sanctions already in force would start to make their impacts felt in the coming months.

"This will be compounded by the negative effects of a general slowdown in the world economy, resulting in a twofold inhibition of growth for South African merchandise exports."

On a more positive note, Dr Stuart says consumers are generally in a better financial situation than they were two years ago. "In 1987, for the first time in the 1980s, consumers' disposable income rose in real terms by 3,2 percent, compared with 1986, and we expect disposable income to be again above the inflation rate in 1988 and the first half of 1989. However, all the signs are that the spending party by consumers — private consumption expenditure is likely to be 4,1 percent this year — will taper off towards the summer, with expenditure on durable goods showing a substantial fall in 1989 and services also tapering off markedly."

Report warns against mineral boycott

Star 12/5/90

(74)

US stands to lose billions over ban

By Neil Lurssen
Te 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 in Washington 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 such as 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 would be even greater, the study 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.

Adding to their worry is a recent report that the US ban on SA coal imports cost the American coal industry R300 million in 1986 and 1987 alone.

HOTHEADS

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.

Americantrade journals 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 South African strategic and critical minerals in terms of the 1986 legislation.

The current sanctions Bill would include bans on strategic minerals such as 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. The US and Canada, together, have less than 1 percent of the reserves.

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 try again this year to harness South Africa's major trading partners into severing their trade ties.

Coal in crisis and Sats action makes it worse

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13-19/5/88 W/Mail

Coal exports are down and so are prices. But it's got little to do with sanctions.

By HILARY JOFFE

SOUTH AFRICA'S coal industry is ailing. The major coal producers' earnings are dropping and 8 000 industry jobs are estimated to have been lost since 1985.

But sanctions are not the only reason — or even the main reason — for the coal industry's decline. A world glut of coal has driven down prices and made it difficult for South African producers to maintain their market share. Ironically, the government itself has exacerbated coal exporters' problems: South African Transport Services last year increased rail tariffs to Richards Bay harbour by between 50 and 110 percent.

Anglo American Coal Corporation, which this week published its annual review, recorded a pre-tax profit of R227,8-million for the financial year ended March — down 45 percent on the previous year. Attributable earnings were down to R104,9-million from R190,9-million and earnings per share declined from 781c to 429c.

Amcoal accounts for the largest proportion of South Africa's coal output, followed by Gencor's Trans Natal Coal Corporation and Barlow Rand's Witbank Collieries.

If Amcoal's results look bad, the others' performance has been worse.

Trans Natal Coal Corporation reported profits before tax of R16-million — 86 percent down on the previous year's R113-million — in its interim results to the end of December. Earnings per share dropped from 69c to 11c.

In Witbank Colliery's half year results to the end of March, pre-tax profit was R23,1-million, down 62 percent on the same period in 1986/87. Earnings per share dropped to 269c from 640c.

In his annual review, Amcoal chairman Graham Boustred cites reduced export earnings, higher rail tariffs and increased working costs as reasons for the corporation's reduced profits.

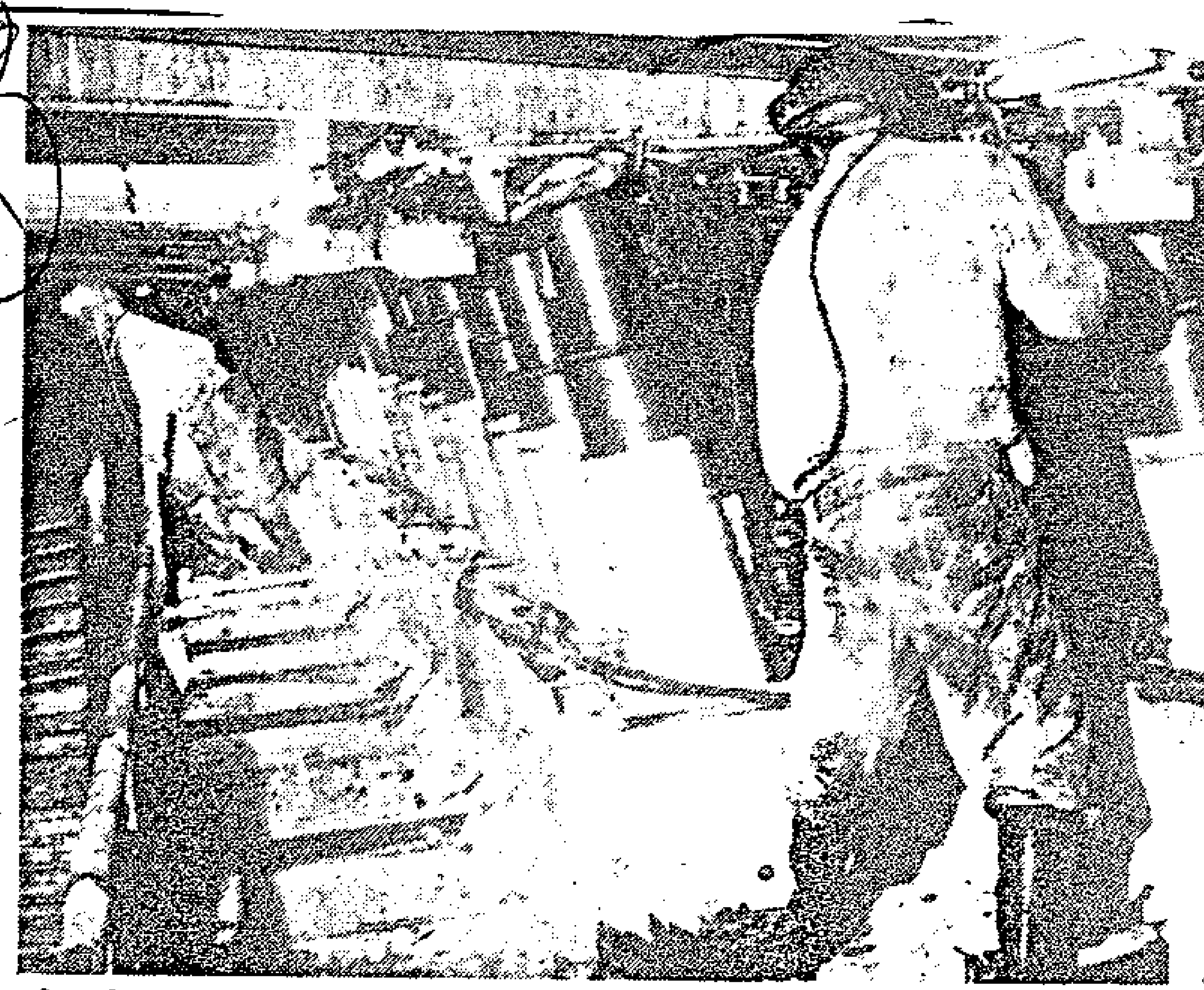
South African coal exports dropped by six percent (2,9-million tons) during 1987 and foreign exchange earnings from coal exports for 1987 dropped to R2,3-billion from R3,2-billion in 1986. Coal is the largest contributor to South Africa's export earnings from minerals, after gold and platinum, according the Department of Mineral and Energy Affairs report for 1987.

According to Boustred, rail tariffs reduced at-mine export revenue by a further R300-million last year.

Coal sanctions imposed by the United States, Denmark and France are one reason for falling export revenues. But they are only part of the explanation of South African producers' reduced earnings.

Mining analyst Mike Algeo, of stockbrokers Mathison & Hollidge, estimates 800 000 tons in exports to the US have been lost as a result of sanctions. In 1985 South African coals exports to France were estimated at 7-million tons and to Denmark, 3-million.

Japan decreased imports from South Africa by one-million tons last year, Algeo says. While the country has not imposed sanctions, the Japanese government has requested importers and users to "lessen dependence on South African coal".


At the coalface ... market pressures cause industry crisis

But there is a world oversupply of steam coal, with new producers such as Colombia and China, but these have yet to prove themselves.

South African producers would have been struggling (like other producers) to maintain their market share anyway, although politics might have increased their handicap.

In their attempt to maintain market share South African exporters have reduced their dollar prices on international markets. And with the vagaries of the rand's value against the dollar, rand revenues have decreased.

Despite South African coal producers' efforts, which include setting up marketing offices overseas, they have not maintained market share. According to Algeo, sales to the Far East have not increased as forecast, mainly the result of China's exports.

Amcoal's total exports were 11 percent lower than the previous year, Boustred said.

He attributed this to the oversupply in world markets, which resulted in the spot price for South African steam coal falling to below $20 a ton. This, together with sanctions by the US, Denmark and France, "severely impacted the operations of South African exporters and resulted in significant quantities of coal being exported at a loss".

Spot prices had improved to between $25 and $27 a ton in recent months, he said, with tighter supply conditions, as a result of China's inability to meet some contractual arrangements in Europe and the Far East.

Electricity production rose by 4,4 percent in 1987 and Amcoal's sales to Eskom increased by 14 percent to 30,1-million tons.

Boustred said Amcoal lost 1,1-million tons of production during the National Union of Mineworkers' wage strike in August last year.

Coal in crisis and Sats action makes it worse

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At the coalface ... market pressures cause industry crisis

13-19/5/88 W/Mail

Bumper year at Keeley

Star 16/5/88

After its most successful year to date, Keeley Group Holdings has declared a maiden dividend as a listed company of 11 cents a share.

This was double the 5,5 cents forecast before Keeley shares were listed last October, a statement from the company said.

(74)

Keeley, a producer of dimensional granite with more than 90 percent of its total production earning foreign exchange via exports, increased attributable income by 62 percent to R13,3 million in the year to February.

Earnings a share were 42,5 cents (26,3 cents). Turnover rose 42 percent to R65,6 million (R45,9 million).

The maiden dividend of 11 cents was for the five months from the time of listing to year-end.

"Based on the considerable expansion that has taken place and the continued world wide demand for the granite that we mine, we anticipate a significant improvement in profits for the current financial year," said the executive chairman, Mr Fred Keeley.— Sapa.

74 B/day 16/5/88.

SA trade routes 'lead to destruction'

HARARE — Independent southern African states are sponsoring their own political and economic destruction by using trade routes through SA, a senior Zimbabwean government minister said yesterday in Harare.

Senior Minister of Political affairs in the President's Office Maurice Nyagumbo told a Political Science Students' Association conference at the University of Zimbabwe that some people might not understand why there was so much determination to abandon SA trade routes.

"The crux of the matter is that southern African states, Zimbabwe included, find themselves in an absurd contradiction in the milieu of SA-linked trade relations.

"The duty that we, as Frontline states, pay for the passage of our our goods through SA constitutes most if not all of the funds that equip and sustain the MNR and Unita and any other puppet organisations which in turn sabotage the sovereignty and the very economic institutions we are striving to consolidate and uphold.

"Paradoxically, independent southern African states are actually sponsoring their own political and economic destruction and in effect this is self-destruction.

"The situation cannot and should not be allowed to continue," he said.

The conference, titled "After Unity: Whither Zimbabwe" is being addressed by a number of prominent Zimbabweans of varying viewpoints.

Nyagumbo told the meeting Zimbabwe's achievement of national unity was "an instructive model to the anti-apartheid forces of liberation both in and around Africa."

He said December's unity accord between Zanu-PF and Zapu-PF and the recent amnesty should enable greater development to take place. — Sapa.

25/5/88

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B/day

WORLD

Africans endorse call to cut SA trade

ADDIS ABABA — African leaders in the preferential trade area (PTA) economic group yesterday endorsed measures to cut trade with SA and called for action to make the sanctions effective, it was reported.

They also encouraged all member-states to increase economic relations among themselves.

The leaders endorsed recommendations from their ministers calling for "the strengthening of economic sanctions against SA".

PTA secretary general Bax Nomvete said they encouraged "all PTA states to diversify their trade away from SA taking advantage of the vast potential within the PTA for the promotion of intra-regional trade".

That could be done by using the PTA clearing house more and improving and developing alternative transport routes.

To facilitate implementation of the recommendations, a committee of leaders would be established to co-ordinate all activities aimed at making the sanctions effective.

The committee would be assisted by a committee of ministers and another of experts.

☐ The ministers also decided that the OAU would open an office in Washington to lobby anti-apartheid groups in the US. — Sapa-AP.

IN BRIEF

US company to sell PCs in USSR

SUNNYVALE, California — Advanced Transducer Devices is to assemble and sell thousands of American-designed personal computers in the So-

74

Ramphal chides Mauritius for SA trade links

PORT LOUIS — Mauritius has been chided for its flourishing trade links with SA by Commonwealth secretary-general Shridath Ramphal.

He said: "The children of slavery, of indenture, of colonialism, as we are — from your country and from mine — owe it to ourselves to be in the front line of the struggle against apartheid."

Ramphal said he was unhappy to hear Mauritius was expanding its trade links with SA and that it operated a private-sector trade office in Johannesburg.

He said: "The private sector in a country such as Mauritius must be responsive to the political environment and to cultural sensibility.

"I want Mauritius to put me in a position to be able to argue with conviction with other African leaders."

Ramphal said southern Africa's Frontline states had not applied sanctions because they were dependent on SA for trade routes.

But other African states should curtail trade with Pretoria and ban landing rights for SA aircraft. — Sapa-Reuter.

Degree of disenchantment

The sharp growth of countertrade in developing country markets in the first half of the Eighties seems to have come to a halt. A study (**see below**) by UK research firm, Produce Studies, shows that the number of recorded deals involving developing countries slipped from a peak of 304 in 1985 to 270 in 1986 and 272 in 1987. The number of developing countries engaged in countertrade dropped from 72 in 1986 to 65 last year.

But this is still a sharp contrast with the start of the decade, when countertrade in its modern form was virtually unknown.

The authors acknowledge that precise information on the extent of countertrade is hard to come by, but the study — which developed out of an earlier study by *The Economist* Intelligence Unit in 1984 — is based on a record of 1 350 deals between 1980 and 1987.

It gives a rare insight into an activity normally shrouded in obscurity, where most comment is based on little more than anecdotal evidence.

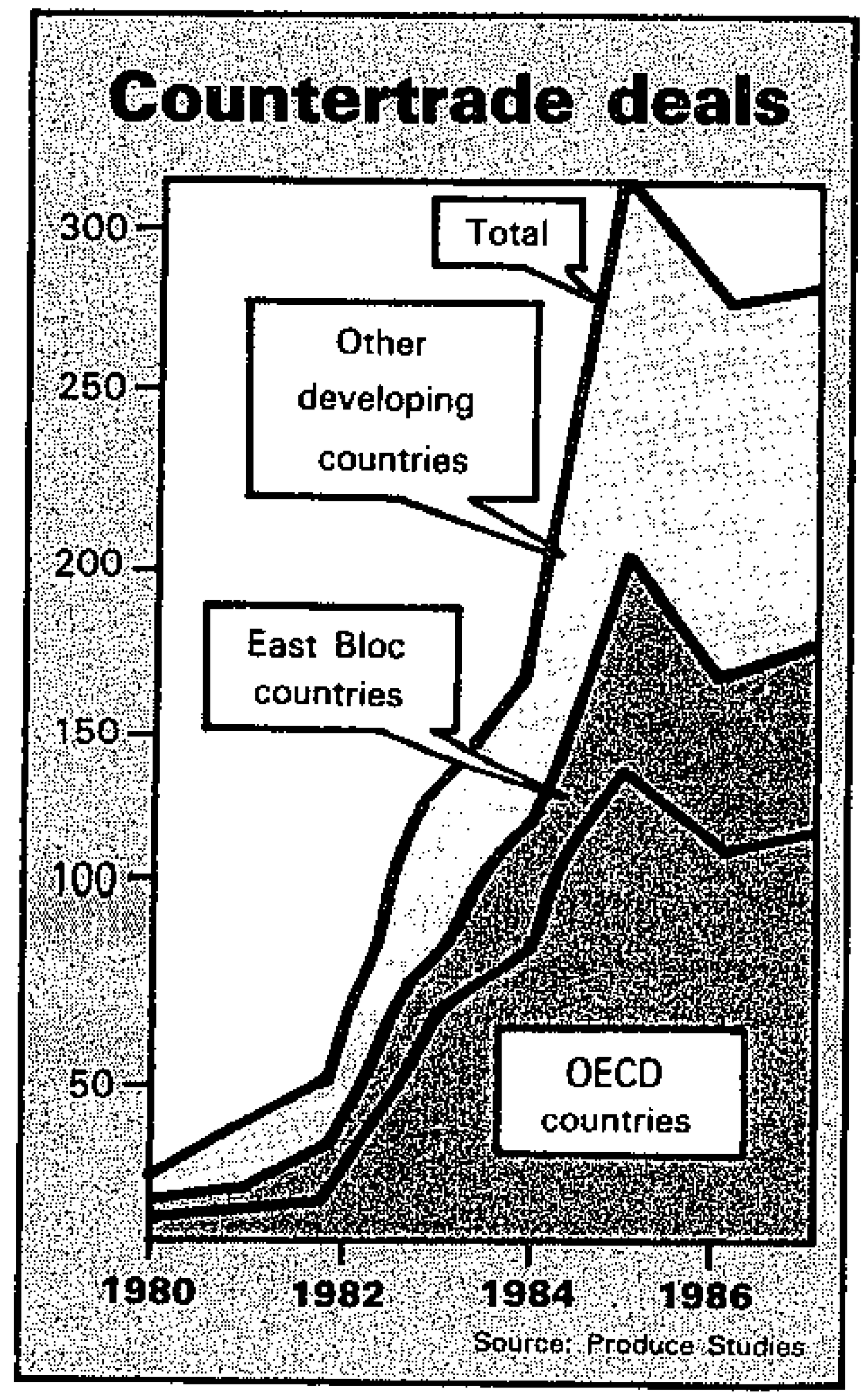
Produce Studies has built up its data base from a careful study of the media and other reports. A few governments publish data about countertrade in their own countries, but such official information remains rare.

Its basic conclusion is that the experience of the past two years suggests a degree of disenchantment with countertrade, but it stresses that this need not mean that the countertrade bubble has burst.

The conditions, including a shortage of foreign exchange, which led developing countries to introduce countertrade policies in the early part of this decade have not changed and in some areas, notably the Middle East, sub-Saharan Africa and the Indian subcontinent, it has continued to increase.

But the study also sheds fresh, if still tentative light on a number of perennial countertrade issues that have so far eluded scientific study: the size of deals, the type of product and the spread of activity between countries and regions.

Of the 1 350 deals on its data base, Produce Studies says it can put a value on 745. In terms of one-way trade these were worth US$107bn, giving an average value of $143m per deal. If exceptional deals with a value of over $500m are excluded, however, the average value falls sharply to $57m.



Countertrade deals

Even this figure could be misleading, it says. The number of deals exceeding $500m amounted to only 56, and those between $100m and $499m to 141. If these deals are also excluded, the average for each transaction falls to only $18m.

The leading product for both export to and import from developing countries on a countertrade basis was crude oil, followed by cereals. Not surprisingly, raw materials play a large part in the countertrade business. But a feature of the past four years has been an increase in the manufactured exports sold on a countertrade basis by developing countries.

Clothing and textiles are now in third place after oil and cereals on the list of developing country countertraded exports. Road vehicles and parts, which had been virtually negligible in 1980-1983, are sixth.

Vehicles and parts are the third most important import, followed by construction projects.

Produce Studies recorded only six countertrade deals involving construction projects between 1980 and 1983, but this jumped to 101 in the following four years.

The main reason behind the slowdown in countertrade over the past two years has been a decline in the number of deals struck by developing countries with trading partners in the industrialised world, the study says. The number of such deals peaked at 136 in 1985, but slipped to just 110 last year.

In contrast, the volume of business between the Eastern bloc and developing countries has been fairly stable, while there has been a marginal decline in deals between individual developing countries.

The Far East remains the most important region for countertrade, not least because it includes Indonesia and China, two developing countries with a strong involvement.

Produce Studies expects that trade between developing countries will make up an increasing share of countertrade in future, given the foreign exchange constraints facing these countries. "South-south countertrade offers opportunities for genuine incremental trade . . . for all types of products," it says.

There are no grounds to predict a downturn in such trade between developing countries and the Eastern bloc, but north-south countertrade now looks to be set on a much more erratic pattern.

☐ Third World Countertrade. Price £80 airmail. Available from: Produce Studies, Overseas Division, Northcroft House, West Street, Newbury, Berkshire RG131HD, England.

No protection for labour costs

74 268 888 B/Day 15/6/88

HELOISE HENNING

THE Board of Trade and Industry (BTI) says it will not consider granting ever higher levels of protection to compensate for "unbridled demand for higher wages by trade unions".

In its review of economic conditions, contained in the BTI 1987 annual report released this week, it says unit labour costs during 1987 rose by 10%, making labour unit costs equal to those in "other overseas countries".

"Failure on the part of the trade unions to understand and accept this point will simply mean that the economy will continue to under-perform and the level of unemployment will rise above the already excessively high levels."

The board says capital costs in 1987, which it calculates in nominal terms, were about 44% higher than an average of those in the US, UK and West Germany.

"Weighting the comparative costs of labour and capital by their respective overall contribution to the GDP, the board finds the total cost of the two primary production factors (labour and capital) in 1987 was some 22% higher than in representative overseas countries."

The hardening of the rand exchange rate could have put the costs premium even higher.

It concludes that for these reasons certain economic activities may need "effective protection" of some 22%, or 5% more than in 1986.

Unsustainable

The BTI says continual devaluation of the rand to compensate for the lack of competiveness is an unsustainable practice.

In fact, the long term effect of the sliding rand — 52% since 1980 — has sustained high inflation, poor productivity and a poor balance of payments performance in the manufacturing sector.

"The solution lies in reducing the level of inflation and improving the productivity performance of labour and capital."

Hansard

Pretoria North		
Pretoria Moot		

(2) These 17 police districts are divided into 113 police station areas. To compile the information required by the honourable member for each station aea is not only a time-consuming task, but also so comprehensive that it cannot be accounted for economically. Therefore, compounded statistics for each of the five Polie Divisions, which are readily available, are furnished:

	(i) 1982/83	(ii) 1987
(a) Witwatersrand	478	673
West Rand	465	602
East Rand	1088	848
Soweto	707	780
Northern Transvaal	228	280
(b) Witwatersrand	520	468
West Rand	721	816
East Rand	1020	1083
Soweto	914	846
Northern Transvaal	481	522
(c) Witwatersrand	620	761
West Rand	853	1156
East Rand	1318	1375
Soweto	1170	1464
Northern Transvaal	972	1105
(d) Witwatersrand	2954	3030
West Rand	6001	6855
East Rand	9362	8860
Soweto	6856	5197
Northern Transvaal	4689	4982
(e) Witwatersrand	6362	7316
West Rand	5535	6767
East Rand	9891	7988
Soweto	5267	5880
Northern Transvaal	8090	9391

Offenses

1085. Mr D J N MALCOMESS asked the Minister of Law and Order:

How many cases of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm, (d) common assault, (e) rape, (f) robbery, (g) theft of vehicles and cycles, (h) malicious damage to property, (i) housebreaking with intent to steal and theft and (j) possession of drugs were reported at each specified police station in the Krom River/St Francis Bay area in 1987?

The MINISTER OF LAW AND ORDER:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
HUMANSDORP	13	5	140	48	12	13	26	36	150	60
ST FRANCIS BAY	2	3	12	8	3	0	7	3	116	18
KAREEDOUW	2	0	64	32	2	0	4	0	38	0

NOTE St Francis Bay has a mobile police station which is in the Humansdorp police area.

Debt: long-term/short-term

1118. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

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(1) What was the total long-term and/or short-term debt of his Department as at the end of the (a) (i) 1982-83 and (ii) 1984-85 financial years and (b) latest specified financial year for which figures are available;

(2) how much of this debt in each such financial year was attributable to foreign exchange losses?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) (a) (i) and (ii) Nil

(b) Nil

(2) Falls away.

SAP: numbers

1139. Mr C J DERBY-LEWIS asked the Minister of Law and Order:

How many (a) Whites, (b) Coloureds, (c) Indians and (d) Blacks were employed by the South African Police as at 31 December 1982?

The MINISTER OF LAW AND ORDER:

(a) to (d) 38 623 members of all races

Assaults: senior citizens

1147. Mr C J DERBY-LEWIS asked the Minister of Law and Order:

Hansard

(a) How many white senior citizens were criminally assaulted in the Republic in each of the latest specified five years for which figures are available, (b) how many of these assaults occurred in White residential areas and (c) how many of these citizens were murdered in such assaults in (i) White residential areas and (ii) the Republic?

The MINISTER OF LAW AND ORDER:

Statistics are not kept in respect of the age of crime victims and the specific area where the crime was committed.

Departmental documents: custody

1157. Mr C J DERBY-LEWIS asked the Minister of National Education:

(1) Whether his Department issues guidelines to Government Departments in connection with the safe custody of departmental documents; if so, (a) what precautions are taken to ensure that such documents are not removed or destroyed without permission and (b) for what period are these documents retained by the Departments concerned;

(2) whether, after the period referred to above, departmental documents are tranferred to the archives falling under his Department; if so, (a) what categories of documents are so transferred, (b) (i) who decides on the categories of documents to be kept or destroyed and (ii) what are the criteria applied in this regard, (c) what system is used in classifying these documents, (d) (i) for what period are such documents closed to public scrutiny and (ii) why was this period decided upon and (e) what method is used to ensure that no documents are removed without permission;

(3) whether his Department has made a study of the procedure followed in other western countries in regard to the periods for which deparmental documents are closed to public scrutiny; if so, (a) what other countries were involved and (b) how do these periods compare with the practice followed in South Africa;

(4) whether there is a central register enumerating and detailing records of all current documentation in each Government Department; if not, why not; if so, what are the relevant details?

The MINISTER OF NATIONAL EDUCATION:

(1) Yes. Directions in this connection are contained in instructions issued by the Director of Archives in accordance with section 3 (2) (a) and (b) of the Archives Act, 1962 (Act 6 of 1962), to offices falling under the Archives Act.

(a) The instructions mentioned above, require the head of an office to take the necessary measures for the safe custody and care of its archives until they can be transferred to the appropriate archives depot or until they may be destroyed under an authority issued by the director of Archives in terms of section 3 (2) (b) of the Archives Act. Staff of the State Archives Service also periodically carry out inspections to ensure that the instructions are carried out.

(b) Section 6 of the Archives Act provides that archives that are thirty years old or older shall be transferred to an archives depot. In terms of section 6 (a) (i) the Minister of National Education may, however, authorize the head of an office to retain his archives, or a part thereof, for a certain period. In terms of section 6 (b) (i) the Director of Archives may, in turn, defer the transfer of archives until such time as he deems fit, besides which he may in terms of section 6 (b) (ii) authorize the transfer of archives that are less than thirty years old.

(2) Yes, with the exception of those archives which the Minister of National Education has authorized the head of an office in terms of section 6 (a) (i) to retain for a certain period and those the transfer of which the Director of Archives has deferred in terms of section 6 (b) (i).

(a) All documents which, in the opinion of the Director of Archives, should be preserved permanently, except those whose retention for a longer period in the offices concerned has, as indicted above, been authorized. At the lapse of these authorities, the documents of such offices adjudged worthy of preservation are also transferred to an archives depot.

(b) (i) The Director of Archives. In

End in sight for R2,2-bn US exports

New Bill aims to strangle SA trade

1'74 2

Star 16/6/88

By Alan Dunn, The Star Bureau.

WASHINGTON — The House of Representatives will probably pass a fresh battery of economic sanctions against South Africa later this month, throttling all trade except certain commodities the US needs to keep flowing.

The Anti-Apartheid Act amendments of 1988 dramatically broaden the original sanctions-bearing Comprehensive Anti-Apartheid Act of 1986, imposing a near-total ban on US-South African business, closing loopholes, creating some whoppers — and ending more than R2,2 billion a year in US exports to South Africa.

American agricultural produce is, however, exempt (it earned US farmers R115 million last year). So are humanitarian donations of food, clothing or medical supplies intended to relieve human suffering, and publications.

Imports from South Africa are banned, except strategic minerals which the US president certifies are essential for the economy or defence, and publications and imports from South African businesses wholly-owned by blacks.

Also specifically banned are any foreign products containing South African components.

The Bill orders American companies out of the Republic within six months and forbids any American to buy, own or hold any investment in South Africa.

Military

No American may transport crude oil or petroleum products to South Africa.

The Bill prevents any American engaging in the production of "special nuclear material" in the Republic.

Intelligence-sharing between governments is banned, except information on Cuban troops and their communist supporters in southern Africa. Military co-operation is also prohibited.

In terms of the Bill, the US president may drop sanctions if he certifies to Congress that South Africa has released all people "persecuted for their political beliefs or detained unduly without trial".

It stipulates that the president must confirm four of five developments as well, before doing so:

- A repeal of the state of emergency.
- Unbanning of political parties and free participation by all in politics.
- Repeal of the Group Areas Act and Population Registration Act.
- Government agreement to enter into good faith talks with "truly representative members of the black majority without preconditions".
- Ending the "illegal occupation" of SWA/Namibia and implementing the United Nations peace plan for it's independence.

It instructs the president to confer with allies to get them to impose similar sanctions against South Africa.

The president must further instruct his representative to the UN to propose that the Security Council impose similar sanctions.

The president must also develop a programme to reduce US dependence on South African strategic minerals.

Finally, the Bill makes R84 million a year available to "disadvantaged South Africans", enabling them to have scholarships, participate in trade unions, private enterprise, alternative education, and community development programmes.

It may also be used for legal aid for South African journalists in challenging Government restrictions on the media.

Up to R6 million would be used for training and legal aid for viable trade unions, and R800 000 is earmarked each year for refugee education and aid for South Africans and SWA/Namibians.

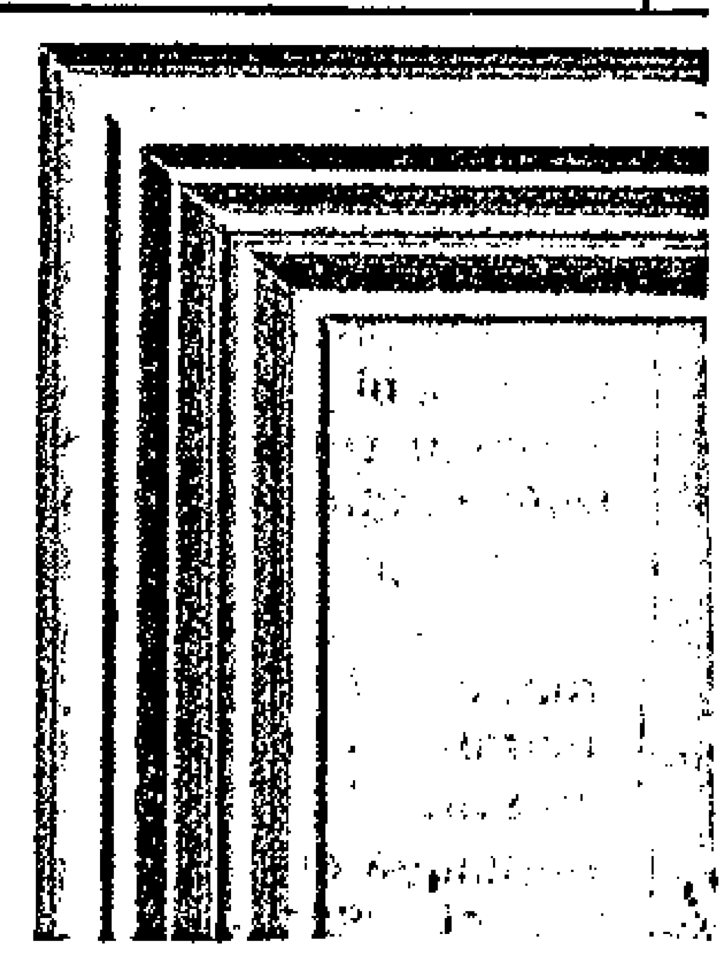
Seated on the Senate Foreign Relations Committee next Wednesday and Thursday, as it holds hearings on further sanctions, will be several lawmakers dubious about further squeezing South Africa.

Some will be dead against it this year.

Opposition

Uncertainty surrounding the House Bill's future heightened this week with an editorial in the influential *Washington Post* concluding: "... We don't think any new sanctions are justified while such doubt exists about whether the old ones were wise."

Opposing the Bill also is the Reagan Administration: "It doesn't make sense," Secretary of State Mr George Shultz said this week.



Forex analysts believe that dollar bear market is at an end

STAR 20/6/88

(74)

By Neil Behrmann

LONDON — The foreign exchange market is beginning to believe that the long US dollar bear market is over.

Traders and analysts do not expect a surge because central bankers are expected to keep a tight rein on the currency markets.

Downward trend

But the downward trend of the US trade deficit and refusal of the dollar to fall to new lows against the Deutschemark, Swiss franc and other leading currencies, indicate that the currency has bottomed out.

Even before trade figures took markets by surprise, gold, silver and platinum were weakening. Investors were not prepared to push prices into higher trading ranges.

While gold weakened, major stockmarkets rallied sharply.

Equity dealers are hoping that if the dollar is steady, the US authorities will be able to keep the economy motoring ahead of the elections. They believe that stable currency markets will avert recession and set the stage for a revival in share markets.

A continued recovery of the dollar will have a mixed impact on South African markets. The rand could weaken against the dollar, if gold reacts, but it is likely to rise against currencies of other major trading partners.

While a weaker gold price could hinder confidence, other exports, notably base metals and agricultural produce could remain strong — especially if the US, Japanese and European economies maintain their satisfactory growth rates. In any event, gold is finding support at $420 to $440 because of Far Eastern demand.

There are several signs that central banks could well succeed in maintaining currency stability.

Through shrewd trading tactics, they have outwitted currency traders consistently. After pushing sterling up to $1,90, speculators were hurt badly when central bankers engineered a decline in the currency.

Unless the dollar takes a sudden turn for the worse towards the end of the year, it would appear its bear market lows occurred at the end of 1987. It touched 122 yen, Dm1,58 and 1,27 Swiss francs. Sterling came into its own later and a few weeks ago touched $1,90.

Those rates compare with the latest rates of Dm1,742, 1,462 Swiss francs and $1,7845.

The trade deficit of $9,89 billion compares with $11,7 billion in March and the peak of $17,63 billion last October.

After years of sliding, it is fashionable not to hold dollars and the huge dollar bear positions worldwide have been falling with each rally in the currency.

Jonathen Wilmot, economist at Credit Suisse First Boston, does not believe the threat of central bank sales will deter the dollar from rising.

"They will slow, but not halt, the dollar's rise," he says.

"Bear in mind that international investors based in Europe are as a group significantly underweight in dollar assets," he says.

Long-term revival

David Morrison, currency economist of Goldman Sachs, contends, however, that it is too soon to talk of a long-term dollar revival.

The dollar has been rising mainly because short-term US interest rates have increased, he says.

"Since the next few months are likely to witness political uncertainty in the US and a return to higher trade deficits, the dollar is probably living on borrowed time," he says.

SA can resist an economic siege, says top US official

Star. 23/6/88

The Star Bureau

WASHINGTON — South Africa has the resources to resist an economic siege and has been preparing for such a contingency for many years, according to a top United States government official.

"We believe that direct controls on shipments to South Africa would probably not prevent South African importers from obtaining the foreign supplies that they need," the Deputy Secretary of State, Mr John Whitehead, told US senators here yesterday.

Mr Whitehead said that sanctions would not only be shrugged off by South Africa but would also be costly for the United States itself.

South Africa had domestic deposits of virtually every key material needed for an industrial economy — except crude oil and bauxite.

The impact of reasonably enforced comprehensive UN sanctions on South Africa was likely to be a moderate recession over the medium term, comparable to the 1982-86 period in the Republic.

Over the longer term, however, constraints on growth and competitiveness could push South Africa deeper into recession.

'SA CAN RESIST'

74

SOWETAN FOREIGN SERVICE

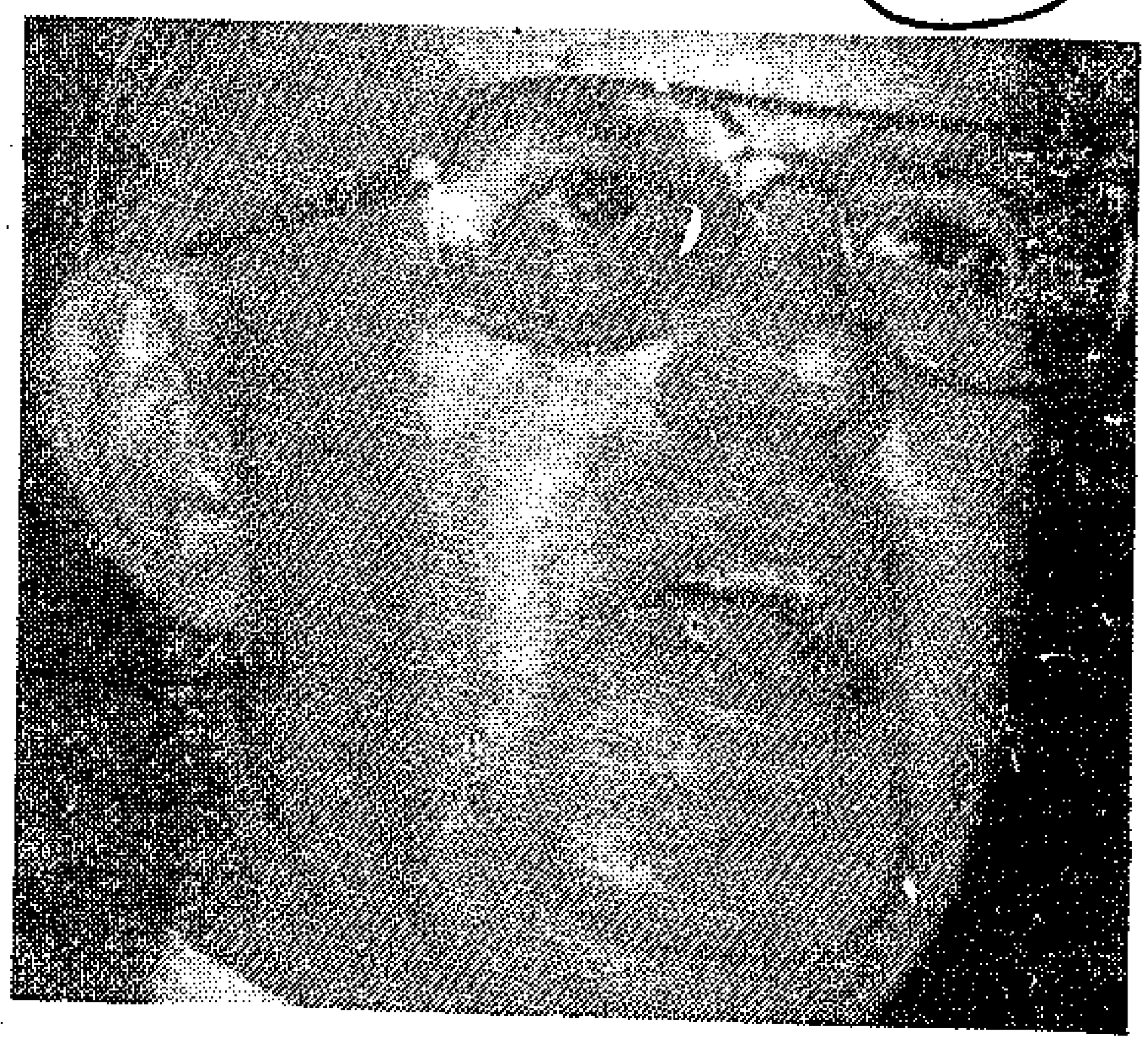
Sowetan 24/6/88

WASHINGTON — South Africa has the resources to resist an economic siege and has been preparing for such a contingency for many years, according to a top United States government official.

"We believe that direct controls on shipments to South Africa would probably not prevent South African importers from obtaining the foreign supplies that they need," the Deputy Secretary of State, Mr John Whitehead, told US senators in Washington this week.

In testimony before the Senate Foreign Relations Committee which is considering a new package of tough economic embargoes, Mr Whitehead said that sanctions would not only be shrugged off by South Africa but would also be costly for the US itself.

US business would have to find new markets — if they were available — for over R2,4 billion in annual exports, and even a temporary disruption of South African strategic minerals to the US would have serious repercussions over a broad range of US industries, he noted.



SA leader President P W Botha.

Dependence

Mr Whitehead said that although heavily dependent on international trade, South Africa had domestic deposits of virtually every key material needed for an industrial economy — except crude oil and bauxite.

"The South African Government and private sector have spent billions of dollars stockpiling strategic imports — ranging from crude oil and bauxite to computer and aircraft parts.

"These stockpiles would provide a cushion against shortages until alternative sources of supply could be found or import substitution projects completed," he argued.

Mr Whitehead said that 65 percent of South African export earnings came from low bulk/high value items like gold, diamonds and strategic minerals, but most economists believed an effective boycott of these commodities would be difficult or impossible to enforce.

While the remaining 35 percent, mainly steel and manufactured products, would be more vulnerable, there could be no airtight boycott against them either.

"For example, in the past two years, sanctions have closed 80 percent of South Africa's traditional export market for steel, yet South African steel exports were only down by about 2,9 percent through October last year," he said.

Impact

"Given South Africa's proven capacity for trade provided with accomsion and its still-untested capacity for fullscale sanctions-busting, we estimate that even reasonably well-enforced comprehensive United Nations sanctions would cut total export receipts by something less than 25 percent," Mr Whitehead said.

The impact on South Africa was likely to be a moderate recession over the medium term, comparable to the 1982-86 period in the Republic.

Over the longer term, however, constraints on growth and competitiveness could push South Africa deeper into recession.— *SOWETAN Foreign Service.*

Star 29/6/88

Anglo sounds spending warning

By Michael Chester

Warning bells have been rung by Anglo American that South Africa cannot afford its current spending spree.

The directors say in the annual review that South Africa must first ensure it is able to continue to meet huge repayments in terms of global debt commitments.

South Africa can no longer afford a continued surge in domestic spending when strong growth in export earnings cannot be taken for granted in view of uncertainties over price levels of precious metals in the aftermath of last October's stock market crash.

It is to be hoped, Anglo says, that serious attempts to curb government spending will be sustained. That, together with initiatives on privatisation and deregulation, should contribute to better economic performance.

In the short term, however, a significant alleviation of present constraints can only come about from rapid growth in export earnings or renewed availability of foreign capital.

Stimulatory monetary and fiscal policies increasingly offset the low levels of confidence linked with political conditions — with the result that there had been a significant acceleration towards the end of last year and into the start of 1988.

But it is testimony to the financial constraints in operation that the acceleration in the recovery should have already become a cause for concern.

The recovery had started from an exceptionally depressed level and its progress to date has been modest, Anglo says.

Japanese trade move worries SA businessmen

Star 20/6/88

By Esmaré van der Merwe and Tim Cohen

South African businessmen are concerned about the Japanese external trade organisation's recent decision to refuse to handle trade inquiries from South African businesses.

They believe the move is politically motivated and say it will affect mainly those companies wishing to trade with Japan for the first time. Companies with established ties do not deal through the trade mission.

Japan became South Africa's largest trading partner last year when trade between the two countries increased by 15 percent to R4 122 million, according to figures from the Japanese and American consulates in South Africa.

The Japanese trade mission was instructed by its head office in Tokyo not to handle further trade inquiries, The Star has been told.

The director of the Japanese mission, Mr Kuniyasu Kobayashi, would not comment on reasons for the move.

But, he said, in future the mission would confine itself to monitoring trade in South Africa, Botswana, Lesotho and Swaziland.

Mr David Graham, senior manager of the SA Foreign Trade Organisation's foreign division, said Safto was concerned about the move.

But it was only one of a "whole range of steps" taken in the past year to reduce trade with South Africa.

No need to get excited about lower inflation (13%)

Economic fundamentals point to higher rate at year end

Sowetan 30/6/88

FOCUS

(74)

By an Economist

LAST week we saw the release of sets of economic data, namely, consumer price inflation and money supply. Inflation is down to 12,9% for May from 13.3% in April. This is the first time since October 1984, that inflation fell below the 13% mark.

However, before we get too excited about such a low level of inflation a word of caution needs to be sounded. Firstly there is the fact that inflation is a year-on-year figure and we are coming off a relatively high base — inflation for May 1987, was 17.3%, the highest figure for that year.

We can expect this statistical distortion to impact on the inflation figure for June this year as the June 1987 inflation figure remained relatively unchanged at around 17%. However, the second half of 1987, saw inflation coming down rather rapidly so that the statistical advantage of a higher base year will be absent in the second half of the year.

Negative

What this in fact means is that a higher inflation figure can be expected in the *second half* of the year. Furthermore, the way the inflation index is compiled means that there are certain items in the index, such as **housing, transport equipment** and **motor vehicles** whose prices are **not** measured on a monthly basis.

This could mean that there are price changes in these components which will only be reflected in the inflation rate in the second half of the year.

Another reason for not getting too excited about the lower inflation is that those things which constitute the bulk of the average person's expenditure, namely, **food, clothing and footwear** are still showing inflation rates of 16.8%, and 16.5% respectively.

Apart from the statistical quirks inherent in the inflation rate there are other economic fundamentals which point towards an inflation rate of around 13.5% — 14.5% by year end. In the first instance there is the balance of payments position which has been steadily worsening for the past six months.

After seasonal adjustments the balance of payments moved from a R6.1 billion surplus at the end of the fourth quarter of 1987 to a R0.4 billion deficit in the first quarter of 1988. This movement from surplus to deficit can be largely attributed to the joint effect of a large rise in the value of imports and a decrease in exports.

Housing

Export volumes declined by 7% in the first quarter of 1988.

DR GERHARD de Kock . . . Governor of Reserve bank.

Given the continued depreciation of the rand against all major currencies and the fact that we still have foreign prospects for a balance of payments surplus remain obscure. Furthermore, economic growth does not appear to be subsiding and therefore no damper on import growth is envisaged. In an economic environment characterised by a depreciating currency and untamed consumer demand, the higher level of imports translates into higher prices and therefore higher inflation.

Further evidence that the economy is not slowing down can be found in the higher money supply figures. Money supply as measured by M3 (the broad definition of money) was revised upward to 20.7% for April and the preliminary figure for May is 22.7%. These figures are well outside the 12% — 16% target set by the Governor of the Reserve Bank, Dr de Kock. It now appears that this target will be hard to meet by year end. A closer examination of the components of money supply show that there has been no real slow down in credit demand. Hire-purchase lending, leasing, and commercial bank advances for April showed year-on-year increases of 22.5%, 32.8% and 29% respectively. Given the Reserve Bank's unwillingness to allow the interest rates to increase the outlook for inflation remains negative. After all the present economic recovery is consumers have access to relatively cheap credit the spending spree will continue.

Depreciation

All in all, the outlook for inflation is negative. The strong economic growth experienced in the first quarter of the year shows no sign of abating and therefore fears of demand pull inflation are not unfounded. Furthermore, money supply is growing at an alarming rate and the rand continues to depreciate against other major currencies, which given the growing import levels could only add fuel to the inflation fire. At the same time the position of the balance of payments gets more precarious.

One thing is clear South Africa cannot afford this type of growth.

Investors' time horizons too short, says Wharton-Hood

Star 30/6/88

By Dave Canning

Liberty Life, which yesterday firmly rejected speculation that it is "becoming an overseas company", has called on the industry and the public to take a less speculative view of investments.

Addressing assurance brokers in Durban yesterday, managing director Mr Dorian Wharton-Hood said the investment community's time horizons had become too short.

There also was too much jumping from one investment portfolio to another, on the basis of outdated and badly compared historical figures, and too much "massaging" of figures by some insurance groups.

Mr Wharton-Hood produced figures to show how clients had been prejudiced by arguments persuading them to jump from one company to another on the basis of past performance comparisons.

"It is very dangerous to advise people to change from one situation to another," he told the brokers. Assurance was essentially a long-term investment.

He also said that Liberty chairman Mr Donald Gordon had been publicly criticised for spending too much time overseas.

In fact he spent the same period abroad as always. This was because 60 percent of Liberty shareholders' assets were overseas.

None of this was policyholders' money, he stressed. A small investment, made with Reserve Bank permission, in the early 80s had developed into substantial stakes in a number of international groups.

Bristol ban doesn't worry shippers

Star 1.7.88

(74)

The ban by the British port of Bristol on new trade with South Africa and Namibia was expected to have a "very slight" effect on exports from the two countries, local shipping industry sources said yesterday.

It was announced in Britain this week that Bristol was to become the first port in Britain to ban all new trade with South Africa and Namibia, following a decision by the Labour-controlled city council.

But an agreement will protect the right of existing customers to carry on importing goods such as coal and forestry products from the two countries.

This agreement, coupled with the variety of other ports to choose from — the main one being Southampton — meant the effect would be slight.

The development of containerisation meant that overland transport from other ports was far easier than in the past.

The tonnages coming from South Africa last year were "not very much" in terms of SA exports, said shipping experts. Information on SA exports has been classified as secret since a 1986 Government decision.

Cargo from SA and Namibia last year made up just over 5 percent of the volume handled by Bristol.

The council's decision marks the second time it has decided to end trade with SA. A similar decision in 1986 was withdrawn because of opposition by dockworkers who feared job losses. — Staff Reporters.

US firm moots social award

1-7/7/88

AN American-owned company with a top social responsibility rating wants to reward others who follow its example.

W/Weekly 62

Pharmaceuticals manufacturer Warner-Lambert SA has initiatied an award to recognise industrial companies in the western Cape with outstanding records of social responsibility. The award, open to multinational firms and local companies, is being co-sponsored by the Cape Chamber of Industries.

Warner-Lambert's own programme has been rated category one ("making good progress") for compliance with the Statement of Principles, formerly the Sullivan Code.

And the directors of South African multinational the Anglo American Corporation disclosed in their annual review released this week that the Anglo American and De Beers Chairman's Fund and Educational Trust spent R49,1-million, 78 percent of which was on education and research.

KENNISGEWING 559 VAN 1988

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

REGISTRASIE AS 'N WERKGEWERSORGANISASIE

Hierby word vir algemene inligting bekendgemaak dat die Werkgewersorganisasie vir Groot Stede met ingang van 1 Augustus 1988 ingevolge artikel 4 (7) van die Wet op Arbeidsverhoudinge, 1956, as 'n werkgewersorganisasie geregistreer is ten opsigte van werkgewers verbonde aan die Plaaslike Owerheidsonderming soos dit onderneem word deur die Stadsrade van Durban, Johannesburg, Kaapstad, Port Elizabeth, Pretoria en Bloemfontein in die gebiede van die betrokke Stadsrade.

Vir die doeleindes hiervan beteken—

"Plaaslike Owerheidsonderneming" die onderneming waarin werkgewers en hul werknemers met mekaar geassosieer is vir die instelling, voortsetting en afhandeling van enige handeling, skema of aktiwiteit wat deur 'n plaaslike owerheid onderneem word; en

"plaaslike owerheid" 'n stadsraad, 'n dorpsraad, gesondheidskomitee of enige soortgelyke of aanverwante instansie wat deur werkgewing geag word 'n plaaslike owerheid te wees.

G. P. VAN DEN BERG,
Assistent-nywerheidsregistrateur.

(12 Augustus 1988)

NOTICE 559 OF 1988

DEPARTMENT OF MANPOWER

LABOUR RELATIONS ACT, 1956

REGISTRATION AS AN EMPLOYER'S ORGANISATION

It is hereby notified for general information that the Werkgewersorganisasie vir Groot Stede has, with effect from 1 August 1988, in terms of section 4 (7) of the Labour Relations Act, 1956, been registered as an employer's organisation in respect of employers engaged in the Local Authority Undertaking as undertaken by the City Councils of Durban, Johannesburg, Cape Town, Port Elizabeth, Pretoria and Bloemfontein in the areas of the city councils concerned.

For the purpuse hereof—

"Local Authority Undertaking" means the undertaking in which employers and employees are associated for instituting, continuing and finishing any act, scheme or activity which is undertaken by a local authority; and

"local authority" means a city council, town council, health committee or any other similar or allied establishment which is deemed by legislation to be a local authority.

G. P. VAN DEN BERG,
Assistant Industrial Registar.

(12 August 1988)

KENNISGEWING 560 VAN 1988—NOTICE 560 OF 1988

P.5.01A

VOORLOPIGE OPGAWE VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS

PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE

Opmerking.—Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grootliks aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans

Remark.—The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments

L.W. Die oorskakeling na die Geharmonieerde Tariefstelsel met ingang van 1 Januarie 1988 het die indeling van sekere kommoditeite verander. Wanneer die afdelingstotale vir 1988 dus met dié van 1987 vergelyk word, moet die moontlike verskille as gevolg van die oorskakeling nie uit die oog verloor word nie.

N.B. The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 with those of 1987 the possible differences due to the change-over should therefore be taken into consideration.

TYDPERK: JANUARIE–JUNIE 1988—PERIOD: JANUARY–JUNE 1988

	Invoere—Imports		Uitvoere—Exports	
	1988	1987	1988	1987
Totaal in Miljoene Rand—Total in Millions of Rand	18 244,7	13 230,4	21 670,7	20 226,6

TABEL B: TOTALE IN MILJOEN RAND VOLGENS AFDELINGS VAN DIE GEHARMONIEERDE STELSEL
TABLE B: TOTALS IN MILLION RAND ACCORDING TO SECTIONS OF THE HARMONIZED SYSTEM

Afdelings—Sections	Invoere—Imports		Uitvoere—Exports	
	1988	1987	1988	1987
I. Lewende diere; dierlike produkte Live animals; animal products	184,8	99,3	108,8	192,9
II. Plantaardige produkte Vegetable products	294,7	236,6	427,2	793,5
III. Dierlike en plantaardige vette en olies en splitsprodukte; voorbereide spysvette; dierlike en plantaardige wasse Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes	136,5	115,2	45,5	32,9

Afdelings—Sections	Invoere—Imports 1988	Invoere—Imports 1987	Uitvoere—Exports 1988	Uitvoere—Exports 1987
IV. Voorbereide voedsel; dranke, spiritus en asyn; tabak en vervaardigde tabaksurrogate Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	310,1	263,0	478,8	443,0
V. Mineraalprodukte Mineral products	181,5	159,4	2 174,1	1 832,8
VI. Produkte van die chemiese of verwante nywerhede Products of the chemical or allied industries	1 858,9	1 491,3	632,7	532,8
VII. Plastieke en artikels daarvan; rubber en artikels daarvan Plastics and articles thereof; rubber and articles thereof	836,0	554,8	98,2	102,0
VIII. Ongelooide huide en velle, leer, pelsvelle en artikels daarvan; saal- en tuiemakersware; reisartikels, handsakke en dergelike houers; artikels van dieredenns (uitgesonderd sywurmsnaar) Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	81,7	56,6	148,9	138,3
IX. Hout en artikels van hout; houtskool; kurk en artikels van kurk; fabrikate van strooi, van esparto of van ander vlegwerkstowwe; mandjiewerk en vlegwerk Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw; of esparto or of other plaiting materials; basketware and wickerwork	121,7	80,0	84,5	75,9
X. Pulp van hout of van ander veselagtige sellulosiese stof; afval en oorskiet van papier of papierbord; papier en papierbord en artikels daarvan Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard and articles thereof	464,0	311,2	360,8	485,9
XI. Tekstiele en tekstielartikels Textiles and textile articles	768,5	562,3	636,5	476,8
XII. Skoeisel, hoofdeksels, sambrele, sonsambrele, wandelstokke, sitstokke, swepe, karwatse en onderdele daarvan; bereide vere en artikels daarvan gemaak; kunsblomme; artikels van mensehaar Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair	64,0	56,4	7,3	8,6
XIII. Artikels van klip, gips, sement, asbes, mika of dergelike stowwe; keramiese produkte; glas en glasware Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	181,5	138,0	57,5	70,0
XIV. Natuurlike of gekweekte pêrels, edel- of halfedelstene, edelmetale, metale met edelmetaal bedek, en artikels daarvan; nagemaakte juweliersware; muntstukke Natural or cultured pearls, precious and semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coins	205,0	120,6	1 662,7	1 436,5
XV. Onedelmetale en artikels van ondedelmetaal Base metals and articles of base metal	885,0	651,5	2 745,5	2 214,9
XVI. Masjinerie en meganiese toestelle; elektriese toerusting; onderdele daarvan; klankopnemers en -weergewers; televisiebeeld- en klankopneners en -weergewers, en onderdele en bybehoorsels van sodanige artikels Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	5 643,7	3 536,2	311,8	253,7
XVII. Voertuie, lugvaartuie, vaartuie en verwante vervoertoerusting Vehicles, aircraft, vessels and associated transport equipment	2 580,8	1 596,6	183,2	185,9
XVIII. Optiese, fotografiese, kinematografiese, meet-, kontroleer-, presisie-, mediese of chirurgiese instrumente en apparaat; uurwerke en horlosies; musiekinstrumente; onderdele en bybehoorsels daarvan Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	726,7	636,4	34,1	32,8
XX. Diverse vervaardigde artikels Miscellaneous manufactured articles	173,3	100,6	43,8	49,2
XXI. Kunswerke, versamelaarsstukke en antieke Works of art, collectors' pieces, and antiques	15,4	19,9	9,0	5,6
Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings Other unclassified goods and balance of payments adjustments	2 530,9	2 444,5	11 419,8	10 862,6
Groottotaal—Grand total	18 244,7	13 230,4	21 670,7	20 226,6

(12 Augustus 1988)/(12 August 1988)

14

Japan's SA trade up

CAPE TIMES 18/7/88 (161) (74) (210)

Own Correspondent

TOKYO. — Japan's trade with South Africa ~~has~~ continued to expand, despite the government's appeal to Japanese firms for "voluntary restraint".

Trade between the two countries rose 13,3% in the first half of 1988, over the same period last year, to $2,15bn, according to Finance Ministry statistics.

The figures leave little doubt Japan continues to be SA's largest trading partner.

The figures reflect Japan's brisk exports — up 45,6% to $1,14bn — while imports dropped 9,2% in the six months from January to June. Cars, including knockdown vehicle kits, account for about 40% of Japans exports to Pretoria.

Kinnock finds SA everywhere

Star 14/7/88

74

THE STAR BUREAU

The Kinnocks were shocked to find so many South African products in the Frontline States.

LONDON — Mrs Glenys Kinnock, wife of Britain's Labour leader, is so opposed to apartheid that for the two decades of her marriage she has worn a silver wedding ring, fearing that a gold one might contain metal from South African mines.

This week, however, Mrs Kinnock and her husband learned the difficulty of avoiding South African products in southern Africa, where many countries are heavily dependent on South Africa for vital goods and services.

The couple, in Zambia on the first stage of an 11-day swing through the Frontline states, found that wherever they went they were confronted by "Made in South Africa" labels.

Had they looked inside the hard hats they were obliged to put on during their visit to the Nchanga copper mine, they would have found instructions written in Afrikaans.

At a dinner given by President Kenneth Kaunda in the Kinnocks' honour, the couple were concerned to find that the wine that flowed was South African. Mr Kinnock made a point of saying that he drank it only out of deference to his host.

On another Zambian stop, the BBC's cameras caught the Labour leader seated at a table on which was a bottle of what looked very like a bottle of South African-produced tomato sauce. A bottle of South African Grunberger Stein was at his elbow.

The very DC10 which brought the Kinnocks from Heathrow is involved in sanctions busting.

Mrs Glenys Kinnock . . . refuses to wear gold in case it was mined in South Africa.

The plane, which belongs to Zambia Airways, recently began a Lusaka-New York weekly flight. A connecting flight every Tuesday from Johannesburg to Lusaka was altered to dovetail perfectly with it.

The new service makes things much more convenient for passengers who have sorely missed the direct transatlantic flights since America banned them two years ago.

Back home in London, Mrs Kinnock may be in for another surprise. For the South African fruit that she tries so hard to avoid when she shops in her local supermarket could well be finding its way into her trolley without her knowledge.

In recent months, South African fruit is believed to have been re-labelled and shipped to Europe through Zambia.

Britain's gold trade deficit sets a puzzle

STAR 18/7/87

LONDON — Britain's gold trade in the first five months of this year was R2,8 billion in deficit. That may not sound much, but it is more than twice the deficit for the same period last year.

In 1986 there was actually a surplus. The funny thing is, few specialists in the London gold market have noticed that the deficit is so big — and those who have cannot explain why.

Here are four possible explanations, in diminishing order of plausability:

- South African sales. The figures show that South Africa sent at least R1,572 billion worth of gold bullion to Britain in May, bringing its total gold exports to Britain so far this year to R6 billion, or 194 tons. That is 10 percent of the Western world's entire production last year. Nine Boeing 747's would have been required to ship it to London.

The Reserve Bank of South Africa admits that it has been exchanging some of its gold reserves for cash and London would be the obvious place to do it. Odd that the selling has not moved the market, though.

- Future gold embargo. The South African Government might be bringing gold to London not to sell now, but to keep away from home. If it suspects that there will be an international embargo on South African gold, it knows something Mrs Thatcher does not.

- Fishy statistics. In January Customs and Excise changed its entire import-export classification system. There has been much confusion, some traders have put the wrong reference numbers at the top of their forms, and so imports and exports have been recorded in the wrong columns.

Statistics on gold might have been affected. For instance, the figures suggest that Britain imported R700 million worth of gold "waste and scrap" between January and May.

- A cunning Treasury ploy. The Bank of England has frequently said that it wants interest rates higher and sterling lower. A bigger current-account deficit makes that easier to achieve.

Gold appears in the balance of payments in two places. As a commodity (for example, jewellery), it goes into the current account, as an asset (for example, bullion or coins), it appears in the capital account.

To sort out which is which, the trade department makes "compensations" to the recorded gold-trade figures. Just suppose a little imported gold were to find its way into the current account rather than the capital account. Who would notice? And if anyone were to, it was only a mistake. — **The Economist.**

Japan's SA trade to be kept under close watch

(74) Business Day 19/7/88

TOKYO — The Japanese government would begin strictly monitoring the amount and nature of trade between Japanese companies and SA, Foreign Minister Sosuke Uno said on Monday.

He told a meeting of Japanese ambassadors assigned to African and some European countries: "Recent figures are showing a decline (in trade), but if there are firms that increase their trade volume this year again, they will have to be socially disciplined."

A ministry official who did not wish to be identified said Uno meant a specific industry increasing its trade with Pretoria would be criticized by civic groups that oppose SA's policy of apartheid.

At a meeting with Prime Minister Noburu Takeshita, Japan's ambassadors to African nations expressed concern about Japan's increasing trade with SA and said the government should take "proper measures" against this, a foreign ministry official said.

The envoys also called for more Japanese economic aid to African nations.

Japan has been under international criticism for its increasing SA trade. Last year it became SA's foremost trading partner surpassing the US and West Germany.

For the first six months of this year, bilateral trade with SA rose by 13,3% over the same period of last year to $2,2bn, according to Finance Ministry figures released recently. In yen terms, however, Japan's trade with SA showed a 3% drop to 272bn yen during the half-year period of this year over the same period of 1987.

Earlier this year, Uno asked Japanese businesses to reduce trade with SA. — Sapa-AP, AP-DJ

Maggie warns of black hunger

LONDON — British Prime Minister Margaret Thatcher yesterday firmly repeated her opposition to sanctions against SA by saying a trade boycott would lead to millions of black people starving.

She told the House of Commons: "We totally and utterly condemn apartheid. But I am not prepared to stand here comfortably and impose starvation and poverty on millions and millions of black South Africans and black children."

20/7/88

Thatcher faced protests about her policy on SA from opposition Labour Party leader Neil Kinnock soon after his arrival back in London yesterday morning after his tour of the Frontline States. — Sapa-Reuter.

74 B/day

Safto boss: SA 'on wrong track'

Cape Times 20/7/88

(M)

74

Own Correspondent

JOHANNESBURG. — South Africa has been on the wrong economic track for years and needed an integrated economic policy based on earning than what was being spent.

This was said by Safto (the South African Foreign Trade Organization) chief executive Mr Wim Holtes in Pretoria yesterday at a SA Institute of International Affairs function.

He said the country's import leverage should be used to boost export but this message was not getting through. To get the political machinery behind such a policy was another story.

Mr Holtes said SA had been on the wrong track for many years.

"We have concentrated on the production of raw materials. But raw materials are disappearing as a factor in world markets."

He stressed that to absorb and overcome economic shocks SA needed more than good intentions. "We must have something on paper spelling out an integrated economic strategy."

However, he said a major change was taking place and moving the country towards far more independent co-ordination of the components of international trade relations.

Between R12 and R14 billion had been spent on export promotion over the years and a considerable amount had been misspent and wasted.

"There had been too great a dependence on gold and the incentives failed to achieve their aim."

SA had been dogged by negative thinking for too long. An economic prospective was needed where the priority was "earning more than we spend".

Stressing the potentially rich African trade, Mr Holtes said currently reciprocal trade with the rest of the continent was close to R3 billion.

There was a "tremendous" desire in Africa to do business with South Africa. This was marked throughout the continent.

Warning as Japan cuts SA trade

CAPE TIMES 20/7/88

14

Own Correspondent

JOHANNESBURG. — South African businessmen are being advised by the Association of Chambers of Commerce to look for other Eastern markets in addition to Japan in the event of Japan becoming an unreliable trade partner.

Reuters reported yesterday that Toyota had begun cutting back on its vehicle exports to South Africa last month.

It said exports, including knockdown kits, fell 13% in June compared with the previous year.

Export restrictions

A Toyota spokesman said the company planned to continue reducing such exports because of growing criticism of Japan's trade with South Africa.

Cars, including knockdown vehicle kits, account for about 40% of Japan's exports to Pretoria. Japan continues to be SA's largest trading partner, with trade between the two countries up 13,3% in the first half of 1988, according to recently released figures.

The chief executive of Toyota, Mr Bert Wessels, said yesterday restrictions on exports were being applied to all products from Japan.

He said: "Toyota, in my opinion, has quite simply reacted more quickly than other companies."

Assocom has in the past two months informally taken over the Japanese External Trade Organization's (JETO) role of dealing with inquiries from South African businessmen on trade with Japan.

JETO was recently instructed by its head office that it could no longer deal with trade inquiries from South African businessmen.

JETO spokesman Mr Kuniyasu Kobayashi said the office was now collecting economic information about South Africa, Botswana, Lesotho and Swaziland.

Mr Kobayashi refused to say whether the South African office would be closed.

Japan is under increasing pressure to limit its trade with South Africa, and the Japanese foreign minister this week said his government would begin monitoring the amount and nature of trade between itself and SA.

However, the Ministry of International Trade and Industry said it had no plans to request industries to restrict trade with South Africa, a report last week in a Japanese financial daily said.

Statistics released last week showed Japanese exports to South Africa had surged 45,3% in dollar terms compared with a year ago. In yen terms it showed a decrease of 3%. Japan's imports from South Africa dropped by more than 9% in dollar terms in the first half of the year.

Assocom's foreign and domestic trade manager, Mr G Crystal, said they had had a flood of inquiries in the past two months from businessmen regarding trade with Japan.

Business briefing

Assocom is hosting a briefing tomorrow at which South Africa's vice-consul (commercial), Mr Georg Stroebel and his commercial officer will speak on the current situation in Japan and South Korea regarding the South African business community.

He said other Eastern markets for South African goods could include South Korea, Singapore and Taiwan. The automobile industry would be helped considerably by government's local content programme.

The Japanese consul-general, Mr Shigeaki Koga, said he had not received any notification from Japan on this week's meeting in Tokyo of Japanese ambassadors to African nations at which they expressed concern about Japan's trade with South Africa.

As Japanese trade looks shaky . . .

Business told to look at other areas

(74) B/day 20/7/88

DIANNA GAMES

THE Association of Chambers of Commerce (Assocom) is advising businessmen to consider the potential of other eastern markets as Japan comes under increasing pressure to limit its trade with SA.

South Korea, Singapore and Taiwan are being suggested as possible alternatives for SA goods if Japan becomes an unreliable trading partner.

Assocom has, in the past two months, informally taken over the Japanese External Trade Organisation's (Jeto) role of dealing with inquiries on trade with Japan.

Jeto was recently instructed by its head office that it could no longer deal with trade inquiries from SA businessmen.

The Assocom advice came as Reuters reported from Tokyo yesterday that Toyota had begun to cut back on its vehicle exports to SA, starting with a year-on-year decrease in June.

Exports, including knock-down kits, fell 12,8% to 7 342 in June compared with the previous year. A Toyota spokesman said his company planned to continue reducing such exports due to growing criticism of Japan's trade with SA.

In Johannesburg, Toyota CE Bert Wessels said yesterday that restrictions on exports were being applied to all products from Japan.

He said: "Toyota, in my opinion, has quite simply reacted more quickly than other companies and it is within the parameters which we used for our 1988 planning."

Jeto's Johannesburg spokesman Kuniyasu Kobayashi said the office was now collecting economic information about SA, Botswana, Lesotho and Swaziland.

Asked if there was a possibility the SA office would be closed, Kobayashi said he had no comment.

Japanese Foreign Minister Sosuke Uno this week said his government

● To Page 2

(74)

Business told to look at other countries

● From Page 1

would begin strictly monitoring the amount and nature of trade between Japan and SA.

However, the Japanese Ministry of International Trade and Industry said — according to a Japanese financial daily — it had no plans to request industries to restrict trade with SA.

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Toronto talks to study sanctions

74 B/day
22/7/88

Trade links with SA up for scrutiny

SIMON BARBER

WASHINGTON — Japan, South Korea, Taiwan and Israel will be targeted for "sharply" increasing their SA trade when Commonwealth foreign ministers meet in Toronto next month, a Canadian Embassy official said at a briefing yesterday.

Australia is to present a report on these countries' commercial ties with SA at the meeting, which will also receive a study of the effectiveness of sanctions.

Canada's Secretary of State for External Affairs Joe Clark, who will host the August 2-3 meeting, confronted his Japanese counterpart Sosuke Onu earlier this month, the official said.

"We put the Japanese on notice."

Britain, which hotly opposes sanctions, will not be represented at the meeting which will comprise the eight members the Commonwealth Foreign Minister's Committee on Southern Africa.

The members are Canada, Australia, Guyana, India, Nigeria, Taiwan, Tanzania, Zambia and Zimbabwe.

The official said no new sanctions were likely to be announced and admitted the committee had no authority to make decisions.

He said the group would appeal to the governments in the report but was "dubious" about the chances of it being heeded.

Japan's ambassadors to 18 African countries are reported to have jointly voiced concern about the country's growing trade with SA and to have urged their government to take "proper measures".

Brain drain in SA reaches crisis point

1/8/88
Star

By Michael Chester

The brain drain that has hit South Africa with an exodus of skilled manpower flowing faster than immigration threatens to take an even heavier toll on the economic tempo in the next few years if it is not reversed.

The National Manpower Commission (NMC) has sounded a warning that there is already evidence that the management corps has shrunk too low to cope properly with the mobilisation of resources and productivity.

The traditional pattern of immigration, relied on to fill between 25 percent and 40 percent of increases in high and middle-level manpower, has collapsed.

The NMC said a recent count revealed that the shortage of people with university degrees or diplomas threatened to swell to 228 000 by the year 2000.

The shortage of managers and entrepreneurs was likely to increase to 103 000, and 442 000 professional and technical posts would be empty.

But the NMC added that one encouraging aspect was the significant increase in the flow of black, coloured and Indian workers into the high level manpower pool — up from 25 percent in 1965 to 32 percent.

WARNING SIGNALS

The commission says warning signals are flashing from most, if not all, economic sectors now forced to weigh the longer-term repercussions of trends in migration patterns.

Analysts of the brain drain are even more concerned about the profile of migrants than about the overall count of the influx and exodus.

They are particularly alarmed about the choking up in the inflow of professionals — engineers, technologists, doctors, dentists, accountants, teachers.

The flow from overseas, which was running at almost 6 000 a year in 1982, had by last year shrunk to barely above 1 000.

And the exodus of professionals more than trebled from about 700 in 1982 to more than 2 300 in 1986.

Also noted with furrowed brows has been the decline in the inflow of production workers from nearly 8 000 to about 700 a year.

"One of the worst tragedies has been the loss of university graduates, potentially the next generation of top executives, accountants, engineers, architects, and so on," says Mr Martin Westcott, managing director of PE Corporate Services.

● See Page 2.

(74) 3/8/88

Japan's trade dilemma with SA: principles or profits?

Japanese companies disagree over whether to trade with SA. STEFAN WAGSTYL in Tokyo

THE Japanese government's policy of arm-twisting businessmen into cutting trade with SA is producing results. But, as in other countries, the clash between principles and profit is generating some gross inconsistencies.

Figures published recently showed that the rate at which two-way trade was increasing has slowed sharply since March, when the Japanese government began to start leaning heavily on business leaders.

But while some companies are toeing the government line, others are not. Toyota, Japan's leading motor vehicle maker, says it is cutting exports. Nissan, the number two, says it is increasing sales because business is so good.

The Japan External Trade Relations Organisation (Jetro), a government-funded economic body, announced in March that it was closing its Johannesburg office. Two weeks ago it quietly admitted it was staying put — in defiance of the wishes of its paymasters at the Ministry of International Trade and Industry (MITI).

JAPAN'S TRADE WITH SOUTH AFRICA (January-June 1988) $m

	Exports	Imports	Total
Jan	185,0	165,6	350,6
	+108,8%	+19,2%	+54,1%
Feb	190,8	164,9	355,7
	+51,8%	+3,9%	+25,1%
Mar	224,3	172,2	396,5
	+93,5%	+21,9%	+54,2%
Apr	188,5	191,2	379,7
	+35,8%	-17,6%	+2,4%
May	183,1	160,2	343,3
	+21,8%	-29,8%	-9,3%
June	166,9	158,1	325,0
	+1,4%	-26,8%	-14,5%
Total	**1 138,6**	**1 012,2**	**2 150,8**
(Jan-June)	**+45,3%**	**-9,2%**	**+13,3%**

SOURCE: CUSTOMS CLEARED STATISTICS

A Jetro official said: "This is very sensitive. There has been a lot of argument."

MITI itself is regarded with some suspicion by the Ministry of Foreign Affairs, which originally wanted tougher measures to limit trade and is now anxious there should be no back-sliding.

Japan's decision to cut South African trade stemmed not from any upsurge in a domestic anti-apartheid lobby (which scarcely exists) but from fear of international criticism. Figures showed that Japan last year moved into the embarrassing position of being SA's number one trading partner, ahead of West Germany, Britain and the US.

In the first quarter of 1988, trade continued to soar, led by a huge jump in exports, which doubled in two months out of three.

But a spate of appeals to business leaders by Minister for International Trade and Industry Hajime Tamura and Foreign Minister Sosuke Uno had a dramatic effect. In meetings, lunches and dinners they have made full use of the traditional close links between Japanese government and big business.

After increasing by a peak rate of 54% in March, two-way trade fell by 2,4% in April, 9,3% in May and 14,5% in June. The half-year total was still up 13,3% at US$2,15bn — but government says the trend is now in the right direction.

But the unwillingness of some exporters to toe the government line also seems to be to blame. Like other countries, Japan has found it much easier to cut imports from SA than profit-yielding exports. So while imports in the half-year fell by 9,2%, exports were up 45%.

No one at MITI or the Foreign Ministry would comment on this discrepancy. However, the main reason is that purchases of commodities — such as food, coal and metals, which make up the bulk of imports from SA — are relatively easily replaced from alternative suppliers.

The big trading houses have started switching — buying more coal from Australia, for example, more sugar from Fiji and Thailand. South African gold, a big import, can easily be bought in trading centres such as Hong Kong and London, so its origin is camouflaged.

Such diversification costs time and money and usually results in higher prices. South African coal, for example, banned in some European countries, trades at a political discount of some 15%.

Exports are a different matter, because voluntary cuts in exports translate into an involuntary fall in profits. Nevertheless, Pioneer Electric, a big audio group, and NEC, a leading electronics concern, have ended exports.

However, virtually no other group has made similar moves, at least not publicly. Some are reluctant to discuss the matter at all — let alone answer questions about the obvious ways of evading government controls, for example, by supplying SA from factories in other South-East Asian countries.

Many share Nissan's view that SA is a profitable market well worth exploiting. The company said exports had increased this year because market conditions were good in SA and would grow further if conditions improved. The bulk of Japan's exports are manufactured goods, including vehicles and machinery.

Government's difficulty lies in persuading the Japanese people of the merits of trade restraint — or, indeed, measures of any kind — against SA. The showing of "Cry Freedom," Sir Richard Attenborough's film about the life and violent death of Steve Biko, generated some interest.

But an organised anti-apartheid movement scarcely exists. Jerry Matsila, the ANC's recently-appointed representative in Japan, says: "There's no awareness about apartheid. Government is reacting to international pressure, not to any internal demands."

As a result, Japan's Foreign Ministry has to lead from the front — organising a showing of "Cry Freedom" for its own officials and a second for members of parliament.

It marked Nelson Mandela's 70th birthday with a statement calling for his release. This received almost no publicity in the Japanese Press.

FINANCIAL TIMES

(74) B/Day

4/8/88

Economy must be geared to what country can afford

A perspective on the balance of payments, by AUBREY DICKMAN, senior economic consultant for the Anglo American Corporation

THE current account of the balance of payments has swung into deficit more rapidly than expected. In past years such a trend, typical late in a domestic upswing, used to be offset partially by capital inflows, and other facilities were available to shore up the gold and forex reserves while remedial action was being taken.

The need to repay foreign debt for political reasons, and limited access to trade and other credits, has fundamentally altered the normal pattern; the consequences for the reserves, the exchange rate and growth potential have become painfully obvious.

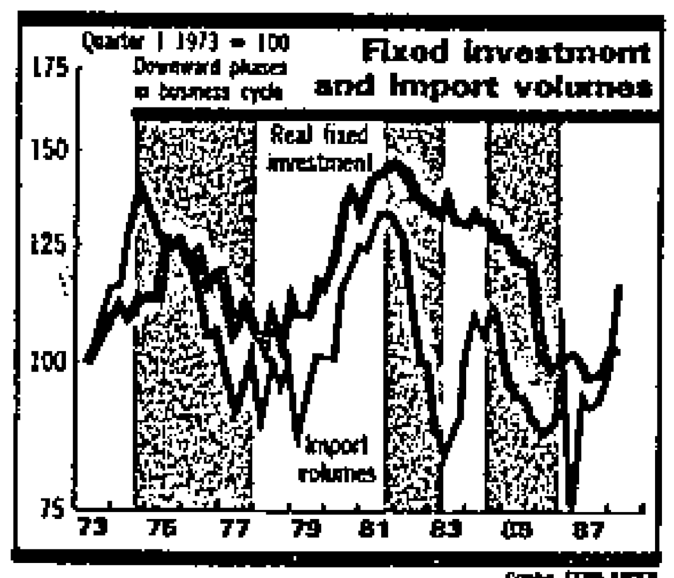
Should we be surprised by the magnitude and speed of the current account deterioration from a seasonally adjusted annualised surplus of R7,2bn in the first quarter of 1987 to a deficit of R410m in first quarter this year? After all, GDP growth was running at almost 4% per annum in Q1 '88 as against only 2% in Q1 '87.

Fixed investment, which was still declining in the first half of 1987, turned around by year-end and continued to move ahead in the early months of this year. Moreover, the actual current account surplus for the first quarter, small though it was, was sufficient to cover a further capital outflow and allow some addition to net reserves.

Conditions in the second quarter were much less favourable. The trade balance was considerably lower and the current account, in all likelihood, was in deficit. The fact that it may have been in surplus after seasonal adjustment, as Reserve Bank Governor De Kock has intimated, is significant but is not of much consolation in the very short-term.

Repayment of debt in terms of the standstill arrangement and other net flows clearly dented the reserves, as evidenced by a massive gold swap and pressure on the rand/dollar exchange rate, which has persisted since end June.

It may well be that a slowdown in imports is under way — in dollar terms imports appear to have started levelling off since their sharp climb last year. Exports, however, remain disappointing. The disturbing aspect, however, is that the current account surplus has evaporated. Admittedly, it was in deficit to the tune of 10% of GDP at the end of the 1980/1 boom and nearly 5% during the 1983/4 mini boom. But we have had only one year of growth above 2% since 1984, with a somewhat better six months so far this year. Furthermore, we have experienced a calamitous drop in fixed investment.



Yet the current account — and the total BoP — is once again under severe pressure. This raises important questions about export performance and possible aberrations in import behaviour, as well as the role of foreign capital.

The following figures help put the position into better perspective. They are quarterly averages of unadjusted trade data in millions of US dollars, and the average dollar gold price.

	Exports	Imports	Gold Price
Jan-June 87	942	1 079	428
Jul-Dec 87	1 136	1 277	465
Jan-Jun 88	954	1 416	453

Measured in dollars, these figures give a fair indication of actual volumes. In fact, from 1984 exports responded to the brighter world economy. They are much higher than in 1982/3, and exceed their previous 1980 peak. Yet they have been flat recently and have not reacted to burgeoning OECD production and soaring commodity prices.

Sanctions may have played a part, but the issue is more complex. A major reason could well be the diversion of products to the domestic market as growth accelerated, albeit moderately, from late 1986. It could be that exports are still reacting to the real appreciation in the rand last year or are lagging the world upturn.

However, the failure to perform is worrisome: given a pedestrian gold price, it suggests that domestic demand is excessive relative to BoP realities.

Turning to imports, we must bear in mind their fall as a percentage of GDP over the years as the economy has grown more self-sufficient. A cessation of the declining trend in recent years has focused attention on the need for renewed but soundly-based import replacement via inward industrialisation.

That is one aspect: the chart displays the well-known connection between imports and investment and their corresponding movements during different phases of the business cycle. It is interesting that imports, while fluctuating with investment, increased more slowly until 1983 (the role of Sasol III was important here) but since then have risen on balance while investment performed abysmally.

The jump in the first quarter of this year is, of course, particularly pertinent.

To what can we attribute this relative change? A major explanation must lie in the growing proportion of GDP accounted for by government consumption (including defence), whereas private consumption and investment now have a lower share. At the same time, the capital intensity of production continued to increase.

The more recent surge in import volumes relative to the hesitant turn-around in investment, taking into account sanctions threats and, perhaps, fears of import control or further currency depreciation, no doubt reflects anticipatory stockpiling which must inevitably abate.

This brief analysis suggests that the growth in imports seems somewhat higher than warranted relative to current and potential demand, and that exports might do better.

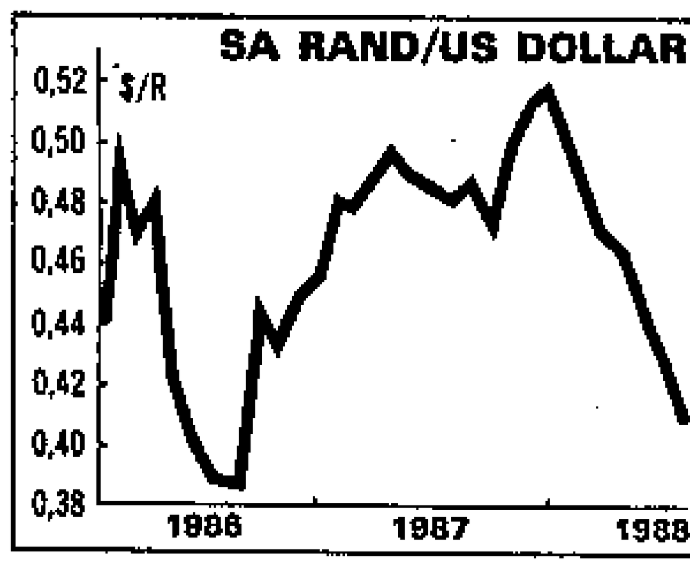
Nevertheless, adjustment is not assured and there are no grounds for complacency. On the contrary, the situation is fraught with risks, the gold price being a key element. Furthermore, import growth is clearly demand-driven, and this has been validated by an effective money supply growth which has exceeded 1984 levels.

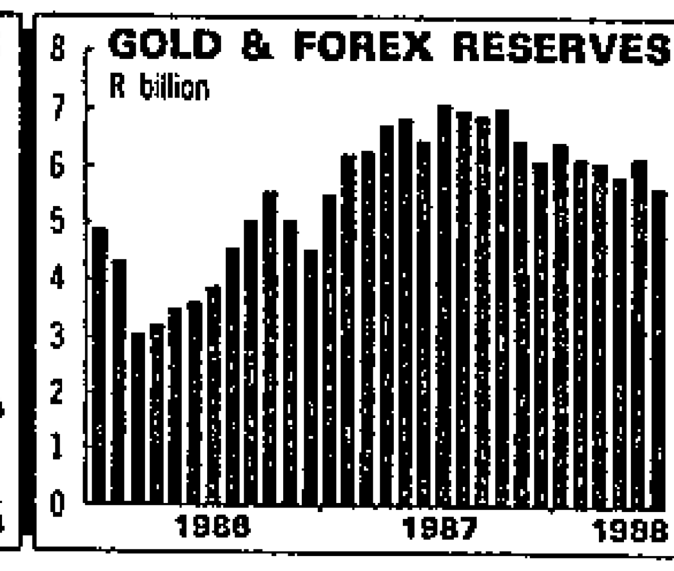
It must be obvious that direct controls can provide no solution, for they do not address the causal nature of the problem. Given the need to repay debt, just how excessive monetary demand relative to export earnings has been is reflected in the parlous state of the reserves.

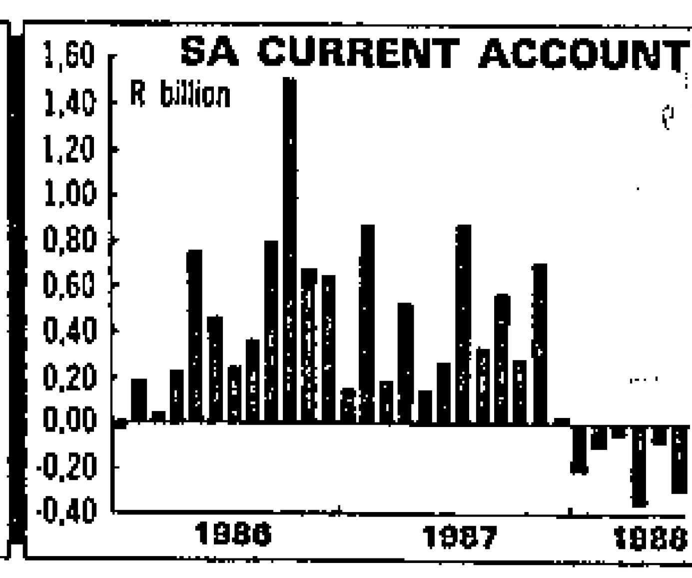
In the circumstances, and considering the trend of interest rates internationally, the further increase in Bank rate was essential. Consistently prudent monetary and fiscal action is vital to keep the economy geared to an affordable level of spending.

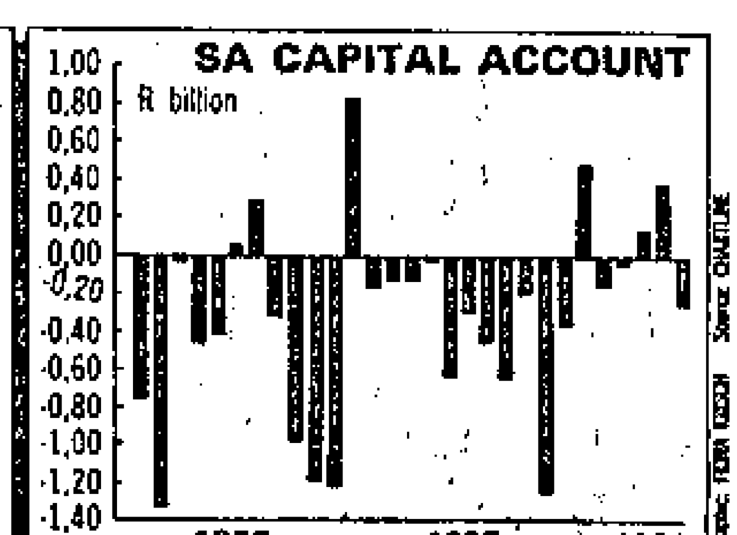
A country of our extraordinary potential should not have had to be unduly concerned with the BoP at this stage of an upswing. The sad truth is that the foreign capital constraint has blunted our growth and that, in the last resort, the question of what is affordable is political, not economic.

FOREIGN EXCHANGE/David de Kock









It's all in the mind

WHILE pondering the ebb and flow of the tide down on the Natal South Coast last week, it struck me that one must be able to build a statistical model for the supply and demand of foreign currency in SA.

Fear not — I am not about to present you with a mass of confusing numbers. In fact, I am not even going to give you the results of such a model. The main reason for this is that I am still developing it — so more on that score next week.

Today I want to share with you some of the interesting factors and relationships I have come across in gathering the base data for a supply-/demand model. No doubt you will have taken a look at the accompanying graphs and begun to develop your own conclusions.

Decisions

People have extraordinary short memories, and more especially so when it comes to the foreign exchange market. I would guess that by far the majority of decisions in the market are made in the light of the mood of the moment and a kind of generalised "remembering" of what happened last time such-and-such occurred. This is not to knock that approach — most decisions tend to be made that way, anyway.

The point I want to make at this stage is that much blame for the rand's current weakness is being ascribed to the balance of payments, and perhaps this is not fully justified. Certainly, the BoP is not really coming up roses, but it is in no way exhibiting the kind of performance to put the rand on the skids as has happened.

If we compare the fall in the rand during 1988 with the fall in 1986 we can see similarities in the rate and duration of the decline — but not so when we compare the comparable situation in the BoP accounts.

Collapse

I am deliberately using the old basis of quoting the rand so as to enable comparisons both from what we remember from the past and also between the BoP accounts and the exchange rate.

The essence of the international value of our currency is what we have in the bank — the level of gold and forex reserves. We had a fairly precipitous fall in 1986 and a corresponding decline in the rand.

In 1988, however, we find the same kind of collapse in the rand but a much less steep fall in the value of the reserves, although the reserves have actually been trending downwards since mid-1987.

Now let's look at the two main accounts of the BoP. In 1986 the current account began the year barely in balance, but we had massive outflows through the capital account. This is, of course, the reason for the huge decline in reserves.

Up until mid-1987 we had fairly substantial surpluses on the current account, which more than offset the negatives on the capital account. The net result was a steady climb in the value of reserves and also in the value of the rand.

In 1988 we find a somewhat different situation. The current account is in deficit for the first time in two years, but the capital account is not reflecting the kind of massive deficits that were evident in the previous period.

Unchanged

Thus we have a situation which we could argue has been relatively unchanged in general terms for a year and a half. Just look at the level of gold and forex reserves, for instance. Changes in this is the net of the two BoP accounts, and for 18 months it has been relatively flat.

What has changed has been the contribution of each to the level of our reserve holdings. What has not changed is the perception in the minds of those who have to make decisions with regard to foreign exchange transactions.

Because the current account balance is a relatively easily obtainable statistic and the capital account is not, people have just assumed that the current account deficit in 1988 has been accompanied by a continuation of huge outflows on the capital account.

The graphs show that this is not correct. It is all in the mind — and the marked collapse of the rand this year is not at all justified by BoP considerations.

Next week I want to look at the supply/demand features in the local market to illustrate how this kind of anomalous situation can arise and how it always tends to self-correct.

I note that one bank economic report is forecasting an improvement in the BoP in the second half of this year, and thus also in the rand. I agree — but possibly for different reasons. See you next week.

REVIEWS

Commonwealth seeks global ban

Trade credit move to 'hobble SA'

B/Day 5/8/88

SIMON BARBER

WASHINGTON — A global ban on trade credits to "hobble" SA's economic growth is in the offing now that a Commonwealth foreign ministers committee on southern Africa has agreed to push for a package of tough new financial sanctions.

The eight ministers met in Toronto this week to prepare their agenda for the heads of government meeting in Kuala Lumpur next year.

They indicated the measures were intended to stimulate unemployment by collapsing SA's current account surpluses, hampering its repayment of foreign debt and blocking import growth.

On the basis of a study prepared by Australian, Canadian and Indian committee members, they agreed the "most significant sanction" to date had been the "refusal of banks to lend to SA".

That had successfully restricted economic growth by "forcing large capital account deficits to repay maturing loans and requiring corresponding current account surpluses".

In addition to seeking a trade credit ban, the committee called on national bank regulatory authorities to make lending to SA even less attractive by raising loan loss provisioning requirements.

They said: "Ministers expect the SA country risk will be treated no more favourably than that of heavily indebted countries."

The committee also agreed:

- To press banks with SA exposure subject to the debt moratorium and interim rescheduling to limit rescheduling agreements to no more than one year;
- To demand an international ban in insurance cover by official export credit agencies for loans to SA;
- To provide data to anti-apartheid organisations enabling them to conduct boycotts and other campaigns against institutions that failed to co-operate with the new restrictions.

THE US House of Representatives is set to pass its sweeping SA sanctions Bill next Thursday in what congressional leaders privately concede to be a "symbolic gesture".

The Speaker of the House, Congressman Jim Wright, set the date — the last day before Congress goes into summer recess — under pressure from the congressional black caucus.

The measures were required because "the SA economy cannot grow fast to prevent unemployment from rising further without strong import growth and a collapse of the current account surpluses necessary to repay foreign debt".

The ministers concluded SA had little scope to increase its non-gold exports and said gold "faced increasing global supplies and uncertain price prospects".

Other committee members included

● To Page 2

Trade credit move to 'hobble' SA growth

● From Page 1

Nigeria, Guyana, Tanzania, Zambia and Zimbabwe.

- GRETA STEYN reports economists said yesterday a ban on foreign trade credits would put strain on the country's reserves and reduce the options to alleviate the balance of payments constraint on economic growth.

Bureau for Economic Research economist Glen Moore said foreign trade credits reduced short-term capital outflows, taking some of the strain off the current account surplus.

The Reserve Bank's June Quarterly Bulletin said importers had increasingly made use of foreign trade credit rather than domestic finance in the first quarter. As a result, short-term capital outflows decreased sharply to R386m from R1bn in the last quarter of 1987.

Trust Bank economist Nick Barnardt said last week's increase in domestic interest rates would encourage importers to use foreign trade credit instead of more expensive domestic finance.

Other economists said it was not feasible to stop trade credits and at the same time still trade with SA.

5/8/88 B/Day

● Stals on credits: Page 3

5/8/88 FM 79

FOREIGN TRADE

Figuring out Japan

The Japanese government has stopped short of outright hostility to trade with SA, but is stepping up pressure on the private sector through "administrative guidance."

The slowing down of Japan-SA trade in the second quarter of 1988 is evidence that the message is being heeded.

At US$1,047bn, total bilateral trade in the second quarter of 1988 was 5% down on the first quarter's $1,102bn. More dramatically, two-way trade was 14,5% lower in dollar terms in June 1988 than in June last year.

Although imports from Japan increased by 1,4%, exports declined by 26,8% in June. Exports to Japan are down by 9,2% in the first half of this year.

Japan says the declining trend is nothing new, in yen terms. The US claims that in 1987, total SA-Japan trade increased by 15,0% and exports to SA by 37,5%. Japan argues the dollar's decline has inflated figures.

In yen terms, total trade has fallen by 3,2% and exports to SA have increased by 17,8%. Imports from SA have fallen 13,2%.

All this has taken place without sanctions as such. Pretoria-based Japanese trade consul Shigeaki Koga explains: "There is no specific recommendation to cut back on trade with SA, but we are asking the private sector to be cautious."

SA's vice-consul in Tokyo, George Stroebel, is sanguine about the future: "Japanese businessmen aren't influenced by political considerations and will import by whatever means possible." ■

Falling rand means higher insurance cover is needed

S Times 28/8/88

(74)

By Robyn Chalmers

THE rand's continued depreciation against major foreign currencies means SA manufacturers relying on imported plant and machinery will be drastically underinsured.

Priceforbes Federale Volkskas (PFV) director Charles van der Byl says: "Although most manufacturers have increased the value of their insurance policies to allow for the rand's decline, there is a danger that the adjustment is made on an incorrect calculation of depreciation.

"Foreign currencies are often shown in relation to the rand. On this basis, the rand which bought 91 US cents at the end of the 1983's first quarter, bought only 43c at the end of this year's second quarter — a depreciation of 53%."

The problem is that if a manufacturer adjusts his overall insurance values on the basis of a 53% depreciation, he will still be underinsured if the rand continues to decline.

The rand has also declined by 65% against the mark, 60% against the pound and 74% against the yen since 1983.

Frequently

Mr van der Byl says: "These countries are major suppliers of plant equipment and machinery to SA. If manufacturers are forced to replace equipment in the event of a loss, thev have to pay considerably more for it.

"In the light of this and exchange-rate fluctuations, insurance limits should be frequently reviewed. Failure to keep up to date with exchange-rate movements could prove very costly.

"Manufacturers who have orders for plant and machinery pending from overseas countries should also ensure that their marine insurance is adequate on replacement values."

Monitored

Another area of concern arises from the effect of the declining rand on earnings projections, particularly in the mining sector and some export companies which were now receiving many rands because projections were based on dollar prices.

"As a result, business interruption sums insured will now be inadequate where original projections were geared to the then dollar exchange rate, and must also be reviewed," notes Mr van der Byl.

Significant strengthening of the rand in future also has to be monitored by manufacturers to avoid the reverse situation of being overinsured.

DOWN AT THE COALFACE, SHARING THE PAIN

There wasn't that much shock: shares in coal companies hit by the production cutbacks at various Eskom collieries have barely reacted to the news. In a number of cases the measures were expected and planned for by mine managements. Also, the strengthening export market should offset some of the losses in earnings that occur because of reduced Eskom business.

However, while the affected coal companies are playing down the effects of the Eskom measures, the long-term implication is bearish for the SA coal industry — there will be *no* new growth in Eskom business until the next century. Still to be built from the last round of power station tenders awarded in the mid-Seventies is the Lekwe station, for which Anglo American Coal Corporation (Amcoal) will supply the coal.

On the growth estimates used in the mid-Seventies, Eskom was forecast to call for new power station tenders in the mid-Eighties. That was subsequently pushed out to the early Nineties as SA's economic recession took hold and growth estimates were revised. One industry executive now tells me his forecast is there will be no new Eskom power station tenders awarded until 2005.

That's bad news for the major coal companies, all of which are holding on to large blocks of coal reserves earmarked for future Eskom business. A 3 600 MW power station burns up to 15 Mt of coal annually.

The coal producers have traditionally seen their business as having two main components. Eskom formed a solid, domestic foundation while the export market provided the more profitable cream. The Eskom trade has gone flat and the events of the past two years have shown how exposed the SA coal export business is to sanctions, and how vulnerable the profits of the coal companies are to any setbacks in export business.

Effects on Amcoal's earnings will be minimal but the closure of two collieries and cutbacks at a third mean some 1 450 jobs will be lost. Gold Fields Coal's earnings will also be only slightly affected but the closure of Coalbrook colliery makes some 670 people redundant, of whom an unspecified number will be placed elsewhere in the group.

Trans-Natal appears to be more seriously affected but MD Hans Smith is quick to correct this view: "There will be no effects on Trans-Natal's earnings in the current financial year from the cutbacks and the effect in the following financial year will depend on negotiations currently underway with Eskom.

"The closures of the Camden and Komati power stations affecting our Usutu and Blinkpan collieries were already planned for in our budgets. It's only the closure of the Ingagane power station by December 1990 which is a new development, affecting our Kilbarchan colliery which supplies some 70 000 t/month to Eskom.

"However, Kilbarchan also sells some 30 000 t/month on the Natal inland trade and has in the past exported coal. The export market has improved to the point where exports from Kilbarchan could again become feasible.

"We are negotiating with Eskom over the terms for the end of Kilbarchan's business and we are not pushing for a fast answer because, as we see it, we have two years in which to negotiate on the issue. There are a number of future options for the colliery."

The Eskom measures pose a different problem for Rand Mines-controlled Witbank Colliery because the decision to defer commissioning the new Majuba power station by 4,5 years means lower-than-forecast earnings growth. Income due to start flowing to the group from 1990-1991 will now not be forthcoming until about 1996. Until then growth in the group's Eskom business will be restricted to the developing Kendal power station.

Wit Colls chairman Allen Sealey points out that in the short term the group's cash flow position could improve. That's because purchase of the equipment needed to expand the Majuba mining operations will be deferred.

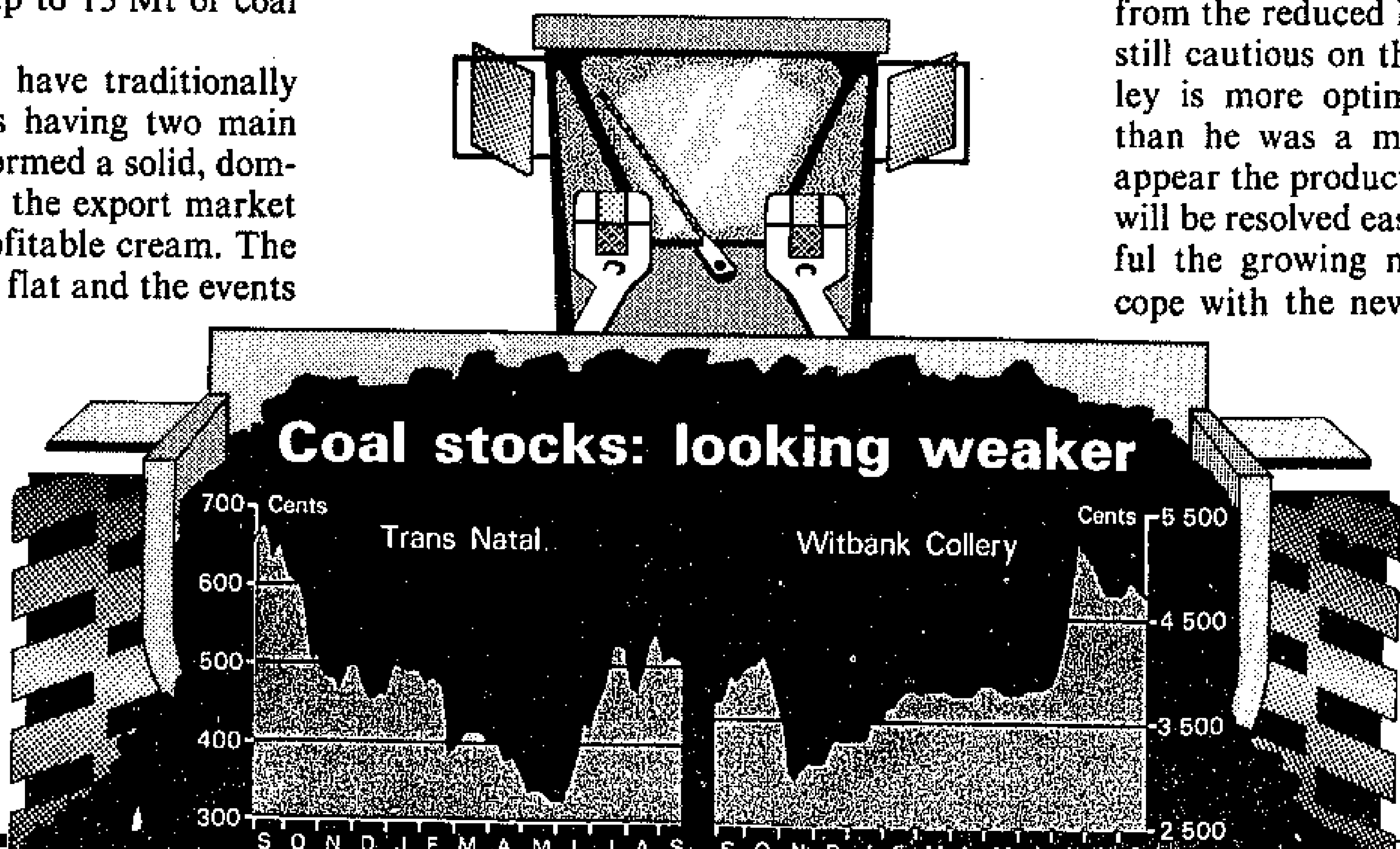
"We will go ahead with development of the Majuba mine on a very much reduced scale, getting to know the geology of the deposit. There will be no retrenchments," he says.

The group has already spent some R140m on setting up the mine and this will lie at the heart of negotiations between Rand Mines and Eskom regarding compensation for the effects on Wit Colls' earnings of the delayed commissioning. Sealey declines to be drawn on the specifics of the negotiations.

He says the improving export market should offset some of the lost earnings from the reduced Eskom business. While still cautious on the export market, Sealey is more optimistic on its prospects than he was a month ago. It does not appear the production problems in China will be resolved easily and Sealey is hopeful the growing market will be able to cope with the new production from Colombia.

He is in no hurry to see SA production stepped up: "I'd like to see the market get firmer by keeping the coal supply a little short for a while to let a bit of pressure build up on the demand side."

Brendan Ryan



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important source of employment — not communities for which the station is the very reason for existence.

Says Semark: "We are a lot more sensitive where there is a small town largely centred on the power station — but I don't think you can discriminate between employees in different areas. Special deals? You can't keep subsidising people indefinitely."

It's not just Eskom employees who have to worry about the cutbacks. The mines (**see box**) stand to lose thousands of jobs — as do the engineering and construction industries.

The decision to delay commissioning Majuba means these industries will continue to work on the R6bn project — but rather more slowly. "It would be economic insanity to buy our way out of these contracts — quite apart from the damage it would do to industry — so we have negotiated an extension to the programme," says Semark. "We will build over a longer period."

That's some consolation to industry, but perhaps not enough. For in addition to the slower pace at Majuba, Eskom had already delayed — probably until the 21st Century — development of its next scheduled power station at Lekwe, in the eastern Transvaal.

Development of a second nuclear power station could also be delayed. Eskom is still looking for suitable sites, but it's not clear what will happen once one has been found. Eskom won't need the extra capacity for years — but the decision may not be its alone.

Government officials concede that strategic considerations may override other constraints.

Eskom contracts once accounted for up to 10% of all civil engineering work in SA. That's down to about 6% and is destined to fall lower, says Kees Lagaay, CE of the SA Federation of Civil Engineering Contractors. And this doesn't include engineering work on mines to service Eskom's needs.

Lagaay doesn't quantify the number of jobs to be lost through the cutbacks — particularly at a time when other public-sector work is already at low levels — but, like others in his industry, he is pessimistic: "It's not just things like Majuba and Lekwe, but the indirect effect on our industry. This is not good news for us."

While one can sympathise with the comment this week by an Eskom trade union official — "If this is the effect of privatisation, no wonder our people don't want it" — the corporation, having embarked on rationalisation, can't afford to step back. There is no alternative, as Margaret Thatcher sometimes says.

If only other public-sector-linked bodies had similar courage. ■

ket. "Australia will benefit from proximity to markets in the Pacific, but higher freight rates on the long hauls to Europe are expected to be a handicap," it says, adding that the US also needs buoyant prices to fill its role as the "swing producer."

And calculations by Professor Don Barnett of MacQuarrie University, Sydney, show that expansion by producers in Colombia, Australia or Indonesia in the Nineties could require fob prices of between \$30/t and \$46/t to be profitable. Hence, unless the rand stages a major long-term recovery, it seems likely that market forces could disprove the forecasts for SA. ■

LOOKING FOR SOME LOCAL LUSTRE

Conditions on international coal markets have improved considerably — but general reaction from SA coal exporters is one of scepticism over the short-term nature of the present shortage which is driving up coal prices.

A direct result of that scepticism is an extreme reluctance by managements to spend the money needed to lift production to meet current demand after two years of closing down higher-cost operations to remain economically viable. The exporters are also scared of being caught by further sanctions measures.

At the end of 1987, spot prices fob Richards Bay had fallen to levels as low as US\$19/t which, at an exchange rate of R1 worth US50c, worked out to revenue of just R38/t. Sales on contracts realised a price around R45/t but, even at those levels, the industry was losing money.

Coal company management reacted by closing down high-cost production capacity. BP Coal pulled out of the Ermelo mine joint venture and stepped production from its lower-cost Middelburg operation instead. Rand Mines rationalised its Welgedacht and Douglas collieries and Anglo American Coal Corporation scrapped plans for a new opencast mine at Landau and, instead, sourced the coal from a rationalisation of the collieries controlled through its SA Coal Estates group.

Industry estimates are that some 8 000 jobs have been lost in the coal industry through retrenchments over the past two years and, at the end of 1987, the companies were looking forward to a year of break-even results in 1988.

Instead, the market has turned around dramatically. Current spot prices fob Richards Bay have reached \$27/t-\$30/t, depending on the quality of the coal which, at the present exchange rate of R1 for US40c, means revenues of R70/t-R75/t. Very little coal goes out on the spot market because the SA producers sell most of their output on long-term contracts. These were concluded earlier this year at prices around \$26/t. That still amounts to revenues of R65/t, which is some 45% higher than contract revenues in 1987.

Richards Bay has the capacity to export 44 Mt of coal annually, but shifted only 37,8 Mt of coal last year. Projections at the end of 1987 were for same-again sales in 1988 and the exporters planned their production accordingly.

However, Richards Bay could probably export 44 Mt this year but will not do so because the coal is simply not available. Industry sources say actual sales for the year to July totalled 22,47 Mt, or an annualised 38,52 Mt, but point out the tempo has picked up in the last six weeks and Richards Bay is now exporting at its full annualised rate of 44 Mt. Industry estimates are that actual 1988 Richards Bay exports should total about 40 Mt.

Reason for the turnaround is the drop in export tonnages from other major coal-producing nations, in particular Australia and China, while Colombia and the United States also have troubles.

Trans Natal senior marketing manager Gordon Osterloh says China had contracted to export some 17 Mt of coal this year, but has since revised that figure to 10 Mt because of production problems and higher-than-anticipated domestic demand. According to the *Financial Times International Coal Report*, production by Chinese coal mines "under unified central planning" in the first three months of 1988 fell 9,77 Mt short of the planned 111,42 Mt.

The problems in Australia result from a management confrontation with labour unions, which has temporarily closed a number of mines.

Customers desperate for coal are consequently beating a path to SA for supplies but local coal executives see the shortages as essentially temporary in nature — to be sorted out over time. They are extremely reluctant to boost production only to find themselves back at square one in a year's time when the other producers get back to normal. As a result, the coal exporters are looking to see how they can increase their output at the margin with the minimum of expense.

"We're juggling our facilities to see what extra can be produced with as little capital expenditure as possible. We're looking at plans such as bringing in contractors to produce from surface deposits," says Allen Sealey, chairman of Rand Mines-controlled Witbank Colliery.

Sealey estimates that Rand Mines could push up its output from its own collieries over the next 12 months by about 500 000 t from an originally forecast 3,25 Mt to perhaps 3,75 Mt — an increase of about 15%.

Other producers are less optimistic. "We can all do something at the margin to increase output, but you are talking about an extra 5% production," says a director of a large coal-exporting firm.

He adds: "I think most people need more time to regain confidence because it's just too soon after the severe problems we have gone through to be thinking of expansions. Five years ago, we were very confident of the future and were planning to push Richards Bay to more than 70 Mt/year capacity. We also had a lot more confidence in the will of our political masters. That has changed. We now live from day to day, week to week.

"Anything the government does which is internationally unpalatable can have repercussions on us through further sanctions. For example, it was made clear that certain of our trading partners would show their displeasure at an unpleasant outcome over the Sharpeville Six through economic measures. That could hit coal exports."

Sealey says a coal price of \$27/t fob Richards Bay is nowhere near good enough for anyone to consider starting a new coal mine. He says he would like to see the price move over \$30/t and stay there for some time before he became more optimistic on the coal market.

Coal shares have already reacted to the improved conditions and Mike Algeo, analyst for JSE broking firm Mathison & Hollidge, believes the shares are fully priced at current levels. "We are forecasting an average rand value of US38c over the next year, but mining costs are still rising at 15%-20% annually despite what the CPI figures show," he says.

Derek Ritchie, analyst for Fergusson Bros, Hall, Stewart, also feels coal shares are fully priced, with one exception.

"The coal companies have another 12-18 months of good results to come before the inflation bogey catches up with them. The one coal share still underpriced is Gold Fields Coal because investors have not realised how strongly that company's results are underpinned by income from the joint venture with Trans Natal on the Matla colliery, which supplies Eskom's Matla power station.

"I estimate that Matla will provide 60c per share in after-tax earnings to Gold Fields Coal this year and the company's limited exposure to the export market is cream on top. Gold Fields Coal should easily maintain its 1987 dividend of 80c this year and could push it to 100c."

Brendan Ryan

Taiwan a 'significant' beneficiary of sanctions

(74) Star 20/4/88

LONDON — Taiwan has been a significant beneficiary of trade restraints on South Africa introduced by the US and other major industrial countries, according to a new study of trade sanctions published by the Overseas Development Institute (ODI).

The study, written by Mr Roger Riddell, an ODI research fellow, says that two-way trade between the two countries has ballooned from just $135 million in 1985 to $911 million last year and now accounts for 2,6 percent of total South African trade.

Mr Riddell cites Taiwanese officials as saying that they expect bilateral trade flows to increase to $3 billion a year by 1990. Taiwanese firms have also invested $100 million in no less than 120 factories in South Africa's homelands.

Arguing that sanctions have been effective in hitting South African employment and investment, Mr Riddell urges the US to put pressure on those of its allies, including Israel and South Korea as well as Taiwan, which have continued to trade with South Africa, at least to publish more detailed statistics on their activities.

Trade figures from neighbouring countries such as Swaziland and Botswana also suggest that South African exports are being re-routed through these countries to avoid sanctions, he says. US imports from Swaziland rose 116 percent to $24 million in 1987, while Botswana's exports increased by 173 percent.

Meanwhile Mr Riddell says the effects of US disinvestment on South Africa's balance of payments have been less than many had anticipated because US firms operating there have been sold at less than their market value and because of restrictions on the outflow of funds generated by the sales.

US firms are still able to supply South Africa via subsidiaries located in countries which do not have restrictions on trade with South Africa and the new companies inside that country arising out of the disinvestment process are now bidding for government contracts, he says. — **Financial Times.**

Japan under fire for trade boost with SA

20/9/88

Star Finance Staff

Japan and Taiwan have come under severe criticism for apparently taking advantage of the international sanctions campaign against South Africa.

In Canberra yesterday, Commonwealth Secretary-General Sir Shridath Ramphal said Japan should be punished for boosting trade with South Africa.

And a study published by the London-based Overseas Development Institute says Taiwan had been a significant beneficiary of trade restraints on South Africa.

Opening the Commonwealth Parliamentary Association meeting, attended by politicians from 38 former British colonies, Sir Shridath said: "Japan, I think, needs to bear the full weight of international opinion."

A study by officials from Australia, Canada and India, released yesterday, identified seven countries which have increased trade with South Africa. They are Japan, Taiwan, West Germany, Switzerland, Italy, Spain and Turkey.

Japan's Finance Ministry said recently that exports to South Africa jumped more than 45 percent in the first six months of 1988, to $1,14 billon (about R2,73 billion). Bilateral trade, including imports as well as exports, rose 13 percent to $2,15 billion (R5,16 billion).

FM 30/9/88

FOREIGN TRADE (74)

Not cut off yet

With sanctioneers abroad threatening to restrict exports and central planners at home threatening to restrict imports, foreign trade is in a precarious state. But while the outlook is uncertain, the value of trade managed to climb over the past year, mainly from an upturn in imports.

Customs & Excise says foreign trade totalled R55,8bn in January-August, up 20% from R46,4bn in the first eight months of 1987. Dollar growth was less dramatic, reflecting the weakening rand: to about $25,2bn, up 12% from $22,6bn.

January-August imports rose 37%, from R18,3bn last year to R25,1bn. That pace is expected to slow because of the lower rand, faltering mini-boom and August surcharges — with more tariffs or controls to come?

Exports in the eight months rose 9%, from R28,1bn last year to R30,6bn — less than the inflation rate, so a real decline. The lower rand — an average US41c in August *vs* 48c a year earlier — should boost export earnings. But the gold price and greater international sanctions remain wild cards.

Osborn . . . will see effects by October

Meanwhile, the trade surplus — the difference between exports and imports — widened in August to its largest this year: R1,09bn from R974m the month before. Exports jumped nearly 12%, from R4,23bn in July to R4,73bn in August.

The January-August trade surplus was R5,49bn, down from R9,75bn a year earlier.

Nedbank chief economist Edward Osborn believes the current account surplus — the trade surplus minus service payments — will end the year at nearly R2bn. He expects a marked drop in imports in the fourth quarter. "We won't see the effects of the August measures until October, because of orders in the pipeline." ■

Demand for goods and services increasing

'SA links with Africa growing'

Star 4/10/85 (74)

By David Braun, Political Correspondent

GEORGE — Africa was inextricably linked to South Africa by a growing web of commercial, economic, health and other ties.

This was the thrust of a lengthy list of links South Africa has with countries to its immediate north which the State President, Mr P W Botha, detailed last night when opening the Cape National Party congress at George.

Mr Botha said South Africa, with 4 percent of the total African population, accounted for 20 percent of its gross national product.

Investment, development aid and loans by the South African private sector made a substantial contribution to the economies of many countries in the region.

Many development projects in Africa were financed by credit and loans provided by the South African private and public sectors.

South Africa provided transport and harbour facilities to many states so they could conduct their international trade.

The country had 27 percent of the total length of railways on the continent and it carried 81 percent of railway freight transported in Africa.

Seven landlocked states made extensive use of the South African transport and ports system.

There were more than 10 000 carriages, steam and diesel locomotives of the SA Transport Services in use on the railway systems of neighbouring countries — Botswana, Swaziland, Mozambique, Zimbabwe, Zambia, Zaire and Namibia.

South Africa was also involved in the maintenance of the port of Maputo.

South Africa provided job opportunities for many workers from neighbouring countries — 300 000 official migrant workers at the latest count and, perhaps, just as many illegal workers.

Two million people derived benefit from the employment of migrant workers in South Africa.

South Africa's Eskom was a source of energy for five states in the region — Botswana, Lesotho, Mozambique, Swaziland and Zimbabwe.

South Africa was the leading factor in the development of the R4 billion Lesotho highland water and hydro-electric scheme.

South Africa was also involved with Mozambique in the Cahora Bassa scheme and with Angola in the Ruacana and Calueque schemes.

South Africa was the major market for hydro-electric power and water from its neighbouring states.

Despite the threat of sanctions, the demand for South African goods was constantly increasing in Africa.

Not only did South Africa supply food to the region, it was involved in agricultural development of the various countries.

Talks with government ongoing

BTI industrial approach wins sector approval

(74)

B/day 7/10/88.

HELOISE HENNING

INDUSTRIALISTS have expressed confidence in the sunrise/sunset approach the Board of Trade and Industry (BTI) has apparently adopted to justify to government the protection and incentives needed to promote certain industrial sectors.

This approach was used by British Prime Minister Margaret Thatcher when her government decided to "let the sun set" on coal mines, while in Taiwan and Turkey governments adopted techniques that allowed the "sun to rise" on sectors in their economies which would make them internationally competitive.

Industrialists agreed that economic policies would not replace the political changes needed for SA to become a democracy, but while the country moved towards democracy the economy needed to be strengthened. In the meantime, sanctions were making this approach difficult.

BTI's general report on industry follows research into the structural changes needed after pipe-line studies of several local industries, including textiles, footwear, clothing and apparel, motor manufacturing, electronics, steel and stainless steel.

Although the report was completed in January, government has not yet announced its adoption of any recommendations. In fact, the secrecy surrounding the recommendations has led to speculation that government has rejected the report.

Finansies en Tegniek this week reported that BTI chairman Lawrence McCrystal said any differences which had arisen between the board and government were related to implementation rather than principles.

McCrystal is on an overseas visit. The matter could not be confirmed with him. However, Economic Affairs director-general Stef Naudé, who was referred to in the article, said any suggestions that government had rejected the report were devoid of truth.

He said: "We are busy writing memoranda to the Cabinet on the report which it has to see before it can take any stance."

BTI's negotiations with business leaders have been ongoing. The balance of payments crisis has brought the talks to a head.

Business Day 7 October 1988

CORPORATE PROFILE: VAN REENEN & NICHOLLS

Employees share in the success

WHAT is the secret of Van Reenen & Nicholls' success in the notoriously competitive steel market? Joint MD John van Reenen believes it to be the calibre of people on his staff, and the terms on which he employs them.

"In the days before I went into business alone I clashed with a number of my employers over their conservative staff relations policies, and I was fired from two companies as a result.

"I promised myself that one day I would prove them wrong — and today we employ 650 people who are highly productive evidence that our approach works," he says.

The essence of VRN's management style is to let employees enjoy the fruits of a successful operation before trusting them to do everything in their power to keep the business successful.

"Tradition tells us an enlightened employer should reward effort and achievement," Van Reenen comments.

"Experience has proved to me that it makes more sense to reward your employees in advance, and trust them to respond with loyalty and profitable productivity."

VRN's takeover of Jacksons Metals earlier this year provided a classic example of this philosophy in action.

At the time of the takeover, VRN inherited a workforce of 350 people. Jacksons was trading at a loss and its staff salaries were somewhat lower than the industry norm.

VRN committed itself to not retrenching any Jacksons employees, although natural attrition, resulting largely from the operation's transfer from Sandton to Alrode, reduced the workforce to about 290 people within some two months.

Immediately on taking control, however, VRN brought the salaries of virtually every Jacksons employee into line with established VRN staff.

"We called a meeting, at which we told them we would be increasing their wages by an average of 30%. One man's income literally doubled overnight," says Van Reenen.

"At the same time, we told them what we expected in return — that we believed they could increase productivity, and that we needed them to do so in order to enable us to continue paying well.

"Since the takeover, which took effect in January, Jacksons' turnover has increased by 40%, alongside staff morale."

Joint MD Patrick Nicholls explains that the company's approach is similar to that of Japanese companies.

New employees are automatically given a three-month trial period in which to prove their ability to meet the company's standards, before they are taken on as permanent staff.

"We don't believe in retrenchments — as far as we are concerned, once an employee has proved himself he has a job for life," Nicholls adds.

"If the economy declines to a point where profits turn to losses, everyone — from the MDs down — will take whatever cut in salary is necessary.

"It's better to keep everyone secure on a small salary than to sacrifice a few by declaring them redundant."

What of the employee whose performance drops due to personal problems? Van Reenen insists that the company's commitment to its staff is great enough to see any of them through difficult times.

"We have had some experience of people who couldn't cope for a while, and our approach has consistently been to get as involved as possible.

"We insist on their going for professional help, give leave when it's necessary and, if for some reason a person can no longer cope with his job, we attempt to place him elsewhere in the company."

All in all, VRN management regards its workforce as a worthwhile investment.

A dynamic approach to service

A DYNAMIC approach to service has won Van Reenen & Nicholls entry into markets that many older operations had failed to realise existed, says group joint MD Patrick Nicholls.

And more recently, the company has taken the lead profile cutting stainless steel — a costly, high-risk operation that promises to cut costs to the industry across the board by improving efficiency in the use of stainless steel.

"We have made a habit of offering a level of service that makes our customers more efficient and enables them to grow — and then we grow with them," Nicholls comments.

VRN started off as a straightforward special steel merchant, purely buying from the mills and large suppliers and selling to the customer, and constantly threatened by competition from the larger merchants.

"Most of the general steel merchants offered the commercial product and dabbled in special and stainless steels when it was requested by the customer. Any one of them had the clout to take a large portion of our market share," he explains.

"But four years ago we analysed our long-term goals in the light of what we could see overseas.

"We recognised that the face of the industry was changing, and realised that to be in the forefront of change in SA would make us invincible."

The challenge, as VRN saw it, was to make it possible for the client to buy his steel in partly fabricated form. This involved embarking on an enormous learning curve, along which the company also had to lead many of its customers.

"We had to sell industry the concept of buying its steel cut to size. Initially, fabricators who had built up a staff and capital base with which to do their own cutting and bending, were doubtful of the value of such a service," he says.

"But with the increasing cost of raw materials and rising interest rates, they became more conscious of the need to eliminate wastage. When this happened, we were ready to take up the slack as their demand for materials outstripped what they were already equipped to produce in-house.

"It also made more sense for them to rationalise their operations, concentrating on the more highly skilled work for which they had the expertise, and leaving the initial stages of fabrication to us."

Today, VRN has the largest profiling operation in SA, using the most sophisticated machinery of its type available in the world.

It is equipped to supply, profile cut, guillotine and bend every type of steel plate produced in SA, whether it be commercial grade, quenched and tempered or high quality stainless steel.

Achieving this level of expertise has demanded a capital investment of some R10m over the past four years, but Nicholls believes it has trebled the company's local market share potential.

"Making use of our steel service costs the customer less in the long run, because we are geared to operate so much more efficiently than he can," Nicholls explains.

"Because of our large and varied customer base, our stockholding moves faster and we have less waste than an individual fabricator.

"And, as a specialist in our field, we represent a more efficient investment in labour and capital for the industry as a whole."

74

Written by VAL PIENAAR

Quite a feat for a small beginner

DURING their first year in business together, John van Reenen and Patrick Nicholls achieved a turnover of R600 000.

This year their turnover will exceed R250m, some R12m of which will be won on the cutthroat international market — an impressive achievement for a company that, 10 years ago, was operating out of an Edenvale backyard.

"When we started, Patrick and I did literally everything — sourcing and selling steel, and also cutting it and delivering it by truck.

"I can remember spending many long hours in pouring rain cutting steel on our unsophisticated little machine in order to meet a contract deadline," recalls Van Reenen, who launched the business in April 1977.

CONSULTANT

At that time an unenthusiastic financial consultant specialising in takeovers and mergers, he saw a business opportunity in sourcing surplus raw materials within a variety of industries, on the basis that one company's waste could be another's stock.

An accountant by profession but an entrepreneur by inclination, he revelled in the challenge of finding markets for a wide range of industrial rejects.

"And the challenge was increased by the fact that I had neither capital nor financial backing, so I had to sell back to back all the way. I would source a product, find a buyer, and then sell the product to him before I returned to buy it myself," he adds.

WASTE PRODUCT

The waste product he encountered most frequently — and sold most readily — was steel, and he soon saw the advantage of actively seeking out parcels of steel to satisfy the demands of an expanding customer base.

This activity brought him into contact with Patrick Nicholls, then a director +of Steelbank and one of his major customers, who joined Van Reenen in August 1977.

"We still had no capital at that stage — just lists of steel, abundant energy and faith in ourselves," comments Nicholls.

"We also had a market made to order — the engineering and mining industry, which was being neglected by the established steel merchants. This market sector did not merely need hard-wearing high tensile steel; it needed good service and prompt delivery."

The two men's success at meeting these needs was evident in their growth. For their first five years in operation this averaged 100% a year, with sales increasing from 40t to 500t of steel a year.

By 1979, the company had employed a saleswoman and a driver, with whom it moved to a 1 000m² yard in Edenvale. It acquired a truck and a crane and started selling quenched and tempered steel plates.

The following year brought another move, when Van Reenen & Nicholls bought a 10 000m² factory site in Alrode.

By the end of the following year, VRN had stormed onto the international market, with an export revenue of R200 000 during its first year.

According to Van Reenen, however, this proved something of a freak storm, with a "long, hard battle" having to follow before the company could establish a secure and substantial international reputation.

Meanwhile, VRN's chief aim on the local market remained to establish a reputation for service. Among the products of the cutting operation run from its Alrode premises was a flat steel bar, produced in conjunction with Union Steel Corporation.

"This undercut the imported price by 25% and, by 1983, was in heavy demand in the Natal sugar industry," says Nicholls.

"Having established a presence there, it made sense for us to team up with Amsteel, one of the largest profile cutting steel service centres in Africa, to buy out Precision Profiles SA in Natal. This company we renamed VRN Steel Centre."

Both Van Reenen and Nicholls, however, confess to being almost fanatically determined to run an independent operation.

Less than two years after going into partnership with Amsteel on the Profiles acquisition, they gained full control of the operation by the simple expedient of buying out 70% of Amsteel. The remaining 30% was acquired later.

"We had already established ourselves as reliable suppliers of special steels to the industry, but there was still a gap in the market for a full range of steel, including stainless, backed by a comprehensive cut-to-size facility.

ONE-STOP

"Taking over Amsteel in 1985 gave us an entree into the market, and increased our turnover to R35m virtually overnight," comments Van Reenen.

By 1987 the company had set up a one-stop stainless steel profiling service through its Amsteel arm. During the same year, it set up a R1m factory in Klerksdorp, and began producing repair kits for trackless mining.

This was also the year during which Reichmans approached VRN with a request to invest in the company.

"Reichmans had handled the trade finance for our dealings with Iscor from the early days of our operation and recognised that we would be a good investment.

"We sold them a 20% interest in VRN for R3,3m, which improved our access to development capital and facilitated our entry onto the international market," says Nicholls.

The end of last year saw an additional growth spurt, when Gencor subsidiary Malbak, through its subsidiary Protea International, joined forces with VRN to form Protea VRN Steel.

BYPASS

"Malbak joined up with us to meet the large demand for steel for Gencor companies," explains Van Reenen.

"However, we realised that we needed to bypass the big suppliers, who did not always give us the level of service we needed to operate at maximum efficiency, and get closer to the steel mills themselves.

"By the beginning of this year, our growth had reached a point where we could buy distributor Jacksons Metals, which had a turnover of some R70m, for R18m in cash.

"By August Jacksons' turnover had grown to nearly R100m, bringing our total turnover to R250m — and making us the largest specialist steel company in Africa," Van Reenen adds.

Overcoming the export hurdles

Corporate Profile

Van Reenen & Nicholls

Business Day

INTERNATIONAL hostility, sophisticated competition and a reputation for unreliability earned by a generation of local steel exporters were only a few of the hurdles Van Reenen & Nicholls had to cross when it moved into the export market less than five years ago.

Yet today, at R12m, exports account for nearly 5% of the company's annual turnover, and joint MD Patrick Nicholls is confident they will continue to rise.

"We're aiming to export 10% of our turnover — amounting to R50m — by 1991, growing to 20%, or R100m, five years from now," he adds.

However, he castigates short-sighted exporters for the damage they have done in the past to SA's reputation as a supplier.

"Too many local operators, when their profits dropped in SA, hopped onto a plane and made tacit commitments which they had no intention of fulfilling," he says.

"Then, as soon as local economic conditions improved, they dropped their overseas customers.

"The vast multinational corporations which make up the bulk of the international market, plan their production and place orders a year in advance: they aren't interested in making one-off purchases from companies that may not be willing to serve them a few months later."

At the same time, adds joint MD John van Reenen, wildly fluctuating rand values force local exporters into a catch-22 situation.

"Large international companies require one to tender in a highly competitive market against suppliers all over the world, making a long-term commitment in terms of price.

"It's difficult to quote firm, because in the present economic and political climate one can't foresee what will happen to the rand in the months it takes for the customer to select his supplier.

"And you can't protect yourself by buying forward until you have a firm order.

"The only answer is to take a long-term view, based on the premise that, over a 10-year period and regardless of short-term fluctuations, the value of the rand against the dollar will drop."

This philosophy underlay VRN's decision to make a heavy commitment to the export market in terms of capital, time and human resources.

"When we started exporting towards the end of 1982, we were lucky to be tendering in the right place at the right time, and achieved a turnover of R200 000 in our first year.

"The following year, however, our hold on the market dived and we faced a long, hard battle before we gained our first real foothold," Nicholls says.

In 1986 the company committed R1m in capital equipment and human resources to the export market, and promptly saw its annual export turnover rise to R800 000.

By 1987 this had grown to R7m, and this year it is forecast to reach R12m.

"We've recognised the crucial importance of the export market to our future in enabling us to maintain growth while levelling off fluctuations in our locally-sourced income," explains Nicholls.

"By far the greatest segment of our local market is the mining industry, which is a feast-or-famine investor. When the gold price is high, the mines spend vast sums on maintenance and expansion, but when gold drops development virtually comes to a standstill.

"The entire mining industry — and most local secondary industry — is affected by these fluctuations. As one of the most universal raw materials, steel is vulnerable at every level."

By contrast, Van Reenen discounts steel exporters' vulnerability to either international political pressure or SA's galloping inflation rate.

"At present we are not affected by sanctions. If Dukakis is elected US president, wholesale sanctions against SA are likely, but there are other markets — for example, we are establishing a firm foothold in the EEC countries.

"Base metals are more likely to be affected by adverse world opinions than steels, especially stainless steel, for which market demand is still growing.

"The quality of the local product is as good as any to be found in the world, and depreciating rand values offset the effect of inflation to keep our prices competitive," he says.

Largest on the continent

IN SLIGHTLY over a decade, Van Reenen & Nicholls has grown from a backyard operation manned by two men to the largest specialist steel company in Africa, employing 650 people at its 10 local and two overseas operations.

And one of its primary goals — which it seems set to realise within the next two years — is to supply 50% of SA's stainless steel requirements, as well as increasing its share of the international special and stainless steel markets.

"We have branches in Witbank, Pretoria, Klerksdorp, Welkom, Durban, Port Elizabeth, East London, Cape Town and Rustenburg.

"Any one of these would qualify, in terms of both profits and turnover, for a listing on the Johannesburg Stock Exchange — but we believe we have more chance of retaining the unique character of our operation by remaining independent," comments group MD John van Reenen.

Independence is the keynote of the company's operating and expansion policies. For example, it was a desire to gain independence from the larger distributors' buying patterns, and deal directly with the mill, that led the company into buying Jacksons Metals earlier this year.

And a desire to be less dependent on the volatile mining industry led the company into the export market a few years ago.

Although a relative newcomer to the international scene, the company has a wholly-owned subsidiary in Atlanta, Georgia, as well as an office in West Germany.

"Within the next six months we intend to open a full branch operation in West Germany, which will serve as our base for operations throughout Europe. And we're planning to have a branch in Hong Kong by the end of next year," he adds.

Despite the size and complexity of its operations, the VRN company structure is simple, which probably accounts for its unusually personal management style.

Founders Van Reenen and Patrick Nicholls operate as joint MDs, and hold 66% of the stock in the company. Finance house Reichmans has a 20% shareholding, and the balance of 14% is held by various staff members at management level.

Keeping it under our hats

(74)

We must protect foreign trade information before it's too late, argues Eddie Twiggs, senior partner at Pim Goldby, Cape Town.

A neon sign above London's Piccadilly Circus reads: "Either exports go up or Britain goes down."

The words are appropriate to SA's own situation. Every day seems to bring news of balance of payments problems, a tougher world stance on sanctions or reducing trade with SA.

In such a situation, it is important not to provide ammunition for SA's foes. An important factor is visibility of trading relationships. Exporters must provide details of trading activities to a variety of parties. As this information is fed to more parties, there is a significant escalation in the risk of exposure or leaks. These could stifle export business with customers who find themselves under the spotlight.

There are several requirements to be adhered to. For instance, the Companies Act and generally accepted accounting practice require disclosure of a company's operations and subsidiaries to be set out in annual financial statements. The minister can, however, either by notice in writing, or on application by the company, prohibit or exempt it from disclosing information or facts regarding it or its subsidiaries.

Even then, if the Registrar of Companies wants details of the information which would otherwise have been supplied in terms of the Companies Act, they must be provided.

Structuring an off-shore operation, creating foreign subsidiaries and generally rearranging one's overseas business affairs almost inevitably creates situations where sensitive information must be provided upfront, or elicit that "please furnish detailed information ..." letter many of us have grown accustomed to.

Registering as an exporter and claiming the exporter's marketing allowance is one such situation which may give rise to this.

Creation of an off-shore marketing subsidiary or operation and the use of ingenious transfer pricing can shift from SA the source of all or part of the income to that subsidiary or operation.

In circumstances where, for example, an exporter participates directly or indirectly in the management, control or capital of the business of the buyer, Section 31 of the Income Tax Act empowers the respective tax authorities to determine the taxable profits in each country in accordance with the applicable double taxation agreements.

Thus, where transfer pricing malpractices exist to avoid the taxation of income in one country, the taxation authorities may override export buyers' arrangements regarding, say, pricing and determine the true profit to be taxed in each country.

Again, however, details of the transfer pricing structure, among others, would have to be tabled before any determination could be made. The application of Section 30 of that Act to the source of income from business activities extending beyond SA is again only possible if sufficient details are provided.

Off-shore structures, arrangements, exports and related matters can't exist legally without the sanction of the Reserve Bank, which stipulates conditions. Then there are commercial banks, who also want detailed information.

There are also other parties who may have to be informed, each adding to the ranks of those who "know".

Irrespective of secrecy provisions or confidentiality assurances, I believe the more people with access to sensitive information, the greater the risk of that information no longer being secure. Pro-sanctioneers are not only monitoring the visible manifestations of exports, but also seeking access to confidential information.

Something needs to be done about the security of sensitive and privileged information to achieve the right trading environment. For those testing the sanctions waters, it is fast becoming unacceptable to have trade arrangements which might backfire because of inadvertent exposure.

One solution, I believe, lies in the creation of a review board, operating under the aegis of the Reserve Bank, which will approve sanctions-busting schemes in direct negotiation with the applying enterprise and release information only on a need-to-know basis. Under such a scheme, there should be little chance of information being seen by the wrong people.

However, this isn't something we should be talking about in the distant future. We must find ways now of protecting sensitive information. Next year may be too late and the fate of our export trading customers may already have been sealed under the lid of sanctions.

Tedelex returns to 'normal dividends'

Star 10/10/88.

74

By Ann Crotty

Latest earnings and dividend figures reported by Tedelex should help to lift the share from the 160c level at which it is currently languishing. The group has reported earnings per share of 50c (11,9c) and a dividend of 10c (2c) for the 12 months to end-August.

If the market believes that this sort of performance is sustainable, and will not be undermined by the recent introduction of credit and import controls, then the share should be able to move back towards the 400c level that it enjoyed in 1987.

On July 1 1987, Tedelex sold its 60,2 percent holding in Ellerines to Gencor for R91 million, which included R20 million profit. Comparative, unaudited, income figures are given for the 12 months to end-August 1987 which excludes the Ellerines figures.

Comparision with these figures shows turnover up 22,6 percent to R392 million (R319,6 million) and taxed income up almost 53 percent to R30,8 million (R20,2 million). Earnings were up 50 percent to R30,3 million (R20,3 million).

The major boost to the earnings figure came from a sharp increase in operating margins from 8,5 percent to 10,1 percent. This helped to counter a 23 percent increase in finance charges to R8,1 million from R6,5 million.

The directors statement that "normal dividend payments have been resumed" should also help to lift investor sentiment towards the share. On Friday the share closed at a low 160c which puts it on a very cheap price/earnings rating of 3,2 times and a dividend yield of 6,2 percent. These figures compare with the averages for the electronics sector of 8,4 times and 4 percent respectively.

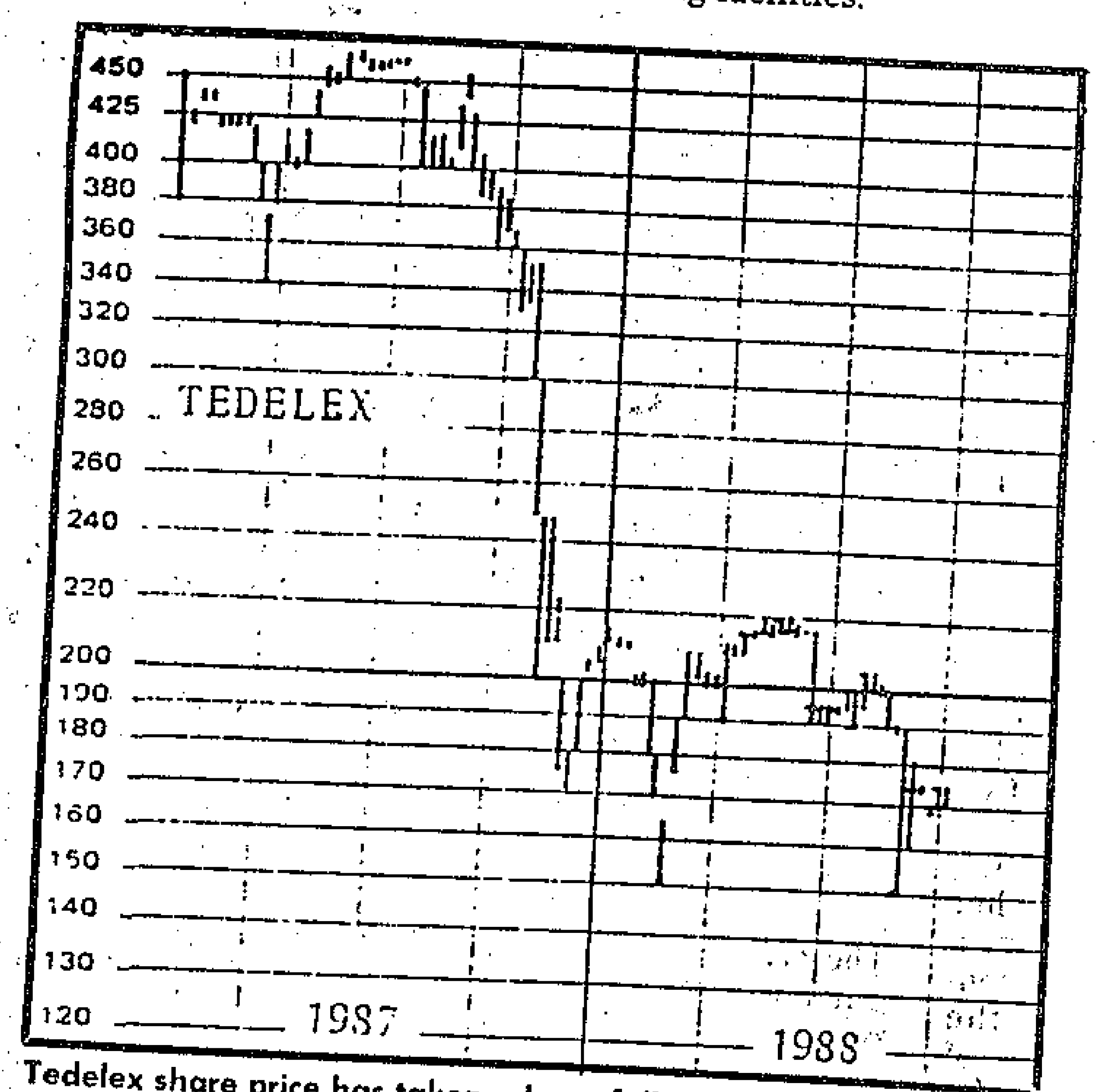
The balance sheet shows net asset value of 269,8c a share, up from 229,3c at end-August 1987. The latter figure includes Ellerines. The current share price is showing a 41 percent discount to NAV.

Gearing is down from 55 percent in August 1987 to 43 percent. This is chiefly due to a sharp increase in shareholders' funds to R164,6 million from R138,7 million in August 1987. Interest bearing debt was down by almost R6 million from R75,9 million to R70,2 million. This reflected the reduction in long-term debt from R69,6 million to R65,1 million.

The level of interest bearing debt has increased since the half-way stage. Then the unaudited figures for end-February showed debt of R66,7 million with long-term debt accounting for R60,3 million.

At the half-way stage shareholders' funds were reported to be R153 million.

Looking ahead the directors' note:"It is not possible at this stage accurately to assess the full impact of the recently imposed punitive credit and import restrictions. Although there can be no doubt that trading conditions will become more difficult in the short term, the group should benefit from its well established local manufacturing facilities."



Tedelex share price has taken a huge fall since the October crash.

Mauritian plea on SA links

B/day 13/10/88.

NEW YORK — Mauritius said yesterday countries jealous of its economic success, and other vested interests, were speading disinformation about the extent of its links with SA.

It said these links were declining steadily.

Prime Minister Anerood Jugnauth, saying he wanted to "set the record straight", told the UN General Assembly that since his government was elected in 1983 "links with SA, which were already limited, have been diminishing".

Jugnauth said: "This disinformation campaign has been orchestrated by international vested interests which feel threatened by the economic success of Mauritius and by jealous rivals unable to emulate the Mauritian miracle.

"The aim of the campaign has been to equate Mauritius's success to her links with SA and to stick the label of sanctions-buster on Mauritius."

Jugnauth, describing the white-minority government in Pretoria as a "racist regime", and expressing solidarity with independence movements throughout Africa, said Mauritius was trying to diversify its trading partners and was succeeding.

Mauritius, the world's third-biggest exporter of woollen knitwear, mainly to

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● To Page 2

Mauritian links with SA 'declining'

74

● From Page 1

B/day 13/10/88.

the US and Europe, has enjoyed six consecutive years of real economic growth of more than 6% and expects the trend to continue into the 1990s.

The prime minister said 0,76% of Mauritius's exports were to SA in 1982, compared with 0,41% last year.

He said imports from SA represented 9,6% of his country's total in 1981 and 8,3% in 1987.

Investment from SA was only 1,27% of total foreign investment last year and SA tourists were now only 14,7% of the total, down from 22,6% in 1984. — Sapa-Reuter.

Japan's two-way trade with SA down

Star 14/10/88

(74)

TOKYO — Japan's two-way trade with South Africa declined 5,5 percent in the first nine months of 1988 as government attempts to curb activity with Pretoria began to have impact. Finance Ministry data showed exports and imports fell to $3,1 billion.

Exports, nearly six percent up on the first nine months of 1987 at $1,6 billion, were offset by an import drop of around 15 percent to $1,5 billion.

Japan has been trying to cut back on its politically embarrassing economic links since it became SA's biggest trading partner last year. — Sapa-Reuter.

Imports from SA down by 15%

Tokyo trade sanctions begin to bite

74 B/day 14/10/88

MANDY JEAN WOODS

JAPAN'S sanctions against SA are beginning to bite — Japanese Finance Ministry trade statistics released yesterday showed that imports from SA fell by 15% ($260m) to $1,5bn in the first nine months of this year.

Sapa-Reuter reports that bilateral trade for the period January to September dropped by 5,5% overall to $3,1bn. (Overall trade last year was $4,12bn).

SA imports from Japan for the same period increased nearly 6% to $1,6bn.

SA Japanese trade consul Shigeaki Koga said the ministry figures were only preliminary and, therefore, no breakdown figures were available. He said the reduction in imports from SA probably affected industries across the board rather than particular industries.

He said since March this year, the government had been asking Japanese businesses to reduce trade with SA.

Japan has come under increasing criticism from, among others, the US — its largest trading partner — which alleges it is exploiting the gap left by international sanctions imposed on SA.

Safto Asia manager Guy Sievewright said it was well-known the Japanese were embarrassed about their position as SA's number one trading partner and were trying to change that.

One large coal mining company declined to discuss the effect of lower SA exports to Japan on the coal industry — one of SA's main exports to Japan.

Koga said that to the year-end 1987, exports from Japan increased by 18% (over 1986) to 269,2bn yen. In dollar terms, that represented a 37% increase to $1,86bn.

Imports from SA decreased by 13% in 1987 (over 1986) to 328,4bn yen. In dollar terms, that was a 1% increase to $2,26bn.

Overall trade last year declined by 2% in yen terms (597,6bn) compared with a 15% decrease in dollar terms to $4,12bn.

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SAFTO

Losing fat, losing confidence

14/10/88

The SA Foreign Trade Organisation (Safto) has been accused of slack financial controls, leading to the dismissal or resignation of 24 staff members, including export management services GM Warren Smith.

Safto CE Wim Holtes confirms staff numbers have been pared from 204 to 180, but not that there are serious financial problems.

Informed sources say Safto is at least R1m in the red. Holtes says members jumped in to stop the rot.

"By March, we were growing too rapidly and had to apply restrictions and cut back on staff. But we received support from our members and were able to end the financial year with a small surplus."

Holtes says Safto business has been "growing at 50%-60% over the past year" and this created a need for working capital. "We are busy changing the capital structure of the company to meet the challenge of fast growth."

Sources in the export sector say there is too little accountability in the financial affairs of an organisation that in the last Budget received almost R5m in State funds. A senior government source says less than R1m was in the form of a subsidy — the balance was for "services rendered."

Five years ago, seven top export marketing executives left Safto, following policy differences with Holtes and others. Critics say the organisation has never recovered from the ongoing departure of experienced staff.

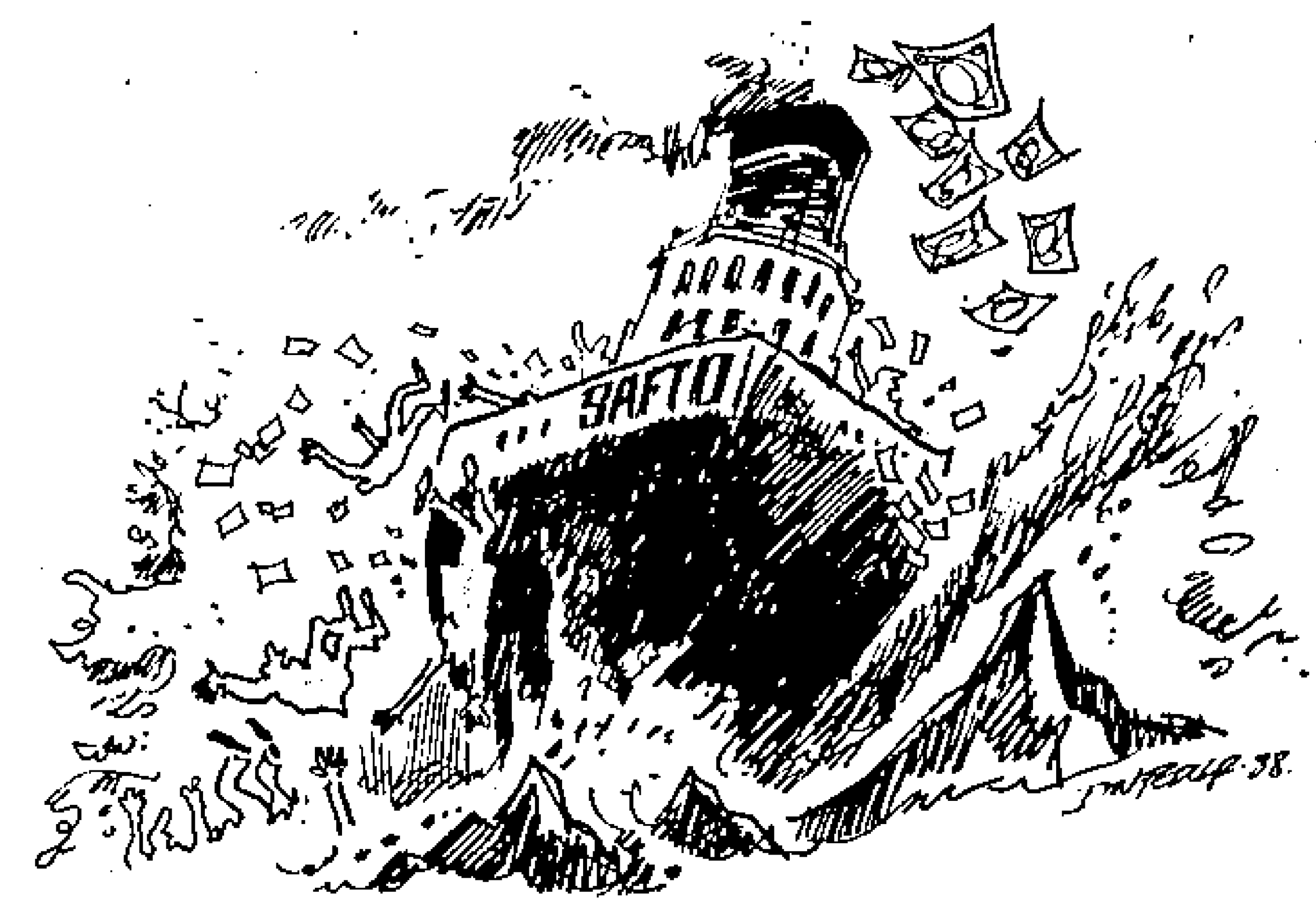
They say there is some industry dissatisfaction with Safto's services — though its publications, reference library and training services are generally acclaimed.

"Safto is a non-profit company registered under Section 21 of the Companies Act and as such there is no profit motive to drive its staff," says one source. Another says it is top-heavy with "senior" staff with too many academic qualifications and too little practical experience of exports. Most of the staff are "too young" to help in the hard, competitive game of exports, he says.

Breyer Development Services director John Bell says Safto should "halve its staff and improve its quality."

"Manufacturers are often unfairly blamed for being too lazy to export. But what can they do when they are referred to an organisation that has virtually no hands-on experience in exports? SA's chambers of commerce and industry should rather take over this role — if needs be with State support," says a senior export consultant.

Board of Trade & Industry CE Lawrence McCrystal retorts that Safto was formed to "create the right climate and to promote exports inside SA. Finalising transactions and practical help falls in the ambit of SA's 200-odd efficient export agents. Maybe people expect too much of Safto."



Business Development Africa CE Sally Gallagher says local export agents "do phenomenally good work" in promoting trade with Africa.

Safto was formed about 25 years ago at the instigation of government, but acts as a private sector body. This is confirmed by its powerful board of directors, chaired by Barlow Rand CE Warren Clewlow.

The government source says Safto may have "run too fast over the past few years and overreached itself in an eagerness to promote SA. This led to cash-flow problems. They should focus more on the local market, rather than do too much overseas." ■

METAL INDUSTRIES

Steeling for change

The giant Steel and Engineering Industries Federation (Seifsa) is preparing to shed its emphasis on industrial relations and join other employer bodies in pressing for economic and socio-political change.

Richard Savage, who retired this week as Seifsa president, says the federation is no longer sure it can afford industrial relations, particularly annual wage negotiations, to dominate its affairs. He says the overall interests of metal industries employers have gone beyond that and Seifsa is reviewing its role.

"I foresee that Seifsa will need to broaden its scope of activities and become more involved with issues such as decentralisation, regional development, encouragement of exports, tax reform, the Group Areas Act and regional services councils," he told representatives attending the organisation's annual meeting.

"These issues have a direct impact on Seifsa members and the federation could play a more active role by encouraging positive changes which would benefit both themselves and the community at large."

Seifsa already shares the views of other employer bodies like Assocom and the FCI on a range of business issues. But these bodies would undoubtedly welcome the added muscle Seifsa's voice would give to the business lobby in its negotiations with government.

Whether government would feel the same way about having one more business terrier harrying it over group areas and other sensitive issues is another matter.

It is already feeling the heat over Seifsa's campaign for integrated technical and vocational training for industry apprentices and technicians.

So far, though, Savage says the Department of National Education has insisted technical training remain an "own affair," and that to allow all race groups to train together would "conflict with the provisions of the Constitution."

It's not a view shared by the Houses of Representatives and Delegates, which have cleared the way for people of other races to enter institutions falling under their educational departments.

Savage says the problem is particularly worrying because of the continuing decline in metal industry apprentice numbers. "The anticipated grave shortage of artisans is likely to prove a major constraint on economic growth in the metal industry in years ahead," he notes. ■

PUBLISHING

Crying shame

It hasn't been an easy birth for *Laughing Stock*, the SA magazine intended to brighten our lives with satire. Barely six weeks old, it's already changed printers and abandoned its publication schedule.

Having sold only 30 000 of the 70 000 copies printed for the first issue — co-editor Gus Silber insists the print order was deliberately high "for promotional purposes" —

SAFTO

Losing fat, losing con

(14)

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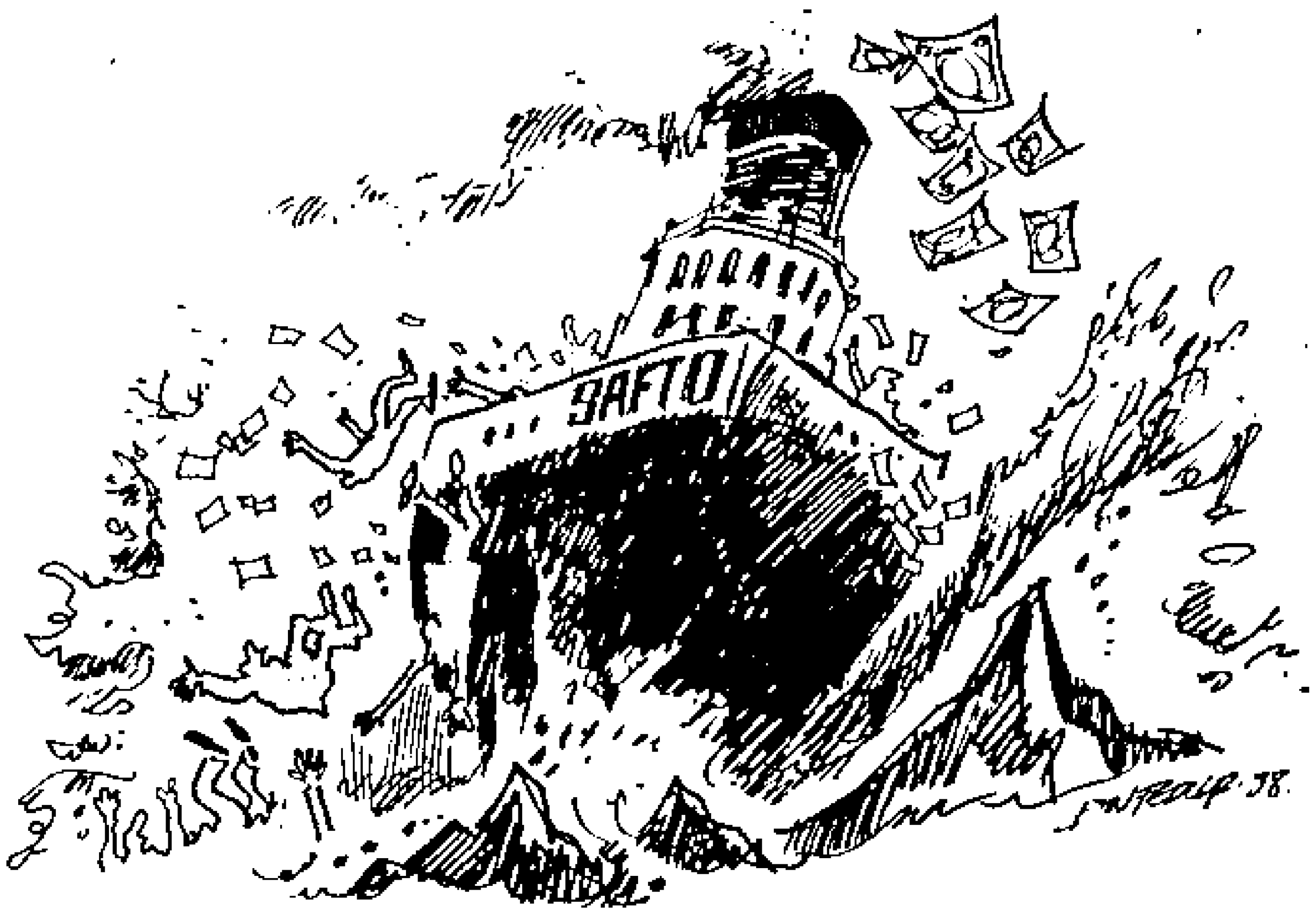

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UK firms urged to boost SA trade

Star (66)

(74)

15/10/88

THE STAR BUREAU

LONDON — British firms have been told to step up their efforts to sell more goods to South Africa or risk losing market share to foreign competitors.

The warning was given by Sir James Cleminson, chairman of the British Overseas Trade Board, when he addressed the UK-South Africa Trade Association in London.

"There is good business to be done here, and I would urge you to secure more of it," he said.

British exports to South Africa grew by 12 percent last year to R4,033 billion, leaving a favourable balance of R1,236 billion. Between January and August this year they rose by 17 percent to R2,945 billion.

Describing SA as probably Britain's most reliable trade partner, he said: "We are well on course to seeing it once more become a billion pound market for the UK." He added that increased business with SA was consistent with Government policy.

(54) B/day 19/10/88.

Import/export firm sues for R760 000 over claims of negligent audit

SUSAN RUSSELL

PEAT Marwick Mitchell and Co are being sued for R759 302 damages by a Johannesburg company that claims the auditors' negligence allowed six illegal foreign currency transactions by a former financial director to go undetected.

Steel importers and exporters Protea International claimed in papers before the Rand Supreme Court yesterday its former financial director, F von L Schoeman had entered into the six forward exchange contracts with Finansbank and Nedbank without the knowledge of the company's board during February-July 1982, incurring abnormal liabilities for the company.

Protea's particulars of claim said the contracts were outside its scope of business and were in violation of exchange control regulations.

The Finansbank contracts were still outstanding on June 30, 1982 and the Nedbank contract on June 30, 1983.

All the irregular transactions were terminated in September 1983 when the Reserve Bank ruled all existing forward exchange contracts in foreign currency had to be terminated.

Protea claimed all the transactions were drawn to Peat Marwick's attention in two certificates dated July 15, 1983.

Had Peat Marwick not performed the audit negligently, Protea claimed, it would have discovered a discrepancy between the company's forward exchange transactions in the books and the transactions reflected in monthly statements and certificates from the bank.

Alternatively, having discovered the facts, the auditors had failed to report them to Protea's board.

Peat Marwick denied it was negligent or breached its contract in carrying out Protea's audit.

In its papers Protea had denied that Schoeman alone represented the company in entering into the contracts.

In its pleadings Peat Marwick also said if it was held Schoeman did represent Protea alone in entering into the contracts, then it denied he was authorised to do so and therefore the contracts were not binding upon Protea.

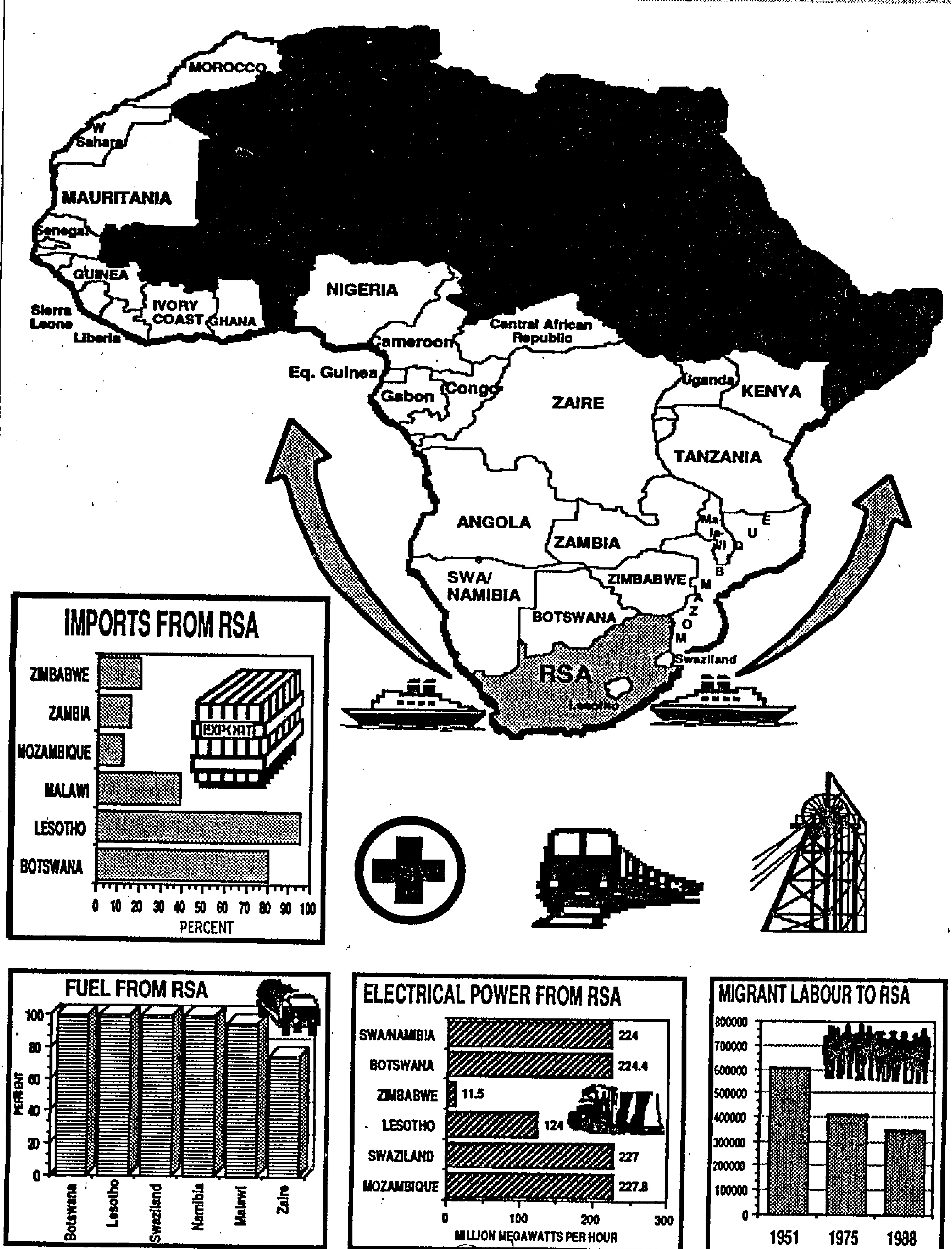
The auditors also claimed if it was held that the contracts were drawn to their attention it was pleaded that:

- ☐ The certificates did not accord with Protea's books of account;
- ☐ Schoeman informed Peat Marwick the certificates were incorrect;
- ☐ The certificates were superceded by certificates issued by Finansbank.

Counsel for the auditors argued summons was issued against them outside the time allowed to lodge a claim.

After hearing argument on this aspect, Mr Justice Morris reserved judgment.

Where South Africa trades



Graphic by Liz Warder

Black Africa and the SA connection

The SA connection

Statistics show that the frontline states have great economic dependence on South Africa and that anti-apartheid campaigns will not change this situation. MICHAEL CHESTER reports.

THE State President's recent statement that South Africa is the dominant economic power in Africa is borne out by statistics.

Without its products, its power and transport facilities, numerous countries would collapse.

The Africa Institute, based in Pretoria, is convinced that the survival of South Africa's role as the economic power of much of the sub-continent, in spite of political turmoil, stands as a sharp reminder of the potential benefits to be reaped from co-operation rather than conflict.

"The manifold economic interests that South Africa shares with its neighbours are so strong that even vehement anti-South African sentiments are not readily allowed to disturb them," says Dr Erich Leistner, director of the institute.

"International boycotts and efforts to isolate us have reminded South Africans that their destiny is inextricably tied with Africa — not so much by the accident of geography but rather by the composition of the population, by the complex commercial, financial, infrastructural and technological network that joins South Africa with most of sub-equatorial Africa."

Events have prompted the institute to compile a review of the sort of links that form the basis of interaction.

The South Africocan government drew a curtain across precise details of its two-way trade with the rest of the continent in the mid-1980s, not only as a screen to keep information away from hostile sanctions lobbies but also to defend trade partners from embarrassment in the political arena. But sources say the flow of exports and imports has grown to R5-billion a year.

The Africa Institute finds that exports are being shipped to most black African countries with the bulk going to the frontline states.

Leaving aside trade with the BLS nations (Botswana, Lesotho and Swaziland), which account for about half the total, South African exports to the rest of Africa more than doubled between 1984 and 1986 to R2-billion. The reverse flow of imports came to not far short of R500-million at the last published count in 1985.

The bulk of exports went to member nations of the Southen African Development Co-ordination Conference, including Zimbabwe, Zambia, Mozambique, Malawi — and even Angola.

According to the African Institute, with the sole exception of Tanzania, all SADCC members trade with South Africa. The main South African exports are food, machinery, chemical products, fuel, building materials and medical supplies.

A recent Canadian study found that Botswana relied on South Africa for no less than 80 percent of all its imports, Lesotho 95 percent, Malawi 39 percent, Mozambique 12 percent, Swaziland 90 percent, Zambia 15 percent and Zimbabwe 20 percent.

But two-way trade stretches far beyond the frontline states. South African fresh fruit goes to West Africa and Central Africa. Maize shipments have gone to Zaire, the Ivory Coast and Mauritius.

In the 1984-85 financial year, South African Transport Services conveyed 5,6 million tons of freight to and from the seven SADCC states via its rail, road and harbour network — including many of their exports and imports for overseas.

The hiring of Sats locomotives and trucks by neighbouring states has become routine. South African rolling stock can be found as far north as Zaire and even Dar es Salaam.

Apart from about 50 steam and diesel locomotives out on hire, more than 10 000 railway trucks are at present in use by neighbours under agreements in which Sats handles even repair and maintenance services.

Not widely known, South Africa is now also lending a hand in the maintenance of the port of Maputo, which a year or two ago seemed to be under virtual Soviet control.

South African Airways, apart from handling heavy passenger and freight traffic, also runs extensive special services with its technical know-how. It has maintenance contracts with Air Mauritius, Royal Swazi Air, Linhas Aereas de Mozambique, Air Comoros and Air Zimbabwe.

Botswana, Lesotho, Swaziland and SWA/Namibia obtain all their petroleum products from South Africa. Malawi gets about 95 percent of its oil from South Africa; Zaire about 75 percent of its needs.

Zimbabwe says it can meet most of its petroleum requirements through the Beira-Feruka pipeline. But Zimbabwe last year had to place orders worth R2-million to R3-million with South Africa for 5 000 tons of diesel and 3 000 tons of petrol because of sabotage in the Beira corridor.

At a count taken by the Africa Institute on the situation in 1985, the Eskom electricity grid supplied Mozambique with 227,8 GWh (227,8 million megawatts) of its power needs, Swaziland 227 GWh, Lesotho 124 GWh, Zimbabwe 11,5 GWh, Botswana 224,4 GWh and SWA/Namibia 224 GWh.

Power supplies from the Cahora Bassa hydro-electric scheme were hit by waves of sabotage that finally caused a total breakdown until recent initiatives were taken in talks between South Africa and Mozambique and Portugal.

Eskom, cock-a-hoop over tripartite agreements on the restoration of Cahora Bassa supplies, is convinced that the spread of international power grids across frontiers will be a key factor in bringing about economic unity in the sub-continent in time.

Armed conflict in Angola has also crippled supplies from the Ruacana Falls scheme on the Cunene River because work on a crucial dam at Calueque has been hit. Here, too, recent peace initiatives have rekindled optimism about a return to normal.

Migrant labour has been flowing into South Africa from neighbouring countries for more than a century.

The flow has been striking. From a total of 606 000 recorded in 1951, the number of foreign workers coming in slowed to little above 410 000 in 1975. And today it is put at around 350 000 — although government sources insist this can be doubled if one counts the number of workers coming in illegally.

The Africa Institute blames economic factors as the main cause of the decline: the high technology needs for skilled and more permanent labour, and South Africa needs to tackle its own internal unemployment problems. But politics have also played a crucial role.

The wage remittance system has had huge financial implications for South Africa's neighbours. The institute estimates that 65 000 workers from Mozambique still in South Africa, at a count taken in October, 1986, sent back home about R202-million — equal to no less than one third of Mozambique's foreign exchange income.

It believes that, all in all, more than R1-billion out of earnings was remitted back to neighbouring countries in 1985 — more than three times the total in 1980.

The South African private sector has ploughed millions of rands into business ventures in black Africa — much of it in mining but also in agricultural and manufacturing operations.

South Africa keeps a low profile with its flow of credit assistance but by mid-1985 the government had provided development funds totalling R214-million to countries in Southern and Central Africa and the Credit Guarantee Corporation, based in Johannesburg, is also busy with long-term and short-term credits.

The Africa Institute estimates that long-term credit guarantees now stand at more than R350-million, with short-term credits running at about R250-million a year.

South Africa, with its sophisticated medical facilities and expertise in tropical diseases in particular, has sponsored numerous medical assistance programmes and handled thousands of vaccinations of patients as far distant as Zaire.

Patients arrive for treatment at South African hospitals from as far afield as Kenya.

There is also widespread assistance for veterinary research programmes tackled by northern neighbours and for the supply of animal vaccines.

SAFTO

14

Answering critics

Safto CE Wim Holtes has hit back at criticism of his organisation (*Business* October 14) saying that Safto provides a "hands-on" service to its 1 500-odd members and 1 000-odd contractual clients.

And he disregards criticism that the dismissal or resignation of 24 staff members signifies "mismanagement."

"Safto's five divisions — membership, consultancy, training, export publications and community services — must be profitable in terms of their own budgets, otherwise we have to take action," Holtes tells the *FM*.

Safto's 80% "return business" from existing clients signifies strong client support, he adds. But equally important is whether Safto's client base is growing. That must be the acid test and Holtes won't comment on membership.

It is possible that internal competition between Safto's five divisions inhibited its providing a cohesive service to potential clients. According to one critic: "Safto needs strong, centralised leadership. The five divisions act too much in competition with one another." He suspects, too, that Safto is less responsive to small, aspiring exporters, with a focus on the larger, successful companies. Safto's publications like its monthly, *Safto Exporter*, reflect this focus, he says.

Small exporter

Holtes, who helped create Safto 25 years ago and has headed it ever since, responds: "Safto's Small Exporter Development Programme is specifically aimed at helping the small guy. We are doing our best with limited resources — but members who pay their dues are entitled to all our services."

Safto chairman Warren Clewlow, Barlow Rand's energetic CE, says: "Safto's role is just to provide information — industry can and will get on with the practical job of exporting. Safto is doing a good job of promoting exports."

Iscor's trade promotions manager Johann van Zyl has other thoughts: "The best way to promote our exports is to follow the 'pipeline' approach — industries like primary iron and steel, stainless steel, textiles and motor components should co-operate to promote exports and develop their own markets. Sectoral collusion on exports is legal and this is the way to go," he says.

Altron CE and Safto board member Richard Savage says a weak rand and "extremely generous export allowances" is what will really get exports moving. Clearly, Safto can be no substitute for that.

Savage believes, moreover, that each exporting company should:

- Budget a specific amount for export revenue each year;
- Appoint a specific person to see that this budget is met; and
- Keep at least 20% of the group's productive capacity geared at exports — in good times as well as bad.

"SA exporters have a reputation for jumping in and out of the export market, depending on the local economy," he adds.

Savage believes that Safto's main task should be to look after the small exporters — "the big companies can look after themselves," he says.

A major role

Standard Bank's Rocco Roussouw says the massive Far Eastern export houses play a major role in promoting exports. In SA, banks can provide the expertise required for finalising export deals. He sees Safto's role as providing a broad information base.

No service company like Safto can hope to be beyond criticism. In fact, if it is listening to its market, it should welcome constructive views about its functions. Certainly, it is common cause that Safto has provided some excellent information flows — and probably still does so — to exporters out in the cold.

With Holtes' long tenure he would be unusual if he did not have some proprietorial inclinations. That may of itself be a valuable asset in meeting the challenges of the future. But Safto may still be in a position to benefit from a bit of advice on how to ginger up its initiatives.

Armscor big guns swop sights

14

W/E ARGUS 5/11/88

by DEON LAMPRECHT
Weekend Argus Correspondent

PRETORIA. — Armscor's big guns are swopping sights: the outgoing chairman, Commandant Piet Marais, will home in on farming while his successor, Mr Johan van Vuuren, will continue to stoke the fires of South Africa's arms deals.

Commandant Marais, who is to retire at the end of July, is as much a product of the United Nations arms embargo as the sanctions-busting arms industry that he helped to build.

"I was just a farmer when I was appointed 13 years ago, not an industrialist," he says.

But the Karoo sheep farmer tackled the job with gusto and built an empire that is today rated as one of the five biggest arms exporters in the world.

He sees human development as the mainstay of Armscor's success story.

"What I valued most was the opportunity of working with people of quality. We did not know the meaning of the word "quit".

"Twenty years ago the industry consisted of one official manning a dingy office — we had no highly-skilled technicians way back then, but today we have the best people in the world.

"Those early days were certainly interesting. Many a day I had my first cup of coffee by 4 am."

But the arms industry really gained impetus when the international embargo was slapped on the country in 1976: "Some years we achieved a growth rate of up to 400 percent.

"The United Nations really did us a favour in 1976: if they had waited until 1988 to enforce sanctions, we would have been in grave trouble."

Armscor's assignment sounds simple but in practice it is daunting: to provide South Africa with arms as effectively and economically as possible.

"I think we have executed this task effectively — we have made this country independent.

"Our security forces have never been unable to stand their ground against an enemy."

Commandant Marais sees the private sector as the backbone of the arms industry but says Armscor "had to build and shape it".

The corporation's biggest achievements, he says, were in meeting the army's need for highly mobile fighting vehicles and long-range artillery; the Cheetah aircraft programme; and locally-manufactured missile strike craft for the Navy.

When Commandant Marais leaves the hot seat he won't be putting his feet up: "I'll go back to being what I was before I became an industrialist."

He will go back to the family farm, Nuwejaarsfontein, at De Aar, where a favourite project will be to turn a house that dates back to 1850 into a museum. He will continue serving on several boards.

By the way, "Commandant" is actually a nickname. He held the rank of commandant in a local commando years ago, but it has stuck and become a kind of honorary title.

"General Magnus Malan is the big culprit," he smiles.

While essentialy a man of the same qualities, Armscor executive general managing director, Mr Johan van Vuuren, is from a totally different mold.

A skilled executive, he joined Armscor in 1971 and came up through the ranks. He will be the corporation's first executive chairman.

He says: "Certainly this will bring about some structural changes, but the nature of these changes will only become clear once I have taken over.

"Over the past two years we have been analysing the future of Armscor, and we did certain strategic planning. As chairman I will be able to execute this strategy.

"We will have to see what the deviations will be and how we are going to deal with them. The international political climate is what will affect us most."

"It could happen, for instance, that we experience a decline in hostilities and an ensuing drop in demand from the SADF — we will then have to move into the private sector in a much bigger way.

"Or the international arms ban could be lifted, and we could move into the world market more openly."

As far as projects go, Mr van Vuuren sees the development of "intelligent weapons" as a priority.

"We have to look increasingly at long-range fire-and-forget missiles and fly-by-wire technology."

SA-British trade on the rise

74 (10)

Star 9/11/86

By Magnus Heystek

Trade between Britain and South Africa is on the increase. Imports for the nine months to September rose by 18 percent to R3,3 billion but, more importantly, exports for the same period rose by 21 percent to R2,6 billion, compared with the same time last year.

The figures, obtained from the Department of Trade and Industry in London, were released by Mr Hennie Viljoen, president of the Witwatersrand Chamber of Commerce and Industry (WCCI) at a welcoming reception for the Engineering Industries Association (EIA) trade mission from the United Kingdom earlier this week.

MEMBERS

According to Mr Viljoen, exports to the UK in September totalled R310 million — up 43 percent, compared with the same month last year. Imports rose by 31 percent to R474 million.

The EIA has 3 000 members and is the largest engineering trade association in the UK. It is the only British trade association than has kept up trade relations.

Before the whistle blows

(74)

Pierre du Toit is an international partner at Arthur Andersen.

Fairly drastic US sanctions measures of the past year or two — real and threatened — have tended to concentrate SA minds across the Atlantic. We must not forget there is a world outside America — something we are fond of accusing the Americans of doing.

Europe, giving birth to a "New Europe" in 1992, is still a most important part of that world.

When the Dutch parliament gets ready next year to consider further anti-SA measures, we should note not only the fact, but also the degree to which they see them as an extension of their European responsibilities. For therein lies the potential for such measures to fan out over Europe.

A draft Bill likely to be presented to the Dutch Staten-Generaal during 1989 addresses two main areas: for Dutch companies to enforce the European Community (EC) Code of Conduct better, and implementation of a 1986 EC position regarding new investment. Both instances need national legislation to give effect to European decisions.

In the first measure, Dutch residents, corporate or otherwise, with subsidiaries — a branch ("vesting") or certain other more or less permanent business interests in SA — will be forced to report annually to the Dutch Ministry of Foreign Affairs on their compliance with the EC code. It will have to be done in the EC prescribed form; failure to do so will be a criminal offence.

The second concerns new investment. A Dutch resident will be prohibited from investing in that which would result in him obtaining new investment, or increasing an existing investment, to more than 50% control. Establishment or extension of a branch business will also become illegal.

To support these measures, new loans with terms of more than five years will be barred.

These measures are, of course, important in themselves as well as for their European perspective. But there is a further perspective I believe requires some focus — and that derives from the Netherlands as probably our most important intermediary country in the international tax treaty network.

First there is a general question whether the Netherlands may, in due course, follow Canada and the US in cancelling its tax treaty with SA. I do not believe any such move is imminent. The Dutch economy is traditionally very much tied up with its exceptionally wide treaty network and the international use made of it.

It probably wants to refrain from a political interference in the treaty area which could cause large-scale unease to major players in international investment.

In another way, however, this could already materially affect the Dutch-SA tax treaty. Its protection has become an important intermediary for investment from other countries into SA — especially where the investor does not come from a treaty country, or wants to disguise his origin.

So, a prohibition on new controlling investment by Dutch residents has to affect use of the Netherlands as a holding company situs into SA. (If there are ineffective aspects to the draft legislation, one may expect them to be removed in time.)

But, the really important interpretation of the proposed changes lies in the way a measure which, on the face of it, has nothing to do with tax treaties can inhibit a major application of the treaty. The Dutch are managing to water down the use of the treaty without creating political precedents that may scare other treaty partners.

Moreover, the proposed measures would not directly affect existing situations.

Therein lies, perhaps, the most important lesson for SA business fighting to keep open export, supply, technological, financial or other business connections with the outside world.

If it will be necessary for a business to protect these interests with appropriate offshore planning and structures, the business should realise that time is running out. I can't put it more bluntly than to say — get there before you're out forever.

More stable exchange rate could give position to Bonn

Japan hoping to end role as SA's top trade partner

Star 30/11/88

(74)

Japan is hoping to cede its position as South Africa's top trading partner.

While arguing that this ranking for 1987 was an unwanted by-product of the strong yen, officials now see patchy results from a campaign urging restraint on Japan's private sector.

But there is optimism in Tokyo that more stable exchange rates could give West Germany the leading slot.

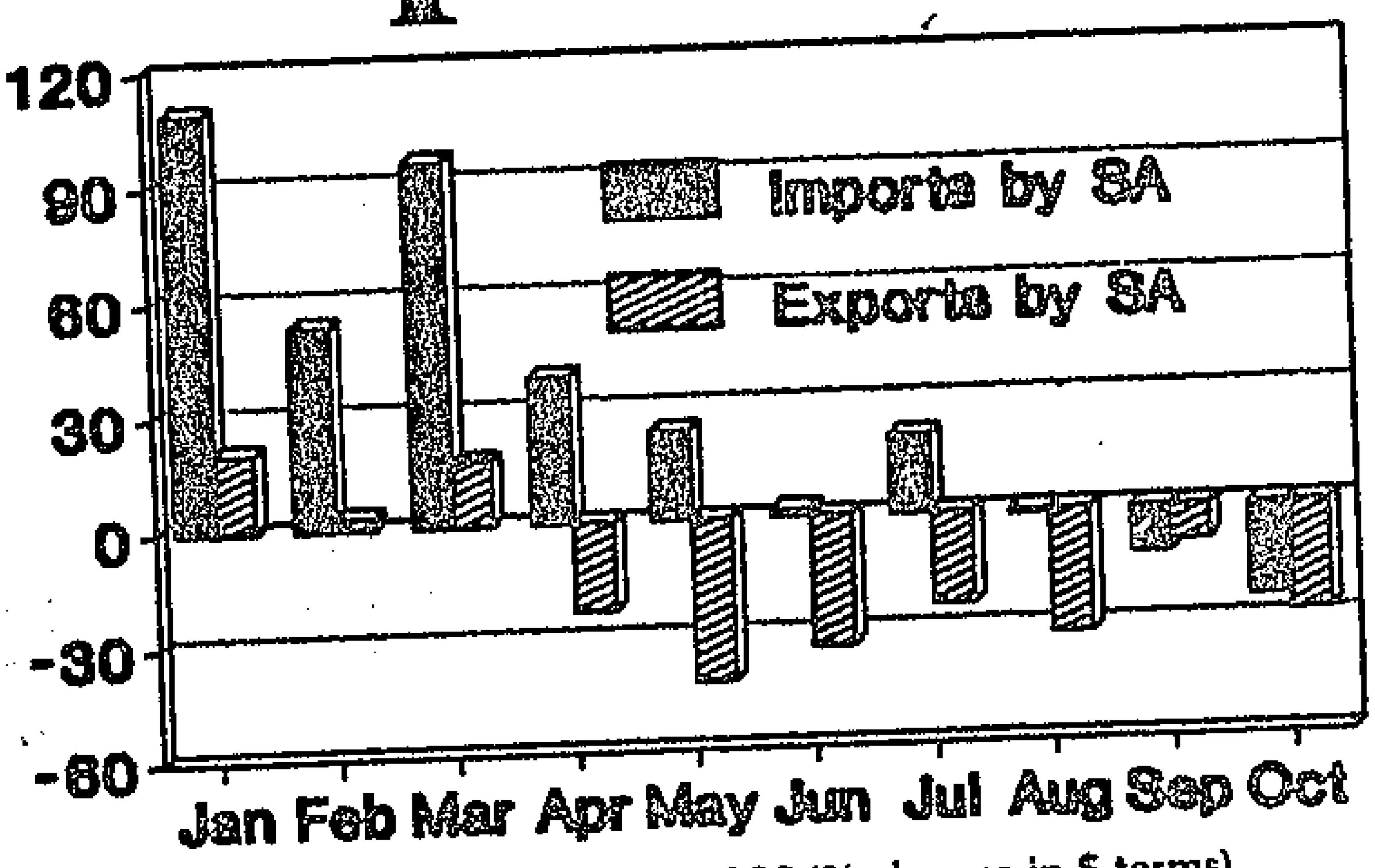
Monthly figures show Japan's imports from SA for October down by 30 percent in dollar terms from a year earlier, while exports fell by a quarter.

The downturn may partly reflect Pretoria's own moves in August to redress a deteriorating balance of payments trend by increasing import duties and imposing credit curbs.

Some of these measures were directed at the motor industry, where Japan is a main component supplier, but SA's general trading picture is not yet showing a fall in the arrival of foreign goods.

Tokyo's satisfaction overlooks the fact that for the year to date, exports to SA remain ahead of those of 1987. A fall in direct imports by Japan has borne the actual brunt of the restraint in dealings which ministers have sought.

Trade data from the Ministry for International Trade and Industry (Miti) show shipments for the first 10 months up by as much as 21,4 percent, if denominated in dollars, and by 6,2 percent on a yen basis.



SA's trade with Japan in 1988 (% change in $ terms)

The real test will take place in December, which is seasonally strong for Japanese exports.

The question will be less whether judicious import management can allow Japan to scrape back in at second or third place in two-way trade. Rather, the trial will be whether a rein on exporting, indicated in October figures, becomes strong enough to cut into a market which last year was worth $1,9 billion to Japan.

Miti says equipment exports are in many cases on long-term contracts, which cannot be easily terminated. These apply particularly to the automotive industry, where companies are reluctant to quantify their SA business beyond saying they hope to comply with official guidelines to keep trade below 1987 levels.

Such reductions are thought likely to be minimal.

Nissan, for one, says it remains responsible under contract to ship components for assembly at the locally owned Nissan factory. It suspects dollar revenue from this arrangement may even rise this year.

It says, however, it has halted supplies for the Patrol, a four-wheel-drive vehicle the SADF had identified as a useful troop transporter.

The electronics industry is more wary. Toshiba says it has very limited trade, in line with government guidelines.

SA is one country with which Japan has a trade deficit. Of last year's $2,3 billion of imports, farm produce has been relatively easy to source elsewhere.

Japanese store chains were early and prominent in their responses to ministerial calls in February for a reduced trade role with Pretoria and its goods largely disappeared from supermarkets.

Far less clear is what has changed in precious metals, where Japan has become a significant buyer.

Officials insist they are able to book imports of gold and the current Japanese favourite, platinum, from their country of ultimate origin except when shipments come in highly processed form, like jewellery.

Industry operators acknowledge, by contrast, that the commonplace routing of SA gold through European and other centres is free of difficulties.

Platinum is a case in point. South Africa accounts for 90 percent of new supplies outside the East bloc and Japan absorbs at least half of Western demand. Maintaining access to the metal is important, because there are fewer large sources of supply than for gold. — Financial Times.

SA's below-par trade effort

(74) FMAIL 2/12/88.

Sir Keith Stuart is chairman of the UK-SA Trade Association. He headed a six-man team of senior British businessmen attending last week's annual meeting of the SA Britain Trade Association (Sabrita) in Johannesburg.

***FM:* What is the outlook for UK-SA trade?**

Stuart: While we have dropped to number three — below Japan and Germany — in trade with SA, the UK economy is growing very rapidly and we expect exports to SA to reach £1bn this year.

Last year, the UK's 5% economic growth was top in the EEC and this must represent an excellent opportunity for South African business to expand its markets and increase exports to the relatively open UK market. But not enough is being done to use these opportunities. Your trade representation in the UK is well below par.

Why do you think this is so?

One can only surmise that, because of sanctions, your businessmen may have lost their will and drive to pursue these opportunities. If you wish to increase your manufactured exports, you must follow the examples of the successful Korean, Japanese and Taiwanese exporters. With the low rand, there is enormous scope to expand exports of your wines, foodstuffs and manufactured components into the UK market.

What is official British policy towards SA?

The British government remains strongly against imposing sanctions on SA, and this is reflected in UK business attitudes towards SA. But you must make it possible for us to show that this policy brings rewards by moving towards a more open society. We need to see positive results.

Is there sufficient awareness of reform progress in SA?

The latest BP annual report, with its précis of 30 major reforms that have taken place in SA, received wide reading. And we are impressed by the strides made by the black business sector over the past few years.

What can we learn from the UK privatisation experience?

Privatisation led to an enormous release of energy and initiative in the economy. But you need a tremendous act of political will and a dedicated drive to let the policy succeed — otherwise official lethargy will hamper and retard the process. Also, if privatisation takes place in a competitive market, it must be accompanied by deregulation.

What's your impression of the state of business in SA?

Apart from the strong growth in the black business sector, we find the business mood to be far more pessimistic than expected. Maybe this is because of the strong mood of optimism in the UK. But we find the mood in your country a bit excessive — a kind of over-the-top pessimism.

What is your advice to business in SA?

Firstly, encourage government to continue with its policies of privatisation, deregulation and reform. Then, based on past British experience, keep up the pressures on government to reduce public expenditure. Lastly, go out and sell. Grab the opportunities of the UK export market and your low rand and increase your exports. There is no real substitute for personal contacts — or for appointing the best possible agents to handle your trade deals.

(74) FMAIL 2/12/88.

pers in 1989 are 19% up over 1988, local newspaper rates 22% and Sunday newspapers 16%.

The debate will continue, but there's no doubt the NPU research is long overdue in SA, in beginning to probe the impact of advertising messages in vastly different media types.

Cost is important, but how a message is communicated, and the extent to which this is done, must also be considered. ■

S/Times 4/12/88

(74)

Duty-free bonanza

By Robyn Chalmers

THE duty-free business is booming.

International travellers spent the equivalent of £6-billion in tax-free shops in 1987.

There are about 2 000 duty-free shops in the world, including those at airports, aboard aircraft, car ferries and ships.

A Swedish market research firm says most of the £6-billion was spent on alcohol, equivalent to 32% of global sales, followed by luxury articles, such as cameras, diamonds, clothes and electronic goods with a market share of 30%, perfume and cosmetics with 23% and tobacco goods with 15%.

America tops the charts with the most sales from duty-free shops. With 12% of the market share, its sales were more than $1,2-billion in 1987.

Virgin

US statistics include such territories as the Virgin Islands, some islands in the Pacific as well as the state of Hawaii where Honolulu Airport headed the list of the largest tax-free shops in terms of turnover. Its sales were about $375-million.

Cigarettes are the most-sold product. But the survey says that in the past 10 years cigarettes have been losing market share to perfume, cosmetics, gifts, confectionery and leather goods.

Duty-free business will dwindle in 1992 when all tax-free trade for travellers in the European Community ceases.

Today Europe represents almost half of the total trade in tax-free goods, with a market share of 46%.

CAPE TIMES 7/12/88

PM urges Japanese businesses to reduce trade with Republic

TOKYO. — The Japanese Prime Minister, Mr Noboru Takeshita, yesterday urged businesses in his country to reduce trade with South Africa voluntarily in reponse to a UN resolution that named Japan as Pretoria's largest trading partner.

"The government's policy ... is to reduce trade with South Africa and we will ask the business community to exercise self-restraint," he said.

Japanese government and business leaders were dismayed and angry about criticism by the UN General Assembly of Tokyo's trade ties with South Africa.

The general assembly overwhelmingly approved resolutions on Monday urging the security council to impose mandatory economic sanctions against South Africa in a major new diplomatic assault on apartheid.

Japan's Minister of International Trade and Industry, Mr Hajime Tamura, said the resolution failed to give Japan credit for steps it had taken to reduce trade.

Officials said trade had declined 50% over the past five years and by the end of the year end was expected to be down 20% from last year.

Meanwhile, two Japanese companies have announced they are reducing their ties with South Africa.

Matsushita said it was closing the Johannesburg office it opened in 1960 and Sanyo vowed to cut its sales by 15%. — Own Correspondent and UPI

Teething troubles

74

FMAIL 9/12/88

Disagreement on what trading system should be used threatens the growth of the futures market. Should the market be screen- or pit-based? It is not just a matter of cost: many see futures as a good potential profit generator and want a slice of the business.

Support for pit trading comes mainly from the JSE and its stockbroker members. As they trade equities by open outcry on the trading floor, they feel comfortable with this system. They may also fear that they will be less able to dominate a screen-based market.

Traditionally futures have been traded in pits, since the Chicago Board of Trade was set up in 1848. When most futures centres started, there was no electronic alternative: 90% of global futures is traded in pits.

But today there is a choice. Two of the newest exchanges, Soffex (Switzerland) and New Zealand, are entirely screen-based. Also, the granddaddy of futures trading, Chicago Mercantile Exchange, may trade after normal hours via the screen.

Screen trading uses a Reuters or Telerate system to display a bid or offer. A phone call to the trading house confirms the price and a deal is struck. As screen trading develops, information will be computerised. The computer could seek prices, trade, and probably even confirm deals with the clearing house.

Screen proponents argue that a workable system is in place and in use. Around 80% of SA's gilt business is transacted this way.

SA is in a unique position to extract the best from world experience.

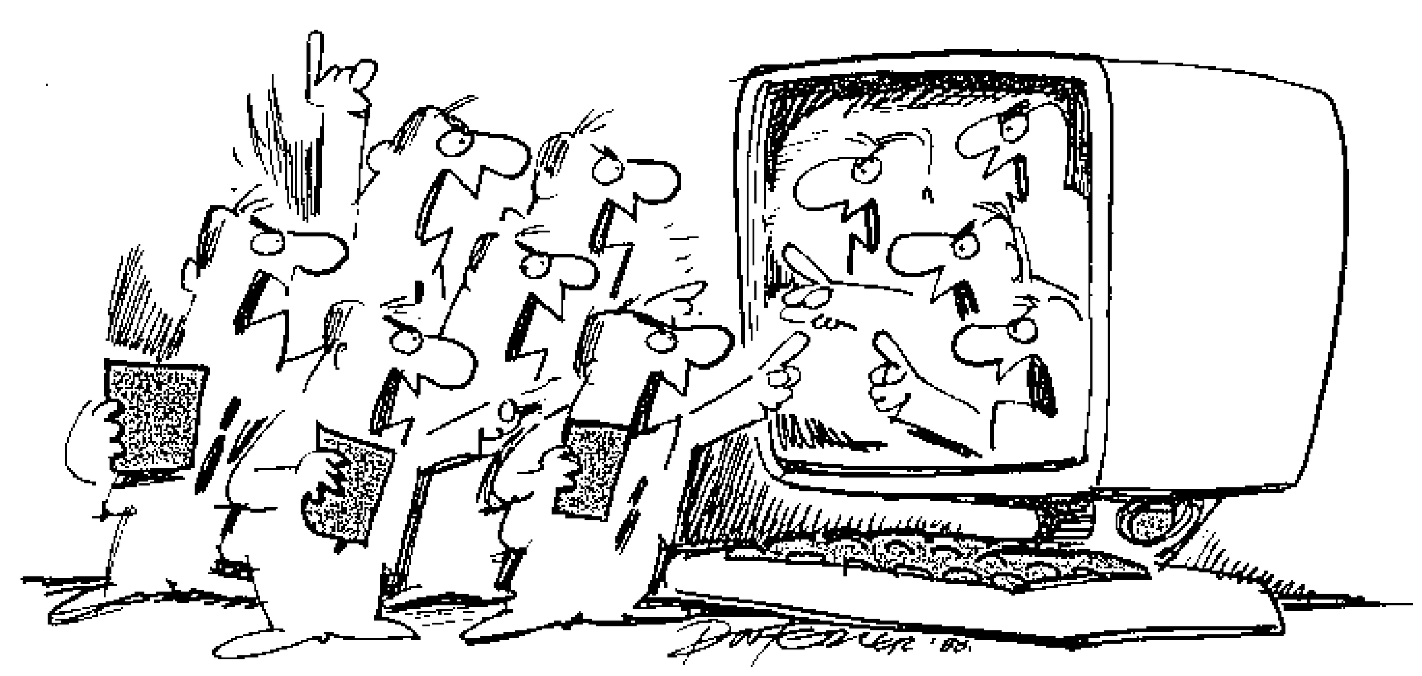
To assess sentiment, the SA Futures Industry Association (Safia) canvassed members. Most (81%) favoured the screen, 3% the pit and the rest a dual system.

"The problem," says Safex chairman G T Ferreira, "is that we are all feeling our way. There is no clear route." Safex MD Stuart Rees points out: "There are advantages and disadvantages for all three systems."

Pit supporters feel they can serve the private investor better, that a pit environment creates an atmosphere conducive to striking the best deals.

Claims a senior stockbroker: "If the market takes off it will be extremely difficult using a screen-based system when volumes increase." He concedes that a dual system could work: the pit would attract the retail market, alongside a sophisticated screen system. (JSE chairman and Safex board member Tony Norton is not prepared to comment while Safex is still considering the issue.)

With a dual system, screen traders would also need a dealer (and supporting infrastructure) on the floor "to overcome arbitrage opportunities pit traders would have," says First National Group Treasurer Mike Steenfeldt. "This would create a division of energy and resources SA cannot afford."



This could be overcome by single-entry update, where the entire market would receive the same information at the same time. Says Finansbank deputy GM Stuart Yates: "All members of the market should be able to see the best price and best offer at the same time and have an equal opportunity to trade at that price."

The subcommittee found last Thursday that if these criteria were met, screen-only advocates' objections could fall away.

Ferreira hopes the industry will compromise. Safex wants to accommodate all players, even if it costs, to get the market up and running.

A pit-only system seems out of the question. A screen-only system would alienate part of the market. A dual system (if the single-entry problem is solved) would allow usage to determine the ultimate system.

Low liquidity by international standards is cited as another reason to include screens in the system.

Says Eskom chief dealer, futures and options John Reid: "Even with low liquidity, institutions desperately need more versatile hedging instruments. We're trying to create this in the futures market."

A screen-based system is also deemed essential to avoid abuse in futures trading. Says Safia MD Brenda Greyling: "Honesty is one of the biggest problems worldwide."

Also, where would the futures pit be located? "It could be anywhere," says Ferreira, "but it would make sense for it to be in the financial centre."

Some think the JSE wants to recoup part of the reputed R19m-plus investment in its new building. "With the JSE retaining only 20% of the gilts business, and equity trade at considerably lower level since the crash, it urgently needs to win the futures battle to ensure self-preservation," says one.

Some fear any form of pit trading would put the market under JSE control, incurring expensive membership fees and a rigid set of rules.

"Not so," says Ferreira. "Any pit would be under the auspices of Safex and the JSE would be a member."

But what are the costs? None of the options has been quantified. This must be done.

Groundwork continues ahead of the market's official launch next year. Says Ferreira: "Whatever the outcome, Safex won't let this issue interfere with that schedule."

SA firms denying Japanese pullout

Cit Times 9/12/88

74

TOKYO. — A major Japanese electronics firm said here on Wednesday that it planned to close its offices in South Africa next year, but the South African distribution arms of the firm denied the report.

An official of Matsushita Electric Industrial Co., which sells National and Panasonic products, stated that his company would pull out of SA.

However, the managing director of National Panasonic in SA, Mr Terry Millar, said the Japanese action would have no bearing on sales.

Sanyo Electric Co., another major Japanese electronics maker, is also considering closing its one-man office in SA, a company official said.

But Teltron MD Mr Paul Carpenter, distributor of Sanyo Electric's consumer products, denied reports that Sanyo would reduce exports to SA. — Sapa-AP.

Futures market row erupts

Finance Staff 74

Star 23/12/88

A dispute has erupted between the Johannesburg Stock Exchange and the banks on the best trading mechanism for the proposed financial futures market.

A key issue concerns the question of whether electronic screen trading or pit trading should be used.

The JSE wants a futures trading floor, but much of the rest of the market favours screen trading.

A recent South African Futures Industry Association (Safia) poll revealed that 17 of the 22 shareholders of the South African Futures Exchange (Safex) were in favour of screen trading, four in favour of a dual system, and only the JSE supported an open outcry pit trading system.

This whole issue is under investigation by the Safex Clearing Company (Safcom), and it is possible that the opening of a formal futures market for financial instruments could be delayed by the matter.

The start-up date for Safex has already been put back from the beginning of 1989 to the middle of the year.

Any formal finanical futures market should ideally furnish the greatest degree of liquidity, equal access to all participants and the most efficient form of regulation.

Valid arguments can be put forward by both schools of though on which mechanism would best achieve these objectives.

As regards the long-term trend in international markets, a move towards electronic screen trading could be inevitable.

However, at this stage in the development of futures markets around the world, many observers argue that electronic screen trading would be undesirable since it would involve an expensive leap into an untried and untested system.

In international markets the open outcry system is currently in the ascendancy, and this may not change for many years.

Technological advances could be necessary before electronic trading systems can be widely applied.

The same is true of the proposed South African futures market.

One of the main advantages of open outcry pit trading is that it is the most reliable method available since it provides and uninterrupted price discovery and execution process, which is not subject to technical breakdowns.

Electronic screen trading would involve reliance upon a telecommunications network, which can be somewhat unreliable.

This has implications for public confidence in the proposed futures market.

In a screen-driven trading environment a breakdown in telecommunications, especially during periods of trading volatility, could have adverse effects because trading, in effect, would come to a halt.

This could undermine public confidence in the operations of the exchange, which could be difficult to restore.

It is also acknowledged that the success of any futures market is critically dependent upon liquidity.

The structure of the exchange should facilitate the support of numerous users representing differing interests across the complete spectrum of the financial community: market-makers, local jobbers, institutional brokers and members of the public.

Pit floor trading could be preferable in this respect.

Commitment to such a market could be greater.

A physical meeting place is important in developing loyalty to the market.

This is more difficult to achieve if people are physically remote from one another, as happens with electronic screen trading.

A pit trading environment could also be easier to subject to surveillance.

No matter how tight the regulatory framework, it is much easier for screen traders to bypass the rules. This is more difficult in an open outcry pit trading system as the surveillance mechanism is partly conducted on the floor.

It is desirable that the proposed futures market evolve in a planned and stable manner where the ultimate goal could be electronic screen trading.

In the meantime, however, a trading floor environment may well be the most suitable, given the South African circumstances, which will be characterised by a domestic market hemmed in by exchange controls and lack of foreign participation, as well as by volatile underlying financial markets.

A Christmas stocking for you me and Barend

Star 24/12/88 (1) 76

DEREK TOMMEY takes a light-hearted and a not-so-light-hearted look at what the Minister of Finance, Mr Barend du Plessis, would like to find in his Christmas stocking tomorrow morning.

CYNICS looking at South Africa's high income tax rates say that Mr du Plessis' geatest joy this Christmas would be for every wage- and salary-earner to take just enough from their pay packets to cover their bare living essentials and send the rest to him.

The less cynical and more down-to-earth suggest instead:

- A $600 gold price — to set the gold mining industry and the economy rocketing.
- A $1 billion, 20-year foreign loan at 5 percent — to help the balance of payments, finance government spending and strengthen the rand.
- An announcement by Fidel Castro that the Cubans in Angola are homesick and are going home immediately — enabling defence spending to be cut, taxes to be lowered and living standards to be improved.
- A big drop in interest rates and inflation — to boost business confidence and new investment.
- Last, but not least, a promise by the Government that next time it says it is going to have a public service wage freeze it will mean it.

But desirable though these gifts may be, they would not be the long-term answer to South Africa's economic problems and Mr du Plessis is no doubt aware of this.

What he probably would like to see in his stocking is something both far simpler and far more complex.

It is what we all wish each other at this time of the year — peace and goodwill.

Peace to enable the Southern African states to co-operate in developing their economies, and goodwill to enable South Africa to trade and borrow freely in the world's markets again.

With just these two simple developments, Southern Africa would be well on the way to being one of the world's major markets — and South Africa one of the world's major industrial powers.

South Africa would enjoy a strong rand, huge foreign exchange reserves, low interest rates, high employment, rapidly rising living standards and few real problems for the monetary and fiscal authorities to fret over.

You do not have to know much about economics to realise that South Africa, when its hinterland is included, has world-power potential.

Among the area's many positive attributes is its rapidly growing population.

The World Bank estimates that the 80 million people living in the African sub-continent could rise to 300 million within the next 50 years.

Though this may seem a long way away, it will be within the lifetime of half the people living in this country today.

Such population growth would provide growing markets and an expanding labour force — two important stimuli to rapid economic growth.

And helping to ensure that these people did not remain poor would be the sub-continent's great mineral wealth and its potentially great agricultural wealth as well.

Other valuable attributes are South Africa's capitalist and entrepreneurial culture and its extensive and well-developed infrastructure, with all the educational, legal, transport and communications systems needed to sustain and expand a hi-tech economy.

In fact, almost everything is in place for a huge economic leap forward.

All the country lacks is the foreign currency needed to pay for essential imports and some foreign investment to enable it to develop its full potential earlier than if it had to rely on its own savings.

Greater foreign goodwill and less talk about sanctions and boycotts would make this possible.

Which is why Mr du Plessis no doubt would dearly love to see these things in his stocking tomorrow morning.

Let's hope he finds some of them there.

74 6/day 27/12/88.

SA 'paying high price for exclusion from mainstream'

SUSAN RUSSELL

SA WAS paying a high price for its exclusion from the mainstream of international trade, culture and diplomacy but government could not be expected to respond favourably to "irresponsible and irrational" international pressure.

This was said by Gerrit Olivier, the chief director of communication and planning in the Department of Foreign Affairs writing in the latest issue of Optima.

He said: "At the same time, it must be stated government is deeply aware of the moral challenges confronting it.

"An attitude of 'stop the world I want to get off' is obviously not helpful."

Olivier said SA's greatest foreign-policy challenge right now was to regain moral legitimacy in world politics.

"This is the only way in which we can get back into the mainstream of international interaction," he said.

Olivier said chances for this looked remote if one considered the "over-publicised dark side of the SA scene. But I am not all pessimistic.

"After all, we as a people do not oppose the principle of human rights.

"I do not believe we are less compassionate than the average European or American.

"As a matter of fact, we associate ourselves with the principle of human rights and we are doing our best under difficult circumstances to advance these rights.

"One of the problems we face is to find the appropriate political structure to secure human rights."

Olivier said the endeavour to regain international moral legitimacy, desirable as it might be, could not be pursued at any price.

"Prudent realism prevents any government from ignoring the political consequences of seemingly moral action.

"It is simply not possible to create an instant Utopia.

"The establishment of a durable and authentic democracy is a process, not an event.

"Power-sharing and full participation are government policy.

"The immediate challenge is to convince sceptical world opinion that a new order has been embarked upon — call it post-apartheid SA if you like."

FOREIGN TRADE

[illegible]

1989

What 1989 holds in store

Smooth ride after bumps

S/Times 1/1/89 (74)

Business Times Reporter

SOUTH Africa's economy is set to continue its roller-coaster ride for at least the next three months. But prospects are brighter for a softer landing and more stability from the second quarter.

In the wake of better foreign trade figures and a remarkable resurgence of confidence, mainly among industrialists, but also reflected by Assocom's index, economists are lifting some of the gloom that has overshadowed 1989.

Reserve Bank Governor Gerhard de Kock predicts a moderate cyclical downturn in the short term, but he is confident that a real gross domestic product growth rate of 2% is attainable this year.

Hangover

The consumer and the retailers he buys from face a post-Christmas hangover made worse by increases in mortgage and interest rates.

The good news is that the Government's package of import surcharges and higher bank rate introduced last August to cool the overheated economy are beginning to work, reducing the possibility of even tougher measures this year.

Although some economists believe interest rates have peaked, most predict that prime overdraft will rise from its current 18% to 19% in the first quarter. However, it could then fall to about 16%.

Higher interest rates and the import surcharges will depress demand for imported luxuries, aiding the drive to support the current account of the balance of payments, which has been the Government's major concern in recent months.

GERHARD DE KOCK

The current account has moved more firmly into the black and it is said that it is likely to move from about R2-billion in 1988 to R4-billion this year.

The trade surplus in October was a sound R1,05-billion after a R4,5-billion surplus in the third quarter.

Gold

Encouragingly, the Reserve Bank attributes the achievement to a "significant further reinvigoration of the SA merchandise export performance". There was only a slight increase in the value of net gold exports in the September quarter.

In the absence of much hope for a gold boom this year, a surge in manufactured exports as industrialists take advantage of the low rand offers the best prospect for a quick fix for the economy.

Sanctions and anti-SA opinions constrain the opening up of export markets and they take time to develop.

But the low rand and import surcharges have boosted the import replacement programme and could open up export opportunities in hightech fields.

A fall in domestic demand and the Government's promised export incentive programme would add to an export surge.

Furniture

The first indication that August's credit restrictions are beginning to work has come from the furniture industry.

The Furniture Traders Association monthly survey of 1 150 retailers sees signs of the necessary cooling.

Executive director Frans Jordaan says that after an initial "mini-surge" as consumers tried to beat interest-rate increases and the import surcharges the year-on-year growth in sales fell to 1,42% in October.

"This is certainly negative growth and is a cause for serious concern among furniture retailers."

Confidence in the industrial sector shown by a Federated Chamber of Industries survey has been fuelled by a dramatic increase in the manufacturing production volume index.

Mossgas

Since mid-year it has climbed to levels last reached towards the end of 1981. The FCI survey, compiled by industrial consultant Gad Ariovich, says there is much optimism, extending to October.

"Most manufacturers participating in the survey forecast a relatively buoyant 1989 in terms of both sales and orders," says the survey.

The Federation of Civil Engineering Contractors reports a 45% increase in orders to R2,6-billion for this year.

More orders for the engineering ands civils sectors will flow from the Mossgas project and the Lesotho Highlands water scheme.

A Central Statistical Ser-

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The year ahead

S/Times 1/1/89 (74)

vice survey says capital expenditure by public corporations, excluding Eskom and the Rand Water Board, will increase from R1,5-billion to R3,2-billion this year mainly because of Mossgas.

In sharp contrast to the rising confidence, however, are increasing fears about inflation. Efforts to restrain inflation have been partly successful, but a new spiral will be added this month. Dearer fuel will cause price increases in a wide range of products and services. Higher mortgage rates will also lift the consumer price index.

Economists predict that the CPI could surge from 12,4% to between 14,5% and 17%, but it could be moderated by the slowdown in economic growth and more fierce competition among suppliers.

1/1/89

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Businessmen find born-in-SA is the equivalent of a mark of Cain

B/Day 3/1/89.

(74)

NEW YORK — Stealth had become a precious management skill for SA executives operating internationally, given the prevailing international mood to punish SA for its racial policies, the Wall Street Journal said at the weekend.

It said pushed by the unstable situation at home and pulled by the lure of foreign markets, particularly the unified Europe of 1992, SA business had expanded overseas in the past several years like never before. But for the most part it remained a big secret.

In spite of sanctions designed to keep many SA products out of world markets, exports were booming: of the country's 8 000 registered exporters, 5 700 had started up in the past two years.

And, in spite of strict exchange controls to limit the flight of capital, total foreign assets held by SA's non-bank private sector had tripled since 1983.

But where it all went, nobody knew.

A JSE analyst said: "Anybody with even a little bit of export-import business is establishing overseas companies. When you're in a country that isn't sure whether it will be under a total economic siege, it's natural that you will try to hedge your risks and be secretive."

The Wall Street Journal said businessmen had become adept at setting up trade branches which could be traced only to an offshore office somewhere in the islands of the Caribbean or the English Channel. Those offices served as midway points for exports and imports that needed to hide their origin, and acted as covers for international investments.

For those companies with productive operations abroad, 1988 was a year of clever restructuring. The most popular method was to buy a controlling interest in a foreign company then stash all other foreign investments under that company. An SA businessman said: "This way, when we expand overseas it will be as a British company. Odds are it won't be seen as a British company controlled by a SA company."

Sometimes, though, SA businessmen could not keep their heads down. When Minorco, the Luxembourg-based international arm of Anglo American, announced its September takeover bid for Britain's Consolidated Gold Fields, anti-SA forces from London to Papua New Guinea started firing. SA's Rembrandt group also became an easy target when it had to take its extensive foreign holdings out of hiding to restructure them as a listed European concern.

Liberty Life chairman Donald Gordon said: "It's all quite ludicrous." He has been a major figure in the UK insurance industry for two decades, but still finds the SA millstone hinders some business. He said: "The simple fact that you are born in SA is a mark of Cain." — AP-DJ.

Futures trading — is it the pits?

Star 7/11/87

DAVID BULLARD
Director of Johannesburg's Options Market

IT LOOKS as though the debate over how South Africa's futures market should be traded could hot up in the weeks ahead. While all parties are at pains to point out that there is no friction between the JSE and the rest of the market, there is no doubt that, behind the gentlemanly facade, the gloves are off.

The JSE are reported to favour what is known as pit trading. The Oxford dictionary definition of a pit as "the abode of lost souls and evil spirits" is not far off the mark. Not known for its gentility, pit trading involves the purchase and sale of futures by open outcry.

Leather-lunged employees of trading firms spend all day standing on each others toes, giving frantic hand signals and yelling out what they want to sell or buy. Once seller meets buyer and a deal is struck, dealing notes are written, date stamped and there begins the long journey to the clearing house.

Busy exchange floors may be attractive material for Hollywood film directors, but they are notoriously expensive to maintain. Even Chicago Mercantile Exchange, the granddaddy of all the futures exchanges, has a joint venture with Reuters called Instinct to trade after hours via the screen. It doesn't take a genius to spot that floor trading is on the way out.

Screens, by contrast, are rather full. Everyone gets the same price at the same time and phones either the buyer or seller to trade. The settlement through a clearing house still takes place although with less people involved. The only requirement for screen trading is an electricity supply.

It does seem strange that, despite a recent poll among market operators coming out strongly in favour of screen trading, the pit argument should even be considered. Even stranger when you consider that the only proponents of pit trading are not even traders and yet claim to know how best to trade the markets.

The great myth, of course, is that only by showing all orders to a floor will you have a level playing field and thus attract the small investor.

Firstly, I doubt whether the small investor will play a meaningful role in providing liquidity to the futures market. In the US, a study found that less than 7 percent of the market were private investors. Of that, only 5 percent make money. They then drop out and are replaced by a new intake of suckers. Futures markets are for professionals.

Secondly, are trading floors the sanitised dealing environments they are held out to be? Very definitely not. Trades put through a floor broker are subject to all sorts of abuse. Once the deal has disappeared on to the floor, there is no way the client can know if his agent is acting in his best interests. Very often he isn't. The temptation to front run a large institutional order is often too great to resist. Price manipulation is simplicity itself. The outside world only needs know what you choose to tell it.

On the screen however, bids and offers are there for all to see. Far fewer people are involved and therefore dealing costs can be kept down. Apart from which, the technology is already there.

The infrastructure needed to maintain a presence on a trading floor, plus the cost of all the support systems, will keep many potential participants out of the market. It will also make the cost of dealing prohibitively high.

Bearing in mind that the SA futures market is unlikely to attract foreign business, volumes are likely to remain uneconomically low for some while.

Add to that the unpleasant fact that some people are going to lose a lot of money by being wrong and the argument for controlling dealing costs at this early stage becomes even stronger.

Toy prices are no longer child's play

74 204 BDay 7/11/89

TANIA LEVY

TOY prices will rise dramatically this year, says toy and hobby distributor Josse Feldman.

A 50% price hike can be expected as the full effect of the 20% import surcharge is felt, in combination with the effects of a lower exchange rate and increased factory costs.

SA's 60% import duty on dolls is the highest in the world, says Feldman. The surcharge imposed over and above this means 80% of the price of a Barbie doll, for example, consists of import charges.

Most toys are imported from Japan because volumes are insufficient to make local manufacture viable, he says. Toy trains have seen a revival in the past two years, but even the Blue Train is manufactured overseas and hence subject to a 20% surcharge and 18% import duty.

Feldman says the Toy Association will tackle the issue of reducing duties with the Board of Trade and Industry during the year.

Prima, which manufactures 60% of locally produced toys, expects a 40% increase in prices this year, says marketing director Trevor Kleu.

A similar price hike was experienced in 1988 as a result of more expensive raw materials. Nevertheless, 1988 was Prima's best year in 21 years of business, with sales increasing 42%, says joint-MD Saul Diamond.

Prima, which also distributes imported toys, will concentrate more on local manufacture, including stalwarts made under international licence like Snoopy, Pink Panther and My Little Pony.

Feldman is confident increased prices will not harm business.

74

BUSINESS

Out Eastern Transvaal way, business eyes turn to Maputo

There's been so much new South African traffic through Maputo, that Mozambique could become one of our top African trading partners, reports EDDIE KOCH

ORANGES, coal and heavy metal have replaced Mozambique's legendary prawns as the merchandise enticing hordes of Transvaalers to the city of Maputo.

Maputo's ability to handle increased volumes of heavy freight, such as ferro-alloys and coal, as well as perishable products, like citrus, have caused Eastern Transvaal industrialists and farmers to renew their interest in the port as an export outlet.

This economic incentive appears to have been central to the recent economic and trade agreements signed between the two countries.

The South African Foreign Trade Organisation (Safto) says in a recent edition of its newsletter, *Port of Maputo*, that the harbour is set to become "the next ferro-alloys port of southern Africa".

Last year Samancor sent 2 000 tons of metal from its Eastern Transvaal plant as an experimental run through Maputo and is considering sending regular cargoes out of South Africa via this route, says Safto.

"For ferro-alloys exporters from South Africa, Maputo is the logical answer as it is closer to their main mining sites than the harbours they are currently using, namely Durban and Richards Bay," the newsletter says.

"The main producers (of ferro-alloys — JCI, Samancor, Middelburg Steel and Alloys and Transalloys — are watching Maputo carefully to see whether the security situation can be maintained and whether the loading of the shipments will be delay and problem-free."

Myme Vos, Safto's assistant manager for Africa, told the *Weekly Mail* that large volumes of coal and citrus were also being channeled through Maputo for export. This traffic was extensive enough to turn Mozambique into one of South Africa's top five trading partners in Africa in the near future (excluding Botswana, Lesotho and Swaziland), she said.

South Africa does not publish a detailed breakdown of its exports to neighbouring countries. But statistics provided by Safto indicate a large increase in the use of Maputo by South African producers.

In the decade between 1973 and 1983 the volume of local goods traffic through Maputo plummeted from 6,8-million tons to a mere one million tons. Yet in August last year alone the terminals at Maputo harbour handled nearly half-a-million tons of goods.

The growing extent of this export trade is obviously one of the major factors behind the recent accords between South Africa and Mozambique. These agreements provide for the reimportation of electricity from Cahora Bassa; a R6-million loan for the upgrading of Maputo harbour; the suspension of a decision to repatriate Mozambican migrants; and South African aid for the construction of a new road to promote commercial traffic between Komatipoort and Maputo.

Last year the US General Accounting Office issued a report indicating US sanctions had lost South Africa R850-million in exports to that country. At the same time the trade to West Germany dropped by a remarkable R146-million.

Exports to and through states in Africa are obviously an important way to offset these economic setbacks. According to Eddie Cross, managing director of the Beira Corridor Group, trade between South Africa and its northern neighbours increased by about US$300-million (about R600-million) in 1988 — more than four times the amount lost to West Germany.

Maputo's export potential is one reason why Safto has arranged a tour by a large group of industrialists to Maputo for next month.

But it's not only trade that is flowing in increasing volumes along the routes that South African tourists once used to reach the beaches and prawns in Mozambique.

Indications are that a number of South African manufacturers are beginning to show an interest in investing in their neighbour to the east.

Premier International, a division of the Premier Holdings Group, is the company most heavily involved in production inside Mozambique. According to Premier's Katerina Yiannakis the company runs poultry farms on the outskirts of Maputo jointly with the Mozambican government.

The enterprise, known as Avicola-Sunrich, has become so successful that the Mozambican government has decided to allocate some of its scarce foreign currency reserves to expand the project.

The Premier division has the sole agency to import Mozambican cashew nuts, beginning to reappear on the shelves of local shops under South African brand names. And Premier is involved in an extensive scheme to deliver food and goods for Mozambican migrants to their homes in Maputo and the towns of Xai Xai, Maxixe and Chokwe further to the north.

South Africa's diplomatic breakthroughs in Mozambique have also had lucrative spin-offs for South African companies. Technical Management Services (TMS), for example, has the contract to manage and upgrade the harbour at Maputo and will benefit from the R6-million pledged by South Africa for this purpose.

Murray and Roberts also earned themselves R18-million from the contract they secured for South Africa's new trade mission complex that was opened in Maputo by Foreign Minister Pik Botha late last year.

These developments together with South Africa's need to boost exports though Africa indicate that commercial ties could help thaw the cold war that has existed between South Africa and Mozambique in recent years.

Imports drop from R630m to R593m

74

SA trade with Africa shows marked decline

B|Day 16/1/89

SA TRADE with the rest of Africa declined significantly between 1985 and 1987, according to the Department of Trade and Industry's Bulletin of Trade Statistics to be published later this month.

The report shows a decline in imports from R630,4m in 1986 to R593,8m in 1987 — a reduction of 6% in rand terms. Exports to African states also fell marginally from R1,795bn to R1,782bn over the same period.

Over the three-year period to 1988, exports to the rest of Africa fell from 7,9% of total exports in 1985 to 4,3% in 1986 and again to 4,1% in 1987.

Imports showed a similar although less marked trend. In 1985 imports from Africa comprised 2,4% of the total. They fell to 2,3% in 1986 and 2,1% in 1987.

Safto's Africa division manager David Muirhead attributes the fall to two main factors:

"In 1987 there was a sharp decline in SA exports to Zambia. We believe Zambian companies, and parastatals in particular, have been instructed to purchase elsewhere. They have been sourcing their imports from Europe, at about twice the price and three times the delivery period."

ANDREW BUDDEN

Second was the declining purchasing power of SA's traditional African trading partners, particularly Zambia and Malawi.

Economists say the trend should be viewed in the context of fluctuating exchange rates and inflationary pressures which would have affected the demand for SA products.

In 1987 the rand strengthened against the dollar and most other African currencies.

This meant that the fall in exports, although smaller in rand terms, was more marked than the decline in imports.

They say that the trend could not be attributed to sanctions by African states since it probably began before the "sanctions era".

Customs and trade officials are silent about details of the decline.

Since 1985 no breakdown of figures on a country-by-country basis have been issued.

Trends have been "classified" and no trade figures for 1988 have been made available.

Star 20/11/89

74

Punch Line's Schechter off to US subsidiary

Barry Schechter

By Magnus Heystek
Finance Editor

Barry Schechter, founder and prime mover behind local computer-company Punch Line is off to the United States where he is to develop its California-based subsidiary Punchline LA.

Announcing this yesterday, chairman of the immediate holding company Fintech, Dr Bill Venter, said that the group was poised to make a meaningful thrust into the American market, in line with its stated aim of developing overseas markets.

According to Dr Venter the local operations of Punch Line had now entered a consolidation phase. Consequently, Barry Schechter has been selected to take charge of its overseas operations with immediate effect. Schechter's position at Punch Line is to be filled by Llew Jones, currently head of Altech Electronic Systems.

Delighted with the move, Schechter said: "Some time ago Altron stated that it intended generating about 20 percent of its income from its offshore interests. Considering the group's local development of imported technology, I believe we are now poised to make a meaningful thrust into the American market place."

Punchline LA has been in existence for a number of years Fintech does not expect to make any immediate capital injection into the company as it is well-funded at present, a source at Altron indicated.

The US company will also act as an export-agent for the local company, it was added.

B/Day 24/1/89

74

Greenhaigh to lead W & A foreign expansion

MERVYN HARRIS

W & A'S London-listed subsidiary AAF Investment Corp has appointed British merchant banker Peter Greenhaigh to spearhead its expansion in the UK and internationally.

He will establish a London head office and assume the position of MD and CE of AAF from February 1.

Greenhaigh has been an adviser to FSI since 1984, when he acted as merchant bank adviser to the group in its acquisition of National Bolts, and has been a non executive director of Natbolt since then.

After FSI gained control of W & A in September 1987, Greenhaigh was appointed to the AAF board as a non-executive director and has been strategically involved in the conversion of AAF from an inconvenient and costly dividend conduit in the W & A structure into a free-standing company with a London listing, £25m cash and no borrowings.

AAF shares traded in London yesterday at 205p compared with their net asset value of 160p.

FSI CE and AAF chairman Jeff Liebesman said: "The appointment of Greehaigh ensures continuity of direction for AAF which will be developed as the international expansion arm for W & A."

Greenhaigh was until recently head of corporate finance at British merchant bank Arbuthnot Latham and brings core members of his team at the bank to AAF.

No stranger to SA, Greenhaigh first served as a merchant banker for Hill Samuel in London and then in Johannesburg. His academic career included spells at Cambridge and as a professor at the University of Cape Town.

Team-work vital to make SA real industrial force

B/Day 25/1/89 (74)

RON HAYWOOD, executive director Federated Chamber of Industries

BUSINESS has criticised government recently for delays and a lack of co-ordination in implementing its economic and industrial plans. In turn, the public sector has questioned the commitment of manufacturers, especially to exporting.

The time has surely come for us to stop criticising one another and to start acting as a team. This is the only way SA will become a truly industrial nation.

Despite the country's sound industrial base, South African exports of manufactured goods have not been as good as they should have been in the last decade. SA continues to rely heavily on exports of metals and minerals. In sharp contrast, the new developing countries are importing raw materials, beneficiating them and becoming powerful industrial nations.

It is also of concern that, in the long-term, raw material exports are both less profitable and less labour intensive. Why has this happened? Reasons include:

☐ Because of the abundant supply of raw materials, there has been a natural tendency to mine the product rather than manufacture finished goods. There has also been a strong tendency over the years for local investment by overseas companies to encourage the export of our raw materials, which are then beneficiated overseas.

In certain instances we have also been prevented from manufacturing or exporting into competitive areas. As a result, we have neglected our research and development facilities, and the opportunities for technical and scientific people to develop themselves;

☐ There has been uncertainty about the future, and SA has actually been fighting a border war for 22 years. The only positive aspect of this has been that a group like Armscor has contributed to the development of a sophisticated armaments industry;

☐ Relatively long recessions in the late '70s and mid-'80s, combined with increased competitiveness in the international trading environment, have contributed to poor trading conditions for local manufacturers and exporters; and

☐ International aversion to SA's political system has led to the unavailability of foreign capital and a wide range of sanctions. The latter have created difficulties for exporters.

As a result of these difficult trading conditions, the trend has been towards consolidating companies by amalgamation and takeovers. While this may have strengthened certain major groups, it has led to a decline in job opportunities and the number of small companies, and a loss of entrepreneurial skills.

Government itself has created uncertainty by failing to clarify long-term economic or industrial growth strategy. We have basically managed the country on a short-term crisis basis instead of possessing a long-term strategy.

Education policy has not been adapted sufficiently to meet the ever-increasing shortage of technically qualified people desperately needed for the necessary expansion of the industrial sector.

Furthermore, a degree of fresh thinking is required. Fortunately, this is already evident in the Board of Trade's new outlook towards pipeline studies which trace the stages of manufacture, from raw material to final product, with a view to improving SA's import replacement programme, and in particular increasing exports.

Apart from such important issues as controlling and minimising government expenditure, holding down inflation, pursuing privatisation and deregulation and encouraging small business, a comprehensive economic strategy will have to address the following areas:

EDUCATION: One of the reasons for the superior productivity of the Japanese and Koreans is their high level of educational and technical qualifications. Their skills greatly assist them, not only in research but also in producing better quality products more efficiently.

☐ HAYWOOD ... "act as a team"

SA has to stimulate enrolment in the disciplines of engineering, mathematics and science. We must also make better use of our technikons, utilising them over longer hours with more emphasis on part-time study.

In the short-term, we need to investigate changes aimed at modular type training which will allow people to qualify sooner. The whole status of the engineer and the technician needs to be improved, bearing in mind that a world shortage of technically skilled people is developing.

RAW MATERIALS: We have a chicken and egg situation in raw materials. Though it is very often better to export raw material, and more profitable to do so, in some cases the local manufacturer is having to pay a premium price for them. He is thus at a disadvantage in manufacturing a local product to compete against imported products made from our own raw materials!

RESEARCH AND DEVELOPMENT: This is an area that is going to require increasingly more of our attention, especially because of the disinvestment taking place. R & D is an expensive exercise requiring highly skilled personnel.

We need to link up with as many overseas companies as possible to import technology, but at the same time we must develop our own. Because of the high cost of research, we will have to look at more centralised facilities, such as the CSIR, and identify more clearly our major growth potential areas.

MARKET OPPORTUNITIES: The Department of Trade and Industry is to be congratulated on the new approach designed to identify major market opportunities and develop them. Naturally, these will have to be given priority because of the shortage of capital and skills.

PRODUCTIVITY: SA's productivity record compares unfavourably with those in most of the world's developed and developing nations. One way of overcoming this would be through some form of tax incentive for achieving productivity improvement goals.

EXPORTS: The critical need to improve SA's export performance applies particularly to manufactured goods. Markets, however, are becoming more and more difficult to penetrate, and successful exporting requires considerable effort and specialised skills. The small businessman therefore usually takes the easy route and sticks to the domestic market.

Here again, a considerable degree of team effort is required between the state, the large individual exporters, and organisations such as Safto. The small businessman needs all the encouragement he can get to move into this very competitive area, which certainly offers opportunities but normally operates on a low profit basis.

Stef Naude, Director-General of the Department of Trade and Industry, has stressed that a total export culture is required for SA. This can only be achieved when we start building up a strong local manufacturing industry, with exports being part and parcel of that scenario. It must be made worthwhile for businessmen to get involved.

Government is already putting a lot of effort into a co-ordinated export programme, and incentives are being reviewed. A suggestion that merits consideration is that a percentage of any export allowance should be committed back into research and training.

We also have to concentrate on getting more trade into Africa. Our neighbouring states are, after all, our natural trading partners.

GOVERNMENT'S ROLE: Government has a vital part to play. South Africans are well aware of the need for a reform process, not only because it is right for the country but also because of all the benefits that must flow from improved foreign relations.

Perhaps the greatest demand on government is that it should operate within its budget parameters. This has not happened for many years, and unless this is achieved the efforts to improve the performance of the economy may be in vain.

A further major incentive the country needs is on the tax front, as the high tax rate is proving a demotivator for both productivity and risk investment.

I am personally impressed with the many developments taking place, including the initiatives from the Department of Trade and Industry, but we have so much to do and so little time. Unless all efforts are co-ordinated and there is a total commitment by the state, employer and employee, success will be limited.

There is no doubt SA is on the threshold of new opportunities in 1989. It is up to all of us to meet the challenges.

Outflow of foreign funds slows

LIZ ROUSE

THE NET outflow through foreign transactions in equities on the JSE decreased to R31,9m in the week ended Janauay 20, from R60m in the previous week.

Sales totalled R82m with purchases at R50m, compared with sales of R92,6m and purchases of R32,6m in the week ended January 13.

Activity in gilts improved substantially. Purchases amounted to R41,7m and sales came to R30,9m, resulting in a net inflow of R10,7m. However, the net inflow was R15,6m in the previous week because of purchases of R16,8m and sales of just R1,2m.

(74) B/Day 27/1/89

The total number of shares traded on the JSE improved to 62,3-million in the week ended January 20 from 53,7-million in the previous week. But total value decreased slightly to R297,36m from R297,78m as the average price a share declined to 477c from 554c.

The increase in share volume reflects the trend towards buying second-liners as scrip in high-priced market leaders remained scarce.

(74)

Making a mark in steel

HELOISE HENNING

MAN IN THE NEWS

BARLOW Rand consultant Paul Hatty did not have even a day's experience in the stainless steel industry when he was seconded to the Board of Trade and Industry (BTI) at the end of last year to develop a plan for expansion in the sector.

But he had distinguished himself as an industrial planner in a career marked by an ability to rationalise and organise.

He was a Barlow Manufacturing director. He designed the Kelvinator fridge which put the company on the map. Later he was responsible for rationalising the electrical companies in the group under a holding company — the forerunner of Reunert.

Hatty was in charge of both C J Fuchs and GEC when they were taken over, adapting them to the Bar-ows management style.

In a stint with the BTI, he investigated the country's industrial infrastructure.

Deposits

His research formed part of the keenly awaited government report on industrial development. It is widely believed the report included strategic recommendations that could not be published, hence the silence.

Through this investigation, Hatty became knowledgeable on technical skills and beneficiation.

This is the crux of the latest task: SA has the world's largest chromium deposits and, while these are not the richest, local industry has been able to develop stainless steel to specifications the world accepts.

☐ PAUL HATTY

The only stainless steel producer, Barlow Rand-controlled Middelburg Steel, exports about 50% of its flat products. But SA needs to sell more value-added manufactured goods.

Of the 200 local manufacturers in the sector, only 10 export their finished products, giving credence to industrial planners' accusation that there is a lack of drive among manufacturers when it comes to exports.

Hatty believes manufactured exports can increase if a system of incentives and disincentives is introduced.

"We have got to find a new breed of guy who wants to get out and work seven days a week in the export market. Unfortunately there are fellows who make enough, and prefer to play golf two afternoons a week."

South Africans do not lack ingenuity, says Hatty. They have designed stainless steel products that will sell well overseas. Manufacturers complain of a lack of capital for expansion, but there are plenty of potential investors seeking a productive, wealth-creating cause. What is lacking is the drive to launch products for export and keep them in the market.

Santions are no excuse. Manufactured goods at competitive prices, especially parts, will always find a market.

Variables

Hatty says the country's export marketing has always followed the agricultural model — only surpluses have been exported. An industry like stainless steel, should be investing in factories to supply exports only.

Hatty hopes to develop a mathematical model containing all the variables from input costs, tax, production volumes and incentives. He is working closely with the Stainless Steel Development Association.

He has given himself a year from February in which to deliver the stainless pipeline study.

Other projects he is involved in include Barlow Rand's drive to privatise the company's structure, hiving off owner-operated small industries. He is also evaluating the skills of the group's staff.

Local link for air charter service

SA 'included in African trade'

By AUDREY D'ANGELO
Financial Editor

THE development of trade links between Africa and Europe must include SA, senior executives of international conglomerate Sicotra/Aeroleasing emphasized in Cape Town yesterday.

The group, which already runs import-export services between SA, other parts of Africa and Europe, is preparing to expand its air charter service to this country.

It introduced this side of its activities to local business people at a presentation in the Mount Nelson last night.

Group operating manager William Esson said that Sicotra (Society, Industrial, Commercial and Transportation) was founded 14 years ago, operating in East, West and Central Africa and expanding into Europe.

It operated "vast import and export handling, storage and distribution depots, a fleet of huge bulk haulage vehicles and a small armada of powerful river steamers with flat barge utilities."

It also had "a large diamond processing centre, which is the largest independent exporter of diamonds from Zaire to world markets.

"It owns extensive pig and poultry farms and fruit and timber estates. Our recent merger with Aeroleasing of Geneva also makes the group part of the largest private air charter and air cargo company in Europe and the second largest in the world."

Aeroleasing was founded 22 years ago and now has a fleet of executive jets and Boeing cargo aircraft. Its Africa service is based in Kinshasa, chosen for its central situation.

Esson said its aircraft were already flying in and out of SA carrying its own executives and cargoes. "Three of our Falcon jets arrived in Cape Town on Tuesday night.

"All we are doing now is offering a charter service to executives from outside firms."

It had 35 modern private executive jets and turbo-prop aircraft.

Asked if it was preparing to compete with SAA on scheduled routes if deregulation came, Esson said no thought had been given to this "at this stage."

He said the air service in Geneva and Kinshasa offered sales and service in addition to the charter of aircraft.

It had recently opened a new multi-million aircraft hangar and service maintenance depot in Kinshasa and was building a modern cargo terminal at Ndjili. "A glance at a map is evidence of the strategic location of these sites."

Esson said group MD Paulo dos Santos was convinced that the development of Africa depended on its trade links with Europe and SA was "a vibrant part of this continent.

"The biggest factors governing the development of commercial activities on the continent are the vast distances involved and the facilities available. When speaking of facilities these naturally include not only the transport itself but the facilities and service available at the destination.

"Sicotra/Aeroleasing is at the forefront of this trade expansion. The group already has a presence in SA and will build on the strong national and international ties it has formed with other major corporations operating here which include, among others, Premier International and National Airways Corporation."

He said his group had "the people, the market knowledge, the infrastructure and ability to operate efficiently and effectively in Africa.

"It is now our intention to expand our sphere of operations in this country. Sicotra/Aeroleasing will be extending its air leasing and air cargo activities into SA and is already negotiating with a number of private aircraft companies in SA.

"We are already flying busy executives to the far corners of the world. Our passengers include company directors, engineers and heads of state.

"Our service is discreet and professional. And as all our aircraft are Swiss registered our service is politically neutral."

Esson said Sicotra and its import-export arm, Sopex (Society for Import and Export), were about to move from offices in the Heerengracht Tower of Cape Town Centre to a larger suite in the main tower.

provide their house with services. Packing up are Mr Hassan Aziz (l
Achmat.

SA-Africa trader plans expansion

Cape Times 2/2/89 (74)

Financial Editor

AN international conglomerate which has discreetly moved huge quantities of South African exports to black African countries in recent years stepped into the limelight last night, announcing that it would expand its operations in this country.

Sicotra/Aeroleasing of Geneva, with African operations based in Kinshasa, is extending its air charter service to South Africa.

And its general manager of operations, Mr William Esson, said it would be in the forefront of expanding trade between Africa and Europe. He emphasized that his company considered South Africa to be "a vibrant part" of the continent.

The Deputy Minister of Foreign Affairs, Mr Kobus Meiring, and top officials from Zaire were among guests at a reception at the Mount Nelson Hotel at which Sicotra/Aeroleasing explained the range of its activities. It transports good with a fleet of lorries, "a small armada of riverboats", modern executive jets and cargo planes and has a huge hangar and maintenance depot in Kinshasa.

Mr Esson said the company considered the future development of Africa would be strongly linked to Europe. The distances involved and the lack of facilities had so far hindered this. His company was opening up new markets on the continent and would increase its presence in South Africa.

● Full report — Page 11

Pilots meet bankers in bid to buy SAA

Cape Times 2/2/89

Own Correspondent

JOHANNESBURG. — The SA Pilots' Association was holding discussions with bankers in London and South Africa to raise the preliminary R2 billion estimated to acquire SAA, a spokeswoman, Ms Barbara Bester, said yesterday.

The pilots' association had made official representations to the Minister of Transport to acquire between 30% and 40% of SAA's domestic and international operation, Ms Bester said.

The association had informed Transport Minister Mr Eli Louw of their bid for SAA on various occasions.

Transport ministry spokesman Mr Leon Els said it was premature to put a price on SAA.

This project and the Sua Pan project, that stage run by BP, were evaluated by the respective sponsors and the SA government. It was found that the Sua Pan project was the most economic," says Blizzard. ■

TOY PRICES (74)

Playing with figures

Imported toys could cost another 50% this year — more than three times the size of the increases contemplated by local manufacturers.

Toy importer Joss Feldman says: "We may put up the price of imported toys by as much as 50%, in response to adverse exchange rates, plus the increase in the import surcharge from 10% to 20%. Also, overseas suppliers are increasing prices by 7%-20%."

Searle Diamond, MD of Prima Toys, which produces most of SA's locally manufactured toys, says: "Our price increase will not be more than the inflation rate." He adds that local prices rose 10% in 1988.

However, Feldman says there are many toys that cannot be made locally. "We in SA cannot export because of sanctions, and local volumes don't justify the elaborate equipment needed to produce specialised toys."

Diamond says local prices depend on raw materials costs and the price of packaging. "The price of key raw materials such as polyethylene (22%) and polystyrene (34%) did rise last year. Packaging costs also rose." Toy sales last year were worth R160m. Searle expects a 25% increase this year, "if we can maintain our volume."

Toy retailers will know at the end of February exactly how big a difference there is between imported and local prices in 1989. That is when the annual toy show is held. ■

Companies are toying with the idea of increased prices

FMML 3/2/89.

(74) FMML 3/2/89.

Firmness underlies market

BD 6/2/89

WHILE cargo rates have tended to ease in the north Atlantic the overall market feeling seems to be one of firmness.

Grain stems seem to be more limited at the moment out of the US Gulf, and $25,85 was paid for a 52 000-ton cargo to Japan on a combination basis for a February loader. However, at the same time, $26,50 was paid for a 50 000 tonner loading for South Korea.

Handy sized vessels have remained steady and there is still a strong demand for vessels to load out of Brazil and the River Plate especially for vessels of 30 000 dw and above to load grain, steel and pig-iron cargoes.

Trading conditions have shown an improvement in the Pacific and a 69 000 dw panamax vessel was taken on a spot position in Japan for a transPacific round voyage at $13 000 a day. Good handy sized vessels are also seeing better employment prospects in that area.

Firm conditions are still being seen in the SA market and with increased demand being seen for handy sized vessels out of the Red Sea/Indian area to lift cargoes such as fertilisers, coupled with the demand for similar sized vessels to load out of South America, owners have tended to increase their ideas for loading out of SA.

A 28 000 tonner obtained $8 050 a day plus a small ballast bonus of $13 000 with delivery to SA for a timecharter trip to Turkey. Another 28 000 tonner, built in 1968, was paid $7 500 a day by Turkish charterers for a trip with grain out of East London via Turkey and redelivering in the Mediterranean.

Similar sized vessels are asking $8 000 a day for trips to the Far East. A tender was awarded for two cargoes, each of 16 500 tons of white maize for shipment in April, which will most likely be combined to one lifting of 33 000 tons.

Future shipments of maize look hopeful in view of the good rains this year but there are still a few critical weeks to go before harvesting can start.

Conditions are still rather quiet in the coal trades although rates remain fully firm with Cape-size levels at around $9,75 for cargoes from Richards Bay to the Continent and panamax-sized vessels in the same trade being worth around the $11,50/$11,75 level.

Spanish charterers have in fact moved several panamax sized cargoes from Richards Bay to the south of Spain by taking vessels on timecharter at around $12 500 a day with delivery on the Continent.

Portuguese charterers were asking for indications to move about 400 000 tons from Richards Bay to Rotterdam in Cape-sized vessels with shipment during 1989. A 30/35 000-ton cargo was quoted from Durban to Hunterston in the UK with charterers indicating they would pay between $15/$16 a ton, and another small cargo of about 10 000 tons was arranged from Maputo to Pasajes at $20 a ton but, subsequently, the fixture fell through.

A 6 000-ton cargo appeared to have been fixed by Brazilian charterers from Durban to Vitoria at $23 but also fell through. A cargo of 3 000 tons of split peas in bags was quoting from Durban to Hong Kong, Taiwan or Japan for second half March loading.

There was interest in importing salt and several areas were mentioned although it appeared most likely it would come in from Australia. Ferro alloys charterers had the possibility of moving several small parcels to various destinations and it would appear that charterers are still obtaining reasonable rate levels.

Report criticises UK for boosting trade with SA

Star 6/2/89

The Star Bureau

LONDON — The Anti-Apartheid Movement has slammed the British government for encouraging a new growth in trade with South Africa.

In "Selling Out To Apartheid", a report released today, the AAM says the fact that the British government has allowed major trade links to continue and expand shows a "flagrant disregard" for public opinion — 56 percent of which supports sanctions, according to AAM figures.

It says 1987 and 1988 saw the reversal of a general trend of declining British exports to South Africa "as companies took advantage of the government's pro-South Africa stance".

During the first nine months of 1988 the value of British goods sold in South Africa rose to R3 200 million compared with R2 700 million during the same period in 1987, it said.

"The AAM has accumulated considerable evidence of the close co-ordination and planning that has gone into the government's campaign to boost apartheid trade. Its dual purpose has been to win markets from other countries that are more reluctant to trade in South Africa, and to counter the sanctions campaign.

But, says the report, the pursuit of commercial advantage is not the government's sole aim. The South African market is relatively small and the proportion of British foreign trade with the country has declined steadily since the 1960s. In 1987 only 1,2 percent of British exports went to South Africa.

"The efforts put into boosting economic linkages with South Africa therefore reflect a far deeper strategic commitment made by this government to maintaining the status quo in South Africa."

The report said the United Kingdom South Africa Trade Association (Uksata) had been actively encouraged by the government to promote trade with South Africa.

group said.

'Lifeline to apartheid' criticised by AAM

Star 7/12/89

74

LONDON — The Anti-Apartheid Movement (AAM) accused Britain yesterday of providing a lifeline for apartheid by encouraging firms to deal with South Africa at a time when other countries were limiting trade with the country.

In a report entitled "Selling Out to Apartheid", the London-based AAM said the British government made "strenuous efforts" to support trade missions to South Africa and provided companies with research on market opportunities.

It said one report circulated by the Department of Trade and Industry (DTI) encouraged British firms to join an offshore gas project aimed at blunting the impact of a Commonwealth ban on oil sales to South Africa which Britain agreed to in 1985.

"By persuading companies to continue trading with South Africa, the government is providing economic lifelines for the apartheid regime," the AAM said.

The DTI declined any immediate comment on the report, timed to coincide with a ministerial meeting in Harare of eight Commonwealth countries to discuss southern Africa.

Britain has imposed limited sanctions on Pretoria with its Commonwealth and European Community partners but Prime Minister Margaret Thatcher has opposed tighter measures, saying they would penalise South African blacks.

During the first nine months of 1988 the value of British goods sold in South Africa climbed by 18 percent to £806 million (about R3 385 m) — reversing a general trend of declining British exports, the report said.

The AAM accused Britain of seeking new export opportunities to take advantage of other countries' trade restrictions with South Africa, but said this policy would eventually backfire. It was likely to provoke retaliatory measures from countries imposing sanctions, it said. — Sapa-Reuter.

'UK provides a lifeline for apartheid'

B Day 7/2/89

(74)

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"By persuading companies to continue trading with SA, the government is providing economic lifelines for the apartheid regime. In defending the regime from sanctions it is literally keeping the apartheid regime alive."

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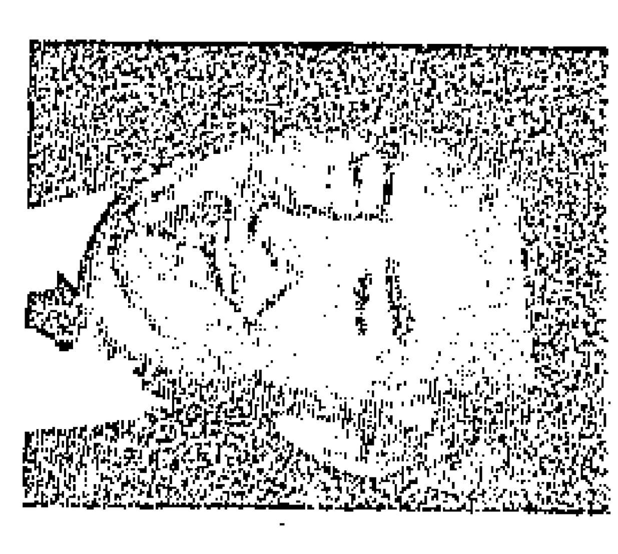
Canada's nose bloodied over SA

Argus 9/2/89



Mr Joe Clark

From ROBIN DREW,
Argus Africa News Service

HARARE. — Canada came away from the three-day meeting of eight Commonwealth countries on Southern Africa with a bloody nose after a series of blows damaged her reputation as a leading campaigner in the battle to end apartheid.

The most damaging event was the disclosure that a Canadian bank, the Bank of Nova Scotia, had — with government approval — agreed to lend the Anglo American-controlled but Luxembourg-based company, Minorco, R1 000-million to help it in its bid to take over Consolidated Goldfields.

If successful, the takeover bid — which has been roundly condemned by the anti-apartheid movement — will be the biggest deal of its kind in British business terms.

Canada's Foreign Minister, Mr Joe Clark, under persistent questioning from Canadian and other journalists, admitted he knew of the loan before it was approved, but said the deal could not be stopped in terms of the exisiting Canadian and Commonwealth bans on bank loans to South Africa..

He promised to take up the matter with the bank on his return, but said he did not believe in retroactive regulations or legislation.

Guided by spirit

In the final communique, the Commonwealth ministers noted that the loan might have escaped the strict terms of the present ban — but said countries should be guided by the spirit and intent behind it.

Minorco is regarded in financial circles as the overseas investment arm of Anglo American and is 71 percent owned by the Oppenheimer family.

Mr Clark had earlier admitted embarrassment at the disclosure that Canandian trade with South Africa had increased sharply last year, with stepped-up exports of sulphur from Canada and imports by Canada of South African strategic minerals. Neither category is covered by sanctions.

Report denied

He was also forced to deny a report which appeared in a Canadian newspaper claiming that a Canadian company had exported arms to South Africa through a third party.

The allegation was reportedly made by Zimbabwe's Foreign Minister, Dr Nathan Shamuyarira, but was denied and was not taken up.

The damage to Canada's reputation had, however, apparently been done.

● Picture, page 4.

Clark is red-faced over SA deals

74 The Star's Africa News Service

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Building suppliers hammered

By Frank Jeans

What have been termed monopolistic manufacturers in the building field have come in for a blistering attack by the outgoing president of the Master Builders' Association of the Witwatersrand, Mr Robert Giuricich.

Condemning the exorbitant increases in the price of materials, he told the MBA's annual general meeting yesterday: "These manufacturers have taken advantage of the improvement in the building industry.

"Why must we contend with rises in certain basic essential commodities such as clay bricks, which escalated 40 to 60 percent more than we were paying for the same product 18 months ago.

"And, of course, the cement industry cartel — the least said the better.

"Trading in the cement industry, now sanctioned by the Competition Board, cannot be accepted."

Mr Giuricich said that with the devalued rand, these manufacturers should export to the outside world so as to maintain their plants and justify their investments, rather than put the cost of their products onto the shoulders of the building industry and client bodies.

"Although the Competition Board has been given muscle, it seems it cannot effectively use it to disband monopolies or cartels," he said.

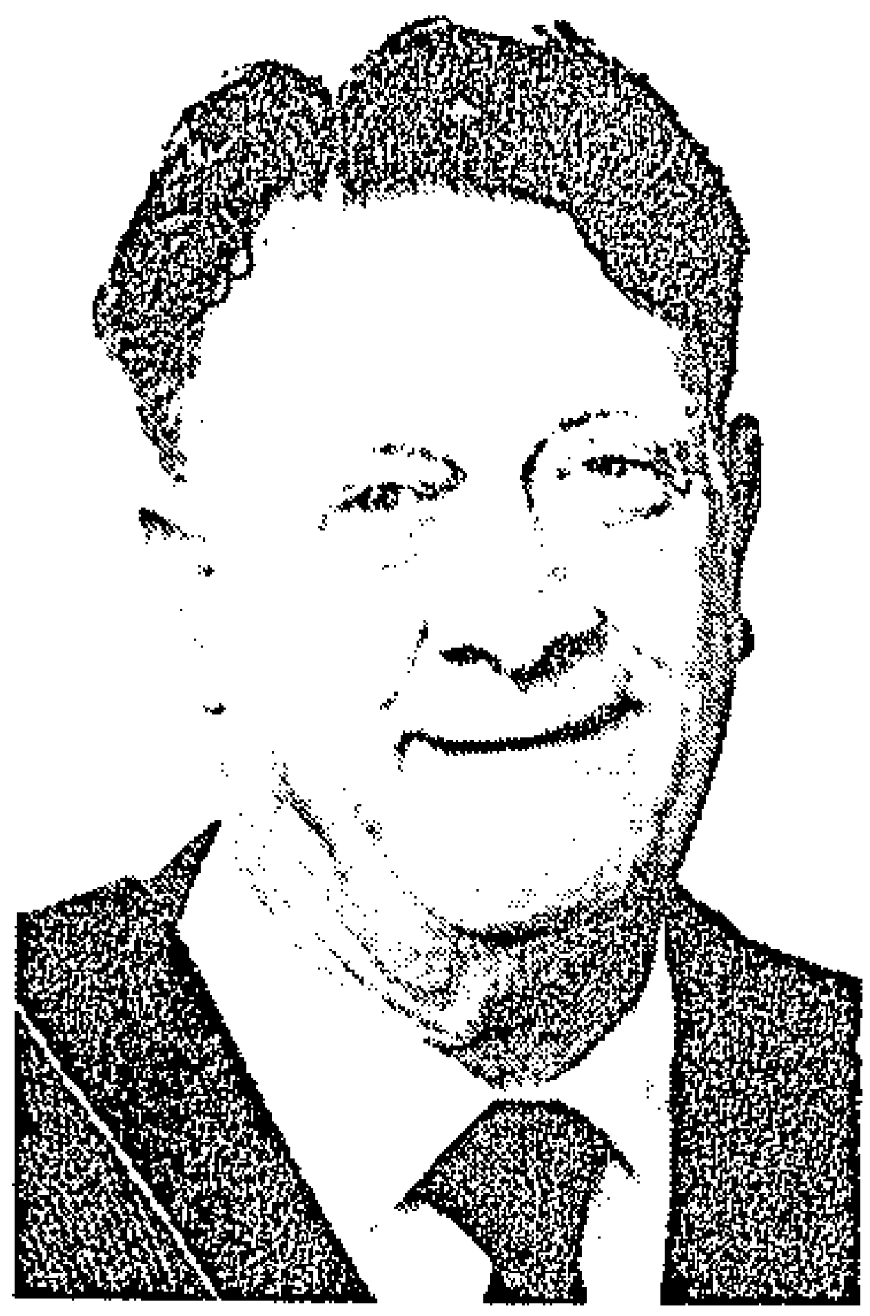
"What the board needs to do is to implement measures to counter these practices by creating more competition."

Mr Giuricich urged the board to recommend lower customs and import duties on those materials subject to "monopolistic conditions".

This would, he believed, help create the necessary healthy competition among local manufacturers operating in a "cartel or monopolistic system".

"These protected industries have invariably grown by leaps and bounds due solely to the lack of competition, while the rest of the building industry ambles along and operates at nil or very low profits," he said.

"The MBA is setting up a price monitoring committee to take whatever action is necessary so as to contain material price rises."



Mr Phil Watters was elected president of the Master Builders Association (Witwatersrand) at the annual general meeting last night.

Mr Watters has been running his contract plumbing business for 34 years and operates throughout the Witwatersrand.

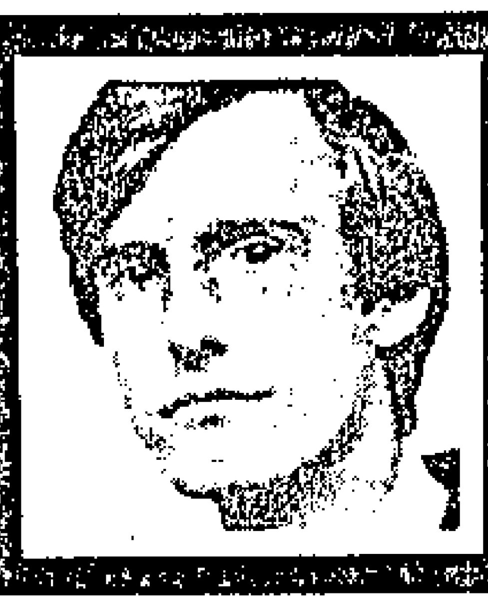
He became a member of the MBA in 1956 and serves on the executive committee of the Building Industries Federation (Bifsa).

Organised madness

S/Times 12/2/89 (76)

REX

Cees Bruggemans reviews the local and world scene



PRIVATE-sector confidence sometimes places problem-fighting policy-makers in a cleft stick.

That is what the world's investors are doing to the Federal Reserve. Consider the problem: the patient has a large Budget deficit, which in the circumstances must be interpreted as a major contributor to its trade deficit.

Both appear intractable even though the US economy is at nearly full resource use, which should signal inflation down the road.

Under normal circumstances the patient's condition would be regarded as serious and cause a loss of foreign confidence. Such loss of confidence and withholding of foreign savings should lead to downward pressure on the dollar.

It might sound perverse, but it would be exactly such a condition that would make manoeuvring room for the world's central banks.

It would allow the Federal Reserve to raise its domestic interest rates without triggering an excessive dollar rally. An initially negative international mindset would at best lead to dollar stabilisation as US interest rates rose relatively to those of other countries, making them sufficiently attractive to restore sustainable capital inflows to the US.

There would be three additional benefits. Higher US interest rates would assist a domestic slowdown, in turn restraining import growth. The stabilising dollar would prevent excessive domestic protection and higher inflation.

Third, foreign countries would consider the dollar's value, and therefore the level of their own currencies, neutral for their own inflation rates, in turn maintaining their interest rates at current levels and sustaining the differential with the US.

In other words, other countries would maintain their economic growth rates while the US slowed down, favouring the correction of the large trade imbalances between them without triggering inflationary fears in either.

SIMPLE

The theory is simple: deterioration in one country should lead it to make policy changes that will allow the imbalances to be corrected. Other countries could remain onlookers.

But that is far from what is happening. There is something about America that is keeping everyone bullish in spite of the monumental imbalances incurred in the past decade — or because of it?

So we find that when the Federal Reserve decides to do something about the imbalances, its policy response triggers private reaction which threatens to undo the benefits of the action.

The US raises its short-term interest rates to slow its interest-rate sensitive sectors, restraining its import growth, reducing the trade deficit and any potential inflationary forces.

The markets react by bidding up the dollar as foreign capital goes for the higher US interest rates, irrespective of the apparently higher risk profile implied by America's imbalances.

OVERVALUED

Left on its own, the dollar has a tendency to become overvalued. It is worth examining what perennial overvaluation of the dollar does to the US and its trading partners.

The overvalued dollar makes imports cheaper while causing problems for US exports. So while the higher interest rates may encourage economic slowdown and slower import growth, the accompanying higher dollar tends to neutralise these benefits. But that is not all — for the higher dollar implies that the currencies of other countries weaken.

Other countries, fearing imported inflation at a time of high resource use, raise their interest rates to defend their currencies. The effect is to slow their economies. The US export effort is further undermined because the ability of the major countries to absorb its products is reduced.

This remarkable sequence of cause and effect suggests that in the presence of bullish investors, interest-rate policy is not adequate to address Budget and trade imbalances and the threat of inflation.

The monetary authorities are trying to compensate for this fatal marking time through a second set of policy action: direct currency intervention.

Now the Fed can raise its interest rates because concerted central bank intervention forces the bullish investors into a dollar range that is not supposed to undo the beneficial effects of the differentiated interest-rate policy.

It is for this reason that although investors would currently like to push the dollar above Dm2, the central banks prefer to keep it below Dm1,90. They call this tortuous process "G-7 policy co-ordination".

GRAVE

Undoubtedly, the central banks form a cartel which wishes to enforce its preferred world view.

The organised madness which results does, however, beg the obvious. If the US were to focus only on its Budget deficit and visibly take policy action to reduce it, none of these interest-rate and currency contortions would be necessary.

So we are back to trying the second-best instead of the obviously best solution. However, all of this accepts the bullish behaviour of international investors as given, and at worst as irrational. Is that right?

Every analyst and policy-maker seems to be consumed by the idea that at some point the investors of the world will turn around, consider the US imbalances a grave risk, and vote negatively with their feet as a consequence.

It is better, so the argument goes, to get the house in order before that happens. If best solutions are difficult to implement, let us do it by way of the second-best — such as interest rate policy and direct currency intervention combined.

CURE

Thinking and acting in this way, analysts on behalf of investors and central banks on behalf of government are being highly responsible. Prevention is better than cure. Nobody really wants to find out what can go wrong if international confidence really gives way.

I will not argue against the responsibility of being pro-active, or against analysts who wish to warn investors against losing their shirts. But it is more than a little intriguing to pose the question: Given the current international confidence, do the US twin deficits really matter?

I suppose it is here where the short-term and the long-term part ways. In the short term, confidence can be maintained. In the long term, imbalances can presumably not be sustained because of a loss of confidence.

The difficult part is to decide how long is the short-term.

Pension funds to meet

THE Pensions Institute annual conference will be held at the University of Port Elizabeth on March 20 and 21. National Health and Population Development Minister Willie van Niekerk will open it.

Louis Geldenhuys of George Huysamer & Partners will give an overview of economic condition and short- to medium-term prospects.

Santam senior general manager Ronnie Masson will speak on the investment scene and its prospects. Commercial Union managing director John van der Linde will discuss Aids and employee benefits.

A part of the afternoon programme on March 20 will be devoted to a group discussion on taxation of lump-sum benefits, provident funds and pension funds, the possible effects of privatisation on retirement schemes and fund surpluses.

SA's trade with Africa up by 4%

Star 13/2/89

(74) SA

Research by the Pretoria-based Africa Institute shows that trade between South Africa and the rest of the continent increased by four percent last year.

A senior researcher at the institute, Sam Khongwa, said in Pretoria at the weekend that this was two percent less than the figure for 1987.

Mr Khongwa said that although the Southern African Development Co-ordinating Conference (SADCC) had to some extent reduced its dependency on South Africa, there were still some areas, like trade and transport, where they were still very dependent.

He said the SADCC had recorded some modest achievements in the field of communication, food security and air travel.

Member states

Mr Khognwa said the other major achievement of the SADCC was to mobilise international finance for investment in its nine member states.

He said, however, that the SADCC countries could not survive without South Africa.

The economies of Southern Africa were interlinked to such an extent that no country could ignore any other. — Sapa.

Star 17/2/89.

UK credit facilities largely ignored by SA firms

By Tom Hood

CAPE TOWN — South African companies have failed to make use of the very extensive credit facilities available from Britain and this must be to SA's long-term detriment, says Lord Marsh, president of the British Industry Committee of South Africa (Bicsa).

Lord Marsh who was a Cabinet Minister in the Wilson government, was knighted by the Labour Party, elevated to the Peerage by the Conservative Party and made a Privy Councillor by the Queen, says the very real and strong ties between the two countries should not be squandered on short-term interest rate differentials.

Speaking in Cape Town earlier this week, he said Prime Minister Margaret Thatcher's government was in the forefront of opposing sanctions, but this did not imply an open-ended commitment to South Africa.

Mrs Thatcher believed very firmly in the free market and it was this thinking and this thinking alone, that kept her resolutely opposed to sanctions.

"One gentleman once said we were a nation of shopkeepers and yet today it is this very spirit that has seen the British economy bounce back once again to play a leading role in the economies of the West."

The irony of the tardiness of South African companies to make use of the readily available UK credit facilities was not lost on the Minister of Finance, Mr Barend du Plessis.

Speaking at an investment conference in Johannesburg on Tuesday, he said: "South African importers and exporters have developed a sometimes unexplainable reluctance to make use of foreign finance in their trade transactions, despite the fact that forward cover facilities on reasonable terms remains available through the Reserve Bank and local interest rates are normally, at least in nominal terms, higher than comparable rates in foreign money markets."

Mr du Plessis told the conference that R24 billion in investment capital had left South Africa over the past four years.

Lord Marsh said the multi-national companies that did business in South Africa were committed to helping in the development of the country.

Smaller companies that were unable to take a longer-term view had tended to disinvest or to remain out of the South African market.

But any meaningful change in the political set-up would bring in a huge inflow of investment money from Britain.

Lord Marsh said Mrs Thatcher would visit South Africa tomorrow if she was assured that meaningful political changes were to be put on the statute book.

The South African economy had almost unlimited growth potential, it was only the present political situation that was holding it back, Lord Marsh said.

(74)

TRADED OPTIONS

Improving liquidity on the JSE

Traded options could mean better risk management for investors

For many investors traded options remain an enigma. Yet in a couple of months the JSE will launch an official market in these instruments. If experience abroad is any guide, that will usher in a massive expansion of the fast-growing financial futures market pioneered in SA some 18 months ago. Among the benefits for investors will be more sophisticated risk management techniques.

It could also ease the JSE's chronic illiquidity and low trading volumes. Diagonal Street has long been one of the most illiquid stock markets in the world.

Publication last year of the Stals and Jacobs reports on financial markets encouraged the JSE to go ahead with plans for this, as well as the new Venture Capital Market. As president Tony Norton puts it: "Now we know that we have a de facto franchise on equity markets, and will merely be participants in non-equity markets. The moment that was clear, we said our role is to develop equity markets as much as possible."

The JSE had in fact established a traded options working group five years ago, chaired by Peter Redman, but the project was put on the back burner pending the Stals and Jacobs reports.

"I believe that because of the low liquidity SA needs a proper derivatives, and in particular a traded options, market more than any other country," says Redman.

Non-standard options in equities have long been traded informally on an over-the-counter (OTC) basis; at least one broking firm virtually specialises in this business. An investor (or speculator) can buy an option which carries the right to buy or sell a share in the future. Unlike a futures contract in a financial or other commodity, with an option the risk is limited to the premium paid for the option — though that can be substantial in the OTC market.

But market efficiency has been impaired by poor liquidity in the options traded, the

74

absence of a specialised infrastructure and clearing house, and even a lack of awareness and interest on the part of investors.

By establishing a formal market, starting with selected instruments, the JSE hopes to overcome these problems, and that traded options will gain credibility and trading volumes. A crucial difference is that on the OTC market the contract is between buyer and seller, while on the planned traded options market contracts will be with the clearing house, which is guaranteed by members. The target date for the launch is May 1.

Right from the start the range of equity-based options will be wider than is now available. Norton says that, in addition to such shares as De Beers, Barlow Rand, Vaal Reefs, Sasol and Anglo American, there will be options in indices of, say, four or five leading gold shares or a similar number of leading industrials.

These would be new, specially compiled indices. The SA Futures Exchange (Safex) will remain the market for trading futures in the JSE Actuaries All Share, All Gold and Industrial indices. These, says Norton, are seen as overall hedging instruments while the proposed options indices would be used mainly to attain liquidity.

Safex has pioneered the financial futures market since it was established by Rand Merchant Bank (RMB) in April 1987. This was a bold move, not least because it came just over a year ahead of the release of the report of the Stals Committee.

Safex, which has been run as an informal market, will continue to operate as an independent clearing house. Its operations are now guaranteed entirely by RMB, but Safex MD Stuart Rees says that Safex is targeting June for establishment as a formal futures market, using both open outcry and electronic dealing. A number of other organisations are then expected to become members; at present 22 have contracted to guarantee the market, including banks, Eskom, Sats, Sanlam, Old Mutual and the JSE.

Norton

The role already played by Safex has been important for the JSE's plans to broaden the derivatives markets. Apart from the three equity indices, Safex also trades futures contracts in the Krugerrand, Eskom 168 stock and three-month liquid BA. Volumes picked up when the JSE was in the doldrums last year, but when equity trading surged in recent months the futures market soared too.

In recent weeks the value of contracts has been running around R30m a day, close to the values for total JSE equity activity during the dull period of last year. Chris Visser, who runs RMB's futures activities, says that no fewer than 894 contracts in share index futures are being traded daily, whereas two months ago the highest daily figure for any individual index was 873 contracts.

Hawkes, McGrevy and Williams

He estimates that the value of trading in futures will exceed the value of equities traded on the JSE before September.

Though all this business will stay with Safex it has meant a rapid growth in awareness and knowledge of how derivatives markets work and the benefits that investors can gain from options. It has also helped to whet appetites in the stockbroking community.

Frank Hawkes, of the JSE's management services division, who is overseeing the establishment of the traded options market, says that in major stockmarkets abroad activity in derivative instruments, including traded options, can be between two and five times that in the underlying instruments.

JSE staff working on the project include Roger McGrevy, a computer consultant who joined the JSE some 18 months ago to develop a system for traded options, and Ken Capasso, a former New York consultant. In addition, the JSE has brought in a US consultant, Financial Markets Development Corp (FMDC), which has been involved in establishing derivatives markets in markets such as in Amsterdam and Zurich.

McGrevy says experience abroad has shown that an open outcry floor is the most efficient pricing mechanism for traded options. The JSE will use open outcry — sited on the trading floor adjacent to the underlying equities — with an electronic screen system rather than chalk boards. The electronic system will be a new development for the JSE in that it will use "real time," showing trading and price statistics instantly. The JSE will be feeling its way in other respects too: settlement will be by cash in all traded options except De Beers, where there will be a choice of cash or physical delivery.

A purely electronic system was rejected for various reasons: it involves one-to-one price setting, and surveillance is difficult. Security and surveillance are particularly important as these instruments are more complex than equities and the risks are potentially greater due to their higher gearing.

Provided that the options are well managed, though, with the many strategies available they can be used as a defensive mechanism that enables an investor to reduce the risks of holding shares directly.

Put options, for example, may be used simply as a bearish position; but combined with a long position in the underlying stock may change an investor's stance to that of a hedged bull. The effect may be a guaranteed stop loss order, with part of the hoped-for rise in the shares sacrificed for the right to sell the shares at a fixed level.

Thus, fund managers abroad tend to use options as insurance. Hawkes contends that they are "a lot less risky than futures if properly managed." For individual investors, they offer the opportunity to hold blue chip stocks for a relatively small outlay.

"Had these instruments been in general use at the time of the October 1987 crash, I'm sure a lot of people would have been hedging positions when prices were at their highs," says Redman. "That might have resulted in a less severe fall."

None of this is to say there will not be problems. In the short term the obvious impediment to growth in the traded options market will be the need to raise the level of knowledge of the market, both among institutions and individual investors. This is seen as a job for the stockbroking firms and other participants, many of which have been running courses and seminars.

A greater hurdle is the tax structure. As things stand traded options will attract the same marketable securities tax as equities. Experience abroad has shown that such a tax can be deadening. FMDC's Tee Williams, who notes that a stamp duty is imposed on equity trading in Amsterdam, says: "It is difficult to explain the psychological effect of a stamp tax. It can be a true market killer in terms of people's willingness to trade."

Stockbrokers are expecting to adopt a dual role in the traded options market. They will act as agents and advisers to clients, but will also be able to trade as principals on the firms' own accounts. Whether individual traded deals will be particularly profitable for them is a moot point, as margins and commissions will be relatively low. But any boost to volumes can only benefit the financial community. And if the advent of traded options does boost overall JSE liquidity, that could ultimately improve its capital-raising capabilities and role in the economy. ■

'Need to respond quickly'

BDay 17/2/89

LESLEY LAMBERT

AS DERIVATIVE products based on established financial instruments in the equity, capital and money markets, financial futures and options rely on active cash markets.

And, to fulfil the hedging needs of their users, exchanges in these derivative products need to respond quickly to changes in the underlying cash markets.

That was the message the London Financial Futures Exchange (Liffe) conveyed to SA's futures market at this week's Frankel, Kruger, Vinderine conference.

Liffe business development director Nic Carew Hunt said besides being able to adapt their contract specifications to changing demand in the cash markets, the exchanges should aim for diversified product ranges. This would help to offset the effects of changes in a major underlying market.

The reduction in the UK government's borrowing requirements as a result of privatisation, meant that Liffe had to adapt its main contract — the long-term gilt future. The contract which once contributed up to 60% of the exchange's turnover, now accounts for up to 40% and its contribution will continue to diminish as new cash issues dry up and government buys back existing gilts.

Carew Hunt said: "There is nothing much an exchange can do when this happens except provide new products or adapt existing ones to suit changes in the cash markets."

Liffe has changed the specifications of the long gilt, introduced a medium-term gilt future and marketed its short-term interest rate contract to users who needed to hedge increased volatility at the short end of the interest rate yield curve.

The bulk of SA futures trade is also attributed to a long-term bond contract, with about 70% of trade in the Eskom loan 168 future. The local futures market has considered a new long bond contract based on a notional bond which, unlike the Eskom stock, would not be a wasting asset.

W/C ARGUS 18/2/87 (74)

R1-bn vanadium bonanza

From JOHN SPIRA

JOHANNESBURG. — The world's largest primary vanadium mine, with an ultimate capacity of 9 000 tons a year, will be unveiled within the next few days.

The new mine, together with additional capacity coming on stream from other South African sources and the soaring world price of vanadium, could, metal analysts believe, result in South Africa earning close to R1 000-million in foreign exchange from vanadium exports next year.

The project to be announced involves mining exploration company Rhombus Exploration (Rhoex) and steel fabricator Union Steel (Usco).

In terms of the deal, Rhoex will enter into a long-term contract for the supply of vanadiferous magnetite ore to Usco from a large orebody in Bophuthatswana over which Rhoex has the mining rights.

Rhoex chairman Les Holmes declines to comment but confirms that an announcement is likely to be forthcoming next week.

Speculation surrounding the negotiations has been doing the rounds for the past several weeks. Since the beginning of the year, Rhoex shares have added 84 percent and Usco 62 percent.

Stock market sources express enthusiasm for the deal, pointing out that the new venture will contain considerable benefits for both companies and for the country as a whole. They are particularly excited over the prospective advantages for Rhoex.

According to one stockbroker: "The vanadium prospect is just one of the cards Rhoex has up its sleeve.

"It should soon be releasing details of its titanium/zirconium project near Umtata and its gold rights in the Free State have much potential.

"With the vanadium deal under its belt, Rhoex will have the scope to proceed apace with its other prospects. Further, that fact that it is to exploit the vanadium deposit will enhance its credibility in the market.

"And Rhoex has handled its cash well. It has spent only R1,5-million of the R30-million raised from its share issue in 1987.

In fact, its cash holdings are worth 85c a share, which means that the mining rights are being valued at a mere 90c at the ruling share price."

The new mine is being launched at a time when world vanadium prices are skyrocketing, driven by unexpectedly high demand and the disappearance of supplies from China, which until 1986 accounted for roughly 10 percent of Western world supplies.

The Chinese steel industry is now using much more vanadium such that the country has become a net importer of the metal.

Market price

The free market price of vanadium pentoxide, which two years ago was in the region of \$3 a pound, has soared to above \$11 in recent weeks.

South Africa, accounting for about 47 percent of mine production last year, and the Soviet Union (about 30 percent), are the major producers of vanadium, which is mainly derived as a by-product of other metals, especially iron and uranium.

South Africa, however, is by far the world's major vanadium exporter, Russian output being consumed entirely within the Comecon bloc.

R1-billion vanadium bonanza for S A

(From Page 1)

The disappearance of the Chinese is leaving a large gap in the market which will potentially be filled largely by extra South African output.

Some increase in capacity is expected to come from Kerr-McGee's vanadium operations in Idaho and from Stacor's Propara joint venture in Venezuela.

Even so, South Africa is potentially set to exploit the gap left by the Chinese through increased output from Highveld and, more particularly, expansion by Vansa Vanadium and the new Rhoex mine.

At full production, expected in 1991, Vansa could produce around 3 500 tons of vanadium pentoxide a year, whereas at present output is probably running at an annual rate of less than 2 000 tons.

The Rhoex project, however, could be far bigger.

Mining circles suggest that a mine capable of producing 9 000 tons a year will be developed, making it the largest primary vanadium mine in the world.

Could soar

South Africa's vanadium exports in 1987 were only R193-million. In 1988 they rose to R295-million, while this year they could approach R600-million.

Next year, they could soar towards R1 000-million if present price levels hold, given the rise in output which is on the cards and assuming the Chinese remain out of the market.

POLITICS

Foreign funding Bill supported by all parties

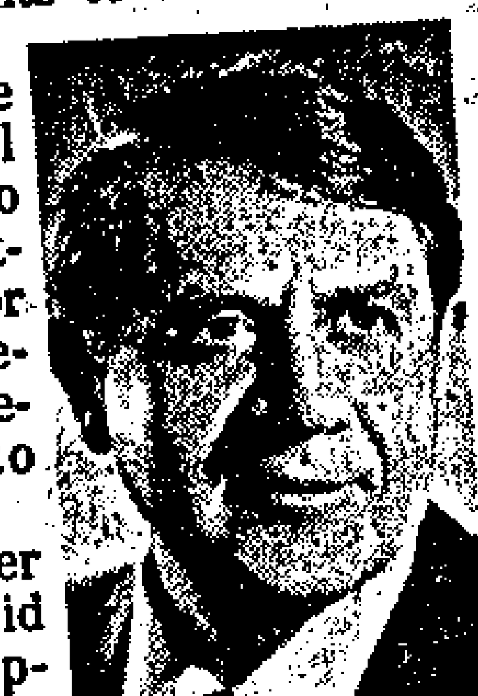
(796) BDay 20/4/89

Political Staff

CAPE TOWN — The proposed legislation for organisations to disclose the sources of foreign funding were supported in principle by all parties last week.

But reservations to some of the provisions of the Disclosure of Foreign Funding Bill were expressed and various amendments to the measure have been tabled.

This means the amendments will have to go back to the joint committee on justice for consideration before the Bill is reintroduced into Parliament.



● COETSEE

Justice Minister Kobie Coetsee said government supported foreign funding for the upliftment of people, but it was completely opposed to any attempt to destabilise government and its institutions.

He said the measure was not aimed at preventing foreign funding from coming into the country but would uncover funding brought into SA under false pretences or for subversive purposes.

The measure was aimed at identifying the source of these funds.

PFP justice spokesman David Dalling said the Bill was not perfect and had flaws. The amendments he had tabled would, however, meet most of the objections that had been tabled against the original Bill.

Dalling said: "I do not regard it as an invasion of privacy that an organisation receiving funds from abroad, to be used in a sometimes controversial manner, be required to disclose publicly the funds which they so receive and how they are administered."

Jan van Eck (Claremont, independent) said he did not believe government had changed its intentions to cut off foreign funding which enabled many democratic organisations to keep their head above water.

The Bill would serve as an intelligence-gathering exercise for government and he had no doubt it would be misused in government's interests.

It would also give the Justice Minister wide powers to make virtually any regulations and nothing would prevent government from bringing back government's original intentions.

□ Sapa reports that Coetsee said he understood the interest of foreign countries and institutions in furthering the interests of South Africans.

Government supported such sentiments and would like to see them implemented in cash. This sort of funding had never been barred and would not be barrred in future.

Government would, however, resist and act to neutralise any attempts at destabilisation.

Coetsee denied Van Eck's statement that the measure was reintroducing contentious aspects of a previous Bill in a different guise. This was totally wrong and without foundation.

The decision on whether funds were being misused would be not a political one, but a clinical judgment.

Parliament had created an instrument to unmask funding brought into the country under false intentions.

P L Mare (NP Nelspruit) said the Bill would in no way restrict the acquisition of funds. It was merely aimed at identifying them.

B/Day 20/2/89 (74)

Sasfin achieves impressive results

TANIA LEVY

SASFIN has underlined its recent move to the JSE main board with an impressive set of results for the six months to December.

The trade and equipment finance group achieved a 148% increase in attributable profit to R936 000 from R377 000 the previous year.

An increased number of shares in issue dilutes this slightly to an 118% rise in earnings to 8,32c (3,82c) a share.

Sasfin moved to the JSE's banks and financial services sector in December 1988 after a year on the DCM.

MD Roland Sassoon foresees excellent prospects for the year to June.

He said: "The BTI's recently announced surcharge exemption on approved counter-trade transactions should provide significant benefit to us and our clients."

About half the group's profits are earned by overseas subsidiaries providing a rand-hedge element to the share.

Sasfin's export business has again contributed to a low tax rate of 2,1% (3%) through tax concessions applicable to overseas subsidiaries.

Because Sasfin's gearing ratio is low at 2:1 compared with a potential 5:1 for finance houses, there is a high potential for growth and development.

Sassoon said the group's steady growth during the reporting period was fuelled by the synergy between Sasfin's domestic trade finance and its export and import confirming and shipping services.

No end to woes at Beckett

Star 21/2/89

By Ann Crotty

Intense competition and increased product costs continue to undermine performance at Anglovaal's tea and coffee packer and distributor, TW Beckett.

Despite a marginal increase in turnover the company reported a drop in earnings for the six months to December.

The figures show that there has been little change in the hard times that have dogged the group in recent years.

Although sales volumes were lower (as a result of retailers reducing their inventory levels), turnover rose to R105 million (R100 million) because of slightly higher prices.

Import surcharges were the main factor behind the sharp increase in product costs and, according to the directors, "although the company enforced stringent cost control, it was unable to raise selling prices to cover the entire cost increases".

This resulted in a squeeze on margins from 10,3 percent to 8,7 percent which in turn resulted in a reduction in operating profit to R9,2 million (R10,3 million).

Margins in financial 1988 hit a low of 8,2 — a significant drop from the 12,5 percent reported for 1986.

Higher borrowings and higher interest rates lifted the interest bill and brought pre-tax profit down to R7,9 million (R9,4 million).

Earnings were down to R4,1 million from R4,9 million, equivalent to 68c (82c) a share.

The board expects that demand will continue at current levels and therefore the second half results should be about the same as those of the interim.

Capex in the review period surged to R4,1 million (R1,3 million) and outstanding commitments totalled R3,7 million (R2,3 million).

The directors say the expenditure was "to upgrade production capacity to serve existing markets".

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SA-Eastern Bloc trade links grow

By BARRY STREEK
Political Staff

EVIDENCE exists that trade relations between South Africa and Eastern European countries as well as the Soviet Union are growing, according to the director of the Institute of Soviet Studies at Stellenbosch University, Professor Philip Nel.

"It is noticeable that in recent times more products of Soviet and East European origin have begun to appear in South Africa," he said.

Prof Nel, who wrote an article, "Soviet policy and South Africa", in the latest edition of the Institute's journal, Soviet Review, said it had been reported in the media that since 1987 Soviet-made motor vehicles, hunting rifles and consumer products such as jam were being sold more frequently than before.

Czechoslavakian glassware and Hungarian porcelain and clothing were also being sold in South Africa.

"In regard to South African exports, it has been reported that South African uranium was being shipped in considerable quantities to the Soviet Union through middlemen.

"The USSR in turn exported enriched uranium to the United States."

This was particularly ironical because the US, in terms of its sanctions legislation, had prevented the import of South African uranium.

Exports to Soviets

"South African exporters in the manufacturing industry are these days particularly optimistic over the prospects for exporting their manufactured products to the Soviet Union."

Prof Nel added: "We can with good reason predict that in the next few years a growing gap will develop between Soviet rhetoric and its actions.

"It must, however, be realised that the USSR will handle the whole matter with considerable caution, and will try to limit the volume of trade so that it is not reflected on its balance sheets."

Since the 1980s the most important exports to East European countries had been minerals and raw metals, and this was in keeping with South Africa's overall export profile.

Comecon members other than the Soviet Union had the greatest need for mineral imports. The USSR imported metals only to complement its production shortages.

Prof Nel said that in 1976 South Africa exported goods worth about R4,25 million to the Soviet Union and imported goods worth R2,75 million.

In 1985 the Southern African Customs Union countries exported goods worth R39,4 million to the Comecon countries and imported goods worth R28,8 million from them.

He concluded that trade between South Africa and the Comecon countries began to increase in the 1980s and there were opportunities for this to be extended further.

There was a growing need for South African minerals in Eastern Europe and this created an opportunity for the development of trade relations.

"With aggressive marketing, South Africa can also improve its food exports to the USSR," Prof Nel said.

SAB seen to be attacking KWV interests B/Day 22/2/89 (74)

Wine, beer industries clash over excise duty

BRUCE ANDERSON

A ROW is brewing between the wine farmers' co-operative KWVand SAB over government's excise duty policy on various products in the liquor industry.

KWV executives have been stung by SAB marketing director Peter Savory's recent remarks and have responded angrily to what they perceive as an attack on their interests.

Savory recently suggested in an Afrikaans financial magazine article that excise duty should tax the alcohol content of beverages and not the beverage as such. Such a policy would allow for cheaper beer.

Savory's remarks were taken by KWV executives as an attack, albeit veiled, on the fact that natural wine in SA was not subject to any excise duty at all.

KWV chief executive Ritzema de la Bat responded to Savory's remarks in an Afrikaans Sunday newspaper article. He described Savory's remarks as a "tax attack" on the wine industry.

He said SAB earnings from beer surpassed those of other sectors of the liqour industry, while the wine industry was experiencing stagnant sales.

However, Savory was adamant this week he was not launching an attack on the wine industry. He said: "We are just campaigning for equal treatment. A third of our selling price for beer is excise duty while no excise duty at all is paid on natural wine.

Wrong

"We are not going to attack other people in the drink business, there is room in the sun for everyone."

Savory said the excise duty policy was fundamentally wrong because most beer drinkers were drawn from lower or middle-income groups. In contrast, most wine drinkers belonged in upper-income groups.

SA beer drinkers paid R744m in excise duty last year compared with the R3m which was paid by the wine industry, mainly in the form of excise duty on sparkling wine, a wine product not exempt.

De la Bat was overseas this week, but KWV acting chief executive Kobus van Niekerk said yesterday: "The wine industry has, in the past, refrained from the attacks of the beer industry on the excise duty situation.

"But to try and pull us in by the hair and to try and create a new basis for the taxation of alcohol is just not on."

Any change in excise policy would be to the detriment of the wine industry. Some wine products such as brandy, fortified wine and sparkling wine paid excise duty.

Van Niekerk said: "SA is not the only country in the world in which natural wine is not taxed by excise duty, other countries such as France and Switzerland have the same policy."

Drink giants turn ire on government

B/Day 23/2/89

74

SAB and KWV have denied they are at war with each other over excise duties.

Spokesmen said the problem was with government.

SAB marketing director Peter Savory said: "Government had been saying the consumption of lower alchohol natural beverages — beer and wine — should be encouraged but the system works against this.

"All we are asking for is equal treatment."

KWV acting CE Kobus van Niekerk said: "The wine industry has in the past refrained from attacking the beer industry on the excise duty situation but to try and pull us in by the hair, and try to create a new basis for, taxation is just not on." — Sapa.

SA-US trade highest since 1984

Star 24/2/89 (74)

By Neil Lurssen, The Star's Foreign News Service

WASHINGTON — United States trade with South Africa increased significantly in 1988 compared with the previous year and reached their highest level since 1984, in spite of sanctions and boycott pressures.

New figures from the US Department of Commerce show that American imports from South Africa in 1988 amounted to $1,58 billion compared with imports of $1,399 billion in 1987.

Almost half of the imports consisted of platinum metals, essential for the American car manufacturing industry.

Even more striking are the US export figures — $1,69 billion worth of goods to South Africa in 1988 compared with $1,28 billion in 1987.

The Commerce Department's statistics, released here yesterday, are bound to anger liberal Democrats in the US Congress who are determined to isolate the South African economy as much as possible.

But they will please the Bush Administration which is basing its South Africa policy on US influence in the country and fostering a strong South African economy as an engine for change and reform.

The figures come in the wake of an official report from Ottawa which disclosed that in the first 11 months of 1988, Canada imported $149 million worth of goods from South Africa — an increase of 68 percent over the previous year and a major embarrassment for the pro-sanctions Canadian government.

While the American import statistics are substantially below the pre-sanctions 1984 peak of $2,27 billion, they show that South Africa continues to be one of America's most important trading partners in Africa, eclipsed only by Nigeria.

US-SA trade reaches highest level since 1984

ARGUS 24/2/89 (76)

The Argus Foreign Service

WASHINGTON. — In spite of sanctions and boycott pressures, US trade with South Africa increased significantly in 1988 compared with the previous year and reached its highest level since 1984.

New figures from the US Department of Commerce show that American imports from South Africa in 1988 amounted to $1,58-billion compared with imports of $1,399-billion in 1987.

Almost half of the imports consisted of platinum metals, essential for the American car manufacturing industry.

Even more striking are the US export figures — $1,69-billion worth of goods to South Africa in 1988 compared with $1,28-billion in 1987.

The statistics, released yesterday, are bound to anger liberal Democrats in the US Congress who are determined to isolate the South African economy as much as possible.

But they will please the Bush administration — which is basing its South African policy on US influence in the country and a strong economy as an engine for reform.

While the American import statistics are substantially below the pre-sanctions 1984 peak of $2,27-billion, they show that South Africa remains one of America's most important trading partners in Africa, eclipsed only by Nigeria which ships billions of dollars worth of crude oil to the US.

The 1988 export figures put South Africa 32nd on the list of US trading partners.

While the listing may appear small in the global sense, South Africa is one of the few countries with which the US has a favourable trading balance — an important consideration in the light of America's massive trade deficit.

Most of the items sold to South Africa last year consisted of computers, aircraft and aircraft parts, mechanical shovels, chemcal mixtures and preparations, rice and vehicle chassis.

According to one US official, the growth in trade reflected an overall increase in South Africa's imports, and probably reflected South African concerns about a loss of international buying power because of inflation.

Spark needed to upgrade electronics

TANIA LEVY

74

SA's ELECTRICAL and electronics industry is deteriorating to Third World status, said incoming president of the SA Institute of Electrical Engineers (SAIEE), Professor Jan Reynders, in his inaugural address at the SAIEE's AGM last week.

Reynders said a serious manpower shortage, a high percentage of imports and a lack of local research and development were contributing to the industry's slide. "Some 45% of SA's requirements are imported, and we have the dubious distinction of being the sixth largest nett importer of electronic goods in the Western world," he said.

Reynders added that SA had to develop a strong electronics industry with a view to becoming a nett exporter of electronic goods if it wants economic autonomy. Local firms had to be persuaded to invest a greater proportion of their turnover in research and development, and government should devote more expenditure to civil rather than military research.

Reynders added that the supply of university graduates to the electrical and electronics industry had been roughly half of the demand since the early Seventies.

Not exaggerated

"The roles of technicians and technologists are as important as those of professional engineers, and the output of our technikons needs to be quadrupled if we are to meet the demands of industry.

"Sceptics may argue that the need is exaggerated, but it is the major cause of our dependence on imported expertise and goods."

He warned that rationalisation of university education as a means of restricting State expenditure may lead to the closing of "non-viable" electrical and electronics departments. "But the cost of resurrecting a teaching resource or opening a new one is far greater than that of nursing an existing one back to viability through recruitment drives."

Reynders pointed out that innovative teaching techniques, such as "distance learning" with modern audio and video technology, had proved successful in other developing countries and could provide a powerful and cost-effective means of meeting the backlog in tertiary education.

He called for an urgent and committed effort from both industry and the State to formulate a policy for the future and challenged electrical engineers themselves to put the wheels of change in motion.

Forex fundis ready to change jobs as well

BDay 3/3/89 GRETA STEYN (74)

FOREIGN exchange control has become a lucrative business for bankers who know the rules well.

The Vermaas affair has made all banks jittery about forex control and they need skilled personnel to improve their departments. But there is a dire shortage of experienced staff because foreign exchange control had been on the way out until the 1985 debt standstill.

The shortage has caused some banks to approach competitors' staff with offers they cannot refuse.

Specialists are now emulating dealers by leaving one bank for another if the price is right.

A senior manager said he had been offered a package exceeding R100 000 a year.

The Reserve Bank has also been hit by a skills shortage. Deputy Governor Jan Lombard confirmed the lack of experience was a problem.

"We have expanded our staff with B Comm graduates but it takes time for them to gain experience. That is probably our biggest problem," Lombard said.

He could not confirm claims by banks that long delays in processing foreign exchange control applications had set in.

Lombard said: "Obviously, we are now scrutinising financial rand applications more carefully."

He added there had also been an increase in the number of applications.

Bankers said they were having incredible delays in getting a response from the Reserve Bank and its new toughness was drawing out the process — much to the irritation of some foreign customers.

Isolation would be disastrous — Toyota

74

MARC HASENFUSS

3/3/89

WHILE there was no immediate threat of a Japanese suppliers' embargo on the SA motor industry, investors should not be caught unawares if pressures from the US became too severe, Toyota SA CE Bert Wessels said yesterday.

He said there were indications that pressure would be exerted gradually on SA if progress was not made with a new political dispensation.

Economic and technical isolation of the SA motor industry would be a disaster, he told the capital investment conference in Johannesburg yesterday.

Wessels said the local content programme, designed to save substantial foreign exchange, was aimed at making SA less vulnerable to overseas pressures and reducing the international exposure of Japan as a major trading partner.

● To Page 2

Isolation would be disastrous — Toyota

BDay 3/3/89

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● From Page 1

Investment in the car and component industry was essential for the local content programme to be successful. At least R400m a year would have to be invested by car and component manufacturers before 1990 to make the local content programme work.

The immediate effect would be a change in model mixes. More basic vehicles with fewer specifications would be manufactured.

Wessels said vehicle lives would be extended to enable manufacturers to amortise their tooling costs over longer periods.

However, the imbalance of trade between the US and Japan had led to an arrangement with General Motors which was co-producing the Corolla under the name Nova, while in Germany Volkswagen and Toyota would start co-producing the Hilux.

These and other developments in Australia, the Far East and now SA had made Toyota Japan more flexible.

● See Pages 6 and 13

BUSINESS

SA vessels are in demand

10/4/6/3/89 74

SHIPPING

STEADY trading conditions have been seen in most areas, with the apparently better conditions of the last week or so being consolidated, Afromar reports.

There have been reports that the Chinese have been looking to purchase further quantities of grain from several parts of the world. The Baltic freight index started to move upwards from the end of February, and at the end of the month was standing at 1 553 points.

In the Atlantic, the Gulf to Japan rate for Panamax sized cargoes has moved up to around US$25,70 per ton and looks as though further gains can still be seen.

A larger sized vessel of 130 000dw was taken for a Transatlantic round voyage at US$18 000 per day, and a vessel of 103 000dw was fixed by European charterers for a period of three to five months trading at US$14 250 daily.

Handy sized vessels have seen more enquiry coming forward, which has served to give owners even moreoptimism on rate levels. A very good type of vessel of 29 000dw was able to obtain the much improved rate of US$11 000 per day for a timecharter trip from Europe to the Far East. In the Pacific, conditions have remained steady, with strong enquiry for both handy and the larger sizes.

Rates for grain from the US north Pacific to Japan for around the 50 000-ton cargoes seem to be at just under the US$16 level. It was interesting to see that a 27 000dw vessel was taken at US$9 750 per day on timecharter with delivery Malaya for a trip via Australia and redelivery Red Sea.

The South African market is in an interesting situation, in that tonnage of most sizes is now in short supply. However, the amount of cargo enquiry is in fact relatively limited.

Handy sized vessels which mostly ballast in to SA from the Persian Gulf, Red Sea, Indian area are seeing good enquiry out of those areas for fertilizers, ore, etc. And with the Far East market looking so much better, owners have a number of options to go for.

These conditions look to be continuing into April, and with the anticipated good maize crop commencing to be exported in May it looks as though this market could possibly be under pressure for some while.

Cape sized vessels have been in short supply and coal charterers have had to consider splitting cargoes into Panamax sized vessels. The rate for Cape sized vessels from Richards Bay to Rotterdam has nominally moved up to around US$9,70 per ton. One charterer paid US$10,25 for a cargo of 100 000-tons on the basis of discharging at Rotterdam and Antwerp for April loading dates.

Whilst Panamax vessels were perhaps willing to show a slight reduction for forward positions, early vessels are tending to be asking firmer levels in view of the shortage of available vessels. Handy sized vessels are showing little change.

A fixture was arranged to move 100 000-tons of iron ore from Saldanha Bay to Taiwan at US$11,85 per ton for a late March position.

There has been enquiry to ship ferro alloys to various destinations in the Far East, but it looks as though charterers will have to contend with higher levels in view of the stronger timecharter rates being asked.

A cargo of 55 000-tons of manganese ore was quoted from Port Elizabeth to Rotterdam for loading at the end of March, with charterers probably expecting to pay just under US$12.

There was an enquiry to move about 55 000-tons of phosphate from West Africa to SA with loading March/April, with charterers hoping to fix at around US$7,50 per ton.

Apart from a number of orders for handy sized vessels for timecharter trips to various destinations, there were also several enquiries for liner type tonnage.

Buying power creates wealth

BDay 6/3/89

ZILLA EFRAT

BUSINESSES could use their buying power to generate wealth through countertrade, said Countertrade and Barter MD Eugene St Clair at the International Countertrade Conference last wek.

Where firms had more than one import source, they could encourage hopeful suppliers to buy their products or services — or even invest money in their new projects — in exchange for the order.

Countertrade could be used to purchase import requirements at a discount by using the bilateral trade agreements of other countries and to discreetly dispose of surplus inventories outside the marketplace, said St Clair.

Risky

Countertrade was a complex and sophisticated business, involving a huge array of creative and risky techniques. St Clair suggested that South African companies use the most simple and risk-free form of coutertrade as an introduction.

He said the opportunity of using countertrade was only limited by the creativity of company executives and the expertise of countertrade brokers.

Kenton Elderkin, president of Boston-based Elderkin and Associates, said the number of countries mandating countertrade had grown from 11 in 1970 to 61 in 1985, but the fastest growth was experienced from 1980 to 1985, when countertrade was embraced by many Third World countries.

Improved performances by Gefco and Msauli

B/Day 8/3/89 (74)

ANDREW BUDDEN

RESULTS of asbestos producers Gefco and Msauli confirm what the strong rise in their share prices predicted.

In the year to December Gefco managed a complete turnaround from the previous year's loss of R3,7m, to a net after-tax profit of R13,1m, and Msauli registered a substantial improvement in profit to R11,4m (R2m).

● HART

Gefco's earnings a share rose from a loss of 14,7c to a profit of 36,6c, and Msauli's earnings rose more than five times to 177,2c (31,6c).

Gefco has declared a dividend of 12,5c a share, its first since the 1986 interim of 7,5c, and Msauli will pay its first payout in five years with a dividend of 35c a share.

Gencor divested itself of both companies in a management buyout in August last year when a consortium of Gefco and Msauli directors bought control via a company known as Hanova Mining Holdings.

Executive chairman Pat Hart yesterday attributed the improvements to a reversal in the seven-year downward trend in the dollar price of asbestos and a decline in the rand.

He said there was a price improvement for both of Gefco's products, crocidolite and amosite.

Gefco's turnover rose 31% to R83,8m (R64,2m).

Msauli has continued to experience strong demand for its chrysotile product, especially from the Japanese market, which represents its single largest source of revenue.

A building boom in Japan, with strong demands for Msauli's short-fibre product, helped boost Msauli's turnover by 41% to R57m (R40m). Higher production volumes largely counteracted the effect of inflation on unit production costs.

Gefco's Kuruman and Penge mines introduced lowered production levels in 1987 in the face of low international demand and continued to operate at these levels to allow excess stocks to run down. As stocks were depleted towards the end of the year, production levels at both mines increased partially.

Msauli is already operating at capacity. The mine has spent R2,7m on shaft sinking and primary development to maintain ore availability in the ever-deepening operating levels.

Hart estimates R3,3m in capital expenditure will be required to maintain production at current levels during 1989.

He does not expect capex to rise significantly in future.

Hart said it was unlikely Msauli would come under sanctions-related pressure in Japan.

Gefco's share price more than tripled from the 12-month low of 50c last year to yesterday's price of 165c.

Msauli rose five-fold from its 12-month low of 100c to 510c yesterday.

Arms story shot down

Star 16/3/89

BY JAMES TOMLINS,
The Star's Foreign News Service

PARIS — There is no South African military presence of any kind in the Comoros, one of France's leading journalists reported here. However, the well-trained, white-officered presidential guard does have a South African doctor, he said.

Jean Larteguy, who visited the Indian Ocean republic for *Paris-Match*, knocked down Western newspaper stories that South Africa was using the Comoros as a transit point for arms deliveries.

While there was economic activity and a South African trade attaché, Mr Larteguy said there was no truth in reports that SA military cargo planes landed there as part of an arms supply route to Iran.

Other planes allegedly completed the journey.

Larteguy wrote: "It is just not true that on certain nights the presidential guard seals off the international airport of Hayaya so that Pretoria's planes can unload arms for Iran under the watchful eyes of Israeli agents."

Soft drink duty 'last straw'

By Dan Side

74

Soft drink manufacturers are very upset with the increase in customs and excise duties announced on their products in the Budget. Star 16/3/89

Mr Hennie Viljoen, president of the SA Federation of Soft Drink Manufacturers, said last night the new rise in duty of 1c for a 340 mm tin or 2,6c for a litre would add to a cost spiral already threatening to cause a round of big price rises in soft drinks.

The decision not to extend customs and excise duty to pure fruit juices was a huge advantage to a competitor, he said.

Finance Minister Mr Barend du Plessis expects an extra R35 million in revenue from the sale of soft drinks.

Mr Gary May, manager of public affairs at SA Breweries, agreed with the assessment that R45 million extra would be realised from the increased duty on beer, of which SAB produced 1,8 billion litres last year.

Debt-swop deal improves outlook on foreign loans

SPV 20/3/89

74

South Africa's commercial bank lenders will be offered a first-ever chance to secure their loans in a deal which could encourage new foreign lending to the country.

The *Financial Times* reported last week that the deal involved a complex trade for higher-yielding tradeable floating rate notes partly backed by 20-year zero-coupon US Treasury bonds.

The plan, which has the approval of the South African Reserve Bank and the backing of a group of local investors, led by UAL Merchant Bank, is seen as an effort to broaden what has been a shrinking pool of lenders to the country.

South Africa has been hard pressed for new foreign loans since 1985 when US banks refused to role over existing short-term debt and while the country received its first foreign loan in over three years last year, the chance of new loans are minimal in the near future.

The plan's promotors say it is not clear that development of a secondary market in South African debt will prompt a flow of new capital into the country, the *Financial Times* reported.

If the first offering is successful, they plan to follow up with further loans-for-notes offers, thus guaranteeing those who do lend fresh capital that they may quickly off-load their debts. And if bank regulators agree that the new notes are not South African risk, they say it may help banks reduce the volume of reserves they are now required to hold against the loans.

The complex plan is being offered by UK-based Gemini Capital in which UAL is a one-third owner. UAL and a group of local pension funds will invest the equivalent of $7,5 million in capital which will represent the core equity investment in the scheme.

Outlining the plan, the *Financial Times* reported that Gemini had established a special purpose company in the British Virgin Islands, to be named Stratus, which will own the zero-coupon US Treasury bonds.

Stratus in turn will offer to buy, for $40 million, South African loans from lenders with a face value of $51 million.

The lenders in turn will receive $40 million in nine-and-a-half year floating rate notes. The 22 percent discount lenders will receive on their loans is much smaller than the roughly 40 percent discount now accorded to South African loans in the secondary market.

Sven Lünsche spoke to co-owner of Gemini, Mr Christopher Hull, who explained: "The loans are sold in exchange for a secure note with matured value of $40 million. It is a listed security, backed by US Treasury bonds, and is therefore 100 percent ensured on a maturity of 20 years.

"We have already received a lot of inquiries and given the flexibility this deal offers to banks we expect a good response," Mr Hull said.

A spokesman for the Reserve Bank confirmed that the deal had been sanctioned. "We support this form of debt swap as it makes South African debt more tradeable," the spokesman said.

Ever since the US banks ran for the exit in August 1985, South Africa has been cut off from new loans, apart from the odd trade credit, and obliged to become a substantial net capital exporter.

Over the last four years the country has repaid around $6 billion of its 1985 foreign debt of some $24 billion, although due to the declining rand exchange rate its total outstanding debt in dollar terms remains around the $21,5 billion level.

Taken together with leads and lags on the trade account, the total capital loss over the last four years amounts to around R25 billion, Reserve Bank Governor Dr Gerhard de Kock said recently.

Failing a resumption of foreign loans and credits, South Africa faces a repayment hump over the next three years when $5,3 billion falls due, a figure which was confirmed by Finance Minister Barend du Plessis in last week's Budget speech.

Mr du Plessis said debt obligations in 1989 could reach $1,7 billion, while repayments in 1990 and 1991 could reach $2,1 billion and $1,5 billion respectively.

New scheme aimed at unlocking fresh foreign funds

74

ROBERT GENTLE

LONDON — A \$51m loan securitisation scheme, which could unlock fresh foreign funds for SA, was unveiled by UK corporate finance group Gemini Capital on Friday.

The move, approved by the Reserve Bank and a group of institutional SA investors, is seen as an effort to broaden the shrinking pool of foreign lenders. It involves a swap process whereby banks with loans to SA can "securitise" them by trading them for higher-yielding floating-rate notes partly backed by 20-year zero-coupon US treasury bonds.

Gemini Capital, in which Johannesburg-based UAL Merchant Bank has a one-third stake, has set up a company called Stratus which will own the treasury bonds, worth \$40m.

Stratus will offer to buy up SA loans with a face value of \$51m.

Star 21/3/87

74

Markets restricted – Numsa

By Mike Siluma, Labour Reporter

The South African economy was in the grip of a severe structural crisis which had led to an attack on the living standards of workers by employers and Government, the National Union of Metalworkers (Numsa) said at the opening of the metal industry wage talks yesterday.

In a statement to the industry's industrial council, Numsa, the biggest metal union, said most industrialists, including many in the metal industry, had not realised that the country's economic crisis could not be resolved without a political solution.

The union said the crisis had been occasioned by "an investment strike" by business since 1978, with the failure to invest in job creation having a "far more significant effect (on employment) than sanctions and disinvestment".

"Increasingly, investors in South Africa are choosing to invest overseas. We have recently seen the creation of a number of offshore investment vehicles by Rembrandt, Gencor, Liberty Life and we are now witnessing the struggle by Minorco for Consolidated Gold Fields," said Numsa.

In addition, the South African economy was faced with a restricted market in that it was unable, for political reasons, to export into its logical market — Africa, while the internal market was limited by "the drastic imbalance in the allocation of wealth and resources".

BUSINESS

B|Day 22/3/89 (74)

SA's way back through trade

HELOISE HENNING

IN government's efforts to overhaul its industrial policies of the '60s and '70s and turn SA into an exporter of manufactured goods, it has brought the talented Helgaard Muller into its ranks.

Muller's career so far has been devoted to promoting the concept of international trade for SA. He was head of the Stellenbosch Business School for 13 years, and wanted to see SA trading its way into Africa and the rest of the world.

Now Muller, 52, as deputy chairman of the Board of Trade and Industries (BTI), has been put in charge of developing policies for several non-steel industries identified by government as "sunrise" industries, and with the brief to identify more.

The so-called "structural adjustments" which BTI is studying and proposing — the first was for car makers — involve a new export thrust for manufactured goods. BTI considers the move to be as important as fiscal and monetary policies.

Government recently adopted — but has not yet published — a policy document on a strategy for development and structural tariff adjustments in industry. The report took more than three years to compile. Pivotal in the approach is an export policy for manufactured goods.

Instead of capping the use of foreign exchange because of the current strain on the balance of payments, government is telling industrialists to manufacture more, add value to local products and earn as much foreign exchange as they can.

● MULLER

Soon to be announced are the "structural adjustments" for the textile, clothing and footwear manufacturers.

While Muller was pursuing his dream of building an international business school at Stellenbosch, with the express purpose of attracting African businessmen, his efforts — and international contacts — were noticed by the BTI. He was asked to make a broader contribution to business in SA by helping government's policy making through the BTI.

Muller has formal contacts with the Paris Chamber of Commerce and members of the European Parliament, eight European business schools and American universities. After completing a business degree at Harvard, he taught at the University of Minnesota and University of Austin, Texas.

He believes a "strategic industry" is one which will survive if protection and boycotts disappear. The sun should rise on industries that, instead of growing dependent on tariff protection, will be competitive on international markets within 10 years.

The BTI has brought rival companies together to develop export strategies that will stimulate local value-added manufacturing.

"My main philosophy is that SA's way back to the international community is through trade with Africa," says Muller.

Volcker shock tactics the muti to mend SA

S/Times 26/3/89

(88) (74)

REX

Cees Bruggemans reviews the local and world scene

ALTHOUGH professions do acquire stereotypes, one nevertheless encounters many variants. This also applies to central bankers.

There is, for instance, a contrast between the current chairman of the Federal Reserve, Alan Greenspan, and his predecessor, Paul Volcker. Except for the ever-present cheap cigar, Mr Volcker had a pose reminiscent of a De Gaulle — haughty, august, Olympian. One could also have described him as the thunderer.

Public appearances are an opportunity for any central banker to play to the gallery. For Mr Volcker, it meant an opprtunity to give dire warnings about the eventual outcomes if this or that were not done timeously. Most important, Mr Volcker had a Churchillian presence — a sigh here, a word there, and the world's markets trembled. If one wants to be in the earthmoving business, that is the profession to be in.

CHESHIRE

Mr Greenspan more resembles a purring Cheshire cat, as if to communicate to his audience that he is aware of everything, afraid of nothing, and mostly content with himself. Unlike his towering predecessor, who is more than 2m tall, Mr Greenspan is small of stature.

This also spills over into his projection, which is donnish. With Mr Volcker, one at times was left with the uncomfortable feeling that dire things would happen if his proposals were not followed.

Mr Greenspan does not appear to impart that aura. Instead, he appears to focus his utterences on things he does not like, leaving it at that. For instance, he considers that "the current level of (US) inflation, let alone an increase, is not acceptable". Bravo.

Instead of launching ominous warnings about higher inflation if preventive care is not taken, activating the financial markets to twitch and twitter at his every word, and to periodically nosedive as the great man once more airs his warnings, he seems to draw simple delight from saying what he does not like. This has had a soothing effect on the markets.

If Mr Greenspan says he does not like something, it is apparently considered as good as solved because he is bound to take quiet and determined action to eliminate whatever it is he does not approve of.

Mr Volcker used draconian shock tactics by allowing interest rates to go all over the place before the message finally sank in among the populace that it was no longer business as usual, that habits had to change, that inflation was public enemy No 1, a worm that had to be trampled on.

Mr Greenspan is using different tactics altogether. Perhaps he can afford the luxury of the gradualist approach because strong inflationary expectations are not now deeply ingrained in the public mind.

Although that is so, there is something charmingly disarming about the Greenspan approach of the past year. Mr Greenspan first of all came through his batpism of fire with flying colours. Only two months into his regency, Wall Street went into an unprecedented spasm.

OVERDRIVE

As cool as a cucumber, he authorised the opening of the monetary taps, providing liquidity when it was most needed, maintaining a confident public posture while persuading and no doubt arm-twisting institutions and foreign colleagues alike to do his bidding to head off what was potentially a monumental crisis.

That not-so-public success elevated his standing in the financial community immensely. However, such crisis management was also true Volcker-style. Mr Volcker in his day had the Mexican near-default and the Continental-Illinois bank collapse to contend with, both of which problems were diffused with consummate skill.

The real Greenspan mettle surfaced in the months after the October 1987 stock market debacle. By March 1988, the markets had concluded that no financial collapse was imminent and that the economic engine had gone into overdrive, fuelled by the worldwide lowering of interest rates. The US economy continued to grow, restructuring its imbalances as its export performance roared on.

This capitalistic perestroika was investment-driven and also evident in Europe and especially the Far East. However, an accelerating investment boom can ignite a positive income cycle, as South Africa has also been experiencing since last year.

Such accelerating investment spending places new income in the hands of consumers, who in turn tend to spend. It thus reinforces the economic growth momentum, but it also maintains import growth. Although the intense US investment brought about new export capacity and opportunities for import substitution, which together are the only real positive answers to a trade imbalance, such enhanced economic activity along with newly invigorated consumer spending tend to take the economy to higher utilisation levels in both labour and goods markets.

In the end, this takes one to the point of overheating, unleashing inflationary forces, especially inflationary expectations.

In addition, the new lease of life given to import growth tends to lead to a stalling in the trade adjustment process because the export and import substitution efforts require time to benefit from all the frenzied new investment activity.

With minimal contribution from fiscal policy, it is up to monetary policy to steer and prepare the economy for when it reaches its resource limits. Instead of lots of armwaving that would have made the markets jittery and perhaps prematurely disrupt the restructuring growth phase, Mr Greenspan rose to the occasion.

With studied nonchalance, short-term interest rates were allowed to start rising, so gradually and yet so persistently that nobody took fright, and all in time seemed to accept a "soft" landing as self-evident and inevitable. Such growing confidence was a far cry from the near panics of recent years when people could only think of imminent collapses.

For a full year now, Mr Greenspan has been positioning US monetary policy to ensure a gradual slowing of the domestic economy, which may allow sustainable non-inflationary growth and continuing trade adjustment without further stock market theatrics.

Bringing in this leaky boat in choppy weather would truly be a feat of competent management. Like Mr Volcker before him, Mr Greenspan is likely to be at least a two-term chairman — provided that he delivers the goods by 1991.

INGRAINED

It is a Herculean task, but possibly not beyond Mr Greenspan's ability to accomplish — the markets, Congress and Mr Bush being willing.

It is a pity that a similar monetary policy in SA does not at present reap similar benefits.

The most likely explanation is that our inflationary expectations remain too deeply ingrained.

We apparently only listen to Volckerian shock tactics, which is ever so wasteful and yet apparently inescapable.

'SA trade links open to all'

Reform only way to end isolation, says Meiring

By Esmaré van der Merwe, Political Reporter

The days of South Africa not negotiating or trading with Marxist or unsympathetic governments were long gone, according to the Deputy Minister of Foreign Affairs, Mr Kobus Meiring.

"Sanctions have forced us to find other markets ... we are prepared to trade with any African state as long as it is prepared to pay."

In an extensive interview in the latest edition of the Bureau of Information publication *RSA Policy Review*, Mr Meiring discussed the country's relations with Africa and the international world.

He said the only way in which to put an end to South Africa's isolation was to continue with reform and to show the world that the country and the rest of the continent were interdependent.

"However, it is of no use that we show the world we can live peacefully with our neighbours while we are unable to live peacefully with our own people.

"Our path back to international recognition indeed runs through Africa. But there is a second, more important, element: Our path to Africa runs through South Africa."

The country could only regain international recognition if the Government continued implementing political reform.

The Government was keen to substitute political rhetoric with practical co-operation.

He revealed that 28 African countries had been visited by the Minister of Foreign Affairs, himself or senior officials last year.

However, these visits often had to be kept secret because South Africa did not want to embarrass these countries which publicly condemn "that hated, racist bunch".

He claimed that not one of these African countries insisted on the immediate transfer of power to a black majority, and that all these countries agreed that South Africa should become a member of the Organisation of African Unity as soon as possible.

rch 31 1989

Trade between Britain and SA 'flourishing'

Star 31/3/89

(74)

Pretoria Correspondent

Two-way trade between Britain and South Africa was flourishing in spite of ill-informed international pressures, Mr John Massingham, British consul-general, said yesterday.

He was speaking to about 100 officials and guests at the handing over of a British-made lift-truck to SA Transport Services (Sats) in Pretoria.

Mr Massingham said South Africa represented a market for British visible exports worth a little more than £1 billion (R4,3 billion) a year.

Encouraging

South Africa was thus the sixth largest market outside Europe and North America.

"This encouraging trend seems firm. Recently received figures for January of this year reveal an increase of 14 percent (British exports to South Africa) over the figures for January last year.

"Healthy trade must be a two-way phenomenon, and South Africa's exports to Britain have also been rising steadily, albeit from a lower base," said Mr Massingham.

The Lancer Boss truck handed over yesterday was equipped to lift and transport a 6 m by 3 m fully loaded container cost-effectively, speedily and safely, even in extremely difficult operating conditions, said Mr Brian Smith, northern region deputy director (commercial), who accepted the vehicle on behalf of Sats.

Mr Massingham said Britain was now widely regarded as South Africa's most reliable trade partner. Britain did not believe in the effectiveness of sanctions and his government had consistently vetoed any attempt to impose them.

"That is not to say that we support all the policies pursued by the South African Government.

"My Prime Minister ... abhors apartheid and has repeatedly expressed hope that it will be removed as soon as possible," Mr Massingham said.

Real private fixed investment up 16%

B/Day 31/3/89 KAY TURVEY

REAL private fixed investment rose 16% in real terms last year, after 3,4% growth in 1987, as import replacement demand burgeoned, says the latest Reserve Bank Bulletin.

The bulletin said fears of increases in the prices of imported capital equipment mounted as the rand depreciated, further spurring fixed investment.

Rising degrees of capacity utilisation

74

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Real private fixed investment up 16%

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● From Page 1

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of existing production facilities unleashed pent-up replacement demand as climbing company profits and improved business confidence enhanced the investment environment.

The marked rise in SA's real merchandise export performance, particularly in the second half of the year, also provided a foundation for further strengthening private sector fixed investment demand as it buoyed manufacturing.

The bulletin said strongest sectoral investment growth was in manufacturing, which was 19,6% up on 1987 levels. However, real fixed investment in private manufacturing, which reached R4,1bn, still did not fully match the level of depreciation allowance and, therefore, resulted in further shrinkage of the manufacturing industry's real fixed capital stock.

Gains in the manufacturing industry were explained by the unexpectedly firm levels of aggregate domestic demand as well as by the renewed upswing in exports, excluding gold, which rose 15% in seasonally adjusted rand terms for the year.

Sanlam economist Johan Louw said the rise in fixed investment was welcome news as it was a major driving force in longer-term economic growth.

He said import surcharges and a weakening currency which drove up the price of imports would also have encouraged the growth in fixed investments.

However, the increase in gross fixed investment, including government and public corporations, rose a more modest 6,4% in 1988.

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Reichmans posts 76% jump in attributable profits

LIZ ROUSE

LEADING trade finance group Reichmans posted a 76% leap in attributable profits in the year to February 1989 and prospects look bright.

The group has raised the final dividend to 9,5c (5c), lifting total distribution by 67% to 15c on an increased number of shares in issue from the previous year's payment of 9c.

Attributable income before extraordinary items of R346 000 rose to R12,8m from R7,3m, equivalent to an earnings rise of 56% to 35,6c a share based on 36-million shares, from 22,8c based on 32-million shares in issue.

Directors said the greatly improved results reflected an increased demand for Reichmans' services as well as buoyant trading conditions as more merchants made use of the facilities and services of trade finance specialists.

Van Reenen & Nicholls, in which the group holds a 20% interest, again achieved sparkling results. Its attributable income rose to R7,43m from R3,19m in the 12 months to December 1988 and it contributed R1,5m (1988: annualised R638 000) to Reichmans' attributable profits.

With its expanded operations, Van Reenen & Nicholls is expected to continue to make an increased contribution to Reichmans' profits.

Reichmans' financial director Lewis Freidus said there was a substantial increase in accounts receivable. Gearing at five was well within industry norms of eight, and Reichmans still has considerable capacity to take on additional business with no strain being placed on its overhead cost structure and capital base.

With strong and rising demand for efficient and specialised trade finance services, Freidus believes the group's future potential is exciting.

He says while the group is expected to show substantial growth in the 1990 financial year, it is unlikely the 1989 increase will be repeated. "After all, we are coming off a base which is five times the size it was three years ago."

Reichmans' shareholders interest grew to almost R50m in the year to February from R39,5m in the previous year. Its gross assets have risen from R64,9m in 1985 to R298,3m in the year to February 1989, net asset value has risen from 26c a share in 1985 to 139c, while during the past five years the group has achieved an annual compound growth in earnings of 43%.

Reichmans shares at 200c are trading near their high, reflecting investor faith in the prospects of a well-managed group. The sizeable foreign capital adds a measure of rand-hedge attraction to the stock.

SA by far the UK's biggest African trading partner

ROBERT GENTLE

LONDON — SA was far and away the UK's biggest African trading partner in 1988, with exports and imports up in spite of the sanctions climate.

The London Chamber of Commerce's Tropical Africa section's annual report said UK exports to SA rose 13,3% to £1,07bn.

BDay 14/4/89

That put SA in the top slot with a figure of more than two-and-a-half times that of its nearest rival, Nigeria (£391m).

UK imports from SA were also higher, up 22,7% to £808m.

That produced a visible trade balance of £267m, again ahead of Nigeria (£262m).

The report said UK trade with sub-Saharan Africa was "indifferent" and suggested were it not for the SA contribution, the figures may have been much worse.

It said: "Overall, this is not a picture from which much satisfaction can be gained."

Among the problems encountered was a reduction of trade with those economies on the African continent which were "on the mend". Prime among these was Ghana, where UK exports fell 8,7% to £126m in spite of that country's steadily growing economy.

Even Nigeria, regarded as one of Africa's largest markets, saw imports and exports fall. Kenya registered only small increases in two-way trade.

Stainless steel alloy surcharge to go up

BDay 18/4/89 (74) (89)

THE alloy surcharge on stainless steel for the second quarter of this year is to go up by between 20c and 40c a kilogramme, depending on the type of steel.

This was announced by Middelburg Steel and Alloys (MS and A) commercial manager, marketing, Derek Engelbrecht.

"The increases are mainly due to a fall in the value of the rand against the US dollar, and the fact that, in dollar terms, nickel was trading marginally higher at the end of March than in December 1988," said Engelbrecht.

MS and A, SA's only supplier of stainless steel flat products, buys its nickel quota quarterly in advance and adjusts the surcharge accordingly.

In the first quarter of 1989, the nickel price rose from around $7 per pound to $8,60, before dropping to just over $7 in April.

"Surcharge increases have also been announced recently by producers in Europe and the US, where the alloy surcharge levels more than doubled on April 1.

"We understand the implications that the increasing price of stainless steel has on the market, and MS and A are making every effort to stabilise the surcharge. This was evidenced when we reduced the surcharge after a softening of the dollar price of nickel during the last quarter of 1988."

Engelbrecht said it was unlikely the nickel price would revert to 1987 levels. Some incorporation of the surcharge into the base price was expected.

Supply

"The nickel price has seen extreme volatility over the last year, and stainless steel producers are hostage to the wild price fluctuations," he said.

The sustained world demand for stainless steel has meant a continued demand for nickel. However, as there has been no increase in nickel production, demand still exceeds supply.

The nickel content of stainless steel accounts for 48% of the total cost of the metal. — Sapa.

SA tries to reach compromise

B/Day 18/4/89

CHARLOTTE MATHEWS

OBJECTIONS raised by members of the Southern African Customs Union to the Board of Trade and Industry (BTI) report on the textile industry caused the board to defer some of its recommendations for a year, to reach an acceptable compromise.

According to the BTI, in a supplementary report issued to accommodate those objections, Botswana, Lesotho, Swaziland and the TBVC states argued that changes to the rebates would be detrimental to their local apparel textile and clothing industries.

Although the board has concluded it cannot introduce exceptions for particular countries, because such allowances can easily be abused, they made an interim arrangement to maintain the specific manufacturers' rebates in Schedule 3 and retain rebate item 470.03 in Schedule 3 for a further year.

The partial rebate on textile fabrics will still be withdrawn, because that is necessary to make the tariff protection recommended in the original report more effective.

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Full rebate

For the next year, participants in the structural adjustment programme will qualify for a full rebate on importing 5% of their previous year's purchases for local processing, and not the 10% granted in the main report. The report explains that the withdrawal of the manufacturers' rebate facilities was closely linked to the 10% originally recommended.

Transport industry 'shackled' by state

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CAPE TIMES 18/4/89

By AUDREY D'ANGELO

Financial Editor

EXPORTS are being hampered and business costs pushed up through lack of understanding by the Departments of Trade & Industry and Transport Affairs, the President of the SA Association of Freight and Forwarding Agents (SAAFF), P D Henegan, said in Cape Town last night.

In an outspoken speech at the association's annual conference banquet Henegan also hit out at SA Transport Services (Sats) and SA Airways (SAA) which, he said, had been awarded far too high a level of protection and had "little experience of operating in a normal business environment."

Henegan said his association was faced with major problems, including "arrogance in Government."

The Department of Trade and Industry, particularly with regard to import control, and the Department of Transport Affairs had "proved to be completely out of touch with the modus operandi of the business community and indifferent to the needless burdens which their own deficiencies have imposed.

"These deficiencies have cost the country vast sums in wasted money and many thousands of hours of unproductive labour," he said.

Discussing Sats and SAA, Henegan said:"Competition is the breath of life in any free market economy. There is no doubt that in certain sectors we have had far too little of it."

Sats and SAA were now "taking maximum advantage of their recently acquired liberty to do maximum damage to the road transport industry while the latter still has its hands shackled by legislative restraints.

"It is, of course, not the fault of Sats that in the process of deregulation of transportation their Government masters have granted them carte blanche to ignore the controls of the Transport Services Act while the same Government officials have been dragging their feet intolerably in the process of clearing out the legislation and regulations which hamstring the activities of road hauliers and private air carriers."

Henegan said such privileges as compulsory cartage and crane hire charges by Sats, whether or not it had undertaken the transport and unloading, were among thousands of small costs and expenses which tended to "drag economic activity into the mire and blunt the keen edge of entrepreneurship."

He was also concerned by "the evident intention of the Minister of Finance to made road transportation his favourite target for taxation in the coming years."

Rising costs and levies and new road charges would cause inflation to escalate and "impose a brake on the export effort which, in any event, is showing uncomfortable signs of weakening already."

Calling for support from Chambers of Commerce and Industry, Henegan said:"If we wish to see a booming economy we must make our voices heard loud and clear.

"We must attend the relevant meetings and speak out against the financial shackles which are being placed by Government around the ankles of the private sector."

Foreign tourists look set to spend about R1,4bn in SA this year

BRUCE ANDERSON

SA'S foreign exchange earnings from foreign tourists this year should be about R1,4bn — up from R1,1bn last year, SA Tourism Board (Satour) executive director Spencer Thomas said yesterday.

He said the tourism industry had recovered so rapidly from the doldrums of 1985 and 1986 that the biggest problem facing it was the pressure on existing infrastructure during the high season.

This week, about 500 overseas travel agents were in the country for the Indaba/Focus exposition at the Nasrec centre near Johannesburg.

SA travel options had been presented in 260 stands where overseas tour operators negotiated prices and package deals with their local counterparts.

Thomas said it was difficult to reach a rough estimate for the amount of business the industry did during the annual conference, although it represented the largest market place available to the tourism industry.

"Any overseas operator who has any interest in SA is here and the amount of business done is substantial."

Popular destinations, such as Cape Town, were now packed to capacity during the European winter.

Thomas said most of the projections done on the growth of the travel market in the near future showed a massive demand on facilities.

Sources said two challenges faced the industry:

☐ The rapid expansion of the more popular SA travel destinations and development of the infrastructure;

☐ Selling what overseas tourists perceived as the "off-season" for travel in SA.

Expansion and development were seen as the most pressing needs, while boosting the number of foreign tourists in the off-season was regarded as essential to the long-term expansion of the industry.

Satour chairman Danie Hough said this week a record 804 985 foreign visitors arrived in SA last year, an increase of 14% on 1987. Europe provided nearly 275 000 visitors — an increase of 16% on 1987.

He said there were also encouraging signs that tourists from the North American market were rapidly returning to SA.

Satour had set, as its target for 1989, a 12% increase in foreign visitors, with an average annual increase thereafter of 8,5%.

If this growth rate could be mantained, it would mean two-million foreign arrivals by 1999.

VAT bonanza for businessmen

BRUCE ANDERSON

THE SA Foreign Trade Organisation (Safto) says SA businessmen can reclaim VAT incurred in West Germany since 1985 on services such as hotel accommodation, car hire and meals.

In terms of special legislation in West Germany, firms doing business with West Germany can now claim all the VAT incurred by them in the period January 1 1985, to December 31 1988.

Not only will the legislation mean a rebate for SA businessmen, but also the return to SA of a large amount of foreign exchange, says Safto.

Safto has instituted a Reclaim Service which will facilitate the reclaiming of VAT from West Germany. Interested businessmen can contact Safto's James Ford at (011) 339-4041.

Other countries in the EC have similar provisions on VAT, according to a Safto spokesman.

Sats puts 7 African states back on track

B/Day 21/4/89

MARC HASENFUSS

SATS last year handled more than 4,3-million tons of goods — imports and exports — for neighbouring countries which could not be moved by their own transport routes.

Rail group GM Barry Lessing said in an interview this week Sats had business agreements and air pool arrangements with several regional transport organisations.

He added these were in seven of the nine countries in the Southern African Development Co-ordinating Council which was established inter alia to reduce their dependence on SA transport.

There are about 11 700 units of Sats rolling stock, worth about R80m, on the lines of other railways.

Lessing said Sats also leased 63 locomotives, aircraft equipment and spare parts worth R100m to trading partners in southern Africa.

It was also undertaking feasibility studies for the upgrading of both Ressano Garcia-Maputo railway line and Malawi-Nacala line to Nampula.

Networks

Lessing said the well-being of neighbouring countries depended on their ability to export basic mineral products and import virtually all manufactured goods.

Lessing rejected recent media reports that Sats opposed SADCC initiatives for the upgrading of various transport networks and harbour facilities in southern Africa with the help of foreign aid.

"Sats welcomes all initiatives aimed at improving the quality of transport in the sub-continent, and we would like to join the ranks of the SADCC."

Lessing believed the privatisation of Sats would have a positive influence on SA's trading partners.

"Although we will in future be part of the private sector, where the profit motive is predominant, we remain prepared to help develop the transport infrastructure of our neighbours."

74 FmAIL 21/4/89.

TEXTILES AND CLOTHING

Much ado about nothing?

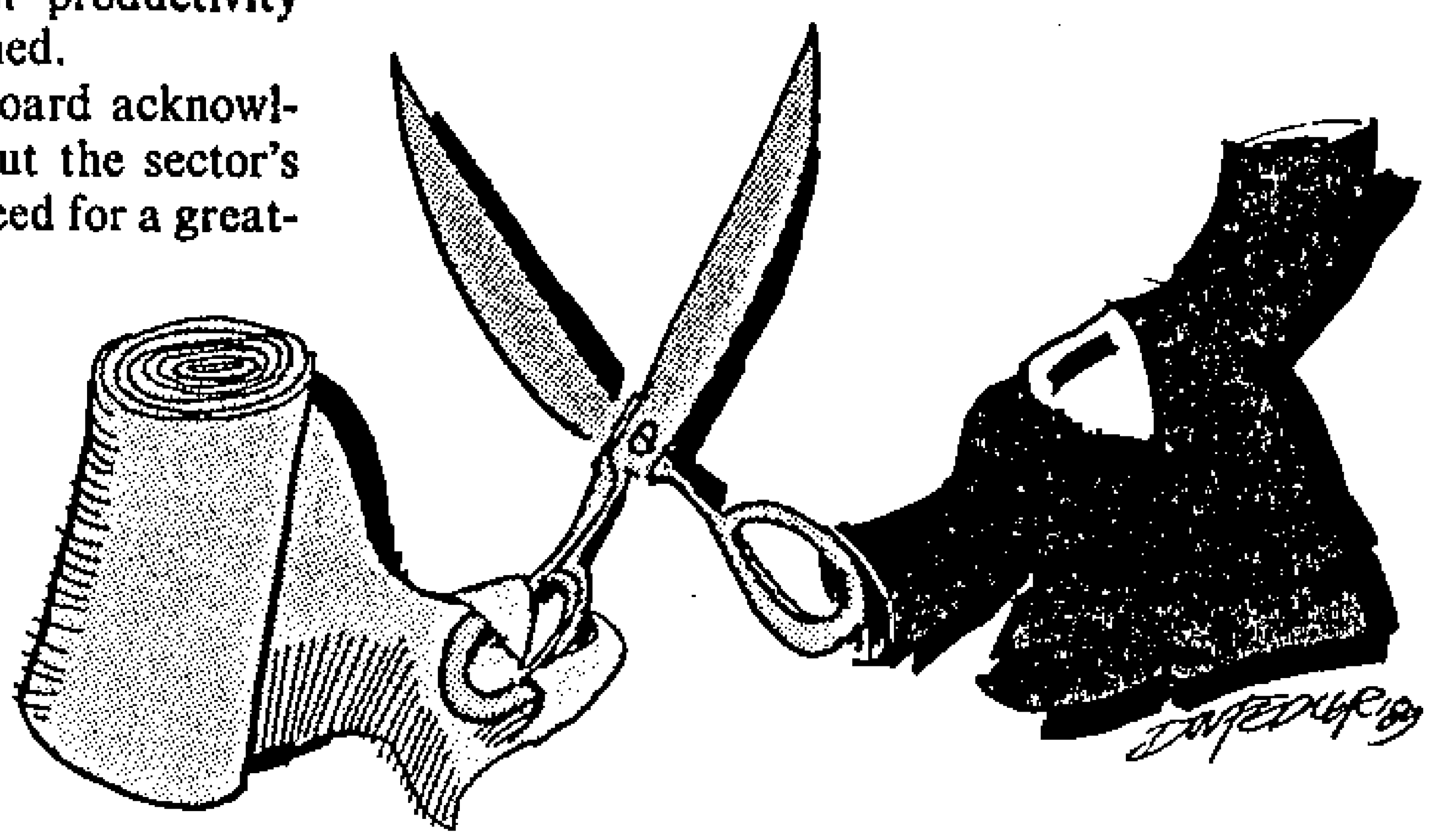
The Board of Trade & Industries (BTI) says the restructuring of the clothing and textile pipeline has been greeted with relief — if only because it ends three years of uncertainty.

But neither the clothing nor the textile industry is particularly impressed. They see it almost as a non-event.

Some officials consider the term "restructuring" to be inappropriate to what they believe to be a minor readjustment.

Some aspects of the report have been welcomed as innovative. They include an interest rate subsidy on working capital, which should turn around the poor investment record in the sector and help the industries' modernisation process.

The BTI's decision to encourage exports, through assistance in trade promotion, and a renewed emphasis on productivity has also been welcomed.



But although the board acknowledges complaints about the sector's inefficiency and the need for a greater degree of foreign competition, it has stuck to well-worn protectionist measures.

There is controversy over the formula duties, ostensibly there to protect the clothing and textile industries from dumping.

The National Clothing Federation (NCF) says, by resorting to formula duties, the BTI hasn't carried out a proper structural adjustment. The capital investment required to create a job in the textile industry is 10 times greater than in the clothing industry. Consequently, it argues, resources should be shifted towards clothing.

Says executive director Hennie van Zyl: "The benefit to be derived for the textile industry through encouragement of the downstream clothing industry, far outweighs the short-term benefits to be gained from formula duties."

For the textile industry, on the other hand, some of the formula duties are too low. In particular, it feels more protection should be granted against Red China which discounts its currency by 40% for exports. A typical polycotton cloth is being sold for US70c/m. With freight costs and duties, this would land here at around R2,00/m. Similar cloth is produced locally for R3,40/m and sold for R3,90/m.

Textile Federation executive director Stanley Shlagman says: "Nobody's being wrapped in cotton wool. We are going to have to learn to become more marketing-orientated in future."

The duty on cotton yarns has been reduced from 20% to 15% or a formula duty of R6,16/kg less 85% of the fob price.

Textile Federation president Ernest Wilson says there is pent-up capital expenditure held back. "Now we have reasonable protection again, we are ready to reinvest."

The retail trade is disappointed that much of the process has been delayed until April 1990. Says Clothing Retailers' Committee chairman Frank Wells: "I've been on committees which resolved to change legislation and duties since 1967 and many of the resolutions haven't been carried out.

"To call this report a 'structural adjustment' is absurdly grandiose. A few duties have been changed but otherwise it's a non-event."

The much-heralded export incentives will also get off to a slow start. Because of lobbying from the TBVC countries and Botswana, Lesotho and Swaziland, clothing and textile manufacturers will be able to import only 5% of domestic requirements duty-free instead of 10% in the original report.

Clothing manufacturers will be able to import 70% of the value of the previous year's exports duty-free. This, though, isn't much of an innovation. Manufacturers are already allowed to import raw materials duty free if they're used for re-export.

The BTI talks about the need to keep price increases below the CPI. Both clothing and textiles have difficulty with this.

Says Van Zyl: "It doesn't take into account union demands. They won't want members' wages to fall behind inflation."

Adds Shlagman: "We can't control a number of input costs. For instance, synthetic raw material prices have increased much faster than the CPI."

Although the report is supposed to be a final one, none of its recommendations is irreversible. Industries can appeal to Deputy Economic Affairs & Technology Minister Theo Alant, who is seen as more sympathetic to the textile industry than the BTI. ■

SASOL FmAIL 21/4/89.

Rapid reaction

Sasol expects to cut by more than half its insurance claim arising from last December's Sasol 3 fire in which nine people died.

MD Paul Kruger says three of the four affected reactors were expected to be out of commission until the second half of this year and the fourth until the middle of 1990.

However, three are already in operation and the fourth will come on stream in June. This will not only cut losses, but also slash the original insurance claim estimate from R390m to R180m.

Meanwhile, Kruger denies accusations that corrosion at Sasol 3 has exceeded safety limits.

An engineer at the plant alleges corrosion reduced pipe thicknesses to dangerous levels. Where the explosion took place, he says, pipes were due to be replaced the following week.

Kruger won't comment on the cause of the fire, explaining that the insurance claim is still being adjudicated.

However, he stresses Sasol has never compromised on plant safety, especially as substances handled in chemical or petrochemical facilities are "naturally corrosive and potentially dangerous."

He concedes there must be a trade-off between corrosion resistance and cost. He says plant designers seek a balance between frequency of replacement and the cost of components.

Items are designed and built using materials which will have only a predetermined economic life. For example, pipelines are made of carbon steel with a provision for corrosion, rather than of more exotic materials.

Kruger

Kruger notes that more than 400 contractors from across the world were used in the design and building of Sasol 2 and 3. Fluor, builder of all the Sasol plants, provides constant main-

Business should have hand in shaping future

74

South African businessmen have good reason to be concerned with the future, as not all of the possible scenarios for South Africa are conducive to the survival of business in its present form, says Barlow Rand chief executive Warren Clewlow.

Mr Clewlow, who was speaking at the annual meeting of the Witwatersrand Chamber of Commerce and Industry yesterday, said that a centrally planned economy with little or no private property was not an environment in which the majority of business could operate successfully.

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

Commenting on the current inflation rate, Mr Clewlow said that when the European Community is created within a few years, the elimination of internal trade barriers and the creation of the biggest single market ever, will give the Commmunity the advantage of reducing inflation.

"This will mean that European prices will reduce in relative terms, and countries and companies wishing to export to the Community will have this additional presssure on their prices."

Mr Clewlow warned that inflation had to be tamed. At its present rate it represented a continuing and increasing disadvantage in South Africa's efforts to remain interntionally competitive.

Stock exchange info service has world at its finger tips

TANIA LEVY

STOCKPAC — the stock exchange information service launched by the Custom Information Company (CIC) last week — is a world first.

The service provides subscribers with up-to-date information relevant to their specific share portfolio. This information is sourced daily by CIC from a variety of databanks in SA and around the world.

Subscribers do not need any sophisticated equipment or computers.

As part of the service, CIC developed and patented DeskScriber, an automatic receiver with the properties of a graphics printer, telecommunications module, micro-processor and identification device.

Stored

StockPac accesses the main databases worldwide on a daily basis, providing the gold prices, exchange rates, stock exchange indices from the JSE and other major exchanges and details of the performance of any stock from within the 60 exchanges worldwide.

World financial news and headlines of events affecting stock exchange prices are accessed from the wide range of information stored on electronic databases around the world.

About 80 000 market research reports from more than 300 publishers are stored electronically. Another database has more than 600 000 active patent applications and trademarks spanning the last century.

Any Wall Street journal story can be in a StockPac subscriber's home before the paper hits the streets of New York.

The StockPac client chooses what information he needs, whether it is technical, or fundamental analyses, or world financial news.

CIC scans the market daily for StockPac subscribers selecting shares or market sectors according to the client's criteria.

When a scanned share highlights itself, access to accurate information is vital. A phone call to CIC will provide a share price plot for the past three years, the latest balance sheet and income statement, company shareholding, latest investment analysis report on the company or relevant industry sector. A summary of published news and other relevant data on the company or industry can also be requested.

The investor's business and personal diary can be operated as a personal electronics service by CIC, reminding him of important events such as new listings, scrip registrations and dividend payment dates.

The accessed and procesed information is sent to the Deskscriber, plugged into an ordinary telephone jack in the client's home or office. Unlike a fax, DeskScriber does not interfere with incoming calls.

MD Gerry Aab says StockPac represents the ultimate stage in the development and presentation of customising information. It has taken the CIC team more than two years to refine.

"This method of accessing and distributing information in a customised format has been patented worldwide and will soon be available in the US and other countries."

Plans to launch similar products are already well advanced.

FINANCE

BMA rejects proposal to merge

LESLEY LAMBERT

THE provisional Bond Market Association (BMA), which, once formalised, will run the JSE's exchange floor and the banks' screen-traded bond markets, has rejected a proposal by the SA Futures Exchange (Safex) to merge.

The association's committee decided this week not to commit itself to a merger until the BMA had been formally launched in June and was in a position to determine whether or not it should co-operate with other self-regulatory associations like Safex.

The decision comes soon after the re-evaluation of a proposal to establish a central electronic exchange, the Universal Exchange (Unex), incorporating all SA's financial markets.

Participants of the proposed Unex felt it would be too costly and complex to suit their immediate needs for reliable and secure clearing facilities.

However, with futures and bonds scheduled to trade on the same floor in the new JSE annexe later this year, it is likely the markets will reconsider plans to co-operate and thus rationalise their activities.

Reached stage

In the meantime, the BMA and Safex will apply, separately, to become licensed financial exchanges as envisaged in the Financial Markets Control Bill, recently tabled for the first time in Parliament.

Stuart Rees, MD of Safex's clearing company, Safcom, said yesterday that the proposal to merge the two markets at the outset, had seemed the most sensible route.

He said: "Safex has reached a stage where it must extend its membership to non-clearing members like stockbrokers and the BMA is inviting members to join its association.

"With research showing that all bond dealers will deal in futures and *vice versa*, it makes more sense to merge now, under the same constitution, than to establish the two markets separately and then try to combine them into one exchange."

The official futures exchange is scheduled to open in August and will accommodate open outcry trade on the new JSE floor and off-exchange telephone trade.

Fully electronic trade which will automate the various stages of a transaction from order making to clearing, is expected further down the line.

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FOREIGN EXCHANGE/David de Kock

(74)

A new deal

B1 Day 27/4/89.

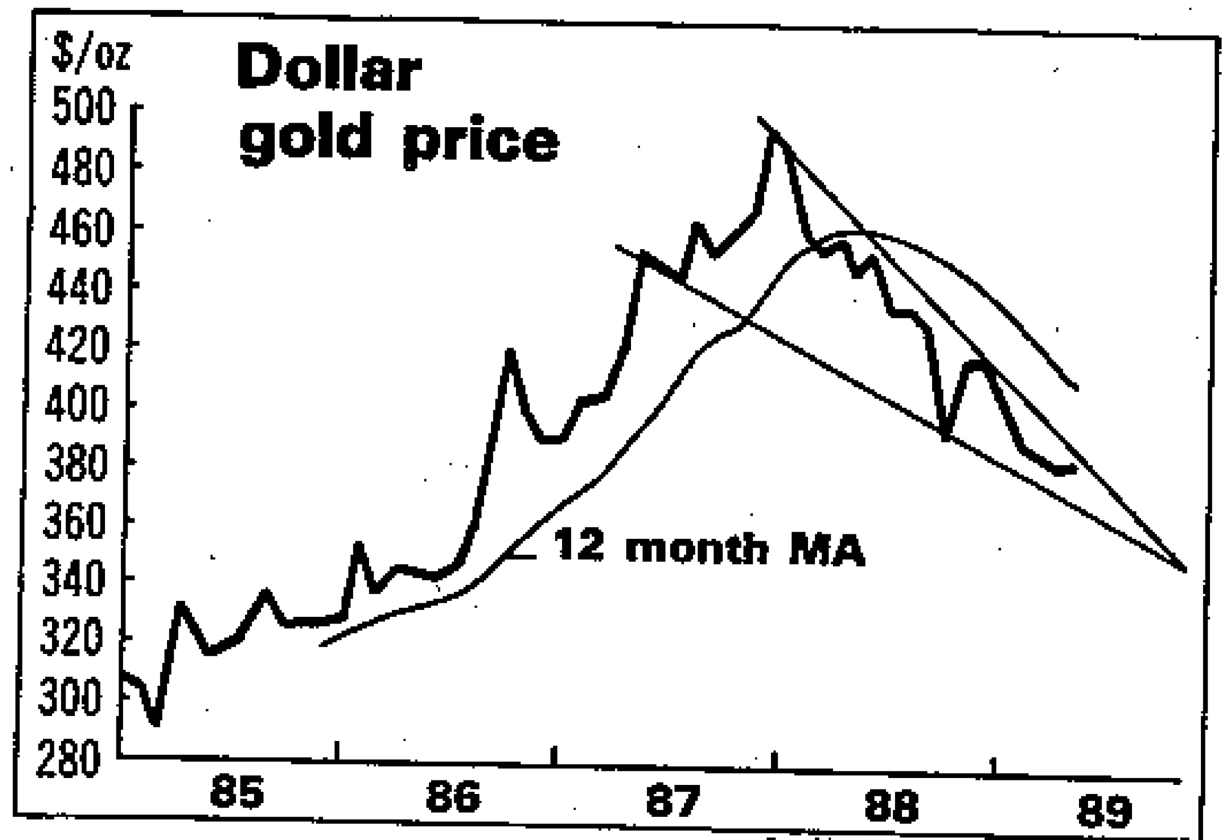
OVER THE three years from 1985 to 1987, the gold price in US dollar terms rose by US$200 per ounce. In the following year-and-a-half it has lost just more than US$100 per ounce. This is not exactly a scintillating performance for a market which still has heady memories of the rocketing performance from US$42 per ounce to US$850 per ounce.

Against the other major currencies, the performance of the gold price has been just as boring. While the metal rose in US dollar terms from 1985 to 1987, it fell sharply against other currencies during 1985 and has been contained in a tight band since then. During the period that the US dollar was retreating rapidly from its cyclical peak, gold's lacklustre performance against the dollar and non-performance versus other currencies suggests that international investors have been much more interested in moving currencies than gold.

Other factors, such as the large-scale acquisition of gold by Japan for the late Emperor's commemorative coin and purchases by Taiwan from the US to adjust the trade imbalance between the two countries, should have had a positive impact on the gold price in both dollar and currency terms. This did not occur, largely because of off-setting sales by gold producers. There were not sales of current production but of gold borrowed against the security of future production.

Faced with massive cash requirements (in at least one case merely to raise the dividend to keep hungry acquistors at bay), these producers borrowed large quantities of hitherto static gold bullion hoards which flooded on to the market in search of the required cash. A substantial proportion of the future production from these producers will go to replace the gold thus borrowed.

The "gold loan" is a relatively new instrument, but the principle is as old as banking. To some extent the instrument has lost its sparkle and its heyday has passed. For one thing, few producers want to sell future production (which is what it amounts to) at low prices. Clearly, one wants to use this instrument when the price is relatively high. Secondly, some producers have been hampered in their output and have had to buy gold from the market to meet their repayment schedule.



Graphic: FIONA KRISCH Source: JSE

In the final analysis, though, gold has become much more mobile than it has been in the past. Mobility suggests greater availability and hence a lot less volatility, especially on the upside. We are, in the future, much more likely to see the gold price moving in the slow cyclical swings of long-term currency movements than in the sharp, usually contra-cyclical bursts of energy that were apparent in the '70s.

Judging from the present viewpoint of the charts, one would find that the gold price is likely to be heading into just such a cyclical upturn in the short-term future. Not only has the pace of descent slowed, and even showed signs of stabilising into a saucer-shaped upturn, but we have a significant descending wedge technical formation.

It is usual in these formations to expect an upward retracement in the order of 50% of the down-move once the upper resistance line is breached. At present this resistance point is found just short of US$390 per ounce and falls sharply as each month passes. If and when this line is breached, the dollar gold price could rise to the area around US$440 per ounce. Compared with past performances, this is a somewhat mediocre climb, but in the new deal it would be quite satisfactory.

Incidentally, most fundamental factors also tend to support a potential rise in the gold price: rising oil prices, the accompanying rise in general price levels, the end to "gold loan" producer selling for the time being and the somewhat less robust outlook for the US dollar.

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Uncertain oil prospects affect sentiment on gold

EDWARD WEST

UNCERTAINTY over the future of the oil price is dominating bearish sentiment on the gold price.

Disbelief that oil will maintain its recent bull trend and disbelief that inflation will continue to increase is reinforcing bearish sentiment in gold.

This is the view of stockbrokers V H Simmons and Co who feel the gold share market is undervalued.

Growing inflationary pressure has dissuaded investors from moving into precious metals, leaving the near-term focus for prospective gold-buyers on oil.

Increased oil prices generally exacerbate inflationary pressure, causing gold and oil prices to move in tandem.

Although the oil price has advanced about 25% in the past six months, stockbrokers remain sceptical of the ability of oil to remain in the $15 and $17 range.

This is why gold has not moved in tandem with oil and broken through the psychological $400 barrier, they say.

Bull run

The oil price has been falling for the past eight years, from $33 in 1981 to early 1986 when it plummeted from just under $30 to below $10 in seven months. It then rallied to $20 in mid-1987. Since then it has remained weak.

V H Simmonds' analysts feel the bear market in the oil price bottomed out in mid-1986 and then entered a long bull run.

A strong oil price in a market filled with bearish sentiment has indicated that oil buyers prepared to pay current prices for oil know something many others do not, say the brokers.

When investors discover the inflationary implications of such a development they will bring the gold price up in line with the oil price, they say.

The Far East, anticipating such a scenario, has been a consistent buyer of precious metals.

However, commodity and financial futures brokers, Holcom Futures, argue that oil prices are unlikely to retain current high levels, in spite of favourable fundamentals.

Holcom Futures director Charles Johnston said yesterday investors and fund managers needed to see a marked rise in the US consumer price index before they would be convinced gold would provide a suitable hedge against inflation.

TMI acquires form-guide Computaform

Rigidity blamed for sector's poor performance

B/Day 2/5/89

BTI casts critical eye on manufacturing industry

74

CHRIS CAIRNCROSS

CAPE TOWN — The most disquieting feature of the economy last year was the impact of the long-standing tendency of manufacturers to reduce their exports with any upturn in the home market.

The Board of Trade and Industry (BTI) singles this out as having had the largest effect on the country's export performance in 1988.

A further worrying factor, says the BTI, is the increasingly severe distortions in the relationship between capital and labour.

In its annual report tabled in Parliament, the BTI says the relatively low real cost of capital combined with the high real cost of labour has generated an increasing capital intensity in industry.

It is a paradoxical situation for a country with a huge annual increase in the labour force. And, to secure future prosperity, it is essential that the cost of labour and capital should reflect their true demand and supply positions, the report says.

This view is reinforced by the fact that a high proportion of the capital equipment used by industry is imported, says the BTI.

"An interest rate policy that keeps the cost of capital too low in relation to the rate of inflation not only distorts the capital-to-labour ratio, but also has a negative effect on the scarcest resource of all, namely foreign exchange.

"At a time when SA has little access to foreign capital, it is essential that everything possible be done to encourage domestic saving so as to generate the capital needed."

Restrictions

The BTI argues that the case for retaining positive interest rates in real terms is unassailable. It stresses that the policy of promoting the structural adjustment of industry to achieve a higher level of international competitiveness will be seriously impeded by any deviation from this norm.

The BTI notes that although there is a strong entrepreneurial spirit among South Africans, there are not enough entrepreneurs with industrial skills coming forward.

It suggests part of the reason is the lack of an industrial ethic among large parts of the population; statutory and other restrictions on the establishment of new industrial undertakings; a lack of venture capital; the tax system; and a generally negative attitude towards the trades among a large part of the community.

These shortcomings partly explain why exports of manufactured products perform so poorly . . . and every effort should be made to build up subcontracting in the industrial sector.

The BTI says in the light of the weak performance of the manufacturing industry over a long period, and its apparent inability to adapt to changing market conditions, it has concluded there is too much rigidity in SA's industrial structure.

Emphasis in any restructuring programme should therefore be given to ensuring that the local manufacturing sector becomes more competitive internationally and more export-orientated.

Import replacement should continue, but not at the expense of international competitiveness.

CAPE TIMES 3/5/89

R40m boost for electronics industry

76 489

Financial Editor

THE government has set up a R40m fund to encourage the development of new technology and products by the SA electronics industry. And customs duty on electronic components may be abolished.

Welcoming the announcement last night, the chairman of Wesgro, Chris Newton, and the President of the Cape Chamber of Industries (CCI), Mike Getz, said in a joint statement that it would give a boost to the Western Cape.

The Minister of Economic Affairs and Technology, Danie Steyn, said yesterday that the fund had been set up because of the key role of electronics in improving productivity in the economy as a whole and the fact that it "experiences a large and growing negative trade balance".

A working group had come to the conclusion that a higher rate of development of local technology and products was needed.

"This is the key to niche export markets as well as a larger share in the local market.

"The private sector is inhibited from undertaking sufficient innovation because of the risk and cost associated with such developments.

"The working group accordingly recommended a packet of measures whereby the State would provide incentives for more research, technology and product development."

The minister said the extent of support for a project would be related to export and import replacement performance.

He had asked the Board of Trade & Industry to look into the possibility of abolishing customs duty on electronic components.

The joint Wesgro and CCI statement said the Western Cape was "already showing strong growth in research and development.

"It should be a stimulus to our regional initiatives to promote technology-based business and to the fast increasing number of electronic firms at Technopark, Stellenbosch.

"We hope such schemes may be extended in due course to other key new technology sectors such as biotechnology and advanced materials."

Bell could save SA R300m — minister

BIDAY 3/8/87 (74)

BRENT MELVILLE

NATAL-based Bell Equipment has the potential to save SA more than R300m in foreign exchange because of its focus on increased local content, says Transport Affairs Minister Eli Louw.

Speaking at the launch of Bell's new R50m factory expansion at Richard's Bay on Friday, Louw lauded the company for its emphasis on local content, noting there was no tariff protection against Bell's imported competition. He also stressed that SA companies were in a position to benefit from the privatisation of roads to the tune of about R3bn.

He said Bell's expansion plans would serve as a "morale" booster for the SA economy at a time when multinationals were disinvesting.

Produce

The expansion, doubling Bell's facilities, would allow the company to continue a production growth that has averaged 40% since 1976, said MD Gary Bell.

Bell expects to spend another R150m over the next four years, enabling it to produce machines with "at least" 80% local content by value.

"The investment in the extension includes expenditure on some of the most technologically advanced computer numerically-controlled lathes and machinery centres available anywhere in the world," said Bell.

The new factory and plant would enable Bell to place increasing emphasis on exports, he said.

The company currently exports machines to more than 30 countries and last year exports accounted for 25% of turnover.

Hansard

HOUSE OF ASSEMBLY

QUESTIONS

† Indicates translated version.

For written reply:

General Affairs:

Publications warned/suspended

168. Mr D J DALLING asked the Minister of Home Affairs:

(1) With reference to Proclamation No R99/1988, how many publications had been (a) warned in writing, (b) warned in the Government Gazette, and (c) suspended for (i) less than three months and (ii) three months, as at the latest specified date for which information is available;

(2) whether any of the publications concerned submitted representations to his Department under regulation 7(5)(b) of the said proclamation; if so, (a) which publications and (b) what was (i) the purport of and (ii) his response to each such representation?

B403E

The MINISTER OF HOME AFFAIRS:

(1) (a), (b) and (c)

Twelve periodicals were initially notified that I examined a particular series of issues of their publications in terms of media emergency regulation 7. Eleven of those publications were eventually warned in the Government Gazette. Up to 17 April 1989 two publications were suspended for less than three months and three publications for three months.

(2) Yes

(a) *Al Qalam, Die Stem, Grassroots, New Era, Out of Step, South, Sowetan, The New Nation, The Weekly Mail* and *Work in Progress*.

(b) (i) Representations are regarded as confidential communications between the publishers and myself. The purport differed from publisher to publisher.

(ii) After considering the representations received I have decided to take appropriate steps against eight publications. The publishers involved were advised of the action which was decided upon in each case. In the case of *Sowetan* and *Work in Progress* it was decided not to take steps and the publishers concerned were informed accordingly.

Natal: people killed in unrest

196. Mr R M BURROWS asked the Minister of Law and Order:

How many persons have been killed in Natal as a result of unrest since 1 January 1989 up to the latest specified date for which figures are available?

B465E

The MINISTER OF LAW AND ORDER:

I refer the hon member to my speech during the debate on the Vote of the South African Police on 24 April 1989 of which a copy is attached.

Detainees on hunger strike

224. Mrs H SUZMAN asked the Minister of Law and Order:

(1) (a) How many detainees have gone on hunger strike in each specified prison in the Republic since 1 January 1989 and (b) how many of them were (i) hospitalized, (ii) released and (iii) relocated;

(2) (a) how many detainees who were on hunger strike are still in detention and (b) how many of them are in (i) hospital, (ii) prison and (iii) police cells;

(3) whether any detainees are currently on hunger strike; if so, how many in each specified prison or police station;

(4) in respect of what date is this information furnished?

B509E

The MINISTER OF LAW AND ORDER:

(1) (a) 644 persons

Hansard

(b) (i) 134 persons

(ii) 620 persons

(iii) 129 persons

(2) (a) 24 persons

(b) (i) none

(ii) 24 persons

(iii) none

(3) No

(4) Up until 30 April 1989.

Infant mortality rate

275. Dr M S BARNARD asked the Minister of Home Affairs:

What was the infant mortality rate for (a) Blacks, (b) Coloureds, (c) Whites and (d) Indians in the Republic in 1988?

B595E

The MINISTER OF HOME AFFAIRS:

As many late registrations of births and deaths in respect of 1988 are still being received, the 1988 data have not yet been processed. However, the relevant information in respect of 1987 is as follows

(a) 80* (estimate — registrations incompelte)

(b) 46,3*

(c) 11,9*

(d) 19,0*

* Infant mortality rate = number of infant deaths (i.e. deaths of children under the age of one year) per one thousand live births.

Marasmus/kwashiorkor

277. Dr M S BARNARD asked the Minister of National Health and Population Development:

How many (a) cases of (i) marasmus and (ii) kwashiorkor were reported, and (b) children were treated in clinics for each of these diseases, in 1988?

B597E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(a) (i) and (ii)

Marasmus and kwashiorkor are not notifiable diseases. Exact figures on the incidence of these diseases in 1988 are therefore not available,

(b) the Department of National Health and Population Development subsidise the provision of skimmed milk powder and a protein-vitamin-mineral powder (PVM) to clinics for the treatment of marasmus and kwashiorkor in children in the age group of 1 to 6 years.

During 1988, 2 242 cases of marasmus and 7 470 cases of kwashiorkor received treatment through this scheme. As only about 12% of clinics throughout South Africa participate in the scheme, it is clear that the incidence of these diseases are probably substantially higher than the above-mentioned figures.

Milk-powder: export and import

281. Mr R J LORIMER asked the Minister of Finance:

What (a) total quantity of milk-powder was (i) exported and (ii) imported in 1988 and (b) was the value of the milk-powder (i) exported and (ii) imported in that year?

B601E

The MINISTER OF FINANCE:

74

(a) (i) 1 346 113 kg

(ii) 6 536 137 kg

(b) (i) R7 381 863

(ii) R16 213 358

Secondary schools in Western Cape: teachers employed

295. Mr K M ANDREW asked the Minister of Education and Development Aid:

(1) Whether two teachers, whose names have been furnished to the Minister's Department for the purpose of his reply, were employed in secondary schools in the Western Cape in 1988; if so, (a) at which schools, (b) in what capacities, (c) on what basis and (d) what are their names;

(2) whether these teachers are currently employed by his Department in the Western Cape; if so, (a) at which schools, (b) in what capacities and (c) on what basis; if not, (i) why not and (ii) who made the decision not to employ them?

B635E

Reform 'key to growth'

Cit Times 12/5/89 74

Shipping industry could contribute more

By AUDREY D'ANGELO
Financial Editor

THE SA shipping industry is a major earner of foreign exchange — and its potential will increase enormously when political reform makes it more acceptable to have connections with this country, Safmarine MD Mike Finlay said yesterday.

Speaking at the national maritime conference organized by the University of Stellenbosch transport research centre, Finlay said the total cost of sea freight on SA's exports and imports last year was approximately R9 500m.

"Current statistics suggest that SA owned or operated ships lift about 30% of the Republic's liner and import cargoes and probably 12% of the bulk cargoes.

"Using current freight rates we calculate that SA's shipowners are currently saving the country some R1 900m per annum in foreign exchange.

"While this is a substantial figure there is obviously scope for a far greater contribution if there were greater shipper support of SA vessels."

In addition to this, Finlay said, SA shipping firms were competing successfully on routes which did not touch this country.

"As far as international trading on nonSA routes is concerned, there are enormous opportunities. The two major SA owners have in recent years involved themselves increasingly in worldwide operations unrelated to SA.

"As a consequence of current exchange rates, the international cost of SA crews must be one of the lowest in the world. We have a substantial pool of well qualified seamen — should we not be one of the major suppliers of ships' crews and management services?."

Unfortunately, Finlay said, SA's present political situation prevented this from happening.

"Because of the unpopularity of SA internationally our shipowners have been forced to flag out their vessels and fly nonSA flags on the sterns of their ships.

"This applies on our liner trade routes as well as our international operations.

"As a result we have also been forced to discontinue employing SA seamen, as people with SA passports are not welcome in many parts of the world.

"Consequently the potential for SA entrepreneurs to become international ship managers using skilled SA crews is almost nil at the present time.

"Equally, the thought of SA becoming a major international centre for shipowners and operators because of the favourable terms of our register is impossible."

But, Finlay said, he was looking forward to a different future. "I do not dismiss these opportunities in the long term. I have every confidence that in the not too distant future the tide will turn and SA will again be able to take her place with pride in the international commercial and maritime world.

Mike Finlay

"Our duty is to encourage the Government to proceed with a reform programme with maximum expedition. We must all put our shoulders to the wheel and encourage reform."

High-flying dollar baffles economists

Star 17/5/89 (74)

Foreign News Service

NEW YORK — Though gold rose marginally yesterday, the dollar remained firm at the suddenly and puzzlingly high level it reached on Monday in spite of efforts by the US and its financial allies to manage the foreign exchange market.

Many Wall Street traders remained baffled by the dollar's surge, which took it to levels that seemed unlikely a few weeks ago and well beyond the ceiling the US and its major allies are believed to have set. Other currencies, including the rand, were driven to new lows.

Many noted US economists are now saying that unless central banks sell dollars on a broader scale and other nations increase interest rates, which would siphon off some money now invested in dollars, the currenecy will move even higher.

The most immediate effect of the surge will be to make travel abroad cheaper for Americans and more expensive for others, including South Africans, whose rand is now worth only 37c to the dollar.

It will also help the US to pursue two goals: reduce inflation and cut the trade deficit.

New York economist Frank Watson, vice- president of the Swiss Bank Corporation, described the dollar's climb as an explosion, "a breakout from long-term highs against the dollar".

Most other economists and money experts confined themselves to statements that expressed their surprise and disbelief at the dollar's unexpected showing of strength.

Creditor banks take 'special exit' opportunity

74

Star, 17/5/89

The Star Bureau

LONDON — South Africa's foreign creditor banks have embraced an option in the financing arrangements the country introduced in early 1987, which allows them to escape further negotiations with Pretoria and to cease being a lender to the country by 1997.

According to bankers, banks have exchanged some $3,5 billion of loans for special exit securities which will mean they will not have to be involved in talks with South Africa over a new financing arrangement meant to cover the treatment of its foreign bank debts from July 1, 1990.

This is almost 25 percent of the bank finance that falls within the net of the interim arrangements.

Most of South Africa's main creditors are said to have taken at least some of the exit opportunities, and the window remains open for those who wish to make further conversion.

But the banks' moves are likely to be controversial, since the exit vehicle promises no principal repayment for the banks in 1990 and 1991, a critical period when the country is due to make large amounts of principal repayments to bondholders.

Anti-apartheid groups will see the conversions as playing into the hands of the South African Government.

In defending their decisions, however, bankers argue that they would otherwise not be able to exit South African lending before 1997, and that the exit vehicle likely to be offered in the next arrangement will not offer such advantageous terms.

The exit vehicle allows the banks to receive principal repayments between 1987 and 1990. Then from 1992 the bonds are repaid over five years in equal semi-annual instalments.

Banks, normally paid a margin of 7/8 point over money market rates, can renegotiate the margin on the exit vehicle of up to 1-7/8 point.

GILTS SAVE THE DAY

BDay 17/5/89 LIZ ROUSE (74)

JSE foreign transactions reached deadlock in the week ended May 5, with purchases and sales about the same.

Net outflow was only R419 000 on purchases of R52,2m and sales of R52,6m. The previous week's outflow was just over R37m with sales of just over R146m and purchases of nearly R109m.

However, gilt transactions were still buoyant with purchases of R25,3m and sales of just over R2m, resulting in a net inflow of R23,2m. This compares with purchases of R36,9m and sales of R7,2m, leaving a net inflow of nearly R29,7m in the week ended April 28.

The gilt market therefore saved the day for finrand transactions on the JSE as the net inflow through all foreign dealings amounted to R22,8m in the week ended May 5, against outflow of R7,4m in the previous week.

Coal share prices drop as prospects in UK market fade

74

BDay 17/5/89

ANDREW BUDDEN

COAL shares dropped sharply over the past week on sentiment that they had become overpriced in the past 10 weeks.

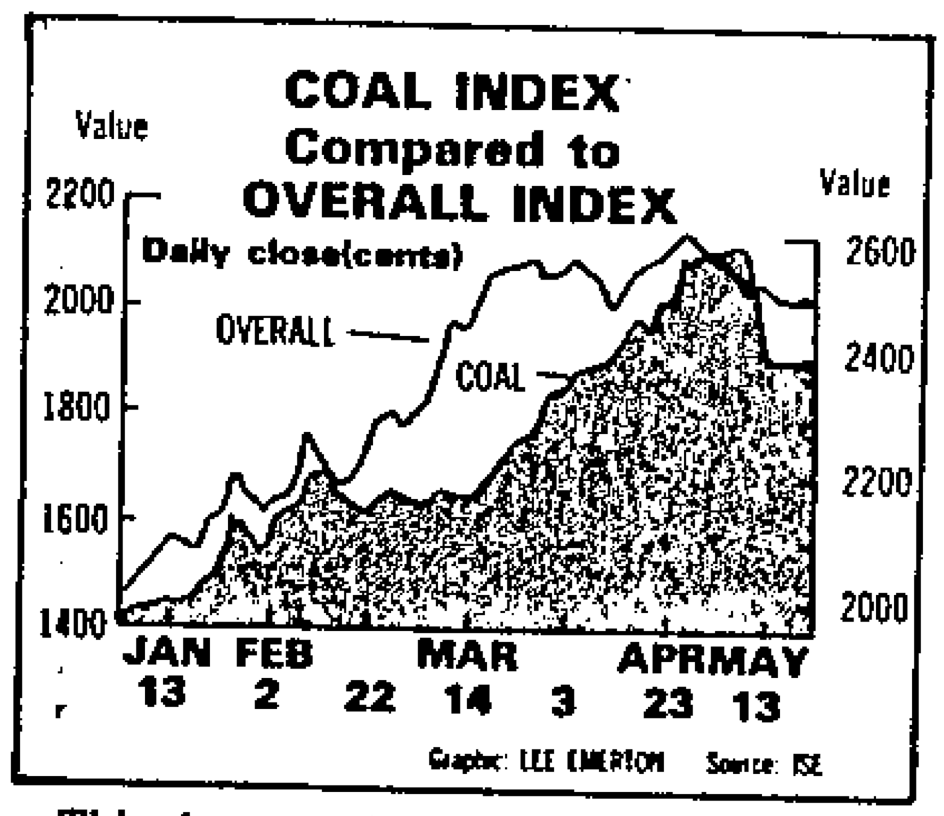
Prices have firmed significantly since February on relatively low volumes of institutional trading.

The falling rand pushed shares higher on hopes of good export profits but quarterly results indicate these have not transpired.

The mining industry faces a 20% inflation rate and this has prompted some analysts to question prospects for export improvements.

"Our customers have a very low inflation rate. They won't be prepared to keep paying higher dollar prices as SA working costs rise," said one.

The same analyst predicted a further price slide in the month ahead.



This is especially so in the wake of Business Day London correspondent's reports of British Coal's recent offer to cut the price by 20% for its supplies to power stations.

The move was taken to protect a large section of its market from imports and fend off another round of colliery closures.

SA exports little coal to the UK but the British market was seen as an area of possible expansion.

British Coal price reductions will apply to a special stock earmarked to generate power for large industrial users of electricity on terms resembling those available to big consumers of gas.

The offer was disclosed in London yesterday by Michael Gibbons, ICI's chief fuel purchaser, who said it should be accepted to help keep UK manufacturing competitive.

Govt needs to maintain world links

ZILLA EFRAT

GOVERNMENT must make very effort to maintain SA's international links, said Protea Assurance chairman Cedric Walton at the AGM in Cape Town yesterday.

He said Protea's British parent Sun Alliance had unshakeable confidence in the future of SA and provided Protea with substantial backing.

"We value this association and I personally implore government to make every effort on every front to ensure that international linkages such as this can be maintained and indeed allowed to grow," he said.

Reporting on the results for the first three months of the year, Walton said gross and net written premium had increased.

Although premium levels were slightly behind budget, investment income was substantially up resulting in the overall out-turn for the period being about the same as the previous year.

But results for the first three months seldom provided an accurate guide for the full year.

Walton said meaningful improvement looked remote as the impact of higher inflation, import surcharges and increased sales tax still had to be felt.

The absence of any meaningful increase in premiums over the past 18 months was a further aggravating factor.

Walton said Protea was now well equiped as a major insurer to face the challenges that undoubtedly lay ahead.

These included increasing competition, the increased reserving demands of the new insurance act, low economic growth, a weak rand and on-going inflation.

JSE liquidity a problem, says Norton

B/Day 18/5/89 (74)

LIZ ROUSE

THE Johannesburg Stock Exchange's low level of liquidity compares badly with that of other major markets, says JSE executive president Tony Norton.

He says the problems of running a proper equity market with all the costs involved against an endemically illiquid market are stressed in his annual review released yesterday.

"Only when the relevant proposals in the Margo Report on Taxation are implemented will we see our market operating properly and on a basis where we can stop lagging behind other world stock markets in terms of the vital ingredient of underlying liquidity.

"One of the JSE's main objectives is to improve the liquidity of the equity market to remove a major impediment to being an effective financial agency for the nation," says Norton.

The background to Norton's argument for greater tradeability is that the JSE, with its total market value of over R400bn,

□ To Page 2

JSE liquidity

B/Day 18/5/89 (74)

□ From Page 1

ranks among the top 10 world stock markets — but the annualised tradeability is less than 4%.

Tradeability percentages on major stock markets are; Wall Street 40% to 60%, Tokyo 40%, London 35% to 40% and the small Taiwan stock market over 100%.

The JSE's function as a major source of development funds has become more necessary than ever because of the outflow of foreign funds.

Low marketability means "false" share prices. Prices are pushed either too high or too low on small turnovers.

A chief operating officer will be appointed to achieve the objective of dealing with greater marketability in the future.

● See Page 8

JSE head predicts big changes are in offing

LIZ ROUSE 74

THE JSE moves forward with clearer plans, better resources and sounder prospects to break away at least from its low levels of liquidity.

The new shape of financial markets will mean its inspectorate, listing team, non-equities department and all aspects of life at the JSE will change, says executive president Tony Norton in his annual review.

He adds: "The myth that the JSE is obstructive to progress in SA financial markets has been well and truly dispelled as we have, in fact, gone beyond our traditional levels of co-operation and have, in certain areas, surrendered short-term advantage in the search for sound long-term solutions for our national financial markets."

The JSE is working in several directions to improve the equity market. The Venture Capital Market has been launched to cater for needs of the developing economy. Thresholds for entry are low but disclosure levels must be high to protect the investor.

Soon a traded options market will open on the equity floor.

SA links with foreign banks

B/Day 14/6/87 (76)

GRETA STEYN

SA'S relations with foreign banks are maintained on a permanent basis by finance officials stationed in Zurich and Hong Kong.

A source said the officials' task was to "interpret political and economic news on SA from a banking perspective". While they built up and maintained close links with bankers in the East and in Europe, it was not part of their job to convince banks to start lending to SA again.

The move to cultivate relations with Hong Kong came this year when former PIC chief Stan Davis was transferred to the East from Zurich. The Swiss operation, manned by Chris van der Walt, has been running for about two years.

TEXTILES (74) Fmail 19/5/89

Green or amber?

The Board of Trade & Industries' (BTI) report on clothing and textiles won't necessarily encourage increased capital expenditure in the textile industry. Though companies are gearing up to spend, the Textile Federation says the report is no more than an amber light.

President Ernest Wilson says much of SA's textile plant urgently needs refurbishment. "At least R500m will have to be spent over the next five years on upgrading. The cost of any expansion will be on top of that."

He says textile companies may spend only half that amount if there is continued uncertainty about the degree of protection the industry will enjoy after five years.

The BTI report calls for import duties to decline by 50% over the next five to eight years. "We would prefer a 10-year span. We would also like more realistic formula duties on some yarns and fabrics," says Wilson.

He adds that capital equipment will have to be imported and surcharges will almost certainly be payable, unless equipment is used specifically for exports. "It will be a long haul to build a dedicated export facility, with keen competition in the international textile market," Wilson explains.

Nevertheless, major groups plan major plant reinvestment. The Frame Group has launched a capital and reconstruction programme in which it expects to spend "tens of millions of rand" over the next few years. It has appointed Mike Bouchier, former MD of Consolidated Cotton, as group planning and export co-ordinator.

Romatex is spending R25m modernising its cotton apparel fabric and its household textiles factories and will make "significant" new investments to upgrade its worsted factories — Hextex at Worcester and Veldspun at Uitenhage — and expand into export-orientated projects.

Da Gama has committed R100m over the next five years.

Anglovaal Industries textiles director David Royston says capital expenditure plans have been accelerated because there is a

more confident climate, but he adds: "This climate could be very rapidly eroded if inflation destroys our international competitiveness."

Romatex economist Jon van Coller says growth should continue despite a tapering-off in overall economic outlook.

"While there are conflicting views within the textile and clothing sector on the implied benefits in the BTI report, it has undoubtedly clarified many doubts and given those industries a path to follow," he says.

But he warns the local market will enjoy sustained growth only if the price increases of local clothing and other textile-based products do not exceed the inflation rate. ■

Lithosaver earnings eroded by capex

74

Star 19/5/84

Lithosaver Systems increased turnover by 73 percent to R46,6 million (R26,9 million) in the year to February.

But operating profit increased by only 8,7 percent to R3,1 million (R2,9 million) because it is still facing high costs relating to the capital expenditure programme begun at the end of the last financial year.

Net taxed income as a result of higher interest payments fell to R1,7 million (R3,3 million).

Retained income for the year was R1,1 milion (R2,2 million).

Earnings per share were sharply down at 8,3c (17,3c).

A final dividend of 1,5c has been declared, making a total of 3c (5,5c) for the year.

Managing director Neil Birch says that although the capital expenditure pogramnme has adversly influenced group profits in the short term, he believes the new direction is positive and will result in improved profitability. — Sapa.

Insider trading crackdown

Rooting out the dicey deals

74

Star 19/5/89

The introduction earlier this month of draconian penalties for insider trading puts South Africa very much in line with overseas legislation. SVEN LUNSCHE examines the legislation passed by Parliament last week, while NEIL BEHRMANN in London and RAMSAY MILNE of The Star's New York Bureau provide a broad overview of insider trading legislation in Britain and the US.

Parliament earlier this month passed an amendment to the Companies Act under which offenders of insider trading legislation face fines up to R500 000 and/or 10 years' jail.

This has sparked a wide debate in financial circles as there is no clarity on what constitutes an insider trading offence. Broadly defined, insider trading legislation aims at prohibiting dealings in securities by people with confidential, unpublished price-sensitive information about a company.

It also generally seeks to control "secondary insider dealing" by prohibiting a person taking advantage of tips given to him by an insider who is acting in breach of confidence.

The difficulties are to establish when someone has acted on insider information or when they have used their analytical skill to determine what is a good investment.

In most cases this is clear cut, but past experience in Britain and the US has shown that potential offenders have escaped punishment by claiming it was their job to establish whether a particular share was a good investment or not.

The apparent intention behind the recent legislation was not to watch share movements and then seek evidence of insider trading; it is to watch closely those who are in a position to carry on insider trading and then investigate their actions should share prices show large fluctuations.

But the amendments to the Companies Act also provide for the same penalties to be applied to anyone who has used false information or has made misleading statements with the intention of pushing up share prices.

The watchdog to administer the legislation will be the Securities Regulation Panel, which will also have the task of monitoring takeovers.

It will have the right to summon and cross-examine any person and to call for books and other documents to be submitted to it on a monthly basis. People in a position to conduct insider trading will have to submit their

To obtain a conviction, the prosecution must prove that the defendant knowingly "obtained", either directly or indirectly, information from another individual or tipster who under the Act is legally prevented from parting with the knowledge.

The tipster must have been connected with the company in the six months preceding the announcement. The defendant should be aware that the tipster held the information because of his ties with the company. He should know that the information is unpublished and price-sensitive.

The moral: be wary of those who claim they have insider knowledge.

But those who have a legitimate defence are brokers who are merely taking positions in market-making as well as liquidators, receivers and trustees who take a view and buy shares ahead of a takeover. The court must prove intention to trade on insider information.

The broad definition explains why it is difficult to pin down an insider and to prevent drawing unwitting innocent parties into the net.

UNITED STATES

The exposure and arrest of former Wall Street "biggies" such as Ivan Boesky, the archetypal insider trader whose stock transfer practices two years ago created Wall Street's biggest scandal, set in motion the most sweeping overhaul of stock market anti-fraud legislation in US history.

What is in place now in the wake of these and other scandals is a set of tough laws, enforced by the Securities and Exchange Commission (SEC) and federal and State prosecutors acting under the widespread provisions of the Racketeer Influenced and Corrupt Organisation Act (Rico).

Cheats and thieves

Though Congress is still under pressure from securities and financial lobbies to ease some of the tougher measures written into Rico after the Boesky scandal, neither Washington nor the SEC shows any sign of easing information or when they have ... their analytical skill to determine what is a good investment.

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It will have the right to summon and cross-examine any person and to call for books and other documents to be submitted to it on a monthly basis. People in a position to conduct insider trading will have to submit their share portfolio on a monthly basis.

Since insider trading legislation was enacted in Britain, there have been only a paltry number of convictions, illustrating that it is very difficult to define and prove insider trading. Yet investigations are a deterrent. They illustrate that the financial authorities, in conjunction with the JSE, are concerned about the problem and are trying to stamp it out.

UNITED KINGDOM

UK insider trading legislation has become more stringent in the past few years, but actual convictions are few and far between.

Awaiting trial

Since the Company Securities (Insider Dealing) Act came into being in 1985, less than a dozen miscreants have been convicted. Under the Financial Services Act, the Secretary of State can appoint inspectors to probe possible insider dealing offences.

The UK authorities are at present investigating 45 cases of insider trading, six of which are awaiting trial. Insider dealers can face up to seven years' prison once convicted.

The Insider Dealing Act forbids dealings in securities by people with confidential, unpublished price-sensitive information about a company.

Under the Act you are guilty of a crime if you deal as a "prohibited person". This does not only involve people who are connected with the company, including merchant banks, lawyers, accountants and other advisers, but also those who obtain information from company employees, directors or advisers.

The law seeks to control "secondary insider dealing". It is aimed at preventing a party taking advantage of tips provided by or through an insider acting in breach of confidence.

shares ahead of a ... must prove intention to trade on insider information.

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Though Congress is still under pressure from securities and financial lobbies to ease some of the tougher measures written into Rico after the Boesky scandal, neither Washington nor the SEC shows any sign of easing up on what one legislator has called "a crusade against the cheats and thieves who pervade Wall Street".

Rico was enacted in 1970 to give public prosecutors a way to deal with the scope of organised and white-collar crime. Now, with tougher amendments, it is being applied energetically to all financial dealings, including insider trading, despite protests from the financial lobbies who are arguing that the original Rico was aimed at organised Mafia-type crime figures.

But prosecutors and others point out that victims care little whether their life's savings are stolen by mobsters wearing black shirts and white ties or stockbrokers in tailored suits.

Under Rico's new provisions, triple damages are now possible against an insider found guilty of misconduct.

In addition to permitting those who traded in the stock market to seek redress, others who can prove they were injured by the illegal trading can also seek redress.

This includes an investor or company proving that the purchase price of a takeover target was driven higher by insider trading.

The SEC is no longer required to prove that wrongfully acquired information served as a basis for stock transactions.

Instead, the law requires only that the commission prove that the trader concerned was in possession of such information for trading in related securities to be illegal.

The new law makes it a crime to trade on tips from insiders, provided the person receiving the tip knows, or has reason to believe, the information is confidential. In such cases, both face criminal prosecution.

The phrasing is important because it ends years of reluctance by the SEC to commit itself to a definition of insider trading.

Bearish JSE gives investors the jitters

By Magnus Heystek

The bearish mood on the JSE continues to paralyze investors.

The overall index yesterday shed another 39 points to 2432, while the industrial sector, in particular, came under heavy pressure, with the index dropping 40 points to 2443, a decline of two percent.

Since the announcement of the package of austerity measures earlier this month, the industrial index has shed five percent of its value as the full implications of the current economic situation has begun to sink in.

Analysts are particularly concerned about the combined effect of higher interest rates and more stringent hire-purchase conditions.

These factors, together with the adverse impact of the company loan levy that is intended to raise R750 million in barely eight weeks, are bound to influence company bottom lines, they said last night.

While analysts were quick to point out that yesterday's declines were on the back of relatively small volumes, it would appear that most institutions were taking a cautious view of the market, preferring to remain on the sidelines.

The head of a large insurance company, who declined to be named, said shares had risen sharply in expectation of the abolition of the prescribed asset requirement for pension funds and life insurers.

This sentiment, it turned out, was slightly misplaced.

Other analysts have seen an apparent contradiction between the intention of the authorities over the aboliition of the prescribed asset requirements and the wording of the legislation.

According to the legislation, the maximum exposure to equities may not exceed 65 percent in terms of market value, as opposed to book value in terms of the old legislation.

If this was indeed the intention of the legislation, it would have the opposite effect.

Some pension funds are rumoured to be sellers to obtain the correct ratio of equities, property, gilts and cash.

Recent economic developments, which include the sharp drop in the gold price to $370 and the surge in the dollar to R2,69 have also affected market sentiment.

"Volatile markets are not good for sentiment and this is clearly reflected in the behaviour of investors in recent days," a broker said last night.

Time for a 'Buy SA' campaign

74

Star 20/5/87

The time was now opportune to launch a Buy South African campaign, the Minister of Finance, Mr Barend du Plessis, said yesterday.

In reply to the Second Reading debate in Parliament on the Budget he said that preparations for the campaign had been going on for some time.

Further details would be given by his colleague, the Minister of Information, Dr Stoffel van der Merwe.

The appropriate way to conduct it would not be for the state alone to spend millions of rands — manufacturers had to play a part.

Mr Du Plessis also said that with the falling gold price there was now a cash flow problem with available foreign exchange.

There was nothing anyone could do about this except to be very careful with foreign exchange, to limit imports to the minimum and to export as much as possible.

He had no doubt that the Government would not exert pressure on the capital market.

Panic selling adds to shares' downward spiral

BDay 23/5/89 (74)

MERVYN HARRIS

PANIC selling by smaller investors gave a further twist to the downward spiral of shares prices on Diagonal Street yesterday.

But institutional investors re-entered the market towards the close of trading to nibble at selected leading shares at their lower levels on the view that they were oversold.

The late buying helped lift the JSE overall index off its low to close 2,8% down to 2 288 points. The fall means the index has shed 12,1% since rising to a post-October 1987 crash high towards the end of Arpil, and by 5,4% over the last six trading days.

The 3,2% slump in the all gold index, to 1 313 points, has taken the index down 20% from its recent high towards the end of April and by 12,2% since the gold price began its fall to 33-month lows at the start of last week.

After peaking at 2 581 on April 28, the industrial index started losing ground after government's restrictive measures to curb spending and the downtrend accelerated on the turnaround in sentiment following the gold price fall.

The index yesterday tumbled a further 2,8% to 2 287 to bring its decline to 11,4% from its peak, and by 9,5% over the last six trading days.

The market sell-off was reflected in gaps in the list of 20 largest price gainers as only 11 shares recorded price rises yesterday. In the absence of buyers, some shares fell sharply on light volume with Nictus in the industrial holdings sector plunging 34,2% to 25c on 15 000 shares traded in one deal.

Falls on the goldboard extended to 32,9% as in the case of WR Cons, which gave up 135c to 275c on 7 000 shares changing hands in three deals.

LESLEY LAMBERT

THE board of the SA Futures Exchange, scheduled to open in August, has decided to re-evaluate its entire project after delays and disagreement among members.

The decision was taken at a board meeting after a small but significant lobby, including the JSE and representatives of two financial institutions, challenged suggestions that the exchange would open before both screen and floor facilities were ready.

Stuart Rees, MD of the futures exchange's clearing house, Safcom, said that, while the newly developed screen and clearing systems would probably be ready on schedule, the infrastructure needed to accommodate a floor market would not.

Futures Exchange goes back to drawing board

74

B | Day 23/5/94

It appears a number of issues which have been building up in the run-up to the exchange have come to a head, leading the market to decide to reassess its plans.

Originally, the official futures market was going to be adapted and evolved from the market established two years ago by Rand Merchant Bank. But, activity increased to such an extent that the scope of the project had to be broadened to accommodate larger volumes.

Then it was decided the official exchange would incorporate both the existing screen trade and traditional open-outcry system on an exchange floor, even though most users favoured a screen market.

At the end of last year the Universal Exchange (Unex) project proposed incorporation of the futures exchange in an integrated financial market.

Now that Unex has been whittled down to a more modest project, investigating co-operation between the futures and bond markets and use of Safex and JSE clearing systems as interim measures, Rees says Safex has had to re-evaluate its role as an exchange services provider.

The exchange's executive committee is to be reconstituted to make its membership more representative of the entire market. Membership, now made up of the JSE and 22 financial institutions participating or planning to participate, will be expanded to include stockbrokers and futures brokers, according to Rees.

As part of the wider decision to reassess the new market's structure, it was decided more time was needed to research the rules which will govern the exchange and allow the Registrar of Financial Institutions time to examine the rules before granting a licence for the exchange to become a self-regulatory body in terms of new legislation.

Rees said it was unlikely structures which had been developed and tested, like the clearing system, would be rejected or significantly altered. Development of the infrastructure for the trading floor in the JSE's new annexe would go ahead as planned, while the screen trading and clearing systems would probably be ready and the rule book written by August, he said.

However, assistance of international experts would probably be sought and the budget, modest up to now, would also be reassessed.

Dollar remains at centre stage

(74) BDay 25/5/89

GRETA STEYN
and MERVYN HARRIS

THE dollar was still centre stage on local and foreign markets yesterday as speculation mounted that West Germany and Japan would follow Britain and raise interest rates to protect their currencies.

Any action by international central banks to reverse the dollar's uptrend is crucial for SA, as it would affect gold, the rand, the JSE and possibly local interest rates.

The rand came under renewed pressure as the dollar held above DM2,00 and reached 143 yen yesterday. The local currency ended the day at R2,7893 after reaching R2,79 earlier.

So far, the only action on the interest rate front has come from the Bank of England, which raised its money market lending rate by one percentage point to 14%. This puts upward pressure on SA interest rates, because higher real interest rates in London could discourage the use of foreign trade credit.

Reuters reported British Chancellor Nigel Lawson as saying he saw no reason to expect another rise in base rates following yesterday's increase.

He said yesterday's rise showed government's resolve to fight inflation was "total and absolute".

However, dealers are worried a higher than expected trade deficit figure could set the pound tumbling once again and force yet another interest rate hike.

Several dealers said the Bank of Japan's determined intervention finally began to have an impact. If it raises its official discount rate after the release of Friday's consumer prices for April, the Bundesbank may follow at next week's council meeting.

UBS economist Hans Falkena said the hike in UK interest rates was more worrying than the drop in the gold price.

Anglo American's Aubrey Dickman said an uptick in UK interest rates did not necessarily mean SA rates would have to rise.

"The economy is slowing down and it might not be necessary to raise Bank rate to protect the reserves. Developments on foreign markets must be seen in the context of the domestic economy."

Calm

The SA money market has calmed after interest rate fears emerged earlier this week. The BA rate receded to 17,50% from 17,60% after strong signals from the monetary authorities that no hike in Bank rate was necessary.

The JSE, too, was calm after hectic selloffs earlier this week. The weaker finrand cushioned the effect of a softer gold price for currency-linked stocks on the JSE. Industrial shares shrugged aside softer precious metal prices to maintain their recovery from Monday's sell-off.

Gold was fixed $3 lower in London yesterday afternoon at $361,50, while platinum fell to new eight-month lows of $484 after testing $550 at the end of April.

Business not confident, says Assocom

THE business mood had deteriorated during the past few weeks and had brought into question the ability of the authorities correctly to interpret the economic signals and act timeously, Assocom said yesterday.

Pointing out that businessmen viewed the official announcement of the May 5 economic package with incredulity, Assocom said the announcement, coming a mere six weeks after the Budget, provided an unwelcome shock. It felt that if more restraint had been applied earlier, such measures would have made the business community more receptive to the adjustment now required.

On policy issues, Assocom said the urgency for government to bring its expenditure under control had never been greater. In the eyes of the private sector, credibility on that score was totally absent.

It saw the proposition that higher taxes were to be regarded as a policy for curbing excessive demand as addressing only part of the equation. Although it was an acceptable objective to reduce the deficit before borrowing along the lines proposed by government, the attainment of that objective through over-taxation was unacceptable.

With regard to revenue, no provision apppeared in government's Budget receipts for the sale of state-owned assets. It was, therefore, assumed the promise to use privatisation proceeds for the redemption of government debt still stood.

Assocom said although the ravages of inflation on savings were apparent, the fact that interest rates must at all times be positive in relation to inflation seemed to be unpalatable to political interests. The May economic package discriminatory interest rates would bring about distortions which would be difficult to correct.

The recently announced 10% compulsory loan levy would create serious cash flow problems and there was a need for effective consultation between the authorities and the private sector before adopting such measures.

□ KAY TURVEY reports that Assocom CE Raymond Parsons said a soft landing for the economy was still possible.

He said more restrictive measures were not necessary or desirable providing there were no more "external shocks", existing "imperfect" measures were adhered to and enough was done to contain government spending.

The recent low gold price and the drop in the value of the rand was no cause for panic. The situation was "uncomfortable but not fatal" to the economy as there were signs a downswing had begun. A process of adjustment was under way and existing measures would have to be given a chance to work..

The latest Assocom business confidence index, to be released next week, would show confidence had declined.

Parsons said a lower gold price and the consequent depreciation of the rand had contributed to that, although there was also a negative perception of the way in which the economic upswing during the past year had been handled, in spite of clear warnings from the private sector.

The failure to take timeous action had left the economy more vulnerable to external fluctuations than would otherwise have been the case.

If the balance of payments situation had been addressed months ago, SA could have been in a far stronger position to handle foreign debt negotiations. — Sapa.

Secunda plant is on schedule

B/Day 25/5/87 (74)

KOOS BRAND

ANNUAL forex savings estimated at R200m are forecast when the world's only large-scale polypropylene factory producing from a coal-based feedstock comes on stream at Secunda next year.

Sasol Polymers MD Koos Brand says the erection of a giant, 104m-high propylene splitter tower four weeks ago, confirmed progress was right on schedule.

Designed and built by Lurgi of Germany, the R490m project is Sasol's largest since Sasol Three.

It will produce 120 000t of polypropylene a year, which is considerably more than the projected local market requirements. The surplus will be exported.

Sasol's decision to construct a world-size plant with annual capacity greater than local needs, was also motivated by the demands of the international polypropylene market — growing at 10% or more every year, says Brand.

As import control was abolished in 1986, production from the new plant will be fully exposed to international competition.

Feedstock will come from a Sasol Two stream, which is being converted to fuels.

However, fuel output will not be affected as recovery is conducted in a section of the fuel synthesis plant presently operating above rated capacity.

Any input tapped from the synthesis stream can be made up with feedstock from other areas.

"We will be in control of our raw materials to a very large extent, and this has given us a lot of faith in the future of the project."

Polyproylene has a wide range of applications. Once the Secunda plant is operational, local downstream manufacturers will have a choice of materials.

The polypropylene range includes homopolymer, black — or "impact" — polyproylene and "random co-polymer".

(74) (6)

Clashes over bank officials who bought SA company

B Day 25/7/84

MICHAEL HARTNACK

HARARE — There has been a bitter parliamentary row here over three prominent black bank officials who formed a consortium to buy out an SA-owned company at a staggering 73% discount, with the help of the Zimbabwean Reserve Bank.

The three officials allegedly exploited inside knowledge to obtain the SA Kohler Group's Zimbabwean subsidiary, Flexible Packaging, with assets worth R59m, for a bargain basement R16m.

Backbencher Byron Hove, who raised the deal at question time in the House of Assembly, complaining of breached business ethics, was accused by long-standing foe Herbert Ushewokunze of acting as a front man for capitalist business interests.

Hove said he was speaking for the workers of Flexible Packaging, who had hoped to acquire 25% of the shareholding when the SA parent company disinvested.

Two of the oficials were employed by the Merchant Bank of Zimbabwe — which provided a R16m loan to them to finance the takeover — while the third member of the consortium is still employed by the Zimbabwean subsidiary of Barclays Bank.

Complied

Senior Finance Minister Bernard Chidzero refused to comment on the ethics of the deal, which Hove said violated modern business practice debarring "insider trading".

Chidzero said the deal complied with government policy on obtaining control of business interests by Zimbabwe's "majority" race group.

As a result of selling to an "approved" buyer at a 73% discount, the Kohler Group was allowed to remit its R16m from the country in three "tranches", over an 18-month period.

Only businessmen who sell their interests to the Zimbabwean government, para-statal bodies, local authorities or "approved" Zimbabwean buyers are allowed to remit the proceeds abroad by the Zimbabwean Reserve Bank.

Banking sources here say "discounts" of up to 90% on asset value are invariably insisted upon under new disinvestment rules.

S/Times 28/5/84 (74)

Business Times Reporter

Strong muti to cure SA's financial ills

THE only way out of South Africa's financial mire is through a strong dose of monetary and fiscal discipline.

Pretoria University academics have made an urgent call for discretionary policy measures to be replaced by defined policy norms. This would cause the right climate to enable the private sector to undertake meaningful long-term planning.

"These norms should include rules which would make any departure from them very difficult," says Senbank's Focus on Key Economic Issues.

Precise

The analysis, compiled by Tukkies' Department of Economics, says that although more research is needed to establish precise norms and rules, general principles can be suggested.

"A small and balanced Budget would be necesary to curtail excessive Government expenditure and to reduce the tax burden on the private sector.

"Fiscal policy should moreöver have attainable, clear-cut and known long-term objectives.

"Monetary discipline may be sought in the direction of strictly limited monetary growth targets and even some form of privatisation of money."

The survey says SA's monetary and fiscal policy has contributed to economic instability and even a declining long-term growth performance.

Government participation in economic activity is unavoidable, even in a market economy. "However, the economic activities of the Government, especially its policies, should support and not disrupt the activities of the private sector.

"In the final analysis, policy should encourage the private sector to take, rather than avoid, risks."

The survey says the definitions of fiscal and monetary discipline set out by the authorities are vague and have changed.

A common feature of fiscal policy up to 1981 was the emphasis it placed on a balanced Budget over the longer term.

"However, since then this goal has been replaced by the objective of maintaining a limited deficit before borrowing. In recent years this aim has been even more explicitly defined, for example, when the Government committed itself to strive for a deficit not exceeding 3% of the gross domestic product.

Device

"Furthermore, it seems as if fiscal policy has recently lost some of its importance as an anti-cyclical instrument, which had been the case until the mid-seventies.

"More emphasis is now being placed on the Budget as a device to address structural changes in the economy."

In the 1960s and 1970s monetary policy was mainly pursued by direct control measures in an attempt to achieve monetary stability.

But since the beginning of this decade there has been a marked shift towards a more market-oriented approach.

This is shown by the fact that interest rates and the exchange rate vary in accordance with changing market forces, albeit within discretionary limits.

Concern has been expressed about the Budget deficit, which has increased from about 2% in 1980 to more than 5% in 1987. But the academics say that this is not the most serious of SA's fiscal problems.

The real problem lies with public expenditure, which went badly astray after 1981.

All forms of public expenditure increased in relation to the gross domestic product, contrary to expressed policy aims.

"Even more alarming has been the continuous increase in current Government expenditure and its counterpart, the continuous decrease in Government capital expenditure, both expressed as percentages of the total expenditure by central Government. This has a harmful effect on inflation and long-term growth."

The survey says one of the major negative fiscal developments has been the recent performance of general Government savings, which performed well until 1981.

The proportion of current State revenue used to finance capital expenditure has declined with "alarming rapidity" since then.

"It seems that the Government simply cannot raise enough current revenue to meet its commitments, to the extent that it has to raise loans to an increasing extent.

Violation

"The tax burden, especially on individuals, increases all the time as more and more current revenue is sought to cover the ever-increasing State expenditure.

"This has very harmful effect on investment and long-term growth as personal savings are increasingly used to pay taxes instead of being channelled into investment

"These potential savings are then used by the Government for current rather than capital expenditure."

The undisciplined situation in monetary and fiscal policy culminated in the simultaneous violation of several relevant norms in the second half of 1983 and early in 1984.

Goals

The rise in domestic interest rates and low and falling rates abroad led the private and public sectors to borrow more abroad, setting in motion the forces that culminated in the debt crisis of 1985.

Monetary policy aimed at price stability has caused uncertainty and undermined aggregate supply by negatively affecting savings, investment, durable consumption and "especially the willingness to take business risks".

The survey says: "Fiscal policy has not succeeded in reaching its long-term goals, but competes with the private sector for avaliable savings and labour, mainly for current expenditure and to the neglect of social infrastructure and other capital formation."

Business confidence goes into a decline

(74)

STAR 20/5/89

Finance Staff

Business confidence is declining rapidly in the wake of the fall in the gold price and the rand and the pessimistic outlook on the economy in months to come.

Assocom's Business Confidence Index fell by almost one percentage point in May in what the association describes as a reaction to the more tangible evidence that a downswing has started.

Consumer durables, in particular — cars, furniture, jewellery and white goods — are already showing declining trends.

Some sectors such as exports, however, should gain to some extent from the weakness of the rand.

Among the factors identified by Assocom as contributing to the deterioration in the business mood, are the recent sharp decline in the gold price, the constant depreciation in the rand-dollar exchange rate and the negative perception of the way in which the economy has been handled over the past year.

Another negative factor is the increasing tendency of the authorities to change the rules of the game — in the sphere of tax, for example — often with retrospective effect.

Assocom says, however, that this does not man that business confidence will continue to decline in the months ahead.

It depends upon whether any further external shocks emerge and how the economy is handled.

Although economic and business conditions are becoming more difficult, a soft landing for the economy later in the year is still possible, but the margin of error remains small, Assocom says.

The association says the persistently high level of government spending is emerging as a major element of low business confidence.

Although the Government has recognised the problem, Assocom says it still seems unable to exercise effective control over its spending.

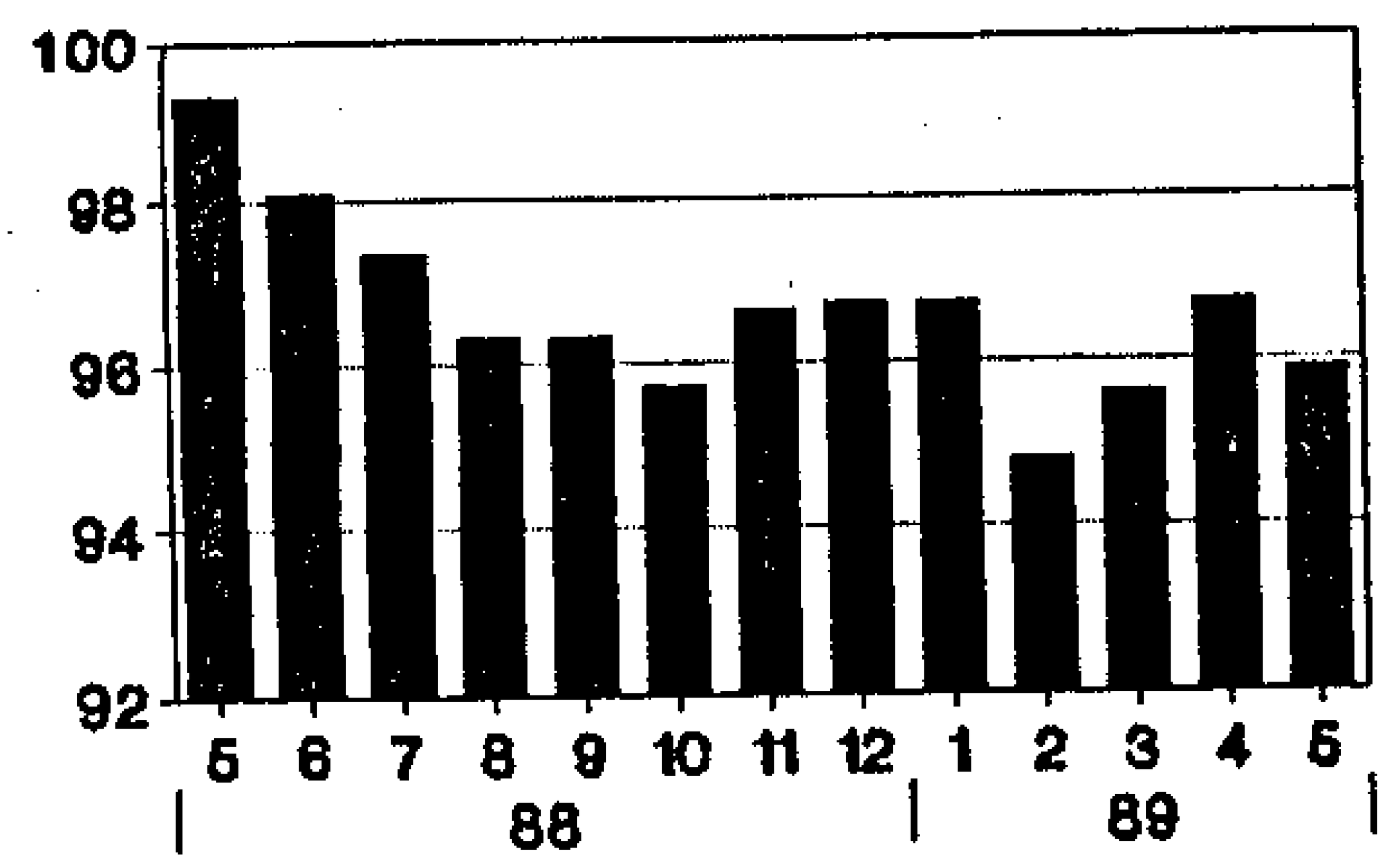
Unless fiscal policy plays its rightful role in a stabilisation policy, a disproportionate share of the burden of adjustment will be borne by the private sector, Assocom warns.

In the wake of continuing overspending by the public sector, the Federated Chamber of Industries (FCI) said yesterday it would undertake a detailed study of South Africa's public finances.

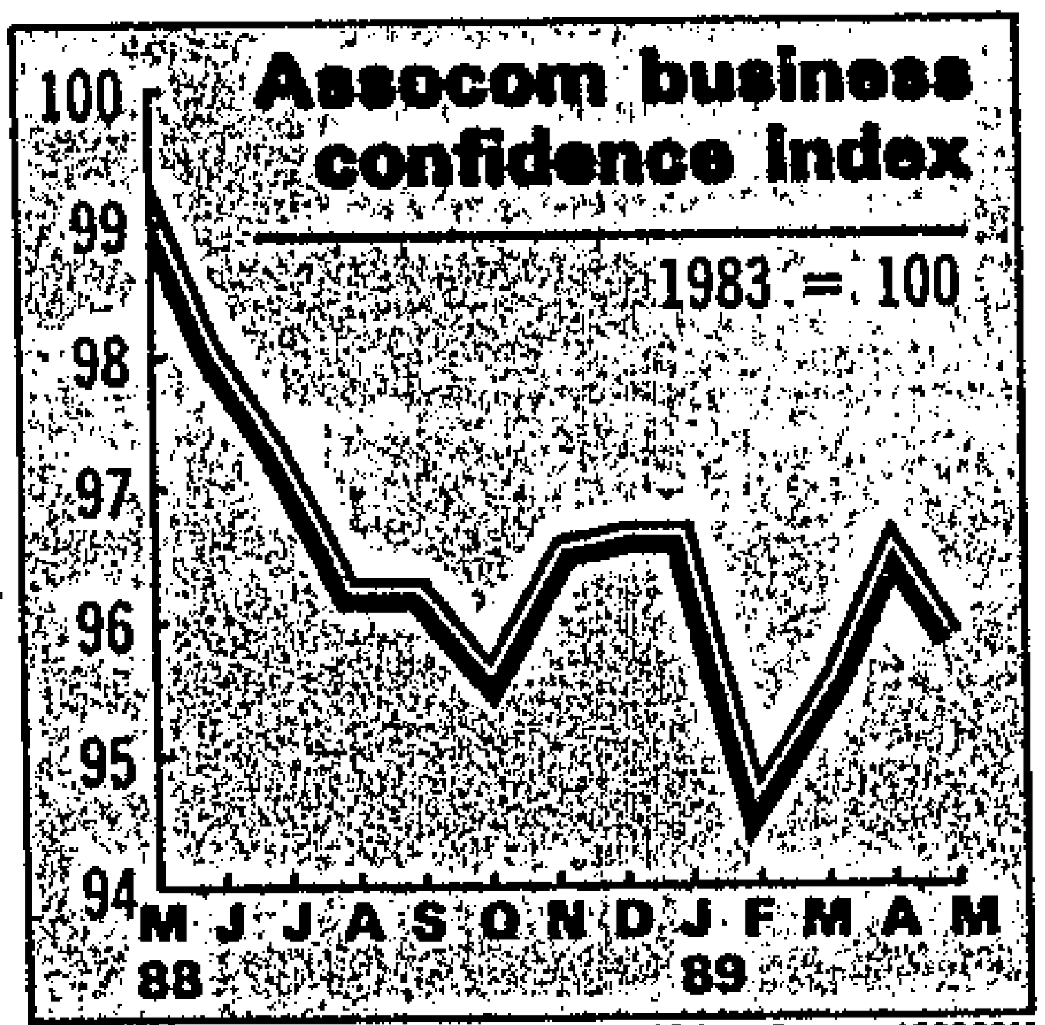
The FCI said emphasis would be on government expenditure, which is accepted as being one of the root causes of inflation.

The study will also focus on proper managment processes in Government.

The FCI said: "The purpose of the study will not be merely to point out deficiencies in regard to the public finances, but rather to use the factual evidence obtained to arrive at logical suggestions for a sound normative framework for public finances in South Africa."



Assocom's Business Confidence Index (1983 — 100)



Graphic: FIONA KRISCH Source: ASSOCOM

BDay 30/5/89

Business mood is deteriorating

SYLVIA DU PLESSIS

A NEGATIVE perception of the way the economy has been handled over the past year contributed to the recent deterioration in the business mood, Assocom said yesterday.

Its business confidence index (BCI) fell nearly one percentage point this month to 95,9 from 96,7 in April.

A lack of "timeous action", in spite of warnings from the private sector that early moves were needed to keep the economic upswing under control, led to a situation in which sterner steps became inevitable.

The failure to act had left the economy vulnerable to external fluctuations to a far greater extent than would otherwise have been the case.

The recent sharp decline in the gold price and the consequent depreciation of the rand against the dollar were also major contributors to the worsening in business sentiment.

A disturbing factor was the persistently high level of government spending.

"Although the government has recognised the problem, it still appears unable to exercise effective control over state spending," Assocom said.

While there was now more tangible evidence that an economic downswing had started, business confidence would not necessarily continue to fall in the months

☐ To Page 2

Business mood

☐ From Page 1

ahead. Perceptions depended on whether any further external shocks emerged and how the economy was handled.

"Although economic and business conditions are becoming more difficult, a 'soft landing' for the economy later in the year is still possible. But the margin for error remains small, given the constraints facing the economy," said Assocom.

Negative factors affecting the May BCI were the decline in the dollar price of gold in London and the rand/dollar exchange rate, the drop in the JSE overall share index and the rising rate of inflation.

In addition, interest rates increased, exports decreased, the number of new cars sold declined and expected retail sales, in real terms and seasonally-adjusted, declined, while the value of building plans passed (in real terms) and the volume of manufacturing production fell slightly.

Positive developments were the increase in merchandise imports, a slight decline in the number of insolvencies, a small rise in the number of new companies registered and improved total migration figures.

(74) mail 2/6/89

TEXTILES & CLOTHING (74)

Collaring the BTI

The truce is over. After a month of muted reaction, the clothing industry is turning up the volume on criticisms of the Board of Trade and Industry (BTI) report on clothing and textiles (*Business* April 21).

BTI deputy chairman Helgaard Muller, who is overseeing implementation of the report's recommendations, has come under fire at meetings of all three affiliates of the National Clothing Federation (NCF) — the Natal, Transvaal and Cape Clothing Manufacturers' Associations.

Most vociferous critic is NCF vice-president and A M Moolla chairman Sadek Vahed, who complains the report makes no concessions to manufacturers serving the bottom end of the market.

He claims the ex-factory price of his girls' polyester school skirts will increase by 33,4% from R6,80 to R9,07, thanks to a 450% increase in duty on certain woven polyester fabrics.

Boys' long-sleeved cotton shirts will increase by 31,2% from R8,80 to R11,55, thanks to a 374,5% increase in duty. In place of a flat 20% across-the-board duty, there is now a formula duty to keep out "dumped" fabrics. There is also a 10% surcharge.

Says Vahed: "People may buy the same rand value of clothes but are going to reduce the number of units they buy, which will reduce throughput in the factory."

But, if formula duties are responsible for pushing up prices, their absence should help keep them down. That's the theory.

Manufacturers are hardly guilt-free when it comes to the price issue. The 1986 suspension of formula duties in favour of a flat rate should have brought down garment prices. It didn't.

Notes Frame Group chairman Mervyn King: "The clothing industry had an opportunity to produce cheaper clothing but it never happened."

The clothing industry is also disappointed at the scale of export incentives, which, in any case, have been postponed until April 1990.

NCF president Terence Kinnear regrets that clothing companies have to export at least 2,5% of turnover before qualifying for export incentives. This 2,5% must either be made from local cloth or imported cloth with the duty fully paid.

Says Kinnear: "They should be given at least three years to build up their markets. The fall of the rand may make our goods more competitive to the outside world but it also increases the cost of our inputs, especially imported finishing chemicals."

Edgars retail services director Frank Wells is disappointed at the absence of incentives to add value to imported cloth, but is confident there is a market for SA clothing. In a dig at textile producers, he notes: "The quality of the make-up of our garments is way above that in most other countries. Unfortunately, the quality of local cloth isn't so high."

Wells says the European Community will provide the best market, although it will be a

(74) Fmail 2/6/89.

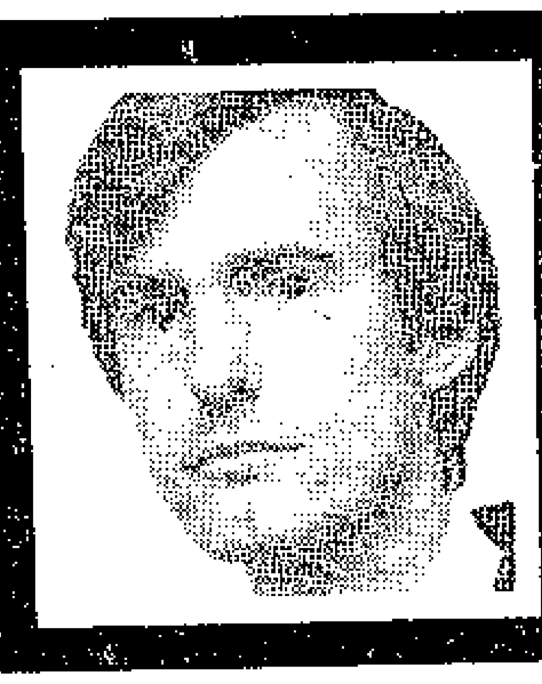
quality niche market rather than a volume market. Edgars' manufacturing arm, Celrose, is exporting men's shirts and trousers and women's skirts and blouses to Europe. Another company, Rex Trueform, has exported men's suits to Europe for many years. ■

Brighter side of the dollar-gold equation

S. Times 4/6/89 74

REX

Cees Bruggemans reviews the local and world scene



A PLUNGING gold price is not that at all.

It is the dollar that has been revalued against almost everything else.

Although Americans are better off than the rest of the world, the net effect on some other countries has been positive as well.

The many winners are those nations which primarily export commodities to dollar markets while buying their imports from non-dollar regions, such as Europe and the Far East.

South Africa's export bliss on account of the dollar must be qualified.

SERENE

The price of gold in non-dollar terms, such as the mark, yen and pound, has remained serenely stable in recent months, but its dollar price plunged as the US unit strengthened against all currencies.

However, the remaining two-thirds of our exports, such as diamonds, coal, platinum, base metals, paper, iron and steel and bulk chemicals, by and large continue to fetch the same dollar prices as before. Their export earnings have therefore gone up in non-dollar terms.

In contrast, our imports are to a limited extent from dollar markets — oil, for instance — and in far greater measure from European or Asian nations.

In terms of a simple calculation, the increased cost of the third of our imports coming from dollar regions is compensated for by the third of our exports earned in dollar markets.

The unchanged value of gold exports in non-dollar terms can be offset against a third of imports coming from non-dollar markets.

That leaves a third of exports earned in dollar markets having gained a benefit from the dollar's rise compared with the remaining third of imports being bought in non-dollar markets.

On balance, therefore, our trading position has gained slightly by the dollar's rise even though the dollar price of gold has been knocked.

Our foreign debt does not really change much because two-thirds of it is dollar-denominated, nicely corresponding with the non-gold portion of our exports that have not suffered because of the dollar's rise.

As such, our foreign debt exposure has been insulated against any dollar strength.

However, one should not stop at the balance of payments.

This currency shift also has implications for the domestic economy. There are at present distinct areas in the economy experiencing a slowdown. They are receiving full attention. But there is little focus on the areas that are still winning.

If we take the building industry as being most interest-rate sensitive, and consumer durables, such as furniture, domestic appliances and luxury electrical goods, as being most sensitive to hire-purchase requirements and property market conditions, then we have isolated the larger part of the slowing sectors.

INSULATED

We may add new cars as having plateaued.

These sectors, with everything that goes into them, represent 11% of gross domestic product according to the national accounts for 1988: 5,5% for residential and non-residential building activity and another 5,5% for all consumer durable goods.

However, these pressured sectors of GDP must be contrasted with the ones that are still enjoying exceptional stimulus.

When one allows half of mining to be non-gold and representing 6% of GDP, we have a sector whose output goes mainly abroad — except for the greater part of coal production.

This sector is enjoying buoyant sales conditions in volume terms.

It has now raked up a 25% increase in its rand prices compared with a year ago, purely because of exchange-rate changes. If the dollar were to strengthen further, an even greater rand bonanza awaits these exporters.

This must be seen in addition to actual dollar price increases still being enjoyed by most of those commodities.

FARMING

Another gainer is agriculture, whose 5% contribution to GDP this year also stands to gain much because of recent favourable climatic conditions.

In the remaining 80% of the economy, of which public and private services comprise more than 50%, sectoral analysis can identify more winners and losers.

Some destocking is going on in the distribution pipeline of most manufacturers, wholesalers and retailers.

However, such destocking is not huge and will not last, even while final demand in most of these sectors continues strongly, especially when connected with basic consumer spending on semi-durables and non-durables.

Gold-mining output continues, but cost cutting is under way in terms of the profit squeeze experienced by the mines and which is having a feedback to their supply industries.

For the overall economy to flatten out, it will be necessary for such final demand on the part of consumers, and company spending on fixed investment to peter out.

For that to happen, Government spending must slow down, seasonally adjusted, corporate fixed investment spending must go into reverse and consumers must get a sufficient fright from an easing job market, increasing bankruptcies and insolvencies, and lower wage settlements to tighten their belts.

BUOYANT

The assumption can be made that as the leading sectors ease, so they start undermining the forward momentum in the sectors that are still buoyant.

That at least has been the intention of the policy action seen so far, aimed at causing a "headwind" counter to the economy's general forward drive.

To be successful in forcing the economy to a standstill, the so-called soft landing, or to even dip it lightly into recession, it is necessary for these recessionary forces to get the upper hand.

However, we may underestimate the stimulative strength still forthcoming from non-gold mining and agriculture, Government spending and industrial fixed investment, and then the consumer's position generally.

HEADY

Although the economy is no longer accelerating at its heady 1988 pace, it is the extent of any deceleration currently under way that is proving so difficult to pin down.

The authorities hope to reduce the pace of an annualised 6% growth in total domestic spending in the first quarter to 1% for the year as a whole.

Given the still considerable growth forces on the loose, it will take more brakes to get there.

ARGUS 5/6/89

Black states fail to weaken trade links

Argus Africa News Service

LUSAKA. — The nine member countries of the Southern Africa Development Conference (SADCC) have not managed to reduce the share of their overseas trade going through South Africa, it has been disclosed here.

A report compiled by the SADCC secretariat said there had been no change in the amount of trade going through South Africa when compared to 1981 when the organisation was formed.

"The share of the region's overseas trade going through South African ports is at 21 percent, the same as in 1981," the report said.

"One of the regional organisation's goals of reducing dependence on South Africa, still remains to be achieved."

Of the nine SADCC countries six are landlocked and have an average of 45 percent overseas trade share passing through South Africa.

The report said that in many cases the transport infrastructures of some of the SADCC members had deteriorated because of sabotage and the low level of upkeep and maintenance.

It added, however, that the efforts of the past few years in reshaping the surface transport patterns in the region would begin to pay off in the short to medium terms.

The report noted that regional traffic through Dar es Salaam had increased from 1,6 million tons in 1986 to two million tons in 1987.

74

Denard has high hopes for future of Comores

OWN CORRESPONDENT

DURBAN — Colonel Bob Denard refuses to discuss his past. The man who now holds the position of adviser to the president insisted he would answer only questions regarding the future of the Comores, his adopted home for the past 15 years.

Through an interpreter, Colonel Denard said he had lived in the Comores for 15 years and it was now the "the great love of his life". His dream was to make the islands the "Switzerland of the Indian Ocean." South African aid was vital to achieve this, he said.

Consisting of four islands, Grande Comore, Anjouan, Moheli and Mayotte (still governed by France), the Comores has only just emerged from the 19th century. An extremely poor country, it has very little which can be sold on international markets — only spices, vanilla and ylang-ylang. The fishing is seasonal and not plentiful enough to warrant industrial fishing, according to Colonel Denard. This meant that tourism was the country's last hope for a stable economy, he said.

He said South Africa had invested more than R5 million a year in the islands and that more than R60 million had been spent on building two hotels. Understandably, France was not very happy about this, but he felt a balance had been achieved by the Comores spending nearly R8 million a year on imports from South Africa.

Arabic countries were also being encouraged to invest in the islands, especially Oman. Japan was to finance an earth station and the European Economic Community was to build a new harbour at Moroni, he added.

He did not feel that South Africa's image was too much of a problem, but stressed that both he and President Ahmed Abdallah Abderemane deplored apartheid. The Comores was a small country and realised it needed South Africa.

Furthermore, with a birth rate of 3,5 percent, one of the highest in the world, and with 60 percent of the population under the age of 25, tourism was going to provide a tremendous boost in terms of employment.

Lawrence of Arabia

South Africa currently has a trade representative on the islands, but Colonel Denard was hopeful this position would soon be granted consulate status. Denying a claim that the former representative, Mr Roger Harding, had been recalled because of a personality clash, Colonel Denard described him as a "Lawrence of Arabia of the Comores". He believed Mr Harding to be "a bit young" and said that he had made mistakes through his lack of respect for the traditions of the country.

Of the people of the Comores, Colonel Denard said they were intensely religious. In fact, the island had been called "the country of the thousand mosques".

He claimed there was no crime on the island: "If you steal to eat they don't call that theft." In the 15 years he had lived on the island he had seen only three murders.

The Comores had a matriarchal society: it was the women who owned the houses. On their marriage the husband would move in with his wife. This was partly because of a tradition which existed where, on the birth of a daughter, the husband would begin to build a house for her. This was why so many half-built houses could be seen on the island — the father had 16 years in which to complete his daughter's house. He also often ran out of money. The daughter could not get married without this house.

Men were allowed to have four wives and three concubines, a tradition the colonel has adopted. He has had six wives - Moroccan, Italian, Mauritian, Swiss, Zairean and Comoran.

Many of the younger generation left after school to train and work in Europe, he said.

On the islands themselves money had very little value as most people preferred to barter.

There was no national service, but men could volunteer to serve three years in the presidential guard. During this time the men would be trained in various professions with many of them having to learn to read and write first. Officers were trained in France and there were also French officers on the island as advisErs.

The presidential guard was not just involved in military duties, but also humanitarian and economic duties: "If we were only sword-carriers we would not be accepted by the people," Colonel Denard said.

A soldier of fortune, Colonel Denard, the 60-year-old Frenchman who has been described variously as "The Wolf of the Indian Ocean", a mercenary and a military adviser, has led a varied and colourful life.

A veteran of many battlegrounds — Indo-China, Katanga (Congo), Yemen, Libya, Kurdistan and Chad — he has been involved in two coups in the Comores. He first deposed the country's long-standing leader, Ahmed Abdallah, in 1975, shortly after he had declared unilateral independence from France. Then in 1978 he put Abdallah back in power.

Political observers have criticised Denard and his colleagues in the presidential guard for their attempts to cast themselves in the role of monopolising middlemen while locals complain that President Abdallah and his top aides monopolise agricultural marketing and that they are busy milking the economy.

Colonel Denard is also alleged to have been influential in developing the islands' trade with South Africa. Although he claims to have many friends in South Africa, he has denied owning a house in this country.

Former mercenary Colonel Bob Denard — veteran of the Congo campaign and one of the leaders of the Comoran coup — has broken his 10-year, self-imposed silence by staging a press conference for a small group of journalists.

Colonel Bob Denard . . . says that he hopes to turn the Comores into the "Switzerland of the Indian Ocean".

Shaky opening forecast for JSE

B|Day 12/6/89.

Gold plunges in stampede for dollars

74

LIZ ROUSE

AN INTERNATIONAL stampede into the US dollar and US bond market sank gold and platinum in chaotic currency and bullion markets on Friday.

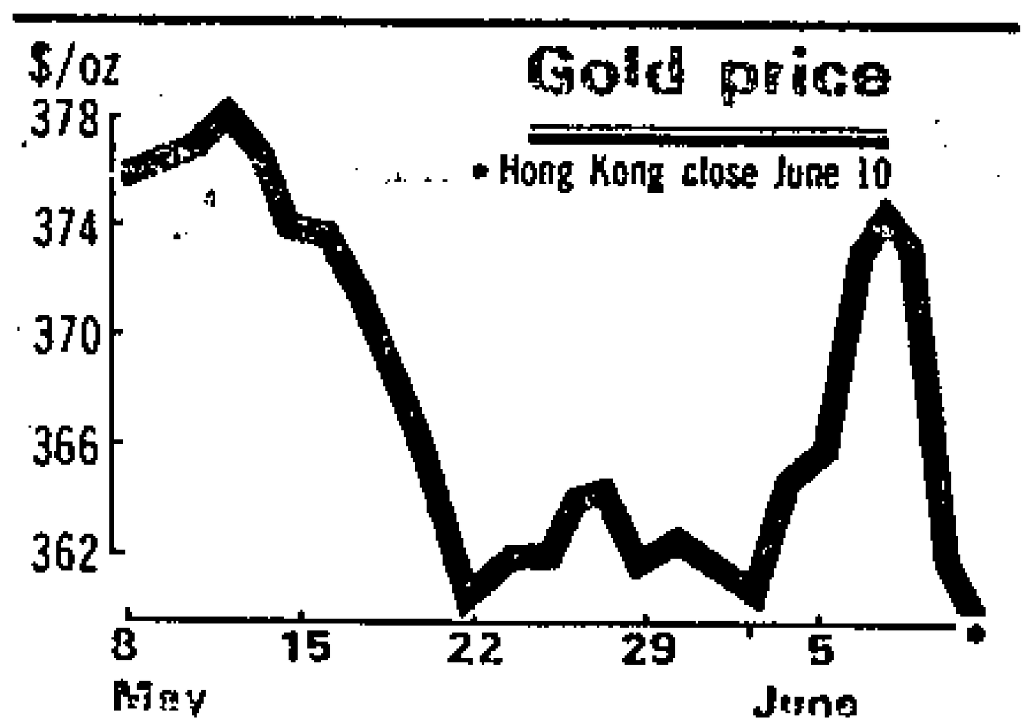
SA's short-lived euphoria after the gold price surge on Wednesday last week, which sent gold leaders and marginals climbing, turned into dismay on Friday afternoon when gold sank below $370 to $368,25 at the London afternoon fix.

But the JSE closed before gold plunged $15 to $357 in New York on Friday as the dollar soared, depressing key West German currency above the DM2 level again.

Platinum, with its huge demand potential on the EC adoption of US-style pollution norms for new car models in 1992, recorded a drop of $17,40 to $485,70 for July contracts.

Although the Hong Kong gold price improved slightly to $360,50 on Saturday, general opinion was that the metal faced a battle against a surging dollar this week.

In general, brokers predicted a shaky opening on the JSE gold board today and great volatility in the gold price and gold shares this week as the dollar appeared to be set on its upswing.



Graphic: FIONA KRISCH Source: REUTERS

Gold's decline came as no surprise to seasoned Johannesburg brokers and analysts because of its failure to follow through on last Wednesday's $374 level. Overseas analysts expressed doubt that the metal's surge was caused by turmoil in China.

In fact the Far East, Japan in particular, opted for US securities and bullion operators promptly cashed in their profits after the brief gold surge.

A leading Johannesburg broker said the metal could fall back to the $340/$320 range, leaving SA's marginal mines exposed to the possibility of closure and bringing the country's balance of payments under pressure.

Prognosis

SA's loss in export earnings was calculated at R2,2bn if gold stayed below $370 for the rest of the year. The possibility of a decline to the $340/$320 range has even more serious implications of recession and higher interest rates.

But continued turmoil in China, where the situation cannot be quantified by Western observers, an ineffective performance by Japan's new prime minister Sosuke Uno, added to the changes in Poland and violence in parts of the USSR — involving a quarter of the world's population — could change the prognosis for gold.

A broker pointed out physical offtake of gold was usually poor between May and August and the metal was being crunched in the jaws of the mighty dollar at the worst time.

B/Day 12/6/89 (74)

Situation in China puts damper on freight market

SHIPPING

CONDITIONS in the major markets have again shown a softening and the situation in China is causing concern in shipping circles. However, some stability seems to be returning and ports such as Shanghai could return to normal working in about a week, Afromar reports.

Meanwhile, time owners are reluctant to commit their vessels to be fixed on voyage basis into China.

As the Chinese control large volumes of cargo, this will have a damping effect on the market in the short term. But assuming conditons will return to normal in the next few weeks, a backlog of cargo could build up and demand could put freight rates under pressure.

Meantime, the Baltic freight index continued to drift lower and at the time of writing was standing at 1 412.

Quiet conditions are being seen in the Atlantic for most sizes. The rate for 52 000 tons of grain from the US Gulf to Japan is at around the $20,50 level, but four cargoes were fixed for forward shipment in this trade at $24,50 a ton over September/December dates.

The SA market is seeing rates at lower levels, although the Cape and panamax sizes are much more pronounced than the handy and liner types which are managing to keep rates at reasonable levels.

The lower levels have been quite pronounced for the larger vessels in the coal trades with around $9 being the rate to move 120 000 tons from Richards Bay to Rotterdam — about 60c lower than obtainable two weeks ago and for a panamax-type vessel a drop of around $2 has been experienced over the same period to $10,25 level.

A fixture was reported for 30 000 tons from Richards Bay to two ports in Italy at $18,75 per ton for June dates which is slightly higher than expected, but there were extenuating circumstances surrounding this fixture.

Maize exports are continuing with cargoes being negotiated mainly to Japan and South Korea with inquiry circulating for July through to September positions. There is also a contract to move about 400 000 tons into Taiwan by January 1990.

A relet cargo of 14 000 tons of sugar in bags was being quoted from Durban to Colombo with charterers indicating a level of $24 a ton.

Rand, gold improve as dollar takes a knock

Star 16/6/89. (74)

By Neil Behrmann

LONDON — Central banks knocked the stuffing out of currency speculators in hectic New York trading.

Such was the panic that the dollar plunged and gold rallied sharply from its lows after surging ahead of the release of the crucial US trade deficit figures.

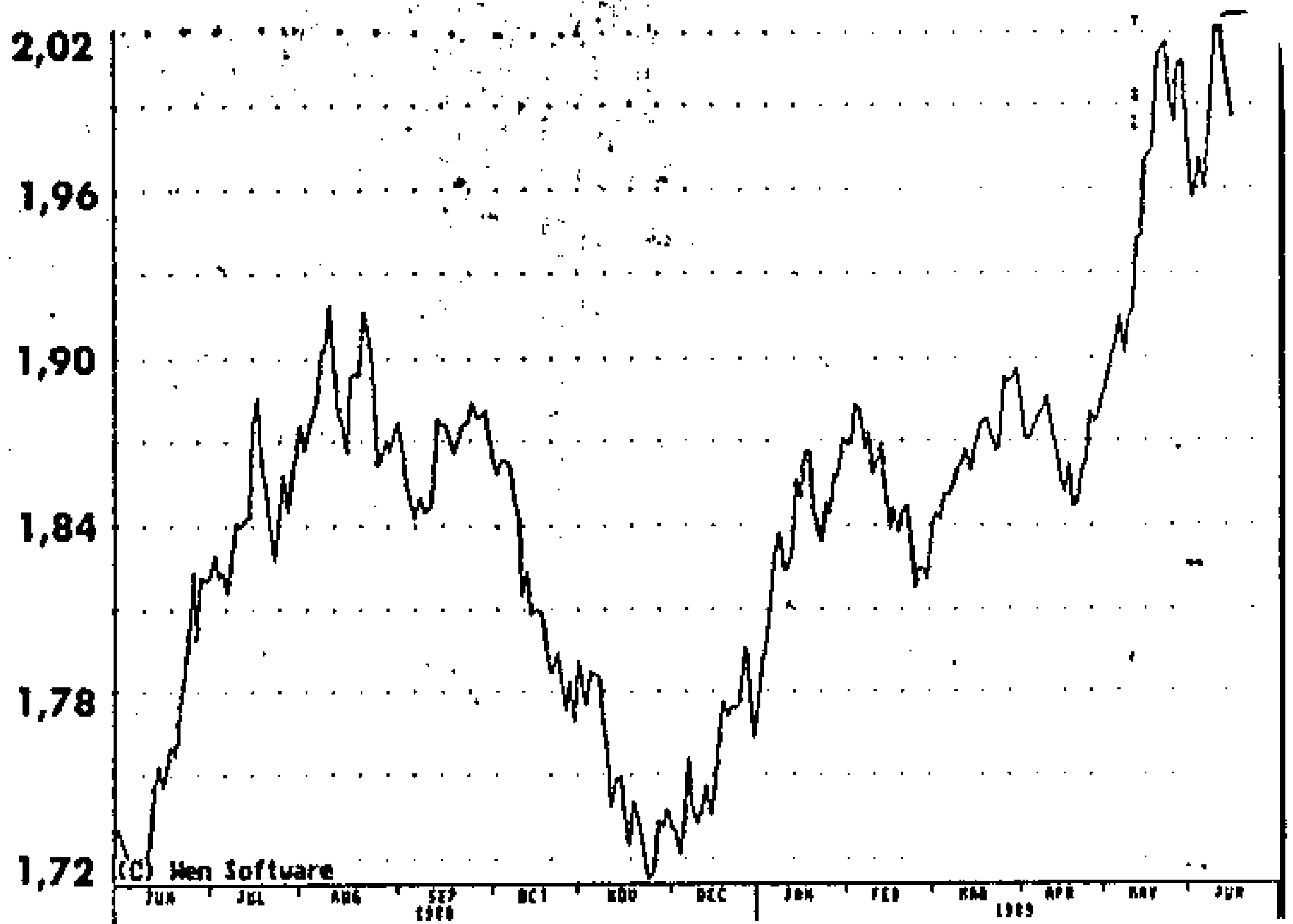
Gold rose two percent to close at $367 in New York and volume on the Comex, the New York futures exchange, doubled while many dealers covered bear positions. Earlier the bullion market tried to push gold below the $355 to $360 range and failed.

The strong trend continued in the Far East today with gold opening $5 up to an opening of $367,16 in Hong Kong.

The rand should also benefit today from the lower dollar, after the US currency plunged some six yen and five pfennigs in New York on heavy intervention by the US Federal Reserve and profit-taking by investors.

The rand initially plunged to a new low of R2,885 to the dollar in morning trading yesterday, but the local currency rallied some strength in afternoon trading, supported by a steady gold price, to close the day slightly firmer at R2,865.

In Tokyo today the dollar opened at 146 yen and Dm 1,993 against 145,80 and Dm 1,985 at Thursday's New York close, but had dropped back to around 145 yen and 1,9885 marks by mid-morning.



$/Dm exchange rate over the last year

Just before the announcement of the US trade deficit figures yesterday the dollar was trading at 30 months highs of 151,80 yen and Dm 2,047.

Following such extreme movements in the currency and precious metals markets, officials and economists alike are hoping that the fashion for dollars is over. Many dollar bulls have been badly burnt.

If the sell off is indeed a climax to the remarkable dollar bull market, a correction could follow in the next few months, reducing pressure for higher interest rates worldwide. Prices of precious metals and other commodities could then recover some of their steep losses. A more stable US currency and a fall in international real interest rates would help avert a steep international economic downturn.

Illustrating the casino mentality of the markets, nervous foreign exchange traders dumped dollars on publication of the best possible news for the currency.

The US trade deficit narrowed to $8,26 billion in April from a revised deficit of $9,54 billion in March. This was way below the double figure monthly deficits that were seen during the past two years.

When the figures were released gold slipped to $360 an ounce and platinum to $473.

But exuberence was soon followed by panic as a nervous currency market began to take profits sold the dollar and moved some assets into precious metals.

Seizing the opportunity, the Federal Reserve Bank of New York, the Bank of England and the Bank of Japan stepped up their sales and drove the currency down further.

Their timing could not have been better. The overwhelming majority of dealers had bought a surfeit of dollars in the hope that the currency would surge sharply after publication of the trade figures.

The market was thus vulnerable to a downturn and this occurred when the dollar rally was all too brief.

After being burnt so badly, few dealers will be keen to take on central banks in a hurry again.

Source: Stock Market Solutions

Slowdown on equity exposure

BDay 19/4/89 (74)

CHRIS CAIRNCROSS

CAPE TOWN — The signals are flying for investors to start reducing their exposure into equities — with the exception of gold counters — and to switch into fixed interest securities, says Frankel, Kruger stockbrokers' technical analyst Tony Henfrey.

His view stems from an over-riding conclusion that the US economy is heading into a major deflationary phase and SA's economy will certainly not be able to remain isolated from its effects.

Henfrey notes that commodity prices are beginning to peak, interest rates in the US appear set to come down, and that there are general expectations of a severe fall-off in corporate profits.

He suggests concern is now mounting within the investment community over the resilience of the industrial market. Dividend yields are poised to decline, signalling that it is time to reduce any exposure in equities.

The exception is gold, where expectations are that the price is to start strengthening in relation to the dollar.

"Gold is again being seen as real money rather than a commodity, and is once again changing its role. If it is capable of going through $390 soon, it is capable of hitting $500 early next year," Henfrey told clients in here last week.

Frankel, Kruger economic consultant Mike Brown notes SA's economy has entered a very delicate phase, facing the prospect of a balance of payments enforced stage of lower growth with the threat of deteriorating terms of trade.

Such circumstances, he says, will make it difficult to effect an improvement in export revenues without generating a major increase in export volumes.

"Unlike the 1985/6 adjustment phases, SA may have to face at least the early stages of the current balance of payments transition phase without the palliatives of rising gold prices and improved terms of trade."

Brown forecasts that aside from the deteriorating terms of trade, rising interest rates locally and internationally will push up the cost of trade financing.

SA's debt repayment commitments, disinvestment and the capital account "haemorrhage" of unrecorded transactions will inhibit the balance of payments affect of a rising surplus working through the domestic economy.

Brown forecasts that merchandise exports should rise by some 22% in real terms during 1989. He suggests nominal export growth will reduce to about 13% next year, due to the weaker growth outlook in the major nations, a less severely declining rand and possibly weaker prices in many commodities.

Bank predicts gloom on SA business front

B/Day 19/6/89 (88) (74)

SYLVIA DU PLESSIS

BUSINESS conditions in most sectors of the economy will worsen in the months ahead through to mid-1990, with declining volumes and accelerating unit production costs in many cases, according to Trust Bank.

In its latest Econovision, the bank says those sectors most dependent on the use of credit and/or foreign exchange will feel the impact of the impending downswing most intensely.

On the consumer side, the durables sector will be worst hit, with sales volumes of passenger cars and other consumer durables already declining.

Sales of basic semi-durable products such as clothing and footwear will stagnate, but volumes will fall in upmarket and imported lines, the bank says.

Consumption of food and household non-durables, and most consumer services should have continued growth at a slower rate.

Christmas retail sales volumes this year will be visibly down on 1988.

The bank foresees a contraction in the volume of transactions and in real price levels from mid-1989 in the residential property market. The manufacturing sector will suffer from inventory reductions, especially on imports.

Domestic manufacturers will be cushioned by favourable export conditions and import replacement opportunities, the bank says.

These opportunities will stem from the recent substantial depreciation in the R/$ rate and predicted further depreciation against all major currencies.

This, coupled with continued international growth, will favour the domestic mining sector and export oriented divisions of agriculture, but high interest rates and the rising costs of fuel, implements and machinery will hurt the entire farming sector.

Business purchases of imported machinery and equipment will show a marked decline in 1990, with import replacement opportunities opening up for some domestic manufacturers.

Casino behaviour costs credibility

BDay 19/6/89. (74)

THE bond market is fast losing credibility — if it has not lost it already by trading practices that produce yields far removed from economic realities.

It is reassuring that the Reserve Bank's awareness of the casino behaviour of the bond market could be leading to negotiations with the Bond Market Association to change the market's somewhat tarnished image and guide it towards being a well-based and very necessary pillar in the country's financial structure.

The behaviour of the market last week illustrates its total unawareness or ignorance of the seriousness of SA's international financial position. The critical declines in the gold and foreign exchange reserves affecting the value of the rand, the unhealthy balance of trade, the unsatisfactory gold price and the foreign debt overhang should send bond rates piercing the 18% level.

But yields dropped from 17,41% to close at 17,23% because of a few dollars' movement in the gold price, which always triggers jobbers to take marginal profits on small moves in yields. — Harold Fridjhon

The dollar bear trap is sprung too soon

S|Times 25/6/89 . (74)

REX

Cees Bruggemans reviews the local and world scene

THE outlook for the dollar is as clear as mud. This is nothing new, but more crucial than ever due to its implications for our capital account and domestic policy decisions.

A continuing strong dollar would maintain the huge capital account drain of recent times and may require a more forceful adjustment of the domestic economy.

In contrast, if the dollar were to peak soon and run down rapidly to 1,8 marks, the rand would temporarily strengthen. It also might unwind some of those capital outflows.

This in turn might provide the authorities with that breather on the balance of payments they are so desperately seeking, and perhaps make it unnecessary to take even harsher policy action to cool things down.

SURPRISING

Not that it is now all only a matter of the capital account.

The customs and excise numbers for the first five months of this year are providing a surprising picture. Export earnings are actually slipping faster than import spending. The import trend appears to be recovering in contrast to the export trend which seems to be seeking lower levels.

It is, of course, understood that the export figures provided by the Department of Customs and Excise do not give the overall picture. Reserve Bank "adjustments" are still required to give the true export trend which may well be slightly better than the one detected in the customs and excise numbers.

Nevertheless, despite a tremendous improvement in base metals and mineral exports, comprising just over a quarter of the exports reported by customs and excise, the overall picture is at best moving sideways.

In contrast, machinery and transport equipment imports, comprising nearly half of the total, continue to increase, albeit at a slowing rate.

This seems to imply that while consumer and intermediate import spending may be easing, capital goods imports are not as yet.

The current account may get some lift during the second half of the year when the full benefit of the agricultural surpluses are reaped, but this may not be enough to engineer a quantum improvement over last year.

Running a current account surplus is not enough if there is a massive haemorrhage occurring on the capital account.

It either requires the capital account drain to be stemmed, or a larger current account surplus to be created by further cooling down the domestic economy.

The third option of further reducing the foreign reserves may no longer be possible since net foreign reserves are now well below \$1-billion.

RECESSION

That brings us back to the dollar. A substantial weakening of the dollar internationally could reverse some of the largely unexplained short-term capital outflows of the past year.

Our A-Team seems to be hoping that the dollar will shortly break a leg, and preferably two. The stakes domestically are rather high. Nobody wants a recession, preferring to maintain at least some forward momentum in the economy, even with the net foreign reserves now once again reduced to ridiculously low levels.

Despite such preferences, the margin for error has been reduced to razor thinness. Unfortunately, the international environment has a habit of wreaking havoc when one least expects it, just as the windfalls usually come as a surprise.

Taking the domestic economy to the brink of foreign reserve affordability is understandable in the hope of something positive turning up, but the international community may not oblige.

Instead, therefore, of the plan coming together as it usually does in the prime time soapies, this national plan could come apart if the international community decides it has other priorities with the dollar.

PRIORITIES

Much is therefore riding on the dollar's behaviour in coming months, and unfortunately this remains as clear as mud, even if there is no shortage of quality opinion.

The case for a strengthening dollar over the next 12 months hinges on the view that the central banks are not quite agreed on their various domestic priorities and international obligations.

Whenever such mild policy disagreement opens the ranks of the central banks, the currency market tends to drive a horse and buggy through the opening gaps. While the central banks do tend to hit back through massive retaliation in the form of direct currency intervention, this may not be enough if the currency market is sufficiently fired up.

This seems to best describe the current situation. The need for high US interest rates, and a consequent high real interest rate differential with the rest of the world, has made dollar investments attractive.

This has been further enhanced by politically-inspired safe haven status for the dollar, and ongoing cyclical (but not structural) improvements in the US twin deficits.

All these factors, together with the stronger dollar they have brought into being, has also influenced investor psychology. Whereas foreigners dashed for the sidelines during 1987, leaving it to the leading central banks to fund the US budget and trade deficit, there was a turnaround in institutional sentiment last year which still seems to be gathering strength.

Foreigners, especially Japanese and Germans, are apparently once more willing to buy US paper.

None of these features looks like reversing soon. For the US Federal Reserve, this year and even early next year is politically the right time to engineer more of a structural improvement in US inflation and trade adjustment in the absence of serious budget deficit cuts.

In turn, international investors appear unwilling to reverse their reading and sentiment on the US position any time soon. The dollar may therefore be some time from peaking.

The contrary view sees the dollar's advance as a flood that has now probably been broken. The central banks, as always when confronted with a rogue market, waited for the bulk of players to be heavily invested in dollars before unleashing a massive bear trap last week.

GROWTH

By bloodying the market this way, presumably sentiment can be reversed as has occurred in the past.

Also, the bear view of the Federal Reserve sees it easing its interest rates fairly soon in order to ensure a soft landing for the US economy. This view therefore focuses more exclusively on growth policy in contrast to the bull view, which expects more strategic management aimed at inflation and the trade imbalance.

Both reflect stabilisation policy, but with an importantly different emphasis.

Dollar bear traps have worked before, especially in December 1987 when the dollar was finally turned at Dm1.57. However, that was at the end of a three-year movement that had started at Dm 3.47.

Intuition suggests that the current dollar bull run is too young, and that the central banks sprung their trap too early.

Nervous investors turn to US dollar

Finance Staff (74)

Financial markets around the world responded to the carnage on the streets of Beijing, led by a flow of investors' money into the US dollar.

The gold price fell by over $2 in Hong Kong today, opening at $366,90, after it had risen by more than $8 yesterday in its initial response to the Beijing shootings.

Investors turned largely to dollars in the face of the turmoil, whereas gold was one of the major beneficiaries of the uncertainty among investors yesterday.

Political turmoil in Iran following the weekend death of Ayatollah Ruhollah Khomeini also encouraged dollar purchases.

The dollar at late morning in Tokyo today changed hands at 142,45 yen, up nearly two yen on yesterday's close.

Star 26/6/89

The surge in the gold price yesterday helped JSE share prices record substantial gains. The all-gold index was up by 55 points to 1445 while the overall index rose by 46 points to 2470.

Hong Kong's main stock indicator responded to the weekend carnage in Beijing by plummeting 581 points (21 percent) yesterday, the biggest single-day fall since the October 1987 crash.

This trend continued at a slightly slower pace in early trading today.

Other stock markets were also easier in the wake of the international turmoil.

Wall Street stocks closed sharply lower, as the Dow Jones industrial average dropped 37,13 points to 2480,70 in moderate trading.

See Page 15.

Economy 'in bad trouble'

Star 29/6/89 (74)

By Trevor Walker

CAPE TOWN — The economy is in a nosedive, business confidence is plummeting and the outlook for the third quarter of 1989 is abysmal, says the Bureau of Economic Research (BER) at Stellenbosch.

But, says director Dr Okkie Stuart, "at the touch of a button the country's major trading partners could switch the economy to boom".

"South Africa has been forced to repay debt on a scale unprecendented in recent Western economic history, yet the mere reversal of current economic policy would see an economic boom of unprecedented proportions," he said yesterday.

The whole sub-continent stood to benefit from a vibrant South African economy that could play a pivotal role in the region, he said.

South Africa had been forced to maintain a solid surplus on its trading balance with its major partners to repay debt.

Yet the metals and minerals that these very same partners required were imported "as usual."

He said the economy was healthy in its fundamentals, but that the trading environment was peculiar.

The bureau had calculated an index to reflect the overall response from businessmen it surveyed.

Based on an index figure of 100, this index was expected to slump to 77 in the third quarter of the year.

The tempo of activity in the manufacturing sector had slowed down in the the second quarter.

Gold in row is 'too old' to bust sanctions

S/Times 22/7/89

74

NIC van OUDTSHOORN
Sydney

SOUTH AFRICAN gold that caused a "sanctions-busting" uproar this week was produced in the '70s — long before Australia imposed bans on bullion from South Africa.

This was revealed yesterday by the company accused of breaking international standards by melting down the SA gold and then restamping it as sourced in Australia.

"The handling of the shipment contravened neither accepted gold refining practice nor the spirit of the Australian Government's trade policy," a spokesman for the Perth mint, Mr Ron Barry, told the Sunday Times.

He denied claims that the mint, which is owned by the West Australian Government, used the SA gold to produce Australia's equivalent of the Krugerrand, the Australian Nugget.

Mr Barry said the mint had bought 40 000 ounces of gold bars, valued at over R42-million, from a Swiss bank which is a member of the London Bullion Market Association.

This was done because the mint temporarily lacked enough gold to meet demands. Mr Barry said the LBMA, which controls the world market in gold, insisted that "a buyer may not stipulate any particular brand when taking delivery".

"Consistent with this, we had no knowledge we would be receiving bars refined in South Africa until they had been freighted to us," he said.

"In any event, although the Rand Refinery remains to this day an accredited LBMA refiner, whose bars are traded around the world, the markings on the bars we received indicated they were manufactured in the '70s."

Mr Barry said the LMBA had no objections to bars being reprocessed by a buyer.

"What is frowned upon is melting bars and restamping them without checking weight and assay because the stamp of an accredited refiner is the guarantee of weight and purity."

This was done by the Perth mint after the SA bars were melted down and restamped.

Short-term outflow fly in the ointment

S|Times 2/7/89 74

REX

Cees Bruggemans reviews the local and world scene

FOR the past 18 months, the economy has been said to be overheating and in need of deflationary policy action. This has been duly implemented.

It is hard to reconcile an overheating economy with a low rate of growth and many underused resources. But the low gold price and onerous foreign debt repayments are offered as explanations for our present pretty pickle.

Last year's economic performance in particular gave rise to fears of overheating. Spending rose by 7% and imports by 22%. The current account of the balance of payments was slightly in deficit in the first quarter while we faced a sizeable foreign debt repayment.

These numbers gave rise to nightmares.

HEALTHY

However, it is not true that the economy has been overheating. There has been neither excessive demand nor a lack of domestic supply. We have not experienced excessive imports or poor export performance.

The numbers regarding the real economy and the current account were actually healthy throughout last year. They will probably remain healthy. Even taking into account foreign debt repayments, there seems little reason for concern.

The only reason things are relatively healthy is that non-gold exports received a large lift last year. International developments may have been unfavourable for gold, but the forces depressing it gave a major boost to traditional non-gold exports. World demand and prices for commodities boomed.

A complementary factor was the rand's depreciation and the way it encouraged exports.

Although the economy went into high gear last year, greatly accelerating domestic spending and especially import growth, it was all paid for by a better export performance, with room to spare after large repayments on foreign debt.

Three things detracted from an excellent performance, virtually drowning the good news and permitting us to hear only the steady drone of bad news.

First, few expected a lift-off in exports even though the import wave was already discernable.

Second, a larger foreign debt repayment was expected than took place.

Third, there was a large outflow of short-term capital, largely unexplained and apparently unconnected with the improving real economy.

In other words, perceptions were poor to start off with. They were reinforced by a perceptible decline in the foreign reserves, which was taken to mean that the economy was living beyond its means. But in a direct visible sense this was not the case.

COMFORTABLE

The current account surplus last year was $1,3 billion — comfortable enough to cover foreign debt repayment of slightly below $1 billion.

This good news, however, was offset by the large decline in the net foreign reserves. Capital outflows other than foreign debt repayments were apparently swamping the overall cash flow by a horrible margin. High growth in domestic spending, high imports, inadequate exports, and high foreign debt repayments were not the problem.

Perceptions about these were negative, but the true culprit was a poorly understood outflow of "other" capital. It was primarily this continuous "other" outflow that gave rise to package after package of policy measures trying to "cool things down" as the net foreign reserves remained locked in its nosedive.

Six months into 1989, the good and bad news have changed little. Exports are holding up for the same reasons as in 1988, in turn covering still-high import. The resulting current account surplus still comfortably accommodates foreign debt repayments.

SWAMPED

But the net foreign reserves apparently continue to plummet, indicating that "other" capital outflows remain huge, swamping the surplus cash on the current account.

Officialy, imports are expected to come off the boil as the economy slows down. But as exports are expected not to do as well, the surplus on current account may not improve much over last year.

If world market conditions were to remain buoyant for longer than expected, the export performance could be stronger than budgeted, helped by the weaker rand. However, imports may not fall much, if at all, if the trend of the first half is anything to go by.

But even if the current account were to be ahead of 1988's surplus, it would not seem to be enough by a long chalk to reverse the nosedive in the net foreign reserves. To this must be added the real problem that next year's foreign debt repayment is likely to be double that of this year, all but absorbing the likely current account surplus.

Since the beginning of last year, therefore, the authorities have faced a problem of short-term capital outflows that have been the main reason for the fall in net foreign reserves. Domestic action has been taken to slow imports and promote exports in an attempt to enlarge the current account surplus.

Although this has worked when the past few quarters are compared with the first quarter of 1988, it is not true on an annualised basis.

In spite of all the policy action, therefore, the authorities have had to accept a rundown in net foreign reserves, forcing the Reserve Bank to increase its foreign borrowings to stabilise the gross foreign reserves at about $2-billion as of October last year.

So what are we to expect over the next 18 months?

The magic word overkill is a good indication of policy intentions. The authorities have little incentive or inclination to kill the domestic economy to enlarge the current account surplus before all other options have been exhausted.

The key option must be to solve the main problem at its source. That means stemming, and reversing the outflow of capital other than foreign debt repayments.

If that were to happen, the domestic economy could be allowed to continue on its course of the past three years, even if the foreign reserves are low and the Reserve Bank intends to eventually withdraw from the forward cover market.

DELICIOUS

The problem with the huge short-term capital outflows is that they are poorly understood. It is hoped that they will reverse as and when the dollar starts falling internationally.

For the time being, it makes sense for the Reserve Bank to keep on arranging bridging finance internationally to finance the short-term capital outflows and to maintain the gross foreign reserves and not to force a further adjustment domestically.

However, there is a limit to bridging finance when the timing of the dollar's demise and presumably the salvation of our capital account is uncertain.

A delicious gamble, if it were not on such a huge scale.

Development Bank finances 152 projects

74

Loans top R1bn mark

BIDay 31/7/89

SYLVIA DU PLESSIS

THE Development Bank of Southern Africa (DBSA) approved loans of more than R1bn in the year to March, its annual report says.

The year also marked DBSA's preparation for the first time to actively raise loans on the local and international capital markets in the current year.

Loans for 152 projects were approved, representing a financial commitment of R1,1bn and bringing the bank's total contribution to projects over its first five years to R3,8bn.

In addition, 561 projects, representing an estimated future commitment of about R3,2bn, were still under consideration at the end of the financial year.

The DBSA supports economic development through loans for projects that advance the development of communities and regions in southern Africa. It also provides advice and support for structural economic reforms, development policy and planning and project research.

Chairman Simon Brand said it had become clear that the services the bank rendered did not consist only of financing individual projects.

The DBSA had been able to use projects it supported as vehicles for the introduction of policy changes which promised to contribute towards a more effective use of resources in furthering the development objectives of its borrowers.

Reforms

Examples of such policy changes were the acceptance of the principle of user charging for services and its step-by-step introduction by participating governments, and an increased emphasis on support for emerging individual initiative instead of large-scale state-supported enterprises in different economic sectors.

The bank had become increasingly involved in giving advice on and support for structural economic reforms, encompassing aspects such as economic development policies and planning, institutional development and the introduction of effective financial and management systems.

Brand said the bank's role in Transkei, Bophutatswana, Venda and Ciskei had been formalised in the Joint Financial Adjustment Programmes introduced for each of them.

Similar advice and support had been provided to the governments of self-governing territories in SA and to emerging local authorities.

"Over tha past five years a clear shift in emphasis has taken place in the overall activities of the bank towards these kinds of services, contributing significantly towards a more favourable environment in which the bank can carry out its support for development projects," he said.

● BRAND

NEI Africa enjoys impressive growth

Star 31/7/89

74

Bottom Line

MICHAEL MENOF

After 10 years on the JSE, NEI Africa can boast an impressive trend: from sales of R65 million in 1978 to R439 million in 1988 — a compound annual growth rate of 21 percent.

Operating income grew from R5,6 million in 1978 to R51 million — a compound annual growth rate of 24,6 percent.

Net worth of R4,75 a share in 1978 now stands at R25,03. This superb trend is due to management's careful strategy aimed at achieving a growth rate in excess of domestic inflation by:

- Searching for suitable acquisitions fitting logically into its role in the energy conversion and distribution fields and certain energy-related specialisation.
- Having an on-going programme of in-house rationalisation.
- A drive to diversify and introduce new technologies into the system, including international knowhow and import substitution.
- Searching for new logical market sectors.
- Improving asset management and the better utilisation of resources, while fine-tuning financial parameters, says chairman L G Abrahamse.

The strategy has worked well since NEI is today a force in the manufacture, supply and maintenance of energy conversion and distribution equipment.

Because of lower load growth projections than originally expected, major client Eskom is not placing additional power plant orders.

To counter this, NEI has strengthened support for its international combustion division with NEI/ICL in the UK and Combustion Engineering of the US's life extension programmes.

Today 20 million South Africans still have no access to electricity, which must give NEI the potential for growth.

The real problem says Mr Abrahamse is that outdated ideology is frustrating SA's potential. Double-digit inflation, the declining rand, the denial of foreign capital and low productivity are rooted primarily in political, not economic, policies.

However, these problems have given impetus to the group's local manufacture and import substitution programmes.

Despite these inhibiting factors, NEI has a satisfactory order book in all companies and again hopes to achieve an acceptable profit improvement.

Sales improved to R438,74 million (R391,63 million), with operating income sharply up at R57,27 million (1987: R45,56 million).

Net financing costs rose to R6,78 million (1987: R4,89 million), which must be due to growth in Bills Payable as debt is less than R6 million.

These are not true financial costs and a substantial part should have been included with cost of sales as an expense. But then a proportion would have been carried with closing stocks.

This would have meant higher taxable income and tax due sooner.

With an effective tax rate of 37,6 percent (1987: 34,2 percent), tax was R18,97 million (1987: R13,9 million). But it had little effect because taxed net income rose to R31,52 million (1987: R26,77 million).

Earnings per share were 527,6c (1987: 450,3c), with dividends upped to R2,11 (1987: R1,80).

Below-the-line extraordinary write-offs of R9,37 million (R5,11 million after tax) were due to the cost of re-organising the pump and valve division and the costs of discontinued franchises.

The mechanical division's contribution to sales declined to 34,9 percent (1987: 38,7 percent), while the diesel division increased its contribution to 39,2 percent (1987: 35,5 percent).

The electrical division's percentage remained unchanged.

Strangely, exports were only 3,1 percent (1987: 2,5 percent) of sales.

Rebuilding of International and Mack heavy trucks has, owing to the high cost of new vehicles, found ready acceptance in the transport industry.

Top marks to the directors for a most informative report.

Shareholders' funds have grown to R149,55 million (1987: R135,1 million). Working capital has improved to R90,3 million (1987: R78,17 million).

Eye-catching is the large cash resource sum of R44,3 million (1987: R45,3 million).

NEI Africa is owned 55,3 percent by NEI Africa Holdings, which, in turn, is owned 53,3 percent by NEI in the UK.

Unlike two annual reports I analysed recently, the controlling UK shareholder is giving its SA invesment all the help it needs.

If all companies had such a well-defined strategy instead of just a mission, shareholders would have no problem.

But then again, not all companies are well run.

(74)

Sugar price prospects rosy

Star 3/7/89

By Neil Behrmann

LONDON — Sugar prices surged to their highest levels in seven years last week as a result of significant purchases by the Soviet Union.

In London October raw sugar prices were trading above $310 a ton, compared with $210 a ton in January. The daily price has also hit record levels of about $350 a ton.

In recent weeks the sugar market has been weak because of fears that China would not be able to buy the commodity.

But sentiment has changed and brokers expect the Chinese regime to be heavy buyers ahead of October when it will be celebrating forty years of Communist revolution.

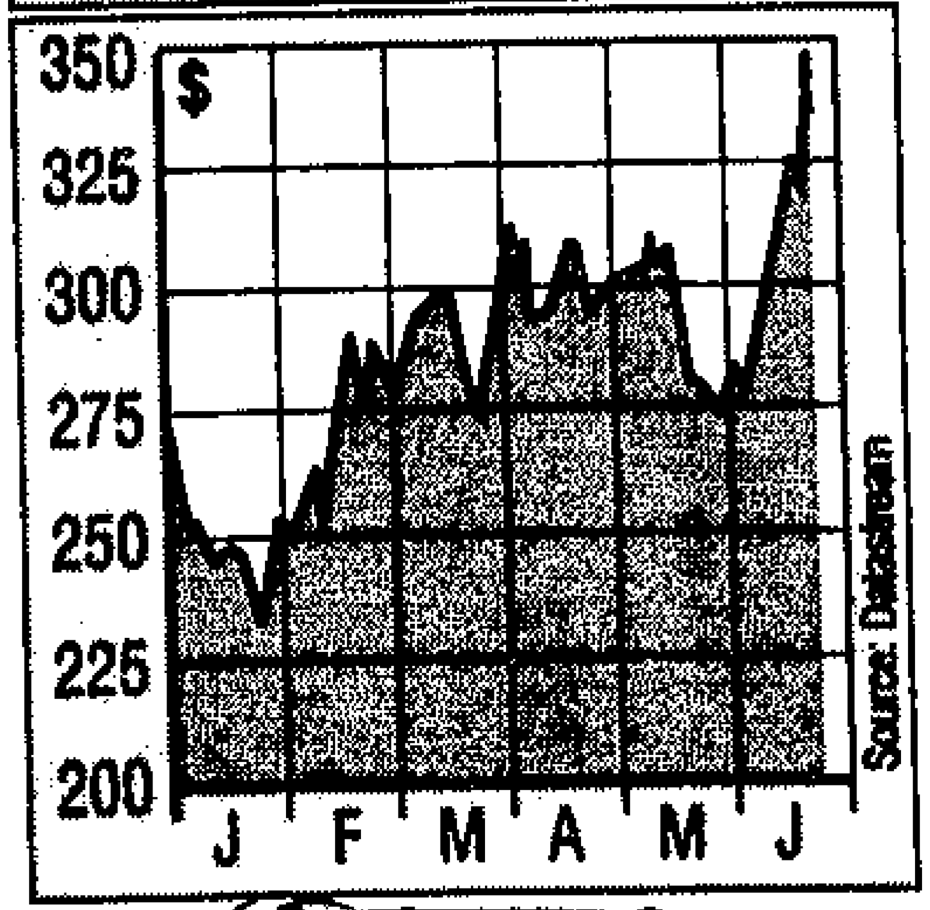
A 200 000-ton purchase by a French merchant on behalf of the Soviet Union last week was sufficient to sweeten the sugar market.

Both the Soviet Union and China have been major factors in the sugar boom, which has carried prices up by 45 percent in the past six months.

Russian consumption of soft drinks, and hence sugar, has soared in the past few years, mainly because Soviet leader Mikhail Gorbachev has clamped down on sales of alcoholic drinks.

Instead, Soviets have bought more sugar to distill their own alcohol, while sales of soft drinks have surged.

London Daily Price, $/tonne



Even though the Soviet Union is expected to produce 9,25 million tons of sugar this year, it must still import 4,9 million tons to meet consumption, says trading house C Czarnikow.

Most of Russia's imports are from Cuba, but supply shortfalls from time to time have forced the Soviet Union to buy from the West.

China's consumption is expected to soar to 8,2 million tons from less than six million a year in the first half of the decade, says sugar merchant E D & F Man.

This means that nearly four million tons must be imported.

SA sugar companies should do well out of the increase in values. The proviso is that they have not hedged their output on the London and New York futures market at lower prices. They should also gain from the weaker rand.

SA production is estimated to rise to 1,45 million tons in the 1988/89 season from 1,37 million tons last year, the highest in five years.

Even though prices have rallied substantially, they are far below previous peaks.

In 1980, prices were up to $1 014 a ton, but slumped to a low of $45, equivalent to 2,6 US cents a pound in 1985.

C Czarnikow says that the world sugar supply/ demand balance has tightened in the past three months.

It estimates production in the season ending this August will be 106 million tons, but that consumption will be 109 million tons. This shortfall must be met from inventories.

But world sugar stocks are below the norm and if weather vagaries follow last year's patterns and again affect crops this year, prices could rise.

If prices rise to $397 a ton, which is the support level for US domestic sugar producers, US sugar farmers will consider exporting surpluses.

Should this happen, there will be a shortage of sugar in the US and speculators could push prices even higher.

Volumes in New York, London and Paris futures have begun to increase, indicating speculators are entering the market.

Some sugar traders are predicting $440 a ton or more in the coming twelve months. But prices are likely to be volatile.

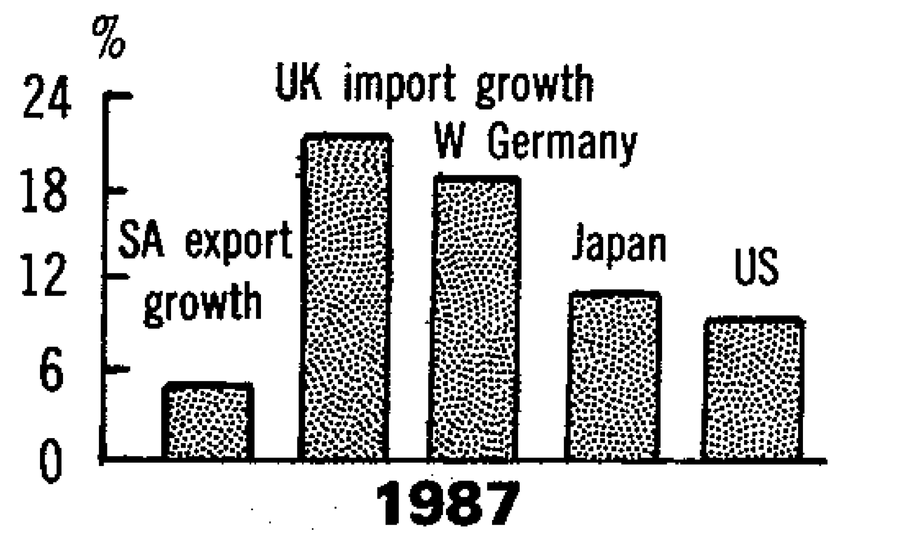
whole page excluding advertisements.

(74)

Business Day SURVEY

*Issues such as import substitution, the new export assistance programme recently announced by government, countertrade, hi-tech trading systems and the integration of the European market in 1992 are some of the areas covered by **ZILLA EFRAT,** who reports on SA's imports and exports.*

SA total export growth & major trade partners' import growth



Graphic: LEE EMERTON Source: SAFTO

Exports must nurse trailing surplus

GROWTH in exports and a decline in imports are crucial to nurse the current account of the balance of payments back to health, to accommodate foreign debt obligations and to stimulate a higher rate of GDP growth.

Last year, SA's imports grew by 38%, while exports grew by 13%, says the Board of Trade and Industry (BTI) in its 1988 annual report.

The latest figures show that the slump in the gold price slashed SA's trade surplus to only R456m in May.

This was 44% down from April's R817m and well below the average of about R1,1bn a month SA needs in order to achieve as a comfortable surplus on the current account.

New high

Total exports were R4,4bn in May, down from April's R4,5bn. The non-gold component, however, increased 9,96% on the previous month. Metals and minerals were the star performers.

Imports, more expensive because of the weak rand, reached a new high of R3,9bn with vehicles, aircraft and transport equipment driving up the bill.

According to Standard Bank's latest economic review, the outlook for the gold price over the remainder of this year is not favourable, with a sustained rise in the dollar price unlikely.

"This emphasises the importance of the performance of SA's non-gold exports and the extent to which this element of exports can compensate for a probable decline in gold earnings for the year," says the review.

Economists anticipate record agricultural exports and a healthy international demand for base metals, steel, coal, diamonds and other non-gold minerals to compensate for gold's poor performance during this year.

They expect the rand's weakness to improve the competitiveness of SA's products abroad.

Surcharges

However, the BTI says SA's propensity to import is strong and import levels tend to correlate with the rate of internal growth in the economy.

In order to reduce SA's propensity to import, a differential set of surcharges was introduced last August. As most imports have a fairly long lead time from the placing of orders to the delivery of the product at a SA port, the surcharge had not had much of an effect by the end of 1988.

But there were signs that the rate was slowing and that this trend would become more apparent in 1989, says the BTI.

On the export side, the BTI says there is a growing awareness in the manufacturing sector that exports are a most viable source of business.

In 1988, however, the long standing characteristic of SA manufacturers to reduce exports with an upturn in the local economy came to the fore once again.

This had the largest single effect on the level of exports, but there were still welcome signs of a widened range in the number of products exported.

The fact that exports of manufactured goods were maintained at a reasonably high level, despite increased demand on the local market, shows that exporters are becoming more aware of the need to keep export markets supplied, says BTI.

Awareness

Department of Trade and Industry (DTI) deputy director-general (trade) Gerrit Breyl says there are many export opportunities for SA.

However, for the private sector to use these opportunities and benefit from them, a higher degree of export awareness must be developed.

He says: "One cannot build the image as a reli-

Fewer trade fairs for SA exporters

ANN MOORE

SA EXPORTERS are attending far fewer foreign trade fairs. As a result, many exhibition specialists have reduced their activities.

The trend is due to in-

SA companies urged

Foreign banks reluctant to honour SA's letters of credit

FOREIGN banks are increasingly reluctant to confirm letters of credit (LCs) for exports to SA — that is, to guarantee payment of an LC established by a South African bank on behalf of a South African-based importer.

Standard Bank International Service Centre manager Hugh McTaggart says many US banks will not consider confirming SA LCs.

This attitude stems from several factors, including the anti-apartheid sentiment of large depositors such as local authorities, universities and church groups, the introduction of legislation to prevent dealings with SA by some US states, the threat of sterner sanctions being imposed by the US government and the negligible volume of SA trade compared with other countries.

To enable Sou ricans to get confirmed LCs, SA b will go to non-US banks to intercede on their behalf, says McTaggart.

Because of the moratorium, SA's debt rating has fallen from 'AAA' to 'C', which implies higher risk and is the equivalent to a Third-World rating.

A survey done by International Trade Finance in August 1988, rated SA as a "good to fair" payer on trade, and recommended unconfirmed LCs as the standard method of payment.

McTaggart says banks in Europe and the UK are experiencing increased pressure from anti-SA groups. Dealings, however, with these banks are still fairly free.

In the past, French banks have been reluctant to confirm SA LCs, but this position is improving. Far Eastern banks are hesitant to offer confirmation and credit lines, but are not averse to dealing with SA.

In general, banks in Hong Kong, with the exception of US-affiliated institutions, will add their confirmation to SA paper. Very little difficulty exists with Taiwanese banks, but the Taiwanese authorities are investigating their SA risk exposure.

The majority of Japanese banks, however, are extremely reluctant to confirm any SA LCs, but will still consider confirmation where the beneficiary has a strong affiliation to the bank.

Most foreign banks are hesitant to confirm long-term LCs involving payment periods of over 12 months because of the uncertainty surrounding the moratorium, SA's credit rating and the political situation, says McTaggart.

A Midland Bank survey in 1985 found that 50% of LCs from the UK had discrepancies, 70% from SA, 75% from the USA and 85% from Hong Kong. SA's position has, however, worsened.

The major players, including SA's major banks, are concerned about the problem and are trying to improve the situation.

To reduce the problem, Standard Bank has introduced its "door-to-door" concept and a host of free services to educate importers and exporters, including courses, booklets, consultancy services and access to its data-base.

creased anti-SA sentiment, rising costs of exhibiting and reduced incentives, says Gladwell International Consultants managing member Ronald Gladwell.

Safto GM Ann Moore says some private fair consultants have closed down because of reduced demand for their services.

Safto initially went into trade fairs on a large scale, but has consolidated and intends taking companies to carefully selected and targeted fairs.

Embarrassed

Some companies are concentrating on fairs where they know they will be welcome, such as in the Far East.

Gladwell says foreign fair organisers are embarrassed about SA representation. Some exporters try to hide the SA origin of their goods, but this is "dangerous", costly and requires much effort.

Export incentives for trade fairs have been reduced, unless a company goes on a government sponsored fair and exhibits at a SA national pavilion.

But this is not practical if an exporter wants to play down SA links.

However, a spokesman for the Department of Trade and Industry says it is a question of available space and budgetry constraints.

The department has no difficulty in filling available space and could not accommodate all the prospective exhibitors at certain fairs.

to enter Euromarket

THE integration of the European market in 1992, traditionally SA's biggest and least complicated market in political terms, will have a significant impact on SA's trade relations with the community.

If they have not already done so, SA companies should start gaining entry into this market now.

1992 is marked for the creation of a fully-integrated internal market, *sans frontieres*, of 320-million consumers. The process began in 1968 with the establishment of a customs union, perhaps the easiest part of European economic integration.

What remains now to fragment the European market are many, often stupefyingly complex, non-tariff barriers — many of which are administered at the frontier, thus resulting in the persistence of border controls.

As Japanese exporters of electronic equipment to France found a few years ago, when all such goods had to be routed through a poorly-manned customs post at Calais, such barriers amount to something approaching a destination embargo.

The European Commission intends to dismantle such barriers by 1992. But Safto's Garry Mitchell cautions that too much importance has been attached to the year 1992. Things will change before and after that year.

He believes an integrated European market will have great benefits for SA, but SA companies should be looking at gaining entry into the market now.

Exhaustive

According to a progress report from the EC, the industrial countries of the world have already started investigating the prospects of a "Europe market", with uniform product standards and tariff structures.

The SA Department of Trade and Industry is engaged in exhaustive research to establish how 1992 will affect SA, largely because a great deal of uncertainty exists as to what laws and standards will be applied across the market.

At present member countries have widely divergent laws governing aspects such as customs control, tax, labour, transport, technical and health standards. It is unlikely that these issue will be resolved by 1992.

With respect to the harmonisation of technical and health standards, it is possible that the only the highest in the EC will apply, which could mean considerable expense for those exporting to countries which had accepted lower standards.

However, for SA exporters the standardisation should reduce manufacturing, marketing and distribution costs.

able supplier with a short-term approach to exports."

While SA is perceived as a reliable supplier of primary products, it is not always seen in the same light when it comes to manufactured goods, he says.

Companies need to take a long-term view of exports and commit a percentage of their production capacity to service the programme.

Far East now open to SA exports and markets

SOME countries in the South East Asian region have been softening their attitude to trade with SA over the last year and the region offers many opportunities to SA exporters.

Safto's Asia and Australia manager Guy Sievwright says many Far Eastern countries are being forced to look for new markets and suppliers.

Japan, South Korea and Taiwan are becoming more receptive to imports as they have massive surpluses on their balance of trade, says Sievwright.

South Korea and Taiwan are relaxing their barriers to imports, particularly in their duty structure.

Countries in the Far East are long-term planners, often planning 10 years ahead. And there are many uncertainties facing them in relation to their international trade.

Weak

It is not known what effect an integrated European market in 1992 will have on the region.

Political problems in China have created uncertainty which could result in opportunities for SA exporters, especially with a weak exchange rate.

China's trading partners are unsure whether it will be able to fulfill its export commitments.

Many Far East companies committed to supply contracts are showing interest in sourcing certain of these goods from SA.

China's current political and social stress could also influence an increase in investment in SA from Hong Kong, as they have undermined Hong Kong's confidence, already shaky in view of the 1997 handover.

To succeed in the Far East, SA companies must be seen as committed exporters and reliable suppliers.

SA companies need to develop the long view in their dealings with the Far East.

Turkey a delight for trade

LAST month's announcement that SA would extend its preferential tariff arrangement with Turkey produced mixed reactions. Turkey, however, is a potentially good trading partner for SA.

Safto international division manager Garry Mitchell says this market needs to be examined in more detail.

Turkey is one of SA's traditional trading partners and its relationship with SA is reasonably sound, despite the absence of diplomatic relations.

Mitchell says there is a broad range of products SA can sell to Turkey, including chemicals, semi-manufactured and manufactured products.

And Turkey could be used as a transhipment point into other markets. It is well situated and links Asia and Europe.

SA prices are very competitive against Turkey's traditional European suppliers. Turkey's market size also suits SA's production capacity.

Mitchell notes there are major cultural differences between the two countries, but the Turks are the world's oldest traders and are most adept at doing deals.

The controversial preferential tariff arrangement was introduced in October last year to balance the flow of trade between SA and Turkey.

Mitchell estimates SA runs a favourable trade balance of nearly R400m.

He says the Turkish authorities have placed limits on Japanese imports and have threatened to do the same with SA.

The agreement was reached to prevent such actions and to move the trade imbalance towards a more equitable level.

The arrangement allows importers to obtain a permit to bring in Turkish goods at a ceiling duty of 3% and a rebate of the full surcharge.

Some local manufacturers say the arrangement will limit local production and force them to produce fewer units at higher costs.

One argument is that Turkish goods tend to be more expensive than goods from other countries.

The rebate, however, makes it profitable for some SA importers to sell Turkish goods, resulting in these relatively expensive goods costing SA more foreign exchange than goods from elsewhere.

The Department of Trade and Industry (DTI) says the arrangement was drawn up with much care.

DTI has received no concrete evidence to show that any SA industries will be materially disadvantaged or disrupted by it.

Turkish goods are limited to a quota of total imports.

Imports which exceeded the quota will not qualify for the concession.

whole page excluding advertisements

Movement towards hi-tech trading

BURIED beneath piles of paper, the international trading community is moving to hi-tech, push-button trading systems.

Great strides are being made by organisations like Sitprosa and the banking sector to develop systems that will facilitate fast and efficient trade.

Sitprosa is involved in streamlining documentation, adapting it to international standards and simplification.

Trade is moving towards Electronic Data Interchange (EDI), the electronic exchange of data formatted to international standards.

SA lacks broadly accepted standards for communication across international borders. The UN Edifact standard, which is gaining international acceptance, offers SA many benefits.

EDI is still in the pre-implementation stage in SA. It will reduce costs, increase productivity and enhance SA's competitive edge on world markets.

Sitprosa is promoting UN Edifact and offers full technical back-up and support at national level.

Forefront

Allied international banking division GM Nico Germishuyse says a new software package will put Allied in the forefront as international trade moves to standardisation and screen-based electronics.

The software system, unique to SA, is built around a specialist whose electronic workstation allows him to spend more time with his own portfolio of clients.

In the international banking sphere, most developments have been in the treasury, dealings areas and on the communications side, says Germishuyse.

South Americans warm to SA exports

SA EXPORTS to South American countries have grown substantially over the past few years, particularly mining equipment and supplies.

Safto says there is resistance among SA companies to export to South America, though SA goods are highly regarded in many countries, especially Chile.

Safto Latin America manager Garry Mitchell says Chile, SA's main South American market, is particularly receptive. Exports from SA increased 17,4% between 1986 and 1987.

Copper mining is Chile's main revenue generator, which makes it a logical customer for SA mining equipment and supplies.

Mitchell says SA suppliers have been gaining the upper hand in this market because rival suppliers in North America and Europe cannot match the favourably low external value of the rand. Another advantage is the flat 15% import duty into Chile. VAT is levied at 16% on all goods.

Other promising South American markets for SA goods include Uruguay, Paraguay and Bolivia. The main mining countries are Bolivia, Brazil, Peru and Chile.

South Africans are reluctant to trade in Latin America, recalling tales of payment delays and contract breaches. Safto says a structured approach can reduce such risks.

Mitchell says some South American countries suffer a shortage of foreign exchange and have introduced protectionism. Chile's import control is more lenient. Manufactured goods are hard to export to Brazil, Argentina and Colombia, but raw materials are easier.

Mitchell says South Americans prefer to strike up personal contacts with business partners.

Countertrade opening up markets

COUNTERTRADE, which already constitutes about 25% of world trade, is becoming important in SA in opening up new markets and generating exports.

Countertrade & Barter MD Eugene St Clair says SA's public and private sectors can use their huge purchasing power to generate exports through countertrade.

Even the domestic buying power of SA companies can be used to encourage overseas suppliers to buy SA goods and services or invest in SA projects.

Countertrade enables exports to be extended into non-traditional soft currency markets, can reduce the costs and broaden the base of imports.

This reciprocal trading method is seen as an important way to counter sanctions, ease the balance of payments problem and cope with the falling value of the rand.

St Clair says countertrade is booming in SA and has generated more exports than he ever expected.

SA businessmen are a lot more willing to consider countertrade as a mechanism to generate new export business.

But St Clair warns: "Countertrade deals are complicated and require much skill. It leads companies into areas they are not familiar with."

However, some companies have exchanged their products for goods.

Exporters need help

MUCH assistance is available to potential exporters — but once they have entered the market for the right reasons, they need to master the intricacies of foreign trade and build up a long-term commitment to remain there.

R G Gladwell International Consultants managing member Ron Gladwell says many companies enter the export market for the wrong reasons.

A familiar line is "I want to export because the rand is weak".

Improves

Such opportunism, often occasioned by unexpected inventory build-ups due to falling demand, has branded many SA manufacturers with the reputation of being unreliable suppliers.

When the exchange rate improves they are the first to stop exporting, says Gladwell.

Research must first be done from the homebase to determine the markets with the best prospects.

Much information is available from various sources to form the base of a marketing strategy.

The Department of Trade and Industry representatives in 30 countries can be of much beneifit to SA exporters.

DTI also offers a trade inquiry system that finds markets for SA products and sources local products for foreign importers.

Safto's comprehensive range of services assist companies at each stage of the export process, including marketing, administration and settlement. These services are not limited to its members.

The international divisions of SA banks provide valuable assistance.

Bilateral trade organsations, chambers of commerce and industries, freight forwarders and specialist-service companies can also be of assistance.

Assistance programme favours added value

WIM HOLTES

THE new export assistance programme recently announced by government has been generally well accepted.

It consists of three schemes: a general scheme, structural adjustment programmes (SAPs) for certain targeted industries, and a general marketing scheme.

Department of Trade and Industry (DTI) deputy director-general (trade) Gerrit Breyl says the new scheme was introduced to encourage the export of manufactured products that contain a high degree of added value.

The overall objective was to make assistance performance based. The old schemes — to be terminated as from end of March 1990 — were to a large extent expenditure based, says Breyl.

Safto CE Wim Holtes says the schemes will use available funds more cost effectively and link export development to industrial development and restructuring.

The general scheme, which applies to exporters not catered for by SAPs, consists of a formula which takes into account export earnings, the degree of added value and local content, and the exchange rate.

Simple

Safto GM Ann Moore says this formula is designed to give exporters assistance against movement in the exchange rate when they need it.

Moore adds the new scheme should generally be more straightforward and simpler than the old scheme.

The SAPs are tailored to meet the specific needs of target industry sectors. The incentives will be one part of an overall package for each industry.

The Board of Trade and Industry (BTI) is preparing the export incentive elements of the SAPs, but the finalisation of the total SAPs will take some time.

Holtes expects at least 30 industries to get SAPs, but the number could rise to 100.

SAPs will be formula-based, but will also take into account the percentage of production exported by the claimant.

A scheme for the motor industry has already been implemented, says Breyl.

Holtes says the new approach is holistic. The SAPs do not end with the introduction of new incentives, but look at a broad range of factors that affect manufacturers. There is no point in subsidising exports if other things are not right, he says.

The new schemes are, however, creating uncertainty in the export community. The weights for the general scheme's formula have not yet been made known and the SAPs are still being designed.

Interface

Holtes says companies need certainty for forward planning and many are involved in long-term contracts. The new scheme needs to be introduced gradually with an "interface" period for problems.

Some companies subject to the new general scheme are also expected to receive lower benefits than from the old scheme, says Holtes.

On the marketing side, the present cash-grant assistance scheme will be extended to tax-paying companies.

The tax benefits, which have been reduced to 20% of export turnover, will be phased out in 1992.

'Chronic unreliability' prevails

THE chronic unreliability of SA's textile manufacturers and its suppliers was the main reason for SA's failure to export clothing successfully, Lesotho Clothing Industries (LCI) MD Tim Holden said last week.

"The key to making inroads in the cut-throat international export market is to imitate the Japanese by earning a reputation for reliability," he said.

For many years South Africa has broached dangerously close to developing a reputation for grabbing export opportunities when local demand has shown signs of a negative trend.

When local demand shows signs of recovering or hits an upswing, it is said that many organisations bale out of export plans and revert to their local market.

LCI, which makes surf and leisure-wear garments under the "Instinct" label, exported 85% of its turnover last year to the value of R16m.

The remaining 15% was sold to the SA market.

"Our North American markets form our core export business," Holden said.

He added that the company is going for fully fledged internationals status.

"We have also made multi-million-rand entries into Japan, the UK, France, Holland, Germany and Austria."

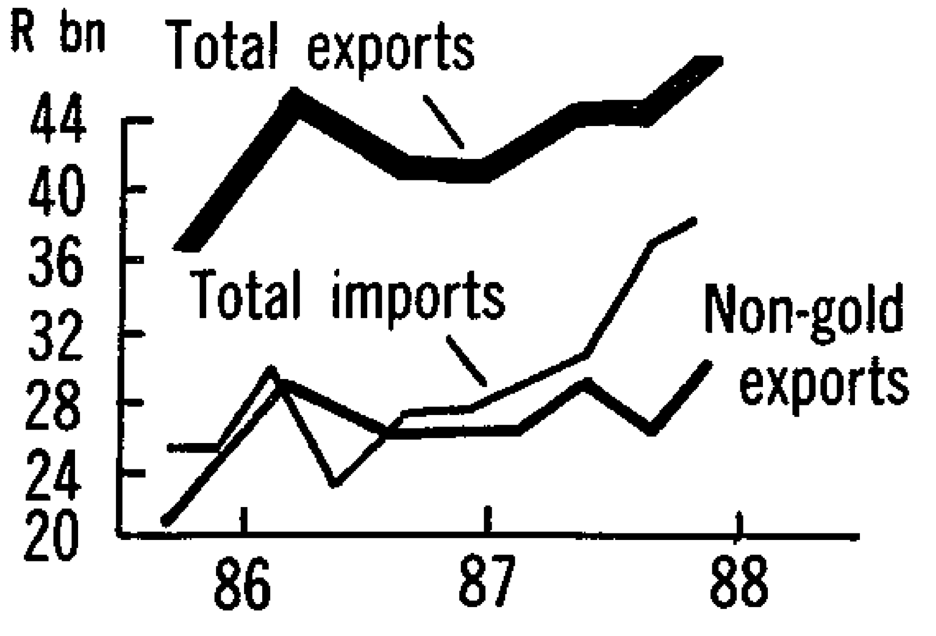
The company was launched in 1982 with a loan from the Lesotho National Development Corporation.

At that time it then employed 30 people. LCI now employs 500 people and is one of Lesotho's largest employers and the largest exporter.

"We'd like to get as big as stability permits," Holden admitted.

"But we're dealing with a volatile currency situation — which means we have to try and achieve the right balance between dollars, sterling and deutschmarks.

SA's foreign trade: quarterly figures annualised



Graphic: LEE EMERTON Source: SAFTO

Substitution risk to imports

IMPORT substitution can offer SA many advantages and lead to increased exports.

But if it is seen as an end in itself, it may have limited long-term benefits and even negative effects, says Plessey SA MD John Temple.

SA has been placing much value on import substitution because of the balance of payments crisis.

Import substitution however, offers the risks of non-competitiveness, inefficiency, retaliation from other countries, higher local prices and a decline in exports.

Temple says throughout the world import substitution has been encouraged, supposedly to conserve foreign exchange, enhance employment opportunities, utilise raw materials and hopefully stimulate economic growth.

But he warns that increased economic growth always leads to higher imports. Governments, the major stimulators of import substitution, generally revert to statutory methods to influence consumers.

Their methods include import tariffs, surcharges, license rules, local-content rebates and rules, and political and consumer pressure.

Temple says import substitution can simply lead to higher prices, adding to inflation and the ultimate downfall of the economy. The way around this is to ensure there is a high degree of local competition if imports are substituted.

Protection leads to local products costing more than the imported ones. It also tends to protect inefficiency.

SA's labour costs are already too high by world standards per unit of output and protective measures will make SA totally uncompetitive.

International trade expects bilateralism and a spotlight on import substitution can create reactions from other countries.

Any import substitution strategy needs to operate within known and predictable parameters. Temple says it is dificult to base an import substitution strategy on the protective measures offered in SA because they change so often. Tampering with the exchange rate has the same effect.

What is needed is a long-term economic strategy in which government gives a clear direction and then leaves the free enterprise system alone to work.

Temple says import substitution can offer some real advantages if it is achieved through acceptable means.

These include competition, sound marketing principles, the production of better products and selective statutory support.

While SA must avoid protecting inefficient industries, government should still give incentives to encourage import substitution and exports.

Differing schemes need to be applied in different industries, says Temple.

If import substitution then becomes a forerunner to exports, it will be means to an excellent end, says Temple.

Traders can score with networks

TRADING houses can offer SA importers and exporters an already established infrastructure and network, as well as experience and expertise.

Gerber Goldschmidt finance director Gerald Joseph says the low rand makes importing very expensive. But through its international network, Gerber Goldschmidt has the potential to source alternative products at competitive prices from reliable suppliers.

The group is involved in international research to find markets for SA products.

It offers services in practically every sphere of international trade, including international trade finance.

Afford

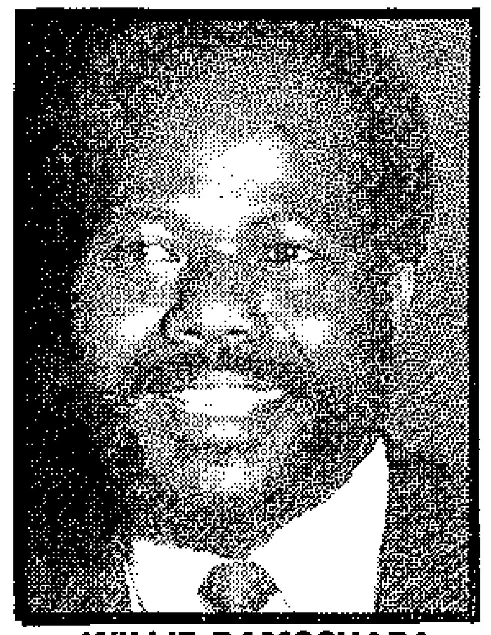
A dealer, Arthur Hammond, says: "An inquiry on imports or exports can be sent to all our overseas offices in 15 minutes if we choose to involve them in assessing a product's potential."

Companies that cannot afford to go into internationalisation are able to use Gerber Goldschmidt's established network.

Says Joseph: "Through our local and overseas connections we have the knowledge and expertise to solve any trading problem."

The Gerber Goldschmidt group, after 70 years in the business, has expanded its operations into 15 countries around the world and has 20 offices overseas. Its turnover exceeds US$1bn a year.

Appoint a black agent



WILLIE RAMOSHABA

SA MANUFACTURERS wanting to enter markets in Africa should appoint a black agent to handle their products, says WR Consultants MD Willie Ramoshaba.

Ramoshaba, who recently took a trade delegation of black businessmen to Malawi, says many traders from African countries will justify doing business with SA if it's conducted through a black South African.

The objective of the trip was to expose black South Africans to the value of foreign trade and to doing business in a typical African environment.

He thus chose an African country because parties would relate better to each other as they came from similar business backgrounds and had common problems.

Ramoshaba says Africa is the market for black SA businessmen. Other markets, such as the Far East, are too well developed to be of benefit to the small trader.

He says more information about Africa is available today and markets are opening up. Africa is no longer the mysterious place it used to be.

The political mood on the continent is more relaxed and economic conditions and stability are improving. Ramoshaba says potential black exporters and importers do not have a broad understanding of trade and the procedures involved. They also suffer from a lack of capital, expertise and administrative backup.

The trip enabled delegates to meet people who will assist them in future. They were introduced to import and export agents, government officials and trade organisations. He hopes a transfer of skills to black agents from SA manufacturers will take place.

The involvement of blacks in foreign trade was neglible before the trip. Trade has been identified as the suitable route open to many successful black business people whose traditional businesses, mainly retailing, have limited growth potential.

Because their markets are not increasing and competition is escalating, they want to diversify their operations.

Trade is seen as being closely related to fields they are already involved in. Other avenues, such as manufacturing, will be difficult to establish and will take more time to develop. Ramoshaba says those who went on the trip will take the lead, and others will follow.

He intends to take a delegation every year to an African country, but future plans depend on the value of the deals completed from the last trip. Five delegates out of 94 have already concluded transactions and a few more deals are expected.

Industry news watch

SA's limited physical production capacity problem has prevented the achievement of economic growth through exports, says Safto.

Safto is conducting a survey to find out where exporters need more help in implementing multi-shift production cycles, which could solve this problem.

□□□

A traveller's medical kit has been developed for international traders who visit countries where there is a lack of sterile medical equipment.

Safto's Gary Mitchell says the kit is similar to those used by Europe's travelling businessmen.

It contains sterilising equipment and stitching needles and provides effective ways of eliminating the risk of catching AIDS and Hepatitis B.

United Nations survey shows decrease in growth of world trade

BDay 6/7/89

(74)

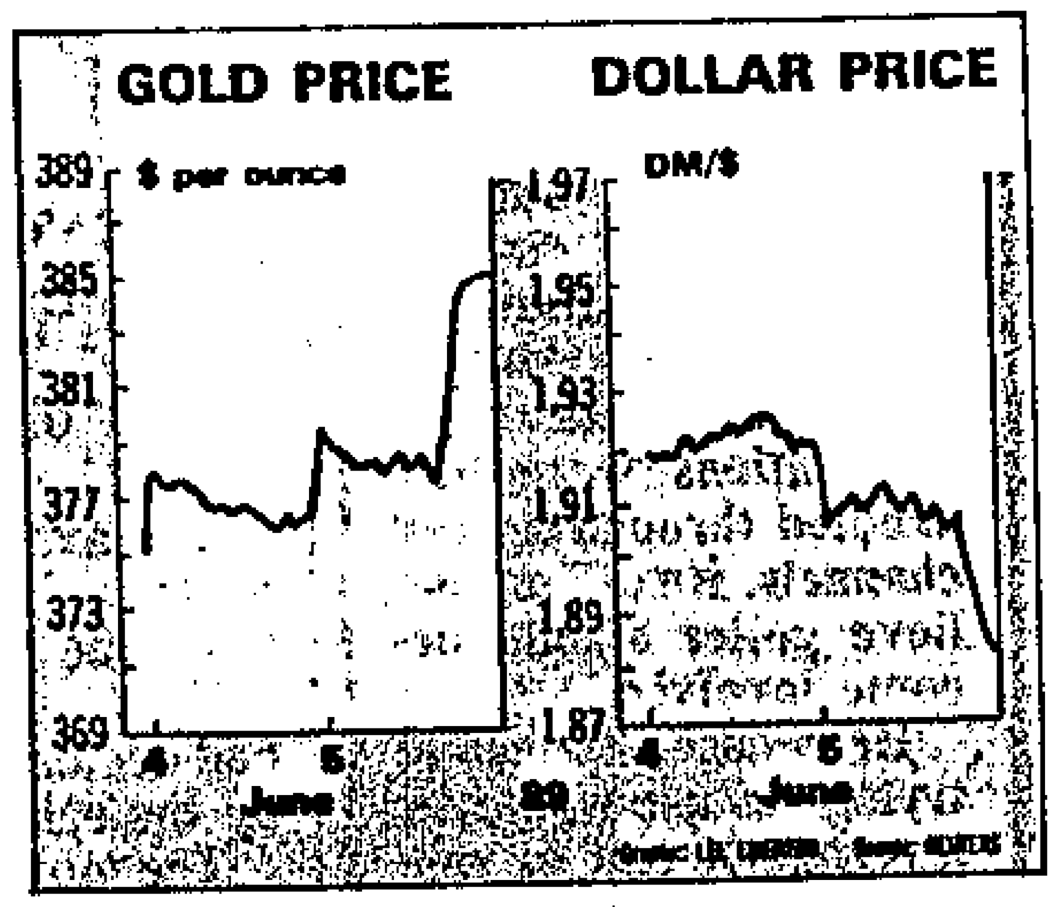
Own Correspondent

GENEVA — The rate of growth in world trade is expected to fall to slightly less than 6% this year and to about 4% in 1990, according to the United Nations World Economic Survey.

The UN report said exports of manufactures are expected to increase at a faster pace than average for total world trade, while the growth of exports of raw materials will slow markedly.

The report also predicts a drop in output in the developed market economies from 2,8% in 1989 to 2,6% next year. The slowdown is expected to be more pronounced in Japan and the US than in Europe.

The report said with capacity utilisation rates at high levels in most developed market economies, inflation, as measured by consumer prices, is expected to increase to an average of about 4% in 1989 before subsiding in 1990 as a result of slower growth.



Gold surges as dollar tumbles

BDay 6/7/89 LIZ ROUSE 74

THE gold price broke through the $380 resistance mark as the dollar pulled back yesterday on fears of an easier credit stance by the US Federal Reserve.

Gold shot up to $384,60/$385 in New York, after a higher afternoon fix in London at $383,60 — $7,10 up on Tuesday's afternoon fix.

The dollar tumbled from DM1,9150 yesterday morning to DM1,8850/60, while the rand rose to R2,7193 from Tuesday's R2,7428.

Platinum and silver followed gold as active dealing on the New York Comex drove bullion through the $380 barrier.

Reasons for the sharp rise, besides the dollar's fall, were the technical breakthrough, stop-loss buying and news that Taiwan's central bank was resuming gold purchases, Reuters reported.

Some futures dealers were "really fired up" about buying gold, but metals analysts were more cautious about the surge, an AP/DJ report said.

Since June 19 the dollar has declined by 4,3% while gold has risen by 5,5% and the rand has improved by 2,7%.

Yesterday's jump in the gold price came too late to influence the JSE's gold board, but a buoyant reaction is expected today. Wall Street stocks fell sharply in early activity.

A New York dealer said a drop in the dollar below DM1,90 would likely produce a sell-off. The dollar was trading in thin volume as some US players remained on holiday after Tuesday's Independence Day and UK participants were affected by a public transport strike in London.

Federal Reserve policy-makers met yesterday and will meet again today. Market speculation was that a decision would be made to engineer a lower Federal funds rate, Reuter reported.

Market signals point to surge in gold price

Star 6/7/89.

74

By Derek Tommey

A week ago the world's leading gold fundis gathered at Lugano, Switzerland, to discuss the future of gold.

Their deliberations must have been extremely productive. When the US gold market opened last night the gold price spurted $11 to $388, a three-month high, before falling back to $386.

After a weekend of reflection on the proceedings of the conference it seems the fundis reached an important conclusion — gold was worth buying again.

This is also the view of Mike Brown of Frankel, Kruger, Vinderine, who was at the conference.

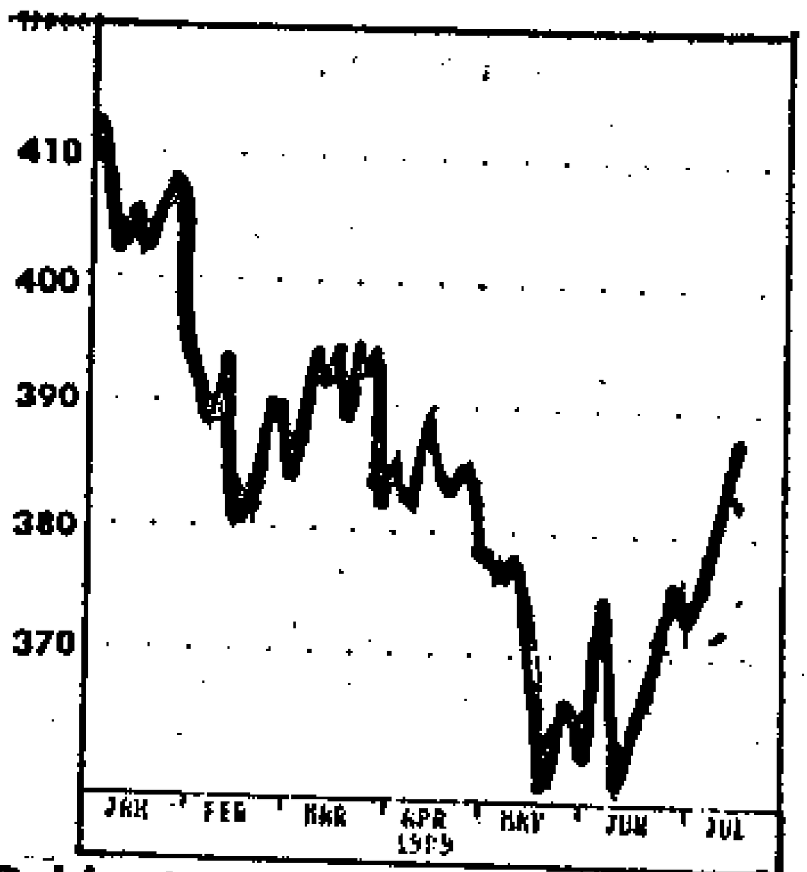
At a report-back meeting in Johannesburg last night, Mr Brown said he was mildly optimistic about gold after hearing the various papers at the conference.

What emerged was that there was little downside potential in the price and that technically the market was oversold.

Mr Brown gave a number of reasons for expecting an improvement in the price.

One was that there had been a marked decline in forward gold sales and gold loans. In addition, many gold loans were due for repayment next year.

Mr Brown said the decline in gold loans was partly tbecause the cost of borrowing gold had



Gold price in US dollars this year.
Source: Stock Market Solutions.

risen. In fact, in present conditions it was cheaper for many companies to use equity finance.

Moreover, some of the borrowers had not been able to fulfil the conditions of their loans.

Four borrowers had gone insolvent. And three British banks had suffered losses, which had led the Bank of England to say they had no right being in a business they did not understand.

According to recent estimates, forward sales and gold loans had increased supplies to the market by about 30 tons in 1985, 20 tons in 1986, 70 tons last year, and by between 30 and 40 tons this year.

However, next year, as the gold loans and forward sales matured, there could be a net drain of 51 tons, followed by a drain of 80 tons in 1991 and of 60 tons in 1992.

Another reason for his optimism was that the increase in production was slowing down.

After growing by seven percent in 1986, seven percent in 1987 and 11 percent in 1988, world production was expected to grow by only four percent this year to 1600 tons.

Easily mined deposits were being worked out. Fewer new finds were being made.

He quoted Peter Much, chairman and chief executive of American Barrick Resources, who told the conference that exploration would be much tougher and deeper and involve more complex metallurgy.

This would add significantly to production costs and involve much more capital-intensive facilities.

Australians at the conference estimated production in their country could drop by half when the new gold mining tax took effect in 1991.

At present Australian mines were "high-grading" — mining the highest grade ore to make the most profits before they became subject to tax.

On the other side of the coin, demand for jewellery, which accounted for 90 percent of sales, was rising strongly.

Gold jewellery sales were rising gradually in Europe, the US and Japan, and rapidly in other Far Eastern countries. India was buying substantial amounts and for the first time since the oil price slump, the Middle East was a buyer.

So far this year Far Eastern sales were running about 25 percent ahead of last year.

Mr Brown said there was a possibility some central banks would increase gold holdings. Others, with a high percentage of reserves in gold, could become sellers.

It was not known what effect this would have on the gold market, but it should give it confidence.

Much would depend on the course of the economic cycle and whether the West had a soft or hard landing.

However, it was estimated there would be a shortage of 230 tons of gold this year, which had to be met by disinvestment from some quarters.

A similar shortage had occured in 1982 and 1985. This had led to an increase in the gold price in 1983 and 1985.

One analyst at the conference, Brian Marber, said if the afternoon fix on the last trading day of June this year had been $383 or higher, it would have been a 'buy' signal and long-term investors would then have re-entered the market.

One can't help wondering: does the fact that gold took a further three trading days to reach this mark invalidate his forecast?

Bullion price boosts gold index

Bl Day 7/7/89

STEPHEN RICHTER

GOLD held above $380 yesterday, keeping investor attention on the JSE mining board and allowing the all gold index to touch a 12-month high of 1 653.

Share prices retreated from their tops as the index finished up 21 points at 1 631.

Gold closed in London at $385,75/386,25 after being fixed at $385,50 in the afternoon.

The JSE industrial index also advanced to another record peak. Prices firmed throughout the day and the index finished at its high with a gain of 11 points to 2 651.

This should have resulted in a higher overall index, but the sharp sell-off in the diamond sector had a major impact. The overall index slid 11 points to 2 668.

Reuter reports gold-related shares traded in London eased slightly in line with bullion but dealers said trade was extremely quiet. The metal edged lower as the dollar steadied in light trade after earlier sharp losses.

Dealers were awaiting news of US June employment data due today, to give an idea of the pace of the US economic slowdown and some direction to the market.

The dollar was mixed against the major currencies at the end of trading in Europe yesterday, Sapa-AP reports.

The dollar fell earlier in Tokyo, to 138,80 yen from 140,20 at Wednesday's close.

Sterling was at $1,6230 late yesterday in London, more expensive for buyers than Wednesday's late $1,6155.

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See Page 7

SA's income rating drops

SA has slipped to a lower category in the World Bank's classification of countries according to income.

Statistics in the latest World Development report show SA has dropped to the lower-middle income group of countries from a previously firm position in the upper-middle income group.

According to the data, SA's Gross National Product (GNP) per capita was $1 890 in 1987 — the latest year for which figures are available. This places the country just in front of Mexico ($1 830) but still worse off than other middle-income countries such as Poland ($1 930), Brazil ($2 020), Hungary ($2 240) and Gabon ($2 700).

GRETA STEYN

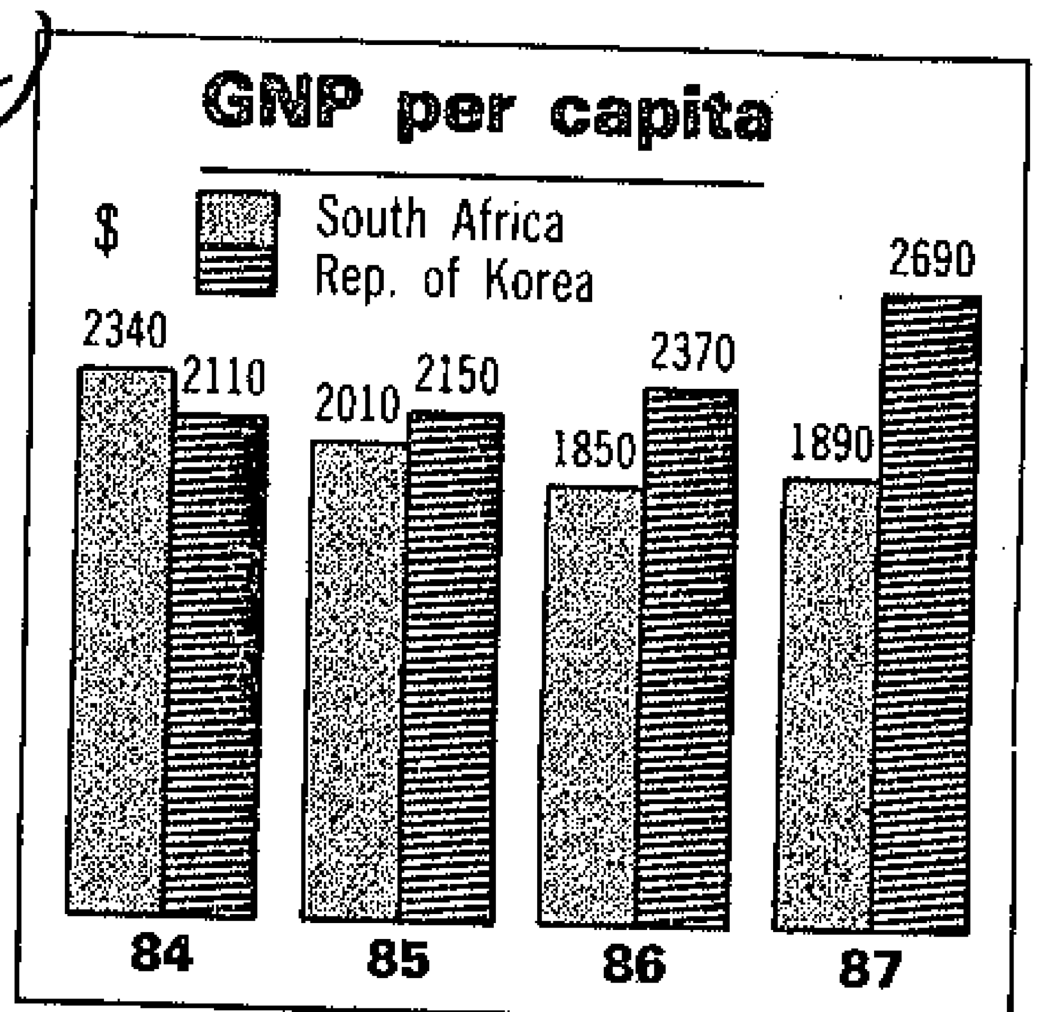
In 1984, SA was still better off than the Republic of Korea, Portugal, Argentina and Brazil. It could report a GNP per capita figure of $2 340 and an average annual growth rate of 1,4% between 1965 and 1984.

By 1987, the picture had changed to a significantly lower GNP per capita and an average growth rate of only 0,6% between 1965 and 1984. This compares badly to Korea's average of 6,4% during the same period.

Botswana, also a lower-middle-income

□ To Page 2

6 BDay 7/7/89



Source: WORLD DEVELOPMENT REPORTS 1986 - 1989
Graphic: FIONA KRISCH

GNP down

BDay 7/7/89

□ From Page 1

group country, boasts an average annual growth rate of 8,9% for 1965-1987. Its GNP per capita ($1 050) is lower than SA's but rose by $210 between 1986 and 1987 compared with an increase of only $40 in SA's case.

SA is hampered by the fact that it has no access to foreign capital but the World Development report notes that other developing countries are also faced with a decline in foreign capital flows.

"Saving determines the rate at which productive capacity and hence income, can grow."

Developing countries which have grown fairly rapidly have had high savings rates and high real rates of interest.

Of the high-income countries, Singapore and Hong Kong had the best growth performance since 1965 with average annual rates of 7,2% and 6,2% respectively. The highest GNP per capita belongs to Switzerland with $21 330, followed by the US ($18 530), Norway ($17 190) and the United Arab Emirates ($15 830).

Plant will be forex-saver

74

SAMCOR's commissioning of a new vehicle design centre in Silverton, Pretoria, will have wide-reaching consequences in terms of the new local content programme and could save millions of rands in foreign exchange.

The centre would enable the corporation to undertake major local development programmes, including total restyling of vehicles and major changes to powertrain and chassis systems, a Samcor statement said yesterday.

The quality and sophistication of the work done at the centre will be seen later this year, when the new SA version of the Mazda 626 is introduced. This model will not be available anywhere else in the world, and will be the first attempt by an SA motor manufacturer to enter the high-volume passenger car market with a locally-designed vehicle.

Director of product development Rob Boyd says that in the next decade, the SA motor industry will increasingly be forced to develop and manufacture local products or updates on existing products to allow extension of product life cycles.

B|Day|13|7|89

Investment

The major reasons for this development are the stringent requirements of Phase 6 of the local content programme, the low rand exchange rate and problems with overseas supplies.

To launch an all-new model range on the local market at today's prices requires an investment of R100m. As Phase 6 continues to be implemented, costs will increase progressively, Boyd says. — Sapa.

AIRFREIGHT (74) Fmail 14/7/89

Maintaining height

Sanctions on SA trade have not had a significant impact on the volumes of airfreight traffic in and out of SA.

While there is a lack of complete, up-to-date information, British Airways (BA), UTA and Lufthansa, which fly dedicated freighters between Europe and SA on a weekly basis, and accommodate up to 15 t of freight on their regular passenger flights, haven't noticed any significant drop.

Sometimes there's an overabundance of freight. A spokesman for Lufthansa, which operates a Douglas DC8 freighter, capable of carrying 45 t, in a joint venture with SAA, says that on a recent flight from Frankfurt 10 t had to be left behind.

(74) Fmail 14/7/89.

The weekly BA Boeing 707 freighter, which has been operating since October as a 50-50 venture with SAA, invariably travels full in both directions, according to BA freight manager Neil Houtham.

Even the UTA Boeing 747 freighter, which has a capacity of 100 t, and in which SAA rents space, usually travels almost full both ways, says freight manager Alain Fraisse.

SAA, which does not operate its own freighters but charters them on demand, has noticed a slight decline. It conveyed 24 430 t of cargo (out of a total of 65 351 t) on its external flights in 1987 and 20 371 t (out of a total of 69 403 t) in 1988.

SAA carries cargo on all its external passenger flights — eight a week to London, five a week to Frankfurt, two a week to Amsterdam, Paris, Zurich, Lisbon and Taipei and one a week to Tel Aviv, Vienna, Rome, Hong Kong and Rio de Janeiro.

Volumes declined

Spokesman Zelda Roux says in the current financial year volumes from SA to Europe declined by 8,6%, compared with 1988, but increased by 2,6% in the other direction.

BA flies eight 747s a week in each direction between SA and the UK, says Houtham. Each carries 15 t of freight southbound, which, with the 35 t its 707 freighter carries, gives the airline a total capacity of 155 t a week.

This is reduced by 60 t northbound. Because of Jan Smuts Airport's high altitude, BA halves the freight load of its passenger aircraft on their northbound leg, but allows the 707 to take off with its full load.

"The market between here and the UK is buoyant and all flights are usually filled," says Houtham. "Northbound we usually take a lot of perishables that won't stand a 16-day sea voyage, and a lot of manufactured goods, such as printed circuit boards, special steels, mining machinery and spares. We even took 500 kg of locks and hinges on a recent flight.

"Our southbound freight is usually hi-tech components needed for locally made consumer goods." ■

MINERALS BILL

The dispute between the mining industry

Sensible things about the price of gold

S/Times 16/7/89.

74

SOUTH Africa's export performance in the past year shows the extent to which we have come to identify with things going right in the world. Our non-gold exports are doing well.

Even better, we tend to reap the best of both worlds, the remaining structural imbalances in the world economy apparently providing a near-permanent support for the gold price in real terms, measured in various currencies.

However, the war drums start to hum whenever the gold price edges up. There is forever the instinct for the once-off killing, which a gold bonanza has provided before and presumably can again.

In spite of gold's rise in dollar terms from a recent low of $356 to a high of $385, it has unfortunately not meant a thing. We are daily presented with the commentaries of technical analysts who read their charts with greater acumen than a soothsayer could a palm.

REX

Cees Bruggemans reviews the local and world scene

FUTILE

But all the sophisticated analysis about breakouts and support areas is futile if all we are talking about is currency effects. It is the dollar that is doing the cartwheeling, not the gold price.

In terms of other currencies, the gold price in recent months could not have been more stable and less exciting, especially in Deutschemarks. One gets the impression that gold is married forever to Dm 725 an ounce.

Granted, there was a little more excitement when looking at gold in yen or sterling terms, but here again it is the currencies that have a tale to tell.

The yen has suffered from the peccadilloes of Japanese politicians, which have especially upset Japanese ladies. In Japanese society, the woman of the household stands central in directing its financial affairs. The male is a mere provider.

From the lowest clerk to the highest company chairman, he hands over his pay packet every month to his dear wife who gives him some pocket money and handles all financial affairs.

In return, she forsakes women's lib, but of late that too has been changing, and this has been coming out of the wash at the polls. Japanese male politicians got themselves knee-deep into corruption, introduced a sales tax, and then appointed a supposedly Mr Clean as caretaker prime minister, who turns out to have kept not one mistress, but various and of many ages.

What has this got to do with the yen price of gold? As much as the presumed tiff between Britain's Prime Minister and her Chancellor of the Exchequer, whose quibbling about inflation, interest rates, the pound and whether or not to marry into the European Monetary System, and to what degree, has given rise to a loss of confidence in the pound, thereby favouring the sterling value of gold.

QUIBBLES

In recent months, therefore, political considerations in Japan have weakened the yen and thereby translated into a higher yen price for gold. In Britain, economic quibbles have undermined the currency. Neither, however, has said anything sensible about the trend in the gold price.

Along this route it is possible to say that the recent stability of the D-mark price of gold also does not mean anything. However, a closer analysis of the UK, Japanese and US currencies suggests that Central Europe, including the Swiss franc, has more sensible things to say about gold than these others.

Take the dollar. After three years of steadily widening interest-rate differentials with other currencies, especially since early last year, life has suddenly turned upside down.

The fact is that the greater the interest-rate differential, the more attractive the currency becomes on yield (income) consideration. But that is on the way up. What happens when one reaches the peak of the interest-rate cycle and starts to explore downward potential? That, seemingly, depends on who is in the driving seat.

POSITIVE

On the way up, if interest rates are driven by the central bank, as has been the case in the US, the market interpretation is highly positive. The policymakers are fighting inflation, among other things, and providing wonderfully high returns for investors worldwide who buy American paper. So buy, boys, buy.

The second stage in this cycle is reached when someone must decide that enough is enough: no further raises in interst rates required, it is time to come down.

If the central bank were to make the mistake of taking such a decision a fraction too soon, the market's penalty would be instantaneous: the inflation-fighting is only half-hearted, they are giving up prematurely in order to buy some economic growth. They do not know how to apply and take real medicine. They are weak: love them and leave them.

However, the tune changes considerably when the markets are blowing the whistle for the downturn in interest rates.

All aboard, this train will stop at no station until it hits rock bottom way down in the valley.

So everyone tries to be the first aboard, reaping the ride-up in capital market values as yields fall, driven in part by foreigners who in their rush to take part drive up the dollar as well, doubling the take for the smart money which comes in early.

However, when the train gets to the bottom of the valley, watch out for the stampede to be first off. Interest rates have been driven down, sedately followed by the central banks which have a more lumbering style to get to their destination compared with the mad dash of the markets.

CORRECTION

But the effects are the same: lower US interest rates and a much narrower interest differential with other countries may reflect good news and sensible management, but they leave all those recent paper profits accumulated during the downrun sitting prettily high and dry and overexposed.

So lock in those profits, as it is known. Sell. Get out. The only real profit is the one that sits in the bank while you can still count your fingers. So stage three is euphemistically called a correction or consolidation or a shortening of long positions or a portfolio adjustment, or simply profit-taking.

In the process, the poor dollar gets mildly mugged as the loot is carried home. Gold, being rated ever so stable among the Alps, gets a bit of a lift as the currency shake-out completes itself.

However, stage three never lasts for long. There is work to be done, money to be made. Gentlemen, where are we going to go next? Meanwhile, gold will merely reflect the ride to come by way of the helter-skelter changes in the relative values of currencies.

Unless something really did go wrong. Please, do not think like that. It is not good for your non-gold exports, structural reform and long-term stability.

But it would be fun, if only for old times' sake. Wonder what those gold shares are really saying.

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Capital market's mood far from revolutionary

GRETA STEYN

"GUILLOTINE your long positions now — before they guillotine you," the Johannesburg Options Market (JOM) joked via Reuter on Bastille Day last week. They knew the mood on the capital market was far from revolutionary.

JOM noted the market was no longer providing the means to purchase vintage champagne. It had decided to be content with the non-vintage type.

The most interesting development in the markets these days might just be on the fashion front. Crockett and Jones shoes are currently all the rage — and market talk is that clothing shop Montgomery recently delivered a batch of Crockett and Jones to the dealing room of a large mining house.

The brogue

Shoe retailers say the "brogue" — an ostentatious pattern of little holes — is the essential feature of the fashionable dealer's shoes. The brogue has come a long way from its original meaning of "a rough shoe of untanned leather — a strong outdoor shoe with ornamental perforated bands".

Current market conditions have boosted demand for imitation Crockett and Jones. The real thing retails at more than R150 while a "brogue" with a less classy name can be bought for about half that price.

Those gilts dealers who were not out shopping for shoes last week were playing computer games or trading actively on LIFFE — not the London version, but the Loftus International Football Futures Exchange. Dealers with open positions on the Northerns-Province rugby match had a tense weekend.

The feeling is that the gilts market is currently in a "silly season" similar to December.

The market showed little reaction to the only significant indicator this week — the drop in the gold price. It touched $371 on Friday from levels of well above $380 the previous week — yet rates on Eskom's Loan 168 ticked down from 17,25% to 17,24% over the week.

This seems to support Simpson McKie analyst Marilyn Visser's view that "there is more potential to turn bullish than bearish, in spite of attempts by the jobbers to move rates higher".

Demand from overseas investors for SA gilts is providing some relief. The foreign buying supports the view that the next decisive movement in rates will be down (prices of bonds up).

The potential for rates to resume their recent bear trend (prices down, rates up) seems limited.

Statistics

Visser says: "With the overseas investors still involved in the medium loans — especially Eskoms — it is unlikely that these yields will move much higher."

JSE statistics showed that foreign purchases of gilts were R46,8m in the week ended June 16, against R73,5m the previous week. But those statistics applied only to the JSE and banks were also doing roaring business.

Dealers reported that foreign demand had started to focus on Sats stock and not just Eskom, but investors were not enthusiastic about government bonds.

Foreign demand is not injecting enough life into the market to cause a new trend. There is still too much uncertainty over the economy and the effects of the abolition of prescribed assets.

Discount House of SA (DHSA) economist Chris Greyling says conditions in the money market are affecting the capital market.

"For a while it seemed there was still upward pressure on interest rates and the trend was basically bearish. But more signs are emerging that money market rates have peaked. Foreign interest rates have stabilised and there is a feeling that the last economic package must be given a chance to work."

But the market is looking for proof that the cycle has turned and there is no clear evidence yet. Proof would be a significant improvement in the foreign reserves.

At the same time, the election is confusing the issue with many dealers prepared to bet on a pre-election sweetener from the Reserve Bank. Added to this confusion is the scrapping of prescribed assets.

Greyling says: "The gilts market fears institutions might start dumping gilts as they move into equities. That fear could keep the bulls at bay."

In the money market, liquidity pressures are being eased by the payment of interest on RSA stock as well as the mid-month payment of government salaries. Nonetheless, the BA rate picked up on Friday to 17,55% from 17,35% earlier last week.

Less demand

The higher rate reflects substitution of assets by banks — short-dated RSA stock for liquid BA's — and not an expectation that Bank rate will rise.

There is less demand for liquid BA's because R1,63bn of RSA stock has become liquid assets, according to DHSA figures.

The banks now have substantially more surplus liquid assets to discount at the Reserve Bank's discount window in return for cash. It means the guillotine — in the form of the Reserve Bank's penalty accommodation rates — is less likely to come down on them. But it is not yet reason to open the non-vintage bubbly: general uncertainty over interest rates will continue until the election.

US imports to SA improve

Finance Staff 74

Trade between the United States and South Africa continues to improve despite the weakening rand and intensified sanctions.

US Commerce Department figures released yesterday show that South Africa imported goods worth $394,3 million in the first quarter this year from the US, 46,5 percent more than the $269,1 million bought during the first three months of 1987.

Reflecting the weaker rand, the figures in rand terms show a rise of over 70 percent and push the US's share of South Africa's total import bill from 9,22 percent in 1987 to 9,78 percent this year.

Most of the goods imported were aircrafts and their spare parts, motor vehicles and electronic equipment.

South African imports are not effected by sanctions, but US exports to this country are and the introduction of compulsory sanctions legislation in 1987 against South African exports proved more damaging.

But over the last year South African exporters managed to boost their trade to the US by four percent from the first quarter this year on the comparitive period in 1988.

Optimism sparks new market highs

B/Day 20/7/89

MERVYN HARRIS (74)

BUOYED by further financial rand erosion and a fairly optimistic market mood as investors scrambled for scarce quality stocks, Diagonal Street yesterday thrust aside a weak gold price to chalk up new records.

The JSE industrial index surged 22 points to 2 680 to surpass its week-old peak of 2 674 and lift the overall index 11 points to a new post crash high of 2 691, one point above the high set earlier this month.

"There is lots of money chasing too few quality shares," dealers said as investors showed interest in counters across the board, including shares of previously neglected lightweight gold mines.

The mood of relative optimism on the market was reflected in investor willingness to pay higher prices when shares came on offer.

A major reason for the 4,5% fall in the finrand so far this week to R4,1550 (24c) to the dollar is ascribed to the JSE being big buyers of SA shares overseas.

The purchases are settled through finrands, which the overseas investor then sells, resulting in a weakening of the currency. If overseas investors buy SA shares locally, it strengthens the finrand.

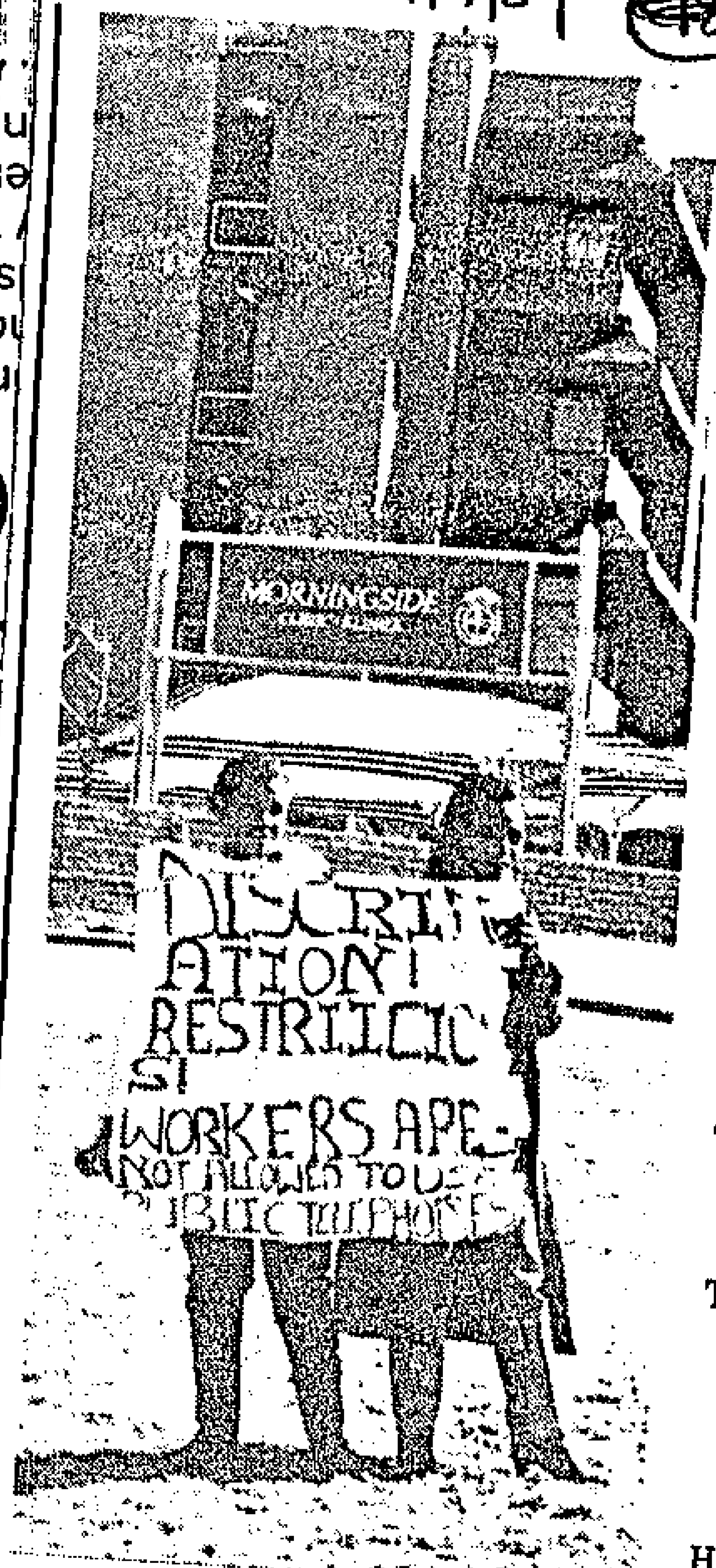
Finrand dealers noted there were also some selling orders in the market, which could be on possible disinvestment moves.

The all gold index rose 14 points to 1 618 but was off its high of 1 622 on a slight easing in the gold price as the dollar edged back up after a brief fall on news of a smaller than expected rise of 0,2% in US June consumer prices.

The metal closed in London yesterday at $371,75 but later traded below $370 in New York.

● See Page 6

BIDay 21/7/89 (48) (305)



Morningside Clinic workers protest their firing and the clinic's alleged racist practices. PICTURE: Robert Botha

Sackings at clinic spark worker picket

SIPHO NGCOBO

MORE than 60 dismissed black workers of the prestigious Morningside Clinic in Sandton picketed the clinic yesterday in protest against their dismissals and "racist practices" by the clinic's management.

The picketers who are all members of the National Educational Health and Allied Workers Union (Nehawu) were dismissed last Friday for demonstrating in support of shopsteward Lydia Radebe, who was allegedly fired for using a public telephone on the premises.

Business Day yesterday found young white children vacuum-cleaning the carpets and manning the clinic's reception area.

The workers claimed they were not being allowed to use any of an estimated eight public telephones on the clinic's premises, at any time.

The clinic's manager Dr I J Fourie denied workers were refused access to public telephones but claimed the only public telephone they were not allowed to use was in front of the intensive care unit which was only for patients' use.

He said Lydia Radebe was not fired for using the public telephone but for refusing to attend a disciplinary hearing for using the telephone after she had been warned.

Expert forecasts trade surplus boost

KAY TURVEY (74)

THE trade surplus for the first six months of 1989 — buoyed by slowing imports and a strong non-gold export performance — is likely to be adjusted by the Reserve Bank to reach R6,5bn, says Trust Bank economist Nick Barnardt.

This is markedly higher than the R5bn achieved over the same period in 1988.

In this half exports climbed a healthy 22% and despite gold's static performance, non-gold exports rose about 40%. Total imports rose 21% against the same period last year.

BIDay 21/7/89

Improvement

Taking net service payments and transfers into account, the current account surplus probably amounted to R1,7bn from a mere R650m in the first half of 1988.

Barnardt expects the trade surplus and current account to show a further marked improvement.

Consequently the current account will register a surplus of at least R3bn in the second half, pushing the annual figure for 1989 to above R4,5bn, he estimates.

A further drop in imports could lift the 1990 figure to at least R7bn, while a recovery in the gold price could bring R8bn in reach.

 (74) Fin mail

Partly cloudy 21/7/89

First-half figures are in and the picture is clear: 1989 is proving a banner year for foreign trade. The only cloud on the horizon, some economists say, is the rapidly rising import bill.

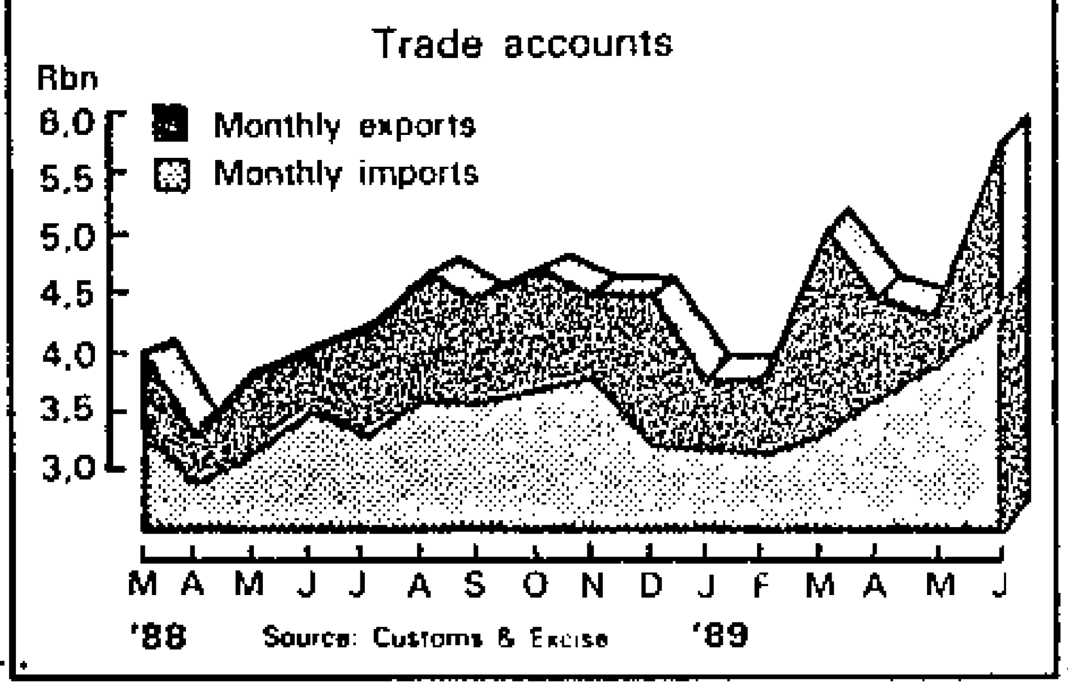
Exports jumped 22,2% on the first half of last year, and the full effects of the falling rand won't even show up until the second half. Total trade — the best measure of trade activity — was R49,4bn, up 21,5% on the first half of 1988. And the surplus — for those who worry about the balance of payments — now stands at R5,3bn for the year to June, a whopping 28,9% greater than a year ago. All these percentages are higher than the 15% inflation of the past year, so they show real gains.

The surplus has widened — by R1,3bn in June alone — despite the failure of the effort to curb imports.

Imports totalled R4,4bn, the highest ever, as demand soared for machinery, consumer electronics, motor vehicles and aircraft. Oil imports, apparently, are falling. The category in the government report that includes oil shows a 1,1% decline, more in real terms.

The export boom is taking place without

Surplus widens



gold's help. Gold normally makes up 40% of exports but this year, with the price low, that share is probably slipping. The trade-report category that includes mostly gold but also uranium, platinum and arms dropped slightly in real terms.

The star is diamonds, with year-on-year sales nearly doubling over the first six months to R2,4bn — R800m in June alone. Other big gainers: agricultural and mineral products and base metals.

Exports totalled R5,7bn and, like imports, set an SA record. The huge trade surplus was expected because of the good performance of the reserves in June, announced earlier. ■

74 Finmail 21/7/89

FOREIGN TRADE — 2

Bucking sanctions

SA recorded double-digit increases in trade with all its top 10 trading partners, except Japan, last year.

Valued in dollars, trade with West Germany soared 33%. It replaced Japan as SA's leading trading partner. But the dollar value of trade increased by even larger percentages with Switzerland (54%), Hong Kong (38%) and Belgium/Luxembourg (37%). In dollar terms, trade with the UK jumped by 26% and by 23% with the US, where sanctioneers are strongest.

With the depreciating rand spurring exports, trade with the major industrialised countries continues to boom. Trade with West Germany soared another 26% year-on-year in the 1989 first quarter, according to preliminary figures. US-SA trade is up 5% for the first quarter and SA-UK trade is up slightly less in the year to May.

Only Japan is clearly making concessions to the sanctions lobby. Japan became SA's biggest trading partner in 1987, drawing the condemnation of the UN. Last year, after SA-Japan trade doubled year-on-year in the first quarter, the Japanese government pressured industry to limit trade to get away from being SA's top trading partner.

The arm-twisting worked; trade fell dramatically the rest of the year and 7% for 1988 overall, dropping Japan to No 2 trading partner. The slide continues, by 8% year-on-year in the 1989 first quarter, mostly because of fewer imports from Japan.

Aside from Japan, trade figures show once again business is business and politics wields only limited influence on trade.

This should prod lazy businesses which use sanctions as an excuse for not developing export markets.

To stymie boycotts, SA stopped releasing country-by-country breakdowns of trade statistics three years ago. But the International Monetary Fund compiles an annual breakdown based on figures from SA's trading partners, and the SA trade offices of several countries report partial-year statistics. Here are highlights from figures released last week:

☐ Italy was SA's largest export market last year, at US$1,97bn. Gold, silver and platinum to supply Italy's large jewellery industry make up about 70% of this. In fact, a sixth of SA's gold production goes to Italy — about 100 t. SA runs its largest trade surplus with Italy, nearly $1,5bn last year;

☐ West Germany was only the third largest export market, behind Italy and Japan, but overwhelmingly the largest source of imports. SA bought $3,3bn West German products last year, motor vehicles making up about 35%. Exports are led by copper, ferroalloys and other raw materials. Overall, 12,6% of SA's trade is with West Germany;

DOING BUSINESS

SA's trade with top 10 partners

	1988	1987	% change
W Germany	4 902	3 683	33,1
Japan	3 824	4 113	−7,0
UK	3 215	2 532	26,0
US	3 136	2 553	22,8
Italy	2 467	2 081	18,5
France	1 213	997	21,7
Belgium/Lux	873	636	37,3
Switzerland	793	516	53,7
Hong Kong	750	544	37,9
Holland	532	461	15,4

Figures in millions of US $
Source: International Monetary Fund
Taiwan not included because it is not a member of the IMF

☐ Platinum is the largest item on the US shopping list, accounting for half the exports there. Office machine parts, digital computers, aircraft parts and aircraft led imports from the US. SA is the US's largest trading partner in Africa after oil-rich Nigeria;

☐ Though its overall trade is too small to rank in the top 10, Spain is SA's ninth largest export market. Exports to this rapidly developing economy grew 21% last year; and

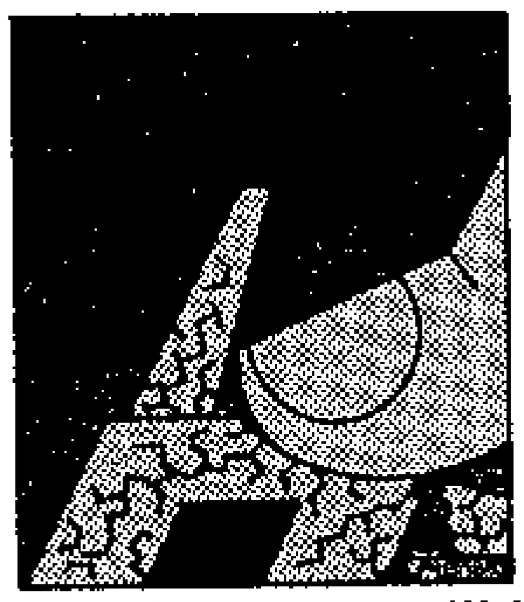
☐ Despite ostracism by most of the continent, SA does a fair amount of trade with African countries. SA sends about 6% of exports to African countries and buys about 3% of its imports on the continent.

Taiwan is a top trading partner, possibly as high as sixth, but figures are not available. The IMF does not provide statistics because Taiwan is not a member — the result of China's admittance — and Taiwan began keeping SA trade figures secret last year to avoid political pressure. ■

BOARD OF TRADE & INDUSTRY

The root of the problem

■ Moves to shelter local industries miss the point — which is profits first



Eventually, no longer able to stomach economic rot and the resulting voter backlash, government is going to decide it's time to remove its hand from the economy. When it does, a good first move will be abolishing the Board of Trade & Industry (BTI).

The board — which advises the Department of Trade & Industry — helps determine how businesses operate and South Africans trade, a job that reflects Pretoria's love of central planning, not economic sense. It's a love South Africans can no longer afford.

The *raison d'etre* of the BTI is that SA needs meddling bureaucrats to develop industry under difficult circumstances. But the truth is that government meddling got us into this mess in the first place.

BTI policies reflect government's continued refusal to understand how capitalism works. To see the problem, consider three simple examples:

□ SA Widget Co employees are stealing R5 000 of pens a month. A director suggests spending R5m to hire stationery police and buying a computer to monitor supplies. Fellow board members say he's crazy: "We're not going to spend millions of rands to save thousands of rands;"

□ A manager at US Gizmo Corp, which imports German components, suggests buying US components to save forex. "By sourcing locally, we'd cut our import bill drastically," he says. "We pay DM2 for our major component, but we could buy it here for US$5. We'd save millions of D-marks a year." His boss laughs. "Why pay $5 for the component? With $5 we could buy DM10 — which would get us five components, not one. Don't tell me how to cut imports or save D-marks. Tell me how to save *money*;" and

□ The same Gizmo manager suggests a move into exports. "We could sell our gizmos for DM15 and bring in millions of D-marks," he says. His boss laughs again: "We sell locally for $15, so we'd be crazy to export for DM15. We export to earn profits, not forex."

Profit-seeking and wise, Widget and Gizmo don't fall for plans that involve spending lots of money (whether rands, dollars or D-marks) to save a little money, or plans that involve exporting at any cost.

Not so, the SA government.

With the help of the BTI, Pretoria has embarked on a number of economy-wide "structural adjustment programmes," designed to curb imports and promote exports and local industry.

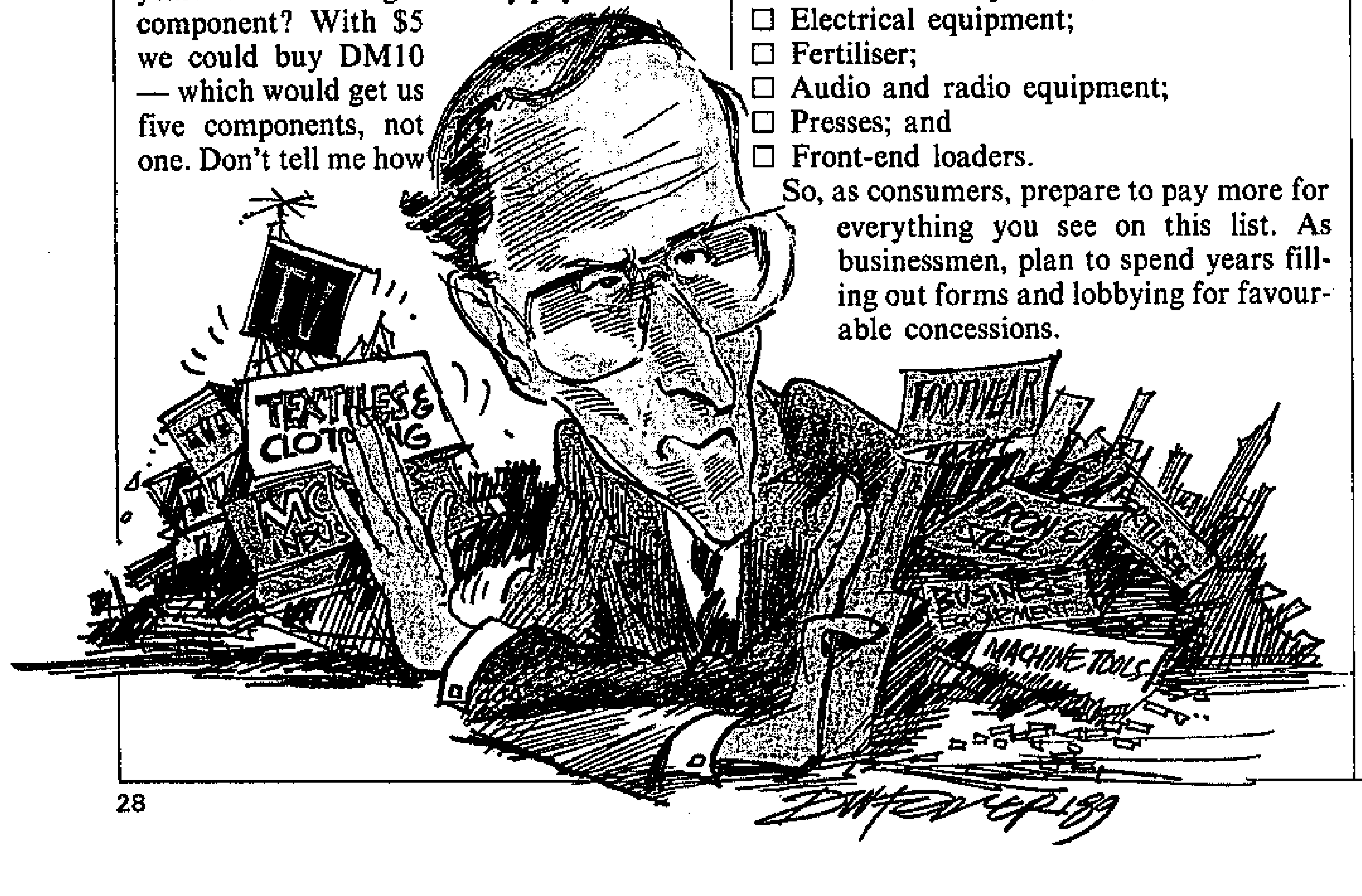
In the end, they are basically plans to "save forex," even if it costs a lot of rands for each dollar saved.

As it carries out the plans, Pretoria will drive up the price of select goods and make the economy less efficient — all in the name of promoting development.

Adjustment programmes are in the works for a frightening array of industries, according to the BTI's latest annual report:

□ Textiles and clothing;
□ Motor vehicles;
□ Television sets;
□ Stainless steel;
□ Iron and steel;
□ Footwear;
□ Aluminium;
□ Business equipment;
□ Machine tools;
□ Earth-moving equipment;
□ Electronic components;
□ Electrical equipment;
□ Fertiliser;
□ Audio and radio equipment;
□ Presses; and
□ Front-end loaders.

So, as consumers, prepare to pay more for everything you see on this list. As businessmen, plan to spend years filling out forms and lobbying for favourable concessions.



Perhaps the best-known BTI programme is the local-content plan for cars. In a nutshell, the programme's new Phase Six, introduced in March, demands that manufacturers source 55% of the value of their car production locally this year, rising to 75% by 1997 (with credits against this for exporting).

Predictably, Phase Six was amended just three months after being announced, with new forex formulas and retroactive rules on what constitutes local content. This reflects a perennial problem of central planning: government rules make business planning difficult; *ever-changing* rules make it impossible.

What will local content mean? Rather than shopping the globe for the lowest-priced parts and then building cars, SA's automakers will have to buy local parts at higher cost as dictated by Pretoria's planners.

Newspapers glowingly report it will lead to "huge forex savings" of R1,5bn-R2,5bn a year. But the issue is how much *money* it will save. How many billions of rands are being spent to save R2,5bn of forex?

One must conclude the plan will be costly *by definition*; if switching to locally produced parts saved money and made cars cheaper, profit-hungry manufacturers would switch without instruction from the BTI.

Yet asked whether it makes sense, as a development strategy, to embark on a plan that makes cars more expensive, BTI chairman Lawrence McCrystal responds: "Says who? It won't be, by definition, cost increasing." He adds: "The BTI found that the optimum level of local content was below the level to which manufacturers were pushed by the Phase Five programme and that the Phase Six programme should have the flexibility built into it to enable manufacturers to reduce the level of local content if they so wished, meeting the new targets by exporting."

He fails to see that automakers are well-equipped to calculate themselves whether they could prosper by using local parts or exporting their products. They know that when relying on imports, they risk a falling rand or supply cut-offs. Let them decide how to stay in business.

But then McCrystal takes another tack: the automobile programme is needed to "protect the balance of payments (BoP)."

Asked why government should determine how cars are built, he says: "Who's determining how cars are built? We're saying we — that is, the SA economy — can't afford an industry that's placing such a burden on the BoP. The industry has to reach a point where the burden is reduced."

But the notion of a country not being able to "afford" an industry is meaningless — in

(74)

economic terms, an *aggregation error.* It assumes producing cars is a national task. In fact, it's the concern only of the firms that make cars and the people who buy them. If they can keep a car industry going, it's meaningless to say "SA can't afford it."

One reason the BTI gets away with its meddling is confusion over SA's "special circumstances" — sanctions.

And indeed, the BTI's export subsidies, tariff protection and adjustment schemes make sense if you agree forex is precious, imports are bad and exports are good.

It's this *premise* that needs questioning as much as the existence of the BTI.

BTI planners say forex is precious, but it's not, even in embattled SA. Sanctions are supposed to give SA a unique "forex crisis," but our woes aren't unique. Tanzania, Zimbabwe and Zambia don't face SA-style sanctions, but they have forex "shortages" and "crises." Meanwhile, Western countries face protectionist trade barriers (a form of sanctions), yet don't have forex crises.

Forex wounds are always self-inflicted: they come from rapid money supply growth and manipulated exchange rates. A currency collapses if too much is printed, and forex disappears if residents aren't allowed to buy all they need at a floating rate. In SA, the Reserve Bank has increased the supply of rands tenfold in under 16 years, and there's exchange control and an artificially high commercial rand rate. Any wonder the currency is weak and forex seems precious?

Problems are compounded when governments use a forex scare to embark on questionable policies, like SA's latest arbitrary policy, import surcharges.

Surcharges of up to 60% have been imposed, throwing business planning into shock and helping to further isolate SA from the world. After they were announced — and in true BTI fashion — the surcharges were modified, and goods were moved from category to category. The 60% surcharge on pilchards and tuna was quickly dropped. Champagne was moved into the "non-essential" category facing a 60% surcharge, but whisky wasn't. A 60% surcharge on original paintings was cut to 10%, but a 60% surcharge remains on antiques. Many firms lobbied for, and received, exemptions.

Then government announced a nearly exemption-proof 15% surcharge on imported capital equipment (including, of course, any retooling needed to meet the BTI's local-content rules) — hitting the engine of economic growth, investment.

Finance Minister Barend du Plessis called this a signal to industry to postpone or slow down capital expansion.

Thus, in the name of "saving forex," Pretoria has made it policy to *curb* investment. A cynic would call this home-grown disinvestment. Does it make sense for government to discourage local businessmen from investing?

"We want them to invest, very much so, but not in excess of what the economy can afford," says McCrystal, defending the 15% surcharge. "When that investment causes us to run a trade deficit it causes a problem because our forex reserves are so low."

So we're back to unfounded concerns about forex and the questionable notion that Pretoria and the BTI should decide what "we" can afford.

As the economy again threatens to slow into a recession, it's time government reconsidered what's at the root of our economic malaise: external sanctions, or destructive local policies. Judging by the BTI's arbitrary central planning, it seems many of our problems are, indeed, "Made in SA." ■

THE HIGH PRICE OF MEDDLING

Sandwich toasters, tennis balls, golf balls, gearboxes, hearing-aid batteries, toothpicks, cleaning rags: local consumers pay more for all of them, thanks to Board of Trade & Industry's recommendations to government last year to impose duties or refuse to rebate existing ones.

The board's 1988 annual report lists dozens of cases in which prices of consumer goods are pushed up or kept high.

A maker of sandwich toasters, for example, successfully asked for protection against cheaper imports. "Information submitted to the board," the annual report said, "showed that sandwich toasters similar to those manufactured by the applicant were being imported at prices which the board considered to constitute disruptive competition and the board therefore recommended the duty on toasters ... be increased."

Meanwhile, a manufacturer unsuccessfully applied for rebate on the duty on magnesium carbonate, used to make tennis balls. The company said suitable magnesium carbonate was not produced in SA and that the rebate was required to reduce the cost of tennis balls to compete with imported balls. "The board found that the duty on the raw material represented less than 0,3% of the selling price of the tennis balls and the applicant did not suffer a price disadvantage against imported products. It recommended that the application be rejected."

And the sole local manufacturer of steam irons was granted an increase of duties on irons imported from Taiwan, which (excluding existing 20% duty) were landing in SA at R18,56 each, against the local manufacturer's R39 price.

The board's actions raise many issues:

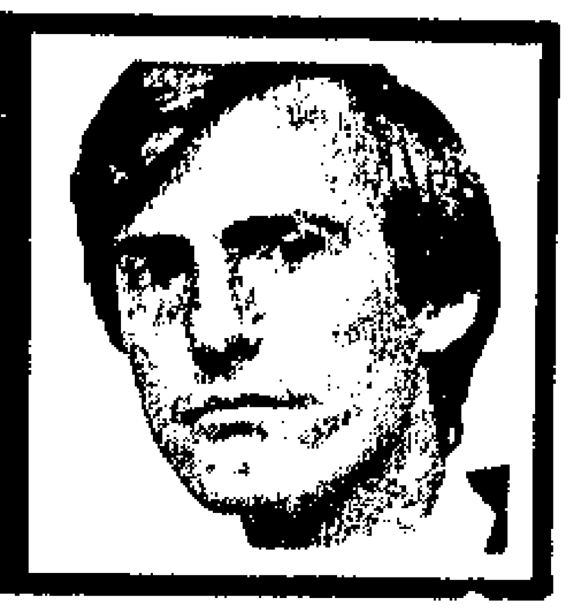
- ☐ What is the goal of import protection? If it's to raise revenue, duties should be imposed at a flat rate (of 5%, 10%, whatever) on all imports without exemption — from raw materials to finished goods, soya bean oil to sandwich toasters. No board is needed. When imposed arbitrarily and at varying levels, duties stop being a revenue source and become a tool for manipulating the economy. Some businessmen benefit — at the expense of consumers and competing businessmen;
- ☐ Intervention breeds intervention. An industrial firm uses a twist drill to produce printed circuit boards. To cut the price of its product — to compete with imported boards — the firm asked that duties on the drill be cut. The BTI rejected the request. "The board found the duty on twist drills, expressed as a percentage of the selling price of printed circuit boards, was minimal ... The board could not justify the sacrifice of State revenue and recommended the application be rejected." So costs are pushed up for the local electronics industry. Then this year, government, concerned that local electronics development is too slow, agrees to spend R40m a year to subsidise the industry. Plus, the industry is in line for a "structural adjustment programme;"
- ☐ Duties are self-imposed sanctions. The goal of sanctioneers is to restrict SA's foreign trade. The BTI helps them achieve this;
- ☐ Local businessmen shouldn't be prevented from "disruptive competition." Competition is *supposed* to be disruptive. It disrupts the lazy, inefficient and wasteful. The masses of South Africans aren't better off by being *denied* inexpensive imports. Rather they are further impoverished;
- ☐ Protection protects monopolies. Last year, for example, SA's only manufacturers of steam irons and acetylsalicylic acid were spared competition from foreign producers. Import competition protects consumers from monopolistic abuse, especially important in a relatively small economy like SA's; and
- ☐ The existence of the board leads to wasteful rent-seeking. The true cost of the BTI isn't just that it keeps 80 people busy and costs taxpayers R10m a year. To establish the full cost, you'd have to calculate how much time and money businesses spend preparing reports and lobbying for concessions — that is, rent-seeking — rather than boosting production.

You'd also have to calculate the invisible costs of protection: which industries never come into being because Pretoria has artificially created a local TV, toaster or shoe industry? What local goods would people buy with money left over from buying inexpensive imports? What export industries would develop naturally to pay for the imports? And who doesn't bother to trade with SA because of ever-changing duties and surcharges?

America reaps unjust economic rewards

S/Times 23/7/89 - (74)

REX
Cees Bruggemans reviews the local and world scene



IT would be good if the international markets could make up their minds about exactly where they would like to go.

Most analysts never saw the dollar break-out coming. But when it looked safe to venture back into the woods, the dollar suddenly plunged to within the alleged Dm1,70-1,90 intervention range of the central banks, only to turn up once more to above Dm1,90.

Only a minority of analysts see the dollar above Dm2 for some time to come. Most continue to judge it insane, but that may not prevent its coming about. Interestingly, they keep good company.

The Bundesbank apparently did not believe that dollar strength would hold for long. As a consequence, it was in no hurry to strengthen its own interest rates, thinking that the external inflation threat by way of a weak mark would disappear quickly.

EXPORTS

However, reality has proven different, and we now find the Germans raising their interest rates, with the impression of more to come. The strong dollar and importation of US inflation is only one half of the coin.

The other half is strong domestic economic growth impulses in West Germany, led by fixed investment spending and exports, with the added stimulus of an agreed tax cut in an election year — 1990.

All this recent growth has lifted German capacity use above 86%, the highest in 15 years and distinctly into territory where inflationary impulses are encouraged rather than checked. This is coming through especially strongly in the current round of wage negotiations.

The same internal and external forces are at work in Japan where the central bank has ended a nine-year streak of lowering interest rates. It has made the unprecedented suggestion that asset prices may be in danger of being affected by intended higher interest rates.

This should not immediately give rise to fears of Western or Hong-Kong Chinese style collapses in share and land values on the ingrained capitalistic principle that first prize goes to those who panic first.

The Japanese institutional framework appears to be too tightly organised for that. Nonetheless, the forces fuelling overvaluation, especially lower interest rates, ample liquidity, and a strong currency and low inflation are all reversing, and vigorously so.

MOTHER

The British bravely give the impression that no market is going to dictate policy parameters to them, on the sound principle that Mother Knows Best.

However, for as long as the market believes that British policy is not deflationary enough — anti-inflation, anti-growth and anti-trade deficit — will the downward pressure on the pound persist.

As the pound declines — some are looking to $2,85 early next year — a direct lift is given to inflation by way of higher import prices, and indirectly by easing the competitive pressure on British companies, which may consequently find it easier to give in to higher wage demands as more Seasons of Discontent loom.

All of these factors apply before taking into consideration potentially higher Continental and Asian interest rates, which would make the British position even more difficult to maintain.

This does not mean to say that the reported overall UK inflation rate will not ease soon. The August figure will benefit from the exit from the inflation index of the August 1988 increase in mortgage rates.

However, it is the core rate of inflation excluding mortgage rate influences that are important and here the tendency may still be up, led by wage pressures that are apparently still intensifying.

Although the pound has come out of its nosedive against the Deutsche-mark in the past three weeks because of better trade, inflation and spending data than expected, it does not mean to say that the corner has been turned.

Stronger policy action on the Continent, and too-strong wage pressures at home, may still combine to force the pound lower in the months ahead.

The most fascinating twins remain the US capital and equity markets, which continue to agree about good news ahead, even though their vested interest are usually at loggerheads.

The stock market loves economic growth and a bit of inflation, the best of worlds for company profits. In contrast, the capital market likes a recession and falling prices.

PERFECT

The US economy is slowing, underlying inflationary forces are still gathering judged by high capacity use and wage growth, and the Federal Reserve is hinting at lower interest rates through its open market operations — in other words, the perfect combination for depressing both the stock market (slowing economy) and the capital market (sustained inflationary momentum).

But these markets continnue to take a light-hearted approach to these things, no doubt for good reasons. The US stock market seems to argue that a slowing economy still grows, along with the bit of inflation still present in the system.

The capital market focuses on the slowing economy, but then reinterprets the likely rate of easing in interest rates, expecting it not to be too vigorous as the anti-inflationary stance is maintained.

The stock market, looking at this capital market assessment, has apparently decided that this excludes harsher policy measures down the road and no hard landings by way of suddenly higher interest rates.

That is good for profits.

Foreigners in turn are so impressed that they continue to put more capital into the US than it strictly needs from a trade deficit point of view.

As a consequence, the dollar remains under upward pressure, in turn reinforcing all the positive impressions of foreign investors as their investments and returns gain a lift from the stronger dollar.

From the South African point of view, this world picture could hardly be less enchanting. Americans are actually being rewarded for bringing their interest rates down while failing to do anything material about their Budget deficit, even while the Germans and Japanese are apparently still to raise their interest rates.

It is not an outlook that is likely to inspire our capital account to turn around quickly or to raise the dollar value of the gold holding in our foreign reserves.

BLIP

As a consequence, our net foreign reserves may remain under pressure into next year. The late-June, early-July let-up due to the declining dollar and the consequent stronger rand-dollar relationship may therefore prove to be only a blip, a sideways correction in a longer-term downward trend. Of course, in the really long term all this is madness.

The Americans should not be rewarded for only moderately reducing their interest rates, but instead be penalised until it hurts for not controlling their government finances more properly.

That would trigger a much lower dollar, a much higher gold price, and a much improved South African capital account.

Don't try to hold your breath waiting for it, though.

Revitalised JMFC being relisted

Star 24/7/84

Finance Staff (74)

Johannesburg Mining and Finance Corporation's (JMFC) five listed companies — JMFC, Egoli, Carrigs, West Wits and Corex — are being relisted today.

Considerable speculation has ended with the announcement and the consortium, led by Gerald Rubenstein and Norman Lowenthal, seems to have restored the group to viability.

In tandem with this announcement, it has been disclosed that the consortium, in addition to Rubenstein and Lowenthal, consists of David Abbott, Charles Turner, on behalf of corporate consultants DMB Securities, and Monty Schechter, on his own behalf and that of overseas investors.

Control of JMFC has passed from Joe Berardo to the consortium by way of a transfer of 60 million shares, effectively representing 52 percent of JMFC in consideration of the consortium's injecting R11 million into JMFC by way of convertible debentures.

As a result of this injection of capital by the consortium and agreement reached with the banks, whereby R13 million of bank claims will be converted into debentures, the company has been recapitalised by about R24 million.

The remainder of the bank claims of about R5,8 million will be subject to a reduced rate of interest of six percent for two years, increasing to 10 percent until repayment in five years' time.

After the restructuring JMFC will hold two major assets in the form of a 64-percent holding in Corex and a 58-percent holding in Egoli. Various non-mining assets have been housed in a third structure, but will be disposed of in due course.

Egoli, in turn, will hold 60 percent of West Wits, 59 percent of Carrigs and 100 percent of dumps for retreatment, which are currently being retreated in association with Anglo American.

'Personal finances tighter'

B/Day 26/7/89 (74)

CAPE TOWN — The SA economy's rate of expansion was expected to slow down further as the effect of government measures to damp expenditure was felt more strongly, Sanlam said in an economic survey yesterday.

There were already signs that the financial position of private consumers was becoming tighter and that both consumer and business confidence were on the decline.

In particular, expenditure on durable goods — cars, furniture and household appliances — and semi-durable goods (including clothing, footwear and household textiles) would slow down further.

The residential sector of the construction industry could also expect a continued deterioration in business conditions.

"It is clear that this process of adjustment will continue for some time yet," Sanlam said. "In fact, total domestic expenditure will have to decelerate to such an extent that the surpluses on the current account of the balance of payments needed for the repayment of our foreign debt and the strengthening of our foreign reserves can be assured."

In view of this, Sanlam said it was essential that in the months ahead "all citizens forego excessive wage and salary demands" and that they avoid credit purchases as far as possible.

It was also important that government did everything in its power not to exceed budgeted expenditure.

"And, equally important: government must resist the temptation to relax fiscal and monetary policy before the election in September. If not, it can only make the process of correction more lengthy and more severe."— Sapa.

New interchange system would help foreign trade, says Naude

B IDay 27/7/89

(74)

GERALD REILLY

PRETORIA — The viability of establishing an electronic data interchange (EDI) system in the public sector is being investigated.

Trade and Industry director-general Stef Naude said yesterday the aim would be to assist administrative functions associated with foreign trade.

Naude said with the advent of internationally agreed data and syntax standards EDI had begun replacing traditional paper-based transfer of information data in international trade.

"The trend is particularly evident in first world countries at business and goverment levels," he said.

It is seen as strategically important for improving productivity, efficiency and competition.

The investigation will focus primarily on the roles of the Commissioner of Customs and Excise, the Reserve Bank, Sats and the Department of Trade and Industry in the trade transaction.

The Star Finance

Credit info war hots up

By Jabulani Sikhakhane

The credit information, management and debt insurance market is becoming intensely competitive, forcing major players to join forces and broaden their range of services.

The Infomation Trust Corporation (ITC) and the Credit Guarantee Insurance Corporation (CGIC) have just teamed up to launch a new credit insurance scheme.

At the same time ITC's major competitor, KreditInform, has entered into an information-sharing agreement with Executive Credit Control (ECC), one of the largest collection agencies in the country.

The credit insurance scheme started by ITC and CGIC, known as ITC Guarantee, follows the launch earlier this month of a new credit insurance group, Credit Underwriting Agency.

It sees the Commercial Union, as a major shareholder, team up with Hollandia Reinsurance and KreditInform.

ITC executive chairman Paul Edwards believes the ITC Guarantee Scheme will be attractive to businesses wishing to insure only certain of their debtors.

"For a monthly fee we will guarantee payment in case the debtor company goes insolvent.

"We will pay 75 percent of the debt when the debtor company is deemed insolvent.

Any dividends when the company is finally liquidated will be for client's account, Mr Edwards says.

CGIC insures a massive proportion of South Africa's trade debts and provides insurance cover on trade debts exceeding R14 billion.

CGIC MD, Chris Leisewitz, says the scheme can only operate because CGIC insures such a massive proportion of South Africa's trade debt, both internal and export-orientated, and because of the size of ITC's database.

Commenting on the agreement with KreditInform, Ray Bearson, ECC's founder and director of sales and marketing, says his company experienced a 160 percent growth rate in accounts handled in 1988 and a 145 percent growth is expected this year.

"We expect that 140 000 accounts will have been handed over to us by the end of this year," he says.

The agreement with KreditInform will help ECC overcome the immediate backlog in inquiries.

In terms of the agreement, ECC will be linked to KreditInform's mainframe computer to co-ordinate their tracing services.

In turn, ECC will supply KreditInform with magnetic tapes of unpaid accounts.

The information-sharing is expected to improve ECC's efficiency and response.

8) 74 B/Day 27/7/89

'Boost gold output'

CAPE TOWN — SA should fix its exchange rate to the basket of European currencies when Europe becomes one market in 1992, UCT economics professor Brian Kantor said on Tuesday night.

And it should boost gold production now to reduce foreign debt as much as possible.

Kantor, speaking at a seminar organised by Investec, stressed the need to bring down the inflation rate.

He said SA needed a system of "reverse annuities" with payments increasing with time so that people in this country need not fear living too long.

One effect of inflation was that the share market gave a much better return than fixed investment, Kantor said.

Even ignoring capital growth, it took 11 years for dividend income alone to overtake interest income from long-term investment.

Property shares had done even better. "Dividends from property shares have done spectacularly well".

He thought property shares and investment were under-valued.

In view of this, anyone expecting to live more than 11 years should invest his or her money in the equity market or property shares.

"The danger facing old South Africans is that they will live too long," Kantor continued.

"We need a system of reverse annuities.

"The great problem facing ageing South Africans is inflation.

"It was not always like that. SA's capacity to generate inflation high in relation

Own Correspondent

to that of other countries began in the '80s."

SA had mismanaged its booms in 1979 and in 1987-88, "giving us tremendous trouble on the way down".

Kantor said government did not print money to finance its expenditure. It was willing and able to do this through taxation.

"Government spends too much. But it also taxes too much."

It always failed to raise interest rates in the early stages of a boom, because politicians prevented the Reserve Bank from doing this.

Trust

"We haven't got a political fix. And I've given up on money supply targets. We always undershoot in recessions and overshoot when times are good.

"We need a fix and I've got one. We should get back to fixed exchange rates and fix the rand to the European basket of currencies in 1992. We can trust the Germans and others to manage their money supply properly.

"We should go in at an under-valued rate. This is better than going in overvalued."

Kantor said his second suggestion was to step up gold exports to reduce SA's foreign debt problem.

Pointing out that revenue from gold mines amounted to "less than 1% of the take from sales tax", he said: "We should stop looking at our gold mining industry as a source of revenue."

SA had consistently reduced its gold output since the 1970s. Instead it should increase it.

"We should stop thinking of revenue and start thinking in terms of higher gross domestic production (GDP) and lower debt."

He was in favour of getting rid of the Board of Trade, and of stopping trying to save foreign exchange by increasing local content.

This interfered with efficiency and did not bring foreign currency into the country.

Discussing inflation, Kantor said it was not as bad as it appeared through the year-on-year statistics. The smoothed, annualised, monthly increase showed a declining trend.

He expected inflation to peak towards the end of the year "but it won't go much above 16%".

The balance of payments (BoP) was the key. "The outlook for the BoP in dollars is difficult but not disastrous."

The price of gold by the end of 1991 could be either low, in the region of \$350; medium, in the region of \$450; or high, in the region of \$550.

Which it would be depended on the way the US economy was managed — "and I have not given up hope that the Americans will mismanage their economy and give us at least a medium gold price".

It was quite possible that the Americans would allow a slight rise in inflation, which would suddenly turn into a big rise. A great deal would depend on how tough Federal Reserve Board chairman Alan Greenspan was and how much power he had.

Waiting game for the business cycle

S/Times 30/7/89 (74)

REX

Cees Bruggemans reviews the local and world scene

THE current business cycle has yet to complete the pattern of the past two decades.

This can lead to surprises ahead as policy responds to the shape of things to come. The 1984-1986 downturn was strictly speaking no recession if we reinterpret today's gross domestic product data for those years. However, the contraction in domestic spending was no figment of the imagination.

What happened was that a decline in business and consumer spending was matched by a fall in imports while exports were rising. In other words a domestic contraction paralelled an improvement in the trade balance.

It stabilised GDP performance even though large parts of the economy suffered a setback. The 1982 episode was the true recession of modern times, but that apparently was missed by most. GDP contracted sharply as both domestic spending and exports declined.

BOOM

However, the fall in domestic spending was entirely contributed by business spending as the consumer essentially maintained his levels. The 1975-1976 recession combined features of the 1982 and 1984-1986 downturns in that it followed the fizzling out of a major gold boom, and it was prolonged by a year because of political unrest.

All these downturns were essentially policy-induced in response to a negative balance of payments cash flow and falling foreign reserves. At least in that respect the current situation is far from unique. The external cash flow has been negative for nearly two years now, and the net foreign reserves have been under pressure ever since. In response, policy action has been taken to cool the domestic economy. What is disturbing is that nearly two years after balance of payments problems started to be experienced, and 18 months after policy tightening began, no material progress has been made in arresting the decline of the net foreign reserves. Policy action takes time to affect the economy, but eventually it is supposed to lead to changes in spending and a correction of the balance of payments problem.

The last time we encountered an exceptionally long spell of falling foreign reserves (1983-1985), we imposed domestic overkill to bring imports down, and the rand's collapse combined with favourable world market conditions to improve the export performance.

This time we have not completed the about-turn from heavily negative cash flow and falling foreign reserves to positive cash flow and rising foreign reserves. There are two reasons for this.

The first, and most important, would appear to be the political unwillingness to once more impose overkill on the economy to force imports down.

The second is the apparent recognition that the domestic economy has actually remained remarkably balanced. Except for one panicky quarter early last year, export proceeds have been adequate to cover imports and foreign debt repayment, with some room to spare.

What has remained out of synchronisation is "other" capital outflows, whose nature remains poorly understood, but which are still the main reason why the cash flow is negative and the net foreign reserves are under pressure.

HIDDEN

It would appear that the authorities are unwilling to commit domestic overkill to compensate for these other capital outflows, preferring to fund them out of foreign borrowings for as long as that option exists. A parallel exists with 1985-1986.

The foreign debt standstill came 15 months after the recession began and four months after domestic interest rates started their rapid descent. In other words, the capital account crunch and the further foreign reserve decline of mid-1985 to mid-1986 took place in the face of an unprecedented domestic easing of interest rates.

The reason for such policy willingness to ease domestically even while facing external outflows is not difficult to discern. The economy had been in a nosedive for some time, imports falling rapidly and exports rising for two years.

The current account on the balance of payments had therefore decisively turned positive, ending four years of major weakness. The restructuring of the economy was visible and frightening, and the capital outflows were again mostly little understood. With the domestic economy distinctly in a downward spiral, it was imperative to relax the grip on things.

In spite of a 1985-1986 profile that looks distinctly different from what we are now experiencing, the financial markets apparently continue to expect a cyclical easing of interest rates shortly.

The reasoning goes that the economy is no longer growing as fast as late last year and private credit demand is easing, so interest rates can start coming down.

If it is acknowledged that the external cash flow is likely to remain problematic over the next 18 months, it is well hidden. Policy preoccupation with the external cash flow and the level of net foreign reserves is apparently seen as an esoteric hobby of public servants that will not, or will not be allowed to, impinge on the domestic interest-rate cycle.

One better, 1985-1986 seems to suggest that falling domestic interest rates can accompany a still worrisome capital account outflow and falling net foreign reserves. Although this is a comfortable thought, the condition of the domestic economy today could hardly be different from that of late 1985 and early 1986.

Then, the economy was in a downward spiral while 12 months of unprecedented political unrest descended on society. Today, imports are still rising from a high base, and the domestic economy is hardly giving any signs of real distress.

New-car sales are still 1% higher than a year ago, fixed investment is rising, most consumer spending is maintaining its momentum. Political unrest and its deflating quality is mostly absent compared with 1986.

PRESSURE

There is a belief that nothing further needs to be done: imports will eventually start falling, lagging behind, policy action; the current account surplus will grow larger; and eventually the cash flow will turn positive and the foreign reserves will start to rise.

True, our export position does not look bad, but agriculture may not repeat this year's records in 1990. The metal side may be under pressure from reversing world market trends.

Nothing major to be worried about, but making it difficult to believe that last year's export growth can be maintained.

Also, imports may not start falling on any scale under present economic and political conditions if fixed investment spending is maintained.

Then there is still the foreign debt repayment hurdle next year, which will be twice this year's, and those worrying "other" capital outflows known as errors and omissions.

In summary, our policymakers have gone halfway in restructuring domestic spending, hoping that something will turn up externally which would make it unnecessary to complete the policy cycle along the lines of 1975, 1982 and 1984.

We are therefore very much into a holding pattern, a waiting game, until the impasse breaks either way.

Civils costs soaring

B/Times 30/7/89.

COSTS in the civil engineering industry rose by 9% in the first quarter of this year compared with 15% for the whole of the previous year.

The reason was the rapid increase in prices of new plant, spares, materials and fuel, says the Bureau for Economic Research at the Stellenbosch University (BER).

Its survey of the building and construction industries shows that, in spite of the price increases and a tightening in the market for new work, contractors maintain a positive view of overall business conditions.

For the first time, the survey includes input from the SA Federation of Civil Engineering Contractors.

The BER says: "The order books of many contractors are reasonably well filled, ensuring a fair workload for most of 1989.

"Uncertainty about the flow of work coming out to tender later this year, however, has spurred contractors to step up bidding for contracts on offer now."

Contractors experienced less township work because rising interest rates put a damper on private development.

Demand for concrete structures remained quiet.

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'Healthy competition'

African trade shipping line launched

SA Times 1/8/89 74

By BRUCE WILLAN

AS A result of increased trading in central Africa over the last 14 years, a locally-based group of companies has launched its own shipping line to secure continual links with their trading partners in Africa.

The group, Sopex, is essentially a trading group and has various interests in transportation including a 50% share in Swiss-based Aeroleasing Geneva.

New line

The new shipping line, launched at a function at a city hotel last night was born from the lack of an efficient shipping service to the West African coast.

CE and group MD Paulo Dos Santos said at the launch that often the infrastructure in Africa, and in particular in west and central Africa, does not cater for normal arms length transactions.

Successful trade in Africa, he says, can only be brought about through a thorough understanding of the markets, the people and the creation of infrastructure.

The new shipping line, which will fly the house flags of the group, will offer a complete service to both exporters and importers from documentation through to delivery at competitive rates.

The only other major shipper, operating to the rest of Africa is Unicorn lines and the addition of the new line will create healthy competition.

Trading activities of the group will ensure a continued service and account for two of the vessels hired under contract.

The other vessels will be made available to exporters needing a regular service.

While Africa is the target destination, the group has not confined itself to the continent.

World service

It will ship goods to any part of the world and has established offices in Europe and the Far East.

While trading with African countries is often regarded as difficult, a spokesman for the group said that in Zaire there were no considerations about where goods came from, what counted was quality, price and continuity of supply.

(74)

Cape route opens up

SA's burgeoning trade with Africa has prompted Cape Town-based exporter Sopex to establish a new freighter fleet to service the continent's west coast.

MD Paulo dos Santos says political change in southern Africa is opening new markets in Africa for SA goods and for commercial and industrial development.

Sopex has been trading in Africa for 14 years, mainly via Zaire. Until now, it depended on other shipping lines to convey its goods, but has been hampered by having no control over routes and schedules.

Three chartered vessels, including one with refrigeration capacity, now fly the company's flag. The fleet will be expanded to meet demand. Initially it will ply the route around SA's coast and up to Zaire. But there are also plans to service ports in Gabon, the Ivory Coast and Senegal.

Dos Santos says Sopex moves "huge volumes" of goods in and out of west and central Africa, trading mainly through Kinshasa in Zaire, but associated with Gabon, the Ivory Coast, the Congo and Angola. The company also has offices in France, Switzerland, Portugal and Belgium.

"Our approach to trading in Africa is professional and direct. First we establish bases and assess market needs. Then we open up or even create the markets, followed by establishing partnerships and joint ventures

(74) Fmail 4/8/89.

in central and west Africa with SA and European enterprises," he says.

Trading in Africa is not easy. Often there are none of the facilities available that are taken for granted in most Western nations, such as the raising of capital through share issues or financial markets. There may also be a lack of foreign exchange for imports and inadequate transport systems, says Dos Santos.

Sopex is part of the Sicotra-Sopex group, whose transport infrastructure in Africa comprises river boats, trucks and aircraft. The group also operates extensive African farming interests, generating forex and has associations with various industrial undertakings, hotels and the diamond trade in Zaire.

It also runs a 50-50 partnership with Geneva-based Aeroleasing, largest private air charter company in Europe and second-largest in the world, with a fleet of 35 passenger and cargo aircraft, including inter-continental jets.

Sicotra Aeroleasing operates its own aircraft maintenance, servicing and training facility at N'dolo Airport, Kinshasa and has aircraft based in Geneva, Zurich, Kinshasa, Madrid, Rome, Paris and Singapore. Plans are afoot to also base aircraft in Johannesburg, Nairobi and Lisbon.

Sopex has been operating its freight shipping service from South America and the Far East to west Africa for some time and has established a strong client base. On the basis of that experience, the company decided to open the SA route to west Africa.

Adds Dos Santos: "We offer a complete service, not just shipping. Our offices in Africa can take care of clearing and forwarding requirements in Pointe Noir, Libreville and Matadi. Our river, road and air transport infrastructure will ensure delivery to the final destination."

He believes Sopex is successful because it is "an African company operating in Africa" and knows the continent and how to trade within it. ■

6007 + SAM

of four cents (R0,04) on each cubic metre of water supplied or made available by the Government from or by means of any Government water work in the Vaal River from and including the Grootdraai Dam to the confluence of the Vaal and Orange Rivers to any person or body for eventual use for urban or industrial purposes: Provided that the charge will not apply to any such water supplied or made available free of charge by the Government from or by means of such Government water work.

2. The charge shall be recovered by the Director-General of Water Affairs simultaneously with any charge which I may levy in terms of section 66 of the said Act in respect of the supply or making available of such water.

3. Interest will be charged on any charges not paid by the due date at the interest rate applicable on that date in terms of section 26 (1) of the Exchequer and Audit Act, 1975 (Act No. 66 of 1975).

4. For the purpose of this notice, one cubic metre shall be equal to one kilolitre.

G. J. KOTZÉ,
Minister of Water Affairs.

vier sent (R0,04) op elke kubieke meter water wat uit die Vaalrivier vanaf en insluitende die Grootdraaidam tot by die samevloeiing van die Vaalrivier en die Oranjerivier uit of deur middel van enige Staatswaterwerk aan enige persoon of liggaam vir uiteindelike gebruik vir stedelike of nywerheidsdoeleindes verskaf of beskikbaar gestel word deur die Staat: Met dien verstande dat die vordering nie van toepassing is op enige sodanige water wat kragtens 'n toekenning van die Staat gratis uit of deur middel van sodanige Staatswaterwerk verskaf of beskikbaar gestel word nie.

2. Die vordering word deur die Direkteur-generaal van Waterwese verhaal gelyktydig met enige vordering wat ek kragtens artikel 66 van die genoemde Wet hef ten opsigte van die verskaffing of beskikbaarstelling van sodanige water.

3. Op enige vorderings wat na die betaaldatum nog nie betaal is nie, word rente op die onbetaalde bedrag gehef teen die rentekoers wat op daardie datum kragtens artikel 26 (1) van die Skatkis- en Ouditwet, 1975 (Wet No. 66 van 1975), van toepassing is.

4. By die toepassing van hierdie kennisgewing is een kubieke meter gelyk aan een kiloliter.

G. J. KOTZÉ,
Minister van Waterwese.

GENERAL NOTICES

NOTICE 916 OF 1989

ADMINISTRATION: HOUSE OF ASSEMBLY

DEPARTMENT OF LOCAL GOVERNMENT, HOUSING AND WORKS

REMOVAL OF RESTRICTIONS ACT, 1967

ERF 1542, PLETTENBERG BAY TOWNSHIP EXTENSION 5, PLETTENBERG BAY

Notice is hereby given in terms of the provisions of section 2 (1) of the Removal of Restrictions Act, 1967, that the Minister of Local Government and Housing: House of Assembly, has approved the removal of conditions b, c and d contained in the endorsement, dated 12 August 1970 on page 6 of Deed of Transfer 2673/1970.

(4 August 1989)

ALGEMENE KENNISGEWINGS

KENNISGEWING 916 VAN 1989

ADMINISTRASIE: VOLKSRAAD

DEPARTEMENT VAN PLAASLIKE BESTUUR, BEHUISING EN WERKE

WET OP OPHEFFING VAN BEPERKINGS, 1967

ERF 1542, PLETTENBERGBAAI-DORPSUITBREIDING 5, PLETTENBERGBAAI

Hierby word ooreenkomstig die bepalings van artikel 2 (1) van die Wet op Opheffing van Beperkings, 1967, bekendgemaak dat die Minister van Plaaslike Bestuur en Behuising: Volksraad, goedgekeur het dat voorwaardes b, c en d vervat in die endossement, gedateer 12 Augustus 1970 op bladsy 6 van Transportakte 2673/1970 opgehef word.

(4 Augustus 1989)

NOTICE 917 OF 1989—KENNISGEWING 917 VAN 1989

P.5.01A

PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE

VOORLOPIGE OPGAWE VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS

Remark.—The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments.

Opmerking.—Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grootliks aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans.

N.B. The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 and later years with those of previous years the possible differences due to the change-over should therefore be taken into consideration.

L.W. Die oorskakeling na die Geharmonieërde Tariefstelsel met ingang van 1 Januarie 1988 het die indeling van sekere kommoditeite verander. Wanneer die afdelingstotale vir 1988 en later jare dus met dié van vorige jare vergelyk word, moet die moontlike verskille as gevolg van die oorskakeling nie uit die oog verloor word nie.

PERIOD: JANUARY TO JUNE 1989—TYDPERK: JANUARIE TOT JUNIE 1989

	Imports—Invoere		Exports—Uitvoere	
	1989	1988	1989	1988
Total in Millions of Rand—Totaal in Miljoene Rand	22 049,5	18 266,2	27 373,0	22 397,4

Boomalong JSE sets a puzzle for holders of golds

(74)

S Times 6/8/89

By Julie Walker

THERE is never a time to sell good shares, says a stockbroker — and his sentiment is reflected on a booming JSE.

In 11 months the overall actuarial index has jumped by 60% to 2 765 points, almost level with the pre-October 1987 crash. But the average price-earnings ratio of shares comprising the index has dropped from about 15 to 10 times. It still offers relative value.

The industrial index has overtaken its high earlier this year, exceeding it handsomely — at 2 748. The rate at which corporate earnings have continued to improve justifies the sentiment.

Puzzle

The big puzzle is the all-golds index. Its high, reached two years ago, was 2 499, and it dropped below 1 200 last year before attaining a 12-month peak of 1 699 this week. It closed at 1 678.

The dividend yield on gold shares averages 4,7% — well below the historic average. Head of mining research at Simpson McKie Rodney Yaldwyn says fundamentals for SA's gold mines are not rosy.

"The gold price has fallen below R1 000 an ounce, and higher costs will make it difficult for many mines to maintain dividends, let alone raise them. Increased salaries always lift costs in the third quarter."

He believes the market is running on an expected rise in the gold price. But he argues that gold has to rise to $450 and beyond to improve the fundamentals for SA's gold-mining industry.

"If gold goes to $400, the rand will appreciate and the rand price of gold won't go up."

He says foreign investors are disillusioned with the Australian gold index. Many mines have underperformed, and the view is that some are being raped — referred to as fast-tracking in Australia — ahead of the introduction of gold-mining tax in 1991.

Shortage

The world's bourses are strong, and the correlation of the JSE index with the global trend is high. But the rate of earnings growth in America and Europe is not expected to startle. If their markets weaken, the JSE could too.

However, the JSE brokers I spoke to say they have pages of buying orders to be filled — and a shortage of scrip.

Even if something looks overpriced, nobody will sell it because it will cost more if he or she wishes to get it back.

Clarice Braun of stockbroker VH Simmons says there has been a spillover of demand from foreign clients who see value in SA gold shares. Among the favourites is Randfontein, where the foreigners expect higher grade and lower costs. Whether it is achievable or not, the view reflects the sentiment.

Melt-up

Mrs Braun says Americans refer to the bull run on Wall Street as the melt-up.

"There could be a triggering of computerised buying orders, which could have the reverse effect of the computerised selling which contributed to the October 1987 crash."

Davis Borkum Hare's George Joubert says that improved sentiment, especially from SA institutions, underlies the market's strength. A few months ago, good results did nothing for a share's market rating. Now, the price jumps on high performance.

Mr Joubert refers to aggravations — certain well-publicised frauds — which played havoc with the financial rand market.

"It is back to normal now, in contrast to after the 1987 crash. The finrand makes our shares cheap for foreign buyers."

The eyes in focus

SWISS-based Wild Leitz and the UK's Cambridge Instruments, both manufacturers of optical instruments, will merge their operations.

Wild Leitz is represented in SA by wholly owned Wild Leitz SA and Cambridge markets its products through agencies.

Last year Wild Leitz turned over R1,7-billion and Cambridge R550-million. The merger will result in one of the world's largest manufacturers and suppliers of optical equipment, says Michel Peyremorte, managing director of Wild Leitz SA.

There will be 10 000 employees in Europe, America and the Far East. The company sells its products in 20 countries.

Compiled on a Punch Line Panda PC

Markets in a tizzy over antics of dollar

12/8/89

Star

74

DEREK TOMMEY

NEWS that the United States producer price index had unexpectedly fallen by 0,4 percent in July threw the world's financial markets into chaos for a few hours yesterday.

The Johannesburg Stock Exchange was caught up in the tizzy.

The dollar sank and then rose, the gold price tumbled but later recovered and the rand weakened.

All this activity was the result of dealers in the major financial centres in Europe and North America trying to reduce their losses and/or make money from the PPI report.

According to the US Labour Department, the 0,4 percent decline in the PPI — the biggest in three years — was the result of lower car and energy prices.

The news took the market by surprise as economists had been predicting no change in the PPI for July, reports Sapa-Reuter.

Dealers took the view that the lower PPI index would lead to lower US interest rates and less foreign investment in the US. This in turn would lead to a weaker dollar, and initially the dollar weakened on the news.

But within minutes a big demand for the dollar developed causing it to soar againt all other currencies. It jumped from Dm1,8895 to Dm 1,9270, and from R2,6735 to R2,7170.

The gold price, which had closed at $367,88 in New York last night, dropped to $361,50 before recovering to $362,20.

Local dealers had no ready explanation for the sudden strong buying of the dollar.

Some attributed it to bear-covering but this does not seem particularly credible.

A more plausible reason is that the demand for the dollar is connected with the sharp rise in share prices on the New York Stock Exchange in the past few days and also the reported rise in retail sales.

US share prices reached new high on Thursday and yesterday. It seems possible that this might be encouraging foreign investors to join in the fun, and this has led to the heavy demand for the US currency.

Local dealers reported that the dollar started to ease before trading stopped and the rand and gold price staged small recoveries.

What is interesting is that they expect this firmer trend for the rand and gold to continue as prospects of lower interest rates in the United States lead to a weaker dollar.

A great many South Africans will hope these dealers are proved right.

Massive US and Canadian investment planned for blacks

Star 12/8/89

JABULANI SIKHAKHANE

THE United States and Canada are considering a "massive" investment in black business ventures in South Africa.

The US programme is part of the campaign to support the 'victims of apartheid' as laid down in the US 1986 Comprehensive Anti-apartheid Act.

Barry Walkley, Press information officer at the US embassy in Pretoria, confirmed this week that AID was investigating the feasibility of a private venture capital company to make 'commercially viable investments' in black business.

The project is part of AID's seven-year Black Private Enterprise Development Project (BPEDP) launched in 1987.

Financial assistance will be targeted at initiatives supporting micro and small black enterprises, facilitating black participation in the primary economy, and strengthening the capacity of black business institutions to describe and articulate alternatives to the economic inequities caused by apartheid.

Managerial talent

AID has also had discussions with the US Export-Import Bank (Eximbank) to investigate the feasibility of making the Bank's services available to black business.

The emergence of black business institutions, according to a USAID document, is critical to the development of a successful black-controlled South African economy.

Such ventures, the document says, can serve as vehicles for building black managerial talent and as catalysts for further black economic empowerment.

"Moreover in a community where capitalism often connotes racism, these institutions can provide visible examples of business working for, rather than against, the interests of black South Africans," it says.

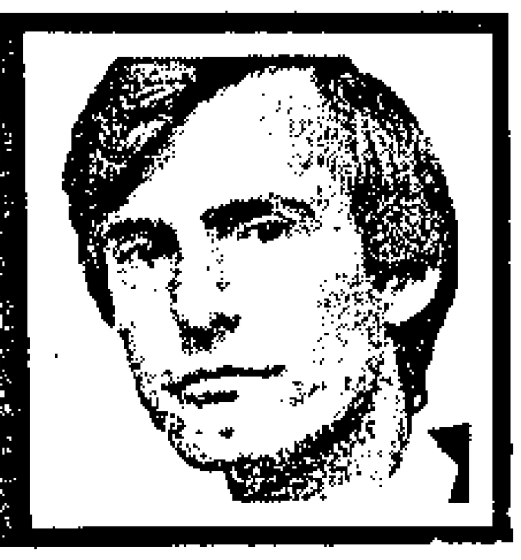
All's well, so forget about omens of ill

(74) S/Times 13/8/89

World stock and bond markets are booming. Optimists point to conservative economic policies, lower interest rates and oil prices and improved political relationships to justify their confidence. But there is plenty of grist for the pessimist's mill yet, argues Business Times economic columnist.

REX

Cees Bruggemans reviews the local and world scene



CONFIDENCE is once again brimming over — all over the world.

Everything, it seems, is going into play — not only the main stock markets, but the regionals as well. A sort of investment wave is moving around the world. Money searches out anything undervalued, including South African gold shares and gilts.

The UK, German and Japanese stock markets are at record highs, and the Dow Jones in New York is nearly there. All want to go higher.

This is remarkable because the US economy is slowing down faster than expected, and the other nations face political complications. These features have rarely inspired market confidence. But the fun is intensifying, not diminishing.

Margaret Thatcher has developed a bad bout of mid-term blues. Her stand against European Monetary Union, her proposals for privatising the water boards and the Central Electricity Generating Board and her poll tax are not popular.

BUYOUTS

However, few investors believe that she could lose the next election, probably in mid-1991. So the political blues are getting short-shrift, and London share prices are being lifted by leveraged buyouts.

The UK economy is taking its time to adjust. The interest-rate outlook is sideways until well into next year. But the London Stock Exchange is pushing higher.

Germany offers a similar profile, but Helmut Kohl is seriously threatened at the polls next year. The erosion of his support by the extreme Left and the extreme Right may assist the main Social-Democratic opposition to gain power.

But the German stock market shrugs off all such speculation, focusing on the good economic performance.

Japan is upset. It has come through an intense political scandal. Housewives are up in arms about a new sales tax. Farmers are upset by liberalised food imports, and the dividing line in Japanese society has sharpened between those prospering from land and share-price appreciation and those whose daily existence is increasingly under pressure.

The leading political party gives the impression of having lost touch with its electorate and faces the threat of losing power to its socialist opposition later this year.

In spite of this political firestorm, Japanese institutions seem to think that the ruling party's loss of control in the Upper House in last month's election was only a token revolt by the electorate, that the worst is over and that sense will prevail in the general election.

The Tokyo stock market has resumed its upward march, and the yen is stronger.

EXCUSE

All these key stock markets look towards New York for guidance, providing an excuse to buy at home as well.

Although America does not currently suffer from political troubles, its interest rates are easing as its economy slows faster than expected. A slower economy should not be good for profit growth, yet the New York stock market is about to reach new highs as investors continue to buy.

This world picture is made even more difficult to understand by booming capital markets. Bond values everywhere are being pushed up as investors accept lower yields.

The last time the stock markets went into overdrive, in 1987, the capital markets turned the other way, indicating their displeasure about events. Not this time.

Both these long-term risk markets are saying the same thing: good economic policy, bright outlook. Such sentiment feeds on itself, coaxing investors into more pedestrian secondary markets in Asia, Europe and Latin America as the worldwide wave extends its sweep.

Our stock market is copying the US and UK. The JSE industrial index is booming while facing economic adjustment, suggesting that few believe it serious enough to warrant a pause in the stock market's climb, and our gold shares and gilts are back in international favour.

This could be a rerating of our political outlook because gold shares had been excessively discounted. However, remembering 1987, it may be that our shares have been put into play again along with everything else.

The oil price is weakening, base metal prices are falling and dollar prices of gold and silver stagnating, translating into price erosion in non-dollar currencies. But gold share prices want to go higher, even when the mines are subject to serious cost inflation.

MISERY

The good news is, of course, not limited to day-to-day economic management. Europe 1992 remains an exciting prospect, Mr Gorbachev's experiment in decentralisation a wonder, while a new round of Third World debt reduction is under way. All these are inspiring developments.

Major changes are under way in Eastern Europe and Latin America where most countries are basket cases. However, the greater the misery, the more likely that it may apparently lead to needed changes.

Poland is being encouraged to change its political structure and economic management, but with minimal Western assistance. The guiding principle is apparently that too much aid would not be good for the Poles because it might inhibit their willingness to change.

Third World debt is nonetheless improving on the principle that conciliatory repudiation is much to be preferred to confrontational default.

Mexico is this year's guinea pig. Its debt burden is being reduced through forgiveness. There is a long list of other eager Third World candidates. By reducing their debt burden through negotiation, the spectre of financial Armageddon may recede further.

There are, however, many who believe that not much good can come of all these things. To some, Europe's 1992 is not all that much of a change, Mr Gorbachev faces a serious survival problem, and Third World debt is deteriorating faster than it is being forgiven.

There is no shortage of grist for the pessimists' mill. Even while European and Japanese liquidity conditions are slowly tightening, their risk markets wish to go higher. It suggests defiance of gravity, and to mix the metaphor a South Sea bubble pumping itself up regardless of the negatives that abound.

FURIOUS

Investors can easily be frightened into believing they face a collapsing world order, loss of financial stability, and a serious risk to their wealth.

But that is not what is happening, even though the world in its many social, economic and political dimensions, is experiencing a furious pace of change last seen in the crucible of world war.

The very diversity and scale of the restructurings taking place make continuing success easy to doubt, but the markets remain on board for the ride.

Although historically rather foolish, it says something for the Rhythm of our Time: Making the future happen today.

Fmail 18/8/89

AUDIODEK (74) (88)

Factory plans

In line with expectations, Audiodek ended its financial year to end-March with higher gearing and interest payments — a casualty of the increase in the surcharge on radio products from 10% to 60% and tougher HP regulations imposed last year. Though the share stands at half its 12-month high, financial director Joe Saitowitz says he is confident that "normal trading" will turn gearing around this year.

Short-term borrowings were increased to R5,6m (R1,2m), partly to fund operations, and the result was that gearing and the interest bill rose to 0,98 (0,29) and R624 000 (R220 000) respectively. Saitowitz claims the past year's increase in debtors to R8,5m (R6,3m), which is considered normal in the sale of car radios, will be turned into cash this year and, in the process, reduce gearing.

Chairman Monty Tolkin's view is that import surcharges should not affect Audiodek's results this year, as the group is to open a factory in September to manufacture items previously imported. This is expected to result in cost and foreign exchange savings.

Tolkin says that production was previously carried out locally, but was stopped in 1984, with all key factory personnel and technical staff retained. The factory will make the entire range of products now sold in SA and is expected to produce more cheaply than imported items.

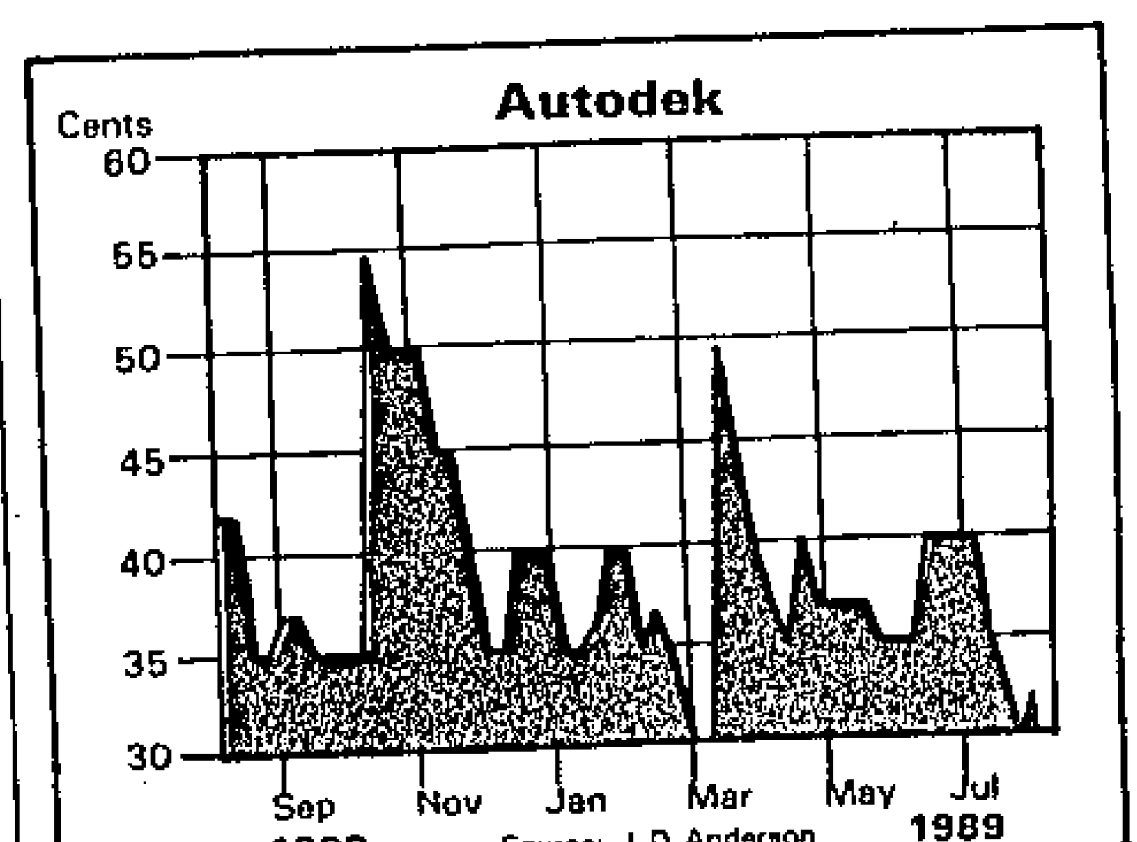
To maintain market share, the group has had to absorb much of the increase in the surcharge. The profit margin fell to 9,1% (10,6%) and turnover was curbed by the credit clamps. The falling rand added to the problems.

While EPS rose slightly and the dividend was maintained, investors are unlikely to find the share attractive as long as gearing remains near these high levels. This is reflected in the p:e of only 4,1 times, with the share well below its issue price of 50c. There is little reason to expect a higher price yet.

Jacques Magliolo

Activities: *Imports and distributes audio equipment and allied products, especially for motor cars.*
Control: *Directors hold 75% of the equity.*
Chairman: *M M Tolkin.*
Capital structure: *19,4m ords of 1c. Market capitalisation: R6,4m.*
Share market: *Price: 33c. Yields: 9,8% on dividend; 24,5% on earnings; PE ratio, 4,1; cover, 2,5. 12-month high, 60c; low, 30c. Trading volume last quarter, 220 950 shares.*
Financial: *Year to March 31.*

	'88	'89
Debt:		
Short-term (Rm)	1,2	5,6
Long-term (Rm)	191	86
Debt:equity ratio	0,29	0,98
Shareholders' interest	0,38	0,36
Int & leasing cover	14,8	6,1
Debt cover	1,32	0,36
Performance:	**'88**	**'89**
Return on capital (%)	25,8	23,7
Turnover (Rm)	30,6	42,0
Pre-int profit (Rm)	3,3	3,8
Pre-int margin (%)	10,6	9,1
Taxed profit (Rm)	1,52	1,58
Earnings (c)	7,9	8,2
Dividends (c)	3,25	3,25
Net worth (c)	24,9	29,8



All-share index at record high

Star 19/8/89.

Diagonal Street's All-share index rose 23 points yesterday to a record closing high of 2811, surpassing the previous peak of 2804 scaled just before the October 1987 world stock markets crash.

The rise was spurred by renewed, albeit modest, demand for select issues in a thin pre-weekend market, dealers said.

In Europe share markets were mostly quiet although London climbed to a fresh 1989 closing high.

The dollar dipped to a lower close yesterday as investors took their profits from the previous day's surge, dealers said.

The foreign exchange market took little notice of news that the US consumer price index rose by 0,2 percent in July, in line with projections.

"The figures gave us no new direction," one dealer in Frankfurt said.

The dollar closed in London at Dm1,9585 and 142,85 yen. On Thursday it had jumped around 2½pfennigs and nearly two yen to finish at Dm1,9680 and 143,95 yen following a sharp contraction in the US trade deficit in June.

The Financial Times-Stock Exchange index of 100 leading shares gave up some of its early gains on a weak start on Wall Street. But it ended 15,1 points up at 2375,1 compared with a previous 1989 high, set on August 9, of 2360,4.

Gold bullion prices ended little changed in quiet London trade at $365,75 an ounce after $365,25 on Thursday.— Sapa-Reuter.

So you think you made a nice profit

Stev 19/8/89

(74)

DEREK TOMMEY

SINCE 1981 industrial share prices have risen 148 percent on the Johannesburg Stock Exchange. But in spite of this huge rise, anybody with industrial shares who believe they have become any richer in this period are living in a cloud-cuckoo land.

For while share prices have been rising so, too, has the consumer price index — by 188 percent since 1981. This means in real terms holders of industrial shares today are some 20 percent poorer than they were in 1988 in spite of the apparent strong gains they have achieved.

This point is strongly brought home by Johannesburg stock broking firm, E W Balderson, which has calculated the "real" industrial share price index since 1960, by adjusting the monthly closing statistics provided by the JSE with the movements in the CPI.

The results are quite startling. Not only do they show that in real terms the industrial share price index has shown hardly any growth at all in the last 30 years, but that anyone who bought shares at the height of the 1969 boom would still be showing a capital loss in real terms.

However, for investors the problem goes much deeper than this. In the long-term share prices are determined by the level of company earnings. And if share prices have not grown in real terms it seems the same can be said about company earnings.

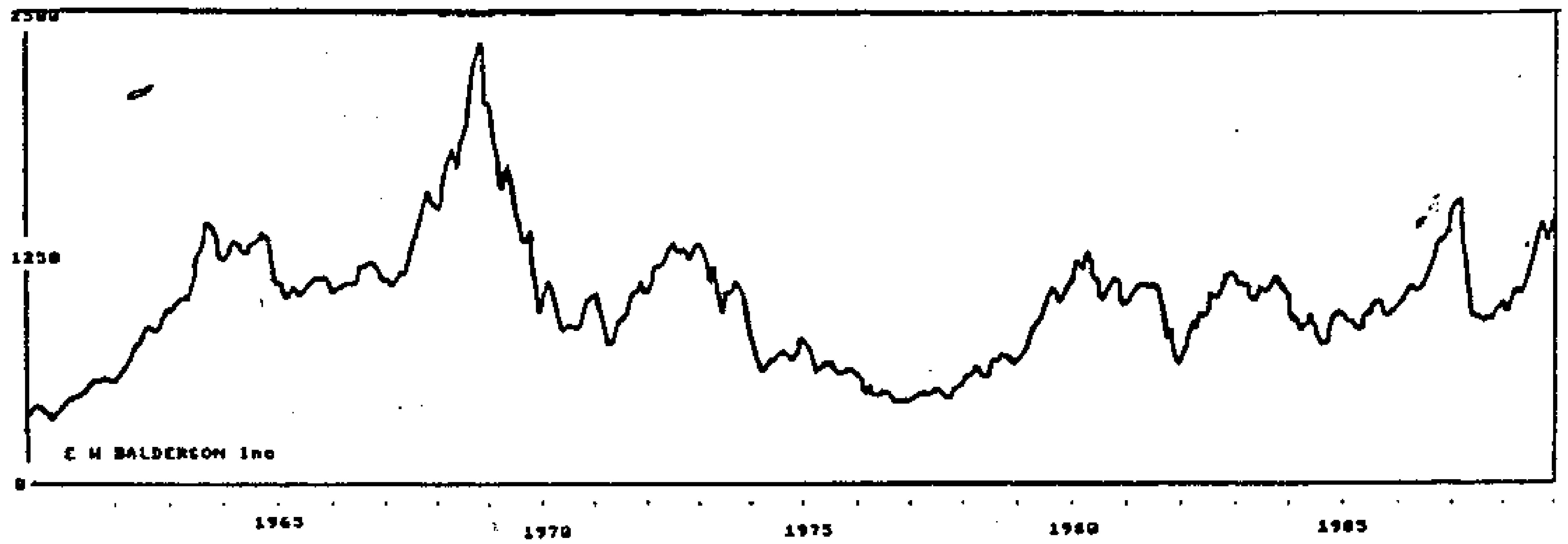
In fact, there is considerable concern in accounting circles and investment houses that because inflation falsely inflates profits some companies may have been paying taxes and dividends out of these "phantom" earnings — which means out they have been paying out their capital.

This has led to another move being made in South Africa to make companies adopt a form of inflation accounting. This was attempted some 10 years ago but for many reasons was not successful.

Draft proposals are being circulated among the accounting profession and there are hopes that accounting for inflation could become law in the not too distant future.

One of the world's leading exponents of inflation accounting, Mr Ahron Fass, a practicing chartered accountant in Israel and who is on the staff of the Tel-Aviv University spoke in Johannesburg this week about the need for inflation accounting, or as he prefers "accounting for changing prices".

Inflation accounting tries to measure the real profit — that is, after taking into account the effects of inflation on the purchasing power of the monetary unit.



The Industrial index is climbing, but look what has happened in real terms.

Mr Fass said that management was unlikely to implement inflation accounting as this usually meant they would have to report lower profits.

Speaking at a presentation by Kessel Feinstein,Mr Fass said that South Africa must not expect to be able to introduce a perfect form of inflationary accounting overnight.

"We are talking about a totally new approach to basic accounting, an approach which has not been used by accountants in the past, and they have to be educated and prepared for it which takes time.

He added that the exposure draft recently published in South Africa, whether it was implemented in one, two or three years, would need to be changed in time. "But you have to realise one thing. Those changes cannot be worked out on a computer. You cannot get a think-tank to say what the changes should be. They have to be worked out by trial and error."

Some investors and accountants might query the need for inflation accounting for public companies. Although investors in equities might nct have become as wealthy as they imagined, they are still far better off than if they had invested in other mediums and, in the end, that is what really matters.

But not having equity accounting is a form of self-deception. It prevents South Africans from being fully aware of the ravages of inflation — something which foreigners with investments here appreciate only too well — for inflation eventually shows up in a lower exchange rate.

South Africa badly needs foreign capital. But it will not get it unless investmest in South Africa is commercial attractive, let alone politically attractive to foreigners.

While South Africans may fool themselves that the smaller rands they receive are making them wealthy, foreigners know this is not so. German investors have lost 49 percent of their capital invested here in the past three-and-a-half years, British investors 33 percent and American investors 17 percent.

Under these conditions South Africa has little hope of getting more foreign investment.

Rising Soviet sales depress gold price

Star 1/9/89

74

By Neil Behrmann

LONDON — A sharp increase in Russian sales is depressing the gold price.

Flirting with its June low of $359, gold is set to fall sharply, Swiss dealers predict.

A firm dollar and high real interest rates are discouraging investors.

Coins sales by disenchanted European institutions, for example, are being remelted into bars.

So, despite strong fabrication demand this year, there are still plentiful supplies of gold.

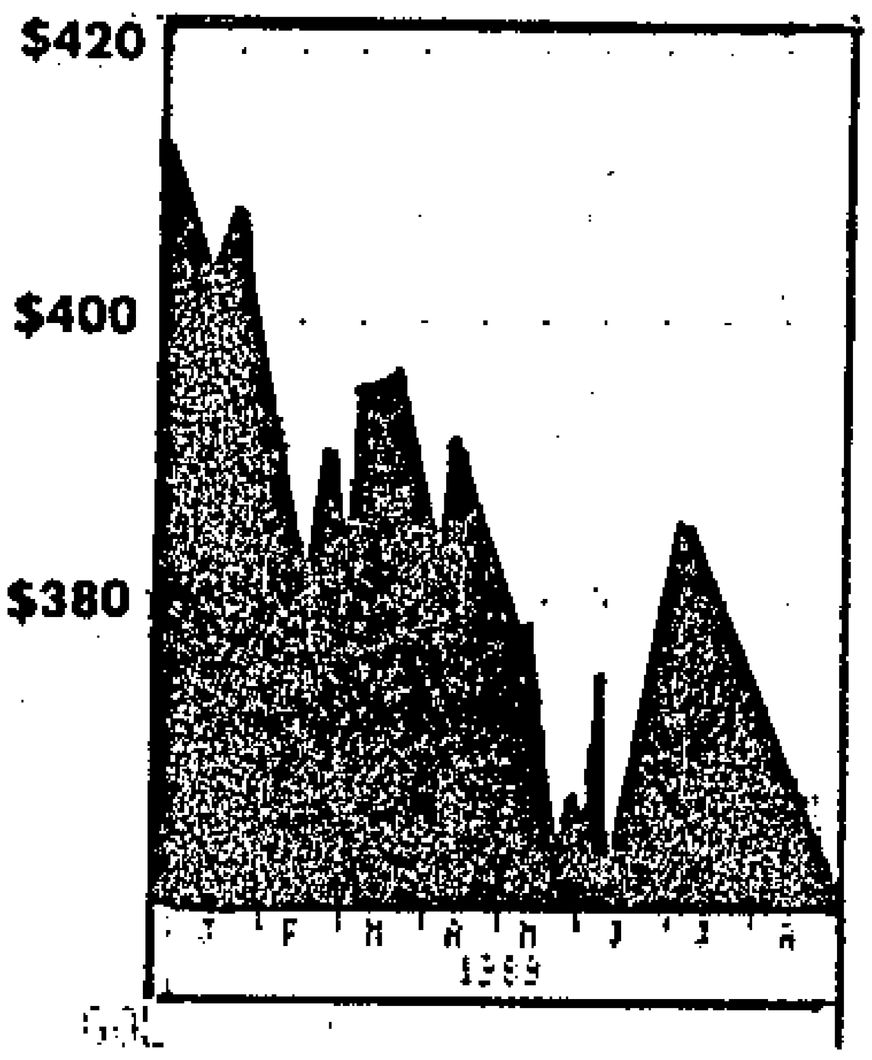
A sharp increase in Russian sales early in February helped push gold downwards through $400.

The USSR then held back from the market for a few months, according to dealers. In recent weeks, however, their sales have kept a lid on prices.

Savvy trading

Jeffrey Nichols of American Precious Metals Advisers estimates that Russian sales have ranged from five to ten tons a day.

"The Soviets have a reputation for savvy trading," says Mr Nichols, "but these sales have been sloppy.



London gold price

"A friend of ours recently returned from Moscow with news that sales are now being set weekly to relate to the Soviet Union's immediate hard currency needs," he says.

The Soviets have also been selling call options, which are promises to deliver gold in the future at pre-set prices, says Mr Nichols.

Selling "calls" provides additional premium income and increases current revenue.

Swiss bullion managers have noticed that the Soviet Union is "lending" gold from its huge monetary reserves, estimated by some to be about 2 300 tons. These loans add to the supply of gold.

The Soviet Union has increased its foreign bank borrowings considerably in the past year.

But it still needs to sell gold and other commodities because of rising grain and industrial imports.

The pressure for economic reform will lead to higher imports which, in turn, must partly be financed by larger gold sales in coming years, says a Swiss banker.

Edwin Arnold, metals analyst at Merrill Lynch, has detected higher Russian sales in the past few weeks.

China's central bank has also been a modest, but regular seller, as well, he says.

Some estimate that Chinese gold sales have reached 100 to 120 tons since the crisis earlier this year, he says.

On the other hand, this gold could be absorbed by the central banks of Taiwan and Spain.

With supplies of this size on offer, a Swiss bullion manager says that he would not be surprised to see the price slide into a trading band of $330 to $350.

Some London dealers who are slightly more optimistic are hoping that seasonal demand ahead of Christmas will boost gold.

They point to surging jewellery demand this year.

Swiss bullion managers say Italian jewellery demand increased by 30 percent in the first half of this year.

But they doubt whether the trend will continue.

In any event, they say, most jewellery fabricators have increased purchases in the past few months. They now have sufficient supplies.

Demand wanes

Moreover, Far Eastern demand, also buoyant in the first half, has begun to wane.

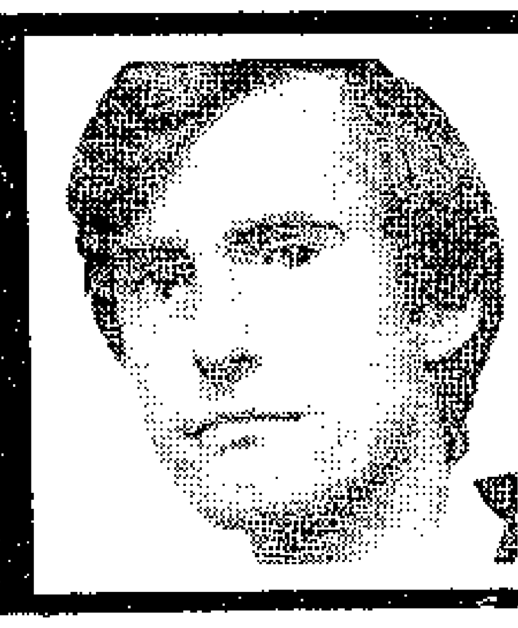
Commodities Research Unit estimates that the gold imports of Japan, Taiwan, Hong Kong and Singapore fell to 261 tons in the second quarter of this year from 383 tons in the first and 317 tons in the fourth quarter of 1988.

Japanese imports were 48 tons in the three months to June, well down on the 106 tons in the first quarter. Japan bought 294 tons in 1988.

74

Into the maw of Murphy's law . . .

REX



Cees Bruggemans reviews the local and world scene

THE Reserve Bank describes in its annual report an anaemic business cycle, notes a mild slowing in response to past policy action, and highlights the presence of luck in our recent export performance.

The report, issued this week, leaves the impression that the current adjustment phase is far from complete. This was the main message of Chris Stals in his accompanying Governor's address.

If this report has a depressing tone, it is the incessant message that the recent three years of economic recovery have been mediocre compared with previous recoveries.

In important areas, such as fixed investment and consumer durable spending, we are still well below the peaks achieved earlier in the decade.

EMPLOYMENT

A parallel message is the slow growth in known employment. It has been well below the annual increase in the labour force.

The report describes the real value added of the informal sector as being only 3% to 5% of gross domestic product, so the productive use of our labour resource apparently continues to deteriorate.

From a long-term structural point of view, the report confirms general opinions of constraint and decay.

The outstanding features of the past 12 months have been a slowing in the rate of economic expansion from late last year, an exceptional export performance — still going strong — and some important structural changes.

Although data for the second quarter 1989 will be released only in the Reserve Bank's quarterly bulletin at the end of September, real domestic spending is described as lower than a year ago. Quarterly annualised growth in real GDP has slowed down steadily.

This view of real domestic spending clashes somewhat with the apparent behaviour of the components of final demand, which appeared to have increased in the second quarter, the exception being Government spending.

It also clashes with the high level of money supply compared with a year ago (after allowing for some change in income velocity) and the recovery in import volumes in the second quarter. The import recovery is ingeniously explained away because it does not fit the apparent trend in overall domestic spending.

SURCHARGE

No mention is made of the introduction of the surcharge last year and its effect in temporarily depressing imports in the first quarter 1989, with the subsequent bounce-back perhaps more related to the still vigorous nature of private fixed investment and a general buoyancy better reflected in the components of final demand than in the reported domestic spending figure.

Most impressive, however, is the current account on the balance of payments.

Here, luck and public-sector action have decisively combined forces to maintain a large trade surplus to fund exceptional capital outflows right throughout this anaemic recovery phase.

UNWELCOME

The report identifies three international reasons for South Africa's solid export growth far outpacing recent business cycle performances — sturdy world growth, supply constraints in competitor countries, and good price increases for key non-gold exports.

Public-sector action included a policy of rand depreciation and reducing public fixed investment and inventory levels which traditionally have a high import content.

In addition, agricultural exports have been recovering after a change for the better in climatic conditions after the droughts of the mid-1980s. How fundamental these trends have been is borne out by two key ratios: gold's share of exports fell from 40% in early 1988 to 28% in mid-1989.

SA has therefore been protected against gold's recent non-performance through an improvement in exports of coal, diamonds, platinum, base metals, ferroalloys, paper and bulk chemicals. In addition, the public-sector share of fixed investment spending has fallen dramatically from nearly 50% a decade ago to barely 30%.

This fall has contributed greatly to the creation of "exportable surpluses".

Last year, unrecorded capital outflows were greater than foreign debt repayments inside and outside the net and the trend appears to have continued in the first half of this year.

Although the repayment of foreign debt remains an unwelcome constraint on SA's growth potential, its structure and outlook have actually been less worrying than the unremitting flow of unrecorded transactions.

Most of them appear to have represented switchings from foreign to domestic sources of trade financing, on the basis of expected rand depreciation.

As a consequence, the foreign reserves have remained under pressure, shrinking again in the first half 1989 in dollar terms. The mild domestic slowdown, confirmed in the slow easing in money-supply growth, when combined with the uncompromising need for a large current account surplus, allows doubts to be entertained about whether domestic spending and output are slowing at an appropriate speed and to the requisite extent.

To this general doubt can be added potentially untoward balance of payments developments, notably a weak gold price, a lesser non-gold export performance ahead as international conditions become less favourable, agriculture next year not necessarily repeating this year's exceptional performance.

The report concludes on the one hand that the economy's slowing will still allow some economic growth as well as afford relief to the balance of payments and foreign reserve, but on the other hand warns against any premature relaxation of the current restrictive policy stance as:

- The rising trend in inflation is a concern.
- Money-supply growth remains unacceptably high.
- The foreign reserves are low and trade still not sufficient to meet the large capital outflows and replenish them.
- The Government's financing remains worrisome.

POSITIVE

In addition, the report mentions problems with a strong "structural" element, specifically the high "core" inflation rate, unsound capital-labour ratios and the adequacy and appropriate use of real saving and investment, and problems concerning the restoration of incentives to work, save and invest. Positive real interest rates are important in addressing such structural problems.

In this respect structural policy and short-term monetary stabilisation policy seem for the time being destined to travel the same road.

Interest-rate policy may therefore be expected to remain tight for at least the next 12 months, and could even become tighter in that time if several things do not work out: gold price, non-gold exports, domestic spending and imports, capital outflows, and the need to improve financial fundamentals.

Murphy's law states that what can go wrong, will go wrong — and according to Rafferty, Murphy was an optimist.

One hopes these two Irishmen will pass us by on this round.

Cheers resound in major world stock markets

Star 4/9/89

74

By Neil Behrmann

Almost to a day since their heady peaks in 1987, world stock markets are again crying "Halleluja".

On Wall Street, the Dow Jones index has surged decisively through its 1987 peak and is now at 2 752.

In London, the FTSE all-share index at 2 408 is poised to break through its all-time high of 2 443.

The table illustrates that old maxim — "be wary of the experts".

At the time of the gigantic October 1987 crash, the vast majority of brokers and professional fund managers were saying that an economic depression was nigh and that shares would continue to head down.

Now those same experts are to a man bullish.

Is this indeed a sign from the heavens?

Says Alan Abelson, columnist of *Barrons*, the US financial weekly: "As prices rose, so did the question: 'Are we in for a repeat of 1987?'

"In some critical areas — P/E ratios (high then, moderate now), interest rates (rising then, steady now), dividend yields (better now than then) — there's comforting contrast between the way things were and how they are now.

"On the other hand, by some other significant measures, notably price times book value, stocks don't seem all that much less inflated."

To be sure, the surge in equity markets has taken the professionals by surprise.

So much so that their overwhelming scepticism played a part in pushing markets higher and higher.

Through the futures and options markets, the professionals took out bear positions in the markets.

But helped by mergers and takeovers and better-than-expected profits, markets kept going up.

The appreciation in the indices forced the professionals to cover their stock index futures and options shorts and their purchases pushed prices even higher.

The ball began rolling in earnest in May last year when a bear covering rally signalled that the crash of 1987 was not going to become a bear market.

In recent weeks, yet another futures-inspired rally has pushed the US market into new territory.

Besides bear covering, programme trading — which arbitrages or profits from price differences between stock index futures and the real stock market — helped propel shares to new heights.

London is likely to break throught its 1987 peak because of huge short positions in the FTSE futures index.

The daily volume of stock index futures trading has doubled to a third of London's share trade.

It is thus very possible that the major share markets could rise in another wave of frenzied buying, despite evidence of poorer profits in recent months.

This implies that gold markets will continue to be ignored by international dinvestors.

On the other hand, South African industrialists will be cheered by the performance elsewhere.

The "futurisation" of stock markets, however, implies that volatility will increase.

So, after markets blow off steam, it is possible that there could be another futures-inspired slump.

That is what happened during the crash in 1987.

Note that Mexico, as bankrupt as ever, is the world's stock market best

Star 5/9/89 (74)

The Star
Finance

Iscor hoping for early repayment of debt

By Jabulani Sikhakhane

Soon-to-be-privatised Iscor could pay off its R814,3 million debt to the Treasury earlier than expected if world iron ore markets remain buoyant.

The debt arose in 1984 when the Government, under the Tripartite Agreement, took over Iscor's capital obligations in the Sishen-Saldhana railway/harbour project, with Iscor undertaking to repay the capital interest-free.

The Sishen mine has been producing iron ore at 120 percent of planned capacity.

Over the past year the Sishen-Saldanha export scheme has contributed about 20 percent of group profits.

The mine produces 20 million tons of iron ore a year, 40 percent of which is supplied to Iscor's Vanderbijlpark, Pretoria, Newscastle and Dunswart plants. The remainder is exported.

Piet du Plessis, Iscor's public relations manager, says if world markets for iron ore remain buoyant, repayment of Iscor's debt to the Treasury could be accelerated.

He declines to give any figures, saying they will appear in Iscor's annual report to be released at month-end.

However, during a press tour of Sishen last month, Iscor's senior general manager, mining, Ben Alberts, said the debt could be paid off by mid-1990 should demand for iron ore remain the same.

Iscor MD, Willem van Wyk, said in July that Iscor was looking forward to bumper exports. "When world demand for steel increased and led to a greater demand for iron ore, while coinciding with strikes and plant problems in some other steel-producing countries, Sishen reacted by raising production.

"The mine is currently running at 120 percent of planned capacity, which is making a large contribution to Iscor's profitability."

The Saldanha project was built by Iscor for the exclusive export of iron ore from Sishen. The arrangement was altered in 1976 to make provision for other traffic. Sats took over the operation of the railway line and the harbour in 1977.

Iscor blasts 20 million tons of iron ore a year out of the Sishen mine, which is now operating at 120 percent of planned capacity.

In 1984, after a reduction in iron ore exports and the loss of certain export markets, the Government took over Iscor obligations under the Tripartite Agreement.

The export of iron ore and the use of the 861km Sishen-Saldanha railway and Saldanha harbour is supervised by a control board.

When the total amount owed to the Treasury is paid off, the decision to continue with the export of iron ore through Saldhanha will rest with Iscor and must be submitted for approval by the Cabinet.

Iscor will become the sole owner of the mine and Sats the owner of the railway line and the harbour.

Foreign tax rebate clarified

BDay 7/9/89 (74) (3250)

KAY TURVEY

AS THE number of international tax treaties with SA declines, the application of tax credits needs to be clarified, tax experts say.

As more and more tax treaties are abrogated or not renewed, clarification is needed on how to alleviate hardship created by the possibility of being taxed in two countries.

A Practice Note issued by the Commissioner of Inland Revenue has adopted the pro rata method — based on an average rate of tax — for determining the SA normal tax attributable to the inclusion of foreign sources of income.

However, an anomaly arises where the taxpayer is an individual as the attributable SA tax will be lower under the pro rata method compared with the "top slice" method, which is based on the marginal rate of tax.

In the case of a company, both methods give the same result, because a company is subject to a flat rate, Deloitte Haskins & Sells associate director Orlando Fernandes points out.

He says that although the tax relief will not be significantly used by the individuals as their ability to invest off shore is restricted, the legislation should be amended.

This is because it does not address the date on which foreign-source income and foreign taxes should be converted, which is of particular importance given the volatility of the exchange rate, which can significantly effect the amount involved.

Further, the utilisation of excess foreign tax rebates is not dealt with as is the manner in which foreign source income should be calculated, as it is not stipulated whether this should be based on gross or net income.

Link rand to Europe — Kantor

Star 7/9/89

74

Finance Staff

Professor Brian Kantor, UCT economist, proposed last week at the annual meeting of Stocks and Stocks that South Africa should link the rand to the European basket of currencies when the Common Market occurs in 1992.

"This would be a dramatic move and it would impose tough disciplinary control over politicians," he said.

A firmly linked rand would mean that exporters would have to be competitive to stay alive. If the politicians did not impose discipline on the economy as and when it was necessary, they would have to face the dreadfully emotional decision of a formal devaluation, he said.

"In the days of fixed exchange rates politicians who were careless with the economy had the constant threat of a politically damaging devaluation hanging over them."

"The floating rand has let them off that particular hook. We should hang them back on."

74

FRAUD

Boiler room's cold call

A US investigator was in SA this week to gather more information on SA-registered SA Controlled Investments (SACI). He is Dennis O'Keefe, assistant director Division of Enforcement, Commodities Futures Trading Commission (CFTC) in Washington, which has filed suit against SACI.

He tells the *FM* the preliminary injunction against SACI arose from complaints from clients in the US which are thought to have been made to the SA embassy in Washington and the SA government directly.

Among those being investigated is William Thomas Flores, SACI floor manager, whose real name is thought to be William Thomas Wolf. Reliable US sources say a William Wolf has been indicted in the US on two fraud cases in Chicago and one in New York. The SA police confirm they wish to contact Flores.

SACI (*FM* August 18) has been prevented from trading in the US and the company's assets, believed to be minimal, frozen.

"CFTC has always been active in the investigation of off-exchange boiler-room activity," says O'Keefe. "Boiler-room" operations use hard-sell techniques designed to pressurise a potential client into participating in an investment on possibly incomplete information. The goal for the company is short-term gain and the aim is to get the client to make a quick decision. Legislation has been introduced in London to counter "boiler" type operations, characterised by aggressive selling and cold calling. The targets are usually wealthier professionals who have little financial sophistication, such as medical doctors.

Cold calling is frowned on in the US, says O'Keefe, but not illegal. The SA Futures Industry Association (Safia) has taken steps to prevent "cold calling" of clients in SA. Its guidelines for the informal futures market, published last month, point out that unsolicited calls (a personal visit or oral communication made without express invitation) are prohibited by the Financial Markets Control Act. These guidelines are expected to form part of the basic regulation for the industry once it becomes formalised next year.

Court documents say SACI was located at 6 Protea Place, Fredman Drive, Sandton, with a mailing address at 294 Oak Ave, Randburg, its auditor's address. "It was never registered with CFTC in any capacity," nor were the defendants, they add.

According to the temporary restraining order of the US District Court for Maryland, the defendants charged are Stephen Kelp, "manager of SACI," and Brian King, "an account executive." These are believed to be aliases for Steven Markling and Anastiou ("Faki") Avrolakis/Avrelakis, respectively.

CFTC alleges the defendants "made telephone calls into the state of Maryland" and "have offered and sold the SACI contract to residents and citizens of the state of Maryland as well as citizens of other states."

The document states customers who en-

tered a SACI contract agreed to buy a specified quantity of precious metal at a price per ounce established when the contract was entered. To enter SACI contracts, customers paid to the defendants 20% of total purchase price of that specified quantity. SACI purportedly charged a 2% commission for both a purchase and sale of a contract and a 2% spread between the buy and sell price. Contracts were for one year and matured in March, June, September and December.

The brochure sent by SACI to customers stated: "All transactions will be by bank wire, because of the necessity for expedience. We will also return your funds in the same manner, within 24 hours of your request."

The court document states: "In fact, the defendants have repeatedly refused to execute customer sell or liquidation orders and have repeatedly refused to remit funds due and owing to persons who have purchased SACI contracts, despite numerous requests by customers for return of their funds. Customers who have received a partial refund of monies from SACI have had to wait weeks or months for the return of their funds."

In connection with the offer and sale of SACI contracts, says the document, the defendants have made numerous false and misleading statements of fact to customers concerning the purchase and sale of these contracts, including that:

- ☐ Purchase and sale commissions will not be assessed until the customer has made a profit, when, in fact, they were assessed immediately on purchase and sale regardless of whether the customer made a profit;
- ☐ Customer funds remain in the US at all times, when, in fact, they were routinely transferred to SA by the defendants;
- ☐ Money forwarded by a customer to meet a margin call would be returned immediately if there was an intervening market appreciation. In fact, the defendants did not return margin call money to the customer regardless of market movements;
- ☐ SACI guarantees to execute a "stop loss" sell order at a particular price when, in fact, SACI failed and refused to execute "stop loss" sell orders;
- ☐ A customer would receive a margin call at one particular price, when, in fact, the customer received a margin call at a price significantly higher than the previously quoted price;
- ☐ SACI charges fees and commissions totalling 6% of invested funds when, in fact, SACI charged fees and commissions totalling 30% of invested funds; and
- ☐ That customers can sell their contracts at "current market prices," when, in fact, customer contracts were sold at prices arbitrarily determined by SACI.

"In connection with the offer and sale of SACI contracts, the defendants have employed a variety of false, misleading and deceptive high-pressure sales tactics" including implied suggestions to customers that they "can't lose" when they invest with SACI and "promises" and "guarantees" that "customers will make money on their investment, when, in fact, most if not all SACI customers have lost all or a significant portion of their investment."

They also stated or implied to customers that SACI possesses unique inside information concerning the direction of the precious metals market, when, in fact, no reasonable basis existed for the making of such statements; and that customers must wire funds to SACI immediately to take advantage of an imminent market move, that there was no time to think about the investment, and that unique profit opportunities would be lost unless immediate action was taken, when, in

Cultural bias in national accounts

B.Day (3/9/89.

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JOHN PLENDER in London

IS IT MERE coincidence that the largest economies in the English-speaking world all are struggling with large current account deficits after a monetary binge?

Or could it be that the external accounts of the United States, Britain, Australia and Canada are just a dismal reflection of endemic Anglo-Saxon profligacy?

It would be foolish to deny that individual countries can and do have cultural biases in relation to lending and spending. Thrift is an important Confucian virtue, which helps to explain why some of the world's most spectacular recent economic miracles — Japan, Taiwan, Hong Kong — have been built on domestic saving rather than external capital.

It is also a Christian virtue which enjoyed a vogue in the heyday of British economic development in the 19th Century. In the 20th, though, it has never quite recovered from Keynes. He remarked in the slump that whenever you save five shillings, you put a man out of work for a day.

The relevance of all this to the balance of payments is that any surplus of domestic saving over domestic investment is reflected immediately in a current account surplus and matching capital outflow, while a comparable shortfall of saving against investment will be associated with a current account deficit and a capital inflow to finance that deficit. And the importance of cultural attitudes is that they find expression in the economic policies that influence the pattern of saving and investment.

The Anglo-Saxon economies, for example, provide substantial tax reliefs for interest on borrowings. In contrast, the Japanese traditionally have provided far greater tax incentives for saving. The cultural divide is at its most extreme in the housing market where the British — my home is my castle — not only have tax relief on mortgage interest but exemption from capital gains tax on the sale of the home.

A recent comparative exercise put owner-ocupation in the English-speaking countries at 65% for the UK, 64% for the US, 62% for Canada and 69% for Australia. That compares with 40% for West Germany and 51% in France.

Hence the greater importance of demography for the balance of payments in the Anglo-Saxon world, where the young borrow and spend heavily on housing and wait until middle age to save for retirement. And the impact of demography is accentuated by high finance.

Nor only does a highly developed financial system facilitate inter-generational lending by older savers to younger borrowers; active stock and property markets encourage wealth effects. As house and share prices boom, the collateral available for borrowing increases and the incentive to save is reduced.

Throw in a heavy dose of financial deregulation, which is more advanced in the Anglo-Saxon economies than in Japan or West Germany, and you have an army of financial engineers inventing myriad new forms of debt with which to finance the old excesses that always accompanied a financial boom — a veritable machine for the creation of almost unlimited spending capacity, which leaks quickly through the balance of payments.

The consequence is that while the poor Germans and Japanese continue to save painfully to acquire enough to make a down-payment on a house, their savings are redeployed in the Anglo-Saxon world to take the waiting out of wanting. The cost of home loans is thereby reduced below the level that domestic saving would justify.

In short, the collapse in the ratio of savings to disposable income in the English-speaking world, and the tendency to balance of payments deficit, is a long way from being a coincidence. But it is not an endemic habit.

In the US, the 1986 tax reform will, in coming years, reverse much of the fiscal incentive to borrowing. The greying of the baby-boom generation will shift the demographic balance in favour of more saving. So will the decline in the UK housing market.

Meanwhile, deregulation in continental Europe and Japan will make it easier for people to borrow and spend. And the richer Oriental countries really will spend as their electorates become more impatient with policies that prevent productive potential being reflected in higher domestic living standards.

Japanese voters will not continue to support mercantilist policies that accord a higher living standard for ungrateful foreigners than they enjoy for themselves.

It follows that those trade imbalances may unwind less slowly than most forecasters are willing to predict. Just watch how Confucius trims his sails to the liberalising wind. — Financial Times.

REVIEW

(74)

London rules world forex roost

London has kept its position as the world's biggest centre for foreign exchange dealing, with an average daily turnover in April this year of $187 billion, double the level of three years ago.

Findings of a central bank survey into the global foreign exchange market shows the volume of trading in New York and Tokyo has more than doubled.

The central banks in those two centres say the average daily turnover in April was $129 billion and $115 billion respectively.

Central bankers say it appears the volume of global foreign exchange trading has doubled since March 1986, the last for which comparable figures exist.

Although the Bank of England says the proportion of forward transactions has risen in recent years, the survey underlines the short-term nature of the forex market.

In London, spot transactions for immediate delivery accounted for $121 billion of daily turnover in April, while $45,3 billion was accounted for by deals maturing within a month.

Central banks of 20 countries participated in the survey.

West Germany's Bundesbank was unable to participate for constitutional reasons.

The average daily turnover of currencies in London, New York and Tokyo was worth $90 billion, $58 billion and $48 billion respectively.

In Europe, Zurich appears to be second to London in size, with average daily turnover of $57 billion. Next comes Paris ($26 billion), followed by Amsterdam ($16 billion) and Brussels ($13 billion).

Tokyo is the only Far East centre which has reported.

Singapore is thought to have participated and annual daily turnover is believed to be about $60 billion.

Of the big three, both London and New York exhibit the greatest diversity in the range of currencies traded against the dollar.

No one currency against the dollar is as dominant as the dollar/yen market in Tokyo, which accounts for 72 percent of the market.

In London, where 356 banks and nine currency brokers were questioned, the foreign exchange market has undergone significant structural change.

There has been a growth in bank-to-customer business (up from nine percent to 15 percent of turnover) and a corresponding decline in the position of brokers.

The brokers stand between the two sides of transaction and their share of business has declined from 43 percent to 33 percent.

In New York, where 127 banking institutions and 14 non-banks took part in the survey, Gretchen Greene, senior vice-president of the New York Fed, says turnover growth has been rising by an estimated compound annual rate of 30 percent a year since 1977.

She describes the growth as robust and spread across all classes of institutions in the wholesale market. — Financial Times.

Foreign interference in SA 'will increase'

GERALD REILLY

PRETORIA — SA's every action, internally and externally, would become inceasingly subject to international interference and even further sanctions, Small Business Development Corporation MD Ben Vosloo said here yesterday.

Speaking at an Afrikaanse Sakekamer function, he said this would include the activities of a hoard of private international and national organisations, as well as commercial and industrial corporations.

The result of increasing internationalisation of the SA situation was that moderate friendly Western powers would make demands for change on the SA goverment as a quid pro quo for the continuation of limited relationship and support.

Whites had to come to terms with the realities of a minority position in an overwhelmingly black continent. The black section of the population would have to learn in turn that prosperity and progress was not something that just landed in one's lap.

"It is not something you can take over from someone else. You have to work for it," he said. "The progress of blacks cannot be obtained through the decline of whites."

Blacks, Vosloo said, were no longer prepared to accept any form of subordination to whites.

He said political stability rested on a sound economy and a high rate of develoment. To achieve this, investments were necessary, but investors demanded a reliable stable climate and access to capital sources.

It was vitally necessary that savings were not frittered away through leaks such as an outflow of capital and/or the spending of loan funds by goverment on current services.

It was critically important, too, that existing savings were canalised to produce real capital formation and welfare. Today a large proportion of contractual savings, about R50m a work day, was canalised to the share market by institutional investors. Only a small percentage of savings got into the hands of entrepreneurs.

15/9/89

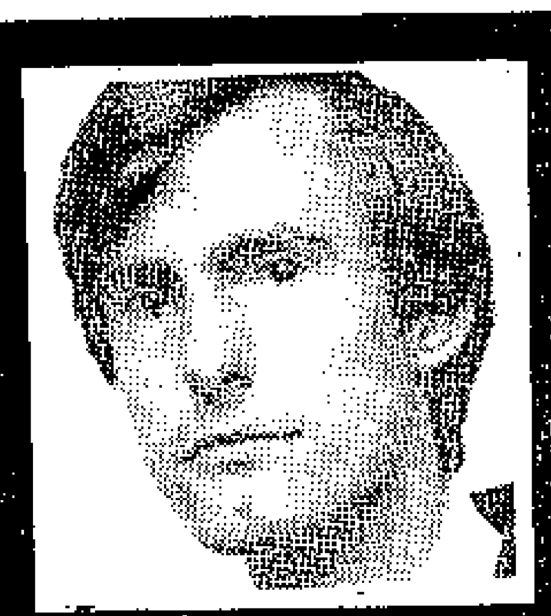
74

SUNDAY TIMES, Business Times, September 17, 1989

High rollers back a high-riding dollar

REX

Cees Bruggemans reviews the local and world scene



THE dollar retains much support, even though many continue to expect an eventual slide.

A few hundred billion dollars change hands daily, switching among competing investment options with a very short-term horizon. Such money is most sensitive to real interest-rate differentials which discount inflation differences and thereby probable currency risk.

The real interest-rate differentials between the main economic centres, the dollar-mark and dollar-yen axes, have undergone large adjustments in recent years. A strict monetary policy in the early 1980s kept US interest rates generally high while inflation declined steeply.

For a while, therefore, US real interest rates were extremely high and only slow in coming down.

PREMIUM

In contrast, the anti-inflation policies in Europe and Japan never relied on interest rates as much, partly because their inflation never got off the ground to the same extent. As a consequence, their real interest rates also never acquired the same premium as in the US.

Deducting the European and Japanese real interest rates from the US real interest rates gives the differential between these regions. There is a close parallel between the level of these real differentials and the movement in the respective currencies.

If real interest rates in the US are higher than in Europe or Japan, investors should favour moving their money to America because the real interest-rate differential offers a superior yield that supposedly already discounts any potential currency risk due to the difference in inflation rates, which traditionally is the reason why currency values should be adjusted.

However, reality is dominated by expectations of conditions more than merely reflecting current statistics which are a mirror of what lies behind us. For instance, the change in direction rather than the level of the real interest-rate differentials was a better guide to changes in currency values in the mid-1980s.

The real interest-rate differentials between the US on the one hand and Germany and Japan on the other peaked in 1983. They then started to decline, but all the while remained positive and favoured the US until finally in 1986 these real interest-rate differentials turned in favour of the other two countries.

In the initial narrowing of the differentials in 1984, the dollar was still strengthening. However, from early 1985 the dollar was under downward pressure, in spite of the fact that real yields continued to favour the US.

The key explanation for this phenomenon must be sought in market expectations. Today's inflation rates are a poor approximation of what next year's may be if the wrong kind of economic policies are being implemented. Sentiment recognised that the dollar was unrealistically high in early 1985 and that there was potential for it to fall.

MESSAGE

When there were policy agreements and official statements that the dollar should fall, and US nominal interest rates eased, a strong message went out that the dollar was in for a depreciation far in excess of that discounted in the real interest-rate differentials.

Forwarned is forearmed, and although the real interest-rate differential remained in favour of the US for the next 18 months, the policy intention on the need for lowering the dollar was so overwhelming that it became a self-fulfilling prophesy.

The real interest-rate differential went against the US from mid-1986 to mid-1987, only to become positive once more. It favoured the US from late 1987.

Because there was then no major currency overvaluation to be corrected, the real interest-rate differential could be taken as a fair indication of the real interest yields to be earned while discounting potential currency risk as embodied in the relative inflation rates.

As a consequence, the tide turned once more in favour of the dollar, which was driven by capital seeking the best returns after discounting reasonable currency risk.

NEUTRAL

From June this year, the picture changed once more as the US reduced its interest rates, while its inflation rate was still rising, in addition to real interest rates in Europe and Japan also being raised. This has led to a neutral real interest-rate differential between Europe, Japan and the US.

If the differential were to turn against the US, it should theoretically cause the tide to turn against the dollar as the money flow reverses, and yet it has not yet done so.

One reason may be that current inflation levels do not reflect investor expectations. European and Japanese inflation rates are perhaps expected to go higher and fall more slowly than that of the US.

In addition, declines in US nominal interest rates may not be quite so automatic because the American economy remains buoyant, and a ceiling to interest-rate increases in Europe and Japan may be reached soon.

Residual factors can also effect sentiment. Political developments in Japan and Germany are unsettling and the US under President Bush continues to shape well.

Fundamentally, the remaining huge imbalances in the US economy should be a black mark against its currency, but the market accepts that these problems are slowly being dealt with and that they are therefore not a major concern in the short term.

The dollar bull market of 1980-1985 was a policy give-away as the US moved its monetary policy against inflation.

REALITIES

The 1985-1987 dollar bear market reflected policy intention and market recognition that structural realities required a major dollar weakening. The upward-sloping roller coaster in the dollar up to mid-1989 reflected positive real yields and political factors once more favouring the US.

From mid-1989, however, we seem to have entered a sideways roller-coaster where the real interest differential appears to have gone neutral, and politics still favours the US.

One talks about a "roller" to reflect the extreme volatility of the dollar around general trend directions. What will change the sideways roll is not yet obvious.

Interest rates that are too soft and persistent inflation momentum in the US relative to tougher European and Japanese policies could tip the real interest differential and the scales generally against the dollar.

MISTAKES

However, so far such a major divergence in regional policy and market opinion do not seem imminent.

The sideways roll may therefore remain intact for a while. Perhaps only a series of policy mistakes, on either side of the Atlantic or the Pacific could give rise to a new downward roller-coaster for the dollar.

For now, upward pressure continues to favour the dollar, providing a headache to a score of central banks trying to prevent unrealistic values from coming about — and a migraine for gold-dependent SA.

BIDay 20/9/89.

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G-7 to ponder the dollar question

FRANKFURT — Key officials from the Group of Seven (G-7) top industrial nations will stress commitment to economic co-operation this week but this may only mask growing differences on how to deal with the strong US dollar.

European economists worry that by just paying lip service to the idea of currency co-operation they may provoke a further rise in the dollar which most countries want to avoid.

G-7 finance ministers and central bank chiefs will meet in Washington on Saturday on the eve of this year's autumn meeting of the IMF and World Bank.

The seven nations — the US, Japan, Britain, West Germany, France, Italy and Canada — will be able to congratulate themselves on guiding the industrial world into a seventh consecutive year of growth in 1989.

But on the currency front, no new major initiatives are expected, in spite of worries about continued dollar demand.

A senior US official said last week no firm decisions had been taken on how to deal with the high dollar, which he said was causing "considerable concern" in Washington and abroad.

Imbalances

Japan's Nihon Keizai Shimbun newspaper said yesterday a G-7 statement draft warned the current dollar rise could slow the pace of improvement in international trade imbalances.

The dollar climbed to DM2,00 on Friday and is still clearly above the DM1,90-level previously seen as a G-7 ceiling.

The most damning appraisal of the G-7 came last week from US economist Fred Bergsten, who said G-7 co-operation was a shambles and had lost credibility.

While a European central bank official said the dollar would feature high on the G-7 agenda, he added: "It may be best to sit on your hands a bit. It is not a crisis."

UK Chancellor of the Exchequer Nigel Lawson told a news conference that the dollar's present level was tolerable, although he added G-7 leaders were concerned about it getting too strong.

Economists said the strongest signal to markets would be interest rate rises in West Germany and Japan, matched by a loosening of the monetary reins in the US.

But while Germany could defend tighter money because of the strongest growth in a decade and plans for fiscal relaxation in 1990, Tokyo officials see no imminent Japanese discount rate rise.

Intervention

US economic growth indicates no US relaxation.

Economists believe a persuasive G-7 stance on currency market intervention is even less likely than an agreement on interest rates.

In spite of sporadic concerted dollar sales this year, the main thrust of the intervention has come from the US and Japan.

The other key player — the Bundesbank — has said repeatedly intervention does not work. "The Bundesbank only intervenes so it won't be accused of being uncooperative," a German banker said.

A G-7 project to monitor individual economic performances by reviewing economic indicators, including commodity prices, is also unlikely to make much progress in Washington.

West Germany in particular refuses to allow indicators to become binding for policy.

While skirting round the currency problem, economists believe the G-7 statement will make its standard calls for the US to reduce its budget deficit and for deregulation in West Germany and Japan. — Reuter.

Siltek lifts earnings 57%

Cape Times 22/9/89

74

JOHANNESBURG. — Siltek's attributable earnings rose by 57% to R23,4m (1988: R14,9m), for the year ended June.

The total dividends were raised by 42% to 21,25c (15c) a share, covered 3,5 times (3,4 times) by earnings.

Siltek's chairman, Jack Saulez, describes the computer group's results as excellent and, in spite of the fact it started the year from a high base, he expects further growth in the current year.

Furthermore, the group has now entered the export market.

Siltek acquired 40% in M & PD Electronics, as well as 25% in Q Data, which JSE-listed companies contributed R4,8m to the equity-accounted earnings.

However, these excluded any contributions from Hiperformance Systems (formerly Hewlett-Packard) which was purchased with effect from July 1. The chairman described this acquisition as being of great importance to Siltek.

Referring to the M & PD and Q Data deals, the Saulez says the sale of certain subsidiaries to these companies as part of the Siltek group's rationalisation programme, resulted in lower than usual growth in turnover and operating profit.

Turnover increased by 37% (63%) and operating profit increased to R31,4m (R27,3m).

Since the year-end, Siltek has made an offer for the remaining 60% of M & PD's share capital which, if accepted by shareholders, will lead to M & PD's delisting.

Siltek subsidiaries and associates continued to perform well in the year and produced very good results.

A start was made with the export of locally-designed and manufactured products. Although export volumes were low, the interest overseas in our equipment is encouraging, says Saulez. — Sapa

Dollar still too high, say Big Seven 74

WASHINGTON — Finance ministers from the world's seven biggest industrial democracies agreed on Saturday that the US dollar was too high and warned foreign exchange markets they would not tolerate a further rise.

The ministers and their central bank governors issued a toughly worded statement designed to reimpose their authority on currency markets after months during which the dollar defied their attempts to push it lower. BIDay 25/7/89.

The seven — the US, UK, Japan, West Germany, France, Italy and Canada — also pledged after a nearly eight-hour meeting to support Poland in its efforts to transform its economy into a Western-style, free market model.

"The whole meeting ... became electric when we started to talk about the changes that have been going on in the Soviet Union and Poland," said US Treasury Secretary Nicholas Brady.

The seven, using code language designed to transmit their message to currency markets when they reopen today, said the dollar's recent rise was "inconsistent with longer-run economic fundamentals". — Sapa-Reuter.

Rand picks up as intervention knocks $

(74)

Star 26/9/89

By Derek Tommey

Currency speculators yesterday suffered losses running into billions of dollars when the world's major central banks launched a campaign to stop any further appreciation in the dollar.

At the end of the first day of the campaign the dollar had been pushed down by about 2,5 percent against most major currencies, leaving speculators considerably worse off than they were on Friday.

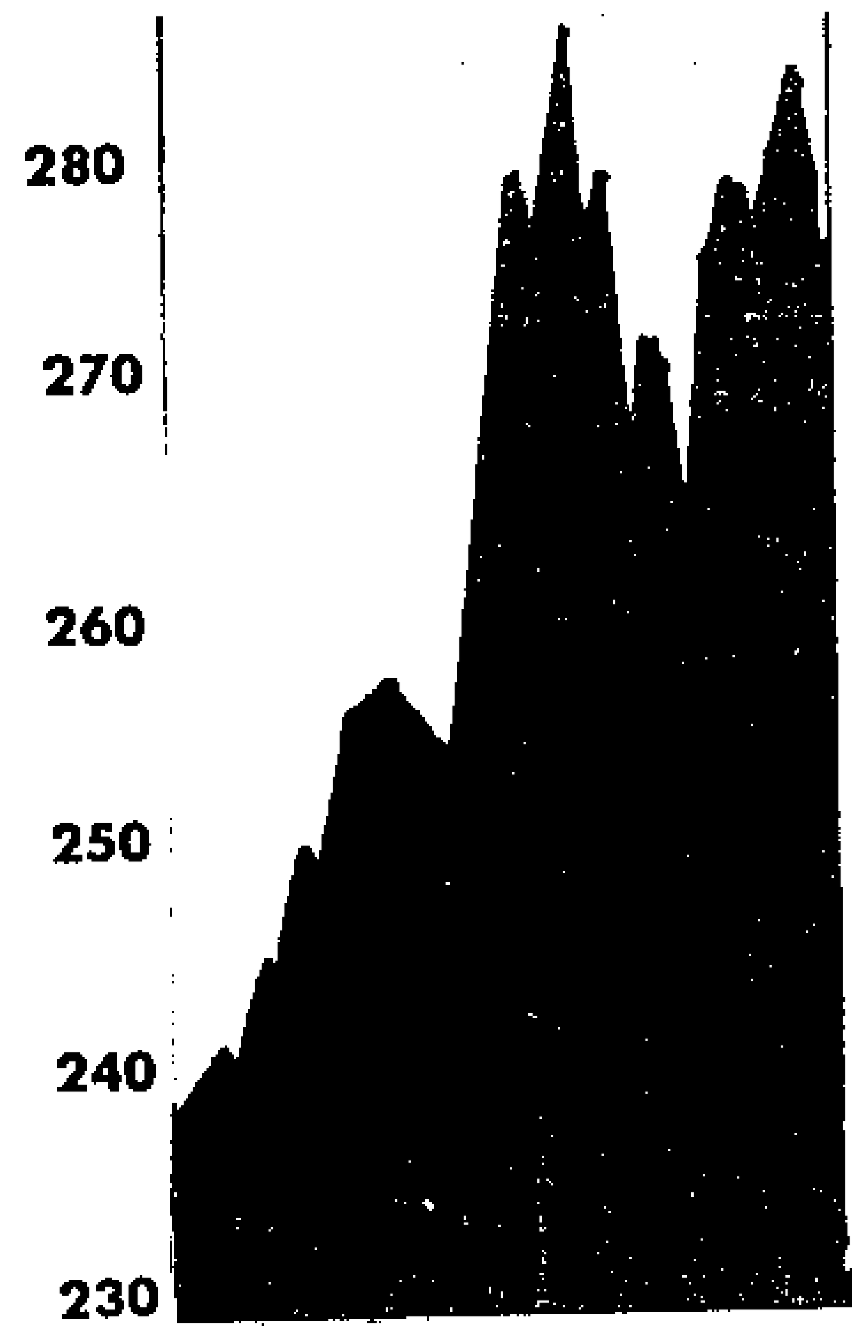
The first wind of the campaign came on Saturday when representatives of the Group of Seven (G-7) major industrial nations said any further rise in the dollar would adversely affect prospects for the world economy.

This was followed by the huge selling of dollars when the Tokyo market opened yesterday.

Currency dealers in Johannesburg said the pressure was maintained by European central banks in the afternoon.

By the time the Johannesburg currency market closed the rand had appreciated two percent against the dollar, firming from R2,7955 to R2,7415, its best rate since August 14.

The Japanese yen rose 2,3 percent to 142,65 to the dollar and the German mark 2,7 percent to Dm1,9013. Other major currencies showed similar gains.



Dollar rand in cents

Currency dealers said the big difference between this year's G-7 meeting in Washington and their two previous meetings ws that this time they had acted.

Some representatives at the 1988 and 1987 meetings said the dollar needed to be curbed, but this had not led to any significant action.

The result was that any decline in the dollar was seen as a buying opportunity.

However, this time the intervention surprised the market by its force.

Dealers said some doubt still existed about whether the effort to push down the dollar would be sustained.

But the action suggested that this time the G-7 was serious about trimming the dollar's exchange rate.

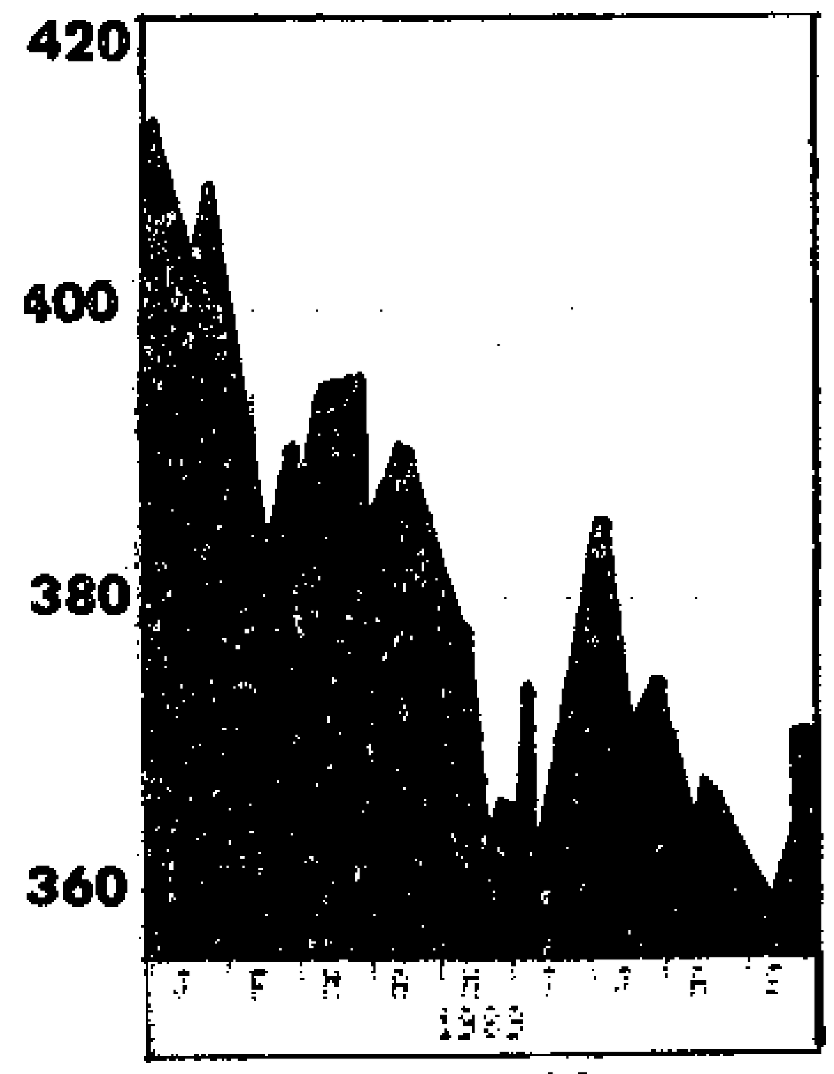
The Americans do not want the dollar to go any higher against other currencies as this makes their goods more expensive abroad, increases their balance of payments deficit by attracting cheaper foreign goods and leads to calls for higher interest rates and reduced economic activity to cut the deficit.

The Europeans and Japanese do not want to see a higher dollar as it increases the cost of many imports, particularly oil, and lifts their inflation rate.

This also lead to calls for higher interest rates and reduced economic activity to lessen inflation.

The drop in dollar led to a one percent increase in the gold price to $367,30 — its highest since August 18.

South Africans will be watching the dollar trend with great attention. The strength of the dollar in the past two years has been a major factor in the 28 percent drop in the gold price from $500 to $360.



Dollar gold

The rise in the dollar in this period greatly reduced the attractiveness of gold as an investment.

As a result the gold price has fallen faster than the rise in the exchange rate of the dollar.

However, a stable dollar should lead to a more stable gold price.

And with the downside risk from a gold investment greatly reduced, we could see increased interest in gold in the months ahead.

Attractive forecast from Iscor

Star 27/9/89

(74)

By Derek Tommey

For the past couple of months the public has been subjected to a fairly high pressure advertising campaign aimed at getting it to buy Iscor shares.

With the release today of Iscor's 1989 annual report, would-be subscribers can get an idea of what they will be getting for their money.

Firstly, in terms of hard cash they will be investing in an organisation which expects to increase its attributable profits by 20 percent in the financial year to June 1990.

Iscor chairman Marius de Waal says the current year has started well. Iscor has accepted an increased number of export orders at satisfactory profit margins, which should ensure the 20 percent profit increase even if the economy turns down.

Most investors will find this forecast extremely attractive. But what of the more distant future?

They should also find reassurance in the annual report. It shows they will be putting their money in an organisation that is greatly increasing efficiency, is gearing itself up with new products to meet an expanding domestic market, has plans for greater exports and, what could be most exciting of all, is developing new technology which, if all goes well, could greatly reduce the cost of steel.

Iscor is proud of the success it has had in increasing efficiency. In the past 10 years both labour and capital productivity have risen by 50 percent, it says.

This reflects a 130 percent increase in the return on assets, a 47 percent increase in blast furnance production rate and a 30 percent reduction in consumption of refractory material for every ton of liquid metal.

Iscor is gearing up for increased domestic sales. Apart from meeting the natural growth in demand for existing products, it has plans to produce several new products.

In 1992 Iscor will begin producing electro-galvanised sheet to replace about 30 000 tons of imports worth R45 million and destined mainly for the motor industry.

It expects to make an annual saving of R50 million in foreign exchange when Tosa Seamless Tubes, Iscor's joint venture with Dorbyl, starts operating in January, next year. Other new products include steel roof tiles and insulated steel building panels.

Iscor is also looking to expand its exports which, it believes it could treble if it had the steel available.

In addition to exports of semi-processed products, Iscor is co-operating with local manufacturers to increase exports of fabricated products. In the year to June secondary manufacturers had exports of R390 000 tons of steel, earning R250 million more than if Iscor had exported the same volume of primary steel.

But a development which could have the greatest impact on Iscor's future is the Corex process being commissioned in Pretoria.

It enables cheap coal to be used in place of expensive coke in the manufacture of steel. Mr de Waal says the plant is designed to produce 300 000 tons of liquid iron a year and, by mid-1991, it could be producing hot metal at a cost well below that of Pretoria's other blast furnances.

(260)

74

New tactics to pound the dollar

LONDON — Major central banks around the world have adopted new tactics for getting the dollar down, both by shifting the time zones and markets in which they operate and by selling the dollar in individual staggered attacks rather than in concerted rounds of intervention.

The central banks may also be spending less than they have previously under the new approach, apparently spawned during last weekend's meeting of the Group of Seven (G-7) finance ministers and central bankers.

Sources close to European central banks deny there is any grand strategy for intervention. But they do say there are new tactics for unsettling the markets and injecting an element of unpredictability into central banks' actions.

Market sources doubt the intervention will have a long-term impact on the dollar. In widespread intervention earlier this year, the banks mostly operated within their own time zones and, when possible, would intervene to sell the dollar in large concerted waves.

But since the meeting of the G-7 finance ministers in Washington last weekend, this has all changed.

Sources familiar with the Deutsche Bundesbank's actions say the interventions are being done more frequently but in smaller doses to inject some fear back into a market that had for many months been using interventions to buy cheaper dollars.

The shift was first apparent from early Monday when the Bank of England popped up in the Australian foreign exchange market and the US federal reserve and the Bank of Canada and the West German Bundesbank joined the Bank of Japan in intervening in the Tokyo market.

Since then, the Bank of Japan has continued to intervene largely during Tokyo trading hours. But, instead of selling dollars in large heavy waves, it has kept up a constant and steady flow of sales.

The Fed has also participated in this intervention yesterday and, once the European day started, it was joined by major European central banks, such as the Bundesbank and the Bank of England, selling the dollar up to the time the Asian markets closed.

Yesterday, the Bank of England and smaller European central banks joined the fray, each taking it in turn to hammer the dollar lower.

Estimates

They were expected on the reopening of the New York market, to be joined by the US Fed, and the Bank of Canada.

Estimates of how much the central banks have been spending vary widely.

There is little doubt that the new tactics have been successful in driving the dollar lower but dealers are not sure if further intervention will prove as successful or if the whole exercise has been worthwhile for the long term.

Traders said most market players expect to see the dollar bounce back above DM1,9000 as soon as it becomes apparent that the central banks have backed off. — AP-DJ.

Star 28/9/89 74

Regional co-operation of utmost importance, says 'low key' Barend

By John Spira
Head of The Star's
Finance Department

WASHINGTON — In what was clearly intended as a low-key exercise, Minister of Finance Mr Barend du Plessis made only fleeting reference to South Africa's economic problems in his address to the International Monetary Fund/World Bank gathering here yesterday.

He reconfirmed South Africa's identity with the aspirations and development needs of sub-Saharan Africa, saying that "within our means we stand ready to actively render support where possible".

He told a relatively well-attended meeting that regional co-operation with a view to optimising economic growth was of the utmost importance, since small internal markets and low purchasing power were barriers to international competitiveness in many of the countries in the region.

"Regional co-operation offers opportunities for the smaller countries to derive substantial benefit from economies of scale, avoiding unnecessary duplication and improving their competitive position.

"Access to well-developed facilities such as transport, communications and financial markets in more fortunately endowed neighbouring countries is likely to contribute to an acceleration of economic progress in individual countries, thus synergistically contributing to enhanced prosperity in a regional context," he said.

Adjustment

In a lone and oblique reference to South Africa's foreign debt obligations, Mr du Plessis said: "For a country to extricate itself from an international debt servicing problem is, as we have learnt at first hand, a traumatic and painful adjustment process.

"The greater involvement of the fund and the World Bank in providing assistance to these countries should therefore be encouraged.

"Confidence in the ability of a country with a debt service problem to absorb new foreign capital will not be restored through debt forgiveness but rather through the successes achieved with the restructuring of its basic economy."

Making another oblique reference to South Africa's lack of capital, Mr du Plessis suggested that successful adjustment programmes entailed the development not only of infrastructure but also of human resources."We understand, too, the need for basic facilities in order to be able to utilise the sophisticated educational aids capable of supporting the educational process, both quantitatively and qualitatively," he said.

Mr du Plessis expressed South Africa's support for increased IMF quotas, for efforts at easing the debt burden on African economies and for the World Bank's stress on environmental issues.

Unlike his previous addresses to the IMF/World Bank, Mr du Plessis made no reference to the performance of the South African economy against the background of sanctions, nor did he compare South Africa's financial ratios with those of other developing nations.

The conclusion to be drawn from this strategy is that the South African authorities now prefer to do their lobbying behind the scenes rather than in a public forum.

It is, however, worth noting that the IMF/World Bank platform is one of the few international forums open to South Africa to put its case to the rest of the world.

West urged to act on inflation, savings and use of resources

WASHINGTON — Michel Camdessus, managing director of the International Monetary Fund, yesterday dished out economic policy guidelines which South African authorities would do well to heed.

Referring to the world's industrial countries, he contended that they could consolidate their recent strong performances and extend these gains if they acted firmly on three fronts:

- They must bring inflation down further, so that it ceases to be a threat to stable growth.
- They must raise national savings rates.
- They must use resources more efficiently.

While there is a general perception that inflation in industrial countries has been controlled, Mr Camdessus warned that price pressures had re-emerged.

"One of the important lessons of our experience over the past two decades is that governments must confront inflationary pressures decisively and at an early stage."

He said budget deficits remained large in many countries, absorbing resources that should be used to finance productive investment.

"Fiscal deficits place a heavy burden on monetary policy, causing an unduly high level of real interest rates. This hinders investment, aggravates the debt problem and jeopardises growth prospects in both industrial and developing countries."

Mr Camdessus urged governments to reduce their fiscsl imbalances promptly.

"This task is particularly urgent in the US, where the private savings rate is now very low.

New challenges

"Low national savings rates in many countries are worrisome, when we consider the new challenges that the industrial countries must confront over the next few decades. A progressive ageing of populations will most likely be accompanied by a substantial drop in private savings and a steep increase in the demands placed on national health and pension systems."

He stressed that fiscal consolidation was the essential first step in any credible policy to improve the long-term performance of saving and investment.

"With sound fiscal and monetary policies, governments will have the resources and the environment of stability and confidence that are essential for sustained growth.

"But even with the best macroeconomic policies, growth will be disappointing if we do not use resources efficiently.

"This means we must simplify the complex network of controls and restrictions so that they do not distort private decisions, limit competition and undermine the incentive to work, save and invest."

While welcoming the initiative on debt reduction, Mr Camdessus stressed that debt reduction was not a cure-all.

He said a special effort was required to assist sub-Saharan Africa.

"There will be no easy solutions, no miracle cures. We need a long-lasting commitment by all participants to produce major and sustained progress.

"Fortunately, there has recently been progress and more hopeful signs," he said.

(74) 6/10/89 F Mail

FOREIGN EXCHANGE

Will the dollar outwit the G7?

Concerted central bank dollar sales have effectively quieted the dollar for the present but many feel that, because of demand for the currency in the long term, when the dollar reaches sufficiently attractive buying levels it could bounce back.

Most traders were unprepared for the extent of Group of Seven (G7) commitment after the Washington communiqué of September 24. Dollar sales totalled US$4bn in the first three days of last week. "However, their efforts to contain the unit do not appear to have affected market psychology in any way," says Standard. As the dollar fell to successively lower levels strong investor demand buoyed it again.

The burning question now, asks FirstCorp, is how long can (and will) the G7 maintain its barrage of sales?

"In the absence of concerted, supportive changes in global monetary policy," says Standard, "it seems unlikely that central banks can sustain what could prove an extraordinarily costly course of action."

G7 apparently has no targets for the dollar's lower levels but dealers think around DM1,85/Y135 would satisfy, reports Volkskas. However, if and when the dollar reaches these levels, a new battle could develop.

Unlike the first dollar bubble of 1989 — when it surged over DM2/Y150 in May-June — G7 central banks struck when the unit was already in retreat, having fallen 3% in D-mark terms after its run-up during August and early September. Hence the apparent efficacy of the intervention.

The future, however, hinges on interest rates.

Some European rates have already moved sharply higher this week. On Eurocurrency markets three-month D-marks shot up half a point to 7,94%. There was a slightly bigger increase to 14,5% for sterling, beleaguered by the latest current account deficit, which also depressed it against the D-mark and prompted Bank of England intervention.

The leap anticipated action both in West Germany (with a knock-on effect in all member currencies of the European Monetary System) and the UK. As the *FM* went to press markets were waiting for a meeting of the Bundesbank general council in Frankfurt — even though president Karl Otto Poehl recently said he saw no need for a further tightening of monetary policy with German inflation back under 3%.

London analysts believe that, unless the US Federal Reserve soon feels confident enough about inflationary pressures and a cooling of the economy to ease up on credit, the dollar will rise again, forcing another round of interest rate rises even if (except for the UK) they are not required by domestic circumstances in Europe and Japan.

Tim Fox, of Midland Bank Treasury Department, believes central banks now recognise the fundamental demand for dollars and that intervention was tactical. "I think the intention was to get the dollar down to, say, DM1,80, so that when the bounce comes it will be to tolerable levels, like DM1,90."

Barclays de Zoete Wedd's Simon Knapp says: "We think a rise in German interest rates is already in the exchange rate. The present setback could last for a month but not much longer. The Fed's attitude is central and it has no incentive to lower US rates until the forward picture for the economy is clearer.

"That should emerge in six months when the Fed will gradually start easing. Meanwhile, we take the view, especially as a lot of Japanese institutions are underweight in dollar assets, that the dollar could be over DM2/Y150, possibly before Christmas."

Hoare Govett's Robin Aspinall sees down-up-down performance. "The 24-month rally from the dollar's 55% drop is still intact and won't peak until the Fed starts to ease aggressively. After this dip it'll strengthen: our three-to-six-month view is a climb over DM2,04/Y160, then a long deep decline, to DM1,56/Y110 on a 12-18-month view."

Whether Chancellor Nigel Lawson will take the political plunge and hoist UK bank base rates a full percentage point to 15% while the Labour Party conference is holding public attention, or even when the Conservatives meet next week, is open to question. But the City certainly believes he has little option if sterling, having rallied to $1,61, is not to plunge back towards $1,50.

Local forecast dollar ranges for the coming week: FirstCorp and Volkskas: DM1,85-DM1,89; Standard: DM1,85-DM1,90.

The rand gained from the dollar's sharp fall, strengthening to R2,6825 before closing last week at R2,69. It lost ground against the basket of currencies but firmed on Friday from a week's low of DM0,6885 to a high of DM0,6950. "With export sales evident, we expect the cross to strengthen further," says FirstCorp, "but advise importer cover above DM0,6980."

The Reserve Bank intervened, despite the improved gold price, to prevent the rand slipping too far against the crosses. Midday Tuesday the rand straddled R2,69/$, having firmed on a dollar dip.

Forecast rand/dollar trading ranges: Standard: R2,70-R2,75; Volkskas: R2,665-R2,725. Standard's trade-weighted average is 38,88 (38,24 last week).

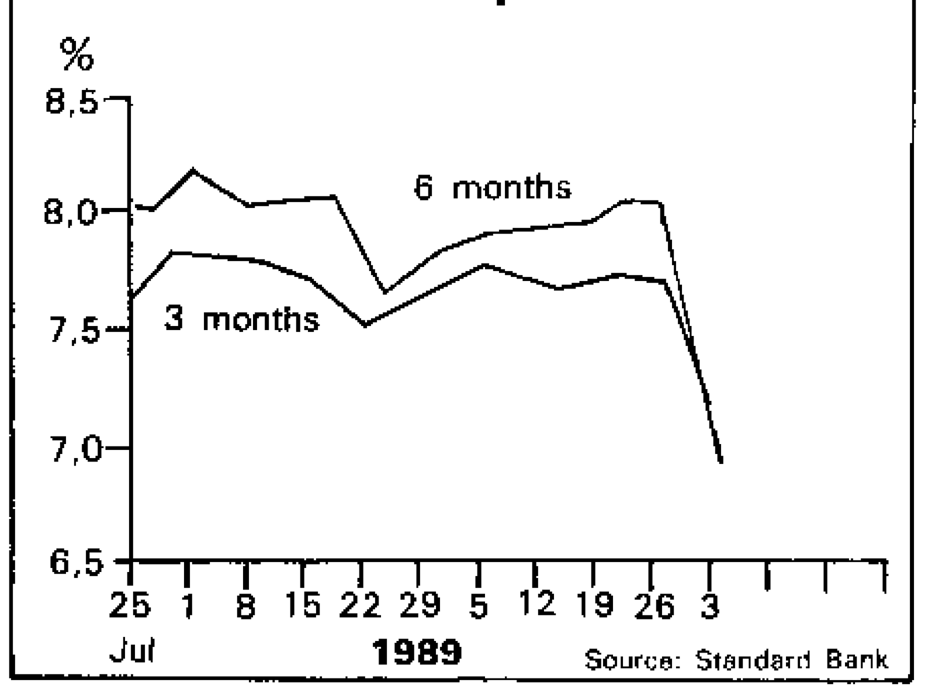
RAND'S PRICE

Oct 3 1989	R1 equals	One foreign unit equals (R)
SDR	**0,290**	***3,445**
	0,310	3,229
ECU	**0,337**	**2,970**
	0,360	2,781
UK £	**0,230**	**4,356**
	0,235	4,250
US $	**0,371**	**2,699**
	0,401	2,495
Canada $	**0,436**	**2,294**
	0,484	2,066
Switzerland Fr	**0,604**	**1,656**
	0,631	1,585
France Fr	**2,362**	**0,423**
	2,535	0,394
Germany DM	**0,696**	**1,437**
	0,744	1,344
Japan Yen	**52,115**	**0,019**
	53,290	0,019
Italy Lira	**508,900**	**0,002**
	654,120	0,002
Zimbabwe $	**0,806**	**1,241**
	0,756	1,323
Austria Schil	**4,900**	**0,204**
	5,230	0,191
Holland Guilder	**0,787**	**1,271**
	0,840	1,190
US $ value of SDR	1,295	**1,276**
US $ value of ECU	1,113	**1,102**
Financial Rand		
Cost per US $	4,020	**3,950**
Discount (%)	37,905	**31,806**

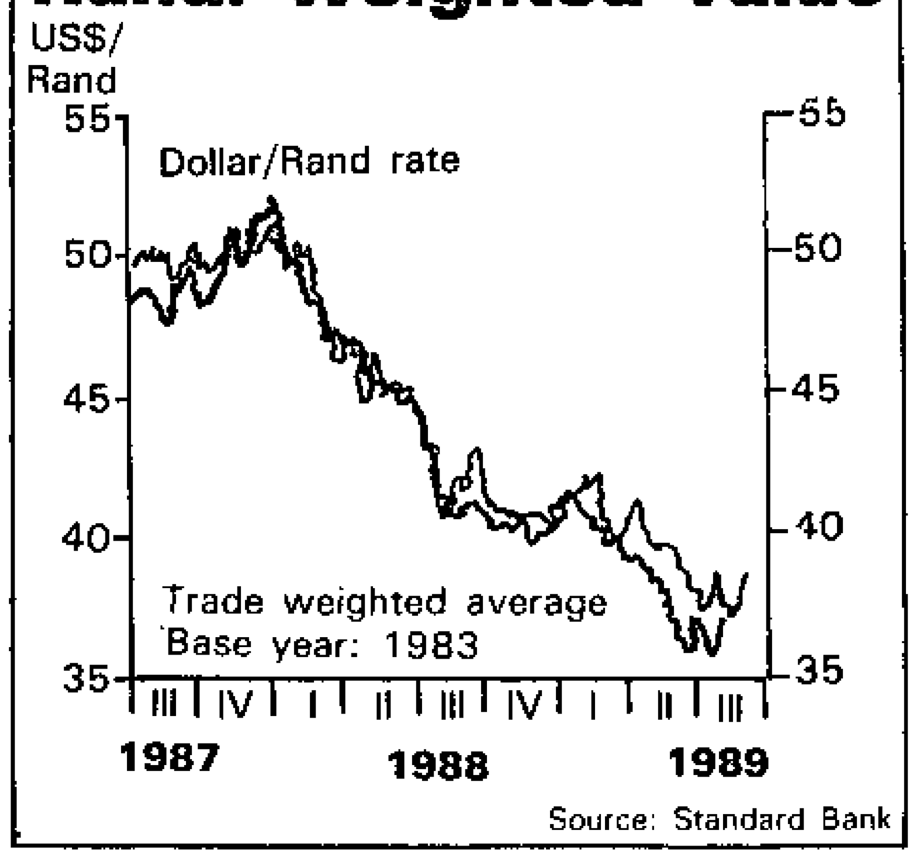
Year ago figures in light print.
Average of the Telegraphic Transfer buying and selling rates used by the banking sector for the day, for amounts up to R20 000 depending on foreign currency involved.
The above rates are for guidance purposes only.

* September 29

Forward $ costs



Rand: weighted value



3(?)A 74

SA exports to Taiwan take off

EXPORTS from the Republic of China to Africa increased by 26,1% last year, while its imports from Africa increased by 23,3%, according to figures published by the ROC Board of Foreign Trade.

Exports totalled $1,3bn and imports $1,2bn: Taiwan's trade with SA, its main trading partner in Africa, is expected to top the $2bn mark this year, sources said.

Safto's marketing manager of the Taipei World Trade Centre, Delphine Lin, said SA/Taiwan trade figures were kept confidential by both countries, but in 1987 there were 3 200 Taiwanese companies trading with SA, 6 500 in 1988 and trends showed the number would keep increasing.

SA was estimated to be Taiwan's 12th largest import source in 1988, she said.

The primary items exported to Taiwan by SA included platinum, gold, silver and other precious metals; coal, iron and steel; aluminium and aluminium products; wool and textile products; copper and copperware; pulp; petrochemicals and basic industrial chemicals; paper and paper board; rice; silicate minerals; canned food and juice; veneer and plywood and reconstituted woods.

Taiwan's trade liberalisation policy had been a boon to SA exporters, she said, with price-competitive SA products being well received.

"During the period of Taiwan's rapid economic development, the country's excess labour force steadily diminished and, at the same time, workers' wages have increased faster than the country's economic growth to become the second highest in Far East Asia, second only to Japan," Lin said.

DELPHINE LIN

"Production advantages such as easy acquisition of raw materials, a cheap rural labour force and cheap land no longer exist in Taiwan. The appreciation of the New Taiwan Dollar has continued, causing even greater hardships for export manufacturers in Taiwan, most of whom are medium and small sized," she said.

Trade imbalance with other countries led to the simplification of import proceedures.

In order to deal with its $76bn foreign exchange reserve, in January 1988 Taiwan reduced import duties on 3 000 items and import restrictions on most goods. As a result, the number of Taiwanese import companies grew from 12 000 in 1987 to 30 000 currently.

Banks were authorised to issue import licences for over 92% of all categories of imported goods. And to further simplify the import procedure, the Board of Foreign Trade was now considering the "negative list for imports", banning only a few items related to national security, public health and environmental protection, she said.

Sterling slides against rand

Star 12/10/89

74

By Neil Behrmann

LONDON — Sterling has plunged to its lowest level against the rand since the end of last year.

At R4,20 to the pound, it is at the bottom end of its trading range.

For over a year its trading band has been R4,20 to R4,40. Similarly, sterling has declined from a peak of R7 against the financial rand to R5,93.

The commercial rand/sterling rate was R3,40 in 1987.

The decline is a reflection of sterling weakness, rather than rand strength.

The pound has been buffeted by a flight of hot money and speculative sales.

The Bank of England last week followed the West German Bundesbank's increase in interest rates by raising the prime overdraft rate to 15 percent.

Yet even though money market rates are around 15 percent, sterling failed to hold last Friday.

Chancellor of the Exchequer Nigel Lawson received terrible press coverage over the weekend. Many economists and businessmen believe that high interest rates will drive the UK economy into deep recession.

To top it all, the Labour Party's lead over the Conservatives, which has been running at four percent, has widened to 11 percent.

Since an already bearish market has taken the view that the UK authorities are not in a position to raise interest rates, they have sold sterling.

In only two days, sterling plunged 3,5 percent against the dollar and Deutschemark to rates of $1,554 and Dm 2,945.

It is unlikely that the government will go down without a fight.

It is already costly for bears to sell sterling short.

Since UK rates are way above West German and US rates, bears must sell sterling forward at deep discounts to the spot rate.

In other words, they begin their action at a loss and must rely on further falls in the spot rate to make a profit.

As the rate falls further, they become increasingly susceptible to a squeeze.

Triple blow sends share prices tumbling

(74) [redacted] [redacted]

STAR 12/10/89

By Derek Tommey

Share prices tumbled on the Johannesburg Stock Exchange yesterday after experiencing three hammer blows — the drop in the gold price, the stronger financial rand and the one percent increase in bank rate.

The gold index fell 70 points (4,5 percent) to 1488, its lowest level since the end of June; the industrial index fell 46 points (1,7 percent) to 2648 and the overall 66 points (2,5 percent) to 2602, also its lowest level since June.

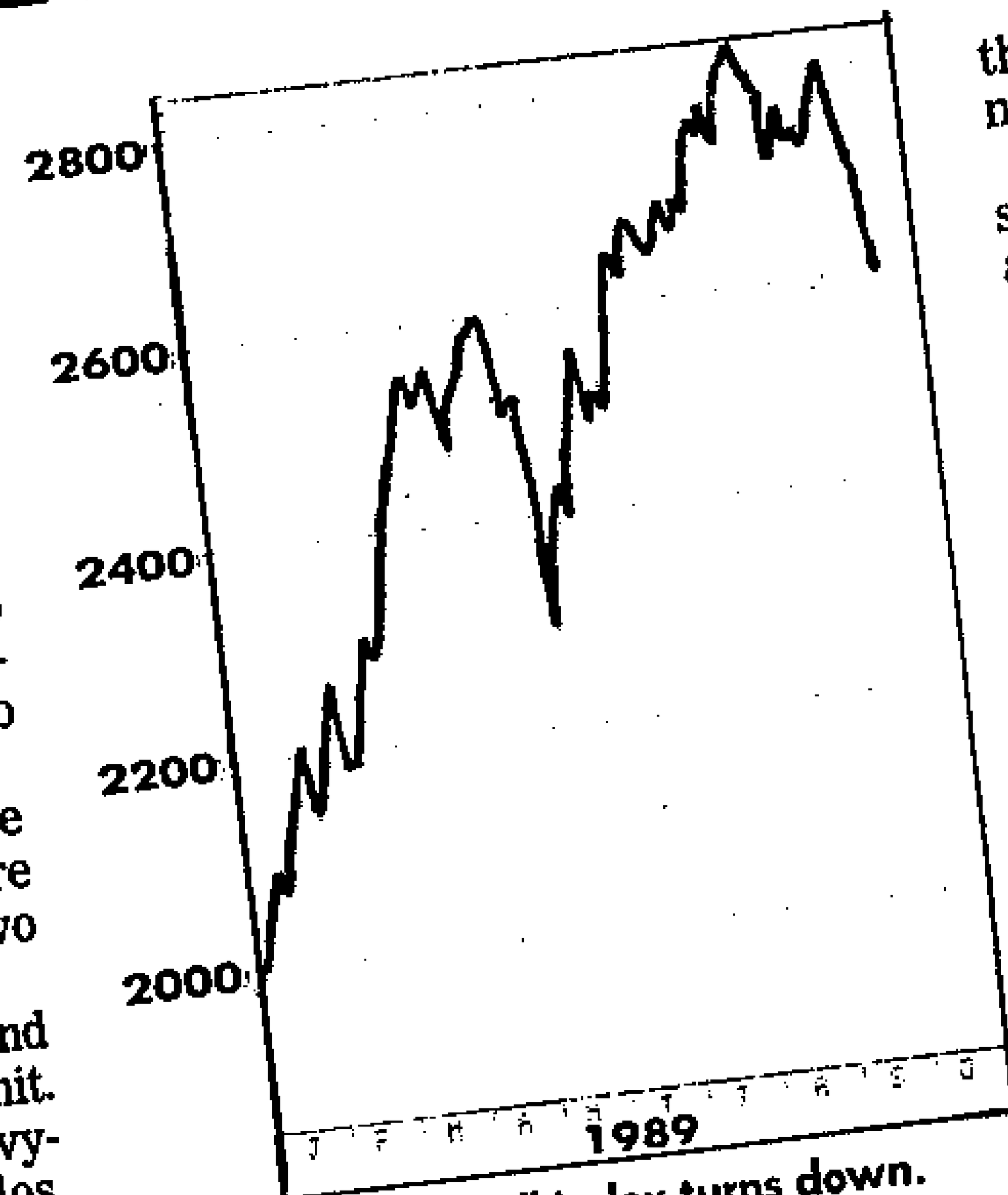
By the close of trading, some R10 billion had been knocked off share values, bringing the loss in the past two trading days to close on R17 billion.

Blue chip mining finance shares and the marginal gold mines were worst hit. Southvaal tumbled 800c to R126. Heavyweight finance houses GFSA, Anglos, Gencor, De Beers, Genbel, Amgold, Vaal Reefs, Dries and Barlows closed lower in fairly active trading.

Shares of Liberty were under pressure and shares in UBS closed lower.

However, financial rand hedge share Richemont was a notable exception, remaining steady.

Gold and mining financial shares have been easier for some days, mainly as a result of the firmer finrand. Since the end of August, it has firmed from R4,39 to R3,85 to the dollar. This appears to be partly the result of greater foreign confidence in SA and possibly because foreigners have been buying them in order to subscribe for Iscor shares.



The Overall index turns down.

This 12 percent improvement in the financial rand has been a heavy blow for the share market, as it has resulted in the prices of most SA mining and mining financials falling by a similar percentage.

Investors are keenly aware that any further improvement in the financial rand would depress prices of mining and mining finance shares even more.

But holders of gold shares are facing more woe.

The gold price, after showing renewed signs of firmness earlier this month, relapsed at the weekend to $360.

Although it recovered to just $362 at the fixing, there appears to be increasing nervousness among SA investors.

This nervousness has not been assuaged in any way by Monday night's announcement of a one percent increase in Bank rate.

Although the resultant rise in interest rates will have obvious deleterious effects on the economy, it is the intention signalled by the Bank rate increase that is really unsettling the markets.

The increase is aimed mainly at protecting the exchange rate of the rand and preventing it from depreciating further against other major currencies.

The upshot of this is that the gold mines can no longer rely on a depreciating rand and a steady increase in the rand gold price to keep them out of financial trouble.

It means the mines' only hope of improved profits now is from an increase in the dollar price of gold, which could be some years away.

The Reserve Bank's decision to defend the rand with an increase in Bank rate also has important implications for other sections of the share market.

This must show up in the industrial list of the Johannesburg Stock Exchange and a number of retail shares were notably weaker yesterday.

The JSE could be in for even greater changes if investors start believing that the Government is at last determined to crush inflation — for this could require a completely new investment approach.

Investors shed shares after interest rate rise

STAR 12/10/89 **Finance Staff** (74) (8)

The Johannesburg Stock Exchange was dealt a severe blow by this week's interest rate increases with shares shedding R10 billion in a hectic day of trading yesterday.

The crucial overall index tumbled by 2,5 percent, bringing its loss since the end of August to 8,5 percent.

Dealers pointed out yesterday that the rise in interest rates came on top of a weak gold price and a stronger financial rand, which deters foreign investors from investing their money on the JSE.

The JSE all gold index plunged by about 4,5 percent as gold fell as low as $360 in London yesterday.

But the rise in the Reserve Bank's bank rate, which was yesterday followed by a rise in the commercial banks' prime rate and certain bond rates, dealt a crucial blow to the stock market as investors shifted their money to more liquid assets.

Unifruco payout hits record R481m

Cape Times 12/10/89

74

By AUDREY D'ANGELO
Financial Editor

FRUIT farmers in the Western Cape will share a record payout of R481m this year. This is 17,4% above last year's record of R404m.

But Leo Fine, chairman of Universal Frutrade Co-operative (Unifruco), marketing organisation of the deciduous fruit industry, told a press conference yesterday that growers had been hard-hit by soaring input costs.

"After distribution, production and packaging costs have been deducted, the average producer of certain fruit kinds experienced a substantial decrease in net income.

"This once again proves that the industry will have to do everything in its power to win the war against costs in order to ensure its survival."

Fine said that "although certain cost increases are related to exchange rate changes, increases such as sea freight (32%), paper for cartons (23%), pallets (53%), imported paper for polycote bags (37%) and polyethylene (39%) cannot be accepted without further ado."

The deciduous fruit industry employs about 250 000 people and has increased export earnings every year in spite of the fact that some markets have been lost due to political pressure. Others have been found to replace them.

Fine said Unifruco now offered the biggest range of products sold by one organisation under one trade mark in the world.

"In the past season we have sold no less than 132 different fruit cultivars of nearly 1 400 different size specifications to more than 40 countries around the world."

Gross export earnings totalled R924m, which is 20% more than the R764m achieved in the previous season. Fine said that this was the ninth consecutive year that gross earnings had shown "healthy growth".

In spite of a reduced pear crop, 29,9m cartons of fruit had been exported.

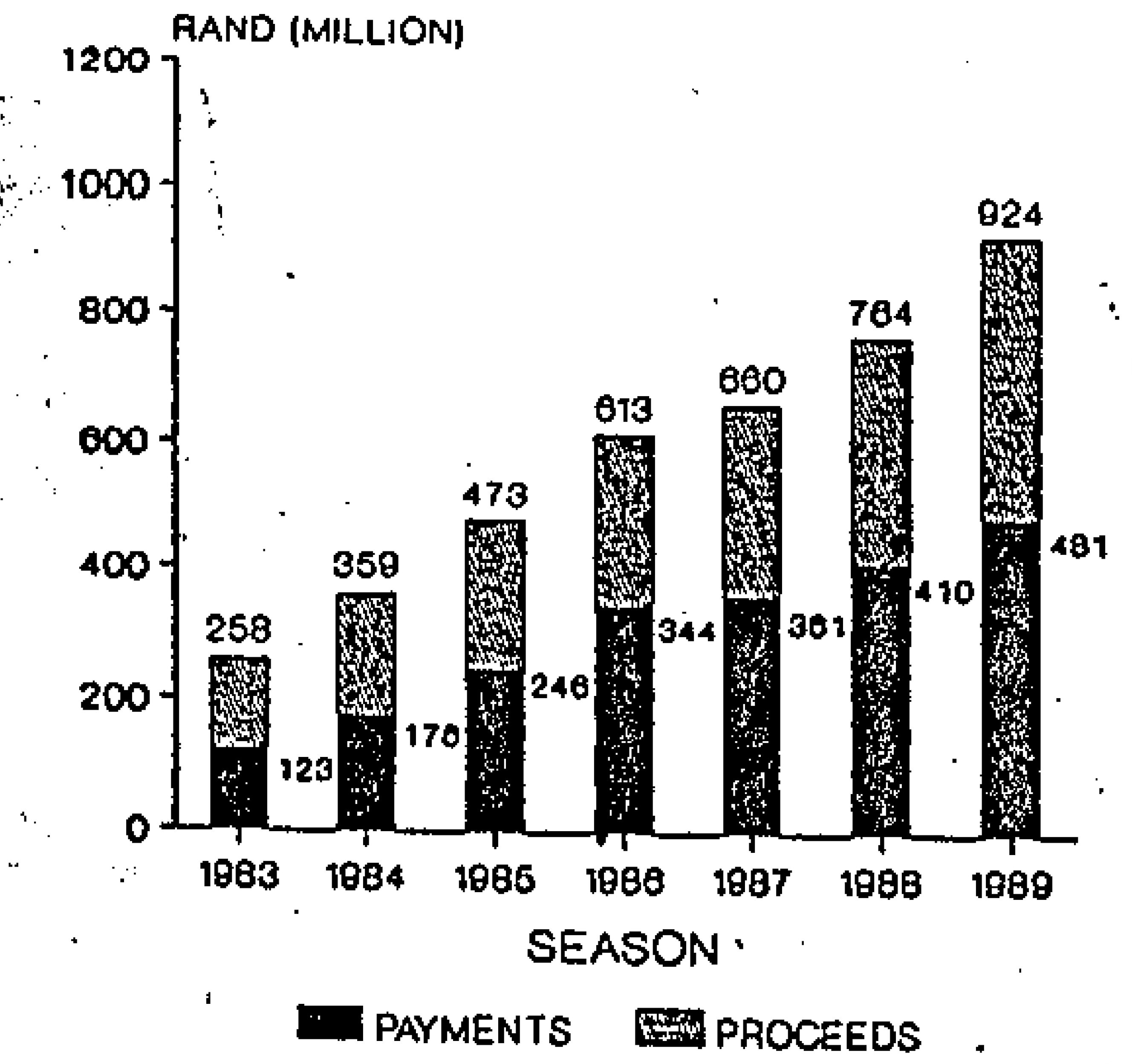
"This is a very satisfactory performance in a year in which the fruit industry is celebrating the 50th anniversary of its successful single-channel export marketing system."

Fine said Unifruco represented about 80% of the total sales turnover of the deciduous fruit industry at present — which was about R1,2bn this year.

The remaining 20% of sales were made locally, mostly by growers who were members and shareholders of Unifruco.

"They contribute greatly to the success and viability of our industry."

UNIFRUCO:
GROSS EXPORT PROCEEDS vs
PRODUCER PAYMENTS



1983-1987 DFB 1988-1989 UNIFRUCO

Trade figures scuttle rebound

Fresh Wall Street jitters depress JSE

74

B/Day 18/10/89

MERVYN HARRIS

A RENEWED bout of jitters engulfed global stock markets yesterday as a larger-than-expected US trade gap in August undermined the fragile recovery of share prices on Wall Street.

News that the August US trade deficit widened by 31% to $10,77bn — well above forecasts ranging from $8,8bn to $9,6bn — scuttled a rebound on several European stock markets and put Wall Street stocks and the dollar under pressure.

Tremors also rippled through Diagonal Street, and share prices drifted off their highs after staging a sharp recovery from Monday's 10,6% plunge in the JSE overall index.

Reflecting the rebound in gold and industrial shares, the index rose 6% to close at 2 479 points but dealers were anxiously awaiting developments on Wall Street.

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The recovery came on barely changed volumes, but the value of shares traded jumped from Monday's R118m to almost R160m yesterday.

On Monday, Diagonal Street vied with West Germany in showing the largest drop in share prices. Yesterday's sharp rebound on the JSE demonstrated how unsophisticated the market is and how it is driven by sentiment, analysts said.

Weighed down by negative US trade figures and uncertainty on Wall Street, the London FTSE fell for the second consecutive session to bring its decline to 4,4%.

Dealers said Wall Street's volatility made it impossible to accurately predict the near-term trend on stock markets, but the impetus remained firmly on the downside, Reuter reports.

The US trade report was the latest blow for the dollar and solidified the currency's fall to a new and lower trading range.

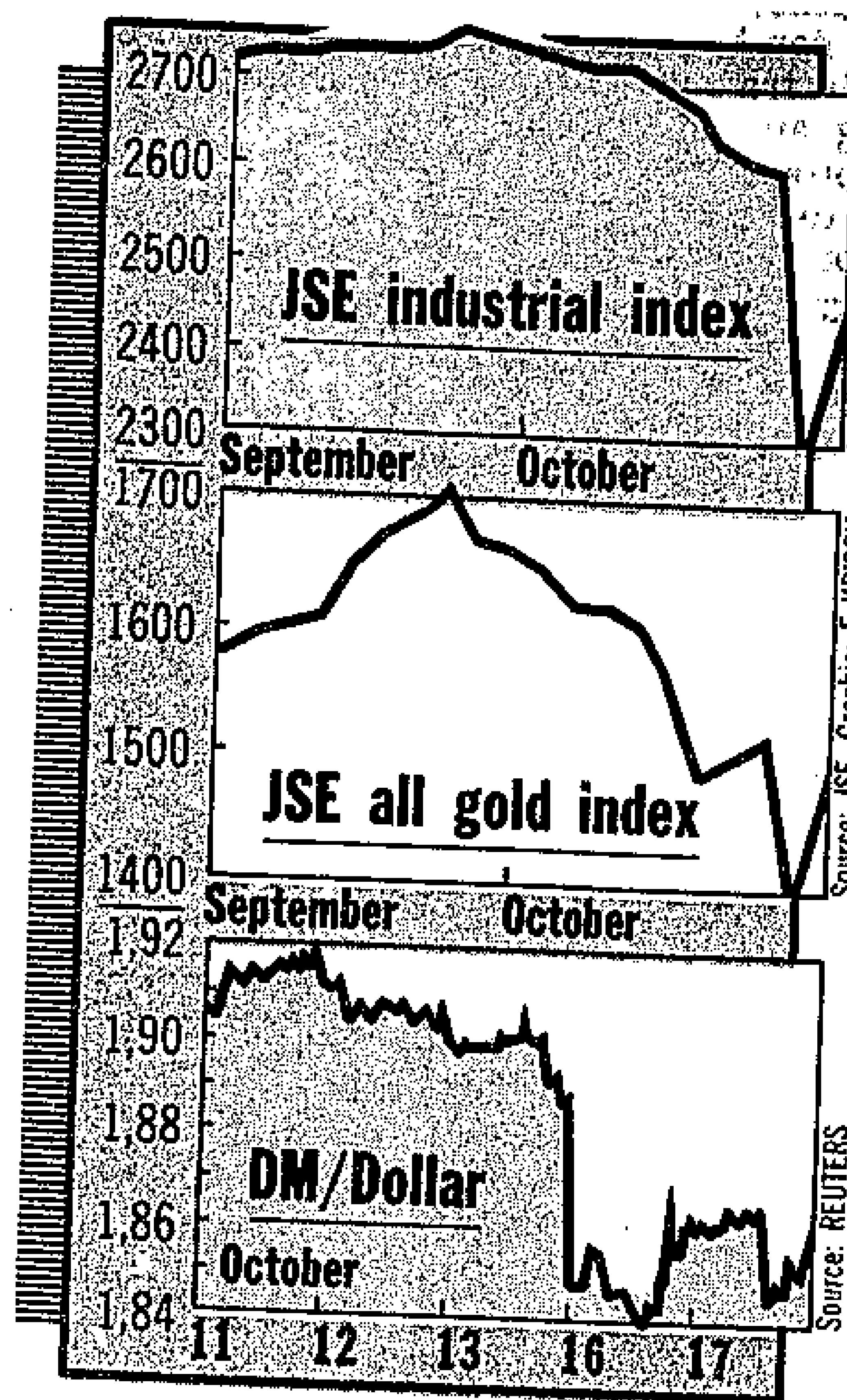
Strong support for the dollar was indicated at around DM 1,8500 and 141 yen, with Japanese investors among those seen as particularly interested purchasers of the currency at the lower level.

Dollar weakness helped lift the gold price, which closed $1,50 higher in London at $367,75. Traders said interest was fairly light with a mixed performance in New York giving the market little guidance.

Other precious metals were underpinned by the stable gold price but were little changed on the day, with platinum virtually static at $484,75.

By late yesterday, the dollar was swinging in tandem with US share prices and dealers said this trend was likely to continue throughout the week. The dollar closed easier in Europe but off its lows.

The US currency closed in London at DM 1,8525 after a previous finish of DM 1,8645. It slipped below DM 1,8500 in New York when the Dow Jones average fell more than 50 points on programme selling, but it regained part of its falls as the Dow trimmed losses.



Rand closes weaker, but off day's low

THE rand closed weaker in hectic late trade yesterday, but off its day's lows, assisted by the fall of the dollar against most major currencies.

The dollar fell after the release of a worse-than-expected US trade deficit report for August.

The rand closed at a mid-rate R2,6538 to the dollar, firmer than its opening level of R2,6618, but weaker than Monday's close of R2,6398.

The rand also lost ground on cross rates versus key European currencies.

He observed overall activity was brisk after the US figures, with a fair amount of corporate activity and very busy interbank dealings.

The financial rand closed weaker. The unit finished at a mid-rate R3,9300 to the dollar, sharply weaker than Monday's close of R3,8700.

An economist at a major bank attributed the weaker trend of the financial rand to selling orders. — AP-DJ.

B/Day 18/1/1989.

74

SA's 'executive' exports still in demand in Canada

DEIRDRE McMURDY
Toronto Financial Post

THE Canadian government's best efforts to loosen ties with SA have done little to stem the tide of one of the most significant imports from the country — senior business executives.

Encouraged by familiar business practices, a common language and a similar culture, if not by the climate, waves of white South Africans have made corporate Canada a favoured destination. And in remarkably short order, they have cut a swathe through the tight-knit ranks of the Canadian business establishment.

Executives born in SA or who have spent much of their lives there are at the helm of companies as diverse as Brascan Ltd, Trizec Corp, Royal Trustco Ltd, First City Capital Markets, TCC Beverages Ltd, Corona Corp, BMW Canada Inc, Volkswagen Canada Inc and Mr Jax Fashions.

Ottawa drew the line last month when it refused an immigration permit for SA's Gerald Prosalendis, hired as business editor of the Vancouver Sun. The Vancouver-New Westminster Newspaper Guild objected that suitably qualified Canadians were available for the job.

Sensitive

The case is not typical. David Nichols, president of Loblaws, turned to SA to recruit private label food specialists to manage the President's Choice and Loblaws line of grocery products.

The concentration of South Africans, for example, in the Edper Enterprises group of companies and at international accounting firms, is a sensitive subject. Many of them are hesitant to discuss either Canadian or SA politics.

The most notable concentration is found in chartered accountancy firms. Ex-South Africans are to be found among the top ranks at Onex Corp, Paradigm Consulting Inc, Maple Leaf Mills Ltd, Hees International Bancorp Inc, Teck Corp, Loblaw Companies Ltd, Scotia Mc Leod Inc, Nesbitt Thomson Deacon Inc, Merrill Lynch Canada Inc, and McCarthy Securities Ltd. The Financial Post's editorial staff has three SA émigrés.

The migration of SA business people to Canada has taken place in distinct waves. One of the biggest was in 1977/78, in the wake of violent upheavals in Soweto and stricter military service requirements for white school leavers.

Derrick Novis, a tax partner at Peat Marwick, says: "When you stop noticing the incredible beauty of the place and the problems become more obvious, it's time to leave,"

Alan Burns, an SA-born executive search expert with Toronto-based Burns Kincaid and Associates, says the geographical and political isolation makes SA managers more aware of the outside world and the need to develop markets and contact there.

Burns says that successful managers in SA are stifled by international sanctions, encouraging them to search for opportunities like those available in Canada.

There are currently about 30 000 South African expatriates in the Toronto area, with several thousand more in Vancouver.

Many of them say the big adjustments in coming to Canada were not professional ones. Maple Leaf Mills chief financial officer Lewis Rose says: "The business climate is not that diferent here — it's closer to the British than the US model."

"South Africans can get their minds around Canada — it's not as overwhelming as the US," Burns says. "You get the cut and thrust of the US without the drugs and violence in society."

Accountants coming from SA need to write only three exams — in tax, ethics and law — to qualify to practise in Canada.

But Burns says one of the toughest professional adjustments entailed in a move to Canada is to "get used to being a smaller fish in a bigger pond".

A distinguishing mark of transplanted South Africans is their drive to succeed in Canada. Strong self-discipline is often cited by the ex-South Africans themselves as the reason for their success.

An executive in the Edper Enterprises group observes that "SA has such a tension-filled climate that you expect to have to try harder — everthing there is more of a struggle". By contrast, he says, "Canada is peaceful and pleasant".

Nesbitt Thomson securities firm senior vice-president and director Charlie Moses says: "South Africans take a non-nonsense approach to things — they tend to be very disciplined and they have spent a lot less time having fun when they arrive here."

Rose concurs: "Discipline in SA is very important. It's all school uniforms, rules and regulations, even in public schools."

The serious approach is reflected in the attitude towards education. "In SA, it is much more difficult to go to university — there are no student-loan programmes and a natural selection process comes into play," Moses says. "Here, university is regarded much more as an opportunity to have a ball."

Leadership

He says SA society is "less socialist in its approach" and its intensely entrepreneurical climate spawns a "dominant will to succeed".

South Africans also learn at any early age to assume leadership. "They are never scared to take charge, to take control," Burns says. But he adds that the generalised experience of many SA managers differs from the more specialist demands of North American business.

The will to succeed stems partly from a desire to recreate the affleunce left behind, in the form of swimming pools, luxury cars and servants. Currency controls prevent many emigrants from taking their wealth with them when they leave, and the trappings of a good life are much more expensive in Canada.

Many South Africans avoid wearing their national origins on their sleeves, to the point of feeling embarrassed if they are addressed in Afrikaans.

Freezing winters — and the lack of ready access to sandy beaches — are also frequently cited as the main drawback to life in Canada.

After that, the difficult adjustments include getting used to new sports activities and Canadians' more reserved social customs.

Gold see-saws nervously

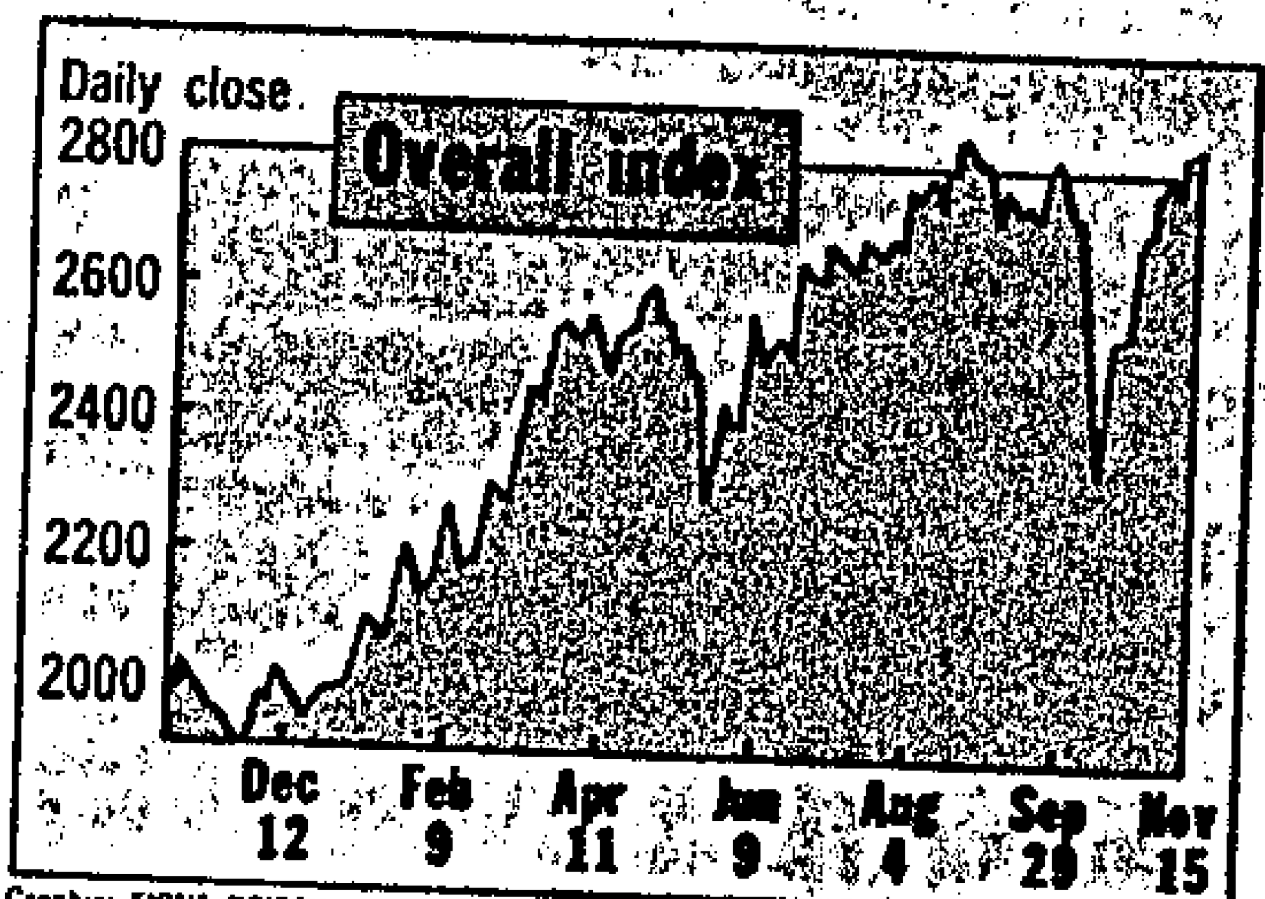
BDay 16/11/89 74

MERVYN HARRIS

GOLD was see-sawing around the $390 level yesterday as financial markets nervously awaited the release later today of September US trade data which will determine the metal's short-term prospects.

The hesitancy was apparent on the JSE as profit-taking set in towards the close of trading, wiping out some of the gains as the overall index scaled new peaks.

After rising to a high of 2 853, the index retreated to close 25 points up at 2 843 to equal the previous record set at the end of August.



Graphic: FIONA KRISCH Source: JSE

The rise was fuelled by continued strong demand for mining shares which pushed the JSE all gold index up a further 22 points to 2 006, but off a high of 2 023.

But while the index has surged more than 40% over the past month, the gold price has risen by less than 10%, and dealers caution that gold must either go up or shares come down.

They are looking for a correction in the index of about 100 points, or 5%, which they say will bring it to more realistic levels. However, speculators continued to drive up the lowest rated lightweight golds.

Gold yesterday repeated the pattern of the past few days trading by firming in the Far East, dipping later in Europe and then recovering losses in New York.

Gold closed $1,50 higher in London at $391,25, after briefly pausing for technical consolidation at $387,20 before testing overhead targets around $395 and %400.

☐ To Page 2

Gold see-saws

BDay 16/11/89 74

☐ From Page 1

Strength in other precious metals was underpinning gold with attention yesterday focused on silver, which has lagged behind the rise of the other two metals.

Silver tested key chart levels of $5,50, its highest level in six months, before easing back to close 16c up at $5,47 on speculative buying. But platinum eased from six-month highs to close at $514,50 after a report by refiner Johnson Mathey of a smaller supply deficit of 120 000oz this year, against 400 000oz last year, prompted some profit-taking.

Gold's firmness enabled the rand to rise from R2,6448 to R2,6308, but off its high of just under R2,62, as the dollar retraced some of its losses on dealers covering short positions.

The dollar closed in London at DM1,8394 from levels around DM1,8500 on Tuesday, after exploring the bottom end of its current tight trading range.

Reuter reports that dealers believe the September US trade data would have to be significantly wider than the average expectation of an $8,9bn deficit to bring about a breach of the current floor at DM1,8250.

Deregulated market for citrus a great success

D/Day 24/11/89 (2022) 74

THE deregulated market for local sales of citrus fruit to processors and the informal fresh fruit trade has proved so successful that the Citrus Exchange board of directors and the Citrus Board has decided to expand the system to the entire local market in 1990.

Citrus Exchange chairman Dave Lötter said in a statement yesterday the citrus industry had been deregulating gradually since 1986.

In 1989 the system had been so successful that it accounted for all sales to processors and 25% of fresh sales, Lötter said.

Standards

Complete deregulation of the local market would mean that individual citrus growers would be fully responsible for all their local market sales.

"However it is important to note that regulations governing quality standards and packaging will still apply," Lötter added.

CHARLOTTE MATHEWS

"The Citrus Exchange will also continue to render various back-up services to citrus growers in respect of local marketing, such as advertising and promotions, market research, technical extension and research services."

The total crop in 1989 was about 53,3-million 15kg cartons compared to 56,8-million cartons in 1988.

A record volume of about 30,3-million cartons was exported against last year's 29,6-million, a 2,4% improvement.

Gross sales value of 1989 exports was up to R830m against R733m in 1988.

"It was not a vintage year from a quality point of view," Lötter said.

"But fortunately most of our overseas markets have been relatively buoyant for most of the season."

Distribution to citrus growers rose 18% to R422m from last year's R357m, but because of cost inflation the grower was no better off than last year.

Wary investors eye gold scene from sidelines

B/Day 29/11/89 MERVYN HARRIS (109)

GOLD hovered around the $410 level on global bullion markets yesterday as nervous investors were closely watching whether the metal would extend its downward correction after its recent surge to new highs for the year. (74)

In the second consecutive day of profit-taking after its 10-day upsurge, gold eased to a low of $407,50 in London amid fears that it could test resistance levels at $405.

But the downside was restricted by underlying buying interest in New York which enabled gold to edge back and close in London at its day high of $410,75.

Uncertainty over the short-term trend of the gold price was reflected in the lower volume of trading on the JSE where there was only limited participation by institutional and overseas investors.

The JSE all gold index gave up 3,2% to close at 2 066 points, but buying at the lower levels helped lift shares off their lows. Dealers said a lot of the selling came from professional jobbing.

Analysts said gold rallied in New York on fresh bargain-hunting against a background of constructive fundamentals and charts. "Gold is acting like a typical market which is correcting after big gains," one trader said.

In London, the easier trend of gold was shadowed by other precious metals with platinum shedding $11 to close at $521. Silver slipped from $5,75 to $5,66.

Reuter reports that, on foreign exchange markets, the dollar reversed an earlier rally as the West German mark reasserted its strength.

● See Page 9

B/Day 29/11/89

(74)

Falling pound cheers SA visitors to Britain

KAY TURVEY

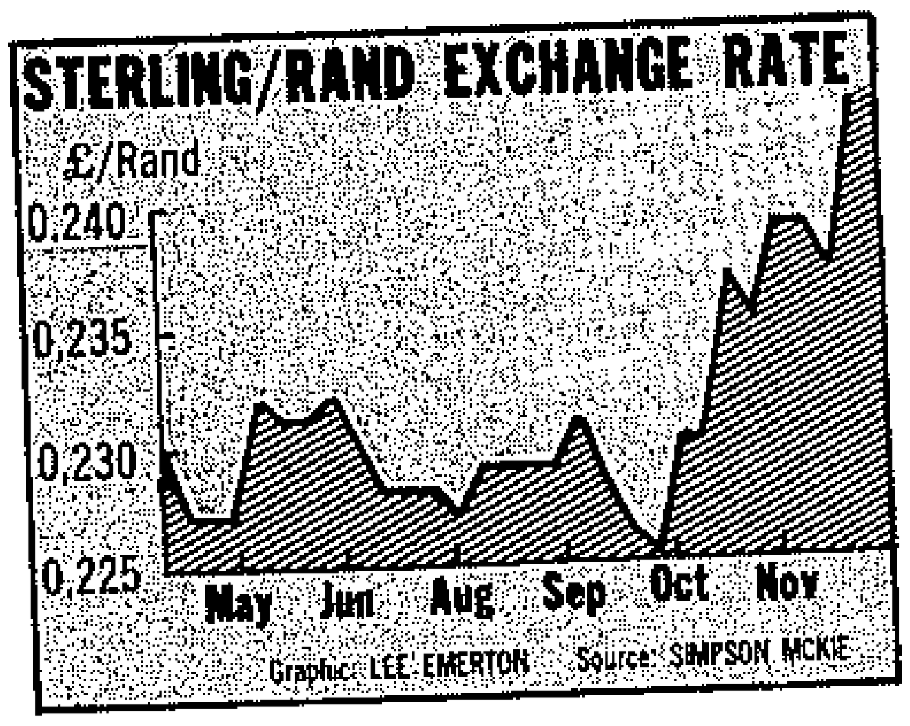
SA TRAVELLERS — accustomed to a depreciating rand — could be in the pound seats if visiting the UK this Christmas, as sterling has lost 7,6% against the rand since September.

The pound has dropped off sharply against most major currencies during the past three months because of political uncertainty and the challenge to Margaret Thatcher's goverment, besides local economic weakness.

Failed

Dealers say the UK is caught "between the devil and the deep blue sea" because government is unable to lift already high interest rates to protect the pound as the economy is already hurting.

Interest rates, which were raised early in October, failed to protect the currency.



In the meantime the rand, which has been losing ground on the crosses, has strengthened from an average of R4,3797 to the pound in September to R4,07 yesterday.

From a high of DM3,3, sterling fell to a low of DM2,718 before recovering to DM2,81 yesterday.

Dealers expect the pound to continue trading around the DM2,80 level.

Against the weaker dollar, sterling is barely holding up, having slipped from an average $1,5704 in September to $1,5605 yesterday.

The pound has lost 13,6% against the US currency since the beginning of the year, having moved from $1,773 in January.

Dealers believe sterling is oversold in the short run, although locked in a bear market.

Weakness

At the centre of the turbulence in UK financial markets is the questionable credibility of its commitment to lower inflation.

Reichmans joint MD Frank Bonner said sterling's weakness would take time to filter through in cheaper imports from the UK.

However, there was no doubt that this would happen as traders were very conscious of looking for more favourable markets.

BIG GAME BRINGS BIG SPENDERS

Business Day Reporter

BIG game hunters visiting SA bring in the equivalent of R52m a year in foreign exchange, according to a report by the Tourism Research Unit at the University of Pretoria. B/Day 30/11/89 (86)

The report states that about 3 570 hunters visit SA annually with each spending R13 300 over a period of 11 days on daily tariffs and trophies. (74)

"This figure is however only the tip of the iceberg. Airfares (some 66% flew SAA), gifts, curios, tips, taxidermists' fees and other expenses added to this figure," the report says.

Some 90% of foreign hunters considered their visit to SA as "very successful" or "successful". About 55% indicated that they would return to SA again.

"A conservative estimate of the number of local hunters is 50 000 a year. More than 75% of the respondents indicated that they go hunting more than once a year. The average expenditure per local hunter amounts to R3 087 per annum," the report says.

During 1988, 26 000 hunting licences were issued. Expenditure on various items amounted to about R80m a year.

Bargain hunters pounce on gold

B/Day 1/12/89

MERVYN HARRIS

BULLISH sentiment on gold was reflected on Diagonal Street yesterday when bargain hunters pounced on shares at their lower levels to reverse a softer trend and recoup nearly all early losses.

The JSE overall index closed six points higher at 2 859 after falling 19 points to 2 834 in the wake of gold touching a low of $404,50 in the Far East, and a firmer finrand.

The sharp turnaround wiped off nearly all the 41-point decline in the all gold index to a low of 1 990, for it to close a marginal two points off at 2 029.

Some dealers were expecting a more extended correction in gold shares after their sharp recent upsurge, but the weakness encouraged buying by local, overseas and smaller investors who had not yet entered the market.

The rally was helped by a firming in the gold price in early New York dealing and the metal closed in London at $410,50. This was below the previous close of $413 but above the morning fix of $406,85.

Zurich dealers said gold was very volatile with its floor at $400 and its ceiling at $420. Platinum and silver were also prone to sharp movements and at one stage platinum shot up $10 from $498 to $508 in 15 minutes on a surge in Japanese buying.

● See Page 6

Mood of business uncertain — index

74

SYLVIA DU PLESSIS

THE stronger gold price and the recovery on the JSE, underpinned by favourable perceptions of recent political initiatives in SA, helped repair business confidence in November after its sharp dip in October.

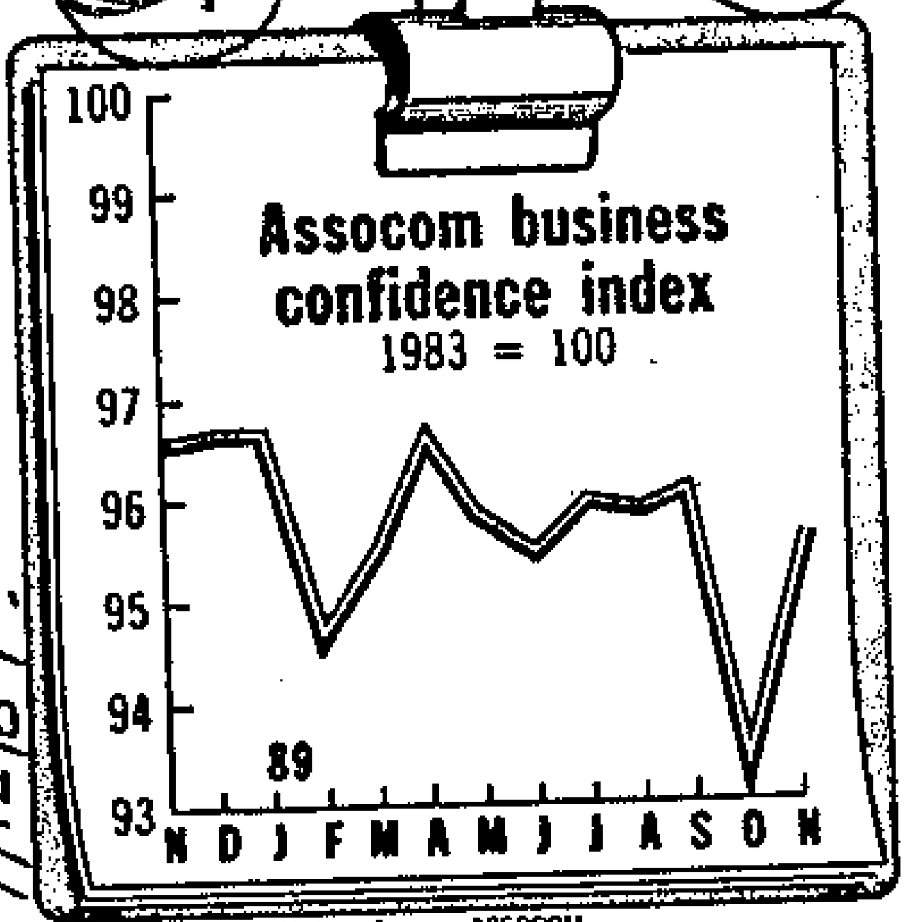
But Assocom, which measures business sentiment via the movements of 16 economic indicators, warns that the present mood is best described as one of "growing uncertainty" about business prospects in 1990.

The association's business confidence index (BCI) regained two points to 95,6 despite continued evidence — albeit uneven — of an economic slowdown.

Assocom says the improvement, in the face of "largely cheerless" short-term economic prospects, illustrates again the significant role which the gold price and political perceptions play in shaping the business mood.

"But the underlying trend is likely to be one in which business sentiment continues to adjust to changing economic realities," it says.

According to Assocom, overall business prospects for 1990 will be largely determined by the balance of payments situation and the need to cut inflation.



Graphic: FIONA KRISCH Source: ASSOCOM

B/Day 1/12/89

While there are signs of progress on these two fronts, economic policy is likely to remain one of restraint.

"The net forex position — bearing in mind in particular the foreign debt obligations in 1990 — will require the protection of monetary and fiscal discipline," Assocom says.

This is likely to have a negative impact on consumer demand, especially for durable goods.

"In 1990 new private fixed investment is likely to level off in response to tougher economic circumstances. Insolvencies may well rise further as business conditions deteriorate. On the other hand, many companies should be entering the current business downswing in a sounder financial position compared with 1984/5."

Factors contributing to the healthier BCI were increases in the dollar price of gold and the rand/dollar exchange rate, the JSE's overall share price index and merchandise imports and exports.

In addition, inflation — as measured by the CPI — declined marginally, while car sales, seasonally-adjusted real retail sales and the volume of manufacturing production all increased.

Negative developments included the October increase in the prime lending rate of commercial banks, the upward trend of insolvencies and a fall in real terms in the value of building plans passed.

Star 1/12/89.

(74)

Gilt rates plunge

Finance Staff

Capital market (gilt) rates could fall to below 16 percent by the end of the year, market traders said yesterday.

This follows on the 30 percentage point plunge in the key Eskom Loan E168 rate on Thursday, after an estimated R100 million foreign buying order.

The yield on the E168 fell to a low of 16,35 percent after opening the day at 16,65 percent. It closed at 16,39 percent.

Only three weeks ago it was quoted at a high of 16,95 percent, but since then prospects of lower inflation and the rise in the gold price has led to a more bullish sentiment in the market.

Paul Eysink, capital market dealer at Holcom Futures told Sapa he expects the rate to come down to below 16 percent by the year end.

"The institutions appeared to have noticed a technical breakout at 16,65 percent in the E168 yesterday, and early tradresulted in the rate moving down to 16,35 percent."

He attributed the bullish sentiment to the continued firm gold price and also to the fact that the measures recently implemented by the new Reserve Bank Governor, Chris Stals, are expected to result in a lower inflation rate for 1990.

Yesterday's plunge was sparked by a R100 million buying order, reportedly emanating from the US, which saw institutions move into the market to cover short positions.

JSE turns in the year's star performance

74

LIZ ROUSE

11/12/89 (Day)

THE JSE has been the best performer among the world's major equity markets during the past 12 months, according to the Economist's international statistics, monitoring 16 bourses.

Although the JSE overall market index has declined in line with some markets in past weeks, it showed an overall gain of 39,3% over one year up to November 21.

The JSE overall market index was only 9,7% off its record high at that stage.

The JSE's overall gain since December 31 1988 was 31,2% in commercial rand terms, higher than other major markets' moves and 25,9% in financial rand terms.

The second best performer during the period was Singapore, with an advance of 35% and gains of 29,9% in local currency, and 28,9% in US dollar terms since the end of December 1988.

The Paris Bourse took third place. Its index showed a rise of 32,6% over 12 months. The advance in franc terms was 24% and in dollar terms 21,2%.

In fourth place was Zurich, with a 12-month rise of 32,1%, gains of 22,7% in local currency and 14% in dollar terms since the end of 1988.

Wall Street came in fifth, recording a 12-month rise of 27% during the period and 21,7% since the end of 1988. On November 11, Wall Street was 5,4% off its record high.

Small Amsterdam performed fractionally better than giant Tokyo, which is still at its peak. Amsterdam's 12-month gain was 22,6%. Its rise since the end of 1988 was 15,3% in local currency terms and 12,5% in dollar terms.

Tokyo's 12-month gain was 22,5% while the advance since the end of 1988 was 19,6% in yen terms, but 4% in dollar terms.

Capital market rates fall heavily

(74)

B/Day 1/12/89

GRETA STEYN

BEARS ran for cover in the capital market yesterday as a wave of bullish sentiment sparked by foreign buying sent rates screaming down 30 points to their lowest levels in more than a year.

A seasoned dealer said the plunge was probably an intra-day record for a downward movement in rates. Yields on Eskom's Loan E168 touched a day's low of 16,35% from Wednesday's close of 16,65% and a high of 16,95% about three weeks ago. The rate on E168 ended the day at 16,39% and dealers were nervous about predicting a correction for today.

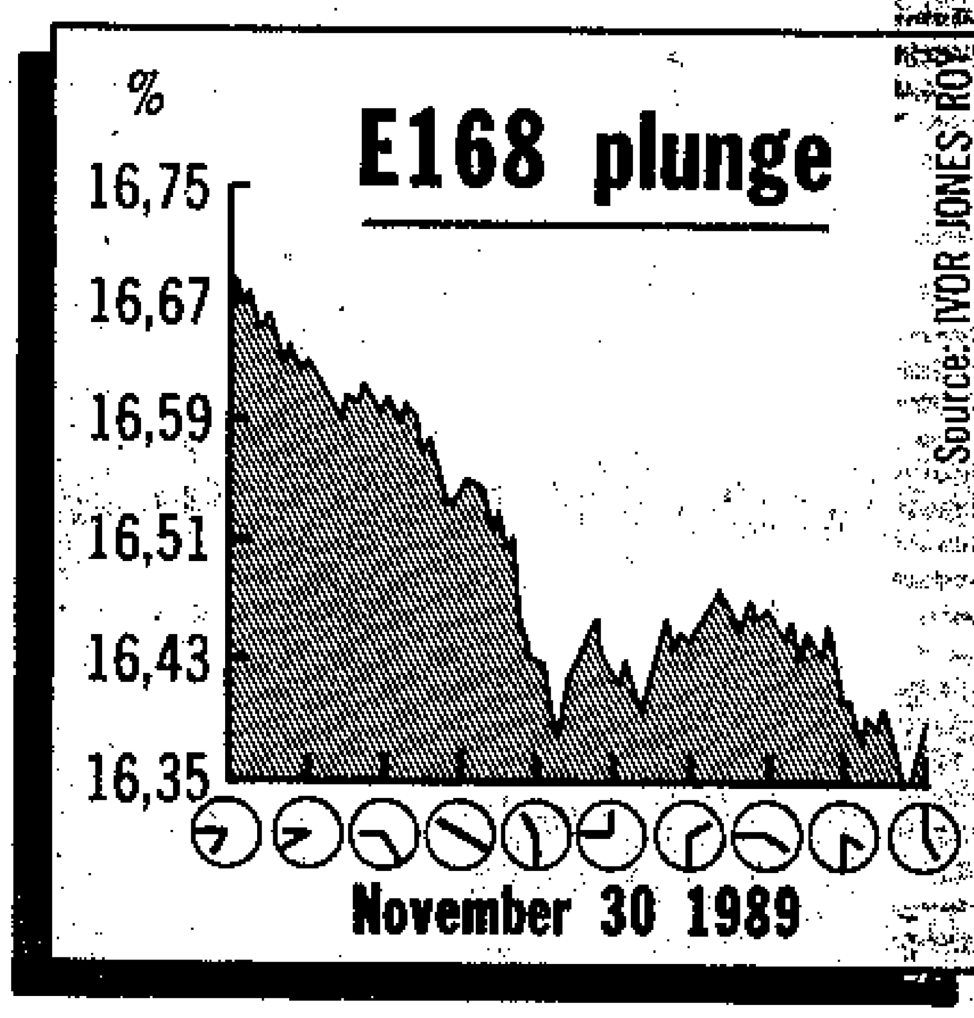
A large foreign buying order with a bank, put at more than R100m by some sources, sparked the move and the jobbers ran with it. Some dealers speculate purchases are emanating from the US via London. The large order caused panic buying by jobbers to cover short positions. Dealers reported very little institutional buying.

Other factors combined with the effects of foreign purchases to strengthen the trend. The market has been a cauldron of rumours for some time now and yesterday saw them reach boiling point. Rumours flying around and fuelling the bullish sentiment were that the state of emergency was about to be scrapped and that financial rand purchases of gilts was about to be abolished.

Reserve Bank Governor Chris Stals yesterday again denied that the Bank was contemplating abolishing the finrand purchases.

Gold seems to have lost its direct impact on the market as yesterday's softer trend in the metal's price was ignored completely.

At the short end, the Sats 12,5% 1993 fell to 16,75% from Wednesday's 16,88% and a mid-month high of 17,15%.



B/Day 5/12/89

74

Futures are set to go formal

GRETA STEYN

SA'S financial futures industry will come of age in a fully regulated formal market, with floor and screen trading, some time next year. But the road to respectability has not been without controversy.

The delays in getting the formal market going have caused frustration. There have been disputes over the need for both floor and screen trading, the costs of setting up an exchange, proposed trading hours and exams dealers have to write. There have been veiled accusations that "vested interests" were dominating the development of the market.

The difficulty in getting the SA Futures Exchange (Safex) off the ground begs the question: are formalisation and regulation necessary when the informal market is thriving?

Reserve Bank senior deputy governor Japie Jacobs is emphatic that regulation is essential. He criticises "self-styled" adherents of free markets "who contend that financial markets should not be regulated by the authorities at all and that they should best be left to themselves."

"Concern for competition and efficiency should be tempered with concern for the safety and soundness of financial markets," he said.

The authorities are limiting their regulatory role in favour of self-regulation. Rand Merchant Bank started the informal market, and its MD, G T Ferreira, says: "I hate regulation for regulation's sake, but with a formal market there is an important difference in perceptions of how safe the market is."

The self-regulators have come under fire, with Cape Investment Bank MD Andy Swartz accusing them of "a severe lack of vision." He called on them to come to grips with the real issues. This was a reference, among others, to the cost of setting up a floor which most of the market does not want.

Contribution

On the issue of a R2m Reserve Bank subsidy for setting up the market, Swartz said: "It seems to be assumed in many quarters that this subsidy will be applied to create and maintain archaic medieval concrete structures, the age of which is long past in sophisticated financial markets." He appealed to them to get rid of their fears of change and technology.

Although many traders were happy with the existing system of trading by telephone on information from screens, the JSE insisted there should be an open outcry floor market.

However, says Safex spokesman Stuart Rees: "I believe with the Reserve Bank's generous contribution of R2m, the whole controversy about costs should die down."

Asked whether the exams to be written by dealers on the exchange were not a case of over-regulation, Swartz said he did not question the validity of the system.

"The crux of the issue, however, is the content of the exams. If the content is going to be of a nature to test the academic skills of dealers — economic or mathematical — the examination committee will be going beyond their mandate since the decision on the level of competence of dealers should lie with their employees."

SA Futures Industry Association (Safia) spokesman Brenda Greyling says, however, the exams give the industry teeth to get rid of the bad apples. It is the need to protect the public that makes such apparently extreme regulation necessary.

Despite the controversies, the market has flourished. For instance, open contracts in interest rate futures have swollen from about 1 000 in August 1988 to 20 000 in September 1989.

B/Day 5/12/89

Strong demand for 'open' land

MOST of the land in the first phase of development in the recently opened Free Settlement Area at Country View in Midrand has already been sold.

The first 120 plots were sold within a matter of hours, a spokesman for a major utility company involved in the development, Lesley Abrahams, said yesterday.

He said 90% of the land had been sold to Indians, mostly from Laudium outside Pretoria.

Country View is alongside the Ben Schoeman freeway, midway between Pretoria and Johannesburg.

Prices ranged from between R30 000 to R40 000 on average, for 800m² plots.

Laudium Management Committee chairman and Free Settlement Areas Board member Sattar Cassim said he believed Indians were flocking to the new area because of the crying need for land among the local community.

He said Country View would not ease the housing shortage in Laudium. There were more than 2 000 people on the council's official waiting list. — Sapa.

Japan holds key to shifts in gold price

Star 6/12/89

74

By Derek Tommey

Whether the gold price is heading below \$400 is a question that went unanswered last night when it showed slight signs of recovering.

It was fixed in London at \$403,75, more than a dollar higher than the morning fix, but still almost \$5 below Monday price.

It was not possible to find a bullion or any other sort of dealer who was prepared to forecast where the price would be moving in the next day or two.

But there was a feeling that the movement in recent weeks from \$360 to \$420 (even if this price has not been held) has shown that the gold market is far healthier than most analysts had believed.

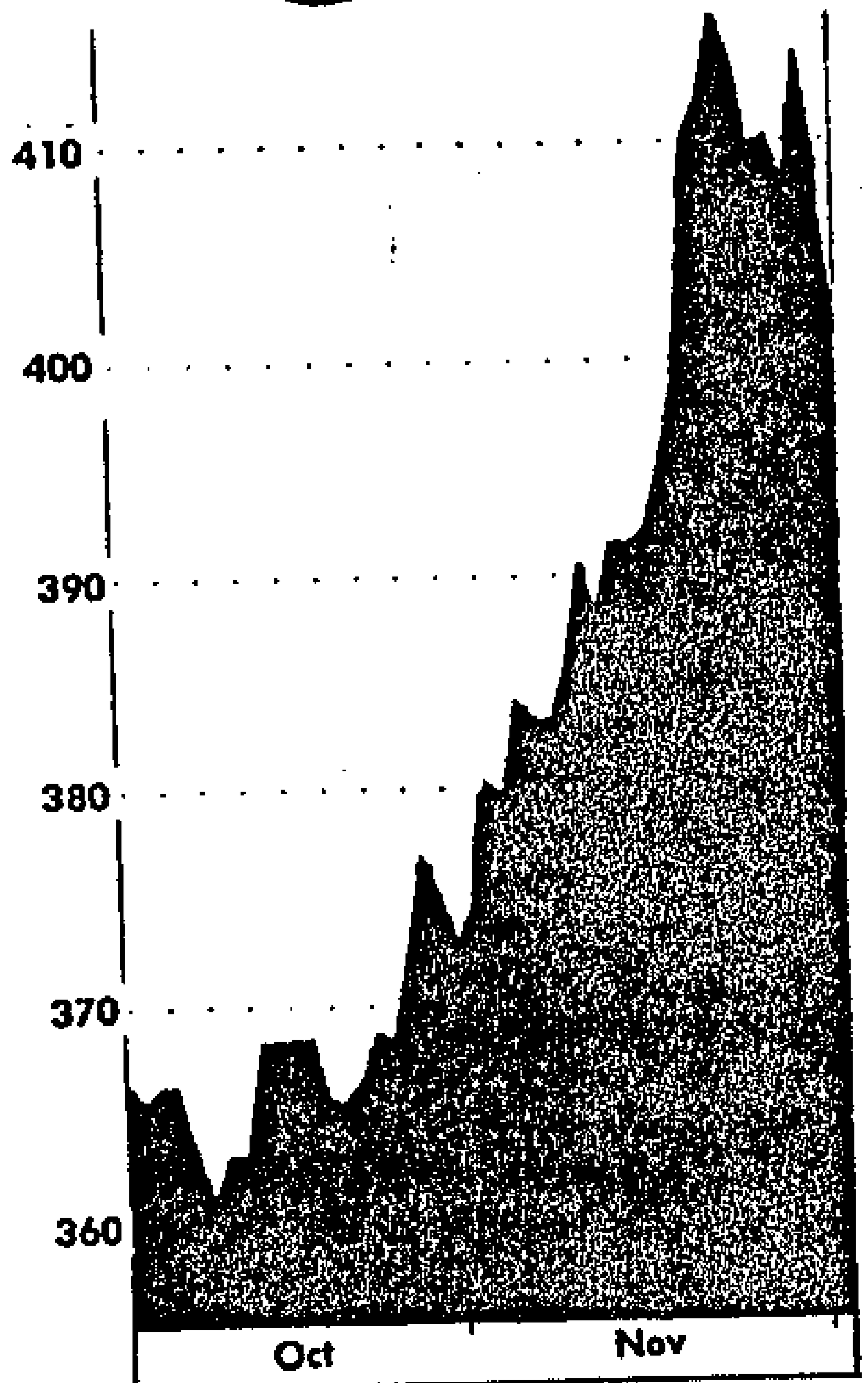
Cynics point out that even those fundis who in the past few weeks were forecasting \$320 are now talking about \$450 in the near future.

What has made them change their minds is that the Japanese are now known to have become strong buyers.

According to the *London Mining Journal*, "asset-rich Japanese investors have been in the forefront of the rush to buy".

Reasons for the rush, it says, citing the *Japan Economic Journal*, include fears about the implications of an overheating of political change in Europe and the after-effects of the October 13 share price plunge in New York.

Another factor is the ruling by the Ministry of Finance in October tht Japan's 24 casualty insurance companies may hold up to three percent of their total assets in gold. In theory, this releases potential purchases of at least 300 tons of gold.



Gold price movement. *Source: WEN*

This ruling is expected to be extended to the life insurance industry, which would equate to a further potential gold demand of up to 1 800 tons.

However, Johannesburg brokers say that while the Japanese may be buyers, they are not buying at any price.

It is suspected that they were heavy buyers at \$410 and higher.

"But at around \$420 they got vertigo and started to bale out," a dealer said.

The upshot is that their buying is expected to keep gold firm at \$400 to \$410 (and higher if the dollar falls further against the yen), but they are not going to push the price up much above its present levels for the moment.

Nonetheless, local producers seem reasonably satisfied if gold holds at \$400, equal to R1 050 an ounce, for two reasons.

One is that it is R80 an ounce higher than the price just eight week ago.

Another is that the jewellery trade, which has been the mainstay of the gold market in recent years, apparently stopped buying when the price topped \$380.

Dealers say that if gold can hold above \$380, there must be a fairly strong investment demand for it.

Some of the background to the rise in November have become known. After it passed \$380 the buying was entirely professional: speculation or investment.

Middle East buyers joined in, while all the sellers, including, it is believed, South Africa, held back.

At \$405 the sellers started putting gold on the market. But the Japanese had become buyers by then and absorbed all the gold on offer. The sellers then withdrew and the price rose to \$415.

At that level gold was again offered to the market and quickly taken up. But then the Japanese stopped buying and the price started to retreat.

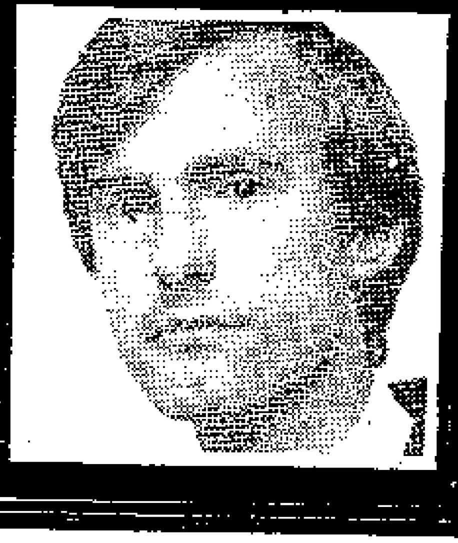
It can be seen that the Japanese are now a key factor in the market. As long as they are prepared to pay the yen equivalent of \$400, South Africans can have few causes for complaint.

74

Centre-stage mark the key pointer

REX

Cees Bruggemans reviews the local and world scene



IF there is a monster lurking in the deep of international financial markets, it is well hidden, for there is not the slightest indication of anything about to go wrong.

The Wall Street events of October 21, 1987, and October 19, 1989, were in retrospect risk adjustments.

Perceptions of reality rarely adjust smoothly, and not even the law of large numbers can protect us from periodic volatility.

Every move in the stock markets is a reaction: to profit expectations in a micro sense, to policy expectations in a macro one.

[redacted]

Stock-market movements, even the jerky ones, reflect a process by which value estimates change with circumstances.

When, therefore, the market reacts to change in perception regarding macro-policy, as it did in October 1987, there is nothing sinister about it. The market has merely been efficient in refining its risk-reward estimates.

Similarly, there was nothing sinister about the cutting down to size of the US junk bond market. In the end, its risk turned out to be greater than originally imagined, and the players in this market have been changing their behaviour accordingly.

This has on two occasions this year reverberated throughout the US stock market, and beyond, as those on the wrong side of the fence tried to minimise their losses. A lot of dust, a financial corpse here and there, and life goes on. Wall Street is once more strongly picking up steam, following Tokyo.

The sudden lifting of the Iron Curtain and the East European dash for democracy caught most markets by surprise. The gold market is trying to make out that this event, welcomed as it may be by all, contains a serious risk of reversal and regression, which consequently is offered as a sound reason to buy gold.

Unfortunately, this same event is judged to be cause enough to buy the shares of well-placed German companies on the Frankfurt Stock Exchange, which consequently is recovering much faster from its Wall Street-induced correction.

Such is the enthusiasm about the economic growth opportunities ahead, presumably after allowing for all the risk involved, that money is flowing into West Germany. The expectations are for faster economic growth, higher interest rates and potential capital gains after currency appreciation.

Traditionally, the least bit of turbulence out of the East tended to cause panic in the German financial markets. This time positive risk perceptions are winning hands down, at least for the moment.

It makes a world of difference whether it is the dollar that is weakening or the mark that is strengthening.

Both describe the same relationship, but is it the dollar that is being driven down as investors re-rate the US financial system and policy, or is the mark being favoured because of encouraging German prospects?

[redacted]

To a gold investor, these questions are important because nervousness about the US position has indeed provided grounds in the past to buy gold.

In contrast, a rampaging mark on the strength of improving political conditions and associated growth opportunities cannot rank at a similar level of importance to the gold investor, indeed quite the contrary.

Looking at the dollar from a sterling or yen point of view, or any number of other currencies, there is no sense of weakening to be found. Instead, the dollar remains at its higher levels of recent months.

Nevertheless, a "lower" dollar should be bad for inflation. Inflation is still rising in Germany and Japan, and is falling too slowly in the UK. The consensus about US inflation is that it is "sticky", which is a euphemism for willing it higher.

However, strip out volatile energy and food components from the US inflation index, and a more stable profile presents itself. Within that profile, one more dimension is important.

In the non-tradeable area, which includes most of the services sector, there is indeed an upward bias in inflationary pressure, mostly because of a relative lack of productivity growth and international competitive pressure.

However, US industrial inflation has trended down this year, the legacy of an easing domestic economy and growing international competitive pressures.

As a consequence, the overall US inflation rate is not going anywhere fast. But if there is a short-term trend it will probably be down towards 4%. The US bond market is signalling its satisfaction with this state of affairs, the 30-year yield remaining below 8%.

Admittedly, this market benefited a bit from flight-to-quality after October when shares became jittery, but that episode is rapidly falling behind us.

Instead, the US policy mix and economic performance suggest an improvement in inflation, and foreign portfolio investors continue to consider American bonds a snip at current yields, also in the process saying something about their dollar outlook.

But the gold market reflects an unsound Wall Street, East European developments and the US inflation outlook as cause for concern.

If it ever was a cause for concern this year, the fascinating question must be for how long it will remain so next year.

[redacted]

In similar vein, South African consumers (with delight) and exporters (with concern) seem to think that an improved foreign cash flow and rising foreign reserves must now lead to a strengthening rand.

There are countries where the authorities use a strong currency to discipline their companies and labour forces, encouraging them to ever greater effort in the face of more intense foreign competition.

However, our authorities have never given the slightest indication of wanting such a policy, and our companies and labour force do not seem to take such a threat seriously.

Until clearly enunciated to the contrary, our policymakers continue to treat the rand as a mechanism to acknowledge rather than discipline strong domestic players.

[redacted]

The rand should therefore be expected to weaken in time on a trade-weighted basis to reflect the still-large inflation differential with our key trading partners.

Deviation from this policy could jeopardise the foreign cash flow and the reconstruction of the reserves, which would not be very sensible in current circumstances.

When the mark is strengthening rather than the dollar weakening, expect the rand to fall significantly against the mark while at most stagnating against the dollar. That way, importers are at least not favoured and exporters not excessively penalised.

COMPUTER ROUND UP

MELANIE SERGEANT

Ozone friend

Centre-stage mark the key pointer

IF there is a monster lurking in the deep of international financial markets, it is well hidden, for there is not the slightest indication of anything about to go wrong.

The Wall Street events of October 21, 1987, and October 19, 1989, were in retrospect risk adjustments.

Perceptions of reality rarely adjust smoothly, and not even the law of large numbers can protect us from periodic volatility.

Every move in the stock markets is a reaction: to profit expectations in a micro sense, to policy expectations in a macro one.

Stock-market movements, even the jerky ones, reflect a process by which value estimates change with circumstances.

When, therefore, the market reacts to change in perception regarding macro-policy, as it did in October 1987, there is nothing sinister about it. The market has merely been efficient in refining its risk-reward estimates.

Similarly, there was nothing sinister about the cutting down to size of the US junk bond market. In the end, its risk turned out to be greater than originally imagined, and the players in this market have been changing their behaviour accordingly.

This has on two occasions this year reverberated throughout the US stock market, and beyond, as those on the wrong side of the fence tried to minimise their losses. A lot of dust, a financial corpse here and there, and life goes on. Wall Street is once more strongly picking up steam, following Tokyo.

The sudden lifting of the Iron Curtain and the East European dash for democracy caught most markets by surprise. The gold market is trying to make out that this event, welcomed as it may be by all, contains a serious risk of reversal and regression, which consequently is offered as a sound reason to buy gold.

Unfortunately, this same event is judged to be cause enough to buy the shares of well-placed German companies on the Frankfurt Stock Exchange, which consequently is recovering much faster from its Wall Street-induced correction.

Such is the enthusiasm about the economic growth opportunities ahead, presumably after allowing for all the risk

REX

Cees Bruggemans reviews the local and world scene

involved, that money is flowing into West Germany. The expectations are for faster economic growth, higher interest rates and potential capital gains after currency appreciation.

Traditionally, the least bit of turbulence out of the East tended to cause panic in the German financial markets. This time positive risk perceptions are winning hands down, at least for the moment.

It makes a world of difference whether it is the dollar that is weakening or the mark that is strengthening.

Both describe the same relationship, but is it the dollar that is being driven down as investors re-rate the US financial system and policy, or is the mark being favoured because of encouraging German prospects?

To a gold investor, these questions are important because nervousness about the US position has indeed provided grounds in the past to buy gold.

In contrast, a rampaging mark on the strength of improving political conditions and associated growth opportunities cannot rank at a similar level of importance to the gold investor, indeed quite the contrary.

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Business community will need strong nerves next year

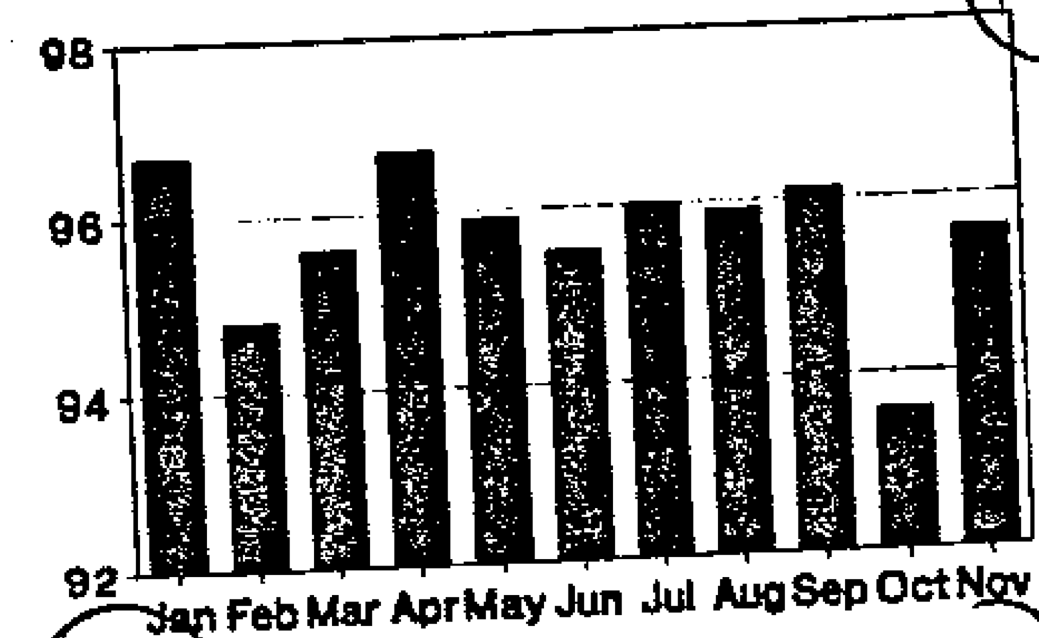
By Jabulani Sikhakhane

Favourable business perceptions of recent political initiatives by State President FW de Klerk helped lift business confidence in November although short-term economic prospects are dim.

After a sharp decline in October to 93,6 points, Assocom's business confidence index has recovered to 95,6.

Assocom says the improvement in the business mood in November in the face of largely cheerless short-term economic prospects illustrates the significant role political developments and the gold price play in shaping business mood.

However, it warns that the underlying trend is likely to be one in which business mood continues to adjust to changing economic realities.



Assocom's BCI (1983 — 100).

The present business mood is best described as one of growing uncertainty about prospects in the 1990s.

The balance of payments and the need to reduce inflation will determine business prospects for 1990.

Assocom says the current economic policy stance is unlikely to be reviewed until the Budget in March 1990 and thus wasxhaving a negative impact on consumer demand, especially for durable goods.

Star 11/12/89

New private fixed investment is likely to level off in response to tougher economic circumstances. Insolvencies may also rise further, but many companies should be entering the current business downswing in a sounder financial position than in 1984-5.

Summarising, Assocom says 1990 will be a year of much lower growth, slightly lower inflation and a larger surplus on the current account of the balance of payments. "It will be a year of strong nerves for the business community."

Among positive factors that influenced the November BCI were a sharp advance in the JSE overall index, on the back of the firmer gold price, the strong recovery in merchandise imports and exports and a recovery in the volume of manufacturing production.

Inflation was also down from 14,9 percent in October to 14,8 percent, while the increase in the number of cars sold in November and a recovery in real retail sales were other positive factors.

Negative influences included the October increase in the prime rate to 21 percent and further rises in three months bankers' acceptances rate. Insolvencies were still up and building plans passed showed a decline in value.

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Once again, all set to meet our boom

REX

Cees Bruggemans reviews the local and world scene

THE best Christmas present from the financial markets this year is undoubtedly good cheer and confidence in the future.

It has taken time for this consensus to be formed. The rising gold price has again been symbolic, pointing to a more rosy future than that proposed by conventional wisdom.

The country has, however, been at such a crossroads before.

The late 1982 experience is probably close to what is happening now. The gold price rose by $200 in six months as the Mexican debt scare concentrated minds. The domestic response then was a wildly optimistic private sector, which was joined by the public sector when it allowed interest rates to collapse.

This time the arrangement appears different. Instead of a willing public sector, agreeable to give way on policy when circumstances improve, a new set of commandments have apparently been poured in concrete, not least among them the injunction that "thou shall not have an orgy".

For the past four months, the authorities have expressed a willingness to practise a tough monetary policy. Simultaneously, some titillating speculation has been aired about imminent revolutionary changes in fiscal policy.

Although the tough monetary policy stance imposed a serious damper on sentiment because of high interest rates, the longer-term implications were encouraging. Also, the expected changes in fiscal policy, if they were to fully materialise, should reinforce the quest for a more stable financial environment.

A comfortable foreign cash flow, adequate foreign reserves, falling money-supply growth, a steadily eroding inflation rate and a more stable rand would be longer-term achievements that could pave the way back to a higher economic growth rate as financial crises would have less of a chance to derail the system.

In addition to these nuts and bolts, the longer-term framework is probably more shaped by political developments. On this front, too, a sense of policy competence is having an effect on business expectations.

Ironically, foreign investors have been most insistent in voting with their feet. SA market participants have taken much longer to come around to their belief that all these changes are for real and a reason to mark up prices of financial assets.

The enthusiasm in the gold market finally burst over into both the capital and industrial share markets this month as investors went in search of assets.

This euphoria is leading some to say that the recession is already over before it has begun, that next year won't be bad at all, that preparation for the next recovery should be contemplated.

These are fun sentiments. They may also be as far off the mark as the preceding pessimism has been. Initially, 1989 was supposed to be a recession year. That never materialised. Sentiment hardly let up as the conviction and fear of another 1984-85 remained alive.

Recent monetary policy has, of course, promised an extended time of high interest rates and economic consolidation. Market focus was more on this coming recession than the financial improvements it would bring, on which a more sustainable recovery could eventually be built. Now that the gold euphoria has started to sweep the boards, taking the capital and industrial share markets along with it, something familiar is happening in the private sector.

Willingly or not, we are collectively starting to prepare to meet our boom. However, will the public sector also come to the party? Are the politicians going to stay with their resolve, or will it all melt away under the golden glare of gold? So far, the signs are encouraging that the public sector will stand fast.

But the new year will have 365 days in which it will be possible to soften positions. At this point, the intentions of the monetary authorities seem clear. There is an eagerness and impatience to strengthen the foreign cash flow and reserves and contain money-supply growth.

Such impatience is understandable in its own right, seeing the incredible dangers we were running earlier in the year with our external position, while the domestic inflationary trend also held the danger of progressively getting out of control.

However, one can see conditions shaping in the new year which could suggest an early easing of monetary intentions. The siren call of "more" short-term growth could once again become irresistible as the financial fundamentals strengthen.

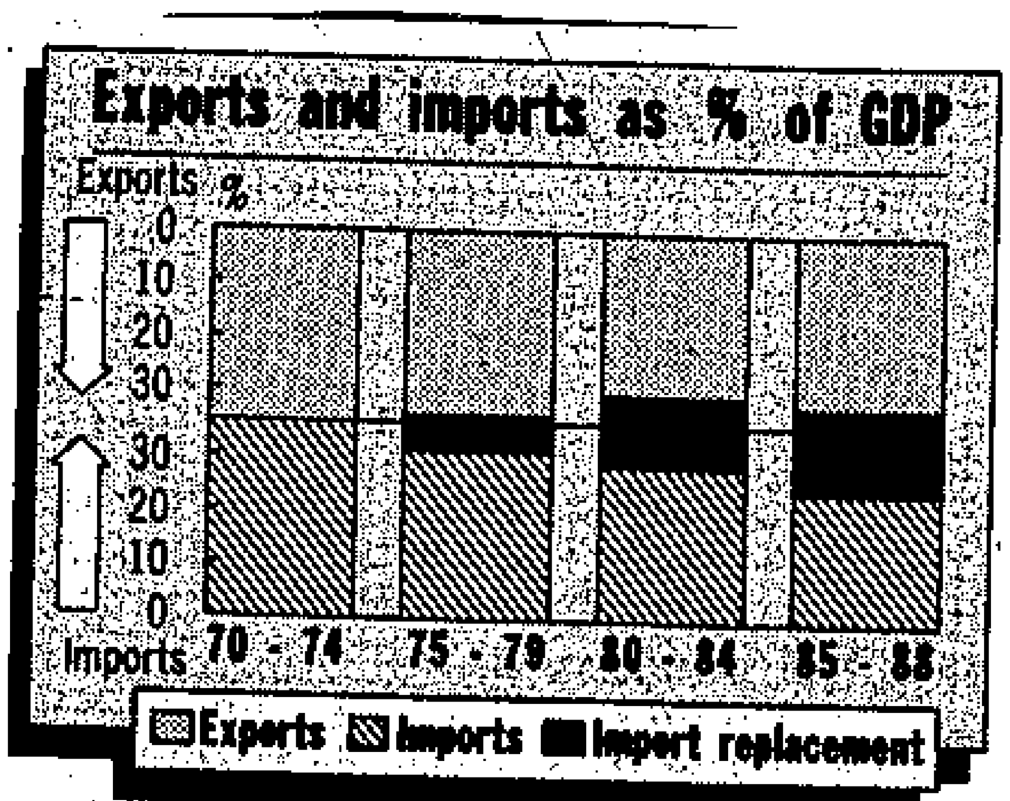
We may, therefore, face sooner rather than later a renewed clamour for an early end to economic adjustment in favour of more growth. It cannot be taken for granted that the political leadership will resist such siren calls, particularly if there were to be a painful restructuring of fiscal policy.

Apart from vested interests, which will be only too eager to promote the early abandonment of monetary discipline, it will be the financial markets which will become the most insistent that an early and substantial fall in interest rates will have become possible.

Market sentiment, sectoral interest, and the political leadership may therefore find themselves in agreement sooner rather than later that interest rates should fall.

The question of 1990 may therefore be whether the monetary authorities will want to stay with their programme of financial restitution: strengthening the foreign cash flow and reserves and reducing money-supply growth and inflation, perhaps beyond what is currently envisioned by most.

This year was marked by a premature eagerness to call the peak in interest rates. Next year could see an eagerness to call the decline of interest rates. Much may depend on how fast the monetary authorities may want to achieve what are probably ambitious targets.



Graphic: FIONA KRISCH Source: SA RESERVE BANK

(744)

Import replacement is taking an increasing bite out of SA's import bill, as this statistical graph shows.

Culled from Sanlam's economic survey for December, real imports and exports are shown in relation to GDP. Both imports and exports were about 35% of GDP during the period 1970-71. 21094 20/12/89

The ratios fell to about 23% (imports) and 31% (exports) in the period 1985-88. Import replacement, as shown in the graph, is regarded as the extent to which both imports and exports have dropped as percentages of GDP during the 19-year period.

The export ratio has dropped because the resources used for import replacement are not available for export. ● See Page 3

Money supply still out of target range

BDay 22/12/89 (74)

HAROLD FRIDJHON and NEIL YORKE SMITH

GROWTH in the money supply, SA's stock of money, as measured by the M3 aggregates, slowed down to 24,55% in November compared with the sharply upward-adjusted numbers for October.

According to Reserve Bank figures released yesterday the percentage growth in the seasonally adjusted M3 for October soared to 24,70% compared with the preliminary estimate of 21,65%. The September growth was 22,87% adjusted from a preliminary 22,05%.

M3 is the broad measure of money supply, consisting of notes and coins in circulation plus all deposits with banks, building societies and the post office, which reached a total of R143,682bn at the end of November. The comparative figure for November 1988 was R115,364bn.

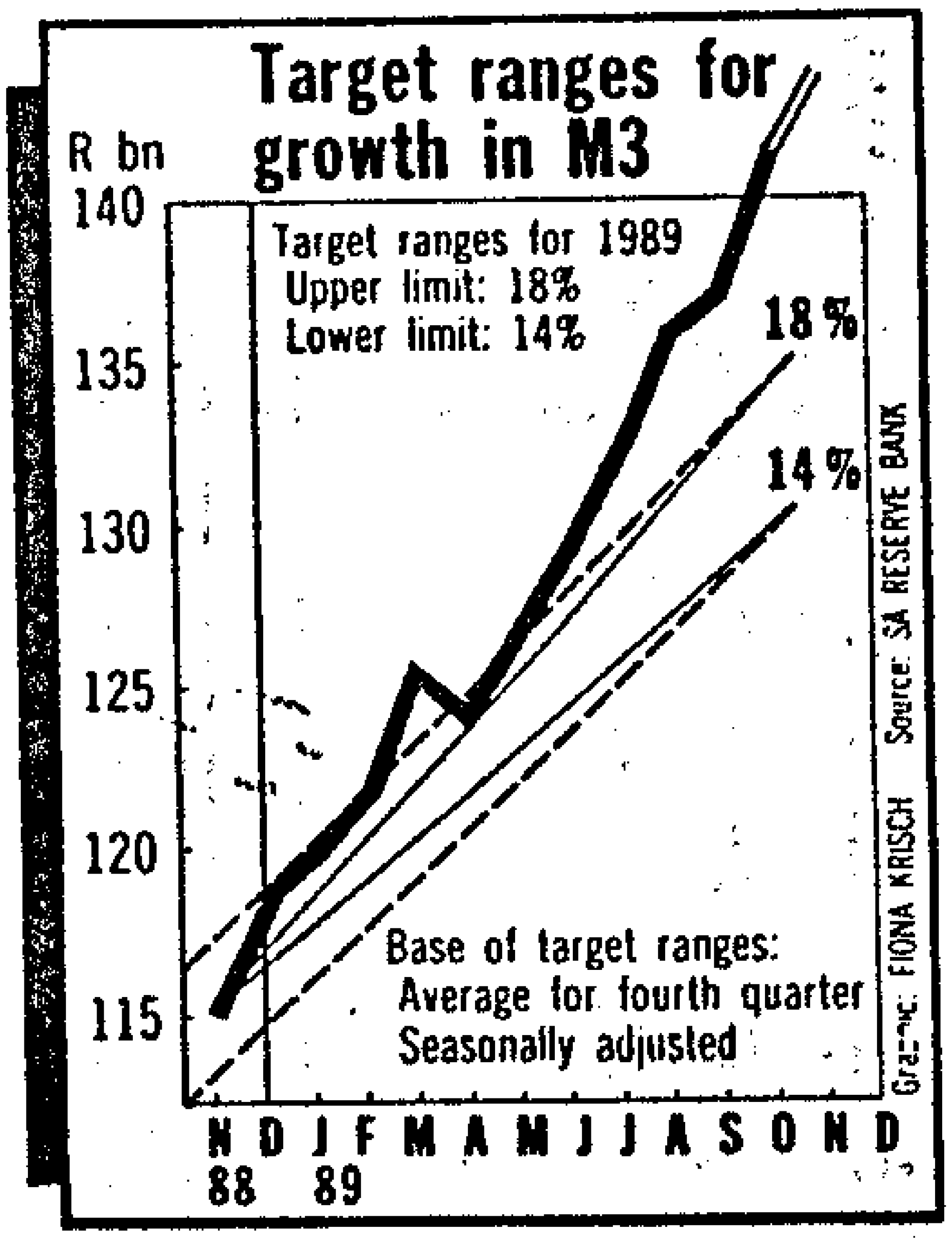
Encouraging features of the November returns are: the increase in the net gold and foreign exchange reserves added to the growth in money supply, and more significantly, the velocity of circulation continues to decline.

With only the December figures to come — and there is little hope of the rate of increase reducing over the holiday season — money supply once again will fail to reach the targeted range of 14-18%.

Senior deputy governor Japie Jacobs said yesterday that the Iscor flotation was the reason for the sharp upward adjustment in October. He indicated that most figures in the preliminary calculation of M3 always required some adjustment.

Adjustments become necessary because of inaccuracies in the data supplied to the Reserve Bank by banks and other deposit-receiving institutions.

There are many margins for error, such as estimates made by the Land Bank or, provisional bank returns which do not identify whether negotiable certificates of deposit are held inside or outside the banking system.



Nail-biting in the Neurotic Nineties

Star 23/12/89.

74

NEIL BEHRMANN

LONDON — Look forward to the Neurotic Nineties after the most prosperous decade on world stock markets for many generations.

This nail-biting arises from the huge financial surpluses, which have accumulated over the past decade. On the face of it, the weight of money should keep pushing equity markets to even greater heights.

Instead, however, erratic and sometimes irrational behaviour of institutional managers has made currency, bond, stock and commodity markets volatile and virtually unpredictable.

The shift of the flows invariably confounds any logic or normal valuation techniques.

The weight of money, for example, has enabled equity markets to shrug off the 1987 crash and the brief trauma of October 1989.

Markets are back to their all-time highs, even though real interest rates are punitive and the US is reporting a slowdown in business conditions.

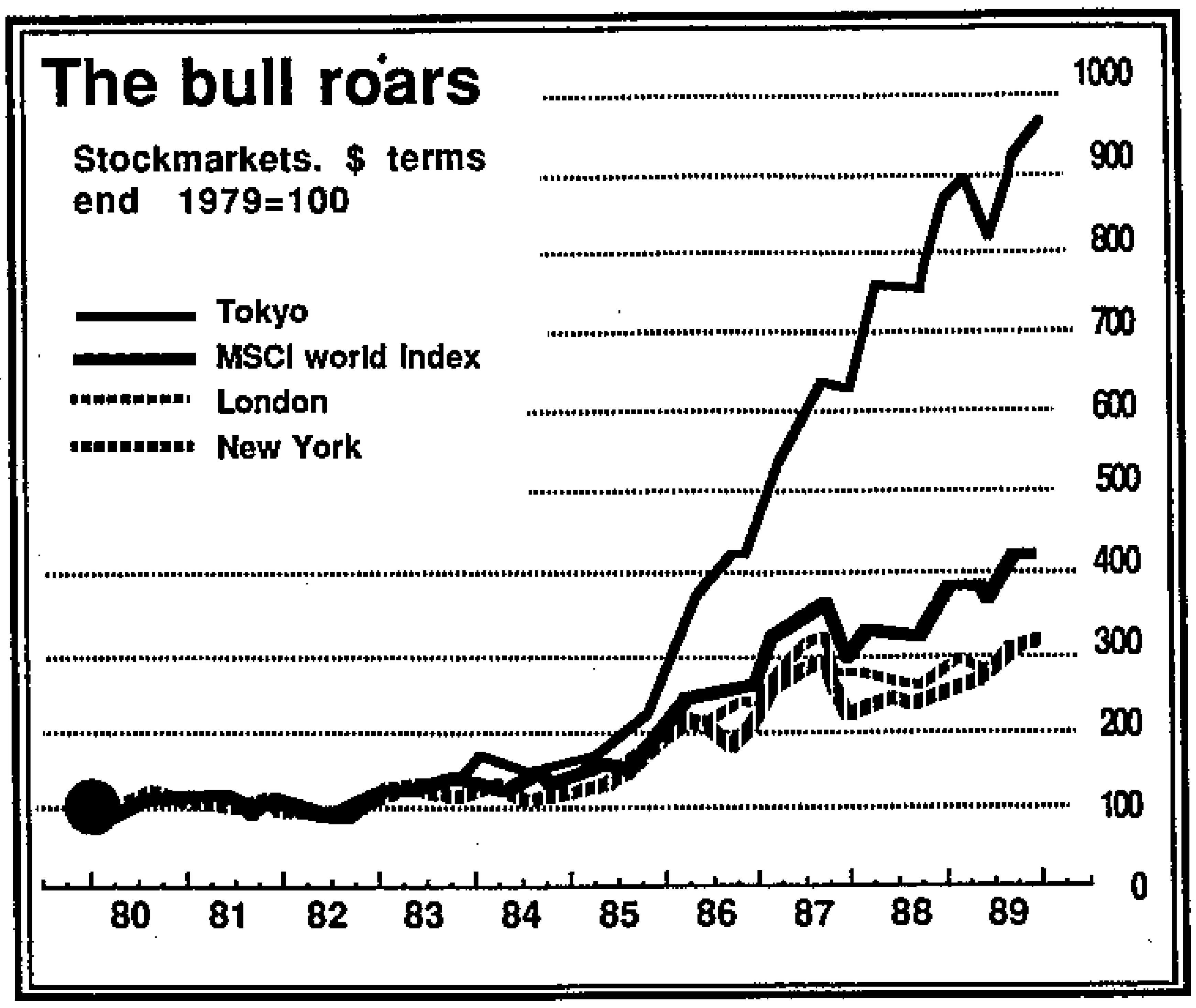
Old-fashioned

For the old-fashioned analyst, high P/E ratios, low dividend yields, punishing interest rates and a slowdown in earnings growth are amber lights for the stock market.

These days, however, the liquidity argument appears to more fashionable.

Examine the numbers. In its latest survey of financial markets, Morgan Guaranty contends that cross-border holdings of bonds and stocks have tripled since 1983. An estimated 32 percent is invested in equities.

Foreign equity holdings of $573 billion account for only a fraction of the $11 000 billion of world market capitalisation, a number undreamt of a decade ago.



This sea change in the supply of funds available for investment is related to the ageing of Western and Japanese populations. Accumulation of savings rises most rapidly for people who are 50 to 65.

Projections show that a growing proportion of the populace will be entering that age band in the next two to three decades.

Assuming only a one percent rise in the aggregate savings ratio of the Organisation For Economic Co-operation and Development, international equities trade will rise to $2 000 billion in the mid-nineties, estimates Salomon Brothers.

By the turn of the century, gross equity flows will be around $4 000 billion and could reach $13 000 billion in twenty years time. This implies that international equities trade alone will exceed the entire present turnover of exchanges.

Those funds shift from one investment medium to another and the movements explain why the SAf gold share market surged by about 50 percent in six weeks, even though shares were and are now even more over-valued in relation to the gold price, cost increases and other important criterea.

The market capitalisation of all gold shares worldwide is only $55 billion, a tiny sum when compared with global investments.

Is the weight of money argument a guarantee against bear markets?

For the answer, examine what happened in the crash of 1987 and last October.

Markets cannot cope with a change in sentiment. Since the numbers are so much larger, it is virtually impossible to manage a gigantic wave of selling.

Systems barely function under the strain and the market makers on the receiving end are forced to lower prices drastically. The inevitable result is a crash, unprecedented in scale and speed.

The late Eighties pointed the way for the Nineties. Bear markets in a hi-tech market will be swift and terrible. Long-term investors will have to become used to 30 to 40 percent declines in investment values over a period of days or weeks.

The best remedy is a few tots of whisky and a holiday in a place far away from information. For those who are wise or lucky to be on the sidelines, there will be plenty of opportunities.

Investment pool

Given the quantity of funds in the investment pool, market recoveries are likely to be swift and profitable. Events of the past two years are an excellent example.

In the Eighties, Japanese institutions were the main motor in the international bond markets. Now the signs point to a sharp increase in equity investment.

"Japan has become the world's largest source of cross-border investment and is likely to remain so for some time," says Morgan Guaranty.

"By the end of 1988, its residents had accumulated net external assets of more than $290 billion, up from less than $30 billion at the start of the Eighties."

Assets of Japanese institutions are around $7 000 billion, estimates Nikko Securities (Europe). This compares with London's market capitalisation of $825 billion.

'Frustrating' decade waiting for reform

(74) Star 25/12/89

Johannesburg Stock Exchange president Mr Tony Norton believes the 1980s were "a period of waiting — a period in which time seemed endless." **KAIZER NYATSUMBA** spoke to him.

Johannesburg Stock Exchange president Mr Tony Norton (50) is a modest man. It takes some gentle coaxing to get him to talk about himself.

"The type of work I do does not leave me much spare time. Whatever little time I have I spend with my family. I don't play golf or anything. My family is my hobby," said the father of three sons aged 19, 20 and 22.

In his broad assessment of the decade Mr Norton said: "The 1980s have been a period of waiting — a period in which time seemed endless. From my point of view it has been a period of waiting for social and economic reform in this country.

"In the early '80s we in this country became very, very aware of the need for reform. In the mid-Eighties we had the promise of reform, and towards the end of the decade we have had the denial of reform. Right at the end of the decade we had a return to sensibility.

"While the '80s were in many ways frustrating to me, I never gave up the firm belief that our society and economy are redeemable and hold promise. That belief in the future was founded in an awareness that increasingly South Africans are sharing common values and refusing to be impressed with what I call the grand abstractions."

Mr Norton said since he joined the JSE in 1985 the stock exchange had invested heavily in the future, in people and their training.

Professionally the decade was not a bad one for Mr Norton. In 1980 he was the managing director of C G Smith Sugar in Durban.

In 1981 Barlows took control of C G Smith Sugar and the following year he was moved to Johannesburg. In 1983 he was appointed chief executive of Tiger Oats, and in 1984 was recalled to Barlows's head office, where he became executive director and chairman of the Foods Division. He was still in these positions when he was appointed president of the Johannesburg Stock Exchange in 1985.

He said there was no "significant achievement" attained by the JSE during his tenure, but they were moving towards such an achievement. His job was to re-organise the JSE, and he felt he had succeeded in doing so.

Any major setbacks?

"Always," he said. "I think if one is optimistic one will always have setbacks. I have had my share of them and these are challenges one encounters.

Mr Tony Norton ... waiting for economic and social reform.

1980: Managing director of C G Smith Sugar, one of the big sugar companies in Durban, since 1977.
1981: Barlows purchases C G Smith Sugar, but Mr Norton stays on as managing director.
1982: Barlows acquires Tiger Oats, and Mr Norton is moved to Barlows's Johannesburg office.
1983: Appointed chief executive of Tiger Oats.
1984: Appointed executive director of Barlows and chairman of Foods Division at head office in Johannesburg.
1985: Appointed president of the Johannesburg Stock Exchange (JSE).
1985 to December 1989: President of the JSE.
Director of Safto and Shell South Africa
Member of the Economic Advisory Council of the State President.
Member of the Competitions Board.
Member of the Standing Advisory Committee on Company Law.
Member of the Securities Regulation Panel.
Member of the Financial Markets Advisory Board.

Market slide

"The most frightening thing was in 1987 during the big market slide in October when we nearly lost control of the market. Fortunately we were able to rebuild it. That was very, very touch and go."

On the economic front, Mr Norton said the decade started with a strong gold price "but that slipped away very quickly, so we have had a decade without a strong gold backing." He said given "the hangover of bad policies of the past" and economic sanctions against the country, the economy had done quite well.

He said the fact that the economy did in fact grow by between one and two percent in the decade was very encouraging, and meant that the economy had the potential of growing by between six and eight percent in the 1990s.

"I am very impressed with the new leadership of President F W de Klerk. It looks like we are going to get down to business now.

"I am very optimistic about the 1990s, and I think that any person who emigrated from South Africa now needs to have his head read. The 1990s will be a tremendously exciting time. I can see South Africa becoming a regional economic superpower, because we have the infrastructure," he said.

He said that on the political front there was not much to write home about. It was, he said, a period of "start-stop reform which has been very dislocating and has given the far right and the far left opportunities they should not have had."

Significantly, however, it was also a decade in which former State President Mr P W Botha "had the courage to split the Afrikaner volk," and the NGK declared apartheid un-Christian.

On the positive side, Mr Norton said the 1980s were also a period in which South Africans of all hues started to find each other, "irrespective of the politicians". One such evidence, he said, was the fact that industrial relations had "settled down".

He said politics in the 1990s would be very exciting but remain "potentially dangerous".

Said Mr Norton: "I believe there is enough goodwill and common interest for a negotiated settlement to be reached. People will move more and more towards each other."

JSE among top performers

Star 27/12/89

(74)

By Neil Behrmann

LONDON — Defying the pessimists, the JSE was the third-best-performing market in 1989.

In terms of the FT-Actuaries dollar-based index, it rose by 66 percent last year and was beaten by an emerging market, Mexico (an 86 percent increase), and by Austria (76 percent).

Debt-stricken Australia was the worst performer (three percent rise).

Next in line for the booby prize was Japan, with an increase of only four percent. At the beginning of 1989, experts were saying that Tokyo would be the best market by far.

Best performers after South Africa were Malaysia (up 57 percent), Singapore (44), Norway (37), France and Ireland (35), Germany (31) and Holland (26).

Wall Street rose 22 percent and London 16 percent.

In general, the cult of the equity was a winner. Enthusiasm which began at the beginning of the year paid off.

The performance of stock markets has been remarkable, considering the surge in interest rates this year. Fearful of inflation and worried about a recovery of the dollar for much of the year, most central banks embarked on a tight money policy to support their currencies.

As a result, money market interest rates are in the high teens in South Africa, Australia and the UK, in double digits in Canada, France and Italy, and around eight percent in the US, West Germany and Switzerland.

Short-term interest rates are above long-term rates because markets expect inflation to fall.

Despite a projected slowdown in the world economy and some severe problems in key industries — investment banking and securities, property and construction, the retail and motor trades — share markets are around their all-time highs.

There are always special situations, but equities on average are generally fully or over-priced. The average dividend yield of the JSE is 3,7 percent, of Wall Street 3,3 percent, of Tokyo 0,5 percent, of Frankfurt two percent, of the UK 4,6 percent and of Canada 3,1 percent.

These low returns are a clear warning sign that equities could have a poor year for most of 1990.

Let's now take a look at this reporter's light-hearted predictions for the metal markets at the end of 1988, the year that alchemists turned base metals into gold.

In 1988, gold was the worst performer, tumbling 13 percent. Silver was second worst, sliding eight percent. Platinum, on the other hand, rose eight percent.

Base metals looked precious in 1988, with nickel surging by 106 percent and zinc by 80 percent, aluminium 30 percent, copper 20 percent and lead eight percent.

This was the second year running that they were top of the metals league tables. This was the metals forecast at the end of last year:

"Of the precious metals, gold should be the best performer.

"In the first half of the year, however, the supply situation, will dominate metals such as copper, nickel and zinc. Yet higher interest rates will ultimately reduce residential and office contruction and sales of durable goods ranging from automobiles to refrigerators.

"There will be a time lag of six to nine months between any changes in economic activity and metals consumption.

"Yet speculators have become active in the base metals markets and if there are signs of falling economic activity, they will sell and prices could decline sharply.

Gold, however, could surprise its sceptics and shuffle from last place to be among the first three."

The prediction appears to be a perfect fluke over the year, but gold, in fact, was a poor performer until its recovery in the final quarter.

Not a single metal gained in the whole year, but base metals were by far the worst off.

In the end, gold was top of the list, with the lowest loss of one percent, followed by platinum (three percent), zinc (four percent) tin (eight percent), silver (nine percent) lead (11 percent), aluminium (30 percent), nickel (50 percent) and copper (54 percent).

Considering that gold in dollar terms declined by one percent over the year and the rand gold price was flat, it is extraordinary that SA gold shares in dollars jumped by 72 percent this year.

Costs are rising and average dividend yields of gold shares are the lowest in two decades. Amber lights are flashing, potential risks are certainly outweighing chances of reward.

Looking into the mist, I would back that nifty market operator Sir James Goldsmith, who, reportedly, has almost all his funds in cash dollars and Deutschemarks.

The first half of the year could be problematical for equities and commodities. Yet, if there are severe reactions, equities might again offer reasonable value some time in the second half.

Platinum, good for the environ ment, could be top of the metals in 1990.

Bearish bullion dealers and brokers are almost a forgotten species, but this reporter disagrees and isn't betting on any significant rise in gold this year.

Speculative positions in gold and silver are extensive, so there could be an unexpected tumble early in the year. Despite pronounced dollar weakness, a revolution in Rumania and a US invasion of Panama, gold hardly responded in the second half of December.

A weak diamond market points to poorer bullion fabrication in 1990. Production remains well in excess of demand and real interest rates are high.

Gold must rise to $450 and remain above that level before it outperforms strong currencies which pay out a lot of interest.

Base metals could remain weak in the first half, but political and economic exapnsion in West and East Europe should help prices stage a recovery towards the end of 1990.

Gold steadies above $400

28/12/89 Finance Staff

The gold price steadied at just over $400 at the start of trading today after briefly falling below the crucial mark in New York yesterday.

STAR

Gold opened in Hong Kong today at $401,55. In New York it hit a low of $398,95 before closing at $400,75.

On Friday the metal was trading at around $413. Dealers ascribed the latest drop to a slight recovery in the US dollar.

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Despite the $7 drop in New York yesterday, dealers said, the outlook for gold was mostly upbeat. Traders attributed the fall to a thin market which exacerbated price movements.

Slumping silver prices also contributed to the weaker gold price.

The fall in the metal coupled with a firmer financial rand, which makes buying of shares and gilts by foreigners more expensive, depressed the Johannesburg Stock Exchange yesterday.

The crucial all gold index was down to 2064 from Friday's 2104 close, pushing down the overall index by 40 points to 2948. A further sharp gain in the financial rand depressed prices on the JSE as foreigners remained net sellers.

The financial rand closed at around R3,51 to the dollar, over 4 percent up from Friday's close of R3,67.

The commercial rand also improved slightly against the dollar, closing at R2,54 yesterday.

● See Page 14.

Gold's price hinges on politics — expert

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UNSETTLED political developments could play an important role in the determination of the gold price over the next year, says Chamber of Mines economist Ivor Leibowitz.

"There is a growing awareness of the political and socio-economic difficulties that could emerge following developments in Eastern Europe," he says.

Leibowitz says that gold, in dollar terms, has reversed its two-year decline and has done all that is required in technical terms to confirm a new bull trend. It has broken the downtrend channel and 200-day moving average, with the 30-day moving average being above that of the 200.

He says, however, that a convincing improvement in the rand gold price has yet to follow the dollar gold price increase. He says also the slowdown in economic growth in SA which started in late 1988 is likely to persist through 1990, leading to a slowdown in import volumes.

"The strong current account balance, the weaker dollar and stronger gold price are likely to underpin the rand, with the foreign debt repayment commitments limiting the rise."

While he says the rand/gold price will continue to improve in 1990, Leibowitz expects it to improve at the same rate as the dollar/gold price.

Gold shares listed on the JSE have risen in recent months, which Leibowitz feels reflects improved investor sentiment, despite the low earnings margins and the recent major rationalisation undertaken by the industry.

"The stock market tends to anticipate the future outlook for an industry and is currently indicating greatly improved profitability for the gold mines."

Earnings

The improvement in the outlook for the gold mining industry is not only attributable to the recent rise in the dollar/gold price, but also to the fact that the industry has taken major steps to improve efficiency and control working costs, Leibowitz says.

He believes, too, that the introduction of the first phase of the proposed lower mining tax rate, following the Marais Committee report on mining taxation, will also improve the earnings of the gold producers.

New investment will be enouraged further by the abolition of ring fencing that would enable profitable mines to invest in areas that are non-contiguous, Leibowitz says. — Sapa.

Gold dips below $400

Finance Staff

The gold price fell below the crucial $400 mark in London for the first time since mid-November yesterday, but analysts remain optimistic on future price movements of the metal.

Gold was fixed yesterday afternoon at $398,60 in London, over $7 down from Wednesday's close. It also broke through the $400 mark in New York on Thursday and in Hong Kong today, where gold opened at $399,50.

However, dealers and economists said yesterday that both in terms of technical evaluation and fundamentals the metal was still in a bull trend.

Dealers in New York said that the outlook for gold was mostly upbeat and traders attributed the fall to a thin market which exacerbated price movements.

The performance of other precious metals also contributed to the weaker gold price. Silver in particular fell sharply, while the platinum price dipped below the $500 level in London yesterday.

Chamber of Mines economist, Ivor Leibowitz, also believes that the bull run will continue.

"There is a growing awareness of the political and socio-economic difficulties that could emerge for gold following developments in Eastern Europe," he told Sapa.

Mr Leibowitz said that gold, in dollar terms, has reversed its two-year decline and has done all that is required in technical terms to confirm a new bull trend. It has broken the downtrend channel and the 200-day moving average, with the 30-day moving average being above the 200-day moving average. Star 29/12/89

While the rand gold price will continue to improve in 1990, Mr Leibowitz does not expect it to improve at the same rate as the dollar gold price.

Gold shares listed on the Johannesburg Stock Exchange have risen in recent months which, Mr Leibowitz feels, reflects improved investor sentiment despite the low earnings margins and the recent major rationalisation undertaken by the industry.

"The stock market tends to anticipate the future outlook for an industry and is currently indicating greatly improved profitability for the gold mines."

Gold hangs on at $400 level

(7/c) MERVYN HARRIS (⊕)

GOLD was precariously clinging to the crucial $400 level on global bullion markets yesterday but bullish sentiment kept share prices on an even keel on the JSE.

The metal cracked the key psychological and technical support level to be fixed below $400 for the first time in five weeks in London yesterday afternoon but rebounded to close at $401.

Dealers emphasised the abnormality of the year-end market and said they expected gold to hold above resistance at $398 and bounce back in the new year.

They said renewed strength on world stock markets and easier US interest rates were weighing on gold. Sentiment was also influenced by continued sharp falls in silver which, dealers said, often leads downtrends, although it lags in rallies.

Silver closed 22c lower at $5,19, representing a 41c decline from Tuesday's close, while platinum shadowed the easier tone of the other two precious metals and fell to a six week low of $492 before finding some support to close $10 lower at $497,50.

A slight nervousness was apparent on the JSE but with little stock coming out of the market, the all gold index eased only 11 points to 2 053. B/Day 29/12/89

However, a filtering through of firmness in De Beers on Wall Street, and strength in selected industrial and mining financial leaders enabled the overall index to gain 11 points to 2 959.

Prices of currency-linked stocks were also helped by the finrand reversing its sharp upward trend. The currency weakened 2c to R2,5350 to the dollar.

Gold shares wilt as finrand strengthens

Star 29/12/89

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By Derek Tommey

Good news for South Africa is turning out to be bad news for holders of gold shares.

The good news is that overseas investors, mainly in Europe, have begun to invest large sums of money in South African and Escom loan stock and also in the Johannesburg Stock Exchange.

This renewed confidence is reflected in the increased demand for the financial rand which has led to it strengthening by 14 percent in the past four weeks from R4,01 to R3,515 to the dollar.

This has resulted in the financial rand's discount to the commercial rand dropping significantly.

The financial rand discount is regarded by many people as a measure of foreign confidence in South Africa.

When the discount is large it means that foreigners are selling their South African investments at far below their intrinsic value — which can happen when they are concerned about the country's future and want to get at least some of their money out.

On the other hand, when the discount shrinks it means that foreigners are demanding a price for their South African assets which is closer to their true value and is an indication of greater confidence in the country.

Discount

Early in 1987, at the time when South Africa was hit by unrest, the financial rand discount rose to 53,3 percent. This meant that foreigners had to take less than half of what their South African assets were worth if they wanted to sell them.

At the end of 1987 the discount had fallen to 38,1 percent and to 37,9 percent at the end of last year. At the end of October the discount was 34,4 percent. This week the discount fell to just above 28 percent.

However, the bad news is that a firmer financial rand results in a drop in share prices on the Johannesburg Stock Exchange.

The South African price of a share quoted in London is the London price converted to financial rands.

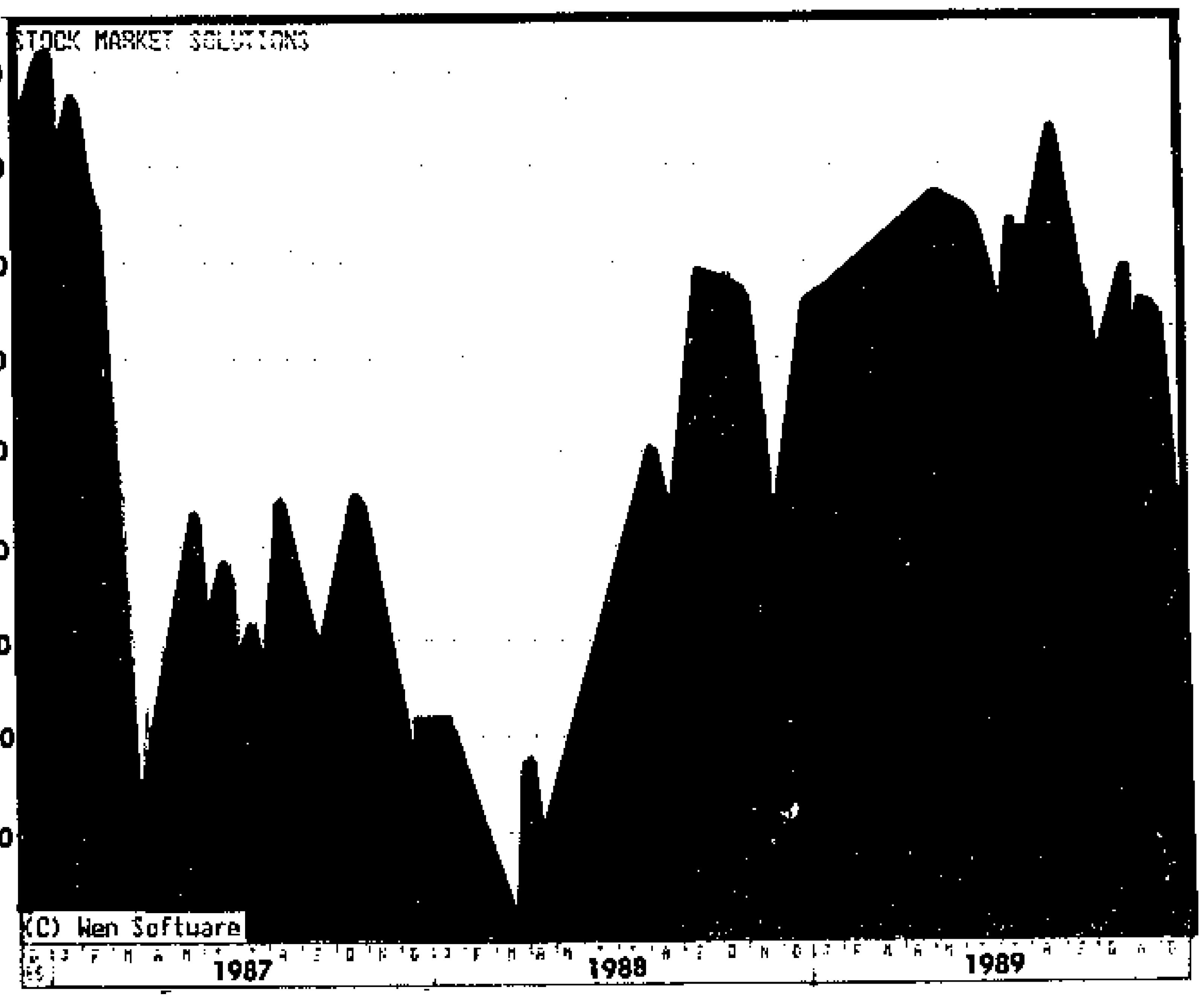

Chart shows what the dollar costs in financial rands.

When a share is priced in London at $10 and the financial rand rate is R4 to the dollar, the JSE price of the share is R40. If the financial rand rate is R4,40 to the dollar, the JSE price will be R44.

But if the financial rand rate falls to R3,51 to the dollar, as it did this week, then the JSE price will be only R35,10.

Dealers in Johannesburg said much would depend on the gold price in the coming months. This would determine the level of the commercial rand and to some extent foreign investment interest in South Africa.

However, a number said they would not be surprised if the financial rand discount fell to around 22 percent. One reason was the the South African debt "under the net" was being traded at a discount of between 21 percent and 22 percent.

A dealer remarked that if foreigners were prepared to buy South African debt on this basis, there seems no reason why they should not buy other South African assets on the same basis as well.

If the financial rand discount was to drop to 22 percent it would result in the financial rand dropping to around R3,20 to the dollar at the present rand dollar exchange rate.

And in falling from R3,51 to R3,21 the financial rand could bring down gold share prices by another 10 percent.

However, this drop in gold share prices on the JSE is not a certainty. There are other factors that could offset the effect of a stronger financial rand.

One is a higher gold price. This would increase gold mining profits and lead to a rise in the London and Johannesburg share prices.

A second is a willingness by foreign investors, in the light of the improving political climate, to accept a lower return on South African shares.

This would also lead to an increase in the price of gold shares in London and Johannesburg. This has already happened to some extent.

Since the beginning of November the yields on South African shares traded in London has fallen by a third. However, these yields still have a long way to go before they are as low as those on Australian and American gold shares.

So South African gold shares should remain in demand regardless of any further strengthening in the financial rand and in the long runlead to a firmer gold share market.

Star 31/12/89.

Lessons learnt, bulls in control

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Business Times Reporter

THE lessons of the October 1987 crash have been learnt and the bull market should continue into the 1990s.

The price:earnings ratio of most stock exchanges in Western countries is about 12 against nearly 20 before the big crash.

This probably means that the international bull market has much further to go before approaching the pre-crash degree of risk.

Gradually

This is one of the conclusions of Fergusson Bros, Hall, Stewart & Co chief economist and analyst Gad Ariovich after discussions with academics at the universities of Zurich and Bern, the Sorbonne and the London Business School.

Dr Ariovich was told that prices on most stock exchanges should appreciate more gradually and hesitantly than in the past year when most bourses rose on average by nearly 30%.

One academic told him: "My guess is that the small investors who tend to push prices to irrational levels will be more careful than before as the memories of October 1987 and the 1989 dip are still fresh."

Dr Ariovich says the era of positive real interest rates, moderate inflation and fairly good growth rates should also be characterised by good corporate profits, which should be positive for equities.

"My best guesstimate for equity performance in the 90s is an average appreciation of the world equity index by at least 10% to 15% a year."

Although there are mixed opinions about the continuation of the seven-year economic upswing and whether inflation has really been brought under control, Dr Ariovich found strong support about the swing of economic power to the Far East.

He was told by one academic that productivity growth in the Five Tigers of the Far East far exceeded that of the Western world.

The academic told him: "I believe that these countries with their amazing productivity growth will take over as the world business centres.

"Towards the end of the 1990s, the Far East will be the major economic bloc in the world. This dominant economic bloc wil be the strongest industrial, technological and financial area, and patterns of trade will shift accordingly."

Significantly for South Africa, he forecast much higher volumes of trade between the Far East and sources of raw materials, although this route of trade was already intensive.

Geographical positioning would shrink in importance as technology made distances shorter.

RICHARD ROLFE in LONDON

Europe on centre stage

StW 31/12/89.

(74)

THE year 1990, and perhaps the next decade, seem certain to be a time when all eyes will be on Europe. Yet the view in SA has often been that Europe is washed up.

Anglo American's Clem Sunter is one who has discounted Europe as a major influence on world affairs. That was in 1987 in his book, The World and South Africa in the 1990s.

HINDSIGHT

Mr Sunter wrote in the chapter headed, The Three Main Actors: "After careful consideration, and despite the obvious importance of West Germany as an economic actor, we decided that the world's destiny over the remainder of this century will pivot on the relationships between the United States and the Soviet Union, and between the US and Japan."

The reason he advanced was Europe's loss of competitive advantage to the US and Japan in "the technology race".

With the benefit of hindsight, this seems a much less formidable objection today, even if it is still true.

The important thing is to have a satisfactory level of practical technology and capacity for adaptation — in computers, telecoms, transport systems and more — not necessarily to be at the leading edge of developments.

Mr Sunter also noted the failure of Europe to combine its resources. That, too, was a fair enough point two years ago.

But a current assessment would have to be that Europe is integrating far more quickly than people on the outside realise.

The process towards the single market in 1992 is irreversible in spite of Mrs Thatcher's occasional outbursts against it — they are designed for home consumption in the tabloid newspapers.

DESTINY

It is hard to see what can stop the evolution of Europe into a federation of nation states within the next 10 to 15 years.

Writing today, you would have to say that if any one issue will influence the world's destiny in the next decade, it will be developments in Europe — the democratisation of the eastern part of the continent after the revolutions of 1989 and future relations between the two halves of the continent, the US and the USSR.

That is true whichever way events turn out. The opportunities and scope for mistakes are both considerable.

SUFFERING

Everyone recognises that the East-West cold war imposed suffering and underdevelopment on the East. On the other hand, it also provided Europe with 40 years of peace.

Idealists hope that the end of the dictatorships in Europe will lead to the evolution of peace-loving, entrepreneurial democracies on the far side of what used to be called the Iron Curtain.

Realists must note that Eastern Europe has always been unstable when not under armed occupation and that the last two world wars began there.

None of this is reason for resenting the overthrow of the totalitarian regimes. However, it seems possible to me that the euphoria will not last long into 1990. Next comes the difficult bit.

AT least the region's strongest economy is in good shape. West Germany is forecast to grow at 4% in 1990, double its average rate of the past decade.

This has been reflected in the stock market. In Frankfurt — where investment is a serious matter — the indices have risen by 20% since the Berlin Wall was breached in November, adding $40-billion to the value of the market.

The Japanese have been investing heavily in West German stocks in the belief that the freeing of Eastern Europe will bring a host of profitable opportunities for business.

The rise in the Frankfurt market in the past six weeks is equivalent to nearly half of Eastern Europe's hard-currency debt, which puts one of the Eastern bloc's main problems into perspective.

West German banks are not in the business of helping people, but it is a matter of self-interest for them to invest in the East.

West German companies are preparing to shift production facilities to Eastern Europe, taking advantage of skilled but underpaid labour.

On an optimistic scenario, the great West German savings and industrial machine will help to deliver economic success to the emergent democracies of the Eastern bloc.

On a pessimistic one, the costs will be too great for even West Germany to bear. Its own population will tire of the sacrifices needed to keep the East solvent, while the new regimes will not be able to put goods in the shops before their people tire of them.

At least the 1990s will not be short of human drama and action.

GOLD fell further this week, dipping below $400. But the pundits say the uptrend is still intact and will remain so unless the price breaks below $385.

If it does break down, there will be a bloodbath second to none because gold shares appear to be discounting a price of about $450.

At present every analyst in the world is positive about gold and all are convinced it is in a new bull market. So it is obviously time to be cautious.

Even the Aden sisters of Costa Rica have been exhumed to urge gold on to greater and greater heights. What next — the Beverly sisters?

This week, securities group Drexel Burnham advanced weakening international tensions as the reason for gold's setback.

That is true, as is the fact that inflation in the developed world is subdued, though tending to rise.

It is worth recalling that gold hit its all-time high when the Soviets invaded Afghanistan, US inflation was nudging 15% and Jimmy Carter was in the White House.

Today the Russians look incapable of invading a paper bag, US inflation is 5% and Mr Carter has been in his political grave for 10 years.

Perhaps there is some good reason why gold is in a bull market. I shall believe it when I know what it is.

THE wise and learned Ian Lamont of Yorkton Securities says that as far as gold shares are concerned, two games are being played — the beauty contest and the greater fool theory.

The beauty contest was Keynes' description of investment. You do not choose what you yourself consider to be the most beautiful girl/share, but what you think the judges of the contest — other investors — will choose.

The greater fool theory is that you can buy an overpriced share as long as you can be sure that someone even more stupid will buy it off you.

Mr Lamont comments: "As the bull market develops so confidence will grow and people will turn to second line stocks because they perceive them to offer better value. Of course, if the bull market runs full cycle, caution will go to the wind and there will be a free-for-all.

"At that stage the judges' verdict counts for nought — and many of the contestants on the stage will be transvestites."

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The table's laid for a great decade

REX
Cees Bruggemans reviews the local and world scene

THE past decade was one in which nearly everything went right for the industrialised countries, if not for SA.

It contrasts sharply with the 1970s, the decade in which everything that could did go wrong, especially in the second five years. While the Vietnam war wound down in the early Seventies, an economic war erupted on the oil front. The financial and industrial dislocation that followed in terms of First World inflation, Third World debt build-up and the overall slowing in growth broke the secular prosperity wave of the post-war era. Jimmy Carter became US president and had to accommodate a Brezhnev doctrine of Third World aggression, and the Iranian upheaval.

The opening months of the 1980s saw gold at $850 and the Russian invasion of Afghanistan. US inflation was at a post-war high and world growth was slowing dangerously.

After a decade of being slugged again and again, there were few optimists to hail the arrival of the 1980s. But what a feast it has been. There were a few sour notes, of course, but it is the overall picture that counts.

On the political front, Afghanistan took nine years to wind down, and Iraq and Iran expended more explosive power than was used in the entire Second World War. There were a few other localised skirmishes.

On the economic front, Latin America did not go bust although carrying a horrendous debt burden, resulting in declining living standards. Africa sank deeper in the mire.

But these negatives did not prove to be the highlights, not least because all major military conflicts were more or less negotiated to an end before the decade ended, and Third World impoverishment is not captivating news.

The economic triumph of the 1980s was inaugurated by the Reagan-Volcker partnership. Although far from efficient because it mismatched US monetary and fiscal policy, the attack on inflation succeeded. The Reagan supply-side experiment primed a world economy operating at low utilisation levels.

Although these US macro-economic policies did cause major structural imbalances in the decade, in particular the twin deficits — budget and trade — they also accomplished good things. They prevented a banking collapse following Third World debt pressure, and provided the Europeans and Japanese with the opportunity to sort out their own inflation and budget deficit problems while being kept alive by US stimulus.

This successful partnership continued in the second half of the decade, but now with the shoe increasingly on the other foot — the US had to pull back to order its imbalances. But the world system was still gathering strength from newly vigorous Europe and very vigorous Asia.

Structural considerations, important from a long-term point of view, were the micro-economic Reagan-Thatcher agenda pushing market processes: privatisation, deregulation and a smaller role for the public sector with associated reductions in tax burdens.

China would have been the star performer after its economic opening up and modernisation if its achievements had not been eclipsed by its political reversal in the dying moments of the decade, which appear now to have reversed much of its economic momentum as well.

Instead, the growing economic momentum in the leading industrial countries, specifically the new lease on life in Western Europe because of its determination to integrate more fully, became the real thrust of the decade, and the starting block for more to come.

The US opening to the decade was not sustainable, being deficit-financed. The European and Asian ending of the decade, being private-sector driven, is likely to prove a more endurable engine carrying the world economy back to even faster non-inflationary growth.

As if this economic performance of the 1980s was not enough, it was eventually overshadowed by the political dynamics of the decade. Its keys were US superiority in military technology and resources, and the generation change in Russian leadership.

The Reagan concept of Star Wars, taking defensive military capabilities into space, was the straw that broke the Russian back. Its non-performing economic system would not be able to generate the resources needed to keep up with the US Star Wars capability, dooming the USSR to an eventual crippling arms race.

The normalisation in US-USSR relations is rewriting the world's parameters. Specifically, Europe can benefit economically as the non-performing East becomes available to lend its main resource, fuel (trained manpower) to the European economic engine. However, the US is also likely to gain as it may want to reduce its military burdens, in parallel with the USSR, in turn assisting in the reduction of its structural imbalances (the twin deficits).

So the world does not end the decade in quite the same fashion that it entered it. Many grew considerably richer in the past 10 years, especially in the industrial world where financial wealth increased greatly.

The mind boggles, though, on what lies ahead as we enter the "roaring" Nineties. They are bound to be full of surprises — one hopes of a mostly positive kind. There is no comparison with the 1960s following the 1950s because those years were economically progressive even while labouring under the full fury of the Cold War between a combined East and West, of which the Vietnam war was the Asian symbol and the 1961 building of the Berlin Wall the European manifestation.

One hopes that the 1990s will not be marked by continuing political regression in China that could possibly also sweep through Russia and Eastern Europe. One hopes also that the serious flaws inherent in the US financial system will prove to be containable and erodable as capitalistic perestroika facilitates renewal.

In spite of much caution, and even pessimism on this score, it must be hoped that the visionaries of the 1980s will not be the victims of the coming decade, and that China will rejoin the march towards modernisation through individualistic rather than centralised processes.

As only a few hours now still part us from entering what will be the last decade of this millennium, it is unlikely that any of us can truly encompass the dynamics of the moment. That's history and world scale for you.