

11

11

11

10% levy 'set to knock industry'

New duty on computers to cost R100m

B/Day 10/1/90

74

THE computer industry will be hit by a new duty which will cost it at least R100m a year, in terms of a 10% ad valorem excise and customs duty on parts and certain circuits announced in Friday's Government Gazette.

The duty is effective from April 5.

Business Equipment Association (BEA) president Fred van de Werken said last night he did not have figures available but expected the extra cost to run into hundreds of millions of rands a year.

The changes "had not been discussed with the industry and are completely unexpected".

They were inexplicable, "given that one of the main reasons for purchasing computers is to improve efficiencies, performance and productivity."

The duties specifically cover computer parts and digital monolithic integrated circuits (certain microchips).

A Customs & Excise spokesman said one of the reasons for the new impost was that some businesses were importing computers in pieces and assembling them in SA.

This effectively meant duties on a complete computer were avoided.

Van de Werken said the action seemed "a peculiar way to police the industry."

Currently, the combined impost on the customs value of complete computers amounts to 28,7%; on spare parts 17%; and on monolithic chips 15%.

The effect of the proposed changes will

BARRY SERGEANT

be to increase the imposts on spare parts to 28,7% and on monolithic chips to 26,7%.

A customs and excise expert at a large accounting practice said: "The imposition of the ad valorem excise and customs tax in the electronics industry is something totally new. The basic effect is to equalise the cost between complete computers and spare parts."

"In addition, it is difficult for the authorities to police exactly what happens to spare parts and chips. But most, if not all, of the avoidance is being conducted in backyard screwdriver shops, and comprises a relatively small part of the industry by value."

Van de Werken said the electronics industry was "going through a tough stretch. Growth is not negative or even flat, but it seems to have levelled sooner than expected. To add an inflationary dimension to the equation will not make things easier."

Speaking in his capacity as ICL communications manager, Van de Werken said the large computer organisations which were the last to want to "make a fast buck out of the situation will feel the heaviest impact."

"Computer maintenance costs comprise man hours and consumables. The proposed impost hits consumables four square."

He said the BEA would appoint a group representative of the industry to discuss the proposed changes with government.

74

TARIFF SHOCK

FIM 12/11/90

Government appears to have dealt a severe blow to attempts by electronics companies to increase local manufacture of computers by imposing a 10% *ad valorem* duty on imported parts and accessories.

In a notice published in the *Government Gazette* of January 5, it announced that parts and accessories of digital data processing machines and digital monolithic integrated circuits would carry a 10% *ad valorem* duty from April 5.

Imported computer parts already carry a 2% duty and 15% surcharge. The new tariffs will mean that computer parts will carry 2% more duty than computers imported as complete units.

The introduction of the new *ad valorem* duties appears to be contrary to efforts by the Board of Trade & Industry to stimulate the local manufacture of computers.

Ironically, the board, in conjunction with the Business Equipment Association, was investigating the possible reduction of tariffs and duties on computer components in order to encourage the local manufacture of microcomputers. Its motivation was that any increase in local manufacture would help to reduce the foreign exchange spent on imported electronics equipment.

Business handicap

Companies knew the cost of doing business here was much higher than in any of our major trading partners.

Now an FCI study released this week tells them exactly how much more expensive. Under government's new five-year, 20%-a-year depreciation schedule, costs will zoom even higher.

Depreciating an advantage ~~74~~ (74)

According to FCI figures, the revised depreciation allowance will increase the real fixed cost of imported capital equipment by about 30%.

Under the three-year, 50:30:20 write-off formula, introduced early last year, the real cost of imported capital equipment is at least 42% more than in our four top trading partners. FCI calculates that if the depreciation schedule is extended to five years, at 20% a year, the cost disadvantage will increase to at least 56%. (see graph).

The planned depreciation period is still relatively short; high inflation calls for a shorter depreciation period. The US, West Germany and Japan generally have straight-line, 10-year write-off periods.

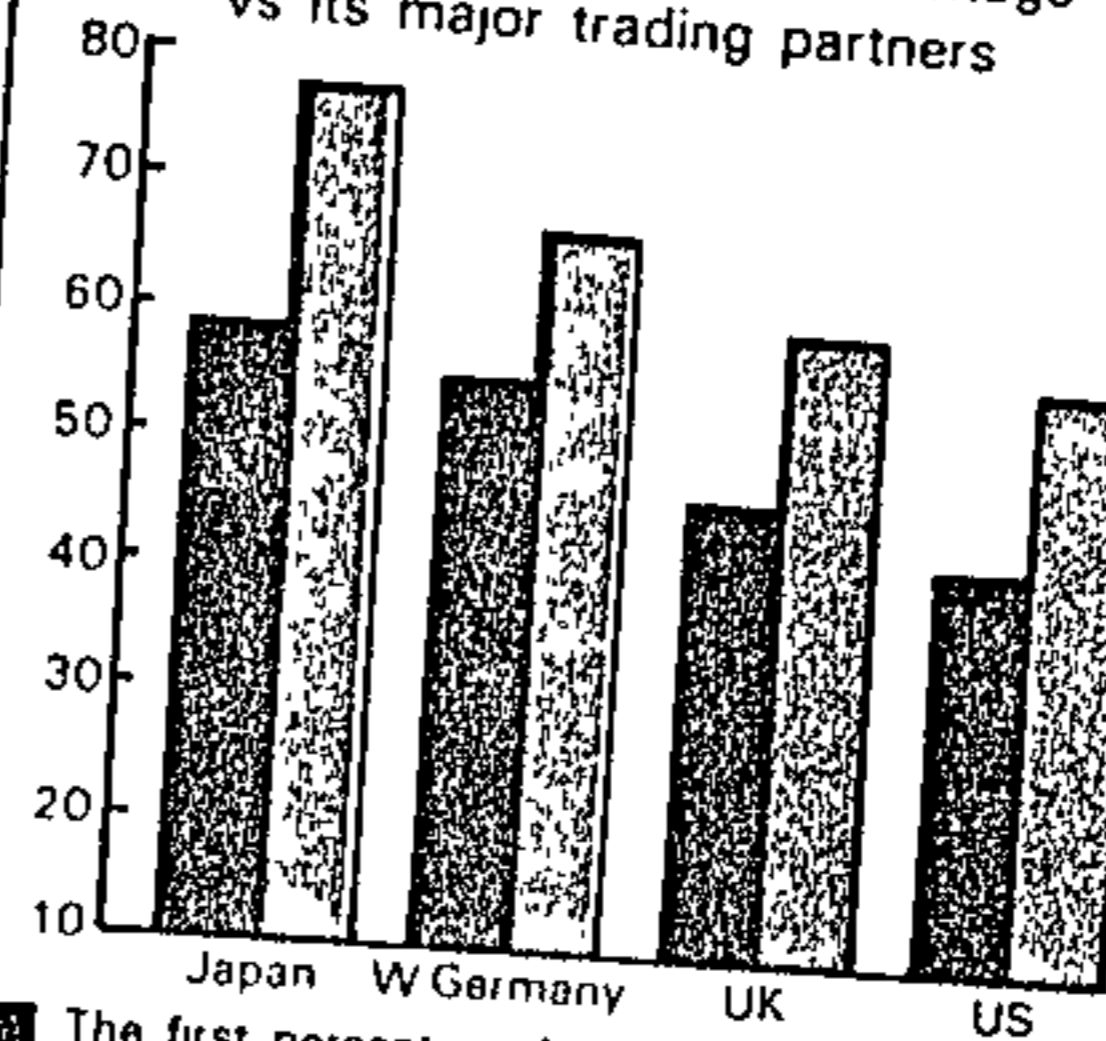
So by changing the formula, government is reducing one of the few advantages of SA business.

Depreciation formulas are a symptom, not a cause, of uncompetitiveness. Import surcharges, import duties and regional service council levies account for the bulk of higher costs.

Political and economic difficulties aggravate the situation by depreciating the rand against major currencies. This adds a tremendous amount to the cost of imported capital equipment.

Losing out

% SA's business-cost disadvantage vs its major trading partners



The first percentage for each country shows how much more expensive capital equipment is in SA than in other countries.

The second percentage is the cost disadvantage under the new depreciation rules

Source: Federated Chamber of industries

The cost disadvantage suffered by local industry is further increased because SA imports a higher proportion of its capital equipment than its main trading partners.

Government's proposal caught businesses off guard. The 50:30:20 depreciation rate was introduced after the Margo Commission recommended a shorter write-off period because of high inflation.

Stew 18/11/90

(74)

Duty 'will stifle industry's growth'

The new 10 percent ad valorem excise and customs duty on computer parts and certain integrated circuit boards and microchips will stifle growth in South Africa's mushrooming manufacturing industry, says Mr Lester Ford, managing director, Drake Networking Systems (DNS).

He says local production programmes are dependent on the import of certain volumes of strategic components. The imposition will affect employment and training opportunities for semi-skilled and unskilled workers in the industry.

The Department of Customs & Excise claim that companies are importing computers in pieces and assembling so as to obviate import duty is groundless, he says.

"Smaller companies entering the manufacturing industry need to be supported by the government. Many of the larger manufacturing companies started as small assembly shops and grew rapidly in response to market demand.

"Companies like ourselves, which are involved in setting up local manufacturing programmes, are going to be hard hit by the duty. We are importing parts and components which currently are not, or cannot be, produced locally."

"The new duty will raise the price of South African products on world markets and will reduce the incentive for overseas companies to become involved in co-operative local manufacturing ventures," Mr Ford says.

Local content raised again ⁷⁴

SKW 19/11/90 Finance Staff
Local content values for the motor industry have been raised to 60 percent with effect from December 1, 1989.

The original figure prescribed by the Department of Trade and Industries was 55 percent, but has been revised as motor manufacturers were earning too much in rebates.

In addition, income from the excise duty was insufficient, it was reported today.

The target was changed by increasing the excise duties from 27,5 to 30 percent, which automatically raised the local content value to 60 percent.

A separate fiscal duty was also introduced on December 1.

Hint govt may scrap surcharges on imports

U. Day 14/12/90
PRETORIA — Agriculture Minister Jacob de Villiers yesterday hinted import surcharges might be phased out.

Opening the Agricultural Outlook Conference (Agricon) here he said import surcharges were introduced as an interim measure to protect the balance of payments.

However, state income was generated to such an extent that government expenses grew to absorb it. "Naturally we will have withdrawal symptoms when they are phased out.

"Government would have to guard against using short term defensive actions which had detrimental structural consequences."

Farmers' share of the consumer rand continued to decline and a finger was pointed at government's responsibility to curb inflation, he said.

De Villiers said apart from monetary measures to combat inflation

GERALD REILLY

government also had to address the issue of state spending.

Farmers' selling prices were increasing at a slower pace than the retail prices for their products. Input costs would have to be cut.

On state spending De Villiers said in the past few years government spent more on goods and services than it could afford.

On services rendered to agriculture he said the era of free services was disappearing, and a user pay principle would have to be introduced.

He defended the work of the 21 agricultural control boards, but board members had to be chosen with great care, he said.

While some boards had extremely capable personnel this could not be said of all of them.

1/3/90 74

Govt to investigate customs tariffs on imports

By Peter Fabricius, Political Correspondent
CAPE TOWN — The Government is to take a hard look at customs tariffs on imports which protect local manufacturers.

Minister of Trade and Industry Mr Kent Durr announced in a statement last night that the official customs tariffs policy would be investigated.

Urgent attention would be given to the use of import parity pricing and its effect on prices, input costs, inflation and the beneficiation of raw materials before export tariffs on imports to bring their prices up to the level of locally manufactured goods.

Mr Durr said the probe was especially important for the country's ability to manufacture and export competitively.

"The economic future lies in industrial growth through job creation for our fast-growing population must largely occur," he said.

SURCHARGES
It is understood that import surcharges will also come under the spotlight.

Mr Durr said the investigation would be conducted by the Industrial Development Board, of Trade and Industry (BTI). Another investigation would be conducted by the Commission for Administration Information.

Both investigations were part of the Government programme for restructuring the economy and promoting industrial growth and exports.

BTI chairman Dr Lawrence McCrystal, in an accompanying statement, said that in the light of the tariff policy probe, there would be a need to redefine the BTI's role.

The probe would serve a useful purpose, he said.

Major customs tariff probe announced

LINDA ENSOR

74

GOVERNMENT has announced an investigation into customs tariffs — including the policy of import parity pricing and over-protection — with the aim of getting rid of inflationary “distortions” in the economy.

The investigation will be conducted by the Industrial Development Corporation (IDC) in conjunction with the Board of Trade and Industry (BTI), the mission and functions of which will be investigated separately by the Commission for Administration.

The step has been welcomed by both industry and mining spokesman.

In making the announcement yesterday, Trade and Industry and Tourism Minister Kent Durr said the investigations formed part of government's programme to re-structure the economy to promote growth, primarily by means of exports.

He said there were many distortions in customs tariffs.

“There are elements of over-protection and the widespread practice of import parity pricing has an enormous effect on inflation by impacting on the use and cost of capital.

He said they also had to modernise and simplify customs tariffs.

All aspects of tariff protection will be analysed, as will the influence of import parity pricing on prices, input costs, inflation and the beneficiation of raw materials before export.

The inhibiting effect of tariffs on locally added value will also be examined.

As regards the BTI investigation, Durr said the aim was not to limit its role but to take a new look at its mission and functions

□ To Page 2

Customs probe

Blom
213190

74

□ From Page 1

in the light of the investigation.

Further steps to achieve an economic restructuring could be expected.

Durr emphasised that no-precipitate action would be taken as a result of the investigation and that there would be close consultation with all those concerned. The investigation would take three months.

The Chamber of Mines and the SA Chamber of Business (SACB) welcomed the announcement.

A Chamber of Mines spokesman said exports had to be given “every encouragement and assistance by way of a healthy economic environment in which inflation is kept to a minimum”.

Bess Robertson, SACB's portfolio manager for international trade, said the announcement was expected, as most countries were re-examining their tariff structures because of GATT negotiations under way.

Customs tariff ⁷⁴ probe hailed as vital step for SA

CHARLOTTE MATHEWS

GOVERNMENT's investigation into customs tariffs announced last week, if properly pursued, could be the most important step ever taken in SA's economic history, the National Clothing Federation (NCF) said in a statement yesterday.

On Friday Trade and Industry and Tourism Minister Kent Durr announced the Industrial Development Corporation (IDC) and the Board of Trade and Industry (BTI) would examine customs tariffs, including import parity pricing and over-protection, with the aim of eliminating inflationary distortions in the economy.

NCF executive director Hennie van Zyl said such a step could help to break "the vicious inflation chain": "It could contribute significantly to the process of deregulation and hence to the combating of inflation if the minister's intention to modernise and simplify the customs tariff is diligently implemented."

6/3/90
Competitive

Van Zyl said the present tariff structure was so complex as to almost require a business degree to understand.

This represented an unnecessary additional cost element to most businesses and opened the way to twilight practices.

By making SA industry more internationally competitive, the elimination of over-protection would enhance exports.

"Clothing is not a luxury but an essential commodity on which the average SA consumer spends about 6% of his income.

"By containing the cost of clothing, the consumer stands to gain and this also benefits the business sector at the end of the day," Van Zyl said.

Fantastic news for S African jewellers

By Joe Openshaw

The Jewellery Council of South Africa is ecstatic about the immediate lowering of import surcharges and the scrapping of the 20 percent ad valorem duty on jewellery.

"This is fantastic news ... we've been lobbying for this for the last five years," Mr Michael Goch, executive director of the council, said in Johannesburg yesterday.

Finance Minister Mr Barend du Plessis said yesterday that the scrapping of the duty was aimed at promoting job creation and expanding the jewellery industry, especially with a view to promoting the export of benefited South African mining products.

"I expect the two tons of gold used annually in the manufacture of jewellery for export will increase considerably," Mr Goch said.

REVENUE

Diamond dealers and manufacturers, as well as retail jewellers, would also benefit from the move, said Mr Goch.

Mr du Plessis said the loss of revenue from this concession was estimated at R37 million for the coming year.

● The South African Housing Trust (SAHT) is "very pleased" with the 51 percent increase in the housing budget from R959 million to R1 455 million.

Mr Mike Fowlds, marketing manager of SAHT, said: "We are very pleased that the new Budget acknowledges the need to give additional support to addressing the housing backlog."

Since no details were provided of how the housing budget would be allocated and what form it would take, no further comment could be offered.

This also applied to the "special fund" that would be created for socio-economic development.

By Sven Lünsche

Industry sources are disappointed that the import surcharges have not been scrapped completely, since they largely failed to reduce the rise in imports.

Mr du Plessis said import surcharges would be reduced by 33 percent on average with immediate effect.

Differential surcharges on imports of 60 percent, 20 percent, 15 percent and 10 percent were introduced as a temporary measure in August 1988 and revised in May 1989.

"As a first step in the phasing-out process it had been decided to lower these rates by about one-third to 40, 15, 10 and 7,5 percent respectively," Mr du Plessis said.

While this would mean a loss in revenue of R835 million, Safto's chief executive Wim Holtes said the surcharges were originally introduced to discourage imports.

"The stated loss of revenue arising out of the reduction indicates that it is revenue-earning and does not serve only to protect the balance of payments.

"I am very disappointed with the limited reduction because import surcharges are still regarded as counter-productive," Mr Holtes said.

It is estimated that the surcharge will yield about R2,7 billion in 1990/91, against R2,6 billion in 1989/90 and R1,88 billion in 1988/89.

Mr du Plessis admitted that the import surcharges had a cost-raising effect on the economy, and had also given unintended additional protection

Import surcharges eased 33%

15/3/90
74

to certain local industries, incurring the danger that dependence on such protection would become entrenched.

It was against this background that the cut in the rates was being announced and it was confidently hoped that commerce and industry would pass on the consequential price reductions.

Mr Holtes, however, welcomed the Budget emphasis that boosted export growth.

"The stress placed on the stability of the rand and the international competitiveness of industry will be of direct benefit to the export sector," he said.

Mr du Plessis also announced that the 20 percent ad valorem duty on jewellery would be scrapped to promote job creation and expand the jewellery industry, with a view to promoting the export of beneficiated South African mining products.

The re-imposition of the duty would be considered if after three years the results proved unsatisfactory in relation to these goals.

Henry Sudwats, incoming president of the Jewellery Association, said the jewellery industry would be galvanised by the lifting of the duty.

INDUSTRY	DATE	WAGE	INDEX	QANV
AUTO E CAPE	8/87	3.81	2.47	1
BAKING DURBAN	11/84	1.79	1.16	39
BAKING PE	2/83	0.91	0.59	119
BAKING PRETORIA	10/84	0.98	0.63	116
BEDDING TVL	7/87	2.31	1.49	17
BISCUIT CAPE	9/87	2.76	1.78	5
BISCUIT PE	9/87	2.71	1.75	6
BUILD BLOEW ESD	5/84	0.90	0.58	120
BUILDING BLOEW	11/82	1.15	0.74	103
BUILDING BLOEW	5/87	1.53	1.00	83
BUILDING CAPE	5/87	1.54	1.04	43
BUILDING CAPE A	2/87	1.70	1.10	69
BUILDING CAPE B	2/87	1.64	1.07	77
BUILDING CAPE C	3/87	1.66	1.10	80
BUILDING CAPE D	3/87	1.67	1.11	82
BUILDING CAPE E	3/87	1.68	1.12	84
BUILDING CAPE F	3/87	1.69	1.13	86
BUILDING CAPE G	3/87	1.70	1.14	88
BUILDING CAPE H	3/87	1.71	1.15	90
BUILDING CAPE I	3/87	1.72	1.16	92
BUILDING CAPE J	3/87	1.73	1.17	94
BUILDING CAPE K	3/87	1.74	1.18	96
BUILDING CAPE L	3/87	1.75	1.19	98
BUILDING CAPE M	3/87	1.76	1.20	100
BUILDING CAPE N	3/87	1.77	1.21	102
BUILDING CAPE O	3/87	1.78	1.22	104
BUILDING CAPE P	3/87	1.79	1.23	106
BUILDING CAPE Q	3/87	1.80	1.24	108
BUILDING CAPE R	3/87	1.81	1.25	110
BUILDING CAPE S	3/87	1.82	1.26	112
BUILDING CAPE T	3/87	1.83	1.27	114
BUILDING CAPE U	3/87	1.84	1.28	116
BUILDING CAPE V	3/87	1.85	1.29	118
BUILDING CAPE W	3/87	1.86	1.30	120
BUILDING CAPE X	3/87	1.87	1.31	122
BUILDING CAPE Y	3/87	1.88	1.32	124
BUILDING CAPE Z	3/87	1.89	1.33	126

MIKE ROBERTSON

CAPE TOWN — Import surcharges on luxury goods are to be dropped by a third, Finance Minister Barend du Plessis announced yesterday.

Du Plessis said in his Budget that the surcharge on luxury imports like televisions and hi-fi sets would be dropped from 60% to 40%.

The surcharge on imported consumer goods would drop from 20% to 15% while the surcharge on consumer goods that could also be used as raw materials would drop from 10% to 7,5%.

The import surcharge on capital goods would drop from 15% to 10%.

Du Plessis said the lowering of the surcharges would result in a loss of revenue to the State of R835m.

He said it was expected that the surcharge would yield about R2,6bn in 1989/90 as opposed to R1,9bn in the previous financial year. Capital goods were the largest contributor to the lat-

Surcharges on imports lowered

est figure. 8/Dec 15/3/90 (74)

He said the surcharge had failed in its main purpose of drastically cutting imports.

"What is more, it has had a cost-raising effect on the economy, and has also given unintended additional protection to certain local industries, incurring the danger that dependence on such protection will become entrenched," he said.

Du Plessis said it had also been decided to abolish the ad-valorem customs and excise duty on certain precious-and-semi-precious stones and jewellery to help expand the jewellery manufacturing industry.

The estimated loss of revenue to the State was expected to be R37m.

Business hails lower import surcharges

B1 Day 15/3/90
BUSINESS yesterday lauded Finance Minister Barend du Plessis's decision to slash the import surcharge.

The surcharge, which has been under fire since its introduction in August 1988, will be cut by about 30% in terms of yesterday's Budget announcement.

Du Plessis said the surcharge on luxury imports (including VCRs, televisions, antiques, jewellery, selected sporting goods, furs and artworks), currently at a hefty 60%, would be reduced to 40%.

Deloitte, Haskins & Sells associate director Doug Jolliffe said the reduction also applied to mineral waters, rum, beer from malt and vermouth. An anomaly was the import of scotch whisky which had never had a surcharge imposed on it, he said.

BRENT MELVILLE

The surcharge on imported consumer goods (less essential) would drop from 20% to 15% with the surcharge on capital equipment (such as computers and mining machinery) dropping from 15% to 10%. The charge on consumer goods that could also be used as raw materials would decrease to 7,5% from 10%.

Du Plessis said he expected the surcharge to yield about R2,6bn (R1,9bn) this year to the State — more than double the budgeted amount. He said the lowering of the surcharges would result in a loss of R835m next year.

SA Chamber of Business chief economist Bill Lacey said that while business was

hoping for a bigger reduction the move marked a "phasing out" and proved that the surcharge had failed in its main purpose of drastically curtailing imports.

It had had a cost-raising effect on the economy and had also given unintended additional protection to certain local industries.

Lacey said that while it would be nice to speed things up, it was impracticable to drop the surcharge "straight off".

Furniture Traders Association executive director Frans Jordaan said the reduction provided welcome relief.

He said there would be no dramatic short-term effect though the move would be passed on to consumers two or three months down the line.

Jewellery surcharge dropped ⁷⁴

IMPORT surcharges were to be lowered immediately and the 20 per cent ad valorem duty on jewellery scrapped, the Minister of Finance, Mr Barend du Plessis, yesterday.

He said in his Budget speech that the scrapping of the duty was aimed at promoting job creation and expanding the jewellery industry, especially with a view to promoting the export of benificiated South African mining products.

Reimposition of the duty would be considered if after three years the results proved unsatisfactory in relation to these goals.

The loss of revenue from this concession was estimated at R37 million for the coming year.

Differential surcharges on imports of 60, 20, 15 and 10 per cent were introduced as a temporary measure in August 1988 and revised in May 1989.

As a first step in the phasing-out process it had been decided to lower these rates by about one third to 40, 15, 10 and 7,5 per cent respectively.

This would mean a loss in revenue of R835 million.

15/3/90

for meter

Duty on computer parts ditched

GOVERNMENT has ditched the proposed 10% ad valorem customs and excise duty on parts of computers.

The estimated cost of the impost was R100m a year, Business Equipment Association (BEA) president Fred van de Werken said yesterday. *510m 22/3/90*

In a statement, Deputy Finance Minister Org Marais said the proposal, which was gazetted on January 5 and was to be imposed on April 5, had allowed the computer industry to raise objections.

Marais said "as the Board of Trade and Industry is busy with an in-depth investigation into the electronics industry in SA and could possibly make recommendations

BARRY SERGEANT

which would alleviate this problem an agreement was reached with the industry that the duty which would have come into effect on April 5 be withdrawn".

Van de Werken said: "I am sure I speak for the whole industry when I say that we are very pleased this proposed duty has been removed. This exercise has shown the benefits of close co-operation between the industry and government. It is most important that each has an appreciation of the other's problems and that together, solutions can be found."

To Page 2

Computer duty

TSI's Simon Keebel said Marais had to be congratulated for the speed at which he worked to resolve the matter.

Marais said during 1988 representations were made to the Commissioner for Customs and Excise that approximately 100 000 personal computers a year were manufactured and sold in SA.

This was done by parties who were not licensed as manufacturers in that they imported computer parts and then assembled computers or that they supplied the parts to end-users as a group of components which could be used as computers.

"It was requested the imposition of an ad valorem customs and excise duty on parts of computers should be considered to pre-

vent in practice those who act in this way from having an unfair advantage over licensed manufacturers. It was established that it was possible to evade the prescribed duties on computers and thus promote unfair competition."

After publication of the proposed 10% impost, Marais said, representations were received that it would have aggravating results on industries which do not manufacture computers but which use integrated monolithic circuits.

Van de Werken said the BEA has pledged support to government on all issues "involving this strategic industry and it is our intention to fulfil this pledge".

● See Page 7

From Page 1

74

~~77~~

AS 1902 2/3/90

FIM 30/3/90

(74) ~~75~~

will have some reason for cheer.

The surcharges affected wine importers less than many: the original 60% tariff was reduced to 20% on wines and fortified wines. However, much later in the day, a 50% surcharge was introduced on champagne, rum and liqueurs, all products which, because of the General Agreement on Tariffs and Trade, should have remained exempt.

There is no doubt that the imposition of this punitive tariff was retaliatory in intent. The perceived exporters were the French and Jamaicans, not exactly our allies. In reality, international control of key liqueur and rum brands resides in Britain, so even this petulant gesture was ill-conceived.

Curiously the guardians of our BoP did not see fit to attack the category which accounts for over 80% of all liquor exports — Scotch. It is, of course, important to do business with one's allies in the UK, even at the risk of inconsistency in one's policy.

Anyway, in a modest way, the surcharges are being reduced, but what will this mean for the buyer of fine wines? The surcharge on wines and fortified wines like port and sherry will drop from 20% to 15%. This should affect the shelf price of such products by 2% to 3%, hardly a factor of any significance given the price fluctuations in this market.

The price (from grower to negotiant) of white Burgundy increased in France by between 20% and 30% this year. At last November's Hospices de Saune auction, the few white burgundies on offer virtually doubled in price, compared with the previous year. This means that wines like Chablis, Pouilly Fuisse, Puligny Montrachet and Meursault will feel the impact of these price increases over the next nine months. With the French franc now stronger against the rand than ever before, the surcharge saving is already being swamped.

The champagne surcharge decrease from 60% to 40% is obviously more meaningful. The reduction in tariff will bring down the wholesale price of champagne by 10% — an amount approximately equal to the year-on-year inflation in the Champagne region. In other words, champagne should continue to sell this year for much the same price that it retailed for in 1989.

This is not going to lead to a massive increase in demand for champagne, but it will narrow the gap between the "real thing" and local *methode champenoise*. SA producers of quality bubbly have been pricing their product into the vacuum left by champagne — the victim of the 60% surcharge last year. They will be expecting their usual 20% or more price increase for 1990. Now that retailers can keep their French imports at 1989 prices, some of the more expensive local wines will suffer from a little competition.

If the reduction in the surcharges imposes a little discipline on the lunatic fringe of the local industry, Barend will have made a useful — though curious — contribution to containing wine price inflation.

Michael Fridjhon

WINE FIM 30/3/90

(74)

Budget bubbly

The reduction of import surcharges announced in this year's Budget is a promising move in the right direction. The impact of this on imported wine prices will not be substantial, though champagne drinkers

51 Day 4/4/90 IDC probe of customs tariffs to focus on general policy only 74

THE Industrial Development Corporation's (IDC) investigation into the effectiveness of the system of customs tariffs — requested by the government — will focus only on broad policy and not on specific tariffs.

IDC MD Carel van der Merwe said yesterday a follow-up investigation into the tariff structure of specific industries would be necessary to implement the IDC's recommendations.

Van der Merwe said the aim of the investigation — which is scheduled for completion by end-June — would be to arrive at a tariff policy which balanced import replacement and exports, giving support to both.

To date, tariff policy has been biased towards import-replacement, raising the input costs of exporters and contributing to inflation. Some industries have been overprotected.

Van der Merwe said the investigation, under the co-ordination of IDC senior GM Malcolm McDonald, had been broken down into five components.

Firstly, a review of international trends as regards the protection of industry would be undertaken. Protection policies in fully industrialised and de-

LINDA ENSOR

veloping countries will be examined as well as those of countries who have moved from an import-replacement to an export-orientated economy.

Investigations of the International Monetary Fund, the GATT secretariat and the World Bank will be reviewed.

Secondly, the findings of local investigations into tariff protection and export promotion — for instance the Steenkamp Report and the Van Der Horst Report — will be considered.

Also under the spotlight will be the policy of the Board of Trade and Industry and existing form of protection such as custom tariffs, import control, anti-dumping measures.

Then the quantitative structure of customs tariffs will be studied — that is the tariff levels applicable under the different tariff headings — to see whether they are too high and to rationalise and simplify them.

Finally, the IDC will be looking at the use of the exchange rate as a mechanism to support import replacement and exports and ways that this can be achieved.

KENNISGEWING 352 VAN 1990

DEPARTEMENT VAN MANNEKRAG

LOONWET, 1957

LOONRAADONDERSOEK.—HERSIENING VAN LOONVASTSTELLING 441—KLERASIE- EN BREI-NYWERHEID, REPUBLIEK VAN SUID-AFRIKA

Belanghebbende persone word versoek om daarop te let dat die sitting van die Loonraad wat om 14:00 op 15 Junie 1990 te Ladysmith gehou sou word, nou om 14:00 op 13 Junie 1990 aldaar plaasvind.

M. J. DELPORT,

Sekretaris: Loonraad.

(4 Mei 1990)

KENNISGEWING 353 VAN 1990

DOEANE- EN AKSYNSTARIEFAANSOEKE.—LYS 3/90

A. Die volgende aansoeke wat deur die Raad van Handel en Nywerheid gedurende die tydperk 1 Maart 1990 tot 31 Maart 1990 oorweeg is, is nie gesteun nie:

(a) *Verhoging van die reg op:*

1. (a) Sintetiese stapelvelsels van polipropileen, nie gekaard, gekam of andersins vir spin voorberei nie; en

(b) wysiging van tariefspos 5505.10 deur die volgende na tariefspos 5505.10.10 in Bylae I in te voeg:

Tariefspos	Beskrywing	Skaal van Reg
5505.10.20	Van polipropileenvelsels	20% of 450c per kg min 80%

(Lys 15/89, T.A.K. 890001) (Verslag 2841).

2. Glukoonsuur, natriumglukonaat en kalsiumglukonaat. (Lys 19/89, T.A.K. 890249) (Verslag 2848).

(b) *Korting van die reg (in Bylae 3) op:*

Maniokstysel (kassawestysel) vir die papiernywerheid. (Lys 21/89, T.A.K. 890268) (Verslag 2838).

B. Die volgende aansoeke om korting van die reg kragtens item 470.03, wat deur die Raad van Handel en Nywerheid gedurende die tydperk 1 Maart 1990 tot 31 Maart 1990 oorweeg is, is gesteun:

1. Materiaal vir die vervaardiging van rokke en bloese vir uitvoer.
2. Breistowwe, krae en mansjette vir die vervaardiging van rokke en bloese vir uitvoer.
3. Natriumhidroksied vir die vervaardiging van houtpulp vir uitvoer.
4. Ingevoerde onderdele van luidsprekers vir die vervaardiging van luidsprekers vir uitvoer.
5. Ingevoerde leer vir die vervaardiging van leerbedekte motorpaneel en paneelborde vir uitvoer.
6. Materiaal en voering vir gebruik in die vervaardiging van broeke vir uitvoer.
7. Skaafstrookstof van natuurlike rubber en nylon vir die vervaardiging van binne- en buitebande vir uitvoer.
8. Polivinielbutiraalkunspastiek-bladmateriaal in rolle vir die vervaardiging van gelamelleerde veiligheidsglas, motorwindskerms en bouprodukte vir uitvoer.

NOTICE 352 OF 1990

DEPARTMENT OF MANPOWER

WAGE ACT, 1957

WAGE BOARD INVESTIGATION.—REVISION OF WAGE DETERMINATION 441—CLOTHING AND KNITWEAR INDUSTRY, REPUBLIC OF SOUTH AFRICA

Interested persons are requested to note that the sitting of the Wage Board which was to have been held in Ladysmith at 14:00 on 15 June 1990, will now be held there at 14:00 on 13 June 1990.

M. J. DELPORT,

Secretary: Wage Board.

(4 May 1990)

NOTICE 353 OF 1990

CUSTOMS AND EXCISE TARIFF APPLICATIONS.—LIST 3/90

A. The following applications considered by the Board of Trade and Industry during the period 1 March 1990 to 31 March 1990 have not been supported:

(a) *Increase in the duty on:*

1. (a) Synthetic staple fibres of polypropylene, not carded, combed or otherwise processed for spinning; and

(b) amendment of tariff subheading 5505.10 by inserting the following after tariff subheading 5505.10.10 in Schedule I:

Tariff Subheading	Description	Rate of Duty
5505.10.20	Of polypropylene fibre	20% or 450c per kg less 80%

(List 15/89, T.A.C. 890001) (Report 2841).

2. Gluconic acid, sodium gluconate and calcium gluconate. (List 19/89, T.A.C. —90249) (Report 2848).

(b) *Rebate of the duty (in Schedule 3) on:*

Manioc (cassava) starch for the paper industry. (List 21/89, T.A.C. 890268) (Report 2838).

B. The following applications for rebate of the duty in terms of item 470.03 considered by the Board of Trade and Industry during the period 1 March 1990 to 31 March 1990 have been supported:

1. Fabric to be used in the manufacture of dresses and blouses for export.
2. Knitted fabric, collars and cuffs to be used in the manufacture of dresses and blouses for export.
3. Sodium hydroxide in the manufacture of wood-pulp for export.
4. Imported parts of loudspeakers for the manufacture of loudspeakers for export.
5. Imported leather for use in the manufacture of leather-covered motor vehicle panels and dashboards for export.
6. Fabric and lining to be used in the manufacture of trousers for export.
7. Natural rubber and nylon chafer fabric for the manufacture of pneumatic tyres and tubes for export.
8. Polyvinyl butyral artificial plastic sheeting in rolls for the manufacture of laminated safety glass, automotive windscreens and building products for export.

9. Braakwynsteen vir sitrus vir uitvoer.
10. Nie-ioniese magnesiumoksiedbromiede van natrium en oppervlak-aktiewe middels vir gebruik in die vervaardiging van loofhoutpulp vir uitvoer.
11. Snyblomme vir rangskikkings vir uitvoer.
12. Weefstowwe vir die vervaardiging van rokke vir uitvoer.
13. Ingevoerde onderdele vir gebruik in die vervaardiging van leerbedekte motorvoertuigkomponente vir uitvoer.
14. Koolelektrodes vir die vervaardiging van silikon vir uitvoer.
15. Diamante en ander stene vir gebruik in die vervaardiging van juweliersware vir uitvoer.
16. Komponente vir die vervaardiging van magnetiese videoband vir uitvoer op spoel.
17. Verlenging van 'n permit ingevole item 470.03/39.01 uitgereik (laedigheidpoliëteleen-hars).
18. Soldeersmeermiddels en goud-/silwerbedekte aluminiumskakelkettings vir gebruik in die vervaardiging van goue en silwerkettings vir uitvoer.
19. Lewendige kreef vir gebruik in die vervaardiging van verpakte gaar of bevrore of lewendige kreef vir uitvoer.
20. Aluminiumblikkies gebruik in die vervaardiging van geblikte sardientjies vir uitvoer.
21. Gebreide katoenstowwe, ongekleur, wat gebruik word in die vervaardiging van gekleurde gebreide katoenstowwe vir uitvoer.
22. Weefstowwe vir die vervaardiging van damesklere vir uitvoer.

Lys 2/90 is by Algemene Kennisgewing 228 van 30 Maart 1990 gepubliseer.
(4 Mei 1990)

KENNISGEWING 354 VAN 1990

DOEANE- EN AKSYNSTARIEFAANSOEKE.— LYS 16/90

Onderstaande aansoek betref die Doeane- en Aksynstarief is deur die Raad van Handel en Nywerheid ontvang. Enige beswaar teen of kommentaar op hierdie versoë moet binne ses weke na die datum van hierdie kennisgewing aan die Raad van Handel en Nywerheid, Privaatsak X753, Pretoria, 0001, gerig word. Die aandag word daarop gevestig dat die skale van reg wat in die aansoek genoem word, dié is wat deur die applikante aangevra is en dat die Raad, afhange van sy bevindinge, hoër of laer skale mag aanbeveel.

Verhoging van die reg op:

1. Vylmasjiene, skuurmasjiene, draadborselmasjiene en ander soortgelyke masjiene, met 'n kraglewering van meer as 1,25 kW asook onderdele van hierdie produkte, deur die huidige voorsienings by tariefsposse 8467.11.10, 8467.19.70 en 8467.92.40 deur die volgende te vervang:

9. Tartar emetic for citrus for export.
10. Non-ionic magnesium oxide bromides of sodium and surface active agents to be used in the manufacture of hardwood pulp for export.
11. Cut flowers for bouquets for export.
12. Woven fabrics for the manufacture of dresses for export.
13. Imported consumable parts for use in the manufacture of leather-covered motor vehicle components for export.
14. Carbon electrodes for the manufacture of silicon for export.
15. Diamonds and other stones for use in the manufacture of jewellery for export.
16. Components for use in the manufacture of magnetic tape for export.
17. Extension of permit issued in terms of item 470.03/39.01 (Low density polyethylene resin).
18. Soldered pastes and gold/silver-clad aluminium links to be used in the manufacture of gold and silver chains for export.
19. Live rock lobster to be used in the manufacture of packed cooked or frozen or live lobster for export.
20. Aluminium cans used in the manufacture of canned sardines for export.
21. Knitted cotton fabrics, undyed, used in the manufacture of dyed knitted cotton fabrics for export.
22. Woven fabrics for the manufacture of ladies' clothing for export.

List 2/90 was published under General Notice 228 of 30 March 1990.

(4 May 1990)

NOTICE 354 OF 1990

CUSTOMS AND EXCISE TARIFF APPLICATIONS.—LIST 16/90

The following applications concerning the Customs and Excise Tariff have been received by the Board of Trade and Industry. Any objections to or comments on these representations must be submitted to the Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice. Attention is drawn to the fact that the rates of duty mentioned in applications are those requested by the applicants and that the Board, depending on its findings, may recommend lower or higher rates.

Increase in the duty on:

1. Filing machines, sanders, wire brush machines and the like, with a power output exceeding 1,25 kW, and parts of these products, by the substitution for the existing provisions under tariff sub-heading 8467.11.10, 8467.19.70 and 8467.92.40 of the following:

lowest paid grade of employees in-⁷⁴ lems and end the strike. ... to solve the prob-

Strict clamp-down on illegal imports

CAPE TOWN — The Import and Export Control Amendment Bill 1990 provides for drastic increases in penalties for illegal imports, with the maximum fine raised to R40 000, and the discretionary term of imprisonment increased to 10 years.

Coupled to the fine is a supplementary fine of an amount equal to three times the commercial value of the goods.

Trade, Industry and Tourism Minister Kent Durr said in the Extended Public Committee debate the Act had, over the past few years, revealed deficiencies.

The previous maximum fine had been R2 000 or imprisonment not exceeding two years. *By Day 24/4/90*

"When the committee approached me with these amendments I initially thought

them to be too strict. However, consultation with the business sector showed these tight penalties were necessary," Durr said.

The proposed amendments carried the unanimous support of all parties.

On the Harmful Business Practices Bill, Durr said it would ensure legal and basic fairness so that neither business nor consumer interests could dominate.

Recommendations by the Business Practices Committee, which the Bill would bring into being, and action by the minister to protect consumers would only take place if a harmful business practice was identified.

It was further planned that the committee and private sector would develop codes of conduct. — Sapa.

Severe penalties for illegal imports

Siz 24/4/90 (74)
The Import and Export Control Amendment Bill 1990 provides for drastic increases in penalties for illegal imports with the maximum fine raised to R40 000 and the discretionary term of imprisonment increased to 10 years.

Coupled to the fine is a supplementary fine of an amount equal to three times the commercial value of the goods. The previous maximum fine had been R2 000 or a term of imprisonment not exceeding two years.

The Minister of Trade and Industry and Tourism, Mr Kent Durr, said in Extended Public Committee debate that the Act had, over the last few years, revealed certain deficiencies.

"When the committee approached me with these amendments I initially thought them to be too strict. However, consultation with the business sector showed these tight penalties were necessary.

"There is no doubt that if we are to grow economically, South Africa must embark on an export-led drive."

The proposed amendments carried the unanimous support of all parties. — Sapa.

Import tariffs on M'bican products changed

CART. 714/1/70

74

PREFERENTIAL tariffs for a limited range of Mozambican products would be Gazetted today, the Director General of Trade and Industry, SJ Naude, announced today.

In a statement he said these products included cashew nut shell liquid, cotton fabrics, Texlene/Trevira woven fabrics, clothing and blankets.

"The preferences are being granted on the same basis as those which have already been granted to Mozambique.

"The preferences, which are restricted to quotas, take the form of rebates which reduce the existing customs duties to 3% ad valorem where the duty is more than 3% ad valorem and to free where the duty is 3% ad valorem or less.

"Goods imported within the quotas are exempt from import surcharge."

The preferences would be administered by the Mozambican authorities by the issue of export certificates to Mozambican exporters.

— Sapa

FIM 116/90
Manning the pass (74)

After last year's major reorganisation and expansion of the Reserve Bank's Exchange Control Division, large scale breaches of regulations continue to be exposed. Former Repfin Finance MD Adriaan Prakke faces exchange control (excon) charges amounting to R350m -- the latest in a staggering series of cases cumulatively running into billions.

What needs to be asked is whether, as a result of the reorganisation, more cases are being uncovered? Or whether they are happening despite the reorganisation?

Changes (FM Survey September 1 1989) included a much-enlarged inspectorate and seconding two private sector foreign exchange experts as deputy GMs: exchange

FINANCIAL MAIL JUNE 1 1990

FIM 116/90 (74)

control: FNB's Tickey Gill and Nedcor's Tom Euijen. Assistant GM Charles van Staden heads the investigations division

Though this case and others hinge on permission to use finrand for direct investment, both John Postmus (GM exchange controls at the Reserve Bank) and Gill say this type of concession is in the national interest. But the total for which permission has been given under this head remains secret.

Gill says applications are being scrutinised far more carefully than in the past. The Bank now calls for international valuation certificates. This has already paid off. Recently an applicant claimed machinery to be imported was worth R170m. The valuator he selected valued the machinery at only R21m. After various prevarications, the application was abandoned with the excuse that the staff who had originated it had been dismissed.

The Bank is now calling for more and more information when permission for finrand use for direct investment is sought — such as feasibility studies and forward financial projections for up to four years. Gill explains the original basis for such an application must remain in the control of the bank branch which originally approved it and not be transferred to another branch or bank.

Theoretically, there are three broad categories of infringement — double invoicing (which is difficult to police), finrand round-tripping involving collusion by bank officials and other forms of finrand abuse, even, says Postmus, involving totally falsified documentation (as alleged in the Prakke case). But it would be a mistake, says Postmus, to blame collusion by authorised dealers for more than a few contraventions.

Postmus emphasises the importance of more advanced training for bank officials in administering the complex excon rules and of advising banks on the excon implications of internal audit procedures.

Gill also points out that only "authorised banks" are permitted to deal in finrand. This status is only accorded to large branches with the expertise and controls to manage finrand transactions prudently.

Postmus concedes over-invoicing (of normal trade transactions not involving the finrand) is extremely difficult to detect, as documentation will give every appearance of regularity. Could Board of Trade inspectors who regularly travel abroad to evaluate reference prices for anti-dumping purposes not also do spot audits of international prices for important categories of imports which might seem susceptible to over-invoicing?

FIM 1/6/90

Fatter travel wallets

Travellers and businessmen whose rands have been buying ever-thinner wads of foreign currency will welcome the Reserve Bank's announcement that more money may be taken overseas. From today sums issued by authorised dealers without reference to

FINANCIAL MAIL JUNE 1 1990

FIM 1/6/90 (74) (74)

authorities have been raised by 25%-50%.

"This may be the first official sign that the authorities perceive an improvement in the international climate," says Standard Bank's Rocco Rossouw.

The increases also reflect depreciation of the rand and higher prices abroad. "The measures will reduce the growing number of special requests recently directed to the Bank and thus paperwork for authorised dealers."

Travellers who have already used their full old allowances for 1990 may top up to the new limits. Annual new allowances are:

- Business: R10 000 (was R8 000) in neighbouring countries, with a daily maximum of R750 (R600); R22 500 (R15 000) elsewhere, daily maximum R1 200 (R750);
- Holidays: R5 000 (R4 000) to neighbouring countries; R15 000 (R10 000) elsewhere;
- Children under 12: neighbouring countries R2 500 (R2 000); elsewhere R7 500 (R5 000); and
- Study allowances: R2 250 (R1 500) a month for unmarried and R4 500 (R3 000) for married students. Annual allowances for travel expenses during vacations for people

studying abroad are R4 500 (R3 000) for a single student and R9 000 (R6 000) for one accompanied by a spouse.

The amount people may pay in advance for congress, seminar and exam fees is now R2 500 (R2 000).

Residents or non-residents entering or leaving may take notes worth R500 (R200).

Emigrants may now take out assets with a net value of up to R200 000 (R100 000). A family or single person may take household and personal effects of R50 000 (R40 000) and a R50 000 (R40 000) motor vehicle.

An authorised dealer may now approve payments to visiting artists, entertainers and sportsmen for R30 000 (R10 000).

Charges in connection with legal disputes may be approved by an authorised dealer up to R10 000 (R1 000) and alimony payments R3 000 a month (R500).

Tender guarantees and bid bonds residents may pay in favour of non-residents are up from 1% of contract price to 5% and performance guarantees from 10% to 15%.

A new provision relates to renewal of passports and obtaining visas. Authorised dealers may approve applications for transfers to

meet these of up to R500 per person per request, on top of the travel allowance.

Directors' fees, bequests from estates of SA residents and gifts and maintenance payments remain unaltered. ■

Customs changes 'harm importers'

B 10 am 24/6/90

CHANGES to the Customs and Excise Act to bring SA into line with international container trade practice have introduced a hidden cost which is penalising importers already battling with currency disadvantages.

KPMG Aiken & Peat international trade consultant Di Nicholson said in a statement the full impact of the changes to the amended Act were beginning to emerge at a time when every effort was being made to reduce inflation.

The Act, amended in June, increases the customs and surcharge liability of all goods imported in full containers, said Nicholson.

"The only way to remove this inflationary influence is to remove all freight costs from the dutiable value of all imported goods, including those in full container loads," said Nicholson.

The value of goods upon which all duties were presently calculated was finalised when the goods were placed "free-on board" (FOB).

In FOB terms this meant all costs

EDWARD WEST

such as transportation, loading and unloading incurred in the country of export prior to the goods being loaded onto ship had to be included in the cost of the goods, she said.

From the time containerisation became a force in shipping, all costs up to the point of loading goods into a container had to be included in the dutiable value.

This concession was meant to encourage the use of containers.

Forced

Containerisation was the norm. The amendment meant containers were no longer treated as "point of export" and all costs of moving, loading, insurance and the like after the container was loaded has had to be included in the customs value.

Because these additional values could amount to a significant proportion of the customs values, importers had been forced to pay additional duties, surcharges and wharfages, Nicholson said.

More power to bureaucrats

(74)

Tom Gillooly is principal consultant to Ernst & Young

The muted response to recent changes to the Import and Export Control Act is surprising, in the light of the serious inroads they make on the freedom to trade of those engaged in commerce. Amending legislation contains two principal provisions: increasing the penalties which may be imposed on those who contravene it; and inserting definitions lifted from the Customs Act.

The maximum monetary penalty or fine has been raised from R2 000 to R40 000. The maximum period of imprisonment rises from two to 10 years. This is not a reaction to the progressive devaluation of our currency but the elevation of a breach of this dirigiste legislation to an importance formerly accorded only to such offences as contravention of the exchange control regulations. It should be borne in mind that these penalties can be imposed by any magistrate. It is not a matter reserved for the Supreme Court or even a district magistrate.

The belief that our bureaucracy is committed to the guidance of the economy through monetary, fiscal and protective tariff tools finds little encouragement in this reinforcement of a measure which enables these officials to intervene, on Government Notice alone, directly in the running of the

economy. Whatever protestations may be made in political circles about moves towards a market economy, this interventionist legislation provides a ready tool for those still convinced the central bureaucracy knows best what is good for the country.

More important than the increases in the penalties are the effects of the introduction of definitions of "import" and "export." The extended meanings can ensnare one who causes the import or export of goods without acting himself. This makes illegal a number of transactions which were previously legitimate. Only confusion can arise from the presence in the amended Act of comprehensive definitions of "exporter" and "importer" — terms which, oddly enough, appear nowhere else in the legislation.

The message is that great care should be taken as to the presence and correctness of permits for import and export where they are required, not only by those who carry out the act, but by others who may bear some measure of responsibility.

In a mood of perhaps unaccustomed reflection, the editor of *The Economist* recently admitted the "unseen and guiding hand" of capitalist economic force may be less than clean, sometimes requiring government intervention to prevent its stain. He made the point, however, that when that occurs the permission to act required of authority

should be transferable and, in a market economy, constitute its own article of commerce. We have an example of this in the transferable rebate concessions allowed to the motor industry by our present tariff.

Once an import permit has been granted the foreign exchange reserves are committed to the outgoing. Should a permit be sold or exchanged the importation itself is a neutral event which will not affect those reserves. One is driven to wonder, therefore, whether the sort of legislation here considered is directed not so much towards the preservation of the reserves, but towards the maintenance and increase of the authority of officials who dispense favours or control their use — an entirely different matter.

Whether A or B uses A's permit to import, if the correct material and value are adhered to it makes no difference to the foreign exchange obligation.

Indeed, the fact that B can afford to pay a price for permission may indicate that he can employ the imported material more efficiently than A, or that permission to import should not have been granted in the first place.

In short, tightening the import and export regulations does nothing to assist the move towards a market-orientated economy. But it may provide an undesirable tool for use by a more authoritarian future government.

B / Dan 29/6/90

Disputed Customs and Excise 74

Act changes on imports reversed

by 4/7/90
THE reversal of changes made in 1989 to the Customs and Excise Act of 1989 which caused an international dispute between West Germany and SA was gazetted on Friday.

SA Association of Freight Forwarders executive Allan Cowell said changes to the Act related to the valuation of imported cargo.

Cowell challenged the view of Aiken & Peat's international trade consultant Di Nicholson, who said last week that changes to the Act in 1989 had put a growing inflationary burden on imports by container.

Acceptable

When the changes were enacted in June 1989, not only did the association react very strongly against them, but the changes resulted in distortions to the West German international trade sector, said Cowell.

As a result of this, the Commissioner of Customs and Excise SA reversed changes to the Act. Administrative

EDWARD WEST

arrangement in November 1989.

The commissioner then reverted to the more acceptable method for the valuation of containerised cargo which had been in force since 1977.

Importers were, therefore, in no sense harmed by valuation of containerised cargo at present, said Cowell.

Nicholson said, however, that at the beginning of June when she compiled the report, referred to by Business Day last week, her assessment that the changed Act was placing an inflationary burden on imports was correct.

In practice, the directive administered by the Commissioner of Customs and Excise in November was largely ignored because it had not yet been made law.

Now that the reversed law had been gazetted a large number of her clients would claim rebates from government. However, Nicholson doubted whether the consumer would as yet feel the benefits of the amended legislation.

B 124 17/7/90

Talks on customs accord to continue

EDYTH BULBRING

PRETORIA — The Southern African Customs Union study group is to continue its talks on new rules in October.

The study group is charged with re-negotiating the customs union agreement.

The group's last meeting was held in Lesotho a week ago.

Africa Trade Promotion and Relations director Braam Roodt said officials discussed proposals from the BLS countries relating to common customs, revenue sharing formulas and consultation mechanisms.

Also discussed was the definition of industry and related periods of time during which protection to "infant industry" could be granted.

74 Changes

Roodt said the last time the agreement was renegotiated was in 1969 and certain provisions needed to be revised.

He said the revisions requested by the BLS countries aimed to improve their share of the revenues.

The BLS countries also wanted more fiscal and industrial autonomy, he said.

The talks were still in their exploratory stages and it was not a foregone conclusion that all the proposals would be accepted.

More meetings needed to be held to see if any consensus could emerge on the amendments, he said.

Namibia was admitted as the union's fifth member at the three-day meeting last week after the accession documentation was finalised.

ctors,
urity
ships
cour-
own.
and
the
to
the

Lt
as a
re-
the
own-

van
lier
the
ted
the

nes
9%

hat
had
to
in

as-
st,
the
ey
er.

IMPORT POLICY

Are we all together?

Kent Durr, the Minister of Trade and Industry, reiterated this week that he means business on tariff reduction and the end of import control.

He also confirmed that the policy of import substitution is now officially dead. Yet the man who's been asked to implement these directives, Board of Trade and Industry chairman Lawrence McCrystal, will have to do something of an about-face; he will be undoing a career spent intervening in the economy.

Durr is quite unambiguous about his repudiation of the McCrystal philosophy. "The entire protection policy covering both direct import control and tariffs is under review with the intention of shifting the emphasis away from import substitution towards the outward orientation of industry (ie exports).

"The phasing out of import control is being actively pursued now. And I have asked the board to give priority to the review of tariffs for the paper, plastics and chemical industries (*Business* July 20). The objective is to encourage a more internationally competitive industrial sector."

But it appears McCrystal is going to take his time. He says the results of this review will be available "before the end of the year." Presumably, lower priority investigations will be done by the end of the century.

He argues that to reduce tariffs without implementing other policies that would improve international competitiveness — particularly reducing inflation — will penalise the industrial sector, already reeling from poor productivity and industrial unrest.

The truth is, however, it's unlikely that such vulnerable industries will ever become internationally competitive. Furthermore, it can't be long before the Durr philosophy is applied to such board-protected industries as

televisions, textiles or motor vehicles.

Durr says numerous studies have shown that import replacement is not the engine of growth it was 20 years ago. "The opportunities are no longer as obvious as they were and they tend to be highly capital intensive."

He says government will still allow for import replacement "should market forces bring this about without placing an undue burden on the economy." But despite the policy reversal, there is little relief in the pipeline for industrialists' biggest gripe, the import surcharge.

Says Durr: "Government is fully aware of the harmful effects of the surcharge on capital equipment and aims to withdraw it as soon as circumstances permit."

Initially the board recommended that most items of capital equipment be exempted from the surcharge. In May 1989, because of the pressure on the balance of payments, this exemption was removed. Remaining is a complicated exemption formula when the equipment meets certain conditions regarding the exports it will produce.

Stephen Cranston

SA tariff protection study submitted for consideration

ZILLA EFRAT

74

THE Industrial Development Corporation (IDC) investigation into the application and effectiveness of SA's tariff protection had recently been completed, Trade and Industry Minister Kent Durr announced yesterday.

In a statement he said the investigation had been undertaken in terms of government's programme to restructure the economy to promote industrial growth and exports. *β10am 218190*

The investigation's findings and recommendations were currently being studied by the Department of Trade and Industry. The report had also been referred to those ministers affected by the recommendations.

Durr gave his assurance that government would take a balanced view of all relevant considerations and that consultation with the private sector would take place in due course.

IDC senior GM Malcolm McDonald yesterday declined to outline the findings of the investigation, but said the report had far reaching implications.

McDonald said the report would probably take some time to analyse. If the recommendations were accepted, intensive specific studies would have to be done.

Import tariffs are too high say foreign businessmen

CAPE TOWN — Visiting foreign businessmen have warned that if SA companies are to compete internationally, local import tariffs will have to be reduced in line with the liberalisation of international trade policies.

The Cape Town Chamber of Commerce, which received business groups from Taiwan, Singapore and Hungary last week, reports that while the visitors were interested in doing more business with SA, they all stressed that the country faced increasingly tough competition in foreign markets.

They also warned that SA industries would be priced out of world markets and that potential foreign investors would turn to other countries if domestic wage increases were not matched by higher productivity.

To remain competitive, many foreign countries were in the process of liberalising their trade policies — a move aimed at lowering cost structures and enabling industries with a comparative advantage to compete effectively on international markets.

Hungary had dropped all its protective tariffs and was offering free entry for imported goods, while Taiwan was accelerating its pro-

74 (60)
LESLEY LAMBERT

gramme to decontrol imports and open its markets to imported goods.

By the end of last year, 97% of all Taiwanese imports had been decontrolled and the effective rate of tariff protection had been cut from 14,4% in 1971 to 4,7% last year.

In its latest news bulletin, the chamber said it hoped an investigation by the Industrial Development Corporation into SA's tariff structure and protective policy concluded that the country needed to remove the remaining vestiges of import control and to lower tariff levels across the board.

810-49190 Queries

The Western Cape has had its fair share of the increasing interest shown by foreign industrialists and businessmen who are sizing up SA's future potential as an alternative industrial base.

Both the Cape chamber and Wesgro, an organisation established to encourage economic growth in the Western Cape, report extraordinary growth in the number of queries and offers of trade opportunities by visiting foreign investors.

Import tariffs created 71% 'tax' on exports, study finds

IMPORT tariff protection — due for a major overhaul soon — created a bias towards producing for the local market amounting to an effective 71% "tax" on exports, a study by Natal University dean of economics Merle Holden has found.

The study, focusing on relative prices, came to the conclusion that the export sector had to bear the cost to the economy of import protection. Economic resources were attracted to the protected industries rather than to exports. The "tax" came about because protected industries became more attractive than the export sector, creating a bias towards producing for the local market. Furthermore, tariff protection drove up the cost of locally produced goods used as inputs for export.

"Over the period 1974 to 1988, the structure of protection imposed an implicit export tax of 71% on all exportable goods. When gold is excluded, this tax falls to 34%."

GRETA STEYN

The results showed that the gold mining industry had been heavily penalised by the policy of import substitution. The latter had also offset export incentives for the manufacturing sector. (74)

"Over the years the protection of the domestic market has also proceeded in an ad hoc fashion with widely varying effective rates of protection for the manufacturing industry," Holden said.

These varied from 143,2% protection for plastics to 4% for "other" transport equipment.

"It is questionable whether domestic manufacturers should continue to enjoy the benefits of such ongoing protection. Is it not time that these infant industries grew up so that consumers could have the advantage of lower-priced consumer goods?"

Surcharges a major factor . . .

Clothing prices lifted above inflation rate

74
CMT TINTS 7/11/90

By AUDREY D'ANGELO
Business Editor

IMPORT surcharges introduced as a "temporary" measure three years ago are still in place — and are among factors which have forced clothing prices up above the inflation rate, the chairman of the Cape Clothing Manufacturers Association, Simon Jocum, said at its annual general meeting yesterday.

Other factors pushing up prices are increases in both raw material and labour costs, which cannot be absorbed by the industry, and productivity which is not rising in line with wage increases.

With falling unit sales in the local market, Jocum said rising exports had helped to save jobs in the Western Cape clothing industry.

Export sales had helped to limit the loss of jobs to 2 278 — or 4% — in the past year, when the total number employed fell to 55 378 from 57 656.

But, he warned, "instability in the workforce such as recent stayaways and illegal strikes damage our image in export markets, as our ability to deliver on time is put in doubt."

He urged the SA Clothing and Textile Union to "address their political leaders as to the wisdom of continuing with their sanctions campaign in an era of political reform.

"Sanctions have led to short time and retrenchments in addition to the

domestic recession. Sanctions destroy jobs in SA and create jobs in other countries."

Jocum said the association and the union had agreed to hold discussions at regional level "which could lead to co-operation beneficial to the industry in the form of growth and opportunities for job creation.

"A greater appreciation of the threats and opportunities are essential if our industry is to grow. The international market is highly competitive, and the union is one of the players."

Jocum continued: "We must plan now for entry into Europe 1992. Our exports have increased, aided by the present export incentive scheme which should remain fixed, clear and for a reasonable period of time and should not be reduced in any way in the foreseeable future."

Discussing textile prices he said: "I understand the Government will treat applications for increased protection with great caution in view of its inflationary impact on clothing prices, with the result that 1991 should ensure competitively priced fabrics from the local textile industry."

He suggested that the entire textile industry should "play a more positive role in tandem with clothing manufacturers by quoting an export price as well as a domestic price."

Some mills were already co-operating in the export drive by doing this.

Sanctions-busting import offer by SA

SA yesterday offered to reconsider import surcharges on goods from countries which lifted sanctions.

The Department of Trade and Industry's new markets director, Piet Verwey, said all countries applying sanctions could approach SA with an offer to lift sanctions in return for the lifting of import surcharges. But there would be "no guarantees".

His offer implies that import surcharges could be dropped once sanctions go.

Hungary has already been granted exemption from the surcharges, and a similar deal with Poland is expected soon.

Surcharges affecting all SA's trading partners were introduced in 1988 to deter imports and protect the surplus on the current account of the balance of payments. However, the surcharges were now viewed as detrimental to improved local production and exports, government sources said.

SA imposes surcharges on imports rang-

EDYTH BULBRING

ing from 40% on luxury items to 7,5% on other goods. Only certain imports receive a blanket exemption from the Board of Trade and Industry.

SA collected R2,6bn, out of a total revenue of R52,6bn, in import surcharges during the 1989 financial year, twice as much as expected.

Government officials said yesterday the exemption granted to Hungary and the expected surcharge exemption on Polish imports were the first steps towards phasing out surcharges and protective barriers.

A government priority in a plan for economic renewal was creating the climate for increased local production with a view to export. The surcharges had created a complacency in protected local industry which had to be removed, they said.

Import surcharges would be lifted on

□ To Page 2

Imports

Polish goods in the "near future".

SA exempted Hungarian goods from import surcharges in August when the two countries signed a bilateral trade agreement normalising the previously unofficial trade between the two countries.

The pay-off for SA was Hungary's announcement it would lift sanctions.

He said Poland had broached the subject in certain quarters, but no official approach had been made.

Verwey said he expected an official approach to be made in the near future.

Polish sanctions were officially still in place, but whether this policy was practised was questionable, he said.

SA was in the initial stages of normalising relations with the Soviet Union, and an approach for import surcharge exemption would come as a surprise at this early stage, he said.

The concession granted to Hungary formed part of SA's attempts to encourage the penetration of the Eastern European market, the officials said.

□ From Page 1

REMOVING A BARRIER

FIM 9/11/90

Import surcharges wreak havoc with exporters trying to stay competitive, push up inflation and present an administrative nightmare for business. Now comes the strongest signal yet that they will soon be scrapped.

Trade & Industry Minister Kent Durr told the Italian-SA Chamber of Trade and Industries last week that the two-year-old import surcharges have achieved their goal of cutting imports while the balance of payments was under threat. Now they must go.

Moreover, he says Finance Minister Bar-end du Plessis apparently shares this view. "He may allude to them in his next Budget speech. They are no longer needed and will damage the economy in the long term. We now have fiscal discipline as never before, and when the economy grows, it will grow on sound principles."

Winning Du Plessis' consent is a major hurdle because the surcharges — tacked on top of tariffs — raised around R2,5bn for State revenue last year. The surcharges have already been dropped on Hungarian imports and other countries are clamouring for equal treatment (*Business* August 31).

Durr, who promises that the entire SA tariff book will be updated following the recent completion of an Industrial Development Corp investigation, says surcharges are also hindering his efforts to attract foreign investors.

In particular he is after Italian industrialists. Italy is SA's largest export market in revenue terms — purchases are mostly gold and other raw materials. So Durr is eyeing beneficiaries of raw materials, such as the jewellery industry and companies that make ceramics, chemicals, clothing, machinery and machine tools.

He believes that the Italian economy, based partly on small factories producing sophisticated goods, and the SA economy, which relies heavily on the export of raw materials, complement each other. The benefit to SA would be the expansion of its industry and the export of more value-added items. The benefit to the Italians would be gaining the advantage of SA as a springboard into Africa, proximity to the raw materials they need and the ability to export duty-free to Lesotho, Swaziland, Namibia and Botswana.

Durr has done a lot of wooing of Italian

BUSINESS & TECHNOLOGY

FIM 9/11/90 (74)
industrialists. Some of it highly visible, such as his recent visit to Italy, and some has been behind-the-scenes. His efforts have resulted in trade missions to SA and a promise that Italy will push for a reduction of EC sanctions next month.

Italian ambassador to SA Mario Piersigilli told the chamber that Italy, which is chairing the EC until the end of the year, will press for a softening of sanctions at the community's next meeting in Italy next month.

Ivo Butini, Italian Deputy Minister of Foreign Affairs, conveyed the same message at the weekend to Italians living in SA. He told them that Italy can now support SA openly because relations between the two countries have improved since President F W de Klerk's February 2 speech. ■

FOREIGN TRADE (F)

1991 - 1992

Avoid African protectionism, urges bank

74

CT 15/7/91

By AUDREY D'ANGELO
Business Editor

THE formation of trade blocs is not a threat to SA's export plans provided strong bi-lateral ties are kept with trading partners within them, Standard Bank economists say in their latest Economic Review.

But they warn that it would be disastrous for SA to become part of an African trading bloc if it had strong protectionist policies.

Stressing the need for SA to have an outward-looking, export orientated industrial policy, they say: "The formation of trade blocs is a marked feature of the current international trading environment.

"The European Community will consolidate the relations between European countries, particularly, from next year.

"The US and Canada have entered into a free trade agreement which Mexico will soon join, and which may expand to include other Latin American countries."

In such a situation it might be argued that SA's relatively small economy should not be opening itself up to foreign imports, and could not aim at improving exports while some of its trading partners were entering into trade blocs.

"This assumes, however, that the trade blocs coming into being are fortresses designed to exclude trade with non-bloc countries. In practice this is unlikely to be the case, despite instances of protectionism such as Japan and the European Community agriculturalists.

"The trade blocs strengthen bilateral ties between member countries. They do not necessarily exclude ties with non-member countries."

The Standard advises: "SA must work to create and/or strengthen bilateral ties with trading partners within the new trade blocs. This is especially important where there are obvious complementary factors."

Discussing suggestions that SA should defend itself by becoming the leading partner in a new African trade bloc, the Standard says: "Stronger ties with African countries are certainly desirable, as these countries could provide markets for SA's manufactured exports.

"But SA should take care not to support an African trade bloc adopting protectionist policies.

"African countries can simply not offer the complementary products, particularly the technology, which are needed if SA industry is to enhance its efficiency."

BEA challenged by 'grey' marketers

By Derek Tommey (74f)

Parallel importers of electronic equipment — the so-called "grey" marketers — are angry over what they see as efforts by the Business Equipment Association (BEA) to stop their business.

Parallel importers, although not authorised distributors, account for a significant proportion of the local sales of electronic equipment.

The BEA recently launched a campaign to persuade the public to buy electronic office equipment from its members only.

It cited a code of conduct, which gave the public protection, and licensing agreements with Telkom to back its campaign.

However, parallel importers say they only sell products licensed by Telkom and would happily sign the code, if allowed.

Neil Gibb, sales and marketing director of Remez, the biggest importer and distributor of telephones and peripherals, challenges the claim that buyers can get after-sales service from BEA members only.

"Parallel importers must have top-quality sales and back-up services if they are to survive," he says.

He says a number of authorised distributors often come to Remez for assistance.

Mr Gibb says his company has 56 products licensed by Telkom — more than any other distributor — and there is nothing to prevent it from selling them.

Next month, members of the BEA are planning to attach a green sticker bearing the Telkom and BEA logos to all officially licensed fax machines to assist consumers in identifying properly

licensed fax machines.

But Remez will also be affixing stickers bearing its own and the Telkom logos to all officially licensed machines it sells, says Mr Gibb. However, it intends going a step further by putting a number on the sticker to enable it to identify the buyer.

"We do not intend servicing equipment we do not sell," says Mr Gibb.

Remez was the main player in getting the price of cordless telephones reduced from R3 000 to around R500, he says.

Remez first had to obtain permission from what was then the Post Office to use frequencies different from the ones allocated for cordless phones. It then had to negotiate with the SADF for those different frequencies.

"The authorised distributors of cordless phones did nothing."

S. THIR 19/12/91

COMPANIES

Machine tools hit by recession

IMPORTS of machine tools have fallen by 50% this year — from R300m worth of equipment in 1990 to between R120m and R150m — with local manufacturers also suffering dented profits. (M4F)

Industry sources say the recession in the manufacturing industry, particularly in the armaments industry, has slashed demand for locally produced and imported machine tools. B12M 18/12/91

However, an expected upswing in exports of manufactured goods is likely to boost the sector's fortunes by mid-1992. The machine tool sector is divided between metal-cutting equipment, such as lathes, and metal-pressing equipment, for instance that used in making car bonnets.

SA Machine Tool Merchants' Association vice-president Burkhard Herrmann says imports have been "very depressed".

He says the "unwillingness" of the metal working sector to invest in new equipment has hit the association's members. Cut-backs at Armscor and its associate com-

MATTHEW CURTIN

panies have taken their toll too.

SA Machine Tool Review editor Paddy Attwell says demand for durable goods is invariably hit hardest in a recession. The machine tool market closely follows the fate of the metal products sector.

Concern over the political situation has deterred capital investment this year. Attwell says industry lathes cost from R20 000 a unit, while the most sophisticated computerised machine tools went from R250 000 to R1m or more.

He says the promise of input credits on capital goods after VAT's introduction led to a "sales drought for six months, and the expected recovery in business after October did not really happen".

Imported machine tools account for 90% of demand in SA. There are less than a dozen local manufacturers, but more than 120 traders.

Attwell says local manufacturers' profits dropped 20% to 50% this year.

BEA's new boss warns fly-by-night importers

STAR 10/12/91

74F

By Derek Tommey

Stopping the public from being ripped off by fly-by-night importers, straightening Government thinking on import duties, and making technical training more accessible to the unemployed — these are the three main aims of Clive Jandrell, newly elected president of the Business Equipment Association (BEA).

Mr Jandrell, who is also chief executive of Vistech, a leading importer of electronic equipment, said in an interview that one of his main tasks during his two-year period of office would be to educate the public about the pitfalls of buying electronic and other office equipment from the "grey market" and "parallel importers" who appear to offer bargain goods.

There were many examples of "grey marketers" who imported goods for which there was no agent in South Africa and no backup facilities in the way of spares or technical facilities.

"They import say R5 million worth of goods, sell them from their garages, make a quick 10 per cent, and then drive away in their Porsches, leaving their customers completely abandoned," said Mr Jandrell.

"Such people have cost buyers large sums of money."

Parallel importers operate by bringing in goods for which there is already an agent. They also provided no back-up, expecting the legal agent to do this, and often sell at prices well below his.

"People buying goods from parallel importers



Clive Jandrell . . . protecting the public.

frequently experience serious difficulties, firstly because these goods usually are not adapted for South African conditions, and secondly, they are usually not licensed for use with local telephones.

The first lightning storm of the summer resulted in Mr Jandrell's firm getting 10 fax machines for repair.

"All had been imported by a parallel importer, none had been protected against lightning and the result was that the owners all faced a R2 000 repair bill," he said.

"Meanwhile, if the Post Office discovers that an unlicensed product has been connected to their lines, they can seal the product and disconnect the telephone."

To stop things like this from happening, and to help the public get a better service the BEA has introduced a code of ethics to which members of the BEA have to subscribe.

The code specifies that the member has a legitimate agency, has authentic distribution rights and will guarantee his products.

Mr Jandrell said he

strongly recommended the public to deal only with the code's signatories.

However, another important development in protecting the public will take place next year when every item which has been licensed by the Post Office for use with the local telephone system will carry a specific label.

This will help eliminate grey marketers and parallel importers. If they try to copy the label and put it on their own products they can be charged with fraud.

The BEA is holding discussions with the Government for a common duty on all imported electronic items.

"When you have a laser printer, copier and fax in one box, and all are subject to different duties, the need to standardise duties becomes clear".

Mr Jandrell said the BEA would be submitting recommendations to the Government on this matter in February.

The BEA has also been charged by the Department of Manpower to enhance the training done by the Information Technical Industry Training Board (ITITB).

The board receives an income of about R1 million a year. The BEA was reformulating all the curriculum and certification standards.

Mr Jandrell (46) has been one of the information industry's shining stars. When he was in his 30s he was running large corporations. But in 1989 he decided he wanted his own organisation and arranged a management buy-out of his company, Vistech.

Importers losing out on foreign insurance

74F
S Times (CM) 1/12/91

IMPORTERS in South Africa are losing thousands of rands as a result of taking out cover with unknown foreign insurers who sometimes don't pay up when the goods get lost.

The goods land at Cape Town or Durban — and that's where the insurance tends to stop, ignoring the journey to the ultimate address shown on the importer's indent.

The lesson: arrange insurance with a South African company or with a foreign company which is registered in South Africa.

Despite the sometimes unfortunate and costly consequences of entrusting their assets to unknown foreign insurers, many importers continue to ignore the benefits of insuring locally, says John Pile, managing director of South African-based PFV Special Risks.

He points out that major South African underwriters and brokers offer highly competitive terms and services.

They have persuaded a growing number of local importers to buy FOB (free on board), or C&F (cost and freight) and take out their own open marine insurance policies.

Mr Pile identifies four areas where problems can arise from importers allowing their fortunes to be at the mercy of an overseas insurance company which has not provided the right cover, or even if it has, is in any event not always interested in any claim made:

- Scope to cover. Unless the importer instructs otherwise, the seller need not provide more than basic insurance cover such as loss resulting from a casualty to the carrying vessel (fire, sinking, stranding or collision).

The supplier's cover is usually wider than this, but there are extras often taken for granted (such as concealed damage and airfreight replacement costs) that are never missed until a loss occurs.

- Sum insured. Rarely is the supplier-arranged sum insured enough, as his normal obligation is no more than CIF (cost, insurance and freight) plus 10 percent.

He has no incentive to provide more unless the importer specifically instructs him and is prepared to carry the additional premium cost.

By contrast, the importer's own open policy, provided it is properly structured, will provide a valuation to suit his specific needs, taking into consideration railage, clearing charges, replacement costs and so on.

- Voyages. Suppliers' terms are often "CIF Cape Town" or "CIF Durban", and the insurance tends to follow suit so that the hazardous overland journey to the ultimate destination is frequently overlooked despite the address shown on the importers' indent.

- Claims. Mr Pile says only when there is a claim are the deficiencies outlined above clearly illustrated.

The situation is even worse when the insurer's local agent has no authority, meaning protracted argument by correspondence with an often unsympathetic insurer.

Except for simple claims, there is no substitute for personal negotiation with an insurer.

"Of course, there are insurances properly arranged overseas for CIF shipments and some claims are often satisfactorily handled as well," says Mr Pile.

"But the problem is that these circumstances can only be known after the event.

"In any case, and even if all the requirements are met, the fact remains that the overseas insurer who is not RSA-registered has no assets in this country for the purpose of meeting claims.

"In the situation in which South Africa finds itself today, there is a very strong case for believing there is no substitute for placing insurance locally — it is the only way to ensure secure protection."

BTI caught up in electronics dispute

B | Day 26/11/91

74F

ROBERT LAING

THE Board of Trade and Industry (BTI) is in the middle of a fierce dispute between conflicting elements in the SA electronics industry.

Importers of assembled goods say component manufacturers are over-protected. In turn, manufacturers aver the protection bias is in importers' favour.

A major bone of contention in the industry is the 82,5% protective duty on all transistors, which the Board of Trade and Industry (BTI) did not remove after local production ceased two years ago.

Other electronic components which have protective duties are aluminium electrolytic capacitors with a duty of 27%, film and paper capacitors with 21,1% and diodes with 22,8%.

According to import statistics for 1990, R19m was levied on the total R355m worth of electronic components bought by SA.

Electronic Component Manufacturer's Association (Ecma) chairman Bert Kuijpers said: "If we import everything we cannot make cheaper, nothing will be made in SA. There will always be some country which can beat our prices."

Pretoria-based Sames, SA's only com-

mercial semiconductor factory, burnt down in 1989. A new factory is being built to make a limited range of microchips.

However, no new transistor production line is being planned as a result of Siemens deciding not to finance a new plant.

Siemens, supported by Ecma and the Electronic Industries Federation (EIF), requested the BTI to remove the duty.

Only two local audio equipment manufacturers, Tedalex and Audiobuild, did not mothball their plants when duties on imported radios were dropped to about 20% from 40% a few years ago.

The two remaining manufacturers hope to be included in the BTI's structural amendment programme for the TV industry scheduled for January.

Audiobuild joint-MD Murrion Markus said local manufacturers wanted the BTI to scrap protection on components while increasing duties and surcharges on assembled sets.

Import surcharges, duties and ad valorem taxes added between 90% and 110% to the price of imported TV and audio sets, he said.

COMPANIES

Clash over BTI programme

A TUG-OF-WAR is under way between manufacturers and importers of television and audio sets over the Board of Trade and Industry's (BTI) revised structural amendment programme.

The BTI programme is scheduled for January, and aims to settle a row which arose from the programme it gazetted in July. *Blow 25/11/91*

The industry and the BTI reached a truce in September and are currently re-negotiating a long-term strategy.

SA's two surviving audio manufacturers — Tedelex and Audiobuild — are lobbying for the inclusion of locally made radios and tape-recorders in any new dispensation.

The move is being opposed by importers, including Audiodek, which mothballed

ROBERT LAING

manufacturing facilities after surcharges were reduced to 20% from 40%.

Audiodek's Ian Dickie said: "Manufacturers have been protected for 15 years, but have still not got their act together."

As in the motor industry, electronics manufacturers faced having the BTI continually move the goalposts, Dickie said.

Audiobuild joint-MD Murrion Markus said local manufacturers wanted the BTI to scrap protection on components while increasing duties and surcharges on assembled sets. *(74F)*

Importers are also requesting control at customs to be stepped up to stop pirate importers evading taxes.

Imports scheme under fire

^{B (Day) 22/11/91 74F 44D}
THE Textile Federation, hitting out at the import-for-export scheme enjoyed by clothing manufacturers, said yesterday as much as R58m of the total R166m of clothing imports in the first half of this year had come into the country duty free.

It also said the increase in clothing exports in the past year — often quoted by supporters of the scheme — had been almost offset by the jump in clothing imports.

Under the scheme local clothing manufacturers were permitted to import clothing duty free according to a formula based on their clothing exports.

Executive director Brian Brink said serious shortcomings and flaws in the scheme were now coming to the fore and the Board of Trade and Industry had suggested curtailing it severely.

Of the R58m imported duty free, 66% consisted of knitted clothing, jer-

seys and cardigans. ~~121~~ ~~122~~

Brink said the actual duty raised on jerseys imported during the first half of this year was less than 5%.

The average landed cost of a jersey was about R18 and the benefit of these low-priced goods had not been passed on to the consumer.

Although supporters of the scheme pointed to the 54% increase to an estimated R298 (R193m) in clothing exports, they overlooked the rise in clothing imports. These had jumped 41% to an estimated R322m in 1991 from R235m last year.

"Foreign exchange gains from the increase in clothing exports have been almost cancelled out by the rise in clothing imports."

Brink added that much of the clothing exports had used duty-free imported fabrics in their manufacture.

WILLIAM GILFILLAN

Marais calls in task group

TRADE and Industry Minister Org Marais has suspended proposed changes to the clothing and textile industries' protective tariff structure and invited an inter-industry task group to investigate a new export-oriented system.

Addressing a meeting in Johannesburg yesterday at which the industries tried to resolve their differences over import tariffs, Marais made it clear he was opposed to higher levels of protection. He urged the industries to negotiate a new tariff system which would enhance their international competitiveness.

Industry representatives agreed yesterday to establish an inter-industry task group to devise a long-term strategy and a shorter term transitional plan.

They were told that the Board of Trade

LESLEY LAMBERT

and Industry's (BTI) recent tariff proposals would be placed on hold pending the task group's proposals.

The BTI proposals are aimed at simplifying the industries' import tariff structure and providing a period of transitional relief before tariffs are lowered. But they have angered the clothing industry essentially because they constitute increased protection for the textile industry.

In a statement yesterday, Marais said the task group "must take into account that government cannot and will not continue with high levels of tariff protection indefinitely. Industry must accept that increased international competitiveness and

□ To Page 2

Task group

lower protection remain the goals".

However, government would maintain protective measures for a few years to allow unprofitable industry participants to adjust to lower levels of protection.

The task group was instructed to propose ways of assisting the industries to adjust and was asked to propose a long-term strategy.

The group is made up of a number of high-powered leaders in all sectors of both industries and will be chaired by Barlow

From Page 1

Rand special projects consultant, Paul Hatty.

Marais insisted that the SA Clothing and Textile Workers' Union be invited to appoint a representative to the group.

Sapa reports from Cape Town that Sactwu welcomed moves to establish a task group. Union leadership would discuss the details of the proposals and would probably nominate a representative to the group, if ratified by the union.

15/11/91
the bull's tail

based, will have a positive impact. Because food prices generally rise ahead of the inflation rate, a smaller food component in the index will reduce the effect of these rises.

A harbinger of better things to come is that producer price inflation continues to fall (see P40). At some point, the traditional relationship between producer and consumer prices must re-assert itself.

Perhaps a more valid concern is the shortfall in government revenue in the first six months of the fiscal year. If, as seems likely, the Budget deficit is higher than originally expected, additional funding will be needed in the market.

Caution is also required on the current account. With official reserves not yet high enough to fund three months' imports, there will be caution in official circles. Imports are proving unusually buoyant in a recession (see below) and an economic recovery will cause a strong acceleration in import growth.

The governor's decision depends, then, on what weighting he attaches to these factors — and to the absence of any unexpected event overshadowing fundamentals. In mid-1990, the scene was set for a fall. Money supply growth was subsiding, the rand was stable and inflation was falling. In June, with the 12-month rate of increases in consumer prices 13,6% and the nominal prime rate at 21%, the "real" prime rate was 7,4%.

Then Saddam Hussein invaded Kuwait.

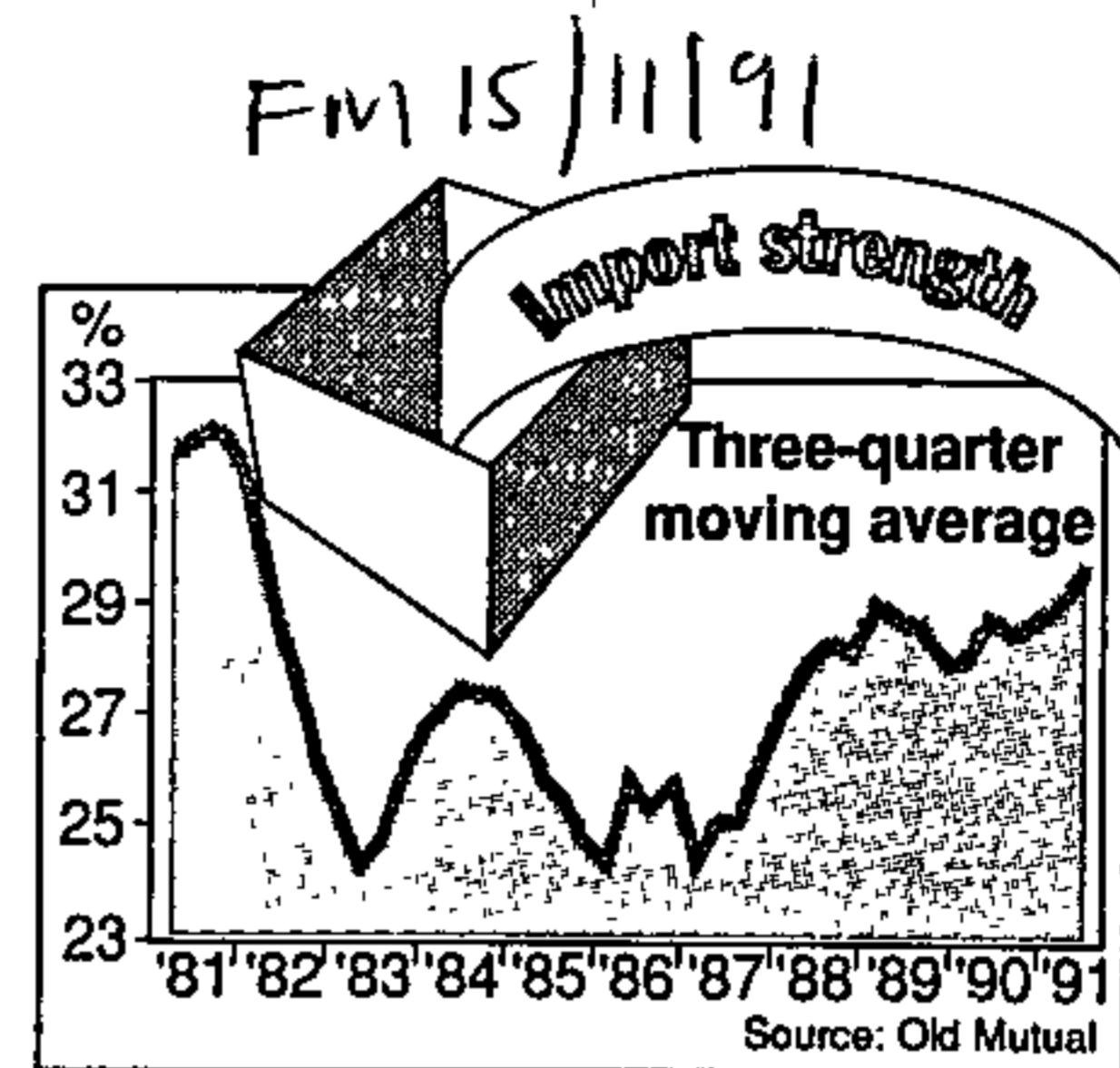
All things considered and assuming no new Saddam Hussein makes an appearance, a fall in Bank rate by February seems as good a guess as any. ■

CONSUMER SPENDING **74F**
 FM 15/11/91
Pressure points **128**

Consumption spending is under pressure, says the latest Old Mutual *Economic Monitor*. Apart from continued high interest rates, this is due to a decline in employment and a slowing in "per capita remuneration adjustments." Growth in the aggregate wage bill "had, by the second quarter, dropped below the prevailing inflation rate."

Old Mutual says "no meaningful recovery in this component of final demand is expected until the anticipated recovery in profit and production levels."

However, imports remain surprisingly high for a recession. Old Mutual calculates that import propensity — the proportion of consumer demand satisfied by imports — has averaged 28,6% throughout the recession (see graph). "This is in striking contrast to the two previous downswings which saw import propensity fall from 32% to 24% and



27% to 24% in the 1981-1983 and 1984-1986 recessions respectively."

One possible explanation is that the decline in real fixed investment has been mild compared with the last two recessions. Another is that the real trade-weighted rand has appreciated throughout this recession and, by February (its recent peak), was 4,6% higher than at the beginning of the downswing.

"This contrasts strongly with the 8,3% and 20,9% depreciation of the real rand in the 1981-1983 and 1984-1986 recessions respectively. The lower rate of increase in prices of imported goods compared with those produced locally (largely as a result of the relatively strong rand and low international inflation) has consequently gradually altered the price structure in favour of imports.

"Given that these factors are unlikely to change significantly in the medium term, the danger is that the already high level of imports could rebound sharply (as it normally does) once the economy recovers, particularly given the pent-up investment and inventory demand (which typically has a high imported component)." ■

INCOME TAX **620**
 FM 15/11/91
Leave pay problems

Two recent decisions in the Income Tax Special Court have left the law on the deductibility of leave pay in a state of contradiction. Ernst & Young tax partner David Clegg says that about 18 months ago a case came before the court in which the taxpayer claimed a deduction based on a "provision for leave pay." This related to a number of employees who had worked sufficient days to qualify to receive the amounts.

The Commissioner for Inland Revenue disputed the deduction on the grounds that, essentially, the employees would forfeit their entitlement if they did not take leave within a certain period. It is difficult, concedes

Cheaper export credit from UK

SA IMPORTERS will soon be able to get cheaper export credit from Britain, British Trade Minister Timothy Sainsbury said in Johannesburg yesterday.

Addressing the SA British Trade Association (Sabrita) on the first day of his visit to SA, Sainsbury said the premiums which SA companies paid to procure credit for their imports had been reviewed by the Export Credits Guarantee Department and would soon be lower.

Up to now, sanctions have placed a higher than normal premium on the export credit facilities offered to SA companies.

Sainsbury gave local businessmen one of the most positive signals yet that higher levels of British trade and investment would follow the political reforms currently under way.

"British companies tell me they are already dusting off their expansion plans and generally reviewing where SA fits into their corporate strategy.

"We are not complacent. We know that our main competitors are taking a fresh look at your market as political inhibitions are removed.

"Nobody should doubt we are looking to expand our share of trade with and investment in SA," said Sainsbury.

Commenting on the current state of SA industry, he said that while some sectors were fully competitive internationally, in others technology

had become dated and manufacturing methods and training systems needed an overhaul.

British industry would be able to assist in these key areas through technology transfer agreements, joint ventures and other forms of partnership, he said.

Sainsbury said it was crucial that SA did not allow delays in a political settlement to hamper its economic agenda.

Britain would try to assist the country by continuing to press for its access to the IMF and World Bank, he indicated.

SA would have to fight its corner among the growing number of countries trying to attract their share of new foreign investment, Sainsbury said.

"Political stability is a necessary but not a sufficient condition for success.

"The trading conditions must also be the most favourable possible. This means nothing less than a full-blooded commitment to a market economy and the removal of all barriers to trade," he said.

Last year, the UK was SA's second largest visible trading partner.

British exports to SA had exceeded £1bn (sterling, not dollars as Business Day reported yesterday) in each of the past three years.

74F
15/11/91
LESLEY LAMBERT



British Trade Minister Timothy Sainsbury addresses the SA British Trade Association yesterday. Picture ROBERT BOTHA

Board acts against low import prices

B/Daw
11/11/91 SHARON WOOD

74F

GOVERNMENT has announced stringent anti-dumping duties to protect the local fertiliser and plastic industries from what it terms "abnormally low import prices".

A Board of Trade and Industry (BTI) statement issued on Friday said anti-dumping duties were more effective than the previously used formula duties.

The report found the fertiliser industry did not need protection at normal prices and that a 10% ad valorem duty on imported plastics was reasonable in comparison with the other important exporters.

However, international trade in these products was characterised by fluctuations in the price of the products compared with the price in the country of origin.

Tariff protection had changed little during the last decade, but tariff protection for important polymers had been reduced to levels comparable with or lower than a number of other countries, the report said.

The BTI's findings are in line with the Industrial Development Corporation's (IDC) report on tariff restructuring, which advocates a reduction in tariffs until they are in line with international standards.

An SA Chamber of Business response to the report emphasised the devastating effect dumping could have on industry.

Samancor plays down allegations of dumping

SAMANCOR, SA's leading ferro-alloy producer, yesterday played down reports that a trade dispute had arisen between SA producers and the Japanese government over allegations that they have been dumping ferro-silico-manganese on the Japanese market.

Samancor exports 20 000 tons of silico-manganese a year to Japan.

Reuters reported this week that the Japan Ferro Alloy Association (JFA), an industrial body, had called early last month for the Japanese government to impose dumping duties on ferro-silico-manganese imports from SA, China and Norway.

The report said SA and Japan were locked in trade dispute about metal export prices.

The JFA said in its petition to the Japanese finance ministry that low-cost imports of the ferro-alloy from these countries were damag-

ing the domestic industry.

Samancor finance GM Chris Norval yesterday denied the group had been dumping.

Samancor manganese division deputy GM Philip Brink said investigations were underway in Japan over the accusations of dumping and he was confident that, once they were complete, it would become clear SA was not guilty of dumping material. Japanese customers had originally approached SA to supply silico-manganese to the Japanese market.

He said the Japanese were primarily concerned with Chinese supplies of silico-manganese. Chinese exports of cheap material to Japan had doubled in the past year or so.

Silico-manganese prices have plunged by as

much as 40% in the past two years because of the flood of cheap, but low quality, Chinese and Soviet material.

Lesley Boyd, chairman of Highveld Steel and Vanadium, whose subsidiary Transalloys is SA's other exporter of ferro-silico-manganese, was not available for comment yesterday.

Ferro-silico-manganese is used in the manufacture of carbon steel and Samancor and Transalloys have to compete with Japanese producers for sales in Japan. Japan does not manufacture its own ferrochrome, used in the stainless steel industry, which Samancor and other producers also export to the Far East.

Reuters reported that SA commercial consul in Tokyo, H S Schoeman, said SA was trying to settle the dispute by changing its export practices. "I'm sure the problem will be resolved soon", he said.

MARKET COMMENT

15/11/8
6/2/8

(1000)

(100)

(74F)

UK call for end to import impost

s/Times
(BUS)
3/11/91

By JOHN CAVILL

LONDON — British Trade Minister Tim Sainsbury will call for the removal of the import surcharge when he leads the first government trade mission to South Africa for 21 years.

Mr Sainsbury says: "If South Africa reduced its high external barriers to trade it would send a positive signal to the international community. It would be a sign of a return to normality which would boost investor confidence in the country."

Mr Sainsbury and British businessmen arrive in Johannesburg on November 13 for a 10-day visit.

He will have discussions on trade and investment relations between Britain and SA. Britain exported goods worth £1.1-billion to SA last year.

74F Lunch

"I will meet President De Klerk, Mr (Pik) Both, the African National Congress and black business groups," says Mr Sainsbury, who will visit Pretoria, Durban, Richards Bay, Cape Town and Johannesburg.

He will also be the guest speaker at the Sabrita annual meeting lunch on November 14.

Mr Sainsbury concedes that SA faced difficulties with imports because of the need to maintain a high current account surplus to fund debt repayment when international financial markets were closed to it.

"But often one has to look forward. South Africa, at the moment, is a semi-siege economy, but there should be a lot of changes coming."

● On November 17 Business Times will publish a supplement on the state of British-South African trade.

Clothing and textiles still under whip

THE economy may be about to move out of recession, but orders for textiles and clothing are expected to remain low.

Production declined by between 7% and 8% in the first half of the year.

A report in the Textile Federation's newsletter says retail sales in clothing, footwear and textiles for the seven months to July were nearly 3% up on the same time a year ago, but there has been a softening since then.

The slackening is attributed to consumers' disposable incomes coming under pressure and to large-scale retrenchments.

Textile production was helped by a small increase in yarn sales after the formula duties for imports were revised.

Difficult

The volume of yarn imports fell by 21% in the first six months of this year. But the volume of fabric imports rose by 19% to more than R500-million.

This is adversely affecting the textile industry and it is awaiting finality about government policy for both industries. The delay is adversely affecting short-term confidence and causing tension between the two industries.

Arnold Werbeloff, economist at the National Clothing Federation, says the uncertainty makes export and investment planning difficult.

Mr Werbeloff says: "The clothing industry sees no advantage in changing the terms of the structural adjustment programme for the clothing pipeline and wishes to see it remain in place until 1994 when its five-year life-span is completed."

Business Times Reporter

Growth in clothing output is expected to fall by 5% this year after a 3,6% improvement last year.

Production of garments has fallen to below the 1985 figure which led to the market dipping to its lowest-ever level in 1986.

In the first seven months of this year, production fell by 7% compared with the 1990 figure.

Textile Federation president Wallace Grace says in the newsletter there will be more company losses, closures, retrenchments and short-time working until the industry receives some relief from the ravages of imports. They have reached 40% of the total amount of fabric used.

Mr Werbeloff says the clothing recession indicates that retailers are not restocking. Textile manufacturers are finding export markets as well as non-apparel growth opportunities.

Shorter

In spite of this, employment in the first nine months of the year increased by 1 900 to 115 400. Total employment, including Bophuthatswana, Ciskei, Transkei and Venda, was 161 000.

Mr Werbeloff says lower production indicates that output by each worker has fallen, suggesting shorter working hours and fewer companies entering the market.

Clothing imports rose by 34% to R173-million in the first six months. Exports increased by 90% to R129-million.

Latest projections indicate that exports could rise to R370-million for the year.

FOREIGN TRADE FM 1/11/91

Consumer power

Imports of consumer goods remain surprisingly high for a recession. An analysis by Safto economist Bruce Donald of the first three quarters shows that textiles rose 27% over the comparable period in 1990, and footwear & accessories 71%. Growth in industrial inputs was far more subdued. Says Donald: "The machinery category grew by only 6%, transport equipment by 12%, chemicals by 15% and base metals by 1%."

FM 1/11/91

74F

The unclassified category, which includes imports of oil and arms, is up only 2,2%. Since January, when its value was placed at nearly R1,3bn, imports in this category have averaged only R421m a month.

Total imports, at R36,9bn, rose 10% in the nine months. Though a decline in real terms, "this is relatively strong growth considering local recessionary conditions," says Donald.

Exports grew in the period by 9,4%, to nearly R49bn. "Export performance has improved steadily," says Donald. In the third quarter, it was positive in real terms for the first time this year — 15% up on the comparable quarter of the previous year.

"In September, the push came partly from diamonds." The value of exports in the precious stones category rose from R589,2m in August to R746,3m.

"It is possible the surge came either from a transfer of stocks from De Beers to Centenary abroad, or through a statistical adjustment in the preliminary statement from Customs & Excise." But given the "continued pedestrian performance of the diamond sector and the volatile nature of this export category," the performance is unlikely to be sustained, he says.

Over nine months, manufactured exports showed impressive growth in some sectors, says Donald. "Chemicals rose 34%; plastics 53%; prepared foods 19%; transport equipment 35%; and miscellaneous manufactures 46%."

The September trade surplus was R1,5bn (at the month-end R/\$ exchange rate, just over US\$500m), down from R1,9bn the previous month. The cumulative surplus is R12bn (\$4,2bn). "Annualising this suggests a trade surplus for the year of R16bn and, (based on Reserve Bank figures for invisibles to June 1991), a current account surplus in the region of R6bn."

Tile dumping probe launched

B/PCW
BRENT VON MELVILLE
25/10/91
74F

THE Board of Trade & Industry (BTI) has launched another investigation — this time into the possible imposition of anti-dumping duties on glazed ceramic tiles imported from or originating in Spain.

The inquiry follows last month's announcement that the BTI would investigate tiles emanating from Brazil and Argentina. The BTI moves arise from representations by the SA Ceramic Tile Manufacturers Association (Sactma).

Sactma claims that glazed ceramic tiles originating in the three countries are being "dumped" on the SA market, resulting in material injury or threatened material injury to the SA industry.

According to Sactma white glazed wall tiles sell in SA at an average of about R24/m², while free on board prices from Argentina — the biggest supplier of white tiles to the SA market — landed at just over R9/m².

Turkey is also a very cheap source for tiles, and imports of tiles come in under a preferential duty of 3%. Spain, Italy, Argentina and Brazil, meanwhile, pay duties of 35% on white tiles and 17,5% on decorated wall tiles, coloured tiles and floor tiles. Part of the Sactma application is to equalise the two duties at 27,5%.

The total SA market for tiles has been estimated at about 12- to 13-million square metres a year.

Firms in tussle over glass imports

ALLEGATIONS of dumping, and calls for further protection of the glass industry are at the centre of a row between Pilkington Glass SA and Triangle Glass.

Triangle, a subsidiary of Triangle Chemical Industries and a leading manufacturer of window putty, imports about 30 000m² of 3mm drawn glass every month from Taiwan. *Blown 11/10/91*

Pilkington, however, believes Taiwan is dumping drawn glass on the local market.

The glass manufacturer has lodged an application with the Board of Trade (BoT) for an anti-dumping duty on Taiwan in terms of the 1984 Customs and Excise Act, marketing director Brian Humphries said

PAUL ASH

on Wednesday. *(74F)*

"We believe the People's Republic of China is exporting to obtain Western currency regardless of Western cost and price parameters," he said.

Triangle had been importing glass for the past two years from Poland, Russia, Romania, Taiwan and Brazil, MD Cyril Gebhardt said.

Pilkington, which had the sole agency to import drawn glass from Turkey, simply did not want any competition, Gebhardt said.

180-day terms offered to importers

SA import-export company Nationwide Trading has joined forces with a European bank to provide bridging finance for local importers.

Companies importing more than \$250 000 worth of goods each month can now issue suppliers with an irrevocable letter of credit for up to 180 days. The bank will then pay the suppliers on their normal terms and take a cession of the letter of credit, says

B/pay 8/10/91
LESLEY LAMBERT

Nationwise director James Urdang.

Importers generally finance their imports by way of letter of credit payable within 30 days (M4F)

The Nationwide method offers a significant cash flow advantage and enables importers to borrow at lower interest rates.

Rising imports may hit 15 000 workers.

3/10/91
WILLIAM GILFILLAN

SIX thousand jobs had been lost and a further 15 000 were threatened as a result of rocketing imports of jerseys and sweaters, the South African Worsted Spinners and Garment Knitters Association claimed yesterday.

At the same time the association called on the authorities to ignore last week's objections by the National Clothing Federation on the latest Board of Trade and Industry (BTI) proposals for restructuring the textile and clothing industries.

The proposals, gazetted in August, include increasing the tariffs on imported textiles and clothing, withdrawing rebates and reducing the incentives for clothing exports.

By siding with the textile industry, known to support the BTI proposals for increased protection, the association had created a major rift in the clothing industry, analysts said.

Association chairman Peter Jacobson said that apart from damaging local businesses and jobs, the duty-free structural adjustment programme had done "horrendous damage to the fiscus and done nothing to alleviate inflation".

He said "the BTI proposals can be combined with a more meaningful anti-dumping duty which has the teeth to ensure prompt action before irreparable damage is done".

Strebel hurt by flood of textile imports

B(Dav) 20/9/91
MARCIA KLEIN

A FLOOD of textile imports and the long recession have severely affected results for the Strebel Group in the year to end-June.

The Cape-based textile accessories manufacturer's earnings dropped by 44% to 21,3c (38c) a share on the back of extreme pressure on margins, MD Fred Strebel said yesterday.

He said there would be no increase in earnings in financial 1992 as difficult trading conditions were expected to continue throughout the year.

Strebel said the recession had severely affected the group's sales in its main markets — textile, clothing and retail sectors — resulting in a 4% drop in turnover. Turnover figures are not given.

The effects of the recession had

also "placed an enormous strain on operating margins", with operating profits showing a 35,6% decline to R8,6m (R13,3m).

After small increases in depreciation and interest, pre-tax income was 50,5% down at R5,1m (R10,2m).

A small relief in the reduction in taxation to R1,9m (R4,5m) saw attributable earnings decrease by 44% to R3,2m (R5,7m).

A final dividend of 4c a share was declared, bringing the full-year dividend to 7,5c (13c) a share.

Strebel spoke out strongly against the flood of textile imports in the second half of the financial year.

"As a group we strongly favour

healthy competition in our economy. At the same time we believe the government must balance imports against the strategic needs of the country in terms of raw materials production, manufacturing capacity and continued employment."

Despite pessimism with regard to the current year, Strebel said the group would be in a position to respond to the first signs of an economic upswing and an improvement in consumer demand, with its strong balance sheet.

Gearing of 39% (38%) of shareholders' funds and 93% in the case of all liabilities to shareholders' funds was well within the group's self-imposed limits of 50% and 150% respectively.

Isacor seeking relief from foreign dumpings

By Derek Tommey

Star 30/9/91

Isacor does not expect to maintain its 1990-91 profits in the current year, says chairman Marius de Waal.

The upturn in the economy is not expected to impact on Isacor and its operating profits until the second quarter of next year, making it difficult to repeat the previous result.

Managing director Willem van Wyk says the company is seeking protection against the dumping of steel by foreign producers.

With the lifting of sanctions, it is also planning to re-enter former markets as soon as possible, but in an orderly fashion. He says Isacor is capable of competing in South Africa with foreign manufacturers who sell at prices reasonably related to their own costs.

But the current world surplus has led to steel being traded at abnormally low prices, resulting in SA's steel producers requiring protection against dumping.

Mr van Wyk says in Isacor's annual report to shareholders that steelworks have high fixed costs and to keep total costs a ton as low as possible they have to maintain production in order to spread their fixed costs over the best aggregate tonnage. World consumption is now 15

COMPARISON OF LOCAL PRICES IN RESPECT OF REPRESENTATIVE PRODUCTS IN THE RSA, UK, USA, FRANCE AND GERMANY (RAND PER METRIC TON)

Product	Re/ton	United Kingdom ^(*) (basis point)		USA (FOR works)		FRANCE ^(*) (basis point)		GERMANY ^(*) (basis point)	
		Isacor FOR	Higher/ lower(-) than Isacor	Higher/ lower(-) than Isacor	Higher/ lower(-) than Isacor	Higher/ lower(-) than Isacor	Higher/ lower(-) than Isacor	Higher/ lower(-) than Isacor	
Angle sections	1 241,70	(8,54)		34,43		22,63		13,93	
Taper flange channels	1 266,55	22,28		35,34		6,51		5,95	
Channels	1 332,90	(10,22)		35,58		(0,40)		4,32	
Flat sections	1 272,40	(10,74)		43,04		31,64		(2,16)	
Plate (structure)	1 379,25	7,68		30,16		6,86		20,42	
Plate (pressure vessel)	1 605,25	(0,02)		15,18		5,98		15,83	
Hot-rolled sheet	1 399,80	12,48		21,28		18,13		26,48	
Cold-rolled sheet	1 731,45	(0,53)		11,05		2,92		12,52	
Hot-rolled sheet (strip)	1 450,05	12,95		9,83		10,92		12,62	
Galvanised sheet	2 360,55	(3,18)		13,41		(7,78)		9,59	
Electricity (implant)	2 046,83	48,24		68,74		46,31		67,52	
Wire rod (netting wire)	1 240,95	(8,48)		31,67		(1,07)		25,73	
Exchange rate as on 1991-06-19		R1=£0,2131		R1=\$0,3434		R1=FF2,1015		R1=Dm0,6185	

* Rebate included in prices.

percent below production. And with manufacturers continuing to produce at high levels, dumping is taking place.

Mr van Wyk says ordinary market forces are not enough to enable producers to compete against dumping.

For this reason, all steel-producing countries, including the US and those in Europe, provide protection in some form or other for their local industries.

The South African Rolled Steel Producers' Co-ordinating Council has asked the Government to update the current steel

tariff formula, which is still based on 1985 component values.

It has asked the Government to incorporate the latest published overseas domestic prices, shipping rates and exchange rates relative to the South African currency.

He says that the over-supply of steel in foreign markets has led Isacor to improve competitiveness rather than expand output.

As a result, in the medium term Isacor will not embark on capital expenditure pro-

grammes specifically to increase capacity, though this could be a by-product of some key modernisation programmes.

Mr van Wyk says the economy is expected to bottom out towards the end of this year or early next year, resulting in a slow recovery in the first half of the year.

But the recovery is not expected to come soon enough to have a beneficial impact on local sales in the first half of 1992.

However, Isacor will continue to exploit available sales opportunities, both local and international — a comment echoed by Mr de Waal.

He says the formal lifting of sanctions against steel exports by the US and imminent steps in this direction by the European Community are being explored with enthusiasm by the SA steel industry and Isacor in particular.

Isacor plans to re-enter these markets at the earliest possible opportunity.

It already possesses established marketing networks which will give it a wide choice of outlets, particularly for its value-added lines for which niche markets should be readily available.

This will help compensate for unfavourable market conditions.

Import duty structure 'should have come sooner'

(74F) B/D on 17/9/91
WILLIAM GILFILLAN
JOBS and factories in the footwear industry and in the Conshu group could have been saved had the new import duty structure for the footwear industry been implemented timely, Conshu CE Robert Feinlum said in the 1991 annual report.

Under the new structure, ad valorem duties have been increased to 60% on synthetic and textile-uppered footwear. The increased duties have been recommended for a period of three years to give the industry time to rationalise.

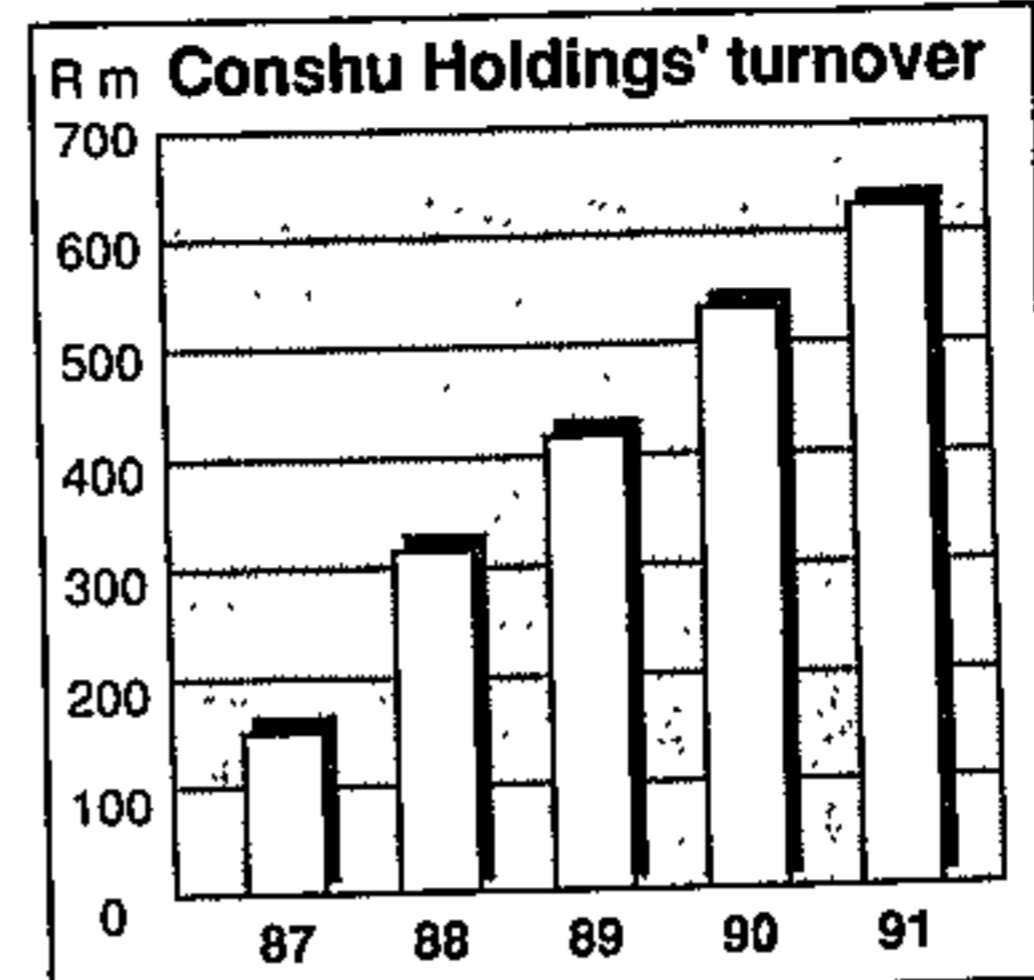
The duties will then be scaled down

by 5% a year for six years to end up with an ad valorem duty of 30%.

Chairman Attie Du Plessis welcomed the new structure as he said it offered some certainty to the future of the local footwear industry.

Du Plessis said Conshu's export turnover had grown by over 68% in the 1991 year, although he conceded this had been off a low base.

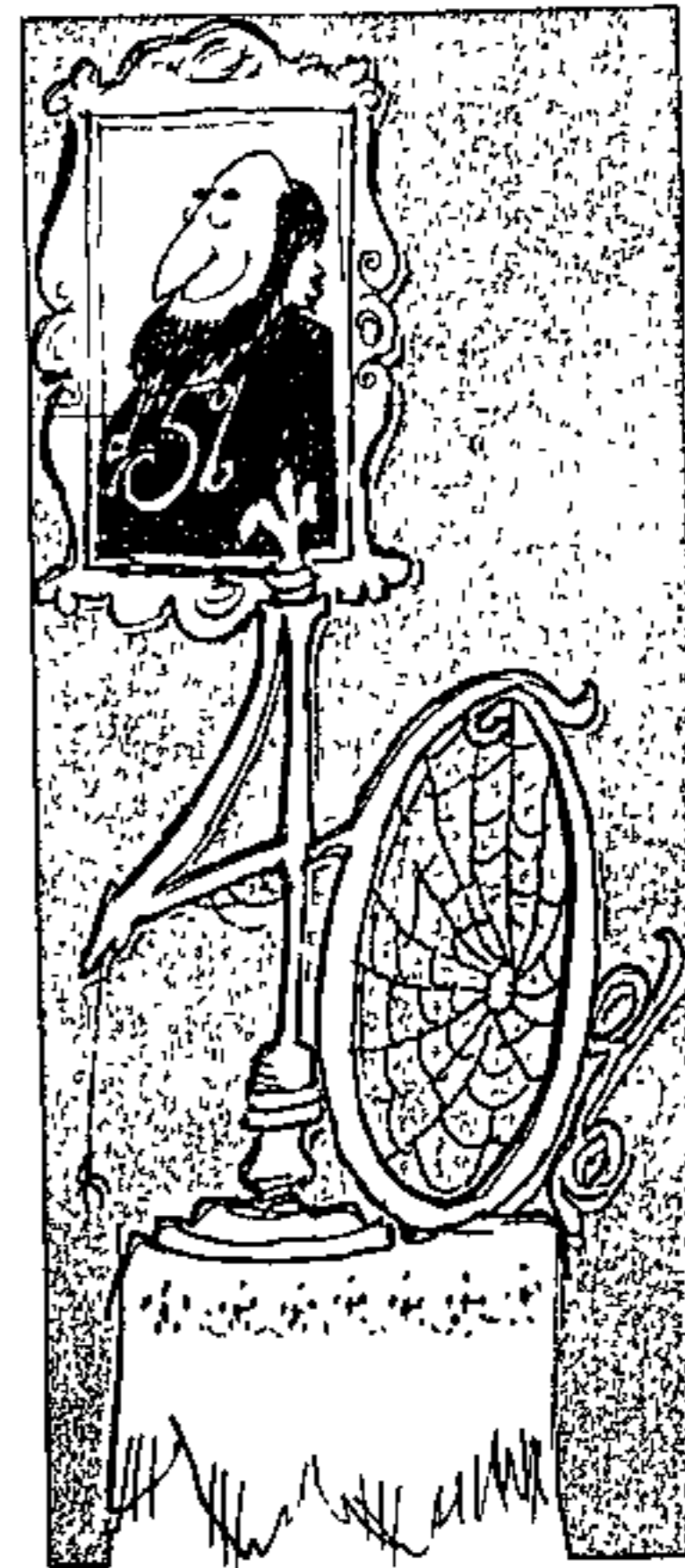
The group is trading at 520c a share to give a 66% premium over its net asset value at June of 313c a share.



Graphic: FIONA KRISCH Source: CONSHU HOLDINGS

R2m in 1989, while paintings worth R26m were imported. He believes that a reduction in the surcharge on antiques would have little effect on the balance of payments but could save the fragile antique trade.

Felbert says an added irony is that while imported paintings from any source are surcharged at only 5%, other art and antiques that may be part of SA's cultural heritage — such as Van Wouw sculptures, Cape silver and furniture — brought back into the country are hit with the 40% surcharge.



(M4 F)

The discrimination began in April 1989 when the surcharge on paintings was reduced from 60% to 10%. It was later cut to 7,5% and then to 5% in the March Budget. Early last year the surcharge on antiques and other art was reduced from 60% to the current 40%.

Why the discrimination? Is the imported-paintings lobby that much more powerful than the imported-antiques lobby? Felbert says the association has tried for more than two years to have the surcharge reduced and to get a satisfactory answer on why paintings enjoy such favoured status.

He and colleagues have met or corresponded with former Trade & Industry Minister Danie Steyn, the current Minister Org Marais, former Deputy Minister Theo Alant and Board of Trade & Industry chairman Lawrence McCrystal, all without success.

The *FM* has had exactly the same experience over the past two weeks. Responding in writing to questions from the *FM*, Marais' office simply stated that "it's in terms of a Cabinet decision." Marais' spokesman was unable to explain later the reason for the decision. Marais is overseas and could not be contacted, though he was in SA when his office received the *FM*'s questions.

The spokesman points out that former Minister Steyn and not Marais was in charge of the Trade & Industry portfolio at the time of the decision, and that surcharge rates are set by the Department of Finance. But the *FM*'s questions to Finance Minister Barend du Plessis' office were directed to Marais' office.

The Department of Trade & Industry says it's government's policy to phase out surcharges and that the March Budget reduction for imported paintings was in line with this. "Unfortunately, it was not feasible to reduce further the rate of surcharge on antiques and other goods not regarded as essential for economic growth." ■

IMPORT SURCHARGES (M4 F)
 FM 20/9/91
Keeping out antiques

Government apparently considers imported paintings essential for economic growth but not other works of art or antiques. Neither Trade & Industry Minister Org Marais nor his department can explain why.

The surcharge on hand-executed paintings — as opposed to prints or other methods of reproduction — is 5%, but the surcharge on antiques and other works of art is a whopping 40%.

Ralph Felbert, of the SA Antique Dealers' Association, says the enormous surcharge is crippling the business and artificially inflating the prices of stock at auctions. He adds that the value of imported antiques last year was more than halved, to less than R1m from

Motor duty may be axed

(Bun/t)

Sy Times 25/8/91

(74F)

(12)

By DON ROBERTSON

THE TEMPORARY 2,5% increase in excise duty on imported motor components is likely to be scrapped in September, say motor industry sources.

It was instituted in June because the Government ran out of money to pay export incentives to motor makers. The pool has presumably been built up again.

Their incentives of 50c in the rand are funded by this special duty, but it was insufficient because exports were greater than expected.

Other changes to the structure of the Phase Six local content programme were to have been announced in September. But the Board of Trade and Industry and the National Association of Automobile Manufacturers of SA (Naamsa) have agreed to postpone them to December.

Changes arising from Vat have also been deferred to December.

Imports increase again despite ailing economy

Staw 21/8/91

(74 F)

By Sven Lünsche

Imports rose for the sixth successive month in July, despite the economic slowdown, which has depressed local consumer spending.

Customs and Excise figures released yesterday show that imports last month rose to R4,88 billion, a substantial 20,6 percent increase on June's R3,98 billion. In February, monthly imports were only R2,99 billion.

Exports from June to July rose 19 percent to R5,93 billion (R5,09 billion), leaving the surplus for the month slightly lower at R1,05 billion from R1,11 billion in June.

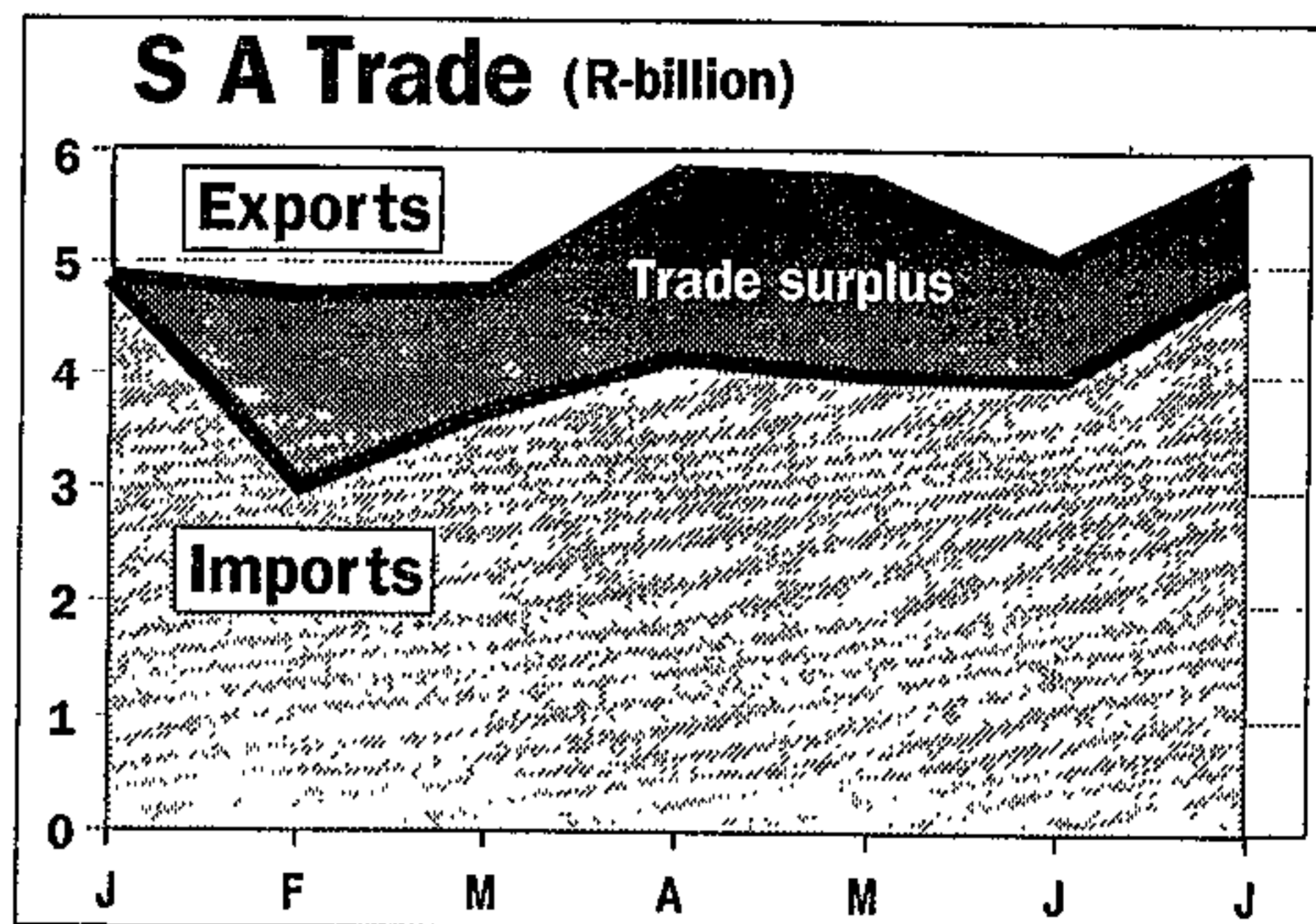
The stubborn rise in imports flies in the face of the Reserve Bank's efforts to boost the balance of payments and gold and foreign exchange reserves.

By keeping interest rates high and the rand exchange rate stable, the authorities hope not only to squeeze consumer demand for credit finance, but also curb demand for imported goods.

Demand, however, has been largely sustained by the corporate sector. This is reflected in a rise in imports of goods such as machinery, chemical goods and transport goods.

For the first seven months of the year, imports of machinery totalled R7,96 billion (January to July 1990: R7,64 billion) and imports of chemical goods R3,18 billion (R2,76 billion).

The value of transport goods rose to R4,01 billion



(R3,59 billion). Textiles showed strong growth, increasing from R1,2 billion to R1,44 billion.

Imports of unclassified goods (mainly oil) continued to firm, rising from R3,32 billion to R3,85 billion.

Total imports so far this year are up by 11,12 percent at R28,44 billion (R28,59 billion).

Exports continue to hold up fairly well, despite the slower growth rates of South Africa's major trading partners.

So far this year exports have increased 7,8 percent to R37,12 billion from R34,47 billion, boosted by strong exports of unclassified goods (mainly gold and precious metals) to R15,69 billion (R14,14 billion) and base metals to R5,4 billion (R5,07 billion).

Exports of manufactured goods also showed good growth, led by chemical products at R1,37 billion (R1,05 billion), tex-

tiles at R1,01 billion (R956 million), machinery at R837 million (R775 million) and transport equipment at R733 million (R586 million).

Further growth in exports is expected over the next few months and next year as the outlook for the world economy in 1992 "is one of modest and broadly based improvement", says Standard Bank in its latest Economic Review.

Trends in the world's major economies translate into higher commodity prices and the economists argue that the gradual improvement in the world economy will boost prices in the months ahead.

Furthermore, the steady erosion of sanctions, which should broaden the access of SA's exporters to foreign markets, will boost volume growth and thus total export revenues, Standard says.

ECONOMY & FINANCE

FM 16/8/91

(74F) (NN)

"We are trying to find an equitable solution to the problem of authorising foreign exchange payments for commodities that are extremely difficult to value," says Postmus.

Research firm BMI-TechKnowledge estimates the local computer industry spent over R600m on software imports last year. ■

EXCHANGE CONTROL

FM 16/8/91

Softly, softly

(74F) (NN)

The Reserve Bank aims to plug loopholes, in foreign exchange regulations, enabling importers of computer software and other intellectual property to export funds illegally.

It is understood that some importers have over-invoiced when buying software abroad. Reserve Bank GM Foreign Exchange John Postmus says the Bank expects to devise an improved mechanism for controlling these imports within a few weeks.

Commercial banks have already been told that the Bank must be informed of foreign exchange requests from software importers *before* such transactions can be authorised. Frequent importers can apply for blanket foreign exchange approval, provided they supply documents to support the values attached to the products, says Postmus.

He acknowledges it is difficult for the Bank to verify the values importers attach to software products. One option is the use of independent valuers, similar to those used by the Bank to check declared values of other imported goods, like capital equipment.

HONG KONG Trading up

FM
74F
16/8/91
~~74F~~

Trade between SA and Hong Kong is entering a vigorous new phase as sanctions barriers crumble. Hong Kong has been a reluctant sanctioneer and was among the first to respond to the improved political environment. For example, its airline, Cathay Pacific, inaugurated a new service to Jan Smuts airport last month and the colony lifted its ban on imports of Krugerrands, iron and steel last week.

"Changing British and EC attitudes enable us to take up a more active role in developing business with SA," says Dennis

Poised for recovery				
Hong Kong - SA trade				
RM	1988	1989	1990	1991
Exports to SA	988	942	1145	411
Imports from SA	1299	1257	1075	312
Balance	311	315	70	.89

Converted from HK\$ to rands at present rate of exchange
* Jan - Apr
Source: Hong Kong Dept of Statistics



Yau, assistant operations director of the Hong Kong Trade Development Council. "We are not concerned with politics here. We live on free trade. The important thing for us is business. We go wherever there are business opportunities."

Yau, speaking to the *FM* in Hong Kong, continues: "With the removal of sanctions we see rapid growth in the SA economy. We see a potential for greater exports — Hong Kong is very competitive in the supply of basic consumer goods.

"On the other hand, we see the possibility of Hong Kong offering its services as a trade centre and gateway to the Asia Pacific area.

Apart from our domestic consumption we have a big export industry that consumes a lot of raw materials and semi-manufactures."

In a recent market report on SA, the council noted the potential to use this country as a conduit for trade with Namibia, Lesotho, Mozambique, Zimbabwe, Botswana, Swaziland, Zambia and Malawi.

Trade between SA and Hong Kong was languishing until the February 2 speech by President FW de Klerk last year, which appears to mark a turning point. In 1989, Hong Kong exports to SA were 5% lower than in 1988. Last year, however, they climbed by 21% to R1,2bn, and have leaped 35% in the first four months of this year, compared with the same period last year.

Some three-quarters of Hong Kong's exports to SA are re-exports. Most of them are from mainland China and include clothing, textiles, electronic goods, appliances, toys and travel goods. Other re-exports come from Japan, Italy and Taiwan.

Hong Kong is a major entrepot for China and re-exports exceed domestic exports. In 1989, for example, the colony's total domestic exports amounted to R84bn, while re-exports totalled R211bn.

SA's exports to Hong Kong, however, have been declining. Last year, they slumped by 14% to R1,1bn and this year there has been a further decline of 5%. As a result, the balance of trade between the two countries has shifted against SA.

This could change with the end of sanctions. The major components of SA exports are coal, iron, steel, precious stones and paper.

Both countries also stand to benefit from growth in tourism. Cathay Pacific has been advertising its new service at both ends of the

route in order to fill its planes. Hong Kong is, of course, far more developed as a tourist centre than SA. Last year, it entertained 5,9m tourists — more than one for every resident. It has 78 tourist hotels offering 29 000 rooms and, by 1994, this number is expected to rise to

more than 36 000.

Tourism is Hong Kong's third biggest foreign exchange earner, after textiles and electronics, points out Stephen Wong, of the Hong Kong Tourist Association. It earns the country some R12bn a year. After the record year of 1988, more investment was made in medium-tariff hotels, which should appeal to currency-starved South Africans. A big component of the tourism industry is the conference and trade fair business. And this sector expects a big boost after the completion of the new Chek Lap Kok airport. First phase of the R48bn project is scheduled to come on stream in 1997. ■

Soviet officials haggle over diamond marketing strategy

Star 13/8/91

74F

MOSCOW — A year after senior Soviet officials were disciplined by the Communist party for irregular trading in diamonds, the state prosecutor has closed a judicial investigation after finding certain violations but no grounds for criminal prosecution.

Nikolai Sapozhnikov, a member of the investigating team, said the government had been informed of these violations, which apparently stemmed not from fraud but from high-level and continuing differences over the Soviet Union's diamond marketing strategy.

The man at the heart of last year's initial investigation by the disciplinary commission of the central committee of the Communist party was Yevgeny Bichkov, the then head of the Soviet Union's precious stone depository, Gokhran.

Hard currency

He and senior finance ministry officials were accused of failure of dis-

cipline and crude violations in the conduct of commercial operations involving the sale of state-owned precious stones for hard currency on foreign markets.

But Mr Bichkov, who, together with his colleagues at the finance ministry, was accused of losing at least \$22 million on the secret sales, has since been made director of a new division of the finance ministry set up to control the states use of precious stones.

Fair price

In an interview he denied that losses were involved and said that the aim of the controversial sales was to check whether Glavalmazoloto, the state monopoly for precious stones and precious metals sales, was getting a fair price for Soviet diamonds.

But his operations were interrupted before he could come to any conclusions about official Soviet diamond trading.

Mr Bichkov is bitter about the parallel sys-

A recent deal between De Beers and Glavalmazoloto, the Soviet state monopoly for precious stones and precious metals sales, gave Moscow immediate access to hard currency. But it has not stopped a continuing domestic dispute over whether Moscow was getting the best value for its diamonds.

tem of justice operated by the Communist party a relic of the old system of intertwined party and state structures and says the central committee investigators, who used the services of the KGB, knew nothing about diamonds.

He believes that the Communist party accusations were prompted by Glavalmazoloto senior management, which was putting the finishing touches on last year's unprecedented deal with De Beers Centenary, the Swiss arm of the De Beers diamond corporation.

Under the agreement, Moscow transferred its diamond stockpile to London as collateral for a \$1 billion loan.

Glavalmazoloto also signed an agreement giv-

ing De Beers Central Sales Organisation (CSO) exclusive right to sell uncut Soviet gem diamonds worth an estimated \$5 billion over the next five years.

Although the diamond deal gave Moscow immediate access to hard currency, it has not stopped a continuing domestic dispute over whether Moscow was getting the best value for its diamonds.

An expert from the ministry of foreign trades research institute wrote recently that the De Beers agreement committed the Soviet Union to a second rate position for five years.

Igor Kazakov claimed that analysis of the agreement showed a complete lack of professionalism of its Soviet

authors and he called for a break-up of Glavalmazoloto.

His views were dismissed by Valeri Rudakov, the head of Glavalmazoloto, who defended the agreement with De Beers, saying a monopoly system was needed for the diamond market.

But Mr Bichkov, who has emerged as one of the strongest critics of the state monopoly of diamondiferous material in the Arhangelsk area of arctic Russia.

The \$1 billion loan to Glavalmazoloto was not projected but generally tied to development of the diamond industry and investment is clearly taking place.

Mr Ralfe said: "We have been impressed by the efficiency of their industry. Some things in the Soviet Union still work well, like the Moscow metro. And so does the diamond industry."

Co-operation

Nicholas Oppenheimer, the CSO chairman, recently visited

Yakutia, source of more than 90 percent of current Soviet diamond production, and signed a general agreement to widen areas of future co-operation and liaison on technical and related subjects with Mikhail Nikolayev, the Yakut leader.

This gold- and diamond-rich area of eastern Siberia is an autonomous republic of the Russian federation and has been involved in complex negotiations with both the Soviet Union authorities and the Russian Federation.

Big impact

Under the new Union Treaty, currently being finalised, Yakutia expects a greater share of its hard currency revenue to be controlled locally.

The new tri-partite division of powers is likely to have a big impact on the future of Glavalmazoloto, which could be transformed in the near future, according to Mr Rudakov. — Financial Times.

TRACTOR TROUBLES

74 F

FM 9/8/91

A few weeks ago it sounded like a great deal: tractors imported from Poland selling for 20% less than local tractors. The Cape Town-based distributor, Janisch Industries, already had shipped in 20 of the Polish models and planned to sell 30 a month — 10% of the local market (*Business & Technology* August 2).

But the huge Ursus factory making the tractors in Warsaw is now insolvent, with US\$106m in debts. And this week the government-owned factory closed, affecting 13 000 workers.

However, bargain-seeking customers should not be alarmed, claims the Polish commercial consul in SA, Wojtek Tomaszewski. He says the Polish government decided last week to shut the factory for two months and prepare the company for

privatisation.

Janisch MD Ronnie Holtzhausen says Ursus' export department continues to operate normally and deliveries to SA will not be interrupted. Tomaszewski says Ursus has 8 000 tractors ready for sale.

Janisch group marketing manager Keith Wiser says the company has ordered its third shipment of Polish tractors, service and spare parts networks have been set up in 14 cities, and a large number of spare parts has been delivered.

But like the rest of eastern European industry, what the tractor firm needs is Western investors who will bring in the latest production techniques and an established marketing network. Until there is hope of that, even 20% off will not be a good buy.

gates from the mining industry. It would be followed by a tour of USSR mines by SA mining personnel — possibly next year.

Eyes on the road HUDS

By DON ROBERTSON

SOUTH AFRICA's return to favour with multinational companies has made possible the import of the first consignment of automobile head-up displays (HUDs).

Merbar, supplier of electronic alarm equipment, has signed an agreement with GEC Avionics of Atlanta, Georgia, for the sole distributorship of HUDs in the Southern African market.

HUDs provide viewing of information from the instrument panel through the windscreen, allowing the driver to keep his eyes on the road. The system enhances driver safety in cars and trucks.

HUD systems, developed by GEC, are used in fighter aircraft, helicopters and in some Boeing 747s.

Merbar director Allen Roberts, who signed the deal, says the drivers do not need to take their eyes off the road to check speed and petrol consumption.

The buy by a sto

Following on
became effec
of the provisi
these provisi
which must l
provisions she

1. Purchases of securities (Section 22(2))

Cash clients are obliged to offer of delivery there (Tuesday) or within a period or not the securities are

(a) If the stockbroker is not by the expiry of that the broker shall on the day thereafter as the Contracticular case, sell the purchaser and

(b) sell for the purchase securities belonging to custody of the stockbroker to be delivered in transaction in connection entered into on behalf sary to realise an amount after the sale of the securities

2. Sales of securities time bargains and best

Delivery is required within the stockbroker does not

TARIFF POLICY

FM 18/10/91 ~~18/10/91~~ (M4F)

Moving ahead on reform

Trade & Industry Minister Org Marais says a White Paper on a new tariff protection policy should be published by the end of the year.

In addition, he says, new trade and industrial policies, streamlined anti-dumping legislation, a revamped Board of Trade & Industry and a new technology policy will all form part of the package that his department will announce by early next year.

"Our strategy will include policies for small business, industrial subcontracting, tourism, technology transfer to small industrial concerns and joint ventures with foreign investors. But our major focus now is on devising a new tariff protection policy, based on recommendations made in the tariff report of the Industrial Development Corp (IDC), as well as responses received from the SA Chamber of Business and other interested parties."

IDC's senior GM of finance, Malcolm MacDonald, puts the effective average protection rate for industry now at about 45%. Import tariffs constitute about 20 percentage points of this (created by 12 000-plus tariff headings), import surcharges add five points and exchange rate protection through an undervalued rand almost 20 points. "We cannot afford raising tariffs further above these record levels," says Clothing Federation executive director Hennie van Zyl.

Marais says he sees a much broader role for the board than just advising on tariff policy. Industry, trade and small business issues may comprise part of the new board's brief, based on the expertise of the newly appointed members. Outgoing board chairman Lawrence McCrystal will stay on until the end of February.

Board deputy chairman Helgaard Muller says: "The new anti-dumping law should be on the statute books by late next year, while amendments to existing legislation will be tabled as soon as parliament reconvenes in January."

The IDC's tariff report recommended that the existing formula duty mechanism should be replaced by new anti-dumping legislation before the introduction of a revised and liberalised tariff policy regime.

Last week, the chamber published its official response to the IDC report. It shines amber lights on many of the IDC's "green for go" recommendations to reduce tariffs to 15%-30% levels in five to six years.

The chamber recommends neutrality between export promotion and import replacement policies, while it also calls for a built-in flexibility in any new tariff policy that will allow appeals by industry sectors "on the basis of selectivity." The chamber also says a 10-year reform period may be more acceptable to some industry sectors, while govern-

ment should consider the effects that painful tariff policy adaptations, such as temporary job losses, could have on SA — that is undergoing a sensitive period of political reform.

The chamber underlines the need for an "holistic approach" to tariff reform. This involves a comprehensive economic package, including a realistic and effective exchange rate, reduced inflation and company tax, the scrapping of import surcharges and other measures as recommended by the IDC.

"Treating selectivity as the exception to the rule of uniformity in industrial strategy can also provide a basis for industrial targeting, an approach that the chamber advocates if undertaken with the full co-operation of, and after timeous consultation with, the private sector," it says.

The chamber, in the interest of protecting its members, also warns against the negative effect that tariff reform could have on the economies of the member states of the SA Customs Union.

Understandably, the anti-protection lobby is not happy with the chamber's lukewarm approach to tariff reductions. The chairman of the Cape Town-based Independent Wire Manufacturers' Association, Robin Bosomworth, says protectionism is "the biggest business game in SA." He adds that the chamber is "loaded with big business, vested-interest groups" whose primary aim is to keep on protecting these interests. In his association's case, the steel cartel (under the leadership of Iscor) fights tooth and nail against competition from cheaper raw material imports.

"Should government accede to the steel lobby's latest request for increased protection, small, independent wire manufacturers could be killed off by the cartel and Iscor and its associates would be able to add R100m profits on a short-term basis to their bottom lines."

Bosomworth says a basic problem is government's ignorance of complex industry issues and that it is a virtual captive of "big business lobbying for protection."

Van Zyl says he is worried that the chamber's insistence on a comprehensive economic reform package as a precondition of tariff reform could be a delaying tactic for the imposition of essential tariff reform. "World Bank and UN studies have shown that a unilateral tariff reduction policy, divorced from other economic measures, can be as effective as a combined package."

Responding to the chamber's warning that State revenues lost through tariff reduction should also be considered, IDC senior economist Flip Kotze says a 25% effective drop in tariff rates (from 20% to 15%) would mean a

loss of about R450m to the Exchequer. "Current import tariff revenues total about R2,2bn a year." ■

PRIVATE CEMETERIES

One foot in the grave

FM 18/10/91
In a country where cemeteries are often dreary places run by government, privately owned Park Acres Memorial Parks certainly promised something different when it kicked off two years ago.

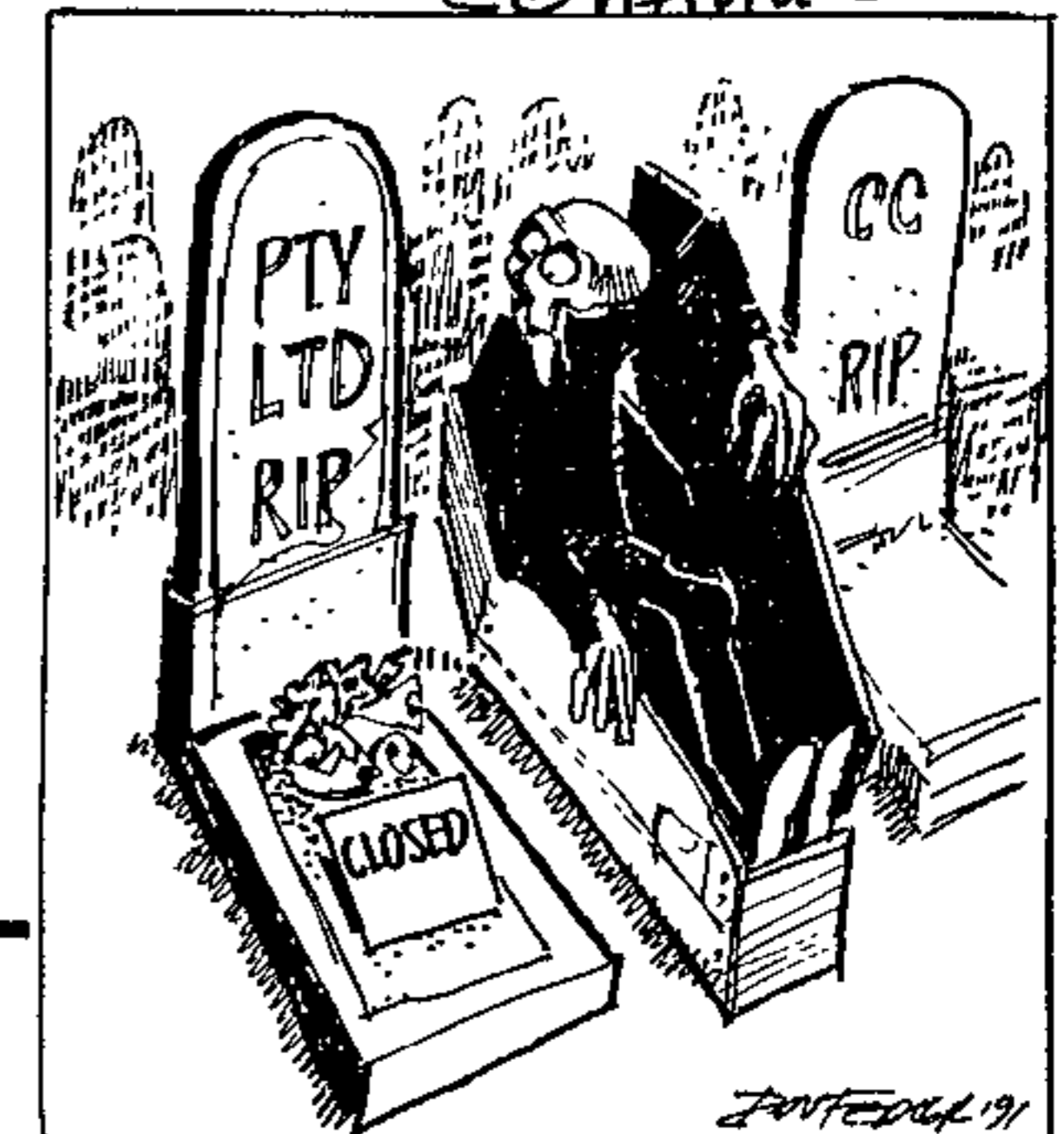
Would-be buyers of burial stands were wooed with pictures of rolling lawns, landscaped gardens, fountains and lakes, while investors were lured by eye-catching returns of at least 38% a year. "The Parks," extolled the ads, could be used for weddings and christenings and would stand as a symbol of the new SA — non-denominational, multi-racial and privately owned.

But this week these plans were all but dead and buried as provisional judicial managers prepared to declare Plandev Memorial Parks Ltd — the unlisted public company offering stands in Lanseria and the Strand — insolvent. "Currently, there appears to be no source of finance available to the judicial managers and people are wary of investing because the company is under judicial management," says Barry McLoughlin, an accountant involved in the judicial management of the company.

People also may have got the creeps at the whole idea of picking out a stand and paying for it ahead of time, though it's the norm in other countries. There, private developers run newspaper ads and solicit business by pushing location, perpetual care and "peace of mind."

Park Acres' obituary — before anyone was buried — is bad news for a lot of people. Some 3 500 stands were sold — at R2 500 apiece — and the two sites are bonded for at least R3m with Volkskas and First National Bank. The project is also a footnote to the

CONTINUE - P



Support for clothing industry against textile 'losers'

Chamber objects to BTI protection plan

TOM HOOD
Business Editor

THE Cape Town Chamber of Commerce has decided to support the clothing industry's battle to prevent imported fabric and yarn being hit with huge increases in duties from January 1.

The chamber said today it had written to the Board of Trade and Industry to express its objections "in clear and forthright terms" to the proposed new range of duties on imported fibres, apparel textiles and clothing.

In its letter it describes the local textile industry as a loser which had enjoyed some 25 years of protection and did not deserve any more.

The government plan, designed to make the textile industry more competitive on the international market, provides for a change from the present formula duties which are expressed in cents per kilogram to an ad valorem duty based on the landed cost of the imports.

The proposed duties would remain in force for three years and then be gradually reduced over the next five years.

The chamber said in a statement it rejects these proposals and says their effect will be to double the current protection levels for three years and then to reduce them over the following five years back to the existing levels.

"It is ridiculous to provide additional protection for eight years over and above present protection levels which can be classified as generous."

Increased duties, the chamber says, will lead to import parity pricing and within six months the price of local textiles will be pushed up to just below the new cost of imports.

The argument in favour of tariff increases is that the competition of cheaper imports will reduce the industry's contribution to the country and will cause unemployment.

However, the chamber argues in its letter to the BTI that many businesses will be adversely affected by the higher import duties which will lead to higher prices, discontinued lines, lower sales and unemployment in the whole distribution chain.

It points out that the clothing industry estimates that more than 20 000 jobs could be at risk if the proposed duty increase are implemented.

In addition many other businesses such as freight forwarders, cartage contractors and insurance underwriters could also be affected.

Local retailers, wholesalers and manufacturers wanted to purchase from the local industry, but the textile mills did not produce the quality required, they could not deliver in time and they were unreliable in terms of pre-arranged delivery dates.

"To approve the higher tariffs would condemn the consumer to accept lower quality at higher prices because the State continued to back a loser."

The chamber said the government had made impressive strides in stimulating economic activity and in encouraging exports and industry development. These schemes were aimed at successful business organisations which were likely to become self sufficient.

The textile industry had been given about 25 years to succeed but it was still inefficient.

The chamber said it was surprised by the BTI proposals.

"Economic thinking over the past 18 months, as expressed by the IDC and a number of Cabinet Ministers

has been directed towards export orientation and reduced protection for local industries in order to become a competitive player in the international market.

"In terms of the apparel textile, and clothing industries, the BTI has proposed to delay the process to the end of this century Commerce does not believe we can wait that long. The political developments are racing ahead of the economic developments."

Mr Mike Getz, a director of Sear-del, the country's largest clothing manufacturer and a former president of the Cape Chamber of Industries, said the Board of Trade and Industry, in tampering with the structural adjustment programme for the clothing and textiles Industries, signalled a gap separating it from the official stance urging exports on the one hand and a steady stream of tariff increase proposals on the other.

"There must be serious doubts about the ability of the BTI to sustain the policies it formulates," Mr Getz said this week.

"It remains vulnerable to pressure.

'Desperate' textile sector needs protection to survive

TEXTILE Federation president Mr Wallace Grace says if the local textile manufacturing sector, which employs about 92 000 people, is to survive, the BTI's development plan must be implemented on January 1.

Mr Grace said huge financial losses and escalating retrenchments in the industry — more than 7 000 since 1989 — were impacting throughout the textile pipeline, a pipeline estimated to provide 400 000 jobs.

"The output of textile manufacturers has declined by 20 percent in the last two years, due to the general economic downturn, continued high levels of imports and the introduction of the current Structural Adjust-

ment Programme (SAP)," he said this week.

The executive director of Textfed, Mr Brian Brink, said the programme was not implemented in its originally agreed form. As a consequence, "Imports increased and while exports of yarn, fabric and clothing grew significantly, the textile and clothing trade balance worsened.

"The export gain has therefore been at the expense of local textile producers and also at the expense of taxpayers."

The textile industry was operating with 25-30 percent spare capacity. To bring effective unit cost reductions, it required a 168-hour working week

and full capacity utilisation.

Without duties, the industry maintains it cannot compete effectively on cost due to the benefits Pacific rim countries receive in terms of subsidised raw materials, preferential benefits for exporting, tax concessions and lower labour rates.

The high cost of updating machinery was also a major factor. Setting up a new mill in South Africa would require double the capital investment of a comparable plant in Taiwan, Mr Grace estimated. And it was only by continuing to modernise local mills that the industry could compete.

"To keep abreast of latest technologies, the textile capital expenditure

rate needs to increase five-fold," Mr Brink calculates.

The textile and clothing sector was looking increasingly to exports of fabric and garments to ensure a positive balance of trade and encourage employment. Here substantial incentives were required to counter those received by the Pacific rim countries.

Mr Grace pointed out: "The textile sector is currently in a desperate situation, with major companies losing money and unable to reinvest. It is only by temporarily increased protection while macro economic factors are corrected, that this situation can be arrested."

KENNISGEWING 1196 VAN 1991**DEPARTEMENT VAN POS- EN
TELEKOMMUNIKASIEWESE****AANSTELLING AS WAARNEMENDE
POSMEESTER-GENERAAL**

Daar word vir algemene inligting bekendgemaak dat goedkeuring verleen is vir die aanstelling van mnr. Isaac Christjan Coleské as Waarnemende Posmeester-generaal gedurende die tydperk 12 tot 31 Desember 1991.

(27 Desember 1991)

KENNISGEWING 1197 VAN 1991**RAAD VAN HANDEL EN NYWERHEID****ONDERSOEK NA DIE BEWEERDE DUMPING, VAN
ONBESTRYKTE PAPIER EN PAPIERBORD INGE-
VOER UIT OF AFKOMSTIG VAN BRASILIË EN
KANANDA**

Die Raad van Handel en Nywerheid het 'n klag van die Papiervervaardigers Vereniging van Suid-Afrika, Posbus 1300, Durban, 4000, aanvaar waarin beweer word dat onbestrykte papier en papierbord, indeelbaar by tariefsubpos te 4802.52 en 4823.59 ingevoer uit of afkomstig van Brasilië en Kanada op die Suid-Afrikaanse mark gedump word waardeur wesentlike skade aan die Suid-Afrikaanse nywerheid berokken word of dreig om berokken te word. Die Raad van Handel en Nywerheid het besluit om die klag te ondersoek.

Ten einde die Raad van Handel en Nywerheid behulpsaam te wees met sy ondersoek na die oplegging van anti-dumpingregte op die betrokke produkte afkomstig van Brasilië en Kanada word belanghebbende instansies versoek om binne **21 dae** vanaf die publikasie van hierdie kennisgewing, skriftelik vertoë, kommentaar of inligting in dié verband te rig aan die Hoof Uitvoerende Beampte, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001, Vertroulike inligting moet duidelik as sodanig gemerk wees.

Belanghebbendes moet daarmee rekening hou dat die Raad sy bevinding baseer op die beste beskikbare inligting ingewin met betrekking tot die volgende:

(a) Kan die invoer vanuit die betrokke lande ingevolge artikel 56 (2) van die Doeane- en Aksynswet, 1964, as dumping geag word.

(b) Ondervind die betrokke nywerheid wesentlike skade of bestaan daar 'n wesentlike bedreiging van skade as gevolg van die dumping; en

(c) is dit in die openbare belang om anti-dumpingregte op die betrokke invoer op te lê?

Sou bevind word dat optrede teen dumping ingevolge artikel 56 van die Doeane- en Aksynswet, 1964, geregtig is, kant anti-dumpingregte met terugwerkende krag tot die datum van publikasie van hierdie kennisgewing ingestel word.

Navrae moet gerig word aan mej. E. Wolfaardt by Telefoon (012) 322-8244 x 255.

(RHN-verw. T5/2/10/2/1)

(27 Desember 1991)

NOTICE 1196 OF 1991**DEPARTMENT OF POSTS AND
TELECOMMUNICATIONS****APPOINTMENT AS ACTING
POSTMASTER GENERAL**

It is notified for general information that approval has been conveyed for the appointment of Mr Isaac Christjan Coleské as Acting Postmaster General during the period 12 to 31 December 1991.

(27 December 1991)

NOTICE 1197 OF 1991**BOARD OF TRADE AND INDUSTRY****INVESTIGATION INTO THE ALLEGED DUMPING OF
UNCOATED PAPER AND PAPERBOARD IMPORTED
FROM OR ORIGINATING IN BRAZIL AND CANADA**

The Board of Trade and Industry has accepted a complaint by the Paper Manufacturers Association of South Africa, P.O. Box 1300, Durban, 4000, alleging that uncoated paper and board, classifiable under tariff subheadings 4802.52 and 4823.59 imported from or originating in Brazil and Canada, are being dumped on the South African market, and that this results in material injury or threatened material injury to the South African industry. The Board of Trade and Industry decided to investigate this complaint.

In order to assist the Board of Trade and Industry in its investigation into the imposition of anti-dumping duties on the products concerned, originating in Brazil and Canada, interested parties are invited to send written representations, comments or information in this regard to the Chief Executive, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within **21 days** of the date of publication of this notice. Confidential information should be clearly marked as such.

Interested parties must bear in mind that the Board's findings will be based on the best available information obtained in respect of the following:

(a) Can the imports from the countries concerned be regarded as dumping in terms of section 56 (2) of the Customs and Excise Act, 1964;

(b) does the industry concerned experience material injury or threatened material injury owing to the dumping; and

(c) is it in the public interest to impose anti-dumping duties on the imports concerned?

Should it be established that action against dumping in terms of section 56 of the Customs and Excise Act, 1964, is justified, anti-dumping duties may be implemented with retrospective effect from the date of publication of this notice.

Enquiries should be directed to Miss E. Wolfaardt and Telephone (012) 322-8244 x 255.

(BTI Ref. T5/2/10/2/1.)

(27 December 1991)

Vine imports 'could kill wine industry'

BIDAY JONATHON REES 6/1/92

PRETORIA — Government has issued an urgent warning about the illegal importation of vine plants, which it says could wreak havoc with SA's multimillion-rand wine and grape industry.

Killer viruses and bacteria in grapevine propagation material could damage up to 90% of the grape crop, or render soils useless for up to five years, says the Agriculture Department's directorate of plant and quality control.

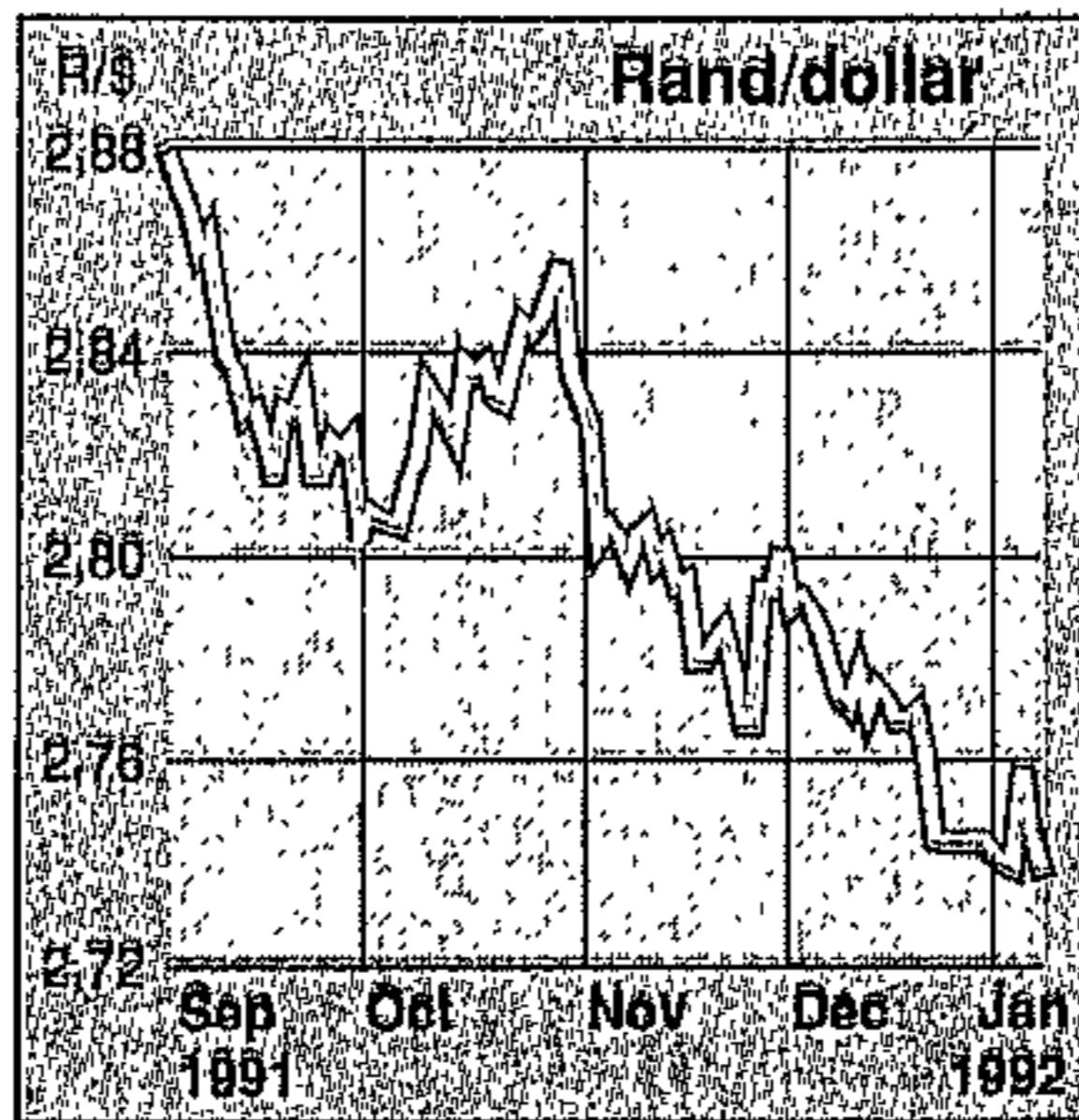
Certain pests, if imported to SA, could force a 50% escalation in pesticide expenses, rendering viticulture unprofitable. The penalty for importing vine propagating materials is a R50 000 fine. (14 F)

A spokesman for the directorate says that although no lethal pests have been detected in SA recently, vigilance is essential as they can spread easily.

Among the pests most dangerous to the wine industry is tomato ring spot virus. It is impervious to most decontamination measures. Druwe mot can damage between 60% and 90% of a grape crop, and even regular chemical spraying will not eliminate losses entirely.

The directorate says pesticide residue can affect grape exports, which have to comply with international requirements.

The problem with importing lethal crop diseases lies mainly with amateur gardeners and tourists, as most grape producers and plant breeders know the risks involved in importing vine propagation material.



Graphic: FIONA KRISCH Source: I-NET

Cheap dollars set off buying spree

Buyer still 92
 IMPORTERS returned to the foreign exchange market in earnest yesterday and pulled the rand back from its highest levels against the US dollar in nine months.

As the dollar yesterday extended Monday's slide against the major currencies, the rand hardened to levels testing R2,73 to the dollar. The reappearance of such relatively cheap dollars for the first time since April revived importer interest and demand for dollars quickly hauled the rand off its early morning dollar highs.

Yesterday's rand low against the dollar of R2,7485 was set less than three hours after the SA unit's early dollar peak at R2,7300. The rand still closed ahead on the day despite the importer activity, ending almost half an SA cent stronger against the dollar than Tuesday's close.

Dealers said importers outweighed exporters in the rand market yesterday for the first time since the beginning of the Christmas and New Year holidays.

Traders said the resumption of sustained two-way trade in the market meant that players were quicker than usual in taking advantage of rand strength to buy dollars. This accounted for the rand's manoeuvrings around the R2,73 level.

The rand's overall dollar strength, and its resilience on the cross rates against strong third currencies also appreciating against the dollar, is raising the rand's trade-weighted value. Standard Bank's index of the rand's value against a basket of trading partners' currencies rose both yesterday and on Monday.

New law may push TV prices up 15% ^{74F}

ROBERT LAING

TELEVISION prices are set to rise 15% as a result of new legislation which raises the duty on the imported content of television sets to 90% from 50%.

TV manufacturers say the Board of Trade and Industry's modifications to its Phase III structural amendment programme, published in the January 1 issue of the Government Gazette, reverses July's legislation which enabled TV makers to drop prices by about 15%.

Tedex MD Jack Cohen said: "At the end of the day, the new legislation will cause TV prices to revert to July's levels, which were between 12.5% and 15% higher than today's." ^{310'uy 10/11/92}

Cohen said the industry generally accepted that the import tariff holiday granted by July's legislation had been an unrealistic windfall, and that revision of the Phase III programme was inevitable.

The board's structural amendment programme was intended to systematically remove import protection, he said.

Tek electronics division MD Richard Ferrer said the new legislation would increase the price of imported TV sets by 3% and locally manufactured sets by about 15%. "The bottom line is that the BTI has reinstated duties paid by manufacturers to levels of the first half of 1991."

The BTI modified its July legislation to close loopholes allowing overhead costs to count towards the 40% local content level

□ To Page 2

TV prices ^{310'uy 10/11/92}

needed by manufacturers to qualify for import tariff rebates, a spokesman for Ciskei-based TV maker Triad said. The new legislation limited local content to component value.

The excise duty on TV sets was reduced to 38% from 53% and a 3% customs duty

^{74F}

□ From Page 1

was placed on all imported TV sets.

Ferrer said TV sales were sensitive to price rises. The legislation would hit volumes. Computer industry sources said they feared the 90% duty on components would also be levied on PC screens. Legislation stated the duty applied to all video monitors irrespective of value.

inbegrip van 'n peiling van die gemeenskap se persepsie van die effektiwiteit van bestaande vorme van straf.

- * Die gemeenskapsinspraak en individuele belange by strafoplegging, onder andere vergoeding van slagoffers.
- * Voorvonnisprosedures, veral met betrekking tot jeugdige oortreders.
- * Opleiding van voorsittende beamptes, onder andere inligting oor strafoplegging, die kurrikula van regs fakultete, 'n permanente eenheid vir navorsing oor strafoplegging en empiriese werk oor strafoplegging.
- * Die huidige effektiwiteit en toekomstige wenslikheid van die verkorting en verlenging van aanhouding deur die uitvoerende gesag.
- * Voorkomende optredes ten einde misdaad te bekamp.
- * Dekriminalisasie en depenalisasie van geringe misdade en nuwe vorms van straf.

Die Kommissie ontvang graag voor 28 Februarie 1992 gemotiveerde skriftelike voorstelle vir die ontwikkeling, verbetering, modernisering of hervorming van dié fasette van die reg.

Die Kommissie se kantore is op die Agste Verdieping, NG Kerk Sinodale Sentrum, Visagiestraat 228, Pretoria. Korrespondensie moet asseblief gerig word aan:

Die Sekretaris
Suid-Afrikaanse Regskommissie
Privaatsak X668
0001 PRETORIA.

Telefoon: (012) 322-6440 (Mev. Kruger).

(17 Januarie 1992)

KENNISGEWING 51 VAN 1992

RAAD VAN HANDEL EN NYWERHEID

ONDERSOEK NA DIE BEWEERDE DUMPING VAN GEBREIDE TRUIE EN AKRIEL- OF MODAKRIEL-VESELS INGEVOER UIT OF AFKOMSTIG VAN DIE REPUBLIEK VAN SJINA EN KOREA

Die Raad van Handel en Nywerheid het 'n klag van die South African Worsted Spinners en Garment Knitters Association, Posbus 78416, Sandton, 2146, aanvaar waarna beweer word dat gebreide trui van akriel- of modakrielvefels indeelbaar by tariefsubpos 6110.30.20 vanuit die Republiek van Sjina en Korea op die Suid-Afrikaanse mark gedump word, waardeur wesentliche skade aan die Suid-Afrikaanse nywerheid berokken word of dreig om berokken te word.

Die Raad van Handel en Nywerheid het besluit om invoer van die betrokke produk by tariefsubposte 6002.93.90 en 6117.90.90 ook by die ondersoek in te sluit aangesien die produk in halfvervaardigde vorm verkeerdlik by hierdie subposte geklaar word.

Ten eiende die Raad van Handel en Nywerheid behulpsaam te wees met sy ondersoek na die oplegging van antidumpingregte op die betrokke produkte afkomstig van die Republiek van Sjina en Korea, word belanghebbende instansies versoek om binne 21 dae

offenders, including establishing the community's perceptions of the effectiveness of existing forms of punishment. ~~252~~ ~~253~~

- * The community's participation and individual interests in sentencing, *inter alia* compensation for victims.
- * Pre-sentencing procedures, with special reference to juvenile offenders.
- * Training of presiding officers, *inter alia* information on sentencing, the curricula of law faculties, a standing research unit on penology and empirical work on penology.
- * The present effectiveness and future desirability of shortening and extension of detention by the executive.
- * Preventive measures to combat crime.
- * Decriminalisation and depenalisation of petty offences and new forms of sentencing.

The Commission would like to receive, before 28 February 1992 reasoned suggestions in writing for the development, improvement, modernisation and reform of these facets of the law.

The Commission's offices are on the Eighth Floor, NG Kerk Sinodale Sentrum, 228 Visagie Street, Pretoria. Correspondence should be addressed to:

The Secretary
South African Law Commission
Private Bag X668
0001 PRETORIA.

Telephone: (012) 322-6440 (Mrs Kruger).

(17 January 1992)

NOTICE 51 OF 1992 ~~1992~~ ~~1992~~

BOARD OF TRADE AND INDUSTRY (74F)

INVESTIGATION INTO THE ALLEGED DUMPING OF KNITTED JERSEYS OF ACRYLIC OR MODACRYLIC FIBRE IMPORTED FROM OR ORIGINATING IN THE REPUBLIC OF CHINA AND KOREA

The Board of Trade and Industry has accepted a complaint by the South African Worsted Spinners and Garment Knitters Association, P.O. Box 78416, Sandton, 2146, Alleging that knitted jerseys of acrylic or modacrylic fibres, classifiable under tariff subheading 6110.30.20, originating in the Republic of China and Korea are being dumped on the South African market resulting in material injury or threatened material injury to the South African industry.

The Board of Trade and Industry decided to include imports of knitted jerseys of acrylic or modacrylic fibres, imported under tariff subheadings 6002.93.90 and 6117.90.90 in this investigation owing to the fact that the product in semi-finished form may be incorrectly cleared under these subheadings.

In order to assist the Board of Trade and Industry in its investigation into the imposition of anti-dumping duties on the products concerned, originating in the Republic of China and Korea, interested parties are invited to send written representations, comments or

vanaf die publikasie van hierdie kennisgewing skriftelik vertoë, kommentaar of inligting in dié verband te rig aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001. Vertroulike inligting moet duidelik as sodanige gemerk wees.

Belanghebbendes moet daarmee rekening hou dat die Raad sy bevinding baseer op die beste beskikbare inligting ingewin met betrekking tot die volgende:

(a) Kan die invoer vanuit die betrokke lande ingevolge artikel 56 (2) van die Doane- en Aksynswet, 1964, as dumping geag word;

(b) ondervind die betrokke nywerheid wesenlik skade of bestaan daar 'n wesenlike bedreiging van skade as gevolg van die dumping; en

(c) is dit in die openbare belang om antidumpingregte op die betrokke invoer op te lê?

Sou bevind word dat optrede teen dumping ingevolge artikel 56 van die Doane- en Aksynswet, 1964, geregverdig is, kan antidumpingregte met terugwerkende krag tot die datum van publikasie van hierdie kennisgewing ingestel word.

Navrae moet gerig word aan mej. E. Wolfaardt by telefoon (012) 322-8244 x255.

[RHN-verw. T5/2/11/8/1 (910428)]

(17 Januarie 1992)

KENNISGEWING 52 VAN 1992

**DOEANE- EN AKSYNSTARIEFAANSOEKE:
LYS 1/92**

Onderstaande aansoeke betreffende die Doeane-en Aksynstarief is deur die Raad van Handel en Nywerheid ontvang. Enige beswaar teen of kommentaar op hierdie vertoë moet binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001, gerig word. Die aandag word daarop gevestig dat die skale van reg wat in die aansoeke genoem word, dié is wat deur die applikante aangevra is en dat die Raad, afhangende van sy bevindinge, hoër of laer skale van reg mag aanbeveel.

Verhoging van die reg op:

Landboutoerusting van 'n soort ontwerp om deur diere getrek te word deur die bestaande voorsienings by tariefsubposte 8432.10.10, 8432.29.10, 8432.29.20 en 8432.30.10 te vervang deur die volgende:

Subpos	Artikelbeskrywing	Skaal van Reg
8432.10 10	Ploëe van 'n soort ontwerp om deur diere getrek te word	6 000c elk
8432.29 10	Êe van 'n soort ontwerp om deur diere getrek te word	600c elk
.20	Korsbrekers, skoffelploee, skoffelaars en skoffels, van 'n soort ontwerp om deur diere getrek te word	6 000c elk
8432 30 10	Planters en verplanters van 'n soort ontwerp om deur diere getrek te word	13 500c elk

[RHN-verw. T5/2/16/2/1 (910351) (mev. I. Metz)]

information in this regard to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within 21 days of the date of publication of this notice. Confidential information should be clearly marked as such.

Interested parties must bear in mind that the Board's findings will be based on the best available information obtained in respect of the following:

(a) Can the imports from the countries concerned be regarded as dumping in terms of section 56 (2) of the Customs and Excise Act, 1964;

(b) does the industry concerned experience material injury or threatened material injury owing to the dumping; and

(c) is it in the public interest to impose anti-dumping duties on the imports concerned?

Should it be established that action against dumping is justified in terms of section 56 of the Customs and Excise Act, 1964, is justified anti-dumping duties may be implemented with retrospective effect from the date of the publication of this notice.

Enquiries should be directed to Miss E. Wolfaardt at Telephone (012) 322-8244 x255.

[BTI Ref. T5/2/11/8/1 (910428)]

(17 January 1992)

NOTICE 52 OF 1992

**CUSTOMS AND EXCISE TARIFF APPLICATIONS:
LIST 1/92**

The following applications concerning the Customs and Excise Tariff have been received by the Board of Trade and Industry. Any objections to or comments on these representations must be submitted to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice. Attention is drawn to the fact that the rates of duty mentioned in the applications are those requested by the applicants and that the Board may, depending on its findings, recommend lower or higher rates of duty.

Increase in the duty on:

Agricultural equipment of a kind designed to be drawn by animals by the substitution for the existing provisions under tariff subheadings 8432.10.10, 8432.29.10, 8432.29.20 and 8432.30.10 of the following:

Subheading	Article Description	Rate of Duty
8432.10.10	Ploughs of a kind designed to be drawn by animals	6 000c each
8432.29.10	Harrows of a kind designed to be drawn by animals	600c each
20	Scarifiers, cultivators, weeders and hoes, of a kind designed to be drawn by animals	6 000c each
8432.30.10	Seeders, planters and transplanters of a kind designed to be drawn by animals	13 500c each

[BTI Ref. T5/2/16/2/1 (910351) (Mrs I. Metz)]

Poor tin prices also mean that the group's Rooiberg tin mine is in danger of closure, while low lead prices have eaten

R139m, with attributable earnings down only 0.7% at R133m, against R134m last year.

Canada to ease controls on exports

WASHINGTON — The Canadian government is about to ease controls on the export of strategic goods to SA in line, it says, with the policies of its Commonwealth partners. *B10ay 22/1/92*

In an official notice expected to be published early next month, the external affairs department says Canadian firms can now sell SA a broad range of hitherto embargoed items including aircraft, helicopters, telecommunications equipment, computer hardware and software and four-wheel-drive vehicles.

The exports will still have to be licensed

SIMON BARBER

on a case-by-case basis, and may not go to the military, police or any other "public or private" security agency. ~~(14F)~~

A senior external affairs official downplayed the significance of the move, saying it represented no change in Canada's sanctions policy. ~~(14F)~~ (14F)

Instead, the new regulations were merely designed to "level the playing field" for Canadian exporters who found themselves at a competitive disadvantage because Ot-

To Page 2

Canada

B10ay 22/1/92
tawa was implementing Commonwealth sanctions in a more "draconian" manner than other member states.

The main effect of the shift was that exporters would no longer have to justify exports of the covered items on health, educational or humanitarian grounds

Licences will still not be granted for munitions, nuclear technology, certain chemicals, advanced pumps and servo-

valves, and "equipment that suppresses electronic signals".

The official stressed that Canada was still committed to the Commonwealth policy of lifting only "people-to-people" sanctions until there had been further progress towards the establishment of a transitional government. The latest move was not be read as implying Canada believed such progress had been made.

From Page 1

UK firms helped to break oil boycott

Weekly Mail Reporter ^{W.M.} ^{20/11/91} ^{30/11/91} Report of the Amsterdam-based BRITAIN seems to be at the heart of the boycott-busting shipments of oil to South Africa.

And the oil is coming from Arab countries supposedly committed to the embargo.

Since 1989 a few shipping groups based in Hong Kong and London-based Greek shipping groups have dominated crude oil shipping to South Africa, in defiance of the United Nations embargo.

This is revealed in the just-published

Shipping Research Bureau for the period January 1989 to July 1991, with some preliminary findings for the second half of 1991.

How successful has the veil of secrecy drawn over oil imports been? The bureau estimates it has accounted in 1989 for 84 percent of the 14-million tons of crude it guesses South Africa imports each year, 61 percent in 1990 and 72 percent in the first half of 1991.

The Hong Kong-based World-Wide Shipping Group tops the list of ship-

ments to South Africa, with 60 deliveries identified.

The volume of oil shipped by Worldwide during the period was 14,4-million tons—more than half the total of oil imports identified.

Greek shipping companies, their commercial operations often based in the UK, were involved in 48 of the 121 crude oil deliveries (10.7-million tons or 37 percent of the total volume.)

The UK is clearly at the centre, because it holds sovereignty over Hong Kong. "In one way or another the UK

is linked to 112 of the 121 deliveries, thus accounting for no less than 93 percent of the total volume identified."

The oil came mostly direct from the Middle East: 118 of the 121 tankers which delivered a total of 27,9-million tons of crude oil to South Africa.

In recent years the United Arab Emirates played a prominent role with 63 tankers sailing from that Arab country, accounting for more than half the volume identified. Twenty-one tankers sailing from Egypt accounted for almost 17 percent.

esses put

1992 was 12% lower than previously and that of rhodium 17%.

The prices received respectively were \$370/oz and \$2 999/oz.

On-line production costs rose by 11,9%, but Mr Davison said several cost-cutting exercises had been undertaken.

Non-essential capital expenditure was not being carried out but expansion was going ahead. The total 1992 capex forecast was R448-million.

Mr Davison said dividend cover had been increased from 1,7 to 2 times because of the poor outlook for metal prices in the second half-year.

He could see no reason to pay dividends out of reserves in current conditions.

Lebowa Plats passed its dividend after incurring a R9,4-million loss.

Flow

Tonnage is expected to meet the target of 70 000 tons a month by March when production costs should stabilise.

The combination of low revenue and the high cost of underground development will strain Lebowa's cash flow.

Management has decided to complete expansion to 100 000 tons a month through open-cast rather than underground work. The capital cost will be only R10,4-million and the head grade should be 5,74g/t, beginning in June.

Rusplats was market down from R65 on Friday because of the results.

R20m hotel

SITIMED (BUS) 26/1/92
CITY Lodge is to spend R20-million on a 160-room hotel in Morningside, Sandton. It should be ready by the end of the year. It will be the ninth City Lodge to be built since 1985 and will bring the number of rooms to 1 300. *(288)*



DAVID WATKINS: Growing opportunities Picture: SUE KRAMER

N Ireland seeks trade

26/1/92
By DON ROBERTSON

THE Industrial Development Board for Northern Ireland (IDB), the first regional trade mission from the UK since the lifting of sanctions, regards South Africa as a major export market.

A 15-man mission, headed by IDB deputy chief executive David Watkins, has been in touch with many organisations, including the Johannesburg Chamber of Commerce and the SA Chamber of Business. The mission will visit Cape Town and Durban.

Mr Watkins says: "Northern Ireland companies are keen to explore the potential to do business in SA and to develop contacts."

"The investment programme to develop SA's infrastructure and telecommunications means opportunities for trade are extensive and growing."

"South Africa has a sizeable Northern Ireland expatri-

ate population, many of whom are in business."

The mission members represent companies involved in textiles, textile machinery, yarns, pharmaceuticals, veterinary supplies, electrical heating equipment, agriculture, personal computers and software.

Several textile companies exported to SA before sanctions.

Effort

Henry Campbel Yarns has been involved in a recent joint venture with parent Barbour Campbel Threads and Cape Town-based SA Bias.

Like SA, Northern Ireland is intent on increasing exports. The mission's emphasis is to increase exports, but joint ventures with SA companies will also be investigated.

The IDB undertakes about 15 missions a year to various parts of the world in an effort to increase exports.

FRANCHISE TRADE MISSION USA AND UK

5 April 1992 - 16 April 1992

Czech truck assault on SA

By DON ROBERTSON

THE depressed and highly competitive heavy-truck market has a new challenger.

Trackless Mining Services (TMS) plans to introduce the Czechoslovak Tatra truck to Southern Africa.

The trucks, driven on all wheels, range in size from five to 20 tons. The 4x4 model finished third in the Paris-Cape Town rally. The 6x6 version won its class.

TMS managing director Don Duncan says the trucks will be imported in completely knocked down (CKD) configuration from the plant in Koprivnice and assembled at the company's Randfontein plant. *S/ Times (bus)*

The first three trucks will be fully imported and will be used as demonstration models. The CKD kits will later have bodies fitted in SA. Other components will be added. *(74f) (K)*

Mr Duncan says on-road, off-road vehicles will be suited for the timber and quarry industries. Several companies are interested in the trucks.

The agreement to assemble the trucks, although not yet final, follows a visit of

three members of the Tatra group to the Randfontein plant three months ago. With minimum local content, TMS will have to pay a 66% import duty.

But Mr Duncan believes he will be able to sell them at about 15% cheaper than similar trucks made in SA. Service and parts will be provided by TMS.

Since the collapse of communism, sales of Tatra trucks to Russia have fallen sharply and stocks have built up. Although it is unlikely that the trucks will be sold at dumped prices, reasonable terms have been offered to TMS. *26/11/92*

SA sales of heavy trucks last year fell to their lowest in many years at 5 807. December sales were the lowest in 20 years at 327.

The National Association of Automobile Manufacturers of SA (Naamsa) says it is a brave move for TMS. It says several manufacturers are unprofitable and the import of second-hand trucks is a major problem.

C

Govt urged to reduce protectionism

GOVERNMENT and the Reserve Bank had to eliminate anomalies in monetary, import and customs duty rules if SA was to reap any rewards from the lifting of sanctions, private sector lobbies said yesterday.

Fabcos Inter-Africa group executive chairman Gaby Magomola said SA business was still in the grip of a siege mentality.

Magomola said in a statement yesterday that the case for protecting some industries was overstated, and he called for a review of "our unrealistically high surcharges and duties which are often counterproductive and may create a stranglehold on our economic growth".

SA-German Chamber of Commerce CE Klaus Volker Schuurman said SA entrepreneurs had to set an

MATTHEW CURTIN

example to the international business community if they wanted to encourage business and investment.

Centre for Promotion of Foreign Investment in SA executive director Wayne Mitchell said in a statement that SA had done little to make itself ready to conduct "normal international trade". He said SA import duties compared unfavourably with those imposed by the EC.

Mitchell, former head of the American Chamber of Commerce, said: "We must think fast, act fast and quickly discard the protective 'sanctions armour' built around the economy during the sanctions years. It simply must be done if we're going to

successfully kick-start the economy back into normal trading routines."

He said the rand had to be allowed to trade freely — rather than be manipulated to protect the gold mining industry — to improve the competitiveness of SA exports.

The Reserve Bank should reduce the cost of its forward cover on imports, which had increased by 0,25% after the 1991 budget, offsetting any advantage gained from the decision to reduce the import surcharge.

He said the import permit system should be scrapped except for provisions to prevent dumping in SA.

The import surcharge should go too, in line with pressure from GATT.

Mitchell added that high import duties restricted open trade in SA.

3/11/92
B/12/44

74F

Czech imports may hit steel producer's plans

Blpam 10/2/92

(189) (141)

MATTHEW CURTIN

CHEAP and potentially good quality imports from Czechoslovakia may threaten the successful return of Tosa, Dorbyl's steel tubing producer, to the seamless tube market in 1993.

A spokesman for trading company Metmar said yesterday that after a visit by representatives of Czechoslovakia's stainless steel industry to SA last week, the prospects were good that imports of special steel products would rise sharply from the former Soviet bloc country.

He said Metmar had signed an agency agreement with the Czechoslovakian steel sector or trade in SA.

The volume of the SA market for seamless tubes was about 40 000 tons a year — worth between R70m and R100m — compared with Czechoslovakian production of 1.6-million tons a year.

Tosa's seamless tube plant in Vereeniging, a joint venture between Iscor and Dorbyl, was mothballed in the middle of last year to allow for a

R75m upgrading programme. The new technology used in the plant has been dogged by teething problems.

The Metmar spokesman said that with Tosa's plant inactive, SA's mines and industries were increasingly having to use imports to satisfy their seamless tubing needs.

Metmar was confident that Czechoslovakian imports would compare favourably in price, quality and quantity with alternative sources from the EC and Japan.

The country, which had a history of quality steel production, was keen to earn hard currency now that former Soviet markets were falling away.

However, Tosa GM Harry Coetzee said yesterday that Tosa was confident of returning competitively to the tube market once its plant was back on line in early 1993.

He said Tosa had adequate stocks and had been able to keep and supply

many of its customers, sometimes with imports, while the plant was being overhauled.

He added that the seamless tube market was highly competitive in SA with customers demanding high quality products produced to tight specifications to be delivered at short notice.

The biggest concern for Tosa was that of possible dumping, should the preferential trade agreement signed last year between SA and Czechoslovakia be repeated.

In the agreement, SA has waived the 5% import surcharge on Czechoslovakian imports in return for similar concessions for SA exports.

The main producers of seamless tubing, which has a range of applications particularly in the mining and petrochemical sectors, are Germany and Japan. Without the import surcharge and with the benefit of a weaker currency, Czechoslovakian products will be available at significantly lower prices than those from Western sources.

Bush's nod on exports to SA 'a positive step'

Bl Day 21/2/92

SEAN VAN ZYL

US PRESIDENT George Bush's announcement earlier this week freeing the Export-Import Bank (Eximbank) to underwrite US exports to SA was regarded by the local business community as a positive step towards re-establishing trade relations between the two countries.

SA Chamber of Business (Sacob) economist Bill Lacey said Bush's announcement served as a signal to American businesses that SA was once again an acceptable market in the international trading arena.

However, Lacey did not expect the Eximbank's financial participation in US export trade to SA would result in a flood of imports. "With the present position of the SA economy, local business is unlikely to start building up inventories."

The Evans Amendment, introduced to US legislation in 1978, barred the Eximbank from participating in export deals to the SA government or its parastatals until the US President certified to Congress that "significant progress towards the elimination of apartheid has been made".

Safto senior manager, international

division, Mike Veysie said increased imports to SA would be determined also by the country's needs and its being able to afford imported goods. Furthermore, Bush's authorisation of the Eximbank's participation mostly benefited US firms as the bank's financial guarantee applied only to one-way trade from the US to SA. As a result, US firms would not be able to rely on the Eximbank for financial guarantees on goods imported from SA.

However, SA's indirect benefit from Bush's decision would be cheaper access to imported capital goods, aircraft and machinery.

Although the Eximbank's participation in US-SA trade was unlikely to significantly boost trade volumes, Veysie said, it was "a positive step" which could in the long run promote increased two-way trade between the two countries.

American Chamber of Business of SA executive director Michelle Cohen said the move would also allow SA greater access to new technology previously denied by sanctions.

Investment returns of trust 17,8%

LINDA ENSOR

CAPE TOWN — The Independent Development Trust (IDT) had achieved an average return on its investments of 17,8% since August 1990, IDT communications director Jolyon Nuttall said yesterday.

Nuttall was commenting on a note in Auditor-General Peter Wronsley's report for 1990/91 — tabled in Parliament this week — which said IDT trustees had not formally minuted the criteria used to select the initial seven portfolio managers. The managers were given responsibility to invest the R2bn granted to the IDT by government.

Nuttall said the overall return achieved had been very good. *Bl Day*

Portfolio managers selected were FNB, Rand Merchant Bank, Senbank, Standard Merchant Bank, Volkskas Merchant Bank and Syfrets Managed Assets. *21/2/92*

The Auditor-General's report also noted that no certificates had been obtained from the institutions to the effect that no commission on the investments had been paid to intermediaries. Each portfolio manager had, however, submitted a certificate in this regard.

Nuttall said there were practical difficulties attached to getting certificates, but stressed that no commissions had been paid.

CCB's financial situation stays under wraps

LINDEN BIRNS

AUDITOR-General Peter Wronsley declined yesterday to detail the financial situation of the Civil Co-operation Bureau (CCB), an SADF covert unit in the throes of being disbanded. *Bl Day 21/2/92*

He said he was barred from commenting on the issue in terms of Section 6.3(a) of the Auditor-General Act and an agreement between himself, President F W de Klerk and Finance Minister Barend du Plessis.

On Wednesday Wronsley told Parliament former Defence Minister Gen Mag-

nus Malan and Du Plessis had authorised payment of more than R28m to the CCB during the past two years.

Yesterday he refused to say whether further payments were being made to the CCB. The R3m pension given to one former CCB member was a problem for the insurance company concerned and not the Defence Ministry, he said.

haaaie

FM 28/2/92

74F

Another significant drop in imports (26%) is in the category vehicles and transport equipment because of the inclusion in January 1991 of the import of a Boeing 747.

The value of exports was well below the 1991 monthly average of R5,5bn. An important factor was that exports of minerals fell 3% and base metals 19%.

This, according to the SA Foreign Trade Organisation's Bruce Donald, was a result of poor conditions in the world markets and low commodity prices. Ferrometals in particular have suffered.

The unclassified category fell 17% compared with last January. It is unlikely that this was due to gold, which is included in this category. World gold prices were much the same as in January 1991 and gold production increased last month. It was more likely caused by the poor performance of platinum.

Export categories which did well were chemicals (up 26%), precious stones and jewels (95%) and vegetable products (163%). However, according to Donald, these cannot be relied on to buoy exports, which will in future depend more on manufacturers.

The monthly performance of precious stones and jewels (notably diamonds — which includes exports from Botswana abroad) is erratic, while the drought should affect vegetable product exports during the year.

FOREIGN TRADE — 2

FM 28/2/92

Unclassified moves

74F

The foreign trade surplus in January was R700,6m say Customs & Excise. Imports, at R4,1bn, and exports, at R4,8bn, are both down on those of January 1991, when they were R4,8bn and R4,9bn respectively.

The decline in imports is explained by the 71% drop in the unclassified category. In January 1991 the value of oil imports, which are included in this category, went up substantially because of the Gulf War.

This January oil imports may have been reduced because of domestic sales of strategic stocks.

BUSINESS BAROMETER

w/Man 6/3-12/3/92

New safeguards come

74F

PROTECTIONISM or protection? South Africa is making moves towards breaking down the wall of tariffs (ie duties imposed on imported goods) designed to foster replacement of imported goods with those made locally. But this week saw the proposal of new non-tariff measures to keep out imports.

The Customs and Excise Bill and the Board of Trade and Industry (BTI) Bill, both tabled in parliament last week, propose lower "formula" duties on imported goods — and new safeguards for local industry.

The Customs and Excise Bill defines "disruptive competition" for local industry as any export to South Africa which may harm established industries or retard emergent ones. Dumping is more clearly defined than before and takes in, among others, the selling of products here at prices below the domestic price in the country of origin. Subsidised exports are defined as those produced with financial assistance from government.

The BTI will become the Trade and Industry Advisory Board and its activities streamlined. Its brief will be to investigate and recommend "safeguards" to protect local producers from dumping, disruptive competition and subsidised exports measures.

Tax spoke in Grand Prix wheel

Imports likely to keep PPI down

By Gary 9/13/92

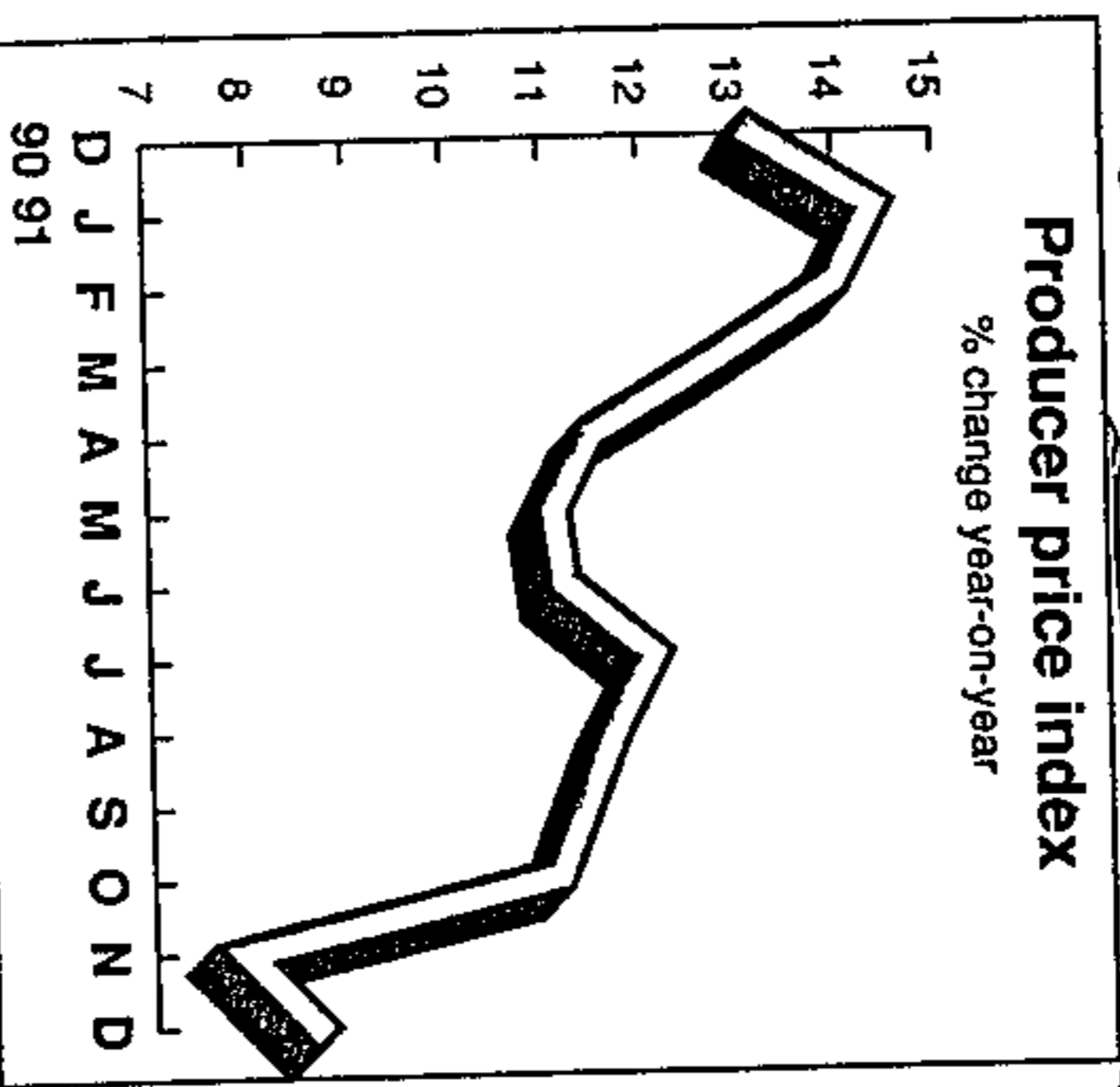
SINGLE-figure producer price inflation looks here to stay at this stage of the business cycle and January's annual increase in the producer price index (PPI), due later this week, should be the third consecutive outturn below 10%. Technical factors may also haul it below the December figure of 8.6%, back towards the seven-year low of 7.9% posted last November.

A particularly sharp slowdown in prices in the imported component should show up in the data, possibly resulting in another negative contribution to the index from the imports PPI. Part of the downward impetus to November's overall PPI figure was supplied by a 2% fall in annual imported producer prices in that month. Imported prices rose again — by 1.9% — in the year to December, but look set to fall again in the 12 months to January thanks to movements in the imports PPI at the same time last year.

Continued repercussions from the escalating Gulf crisis at the time played havoc, briefly, with the oil price and this was quickly reflected in the imports PPI. It fell 2.4% month on month in December but rose, on the Gulf crisis effect, 3.2% month on month in January.

The startling 5.6% turnaround this represents gives the imports PPI a high base for the 12-month calculation to January 1992, and gives reason to expect another negative annual imported component of about the same magnitude as November's. Although the imports part of the PPI has a fairly modest weighting of 19.5%, a swing of the annual percentage change in the index back to negative should, as it was in the November data, be enough to force overall PPI inflation down close to a fresh seven-year low.

Internationally, it is one of those weeks when the world's financial markets are likely to be as closely tuned in to political developments as they are to the normal output of economic events. The electoral shadow that has been perceptible to the financial markets in recent weeks



Graphic: FIONA KRISCH Source: CSS

due to upcoming polls in both the US and UK will loom heavily over trading this week.

After a succession of preliminary skirmishes in relatively obscure upcountry locations, the US presidential election roadshow picks up serious momentum tomorrow with the arrival of the 1992 campaign's "Super Tuesday". This is the day, of which there is one every four years, when a series of influential primaries falls on the same day. In this case, 11 states hold their primaries tomorrow, including two large states with substantial influence in choosing each party's presidential nominee at the mid-year conventions.

Texas and Florida are the big fish: at stake in these two states alone are 218 of the 2200 convention delegates who will choose the Republican nominee, and 374 of the 4300 who will nominate the Democrat candidate. All told, the concentration of primaries on Super Tuesday means that up to a fifth of each party's delegates will be committed by the middle of this week.

The Super Tuesday results will therefore begin to separate the hot prospects from the also-rans among each party's candidates, and the financial markets will have a better idea of the implications for the US economy of the election campaign.

By the end of this week much will also have crystallised in the as yet undeclared but very much up and running British election campaign.

On Saturday, Prime Minister John Major is due to give a speech in the unremarkable seaside town of Torquay, until now famous only for being the real-life location of Basil Fawlty's ghastly hotel. The speech is significant because it is Major's last practical opportunity to announce an April 9 general election, given the minimum election campaign of three weeks.

Chancellor Norman Lamont presents his pre-election budget tomorrow, and it is the positioning of this probably vote-catching fiscal package just ahead of the Torquay speech that leads irresistibly to the conclusion that Major will fire the starting gun for a whirlwind campaign on Saturday. The week is suitably devoid of any banana-skin British economic statistics that could upset delivery of the smooth, one-two combination of the budget and the general election date.

Market-moving US data are also thin on the ground in this politics-dominated week in the financial markets.

The figures most diverting to the traders who have already rerated the dollar upward are likely to be Thursday's retail sales for February. These should reinforce the comforting trends outlined by last week's purchasing managers' survey and leading indicator by showing another positive outturn, following the 0.6% rise in January that ended a sequence of successive negative monthly outturns.

All the improvement in the January upturn came from the building and high-street store sectors, promising an overall recovery in consumer spending that should have extended into February's retail sales data.

COMPANIES

Progress hit hard by imports

A FLOOD of duty free imported knitwear cut into the sales of Natal-based Progress Industries in the second half of 1991, leaving a recorded trading loss of R250 000.

This pushed bottom-line losses to R874 000 for the 12 months to December, against last year's profit of R2,8m — equivalent to a 31,5c loss a share from 102,3c. Trading income in the period more than halved to R2,7m from R5,9m on the back of a turnover rise to R65m from R61m. Although no final dividend was declared, the total dividend for the year was 11c a share (1990:34c).

Progress CE Peter Jacobson said knitwear sales volumes dropped 40% in the second half, compared to the previous year, as a result of the import surge.

WILLIAM GILFILLAN

He said although the Hatty proposals would help the industry in the medium term, imported knitwear for the winter season had already arrived in SA.

In an unusual move, the company has recorded adjustments made to the previous year's tax charge below the line. These relate to expenses disallowed by the Receiver. This was the reason for the difference of R594 000 between the company's above and below the line earnings.

A R660 000 contingent tax liability relating to losses arising from a film investment was not included in the results.

Progress has lodged an objection against the Receiver's decision.

UK cuts premiums on sales to SA

B10cay 11/3/92
LONDON — Export Credit Guarantee insurance rates for UK sales to SA are to be cut by 18% under a review announced by Minister of State for Trade Tim Sainsbury.

Premiums will fall from 8.5% of the value of contract to 7%. The issue of SA's credit-worthiness was one of the issues raised during Sainsbury's visit last year.

Sainsbury said it was clear "that current premium rates need adjusting to reflect changes both in trading patterns and in the creditworthiness of various markets".

Another reason was that competing exporters had not followed Britain's lead in

74F
raising the cost of export insurance. It led to strong protests that foreign competitors were gaining unfair price advantages.

UK Export Credit Guarantee insurance premiums ranged up to 17% for countries such as India and down as low as 2% for low-risk markets. Under the review, which takes effect from April 5, premiums will be halved for some markets among the 50 affected.

In the 20 main markets of exporters who most need long-term credit cover the cuts will average 20%.

Own Correspondent

Tile makers want greater protection from dumping

Bl Day 18/3/92

LOCAL tile manufacturers have called for greater legislative protection as dumping of large quantities of inferior but cheaper material by foreign companies places the industry under more pressure.

"The local industry is battling with reduced demand and limited growth potential and is not always able to compete on a price basis," Pilkington Tiles MD Peter Sneddon says.

Large-scale dumping from overseas countries has exacerbated unemployment in the industry as demand for locally produced material has dropped.

The industry has reduced staff levels by about 35%.

While there was a time when the local market could not cater for demand, it has grown, adapted and is now more than able to do so. Local producers are limited to one way trade and vast amounts of capital are leaving the country to pay for exports, he says.

Foreign producers have low inflation levels, a variety of rebates and

tax and other incentives to make them more profitable, particularly in the SA market.

"When the 27,5% duty on imported material was granted, dumping requirements were lifted. The higher duty has had little effect on imports, which continue to negatively affect our market," Sneddon says.

Countries such as Italy, with a stockpile of about 240-million m², could well afford to dump stock, he adds. While imports are necessary, they need to be balanced and anti-dumping legislation is essential.

Local market demand varies between 14- and 16-million m² of tiling a year, of which 5- to 8-million m² is imported. The local market needs export incentives to be more competitive with other markets.

"The Italians and Spanish are in the African markets and are dumping material there as well. However, we have a long-standing relationship with them and many want to do busi-

ness with us," he says.

Local capacity is underutilised by about 30%. There is a stockpile of about two to three months demand, with price increases over the past three years below inflation.

Recent consumer research showed that the average local consumer was not influenced by the name of the product but rather by its quality.

In many cases the local product was as good as, if not better than, the imported material.

"However, our industry is labour intensive and costly to run, which pushes prices up. Foreign producers replace their equipment every three years, but we are unable to afford to do this, thereby further detracting from our productivity," he says.

The local consumer tends to be naive when buying tiles and needs to take more than just price into consideration.

Many tile ranges are often not replaceable after a period of time and future service and availability are important and need to be taken into account, Sneddon says.

Reports by
PETER GALLI

Import surcharges stable

~~SPA~~ Own Correspondent 74F

CAPE TOWN — Import surcharge rates, which were reduced in the previous two financial years as part of a phasing out programme, will remain at existing levels, according to Finance Minister Barend du Plessis.

He said that whereas capital and intermediate goods were previously subject to GST, the introduction of VAT on September 30 last year was accompanied by a concession to manufacturers by way of a full input credit for capital and intermediate goods. *BIDAM 19/3/92*

In this light, and with regard to the tight fiscal position, import surcharges would remain at existing levels — namely 40% for less essential consumption goods, 15% for so-called white goods and 5% for capital and intermediate goods.

Here's an export office which is actually promoting imports

74F
STILWES (RUSS)
22/3/92

ONE of the ironies born out of Japan's staggering trade surplus is a government-sponsored export body that promotes imports.

The Japan External Trade Organisation (Jetro), formed to assist Japanese corporations to capture new export markets, was instructed 10 years ago to concentrate on import promotion as part of the country's campaign to reduce its US\$100-billion trade surplus in 1991.

Hideichi Okamoto, Jetro's Johannesburg director, says: "We now spend 80% of our time promoting imports. But the scope for increasing imports to Japan is dependent on the rate of growth in the Japanese economy, which will be about 3% this year, well down from last year's level of about 4%."

Jetro, a semi-government body, has been represented in SA since 1961. During sanctions its SA representation was downgraded to reflect SA's pariah status. Now that sanctions are lifted, Mr Okamoto says, relations will normalise although he does not see much scope for increasing trade volumes immediately.

"There is potential for increasing gold, diamonds and platinum exports in view of the strong growth in the Japanese jewellery market. Raw material imports will pick up when the rate of growth in the Japanese economy improves. This year economic growth will be about 3%, which is much lower than in previous years."

Trade between SA and Japan was worth \$3,3-billion (R9,2-billion) in 1990,

with the balance of trade weighted slightly in SA's favour. In the first nine months of 1991 SA increased its imports from Japan by 13%, particularly in the area of motor components, audio-visual equipment and industrial machinery.

Japan scaled down its imports of gold, vanadium oxide, chromium ore, aluminium and foodstuffs, but increased imports of iron and manganese ore, ferro-alloys and pulp.

Mr Okamoto says growth in the Japanese economy will be spurred by land prices: "Some of the most expensive real estate in the world is found in Japan."

Pressure

"Companies tend to bond the land and invest the borrowed money, but now that land prices are falling their collateral is worth less. Until recently land prices increased by between 20% and 25% a year, but last year were down to 7%."

The Japanese success story was built on exports but its major trading partners — particularly the US — put pressure on the Japanese to open their economy to foreigners. Responding to this pressure, the Japanese government embarked on a drive to liberalise its financial and goods markets. According to a Barclays Bank report on Japan, the trade surplus will decline to \$20-billion by 1994.

Mr Okamoto says there is little prospect of reducing the trade surplus with European trade partners.

"Many European countries are not interested in the Japanese markets. It is much simpler to focus on nearby markets than try to penetrate a market many thousands of miles away."

One area which is likely to boom is tourism to SA from Japan. In 1990 5 000 Japanese visited SA, many of whom were businessmen. Provisional figures for 1991 suggest that 10 000 Japanese visitors came to SA. More than 11-million Japanese travel abroad each year, representing a huge potential market for SA, which has excellent golfing facilities and sophisticated game parks, two qualities highly rated by the Japanese.

"The Cape of Good Hope is considered very famous by Japanese visitors. The type of holidays preferred in Japan are generally packaged, with plenty of emphasis on scenic tours, golf and safaris. They like to spend a few days at a number of different resorts."

There are no direct flights to and from Japan, nor is there much call for such a service until traffic between the two countries increases. At present travellers to Japan generally catch connecting flights in Taiwan, Hong Kong or Singapore.

Mr Okamoto says Japanese investment in SA, when it comes, will focus on job creation. The deputy president of Nafcoc (National African Federated Chamber of Commerce), Archibald Nkonyeni, has been invited to Japan to assess various areas of co-operation between Japan and SA.

Johannesburg 2000
Vices, Sasol Ltd, P O Box 5486,

include a housing subsidy scheme,
company for relocation needs

other things apart from



Corporations pleased by beneficiation concessions

WIDER scope of incentives for beneficiation of raw materials, announced by Trade and Industry Minister Derek Keys, were welcomed by corporate leaders this week.

But economists say the concessions were unlikely to have a material effect on economic growth this year.

Section 37E export incentives will now be available to virtually any person carrying on any beneficiation process on an internationally competitive scale.

Previously, the incentives were limited to beneficiators of locally-mined base minerals and locally-produced intermediate goods.

It now applies to beneficiators of all goods, irrespective of the origin of the raw material or of the intermediate product.

Auditing consultants Ernst & Young's Charles Mackenzie and Christo Theron said of the new regulations:

"Previously, beneficiation had to add 'substantial' value. Now, this process must add 35% to the value of the raw materials or intermediate products. The 35% beneficiation level is to be determined by a new formula. A high labour or overhead content makes it easy to attain the necessary level. "The inclusion of imported raw materials

Business Times Reporters

and intermediate goods, coupled with the 'easy-to-attain' formula, makes qualification easier. There is no doubt that more manufacturers should qualify than did under the previous legislation."

Business leaders approached last week gave the changes the thumbs up.

Mike Sander, chief executive of industrial chemical giant AECl, said the changes showed the government had recognised that SA suffered from a competitive barrier internationally because of high tax and inflation.

"AECl is conditionally going ahead to expand its synthetic fibre business in Cape Town entirely for the export market. We have already invested R15-million, but the concessions will permit us to increase capacity through a R100-million investment."

Sasol says it is already committed to a full investment programme, but the amendments would make certain investments more attractive, especially those that were marginal.

Business Times 22/3/92

74F

750



ANTI-APARTHEID and church groups have become involved in a R2-billion "charity" clothing operation which is crippling the South African clothing and textile industries.

It has already put 20 000 people out of work, according to union and employer sources.

The operation is based on a system under which the government grants permits to churches and welfare bodies to import second-hand clothes duty-free so that they can be given to the poor.

Instead, 100-million garments a year are flooding into the country and pouring huge profits into the pockets of middlemen and, it is suspected, some church and welfare people with dubious motives.

The situation is "gravely serious and growing worse", union and industry officials say, and has already contributed to the closing of textile and clothing factories and had a devastating effect on the milling town of Harri-smith. It threatens other towns like Ladysmith and Pinetown.

The SA Clothing and Textile Workers' Union is so concerned that this week in Durban it staged the first of a planned series of nationwide worker demonstrations outside one of a fast-growing number of used clothes shops.

Ironic

And soon it plans to meet foreign anti-apartheid and church groups to point out that it is ironic that clothes they are collecting for South Africa's unemployed are contributing to further mass unemployment.

Mr Ebrahim Patel, assistant general secretary of the SA Clothing and Textile Workers' Union, said the garment industry employed 165 000 people in clothing production, 100 000 in cotton growing, and 95 000 in textiles. With their dependants, this represented 1,7-million people.

It was the most labour-intensive manufacturing industry and one for which product volume was all-important. When, in 1988, there was an annual duty-free importation of 24,5-



SAVE OUR JOBS ... textile workers demonstrate outside a second-hand clothes shop this week

million used garments it was bad enough, he said. But last year the figure grew to 100-million (industry sources say R2-billion is a conservative estimate of how much they would have sold for).

Dr Johan Lamprecht, deputy director-general of the Department of Trade and Industry, said duty-free import permits had been granted initially to church and welfare bodies to enable them to bring in donated used clothing on the strict proviso that it be distributed free of charge. However, the government later conceded that the charities could sell the items to cover transport costs.

This, industry and union sources say, is what opened the door to abuse.

Industry and union officials said irregularities were almost impossible to control because of import volumes and staff shortages at customs and excise.

A special working group for the textile and clothing industry has been set up to investigate. It comprises representatives of manu-

facturers, unions, customs and excise, and other government departments.

Members of the group — including government representatives — told of some remarkable abuses uncovered. Among them:

- Containers, accompanied by duty-free permits specifying that they contained used clothing, were found to have cars inside — in one case, a brand-new Porsche hidden behind old clothes;

- Others contained new clothes from Hong Kong and other Eastern countries, also under a layer of old clothes;

- Duty-free permits are issued by TBVC countries, Lesotho and Swaziland, but

the containers never reach them. The clothes are sold to South African middlemen.

The Commissioner for Customs and Excise, Mr Daan Colesky, said it was impossible to police the vast volume of duty-free clothing pouring into the country.

Meanwhile, whatever the method of acquisition, used clothing — mainly jackets of European and American origin — is being sold in mushrooming shops, at flea markets, by door-to-door sales and via classified advertisements.

Misery

The working group has a list of 55 church organisations involved in importing duty-free clothing and members say that although most are probably acting in good faith, they understand that officials of some church or welfare bodies are being investigated at government level.

Mr Patel said: "The union is determined to stamp out the profiteering in second-hand clothing."

"The effect on our industry is devastating and the human misery and pain caused by this is not appreciated by those who make a quick profit."

Jobs

★ SUNDAY TIMES, March 22 1992 3

By ROY RUDDEN

STimes 22/3/92

Charity? Leaves 20 000

Cut tariffs would damage industry

STimes (Duss) 29/3/92

BY MAX BRAUN

SOUTH Africa could be flooded with imported commercial vehicles if the government's decision to reduce protection on trucks, buses, bakkies and kombies is implemented on January 1 1993.

In a bid to comply with the objectives of GATT (General Agreement on Trade and Tariffs) the Department of Trade and Industries has committed the SA motor industry to reducing import tariffs from 100% to 30%.

The commitment, which has been accepted by the other GATT parties, is to be phased in over a period of five years from the beginning of next year.

Ironical as it might seem, until the beginning of this month only a few people in the broader motor industry and even at the Board of Trade and Industries (BTI), appeared to have any knowledge of the government's submission to GATT.

Discussing

At the time of going to press the National Association of Automobile Manufacturers of SA (Naamsa) was not available for comment, as it is discussing the matter.

Passenger cars are not affected by the proposed change.

Although unlikely, implementation of the government's submissions to GATT

in its present form would have serious implications for the motor industry and component manufacturers.

In recent months there have been attempts to circumvent the present high duties to import manufactured trucks from the Eastern bloc, refurbished petrol-driven American school buses and antiquated Japanese light trucks built in south-east Asia.

An open "sesame" in South Africa could encourage a variety of more serious players such as Scania, Volvo, Louisville, Mack, Navistar, Kenworth and DAF/Leyland to re-enter the market.

Worldwide, new trucks sales have been in the doldrums for more than two years. Any opportunity to dump old inventories would not be missed.

Such a development would damage the established manufacturing capability now in place, with a concomitant loss of jobs.

With protection at a level of 30%, maybe even as high as 40%, it would not make sense for local truck suppliers to manufacture in South Africa. This would threaten the existence of local diesel-engine producer ADE and gearbox and axle producer Astas.

Substitute

The change may encourage motorists to substitute their cars with bakkies or small buses. This would further reduce the need for locally made components and locally built cars and trucks.

The motor industry will probably try to persuade the government to revise its com-

mitment to GATT.

According to industry sources, the compromise with the best chance of gaining acceptance is a reduction in duties, for all vehicles including cars, to 60%, phased in over five or preferably eight years. But even this would be a daunting prospect for ADE, Astas and other component manufacturers.

If vehicle manufacturers revert to sourcing from parent companies or international jobbers, it will become more difficult to export parts and components to global markets.

Prudent

The component-manufacturing industry in South Africa employs more than 70 000 people. Another 50 000 jobs depend on the fortunes of this industry.

Naacam (National Association of Automotive and Allied Component Manufacturers) believes it would be prudent for the government to reduce tariffs on primary materials (local manufacturers pay 30% more for steel than they need to because of protection) before reducing it on secondary items or finished goods.

A disadvantage of the scheme is that some imported built-up vehicles will be cheaper to buy but a lot more expensive to maintain and operate.

Locally made vehicles are more costly to build because of low production runs. However, they may be cheaper to own because they are engineered for local conditions, and parts support is competitive.

Official code to govern 'grey' imports

AN OFFICIAL code of conduct governing "grey imports" would be launched in May, Business Practices Committee chairman Prof Louise Tager said yesterday.

Grey (or parallel) imports are products which bear well-known brand names but, as they are not brought in by official distributors, have no after-sales service.

"The code will introduce measures to protect consumers by ensuring that non-warranted goods are disclosed as such," said Tager. Practices such as the selling of TV sets which did not work in SA would be deemed harmful practices.

The warning of "let the buyer beware" would apply to grey imports, provided the seller had informed the customer.

National Panasonic MD Alan Coward welcomed the code. "There is no business reason for grey marketing to exist in the

MICK ELLINGHAM

long term," he said. (74F)

Unrestricted grey market importation encouraged people to break the law by evading import duties and technical specifications, he said.

Teltron business products marketing manager Anthony Rosenbaum said: "We've been fighting for the introduction of a code of conduct, so it's good news to hear measures will soon be introduced."

Grey marketers argued that competition in the industry was desirable, but there was ample competition between countless makers and importers without parallel imports, said Rosenbaum.

Phillips chairman Bruce Mackenzie welcomed the code, but pointed out that difficulties might arise in policing it.

B 10/09 2/4/92

EC plans to lift embargo on oil exports

Blow 7/4/92
(SA) (74F) (SA)

LUXEMBOURG — The EC would lift an embargo on exports of oil to SA, German Foreign Minister Hans-Dietrich Genscher said yesterday.

"There will be a decision on lifting the oil embargo in the expectation that this will contribute to positive developments, especially in the forming of an interim government," Genscher told reporters at a meeting of EC foreign ministers.

Portuguese Foreign Minister Joao de Deus Pinheiro, who chaired the meeting, said details would be announced later.

Government yesterday said the move would help SA's return to world trade.

Foreign Minister Pik Botha said: "As far as I am concerned sanctions have gone. The playing field is level. It's now up to us to resolve the situation inside SA."

ADRIAN HADLAND reports that DP energy spokesman Roger Hulley described the move as "a very positive one which will provide an important economic boost. It will help bring the price down."

Hulley said the lifting of the embargo would make it possible to sell off further oil reserves worth several billion rands.

Industry and JSE sources, however, predicted that while the EC move would go some way to removing the cost of obtaining supplies, it was unlikely to have a significant effect on pump prices.

Mineral and Energy Affairs director-general P J Hugo would only say the announcement was good news.

EC diplomats said ministers were also expected formally to end sanctions still barring sporting, scientific and cultural contacts. The sanctions which will remain are embargoes on imports and exports of arms and sensitive goods for the armed forces, along with measures affecting military and nuclear co-operation.

SA's ambassador to the EC Bhadra Ranchod, anticipating the lifting of the embargo, said it would help improve ties and inspire business confidence.

The PAC's observer mission to the UN protested against the EC decision, saying it was a "gross violation" of the UN Security Council's mandatory sanctions against SA.

— Sapa-Reuter, AP-DJ.

EC to lift embargo on SA oil exports

STAR 7/4/92

74F

The European Community is to lift an embargo on exports of oil to South Africa, following a similar move by the US last July.

German Foreign Minister Hans-Dietrich Genscher meeting with his EC counterparts in Luxembourg yesterday said the decision, due to be ratified last night, was being taken in the expectation that this will contribute to positive developments, especially in the forming of an interim government.

Diplomats said Ministers were also expected formally to end remaining sanctions involving sporting, scientific and cultural contacts, which in effect have already lapsed.

The only sanctions which will remain are embargoes on imports and exports of arms and sensitive goods for the armed forces, along with measures affecting military and nuclear co-operation.

The moves follow the vote by whites last month in a referen-

dum to back President de Klerk's efforts to dismantle apartheid and reach agreement on a new constitution with the majority black population.

The Community agreed to end its ban on new investments in South Africa at the end of 1990, and its ban on the imports of iron, steel and gold coins early in 1991.

Oil industry operators in South Africa welcomed the unexpected announcement, but noted that the Community's decision will have limited financial impact. For the past few years South Africa has been buying its crude at world prices, paying little if any premium.

The diminished impact of the embargo was already evident last year when the Government announced it would sell part of its strategic reserve to finance social upliftment.

It will, however, allow South Africa to diversify its sources of supply. The country will also be

able to trade crude oil products openly.

What remains unclear is the extent to which yesterday's announcement will undermine the United Nations' embargo which remains.

Locally, it will provide added impetus for the decentralisation of oil procurement, which has been controlled by the Central Energy Fund.

Shipping Research Bureau, an Amsterdam-based monitoring group, estimated that South Africa's oil imports cost \$1,6 billion (about R4,48 billion) in 1989.

Demand is about 30 percent below that of the mid-1970s due mainly to progress made by South Africa in achieving a level of self-sufficiency through developing a synthetic fuel industry which converts coal to oil and gas.

The PAC observer mission to the UN yesterday protested against the EC move. — Financial Times News Service, Sapa.

Buyers on grey market may lose local support

B/ocm 9/4/92
THE many companies which are importing their own hardware and software — or buying on the grey market — could be without support from local suppliers.

Official distributor of Novell networking products, LAN Design, is preventing users who obtained products on the grey market from getting support from the company.

The move coincides with the code of conduct governing grey market imports which is being launched in May by the Business Practices Committee.

LAN Design MD Roy Wittert said it was difficult to police grey market imports, and was adamant that local prices were not inflated to the extent that companies were driven to import directly to cut costs.

He said users should demand that dealers source products through official distributors to avoid problems with getting support and product upgrades in the future.

"Some tenders are now stating that products must be sourced from local agents to

qualify," Wittert said.

A plan to provide support on a paying basis is also being considered.

"South Africans are not used to paying for support, however, believing this should be provided free once they've bought a product."

In another move, the Business Equipment Association's fax and telephone attachments subdivision is launching a campaign to increase public awareness of the benefits of buying legitimate products.

Backed by names such as Minolta, Nashua, Panasonic and Teltron, the campaign is aimed at stopping the grey marketing of faxes and telephone attachments such as answering machines, feature phones and cordless phones.

BEA president Clive Jandrell, said the campaign was supported by the Consumer Council, Telkom and the Bureau of Standards. "Legitimate products are licensed by Telkom and are suited to SA," he said.

Electronics grant scheme defended

B1000 9/4/92

74F

Reports by
MELANIE SERGEANT

SA is the world's eighth largest importer of electronic products, with a negative trade balance in this area of about R2,9bn.

To help rectify the situation, the Innovation Support for Electronics scheme was implemented two years ago, managed by the Department of Trade and Industry and the Industrial Development Corporation.

The scheme allows for grants of R40m a year to projects, but recently came under fire for being too secretive about taxpayers' money.

At a presentation this week, the department's Hennie Smith said information about recipients was held back until products were ready for marketing, to prevent loss of competitive advantage.

Defending the scheme, he said budgeted sales for 84 projects under way were R4,9bn.

Even if the actual sales reached only 20% of their budgets, the scheme would make a significant impact on SA's negative trade balance, he said.

The scheme was a "guinea pig" and could cover other industries in the future.

He pointed out that other countries ran similar schemes — and many also had tax concessions or repayable grants to com-

plement outright grants. Non-repayable grants were the most common support.

The 1990 annual review of industrial policy in OECD countries says the percentage of research and development financed by government ranges from 32,7% in the US to 19,4% in Britain and 5,6% in Australia.

The Innovative Support for Electronics scheme was part of an attempt to move SA away from reliance on minerals and other primary products to manufacturing. While Japan had consumed similar amounts of minerals and metals over the past 17 years, its manufacturing industry had grown fourfold.

Electronic products were pinpointed as ideal for starting such a scheme because of the large trade imbalance and the reliance which all industries had on electronic goods in some form or another, he said.

"Support for innovation-related activities is the positive approach to improving competitiveness of industries. This contrasts with tariff protection which is a defensive approach without long-term advantages."



Panasonic fires salvo in grey market dispute

Biday 13/4/92

147

MICK ELLINGHAM

NATIONAL Panasonic is presenting its distributors with contracts which ensure they refrain from dealing with "grey market" imports, according to a document given to Business Day.

The document says distributors who "purchase, sell, service, maintain or in any way deal in grey market imports" must pay National Panasonic R200 000 "as a genuine pre-estimate of damages which we may suffer".

The document also obliges distributors to inform National Panasonic of sales from grey market imports.

The document maintains that "the sale and distribution of grey market imports in SA has an adverse effect on the image of the (National Panasonic) brand names".

Business Practices Committee chairman Louise Tager said although she had not seen the document concerned, "grey" or parallel importing was not illegal and should not be prohibited provided non-warranted goods were disclosed as such.

The dispute follows an advertisement by National late last year warning consumers that it would not guarantee products bought from Western Bazaars or other "grey market" importers.

National closed its account with Western Bazaars after it cut prices below National's recommended retail price.

Following National's move, Western Bazaars was forced to import goods through Japan and Hong Kong, cutting out the middleman and enabling the store to drop prices further. These imports are known as "grey market imports".

Store manager Anver Karim described the document as "typical of the monopolis-

tic attitude of the conglomerates who are trying to dictate market forces".

"Parallel importing saves money for hard-pressed consumers..." he said.

"We believe our service back-up is as good, if not better, than that of appointed agents such as National Panasonic."

National Panasonic MD Alan Coward confirmed his company would not support dealers who stocked grey market imports of National Panasonic's products, and said the contract had been drafted by attorneys Bowman and Gilfillan.

"Grey market imports are our competitors and we cannot be held responsible for the quality of the products they distribute," he said.

"To safeguard the quality of our products we have strong agreements with our distributors, but each company is ultimately entitled to do as it wishes", he added.

The Fax Shop GM Stuart Reaper said grey marketing was a mechanism by which the free market overrode the possibility of market sectors being dominated and controlled by a single entity.

He noted that during trade sanctions, many SA companies were themselves unofficial distributors. "Now, with the possibility of official distributors again being appointed, some of these self-same companies are seeking market protection."

He said unofficial distributors were part of the free market and would not disappear through "the short-sightedness of official distributors seeking inflated prices to support their corporate structures".

Zimbabweans want SA to ditch import restrictions

ZIMBABWEAN trade representatives have objected to the proposed quota system restricting the importation of textile and clothing goods from their country.

Zimtrade CE Morrison Sifelani, who led a 30-man trade delegation which visited SA last week, said his team had proposed to Safto and the Johannesburg Chamber of Commerce and Industry (JCCI) that the quota system should exempt Zimbabwean goods.

"We are currently studying proposals by SA to restrict the importation of textiles and clothing through the quota system.

"We have indicated to our SA counterparts that since Zimbabwe is not marketing 'distressed goods' — not dumping goods on the SA market, it should be exempted," Sifelani said in an interview.

The delegation, which left on Saturday after a four-day stay in SA, comprised representatives from the textile and clothing, leather and footwear, furniture and processed foods sectors.

Sifelani said the mission was "on the whole, successful".

"We established contacts with various

sub-sectors, particularly in the distribution business of SA and we had an opportunity to have a critical, though brief, examination of market trends in SA," he said.

As a result of the visit, there would be "structured and targeted" future meetings with various sub-sectors. These would be organised in co-operation with Safto and the JCCI.

"We are encouraged that some of our members have made significant sales. We also had an opportunity to explore prospects for joint ventures which will lead to mutual exports.

"This visit marks the first of a series of bilateral meetings which will take place in the near future," Sifelani said.

The delegation also had discussions with financial institutions interested in trade financing — including establishing lines of credit.

"The talks are still exploratory, but most financial institutions want to finance trade between the two countries — mainly among traders and manufacturers," Sifelani said.

THEO RAWANA

B/day 13/4/92

74F

C

Business

By JOSHUA RABOROKO

MR GENO de Fava, of Reiger Park on the East Rand, has launched Phambili International, the first black-owned company specialising in the import and export of products.

An advocate of black economic empowerment, De Fava has 15 years experience in international trade and is well placed to enter the markets that have for many years been closed to blacks.

The company offers a full range of services for imports and exports, sea and airfreight, and the operation is fully computerised.

It also hopes to help the small entrepreneur gain access to international markets through the company's contacts. Through strong international partners, the company is able to assure an effortless passage for any company's freight.

Influential

De Fava runs the business from centres in Durban and Johannesburg. He can be contacted at (011) 331 6327, 331 5179 or by writing to PO Box 11391, Johannesburg, 2000.

He is in regular contact with influential people in organisations such as the South African Foreign Trade Organisation, the liberation movements overseas and African traders.

A joint arrangement has been concluded with JH Bachmann, an international freight organisation. Through this arrangement, Phambili is able to offer a truly international network.

Shipping

De Fava is setting up structures which are expected to enable South African business to operate in the international arena. Small black entrepreneurs have, for many years, not been able to trade their products in foreign countries, he said.

Blacks sail into exports

and imports



The company undertakes all aspects of shipping including documentation, insurance and customs clearing. It will serve as a gateway to international trade through the expert marketing of products.

The company is able to make inquiries into markets on behalf of corporations or undertakes negotiations as required. Importation of raw materials, components or finished goods present no problem.

"This has stifled growth in all sectors of the manufacturing community, especially the small trader," he says, adding, "I am aware of the difficulties experienced by small business people."

Efforts by organised commerce to bring more black entrepreneurs into the economy have touched this first freight forwarder.

De Fava, who was born and educated in East London, started his career in

Sowetan 16/4/92

714F

shipping in 1974 with Grindrod Group in Cape Town as a customs clerk.

He later moved to East London and Port Elizabeth, working within the group, before moving to Johannesburg in 1979 where he joined JH Bachmann.

He believes that his strength lies in the size of his operation and the personal attention he can offer.

"The major obstacle is convincing larger corporations to channel their business to blacks."

Through his knowledge of the customs tariff and individual attention to a small client base, he can ensure that customers are paying the lowest rate of duty.

Suppressed

"The South African market has for many years been suppressed by international trade sanctions.

"There are now signs of sanctions

been officially lifted in many countries, but due to administrative and legal considerations in countries around the world, trade has not come within reach of most businessmen," he said.

He has contacts in both the United States and Africa who are able to help him export or import goods that would otherwise not be possible, he said, adding "Phambili is able to circumvent the problem due to being a black-owned international business, based in South Africa."

The company is seeking portions of the freight handled by national and multinational companies. The income generated from this business will be channelled to assisting the small client to export his products, he claimed.

It has suited large companies in South Africa and overseas to offer portion of its freight forwarding business to Phambili in the interests of assisting black business.

"It is understood that most large companies have established contacts with certain overseas clients. I am making an appeal to them to offer a portion



Geno de Fava

of the overseas trade requirements to Phambili in the interest of small business.

"With the possibility of a black majority government in South Africa, our products will be acceptable worldwide. A political solution for the country should be accompanied by an economic solution.

"Part of the solution is that increasingly members of the black community become global makers."

Apart from his business interest De Fava is heavily involved in the upliftment of the underprivileged and his community.

"Local businessmen should not shirk their social responsibility in helping other blacks to progress," he said.

Unemployed

Currently he has a project in the Reiger Park/Boksburg area where he intends setting up a technical training centre for the unemployed with sponsorship from corporate business.

He has given support in several other areas, including a R2 500 donation to a private school in Kulis River for a bursary fund, financial assistance to Meals on Wheels and several other projects for senior citizens.

This article will qualify De Fava for the Sowetan/Sanlam Entrepreneur of the month competition which started at the beginning of April.

Anti-dumping measures limited

Bloom
THE local textile industry is under pressure from cheap imported products because of the eroding effect inflation has had on protective tariffs, says Textile Federation executive director Brian Brink.

Local industry needs to protect itself from dumping, although he says the proposed anti-dumping legislation will have limited success.

"Internationally it has been proved that anti-dumping legislation is always a case of 'too little too late'. Before a case can be proved the goods must already be in the country, by which time the damage is done."

The anti-dumping legislation entails a "safeguard" duty to protect local industries from disruptive competition, dumping and subsidised exports.

Disruptive competition is competition from imports

16/4/92 (74F)
which materially injure established industries and retards the establishment of new industries.

Dumping is defined as goods imported at a price lower than its home market selling price or at a price lower than other comparable imports.

The new definitions are expected to give businesses and government greater clarity in deciding whether certain practices amount to dumping.

New parameters are suggested on the conduct of investigations and the Board of Trade and Industry — to become known as the Trade and Industry Advisory Board — is empowered to investigate and recommend on the protection of industries by customs and excise duties.

Brink says a quota or volume control restraint would be pre-emptive and much

more effective.

Textiles are easily transportable and are encouraged as exports in other countries. SA needs to counter this by introducing measures to limit import volumes, he says.

On the other side, for the industry to become active in SA's export drive; the authorities will have to maintain a clear export incentive programme.

"It may sound daft to charge imports and then use those funds to boost exports, but it is the practice worldwide. SA cannot buck the trend, we must accept it and introduce a similar practice."

Despite the apparent contradiction, Brink says such a system would fit into government's longer term planning. After all, SA is a developing country and local industry is sorely needed to provide employment and increase economic activity.

State aid mooted for political parties

CAPE TOWN — Making state aid available for political parties to ensure their "effective functioning" would have to be considered, said a President's Council report tabled yesterday.

The report, drawn up by the Committee on Constitutional Affairs, said state aid might be necessary because of "historical differences" and the "wide diversity in living standards, economic capabilities and educational levels among different population groups".

It noted that a number of countries gave direct state aid to political parties based on an amount determined either according to the number of votes drawn in the latest election or the number of seats won.

The report recommended that a formula be drawn up for funding political parties and the total amount be published in the Budget. Tax concessions on donations to political parties should also be considered.

While foreign funding was "undesirable", if allowed, it should be restricted and the amounts, sources and purpose of the donation declared.

The council wanted statutory control over funding, with all parties submitting audited financial statements annually to the electoral commission. The sources of donations above a specific amount would have to be declared and funds used for the

purpose for which they were given.

Legislation should be introduced to ban the allocation of funds to political parties "used for undemocratic practices and destabilisation of the state".

The report recommended establishment of a permanent electoral commission made up of experts, jurists and representatives of political parties, and proposed that it be separated from the legislature so that government and party influence could be limited. It could be part of the judicial authority.

Control of elections, registration of political parties, and control and administration of election funds — including foreign funds — would fall within the commission's ambit.

The report advocated the drafting of a code of conduct, to be "honoured on the basis of the convictions and acceptance of the community".

It proposed that political parties on registration sign a code of conduct binding themselves to maintain and extend the democratic political process; honour a charter of fundamental human rights; show respect for the national symbols of the state; acknowledge the necessity and role of all political parties in SA's political system; accept a ban on encouraging racial hatred and respect statutory regulations for political parties.

Political Staff

NEWS IN BRIEF

Govt 'backed' race

GOVERNMENT indirectly contributed to the sponsorship of the SA Grand Prix earlier this year when it gave companies sponsoring the event tax breaks, National Education Minister Louis Pienaar told Parliament yesterday.

As the audited statement of the event was still being processed, Parliament would have to wait until the Commissioner of Internal Revenue had completed his work to establish how much revenue was forgone.

Concession 'misused'

THE concession granted to churches and welfare organisations to import second-hand clothing might be withdrawn because of large-scale misuse, Trade and Industry Minister Derek Keys said yesterday. The alleged misuse was connected with a concession to sell some of the clothing to cover import and distribution.

UN rumour scotched

DEPUTY Defence Minister Wynand Breytenbach yesterday denied CP leader Andries Treurnicht's allegation that the SADF had been instructed to start preparing for the arrival of a UN task force in August. Treurnicht had claimed that the task force would monitor the composition and institution of an interim government.

REPORTS. Political Staff and Sapa

5/10 am 24/4/92 (74F) (352)

Zimbabweans fear SA dumping curbs

HARARE — Zimbabwean textile manufacturers fear they may be hit by SA "anti-dumping" quotas aimed at Oriental imports, says a spokesman for the Zimbabwean export promotion organisation, Zimtrade.

The spokesman said SA textile and clothing manufactures had asked government to impose quotas on Asian imports. The Zimbabweans had hoped to promote sales of Zimbabwean textiles and clothing.

(74F) (352)

MICHAEL HARTNAEK

Restriction of access to the SA market would increase the woes of an industry hit by shortages of lint, spiralling input costs, shortages of foreign exchange and the drought. This year 1 000 workers had been retrenched and the jobs of 15 000 more were under threat. (352)

He said arrangements were advanced for a meeting involving the two industries of both countries.

C

Duties may double on some textile, clothing imports

CAPE TOWN — A doubling of existing duties on textiles and clothing imported outside the quota system is expected to be gazetted in the next few weeks as an interim measure.

This follows government's acceptance of the final version of the Hatty committee proposals for the clothing and textile industries as amended by the Board of Trade and Industry (BTI). Some duties will more than double while others might be lower than existing duties.

It was learnt yesterday that Trade and Industry Deputy Minister David Graaff had approved the proposals.

The increase in the duties on about 2 000 line items forms part of the

8/24/17
LINDA ENSOR

clothing/textile development plan formulated by the Hatty committee.

A new duty will replace the formula duty structure and will consist of an ad valorem duty and a "specific" or minimum duty outside the proposed quota system. Committee chairman Paul Hatty said yesterday the minimum duty would apply if the ad valorem duty was less than the specific duty on imported items.

Duties on imports inside the quota would remain the same.

The interim duties will take immediate effect and will remain in place until the BTI has received comment from the clothing and textile indus-

tries over a maximum of 18 months.

This is in line with the Hatty committee proposals which accepted a transitional phase for a committee to work out a development strategy for the industries. (74F) (139) (171)

Hatty said considerable comment had been received by government departments. Opinions ranged from those who did not approve of the level of duties to those who wished to import clothing or textiles freely.

National Clothing Federation (NCF) president and Searl chair- man Aaron Searll said the NCF felt the duty on imports outside the quota should not exceed 40% while the Textile Federation wanted an 80% duty.

the past two years has with vinyl long playing re- reached 200 000 since its

Drop taxes 'and free the industry'

MUSIC equipment distributor Connoisseur's product manager John Peché is as concerned about the "exorbitant" cost of imported music equipment as are his price-besieged customers.

"Dropping the surcharge of 15% and reducing the customs duty of 25% would make the single most important contribution to the growth of the SA music industry," Peché says.

Hohner MD Walter Turk concurs. "Government regards all music equipment as luxury items ..."

However, he rejects this. "People earn their living from playing musical instruments and staging performances and their equipment should be regarded as such."

Peché says that by reducing customs duty and lifting the surcharge the re-

sultant stimulation of the music industry could contribute greatly to improving the country's balance of payments through the development of musicians and the industry.

"However, this would require a unified music industry to lobby government."

It is time for a music industry body to be constituted and perform this kind of function," Peché says.

8/10/72 28/4/92 (74 F)



Dealers react to warning on 'grey imports'

NATIONAL Panasonic MD Alan Coward says his company will not support dealers who stock "grey market" imports of National Panasonic's products, according to a Business Day report earlier this month.

A document distributed to Panasonic dealers says "distributors who purchase, sell, service, maintain or in any way deal in

grey market imports" should pay National Panasonic an amount of R200 000 as a "genuine pre-estimate of damages they may suffer".

The report quotes Business Practices Committee chairman Louise Tager as saying "grey" or parallel importing is not illegal and should not be prohibited provided non-warranted goods are disclosed as such.

Coward says: "Grey market imports are our competitors and we cannot be held responsible for the quality of the products they distribute."

"To safeguard the quality of our products we have strong agreements with our distributors, but each company is ultimately entitled to do as it wishes," he adds.

Dealers say grey mar-

keting is a mechanism by which the free market overrides the possibility of market sectors being dominated and controlled by a single entity.

One says that during trade sanctions, many SA companies were themselves unofficial distributors, but now that official distributors are being appointed, these selfsame companies are seeking market protection.

Local business dances its way into Africa

SA business looking to expand trade in Africa north of the Limpopo can convey its message through music.

Jive-a-Live Promotions director Rosalie Katz says music is a language understood by all.

"There is no better way to get your message across than through local music. SA companies are finally able to tap into the wealth of the African market.

"At the end of June Jive-a-Live will take an SA business mission to Zambia to introduce them to the Zam-

bian market. But this will be no mere trade show. It will be a festival of music," she says.

"Apart from the obvious benefits businesses will derive from the increased number of people attracted to a music festival, music will also provide a relaxed and positive atmosphere to encourage trade.

"Moreover, the international community and specifically Africans, are fascinated by the unique style of SA music. In this way we not only promote business among our neighbours, but

also exchange cultural goods."

Jive-a-Live has been doing the groundwork for the Zambian mission and for a Malawian mission for months. This includes preparation of the venues, advertising and technical requirements.

"One must remember the standard of production required for these events has never before been attempted in our neighbouring countries. Also, the economies of our neighbours are much smaller than ours, making it imperative to

guard against exploitation of scarce resources there.

"For this reason, the SA businesses represented in the mission will actually sponsor the music events," Katz says.

Jive-a-Live Promotions, formerly known as In Touch Promotions, has a solid record.

It currently acts as agent and manager for Tananas, Brenda Fassie, Rebecca Malope, Jambo and others. It is also booking agent for Yvonne Chaka Chaka, Sankomota, Lucky Dube and Mango Groove.

Orders roll in for Taiwan

Monday 28/4/92 (74F)

EDWARD WEST

BUSINESSMEN have ordered plant and machinery worth R2,5bn from Taiwan, after the country's launch at the Rand Show of a low-interest finance scheme for the purchase of plant, Taiwanese embassy press counsellor Charles Chen said yesterday.

Chen said all the items displayed at its Republic of China pavilion at the show were sold and actual business transactions at the site amounted to US\$450 000.

More than 200 people requested further information on specific projects.

The seven-year-old scheme was launched in SA for the first time at the Rand Show and was aimed at small- to medium-sized businesses.

The scheme provided financing for up to 85% of the plant price for turnkey projects with the buyer providing at least 15% cash. Interest was fixed from 7%-8,5% for a maximum of seven years.

Chen said the success of the exhibition indicated there was great scope for expanded international trade between the two countries.

SA Chamber of Business economist

Keith Lockwood said the orders would be beneficial to the small- to medium-sized business sector.

Long-term views of SA economic recovery and incentives offered by the scheme, such as low-interest rates, could have prompted such large SA orders in spite of the continuing recession.

Serious

Technologically, SA's manufacturing plant had aged over the past five years and had generally fallen behind advances around the world, he said.

In contrast with other Far Eastern countries, Taiwan successfully targeted its economic development towards relatively low volume production of less significant products for niche export markets, Lockwood said. The establishment of the Bank of Taiwan in December, one of only few outside Taiwan, indicated the country was serious about increasing trade with SA.

ANTI-DUMPING BILL

FM 1/5/92

74F

The protectionists' weapon of choice

The anti-dumping Bill now racing through parliament — it was passed unanimously on second reading last week — is another setback for efforts to reduce prices for consumers, force industry to become more competitive and increase employment.

Despite the promises of trade liberalisation, the highly protectionist Bill is set to be signed by President F W de Klerk and become law. The Bill widens the definition of dumping to include just about any product entering the country that is not made here.

This, together with Trade & Industry Minister Derek Keys's decision to relegate rapid tariff reform to the backburner, puts SA firmly on the opposite course to that

taken by Argentina and many other Latin American and Far East countries that are reducing protection and experiencing high growth.

The Bill, which Keys could have stopped in its tracks once he took over as Minister in January, runs roughshod over SA's undertaking several years ago to abide by Gatt's anti-dumping code.

And it does not follow the advice of the Industrial Development Corp report on tariffs two years ago, which recommended a law that narrowly defined dumping together with a host of moves to spur the economy. The report issued "a serious warning against the selective implementation of single recommendations."

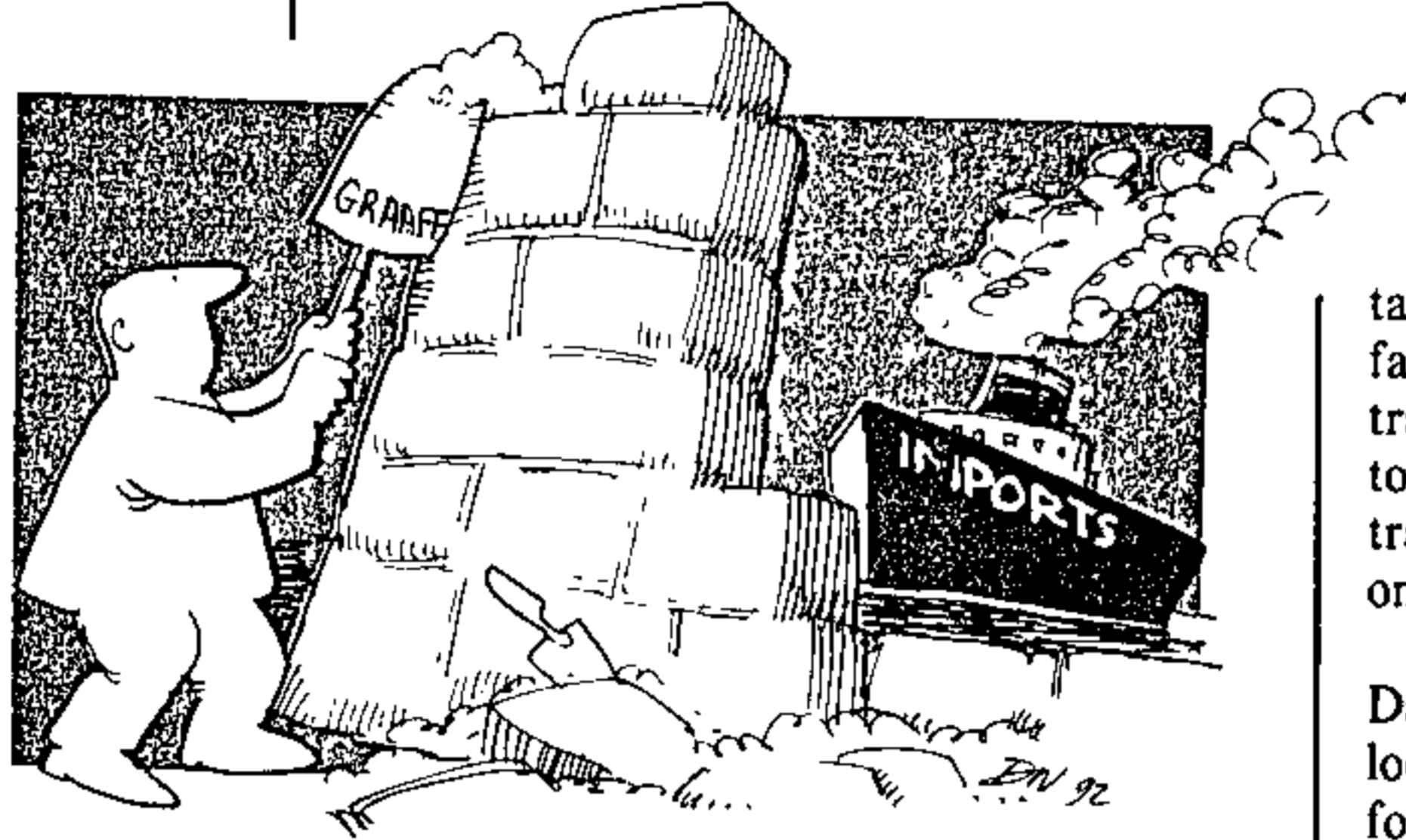
The question of whether SA needs a dumping Bill at all, especially when local industry is already protected by high tariffs, has hardly been mentioned — an indication of how protectionist government's mindset is these days. If other countries want to subsidise exports to SA or sell goods here at below cost, that can only make SA richer and create more jobs. But governments everywhere never quite see it that way.

"The proposed anti-dumping legislation is protectionist and can only operate to the detriment of the manufacturing sector as a whole," says Robin Bosomworth of the Independent Wire Converters' Association. "It is without equity, balances, controls and checks and is biased in favour of the applicant. It is an exercise in double standards and, therefore, fatally flawed."

"It operates to the benefit of the over-protected primary sector, rather than to protect the consumer."

He says the legislation will further cement the invidious two-tier pricing regime in SA, which forces local manufacturers and

processors to pay vastly increased prices to local raw material suppliers, due to the high tariffs against competitive imports. Besides, most of SA's own raw material exports are



"dumped" overseas (sold at prices below local market prices).

"To be credible," he says, "the anti-dumping legislation needs to establish what dumping is not and to protect the consumer against exploitation by monopolies and *de facto* cartels. It needs to recognise the ability to import as being essential to keeping the economy internationally competitive."

But this is clearly not the case, with the Bill containing a novel third definition of dumping, apart from the usual definitions of goods imported at prices below the ones in the exporting country and subsidised exports.

The Bill coins the phrase "disruptive competition" and creates a "safeguard duty" to be imposed against imports and proposed imports "in quantities and under circumstances that cause or may cause material injury to established industries or that may retard the establishment of new industries."

This provision, wide enough to apply to just about every import, should have raised a furore in parliament. But Trade & Industry Deputy Minister David Graaff and Department of Trade & Industry Director-General Stef Naude forestalled this by calling in DP spokesmen before the Bill went to the standing committee and convincing them that the Bill's wide powers were necessary.

"But we agreed to the Bill's wider powers on the condition that government also publish detailed regulations on how the anti-dumping provisions would be implemented in practice," says DP MP Geoff Engel.

Graaff claims the wide definition of dumping was necessary because SA must be able to counter unfair trade practices from both First and Third-World countries. "We will need this broader legislation until we reach the state of pure virtue in our trade

relations. Our idea is not to increase protection but to move towards trade liberalisation. We intend taking tariffs off all goods that are not produced locally, while we also intend bringing down tariffs across a broad front but only after due consultation with industry. The trend is to bring tariffs down."

Unfortunately, these sentiments ring hollow. SA will now have both tariff walls and anti-dumping rules that are far more prohibitive than most of its major trading partners. And if other countries want to make themselves poorer through "unfair" trade practices, that is their problem; SA can only benefit.

Free Market Foundation director Eustace Davie says that if SA really wants to help local manufacturers and exporters, it should follow the example of Taiwan, which devalued its currency in the Fifties and also abolished its two-tier exchange rates.

"By abolishing the financial rand, we will allow the rand to float down to its natural level and to act as a booster for export growth. This should be done simultaneously with implementing a tariff reform policy." ■

TELKOM

The more the merrier

Within the next few months, telephone users will have an alternative to Telkom's sky-high charges for international calls. Telkom now says customers will be able to use "country direct" services, which allow callers to pay the lower rates charged in some countries, such as the US and UK.

Telkom has said that it is negotiating with British Telecom as well as three American carriers — AT&T, Sprint and MCI — to provide the services (*Business & Technology* April 24) and expects them to be in place by the second half of the year. It adds that "the organisations mentioned are but a few of the overseas companies/administrations with which Telkom is considering introducing 'country direct' service on a reciprocal basis."

The savings for international diallers could be considerable. A 20-minute call to the US costs R119,40 at Telkom's flat rate of R5,97 per minute. The same call made on AT&T's USADirect service probably would cost no more than R70.

Though many people like the idea of getting around Telkom to patronise a different carrier, Telkom does not view these services as ways to bypass the local system. It still collects a fee from the overseas carriers for supplying lines and making connections.

TRENDS

Helping you keep up with the future

MOWING:

Keeping the lawn trim is a job tackled regularly by more than 75 percent of men in Britain. The number of women who tackle this task regularly has fallen from 45 to 38 percent since 1989. — Daily Mail.



CRIME:

Britain's education secretary says growing crime among youth is due to a dwindling belief in hell and the "fear of eternal damnation". Unemployment may be a factor too, say experts. — The Economist.

Buying 'grey' products is cheaper

STAR 4/19/92



TRADE WINDS

Parallel importing looks set to flourish in South Africa, where large profit margins, devalued currency and punitive import duties have made standard Western "mod-cons" into luxuries. ADAM GORDON reports.

JUST imagine if local dealers were scratching each others' eyes out to cut profit margins and bring us better prices on imported products. It sounds too good to be true, but it's happening.

South African importers, long protected by manufacturer-authorised sole national franchises, are slowly waking up to a painful new culture called parallel importing.

Parallel or "grey" importers are those retailers who skip the national distributor and buy stock directly from overseas, usually from mega-wholesale stores in the Far East. This means goods such as video machines, compact discs and computers go through fewer South African middlemen and their markups. And the best part is, it's all perfectly legal. Provided, of course, the correct import duties are paid and the item itself is not a fake.

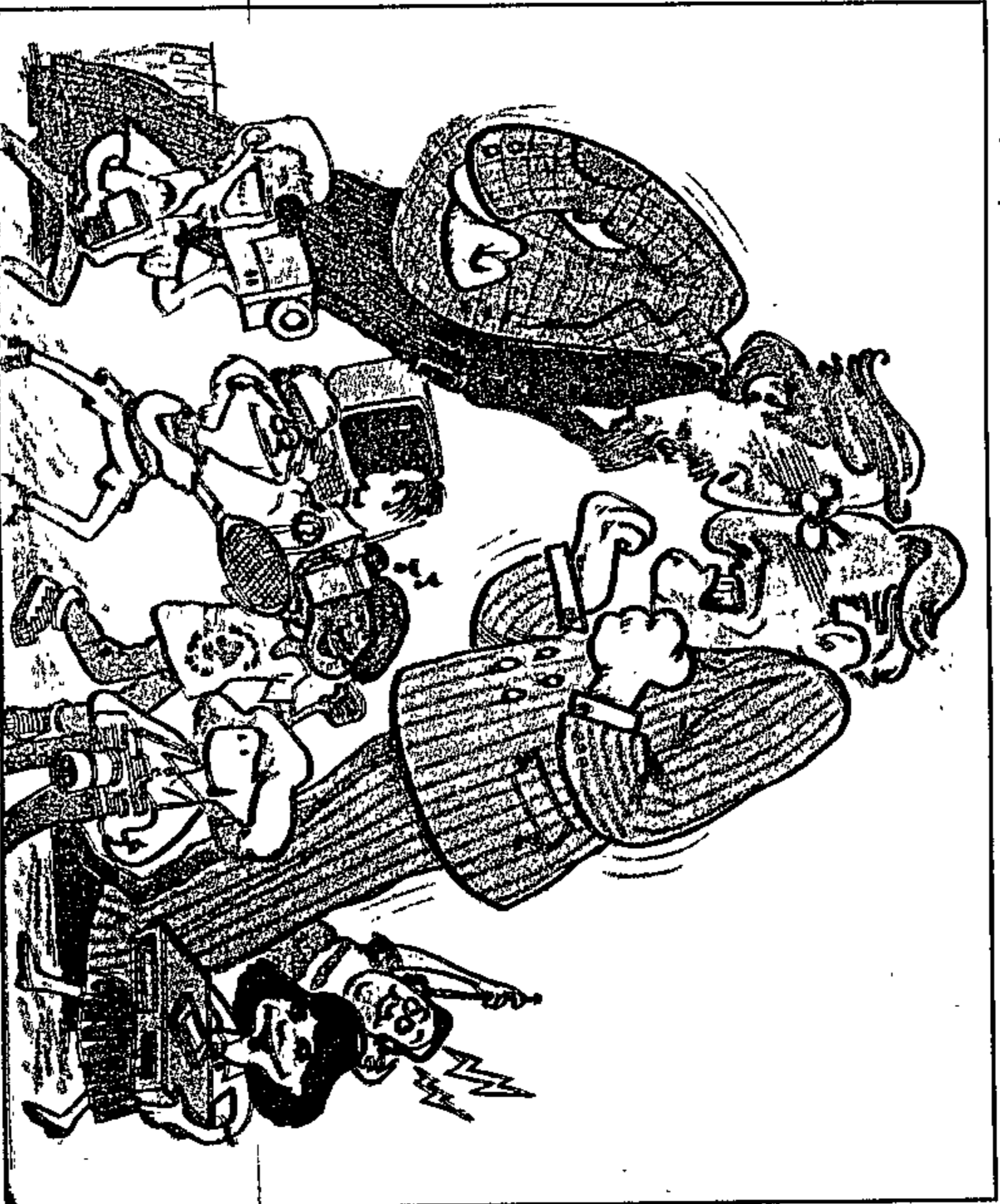
The parallel market first emerged in the late 80s when Japanese manufacturers struggling to move stock on recession-hit world markets, started bypassing their own distributors and dumping wares with large wholesalers in Hong Kong, Singapore and the US.

Circumventing authorised distributors in search of better prices has increasingly become a part of the international retailer's armoury.

The Durban Supreme Court smiled on the free-trade ethic in 1987 when Roopanaand Brothers Ltd, who were importing TDK tapes directly, won a landmark case against official distributors Frank and Hirsch (Pty) Ltd.

Two Appeal Court decisions later that year confirmed the principle: no dealer can use a trademark as a badge of control to monopolise import or distribution.

Barring government intervention, parallel trade looks set to flourish here, where large profit margins, devalued currency and punitive im-



port duties have made standard western "mod-cons" into luxuries.

It is believed there are already hundreds of local grey traders. Some retail through their own shops and many operate through flea markets — price is normally the clue to the whereabouts of the grey market. The KXF50 Panasonic fax ma-

chine, usually sold for about R3 000, is now available through some dealers at no more than R1 800. It was originally priced above R4 000 in major chain stores.

A National G100 video camera normally sells for about R3 290. Grey traders sell it for R2 390. The

price of a Sharp 7450 video camera has been cut from R3 990 to R2 790.

Danny Lessen, a parallel importer based at offices in Yeoville, sells Ray-Ban sunglasses for R210. Other outlets don't do better than R300.

"Freeing the market brings the prices down. Larger retailers are forced to get more competitive and

put pressure on the official suppliers," says Mr Lessen.

Not surprisingly, the grey market has caused sharp words and advertising campaigns from official stockists who try to warn the public off cheaper merchandise.

Errol Gugenheim, managing director of Frank and Hirsch, says grey imports could destroy the local consumer electronics business.

"Companies invest millions in a brand name product — advertising it, promoting it, establishing a sales and support infrastructure. When the name has been established in the market the parallel importer brings it in and reaps the benefits without incurring any of the costs.

"It costs us millions to set up service centres, keep spares and send technicians overseas to learn to service intricate merchandise.

"Because of the current economic hardships the consumer is blinded by price discounts, but who will make the long-term investments?"

"Suddenly, people will find there is no longer the service infrastructure to keep products going inevitably. The reputation of the brand name deteriorates and everyone suffers."

Parallel importer Younis Karim, whose shop in Klerksdorp, is regularly swamped by price-wise pilgrims, says: "World distribution operates between five and 10 percent (profit margin) these days. Local agents are squealing because they are used to their 40 or 50 percent."

"The big agents must not seek protection from free market principles, or dictate prices to the retailers. They must tighten up their operation, reduce their large structures and bring their margins into line.

"They talk about service, but we know authorised dealer's product support is not so great. We offer a better guarantee and we'll swap or repair everything we stock."

TOMORROW

Big brother is watching you... warns the South African National Consumer Union as it aims to ensure consumers get a fair deal.

Big clampdown on imports to save jobs in textile industry

By Tom Hood

CAPE TOWN — A rescue plan to help the country's ailing textile industry and provide more jobs was announced by the government at the weekend.

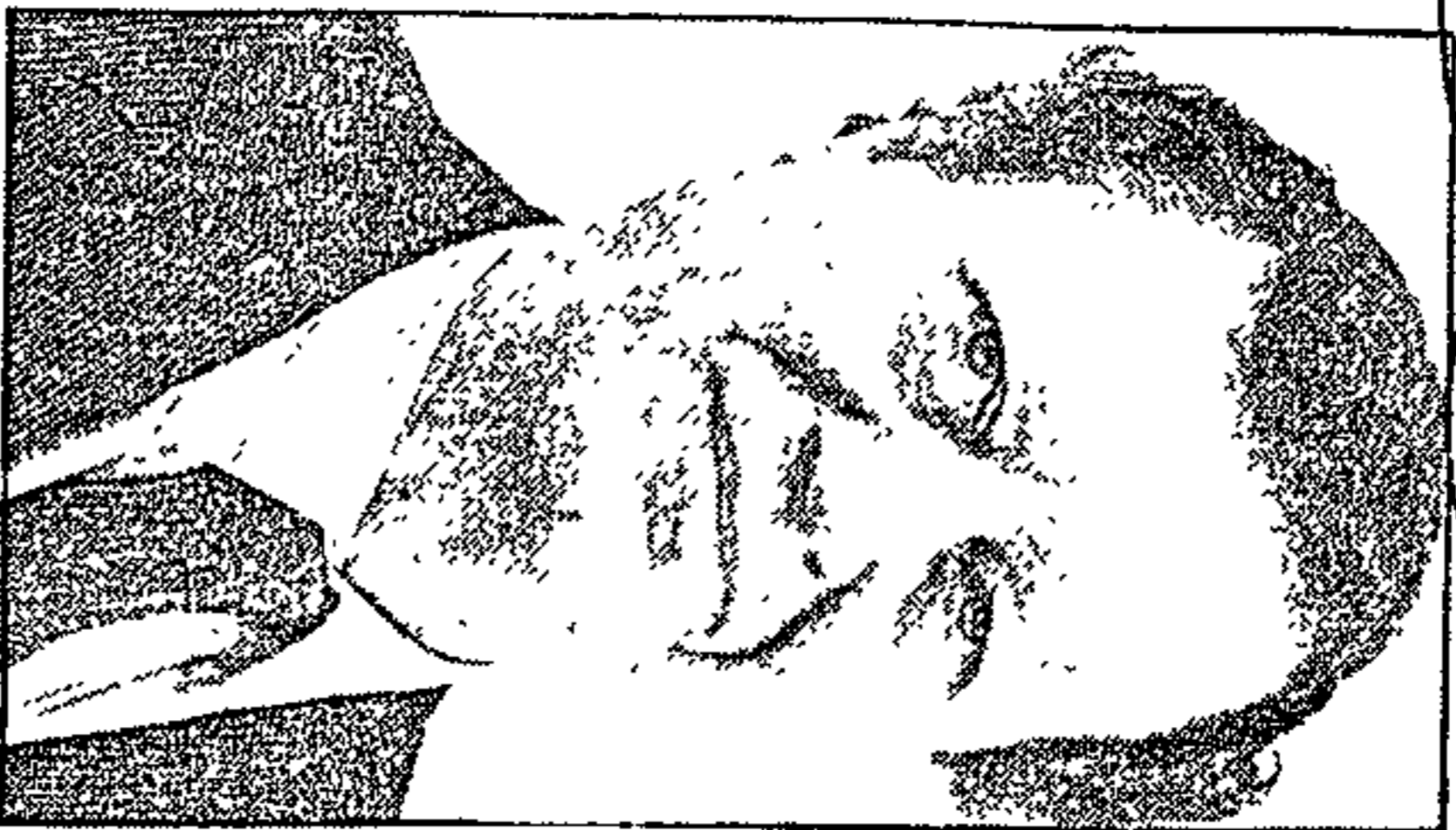
It aims to curb the avalanche of cheap imports of fabrics and clothing — but it could lead to higher shop prices and add to inflation.

The measures could also be seen as an encouragement to clothing exporters because non-exporters would be at a disadvantage, said Simon Jocum, chairman of the Cape Clothing Manufacturers Association.

"The main intention is protection of the textile industry and if it limits competition it will send local prices up.

"It will hit cheap imports and raise inflation but against that some people will argue that it is more important to create jobs."

The curbs would also clamp down on imports of used clothing. The concession granted to



Derek Keys . . . Relief measures necessary to help textile industry.

charities and other organisations had been abused and about R100 million of "used" clothing

flooded into the country last year.

The complicated system of tariff quotas and steep increases in import duties was announced by the Minister of Trade and Industry, Derek Keys, who said the government has decided to implement a system of tariff quotas for the import of clothing and textiles.

Measures, which were listed in the Government Gazette on Friday, include:

- A system of tariff quotas that will enable the importation of pre-determined quantities of textiles and clothing at the currently existing rate of ad valorem duties. Total quantities are to be limited to 1989 imports.

- A doubling of the rates of ad valorem duties plus alternative specific duties that replace the formula duties, in respect of imports in addition to the tariff quota.

- Amendments to the programme of duty-free imports for exports in order to prevent imports in terms of the pro-

gramme being concentrated on certain products, thus causing harm to the sectors manufacturing these products.

- Imports in terms of certain manufacturers' rebates and imports in terms of bilateral trade agreements are, however, not affected by the measures.

Mr Keys said the measures were the result of the acceptance by government of recommendations from the Board of Trade and Industry.

The board had considered proposals from a private sector working group and other interested parties. The measures to be introduced were accepted by government realising that they had certain deficiencies.

It was, however, necessary to urgently introduce interim relief measures to address the serious and deteriorating situation, particularly in the textile industry, as a result of a sharp increase in imports coupled with a decrease in local demand due to the recession.

The objective was to limit imports while at the same time

striving to keep increases in input and end-product costs to a minimum. The increased rates of duty would apply only to imports in addition to the tariff quotas. The alternative would have been to place increased duties on all imports of textiles and clothing.

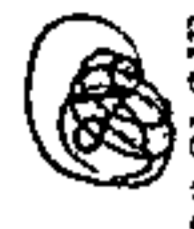
Mr Keys emphasised that the increased rates of duty applicable to imports in addition to the tariff quota would be implemented on an interim basis and be subject to immediate review by the Board of Trade and Industry.

He stressed that the measures now introduced would apply only for 18 months. "In this time the relevant business sectors and trade union will, in co-operation with the Government, embark on an investigation into a long-term strategy for the textile and clothing industries to replace the short-term measures."

However, the proposed long-term strategy would not be based on these short-term measures, he added.

STAR 4/15/92

(2) what other departments in academic hospitals (a) have been closed down since 1 April 1991 and (b) are to be closed down on 30 April 1992?



B598E

THE MINISTER OF NATIONAL HEALTH:

- (1) No,
- (2) (a) none and
- (b) none.

Importing of maize

*5. Mr W U NEL asked the Minister of Agriculture:

- (1) Whether he will furnish information on the quantities of maize destined for South Africa and other Southern African countries that were imported and are to be imported through South African harbours during the six-month period ending 30 June 1992; if not, why not; if so, how many tons of such imported maize (a) arrived in South African harbours during the three-month period ended 31 March 1992 and (b) are scheduled to arrive in these harbours during the three-month period ending 30 June 1992.
- (2) whether he will make a statement on the handling and distribution of such maize?

B599E

†The MINISTER OF AGRICULTURE:

- (1) For the six months period until 30 June 1992, the following quantities of maize will be imported through RSA harbours:
- | Destination | Ton |
|--------------|-----------|
| South Africa | 977 000 |
| Zimbabwe | 407 683 |
| Zambia | 20 000 |
| Total | 1 404 683 |
- (a) No maize was imported during the three months period ended 31 March 1992.
 - (b) 1 404 683 ton
 - (2) No. The following information is, however, supplied. The import programme is operated on three levels, namely a strategic level, a weekly business level and an operational level.
An Import Policy Co-ordination Commit-

to appear was immediately investigated by the investigating officer concerned. Indications are that he is currently being detained in Zambia.

Mr G Mekwe failed to attend the relevant court proceedings as a witness on 11 February 1991. His non-appearance was duly investigated by the South African Police.

- (2) (a), (b) and (3)

The hon member's attention is drawn to section 3(1)(a) of the Criminal Procedure Act, 1977 (Act 51 of 1977), in terms of which the Attorney-General has the authority to prosecute on behalf of the State. I caused enquiries to be made at the Attorney-General concerned and it appears that as far as Mr Cebekhulu is concerned, the South African Police were not able to gather any concrete, relevant and admissible evidence that on reasonable grounds tend to indicate the involvement of any political organisation and or person, with Mr Cebekhulu's failure to stand his trial. No evidence exists at present on which a prosecution of any organisation or person for Mr Cebekhulu's non-attendance of court can be based.

According to the Attorney-General Mr Mekwe's attorney undertook to ensure that his client would attend the proceedings and Mr Mekwe was therefore not formally subpoenaed. Therefore there exists no basis on which he could be prosecuted for his non-attendance as a witness. There is also at the moment an investigation into his disappearance.

Mr L FUCHS: Mr Speaker, arising from the hon the Minister's reply, I should like to know whether his Department approached the Zambian authorities to try to obtain the release of Mr Cebekhulu as well as a statement from him.

The MINISTER, Mr Speaker, as far as the Cebekhulu situation is concerned, I should like to give the hon member the following facts. In order to have Mr Cebekhulu extradited, we have to decide on a specific charge. The question is

whether this charge can be taken any further at this point in time. The Attorney-General has decided that such a charge will not be preferred since the matter cannot be taken any further in this way.

Whether any organisation is responsible for his removal is a matter of concern. I want to point out that an element of the media tended to be speculative in this regard. It was only when a certain gentleman, a correspondent of the *Christian Science Monitor*, alleged that the newspaper was in possession of a tape made in prison in Zambia that we became aware of the possible existence of certain evidence.

It now appears that we do not have the co-operation of this gentleman to make this tape available so that a decision can be taken. Despite repeated requests and messages in this regard he telephonically indicated on 6 May at approximately 05:15 that neither he nor his newspaper was prepared to make a copy of the said tape available to the investigating authorities.

I would therefore invoke the hon member's assistance, since he has exhibited so much interest in this regard, in exerting his influence on this gentleman to assist us in our investigations so that we may decide what to do next.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament

Payment to Sasol from Equalisation Fund

*7. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

- (1) With reference to the statement made in the Annual Report of the National Energy Council for 1989-90 to the effect that the payment Sasol received from the Equalisation Fund had been increased from 6 to 10 cents per litre and backdated to 1 July 1989, what was the backdated component of this payment;
- (2) what formula is being used to determine this payment at present?

B600E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

- (1) R80,7 million.
- (2) The protection formula is based on a floor price of \$23 per barrel of crude oil.

SA imports wheat for ~~South~~ African sales

GERALD REILLY

PRETORIA — The Wheat Board would import about 100 000 tons of wheat from Australia and France this year — at a cost of about R50m — to keep open its African export markets, board deputy GM Andries Liebenberg said at the weekend. *8/10/92*

Economists said this was another foreign exchange drain caused by drought. Maize imports were expected to soar to about R2,3bn this year. *18/5/92*

Liebenberg said the 1991/92 wheat crop of just over 2-million tons was barely enough to satisfy local demand. However, contractual obligations to African countries made it necessary to supplement the crop with imports.

He said wheat and flour exported to Africa had to compete with cheaper European imports. The board subsidised SA exporters to ensure competition. The subsidy this year would come from the profits made from the price difference between imported wheat and its selling price to the trade of R700 a ton.

Imported wheat free-on-rail, Liebenberg said, would cost on average R520 a ton. Further imports would depend on local demand for wheat products.

This could rise through consumer resistance to the white/yellow maize meal mix now marketed. Demand for bread could also increase as a result of this resistance. *18/5/92.*

SA's tax

(14 F)

worrying

STAR

Harare

1915792

By Robin Drew
Star Africa Service

HARARE — Zimbabwe is concerned that increased customs duties imposed on clothing and textile imports into South Africa will hit its clothing industry hard.

The duties were introduced to control a flood of cheap imports from the Far East.

Clothing Council chairman Adrian Neely told the Business Herald that the new South African duty structure could make Zimbabwean goods too expensive.

The council has asked the government to see if a measure of relief can be secured for Zimbabwean goods in the spirit of the trade agreement between the two countries.

Negotiations have been going on for some time to revise the trade agreement.

B/Docu 2015/92

Cotton Board seeks levy on imports

14 F.

LINDA ENSOR

CAPE TOWN — The collapse of price talks between cotton farmers and spinners this year — which led to the Cotton Marketing Agreement falling away — has led the Cotton Board to seek to generate funds for its stabilisation fund by imposing a levy on all cotton and cotton lint imports.

A notice in Friday's Government Gazette proposed an amendment to the Cotton Scheme which would empower the Cotton Board to impose a levy on the import of cotton and a special levy on the import of cotton lint. The notice allowed a four-week period for industry representations.

Most affected would be the cotton spinners in the textile industry.

Textile Federation executive director Brian Brink said yesterday the proposed levy was "untenable and unacceptable" as it was open-ended, would elevate the cost of a vital raw material and would have a cascading

effect on prices.

It would also give the Cotton Board the power to unilaterally decide the price of cotton lint.

Brink thought the levy might be used to subsidise the cotton farmer to bridge the gap between the local and international price. He said SA would have to import about two thirds of its local projected demand of 350 000 to 360 000 bales of cotton this year.

Cotton Board GM Johan Gillen said the previous pricing formula agreed upon by cotton farmers and spinners and embodied in the Cotton Marketing Agreement included a 1% levy for the board's stabilisation fund in addition to other elements which compensated farmers.

As this formula had fallen away, a levy on imports would have to be imposed, though he did not think it

would be as high as 1%. The stabilisation fund was used for promotional, research and development and marketing expenses.

He said because the talks between cotton growers and spinners had collapsed, the question of the price of local cotton had been referred to Agriculture Minister Kraai van Nierkerk, who in conjunction with Trade & Industry Minister Derek Keys would have to decide on the level at which the local cotton price was to be protected.

Tariffs would have to be imposed to prevent the local market being flooded by low priced and subsidised cotton imports, Gillen said, and the level of the tariff would determine the local price.

Gillen said the price talks had collapsed because the spinners wanted the local price to be on a par with the international price.

Govt allows importing of milk products

CAPE TOWN — Government has given approval for 4 000 tons of skim milk powder and 1 000 tons of butter to be imported at an estimated cost of R40m.

Of the imports, 1 200 tons of skimmed milk powder and 465 tons of butter will be re-exported to African countries outside the Southern African Customs Union to maintain exporters' continuity.

It was not clear whether the Dairy Board would do the importing on be-

LINDA ENSOR

half of the dairies or whether they would do it themselves. (74 F)

Dairy Board stabilisation services manager Edwin Conroy said yesterday government would allow manufacturers to do their own importing.

He said there was no basis for fears that local dairies would profit unfairly by importing cheap supplies. The landed price of the imports would be on a par with the local price.

2/11/92
13/10/92

Importers favour Cape Town harbour

74F
CT22/5/92

By AUDREY D'ANGELO
Business Editor

IMPORTERS are making increasing use of Cape Town harbour, rather than Durban, to bring in cargo from Europe destined for the PWV area.

Port captain Rudi Basson explained, in an interview, that in spite of the longer distance by rail the goods reach Johannesburg at least three days earlier than if they are unloaded in Durban.

"Ships from Europe call at Cape Town first. Spoornet has come up with a favourable tariff for imports sent by rail — and the saving in time can result in a big saving in money for the importer, particularly if the goods are costing a lot in interest until he sells them.

"We are handling about 500 containers a month destined for Johannesburg and I expect this to increase as the economy improves."

Exports are also increasing as new markets open with the end of sanctions. But Basson said that so far they are mostly of fruit, sea food and canned food. In spite of efforts to promote manufactured exports he has so far noticed no significant increase in these.

But a new cold store to handle increased volumes of fruit is nearing completion and due to come into service by next summer.

Portnet and Blue Continent are building another new store to handle sea food and other perishables.

In addition to this the port will — for a least a year — be handling maize imports for neighbouring African countries. Al-

though Durban is nearer, such huge quantities of the grain will have to come into the country that other ports are taking a share. Two ships have already brought maize to Cape Town for drought-stricken areas in the Western Cape. A ship currently being unloaded has brought a bulk cargo of maize for Zimbabwe.

From outside the Duncan dock and container terminals the port seems quiet. But on the quayside a very different picture emerges.

Last month a total of 621 646 tons were handled, made up of exports, imports, coastwise and trans-shipment cargo. A total of 222 vessels called at Cape Town in April and 297 in March.

Ample capacity

Even so, the port is working at only 60% of capacity. Basson expects this to change when the world economy improves and the recession ends.

He expects the port to be working to full capacity before long and says this could be increased by buying more cargo handling equipment and employing more labour.

"We would not need to build another dock. Our quayside is longer than Hong Kong's."

In recent weeks the port has been visited by foreign business people and port officials. "They have been highly impressed by our infrastructure."

"Some of the visitors have been importers and representatives of foreign shipping lines who will probably bring new business to the port.

"I think the shipping lines already call-

ing here are likely to face increasing competition in the months to come."

Basson is a civil engineer who worked for the railways before being transferred to Cape Town harbour. He has been manager of the port for four and a half years and says he finds it far more stimulating to work for the privatised Portnet than the former parastatal SA Transport Services.

"The old days when everyone felt they were in a job for life have gone ... now it depends on performance."

"The port of Cape Town is a business centre on its own and is measured on its results. In the old SATS days it used to break even, just covering its operating costs. Now it makes a substantial profit."

Basson could not give details of the profit. Transnet does not divulge these figures.

"But we are certainly one of the biggest businesses in Cape Town."

Improved productivity means that the total number of Portnet employees at the port has dropped from 2 500 to 2 350 but there have been no retrenchments — the reduction is due to natural attrition.

"There is an ongoing effort to improve productivity and efficiency, which will be necessary throughout SA if we are to compete internationally."

"And Portnet is an equal opportunity company," Basson emphasised. Senior staff at the port include two black women — one a lawyer and one in cargo operations — and a male black CA.

But Basson admitted that so far there are no white women in senior positions.

Training programmes for staff are being carried out at various levels, he said.

Fixed rate for book imports

GAVIN DU VENAGE

74F

BOOK prices were not expected to rise dramatically in the near future, in spite of the rand's plunge against the pound, CNA GM Richard Brands said yesterday.

Brands said the company had insurance protection "for several months yet" at the R5 mark. He said CNA imported 35-40% of its reading matter from the UK.

Premier Freight GM Pieter de Bruin said yesterday the clearing company, which handles 98% of SA book imports, operated on a fixed rate but that the exchange rate was putting a squeeze on trade. B/day 22/5/92

He said imports dropped 4% last year as a direct result of the exchange rate, and he expected the situation to remain the same this year.

However, he expected the situation to improve by October this year with a drop in the exchange rate and an increase in imports.

Cut to size

74F ~~74F~~

The share of capital equipment in the import bill is often estimated at about 45%. But the latest edition of Nedbank's *Guide to the Economy* argues that it is only about 20%. The figure of 45%, says the *Guide*, is "based on the total value of imported electrical and non-electrical machinery and equipment, motor vehicle and transport equipment, as well as scientific equipment. It is

FM 29/5/92

too easily forgotten that a large proportion of machinery and equipment is intended for intermediate and private consumption and, equally, a large proportion of motor and transport equipment for intermediate consumption."

By using the input-output tables compiled by the Central Statistical Service, Nedbank's economic unit classified imports according to their end-use. Four areas of demand were identified:

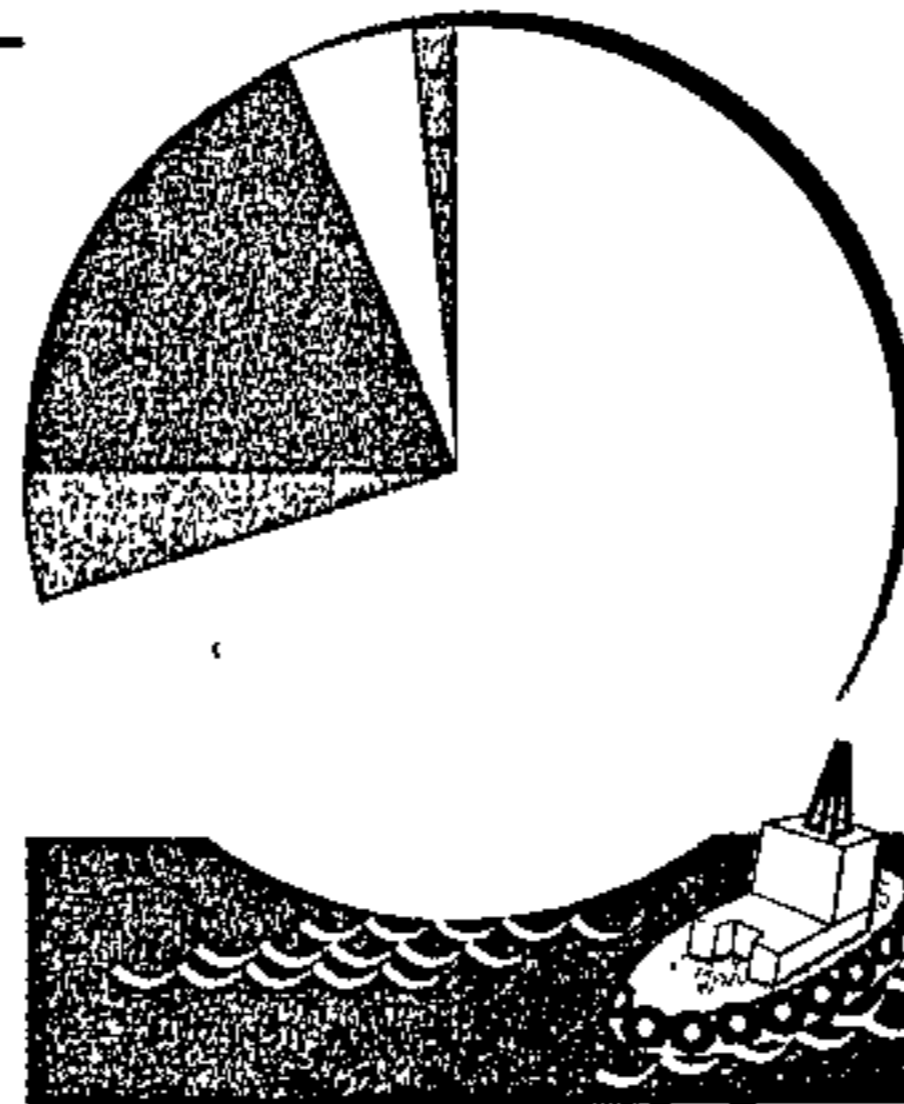
- Intermediate consumption;
- Final demand by government and private households;
- Capital formation; and
- Items that have been imported and re-exported "without any value being added or tangible change having taken place."

The unit found that in 1984, a year "when capital formation relative to GDP was high at 25%," only 18,6% of all imports were used directly in fixed capital formation." (See graph)

The conclusion is that "though an increase in fixed investment expenditure will result in an increase in imports, the impact may not be as severe as anticipated."

A turn in the business cycle, however, will see an increase in final, intermediate and inventory consumption. Combined, these will create problems for the balance of payments.

Another aspect of imports discussed in



Import push

End-use classification of imports (1984)

- Total intermediate demand
- Final demand:
 - Private consumption expenditure
 - Government consumption expenditure
 - Gross domestic fixed investment
 - Change in inventories
 - Re-export

74F

The *Guide* is the relative increase in manufactured imports, which rose from 66,9% in 1980 to 82% in 1990. This is attributed mainly to a decrease in the value of unclassified imports, consisting mainly of oil.

A breakdown of 1990 figures showed that four industries were responsible for nearly 69% of manufactured imports and 55% of total imports. These were:

- Textiles;
- Chemicals (industrial and other);
- Machinery and equipment (electrical and non-electrical); and
- Motor vehicles, parts and accessories.

Of the remaining 20 manufacturing industries, 11 each imported less than 1% of total imports, while the remaining nine industries together were responsible for about 20% of total imports. ■

IMPORT TARIFFS

FM 3/7/92

74F

Haggie's wire trap

Haggie Rand's application for a fivefold jump in tariffs on a range of imported steel and iron products is meeting with an increasing amount of flak.

Haggie wants tariffs to go from 5% to 25% on non-insulated stranded wire, wire ropes and cables, which are used in the mining industry. It wants the same tariff hike on "wire of iron and non-alloy steel," used extensively in beds and mattresses.

Bill Emmett, the chairman of the Chamber of Mines' purchasing subcommittee, says the higher tariffs would increase mining costs by more than R20m a year.

"Steel wire rope is extensively used by the mining industry. We are extremely concerned over this application because it would counteract all industry efforts to contain costs."

Genmin, for one, buys R42m worth of stranded wire ropes a year, with about 5% imported. An Anglo American spokesman says that to keep the escalation of unit costs down to "as close to zero as possible," it has asked suppliers to keep their price increases

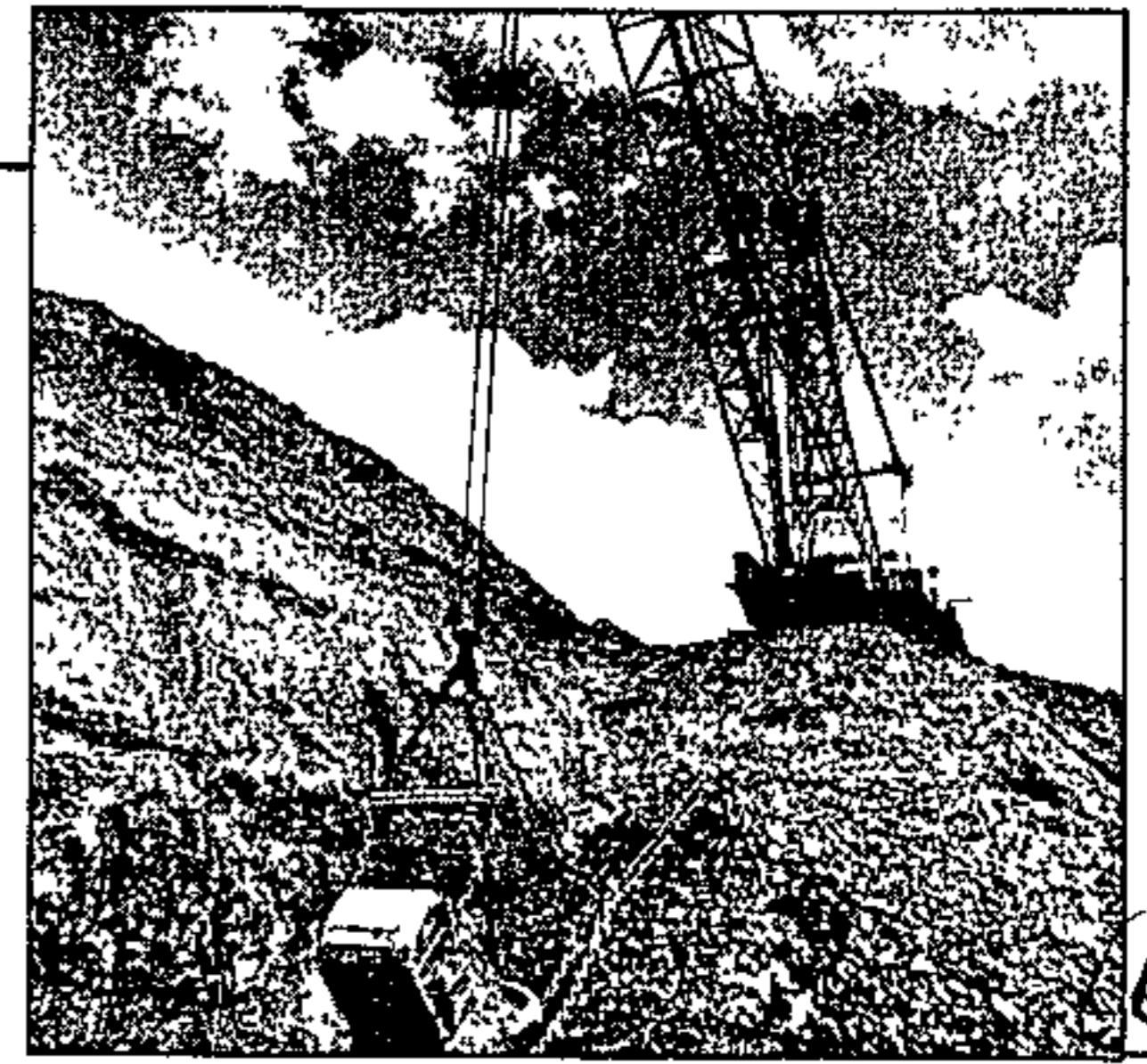
modest. "It is as much in their long-term interest to do so as ours," he adds.

In its application to the Board on Tariffs & Trade, gazetted on April 24, Haggie asked that the higher, 25% tariffs be retained for five years to allow it time "to improve efficiencies and effectiveness." It adds: "The company requires support in the form of increased duties for a limited period of nine years (which includes a 5 percentage point a year reduction over four years) to be able to achieve its objectives."

Hogwash, says Robin Bosomworth of the Independent Wire Converters' Association, which wouldn't be directly affected by the higher tariffs but feels that if the application is approved, it would enable Haggie to move eventually into its markets. "Our association rejects Haggie Rand's application for increased duties as an exercise in increasing profits and harassing potential competitors. Haggie is a neo-monopoly in high carbon wires, ropes, strand and cables and wants higher domestic prices for its product."

He also points out that as a large exporter and a world leader in the manufacture of many mining items, Haggie makes a poor candidate for protection.

As with most tariff applications, Haggie's



Haggie Rand ... mining higher protection for profits

FM 3/7/92

74F

request has the insidious effect of shutting down most of the imports in question because importers are reluctant to sign import contracts with the possibility that tariffs could be raised at any time. "This enables Haggie to achieve higher prices even while the application is under consideration; therefore, the application will be a worthwhile exercise," Bosomworth says.

MD Chris Murray says Haggie, the dominant supplier of wire rope to the local industry, has to compete with local rivals and overseas suppliers. And he says Haggie has no intention of hiking its prices to local customers, even if tariffs are increased.

"The landed costs of these imports (mainly from Europe and the Far East), now running at about R100m, are far from free and fair, and benefit from both government support and price cutting due to chronic overcapacity in the world wire rope industry, while cross-subsidisation also takes place within major European manufacturers."

And, he adds, local steel prices are formula-rated, "meaning we have to pay far more for it than if we had direct access to world prices." Sales volumes have also shrunk in the current recession, putting "severe strain on margins and profits."

Bosomworth responds that "Haggie became a conglomerate in the halcyon days of permit protection and apparently greed knows no end. It enjoys huge comparative advantages such as natural geographic protection of 15%-20%, an import surcharge of 5%, existing duties of 5% and a 10% convenience factor."

He adds: "Whatever increase the board awards Haggie will be reflected in domestic prices proportionately (import price parity). It is not for government to award Haggie fat and comfortable prices and profits at the expense of industry and the economy, or to encourage it to sit back and become inefficient when it should be concentrating on the more competitive export market."

And, he adds, the two-tier pricing that exists across the entire range of Haggie products means that its domestic prices are already, on average, 40%-50% higher than its export prices. "Why distort prices further — two-tier pricing does not even exist in Europe because of the level of internal EC competition."

But Murray remains adamant that Haggie's intentions are noble.



FM 317192 (74F)

"Our commitment to free market principles should not be in doubt. But it is naive in the extreme to expect us to play by these principles when the realities of the market we are operating in clearly do not exhibit them. Indeed, it is precisely because of our strategic aim to become more price competitive in a freer market that we have requested the additional tariff protection. It will enable us to reduce our unit costs by going for increased volumes — while at the same time boosting our exports."

So, local consumers are being asked to make Haggie more profitable while it works on its long-term plan. Murray doesn't disagree.

"Haggie Rand is well on its way to becoming one of the most technologically advanced and price-competitive rope manufacturers in the world. It has the capacity and means to be a significant worldwide player in the industry. The use of properly targeted tariffs will get the company there quicker. Surrendering in the face of artificially cheap imports will not."

Haggie's application may be one of Trade & Industry Minister Derek Keys's first tariff decisions and in his six months on the job, his comments have shown great sympathy for industries that crave protection and higher profits and little sympathy for the consumers who must pay the inflated prices and for the unemployed workers who can't find jobs because protection has made the economy uncompetitive. Last week, he reiterated that "industrial development could not be sacrificed for the lower cost of products which reducing trade tariffs might bring."

If Keys's protectionist leanings are carried out in practice, a flood of applications for higher tariffs may come pouring in.

As Bosomworth notes: "Haggie's application is the thin end of the wedge, with further applications to follow if it's successful. Increased duties will render important downstream manufacturers internationally uncompetitive, while primary producers continue to distort the economy, using exports as justification for their actions."

[Sector: Engineering see McGregors]

Sowetan 8/7/92

Zimbabwe imports

MF

HARARE - Zimbabwe's Cold Storage Commission has exported about 50 tons of beef to South Africa to test the market. Official comment from the parastatal meat marketing company could not be obtained.

Delay costly on

MAY 18/1992

74F

clothing imports

STRONGER anti-dumping action against cheap imports of clothing and textiles could be taken by the government before the end of the year.

This emerges from disclosures that proposals to solve the "Hatty debacle", which threatens smaller firms in both industries, are expected to be gazetted before the end of the month.

A quota system and sharply higher import duties was among trade protection measures devised by a committee headed by Mr Paul Hatty, a Barlow Rand executive, and sprung on the industries from May 1.

Small clothing and textile manufacturers attacked the Hatty measures as a threat to their survival and claimed that the giant companies would benefit most.
The Textile Wholesalers Associa-

■ Changes in a plan devised to prevent dumping of cheap imports on South Africa, a plan which threatened to hit small clothing and textile firms, are in the pipeline.

TOM HOOD, Business Editor

tion said the cost of clothing at the lower end of the market would double as a result of higher import duties from May 1.

After weeks of argument, top officials of the National Clothing Federation and Textile Federation are reported to have agreed to changes to the Hatty plan.

The agreement is being considered by the Director-General for Trade and Industry, Dr Stef Naude, and industry officials expect details to be published soon in the Government Gazette.

"There is the possibility that this agreement, like the last one, will be circulated by the government for further comment," said a Cape clothing manufacturer.

"If that happens it will add to the uncertainty. We are trying to quote prices to large customers for next winter, but we don't know what we will pay for imported textiles.

"This uncertainty is turning business into a gamble."
According to industry sources, the quota system is likely to end on Octo-

ber 30 and be replaced by a simplified duty system.

New levels of tariffs on imported yarns, fabrics, clothing and made-up textiles will be lower than the high rates recommended by the Hatty report.

The controversial Hatty import quotas could be increased by about 40 percent and apply to companies that sought quotas from May 1.

The new tariffs are likely to stay in force for 12 months from November.

Both industries are anxious to devise an acceptable long-term strategy and are reported to have agreed to the Hatty plan for the time being.

The government is said to be studying the unpopular structural adjustment programme and improving it by allowing duty-free imports to be used for exports.

'Africa must not block imports'

74 F
BIDAY 28/7/92
MICHAEL HARTNACK

HARARE — For the sake of a better future, African economic groups must look outwards and not block imports, Zimbabwe's leading economist Prof Tony Hawkins said here yesterday.

The head of business studies at the University of Zimbabwe said it was impossible to talk of all sub-Saharan Africa as a single unit, but it was conceivable that West Africa, southern Africa and East Africa might separately group together around Nigeria, SA and Kenya.

"Bear in mind that the critical thing is to make it outward-looking, rather than inward looking — trying to keep out imports," he said.

Hawkins said for real regional co-operation to develop, governments had to relinquish power and autonomy, which they were most reluctant to do.

"You have to have a cultural change," he said, noting Africa's record of creating inefficient parastatal monopolies behind tariff barriers, which can act as vehicles for politicians to create "patronage" jobs. Hawkins said fear of post-apartheid SA dominating a regional grouping seemed more prevalent the closer countries lay to Pretoria.

SA and Kenya welcomed the prospect of co-operation, but neighbouring Zimbabwe feared for its manufacturing industries, noting SA's major advantages of scale and technology.

Experience suggested the sub-Saharan problem lay with weak, inefficient implementation of reforms, he said.

He attacked dependence on commodity exports, noting that as the developed world's high-technology industries became more efficient, they required less and less raw materials, meaning depressed prices.

Obstacles remain to economic integration

BIDAY 28/7/92

HILARY GUSH

ALTHOUGH ample opportunity had arisen from the end of political constraints on SA trade, there were still many obstacles to SA's reintegration into the world economy, a visiting UK academic said yesterday.

Jesmond Blumenfeld, of Brunel University in West London, is a Bradlow fellow of the SA Institute of International Affairs and is in SA to finalise a paper on incorporating the domestic economy into the international arena.

"SA has a long history of state intervention in resource allocation. Shedding this history will be very difficult regardless of who is in power or what government the new SA has," he said.

Industrialisation had always been subject to political manipulation and the attainment of international competitiveness was a complex task. Manufacturers still imported an overwhelming majority of their capital goods, intermediate goods and spare parts, he said.

Although a stable political settlement was needed to attract foreign investment he cautioned against the belief that this was all SA needed to regain its position in the world economy. Structural problems also plagued the domestic economy.

A highly competitive international capital market made it difficult to attract investment. This constituted a chicken-and-egg situation; foreign capital would not flow back into SA until political and economic stability was guaranteed. This, however, could not be achieved until there was investment.

Blumenfeld said there was a conflict between job creation and the kind of goods SA could produce competitively for export.

The manufacturing industry was traditionally capital intensive: the price of capital relative to labour was still cheap and it would be difficult to reverse this trend and generate labour-intensive practices.

"The cliché that SA is the gateway to southern and central Africa is certainly true and the contribution of export earnings from the regional market should not be knocked.

"On the whole central and southern African countries are poor and thus SA's reliance on the regional market for salvation is dubious," he said.

Blumenfeld was sceptical of the success a regional common market would have; trade relations with African countries would continue on a bilateral basis.

He hoped SA's neighbours would become exporters of commodities besides migrant labour, water, live animals and electricity. Financial sanctions which had prevented SA's return to international capital markets were still in place.

This was clear from the inability of the World Bank and IMF to lend to the SA government.

Blumenfeld cautioned that an end to financial sanctions would not lead to a huge inflow of capital, although funds for infrastructural projects and technical assistance would become available.

He suggested that export incentives should be moved away from those set out in GEIS and towards supply-side measures. Rebates on training programmes and substantial investment in human capital were examples.

Past atrocities are haunting Mugabe

MICHAEL HARTNACK

HARARE — Escalating fury over the discovery of bodies in disused mine-shafts threatens to undo all President Robert Mugabe's recent efforts to revive political support in Matabeland for his government.

The controversy over the bodies — believed to be opposition supporters — killed by government troops — has overshadowed Mugabe's recent tour of Zimbabwe's western provinces — once the stronghold of former Zapu leader, vice-president Joshua Nkomo.

Mugabe travelled around promising land to drought-stricken peasants, but the tour was plagued by the revival of memories of the 1981-87 Matabeland unrest when thousands were killed.

Churchmen have appealed to SA's Archbishop Desmond Tutu to join them in a march to Antelope mine in memory of all opposition supporters allegedly killed by Mugabe's security forces. Most atrocities were blamed by Amnesty International on his North Korean-trained Fifth Brigade.

Churches have demanded an apology to the people of Matabeland for the victimisation of civilians during the violence that preceded Mugabe's 1987 unity pact with Nkomo, payment of damages for burned homes and businesses, and support for orphans.

They also want publication of a report on the atrocities — kept secret by Mugabe for the past seven years — prepared by former chief justice Epoch Dumbutshena.

The Zimbabwe Human Rights Association at the weekend called for a new inquiry into all cases of those who died in mysterious circumstances.

DUMPING

~~SA 1995~~ ~~SA~~ 74F ~~SA~~ FM 31/7/92

A dose of their own medicine

The anti-dumping investigation launched this week by the EC against imported SA manganese-steel wearparts — together with several other anti-dumping moves against SA over the past year — could be the beginning of the end for a number of SA's cherished industrial practices.

For years, local companies have enjoyed two-tier pricing — charging high prices to captive domestic consumers and low prices on exports. But this, together with cash incentives and tax breaks for exports and discounted electricity from State-owned power companies, usually signals that a country is dumping its goods, under rules set by Gatt and tougher regulations adopted by the US

forced to adapt or die. This they did successfully — by shedding uneconomic operations and becoming lean-and-mean global operators."

Scaw Metals MD Tony Harris, however, says, this week's EC action largely reflects the recession in the EC rather than a response to SA protectionism. "While SA exporters have maintained their export activity, this has been at the expense of EC producers. Our assessment is that we have about 30% of the EC market, against competition from mainland China and India. The anti-dumping investigation will have to determine if this is taking place. It's not at all certain that SA producers are dumping."

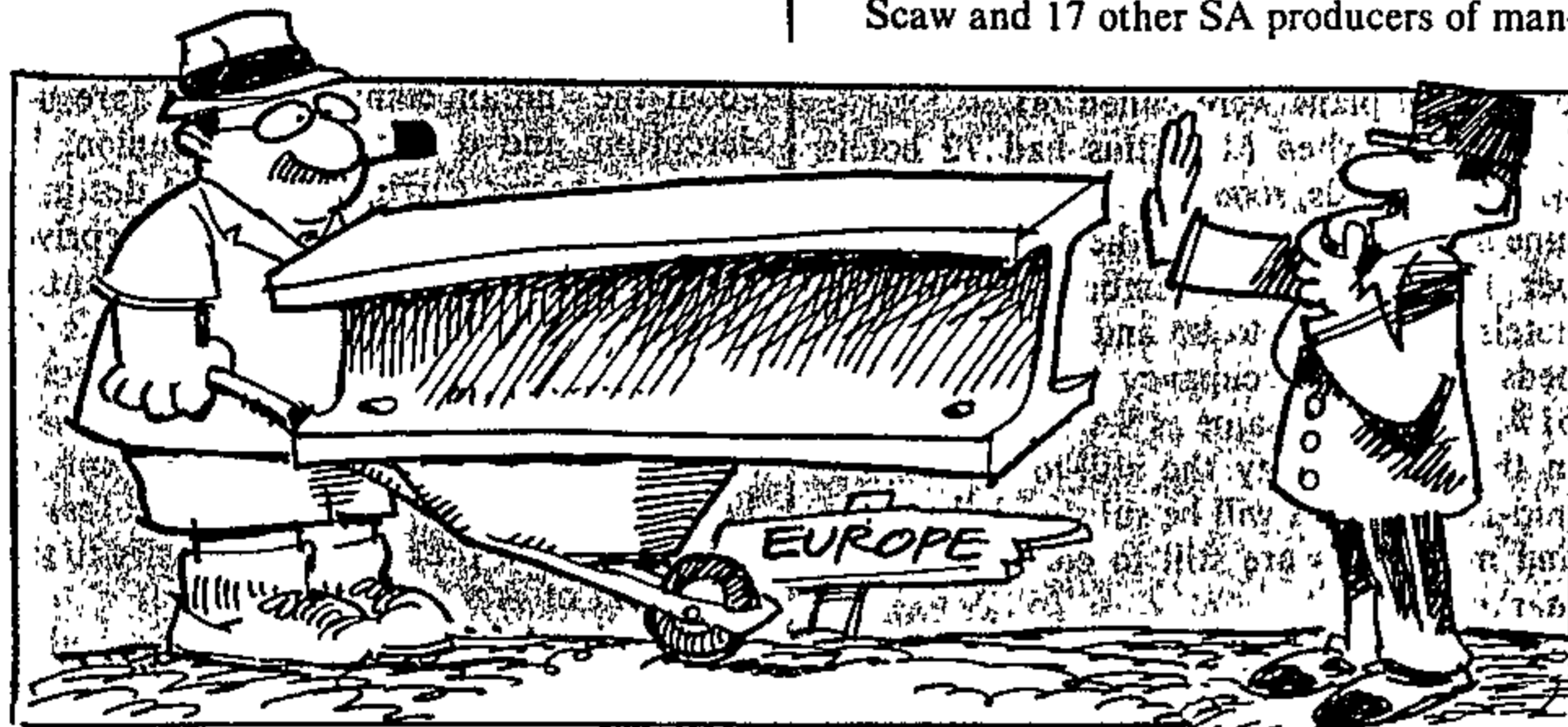
Scaw and 17 other SA producers of man-

export marketing assistance and subsidised electricity tariffs may also lead to countervailing duties. But this mainly applies to high-volume, high-value exports of raw materials or ferro-alloys."

The Geis scheme has been criticised for costing taxpayers more than R1bn a year. And a recent department report confirmed that unscrupulous exporters can easily defraud the scheme by lodging false claims. Now, Geis might encourage foreign governments to retaliate against SA exporters.

When SA stops worrying about other countries' dumping rules, it can start worrying about its own. They set a double standard and not only are they — like all trade restrictions — self-defeating, but they may also be beyond SA's ability to enforce. Webber Wentzel attorney Leora Blumberg says "anti-dumping actions worldwide are complicated and require sophisticated legal, accounting and financial expertise," skills that SA may not have. "Currently, there is great confusion and little consistency in SA's own anti-dumping policy. Businessmen would prefer sharper definitions, closer to the Gatt norms, than our current legislation contains."

Government naiveté over the complexities involved in rejoining the world seems to underlie the continuing confusion in trade and industrial policies. Maybe a few more anti-dumping actions aimed at SA exports will clear up that confusion. ■



Dave Coverly

and the EC.

For years, SA claimed it could not follow international rules because sanctions hurt its ability to export. But with the worldwide recession putting pressure on manufacturers everywhere, the country's trading partners are no longer buying this excuse and are apparently starting to crack down. SA is especially vulnerable because its own anti-dumping laws, approved in May, are among the most restrictive in the world.

Robin Bosomworth, chairman of the Cape Town-based Independent Wire Converters' Association, says: "With SA's draconian anti-dumping legislation, coupled with our high tariffs and export subsidies, it is not surprising that the rest of the world is starting to take action against our exports. We are more protected than the rest of the industrialised world, yet we are not yet seen as a developing country."

Basic-material suppliers, such as Iscor, say they need the high level of import protection because SA needs basic industries. But Bosomworth discounts this: "It's ridiculous to protect dinosaurs in a greenhouse when, globally, steel giants like US Steel, British Steel and Krupp in Germany have been

gane-steel parts are alleged to be charging less for their products in Europe than they do here. Next month the producers will probably get questionnaires asking for information on prices, costs, turnover and other items. They will probably have 30 days to fill out the forms and an EC investigator may visit SA.

This investigation follows an announcement earlier this month that the EC is examining Samancor and Highveld Steel for alleged ferro-silicon dumping, a probe that is also based on charges of two-tier pricing. And, for the past six months, Japan has been probing the alleged dumping of silicon-manganese by Samancor.

Meanwhile, with the recession and the coming presidential election, the US has toughened its anti-dumping enforcement. Local companies have mostly steered clear of the dragnet so far but US trade officials have expressed reservations about SA's introduction last year of the 37E tax incentives to encourage beneficiated exports.

"The US is becoming far more sensitive to cases of alleged dumping or subsidised exports," says SA Department of Trade & Industry official Rob Louw.

"Our general export incentive scheme (Geis), Industrial Development Corp loans,

MAURITIAN TOURISM

Off the boil ^{FM} 31/7/92

Looking for a cheap hotel? Try Mauritius. The expected boom in tourism has not materialised, leaving developers who responded to the government's call to build more hotels eager to get rid of their semi-completed shells or hotels operating at 30% occupancy or less.

The government has put a moratorium on the construction of any other hotels but, at the last count, about 15 were up for grabs, including the semi-completed Capricorn, designed to have 1 800 rooms.

Though the Gulf War cut deeply into tourism, members of the tourist business blame Air Mauritius, which is 51%-controlled by the government, for making the problem worse. Charter flights are not allowed to compete with the national carrier and its artificially high tariffs. Airline and government officials say they want to keep numbers down to protect the environment and to keep up the image of Mauritius as an exclusive destination.

Continued

Europe's rejected meat sold in SA

BLOOM 7/8/92

2/14/92 (74F)

CAPE TOWN — Thousands of tons of red meat rejected by consumers in Europe have been imported for the past two years and placed on local shelves, according to industry producers.

A top industry source claimed that the rejected meat was bought at "rock-bottom" prices in Europe to avoid paying higher prices for locally produced meat.

According to the Meat Board there is an oversupply of meat produced in SA.

The imported red meat had been rejected by European consumers and producers who feared contamination by hormones, radioactivity or "mad cow" disease.

Local meat producers said they had been battling to find a market since the imports began in earnest in 1989.

The producers claim to have proof that 15 000-40 000 tons of red meat have been imported annually.

According to records obtained by producers for the period April 1 1989 to March 31 1990, SA imported more than 6-million kg from Ireland, more than 10-million kg from France and more than 2-million kg from the UK, the countries most affected by mad cow disease.

Producers claimed imports were still continuing.

The industry source said: "We haven't

Own Correspondent

said anything before about the imports because we feared there would be a consumer revolt against red meat."

Agriculture Department meat hygiene director J D Coetzee said stringent tests for eradication or contamination were applied to imported red meat. "We do allow certain growth promotants and natural hormones in our meat while they (some European countries) don't."

Meat Board senior GM Pieter Coetzee said the board did not have anything to do with the importation of red meat.

"Independent traders can get permits from the Department of Trade and Industry," he said.

A local red meat producer, who asked not to be identified, said the red meat was imported as "factory meat" destined for canning. "But we know it ... lands on our shelves as fresh meat."

Agriculture Department animal health director Johan Krige said SA did import deboned red meat that conformed to standards from "infected countries", but not on a large scale.

"We do not import anything that is not fit for human consumption, but standards in Europe are higher than those of a Third World country like SA," he said.

Meat Board hits at imports

PRETORIA — The Meat Board says slaughtering is far outstripping local demand and there is no need to import red meat. ~~74F~~ (74F)

Board GM Pieter Coetzee was reacting at the weekend to reports that meat rejected by European control bodies was being imported and sold in SA.

Reports claimed thousands of tons had been brought into the country in the past two years, and that much of the meat had been rejected by European consumers who feared it was contaminated by hormones, radioactivity or mad cow sickness.

Coetzee stressed the Meat Board had "no say whatsoever" regarding imported meat currently being sold over the counter by various organisations.

He did not identify the organisations.

A Trade and Industry Department spokesman said permits for imports were issued by the department on the advice of the Agriculture Department.

Tariffs were introduced on mutton and lamb imports in October 1990 and on beef in November the same year.

Imports had to comply with strict health regulations, he said.

Since the imposition of Trade and Indus-

GERALD REILLY

try duties, no meat had been imported by the board and any organisation could apply to the department for monetary import permits.

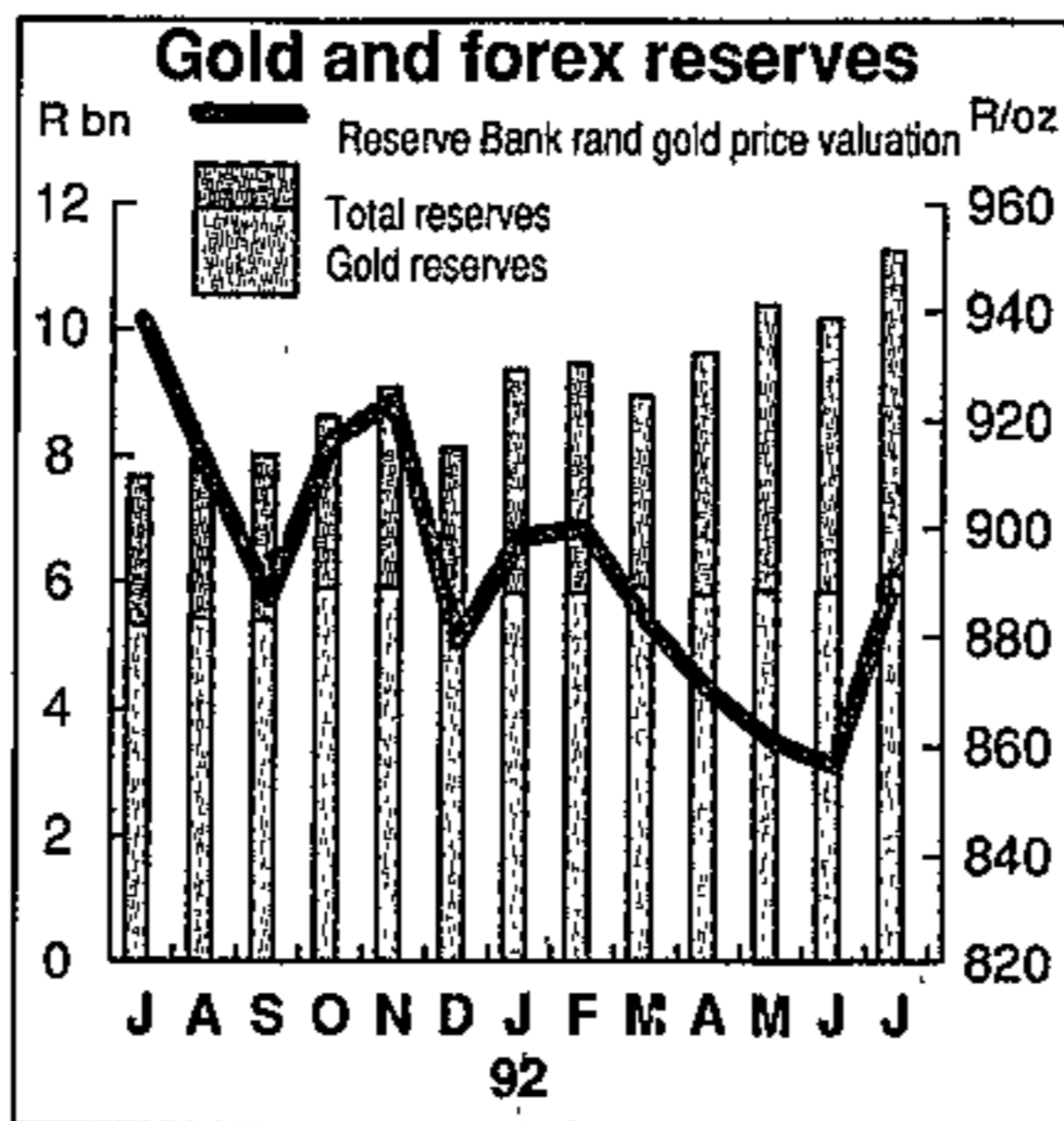
Also necessary was a hygiene permit from the Agriculture Department's veterinary division.

Consumer Council director Jan Cronje said health inspection authorities involved in meat imports should report immediately on the alleged contamination.

Sapa reports Agriculture Minister Kraai van Niekerk on Friday dismissed as false reports that thousands of tons of red meat, rejected by Europeans, had been imported into SA. He said the affair would be referred to the Media Council.

Van Niekerk categorically denied that his Department or government in any manner permitted the importation of contaminated meat, and he assured consumers that "imported meat is safe".

Since 1989, 101 241 tons of red meat and poultry had been imported, of which 2 287 tons had been turned down by the department, said Van Niekerk.



Graphic LEE EMERTON Source SA RESERVE BANK

Lower import bill raises reserves

HILARY GUSH

A LOWER import bill, and benefits flowing from the relaxation of sanctions, saw gold and foreign exchange reserves rise by more than R1bn in July to a record R11,3bn from June's R10,2bn, Reserve Bank figures released at the weekend showed.

Total reserves rose on the back of a R960m increase in foreign assets to R5,3bn. Gold holdings were slightly down at 6,7-million ounces from 6,8-million in June, but a higher gold valuation, of R892 an ounce from June's R856, lifted the value of gold holdings to R5,98bn from R5,84bn.

AHI chief economist Nick Barnardt said the figures were "remarkable" considering the poor performance of the world economy. It appeared the capital account had not suffered a net outflow this year and the balance of payments was in its best condition since 1984, reflecting positive political developments and the normalisation of SA's international trading relations.

The effect of special export incentives and the recession forcing manufacturers to explore foreign markets aggressively had helped boost reserves.

Barnardt said interest payments on foreign debt, and the average interest rate, were falling and a very weak domestic economy tended to depress demand for imports.

Nedcor Bank chief economist Edward Osborn said the accumulation of foreign income was due to the relatively low import bill reflecting the recession's depth.

He said the timing of payments for maize imports would be critical.

74F

BIDAY 10/8/92

Import tariffs holding down growth — Absa

By Des Parker

STAR 18/8/92

74 F

~~7/1/93~~

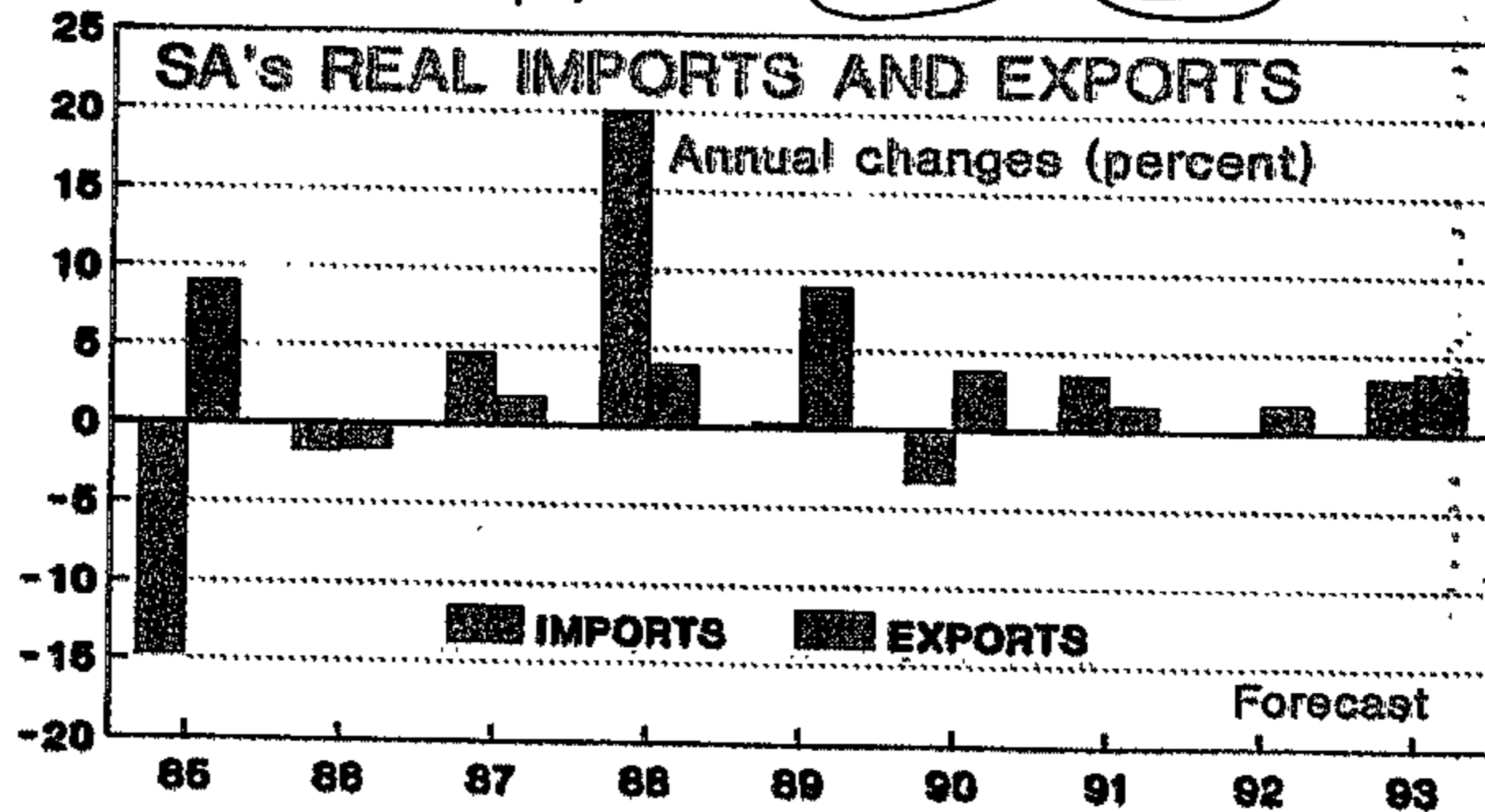
DURBAN — Absa economists say the government should stop talking about dismantling restrictive import practices and start doing something.

Already, the country's duty and surcharge structures are the major obstacle to accelerating export performance and failure to act soon could pose a serious threat to economic growth within two years, they say.

In its August Economic Spotlight Absa says there is no shortage of studies showing the country has to open up to the world economy in order to raise production levels.

"Export growth has been the mechanism used by many countries, notably those in the Far East, to boost their economic growth rates. SA can also follow this path, but to do so requires decisions and actions by all players in the economy, public and private."

Major areas requiring attention include investments (Absa says 97 percent of investment in South Africa in 1991 was derived from depreciation allowances), productivity, new markets, taxation, tariffs and surcharges and the General



Export Incentive Scheme (Geis), which it has been estimated will have cost taxpayers R5,5 billion by its 1995 cut-off date.

The bank's economists say exporters have performed strongly in recent years and they forecast this to continue, with major international trading countries likely to either maintain economic growth or return to it this year.

Favourable local conditions for exporting include the virtual disappearance of trade sanctions, a comparatively low level of producer price inflation (about eight percent) and a commitment on the part

of the government to promoting foreign selling.

Absa sounds the traditional caution that prospects for stronger commodity prices are, at best, subdued, and that agricultural export earnings will be clipped by the drought.

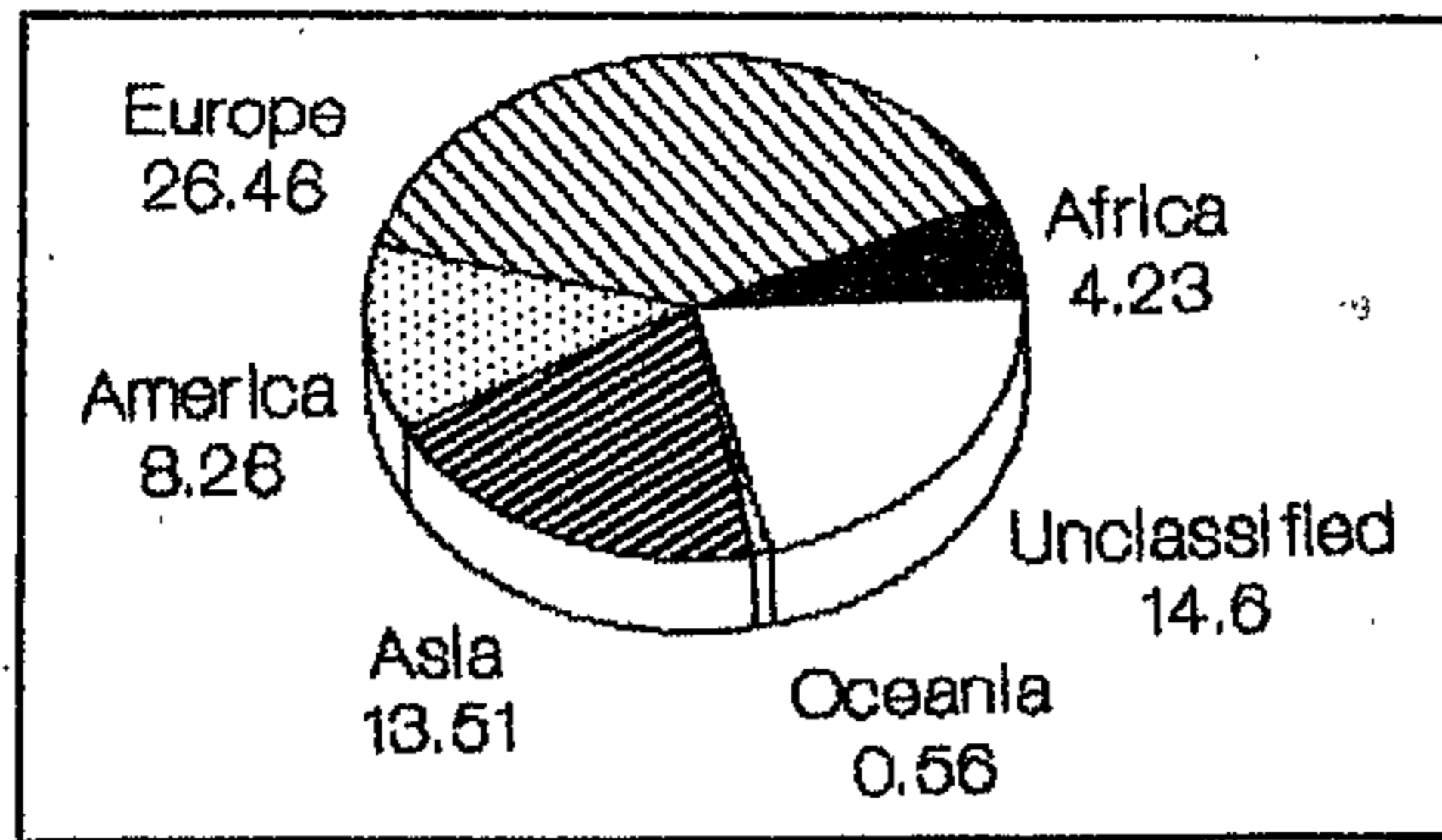
Drought

The average gold price for this year is forecast at \$350 an ounce, rising to \$360 in 1993. The 1990 average was \$383.

The economists say outflows from the current and capital accounts of the balance of payments will increase.

An expected dwindling in current account reserves from R5,1 billion in 1991 to R2,2 billion next year will accompany stronger economic activity, while the capital account is likely to be further eroded by debt-standstill payments, the export of funds due to economic and political risk and lower capital inflows.

South Africa does not compare well on the basis of facilities and access to markets with regions like eastern Germany as an investment destination, while big question marks still hang over its future political and economic policies, Absa says.



SA's world-trade figures (R/billions)

Imports remain at high level

By Sven Lünsche

STAR 20/6/92

for some time, and well down on June's R1,66 billion.

SA continues to import goods and commodities at high levels, despite the recession.

Figures released by the Department of Customs and Excise yesterday show that imports in July amounted to R4,97 billion (R4,09 billion in June).

For the year to date, imports totalled R29,2 billion (R28,39 billion for the first seven months of last year). Over the same period, exports rose from R37,39 billion to R38,44 billion.

The trade surplus for the January-to-July period at R9,24 billion is thus virtually unchanged from last year's level.

The high value of imports in July and the lower level of exports (R5,43 billion compared with R5,75 billion in June) reduced the surplus in July to R460 million — its lowest level

The drought is largely to blame for the high import level because it has forced SA to import vegetable products valued at R1,1 billion so far this year (R714 million).

Other agricultural imports were also up: fats and oil rose to R258 million (1991: R150 million) and prepared foodstuffs to R689 million (R572 million).

For the first seven months this year Europe still accounted for the largest portion of total trade with R26,46 billion, or 39 percent, followed by Asia with R13,51 billion, or 20 percent.

While trade with Africa only amounted to 6,3 percent of the total, or R4,23 billion (comprising exports of R3,51 billion and imports of R718 million), this figure excludes trade with SA's partners in the Customs Union: Botswana, Swaziland, Namibia, Lesotho and the independent homelands.

Changes to controversial textile plan expected

By Tom Hood

Stronger anti-dumping action against cheap imports of clothing and textiles could be taken by the government before the end of the year.

This emerges from disclosures that proposals to solve the "Hatty debacle", which threatens smaller firms in both industries, are expected to be gazetted before the end of the month.

A quota system and sharply higher import duties were among trade protection measures devised by a committee headed by Paul Hatty, a Barlow Rand executive, and sprung on the industries in May.

Small clothing and textile manufacturers attacked the Hatty measures as a threat to their survival and claimed that the giant companies would benefit most.

The Textile Wholesalers Association said the cost of clothing at the lower end of the market would double as a result of the higher import duties.

After weeks of argument, top officials of the National Clothing Federation and Textile Federation are reported to have agreed to changes to the Hatty plan.

The agreement is being considered by the Director-General for Trade and Industry, Dr Stef Naude, and industry officials expect details to be published soon in the Government Gazette.

"There is the possibility that this agreement, like the last one, will be circulated by the government for further comment," said a Cape clothing manufacturer.

"If that happens it will add to the uncertainty. We are trying to quote prices to large customers for next winter, but we don't know what we will pay for imported textiles.

"This uncertainty is turning business into a gamble."

According to industry sources, the quota system is likely to end on October 30 and be replaced by a simplified duty system.

NEWS IN BRIEF

Imports up 86% ^{74F}

IMPORT commodities handled by SA ports increased by a massive 86,3% in July this year compared with the same period last year, Portnet said on Friday.

Portnet handled 10,6-million tons of cargo in July this year, indicating an increase of 16,82% compared with July last year, and an increase of 3,85% compared with June 1992.

Imports of 2,1-million tons accounted for 19,4% of the total cargo handled, while exports of 8,3-million tons amounted to 78,4%. Transhipments comprised 0,6%.

Richards Bay was the busiest SA port, handling more than half the total cargo, most of which was destined for foreign markets. Durban and Cape Town handled, respectively, 21,3% and 5,8%.

B/DAY 24/8/92

Imports soar by 86 percent

JOHANNESBURG. — Imports handled by South African ports increased by a massive 86,3 percent in July this year, compared to the

same period last year, the country's port controllers have reported.

Portnet handled 10,6 million tons of cargo in July this year, 16,82 percent more than in July last year, and 3,85 percent more than in June, this year.

Imports of 2,1 million tons accounted for 19,4 percent of the total cargo handled, while exports of 8,3 million tons amounted to 78,4 percent. Transshipments accounted for 0,6 percent.

"Export commodities

(14F)
ARG 24/8/92
handled through the South African ports were 8,7 percent more than that for the same period last year, while imports increased 83,6 per cent," a Portnet spokesman said.

Portnet also handled 76 207 six-metre containers during July, 1992 — 8,6 percent more than during July last year and 10 percent more than during June this year.

Richards Bay was the busiest South African port, handling more than half of the total cargo.

The ports of Durban and Cape Town handled 21,3 percent and 5,8 percent of the total cargo respectively, Saldanha's port handled 14,4 percent, Port Elizabeth 3,7 percent and East London 1,6 percent. — Sapa.

Surplus pressures

The trade surplus of R457m in July was the lowest since the R151m recorded in January 1991. (74F)

And the surplus for the first seven months of the year — at R9,2bn — was only 2,6% higher than the surplus in the same period last year.

Imports in the month amounted to R5bn, bringing the cumulative figure for the year to R29,2bn (2,9% up on the same period last year). Exports of R5,4bn brought the total for the first seven months to R38,4bn (2,8% up).

A breakdown of imports shows:

□ The category *unclassified*, which includes oil and balance of payments adjustments, amounted to R811m — well up on the R285m in July.

The total for the year of R3,5bn, however, is 9,9% lower than in the same period last year;

□ Vegetable products, a category which includes maize, was R264m (R241m in June) pushing the cumulative figure for the first seven months to R1,1bn (up 52,8% on the first seven months of 1991);

□ Chemical products, R569m (R463m) to R3,3bn (up 4,1%);

□ Machinery R1,3bn (R1,2bn) to R8,7bn, (up 8,8%); and

□ Vehicles & transport equipment R579m (R493m) to R3,5bn (down 12,1%).

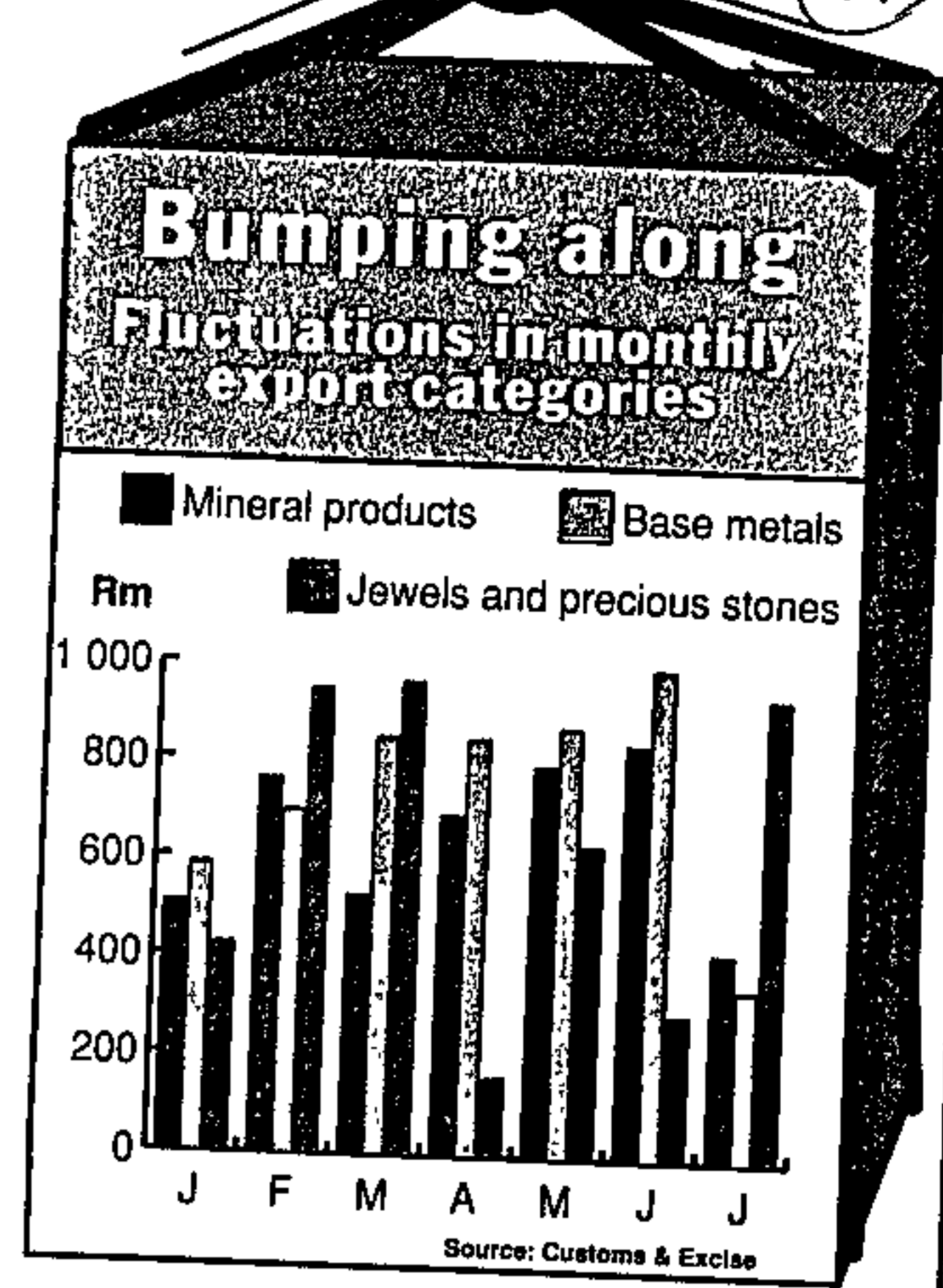
The performance of major categories of exports was uneven:

□ Minerals R422m (R841m in June) to a cumulative R4,5bn (up 13% on the same period of the previous year);

□ Base metals R349m (R997m) to R5,2bn

Continue →

(74F)



(down 3,1%); and

□ Jewels and precious stones R943m (R291m) to R4,4bn (up 29,5%).

Imported vehicle tariffs to be cut ^(74F)

S/Time (13455) 30/8/92

RESTRUCTURING of the motor industry is expected to begin next month when the Government starts lowering import duties on vehicles.

Industry sources expect tariffs to drop to between 90% and 100% on both cars and commercial vehicles. The present rates are 110% on cars and 100% on commercial vehicles.

The lowering of tariffs will be accompanied by an investigation into the long-term viability of SA's motor industry. The modest reduction in tariffs is not expected to result in a sharp increase in vehicle imports, which are mostly in the luxury class.

SA's motor industry is one of the most protected in the world, although import tariffs of more than 100% were imposed for fiscal more than protectionist reasons, says Daan Bosman of the Board of Tariffs and Trade.

Volume

Under review is Phase Six of the local content programme, which offers rebates to vehicle and component exporters. It will run until 1997 unless an alternative system acceptable to all concerned is found, says Dr Bosman.

The board plans to modify Phase Six soon by streamlining the administration of the programme, increasing the small-car allowance and tightening controls which have resulted in fraud.

Car manufacturers say the price benefits of Phase Six are only now beginning to be felt with new models. They

By CIARAN RYAN

say the programme allows them greater flexibility in sourcing components. This helps to contain price increases.

The National Association of Automobile Manufacturers of SA (Naamsa) proposed that tariffs for both cars and commercial vehicles be equalised at 100% and then reduced by 2.5% every six months, stopping at 60%.

Naamsa executive director Nico Vermeulen says: There is a belief in the industry that we should concentrate on high-volume production vehicles and allow the import of low-volume vehicles to reduce up-front investment.

High import tariffs are also responsible for rising car prices. But dispensing with import protection altogether would drain the balance of payments by R13-billion a year as imports flood the market, says Dr Bosman.

"A programme that increases car prices and results in job losses is negative. If the programme provides more jobs while car prices increase, it has positive aspects. Similarly, a programme which results in fewer jobs but cheaper cars can be considered positive. Higher productivity would improve both aspects."

Dr Bosman says most countries protect their motor industries through tariffs, quota systems or local content programmes.

Taiwan imposes tariffs of 30% on imported vehicles. It disallows imports from Japan. Japanese manufacturers overcome this by selling components to subsidiar-

ies in Taiwan at inflated prices.

South Korea, a major exporter of cars, dropped its tariffs to 17%. But a host of non-tariff excises have kept foreign competitors at bay. It exported 500 000 vehicles in 1989 and imported only 1 000.

The UK, France, America and Italy have low tariffs, but limit the level of vehicle imports to 40% of the domestic market. In Spain and Germany, imports are limited to 30% and 20% of the domestic market. Japan limits vehicle imports to 5% of its market.

Complex

Australia opened its motor industry to foreign competition by lowering tariffs from 60% to 35% over eight years. It did away with its local content programme.

The result is that Australia has lost roughly a third of the domestic car market to foreigners. It plans to reduce tariffs to 15%.

Taiwan's local content programme sets prices for each of up to 20 000 components used in a vehicle's manufacture. The local content minimum is 50% on a component basis.

Dr Bosman says this system is unsuitable for SA because of the complexity of its administration.

Local content programmes are used in Venezuela, Phillipines, Indonesia and most emerging economies of South America and the Far East.

Once these countries become signatories to the Uruguay Round of the General Agreement on Tariffs and Trade, these programme will have to be reconsidered in so far as they help exporters of vehicles.

Imports from Germany fall

By Sven Lünsche

74F

SA reduced its trade deficit with Germany in the first half of this year as imports of car parts fell.

Figures released by the SA-German Chamber of Commerce yesterday show that imports from Germany at R3,96 billion were still in excess of SA's exports valued at R2,86 billion. *STAR*

However, the deficit for SA declined from R1,4 billion in the first half of last year to R1,1 billion this year. *219192*

Overall trade volume was 4,7 percent lower be-

cause of poor SA economic growth.

The largest import item was motor vehicle parts, which declined by 16,4 percent to R1,17 billion in the first six months as a result of the local content programme.

This was also reflected in a 8,6 percent rise to R60 million for SA exports of motor vehicles and automotive parts to Germany.

SA exports were dominated by coal sales, which rose by 15,4 percent to R385 million, and gold, up two percent to R316 million.

Government clamps down on used clothing imports

74F
Finance Staff

In a further clamp on imported clothing, the government has zipped up a loophole in the Customs and Excise Act through which millions of rands-worth of second-hand clothing was being imported every year, ostensibly for distribution by churches and welfare organisations to the needy.

The move comes a week after the Government gazetted generally higher duties for cheap clothing imports.

In response to frequent requests by clothing and textile-manufacturing-companies to act, Deputy Finance Minister J A van Wyk yesterday announced that with immediate effect importing organisations would re-

quire — in addition to the existing quantitative import permit from the Department of Trade and Industry — a separate rebate permit issued by the Director-General for Trade and Industry on the recommendation of the Board on Tariffs and Trade.

Mr van Wyk said: "The rate of duty on taxable importations of worn clothing, including overcoats, is increased to 60 percent, or R25 a kilogram, with effect from September 7 1992.

"As the new measures take immediate effect, it is recommended that these institutions apply immediately for permits so as to avoid the detention by Customs of consignments in the absence of the required permit."

It was estimated that

STAR 10/9/92
60 million items of worn clothing a year were being sold on the open market.

"The apparent illegal diversion" of the garments was happening on such a large scale that withdrawal of the rebate concession was justified.

Mr van Wyk also invited representatives of churches and welfare organisations to discuss with the Commissioner for Customs and Excise a proposal to withdraw the concession granted in 1986 permitting charity institutions to sell the garments at nominal prices to cover port handling costs and inland cartage charges.

The government wanted to scrap the concession because of wide-scale trade in the clothing taking place.

Used clothing imports zipped by duty hike

ARG 10/9/92

134 74F

TOM HOOD, Business Editor

IMPORTS of worn clothing amounting to 6 million garments a year are likely to be curtailed through a steep and immediate rise in duty.

The government has zipped up a loophole in the Customs and Excise Act through which second-hand clothing worth more than R1 billion was being imported.

The imports were allowed for distribution by churches and welfare organisations to the needy, but traders got in on the act and an upsurge in imports sold in flea markets was claimed to be hurting clothing and textile manufacturers.

President of the National Clothing Federation Aaron Searll said today the industry and trade union had objected to the abuse of duty free imports. They estimated these amounted to 100 million pieces a year — or 25 percent of total South African factory production — and were a significant factor in the loss of orders and jobs in the industry.

Only 33 million pieces were imported three years ago, said Dr Searll.

According to chairman of the Garment Manufacturers Associa-

tion Patrick Boers, the industry was being crippled by imported clothes sold at "incredibly low prices" at flea markets and second-hand shops.

After months of protests by clothing and textile companies, deputy Finance Minister J A van Wyk yesterday announced importing organisations would require — in addition to the existing quantitative import permit from the Department of Trade and Industry — a separate rebate permit issued by the Director-General for Trade and Industry on the recommendation of the Board on Tariffs and Trade.

The rate of duty on taxable imports of worn clothing, including overcoats, will soar to 60 percent, or R25 a kilogramme from September 7. The rate was 25 percent or 40c a garment, and second-hand clothing was imported in huge bales.

"As the new measures take immediate effect, it is recommended that these institutions apply immediately for permits so as to avoid the detention by customs of consignments in the absence of the required permit."

The "apparent illegal diversion" of the garments was happening on such a large scale that

withdrawal of the rebate concession was justified, said Mr Van Wyk.

The deputy minister also invited representatives of churches and welfare organisations to discuss with the Commissioner for Customs and Excise a proposal to withdraw the concession granted in 1986 permitting charity institutions to sell the garments at nominal prices to cover port handling costs and inland cartage charges.

The Government wanted to scrap the concession because of widescale trade in the clothing taking place at ordinary market prices.

"It has been found that the concession is being misused on a large scale and trade at normal prices is taking place openly in such clothing, frequently to the advantage of the traders rather than that of the people for whom it was intended" added Mr Van Wyk.

"It is clear that this concession can no longer be allowed.

He estimated "a couple of hundred" institutions were involved and they have been asked to send delegates to discuss their problems with the Commissioner for Customs and Excise.

B/10AM
10/19/92

Clothing import clamps

GOVERNMENT yesterday announced new clamps on the import of used clothing. A concession to churches and welfare organisations to sell this clothing to offset costs would be withdrawn because of large-scale irregularities. (14F) (12)

ARC 15/9/92 (74F)
PPI soars as weak rand hits imports

PRODUCER prices rose 0,8 percent in July, bringing the rise in the producer price index to 9,3 percent over the year. In June the year-on-year rise was 9,2 percent, Central Statistical Service figures show. The rise in prices of locally-produced goods slowed from 1 percent in June to 0,6 percent in July, bringing the annual rise to 9,7 percent. But the rise in prices of imported goods accelerated in July to 2,2 percent from 0,5 percent in June, reflecting a weaker rand. Over the year to July, prices of imported goods went up 7,5 percent. — Business Staff.

KENNISGEWING 846 VAN 1992**DEPARTEMENT VAN MANNEKRAG**

WET OP ARBEIDSVERHOUDINGE, 1956

**INTREKKING VAN REGISTRASIE VAN
'N VAKVERENIGING**

Ek, Gerhardus Coenraad Papenfus, Assistent-nywerheidsregistrator, maak hiermee kragtens artikel 14 (2) van die Wet op Arbeidsverhoudinge, 1956, bekend dat ek die registrasie van die Union of Pretoria Municipal Workers met ingang van 16 September 1992 ingetrek het.

G. C. PAPENFUS,

Assistentnywerheidsregistrator.
(25 September 1992)

NOTICE 846 OF 1992**DEPARTMENT OF MANPOWER**

LABOUR RELATIONS ACT, 1956

**CANCELLATION OF REGISTRATION OF
A TRADE UNION**

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, hereby notify, in terms of section 14 (2) of the Labour Relations Act, 1956, that I have cancelled the registration of the Union of Pretoria Municipal Workers with effect from 16 September 1992.

G. C. PAPENFUS,

Assistant Industrial Registrar.
(25 September 1992)

KENNISGEWING 847 VAN 1992**RAAD OP TARIEWE EN HANDEL**

Kennisgewing van inisiëring van 'n antidumping-onderzoek na die invoer van kombuisware, afkomstig van die Volksrepubliek Sjina, indeelbaar by tariefsubposte 3924.10, 7323.90.20, 8205.51, 8210.00.90, 8215.99.07, 8215.99.19 en 8219.99.70

Die Raad op Tariewe en Handel het 'n klagte ontvang waarin beweer word dat kombuisware, afkomstig van die Volksrepubliek Sjina, op die Suid-Afrikaanse mark gedump word en wesentliche skade aan die betrokke Suid-Afrikaanse nywerheid veroorsaak.

Klaer

Die klagte is ingedien deur Prestige (Edms.) Bpk., wat die grootste gedeelte van die betrokke produkte vervaardig.

Produk

Die produkte wat na bewering gedump word, sluit 'n wye verskeidenheid van kombuisware met poli-propileen- of ander plastiek-handvatsels, verchromde stiele en verchromde of nylonbedekte punte in, indeelbaar by tariefsubposte 3924.10, 7323.90.20, 8205.51, 8210.00.90, 8215.99.07, 8215.99.19 en 8219.99.70.

Bewering van dumping

Uit hoofde van die feit dat die Volksrepubliek Sjina nie 'n markgerigte ekonomie het nie, is die bewering van dumping gebaseer op 'n vergelyking van die uitvoerpryse uit ander Verre-Oosterse lande en die berekende v.a.b.-pryse van produkte vir uitvoer na Suid-Afrika uit die Volksrepubliek Sjina. Op hierdie basis is die beraamde marge van dumping aansienlik.

Bewering van wesentliche skade

Met betrekking tot wesentliche skade beweer die applikant, en het hy voldoende bewys gelewer, dat die betrokke invoer 'n negatiewe uitwerking op plaaslike verkope, werkverskaffing en winsgewendheid het. Daar word verder beweer dat die pryse waarteen hierdie ingevoerde produkte in Suid-Afrika verkoop word, aansienlik laer is as die pryse van die Suid-Afrikaanse produsente.

NOTICE 847 OF 1992**BOARD ON TARIFFS AND TRADE**

Notice of initiation of an anti-dumping investigation into imports of kitchen utensils, originating in the People's Republic of China, classifiable under tariff subheadings 3924.10, 7323.90.20, 8205.51, 8210.00.90, 8215.99.07, 8215.99.19 and 8219.99.70

The Board on Tariffs and Trade received a complaint alleging that kitchen utensils, originating in the People's Republic of China, are being dumped on the South African market, causing material injury to the South African industry concerned.

Complainant

The complaint was lodged by Prestige (Pty) Ltd, which manufactures the bulk of the products concerned.

Product

The products allegedly being dumped include a wide range of kitchen utensils with polypropylene or other plastic handles, chromed stalks and chromed or nylon-coated ends, classifiable under tariff subheadings 3924.10, 7323.90.20, 8205.51, 8210.00.90, 8215.99.07, 8215.99.19 and 8219.99.70.

Allegation of dumping

In view of the fact that the People's Republic of China does not have a free-market economy, the allegation of dumping is based on a comparison between export prices from other Far Eastern countries and a calculated f.o.b. price for exports from the People's Republic of China to South Africa. On this basis, the estimated dumping margin is significant.

Allegation of material injury

With regard to material injury, the complainant alleges and has supplied sufficient evidence to show that the imports in question have had a negative impact on local sales, employment and profitability. It is furthermore alleged that the prices at which these imports are sold in South Africa have undercut the prices of the South African producers significantly.

Prosedure

Ná die besluit dat daar voldoende bewyse is ter regverdiging van die inisiëring van 'n ondersoek, het die Raad begin met 'n ondersoek ingevolge artikel 4 van die Wet op Tariewe en Handel, 1986. Belanghebbende partye kan hul siening skriftelik indien, verkieslik deur die invul van 'n vraelys wat gestuur word aan partye wat betrokke is, en deur voorlegging van stawende bewyse. Afskrifte van die vraelys is ook by die kantore van die Raad beskikbaar. Die Raad sal partye aanhoor wat met die indiening van hulle siening so 'n versoek rig, mits hulle bewys dat hulle waarskynlik deur die resultaat van die ondersoek geraak sal word.

Tydsbeperking

Enige inligting in verband met, die saak, enige argument rakende die bewering van dumping en wesenlike skade voortspruitende daaruit, asook enige versoek om aangehoor te word, moet skriftelik ingedien word sodat dit die Voorsitter, Raad op Tariewe en Handel, Privaat Sak X753, Pretoria, 0001, nie later as 30 dae na die datum van publikasie van hierdie kennisgewing bereik nie, of, in die geval van partye wat betrokke is, 30 dae na die datum waarop die brief wat bovermelde vraelys vergesel, ontvang is. Gemelde brief sal geag word ontvang te gewees het sewe dae na die datum van versending daarvan.

Indien die benodigde inligting en argumente nie in 'n bevredigende vorm binne die tydsbeperking soos hierbo gespesifiseer, ontvang word nie, mag die Raad voorlopige of finale bevindings maak op grond van die feite tot sy beskikking.

Navrae moet gerig word aan die Onderzoekbeampte, mnr. G. Geringer, by Telefoon (012) 310-9823.

[RTH-verw. T5/2/15/6/1 (920253)]

(25 September 1992)

KENNISGEWING 848, 1992**DEPARTEMENT VAN HANDEL EN NYWERHEID****RAAD OP TARIWE EN HANDEL: MINUTE M14/92—HERSIENING VAN DIE TUSSENTYDSE MAATREËLS VIR DIE TEKSTIEL- EN KLERASIEBEDRYF**

Hierby word vir algemene inligting bekendgemaak dat die Adjunkminister van Handel en Nywerheid, mnr D. de V. Graaff, L.P., goedgekeur het dat die gewysigde skale van reg op tekstiele, klerasie en huishoudelike tekstiel, wat in Goewermentskennisgewing R. 1194 van 1 Mei 1992 as 'n tussentydse maatregel ingestel is, behou word, behalwe in die volgende gevalle waar die reg afwaarts aangepas is tot die vlak wat dit voor 1 Mei 1992 was. In die geval van naaigaring van gefabriseerde stapelvelsels van tariefpos 55.08 is 'n ander reg aanbeveel.

- (1) Verglansde stowwe gewoonlik as vensterblindingsstof gebruik, indeelbaar by tariefposte 52.08, 52.09, 52.10, 52.11 en 52.12;
- (2) indigoblou etsdrukstowwe, indeelbaar by tariefposte 52.08, 52.09, 52.10, 52.11 en 52.12;
- (3) stowwe met 'n sateenbinding, swart gekleur, met 'n massa van hoogstens 135 g/m², indeelbaar by tariefposte 52.08, 52.09, 52.10, 52.11 en 52.12;

Procedure

74F

Having decided that there is sufficient evidence to justify the initiation of an investigation, the Board has commenced an investigation in terms of section 4 of the Board on Tariffs and Trade Act, 1986. Interested parties may submit their views in writing, preferably by completing the questionnaire sent to the parties known to be interested and by providing supporting evidence. Copies of the questionnaire are available at the offices of the Board. The Board will hear parties who, in the submission of their views, request to be heard, provided they can prove that they are likely to be affected by the outcome of the investigation.

Time limit

Any information relating to this matter, any argument concerning the allegation of dumping and material injury resulting therefrom, and any request for a hearing must be submitted in writing and must reach the Chairman, Board on Tariffs and Trade, Private Bag X753, Pretoria, 0001, not later than 30 days after the date of publication of this notice or, in the case of parties known to be interested, 30 days after the date on which the letter accompanying the above-mentioned questionnaire was received. The said letter will be deemed to have been received seven days after the date of its dispatch.

If the required information and arguments are not received in a satisfactory form within the time limit specified above, the Board may make preliminary or final findings on the basis of the facts at its disposal.

Enquiries may be directed to the Investigating Officer, Mr G. Geringer, at Telephone (012) 310-9823.

[BTT Ref. T5/2/15/6/1 (920253)]

(25 September 1992)

NOTICE 848, 1992**DEPARTMENT OF TRADE AND INDUSTRY****BOARD ON TARIFFS AND TRADE: MINUTE M 14/92—REVISION OF THE INTERIM MEASURES FOR THE TEXTILE AND CLOTHING INDUSTRY**

It is hereby notified for general information that the Deputy Minister of Trade and Industry, Mr D. de V. Graaff, M.P., has approved that the amended rates of duties on textiles, clothing and domestic textiles, introduced as an interim measure in Government Notice R. 1194 of 1 May 1992, be retained, except in the following cases where the duties have been downwardly adjusted to the levels prior to 1 May 1992. In the case of sewing thread of man-made staple fibres of tariff heading 55.08 a separate duty as been recommended.

- (1) Glazed fabrics commonly used as window blind material, classifiable under tariff headings 52.08, 52.09, 52.10, 52.11 and 52.12;
- (2) indigo blue discharge print fabrics, classifiable under tariff headings 52.08, 52.09, 52.10, 52.11 and 52.12;
- (3) fabrics in a sateen weave, dyed black, of a mass not exceeding 135 g/m², classifiable under tariff headings 52.08, 52.09, 52.10, 52.11 and 52.12;

Row over SA's import surcharges

GENEVA — The US and other countries objected yesterday to the surcharges of up to 60% that SA imposed on imports, trade sources said. *BI Day 11/10/92*

At a meeting of the ruling council of GATT the US called on SA — which imposed the surcharges as a reaction to foreign sanctions over apartheid — to conform to its GATT obligations or make a case for exemption if it had balance of payments problems.

Among other parties objecting to the continued existence of surcharges levied in addition to import tariffs were the EC, Japan and Switzerland, which said the lev-

ies were creating problems for its watch and textile exporters.

According to the sources, SA trade ambassador Jacobus Eksteen said his country had begun to reduce surcharges but could go further if remaining sanctions were removed. *(74 F) (S)*

Eksteen said SA in principle favoured reducing or doing away with import surcharges and other restrictions, a position already taken by President F W de Klerk.

However, he noted that continued trade and financial sanctions were contributing to the problems SA's ailing economy faced, the sources said. — Sapa-Reuter.

Sear del sees ground for improvement

By Tom Hood *STRA 2/10/92*

CAPE TOWN — A modest recovery in profits and dividends for 1993, but still below 1991 levels, is forecast by Sear del Investment Corporation's chairman Aaron Searll.

He says in his annual review turnover is expected show nominal growth from this year's R1,1 billion to a record R1,3 billion, with operating profit rising to R23 million from R18 million — but well below the R46 million achieved in 1991.

Earnings are forecast at 53c (43c) a share (108c), while dividends could rise from 9,5c to 12c (23c).

In an interview Dr Searll said the forecasts were based largely on budgets produced at operating level and indicated that the upturn would appear to be delayed until 1993.

This factor would also be governed by the attitude of the fiscus, the level of interest rates and the political scenario.

Of great concern to the clothing industry was the substantial growth in imports of second-hand clothing, he said.

These imports grew from 33 million units in 1989 to more than 100 million this year.

"This is a very serious problem for the industry in that it undermines local manufacturing and leads to large-scale job losses."

Dr Searll welcomed the curbs on imports introduced by the Government to counter the widespread abuse taking place and curb the flood of second-hand clothing imports.

Exports increased to R81 million from R49 million last year and were largely responsible for maintaining staff levels.

"Exports to a certain extent alleviated the problem of trying to recover increased input costs from the all-powerful retailers, who, because of their influence, are in the main responsible for the erosion of margins. This trend is expected to continue."

A stagnating economy was probably the worst catalyst in the current scenario of political manoeuvring and social unrest.

Cutting tariffs would destroy textile industry

BDM 5/10/92.

THE SA textile industry is in agreement with our counterparts in Europe that we are totally committed to the free market system and to world competition, as long as it is based on fair conditions of trade.

This implies:

□ A clear and coherent set of rules, agreed upon internationally and aimed at combating dumping, subsidies, piracy of intellectual property, circumvention by trans-shipment and false declaration of origin;

□ Specific provisions for dealing with non-market economies, for example China, because no private sector business can effectively compete against a state;

□ A proper system for verification and enforcement, allowing countries that suffer prejudice from abnormal practices to take appropriate measures. Adequate safeguard mechanisms such as high ad valorem and countervailing duties should be able to be called into effect.

The international textile community, at the recent Uruguay Round of GATT, made it clear that to achieve this would take at least seven to 10 years. Only when these distortions are removed and non-tariff measures are dismantled dare SA lower

and harmonise its protective textile tariffs. To do so now would be tantamount to destroying the industry.

There is talk in government circles and among some Board on Tariffs and Trade officials of a policy of free access to imported yarns and fabrics. This is open to question.

The theory is that this policy will drive the local textile manufacturer to be more competitive in global markets. It assumes that this will push costs down.

Nothing could be further from reality. Producers in most countries exporting to SA are heavily protected and subsidised. These imports reduce local demand, which is already softened by the recession, and local textile mills are thereby further underutilised.

The Pacific Rim countries did exactly the opposite in the '60s and '70s. These developing countries realised that the textile industry, as a primary industry, had an employment multiplier effect and they sought to protect these industries in order to build them up to full capacity and then launch them as exporters to the First World.

The mechanism of reducing tariffs and hoping to push costs down by in-

ABE FRAME

creasing imports can only work if there is full employment, and if there are skills available to move to another industry. Neither is true in SA. It also does not follow that destroying one industry will result in correspondingly great expansion and absorption of those employees in another industry.

Another myth that has to be destroyed is that cheaper imports mean cheaper textile products at retail level. This propaganda is cultivated by importers who are only interested in making greater profits.

Our critics suggest that protection is required only because the SA textile industry is inefficient. If this argument is taken to its logical conclusion, then the Far Eastern textile industries must all be more inefficient than their SA counterparts, because they all have much higher protection barriers. The argument is a non sequitur.

The textile industry draws its labour and management from the same pool as does the clothing or any

other industry. The textile industry, therefore, is probably as efficient as any other industry from a labour and management point of view. Against the subsidised industries of the East, neither SA nor the First World countries can compete. SA textiles are, however, competitive with First World counterparts.

The SA textile industry can do nothing at this stage about its disadvantages in the higher cost of plant, spares, chemicals, dye stuffs and so on; lower depreciation levels than those enjoyed by its competitors; the non-subsidisation of its raw material input costs such as cotton and polyester; the high inflation rate; educational and social problems; higher corporate tax rates; political unrest, political change, strikes, mass action, stayaways and violence; and higher interest rates.

What can the government do now? It could accept that the textile industry is a primary industry that also creates secondary employment as in Korea, Thailand, Taiwan, Indonesia and Pakistan.

It should be accepted that SA is a developing country. It was an error that SA was introduced into GATT as a developed country and efforts

should be made to change this as soon as possible.

Government must also expedite anti-dumping procedures and the structural adjustment programme's duty free imports should be stopped immediately with regard to both textiles and clothing. In their place there should be consistent and effective export incentives upstream and downstream.

Protective duties need to be adjusted urgently as requested in applications already filed. These must be high to be effective at all.

If government does not act now, the infrastructure of the textile industry could be destroyed by 1993. There are some 300 000 people employed in the textile pipeline. If one multiplies this by six for those who are supported by textile employees, more than 1-million people will be affected. The impact on the secondary industries such as packing, electrical supply and transport, and the economy, will be disastrous.

□ Frame is chairman of the SA Cotton Textile Manufacturers' Association. This is an edited version of an open letter sent last week to Deputy Trade and Industry Minister David Graaff.

BOOKS

Import deal brings Alfas back to SA

MOTOR dealer Cars International is to sign an agreement with Alfa Romeo parent Fiat Auto on 21 October for the import and distribution of Alfa Romeo cars and spares and accessories throughout SA, Botswana, Namibia, Lesotho and Swaziland.

Cars International MD Brian Taylor said the Alfas would become available to the SA public from February 1993. *810AM 7/10/92*

Twelve Alfa Romeo outlets would be established during the year and the company planned eventually to sell 800 new cars a year.

The completely built-up units to be imported, including the Alfa Romeo

EDWARD WEST

74F

Spider, Alfa Romeo 164, 155, 155 Cabriolet and the Alfa Romeo Q4 Sedan, would be competitively priced and would benefit from the depreciation of the lira against the rand and a 10% reduction in import duties, he said.

He ruled out the possibility of establishing vehicle assembly facilities in SA and said one of the advantages of fully imported cars was that prices were not affected by labour disruptions prevalent in SA's motor assembly industry.

Alfa Romeo ceased assembly operations in SA in 1984.

Import duty cut

THE Government has cut import duties. Department of Trade and Industry Director-General Stef Naude says maximum ad-valorem duties on consumer products will be 30% and on other products 15%. (74F)

Imported goods will be duty-free where there is no SA-made equivalent. Dr Naude says the changes will be implemented gradually after SA falls in line with the General Agreement on Tariffs and Trade (Gatt).

The phasing-in programme is to be negotiated at the Uruguay Round of trade liberalisation of Gatt. He expects it to take five to 10 years, depending on the sensitivity of the industries.

STimes (RUSS) 11/10/92
They include clothing and textiles, motor vehicles, rubber and plastics.

A committee has been appointed to look into the clothing, textile and motor industries. Other committees may soon be appointed to investigate how to make the other seven industries internationally competitive in the long term.

Agricultural imports cause fall in SA forex reserves

SA's foreign exchange reserves are set to fall further in the months ahead as payments for maize imports continue to drain the country's forex holdings.

Reserve Bank figures released last week showed a R1bn drop in September forex reserves, which economists attributed largely to payment for agricultural imports — a result of the prolonged drought.

Maize Board deputy GM Hans Swart said yesterday that of the 3,6-million tons imported — by tender on behalf on the government — so far this year, only 2,4-million tons had been paid for, amounting to about R900m. *Blom 13/10/92*

Payment for the outstanding balance of 1,2-million tons would probably exert further pressure on SA's forex holdings.

He said domestic requirements and the present stock position indicated a further 800 000 tons of maize imports could be expected before next season's April harvest. The total effect on reserves would depend on the ruling price of maize at the time of purchase, he said.

Anglo American economic consultant

HILARY GUSH

Jim Buys said further maize imports would result in a narrowing of the current account of the balance of payments and would dampen prospects of a build-up in forex reserves. "In addition to payments for the importation of maize, capital outflows in recent months have had an adverse effect on reserves," he said.

In its latest quarterly bulletin, the Reserve Bank said short-term capital changed from a R0,3bn net inflow in the first quarter to a R1,8bn net outflow in the second quarter.

The bulletin attributed the outflow of short-term funds towards the end of the second quarter to "renewed political uncertainty and social unrest".

The Bank blamed high import volume in the second quarter on agricultural products arising from the drought. "The seasonally adjusted and annualised value of agricultural products (mainly maize) more than doubled from R1,1bn in 1991 to R2,4bn in the second quarter of 1992."

CASH-OFFERS, COULD COST 50 000 JOBS

THE never-ending controversy in the clothing industry has taken a new turn following the increase last month in duties on imported second-hand clothing.

Local manufacturers claim that a sharp increase in second-hand clothing imports has been partially responsible for major job losses in the industry, while importers say the duties will cause even bigger retrenchments in the informal sector.

On September 7, the Department of Finance announced that the duty on worn clothing, including overcoats, had been increased by 60% or R25 a kilogram.

In the past, second-hand clothing was imported by welfare organisations and churches by permit for distribution to the needy. The Department found that, although no permits were issued to the clothing trade, about 60-million pieces were handled by this sector each year. "For the clothing and textile industry this implies a serious threat, and

74F BY DON ROBERTSON
18/10/91

of particular concern is the potential loss of jobs in these industries."

In the latest newsletter from the National Clothing Federation (NCF), president Aaron Searl says the importation of second-hand clothing is of great concern to the industry.

Although permits are supposedly issued to welfare organisations only, large scale abuse is taking place. In 1991, 386-million pieces of clothing were manufactured in SA, while 158-million were imported, of which 95-million were second-hand. The volume of second-hand imports compares with 33-million in 1989 and 54-million in 1990.

"This means that almost every third garment purchased in SA has been imported, whereas nearly every fifth garment is an imported second-hand one," says Dr Searl. Ironically, retail clothing sales have

Grown in the past six years. NCF economist Arnold Werbeloff says: "The conclusion must be that the growth in demand has been diverted on an ever-increasing scale to imports of new and worn clothing."

He points out that, in the year to August, 15 000 jobs had been lost in the clothing industry. In contrast, however, SA's exports of clothing rose to R320-million in 1991, compared with R195-million the year before.

The NCF newsletter was compiled before the new legislation was introduced. Dealers in used clothing, however, say that the higher duties have trebled their costs and that, as a result, about 50 000 people in the informal sector could lose their jobs.

Archie Comyn, who operates the extensive Rags to Riches used clothing operation in White River, says that nobody buys used clothing because they want to.

The average farm worker in the Lowveld earns R120 a month, plus rations. A forestry worker earns R250 a month and rations.

"Because of their circumstances, they would be prepared to pay R15 for a pair of trousers rather than R100, even at a cheap clothing store," says Mr Comyn.

"The average cost of clothing delivered to me in White River used to be R12 a kilogram. It has now risen to R35."

Mr Comyn claims the new legislation was introduced because of pressure on government by vested interests, such as large clothing stores. He says that the local clothing industry is inefficient and its prices are too high.

He says that an estimated 50 000 people will be put out of work as a result of the new import duties, of which about 10% work in shops and the rest are in the informal sector.

A colleague of Mr Comyn's in Richards Bay, who does not want to be named, says he imports a full container each month containing about 220 bales.

He claims one container provides jobs for about 500 people.

Imports hold up in SA and UK

BIDPM

19/10/92

74F

A CURIOSITY common to SA's and Britain's external accounts should be further highlighted this week when the countries publish their September trade figures.

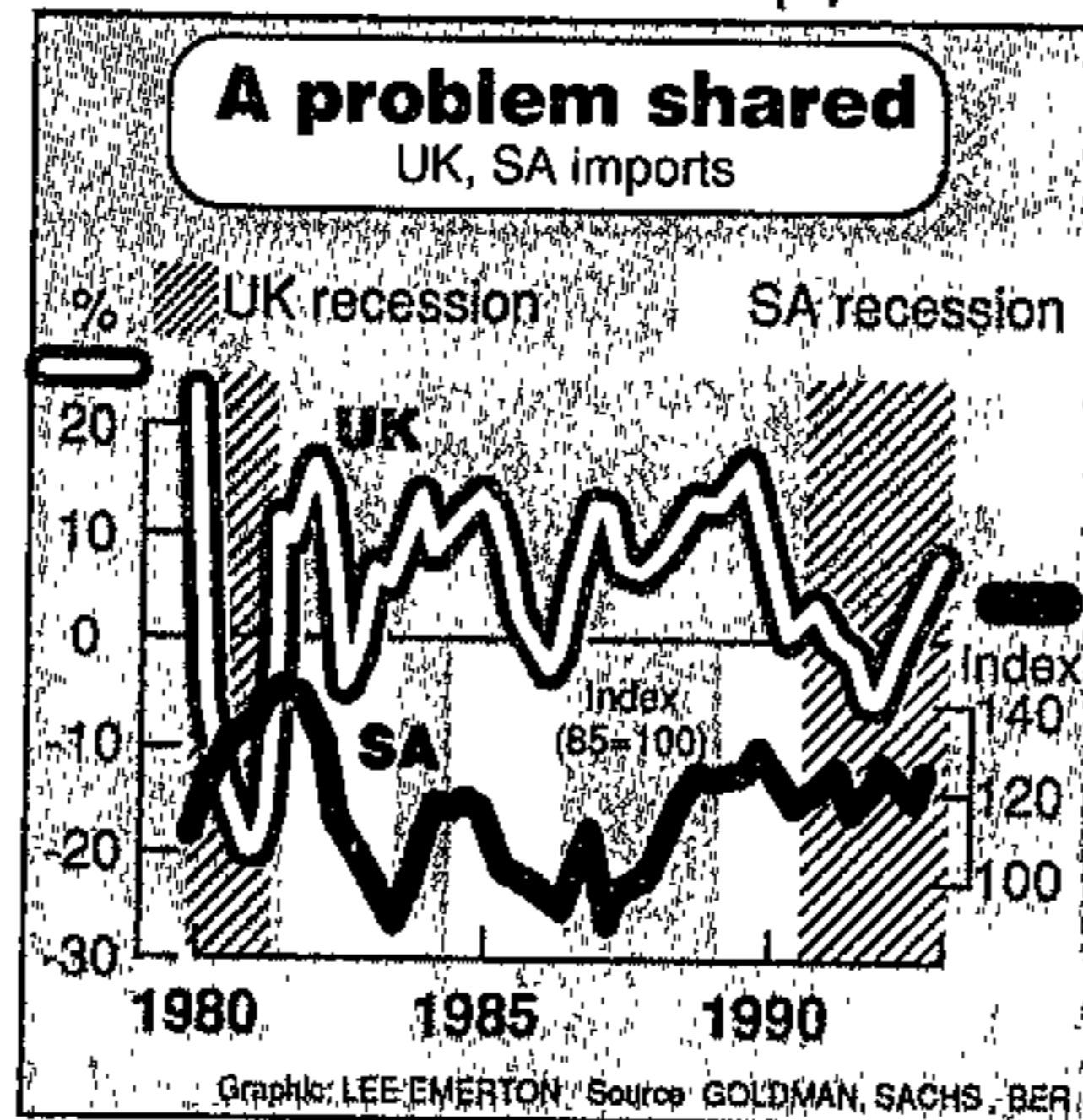
SA's trade balance for September is due out later today and Britain's is scheduled for release on Thursday. The irregularity that is likely still to be visible in both sets of data is that imports in each country are holding up, even though both economies are traversing historically long recessions.

The 16-month low in SA's trade surplus in July, \$ R458m, was mainly the result of a 22% monthly jump in imports — notably processed foods and other consumer items rather than drought-related agricultural products. Although the surplus widened again in August to R1,7bn, imports remain close to the R5bn a month at which they started the year.

The UK experience is similar. Monthly imports also remain at the £10bn levels posted at the beginning of the year, while the August trade account was in a deficit of £1,2bn. Most of the growth in UK imports also currently lies in consumer items such as cars and electronics.

As the chart shows, the recessions in both SA and Britain are irregular in that, unlike previous downturns in each economy, import volumes in SA's case and import growth in respect of Britain have each failed to reflect their host economy's cyclical downswing.

Neither SA nor the UK is experiencing a run-of-the-mill recession either. The present British recession is already the longest this century, while SA's is the longest since the 1904-08 slump.



But there is little sign in either country's import figures of the collapse in living standards and curbing of personal consumption supposedly associated with recessions of such length. The voluble pleas and demands from individuals and corporations in each country for lower interest rates and devaluation are not visibly substantiated.

According to the chart, British imports fell initially in the current recession, although by nothing like the extent of their tumble in 1980 — but they are now rising. SA import volumes, excluding the agricultural imports now due as a result of the drought, are also higher than at the start of the current recession. This suggests that import penetration in both economies is

relatively high and that any recovery will be marked by a fresh deterioration in their trade balances.

Internationally, the slowdown in the Japanese economy is likely to attract attention again tomorrow when Japan's September money supply aggregates are released. In August, annual growth in Japanese M2 stood at a record low of 0,2% and it is now merely a question of whether the rate goes negative for the first time in the September or October readout. Either way, another cut in Japan's 3,25% official discount rate could be brought closer.

Britain's monetary aggregates for September are also out tomorrow. The UK authorities target annual growth in the narrow, cash-only measure M0 at 0%-4%, and it has steadied at between 2%-3% for much of the last 12 months. Since UK inflation has been falling over the same period, analysts have noted that M0 has therefore been expanding in real terms and has helped support the consumer spending growth that is underpinning imports.

Annual M0 growth in August was 2,4%, and last month's will probably be much the same.

In the US, the key figure of the week is September housing starts, scheduled for publication on Thursday.

Starts jumped to a five-month high of 1,2m in August, still reflecting the stimulus of lower mortgage rates when US interest rates were cut the previous month. With no further rate cuts since to support the figure, it is left more reliant on the state of the real economy, and conditions are unlikely to have generated any further improvement in the figure last month.

Trade surplus narrows on veg product imports

74F

CT 20/10/72

From HILARY GUSH

A RECORD import bill in September — led by vegetable product imports — saw the trade surplus narrow to R965,2m from August's R1,762bn, Customs and Excise figures released yesterday.

September imports climbed R400m to R5,05bn from R4,65bn in August, on the back of a 80,3% year-on-year surge in vegetable product imports.

Exports ebbed 6,2% in the month to R6,01bn from R6,41bn in August.

But export growth jumped 8% in nominal rand terms to R50,859bn for the first three quarters of this year compared to R47,107bn in the same period last year.

The SA Foreign Trade Organisation's (Safto) economist Bruce Donald said the increase indicated export growth was back on track after its dismal performance during the first eight months of this year.

The trade surplus for the first three-quarters is a healthy 17% on the same period a year ago.

Donald attributed higher agricultural imports to the effects of the prolonged drought. In the first three quarters of the year fats and oil imports soared 72% on the same period last year, while animal product imports swelled 55%.

Nedcor Bank chief economist Edward Osborn said the value of imports — adjusted on a currency-weighted basis each month — "has increased by an insubstantial 0,3% since the beginning of the year. This embraces the tremendous movement of maize."

Donald was encouraged by the export performance of a number of manufactured goods. Exports of transport equipment, chemicals and plastics had increased 59%, 39% and 35% respectively.

Minister plans talks on food import problems

BIPAM 23/10/97
AGRICULTURE Minister Kraai van Nierkerk will meet members of working group 3 next week to discuss food imports.

Group members have complained about the inflexibility of the present system and the practice of enforcing surcharges on imports of staple foods in a drought year.

Working group 3 was one of 10 groups set up in August as part of the Food Logistics Forum to identify the real causes of food price inflation.

Tiger Oats executive director and working group 3 member Hamish McBain said the forum, including representatives from government and the co-operatives as well as retailers, manufacturers and consumers, aimed to address issues surrounding present import controls.

In a paper delivered to the forum in August, McBain said quantitative control permits had been subject to abuse, while attempts to tighten control had been bypassed through permits issued to TBVC states. "Abuses are being incurred through

74F
MEREDITH JENSEN

TBVC rebates, incorrect product descriptions and even falsified Bills of Landing."

McBain said controls had tended to be too inflexible, but he stressed the danger of an open policy toward imports, especially foodstuffs. "Reliance on imported food will place an unbearable burden on our foreign exchange and balance of trade."

Another group member said government stood to make R150m from import tariffs on maize this year. "Is it necessary to enforce a surcharge on a crop that is short? Surcharges were designed to protect local industry, but if there is no crop then there is nothing to protect."

Other issues being investigated were VAT and basic foodstuffs, Central Statistical Service accuracy in the CPI regarding food, the existence of the marketing boards, input costs of food processing and manufacturing, and the gap between the farmer's price and the consumer price.

SHIPPING^{FM} 30/10/92
Surging imports



Huge drought relief shipments of grain for southern Africa continue to boost dramatically import figures at local ports. Imports through Cape Town last month climbed nearly 94%, compared with September last year, according to figures released by the port. Last month's figures for SA's other ports are not yet available but the majors, Richards Bay apart, are all likely to continue showing big jumps because of drought relief.

Cape Town's imports have risen 38,8% in the past six months, over the same period last year, largely because of maize, oats and barley, says the port's financial manager, Gerhard Smuts.

The bad news is that exports are slumping. Last month they were down by nearly 13%, compared with September last year. Exports for the past six months have risen by only

continue →

FM 30/10/92



1,7%. Only high levels of fresh fruit shipments kept exports from dropping in the first half of the port's fiscal year.

During this period several export categories showed declines, particularly canned or prepared fruits, and textiles. "It is not clear why these have dropped, perhaps increased international competition or a drop in demand," Smuts says.

The category of cement exports to other African countries showed one of the biggest drops — 55%. "This could be because of the deepening recession in Africa or it could be because the export contracts are drawing to a close and are in the process of being renegotiated," he says.

Portnet figures for August show that Durban handled more containers than the rest of SA's ports combined. It saw 24 471 containers landed while 22 838 were shipped out. In Cape Town, 7 416 containers were offloaded and 7 554 shipped out.

Richards Bay, from which most coal is shipped, handled the largest volume of cargo in August, 6Mt, compared with 2,4Mt by Durban, 886 805 t by Saldanha, 450 455 t by Cape Town, 433 716 t by Port Elizabeth and 107 743 t by East London.

Durban had 440 ships calling while 253 called on Cape Town, 134 at Port Elizabeth and 123 at Richards Bay. ■

Chickens furious

(74F)
POULTRY
RCG 31/10/92

Feathers ruffled over 'protectionist' tariffs on imports

NEWS of a planned increase in the tariff charged on American chicken imported to South Africa has been strongly condemned by the United States Poultry and Egg Export Council.

The council says the intended tariff — believed to be a whopping R4 a kilogramme for chicken parts and R3 a kilogramme for whole chickens — will effectively ban all chicken imports.

But the move has been welcomed by the Poultry Association of South Africa, which represents local poultry producers.

They say the Americans are dumping their products at low prices and that this could eventually price local producers out of the market.

The American council, which represents leading American poultry producers, said: "South Africa's Board of Trade and Industry, in a truly protectionist move, plans to this week effectively ban all future chicken imports by increasing tariffs to exorbitant levels."

Confidential sources have informed the council that this increase will be an-

■ Americans say new tariffs on chickens will have the effect of banning poultry imports. But local poultry producers disagree.

Weekend Argus Reporters

nounced at the weekend and will take effect immediately.

In many countries governments subsidise chicken exports, making it possible for producers to charge very low prices. Production costs are also lower abroad as producers get maize feed cheaper than South African producers.

Some years ago South Africa was producing up to 500 000 turkeys a year for the local market. Then American producers flooded the local market with cheap turkeys, leading to the collapse of local producers.

There are now no turkey producers in South Africa, while the price of imported American turkeys has soared.

The South African Poultry Association, fearing that the same could happen to chicken producers, has asked the Department of Trade and Industry to increase the

minimum tariff level which has not been adjusted since it was introduced in 1988.

Since the beginning of this year, about 15 000 tons of chicken have been imported from America at a cost of close to R40-million.

The American association believes the expected tariff increase will be R4 a kilogramme on chicken parts and R3 a kilogramme on whole chicken.

"We are outraged at these moves which are aimed specifically at keeping US products out of South Africa.

"All South Africans deserve to be able to purchase poultry at prices the rest of the world enjoys. The level of the new tariff, while not officially known, promises to be sufficiently high to ensure that no chicken imports can compete with domestic prices."

In the past few months, substantial quantities of American chicken have been coming into South Africa at attractive prices.

"At a time when South Africa is seeking cheap protein sources and lower food prices, we protest most strongly at this protectionist tariff.

"This action is as a direct result of input from South Africa's monopolistic poultry industry."

One company, Rainbow Chickens, produces about 46.5 percent of all poultry in South Africa. Ten companies control 85 percent of local production.

The South African government announced recently that it was requiring certification and testing of all poultry imports for *salmonella enteritidis*, a disease normally associated only with egg products.

The American council said a number of South African importers — aroused by this latest attempt to eliminate chicken imports — planned to voice strong protest through various channels.

The president of the Housewives' League, Mrs Lyn Morris, said the principle of dumping was not a sound one and could have a detrimental effect on local producers.

"If we take cheap imports, in a short time it could be cleared out and we could be left high and dry.

"The question is whether we look after our poultry farmers to keep them in the market, or lay ourselves open to the free market and get cheaper food."

She said it would not do South Africa any good to destroy the local market, but it was also important that local producers competed equally in the market place.

Duty cut a good ~~start~~ start

(74F)
S/Times (Buss) 1/11/92

By **DON ROBERTSON**

THE Government's decision to cut import duties on fully imported cars by 10% to 100% has generally been welcomed by the motor industry.

It believes it is a "good start" and that the process must continue, although at a managed pace.

But most manufacturers, particularly those in the luxury market, believe that duties will have to be cut further.

Late last year, motor manufacturers through the National Association of Automobile Manufacturers of SA (Naamsa) called on the Government to reduce import duties. They said they had never asked for this protection and it was an embarrassment.

Finance Minister Derek Keys responded this year, saying that if SA were to join the General Agreement on Tariffs and Trade (Gatt) duties might have to be reduced to 40% over five to eight years. Manufacturers, however, believe the duty cuts should be held at a minimum of 60%.

Peter Cleary, management board member for the car division of Mercedes-Benz, says the reduction is not significant because the 15% surcharge remains.

"This means that the total duties payable are now 115% — a reduction of 11,5% on the previous 126,5%.

"We believe it to be the start of a trend to reduce import duties, but it is not significant and does not pose a threat to local production of vehicles."

A case of fowl play?

ET 2/11/92
JOHANNESBURG. —
US poultry producers
have launched a stinging
attack on the Board on
Tariffs and Trade, accus-
ing it of planning to ban
all future chicken im-
ports from the US by in-
creasing tariffs to exor-
bitant levels — a move
they claim is motivated
by local producers.

The USA Poultry and
Egg Export Council said
in a statement it was out-
raged about rumours
that the increase could
amount to an additional
R4/kg on chicken parts
and R3/kg on whole
chickens. (74F) ~~74F~~

Neither the Board on
Tariffs and Trade nor
the SA Poultry Associa-
tion could be reached
for comment at the
weekend.

Exports boost for Langeberg

CT 4/11/92 74F

By MAGGIE ROWLEY
Deputy Business Editor

STRONG exports and improved margins helped Bellville-based Langeberg Holdings exceed its pre-listing earnings forecast by more than 10% to R87,5m for the year to end September — an increase of more than 40% on the previous year.

In spite of the adverse economic conditions and the serious drought, the food processing and canning conglomerate, which was listed on the JSE in June, increased operating profit by 30% to R102,9m on a 15% increase in turnover at R741,8m.

Lower interest rates led to reduced finance charges of R15,4m (R17,1m) but an extraordinary item of R8,6m was incurred in the main by the closure of factories in the Transvaal.

This resulted in attributable earnings increasing by 29% to R78,9m — which was still marginally ahead of the prelisting forecast — translating into earnings at the share level of 55c against 38,9c previously. No tax was payable.

Financial director Johann Cilliers said cost controls and great-

er efficiency led to an increase in margins in spite of price increases on the domestic market being held at below 12% this year.

Exports of the group, which is 56% held by Tiger Oats and 30% by Langeberg Co-operatives, had been excellent in the past year particularly in niche markets in the Far East and Europe.

However an increase in working capital was experienced due to stock build up as a result of higher production volumes and slower export shipments during the last quarter of the year. Working capital was further increased by a transfer from investments amounting to R47m which represented amounts expected to be realised within the next year.

Japan, which accounts for about 22% of its exports, remains Langeberg's single most important market.

Cilliers said the effects of the drought had been minimalised as most of the company's products were sourced from areas which were well irrigated.

However the pineapple crop had been hard hit by the several years of drought, which had produced a legacy of poor plant development in the older plantings, and this division had made a loss during the period under review.

Cilliers said the closure of two tomato processing factories in the Transvaal was now nearing completion and as the main producing areas had shifted more towards the Messina area, the factory there and a second factory in Boxburg would be revamped at a total cost of about R18m to increase capacity.

In spite of the fact that no improvement in either international or domestic conditions was expected during the current year and export competition expected to intensify, a further increase in pre-tax profits is forecast for 1993.

This, say the directors, would be as a result of greater efficiencies and cost containment in the local and deciduous divisions, which had both turned in a profit during the year under review, and an improved performance by the pineapple division.

"The latter should benefit from improving crop quality which is currently evident, provided weather conditions remain favourable."

However, they warn that as tax would be payable for the first time, it would be difficult to achieve a "meaningful growth" in earnings.

E
C
I
C
b
m
b
R
P
f
P
O
V
M
C
O
D
A
L
R
A
E
V
K
O
F
W
E
M
C
O
M
A
P
L
T
I
N
O
T
M
I
M
M
I
F
I
N
B
A
I
N
S
I
N
V
P
R
O
P
R
I
E
T
Y
I
N
D
U
S
T
R
Y
B
E
T
W
E
E
N
E
L
E
M
E
N
T
S
F
I
N
F
O
O
F
F
U
R
M
O
P
A
P
H
A
P
R
I
E
T
S
R
E
T
S
U
I
T
O
R
Y



Exports boost for Langeberg

By MAGGIE ROWLEY
Deputy Business Editor

STRONG exports and improved margins helped Bellville-based Langeberg Holdings exceed its pre-listing earnings forecast by more than 10% to R87,5m for the year to end September — an increase of more than 40% on the previous year.

In spite of the adverse economic conditions and the serious drought, the food processing and canning conglomerate, which was listed on the JSE in June, increased operating profit by 30% to R102,9m on a 15% increase in turnover at R741,8m.

Lower interest rates led to reduced finance charges of R15,4m (R17,1m) but an extraordinary item of R8,6m was incurred in the main by the closure of factories in the Transvaal.

This resulted in attributable earnings increasing by 29% to R78,9m — which was still marginally ahead of the prelisting forecast — translating into earnings at the share level of 55c against 38,9c previously. No tax was payable.

Financial director Johann Cilliers said cost controls and great-

er efficiency led to an increase in margins in spite of price increases on the domestic market being held at below 12% this year.

Exports of the group, which is 56% held by Tiger Oats and 30% by Langeberg Co-operatives, had been excellent in the past year particularly in niche markets in the Far East and Europe.

However an increase in working capital was experienced due to stock build up as a result of higher production volumes and slower export shipments during the last quarter of the year. Working capital was further increased by a transfer from investments amounting to R47m which represented amounts expected to be realised within the next year.

Japan, which accounts for about 22% of its exports, remains Langeberg's single most important market.

Cilliers said the effects of the drought had been minimalised as most of the company's products were sourced from areas which were well irrigated.

However the pineapple crop had been hard hit by the several years of drought, which had produced a legacy of poor plant development in the older plantings, and this division had made a loss during the period under review.

Cilliers said the closure of two tomato processing factories in the Transvaal was now nearing completion and as the main producing areas had shifted more towards the Messina area, the factory there and a second factory in Boxburg would be revamped at a total cost of about R18m to increase capacity.

In spite of the fact that no improvement in either international or domestic conditions was expected during the current year and export competition expected to intensify, a further increase in pre-tax profits is forecast for 1993.

This, say the directors, would be as a result of greater efficiencies and cost containment in the local and deciduous divisions, which had both turned in a profit during the year under review, and an improved performance by the pineapple division.

"The latter should benefit from improving crop quality which is currently evident, provided weather conditions remain favourable."

However, they warn that as tax would be payable for the first time, it would be difficult to achieve a "meaningful growth" in earnings.

CT 4/11/92

74F

43

Export ^{10/1/92} growth ^(14%) for Nutri Stahl

NUTRI-STAHL, Cape-based stainless steel cookware manufacturers, expect exports in excess of R1m for 1992.

MD of Nutro-Stahl Cookware, Vernon Bemridge, said: "We have experienced a marked growth in both the domestic and export markets over the last three years. Last year our market exports totalled over R500 000. This figure has already been exceeded in our first quarter this year.

"Our decision in 1989 to build larger premises is paying dividends — we now have the facility to increase our production capacity."

● Nutro-Stahl's attendance at the recent MA-CEF fair in Milan, Italy, was rewarded with an initial order of R120 000.

Prices of clothing may soar and thousands of jobs may be lost when the government's plan to protect the textile industry takes effect this week, reports **Edwina Booysen**



TEXTILE TURMOIL: Consumers may have to fork out more for clothing

CLOTHING bosses are at the end of their tether over government moves to end the special deal on imported

clothes. Besides cutting bosses' profits, the move could also lead to thousands of workers in the clothing industry, mostly women, losing their jobs.

The government's measures to protect the textile industry take effect on Friday and will drastically increase import duties on textiles, pushing up the cost of clothing for domestic and export markets.

Cape Clothing Manufacturers Association (CCMA) chairperson Simon Jocum told SOUTH that the government was protecting the textile industry at the expense of the much larger clothing industry.

National Clothing Federation executive director, Mr Hennie van der Lely, said at the weekend that the changes could destroy more jobs in the clothing industry than they would in the textile industries. It had been estimated that four clothing workers were laid off for every job created in the textile industry.

What the government has done is to start phasing out a scheme that had promoted clothing exports by allowing manufacturers to import textiles cheaply. This scheme had affected the sales of local textile manufacturers, who also claimed that the scheme was being misused, but the scheme was very successful

in increasing clothing exports. The CCMA remains dead set against the new move that makes imported textiles more expensive by increased duties by as much as 300 percent in some cases. This increase will push up prices for both the domestic and export markets and generally make the clothing industry less competitive at a time of increased international competition and falling consumer spending power at home. Jocum predicts that, come the New Year, factories will go on short-time as retailers will be buying less items.

"Instead of keeping the status quo, the government was seduced by the textile industry which was blaming the recession and everything that went wrong, on imported textiles," he said. The Cape is considered to have the largest clothing industry in the country and has "the greatest potential for creating jobs". "This is insanity — look at the price the clothing industry will have to pay in loss of employment," Jocum said. The chairperson of the Garment Manufacturers Association (GMA), Mr Patrick Boers, said the "demise

of the clothing industry" was imminent with the implementation of the new import duty. The GMA, which represents the smaller clothing factories, felt that the new structure was not a "well-balanced effort" by the government and that the clothing industry would have to "pay the cost" over the next few years. In a statement, the Deputy Minister of Trade and Industry, Mr David de Villiers Graaff, said minimum duty has been introduced to act as a "safety net" to address the problem of "insufficient protection" from low priced products.

Rag trade in tatters over import duties

SOUTH 14/11 - 18/11/92

~~14/11~~ ~~18/11~~ 74F

New tariffs to cost 27 000 clothing jobs

74F
S/Times (B455) 15/11/92
THE new tariff structure for the clothing and textile industry will cost 27 000 jobs in the clothing sector, says the National Clothing Federation (NCF).

The structure is designed to curb cheap imports and save textile jobs.

NCF executive director, Hennie van Zyl says: "For every job saved in textiles through higher protection, four jobs are lost in the clothing industry."

"This tariff structure will save between 7 000 and 8 000 jobs in the textile sector, but will put 27 000 out of work in clothing."

Textile Federation executive director Brian Brink disputes this claim, saying: "There is no scientific basis whatsoever for making these assertions."

The tariff structure, which came into effect on Friday, expires in November 1993.

Clothing industry spokesmen say it will do little to

By CIARAN RYAN

deal with the root cause of declining sales and employment in textiles.

The structure imposes minimum and maximum tariffs for different categories of imports. The maximum ad valorem tariffs on yarns are 35% (up from the previously 15%), fabrics 50% (20%) and clothing 100% (130%).

Mr Van Zyl says the Government has placed short-term job preservation in textiles above the long-term interests of the industry and job creation in general.

The new structure replaces the much-abused and complicated quota system of the Hatty Commission.

Maximum

Mr Brink says: "On balance the new structure is better than the Hatty system, which was complicated and difficult to administer."

A long-term strategy group comprising members of the textiles and clothing industries met for the first time last week to thrash out a survival plan. High SA input costs are blamed for the industries' problems.

Cheap fabric imports caused havoc for the textile industry, but were a boon for clothing manufacturers.

Higher import tariffs will curtail cheap imports, resulting in higher clothing prices, says Mr van Zyl.

The impact of higher tariffs will not be felt for some months because most firms have stocked up for Christmas.

Textile manufacturers blame cheap imports for declining sales and employment in the industry. Clothing manufacturers blame high input costs, low labour and management productivity, high cost of capital, high tax rates and inflation, exacerbated by severe recession.

Main

Employment in the textile industry fell from 95 000 in 1988 to 89 600 in June this year, according to Central Statistical Service figures. Employment is 4,4% down compared with June 1991.

The number of working hours in the fabric and yarn-spinning sectors has fallen sharply in that time.

Textile production was 14,6% lower in June than in the the same month of the previous year.

The main market for textiles is the garment industry, which employs 130 000. But job losses in this sector have been running at 1 500 a month for the past year.

For several years textile manufacturers have campaigned for higher import tariffs to preserve jobs. There is some surprise that the Government agreed to higher protection at a time when it is committed to lower tariffs and trade liberalisation.

Gold cuts

RATIONALISATION has reached a point where mines cannot make job cuts without sacrificing entire mining operations.

The Chamber of Mines says gold mines cut staff by 5,5% in the year to May compared with 12,4% the year before.

Food imports take bite out of reserves

BIDM 8/12/92

74.F

HILARY GUSH

DROUGHT and consequent high agricultural food imports continued to plague SA's total gold and foreign exchange reserves in November.

Reserve Bank figures released yesterday showed that despite an increase in the value of gold holdings, to R6,39bn from R6,09bn, total reserves fell to R10,57bn from October's R11,1bn — a result of ebbing foreign assets.

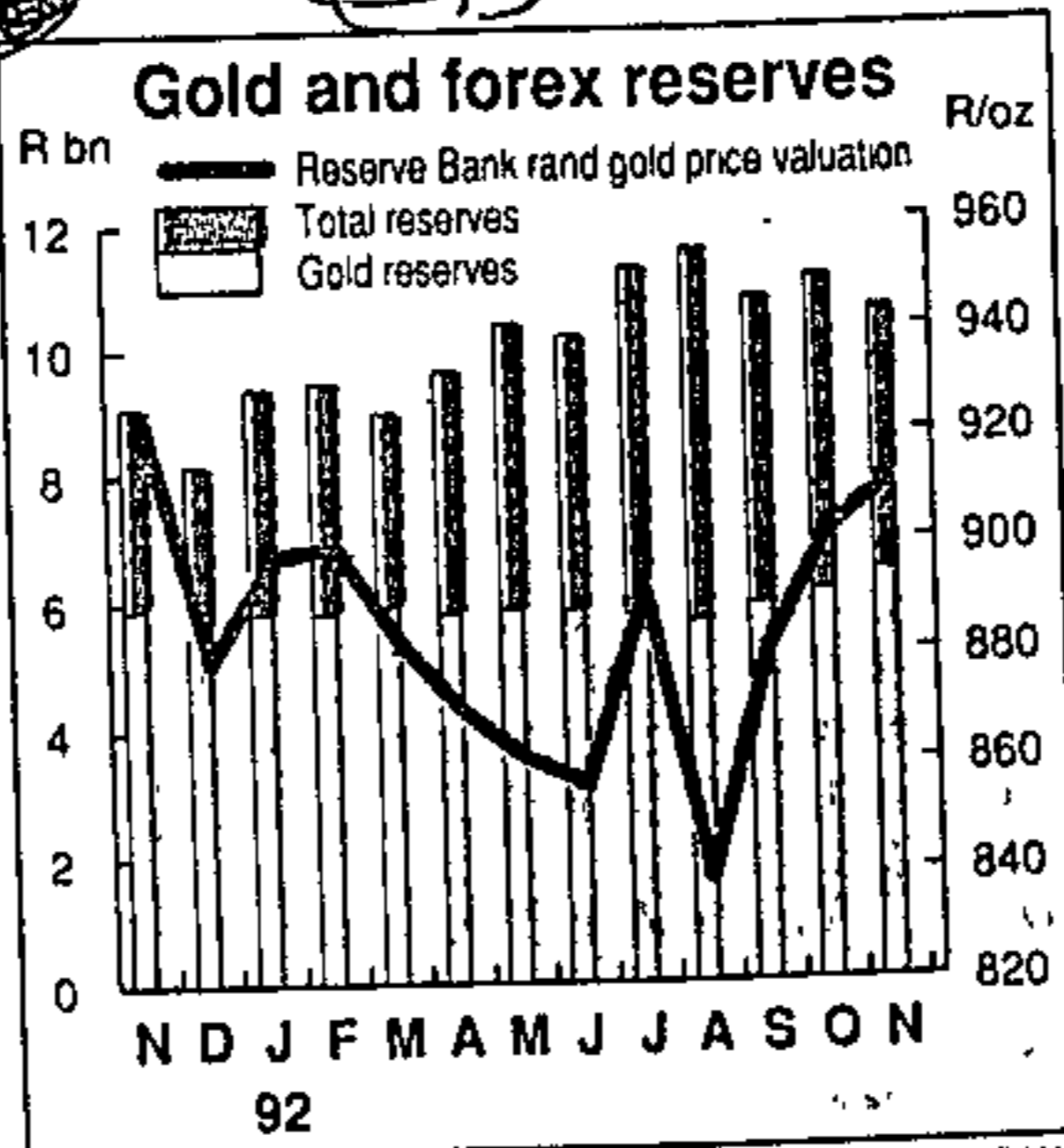
A higher gold valuation of R911,09 an ounce in November from October's R902,51, as well as larger gold holdings — these were at 7-million ounces from the 6,7-million recorded every month since July — were responsible for the increase in the value of gold holdings.

Economists blamed the prolonged drought and larger food imports for the fall in forex reserves to R4,18bn in November from R5,01bn in October.

Afrikaanse Handelsinstituut chief economist Nick Barnardt said the November figure was much poorer than expected. It seemed the balance of payments was still struggling in the fourth quarter.

Weak commodity prices abroad, a high level of food imports, low food exports and a continued capital outflow were responsible for the lower level of reserves, he said.

"The poor performance of the balance of



Graphic RUBY-GAY MARTIN Source SA RESERVE BANK

payments in recent months and the accompanying decline in net reserves appear, at least, partially to explain and justify the hesitancy of the monetary authorities to reduce interest rates," he added.

Econometrix senior economist Azar Jammine said the drought had had an unpredictable and dampening effect on the level of gold and forex reserves and the current account. Assuming the drought would end soon, there was no reason for panic and reserves were in a "reasonably healthy position".

Food ^{74 P} imports depress ^{CT 8/12/92} reserves

Own Correspondent

JOHANNESBURG: — Drought and consequent high agricultural food imports continued to plague SA's total gold and foreign exchange reserves in November.

Reserve Bank figures released yesterday showed that despite an increase in the value of gold holdings, to R6,39bn from R6,09bn, total reserves fell to R10,57bn from October's R11,1bn — a result of ebbing foreign assets.

A higher gold valuation of R911,09 an ounce in November from October's R902,51, as well as larger gold holdings — these were at 7-million ounces from the 6,7-million recorded every month since July — were responsible for the increase in the value of gold holdings.

Economists blamed the prolonged drought and larger food imports for the fall in forex reserves to R4,18bn in November from R5,01bn in October.

Afrikaanse Handelsinstituut chief economist Nick Barnardt said the November figure was much poorer than expected.

Weak commodity prices abroad, a high level of food imports, low food exports and a continued capital outflow were responsible for the lower level of reserves, he said.

"The poor performance of the balance of payments in recent months and the accompanying decline in net reserves appear, at least, partially to explain and justify the hesitancy of the monetary authorities to reduce interest rates," he added.

UK demand for SA goods

Business Editor

IMPORTS of SA goods to Britain are "still very attractive to the British consumer despite the higher cost resulting from the weakening of the pound," says Steve Flavin of freight forwarding company LEP (UK).

LEP works in partnership with SA freight forwarder Renfreight. Flavin came to this country to visit some of their clients.

He said the weaker pound had helped British exports by making them significantly cheaper.

Before the re-alignment of European currencies he thought the pound was heading for an exchange rate of R6 to the £1, which would have deterred many importers from buying British. CT 17/12/92

"We have to recognise that there is already price competition from Eastern Europe." (4F)

Now, in addition to paying lower rand prices for British goods, SA importers also made savings on import duties. "The lower pound reduces the value on which duties are levied."

Iscor defends charges of import protection

STWELLS (Guss) 20/12/92

ISCOR says it does not need import protection "under normal trading conditions". But critics charge that it prices its steel artificially high, thanks to generous import protection.

Steel tariffs are likely to come under review as South Africa moves closer to signing the General Agreement on Tariffs and Trade (GATT). Iscor customers say they are able to land steel in SA at 20% to 30% less than Iscor charges.

The fact that Iscor is the world's most profitable steel company appears to be lost on shareholders, who traded the share down to 69c from its 1990 high of 285c.

By GIBRAN RYAN

Market capitalisation is a slender R1,5-billion, nearly one-third of its 1990 peak of R3,7-billion, while total assets are a hefty R10,6-billion.

In theory this makes it an ideal takeover target — but for the fact that 98% of the shares are held by individuals and no single domestic shareholder may acquire more than 20%.

Chairman Marius de Weert's announcement that it would be difficult to match this year's performance in the current financial year added to the investor gloom.

Yet Fortune 500 rates it the world's most profitable iron and steel producer, based on 1990 performance. This is because it is a fully integrated steel producer, owning zinc, quartzite, dolomite, iron ore and coal mines.

Advantage

The motor and appliance industries are particularly prejudiced because of higher formula duties awarded 18 months ago by the Board on Tariffs and Trade to Iscor on galvanised and cold rolled steel.

Iscor says it sells steel "on a marginal income basis on world markets at going prices levels, but complying with the importing countries' import requirements."

Mr Bosworth says Iscor needs no tariff protection because of the natural advantages it enjoys over competitors who must ship steel to SA, adding 20% to 30% to the cost of steel.

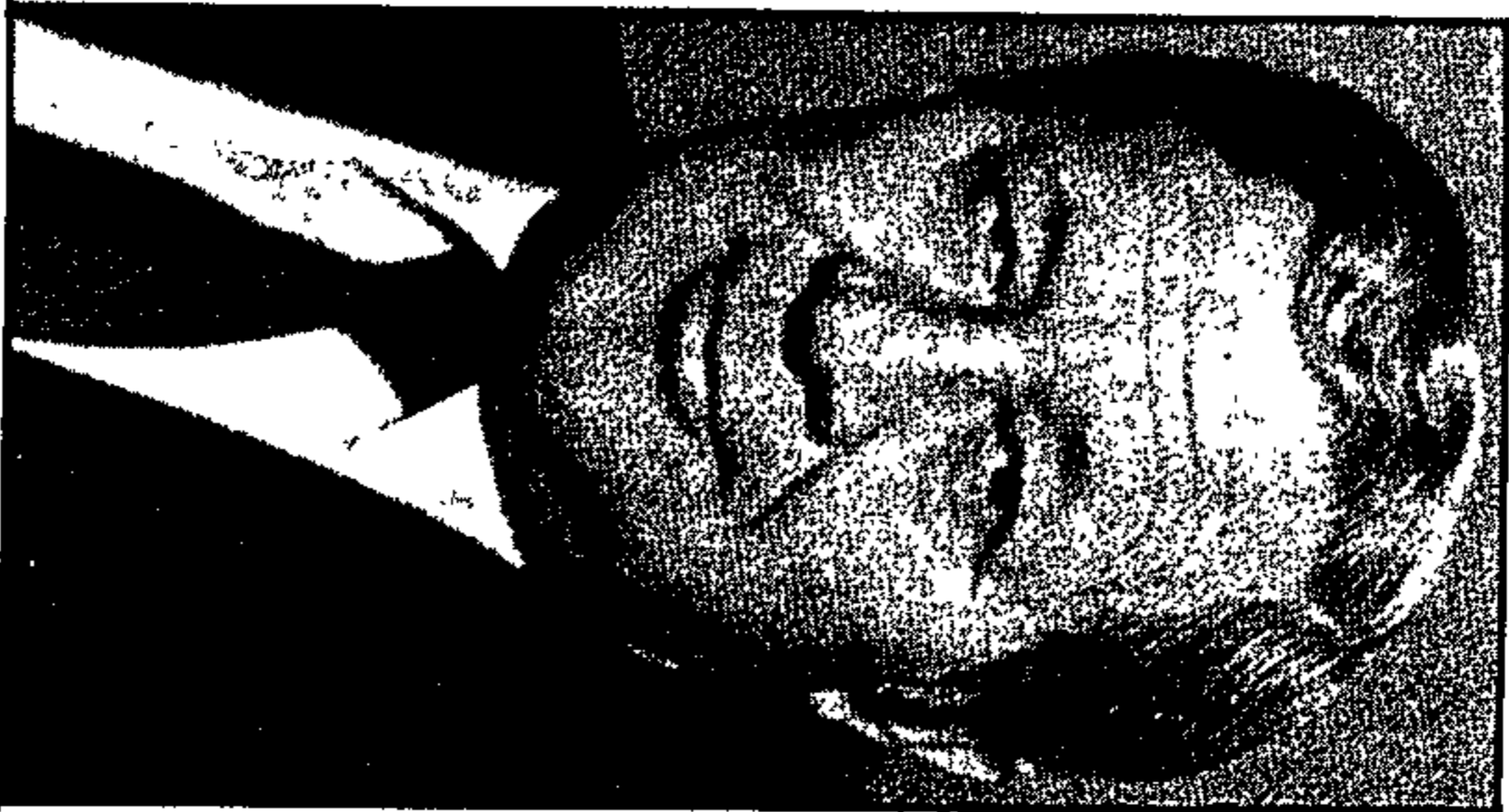
"What does Iscor mean by dumping? Does it mean anyone who imports at below Iscor's domestic price, which is anything up to 60% above international prices? Nobody seems to be able to answer this question."

Dumping

The ratings are unlikely to have altered much because all steel producers are faced with similar market conditions.

Deputy managing director Nols Olivier says Iscor only needs protection against dumping, Iscor's critics charge that Iscor is itself dumping steel — selling below cost — on the world market.

Iscor has effective anti-dumping measures in place," says Robin Bosworth of the Independent Wire Contractors' Association, "so why doesn't it ask for the formula



NOLS OLIVIER... 'local manufacturers are not disadvantaged because of Iscor's pricing policy'

Iscor is exporting 53% of its output, compared with 37% in 1989, because of declining local demand.

Margins on exported steel are water-tight compared to local sales but they make an important contribution to fixed overhead recovery.

Iscor's increasing dependence on export sales explains the 45% decline in earnings per share for the year to June.

The group will continue to find export markets to take up the slack in domestic demand, says general manager, finance and business services, Louis van Niekerk.

"But we certainly do not wish to export at these prices for ever."

Iscor says it offers discounts of between 28% and 42% on published list prices to manufacturers who add value and export the finished product. Discounts also apply where Iscor is forced to compete against imports and substitute products.

"Exports of locally-produced value-added products are viable and can compete successfully in the international market, therefore local manufacturers are not disadvantaged because of Iscor's pricing policy," says Mr Olivier.

action," says Mr van Niekerk. "We are at the bottom of the commodity cycle and everybody searches for markets just to keep their mills turning over."

Russia in particular is selling steel into our markets at low prices. Some major steel producers are cutting back on production, so we should see a better relationship between supply and demand by 1994.

Steel imports are subject to formula duties, a system of variable duties which penalise cheap imports, which are illegal in terms of GATT and will have to be abandoned once SA signs the Uruguay Round.

Mr Olivier says most industrialised countries apply import tariffs of between 15% and 40% to protect domestic steel industries against the dumping of sub-marginally priced products.

Reduced

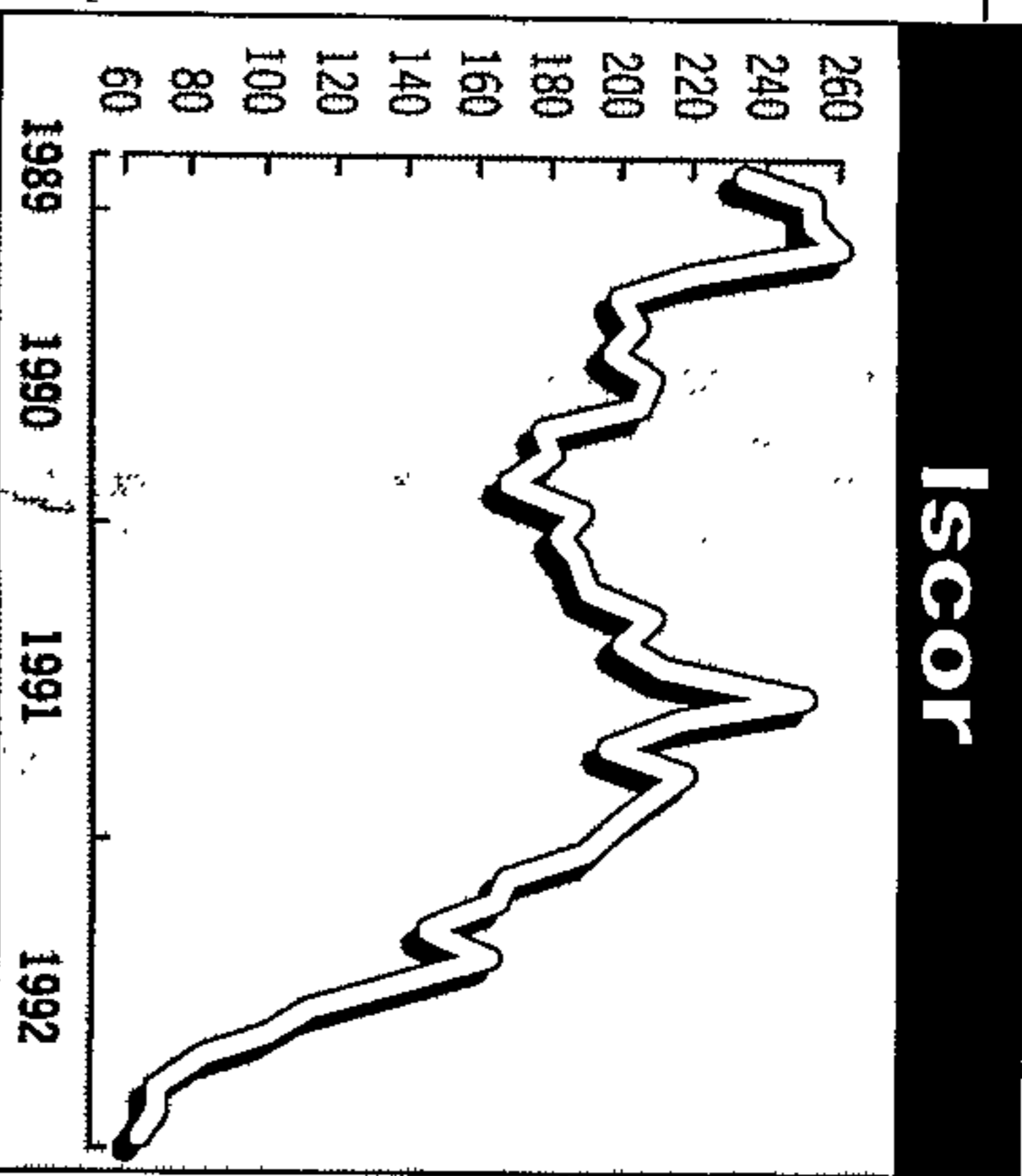
Iscor has come to the end of a capital expansion programme but still needs to spend R500-million a year to keep its plant operational. It spent nearly R2,5-billion in 1990 and 1991 to modernise plant and improve technology.

No large-scale projects will be contemplated until gearing is reduced from its current 30% to 20%, says Mr van Niekerk. Finance accounts for 6% of manufacturing costs and this is unacceptably high.

Iscor is not implicated in allegations of price collusion involving steel merchants. The big three merchants are Mactelco, Balwits and Thudeni. Iscor indirectly owns 9% of Doreyl, which owns Balwits.

Iscor says less than 50% of its steel exports are handled by Leo Rabinheyl, a subsidiary of Mactelco.

The Competition Board's investigations must take their proper course and action must be taken against the guilty if price collusion is found to occur," says Mr van Niekerk.



Forecasts are spot on

STWELLS (Guss) 20/12/92

CITY NEWS, the investment newsletter edited by experienced portfolio managers Tim May and Peter Pittendrigh, paints a gloomy story for oil and gold but advocates heavy or total weighting of portfolios into the financial and industrial sectors of the JSE.

I received a copy of City News soon after it has been circulated to its clients. Its mid-November forecasts of a lower oil price and its run-off effect on gold were spot on.

The logic is that, as oil importer bills fall, their economies benefit, company profits improve and stock markets rise.

But unless economies boom so much that demand for jewellery grows dramatically, gold at best will stay static, or even fall.

Looking to good times

STWELLS (Guss) 20/12/92

BARLOW RAND has often been criticised for being unbalanced, unwieldy and uncased.

But with the traumas of Rand Mines and Middleburg Steel behind it, the group's management has been able to examine its weaknesses and identify very clearly where its long-term growth prospects lie.

Managing director Derek Cooper identifies four fertile areas in the group's annual report released this week.

Poised

Still a main facet of the conglomerate's future strategy is the belief that urbanisation will lead to strong growth in branded consumer products. The group is poised to take advantage of social upliftment in areas like housing, health care and education.

By JULIE WALKER

City News advises investors not to worry that, if by being in industrial, they miss a sharp upturn in the mining sector because, over time, they will be far better off in growth companies rather than unceremoniously in the same edition, the editors tipped Ellertine at R30 (now R57) and fanned OX Basens as a speculative recovery at R5,50, now R4,20.

City News, investment advice and portfolio review services are available on (011) 673 6530.

By CHERILYN HRETTON

"selected commodities" — this despite the costly lessons from Rand Mines' platinum and gold ventures and the draining effect that Middleburg Steel had on performance.

Mr Cooper says the exposure to commodities will ensure the group shares in cyclical upturns characteristic of these types of businesses without being unduly affected by downturns.

Although fixed investment has been dismal over the past, Barlow's management believes that, when the economy picks up and funds start flowing in, there will be a demand for capital goods, which will benefit divisions like Barlow's Equipment.

Warning

The strategic positioning is designed to see the group into the second half of the decade and will have little contribution to make to profits in the current year.

In fact, chairman Warren Clewlow warns that it will be hard to show earnings growth in 1993, given that there is little hope of any significant economic improvement.

Mr Clewlow says that South Africa's outlook is also linked to those being main-

FOREIGN TRADE - (D)

1992

JUNE - DEC

By ARI JACOBSON

TARIFF barriers have been a hidden boost to inflation by making imports more expensive as well as by preventing competition in domestic industry.

Sanlam's economist Johan Louw said yesterday "I have always been one of those economists that has blamed the twin effects of import tariffs on SA's high inflation level".

Old Mutual's economist Johann Els said that "protection of local industry had led to the manufacture of a product which was not at the best price for consumers".

In a call by market players to lower tariff barriers immediately it was pointed out that local manufacturing industry currently enjoyed, on average, a protection level of

'Tariff barriers boosting inflation'

CT 18/6/92

about 40% on overseas goods.

Those canvassed said that the process of phasing out tariffs should be gradual to provide SA's young industries with some protection — otherwise they would be unable to withstand the competition from abroad.

Board of Executors' (BOE) Rob Lee said that although local manufacturers were being provided with incentives to export — the obvious

direction for domestic growth — the lack of realistic competition was hindering this progress.

"We must force local manufacturers to be competitive — if they can't survive they shouldn't be here."

Johann Louw added that should tariff barriers disappear the rand exchange rate could then depreciate further to make SA goods more enticing to outsiders.

"At present if the rand depreciated with the tariff barriers still in place imported goods would be far too expensive."

The Minister of Trade and Industry Derek Keys has been reluctant to withdraw the tariff barriers because of the excessive lay-offs that would follow in the protected industries.

SA Foreign Trade Organisations' (SAFTO) GM Ann Moore said that it had been recommended that each local industry should start setting targets over a three to five year period to reduce tariffs.

"In fact at the current round of the General Agreement on Trade and Tariffs (GATT) SA has stated that it would be lowering tariffs to reduce anomalies in certain domestic industries."

COMPANIES

Import surcharge to stay 'for now'

EDWARD WEST (11/12)

GOVERNMENT did not yet have the fiscal capacity to scrap the 5% import surcharge on capital goods even though it had previously indicated it would do so, Finance Department director-general Gerhard Croese said yesterday. He said the surcharge netted between R1,7bn and R1,8bn annually.

The surcharge on capital goods was introduced in 1989 to protect the balance of payments due to the debt standstill in the late 1980's, Sacoob economist Ben van Rensburg said.

He said Sacoob had for years pleaded for the abolition of all import duties and surcharges on capital goods. These had raised the cost of importing industrial machinery and contributed to much of SA's global uncompetitiveness.

The surcharge should be viewed in the same light as the zero rating of capital goods from VAT, he said.

Van Rensburg said government's plan to phase out the surcharge was announced two years ago. It should have been scrapped this year.

Industrial Development Corporation economist GM Filip Kotze said the surcharge had become a source of revenue rather than a protective measure.

Croese conceded the rebates were difficult to administer, but said income derived from the surcharges "was not to be sneezed at".

Edward West 17/6/92

No big earnings hike due for Amrel

MARCIA KLEIN (11/12)

AMREL, whose earnings dipped by 35% in the year to end-March, would show at best a moderate increase in earnings in financial 1993, chairman Meyer Kahn said in the company's annual review.

MD Stan Berger said any recovery in the performance of the furniture, footwear, apparel and consumer services group was dependent on an improvement in private consumption expenditure, reduced inflation, a fall in interest rates, a turnaround in job losses and a return to political stability in SA.

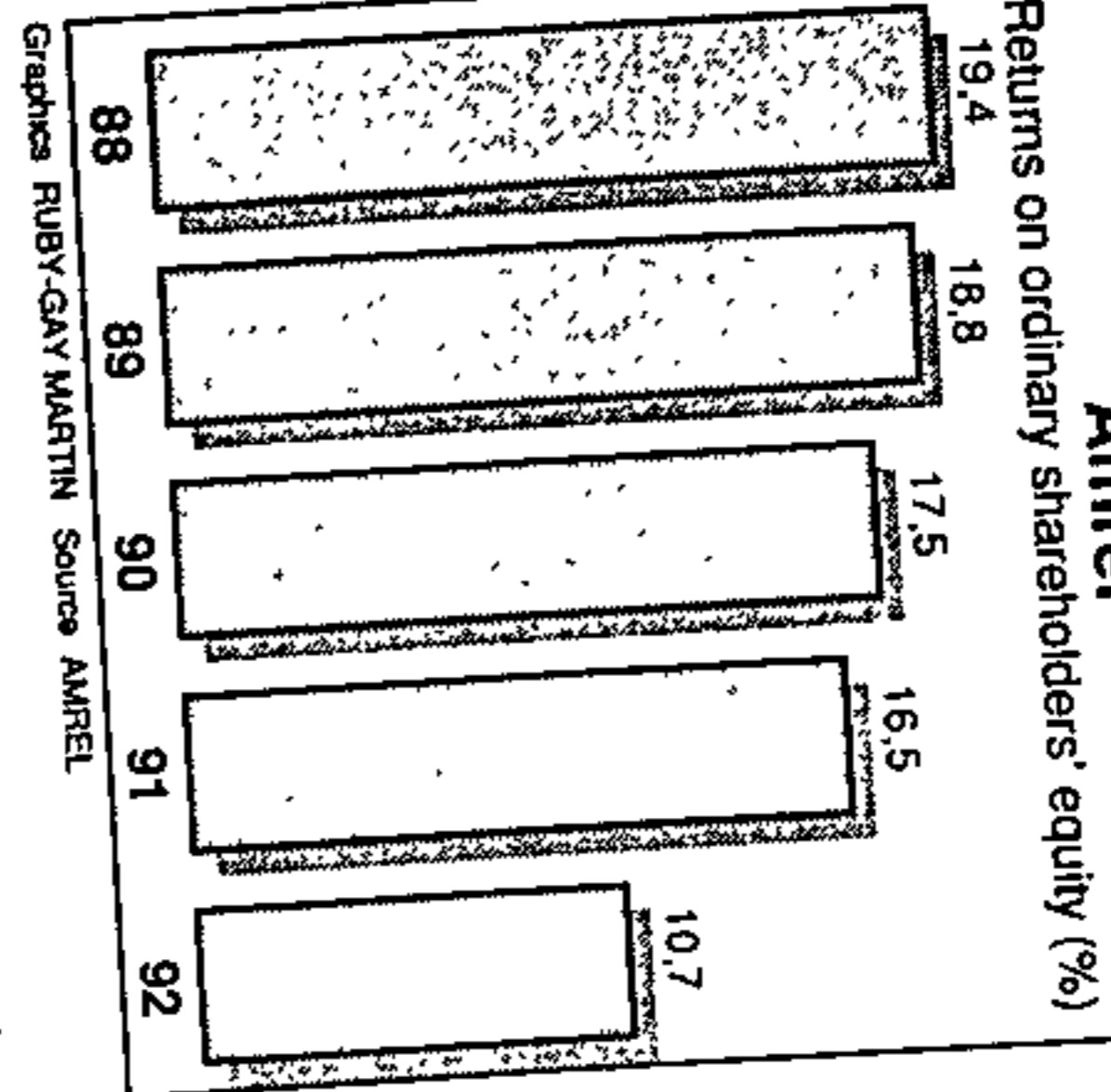
A recovery in consumer spending could only be expected in the second half of the year, and Berger said any increase in earnings was unlikely to be substantial.

The local economy could be stimulated through growth in exports, he said, but "the potentially negative effects of the drought on any recovery cannot ... be ignored".

However, the longer-term outlook for furniture was more encouraging, particularly in light of the attention being given to the shortfall in housing.

Kahn said Retailer Liaison Committee figures for the 12 months to end-March showed a 5% drop in real terms in the sale of furniture and appliances. A similar drop for footwear and a 3% real decline in clothing sales were reported.

The 2,7% decline in the group's turnover was amplified by the closure of



about 150 stores in the footwear division. About 137 Footprint stores had been identified for closure or conversion "to stem the losses in Select-a-Shoe".

It was also decided to close the 12 Barnes stores following the reassessment of the viability of maintaining separate trading identities of Barnes and ABC.

The effect of these closures was a loss of sales of R16m.

Strict credit standards led to a 1,5% drop in turnover in the furniture division to R650.5m, while turnover in the footwear division declined by 6,4%.

Berger said there was minimal store expansion during the year in order to conserve cash.

Excluding the stores closed, trading

Berger said while this policy had undoubtedly led to a loss in market share, management believed this was prudent. In the furniture division, three new stores were opened and four were closed. In financial 1993 there would be a significant increase in capex for the closure of two outlets, replacement of vehicles and store refurbishment.

The average length of the debtors' book at Amrel's associate finance company Amrefin improved to 15 months from 16,7 months.

Berger said the furniture division would be hard pressed to match either its contribution to group operating or attributable profits.

In the footwear and apparel divisions, the severity of the downturn in the second six months was unexpected, especially in terms of the cash businesses, Berger said.

Aggressive promotional campaigns to maintain market share had gained few spin-off sales benefits.

Since year-end, Amrel acquired an additional 17,6-million shares in Boymans for R15m to bring its effective holding up to 76%. Boymans produced a 69% decline in after tax profits.

Berger said the coming year would be "a watershed" for the footwear and apparel division, as it had the serious challenge of placing the leaner operation onto a profitable footing.

Pilkington slams BTI ruling

B/Daw 9/6/92
MADDEN COLE

THE Board of Trade and Industry (BTI) ruling against anti-dumping duties on imported drawn and float glass from mainland China would benefit the middlemen, but severely affect major glass manufacturers, Pilkington Flat Glass SA MD Bryan Danohar said yesterday.

Danohar was reacting to a statement yesterday that Triangle Glass, supported by 300 glazing firms, had won the battle over accusations by Pilkington last year of glass dumping.

The statement by Triangle said the BTI had ruled that anti-dumping duties on imports of drawn and float glass from mainland China would not be in the national interest.

Danohar pointed out that

high local wages and low productivity did not enable SA to compete with countries like mainland China.

He added that SA manufacturers were also denied access to China's markets because of that country's lack of foreign currency and because many Pacific Rim countries imposed a 50% import duty.

"So local glass manufacturers, with a comparatively small domestic market, are locked into a one-way stream. The only ones scoring are middlemen with no major stake in manufacturing and who merely are turning over imported products."

Danohar had no objection to a gradual phasing out of tariff protection.

"We are still having discussions with the BTI and will be going back to them with further information.

Even Australia has introduced anti-dumping duties against mainland China."

Triangle Glass MD Meri Williamson described the BTI ruling as a "terrific boost" to the company's efforts to break the monopoly in SA's glass market, which she said would benefit both industry and end-user.

Quoting from a BTI report, Williamson said Pilkington's market share of 3mm and 4mm float glass dropped from 100% in 1989 to an estimated 85% in 1991. (KSB) (74D)

This coincided with Triangle Chemical Industries' entry into the market with glass imported from China, and subsequent sales growing at about 30% a year, she said. (KSB)

In 1991 China's (including Hong Kong) share of SA's drawn glass imports increased 82%, 357% higher than the previous year.

Govt rethink on scrapped tariffs

74D
GOVERNMENT could be rethinking its decision to scrap all duties on a broad range of electronic components, including many which are locally manufactured.

At the Electronic Industries Federation's (EIF) first birthday function last week, Altron's Bill Venter's speech (which was delivered by EIF president Dirk Desmet because Venter was ill) said the February 7 decision to scrap duties contravened the IDC's report on tariff structure changes which was approved by the Economic Advisory Council.

"This required government to consult with industry before announcing changes, and that eventual changes would be gradual to prevent destabilising affected sectors of the industry.

"It is estimated that about 3 000 skilled workers could lose their jobs — something our economy can ill afford." *Monday 4/6/92*

Venter said the EIF had more than justified its existence because of "the Minister's recent announcements that duties and tariffs will be gradually abolished so that affected sectors of industry can take corrective action".

In an interview, Desmet said the EIF would meet government next

week to discuss the issue.

"We're motivating for a system which will encourage local manufacture and export, while also phasing out duties. This could involve tax incentives, for example."

Trade Department's Hennie Smith said at the function the average growth rate for the electronics industry in the Western world was 11,8% a year between 1987 and 1990.

However SA, which held the dubious distinction of being the eighth largest electronics product importer in the West, experienced negative growth of 0,8%.

"In 1990, SA's negative balance of trade in this industry amounted to R2,9bn."

To break out of this trend government could restrict imports or raise the costs of imports through tariff protection, he said.

"This makes local manufacturing possible, but products would not be competitive internationally. It also increases cost levels of the rest of the economy.

"There's a trend to globalisation, and a country limited to its internal market is bound to become increasingly uncompetitive.

"The major challenge facing busi-

ness, labour and government in breaking out of its inward orientation is to improve the basic competitiveness of its manufacturing industry."

One scheme aimed at helping local industry was the Innovation Support for Electronics, where government provided a minimum of R40m for product development over a five-year period.

Smith said the industry — in its third year now — had been allocated R61,3m through the ISE programme, of which R18,3m had been paid out. Twenty-one projects were complete, and could be seen as technically successful. Two projects were abandoned because of competition and lost expertise.

Government was aware of the negative effects of over-protection.

Three national programmes to stimulate innovation in the industry were being explored:

- Partial support for projects developing new products and processes;
- Using Government's broad purchasing power to stimulate new product development; and
- Technology programmes to prepare the base for future competitiveness on a longer-term basis.

Move to end electronics duties attacked

GOVERNMENT has been urged to rethink a decision to scrap all duties on a broad range of electronic components — including many which are locally manufactured. *81 Day*

In a speech to the Electronic Industries' Federation's first birthday function this week, Altron's Bill Venter said the February 7 decision to scrap duties contravened an official report on tariff structure changes approved by the Economic Advisory Council. *29/5/92*

In the speech — delivered by federation president Dirk Desmet because

MELANIE SERGEANT

Venter was ill — he said: "This required government to consult with industry before announcing changes." *(15/8) (74D)*

Also speaking at the function, Trade and Industry Department representative Hennie Smith said that the SA industry had experienced a negative growth of 0,8%.

He said government could restrict imports or raise costs of imports through tariff protection, but this could affect the competitiveness of products internationally.

Cloth wholesalers voice their fears

B/D am 13/5/72. (600) (10) (74D)

CAPE TOWN — Most textile wholesalers would be forced out of business by the new duty and quota structure for clothing and textile industries, Textile Wholesalers Association president Munro Bloch told Hatty Committee chairman Paul Hatty at a meeting yesterday.

Cash-flows would be severely strained by the higher duties, and the quotas would place a severe restraint on business growth, Bloch said.

Prices would skyrocket, fuelling the already high inflation rate, and massive unemployment in the informal sector would result.

The association called for the immediate abolition of the quota system, reversion of duties to levels before May 1, and appointment of a representative committee to work out a long-term strategy.

The approximately 150 textile wholesalers in SA have an estimated combined annual turnover of about R400m and are involved largely in supplying fabric to small clothing manufacturers, and boutiques which make their own garments.

The informal sector represents a large client base for the wholesalers,

LINDA ENSOR

who also act as bankers for many of the informal businesses.

"The majority of our customers are smaller manufacturers who are too small to import themselves, and cannot take up the minimums required by the local mills for exclusivity," Bloch said.

"We also supply fabric to over-the-counter retailers selling to women who make their own garments, as well as to designers making up very small quantities of their exclusive garments," he said.

Bloch said it was necessary to import fabric in those cases where this was not made locally and where it was possible to buy smaller quantities on an exclusive basis. This gave the wholesaler's customers a different product mix, and hence a competitive advantage over the larger manufacturers and retailers.

"This proposal dictates to us what we can import under the quota, whereas to remain flexible and market oriented we need to import according to the needs of our customers, which change with the seasons and the economy," Bloch said.

Living a lesson in confidence

INDEPENDENT DEVELOPMENT TRUST

STAR 7/492

The R2 billion Independent Development Trust has become best known for its work on the housing crisis and the provision of more and better education and health services. It is also showing its talents as an invisible peacemaker at community level, reports MICHAEL CHESTER.



Peacemaker... Neil Otten at work in his office in a restless search for solutions to frictions at community level, to clear the way for new development projects.

Provincial Administration to fill the vacuum.

The large block of township hostels, once packed with workers who commuted to jobs in Potchefstroom, lay in ruins — devastated by a series of riots.

There were even tensions inside the "People's Delegation" that now claimed to be the true representative of the community — with members drawn from the local civic association, church and women's groups, and the ANC Youth League.

All hope of finding a catalyst to motivate a new community spirit rested on an IDT project to provide Ikageng with 700 or more subsidised house stands to relieve the plight of the most impoverished families in the township — all equipped with basic water and sanitation services and to be delivered at no cost to the new owners.

It was IDT insistence on community involvement in the project, particularly in the actual allocation of the 700 serviced sites, that persuaded all sides to shelve their differences, at least temporarily, in the interests of Ikageng as a whole.

Once the burial of hatchets had started, the next step seemed purely logical: the creation of what has been named the Development Forum, where the People's Delegation and the remnants of the local authority

could sit down in negotiations to iron out community issues.

"The IDT," says Mr Otten, "was already well underway with its longer-term objective — to create confidence inside communities so that they themselves had the chance to make the key decisions about their future."

"Ikageng had a brand new confidence as soon as they saw the community itself was having the final word in the housing project. It unlocked a whole new world."

The IDT, staying as invisible as possible, was on its way to yet another success as peacemaker, showing how socio-economic development should take priority when the future of a community was at stake.

All of a sudden the Development Forum had a full agenda of more issues that needed to be tackled. In weeks, it was thrashing out new ideas about what to do with the hostel block — try a salvage operation, or flatten the wreckage and find alternative uses for the site?

Next came the question of town planning and the location of the best available land for future housing initiatives.

Channels have been opened with the National Parks Board to discuss proposals about the creation of a new 10 000 ha game reserve bordering the

area — long viewed with suspicion but now seen as a potential benefit to the community.

TPA funds had been allocated for the creation of two new clinics. Now the Development Forum believes it can have a say in where they are located and how they are designed and constructed.

That brings into play how Ikageng can discuss interaction with IDT programmes for the improvement of health services as a whole in underprivileged communities.

Professor Len Karlsson, the IDT director of health services and rural and community development, has already made a deep impression in numerous communities, in even the most remote rural villages, with the

down-to-earth way he sets projects in motion.

Next, the forum has drawn in a local church welfare group that has been planning the provision of creches to take care of the children of parents with jobs. How can the creche scheme be tailored to fit alongside IDT proposals about a new approach to pre-school education at community level?

Inevitably, the issue of new schools has come on the agenda. That brings Ikageng to tune in once again to the matrix of IDT development programmes that are breaking new ground.

Professor Marilyn Mehl, director of the education programme, has already outlined a nationwide R300 million scheme to build a staggering 50 000 new

classrooms where they are needed most.

His radical new thinking is acting as an inspiration to hundreds of communities as they lay their development plans. For example, Professor Mehl envisages major breaks with traditional thinking when he talks about new schools being the cornerstone of community centres that will bustle with activity from dawn until late into the evening — weekends too.

Why not make provision not only for primary and secondary school education levels, but also include education facilities for pre-school toddlers? When school hours are over, why not use the classrooms for adult education sessions running into the evenings?

Why not use the school hall seven days a week as a civic centre for community meetings, recreation, entertainment? And why not leave the school sports fields open for the whole community to use?

"Ikageng has learnt there are many crucial decisions about its future that perhaps, for the first time, the community can make itself," says Mr Otten.

"The IDT — via its initiatives in housing and education and health services — is striving to bring together even the most divided communities and show them what can be achieved if they set the wheels in motion.

"We have no intention of abandoning our interest and making a quick exit once a particular project has been com-

pleted. Instead, we try to show communities how to take on the basic responsibility of development planning themselves and build confidence in longer-term self-reliance.

"No one can lay down a set formula on how problems should be tackled. A solution in one community may not necessarily be a success elsewhere. We stay as invisible as possible — but on hand with ideas and possible guidelines.

"Our ambition is to win the trust of communities as advisers and help to cultivate confidence that, even with strict limits on resources, they can stand on their own feet, and make many key decisions themselves on which route they want to take to shape a new future." □

CHANCES of success must have looked remote when Neil Otten arrived a few months ago at Ikageng — sprawling black township Potchefstroom, to create an element of harmony at community level.

Development Trust covering the western side, he was assigned to order layers of discord and show persuade all the to sit around the conference table and start mapping a future.

outset of the launch of million programme to the worst pockets of the housing crisis, the IDT Ikageng among about poverty zones around try in most desperate help.

ten found abundant evidence of the urgent need for assistance. The problem was how to get the community to full co-operation and involvement in an action plan.

OT had already proved dramatic prowess as a leader in its exercise with development Bank of Africa to find neutral where even the ANC the had room to reach at to join in the launch national Housing Forum stion that had been warded as impossible.

acemaker talents had ended in defusing host a number of unrest elsewhere — at any rate able to put development ahead of factional

Neil Otten could easily have been daunted by the signs of social conflict and deep-seated problems on rural assignment. The Town Council, like her black councils, had pressed in political municipal affairs were the hands of a white official by the Transvaal

ANTI-DUMPING BILL

FM 1/5/92

~~74D~~ 74D

The protectionists' weapon of choice

The anti-dumping Bill now racing through parliament — it was passed unanimously on second reading last week — is another setback for efforts to reduce prices for consumers, force industry to become more competitive and increase employment.

Despite the promises of trade liberalisation, the highly protectionist Bill is set to be signed by President FW de Klerk and become law. The Bill widens the definition of dumping to include just about any product entering the country that is not made here.

This, together with Trade & Industry Minister Derek Keys's decision to relegate rapid tariff reform to the backburner, puts SA firmly on the opposite course to that

taken by Argentina and many other Latin American and Far East countries that are reducing protection and experiencing high growth.

The Bill, which Keys could have stopped in its tracks once he took over as Minister in January, runs roughshod over SA's undertaking several years ago to abide by Gatt's anti-dumping code.

And it does not follow the advice of the Industrial Development Corp report on tariffs two years ago, which recommended a law that narrowly defined dumping together with a host of moves to spur the economy. The report issued "a serious warning against the selective implementation of single recommendations."

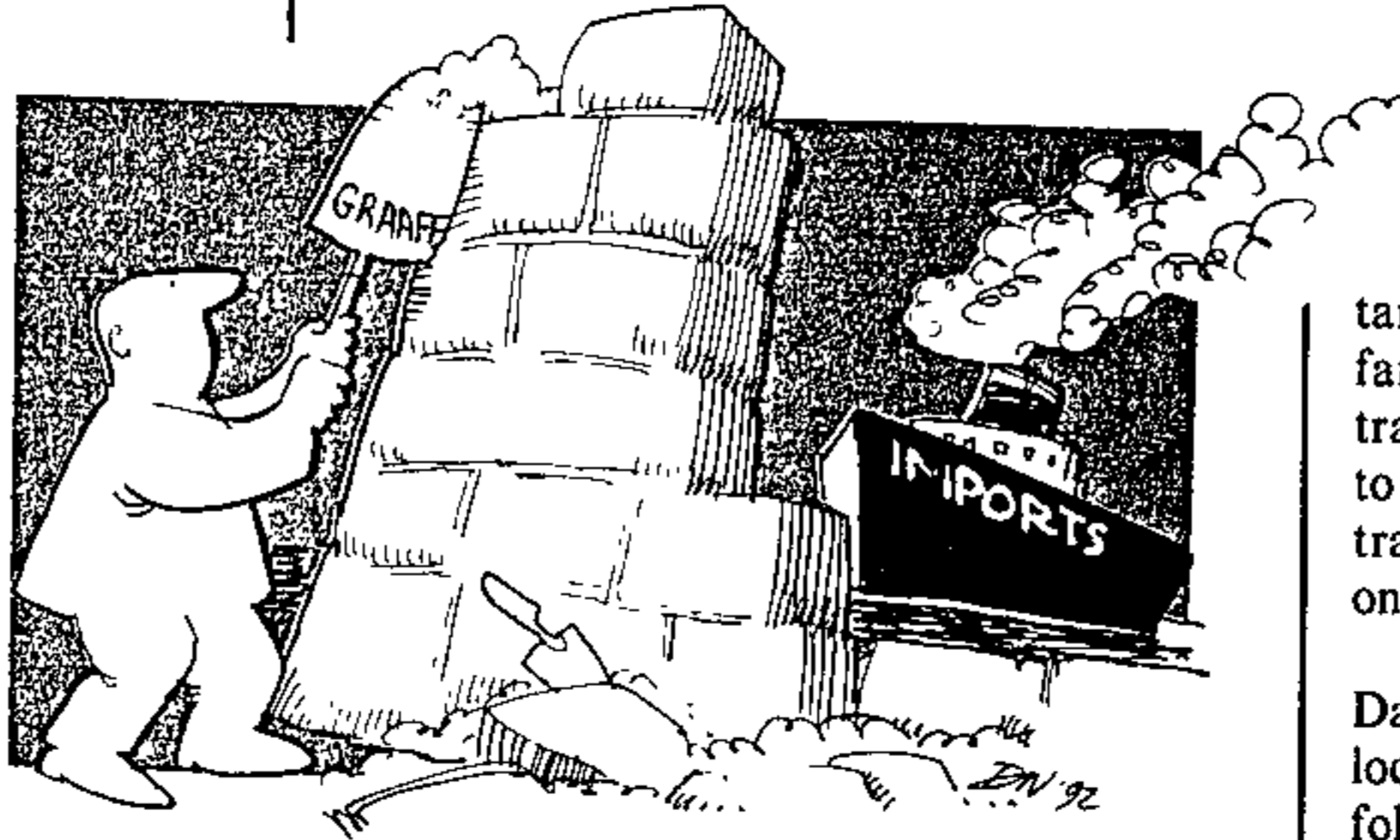
The question of whether SA needs a dumping Bill at all, especially when local industry is already protected by high tariffs, has hardly been mentioned — an indication of how protectionist government's mindset is these days. If other countries want to subsidise exports to SA or sell goods here at below cost, that can only make SA richer and create more jobs. But governments everywhere never quite see it that way.

"The proposed anti-dumping legislation is protectionist and can only operate to the detriment of the manufacturing sector as a whole," says Robin Bosomworth of the Independent Wire Converters' Association. "It is without equity, balances, controls and checks and is biased in favour of the applicant. It is an exercise in double standards and, therefore, fatally flawed."

"It operates to the benefit of the over-protected primary sector, rather than to protect the consumer."

He says the legislation will further cement the invidious two-tier pricing regime in SA, which forces local manufacturers and

processors to pay vastly increased prices to local raw material suppliers, due to the high tariffs against competitive imports. Besides, most of SA's own raw material exports are



"dumped" overseas (sold at prices below local market prices).

"To be credible," he says, "the anti-dumping legislation needs to establish what dumping is not and to protect the consumer against exploitation by monopolies and *de facto* cartels. It needs to recognise the ability to import as being essential to keeping the economy internationally competitive."

But this is clearly not the case, with the Bill containing a novel third definition of dumping, apart from the usual definitions of goods imported at prices below the ones in the exporting country and subsidised exports.

The Bill coins the phrase "disruptive competition" and creates a "safeguard duty" to be imposed against imports and proposed imports "in quantities and under circumstances that cause or may cause material injury to established industries or that may retard the establishment of new industries."

This provision, wide enough to apply to just about every import, should have raised a furore in parliament. But Trade & Industry Deputy Minister David Graaff and Department of Trade & Industry Director-General Stef Naude forestalled this by calling in DP spokesmen before the Bill went to the standing committee and convincing them that the Bill's wide powers were necessary.

"But we agreed to the Bill's wider powers on the condition that government also publish detailed regulations on how the anti-dumping provisions would be implemented in practice," says DP MP Geoff Engel.

Graaff claims the wide definition of dumping was necessary because SA must be able to counter unfair trade practices from both First and Third-World countries. "We will need this broader legislation until we reach the state of pure virtue in our trade

relations. Our idea is not to increase protection but to move towards trade liberalisation. We intend taking tariffs off all goods that are not produced locally, while we also intend bringing down tariffs across a broad front but only after due consultation with industry. The trend is to bring tariffs down."

Unfortunately, these sentiments ring hollow. SA will now have both tariff walls and anti-dumping rules that are far more prohibitive than most of its major trading partners. And if other countries want to make themselves poorer through "unfair" trade practices, that is their problem; SA can only benefit.

Free Market Foundation director Eustace Davie says that if SA really wants to help local manufacturers and exporters, it should follow the example of Taiwan, which devalued its currency in the Fifties and also abolished its two-tier exchange rates.

"By abolishing the financial rand, we will allow the rand to float down to its natural level and to act as a booster for export growth. This should be done simultaneously with implementing a tariff reform policy." ■

TELKOM

The more the merrier

Within the next few months, telephone users will have an alternative to Telkom's sky-high charges for international calls. Telkom now says customers will be able to use "country direct" services, which allow callers to pay the lower rates charged in some countries, such as the US and UK.

Telkom has said that it is negotiating with British Telecom as well as three American carriers — AT&T, Sprint and MCI — to provide the services (*Business & Technology* April 24) and expects them to be in place by the second half of the year. It adds that "the organisations mentioned are but a few of the overseas companies/administrations with which Telkom is considering introducing 'country direct' service on a reciprocal basis."

The savings for international diallers could be considerable. A 20-minute call to the US costs R119,40 at Telkom's flat rate of R5,97 per minute. The same call made on AT&T's USADirect service probably would cost no more than R70.

Though many people like the idea of getting around Telkom to patronise a different carrier, Telkom does not view these services as ways to bypass the local system. It still collects a fee from the overseas carriers for supplying lines and making connections.

Big clampdown on imports to save jobs in textile industry

By Tom Hood

CAPE TOWN — A rescue plan to help the country's ailing textile industry and provide more jobs was announced by the government at the weekend.

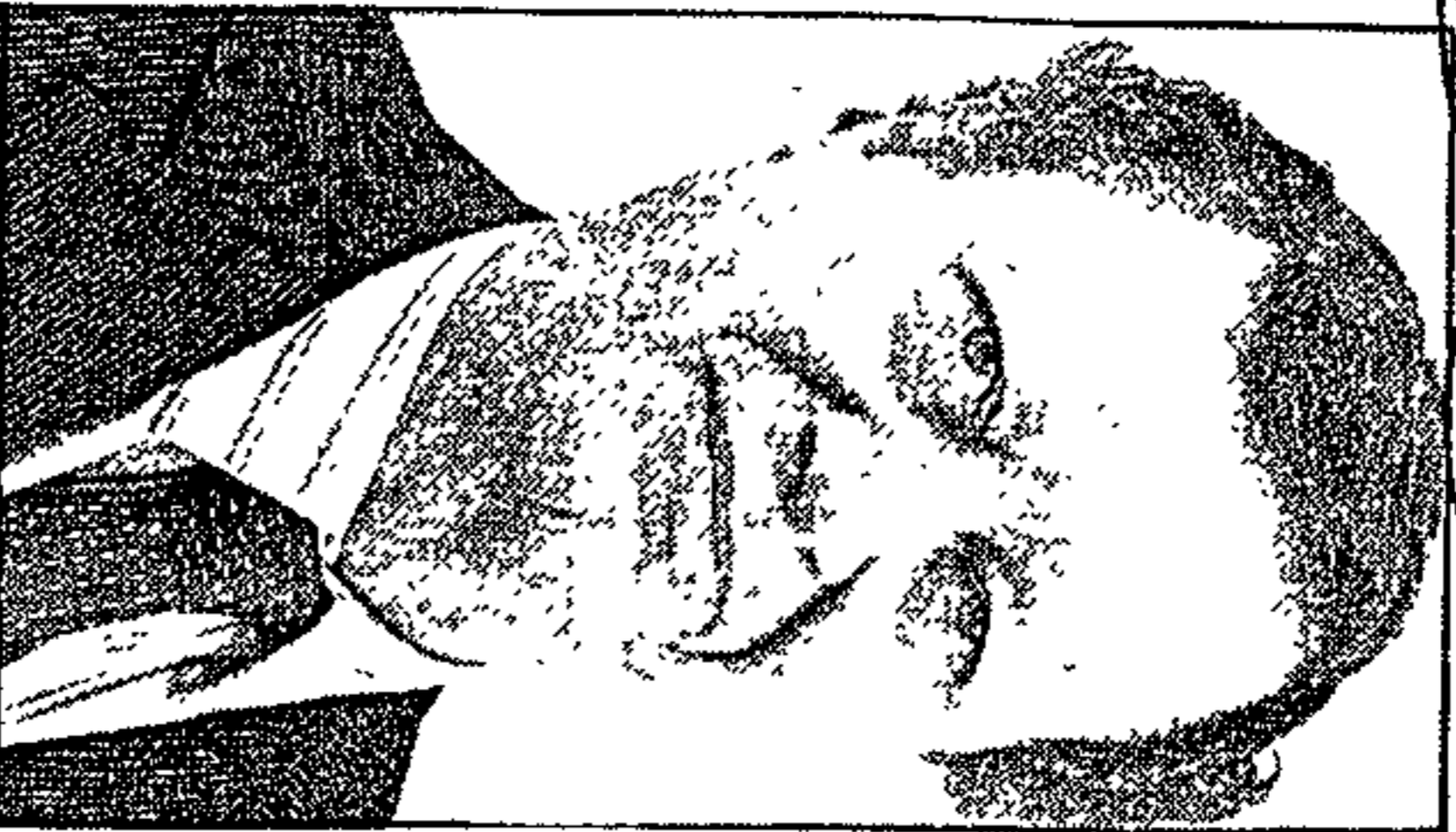
It aims to curb the avalanche of cheap imports of fabrics and clothing — but it could lead to higher shop prices and add to inflation.

The measures could also be seen as an encouragement to clothing exporters because non-exporters would be at a disadvantage, said Simon Jocum, chairman of the Cape Clothing Manufacturers Association.

"The main intention is protection of the textile industry and if it limits competition it will send local prices up.

"It will hit cheap imports and raise inflation but against that some people will argue that it is more important to create jobs."

The curbs would also clamp down on imports of used clothing. The concession granted to



Derek Keys . . . Relief measures necessary to help textile industry.

charities and other organisations had been abused and about R100 million of "used" clothing

flooded into the country last year.

The complicated system of tariff quotas and steep increases in import duties was announced by the Minister of Trade and Industry, Derek Keys, who said the government has decided to implement a system of tariff quotas for the import of clothing and textiles.

Measures, which were listed in the Government Gazette on Friday, include:

- A system of tariff quotas that will enable the importation of pre-determined quantities of textiles and clothing at the currently existing rate of ad valorem duties. Total quantities are to be limited to 1989 imports.

- A doubling of the rates of ad valorem duties plus alternative specific duties that replace the formula duties, in respect of imports in addition to the tariff quota.

- Amendments to the programme of duty-free imports for exports in order to prevent imports in terms of the pro-

gramme being concentrated on certain products, thus causing harm to the sectors manufacturing these products.

- Imports in terms of certain manufacturers' rebates and imports in terms of bilateral trade agreements are, however, not affected by the measures.

Mr Keys said the measures were the result of the acceptance by government of recommendations from the Board of Trade and Industry.

The board had considered proposals from a private sector working group and other interested parties. The measures to be introduced were accepted by government realising that they had certain deficiencies.

It was, however, necessary to urgently introduce interim relief measures to address the serious and deteriorating situation, particularly in the textile industry, as a result of a sharp increase in imports coupled with a decrease in local demand due to the recession.

The objective was to limit imports while at the same time

striving to keep increases in input and end-product costs to a minimum. The increased rates of duty would apply only to imports in addition to the tariff quotas. The alternative would have been to place increased duties on all imports of textiles and clothing.

Mr Keys emphasised that the increased rates of duty applicable to imports in addition to the tariff quota would be implemented on an interim basis and be subject to immediate review by the Board of Trade and Industry.

He stressed that the measures now introduced would apply only for 18 months. "In this time the relevant business sectors and trade union will, in co-operation with the Government, embark on an investigation into a long-term strategy for the textile and clothing industries to replace the short-term measures."

However, the proposed long-term strategy would not be based on these short-term measures, he added.

Star 4/5/92

Fintech doubles earnings to R20m

810am 29/4/92 74D

EDWARD WEST

BUCKING the trend of lower profit margins in the information technology industry, Allied Electronics subsidiary Fintech has more than doubled earnings in its financial year to February 1992.

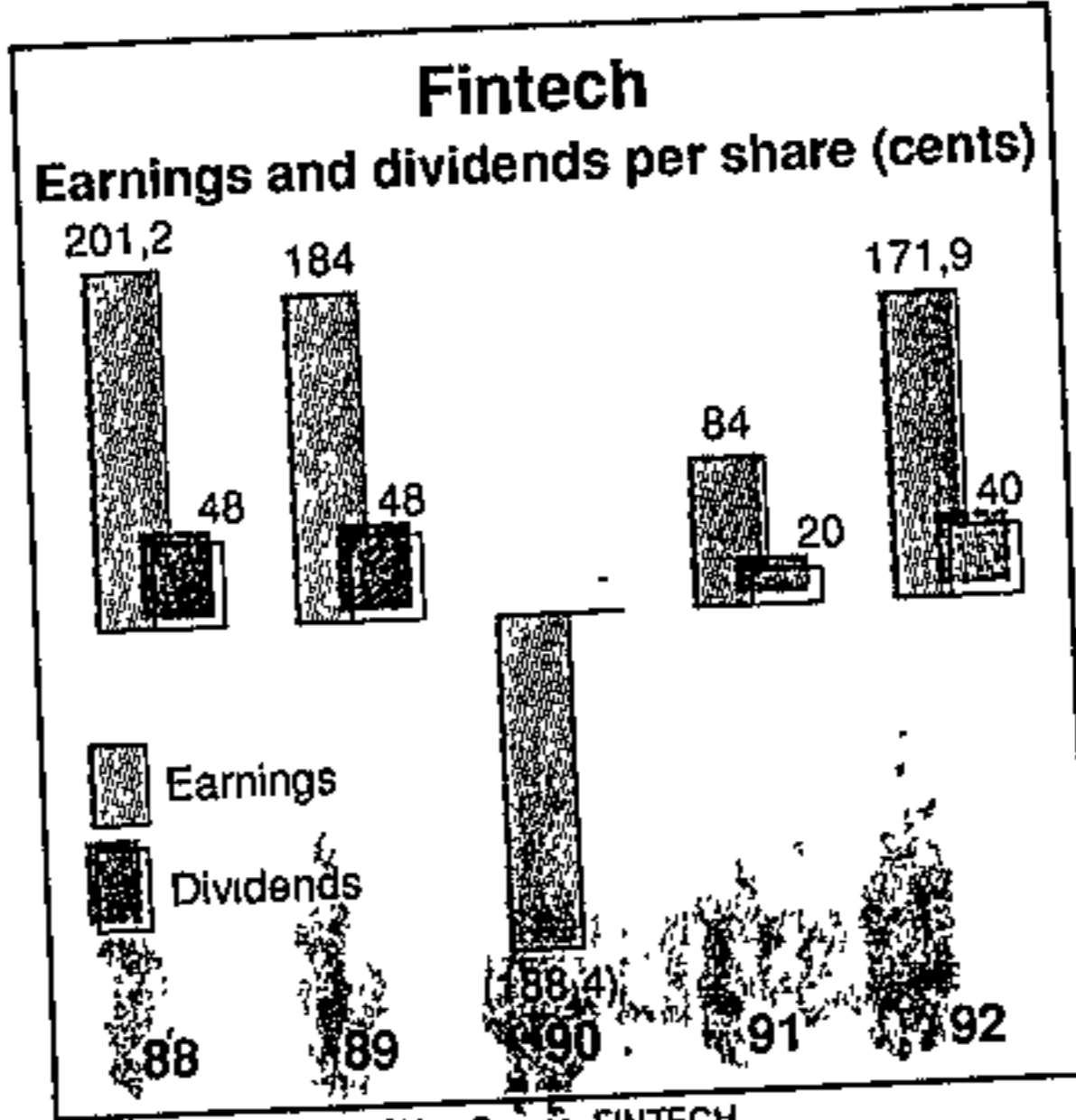
Results published today show attributable earnings up at R20m from R9,4m last year, in spite of a 7,2% increase in sales to R562m (R524m). Attributable profits represented a 105% increase in earnings a share to 171,9c (84c) a share. A final dividend of 40c a share was declared.

Included in the R4,5m taxation charge was a R3,3m transfer to a taxation equalisation account, created to minimise potential distortions of earnings as a result of the progressive use of the group's R55m assessed tax losses.

Fintech's Xerotech, Intertech and STC divisions produced record performances, while other divisions improved results or remained profitable. National Data Systems' (NDS's) sales of a new range of NCR multiprocessors had been encouraging, said executive chairman David Redshaw.

Xerotech increased its share of a highly competitive market while STC Business Communications continued to broaden its product range of PABX products from its technology partner Alcatel.

Redshaw said yesterday order books were healthy and earnings were expected to continue to improve in the coming year. Long-term contracts which would further



consolidate the group's position and underpin revenue had been signed with financial and corporate organisations.

In spite of the recession there were opportunities for provision of new information technology to financial institutions.

Future developments under investigation included the use on ATMs of four variable focal length cameras each the size of a pinhead and voice recognition technology which could eliminate the use of cards — technology which NDS MD Charles Barr said had been well received in SA. The growth in the use of new technology would be limited only by the rate of acceptance by the user, he said.

Anti-dumping
BIDAN 22/4/92
laws 'a must'

LINDA ENSOR (74D)

CAPE TOWN — It was not possible at this stage of SA's development to do without anti-dumping legislation, Deputy Trade and Industry Minister David Graaff said during the joint sitting of the second reading debate on the Board of Trade and Industry Amendment Bill yesterday.

The Bill defines dumping and widens it to include disruptive competition. It also provides for the Board of Trade and Industry's change of name to the Trade and Industry Advisory Board. The Bill was passed unanimously at the second reading by the joint sitting of all the Houses.

Graaff said it would probably take about 10 years to liberalise the economy and said government was aware of the danger of the Bill being used to protect inefficient industries.

Wessel Nel (DP Mooi River) said protecting inefficient businesses would not promote growth.

However he realised that all tariff duties could not be removed overnight as many businesses would be forced to close and unemployment would increase.

Zimbabweans want SA to ditch import restrictions

ZIMBABWEAN trade representatives have objected to the proposed quota system restricting the importation of textile and clothing goods from their country.

Zimtrade CE Morrison Sifelani, who led a 30-man trade delegation which visited SA last week, said his team had proposed to Safto and the Johannesburg Chamber of Commerce and Industry (JCCI) that the quota system should exempt Zimbabwean goods.

"We are currently studying proposals by SA to restrict the importation of textiles and clothing through the quota system.

"We have indicated to our SA counterparts that since Zimbabwe is not marketing 'distressed goods' — not dumping goods on the SA market, it should be exempted," Sifelani said in an interview.

The delegation, which left on Saturday after a four-day stay in SA, comprised representatives from the textile and clothing, leather and footwear, furniture and processed foods sectors.

Sifelani said the mission was "on the whole, successful".

"We established contacts with various

sub-sectors, particularly in the distribution business of SA and we had an opportunity to have a critical, though brief, examination of market trends in SA," he said.

As a result of the visit, there would be "structured and targeted" future meetings with various sub-sectors. These would be organised in co-operation with Safto and the JCCI.

"We are encouraged that some of our members have made significant sales. We also had an opportunity to explore prospects for joint ventures which will lead to mutual exports.

"This visit marks the first of a series of bilateral meetings which will take place in the near future," Sifelani said.

The delegation also had discussions with financial institutions interested in trade financing — including establishing lines of credit.

"The talks are still exploratory, but most financial institutions want to finance trade between the two countries — mainly among traders and manufacturers," Sifelani said.

THEO RAWANA

B1 Day 13/4/92

740

740

740



First shipment of maize due in Durban next month

(74D)

GERALD REILLY

PRETORIA — The first shipment — 150 000 tons — of what will be SA's biggest maize import programme of 4,5-million tons, will be landed at Durban next month, says the National Marketing Council.

Economists said devastated summer crops — maize, grain sorghum and oil seeds — would have to be supplemented at great cost in scarce foreign exchange.

The cost of maize imports would exceed R2bn, said council marketing director Rodney Dredge.

Dredge said in a statement the biggest single import tender for 430 000 tons would be landed at Durban in June from the US and Argentina at a cost of R195m. A further consignment of 298 000 tons would be landed in May.

Nampo believes the maize crop may fall below 2-million tons. The first official estimate announced last week was 2,1-million tons.

Since it was made, however, there had been no significant rain in those isolated areas where the crop was reported to be "still alive".

A Nampo spokesman said farmers would keep at least 1-million tons on farms for stock feed and worker rations, which meant less than 1-million tons would be delivered to the Maize Board. "We need 6,3-million tons to meet the domestic demand," he added.

Meanwhile, the SA Agricultural Union's National Oilseed Producers' Organisation (Nopo) chairman Gerhard de Kock said a preliminary estimate of the sunflower seed crop was 170 000 tons, about 70% down on the previous year's 588 000 tons. The soya crop is expected to be 40% lower than the previous year's 125 000 tons.

By Day 25/3/92

Import surcharges stable

74D

Own Correspondent

CAPE TOWN — Import surcharge rates, which were reduced in the previous two financial years as part of a phasing out programme, will remain at existing levels, according to Finance Minister Barend du Plessis.

He said that whereas capital and intermediate goods were previously subject to GST, the introduction of VAT on September 30 last year was accompanied by a concession to manufacturers by way of a full input credit for capital and intermediate goods. *B. du Plessis 19/3/92*

In this light, and with regard to the tight fiscal position, import surcharges would remain at existing levels — namely 40% for less essential consumption goods, 15% for so-called white goods and 5% for capital and intermediate goods.

Greater clarity on dumping

Bill tabled to safeguard local industry

741
B/day 3/3/92

CAPE TOWN — A new class of "safeguard" duty to protect industry in SA and the Southern African Customs Union from disruptive competition has been proposed in an amendment to the Customs and Excise Act tabled in Parliament.

And in terms of a separate but inter-linked Bill — the Board of Trade and Industry Amendment Bill, which defines the concepts of disruptive competition, dumping and subsidised exports — the Board of Trade and Industry will become known as the Trade and Industry Advisory Board.

Disruptive competition is a proposed new concept and is defined as the export or proposed export of goods to SA or to the Customs Union which causes or may cause material injury to established industries or retards the establishment of new industries.

While the definition of disruptive competition focuses on the effects a particular import would have, the definition of dumping concentrates on price factors.

Dumping is defined as the export or proposed export to SA or the Customs Union of goods at an export price which is lower than:

- The sale price for consumption prevailing in the export country;
- The highest comparable price at which similar goods are being exported in the normal course of trade to a third country;
- The price determined by the board on the basis of costs of production and other reasonable costs and profit in the exporting country; and
- The comparable price at which similar goods are being exported to SA or the

LINDA ENSOR

Customs Union from any other country.

The new definitions are expected to give businesses and government greater clarity in deciding whether certain practices amount to dumping.

Subsidised exports are exports which receive financial assistance from a foreign government for their production, manufacture, transport or export.

The Board of Trade and Industry Amendment Bill further clarifies the objects and functions of the board to the conduct of investigations and the making of recommendations on dumping, subsidised export and disruptive competition from overseas.

It is also empowered to investigate and recommend on the protection of industries by customs and excise duties.

The Bill also empowers the Trade and Industry Minister to instruct the board to investigate any matter which affects the trade and industry of SA or of the Customs Union.

A memorandum to the Bill says restricting the board's activities will eliminate overlapping with the functions of other statutory bodies and state departments. The board's objective would be to promote industrial growth in SA.

The board's recommendations would be submitted to the Minister of Trade and Industry who, when he deemed it fit, would request the Finance Department to implement duties in terms of the Customs and Excise Act.

Previously the board made the recommendations to the Finance Department.

Scrapping of duties 'puts firms at risk'

Blom 20/2/92
A NUMBER of electronic component manufacturers are faced with closure after government's recent decision to scrap duties and tariffs on imported components.

Electronics Industries Federation president Dirk Desmet says up to 1 250 people producing goods with a sales value of R400m a year could be affected.

"No longer do local manufacturers have tariff protection against imported goods, but they also pay duties on their raw materials so will be hard pressed to compete with imported goods' prices," he says.

Industry argument is that the tariffs were removed too hastily and without proper consultation with industry.

Electronic Component Manufacturers Association spokesman Bert Kuipers says the scrapping of duties was unfair to local manufacturers, especially those who invested in new equipment.

He argues that instead of the abrupt change, a gradual reduction would have been more appropriate.

"This would allow manufacturers to adjust their businesses, to become more efficient, to sell off plant, equipment and stock if necessary, so they could cope with the new situation."

One company which is campaigning strongly against the new rules is Ciskei-

(K) (94D)
Reports by
MELANIE SERGEANT

based C Two Capacitors, which makes the Electrolytic specific capacitor range.

Co-director Vic Varkevisser says the factory has a turnover of about R1,7m a year, and has capacity to increase this substantially when the economy improves.

"However, we're taking a dim view of government's new ruling, because it is no longer a proposition to continue manufacture. We were expecting tariffs to be removed gradually, and were making contingency plans."

He says imported capacitors cost about 1,25c each, whereas C Two's raw material cost is 1,35c a unit.

It is expected that if the new rules are maintained, the prices of electronics products ranging from television sets to hi-fi equipment will decrease, which will be good news for consumers.

However, on the downside is the potential job loss in the component manufacturing industry, as well as the fact that even imported component distributors will see a sharp decrease in their turnovers, because duties form a substantial part of their overall product prices.

In the meantime, the industry awaits some word from the Department of Trade and Industry.

Govt urged to reduce protectionism

GOVERNMENT and the Reserve Bank had to eliminate anomalies in monetary, import and customs duty rules if SA was to reap any rewards from the lifting of sanctions, private sector lobbies said yesterday.

Fabcos Inter-Africa group executive chairman Gaby Magomola said SA business was still in the grip of a siege mentality.

Magomola said in a statement yesterday that the case for protecting some industries was overstated, and he called for a review of "our unrealistically high surcharges and duties which are often counterproductive and may create a stranglehold on our economic growth".

SA-German Chamber of Commerce CE Klaus Volker Schuurman said SA entrepreneurs had to set an

MATTHEW CURTIN

example to the international business community if they wanted to encourage business and investment.

Centre for Promotion of Foreign Investment in SA executive director Wayne Mitchell said in a statement that SA had done little to make itself ready to conduct "normal international trade". He said SA import duties compared unfavourably with those imposed by the EC.

Mitchell, former head of the American Chamber of Commerce, said: "We must think fast, act fast and quickly discard the protective 'sanctions armour' built around the economy during the sanctions years. It simply must be done if we're going to

successfully kick-start the economy back into normal trading routines."

He said the rand had to be allowed to trade freely — rather than be manipulated to protect the gold mining industry — to improve the competitiveness of SA exports.

The Reserve Bank should reduce the cost of its forward cover on imports, which had increased by 0,25% after the 1991 budget, offsetting any advantage gained from the decision to reduce the import surcharge.

He said the import permit system should be scrapped except for provisions to prevent dumping in SA.

The import surcharge should go too, in line with pressure from GATT.

Mitchell added that high import duties restricted open trade in SA.

3/11/92
B/12/249

Import duty bid on glassware rejected

AFR 20/11/91

74D

TOM HOOD
Business Editor

THE Board of Trade and Industry has rejected a bid to raise import duties on household glassware by as much as 400 per cent.

Retailers were among 41 firms that mounted a big protest after the Anglovaal Group's Consol Glass — the only South African manufacturer of table and kitchen glassware — applied for higher duties as a protection against cheaper imports.

Objectors made the point that lower-income groups, as in most Third World countries, could not afford to buy crockery so they bought glass cups and glass dinnerware instead.

Shop prices of glass tumblers, bowls, cups and plates would have rocketed and hotels

and restaurants would also have been hit by higher duties.

Now, at the end of a year-long investigation, the board in its report criticised Consol for failing to supply "certain vital financial information requested for purposes of the investigation" and said it was not possible to carry out a proper economic evaluation of the industry and determine the rate of effective protection enjoyed by the products concerned.

Prices in official import statistics showed Consol experienced a price disadvantage for certain products.

Owing to a lack of supporting information it was not possible to determine whether an increase in the current levels of protection was justified, said the board.

The investigation showed that the countries from which the low-priced products origi-

nated enjoyed advantages of production costs.

Larger production runs and lower labour costs in countries like Indonesia, Brazil and Argentina contributed to lower ex-factory prices than those of competitors.

Consol Glass has invested R55 million in its Pretoria factory and employed 455 workers. Sales amounted to R47,5 million last year.

A spokesman, Mr Keith Fisher, said Consol would abide by the board's decision and pointed out that the current level of protection would stay.

The rising level of imports was already having an effect on sales and would affect jobs, he said.

"We are talking to the unions about the possibility of re-trenchments."
However the glass factory

was only one of 23 owned by Consol and it was not a major item in terms of production and employment.

Imports of domestic glassware increased from 31 million units in 1989 to 39 million last year, according to the board.

The board estimated the South African market at 84 million units in 1989 and 89 million in 1990.

The board's report concluded: "Although the available information indicates that the applicant is experiencing a price disadvantage in respect of certain products, it was, owing to a lack of supporting financial information, not possible to determine with certainty whether a need for protection exists."

"The financial information provided is not enough to convince the board that an increase in the levels of protection is justified."

BTI caught up in electronics dispute

B/Daw 26/11/91

74D

ROBERT LAING

THE Board of Trade and Industry (BTI) is in the middle of a fierce dispute between conflicting elements in the SA electronics industry.

Importers of assembled goods say component manufacturers are over-protected. In turn, manufacturers aver the protection bias is in importers' favour.

A major bone of contention in the industry is the 82,5% protective duty on all transistors, which the Board of Trade and Industry (BTI) did not remove after local production ceased two years ago.

Other electronic components which have protective duties are aluminium electrolytic capacitors with a duty of 27%, film and paper capacitors with 21,1% and diodes with 22,8%.

According to import statistics for 1990, R19m was levied on the total R355m worth of electronic components bought by SA.

Electronic Component Manufacturer's Association (Ecma) chairman Bert Kuijpers said: "If we import everything we cannot make cheaper, nothing will be made in SA. There will always be some country which can beat our prices."

Pretoria-based Sames, SA's only com-

mercial semiconductor factory, burnt down in 1989. A new factory is being built to make a limited range of microchips.

However, no new transistor production line is being planned as a result of Siemens deciding not to finance a new plant.

Siemens, supported by Ecma and the Electronic Industries Federation (EIF), requested the BTI to remove the duty.

Only two local audio equipment manufacturers, Tedelex and Audiobuld, did not mothball their plants when duties on imported radios were dropped to about 20% from 40% a few years ago.

The two remaining manufacturers hope to be included in the BTI's structural amendment programme for the TV industry scheduled for January.

Audiobuld joint-MD Murrion Markus said local manufacturers wanted the BTI to scrap protection on components while increasing duties and surcharges on assembled sets.

Import surcharges, duties and ad valorem taxes added between 90% and 110% to the price of imported TV and audio sets, he said.

Imports scheme under fire

^{B Day 22/11/91}
THE Textile Federation, hitting out at the import-for-export scheme enjoyed by clothing manufacturers, said yesterday as much as R58m of the total R166m of clothing imports in the first half of this year had come into the country duty free.

It also said the increase in clothing exports in the past year — often quoted by supporters of the scheme — had been almost offset by the jump in clothing imports.

Under the scheme local clothing manufacturers were permitted to import clothing duty free according to a formula based on their clothing exports.

Executive director Brian Brink said serious shortcomings and flaws in the scheme were now coming to the fore and the Board of Trade and Industry had suggested curtailing it severely.

Of the R58m imported duty free, 66% consisted of knitted clothing, jer-

seys and cardigans.

Brink said the actual duty raised on jerseys imported during the first half of this year was less than 5%.

The average landed cost of a jersey was about R18 and the benefit of these low-priced goods had not been passed on to the consumer.

Although supporters of the scheme pointed to the 54% increase to an estimated R298 (R193m) in clothing exports, they overlooked the rise in clothing imports. These had jumped 41% to an estimated R322m in 1991 from R235m last year.

"Foreign exchange gains from the increase in clothing exports have been almost cancelled out by the rise in clothing imports."

Brink added that much of the clothing exports had used duty-free imported fabrics in their manufacture.

WILLIAM GILFILLAN

Marais calls in task group

TRADE and Industry Minister Org Marais has suspended proposed changes to the clothing and textile industries' protective tariff structure and invited an inter-industry task group to investigate a new export-oriented system.

Addressing a meeting in Johannesburg yesterday at which the industries tried to resolve their differences over import tariffs, Marais made it clear he was opposed to higher levels of protection. He urged the industries to negotiate a new tariff system which would enhance their international competitiveness.

Industry representatives agreed yesterday to establish an inter-industry task group to devise a long-term strategy and a shorter term transitional plan.

They were told that the Board of Trade

LESLEY LAMBERT

and Industry's (BTI) recent tariff proposals would be placed on hold pending the task group's proposals.

The BTI proposals are aimed at simplifying the industries' import tariff structure and providing a period of transitional relief before tariffs are lowered. But they have angered the clothing industry essentially because they constitute increased protection for the textile industry.

In a statement yesterday, Marais said the task group "must take into account that government cannot and will not continue with high levels of tariff protection indefinitely. Industry must accept that increased international competitiveness and

To Page 2

Task group

lower protection remain the goals".

However, government would maintain protective measures for a few years to allow unprofitable industry participants to adjust to lower levels of protection.

The task group was instructed to propose ways of assisting the industries to adjust and was asked to propose a long-term strategy.

The group is made up of a number of high-powered leaders in all sectors of both industries and will be chaired by Barlow

From Page 1

Rand special projects consultant, Paul Hatty.

Marais insisted that the SA Clothing and Textile Workers' Union be invited to appoint a representative to the group.

Sapa reports from Cape Town that Sactwu welcomed moves to establish a task group. Union leadership would discuss the details of the proposals and would probably nominate a representative to the group, if ratified by the union.

16/11/91
S/O

15/04/91
20/11/91

(KST/PTM)
(74D)

Minister acts to defuse tariff row in textile industry

By Sven Lünsche

Star 20/11/91

Proposals to double duties on imported fabrics from next year have been delayed after a meeting between the Minister of Trade and Industry and the clothing and textile industries in Pretoria yesterday.

A committee of businessmen from both industries, the retail trade, trade unions and government has been appointed to investigate tariff proposals and export incentives and has been given 14 days to report to the Minister.

The committee is to be headed by a leading businessman.

Dr Org Marais, the Minister for Trade and Industry, said yesterday he hoped to make a final decision on tariffs by mid-January.

The proposals are aimed at simplifying tariff structures for both industries to make them more competitive on an international scale.

He said the committee must take into account "that the Government cannot and will not continue with high levels of tariff protection indefinitely."

"After a transitional period, the industries will be expected to operate under moderate levels of protection, coupled with effective anti-dumping measures."

The proposed tariff structures are being vigorously resisted by the clothing industry, which fears they will push up the cost of imported fabric, while at the same time providing higher protection for the textile industry.

Jobs at risk

Clothing spokesmen fear that up to 60 000 jobs in both the clothing and textile industries are at risk from the higher clothing prices which would follow if higher import duties were imposed.

The industry wants to keep the structural adjustment programme, implemented in 1989, in force for five years, as originally planned.

However, spokesmen for the textile industry, which is far more capital-intensive than the clothing industry, have warned that a reduction in import tariffs would have dire consequences in terms of sales and thus employment.

Tom Hood reports that the chairman of the Cape Clothing Manufacturers Association, Simon Jocum, said the industry's brief at the Pretoria meeting was to call a halt to an "ill-timed and ill-conceived plan aimed at assisting the already well-protected textile industry".

Mr Jocum said 1991 had been a trying year for the clothing industry. Retailers had de-stocked and more recently retail business had fallen off.

Many factories worked short time, which was preferable to retrenchment, in the hope that the upturn would take place in the second half of the year. But the upturn had not happened.

Employment was down two percent, productivity was down, absenteeism was at an all-time high and illegal stayaways and strikes added to costs.

Profits were eroded and bookings for winter 1992 were well down on those of winter 1991.

Healthy exports had curbed further unemployment as more than 50 percent of all exports came from Cape factories.

National exports increased by 61 percent this year, compared with last year.

A-V HOLD 850 150+ 214 WINHOLD 0 2420.00

Business Report

Marais suspends new tariff plan

CT 22/11/91 (74D) (circled)

By MAGGIE ROWLEY
Deputy Business Editor

MINISTER of Trade and Industry Dr Org Marais has suspended the implementation of new tariff proposals for the clothing and textile industries pending the recommendations of an inter-industry task committee formed yesterday.

Marais yesterday met high level representatives from both the clothing and textile industries as well as clothing retailers in an attempt to reach an agreement on the new tariff proposals which include increased duties on textile imports.

Hennie van Zyl, executive director of the National Clothing Federation, said the minister had agreed to suspend any increases in tariff protection pending the recommendations of the task committee.

The task committee, he said, had been formed to find long and short-term solutions and to investigate an alternative to increased import protection.

"We will hold our first meeting next week and will report back to the minister by January. He has promised to take our recommendations directly to the Cabinet."

Van Zyl said one area which would be investigated would be the possibility of introducing a subsidy scheme in lieu of increased protection as had been done for US cotton growers.

The task committee, under the chairmanship of Paul Hatty of Barlows, will consist of Dr Aaron Searle, chairman of Seardel and president of the National Clothing Federation, George Beeton CE of Edgars, Arnold Louw, group MD of Pepkor, Wallace Grace, president of the Textiles Federation, Mervyn King, executive chairman of the Frame Group, Stewart Chub chairman of Rex Trueform and a representative from the SA Clothing and Textile Workers Union.

Addressing the 66th AGM of the Cape Clothing Manufacturer's Association, chairman Simon Jocum lashed out at the Board of Trade and Industries "ill-timed, ill-conceived plan aimed at as-

sisting the already well protected textile industry".

The board announced recently that it intended increasing duties of imported textiles from 20% to 40% in the new year and said it was also considering reducing the present export incentive programme in early 1992.

Jocum said the clothing industry's delegation, which met Marais yesterday, had been briefed to maintain status quo until 1994 when the country was well out of the recession.

"If they heed our advice, prices can be stabilised and export contracts in the pipeline will not be jeopardised. New exporters will be encouraged to explore opening up further markets and thus be enabled to give firm quotations with a certainty that the present incentives will be maintained."

Jocum warned that if the new duties were implemented next year it would result in further unemployment as clothing would be further out-priced not only on the international market but also locally.

C

J
T

R400-m in clothing exports protect industry workers

By Tom Hood

CAPE TOWN — Exports of clothing worth R400 million this year have protected 10 000 workers and their dependants in the worst recession in recent history, says Dr Aaron Searll, the new president of the National Clothing Federation.

However, the industry is concerned at sustained pressure being exerted to undermine its export effort and he warns that this must be resisted with vigour.

"Our resolve must not be under-estimated," said Dr Searll after his election.

The threat of increased customs duties and import parity were grave issues for clothing manufacturers.

If the latest Board of

Trade proposals were implemented, they would raise clothing prices, which would result in consumer resistance and lead to less business for the textile industry.

Other critical issues faced by the industry were the need for more job creation, increasing exports and improving relationships between management and the trade unions.

Dr Searll also welcomed a statement by Dr Org Marais, Minister of Trade and Industry and Tourism, that protection in the form of import tariffs would have to be phased out and that a revised set of proposals for a development plan for the clothing and textile industries would be discussed soon.

"This is good news and this view is clearly in

agreement with the recommendations of the Industrial Development Corporation, which has also called for the lowering of customs duties and removal of import duties."

Guest speaker Dr Marais told federation members the South African clothing and textile industries would have to become locally and internationally competitive.

The alternative of becoming more protectionist in trying to prevent these forces from having an impact on the SA economy "is not open to us".

"We have pursued a protectionist policy for 70 years and as a policy it is now obsolete," he said.

Amendments to legislation were being considered to ensure efficient action against real cases of "dumping" of textiles and clothing.

However, all low-priced imports could not be classified as dumping — "elsewhere in the world there are more competitive producers against which we will have to learn to compete," said Dr Marais.

Marais in bid to save 60 000 jobs

310 any 18/11/91
TRADE and Industry Minister Org Marais will meet representatives of the clothing and textile industries tomorrow in an effort to thrash out an agreement on new tariff proposals which could forestall the loss of up to 60 000 jobs.

The tariff proposals are aimed at simplifying the industries' import tariff structure and giving them an opportunity to become profitable and internationally competitive over the next three years.

But the clothing industry has objected to the proposals because they will increase duties on imported fabric from the higher cost producing centres such as Europe.

National Clothing Federation executive director Hennie van Zyl says the changes constitute increased protection for the textile industry and are contrary to an agreement in 1989 that the structural adjustment programme for the industries remain in force for five years.

Marais is keen to resolve the battle between the two industries. He is concerned that unless the industries reach an agreement which provides a degree of relief for some sectors, between 40 000 and 60 000 jobs could be lost.

"There are unlikely to be any big winners at tomorrow's meeting, but we need to

reach an agreement which will save jobs and enable the industry to become stronger and internationally competitive in the longer term," Marais said in an interview on Friday.

In an effort to make the agreement as comprehensive as possible, Marais has asked the Board of Trade and Industry to invite the SA Clothing and Textile Workers' Union to the meeting.

Commenting on an indication by President F W de Klerk in Israel last week that government intended removing the import surcharges it imposed in the 1980s to protect the balance of payments, Marais said this would depend on the amount of revenue collected under the new taxation system.

"The lifting of the 40% surcharge on imported consumer goods and the 5% on imported capital and intermediate goods will result in a revenue loss of more than R1bn. We will have to see what VAT brings in before we start removing the surcharges or adjusting taxes," he said.

The various policy documents on a new industrial strategy would soon be completed and handed over to the Cabinet.

LESLEY LAMBERT

Uproar over plan to hike import duties

ARC 16/11/91

74D

74D

TOM HOOD

Business Editor

THE National Clothing Federation is incensed by a revised set of proposals by the Board of Trade and Industries (BTI) to increase customs duties on imported fabrics, says NCF president Dr Aaron Searll.

The original draft legislation, devised to protect textile companies from "dumping" by foreign countries, was attacked by clothing manufacturers as likely to add 30 percent to retail prices, put hundreds of small clothing firms out of business and threaten 20 000 jobs.

Dr Org Marais, BTI Minister, said in Cape Town this week that more protection would not guarantee the future of the clothing and textile industries but "the competence of your

managerial and supervisory staff, your productivity performances and exposure and competitiveness in the international market place will guarantee a future."

The BTI had devised a new development plan to help these industries become more competitive.

A feature of the plan was that it would run for several years to allow the various sectors of these industries time to restructure and adapt to changes needed.

Dr Marais said a revised set of proposals based on comments received from industry and further analysis by the staff of the BTI had been sent out.

Discussions with the textile and clothing industries would be held on Tuesday and he intended attending personally because of the importance attached to the industries.

However, Dr Searll said clothing companies were

amazed to be advised that the Board has not yet debated these new proposals and that they should be seen merely as proposals by the Board staff.

"We regard these proposals as being highly inflationary, unjustified and unnecessary. There is no case to further increase the duties on imported fabrics, as imports have not increased significantly.

"In this recessionary climate, we feel that it is not the government's function or duty to bail out inefficient textile businesses, but rather to follow a course of reducing protection in the form of import tariffs, as recommended by Dr Marais and the Industrial Development Corporation."

The State President, in a recent speech in Taiwan, stated "our goal is to remove obstacles to imports and exports in a responsible manner."

Said Dr Searll: "We will be putting our case to the Minister at a meeting to be held in Pre-

toria on Tuesday with the Textile Federation representatives.

"It appears that attempts are being made to steamroller the tariff increases through with indecent haste by January 1992.

"Our advice to the Board of Trade is to resist pressure from the Textile Federation, to stop panicking, and hold everything until the new chairman Professor Nick Swart, takes up office in February 1992, and all interested parties have the opportunity of jointly addressing the problems in a constructive manner."

The BTI development plan includes proposals to abolish certain export concessions where clothing manufacturers may import fabrics duty free for garments destined for export.

The BTI claimed exports did not take place under Customs supervision which meant no control was exercised over what was exported.

UK call for end to import impost

STIMOS
BUS
11/91

By JOHN CAVILL

LONDON — British Trade Minister Tim Sainsbury will call for the removal of the import surcharge when he leads the first government trade mission to South Africa for 21 years.

Mr Sainsbury says: "If South Africa reduced its high external barriers to trade it would send a positive signal to the international community. It would be a sign of a return to normality which would boost investor confidence in the country."

Mr Sainsbury and British businessmen arrive in Johannesburg on November 13 for a 10-day visit.

He will have discussions on trade and investment relations between Britain and SA. Britain exported goods worth £1.1-billion to SA last year.

Lunch 740

"I will meet President De Klerk, Mr (Pik) Both, the African National Congress and black business groups," says Mr Sainsbury, who will visit Pretoria, Durban, Richards Bay, Cape Town and Johannesburg.

He will also be the guest speaker at the Sabrita annual meeting lunch on November 14.

Mr Sainsbury concedes that SA faced difficulties with imports because of the need to maintain a high current account surplus to fund debt repayment when international financial markets were closed to it.

"But often one has to look forward. South Africa, at the moment, is a semi-siege economy, but there should be a lot of changes coming."

● On November 17 Business Times will publish a supplement on the state of British-South African trade.

Control goes ^(74D)

STimes (BUS)

IMPORT control on 741 additional items was abolished on Friday. 3/11/91.

This brings the number of items on which control has ended to 1 214 this year and about 5 200 since 1985.

Import control on the way out?

JEAN LE MAY
Business Staff

(74D)

ARG 2/11/61

with us," he said.

SOUTH African businessmen see the lifting of import control on a huge range of items as a move towards abolishing it altogether.

Mr Mike Getz, executive director of the Seardel Investment Corporation, said there had in fact been relatively little restriction regarding import permits on textiles during the past 18 months.

"I see the move as part of South Africa's re-entry into world markets, where it obviously does not wish to give the impression that it is discouraging people from doing business

The abolition has been welcomed by the Cape Town Chamber of Business director Mr Allan Lighton.

"We have been stuck with import control since 1948 and it is time that it was done away with altogether," he said.

Mr Albert Schuitmaker, the chamber's manager of business affairs, said however that the lifting of import control would not necessarily mean a reduction in prices, which were controlled by the tariff structure.

"But it does give importers a wider choice and places deci-

sions in the market place instead of with the bureaucracy," he said.

A large range of textiles, electrical and building equipment, unmounted precious stones, records, tapes, household articles, and military paraphernalia including tanks, helicopters and spacecraft are among commodities which may now be imported freely without permit.

Dr Org Marais, Minister of Trade and Industry, said in announcing the abolition of import control on a further 741 items that 1 214 items had been freed from control this year.

STEEL TARIFFS FM 25/10/91

Score one for David

Iscor and other big steel producers came away disappointed last week when government finally ruled on their application for higher steel import tariffs.

Government decided not to go along with the request filed by the SA Rolled Steel Producers' Co-ordinating Council in December to increase the protection for locally made hot-rolled steel products and wire rod. The decision was published in last Friday's *Government Gazette*.

Iscor argued that the protection for these products has not been raised since 1985. "Over the past six years, cost inflation in the local economy has soared, so we are understandably disappointed that government turned us down on wire rod and hot-rolled

FINANCIAL MAIL • OCTOBER • 25 • 1991 • 79

Continue - D

BUSINESS & TECHNOLOGY

FM 25/10/91 (74D)
steel imports," says Iscor spokesman Ernest Webb-Stock.

The decision is a big victory for the Independent Wire Converters' Association, which furiously lobbied against the wire rod tariff hike. Chairman Robin Bosomworth says the refusal to heighten protection is a welcome sign that government will be showing more sensitivity to the interests of small companies and consumers.

"Government is becoming increasingly aware of conspiracies within industry. The fact that it refused to hike tariffs on imported wire rod also illustrates the importance of effective lobbying in SA's overprotected economy. This might be a lesson to other steel users in the economy."

Bosomworth says that if government had gone along with the council's application, imported wire would have cost about R1 550/t on the Reef, more than double Iscor's export price of R750/t. While the council argued that jobs would be lost if protection were not raised, the association argued that local steel users would create more jobs if steel prices were kept down.

But the big steel makers did not go away empty handed. Government did agree to increase the reference prices for the formula duties on imported cold-rolled and galvanised flat steel products. "While the ad valorem duty has remained at 5%, the formula duties have been increased to conform with international prices," Webb-Stock says.

Bosomworth says his association's lobbying success underlines the need to form a steel consumers' council "to offset the lobbying abilities of the big boys," especially now that government seems to be realising the importance of a more competitive business environment. ■

PVC importer joins tariff row

By Sven Lünsche

SPAS
25/10/91

In a move which could prove to be a test case for the government's new approach to import tariffs, a large importer of PVC is making a concerted bid to prevent an increase in tariffs demanded by AECI.

PVC (polymers of vinyl chloride) is used in the manufacture of footwear products, cabling, agricultural goods and vehicles.

AECI is the largest local producer of PVC, but it claims that "predatory pricing" by importers had slashed prices and cut profit margins dramatically. Last month AECI approached the Department of Trade and Industry (DTI) to increase tariffs on PVC.

Dave Kenney, MD of the largest private importer Cargo Trade, yesterday condemned

the "indecent haste" with which the AECI application was being processed and the insufficient time allowed for objections.

He alleges in a memorandum submitted to the Department that increased tariffs "will lift PVC prices by as much as R1 000/ton, halt PVC imports completely, boost inflation and provide unfair protection for an inefficient producer".

He said prices for AECI's PVC polymers were already "outrageously high" at around R2 800/ton compared with a world average of about R1 300/ton and that the net effect of increased protection would be to allow AECI to increase its prices further.

AECI denied earlier that a revised duty structure would lead to a general price increase,

stating that its main reason for the application had been fear that the depressed world PVC industry could lead traders to over-invoice to avoid the duty.

However, Mr Kenny says the Customs and Excise Act provided sufficient mechanisms to deal with over-invoicing.

Shortage fear

He is also concerned that higher protection would lead to a serious shortage of PVC on the market, as the AECI plant could provide only about 80 percent of the market's needs.

"Even if the imports are constrained as dumping, GATT guidelines on anti-dumping protection are duties of around 20 percent of FOB value compared with the 57 percent duty already in place.

"This could rise to 87 percent of FOB value if the DTI gives the go-ahead, a breach of the 1986 Uruguay Round of GATT, to which SA was a signatory," Mr Kenny says.

The move by Cargo Trade will test the government's willingness to abide by the spirit of recent Industrial Development Corporation's proposals on lower tariffs.

The IDC's proposals are set to form the nucleus of far-reaching government laws on protectionist policies and export promotion, to be tabled in Parliament next year.

It is also mooted that the DTI will be fundamentally restructured as part of this legislation. The DTI has been responsible for administering selective tariffs for various industrial sectors.

Sun rises on SA trade

Political Correspondent

THE sun is rising on bountiful trade opportunities with the Far East with the lifting of Japanese bans on investment, iron and steel imports and landing rights.

Business analysts predict a major boost in several key areas of the economy.

The path is now open to extensive re-investment in existing Japanese plant in the car and computer industries, new loans, bigger coal, iron ore and rare metal exports, and a huge boost to South African tourism. Japan's decision is also expected to send a positive signal to other important economies in the Far East, such as South Korea and Thailand, and could lead to their restoring trade and investment links.

Already Iscor has signed a five-year contract with six top Japanese steel producers for 20-million tons of iron ore worth about R1-billion.

SAA is soon to engage the authorities in Tokyo to discuss direct air links.

Foreign Minister Mr Pik Botha said today a "new world" was opening for South Africa in the Far East and urged South African businessmen to take full advantage of the latest development.

He said the Japanese decision should be assessed "within the context of the awakening of the Asian giant with Japan as the leader".

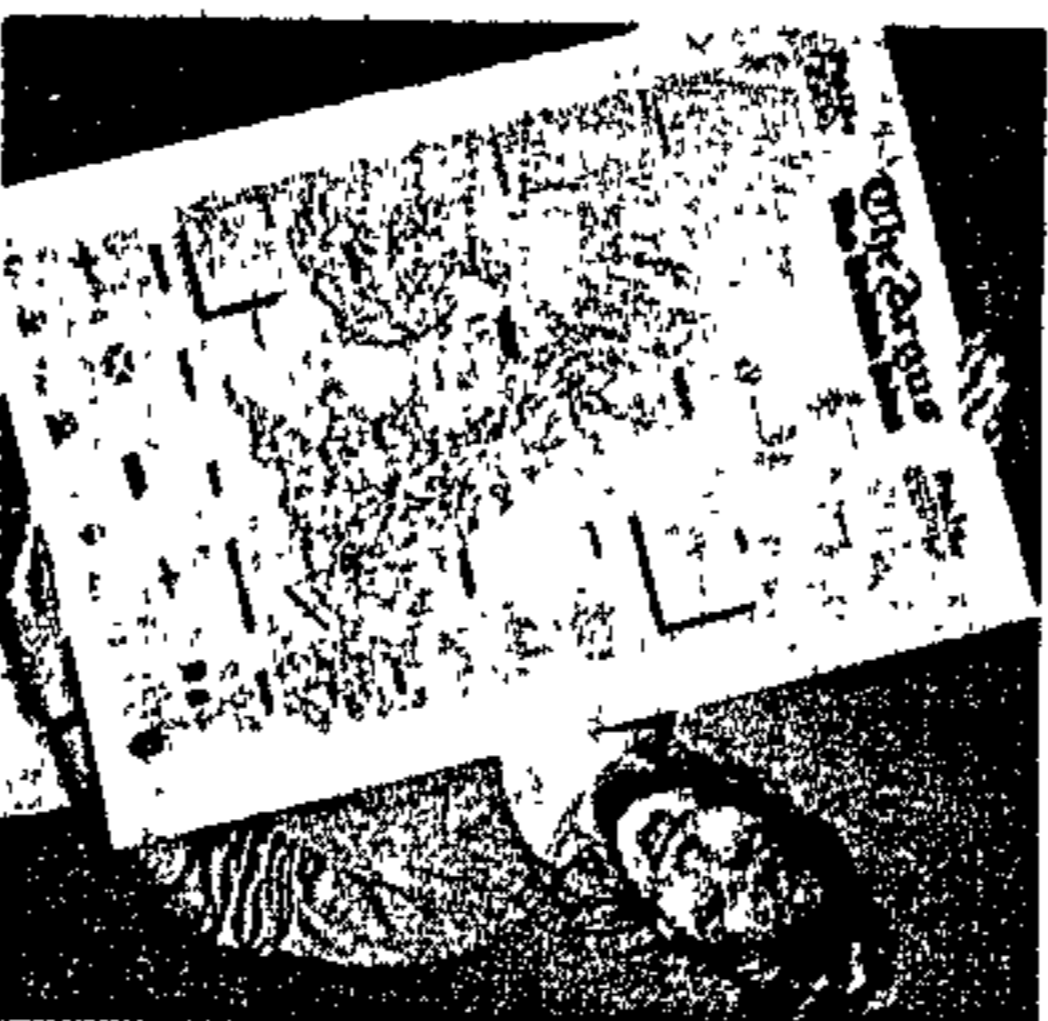
Japan is South Africa's fourth biggest trading partner, after Germany, Britain and the United States. It topped the list until 1988, but fell behind after the Tokyo government-instructed businessmen to hunt deals with South Africa.

Welcoming the lifting of the bans today, Mr Botha said the entire southern African sub-continent would benefit.

"Furthermore, this decision will give momentum to and will be seen as supportive of the envisaged negotiating process in South Africa. It is also in recognition of the bold steps taken by President De Klerk," Mr Botha said.

Mr Botha pointed out that Japan was one

FREE MAP OF BRITAIN



FREE in The Argus on FRIDAY is another in the series of colour wall maps — this one is on the British Isles.

Don't miss YOUR map of the British Isles, and the eight-page section, in The Argus on Friday.

BRITISH AIRWAYS

COME fly with us... and win a dream-trip to Britain on a British Airways Boeing 747-400, plus win R3,000 spending money for accommodation... discover how on page 2.

Woman



Hunks: Brains vs

Iraq denies importing weapons from SA

NEW YORK. — Iraq has rejected charges that it obtained arms and ammunition from South Africa, including 155mm howitzers capable of delivering nuclear, chemical or conventional warheads.

In response to an inquiry earlier this year from the UN committee against apartheid, Iraq's UN mission said such allegations were made "in dubious newspapers" and were dismissed to "mar Iraq's reputation as part of the well-known Western and Zionist media campaign... which began in an organised fashion at the beginning of 1990."

According to correspondence obtained by Reuters, the committee against apartheid had sent the Iraq UN mission copies of newspaper articles about Baghdad's alleged purchase of large numbers of the 155mm South African-built G5 howitzers, said to be capable of hurling a warhead up to 40km with great accuracy. — Sapa-Reuters.

Pile-up in rain on Settlers Way

EMERGENCY service staff freed the trapped and injured driver of a rainbus in a pile-up in the rain on Settlers Way near Pinehills today.

A bus, two taxis and two cars, skidded on outgoing lanes from the city near a feed-off bridge to Pinehills at 8am — after, it is believed, a vehicle skidded.

The trapped and injured driver of a taxi was taken to hospital.

There were no passengers in the taxis and only seven people in the bus. — Staff Reporter.

Grizzly Montana find



BLACK BLOW: The Cape's curse of the commuter and plague of the pedestrian —

Picture: ANDREW INGRAM, The Argus

Japan's decision is also a positive signal to other important economies in the Far East, such as South Korea and Thailand, and could lead to their restoring trade and investment links.

Already Iscor has signed a five-year contract with six top Japanese steel producers for 20-million tons of iron ore worth about R1-billion.

SAA is soon to engage the authorities in Tokyo to discuss direct air links.

Foreign Minister Mr Pik Botha said today a "new world" was opening for South Africa in the Far East and urged South African businessmen to take full advantage of the latest development.

He said the Japanese decision should be assessed "within the context of the awakening of the Asian giant with Japan as the leader".

Japan is South Africa's fourth biggest trading partner, after Germany, Britain and the United States. It topped the list until 1988, but fell behind after the Tokyo government instructed businessmen to limit dealings with South Africa.

Welcoming the lifting of the bans today, Mr Botha said the entire southern African sub-continent would benefit.

"Furthermore, this decision will give momentum to and will be seen as supportive of the envisaged negotiating process in South Africa. It is also in recognition of the bold steps taken by President De Klerk," Mr Botha said.

Mr Botha pointed out that Japan was one of the most powerful countries in the world with a GNP of almost R9 000 billion.

"On the one hand, Japan's products are known and are in demand in South Africa; on the other, the potential supply to Japan of South African raw materials should be enhanced by this decision."

Finance Minister Mr Barend du Plessis is in Tokyo today for talks with leading bankers, and the Department of Trade and Industry is to send a trade mission to Japan.

Japan will retain sanctions on exports of computers for military use pending further dismantling of apartheid.

However, media spokesman for the South Africa Foundation, Ms Glenda Souter, said the Japanese move was "significant."

"We can expect to see greater re-investment in existing Japanese plant in the car and computer industries, as well as bigger exports of coal, iron ore and rare metals.

"Also, the fact that Japan has the biggest banks in the world means that the prospects for loans are hugely improved.

Positive signal

"Given the fact that through the 1980s Japan was one of our biggest trading partners, their decision to re-establish direct trade and investment links is an important move that will send a positive signal to other key economies in the Far East.

"Another area where SA can expect a boost is tourism. This is one of our biggest industries and the Japanese market is huge," she said.

Sapa reports that SA Airways hopes to open discussions with the Japanese authorities on flights to Tokyo.



President

Good chance early ceasefire in Moza

MAPUTO. — quim Chissano ment could s with Renamo Year, ending war estimated million lives.

After the sig col at peace ta Friday Mr C "The possibilit signing this p see any more

"I don't know but from our should be easi

● Renamo fi ed to have ki people in an a and village of bane Provinc day. — Argus / vice, Sapa-Rel

Import duties on tyres stay

(S/Time) (BUS)

THE SA Tyre Manufacturers' Conference is to ask the Board of Trade and Industry to increase import duty on tyres before quantitative import control is lifted.

In last week's Business Times it was reported that the SATMC would ask the BTI to retain import duties on car and truck tyres, which it suggested would be scrapped at the end of the year. 13/10/91

Import duties range from 10% on tubes and earth-mover "slicks" to 25% on car and truck tyres. Quantitative import control limits the volume of tyres that can be imported and does not refer to import duties.

Quantitative import duties will be dropped on December 31 unless the SATMC is successful with a petition to the BTI to retain import control on tyres.

Business Times also said that tyre manufacturers were forced to buy synthetic rubber from Sentrachem's Karbochem plants. Alex Olivier, a director of Karbochem, says that since the closure of the polyisoprene plant last year the duty on natural rubber was dropped.

Tyre manufacturers buy most of their SR from Karbochem, representing less than 50% of their requirements, on which there is a 25% duty.

TRADE & INDUSTRY FM 5/7/91

74

GETTING ALONG TOO WELL?

Government's trade and industry officials appear to be one big happy family again.

Trade & Industry Minister Org Marais is saying complimentary things about the Board of Trade & Industry. Board chairman Lawrence McCrystal has regained his old self-confidence now that his position appears more secure. And Trade & Industry Director-General Stef Naudé is keeping his comments about the board to himself, in line with the apparent spirit of reconciliation and teamwork.

The situation was different under former Minister Kent Durr. A zealous reformer, Durr was critical of the board's interventionist bent. He shut the door on any more of the board's structural adjustment programmes for various industries, with Naudé saying they were too cumbersome and complex to administer.

Durr stripped away the board's advisory powers on issues such as fiscal policy, technology and the promotion of competition and small business development. He also sent 70 of the board's 95 employees back to the Department of Trade & Industry.

As Durr pushed ahead, McCrystal's fortunes sank. But when Durr was appointed ambassador to London, Marais took over as Minister in April and McCrystal staged a comeback.

Marais has now reaffirmed a key role for the board in economic policy-making — overseeing tariff changes and acting as a think tank for analysing business issues referred to it by Marais and the department.

Ironically, this is exactly the same brief that Durr had in mind for the board. But under Durr the changes were presented in terms of reining in the board and curtailing its ability to damage the economy. Now that the board's role is being cast as important and influential there is more than enough to keep the board busy as the debate over tariff policy heats up.

And tariff policy certainly has become more important, thanks to the recent Industrial Development Corp (IDC) report, calling for reduced tariffs over the next few years, and the Gatt talks in Switzerland.

"In terms of the IDC report, tariffs will need to be strongly reduced," Marais says.

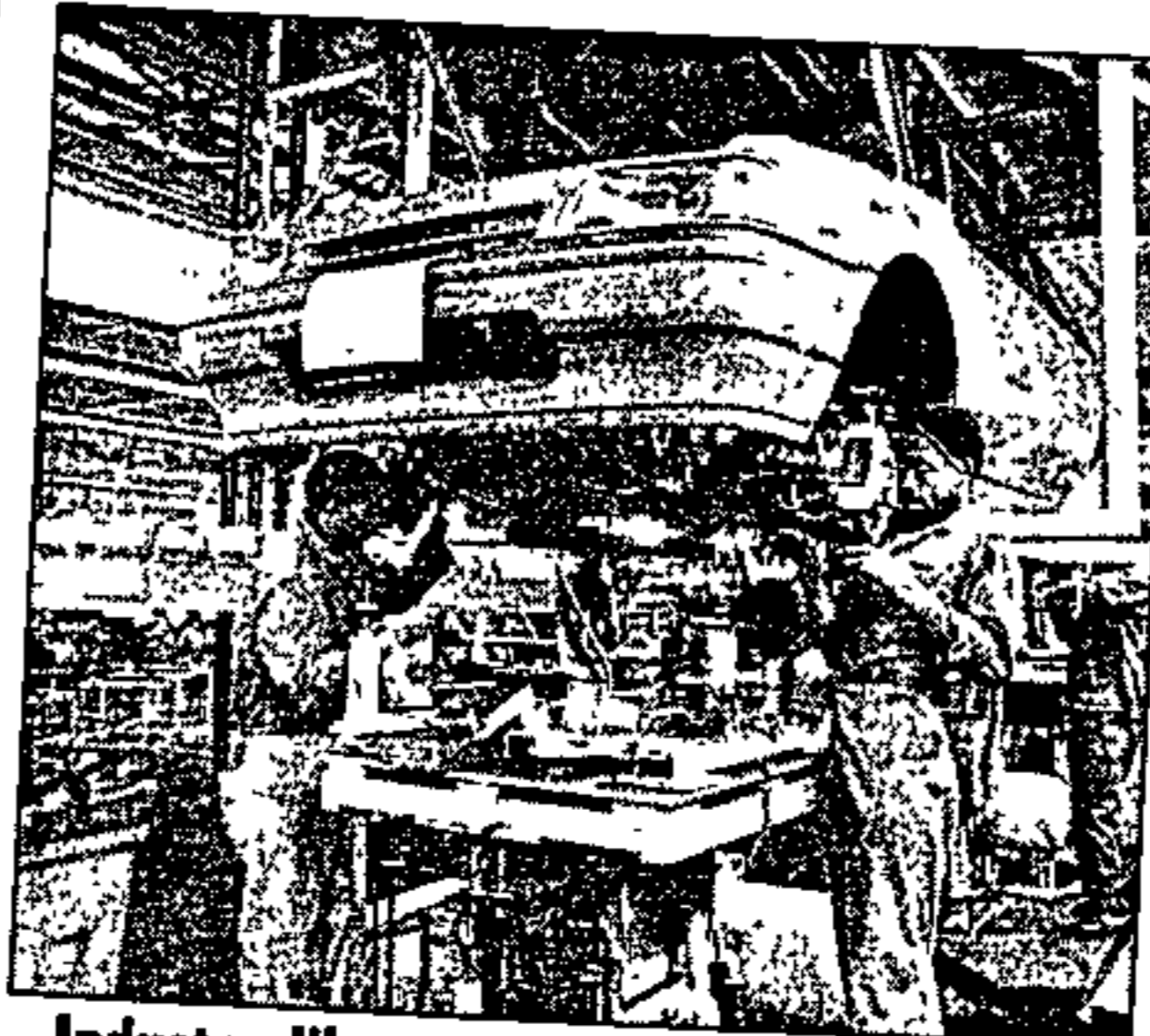
"And the phasing out of formula duties, together with the implementation of the new antidumping policy, means that the board's investigative and overseeing roles on these vital issues will become increasingly important. But the department remains the policy executing body — what the board will continue doing is to advise us on policy issues.

"One issue that needs investigation and resolution is whether catalytic converter exports should receive benefits under the Phase

Six local content programme for the motor industry. A separate scheme may have to be devised to encourage these exports. This is an example of where we need the board's think tank assistance."

While all this new-found compatibility between the Minister, the department and the board will certainly reduce the usual bureaucratic infighting, it may not bode all that well for freeing the economy and creating much-needed jobs.

With somewhat less deregulation fervour emanating from the Minister's office, McCrystal may be receiving signals that the pressure for radical reform has eased,



Industry likes protection . . . consumers want lower prices

though he says it is as strong as ever.

The board continues to get four or five applications a week for increased tariffs, McCrystal says. But instead of quickly disposing of them, the board is conscientiously evaluating them, even though approving them would run counter to the spirit of the IDC report and Gatt.

Last month, in an announcement that has stirred a hornets' nest of criticism, the board proposed simplifying the tariff categories for paper imports, but in the process raising some tariffs while lowering others.

Some types of paper that are now duty free, and are not made in SA, would become subject to tariffs. Printers and paper distributors say the result would be higher overall protection for paper suppliers, but McCrystal says it's impossible to say whether the average tariff level would go up or down.

He maintains, however, that the average 10% duties on imported paper are on the lower end of the range of international paper tariffs.

The board is also busy devising new antidumping measures. The rules promise to be an improvement on the formula duties that now act as a dumping deterrent but serve to create minimum prices at which goods enter SA. However, indications are that the rules

will go beyond mere dumping and instead become a vehicle for import protection in general, and thus slower economic growth. Marais says the rules, to be proposed next month and tabled in parliament next year, will be modelled on the EC's antidumping measures.

However, the EC rules are used to thwart all types of import competition, not just the rare instances of true dumping. *The Economist* calls the EC rules "the protectionist's weapon of choice."

Last week the Trade & Industry Ministry retreated further from a deregulation philosophy. It announced a new streamlined procedure to speed up approval of requests for tariff and dumping protection. Now companies feeling the competitive heat or wanting to shore up quarterly profits can find shelter from imports in a matter of weeks.

But the old procedures seemed speedy enough. In January a shipment of Brazilian steel diverted from Iraq to SA was banned on the spot, even though no dumping was involved — it would have been sold at the prevailing world price, says Sue Bennett, of Fairtrade, who was bringing in the shipment.

In another sign of the times, the board will begin hiring its own staff. This means it will no longer have to depend on people seconded from the department. One bright spot, however, is that Marais promises to bring in more people from the private sector to assist the board either full- or part-time.

"Appointments will obviously have to be cleared with both the Cabinet and the Commission for Administration." In addition, three of the board's seven members, Ted Pavitt, Rod Ironside and Albie Myburgh, will retire when their five-year terms expire at the end of the year.

McCrystal says he has always favoured involving the private sector "as much as possible" in the board's operation.

But the danger is that the private-sector representatives could be just as interventionist as the board. Many business leaders are avid protectionists when it comes to their own industries, no matter how much it hurts the economy as a whole.

Foreign steel go home

A case in point is Les Boyd, CE of Highveld Steel, past president of the SA Chamber of Business and an advocate of the steel industry's application for increased protection.

"I agree that the board should stick to tariff and dumping issues," he says. "The board should especially look at its response time to dumping and tariff applications." He says industrialists are helped little if antidumping measures are imposed "after the

SA to phase out ⁽⁷⁴⁾ _{CR 9/7/91} import controls

By PETER DENNEHY

IMPORT controls in South Africa are going to be phased out, Chamber of Commerce vice-president Mr Herbert Hirsch told a visiting Yugoslavian delegation yesterday.

Speaking at a seminar attended by local businessmen and the two trade-promoting Yugoslavs, Mr Hirsch said that for the past two decades, South Africa had tried to protect local industry through imposing high tariff barriers to restrict imports.

At the time, this policy seemed logical in view of the closing net of sanctions and the campaign to isolate South Africa from the rest of the world.

Civil war

Yet nowadays, in a changed political climate, the emphasis was on exporting more, and on exposing local industries to international competition to test their viability and make them stronger.

● The Yugoslavs, Mr Nikola Stojsic and Mr Lalin Radovan, were not particularly forthcoming on the topic of the virtual civil war in parts of their country.

Mr Stojsic said he and his colleague were businessmen, who did not represent either their federal or republican governments.

"Both our federal and our republican governments know about our trip to South Africa and support it," he said.

Mr Stojsic, president of the Chamber of Economy of Vojvodina, said Vojvodina, in the Republic of Serbia, was the richest province in the country.

"Slovenia is where the trouble is," he said.

IMPORT TARIFFS

FM 3/7/92

74D (circled) (circled) (circled)

Haggie's wire trap

Haggie Rand's application for a fivefold jump in tariffs on a range of imported steel and iron products is meeting with an increasing amount of flak.

Haggie wants tariffs to go from 5% to 25% on non-insulated stranded wire, wire ropes and cables, which are used in the mining industry. It wants the same tariff hike on "wire of iron and non-alloy steel," used extensively in beds and mattresses.

Bill Emmett, the chairman of the Chamber of Mines' purchasing subcommittee, says the higher tariffs would increase mining costs by more than R20m a year.

"Steel wire rope is extensively used by the mining industry. We are extremely concerned over this application because it would counteract all industry efforts to contain costs."

Genmin, for one, buys R42m worth of stranded wire ropes a year, with about 5% imported. An Anglo American spokesman says that to keep the escalation of unit costs down to "as close to zero as possible," it has asked suppliers to keep their price increases

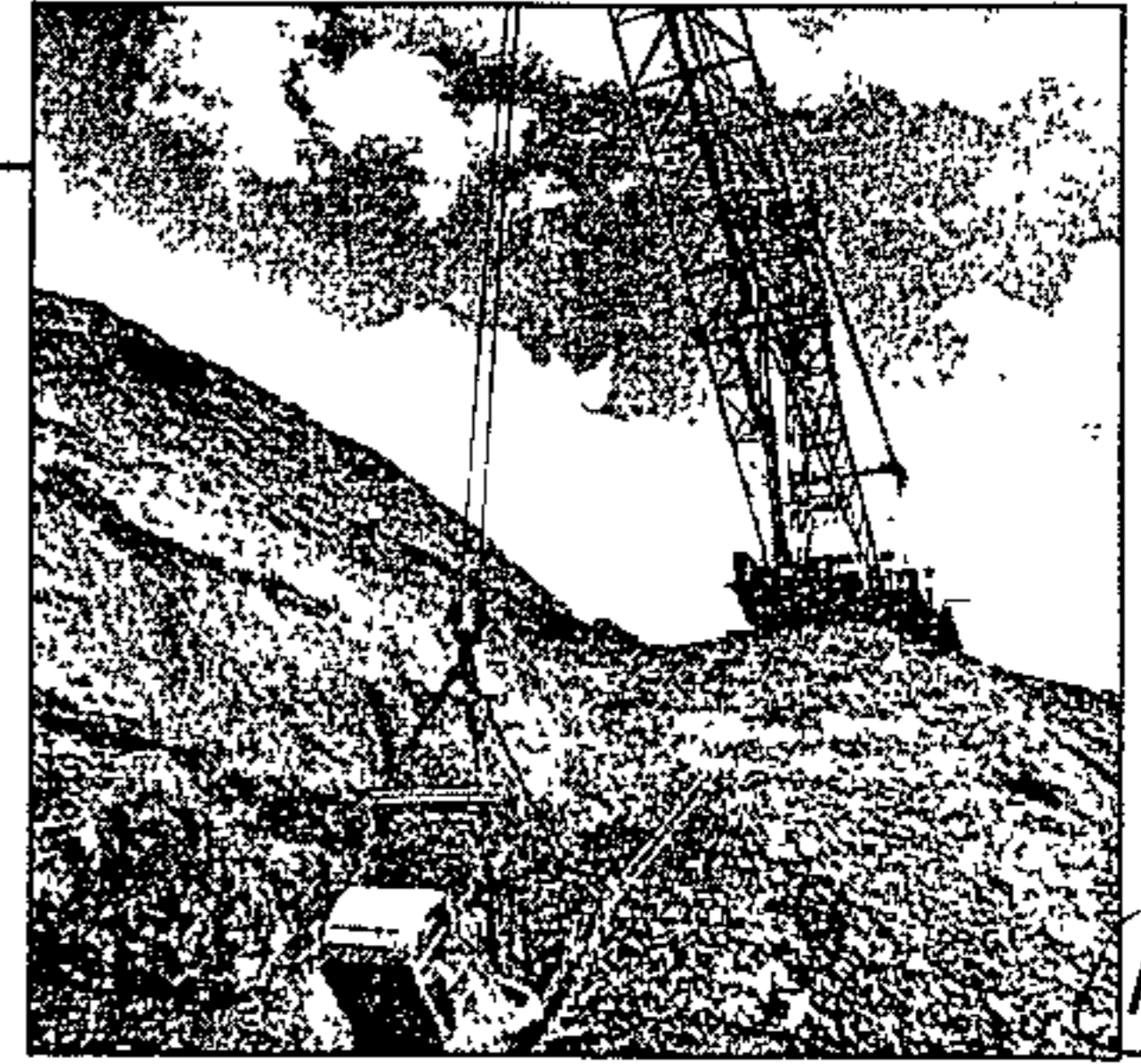
modest. "It is as much in their long-term interest to do so as ours," he adds.

In its application to the Board on Tariffs & Trade, gazetted on April 24, Haggie asked that the higher, 25% tariffs be retained for five years to allow it time "to improve efficiencies and effectiveness." It adds: "The company requires support in the form of increased duties for a limited period of nine years (which includes a 5 percentage point a year reduction over four years) to be able to achieve its objectives."

Hogwash, says Robin Bosomworth of the Independent Wire Converters' Association, which wouldn't be directly affected by the higher tariffs but feels that if the application is approved, it would enable Haggie to move eventually into its markets. "Our association rejects Haggie Rand's application for increased duties as an exercise in increasing profits and harassing potential competitors. Haggie is a neo-monopoly in high carbon wires, ropes, strand and cables and wants higher domestic prices for its product."

He also points out that as a large exporter and a world leader in the manufacture of many mining items, Haggie makes a poor candidate for protection.

As with most tariff applications, Haggie's



Haggie Rand ... mining higher protection for profits

FM 3/7/92

74D (circled)

(circled) (circled)

187E

request has the insidious effect of shutting down most of the imports in question because importers are reluctant to sign import contracts with the possibility that tariffs could be raised at any time. "This enables Haggie to achieve higher prices even while the application is under consideration; therefore, the application will be a worthwhile exercise," Bosomworth says.

MD Chris Murray says Haggie, the dominant supplier of wire rope to the local industry, has to compete with local rivals and overseas suppliers. And he says Haggie has no intention of hiking its prices to local customers, even if tariffs are increased.

"The landed costs of these imports (mainly from Europe and the Far East), now running at about R100m, are far from free and fair, and benefit from both government support and price cutting due to chronic overcapacity in the world wire rope industry, while cross-subsidisation also takes place within major European manufacturers."

And, he adds, local steel prices are formula-rated, "meaning we have to pay far more for it than if we had direct access to world prices." Sales volumes have also shrunk in the current recession, putting "severe strain on margins and profits."

Bosomworth responds that "Haggie became a conglomerate in the halcyon days of permit protection and apparently greed knows no end. It enjoys huge comparative advantages such as natural geographic protection of 15%-20%, an import surcharge of 5%, existing duties of 5% and a 10% convenience factor."

He adds: "Whatever increase the board awards Haggie will be reflected in domestic prices proportionately (import price parity). It is not for government to award Haggie fat and comfortable prices and profits at the expense of industry and the economy, or to encourage it to sit back and become inefficient when it should be concentrating on the more competitive export market."

And, he adds, the two-tier pricing that exists across the entire range of Haggie products means that its domestic prices are already, on average, 40%-50% higher than its export prices. "Why distort prices further — two-tier pricing does not even exist in Europe because of the level of internal EC competition."

But Murray remains adamant that Haggie's intentions are noble.



F/M 317/92 (187E)

(74D) () () () ()

"Our commitment to free market principles should not be in doubt. But it is naive in the extreme to expect us to play by these principles when the realities of the market we are operating in clearly do not exhibit them. Indeed, it is precisely because of our strategic aim to become more price competitive in a freer market that we have requested the additional tariff protection. It will enable us to reduce our unit costs by going for increased volumes — while at the same time boosting our exports."

So, local consumers are being asked to make Haggie more profitable while it works on its long-term plan. Murray doesn't disagree.

"Haggie Rand is well on its way to becoming one of the most technologically advanced and price-competitive rope manufacturers in the world. It has the capacity and means to be a significant worldwide player in the industry. The use of properly targeted tariffs will get the company there quicker. Surrendering in the face of artificially cheap imports will not."

Haggie's application may be one of Trade & Industry Minister Derek Keys's first tariff decisions and in his six months on the job, his comments have shown great sympathy for industries that crave protection and higher profits and little sympathy for the consumers who must pay the inflated prices and for the unemployed workers who can't find jobs because protection has made the economy uncompetitive. Last week, he reiterated that "industrial development could not be sacrificed for the lower cost of products which reducing trade tariffs might bring."

If Keys's protectionist leanings are carried out in practice, a flood of applications for higher tariffs may come pouring in.

As Bosomworth notes: "Haggie's application is the thin end of the wedge, with further applications to follow if it's successful. Increased duties will render important downstream manufacturers internationally uncompetitive, while primary producers continue to distort the economy, using exports as justification for their actions."

[Sector: Engineering see McGregors]

Car makers want import duties cut

THE motor industry has asked government to cut import duties, industry sources said yesterday.

They said this would lead to rationalisation in locally made ranges and make luxury cars cheaper.

National Association of Automobile Manufacturers of SA (Naamsa) president Bert Wessels said the motor industry had taken the initiative and proposed tariff reductions, rather than wait for government to reduce duties arbitrarily in line with its commitment to GATT's Uruguay Round of negotiations.

Naamsa and the National Association of Automotive Component Manufacturers of SA (Naacam) proposed a reduction of import duties on cars from 110% to 100% by the end of 1992. They also called for further annual reductions of about 5% for commercial and passenger cars during the next five to eight years, with an

end limit of 60%.

Wessels said reduced import duties would rationalise local ranges and make it more cost effective to import high priced models.

Mercedes-Benz SA director Peter Cleary said yesterday luxury cars and sports cars should become cheaper in two to three years if import duties were reduced.

Naamsa's proposals contributed to Mercedes's decision to defer the local assembly of its latest S-class range.

"The reductions proposed by Naamsa mean that the possibility exists for cars with relatively low local content, such as the S-class, to become less expensive as imports in two to three years — and certainly before we have amortised our investment on the car range," said Cleary.

He said the reduction would affect low volume vehicles brought to SA

with low levels of local content. Phase VI offered manufacturers of these niche market cars the opportunity to average out local content requirements across their entire range of vehicles.

Wessels said government had initially indicated that it wished to reduce duties from 100% to 30% on commercial and commercial passenger vehicles and chassis, and leave duties on passenger cars unchanged. However, such a reduction would have decimated the commercial vehicle component industry.

Wessels said that, although the proposals were being considered by the Board on Tariffs and Trade, he believed government was stalling until the investigation was completed into Phase VII of the local content programme. Naamsa believed import duties should be reduced in phases as soon as possible.

81049 4/8/92
EDWARD WEST

1992

74D

Dunlop boosted ^{CT 11/8/92} by clamp on tyre imports

Business Editor

BTR DUNLOP was helped by a curb on tyre imports in the six months to June, MD Clive Hooper said yesterday.

But although sales rose to R328,2m (R325,4m), Hooper and chairman A Gnodde point out in their interim report that in real terms — allowing for inflation — this meant a decline of 9%.

“The difficult trading conditions were also reflected in the margins, and as a result the trading profit at R47,1m (R54,2m) was 13,1% down.”

But substantially reduced borrowing meant that financing costs were down to R2,8m from R5,4m. The tax bill also fell, to R16,1m (R21,3m).

This helped to lift attributable profit by 3% to R28,2m (R27,5m). Earnings at share level rose to 120c (117c). The interim dividend was maintained at 60c. Hooper said the debt-equity ratio was only 5% in spite of the group's continuing capital expenditure programme of about R100m over three years. It was concentrating on plant to meet the swing to steel car and truck products.

Sales to the mining industry were lower and the four divisions supplying components to vehicle manufacturers were hit by the lower car sales.

The interim report said there were “still no signs of an improvement in the general economic conditions in all sectors.

“Until there is some progress towards resolving the political problems in SA it seems unlikely there will be any economic upturn.”

● A week-long strike in the tyre industry was resolved yesterday, union official Bernie Fanaroff said.

Workers accepted a R1,13 across-the-board rise in hourly rates.

'End protection and subsidies' call

B10A4 4/9/92
A NON-SELECTIVE and neutral trade policy would require a phased withdrawal of the present tariff protection for import-competing producers and subsidisation of exporters, Economic Society of SA president Merle Holden said yesterday.

Addressing members at the society's annual meeting, Holden said dismantling should occur over five years in pre-announced steps to give both sets of producers the opportunity to adjust and plan for the future.

"Furthermore, the reform has to be credible, otherwise the desired movements in resources will not occur," she said.

"It has been shown the reduction of tariffs should be achieved by what has been termed the concertina strat-

HILARY GUSH

egy, namely a strategy in which the top rates are gradually collapsed to the next highest level."

By using the same strategy, Holden called for the phased removal of the general export incentive scheme (GEIS), "with a reduction of subsidies to the more favoured sectors".

She said while those exporting industries with a high value added and a high local content found that GEIS had provided significant incentives to export, the scheme had discriminated against low value added, low local content exporters.

Growth theory, which now perceived success to depend on increases

(741) (741) (741)
in innovation, invention or technological change, opened up new investment opportunities and introduced "an externality deserving of special attention", she said.

In line with this, Holden suggested the state's role could include the development and dissemination of market information and control.

"These forms of collective action are less likely to be susceptible to capture, manipulation and corruption than if subsidy support is offered directly to firms for these activities and accords with treating distortions at their source."

Holden said SA was emerging from years of international isolation and had already experienced considerable trade liberalisation.

id. Reuter

CT 12/9/92
Philips may close SA plant

JOHANNESBURG (74)

Philips South Africa, one of the country's largest television producers since TV was introduced in 1975, is considering closing its local manufacturing plant in favour of importing — owing to a flood of cheap imports since last December.

Chief executive officer of Philips SA, Mr Bruce Mackenzie, yesterday blamed the removal of tariff protection for electronic components last December by the Department of Trade and Industries for creating a loophole which allowed "virtually anyone" to import cheap sets in a semi-knocked-down form from the Far East. — Sapa

his
in
on

top
ks,
and
lar-
eg.
san
een
red
ital

ten
on

ots

palace

Tariff policy slammed

74D

~~74D~~

PETER DELMAR

~~74D~~

GATT delegates who left SA at the weekend have taken a hard line on this country's tariff protectionism, indicating that current offers to reduce duties are not enough. The delegation reviewed trade policies and practices. Sources involved in the talks said the team was not satisfied with SA's overall tariff structure and wanted tariff barriers to be eliminated soon.

It suggested part of the proceeds from tariff duties be invested immediately in training funds to address problems which overnight deregulation would cause.

The team was in SA to update GATT on SA's general trade policies, but was not concerned with detailed analysis of tariff structures.

BIDM 24/9/92

A source said SA's offer to GATT to reduce duties on 4 000 tariff headings was not considered enough. Government had indicated this would start only in 1994 and could take up to seven years to implement.

The team also indicated SA's export incentives would have to go. There was little understanding of local complaints about other countries' non-tariff barriers.

It appeared that government officials largely agreed on the need to further reduce tariffs, one source said.

Row over SA's import surcharges

GENEVA — The US and other countries objected yesterday to the surcharges of up to 60% that SA imposed on imports, trade sources said. *Bl Day 11/10/92*

At a meeting of the ruling council of GATT the US called on SA — which imposed the surcharges as a reaction to foreign sanctions over apartheid — to conform to its GATT obligations or make a case for exemption if it had balance of payments problems.

Among other parties objecting to the continued existence of surcharges levied in addition to import tariffs were the EC, Japan and Switzerland, which said the lev-

ies were creating problems for its watch and textile exporters.

According to the sources, SA trade ambassador Jacobus Eksteen said his country had begun to reduce surcharges but could go further if remaining sanctions were removed. *(74D)*

Eksteen said SA in principle favoured reducing or doing away with import surcharges and other restrictions, a position already taken by President F W de Klerk.

However, he noted that continued trade and financial sanctions were contributing to the problems SA's ailing economy faced, the sources said. — Sapa-Reuter.

Cutting tariffs would destroy textile industry

BIDMg 5/10/92.

THE SA textile industry is in agreement with our counterparts in Europe that we are totally committed to the free market system and to world competition, as long as it is based on fair conditions of trade.

This implies:

□ A clear and coherent set of rules, agreed upon internationally and aimed at combating dumping, subsidies, piracy of intellectual property, circumvention by trans-shipment and false declaration of origin;

□ Specific provisions for dealing with non-market economies, for example China, because no private sector business can effectively compete against a state;

□ A proper system for verification and enforcement, allowing countries that suffer prejudice from abnormal practices to take appropriate measures. Adequate safeguard mechanisms such as high ad valorem and countervailing duties should be able to be called into effect.

The international textile community, at the recent Uruguay Round of GATT, made it clear that to achieve this would take at least seven to 10 years. Only when these distortions are removed and non-tariff measures are dismantled dare SA lower

and harmonise its protective textile tariffs. To do so now would be tantamount to destroying the industry.

There is talk in government circles and among some Board on Tariffs and Trade officials of a policy of freer access to imported yarns and fabrics. This is open to question.

The theory is that this policy will drive the local textile manufacturer to be more competitive in global markets. It assumes that this will push costs down.

Nothing could be further from reality. Producers in most countries exporting to SA are heavily protected and subsidised. These imports reduce local demand, which is already softened by the recession, and local textile mills are thereby further underutilised.

The Pacific Rim countries did exactly the opposite in the '60s and '70s. These developing countries realised that the textile industry, as a primary industry, had an employment multiplier effect and they sought to protect these industries in order to build them up to full capacity and then launch them as exporters to the First World.

The mechanism of reducing tariffs and hoping to push costs down by in-

ABE FRAME

creasing imports can only work if there is full employment, and if there are skills available to move to another industry. Neither is true in SA. It also does not follow that destroying one industry will result in correspondingly great expansion and the absorption of those employees in another industry.

Another myth that has to be destroyed is that cheaper imports mean cheaper textile products at retail level. This propaganda is cultivated by importers who are only interested in making greater profits.

Our critics suggest that protection is required only because the SA textile industry is inefficient. If this argument is taken to its logical conclusion, then the Far Eastern textile industries must all be more inefficient than their SA counterparts, because they all have much higher protection barriers. The argument is a non sequitur.

The textile industry draws its labour and management from the same pool as does the clothing or any

other industry. The textile industry, therefore, is probably as efficient as any other industry from a labour and management point of view. Against the subsidised industries of the East, neither SA nor the First World countries can compete. SA textiles are, however, competitive with First World counterparts.

The SA textile industry can do nothing at this stage about its disadvantages in the higher cost of plant, spares, chemicals, dye stuffs and so on; lower depreciation levels than those enjoyed by its competitors; the non-subsidisation of its raw material input costs such as cotton and polyester; the high inflation rate; educational and social problems; higher corporate tax rates; political unrest, political change, strikes, mass action, stayaways and violence; and higher interest rates.

What can the government do now? It could accept that the textile industry is a primary industry that also creates secondary employment as in Korea, Thailand, Taiwan, Indonesia and Pakistan.

It should be accepted that SA is a developing country. It was an error that SA was introduced into GATT as a developed country and efforts

should be made to change this as soon as possible.

Government must also expedite anti-dumping procedures and the structural adjustment programme's duty free imports should be stopped immediately with regard to both textiles and clothing. In their place there should be consistent and effective export incentives upstream and downstream.

Protective duties need to be adjusted urgently as requested in applications already filed. These must be high to be effective at all.

If government does not act now, the infrastructure of the textile industry could be destroyed by 1993. There are some 300 000 people employed in the textile pipeline. If one multiplies this by six for those who are supported by textile employees, more than 1-million people will be affected. The impact on the secondary industries such as packing, electrical supply and transport, and the economy, will be disastrous.

□ Frame is chairman of the SA Cotton Textile Manufacturers' Association. This is an edited version of an open letter sent last week to Deputy Trade and Industry Minister David Graaff.

BOOKS

Import duty cut

THE Government has cut import duties. Department of Trade and Industry Director-General Stef Naude says maximum ad-valorem duties on consumer products will be 30% and on other products 15%. (74D) (S)

Imported goods will be duty-free where there is no SA-made equivalent. Dr Naude says the changes will be implemented gradually after SA falls in line with the General Agreement on Tariffs and Trade (Gatt).

The phasing-in programme is to be negotiated at the Uruguay Round of trade liberalisation of Gatt. He expects it to take five to 10 years, depending on the sensitivity of the industries. (S) (Times) (BUS) (S)

They include clothing and textiles, motor vehicles, rubber and plastics. 11/10/92

A committee has been appointed to look into the clothing, textile and motor industries. Other committees may soon be appointed to investigate how to make the other seven industries internationally competitive in the long term.

Cut in car import duty 'not enough'

GOVERNMENT's reduction in duties on imported cars by 10% to 100% would not be enough to stimulate growth in the imported car market, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday. *BIDAM*

A Naamsa spokesman said the 10% reduction effective from October 23 was in line with Naamsa's proposals, which advocated car and commercial vehicle tariffs first be brought in line to 100%, after which tariffs would be reduced by 2,5% every six months over the next five to eight years to a limit of 60%. *30/10/92*

He believed a trend would develop as import duties declined whereby manufac-

EDWARD WEST

741

turers would begin importing low-volume niche market vehicles and concentrate on the local manufacture of relatively high volume vehicles. *93*

Car importer LSM Distributors MD Hans Holster said the 10% reduction would stimulate the imported car business. However, further reductions were necessary to sustain growth in the industry.

He said the reduction in duties and the subsequent reduction in new car prices should increase the investment values of imported vehicles.

SINGAPORE'S Prime Minister, Mr Lee Kuan Yew, raised eyebrows in South Africa last week when he said local industries had become too protected, "heavy and slothful".

The price, he said, had been "tremendous inefficiencies".

The same day, the government entrenched that protectionism by introducing new import duties to protect textile and clothing industries against low-priced imports.

These imports were taking business away from local manufacturers as people opted for cheaper clothes in the recession.

The government's move will probably save some jobs in local industry, but South Africans will

Counting cost of protectionism

Sec TT 7/11 11/11/92

who is the winner?

The mining industry, on the other hand, is less "lucky". Because it relies on the international market, it cannot be protected against adverse trends. Job losses have become the order of the day in mining and related industries. That trend is likely to continue for some time.

The Economist magazine's respected commodity price index says the US dollar metals index has fallen by 5.5 percent over the last month and by 2.8 percent over the last year. With no sign of an end to

world economic gloom, there is little prospect of higher industrial demand and prices have plunged.

Old Mutual chief economist Mr David Mohr agrees.

"Closely linked to the indifferent prospects for the world economy in 1993 is the small chance of a strong recovery in international commodity prices," he says in his latest economic review.

"If commodities remain depressed, the serious deterioration in the local mining and related industries over the past few years is likely to continue for a while. Eco-

74D

nonite conditions in areas and regions which are heavily dependent on the mining industry will then deteriorate further."

Of all the commodities produced in South Africa, gold is perhaps the most important. But the gold price remains weak.

Mohr says investors have continued to show little interest in gold over the last three months. This was particularly obvious in September, when world currency markets were plunged into turmoil and stock markets slumped.

"We remain of the opinion that

conditions are not favourable for a bull market in gold in the next few years. The deflationary international environment, attractive investment alternatives and new hedging instruments still militate against the price rising by much," he said.

The oil price has been relatively stable this year. High stock levels mean that sharp price hikes are unlikely in the short term.

But experts are divided about the longer term. Some believe that slow world economic growth and high stocks will hold down prices to between \$20 (about R58) and \$25 (about R72) a barrel for the rest of the nineties. But others foresee rising costs as oil producers press for higher prices. — **LYNDA LOXTON**

Prices of clothing may soar and thousands of jobs may be lost when the government's plan to protect the textile industry takes effect this week, reports

Edwina Booysen

CLOTHING bosses are at the end of their tether over government moves to end the special deal on imported textiles.

Besides cutting bosses' profits, the move could also lead to thousands of workers in the clothing industry, mostly women, losing their jobs.

The government's measures to protect the textile industry take effect on Friday and will drastically increase import duties on textiles, pushing up the cost of clothing for the domestic and export markets.

Cape Clothing Manufacturers Association (CCMA) chairperson Mr Simon Jocum told SOUTH that the government was protecting the textile industry at the expense of the much larger clothing industry.

National Clothing Federation executive director, Mr Hennie van Zyl, said at the weekend that the changes could destroy more jobs in the clothing industry than they saved in the textile industries. It had been estimated that four clothing workers were laid off for every job saved in the textile industry.

What the government has done is to start phasing out a scheme that helped promote clothing exports by allowing manufacturers to import textiles cheaply. This scheme had affected the sales of local textile manufacturers, who also claimed that the scheme was being misused. But the scheme was very successful



TEXTILE TURMOIL: Consumers may have to fork out more for clothing

Rag trade in tatters over import duties

SOUTH 14/11 - 18/11/92

74D

in increasing clothing exports.

The CCMA remains dead set against the new move that makes imported textiles more expensive by increased duties by as much as 300 percent in some cases.

This increase will push up prices for both the domestic and export markets and generally make the clothing industry less competitive at a time of increased international competition and falling consumer spending power at home.

Jocum predicts that, come the New Year, factories will go on short-time as retailers will be buying less items.

"Instead of keeping the status quo, the government was seduced by the textile industry which was blaming the recession and everything that went wrong, on imported textiles," he said.

The Cape is considered to have the largest clothing industry in the country and has "the greatest potential for creating jobs".

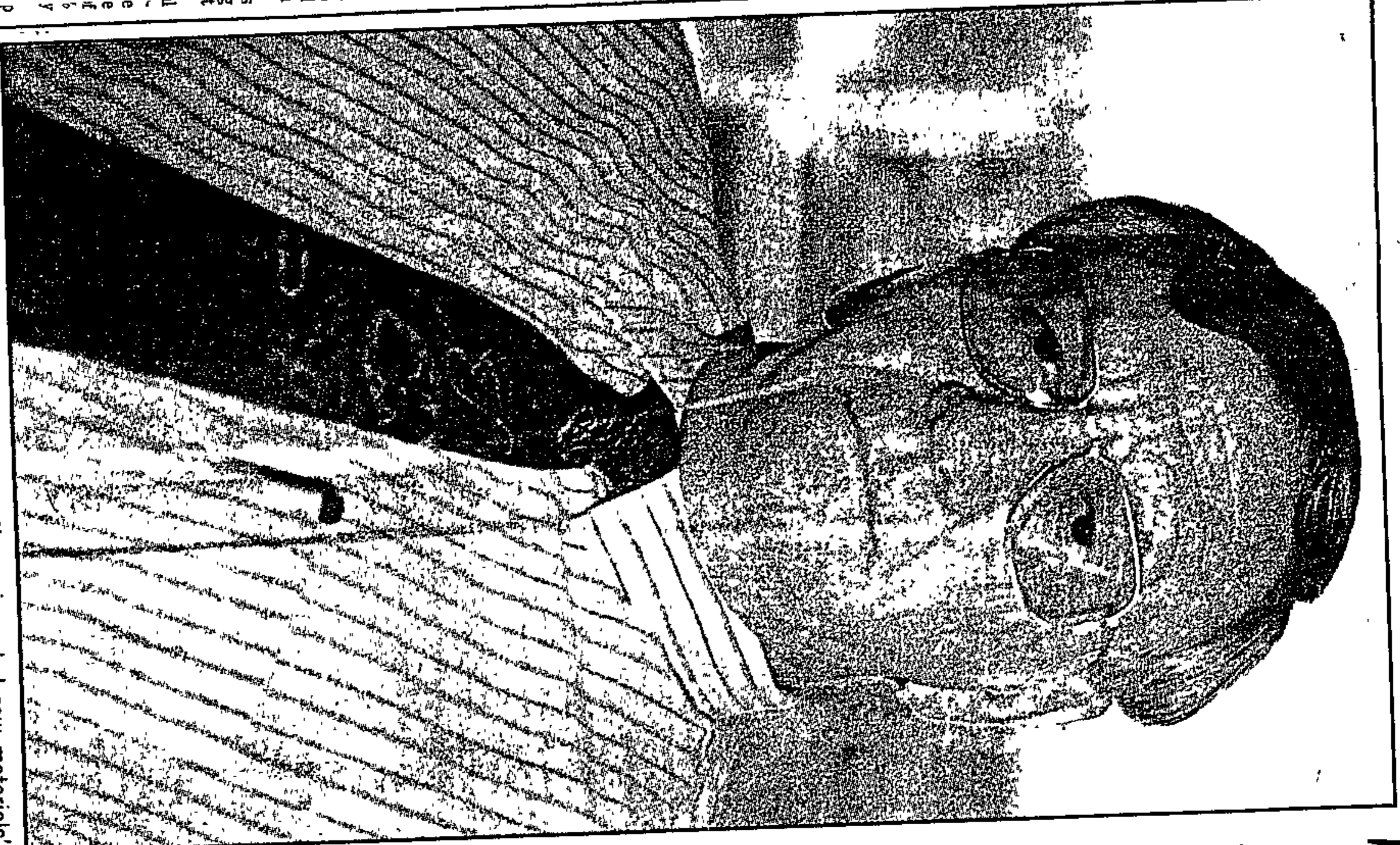
"This is insanity — look at the price the clothing industry will have to pay in loss of employment," Jocum said.

The chairperson of the Garment Manufacturers Association (GMA), Mr Patrick Boers, said the "demise

of the clothing industry" was imminent with the implementation of new import duty.

The GMA, which represents smaller clothing factories, felt that the new structure was not a "well-balanced effort" by the government and that the clothing industry would have to "pay the cost" over the next few years.

In a statement, the Deputy Minister of Trade and Industry, Mr David de Villiers Graaff, said minimum duty has been introduced to act as a "safety net" to address the problem of "insufficient protection" from low priced products.



NIC SWART... We want to have no tariffs on imported raw materials

Tariffs to go on raw materials

STWES (Guss) 6/12/92
744D

By GARRAN RYAN

THE Board on Tariffs and Trade (BOT) proposes removing duties on all imported raw materials as part of a new move to stimulate economic growth.

This is part of a package of tariff reductions aimed at improving the country's industrial competitiveness.

Other measures include the scrapping of duties on imported machinery, where there is no local manufacturer, and replacing all formula duties — which provide effective protection of more than 200% in some cases — with standard ad valorem duties.

An anti-dumping unit has been established to handle the increase in complaints against alleged dumping, particularly by textile, clothing and steel producers.

"We want to move to a situation where we have no tariffs on imported raw materials, a maximum 15% on intermediate goods and 30% on finished goods," says BOT chairman Nic Swart.

"But before we can do that we need effective anti-dumping measures, where complaints can be investigated urgently. A problem we have at the moment is that it takes months to complete a dumping investigation, by which time the damage done to local industry can be enormous."

Contrary to popular belief, SA enjoys moderate levels of protection, says Dr Swart. "On balance, we are not out of line with world trends."

A World Bank report by Brian Levy, entitled "How Can SA Manufacturing Efficiently Create Employment? An Analysis of the Import of Trade and Industrial Policy," states that the average nominal protection on 12 000 tariff lines enumerated by customs is 22%. Weighted by import value, the average is 14% and by value of production 20%.

About 85% of the 9 615 tariff lines subject to ad valorem calculations are subject to tariffs of less than 20%. Nearly 2 000 tariff lines are subject to formula duties — calculated by means of a formula designed to penalise cheaper imports — as opposed to the more straightforward ad valorem duties.

The report says 44% of the tariff lines subject to formula duties enjoy effective protection of more than 100%.

Dr Swart says these are being replaced by ad valorem duties which are simpler to administer and more equitable.

Importers of machine tools complain that they are forced to pay import duties on plant and equipment, which create wealth in SA, even where there is no local manufacturer for the machinery. Dr Swart says these du-

ties are being investigated with a view to being scrapped.

A 1990 Industrial Development Corporation report on tariff levels, based on 1988 figures, stated that metal and woodwork machinery was subject to 9% nominal and 42% effective protection, agricultural machinery to 5% nominal protection, engines and turbines to 14% nominal and 18% effective protection and electrical industrial machinery 15% and 20%.

"Because of the tough economic times, we are getting numerous applications from business people for tariff adjustments, some calling for higher tariffs, some for lower tariffs. But the overall trend in tariff levels is down. We adjust about 60 tariffs a month."

A recent restructuring of tariffs in the paper and pulp industries had resulted in tariffs being standardised at 10% with a few exemptions, such as cigarette paper, which is not manufactured locally.

Incentives

Dr Swart concedes he is probably one of the most unpopular men in industry because he has to weigh conflicting vested interests against those of the consumer and the country.

"Each time we make a recommendation to the Minister of Trade and Industry someone is going to suffer. You cannot satisfy everyone."

"In the longer-term we will have to move to supply side incentives for textiles and clothing, such as assistance for training manpower, low interest loans from the IDC, technological assistance and research and development grants. We must look at ways of reducing the cost of raw material inputs."

Dr Swart notes that the IDC's recommendations for a phased reduction in tariff levels were untenable because of the absence of preconditions, such as economic stability, devalued exchange rate, higher domestic savings and tax reform aimed at encouraging investment and saving. However, there were signs that progress is being made towards achieving many of these preconditions.

Dr Swart scotches the notion that a once-off "big bang" reduction in tariffs will stimulate local industry and improve export competitiveness.

10 777 2-1877
3 economics
10/11/92

74 F

1993

Jan — Dec.

GATT participation would put pressure on protectionism

74F 700
BIDAY 19/2/93

FOR many years, during the sanctions era, SA's protectionist policy with its attendant high import tariffs, went largely unchallenged.

However, with the demise of sanctions, SA is finding itself under pressure to bring its tariff and non-tariff barriers in line with those generally accepted by the rest of the world.

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

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

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

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

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

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

moting the progressive development of the economies of member countries.

How does GATT work?

The DTI explains:

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

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

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

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

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

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

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

Meat imports 'threaten farmers'

PRETORIA — Meat imports this year could squeeze hundreds of Transvaal beef farmers out of the industry, the Transvaal Agricultural Union's (TAU's) Red Meat Producers' Organisation chairman Werner Weber warned yesterday.

He said the volume of beef, mutton and pork imports last year was greater than in 1991 and this was adversely affecting farmers' incomes.

Taking into account the oversupply of red meat on the local market because of the drought and a stagnant economy, it was unacceptable that imports should be increased, Weber said.

The real price of red meat was now at a 70-year low and the weak wool

meat
GERALD REILLY (74F)

price had further increased red meat farmers' financial distress.

Weber said all indications were that the Board on Tariffs and Trade would issue the same number of import permits as last year.

TAU supported the principle of tariff protection but irregularities under the current system had apparently led to an escalation of mutton imports in particular.

Weber said in the interest of red meat producers, the board should structure the level of "specific rights" now being considered to give effective protection to red meat producers.

14/1/93
14/1/93
14/1/93

Imports surge is a threat to rate cut

SITimes (BUS) 3/1/93

ALL EYES are on the dwindling trade surplus as a massive surge in imports late in 1992 could put paid to an early cut in interest rates.

Deputy governor of the Reserve Bank Ernie van der Merwe says another cut in the bank rate, mooted after last month's encouraging inflation figures, could be put on hold if the balance-of-payments trend continues.

"If this is a short-term phenomenon then we don't have a problem. We can easily borrow overseas to cover ourselves for a few months," says Dr van der Merwe.

"But if it is long-term then we might have to review our liberalisation of monetary policy. But I don't believe our balance of payments is in trouble yet. We still have enough to pay for two months' imports."

November's trade surplus of R113-million was the lowest for nine years as drought-related food imports surged, down from a monthly average over the past two years of R1.5-billion.

Surprise

The trade surplus started to dip sharply in September and October to around R800-million, but the November drop appears to have taken everyone by surprise.

The Department of Finance is likely to accelerate its application for IMF assistance, although certain conditionalities such as an economic restructuring could be required prior to any IMF funding.

Hopes for further cuts in interest rates have been spurred by a fall in the November consumer price index to 11% from 11.7% in October.

Dr Jaap Meijer, deputy governor of the Reserve Bank, says the scope for further easing in interest rates is narrowing despite lower inflation, but "that does not rule out the possibility of a further lowering in rates".

Azar Jammine of Econo-

By CIARAN RYAN



Dr JAAP MEIJER

metrix says the narrower trade surplus is probably a temporary phenomenon.

"Machinery imports appear to have risen sharply, indicating that factories are replacing old equipment, in which case it is a positive sign and could indicate that the economy is turning round.

"If the economy is on the mend, then I forecast that we have about a year before we have to start limiting our economic growth because of the impact this would have on the balance of payments.

"We must not forget that the most damaging of sanctions, financial sanctions, are still in place."

Further cuts in interest rates would place additional pressure on the balance of payments, as cheap money would encourage higher imports.

The Reserve Bank will want to maintain a strong balance-of-payments surplus while financial sanctions remain in place. This is likely to

be reversed once a new government is elected and the door is opened to new overseas loans and development aid.

"We are a very under-borrowed country with total foreign debt of R50-billion relative to a gross domestic product of R300-billion," says Dr Jammine. "Once a political settlement is in place we could raise this to about 40% of GDP without too much difficulty."

Deficit (74F)

The prospects for single-digit inflation depend on how Minister of Finance Derek Keys tackles the growing budget deficit, says Dr Jammine.

Higher indirect taxes in this year's Budget would have a short-term inflationary effect but less serious longer-term effects.

If the government borrows its way out of the fiscal crisis, it will be forced to monetise the debt as the interest bill mounts, creating serious longer-term inflationary pressures.

"But the real problem is the size of the public sector," says Dr Jammine.

Textile import duties ^(74F) reimposed on Zimbabwe ⁽⁹⁷⁾

HARARE. — The SA government has not extended the exemption period for import duties on Zimbabwean textile products which lapsed on December 31, 1992. ^{CT 5/1/93}

The re-imposition of the punitive import duties would further worsen the viability of Zimbabwe's clothing and textile industry, Ziana news agency reports.

SA waived import duties of over 50% on Zimbabwean textile exports in October 1992.

Despite efforts by industry executives and Zimtrade to extend the exemption period, the import duty was re-imposed, chairman of the Zimbabwe Clothing Council Adrian Neely said yesterday.

He said the duties, about four times higher than previously, had resulted in the drying up of orders from Zimbabwe. ^{CT 5/1}

He said about 7 000 workers had already been retrenched.

NOTICE 11 OF 1993**CO-OPERATIVES TO BE STRUCK OFF THE REGISTER****VAR-UIT-DIE-OOND (KOÖPERATIEF) BEPERK NJELELE CO-OPERATIVE LIMITED**

Notice is hereby given that the name of the above-mentioned co-operatives will, at the expiration of 60 days from the date of this notice, be struck off the register in terms of the provisions of section 45 (2) of the Co-operatives Act, 1981, and the co-operatives will be dissolved unless proof is furnished to the effect that the co-operatives is carrying on business or is in operation.

Any objections to this procedure which interested persons may wish to raise, must together with the reasons therefor, be lodged with this office before the expiration of the period of 60 days.

REGISTRAR OF CO-OPERATIVES.

Office of the Registrar of Co-operatives
Kingsley Building
481 Church Street
Private Bag X237
PRETORIA
0001.

(8 January 1993)

NOTICE 12 OF 1993**BOARD ON TARIFFS AND TRADE** (74F)**NOTICE OF INITIATION OF AN INVESTIGATION INTO THE ALLEGED DUMPING OF TUBE AND PIPE FITTINGS OF BLACK AND GALVANISED MALLEABLE CAST IRON IMPORTED FROM OR ORIGINATING IN THE PEOPLE'S REPUBLIC OF CHINA, HONG KONG AND THAILAND**

The Board on Tariffs and Trade received a complaint alleging that imports of tube and pipe fittings of black and galvanised malleable cast iron imported from or originating in the People's Republic of China, Hong Kong and Thailand are being dumped in and are causing injury to the domestic manufacturing industry in South Africa.

The complainant

The complaint was lodged by the South African Rolled Steel Co-ordinating Council on behalf of Salcast (Pty) Ltd, the only manufacturer of the product concerned in South Africa. The complainant alleges that Salcast is losing market share owing to increased imports of tube and pipe fittings of black and galvanised malleable cast iron at prices below the domestic manufacturing cost.

The product

The products allegedly being dumped are classifiable under tariff subheadings 7307.19.20, 7307.19.30 and 7307.19.80, which include a wide range of tube and pipe fittings of black and galvanised malleable cast iron, consisting of any of the following items:

KENNISGEWING 11 VAN 1993**KOÖPERASIES VAN DIE REGISTER GESKRAP TE WORD****VAR-UIT-DIE-OOND (KOÖPERATIEF) BEPERK NJELELE KOÖPERASIE BEPERK**

Hiermee word bekendgemaak dat die naam van bogenoemde koöperasies na verloop van 60 dae met ingang vanaf die datum van hierdie kennisgewing van die register geskrap al word ooreenkomstig die bepaling van artikel 45 (2) van die Koöperasiewet 1981, en die koöperasies sal ontbind word tensy bewys gelewer word dat die koöperasies handel drywe of in werking is.

Enige besware wat belanghebbende persone teen hierdie prosedure wil inbring, moet met vermelding van redes voor verstryking van die tydperk van 60 dae by hierdie kantoor ingedien word.

REGISTRATEUR VAN KOÖPERASIES.

Kantoor van die Registrateur van Koöperasies
Kingsleygebou
Kerkstraat 481
Privaatsak X237
PRETORIA
0001.

(8 Januarie 1993)

KENNISGEWING 12 VAN 1993**RAAD OP TARIWE EN HANDEL****KENNISGEWING INSAKE DIE AANVANG VAN 'N ONDERSOEK NA DIE BEWEERDE DUMPING VAN BUIS- EN PYPAANHEGTINGS VAN SWART EN GEGALVANISEERDE SMEEBARE GEGOTE YSTER INGEVOER UIT OF AFKOMSTIG VAN DIE VOLKSREPUBLIEK SJINA, HONGKONG EN THAILAND**

Die Raad op Tariwe en Handel het 'n klag ontvang waarin daar beweer word dat invoer van pype- en buis-aanhegtings van swart en gegalvaniseerde smeebare gegote yster ingevoer vanaf of afkomstig van die Volksrepubliek Sjina, Hongkong en Thailand in Suid-Afrika gedump word, waardeur wesentlike skade aan die Suid-Afrikaanse Vervaardigingsnywerheid berokken word.

Die applikant

Die klag, is gelê deur die "South African Rolled Steel Co-ordinating Council" op versoek van Salcast (Pty) Ltd, die enigste vervaardiger van die betrokke produkte in Suid-Afrika. Die applikant beweer dat Salcast marktaandeel verloor omdat buis- en pypaanhegtings van swart en gegalvaniseerde smeebare gegote yster in toenemende hoeveelhede teen pryse laer as die binnelandse vervaardigingskoste ingevoer word.

Die produk

Die produkte wat na bewering gedump word, is indeelbaar by tariefsubposte 7307.19.20, 7307.19.30 en 7307.19.80, wat 'n wye reeks buis- en pypaanhegtings van swart en gegalvaniseerde smeebare gegote yster bestaande uit enige van die volgende items insluit:

Product description	Dimensional range (mm dia)
Backnuts.....	50 - 100
Bends (90 degrees female).....	15 - 150
Bends (90 degrees male/female).....	15 - 150
Bends (45 degrees male/female).....	15 - 150
Caps.....	50 - 80
Crosses.....	50 - 100
Elbows (90 degrees female).....	15 - 150
Elbows (90 degrees male/female).....	15 - 100
Hexagon nipples.....	15 - 65
Plugs solid.....	25 - 50
Plugs hollow.....	10 - 150
Parallel sockets.....	15 - 150
Tees.....	15 - 150
Unions (cone).....	15 - 80
Reducing Bushes.....	15 x 80 - 150 x 100
Reducing Elbows.....	25 x 15 - 25 x 15
Reducing Sockets.....	20 x 10 - 150 x 100
Reducing Tees.....	20 x 15 - 150 x 100
Abnormal Tees.....	20 x 15 x 15 - 20 x 15 x 20

Produkbeskrywing	Grootte (mm deursnee)
"Backnuts".....	50 - 100
"Bends (90 degrees female)".....	15 - 150
"Bends (90 degrees male/female)".....	15 - 150
"Bends (45 degrees male/female)".....	15 - 150
"Caps".....	50 - 80
"Crosses".....	50 - 100
"Elbows (90 degrees female)".....	15 - 150
"Elbows (90 degrees male/female)".....	15 - 100
"Hexagon nipples".....	15 - 65
"Plugs solid".....	25 - 50
"Plugs hollow".....	10 - 150
"Parallel sockets".....	15 - 150
"Tees".....	15 - 150
"Unions (cone)".....	15 - 80
"Reducing Bushes".....	15 x 80 - 150 x 100
"Reducing Elbows".....	25 x 15 - 25 x 15
"Reducing Sockets".....	20 x 10 - 150 x 100
"Reducing Tees".....	20 x 15 - 150 x 100
"Abnormal Tees".....	20 x 15 x 15 - 20 x 15 x 20

74F

With only a few exceptions where the dimensions of the products exceed those of the normal commercial range, the above products comprise the entire range of tube and pipe fittings that is used in South Africa.

The allegation of dumping

The products concerned are being imported into South Africa from the People's Republic of China (PRC), Hong Kong and Thailand at very low prices. Although imports at low prices do not necessarily constitute dumping, the following has to be taken into consideration:

- (a) Brazil played a leading role in the export of tube and pipe fittings to South Africa during 1989 and 1990. Imports from Brazil, as well as the market share of the South African manufacturer, decreased dramatically during 1991 and 1992 owing to severe price under cutting of approximately R1 000 per tonne on an f.o.b. basis by the abovementioned countries; and

Die bogenoemde produkte omvat, met slegs 'n paar uitsonderings waar die groottes dié van die normale produkreeks oorskry, die totale reeks buis- en pypaanhegtings wat in Suid-Afrika gebruik word.

Die bewering van dumping

Die betrokke produkte word na Suid-Afrika ingevoer uit die Volksrepubliek Sjina, Hongkong en Thailand teen baie lae pryse. Alhoewel invoer teen lae pryse nie noodwendig beteken dat die produk gedump word nie, moet die volgende in aanmerking geneem word:

- (a) Brasilië het 'n leidende rol gespeel in die uitvoer van buis- en pypaanhegtings na Suid-Afrika gedurende 1989 en 1990. Invoer uit Brasilië, sowel as die marktaandeel van die Suid-Afrikaanse vervaardiger, het gedurende 1991 en 1992 dramaties gedaal as gevolg van prysondersnyding van ongeveer R1 000 per ton op v.a.b.-vlak deur bogenoemde lande; en

(b) production costs and prices in the PRC are not market-related.

Consequently, the probability of dumping of tube and pipe fittings of black and galvanised malleable cast iron imported from the People's Republic of China, Hong Kong and Thailand does exist.

The allegation of injury

With regard to injury, an analysis of the development of the volume of imports indicates an increase in imports from both the PRC and Hong Kong from 1991 to 1992, even though total imports remained more or less the same. An analysis of the exporters' share of total imports shows that the PRC increased its share from 2 per cent in 1991 to 15 per cent in 1992, while Hong Kong increased its share from 23 per cent to 26 per cent over the same period and Thailand's share decreased from 13 per cent in 1991 to 6 per cent in 1992.

Consumption on the South African market decreased by 53 per cent, from 2 673 tonnes in 1990 to 1 262 tonnes in 1991. But even though the South African market decreased, imports from the abovementioned countries gained market share to such an extent that the South African manufacturer is currently supplying only a small percentage of the market.

It is further alleged that the prices at which these imports are sold on the South African market are significantly lower than the prices charged by the South African manufacturer, which has been forced to reduce its prices to a level insufficient to provide an adequate return or even to cover its costs.

The procedure

Having decided that there is sufficient evidence to warrant the initiation of an anti-dumping investigation, the Board accepted the complaint and commenced an investigation into the matter. The Board will endeavour to determine whether imports from the People's Republic of China, Hong Kong and Thailand can be regarded as being dumped in terms of section 1 (a) of the Board of Trade and Industry Amendment Act (Act No. 60 of 1992), whether such alleged dumped imports are causing or are threatening to cause material injury to the domestic industry and whether it would be in the public interest to impose anti-dumping duties. Interested parties may make their views known in writing, in particular by replying to the questionnaire addressed to the parties known to be concerned, and by providing supporting evidence. Furthermore, the Board will hear parties who so request when making their views known, provided they can show that they are likely to be affected by the result of the investigation.

Time limit

Any information relating to the matter, any arguments concerning the allegation of dumping and injury resulting therefrom and any request for a hearing should be sent in writing to reach the Chairman, Board on Tariffs and Trade, Private Bag X753, Pretoria, 0001, not later than 37 days after the date of publication of the official notice or, for parties known to be concerned, the date on which the letter accompanying the abovementioned questionnaire is received, whichever date is the later. Any party who has not received the questionnaire may request a copy direct from the Board.

(b) produksiekoste en pryse in die Volksrepubliek Sjina is nie markgerig nie.

Gevolglik bestaan die moontlikheid dat buis- en pyp-aanhegtings van swart en gegalvaniseerde smeebare gegote yster ingevoer uit die Volksrepubliek Sjina, Hongkong en Thailand, gedump kan wees.

Die bewering van skade

Met betrekking tot skade toon 'n analise van die ontwikkeling van die volume invoer 'n styging in invoer uit die Volksrepubliek Sjina en Hongkong van 1991 tot 1992 nieëtaande die feit dat totale invoer min of meer dieselfde gebly het. 'n Analise van die uitvoerder se aandeel van totale invoere dui daarop dat die Volksrepubliek Sjina se aandeel gestyg het van 2 per sent in 1991 tot 15 per sent in 1992. Hongkong se aandeel het gestyg van 23 per sent tot 26 per sent in dieselfde tydperk, terwyl Thailand se aandeel gedaal het van 13 per sent in 1991 tot 6 per sent in 1992.

Verbruik in die Suid-Afrikaanse mark het met 53 per sent gedaal van 2 673 ton in 1990 tot 1 262 ton in 1992. Nieteenstaande die feit dat die Suid-Afrikaanse mark gedaal het, het invoer van bogenoemde lande hul markaandeel laat styg tot so 'n vlak dat die Suid-Afrikaanse vervaardiger tans net 'n klein gedeelte van die mark bedien.

Daar word verder beweer dat die pryse waarteen die ingevoerde produkte in die Suid-Afrikaanse mark verkoop word, beduidend laer is as die pryse wat deur die Suid-Afrikaanse vervaardiger gevra word. Hy word gedwing om sy pryse te verlaag tot 'n vlak wat onvoldoende is om 'n bevredigende opbrengs te lewer of selfs om sy koste te dek.

Die prosedure

Nadat besluit is dat daar voldoende bewyse bestaan om 'n ondersoek na dumping te regverdig, het die Raad gevolglik die aansoek aanvaar en met die ondersoek begin. Die Raad sal poog om te bepaal of die invoer uit die Volksrepubliek Sjina, Hongkong en Thailand ingevolge artikel 1 (a) van die Wysigingswet op die Raad op Tariewe en Handel (Wet No. 60 van 1992), as dumping beskou kan word, of die betrokke nywerheid wesentlike skade, of die bedreiging van skade, ondervind as gevolg van die beweerde gedumpte goedere en of dit in openbare belang is om antidumpingregte op die betrokke invoere te hef. Belanghebbende partye word versoek om skriftelik kommentaar te lewer, spesifiek deur op die vraelys gerig aan die partye wat geraak word, te reageer en deur stawende inligting te verskaf. Verder is die Raad bereid om partye wat dit versoek wanneer hulle hul kommentaar indien, aan te hoor, mits hulle kan bewys dat die uitslag van die ondersoek hulle kan beïnvloed.

Die tydsbeperking

Enige inligting met betrekking tot die saak, enige argumente betreffende die bewering van dumping en skade voortspruitend daaruit en enige versoek om deur die Raad aangehoor te word moet skriftelik gerig word aan die Voorsitter, Raad op Tariewe en Handel, Privaat Sak X753, Pretoria, 0001, en moet die Raad bereik nie later nie as 37 dae na die publikasie van die amptelike kennisgewing of, ten opsigte van belanghebbende partye waarvan die Raad bewus is, die datum waarop die brief wat bogenoemde vraelys vergesel, naamlik die jongste datum, ontvang word. Enige instansie wat nie 'n vraelys ontvang nie, kan 'n kopie direk van die Raad aanvra.

If the necessary information and arguments are not submitted in an adequate form by the above deadline, the Board may make preliminary or final findings on the basis of the facts available.

Enquiries should be directed to Mr George Geringer at Telephone (012) 310-9815 or Telefax (012) 322-0149.

(BTT Reference T5/2/15/2/3)

(8 January 1993)

NOTICE 13 OF 1993

DEPARTMENT OF MANPOWER

LABOUR RELATIONS ACT, 1956

REGISTRATION AS A TRADE UNION

It is hereby notified for general information that the Pos- en Telkomvereniging has with effect from 11 December 1992 in terms of section 4 (7) of the Labour Relations Act, 1956, been registered as a trade union in respect of employees engaged in all undertakings, sections or trades of the South African Post Office Limited, Telkom South Africa Limited and Posmed Medical Fund as defined in *Government Gazette* No. 14367 of 6 November 1992, in the Republic of South Africa.

(8 January 1992)

NOTICE 14 OF 1993

CENTRAL STATISTICAL SERVICE

THE HEAD: CENTRAL STATISTICAL SERVICE notifies for general information that the Consumer Price Index is as follows:

Consumer Price Index, all items (Base 1990 = 100)

November 1992 = 135,7.

(8 January 1993)

NOTICE 15 OF 1993

CUSTOMS AND EXCISE TARIFF APPLICATIONS: LIST 1/93

The following applications concerning the Customs and Excise Tariff have been received by the Board on Tariffs and Trade. Any objections to or comments on these representations must be submitted to the Chairman, Board on Tariffs and Trade, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice. Attention is drawn to the fact that the rates of duty mentioned in the applications are those requested by the applicants and that the Board may, depending on its findings, recommend lower or higher rates of duty.

Increase in the duty on:

1. (a) Milk and cream, not concentrated nor containing added sugar or other sweetening matter, classifiable under tariff heading 04.01, from free of duty to 17,5 per cent *ad valorem*;

Indien die nodige inligting en redenerings nie in 'n gepaste vorm aan die Raad voorgelê is voor die sluitingsdatum nie, kan die Raad voorlopige of finale bevindinge maak gebaseer op die beskikbare feite.

Navrae moet gerig word aan mnr. George Geringer by Telefoon (012) 310-9815 of Telefaks (012) 322-0149.

(RTH-verwysing T5/2/15/2/3)

(8 Januarie 1993)

KENNISGEWING 13 VAN 1993

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

REGISTRASIE AS 'N VAKVERENIGING

Hierby word vir algemene inligting bekendgemaak dat die Pos- en Telkomvereniging met ingang van 11 Desember 1992 ingevolge artikel 4 (7) van die Wet op Arbeidsverhoudinge, 1956, as 'n vakvereniging geregistreer is ten opsigte van werknemers in diens in alle ondernemings, afdelings of bedrywe van die Suid-Afrikaanse Poskantoor Beperk, Telkom Suid-Afrika Beperk en Posmed Mediese Fonds soos omskryf in *Staatskoerant* No. 14367 van 6 November 1992, in die Republiek van Suid-Afrika.

(8 Januarie 1993)

KENNISGEWING 14 VAN 1993

SENTRALE STATISTIEKDIENS

DIE HOOF: SENTRALE STATISTIEKDIENS maak vir algemene inligting bekend dat die Verbruikersprysindeks soos volg is:

Verbruikersprysindeks, alle items (Basis 1990 = 100)

November 1992 = 135,7.

(8 Januarie 1993)

KENNISGEWING 15 VAN 1993

DOEANE- EN AKSYNSTARIEFAANSOEKE: LYS 1/93

Onderstaande aansoeke betreffende die Doeane-en Aksynstarief is deur die Raad op Tariewe en Handel ontvang. Enige beswaar teen of kommentaar op hierdie versoë moet binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad op Tariewe en Handel, Privaat Sak X753, Pretoria, 0001, gerig word. Die aandag word daarop gevestig dat die skale van reg wat in die aansoeke genoem word, dié is wat deur die applikante aangevra is en dat die Raad, afhangende van sy bevindinge hoër of laer skale van reg mag aanbeveel.

Verhoging van die reg op:

1. (a) Melk en room, nie gekonsentreer of wat bygevoegde suiker of ander versoetingsmiddels bevat nie, indeelbaar by tariefpos 04.01, van vry van reg tot 17,5 persent *ad valorem*;

(b) melk en room, gekonsentreer of wat bygevoegde suiker of ander versoetingsmiddels bevat, in poeier, korrels of ander soliede vorms, met 'n vetinhoud volgens massa, van hoogstens 1,5 persent, indeelbaar by tariefpos 0402.10, van vry van reg tot 120 persent *ad valorem*;

BTT probe into alleged dumping

EDWARD WEST

THE Board on Tariffs and Trade (BTT) was investigating alleged dumping of tube and pipe fittings from mainland China, Hong Kong and Thailand, the Government Gazette reported yesterday. (UE)

The probe followed a complaint by the SA Rolled Steel Co-ordination Council on behalf of Dorbyl subsidiary Salcast, SA's only manufacturer of iron tube and pipe fittings. (BDM)

The Gazette said the imports were being sold at low prices, although this did not necessarily mean they were being dumped. However, Brazilian imports and severe price undercutting which sharply decreased Salcast's 1992 market share needed to be taken into account.

The alleged price undercutting was about R1 000 a ton on a free on board (fob) basis. The value of imports from mainland China and Hong Kong had increased from 1991 to 1992, but the value of total imports had remained more or less the same. Mainland China had increased its share from 2% in 1991 to 15% in 1992, while Hong Kong had increased its share from 23% to 26%. Thailand's share had fallen from 13% to 6%, the Gazette said. (3/1/92)

SA consumption had fallen 53% from 2 673 tons in 1990 to 1 262 tons in 1991.

The Gazette said it was further alleged the imports had been sold at significantly lower prices, forcing the local manufacturer to reduce prices to levels that did not allow an adequate return.

Probe follows complaint of glass 'dumping'

THE Board on Tariffs and Trade (BTT) is investigating alleged dumping of clear flat glass in SA following PFG Building Glass's application for protection against dumping.

Notice of the board's investigation was published in the Government Gazette on Friday and was welcomed by the chief executive of PFG Building Glass's holding company, Glass SA CE Rod Fehrsen said dumping of flat glass by Far East countries had

^{BID my}
^{18/11/93}
cost PFG more than R20m over the past two years.

The board said evidence presented by PFG was "sufficient and accurate enough to justify accepting the complaint for a full investigation".

The Board said it appeared exports from the People's Republic of China, Hong Kong, Thailand and Singapore were "made at prices that constitute dumping". PFG's loss in sales correlated directly

with the imports from the Far East.

Although PFG was seeking anti-dumping tariff protection, Fehrsen said Glass SA was opposed to tariffs barriers and supported their gradual removal.

"We will probably be accused of seeking to entrench a monopoly position. But we are not asking for an exclusive supply position. All we want is to compete against imported glass on equal terms," he said.

^(14F)
Independent glass importers last week claimed that BTT's investigation was a waste of taxpayers' money, and that new duties would lead to a monopoly situation.

The glass investigation is the second major inquiry to be initiated by the BTT this month. Last week it announced it was looking into alleged dumping of tube and pipe fittings from China, Hong Kong and Thailand. — Sapa.

Drought costs R2-bn

in extra farm imports

By Sven Linsche

Star

26/1/93

(74F)

The devastating drought cost SA almost R2 billion in additional agricultural imports last year.

This emerges from the trade figures for 1992, which were released by the Department of Customs and Excise yesterday.

Total exports for 1992 improved by 4,8 percent to R67,46 billion from R64,36 billion in 1991.

But imports increased by 7,2 percent from R48,21 billion to R51,92 billion.

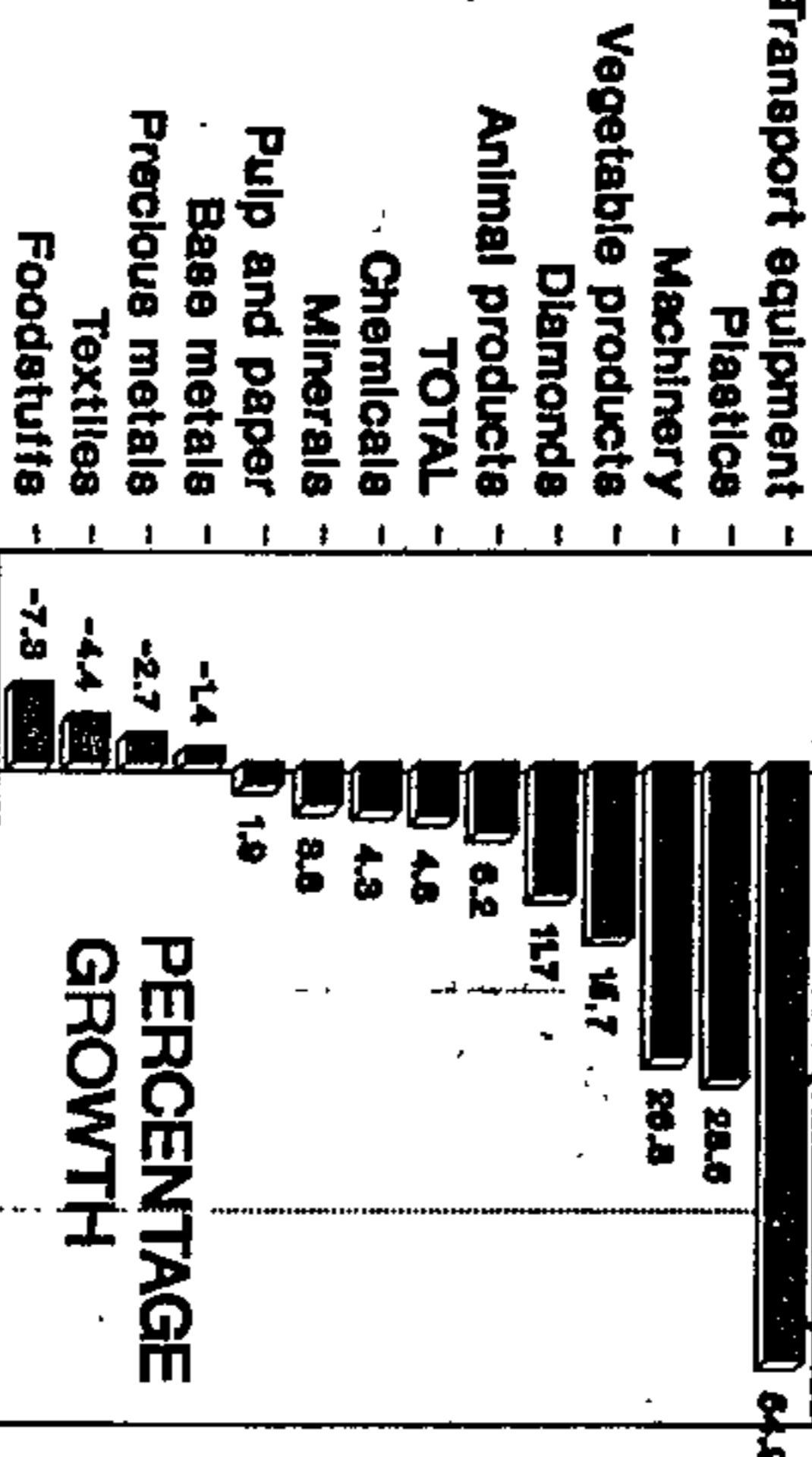
This left the 1992 trade surplus at R15,5 billion — 4,3 percent lower than 1991's R16,2 billion — but better than had been expected by most economists.

The improved trend was also evident in the monthly trade figures for the last few months of 1992.

From its low level of R783 million in October, the trade surplus recovered to a revised R1,04 billion in November and R1,76 billion in December.

This was mainly achieved on the back of improved weather conditions, which cut the import bill from just over R5 billion in September to R3,79 billion in December.

Exports in the four months



Export performances of commodities and manufactured goods in 1992.

held steady at R5,5 billion.

However, the drought had a devastating effect on the trade bill for 1992 as a whole, when poor agricultural production forced large-scale imports of food and other products.

Imports of live animals and animal products last year shot up by 61 percent to R440 million (1991: R270 million).

Fats and oils were 58 percent higher at R464 million (R269 million) and vegetable products climbed 45 percent to R2,55 billion (R1,14 billion).

Combined, these products pushed up the import bill from R1,58 billion in 1991 to R3,46 billion last year.

The relatively large increase in the total import bill surprised economists, who had expected a slight decline, given the poor state of the economy.

Yet key industrial goods imports continued to rise at steady levels, headed by imports of machinery, which rose by seven percent from R13,98 billion to R14,97 billion.

Chemical imports firmed to R5,77 billion (R5,4 billion), but imports of transport equipment, vehicles and aircraft fell slightly from R6,77 billion to R6,51 billion.

It was once again left to manufacturers to give the trade pic-

ture a measure of respectability, as exports of primary products suffered from declining international commodity prices.

Exports of unclassified goods (mainly gold and platinum), the largest export category, fell 2,7 percent to R24,31 billion (R24,98 billion).

Base metals dropped 1,4 percent to R9,4 billion (R9,53 billion).

Exports of diamonds improved 12 percent to R7,57 billion (R6,78 billion), but the figure includes gems transferred by De Beers mines in Botswana and Namibia to its Central Selling Organisation in London.

The subdued state of the economies of SA's largest trading partners did not deter local manufacturers from expanding their export base.

Car manufacturers, aided by the Government export incentives under the Phase VI system, lifted exports 55 percent from R1,53 billion to R2,37 billion.

Other manufacturing sectors which, again with help from the General Export Incentive Scheme, showed good growth included plastics, up 28,6 percent to R748 million (R582 million), and machinery, up 26,8 percent to R2,13 billion (R1,68 billion).

Adonis chairman blames imports

JOHN DLUDLU (184)

UNRESTRICTED knitwear imports in 1992 had resulted in a 32% drop in turnover, Adonis Knitwear chairman Joe Bencen said in his annual statement.

Bencen said problems of the structural adjustment programme regulating imports, and the severe economic recession, had decreased unit volumes and turnover for the clothing, footwear and textiles group. (10/07) 28/11/93

The company's trading income for the 1992 financial year plummeted to R49 406 (R1 923 007).

Earnings a share declined to 7,9c (33,7c). No dividends were paid.

Knitwear imports had now been restricted. (74F)

NOTICE 91 OF 1993

SOUTH AFRICAN RESERVE BANK

SECTION 30 (F) OF THE DEPOSIT-TAKING INSTITUTIONS ACT, 1990

CHANGE OF NAME: THE COMMERCIAL BANK OF NAMIBIA (SA) LIMITED

It is hereby notified for general information that **The Commercial Bank of Namibia (SA) Limited**, a registered deposit-taking institution, changed its name to **International Bank of Southern Africa—S.F.O.M. Limited** on 15 January 1993.

(5 February 1993)

NOTICE 94 OF 1993

DEPARTMENT OF TRADE AND INDUSTRY

GRANTING OF TARIFF CONCESSIONS BY THE REPUBLIC OF SOUTH AFRICA TO THE REPUBLIC OF MOZAMBIQUE

Notice is hereby given that the preferential tariff quota of USA \$2 500 000 per annum for new tyres (tariff heading 40.11) and inner tubes (tariff heading 40.13) listed in Annexure A to Notice 749 of 1989 in *Government Gazette* No. 11991 of 7 July 1989, will be reduced to USA \$1 000 000 for the calendar year 1993, and withdrawn completely on 1 January 1994.

(5 February 1993)

NOTICE 95 OF 1993

DEPARTMENT OF TRADE AND INDUSTRY

GRANTING OF TARIFF CONCESSIONS BY THE REPUBLIC OF SOUTH AFRICA TO THE REPUBLIC OF MOZAMBIQUE

The basis on which preferential tariff concessions are being granted to Mozambique is set out in General Notice 749 in *Government Gazette* No. 11991 of 7 July 1989, as amended to the extent indicated in Government Notice No. R. 2474 in *Government Gazette* No. 12181 of 17 November 1989.

With effect from the date of this notice tariff rebates will, in terms of section 75 of the Customs and Excise Act, 1964, be granted on the products of Mozambican origin specified in Annexure A on the same basis as that outlined in the above-mentioned notices and subject to the quota levels indicated.

The quota for fish represents an increase from the existing quota of 1 000 tons, while the quota for cashew nuts represents an increase from the existing quota of 200 tons.

ANNEXURE A

QUOTA PRODUCTS TO BE IMPORTED FROM MOZAMBIQUE PER ANNUM

Tariff heading	Description	Quota level
03.02	Fish, fresh or chilled..	2 000 tons
03.03	Fish, frozen.....	2 000 tons
03.05	Fish, dried.....	2 000 tons
0801.30	Cashew nuts.....	1 000 tons
2006.00.90	Cashew nuts.....	1 000 tons

(5 February 1993)

KENNISGEWING 91 VAN 1993

SUID-AFRIKAANSE RESERWEBANK

ARTIKEL 30 (F) VAN DIE WET OP DEPOSITONEMENDE INSTELLINGS, 1990

NAAMSVERANDERING: THE COMMERCIAL BANK OF NAMIBIA (SA) BEPERK

Hierby word vir algemene inligting bekendgemaak dat **The Commercial Bank of Namibia (SA) Beperk**, 'n geregistreerde depositonemende instelling, sy naam op 15 Januarie 1993 na **International Bank of Southern Africa—S.F.O.M. Beperk** verander het.

(5 Februarie 1993)

KENNISGEWING 94 VAN 1993

DEPARTEMENT VAN HANDEL EN NYWERHEID

VERLENING VAN TARIEFKONSESSIES DEUR DIE REPUBLIEK VAN SUID-AFRIKA AAN DIE REPUBLIEK VAN MOSAMBIEK

Hierby word bekendgemaak dat die tariefvoorkeurkwota van VSA \$2 500 000 per jaar vir nuwe buitebande (tariefpos 40.11) en binnebande (tariefpos 40.13), wat in Bylae A tot Kennisgewing 749 van 1989 in *Staatskoerant* No. 11991 van 7 Julie 1989 gelys word, na VSA \$1 000 000 vir die kalenderjaar 1993 verminder, en op 1 Januarie 1994 heeltemal ingetrek word.

(5 Februarie 1993)

KENNISGEWING 95 VAN 1993

DEPARTEMENT VAN HANDEL EN NYWERHEID

TOESTAAN VAN TARIEFKONSESSIES DEUR DIE REPUBLIEK VAN SUID-AFRIKA AAN DIE REPUBLIEK VAN MOSAMBIEK

Die grondslag waarop tariefvoorkeurkonsessies aan Mosambiek toegestaan word, word in Algemene Kennisgewing 749 in *Staatskoerant* No. 11991 van 7 Julie 1989 soos gewysig in die mate aangedui in Goewermentskennisgewing No. R. 2474 in *Staatskoerant* No. 12181 van 17 November 1989 uiteengesit.

Met ingang van die datum van hierdie kennisgewing word 'n tariefkorting kragtens artikel 75 van die Doean- en Aksynswet, 1964, op die produkte wat in Bylae A gespesifiseer word, verleen op dieselfde grondslag as wat in bovermelde kennisgewings uiteengesit word en onderhewig aan die kwotapeile aangedui.

Die kwota vir vis verteenwoordig 'n vermeerdering vanaf die bestaande kwota van 1 000 ton, terwyl die kwota vir kasjoeneute 'n vermeerdering van die bestaande kwota van 200 ton verteenwoordig.

BYLAE A

KWOTAPRODUKTE WAT JAARLIKS VANAF MOSAMBIEK INGEVOER STAAN TE WORD

Tariefpos	Beskrywing	Kwotapeil
03.02	Vis, vars of verkoel ...	2 000 ton
03.03	Vis, bevrore	2 000 ton
03.05	Vis, gedroog	2 000 ton
0801.30	Kasjoeneute	1 000 ton
2006.00.90	Kasjoeneute	1 000 ton

(5 Februarie 1993)

Importers to oppose medical supply duties

LINDA ENSOR

CAPE TOWN — Importers of medical supplies have formed a lobby group to fight imposition of import tariffs which they say will squeeze them out of the market and give big manufacturers a monopoly.

The lobby group — consisting of Macmed, RM Salters, Medical Textiles, Vitamed, Paperback SA and General Medical — would meet the Board on Tariffs & Trade (BTT) and Health Minister Rina Venter to discuss the matter. Macmed MD Don McArthur said yesterday.

"Companies are using the BTT to eliminate competition at the expense of healthcare costs in SA," McArthur said. The group, with the support of private hospital groups and Macmed's US principals, has also taken its case up with the Competition Board.

There were two issues of complaint, McArthur said. First, the BTT had acceded to an application by Promex for import protection of the R25m-a-year syringe market. McArthur said "punitive duties" of 70% were imposed compared with the previous 35%, despite the opposition of syringe importers.

Promex replied to the allegations, saying it had sought protection against dumping, a request granted by the BTT after extensive investigation.

The second cause of complaint related to the application for import protection against the import of finished and raw material gauze products.

Smith & Nephew GM Neil Wallace said the company had numerous sources of supply for low-cost medical fabrics, but believed it would be opportunistic and short term to switch its sourcing. "Given a level playing field on cotton and labour costs, high import duties would not be necessary. But until this happens we have some 800 jobs to protect."

Mixed reaction to medical aids Bill

THIS week's introduction in Parliament of legislation to amend the Medical Schemes Bill was met with reservation by doctors but applauded by medical aid schemes.

Medical Association of SA (Masa) spokesman Hendrik Hanekom said the new legislation addressed the problems of medical aid schemes, but ignored the interests of doctors and patients.

Masa believed that scrapping the direct guaranteed payment of doctors could compromise patient care. Many patients did not have the financial means to make co-payments or settle accounts, pending refunds from their medical schemes.

But Hanekom welcomed Cabine's approval of an inquiry into the health insurance industry.

Masa was concerned that the proposed changes would impact the (vulnerable) of (patients) who (are) (not) (covered) (by) (medical) (aid) (schemes).

Much of the controversy surrounding the Bill centres on the provision it makes for "managed health care". Under the new legislation, medical aid schemes would be allowed to, for instance, set up a clinic and employ a range of health professionals to give a more comprehensive service.

Representative Association of Medical Aids (Rams) executive director Rob Speed-

KATHRYN STRACHAN

ie said managed health would eliminate wastage and cut down on over-serving by doctors, but it would not lead to sub-standard care.

Masa was concerned that the changes allowing the scrapping of minimum and maximum benefits would enable medical aids to "risk rate" members, favouring the young and healthy. The organisation favoured more flexible benefit packages tailored according to individual needs, but medical schemes should provide essential benefits.

It was also concerned about the power given to Rams and that it could wield too much control over the use and provision of services. The amendments would legally entrench Rams as the single spokesman of medical schemes.

AN ANC health spokesman said the (bill) (would) (not) (address) (the) (needs) (of) (the) (vulnerable) (of) (patients) (who) (are) (not) (covered) (by) (medical) (aid) (schemes).

Sapa reports that the South African Nursing Association said it was delighted that the amendments had been approved.

could cause cancer and other...
evaporates
scare
add



Imports surge cuts surplus

TIM MARSLAND

THE trade surplus narrowed to R876m in January from R1,76bn in December because maize and wheat imports were resumed, economists said yesterday.

Customs and Excise figures released yesterday showed January imports rose to R4,26bn from December's R3,78bn, while exports dipped to R5,1bn from R5,54bn.

Nedbank chief economist Edward Osborn said imports showed a nominal rise of 3,7% but declined 2,9% on a currency adjusted basis due to the depreciating rand.

Vegetable imports rose to R176m in January from R74,4m in January 1992, which Osborn said was due to continued maize imports. Unclassified imports (mainly oil) rose to R542m from R370m in January 1992. He said this was because government had been selling oil from its strategic stockpile in January 1992 but oil imports had resumed their normal pattern this year. Machinery and electrical imports dropped to R1,23bn from R1,35bn, but he

said this did not imply a drop in capital expenditure by companies as consumer goods were included in the category.

On the export side, mineral exports — mainly coal — increased to R658m from R491m. Unclassified exports rose to R2,44bn from R2,098bn, which Osborn said could be attributed to a number of items such as gold, platinum and weapons. There had been a drop in exports of vegetable products reflecting the one-off exports of SA maize to Zimbabwe in January 1992. Chemical exports fell R145m from R261m.

Safto economist Bruce Donald said exports to Africa had declined. Their contribution to total exports fell to 11% from 15%. Exports to Europe rose to 49% from 45%, while exports to Asia increased to 28% from 27%. On the whole the figures were disappointing because exports were still shrinking in real terms, he said.

Govt to investigate 'grey' imports

By Derek Tommey

(74 P)

The Government is to intervene in the 18-month fight by local trademark holders of goods manufactured overseas (mainly appliances) to prevent others firms importing and selling these goods.

The Business Practices Committee has announced that it is to investigate the sale of these so-called "grey" goods in terms of the Harmful Business Practices Act.

It defines "grey" goods as those which are imported and

STAR 22/2/93
sold without a guarantee from the manufacturer or his authorised agent.

The investigation will look at the sale of products imported and then sold or offered for sale as new goods which:

a) Are in a form which is not approved by the owner of the trade mark under which they are sold or offered for sale;

b) Are in a form or state which does not conform with the requirements or technical specifications needed to be sold lawfully or to enable them to func-

tion properly or safely in South Africa; and

c) Are represented as having a sponsorship, approval, status, warranty, repair and back-up services, affiliation or connection recognised by the proprietor of the trade mark under which they are sold, when they do not.

Anyone wishing to make written representations to the Business Practice Committee must write within the next 60 days to the Secretary, Business Practices Committee, Private Bag X84, Pretoria 0001.

Export lags

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

FM 26/2/93

A bumper crop

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

□ Vegetable products, at R115,7m compared with R229,9m last year and an average for the year of R184,4m. Last year, the figure was boosted by a bumper deciduous fruit crop. Indications are that the crop this season will be smaller;

□ Gems & precious stones, at R400,6m from R422m and R630,9m. This category is made up mostly of diamond transfers to the Central Selling Organisation in London. Some large transfers were made in 1992, but these fluctuated from month to month so it's difficult to gauge whether January's figure represents a trend for the year;

□ Chemical products, at R144,7m from R260,5m and R273,9m; and

□ Paper & pulp products, at R115,7 from R142,9m and R137,8m.

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

□ Base metals, at R634,3m up from R580,3m but down from R783,3m;

□ Machinery, at R103,7m up from R89,6m, down from R177,8m; and

FM 26/2/93

□ Vehicles & transport equipment, R109,7m from R63,1m but down from R197,3m.

There was encouragement from the category unclassified items, which includes precious metals, and the category mineral products. The former brought in R2,4bn from last January's R2,1bn and an average for the year of R2bn. Mineral products brought in R657,7m from R490,8m and R629,9m.

Imports of vegetable products, swelled by maize and wheat imports in 1992 as a result of the drought, continued to grow in January. But they are tailing off, says the Maize Board. The category topped R178m in the month, compared with R74,4m last January but below the year's average of R212,8m. The full quota of maize imports should be reached by the end of April and it looks for now as if maize will not have to be imported after that (see p63).

Unclassified imports, which include oil, were up, at R542m from R369,7m and an average R501,1m. Plastic products, at R203,7m (from R184,1m and R185,6m) and base metals at R220,3m (from R191,8m and R205,2m) were also up on these levels.

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

Adjustment programme's legacy still a 'nightmare'

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

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

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

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

Shabason said manufacturers were selling their import permits to retailers who were using them to import clothing at the expense of local manufacture and job creation. In retail terms R420 worth of programme permits could translate into clothing sales worth about R1,2bn.

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

(74F)
26/2/93
LINDA ENSOR

Other abuses included the overinvoicing of exports to gain additional permits and the underinvoicing of imports so more goods could be imported.

He said confidential discussions were taking place at government level to find ways of stamping out the corruption. Also, the new textile/clothing rebate system would result in a 60% drop in clothing imports.

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

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

Govt gets windfall on grain imports

GRAND
GRAIN

74F

ARG 6/3/93

BRUCE CAMERON
Business Staff

WINDFALL profits of more than R150 million have been raked in by the government as a result of efforts to alleviate food shortage caused by the ravaging drought.

Portnet has taken in more than R557 million with Spoor-net also taking its slice.

Even the Maize Control Board made its little bit before the government stepped in.

Basically, the government has been acting as a commodity dealer, buying up maize on the international market, arranging its shipping and off-loading it for sale at a profit on the port side here.

Almost 2 500 tons of grain a day arrive in Cape Town, 12 000 tons in Durban, 5 000 tons in East London and 1 200 in Port Elizabeth.

Almost five million tons have been destined for South African consumption with four million tons heading across the borders, mainly to Zimbabwe, which has taken 1,6 million tons.

Mr Rodney Dredge, deputy director of the National Marketing Council of the Department of Agriculture, said an average of R370 a ton including freight charges was being paid for the grain.

The total landed price before sale was R438 a ton. The fixed wholesale price for maize was however R475 meaning the government was making a windfall profit of R37 a ton. This would total about R150 million.

Portnet, which has the task of off-loading the grain, charges R23,30 a ton to bulk off-load using a mechanical grab; R28,10 a ton for vacuum off-loading and R29,41 a ton if the grain is in bags. On top of this there is a R35,38 a ton handling charge.

A rough calculation shows Portnet will gross about R550 million.

Transnet could not supply cost figures for railing the grain apart from the tonnages hauled both in South Africa and across the borders to neighbouring states.

Dumping of paper probed

B/D/M
THE Board on Tariffs and Trade launched an investigation into the alleged dumping of carbonless copy paper from Germany and the UK.

This followed a petition from Memix, the sole local manufacturer of carbonless paper. *B/D/M 9/3/93*

Evidence showed the price at which the product was being exported to SA was significantly lower than the domestic price in Germany and the UK, the BTT said in the Government Gazette on Friday.

Memix is a wholly owned subsidiary of Sappi, which recently increased its stake in the company from 49% to 100%.

The BTT said imports of carbonless copy paper rose to an estimated

(144)
KELVIN BROWN

11 540 tons in 1992, from 8 113 tons in 1990. Foreign importers' share of the local market increased to approximately 73,8% in 1992, from 60,7% in 1990. *(144) (74F)*

Memix MD Clive Manby said his company was capable of producing 60% of SA's current usage, estimated to be in the region of 13 500 tons. Its current market share was 26,2%, down from 39,3% in 1990.

Memix sales fell by 9,4% between 1991 and 1992 causing capacity utilisation to fall to 69,8%. If dumping continued, capacity utilisation could fall to 53,3% this year. This could jeopardise the local industry.

Shovelfuls of strife over 'monopoly' on SA spades

By CIARAN RYAN

A LEADING importer of hand tools has lashed out at duties awarded to Lasher Tools, which has SA's monopoly on spades.

Stability Sales director Howard Rom says duties of between 60% and 140% on spades, shovels, rakes and picks have virtually wiped out competition from imports, creating a monopoly for Lasher Tools.

The move has been slammed as "outrageous" by Mr Rom.

The Board on Tariffs and Trade justified the duties to protect Lasher from "abnormally low-priced imports" from China.

Customs duties of 480c were levied on shovels, 625c on forks and 700c on picks and 590c on rakes. The local market for these is estimated at R40-million a year.

"It is outrageous that the Board on Tariffs and Trade could provide this kind of protection to the country's sole producer of building tools," says Mr Rom.

Lasher Tools managing di-

rector Alan Kendal says the company would be forced to close down at a loss of around 1 000 jobs if cheap imports from China continued to stream into the country.

"No one can compete with the Chinese. The US imposed anti-dumping duties on Chinese-made hand tools because of the ridiculously low prices that they were charging. We cannot compete with Chinese imports because of their state-run economy."

Mr Kendal says the cost of steel for a shovel is R9,42 from Iscor. Lasher pays Iscor R2 000 a ton for shovel steel, compared with the international price of R1 200 a ton.

Iskor has applied for an increase in ad valorem duties from 5% to 20% on steel imports.

Lasher was bought from Metkor in 1989 by Ussher Inventions, owned by the Halsted family.

Mr Rom says Stability

Sales was forced to pay hundreds of thousands of rands in import duties on shipments en route to SA when duties were announced last year.

Lasher originally applied for dumping duties.

"The board could not find a single shred of evidence to suggest the implements were being dumped," says Mr Rom.

Mr Kendal says Lasher has not applied for a second increase. "We were asked to resubmit our application to the Board after the dumping laws were changed.

"We are the sole producers in these products but there is nothing to stop someone else competing," says Mr Kendal. "The barriers to entry are not very high in this industry."

Lasher Tools has a capital investment of R15-million.

Chairman of the Board on Tariffs and Trade, Dr Nic Swart, says the interim duties are being reviewed and an announcement can be expected shortly.

1899 B
SI Times (13455)

174 F
1413193



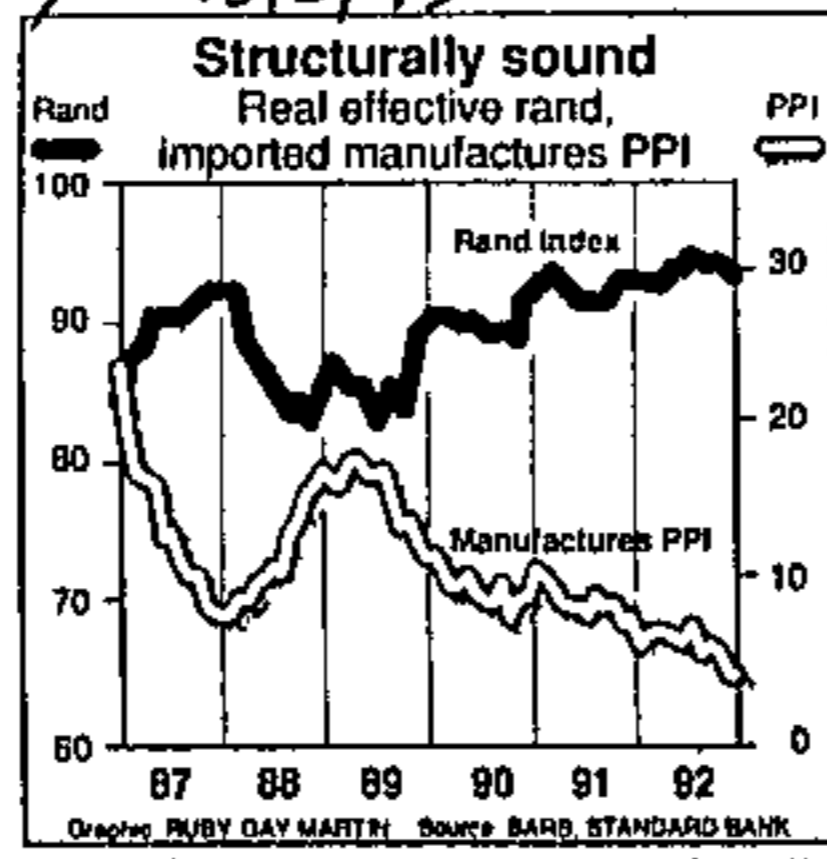
Weaker exchange rate threatens PPI

EXPORTERS may have welcomed the steeper depreciation of the trade-weighted rand over the past few months, but the producer price index (PPI) for January released this week could supply a reminder of the inflationary implications of a drooping exchange rate.

It may, however, be a bad time to remind exporters of the danger to domestic prices of a weaker rand. There were high hopes in the export community that the long-awaited structural adjustment programme for the economy, published last week, would incorporate an orderly devaluation as part of a plan to revive domestic activity. Some institutions last year joined the exporters in the devaluationist camp, advocating a more free-floating and market-determined rand as part of the restructuring process.

All were disappointed. The Finance ministry's economic adjustment plan reaffirmed the importance of Reserve Bank independence from government in pursuing its mission of defending the value of the rand irrespective of short-term policy considerations. Furthermore, the plan said monetary and fiscal policy should be aimed at the prevention of sharp exchange rate depreciations that could cause higher import prices.

With tactful deference, therefore, to the efforts of SA's exporters it has to be pointed out that the dip in producer inflation to 7,3% in the year to December from No-



vember's 7,5%, was concentrated in the imports section of the PPI. Imported inflation eased to 3,1% in December from 4,1% in November, while domestic inflation at producer level was unchanged at 8,2%.

Homegrown producer inflation seems to have settled on a plateau towards the upper end of single digits and may stay there for a while as the apparently inevitable petrol price increase in this week's 1993/94 Budget ripples through producer prices. This means continued low imported inflation — or a return to the falling import prices of last year — could be a key determinant of whether consumer inflation stays in single figures this year.

As the chart shows, the rate of imported manufactures inflation factored into the PPI correlates closely with the level of the

real effective rand — that is, the rand expressed as an index against the currencies of SA's major trading partners but adjusted for inflation. Part of the exporters' beef against the authorities is that, while the nominal — that is, inflation unadjusted — effective rand has been falling steadily, it has declined by less than SA's inflation differential with major trading partners. In other words, the real effective rand has been rising, and eroding exporter competitiveness.

This was true up to the end of the second quarter of last year, when the real effective rand firmed to an eight-year high of 94,4 on an index where January 1979 equals 100. But, as the chart shows, the real effective rand subsequently weakened from its July 1992 high and, in December, had settled back at an eight-month low of 93,0. The run on the foreign reserves of the past few months has probably restricted the Bank's ability to support the rand in the market.

Publication of the real effective rand lags the nominal rate because of the need to use an assortment of foreign wholesale price indices to deflate the variables, and the December outturn is the latest available. The impact of the rand's renewed nominal weakness of recent weeks on its real effective value is still concealed from view, but the January PPI might this week give an indication.

Internationally, it is an interesting week for the UK. Chancellor Norman Lamont presents his 1993/94 Budget tomorrow and is faced by some of the same economic

problems that confront SA Finance Minister Derek Keys on Wednesday. UK industrial production data for January are released tomorrow and will probably look as grim as December's, when output fell 0,1% on the month. UK base rate cuts in November and January are unlikely yet to have fed through to order books — assuming they ever do.

UK retail sales for February, out on Wednesday, may look brighter since base rate cuts will affect sales well before production. Much of the 1,6% jump in January sales arose from post-Christmas price cuts and sales promotions, but a surprise rise in preliminary UK M0 growth for February suggests there has been a rise in cash in circulation which could have spilled over into an extended increase in sales.

Inflation in the UK fell to a 25-year low of 1,7% in January, and February UK inflation is out on Friday. The monthly change in average prices is unlikely to match January's 35-year record of -0,9%, which was mainly the result of the new-year discounting that should help retail sales, but headline inflation is likely to remain below 2%.

By Friday the UK will need some encouraging economic news, because Thursday is likely to bring another rise in UK unemployment when the February level is published. The adjusted jobless total rose 22 000 in January to 2,9-million or 10,6% of the workforce, and should this week join the unadjusted total on the wrong side of the psychological 3-million mark.

Details on import sums disclosed

74F TIM COHEN
 CAPE TOWN — SA issued import permits for new clothing to the value of R237m and second-hand clothing to the value of R22m during 1992, according to the Trade and Industry Department.

In answer to a question asked by CP MP Andries Bruwer, the department said import permits were issued in monetary value only and no mention was made of quantities or tonnage. BIDM

The question was asked in the context of complaints of the local clothing manufacturers that the comparatively high quantity of imports of second-hand clothing was affecting the viability of the local industry. 17/3/93

The department said the rand value of imports issued for meat during 1992 was R262m.

Import permits issued for milk powder were valued at R21m.

Because of high import duties on meat, permits were often not fully used and actual imports amounted to only 42,8% of the total value of the permits issued.

Parties meet to plan talks strategy

BIDM 17/3/93
 ALL THE major negotiating parties were locked in discussions yesterday to finalise their positions for tomorrow's meeting of the facilitating committee where the name, agenda and structure of the new negotiations forum will be decided.

The ANC's negotiations commission was meeting in Johannesburg, while government's team was meeting in Cape Town and the members of the Concerned SA Group, led by Inkatha, gathered in Pretoria for a two-day meeting.

Sources in the parties said the caucusing would not only focus on tomorrow's meeting but would also be developing strategies for the first meeting of the new multiparty forum on April 1 and 2.

The major decisions likely to come out of the meeting tomorrow are the endorsement of proposals thrashed out by a 10-man subcommittee last week on the structure of the new forum and how it will be run.

It is expected that the four-tier structure will be approved. It consists of a plenary, meeting irregularly when major decisions need full party ratification; a negotiating forum, meeting every two weeks; a negotiating council — heads of the negotiating teams and an adviser who will meet three to four days each week; and a planning committee of 10, meeting every day to ensure smooth functioning and help with dispute resolution.

There is likely to be some contention

BILLY PADDOCK
 over the name of the new forum. Government and the ANC want to retain Codesa for continuity while Inkatha, the PAC and some other smaller parties want another name. A suggested name is the Negotiating Forum of SA (Nefsa) or a combination of Nefsa/Codesa.

Another likely point of contention is the proposal that foreigners not be allowed to advise delegations and be part of technical committees. Associated with this is the proposal that all delegation members and advisers be full members of the parties and not be "foreign constitutional experts".

Inkatha and the Bophuthatswana government are protesting that this proposal is aimed at them and designed to deprive them of the best possible advisers.

The agenda for the first meeting of the new forum may be finalised.

Inkatha and its pressure group consisting of the Ciskei government, Bophuthatswana, the CP and the Afrikaner Volksunie, among others, wants regionalism and federalism to be the first item while government and the ANC would like to defer negotiations on this until later.

Meanwhile government and the ANC sit down on Friday for "at least a one-day bilateral meeting" to seek common ground and a similar approach on regionalism.

Another meeting between government and Inkatha is also scheduled before the resumption of multiparty talks.

REVENUE COMPARISONS

74F
282

	1992-93 Budgeted Rm	1992-93 Revised estimate Rm	1993-94 Budgeted at exist- ing rates Rm	1993-94 Budgeted at new rates Rm	% Change on 1992/93 revised
Inland Revenue					
Income tax on:					
Individuals	35 511	32 572	37 680	37 627	15,5
Non-mining companies	13 356	10 796	11 101	11 101	2,8
Gold mines	472	482	500	500	3,7
Diamond and other mines	855	603	425	401	-33,5
VAT/sales tax	21 020	17 376	19 188	24 858	43,1
Gold mine leases	145	163	115	115	-29,4
Stamp duties	830	750	825	815	8,7
Transfer duties	810	870	922	991	13,9
Other	1 627	2 014	1 325	735	-63,5
Total	74 626	65 626	72 081	77 143	17,5
Customs and Excise					
Customs duty	3 124	2 975	3 132	3 132	5,3
Import surcharge	1 670	1 525	1 635	1 635	7,2
Excise duty	4 519	4 097	4 236	4 656	11,2
Fuel levy	6 634	6 810	6 893	7 633	12,1
Ordinary levy	64	85	88	88	3,5
Miscellaneous	252	355	383	383	7,9
Total	16 263	15 847	16 367	17 427	10,0
Less: Customs Union payments..	5 040	5 160	5 675	5 675	10,0
Total	11 223	10 687	10 692	11 752	10,0
Total Revenue	85 849	76 313	82 773	88 895	16,5

By ZILLA ERAT

A NUMBER of rare Persian carpets are finding their way onto the market because of the recession, presenting some rich pickings for those few cash-flush South Africans.

Raphael Lidchi, owner of Henri Lidchi & Co stores in Johannesburg's Rosebank and Morningside, says that as the tough times bite deeper, people are selling off their good-quality carpets or using them as collateral with banks and other lenders.

He says there has been a chronic shortage of quality pieces in SA for some time. About 80% of the country's good stock has left via emigration, and high duties and a weak rand have limited imports in recent years.

Lidchi advises the public to buy for pleasure and decorative purposes rather than for investment with a view to speculation. Persian carpets are a good long-term store of value and a means of fighting inflation.

Investments

Lidchi says: "There are no guarantees, but we believe that the value of Persian carpets has generally appreciated in the long-term."

"This is because they are harder and more time-consuming to make than other art forms and because good quality old pieces, which are pure in expression, are becoming increasingly rare."

The best investments are usually those carpets at the top end of the range: antiques and good silks, followed by true woolen Persians.

South Africans, however, can also get good value by buying Turkish carpets because they come into the country with a more favourable duty.

In general, Persian carpet prices rose continuously until the Shah of Iran was deposed in 1979.



There's still lots

of magic in carpets

With the late Ayatollah Khomeini coming to power and the war with Iraq there was a severe devaluation of the Iranian rial — all of which contributed to a temporary worldwide drop in prices.

Prices stabilised, however, by the mid-80s and have increased steadily ever since, although the worldwide recession is currently dampening global demand at the lower

end of the market. Lidchi says Persian carpets have always been kept as a form of portable security. In the old days, the wealthy put their dividends from gold shares into carpets.

Many of Zimbabwe's rich brought their carpets after UDI to SA and sold these to start businesses in this country. Lidchi says the spate of liquidations and

"closing down sales" in recent times have given the Persian carpet business worldwide a bad name. The militancy of the revolution in Iran also tarnished its image.

Warning about false sales claims, he says buyers sometimes hear that fewer carpets are being made these days. Indeed, the opposite is true, as many countries in the East now subsidise their carpet industries.

Lidchi advises the public to shop around. "Each carpet is unique. If you do not know what you are doing you can get burnt very badly."

"Many countries, such as Pakistan and India, copy Persian designs. Although the hand work is of a good quality, they are not the real thing and, often, only a good dealer is able to tell the difference."

Quality

He says "Persian" is a colloquial term used to describe most carpets on the market.

A true Persian, however, is one made in Persia before 1927. Any carpet made after that in what later became Iran should be called "Iranians".

Lidchi says the quality of Pakistani, Turkish and Afghan carpets has come up in the world, but they often lack the purity of expression found in Persian carpets.

The condition of an antique carpet may not be so important. If they are rare, they are valuable and become collectors' items, he says.

Kelims, unlike pile carpets, are a flat weave. They are made all over the East and some good quality old ones may be worth a lot of money.

However, Lidchi says Kelims take a longer time to appreciate in value. They are a tribal craft as opposed to the "works of art" of Persian carpets. There is great demand for them as decorative items.



German (74F)
imports (S) Times (RUS) 3
21/3/93

SOUTH AFRICAN imports from Germany fell 8% to R8,03-billion, while its exports fell 2,4% to R5,77-billion, says the SA-German Chamber.

Price hikes predicted

74F

KELVIN BROWN

PRICES of big ticket items were expected to increase 10%-15% from April, retailers and manufacturers said yesterday.

Although VAT and the petrol price would affect prices, they said the main cause was the depreciation of the rand over the past few months.

Most electronic goods and top of the range appliances sold in SA were imported. Most components for appliances, TVs and hi-fi systems produced locally were also imported.

Since the beginning of the year the rand had depreciated from R3 to the dollar to R3,20.

Leftover stock at old prices would be snapped up as consumers bought ahead of VAT increases, Panasonic MD and Radio and TV Manufacturers' Association chairman Alan Coward said.

He expected prices to rise by at least 10% in April because of the rand's devaluation.

Most imports were paid for in dollars, Philips product manager Collin Ash said. Overseas supply prices had not only been affected by the devaluation of the rand but also by the strengthening of the yen against the dollar.

To maintain price parity people would have to purchase more middle of the range items, Pick 'n Pay merchandise director Aubry Zelinsky said. SA could no longer afford products at the upper end of the market.

Merchandise arriving now was purchased in October/November last year when the rand was less than R3 to the dollar, Zelinsky said.

● Comment: Page 10

B10A-1 25/3/93
SA gets anti-dumping unit

THE Board on Tariffs and Trade (BTT) has established an anti-dumping unit as a step towards simplifying SA's tariff structure.

Effective and timely anti-dumping actions would be an important component in winning support for a lower overall tariff level.

BTT chairman Nic Swart said yesterday officials of the unit had recently visited Australia and New Zealand and had also trained with EC officials.

The unit was vital because of government's commitment to reducing and simplifying SA's tariff structure.

Because of this, a rapid response unit to prevent dumping had become a pri-

PETER DELMAR

ority, he said.

Vice-chairman Helgaard Muller said the unit, which currently had less than eight professional staff members, needed an enlarged complement.

It was possible that members would be recruited from the private sector.

Serious attention would be given to winning the confidence of industry, Swart said.

A number of industries, including the pulp and paper sector which has a lowered, standard tariff system, were potential targets for dumping.

Swart said the board had recently been asked to investigate allegations of glass and bearing dumping.

REPUBLIC
OF
SOUTH AFRICA



REPUBLIEK
VAN
SUID-AFRIKA

Government Gazette Staatskoerant

R1,00 Price • Prys
R0,10 Plus 10% VAT • BTW
R1,10 Selling price • Verkoopprys
Other countries **R1,40** Buitelands
Post free • Posvry

Regulation Gazette
Regulasiekoerant
No. 5053

Vol. 334

PRETORIA, 2 APRIL 1993

No. 14717

GOVERNMENT NOTICES

DEPARTMENT OF FINANCE

No. R. 580 **74F** 2 April 1993

CUSTOMS AND EXCISE ACT, 1964

IMPOSITION OF PROVISIONAL PAYMENT (VB/7)

Under section 57A (2) of the Customs and Excise Act, 1964, the period for a provisional payment in relation to anti-dumping duty on goods imported from or originated in Canada, the Kingdom of the Netherlands and the United States of America, imposed under Government Notice No. R. 3282 dated 4 December 1992 is hereby extended to 6 June 1993.

D. J. COLESKY,

Commissioner for Customs and Excise.

No. R. 581 **74F** 2 April 1993

CUSTOMS AND EXCISE ACT, 1964

IMPOSITION OF PROVISIONAL PAYMENT (VB/8)

Under section 57A (2) of the Customs and Excise Act, 1964, the period for a provisional payment in relation to anti-dumping duty on goods imported from or originating in the United States of America, imposed under Government Notice No. R. 3281 dated 4 December 1992 is hereby extended to 6 June 1993.

D. J. COLESKY,

Commissioner for Customs and Excise.

GOEWERMENSKENNISGEWINGS

DEPARTEMENT VAN FINANSIES

No. R. 580 2 April 1993

DOEANE- EN AKSYNSWET, 1964

OPLEGGING VAN VOORLOPIGE BETALING (VB/7)

Kragtens artikel 57A (2) van die Doeane- en Aksynswet, 1964, word die tydperk vir 'n voorlopige betaling met betrekking tot anti-dumpingreg op goedere ingevoer vanaf of afkomstig van Kanada, die Koninkryk van die Nederlande en die Verenigde State van Amerika, wat kragtens Goewermentskennisgewing No. R. 3282 van 4 Desember 1992 opgelê is hiermee verleng tot 6 Junie 1993.

D. J. COLESKY,

Kommissaris van Doeane en Aksyns.

No. R. 581 2 April 1993

DOEANE- EN AKSYNSWET, 1964

OPLEGGING VAN VOORLOPIGE BETALING (VB/8)

Kragtens artikel 57A (2) van die Doeane- en Aksynswet, 1964, word die tydperk vir 'n voorlopige betaling met betrekking tot antidumpingreg op goedere ingevoer vanaf of afkomstig van die Verenigde State van Amerika, wat kragtens Goewermentskennisgewing No. R. 3281 van 4 Desember 1992 opgelê is hiermee verleng tot 6 Junie 1993.

D. J. COLESKY,

Kommissaris van Doeane en Aksyns.

Probe to look at grey goods

S Times 4/4/93

(14F)

GREY market imports — seen by some as a consumer trap and by others as a godsend — are back in the spotlight.

They are the subject of a Harmful Business Practices Committee (HBPC) investigation aimed at protecting the consumer. Submissions must be in later this month.

Grey imports, also called parallel imports, are genuinely branded products imported by a party other than the official South African agent.

They have been around for many years, especially during the sanctions years, and can sometimes be 30% cheaper than products sold by official agents.

Authorised dealers have often come out strongly against grey marketers, alleging that they piggy-back on their marketing efforts and do not keep adequate spare parts or provide back-up customer services.

Effort

However, parallel import company FSA Distribution chairman John Glennie claims that the attack is a weak attempt to derail competition and that authorised distributors often use scare tactics to get business.

He contends that many authorised distributors become monopolistic, which leads to inefficiencies and higher prices to cover rising overheads. Profiteering and price control also take place.

He says grey marketers are able to undercut prices because they are more efficient and have lower overheads. They also put more effort into buying.

The competition benefits the consumer, who gets better prices and services as well more available sources for the product.

FSA has grown 30% in the past year — “proof of demand for our services and products,” says Mr Glennie.

He argues that smaller retailers, with low volumes and limited buying power, are able to compete for big business by buying from parallel importers.

By ZILLA EFRAT

In addition, grey marketers help create other small business opportunities, like those in the field of engineering support.

Mr Glennie claims parallel importing is totally legal in SA as long as three principles are not broken: trademark infringement, copyright infringement or passing products off as something that they are not.

Many “authorised dealers” accuse grey marketers of ruining product image, but Mr Glennie says it is important to distinguish between bad business providing bad service and grey importers.

However, the Business Equipment Association (BEA) believes there is no bona fide reason for parallel importers in the marketplace because fierce and healthy competition already abounds.

It says grey marketers are able to discount prices because they are not saddled with the overheads required by overseas manufacturers and do not build the costs of guarantees into their prices.

According to the BEA, some grey marketers specialise in closing shop when the burden of fulfilling guarantees becomes too great and re-open under different names.

Code

The BEA says consumers often buy well-known brand names believing that they enjoy the full support of the manufacturer. When technical support is required they find that the supplier is unwilling or incapable of providing support.

When they turn to the authorised dealer he cannot fulfil the parallel importer's guarantee, and has to charge for repairs.

Often the product is not one authorised by the manufacturer for distribution in SA and the authorised dealer does not carry the spare parts or have the expertise to support the product.

HBPC chairman Professor Louise Tager says the investigation will look at all points of view.

Company round-up

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Omnia.....	487,0	+11,0	22,6	-36,0	59,47	-29,0	40,0	14,0
Tomkor.....	—	—	4,2	+39,9	23,6	+18,6	20,0	+5,2
Equikor.....	26,8	-26,1	1,8	-59,0	0,7	-58,8	—	—
Corwil Inv.....	—	—	0,28	+26,1	14,7	+26,7	14,0	+27,2
INTERIMS								
Octodek.....	12,2	+1,6	0,359	-4,0	0,39	-25,0	0,39	-25,0
Minaco.....	41,5	+38,5	4,9	-14,9	10,8	-33,7	—	—
Nu-World.....	31,5	+63,0	0,98	+21,0	5,1	+21,0	—	—

Importers beat gun on duty cuts for cars

5 Times (Bus. Times) 11/4/93
(74 F)

SEVERAL businessmen are anticipating the eventual cut in import duties on imported cars and are negotiating with manufacturers to reintroduce famous marques, such as Alfa Romeo and Volvo.

Finance Minister Derek Keys recently reduced duties on imported cars by 10% to 100%. He promised that in the next five to eight years duties would be reduced by 10% a year to between 40% and 60%.

Several businesses plan to make their move ahead of duty cuts.

The cars will ostensibly sell in SA at twice their price in their countries of origin. The sellers will tackle a market which is expected to increase by only 2% this year after plunging last year to its lowest since 1986.

A reduction in import duties to, say, 60% would make many of the top-range cars made in SA cheaper to import.

Vic Campher, of Tom Campher Motors which services the Volvo fleet, this week continued discussions with Swedish parent with a view to establishing a distributorship.

Mr Campher says that between 1962 and 1976, 33 000 Volvo cars were sold in SA. About 8 200 are still in use.

Tom Campher Motors car-

By DON ROBERTSON

ries spares worth about R400 000 for these vehicles.

Volvo withdrew from SA in 1976 when then distributor Lawsons Motors went insolvent. It was prevented from re-entering the market because of sanctions.

The first Volvo, the new 850 version, is expected in SA in June and will be used to test the market. It has a five-cylinder, multi-valve engine which drives the front wheels.

Change

But Mr Campher's efforts might be stymied because Saficon subsidiary LSM Distributors is also negotiating for a Volvo distributorship. LSM is the only SA importer of Porsche cars.

Paul Croeser, director of marketing services at Saficon, says his company has put a lot of work into the Volvo negotiations. He believes that Volvo cars will have a niche market.

Cars International has signed a three-year agreement with Alfa Romeo and its parent Fiat in Italy. It will change its name to Alfa Romeo Concessionaires.

The intention is to open six showrooms to sell a nine-

model range by May and to increase this to 12 by the yearend. The company plans to franchise 10 outlets. The models include the Alfa 33 16-valve Boxer which will sell for R88 000 and the 31 V6 24-valve Quadrifoglio, costing R254 000.

The prices compare favourably with SA equivalents, largely because of the devaluation of the lire and keen prices negotiated with the parent company.

The company hopes to sell about 500 vehicles a year.

Beating both the Alfa and Volvo negotiators was Southern Motor Holdings which introduced the up-market Japanese Saburu range in June last year after almost a year of negotiations. More than 40 vehicles have been sold and the target for this year is 100.

The cars range in price from R127 000 for the Legacy to R299 000 for the sporty SVX at the new VAT rate. All have synchronised four-wheel-drive and anti-lock braking systems (ABS).

Financial director Michael Mapes says Southern Motor Holdings has invested millions in the Saburu range.

"Even though margins have been kept to a minimum, it is a profitable operation," says Mr Mapes.

**DEPARTMENT OF WATER AFFAIRS
AND FORESTRY**

**NOTICE IN TERMS OF SECTION 9A OF THE
WATER ACT, 1956**

No. 626

16 April 1993

PROHIBITION ON THE ABSTRACTION AND USE FOR IRRIGATION PURPOSES AND REDUCTION IN THE ABSTRACTION AND USE FOR URBAN AND INDUSTRIAL PURPOSES OF PUBLIC WATER FROM THE WHITE MFOLOZI RIVER AND ALL ITS TRIBUTARIES WITHIN THE CATCHMENT AREA OF THE KLIPFONTEIN DAM AND FROM THE WHITE MFOLOZI RIVER WITHIN THE GOVERNMENT WATER CONTROL AREA DOWN-STREAM OF THE KLIPFONTEIN DAM

1. By virtue of the power vested in me by Government Notice No. 310 published on 5 March 1993 in *Government Gazette* No. 14601, I, Johann Georg Geoffrey Hansmann, in my capacity as Regional Director: Natal of the Department of Water Affairs and Forestry, do hereby with due regard to the availability of water, amend paragraph 1 (b) of the aforementioned Government Notice in that the persons hereinafter set out may continue abstracting water from the public streams situated within the catchment area of the Klipfontein Dam between 06:00 and 18:00 on Mondays, Wednesdays and Fridays until and including Friday 30 April 1993 for the irrigation of the areas of land on the properties specified hereunder:

W. H. Colloty: Subdivision 8 of the farm Zaailaagte 780: Abstraction from the White Mfolozi River for the irrigation of 14 hectares.

H. K. Meyer: Subdivisions 10 and 11 of the farm Zaailaagte 780: Abstraction from the White Mfolozi River for the irrigation of six hectares.

M. W. P. Koekemoer: Remainder of Subdivision 2 of the farm Welgeluk 56: Abstraction from the uMakhwatha River for the irrigation of 11 hectares.

J. G. G. HANSMANN,

Regional Director: Natal,

p.p. Minister of Environmental Affairs and of Water Affairs.

GENERAL NOTICES

NOTICE 321 OF 1993

DEPARTMENT OF TRADE AND INDUSTRY

IMPORT CONTROL

It is hereby notified for general information and comment that the Deputy Minister of Trade and Industry, acting on behalf and by direction of the Minister of Finance and of Trade and Industry, intends abolishing import control on the goods described in the Schedule hereto.

**DEPARTEMENT VAN WATERWESE
EN BOSBOU**

**KENNISGEWING KRAGTENS ARTIKEL 9A VAN
DIE WATERWET, 1956**

No. 626

16 April 1993

VERBOD OP DIE UITNEEM EN GEBRUIK VIR BESPROEINGSDOELEINDES EN VERMINDERING VAN DIE GEBRUIK VIR STEDELIKE EN NYWERHEIDSDOELEINDES VAN OPENBARE WATER UIT DIE WIT MFOLOZIRIVIER EN AL SY SYTAKKE BINNE DIE OPVANGGEBIED VAN DIE KLIPFONTEINDAM EN VAN DIE WIT MFOLOZIRIVIER BINNE DIE STAATSWATERBEHEERGE-BIED STROOM AF VAN DIE KLIPFONTEINDAM

1. Kragtens die bevoegdheid aan my verleen by Goewermentskennisgewing No. 310 gepubliseer op 5 Maart 1993 in *Staatskoerant* No. 14601, wysig ek, Johann Georg Geoffrey Hansmann, in my hoedanigheid van Streekdirekteur: Natal van die Departement van Waterwese en Bosbou, met inagneming van die beskikbaarheid van water, paragraaf 1 (b) van gemelde Goewermentskennisgewing sodat die persone hierna genoem mag voortgaan met die onttrekking van water vanuit die openbare strome binne die opvanggebied van die Klipfontein dam, tussen 06:00 uur en 18:00 uur op Maandae, Woensdae en Vrydae tot en met Vrydag 30 April 1993 vir die besproeiing van die oppervlaktes op die eiendomme soos hieronder uiteengesit:

W. H. Colloty: Gedeelte 8 van die plaas Zaailaagte 780: Onttrekking vanuit die Wit Mfolozirivier vir die besproeiing van 14 hektaar.

H. K. Meyer: Gedeeltes 10 en 11 van die plaas Zaailaagte 780: Onttrekking vanuit die Wit Mfolozirivier vir die besproeiing van ses hektaar.

M. W. P. Koekemoer: Restant van Gedeelte 2 van die plaas Welgeluk 56: Onttrekking vanuit die uMakhwatharivier vir die besproeiing van 11 hektaar.

J. G. G. HANSMANN,

Streekdirekteur: Natal,

p.p. Minister van Omgewingsake en van Waterwese.

ALGEMENE KENNISGEWINGS

KENNISGEWING 321 VAN 1993

DEPARTEMENT VAN HANDEL EN NYWERHEID

INVOERBEHEER

Hierby word vir algemene inligting en kommentaar bekendgemaak dat die Adjunkminister van Handel en Nywerheid, handelende namens en in opdrag van die Minister van Finansies, en van Handel en Nywerheid, van voorneme is om invoerbeheer op die goedere wat in die Bylae hiervan beskryf word af te skaf.

Persons who are of opinion that import control on certain of the goods are prescribed in the Schedule must be retained, are requested to advance reasons in writing why import control on such goods is deemed necessary. The correct description as well as the appropriate customs tariff heading or subheading must be provided. All requests or comments must reach the Director: Import and Export Control, Private Bag X192, Pretoria, 0001, before 21 May 1993.

D. GRAAFF,
Deputy Minister of Trade and Industry.


74F

Persone wat van mening is dat invoerbeheer op sekere van die goedere in die Bylae vermeld behou moet word, moet skriftelik redes aanvoer waarom invoerbeheer op sodanige goedere as noodsaaklik beskou word. Die korrekte beskrywing asook die toepaslike doeanetariefpos of subpos moet verstrekk word. Alle versoeke of kommentaar moet die Direkteur: In- en Uitvoerbeheer, Privaatsak X192, Pretoria, 0001, voor 21 Mei 1993 bereik.

D. GRAAFF,
Adjunkminister van Handel en Nywerheid.

SCHEDULE 1 • BYLAE 1

Description of goods	Tariff heading Tariefpos	Beskrywing van goedere
Barley	10.03	Gars.
Malt whether or not roasted; of barley	1107.10.20	Mout van gars, hetsy gebrand al dan nie.
Vegetable saps and extracts; of hops	1302.13	Plantaardige sappe en ekstrakte; van hoppe.

(16 April 1993)

NOTICE 322 OF 1993

DEPARTMENT OF AGRICULTURE

AGRICULTURAL PRODUCE AGENCY SALES ACT (ACT No. 12 OF 1975)

NOTICE OF CESSATION OF BUSINESS

It is hereby notified in terms of section 14 of the Agricultural Produce Agency Sales Act, 1975 (Act No. 12 of 1975), for general information that Waspe Market Agent (O. Bellingham), who carried on business as a market agent at Uitenhage, has ceased business as such with effect from 1 February 1993.

H. S. HATTINGH,
Director-General: Agriculture.

(16 April 1993)

KENNISGEWING 322 VAN 1993

DEPARTEMENT VAN LANDBOU

WET OP AGENTSKAPSVERKOPING VAN LANDBOU- BOUPRODUKTE (WET No. 12 VAN 1975)

KENNISGEWING VAN STAKING VAN BESIGHEID

Ingevolge artikel 14 van die Wet op Agentskapsverkoop van Landbouprodukte, 1975 (Wet No. 12 van 1975), word hierby vir algemene inligting bekendgemaak dat Waspe Markagente (O. Bellingham), wat te Uitenhage as 'n markagent besigheid gedryf het, besigheid as sodanig met ingang van 1 Februarie 1993 gestaak het.

H. S. HATTINGH,
Direkteur-generaal: Landbou.

(16 April 1993)

NOTICE 323 OF 1993

ADMINISTRATION: HOUSE OF DELEGATES

DEPARTMENT OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE

APPOINTMENT OF MEMBERS OF THE SLUMS CLEARANCE COURT

It is hereby notified for general information that the Minister of Housing in the House of Delegates, in terms of sections 4 (2) (a) (ii) and (4) (2) (b) of the Slums Act, 1979 (Act No. 76 of 1979), and under and by virtue of the powers assigned in terms of section 26 of the Republic of South Africa Constitution Act, 1983 (Act No. 110 of 1983), appointed the undermentioned

KENNISGEWING 323 VAN 1993

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES

DEPARTEMENT VAN PLAASLIKE BESTUUR, BEHUISING EN LANDBOU

AANSTELLING VAN LEDE VAN DIE SLUMOPRUIMINGSHOF

Dit word vir algemene inligting bekendgemaak dat die Minister van Behuising in die Raad van Afgevaardigdes ingevolge artikels 4 (2) (a) (ii) en 4 (2) (b) van die Slumswet, 1979 (Wet No. 76 van 1979), en kragtens die bevoegdheid verleen in terme van artikel 26 van die Republiek van Suid-Afrika Grondwet, 1983 (Wet No. 110 van 1983), die ondergenoemde persone

Star 21/4/93

Chinese traders facing uphill battle

By Derek Tommey

Chinese businessmen at the China Trade Exhibition now taking place at the World Trade Centre at Kempton Park are finding that it is going to be much harder than they expected to sell their goods to South Africans.

Not that there is anything wrong with their products or prices, which are among the lowest in the world.

The difficulty they have to face is that South African import tariffs on the goods they want to sell are among the highest in the world.

"In most markets our pro-

ducts are highly competitive," says Lin Ning, deputy head of the exhibition delegation.

"But here in South Africa we might lose our competitiveness owing to your high tariffs," he says.

This is the first time that mainland China - the People's Republic of China - has held a trade exhibition in SA and reflects the thaw in relations between the two countries. But it means that this is a completely new market for the Chinese.

Lin says the current show is aimed at testing the market and so they had brought along a large number of consumer products.

jurisdiction to review administrative acts. The Government is of the opinion that the control of administrative actions by the courts, will play a major role in the protection of the individual's right in a future South Africa.

The Government on the other hand is of the opinion that, in a healthy democratic society, the rights of individuals and the legality of administrative acts which infringe those rights, should only be determined by the courts.

Draft Judicial Review Bill

*3. Mr A J LEON asked the Minister of Justice:

Whether the Government intends—(a) publishing, and/or (b) introducing legislation to give statutory effect to, the draft Judicial Review Bill prepared by the South African Law Commission; if not, why not; if so, when will the said (i) bill be published and/or (ii) legislation be introduced? B577E

THE MINISTER OF JUSTICE:

Mr Chairman, a similar question was received from the hon member for Houghton. I ask leave to deal with this question in the same way.

(Reply laid upon the Table with leave of House):

The draft Judicial Review Bill forms a part of the South African Law Commission's report on the Investigation into the Courts' Powers of Review of Administrative Acts, Project 24, which has been tabled in Parliament on 1 April 1993. The Government has already evaluated the report. Legislation in this regard will soon be introduced.

The draft Judicial Review Bill, as contained in the South African Law Commission's report, is based on the general policy that the existing grounds for judicial review should be codified and that such codification should be open and susceptible to extension and development by the courts. The codification envisaged by the draft Bill includes the statutory inclusion of the prevailing grounds for judicial review and extends the scope of review to include grounds which up until now have not been recognised by the courts, namely, questions of law, questions of fact and unreasonableness. The existing grounds for review have been developed by the courts over the years. This development has taken place on an *ad hoc* basis with the result that to a large extent these grounds have become "a number of unrelated prescripts". There is conse-

quently a need for some form of classification.

The draft Bill in clause 2 goes further and provides that notwithstanding the provisions of any other law, a person who is aggrieved by or whose interests are affected by a decision of an organ, can, in writing, request such organ to furnish reasons for the decision. This right to insist for reasons for a decision will thus be applicable to all administrative acts by an organ. All existing legislation which provides that reasons for a decision are not required to be furnished, will also have to be repealed.

This draft Bill complements the Government's Proposals on a Charter of Fundamental Rights, and in particular sections 28 and 29, which have a direct bearing on the Supreme Courts' inherent jurisdiction to review administrative acts. The Government is of the opinion that the control of administrative actions by the courts, will play a major role in the protection of the individual's right in a future South Africa.

It has further come to my attention through press reports and as a result of a workshop on "Administrative Law for a future South Africa", which was held at the University of Cape Town last month, that the ANC is strongly opposed to the proposals contained in the South African Law Commission's Report. They argue that judicial review could frustrate attempts by a new government to introduce affirmative action. These opponents to judicial review apparently fear that judges in a future South Africa will set aside the new government's decisions, which infringe on individual's rights, and by so doing, make the country ungovernable.

I would like to quote from the "workshop's" final working document in which the recommendations of the three day discussions are contained. The following proposal was, amongst others, accepted (page 3 paragraph (ii) (c)):

"In evaluating whether a decision is lawful, procedurally fair and justifiable, due weight shall be given to the principles of good governance and the need to empower all public authorities to undertake programmes to undo apartheid and remedy

social, political and economic disadvantages."

The ANC, in section 2, paragraph 26 of its proposed Bill of Rights provides that every individual must have a constitutional right to review an administrative act of his rights, powers or a reasonable expectation are violated by it. The ANC now suddenly adopts a resolution which totally undermines this principle and it declares that it is in favour of a discretionary affirmative action clause.

It is clear that the ANC only pays lip-service to the principle of judicial review and a Bill of Rights and does not realise that the unbridled use of power undermines the principle of the rule of law. The Government on the other hand is of the opinion that, in a healthy democratic society, the rights of individuals and the legality of administrative acts which infringe those rights, should only be determined by the courts.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Import cover

*4. Mr J CHIOLE asked the Minister of Finance:

(1) (a) What was the import cover for (i) May 1992 and (ii) January 1993 and (b) what are the (i) reasons for and (ii) implications of the difference between the May and January figures;

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

THE MINISTER OF FINANCE:

(1) (a) The ratio of the Reserve Bank's gross foreign reserves to the import of goods and services (import cover) declined from 1,8 months in May 1992 to 1,4 months in January 1993, while the corresponding ratio of the net reserves decreased from 1,7 months to 1,3 months over the same period.

(b) This decline was caused largely by the weakening in the country's gross reserves since August 1992, which was in turn the result of a temporary deterioration in the surplus on the current account and an increase in the outflow of capital. The severe

drought was largely responsible for the lower surplus on the current account because this led to an increase in imports and a drop in the exports of agricultural products. In turn, leads and lags in foreign payments and receipts contributed to the larger capital outflow. These speculative capital movements were generally related to the appreciation of the USA dollar on international markets and the availability of funds on the domestic market. There were also certain repayments of maturing long term debt while no new loans were negotiated in this period.

(2) No.

Capital outflow

*5. Mr J CHOLE asked the Minister of Finance:†
What was the total net (a) long-term and (b) short-term capital outflow out of the Republic since 1 January 1990 up to the latest specified date for which figures are available?
B590E

The MINISTER OF FINANCE

- (a) The total outflow of long-term capital amounted to R6,2 billion during the three calendar years 1990 to 1992.
- (b) The total outflow of short-term capital (including unrecorded transactions on the current as well as the capital account) amounted to R9,3 billion in the corresponding period.

Diepkloof Prison: grievances/demands of employees

*6. Mr D J DALLING asked the Minister of Correctional Services:

- (1) Whether the authorities at Diepkloof Prison were recently handed a memorandum setting out various grievances and containing certain demands by members of the South African Police and a certain civil rights union, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) when, (b) what specific and/or general (i) grievances were set out, and (ii) demands were contained, in this memorandum and (c) what was his Department's response to this memorandum;
- (2) whether he or his Department intends taking any steps pursuant to this memorandum; if not, why not; if so, what steps?

The MINISTER OF CORRECTIONAL SERVICES:

- (1) Yes
- (a) 20 March 1993
- (b), (i) and (ii)
- (c) and (2)

A copy of the memorandum is attached for the hon member's convenience.
The Department has taken note of the standpoints which were raised by the particular organization. In this regard it should be mentioned that in reaction to a letter from the particular organization containing similar standpoints to those contained in the memorandum, an invitation was issued on 18 February 1993 to discuss these standpoints with the Deputy Commissioner: Personnel Services. To date there has been no reaction to this invitation. It should however be categorically stated that this particular organization is not representative of the members of the Department of Correctional Services and consequently cannot be recognized as or act as a mouthpiece for the members of this Department. On the contrary, many members of this Department totally distance themselves from this organization.

It is this Department's policy to have discussions with its personnel in cases where specific grievances have been brought to the attention of management or where members indicate that they have a problem which they would like to discuss. However, the grievances in this memorandum are vague and lack a factual basis with the result that it is not possible to react specifically to

each supposed grievance. In general all managers are continually sensitized to give a hearing to, attend to and resolve the grievances of their members within reasonable limits. With regard to the demands mentioned in the memorandum it should be mentioned that some time ago the Department of Correctional Services took the initiative to evaluate its labour relation arrangements with a view to possible future adaptations to the present systems.

In the normal course of events Departmental policy makes provision for members to have access on a well-ordered basis via the command structure to the highest level—even to the Minister.

Furthermore, all members of the department have unrestricted access to the Ombudsman.

I would like to reconfirm the invitation which was extended on 18 February 1993 and request that it be utilized. After such a discussion the Deputy Commissioner concerned will give me a full report whereafter further action will be considered.

POPCRU

Police and Prison Civil Right Union
Polisie en Gevangenis Burgerregte Vereniging
(Established in Nov. 1989)

1st Floor, Office 7 P.O. Box 260100
Darragh House Excom 2023
Wanderers Street Phone: (011) 294200
Johannesburg 2000 Fax: (011) 294200
20 MARCH 1993

Memorandum to the Commissioner of the Department of Correctional Services

We, the members of POPCRU in the Transvaal Region are very much dissatisfied about the attitude of the Department of Correctional Services whenever we voice our demands. This Department has failed to address our problems from as early as 1990. The Pietermaritzburg issue is a proof of that. Unless this Department addresses our problems satisfactory the conflict-confrontation

will continue to exist. The channels of communications that are imposed on us have been a failure, the workstations have never taken off the ground because they are undemocratic and have been unilaterally formed to serve the interest of the management.

POPCRU is seen by members of both the department of the Correctional Services and Police Department as an adequate structure to address their problems at workplaces. We are informed by our reliable source that you refuse to recognise POPCRU because it is an affiliate of AP/PLA and that our closeness to Cosatu gives you problems. How misinformed are you. We wish to state categorically that we are apolitical and independent. Dismissing us whenever we complain will not deter us. Many other people have paid much regrettable prices for the truth.

We therefore demand:

- (1) Recognition of POPCRU.
- (2) Unconditional re-instatement of warders dismissed in Pietermaritzburg with immediate effect.
- (3) 30% increase across the board.
- (4) Better working conditions.
- (5) The stopping of victimisation and harassment of POPCRU members.
- (6) Freedom of Association.
- (7) Stop unilateral restructuring of the Department.
- (8) Stop the retrenchment of black POPCRU members in the form of the so-called Board of Inquiries.

We expect respond soon.
KENNETH MTHOMBENI
REGIONAL SECRETARY
Forward to Peace and Justice!

Complaint in terms of Protection of Information Act

*7. Mr D S PIENAAR asked the Minister of Justice:†

- (1) Whether, with reference to the reply by the Minister of Law and Order to Question No 77 on 16 March 1993, the attorney-general concerned has received the docket in respect of the complaint lodged by Mr O J F Hartung in terms of

Star 2114193

Chinese traders facing uphill battle

By Derek Tommey

Chinese businessmen at the China Trade Exhibition now taking place at the World Trade Centre at Kempton Park are finding that it is going to be much harder than they expected to sell their goods to South Africans.

Not that there is anything wrong with their products or prices, which are among the lowest in the world.

The difficulty they have to face is that South African import tariffs on the goods they want to sell are among the highest in the world.

"In most markets our pro-

ducts are highly competitive," says Lin Ning, deputy head of the exhibition delegation.

"But here in South Africa we might lose our competitiveness owing to your high tariffs," he says.

This is the first time that mainland China - the People's Republic of China - has held a trade exhibition in SA and reflects the thaw in relations between the two countries. But it means that this is a completely new market for the Chinese.

Lin says the current show is aimed at testing the market and so they had brought along a large number of consumer products.



High imports drag down trade surplus

BIDM 27/4/93

PETER DELMAR

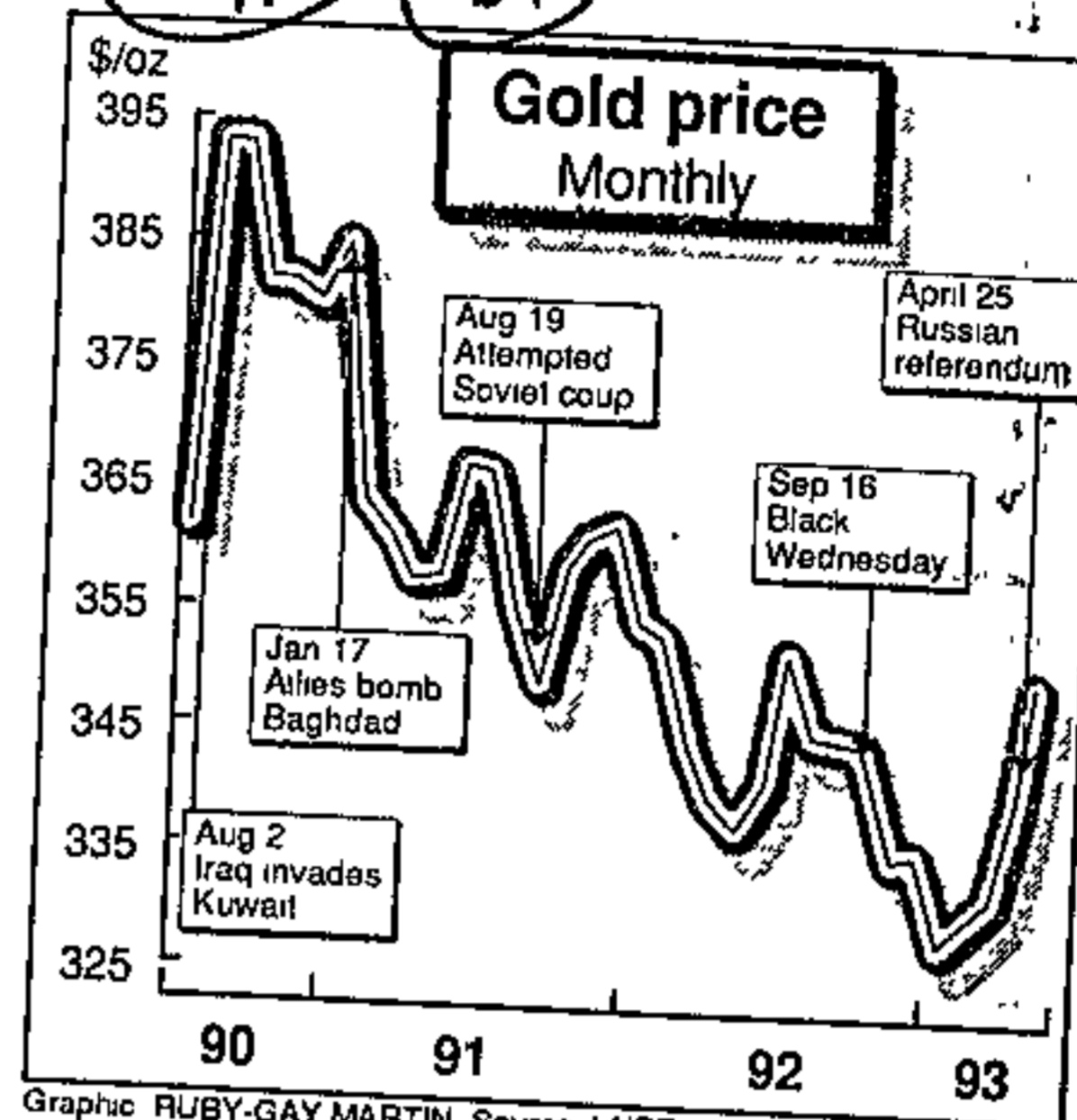
SA's trade surplus slumped to R776,9m in March — little more than half February's figure — underlining the pressures on the country's foreign exchange reserves.

Total exports amounted to R6,07bn, compared to R5,37bn in February, while imports rose to R5,29bn from R4,04bn.

Preliminary Customs and Excise figures showed exports for the first three months rose by less than 1%, compared with January-March last year, to R16,54bn. Imports for the first three months of 1993 amounted to R13,59bn — a 13,4% increase on last year.

Describing the figures as disappointing, economists said they underlined the fact that SA's reserve problems were not just the result of capital flight. The trade performance would contribute to monetary policy remaining cautious.

Vegetable product imports showed the largest increase, from R220m in the first three months of last year to R644m in the corresponding period this year, the result of continuing effects of last year's dis-



Graphic RUBY-GAY MARTIN Source I NET

trous agricultural conditions. Exports in this category were down 41%. Afrikaanse Handelsinstituut chief economist Nick Barnardt said effects of increased maize and wheat imports were likely to be removed from trade figures by May.

To Page 2

Surplus BIDM 27/4/93

Exports of jewellery and precious stones fell by 29%, pulp and paper by 18% and base metals by 2%. This was partially offset by increases in unclassified goods and balance of payments adjustments (mainly gold), which rose 10%, mineral products (26%), transport equipment (49%) and machinery (22%). Imports in the unclassified category showed a 16% rise.

SA Foreign Trade Organisation economist Bruce Donald said the shrinking trade surplus could cause the authorities some concern, particularly when viewed against the recent fall in foreign reserves.

Reserves slumped R800m to a two-year

low of R7,48bn in March. Donald said: "If overall export performance this year is disappointing, it is even more disappointing that certain manufactured categories that have experienced strong growth over the past few years have registered declines for the period under review."

Old Mutual economist Ursula Maritz said the surplus highlighted the worsening balance of payments predicament. It was significant that reserves were coming under pressure before the emergence of any tangible signs of an economic recovery, Maritz said.

From Page 1

Imports surge boosts port business

MARC HASENFUSS
Business Staff

THE Port of Cape Town continued to see brisk business in March as imports more than doubled from last year's levels.

According to Portnet figures issued today, imports for March soared 110 percent to 222 763 tons compared with the 105 973 tons handled in the corresponding month last year.

This pushed the total tonnage for the month handled up 15 percent to 646 113 tons from March 1992's 558 613 tons.

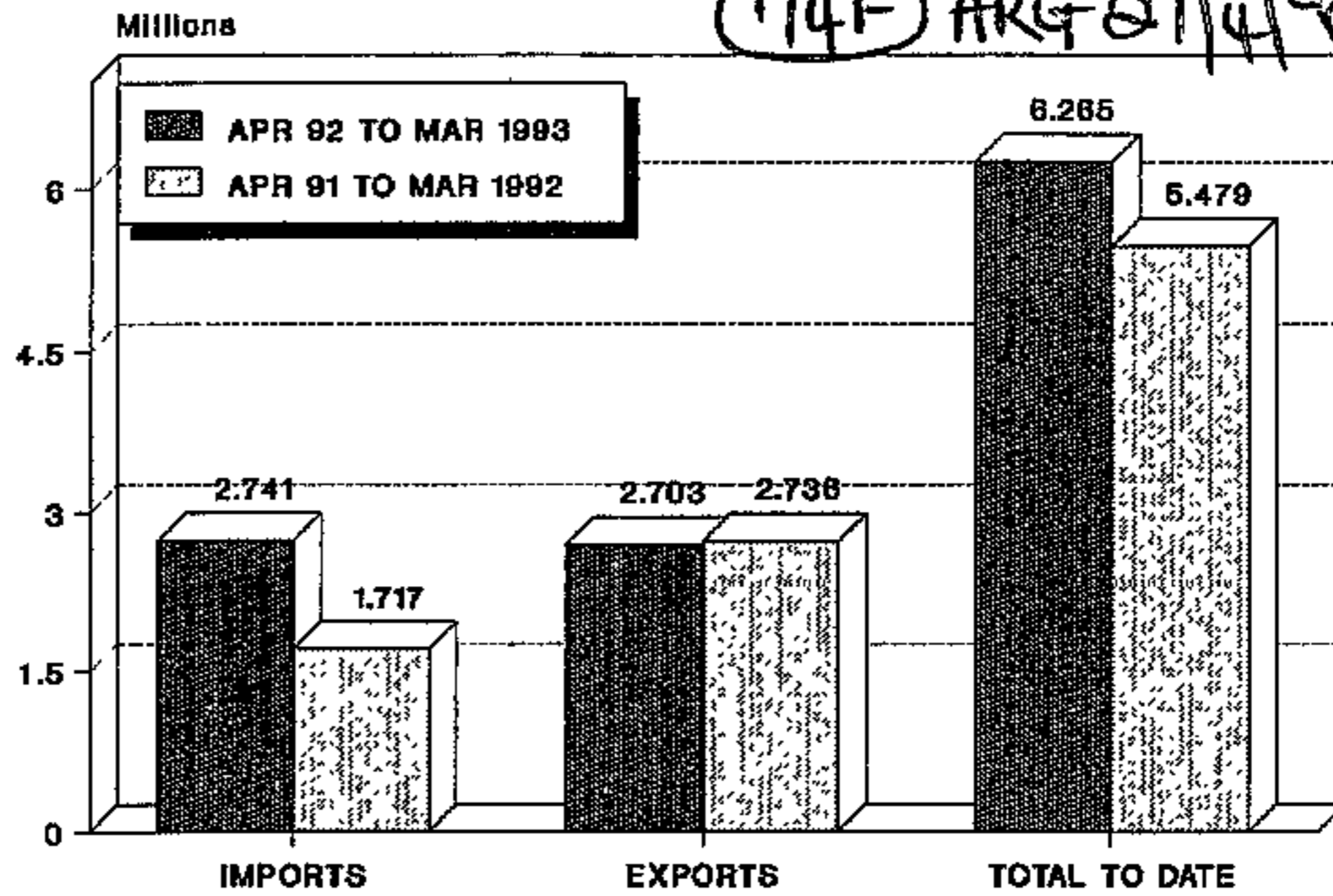
Year to date (April 92 — March 93) tonnage handled, at more than 6 million tons, is already 14,4 percent ahead of last year's levels.

A Portnet spokesman said that grain still made up the bulk of import tonnages. Grain has been imported to alleviate the drought induced shortage locally.

There were also noticeable increases in chemical, machinery and textile imports, he said.

The 2,7 million tons imported for the year to date shows a remarkable 60 percent increase over the 1,7 million tons imported in the previous 12 month period.

Exports for March dipped almost 11 percent to 332 363, the Portnet spokesman attributed this to drop in deciduous fruit exports in the month. He said cement and steel exports also



showed declines.

Imports and exports show similar tonnages (above 2,7 million tons) in the year to date. However, the tonnage figure should swing back toward exports as grain imports come to an end.

The number of containers handled fell 7,7 percent to 17 175 in

March. However, containers handled in the 12-month period was up 8 percent at 190 549.

The number of vessels calling at Cape Town in the month decreased to 274 against 300 in March 1992. Year to date totals for ships called showed a slender decline of 2,9 percent to 2 870.

By AUDREY D'ANGELO
Business Editor

Soaring imports depress SA trade surplus

SOARING imports pushed SA's trade surplus down to R776.5m in March from R1.2bn in February, making it unlikely that there will be any further cut in the bank rate in the next few months.

Exports also rose, to R6bn compared with R5.3bn in February.

But the rise in imports was bigger, to R5.2bn compared with R4.1bn in February. This included R1.4bn worth of machinery and electrical equipment.

The March figures mean that total imports for the first three months of this year have risen by 13% to R13.5bn compared with R11.9bn in the first quarter of last year.

This is due mainly to drought relief, which should come to an end this month. Imports of vegetable products rose by 192% to R644.7m compared with the first quarter of last year.

Total exports rose by only 0.4% in the same period, to R16.5bn compared with R16.4bn, which means that the cumulative surplus for the three months is down by 34% compared with the first quarter of last year, to R2.9bn.

Describing these figures as "shocking", Old Mutual economist Rian Le Roux pointed out: "It is clear that the fall in our reserves of gold and foreign exchange is not due to capital outflows alone."

"The balance of payments (BoP) does not look healthy and it is going to call for a great deal of caution from the monetary authorities — they will not be able to think of another cut in the bank rate until there is an improvement," Southern Life chief economist Mike

Daly said. SA was running a deficit on services. The March trade figures confirmed fears that the current account of the BoP had gone into deficit.

Export figures reflected the international demand situation and it seemed that only lower imports could improve the situation. Although exports of manufactured goods had improved, they accounted for less than 15% of total exports.

However, Daly pointed out, "vegetable imports for drought relief should be switched off this month."

SA Foreign Trade Organisation (Satto) economist Bruce Donald commented: "If overall export performance this year is disappointing, it is even more disappointing that certain

manufactured categories that have experienced consistently strong growth over the past few years have registered declines for the period under review."

"Exports of chemicals and plastics, which have grown by an annual average of 21% and 23% respectively over the past four years, fell by 16% and 8%."

Donald said the impact of the drought continued to be a major reason for the shrinking surplus. In addition to higher vegetable imports, there had been a 29% rise in imports of live animals and animal products.

"Fortunately yields from the agricultural sector during the current season are expected to be far healthier."

Exports of jewellery and precious stones had fallen by 29%, of pulp and paper by 18%, of textiles by 6% and of base metals by 2%.

"Offsetting declines in these categories were increases in exports of unclassified goods (10%), mineral products (26%), machinery (22%) and transport machinery (49%)."

Donald said exports to Africa fell by 3% and to Europe by 16%. But exports to America rose by 16%, to Asia by 8% and to Oceania by 56%.

Imports from Africa rose by 28%, from Europe by 5%, from America by 25%, from Asia by 19% and from Oceania by 38%. Declining exports to Europe, collectively SA's most important market,

clearly reflect current recessionary conditions there — particularly in the UK.

"Weak demand from this area is presently identified by exporters as one of the major obstacles to export growth. This contrasts with improved conditions in the US, reflected in increased trade with America."

Donald said that falling exports to Africa "perhaps reflect the impact of political disruption and payment problems in some important markets."

"However, the figures already show some improvement. During the first two months of the year exports to Africa were 12% lower than in the same period a year ago."

"Growth of our exports to Africa should resume this year, giving the warming political relations with a number of African states. This will, hopefully, serve as a stimulus to manufactured exports."

Provincial Administration of the Orange Free State

Hospitals	Admissions			
	(a) Black	(b) White	(c) Coloured	(d) Indian
Universitas	535	21 375	180	74
National	0	10 432	114	0
Pelononi	39 289	0	4 199	0
Boitumelo	13 459	0	355	0
Phekolong	11 038	0	202	0
Welkom	13 385	15 198	681	0
Bothaville	2 840	799	0	0
Botshabelo	6 633	0	0	0
Clocolan	2 180	624	0	0
Ficksburg	824	2 910	0	0
Frankfort	2 559	622	27	34
Harrismith	2 592	1 164	25	0
Heilbron	3 500	866	268	15
Hoopstad	2 414	497	0	0
Jagerfontein	1 376	0	4	0
Ladybrand	2 798	556	98	9
Odendaalsrus	6 502	3 112	0	0
Parys	3 896	1 825	0	0
Reitz	3 855	734	0	0
Senekal	2 553	688	0	0
Smithfield	780	181	27	0
Virginia	4 183	4 663	28	2
Vrede	1447	358	1	0
Winburg	2 246	743	5	0
Zastron	2 025	0	26	0

Other Provincial Administrations

Statistics according to race are no longer maintained at Natal and Cape provincial hospitals.

Importation of parallel medicines

280. Mr M J ELLIS asked the Minister for National Health and Welfare:

- (1) Whether she has received any recommendations from the Medicines Control Council in regard to the amendment of certain regulations in terms of the Medicines and Related Substances Control Act, 1965 (Act No 101 of 1965), with a view to permitting the importation of parallel medicines; if so, whether she intends publishing the draft regulations in the *Government Gazette*; if so, when?

THE MINISTER FOR NATIONAL HEALTH AND WELFARE:

- (1) Yes, the only recommendation regarding regulation amendments received from the Medicines Control Council is the proposed expansion of Regulation 15 to make provision for applications to be

HOUSE OF ASSEMBLY

Eastern Cape areas: qualified teachers

283. Mr E W TRENT asked the Minister of Education and Training:

- (1) How many suitably qualified teachers of (a) Accountancy, (b) Physical Science, (c) Biology and (d) Mathematics were there at each school falling under the control of his Department in the (i) Port Elizabeth, (ii) Ibhayi, (iii) Uitenhage and (iv) Kwanobuhle areas as at 31 December 1992 or the latest specified date for which information is available? B686E

THE MINISTER OF EDUCATION AND TRAINING:

(i) PORT ELIZABETH

School	(a)	(b)	(c)	(d)
Cowan Secondary School	2	1	3	4
Enerst Skosana Primary School	2	1	3	3
Itembellile Comprehensive School	3	2	4	5
Masangwana Primary School	2	1	4	2
Newel Secondary School	2	1	5	5
Molefe Primary School	2	1	5	2
Thubelithe Secondary School	1	1	5	2
New Brighton Primary School	2	1	3	2
Tyhilulwazi Secondary School	2	1	3	3
Philip Nikiwe Primary School	1	1	3	3
Gqebera Secondary School	1	1	3	3
Stephen Mazungu Primary School	3	1	3	1
Khwezi Lomso Comprehensive School	3	1	3	7
Ilungelo Primary School	3	1	3	1
KwaZakhele Secondary School	3	2	4	5
Loyiso Secondary School	2	1	3	5
Masibambane Secondary School	3	2	3	4
Mzonisundu Secondary School	2	2	3	5
Ndzondelelo Secondary School	1	2	5	5
Phakamisa Secondary School	2	2	3	5
Qaphelani Secondary School	1	1	2	2
Sakisizwe Secondary School	4	2	5	5
Tamsanqa Secondary School	3	1	4	4
Sophakama Secondary School	3	3	6	4
Douglas Mbopa Secondary School	4	3	6	6
Engilemi Primary School	1	1	1	1
James Jolobe Secondary School	1	1	1	3
Nxanelimfundo Primary School	1	1	1	1
KwaMagxaki Secondary School	1	2	4	4
Sivuyiseni Primary School	1	1	4	1
Lungisa Secondary School	1	2	3	4
Siyaphambili Primary School	1	1	3	1
Masiphathisane Secondary School	1	1	7	8

HOUSE OF ASSEMBLY

Boom in SA's exports to Africa

Political Staff

SOUTH Africa's exports to most other African countries increased by more than 20% last year and were worth R6,1bn — almost the same value level as the country's exports to the United States.

This was revealed yesterday in the Department of Trade Industry's (DTI) annual report, which was tabled in Parliament.

South Africa's exports to the US was worth R6,2bn in 1992.

The latest figures exclude SA's exports to Botswana, Lesotho, Namibia and Swaziland.

The report said SA's exports to Africa consisted largely of ready-manufactured products and their value increased from R5bn in 1991.

Besides an increase in exports to our traditional export markets such as Zambia and Zimbabwe, South Africa made considerable progress with the development of new markets such as Tanzania, Cameroon, Togo and Rwanda.

"A good example is the increase of

South Africa's exports to Kenya by approximately R100m — up 300% — compared with 1991.

"Africa's interest in trade with South Africa is clearly reflected by the hundreds of trade and trade-related enquiries that South African trade representatives stationed in African countries manage each month."

The report also said particularly good trade relations were maintained with South Africa's Customs Union partners who took an overwhelmingly high proportion of SA's exports to Africa.

(74F) (CIS) 5/93

THE Department of Trade and Industries (DTI) yesterday promised that the long-awaited export incentive scheme for the services sector would be introduced within a year.

In its 1992 annual report tabled in parliament, the DTI said this would correct the present bias in the General Export Incentive Scheme towards export goods only.

Trade analysts said that including the service sector would particularly benefit construction, where there is excess capacity of R12bn that could be turned into projects to earn foreign exchange.

The inclusion of services was expected to have been introduced on April 1 but analysts said they had not heard anything about it yet.

The DTI said the scheme had led to a significant rise in exports

Export scheme imminent

— DTI

of semi-processed and manufactured products last year despite recessionary conditions. Exports rose 4,8% last year to R67,5bn.

About 4 500 claims were received from exporters last year, on which R1,2bn was paid out. Of this, 52% was for manufactured exports, with strongest growth for footwear, transport equipment and chemical products.

But tougher verification procedures had led to the uncovering of faulty or fraudulent claims worth R13m, or 10% of export values claimed. — Reuter

IMPORT SURCHARGES

Taxing the telly

FM 7/5/93

Finance Minister Derek Keys has apparently defused government's multimillion-rand tax dispute with the SABC and M-Met over their unpaid import surcharges on movies and TV programmes. Customs & Excise commissioner Daan Colesky has dropped his demand for almost R65m in back payments. But the controversy may be far from over. Government has not made up its mind whether to levy the surcharge in future and won't decide until at least December.

Colesky's action came after SABC CEO Wynand Harmse and M-Net's Gerrie de Villiers met Keys six weeks ago to ask him to intervene. "We had a meeting with the Minister but at this stage we cannot give any more information," Harmse says. No-one in government is saying much either.

At the centre of the dispute is a 5% surcharge levied by Customs & Excise, which falls under the Finance Ministry, on the total value of the content of imported video cassettes, including royalties. So far the two broadcasters have paid only the normal import duties on the cassettes.

In the case of government-owned SABC, it was estimated in February that the unpaid surcharges plus interest could amount to R50m, while JSE-listed M-Net is allegedly in arrears of about R12m (*Business & Technology* February 12). If forced to pay this tax, SABC would likely have to raise its licence and advertising fees and cut outside local productions. M-Net would have to raise its subscription fees. Says one senior SABC official, "We would have to find the money from somewhere to pay the surcharges."

Unwilling to budge

Despite the apparent compromise, Colesky is adamant that surcharges and other import taxes approved by parliament must be paid. While he won't comment on this case, he defends his department's position: "SA's customs and valuation legislation had been referred to a valuation committee of Gatt and the committee has approved it."

He says customs and excise duties were amended in the Eighties to bring them into line with the valuation code.

But Trade & Industry Deputy Director-General Gerrie Breyl has said he believes that most of the important signatories to Gatt exempt movies and TV programmes from import taxes.

The Motion Picture Association of America has also lined up against the surcharge. It feels that taxing the contents of video cassettes could upset the status quo because of the exemptions in other countries.

It's certain that if Keys doesn't make a final decision to scrap the surcharge, the dispute will soon flare again because Colesky doesn't seem willing to back off. As the two broadcasters make clear, only a political decision can keep the matter from landing in court.

Eddie Botha

Importers, exporters urged to take advantage of incentives

3/10/93 12/5/93

74P

IMPORTERS and exporters should work closely with clearing agents to ensure they receive maximum benefit in terms of new opportunities and incentives for two-way trade.

It is vital to exploit the rapid expansion of trading opportunities as SA regains credibility internationally, says DeLoitte & Touche senior manager (customs & international trade consultancy) John Clifton.

"Importers should be aware of the increasing number of trade agreements between the SA government and foreign governments that provide for preferential rates of duties on each others' goods on a reciprocal basis."

They should also obtain, where possible, relief of duty offered by industrial and general rebates of duty in terms of the amended Customs & Excise Act.

He says that to be fully cost-effective and competitive, importers should examine their tariff classifications critically and ver-

ify they are paying the correct rates of duties.

The customs tariff is extensive and its interpretation complex.

An error in classification could lead to overpayments in duties to the disadvantage of product competitiveness.

Equally important is to ensure the classification is correct to avoid the Customs Department having to call underpayment of duties and possibly impose penalties.

Defer

Bonded warehouses should also be used as they enable importers to defer payment of customs revenue and VAT until goods are removed from the warehouse.

Clifton says the exporter should be aware of and take advantage of the various incentive schemes such as GEIS, Section 37E of the Income Tax Act, the Regional Industrial Develop-

ment Programme and at least five other incentive programmes.

"In addition, the Customs & Excise Act 91 of 1964 as amended allows for various rebates, refunds and drawbacks of customs duties."

Government's plans for the establishment of export processing zones will give rise to a wide range of financial and other incentives for users.

Among them will be exemption from import duties, excise duties and surcharge payments on plant, equipment, components and raw materials. VAT is also exempt payment, whether the items are sourced overseas or domestically.

There is unrestricted transfer of dividends, royalties and interest in commercial rand in accordance with Reserve Bank regulations and applicable tax provisions, says Clifton.

Higher tax bill cuts Ovcon earnings 23%

CAPE TOWN — A sharply higher tax bill was largely responsible for building and civil engineering group Ovcon suffering a 23% drop in earnings to 36,1c (46,8c) a share in the year to end-March.

The total dividend however was maintained at 12,5c a share after the declaration of a final dividend of 8,5c.

Turnover rose 10,8% to R147,8m (R133,4m) but a slippage in margins saw the operating profit up by 6,5% to R5,3m (R5m).

Lower interest charges helped push pre-tax profits up 12,9%.

The final utilisation of assessed tax losses resulted in a sharp increase in the tax rate with the result that after-tax profits dived to R3,2m (R4,2m).

MD Jan Kaminsky said the group had performed exceptionally well considering the difficult economic circumstances.

Major projects completed over the past year and others nearing completion included the Victoria & Alfred retail complex (R90m), the Harbour Island marina and residential complex (R30m), Paarl Reservoir (R8,5m), Helderberg Retirement Village frail care and sports club facilities (R9m) and a milk powder factory in Estcourt (R7m).

LINDA ENSOR

At year-end Ovcon had cash resources of R15,3m which Kaminsky said would be used for investment by Ovcon as a minority partner in projects that would generate construction work for the group.

Interest bearing debt was cut by nearly 50% to R2,3m.

Kaminsky noted that the group's order book was sound but pointed out that profit margins in the industry were thin at present.

He warned that low contract prices currently being offered could not be sustained for much longer.

New work included a major renovation to the old Garlicks building in Cape Town (R25m), renovations and extensions to the SA Library in Cape Town, (R19m), a grandstand at Newlands cricket ground (R20m), expansion of SA Breweries' Newlands brewery (R10m) and the Bluff shopping centre in Durban (R22m).

Kaminsky said that Ovcon was actively seeking work outside SA which would generate better returns. An office had been opened recently in Abu Dhabi and it had already won a contract worth R7m.

Dividend dip for Metboard

PETER GALLI

METBOARD Property Fund (Metprop) has posted a 5,23% fall in total distributable income to R17,097m in the year to end-March from R18,04m previously.

This translates into a 5,23% dividend fall to 29c a unit from 30,6c previously.

Directors said net distributable income had fallen in the second six months of the financial year under review because of increased vacancies. However, the fund had managed to let a "substantial amount" of space that had stood vacant for some time.

A 17,2% rise in dividend income to R16,16m (R13,78m) was offset by a 69,1% plunge in interest income to R1,57m (R5,06m). The drop in interest income was because the fund had continued to invest in industrial property. It had bought four properties for a total of R10,15m during the year, while another R3,44m was spent on improving existing properties.

Metprop was untraded yesterday, reflecting a seller at 210c but no buyer.

It last traded on May 11 at 205c, almost midway between its annual high of 240c, reached a year ago, and its August 28 low of 180c.

Recession, clothing imports hurt Cutrite

RECESSIONARY conditions and the adverse effect of duty-free imports saw clothing manufacturer Cutrite's earnings drop by 25% to 13,6c (18,1c) a share in the year to end-February.

MD Peter Edel said the results should be viewed against the background of a weakening in the demand for clothing caused by sociopolitical problems, consumer resistance, boycotts and industrial unrest.

Results were further affected by government's policy of allowing imports of new and second-hand clothing on a duty-free basis. About 93-million units had come into SA over the last year, Edel said. This had resulted in "a general decline in the

MARCIA KLEIN

level of the price of goods manufactured for customers", and necessitated a reduction in profit margins in order to maintain market share.

Turnover declined by 3,2% to R45,7m (R47,2m) and net income before finance costs and tax was 22,3% down at R5,2m from R6,7m.

Financial director Hymie Feinberg said Cutrite had focused on controlling stocks and increasing the rate of collections. The 22,6% reduction in finance costs resulted in a 22,3% decrease in net income before tax to R4,5m (R5,8m).

A high tax rate, which included the

effects of secondary tax on companies, saw net attributable income drop by 25% to R2,2m from R3m previously. A 7% lower dividend of 6,5c (7c) a share was declared.

Edel said although the issue of imports had been resolved to some extent, companies had until March 1993 to order stock duty free. From next year, when these stocks would be depleted, the company should have more orders at better prices. This would mean Cutrite would get its legitimate markup and its factories could operate at capacity.

Cutrite expected an improvement in earnings in the coming year.

GENERAL NOTICES**NOTICE 399 OF 1993****DEPARTMENT OF TRADE AND INDUSTRY**

MERCHANDISE MARKS ACT, 1941
(ACT No. 17 OF 1941)

PROHIBITION OF THE USE OF A CERTAIN NAME, ABBREVIATION AND EMBLEM

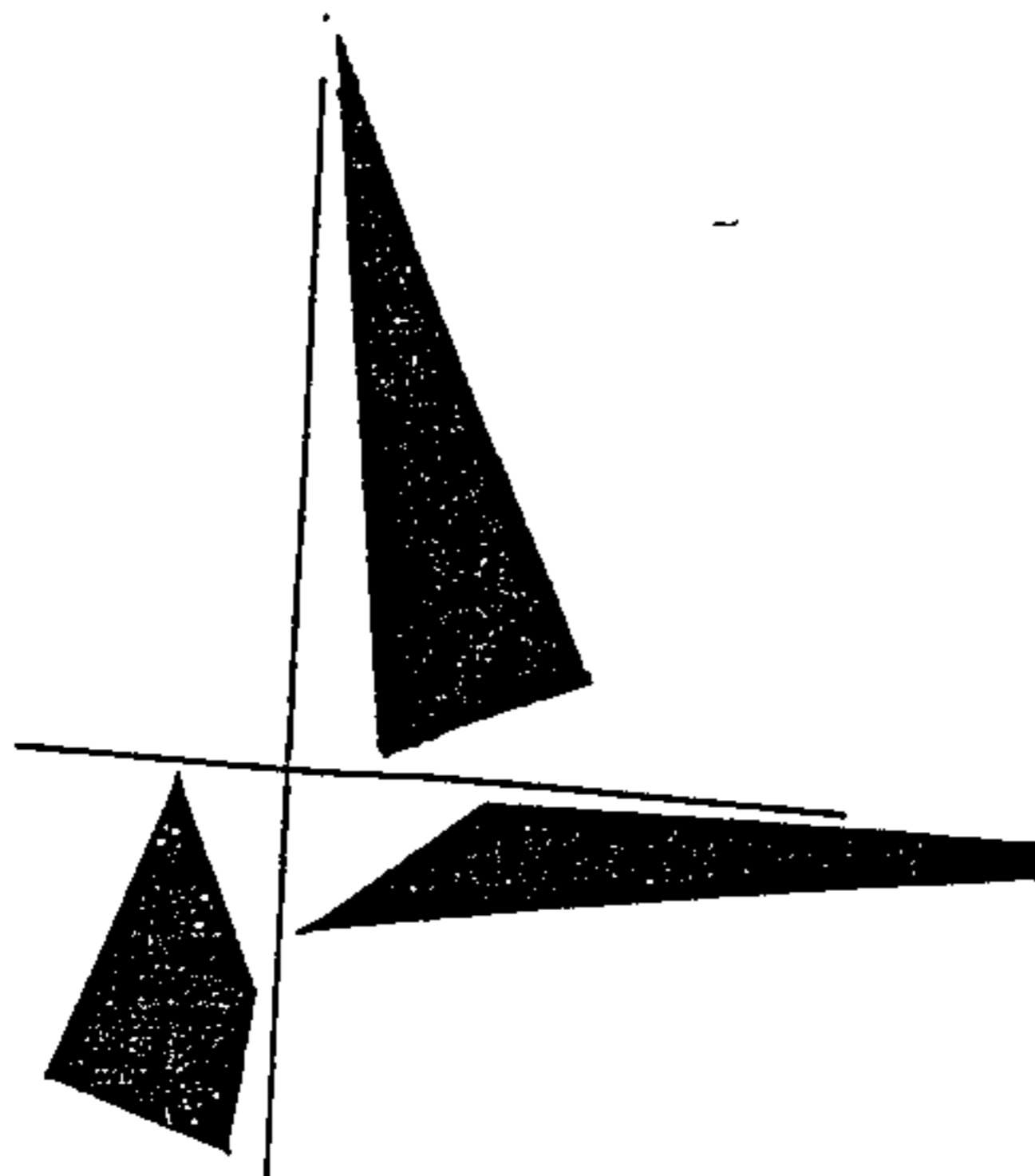
I, David de Villiers Graaff, Deputy Minister of Trade and Industry, acting on behalf and by direction of the Minister of Finance and of Trade and Industry, hereby prohibit under section 15 (1) of the Merchandise Marks Act, 1941 (Act No. 17 of 1941), the use of the name, abbreviation and emblem of the Benelux Trade Mark Office, only in so far as the words and letters are used together with the emblem, in connection with any trade, business, profession or occupation or in connection with a trade mark, mark or trade description applied to goods, other than the use thereof by the said office or its mandatories.

BENELUX-MERKENBUREAU

BUREAU BENELUX DES MARQUES

BMB = Belex-Merkenbureau

BBM = Bureau Benelux des Marques



The above-mentioned mark was available for inspection at the office of the Registrar of Trade Marks pursuant to Notice 227 of 1993.

(14 May 1993)

NOTICE 400 OF 1993**CENTRAL STATISTICAL SERVICE**

THE HEAD: CENTRAL STATISTICAL SERVICE notifies for general information that the Consumer Price Index is as follows:

Consumer Price Index, all items (Base 1990 = 100)

March 1993 = 139,6.

(14 May 1993)

ALGEMENE KENNISGEWINGS**KENNISGEWING 399 VAN 1993****DEPARTEMENT VAN HANDEL EN NYWERHEID**

HANDELSWAREMERKE-WET, 1941
(WET No. 17 VAN 1941)

VERBOD OP DIE GEBRUIK VAN 'N SEKERE NAAM, AFKORTING EN EMBLEEM

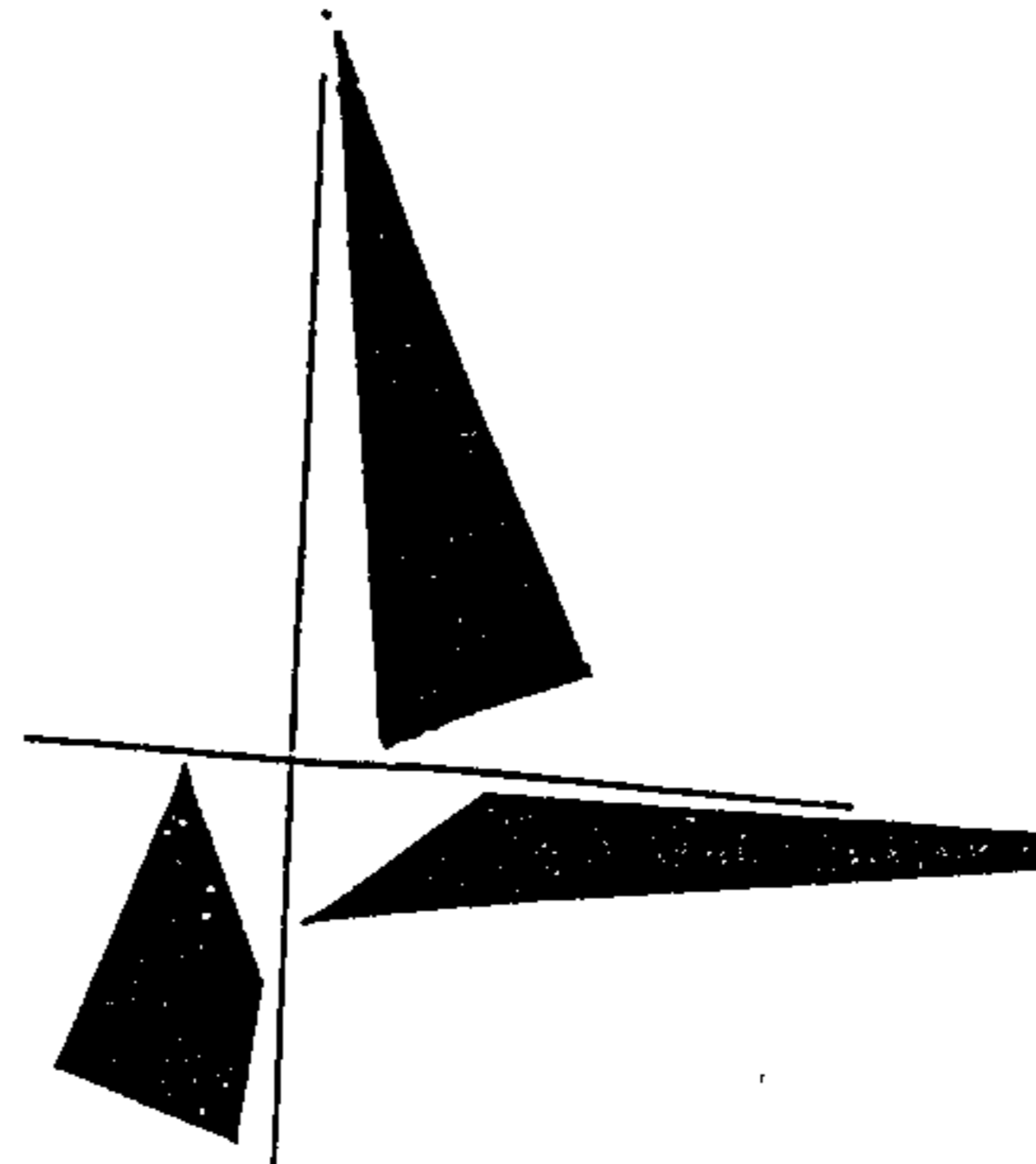
Ek, Dawid de Villiers Graaff, Adjunkminister van Handel en Nywerheid, handelende namens en in opdrag van die Minister van Finansies en van Handel en Nywerheid, verbied hierby ingevolge artikel 15 (1) van die Handelswaremerke-Wet, 1941 (Wet No. 17 van 1941), die gebruik van die naam, afkorting en embleem van die Benelux Handelsmerkekantoor, slegs in so verre as wat die naam en afkorting saam met die embleem gebruik word, in verband met enige handel, besigheid, beroep of bedryf in verband met 'n handelsmerk, merk of handelsomskrywing wat op ware aangebring is, uitgesonderd die gebruik daarvan deur die bogenoemde kantoor of sy gevolmagtigdes.

BENELUX-MERKENBUREAU

BUREAU BENELUX DES MARQUES

BMB = Belex-Merkenbureau

BBM = Bureau Benelux des Marques



Bogemelde merk het ingevolge Kennisgewing 227 van 1993 ter insae gelê by die kantoor van die Registrateur van Handelsmerke.

(14 Mei 1993)

KENNISGEWING 400 VAN 1993**SENTRALE STATISTIEKDIENS**

DIE HOOF: SENTRALE STATISTIEKDIENS maak vir algemene inligting bekend dat die Verbruikersprysindeks soos volg is:

Verbruikersprysindeks, alle items (Basis 1990=100)

Maart 1993=139,6.

(14 Mei 1993)

74F

NOTICE 401 OF 1993 • KENNISGEWING 401 VAN 1993

PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE

VOORLOPIGE OPGAWA VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS

Remark: The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments.

The undermentioned data entails the total foreign trade statistics of the common customs area of the Republic of South Africa, Botswana, Lesotho, Swaziland, Namibia as well as Transkei, Bophuthatswana, Venda and Ciskei.

N.B.: The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 and later years with those of previous years the possible differences due to the change-over should therefore be taken into consideration.

Opmerking: Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grootliks aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans.

Die ondervermelde syfers omsluit die totale buitelandse handelstatistiek van die gemeenskaplike doeanegebied van die Republiek van Suid-Afrika, Botswana, Lesotho, Swaziland, Namibië asook van Transkei, Bophuthatswana, Venda en Ciskei.

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 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/TYDPERK: JANUARY TO MARCH/JANUARIE TOT MAART 1993

TABLE A: TOTALS IN MILLIONS OF RAND ACCORDING TO WORLD ZONES AND SHIPS' AND AIRCRAFT STORES
TABEL A: TOTALE IN MILJOENE RAND VOLGENS WÊRELDSTREKE EN SKEEPS- EN VLIEGTUIGVOORRADE

World zones—Wêreldstreke	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
Africa—Afrika	414,9	330,5	1 384,9	1 426,5
Europe—Europa	5 831,9	5 544,7	4 958,3	5 869,5
America—Amerika	2 206,3	1 770,2	1 413,4	1 214,2
Asia—Asië.....	3 354,5	2 826,6	3 134,9	2 900,3
Oceania—Oseanië.....	168,4	122,0	103,0	67,0
Other unclassified goods and balance of payments adjustments Ander ongeklassifiseerde goedere en betalingsbalansaansuiwings	1 521,4	1 384,8	5 374,9	4 848,5
Ships'/Aircraft Stores—Skeeps-/vliegtuigvoorrade.....	—	—	173,8	159,4
Grand total—Groot totaal.....	13 597,4	11 988,8	16 543,2	16 485,4

TABLE B: TOTALS IN MILLIONS OF RAND ACCORDING TO SECTIONS OF THE HARMONIZED SYSTEM
TABEL B: TOTALE IN MILJOEN RAND VOLGENS AFDELINGS VAN DIE GEHARMONIEERDE STELSEL

Sections—Afdelings	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
I. Live animals; animal products Lewende diere; dierlike produkte	99,2	77,0	216,9	195,3
II. Vegetable products Plantaardige produkte	644,7	220,2	346,5	589,4
III. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes Dierlike of plantaardige vette en olies en splitsprodukte; voorbereide spysvette; dierlike en plantaardige wasse	108,3	104,4	34,7	34,4
IV. Prepared foodstuffs; beverages, spiritus and vinegar; tobacco and manufactured tobacco substitutes Voorbereide voedsel; drank, spiritus en asyn; tabak en vervaardigde tabaksurrogate	205,2	294,6	335,0	463,6
V. Mineral products Mineraalprodukte	146,8	128,9	2 013,3	1 599,3
VI. Products of the chemical or allied industries Produkte van die chemiese of verwante nywerhede	1 476,7	1 321,0	599,7	715,0

Sections—Afdelings	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
VII. Plastics and articles thereof; rubber and articles thereof Plastieke en artikels daarvan; rubber en artikels daarvan	604,5	526,7	152,0	165,7
VIII. Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods handbags and similar containers; articles of animal gut (other than silk-worm gut) Ongelooide huide en velle, leer, pelsvelle en artikels daarvan; saal- en tuiemakersware; reisartikels, handsakke en dergelike houers; artikels van dierederm (uitgesonderd sywurmsnaar)	58,5	49,3	97,0	91,9
IX. Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw; of esparto or of other plaiting materials; basketware and wickerwork Hout en artikels van hout; houtskool; kurk en artikels van kurk; fabrikate van strooi, van esparto of van ander vlegwerkstowwe; mandjewerk en vlegwerk	117,6	100,1	99,6	85,5
X. 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 Pulp van hout of van ander veselagtige sellulosiese stof; afval en oorskiet van papier of papierbord; papier en papierbord en artikels daarvan	387,6	340,0	379,8	461,0
XI. Textiles and textile articles Tekstiele en tekstielartikels	640,6	645,6	459,1	488,1
XII. Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair Skoesisel, hoofdeksels, sambrele, sonsambrele, wandelstokke, sitstokke, swepe, karwatse en onderdele daarvan; bereide vere en artikels daarvan gemaak; kunstblomme; artikels van mensehaar	85,6	67,3	8,7	10,2
XIII. Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware Artikels van klip, gips, sement, asbes, mika of dergelike stowwe; keramiese produkte; glas en glasware	170,5	156,8	86,1	75,7
XIV. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin Natuurlike of gekweekte pèrels, edel- of halfedelstene, edelmetale, metale met edelmetale bedek, en artikels daarvan; nagemaakte juweliersware, muntstukke	355,6	92,0	1 649,0	2 330,8
XV. Base metals and articles of base metal Onedelmetale en artikels van onedelmetaal	623,4	560,5	2 072,9	2 111,9
XVI. 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 Masjinerie en meganiese toestelle; elektriese toerusting; onderdele daarvan; klankopnemers en -weergewers; televisie- beeld- en klankopnemers en -weergewers, en onderdele en bybehoorsels van sodanige artikels	3 800,7	3 698,8	503,9	411,4
XVII. Vehicles, aircraft, vessels and associated transport equipment Voertuie, lugvaartuie, vaartuie en verwante vervoertoerusting	1 740,3	1 555,8	649,0	436,1
XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof Optiese, fotografiese, kinematografiese, meet-, kontroleer-, presisie-, mediese en chirurgiese instrumente en apparate; uurwerke en horlosies; musiekinstrumente; onderdele en bybehoorsels daarvan	579,8	525,4	46,6	38,9
XX. Miscellaneous manufactured articles Diverse vervaardigde artikels	128,3	129,6	69,3	57,3
XXI. Works of art, collectors' pieces and antiques Kunswerke, versamelaarsstukke, en antieke	11,9	8,6	2,7	4,0
Other unclassified goods and balance of payments adjustments Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings	1 611,7	1 386,2	6 721,4	6 119,9
Grand total—Groototaal	13 597,4	11 988,8	16 543,2	16 485,4

'SA move hurts Zimbabwe textile industry'

BIDAM 245193
HARARE — The SA government had refused to remove duties temporarily on Zimbabwean textile products, damaging the prospects of Zimbabwe's troubled textile and clothing industry, Industry and Commerce Minister Chris Ushewokunze said on Friday. *(74F) (443)*

Ziana reported Ushewokunze said the Zimbabwe government had been negotiat-

ing with SA to give its industry temporary relief before making a decision on a proposal to update a 1964 trade agreement.

(28) (5)
Duties on textile exports to SA, coupled with a depressed local market, had eroded the viability of the industry and had led to the retrenchment of about 7 000 workers in the past year, Ushewokunze said. — Sapa.

Star 24/1/93

Duties on Zimbabwe textile exports stay

74F

HARARE — The SA Government has refused to lift duties temporarily on Zimbabwean textile exports, damaging prospects of Zimbabwe's troubled textile and clothing industry, says Industry and Commerce Minister Chris Ushewokunze.

Ziana news agency reports that Ushewokunze said on Friday that Zimbabwe had for some time been negotiating with South Africa to give its industry temporary relief before a decision on a proposal to update a 1964 trade agreement was made.

"The South Africans have refused to give temporary relief and now we are awaiting their response on proposals we submitted to improve trade between the two countries," Ushewokunze said.

Duties on textile exports to South Africa, coupled with a depressed local market, have severely eroded the viability of the industry and led to the retrenchment of about 7 000 workers in the past year.

● Zimbabwe's largest commercial bank says prospects for meaningful economic growth this year have receded because of a disappointing start to tobacco sales,

the deteriorating fiscal outlook and continued global recession.

Standard Chartered Bank says in its Business Trends survey that the government forecast of growth of 7,1 percent is "fanciful", Ziana reports.

The bank expects growth of less than one percent.

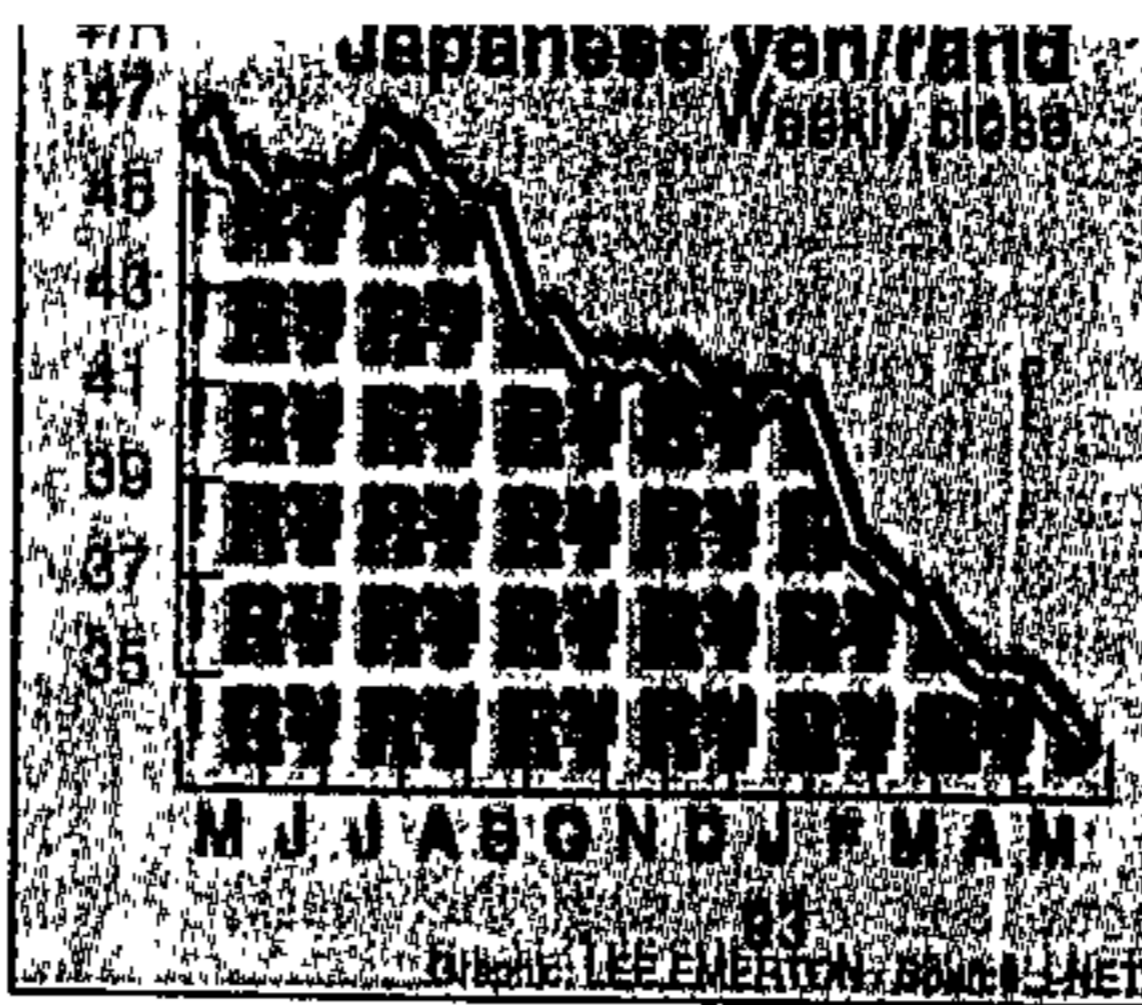
"Indeed, another year of decline is a very real possibility, given the preponderance of downside risks in both the domestic and global economic situations," it says.

Both manufacturing and mining output will fall, while consumer spending will continue to be depressed.

"Real government spending will fall too, meaning that if there is to be any growth at all, it will have to come from increased net exports.

"The best hope here is of reduced imports, mainly food, but also of consumer and capital goods, reflecting sluggish domestic demand and investment."

Exports are unlikely to increase this year, while tobacco earnings will be depressed because the leaf exported in the first half of 1993 will be the previous year's low-priced, poor quality tobacco. — Sapa.



Rand at postwar low to the yen

BY EDWARD WEST and TIM MARSLAND

THE rand crashed yesterday to a postwar low of 33,88 yen from a previous 34,05, signalling a further blow to motor manufacturers' import bills.

Currency dealers said US moves to seek a narrowing of its trade deficit with Japan were behind the weak exchange rate. A key part of the US's strategy was to let the dollar depreciate against the yen.

One local dealer said the US Federal Reserve had purchased dollars for yen yesterday in line with this policy. However, the Bank of Japan had stepped into the market later in the day to slow the yen's gains against the dollar.

The continuing devaluation of the rand against the yen had already effectively increased the motor industry import bill in rand values by 17,5% against last year's R6,7bn, industry sources said.

Toyota marketing MD Brand Pretorius said if the trend continued, the devaluation for the year could be double the 17,5% experienced since the beginning of the year, increasing foreign exchange usage substantially in 1993. However, further price increases could dampen vehicle demand before end-1993 and lower imports.

The decline in Japan's producer price index could also offset rising imports, said Econometrix economist Tony Twine.

Pretorius said manufacturers were cushioning motorists against higher import bills, although further price increases could not be ruled out. Although Toyota's budget had been thrown into disarray by the currency devaluation, its balance sheet was strong at the end of its last financial year and it would not have to resort to increased borrowings yet.

Vehicles and components worth R6,7bn

□ To Page 2

Yen *BPAM 28/5/93*

were imported last year, 12,9% of SA's total import bill. Exports amounted to R1,5bn in 1992, bringing the industry forex usage to R5,2bn, National Association of Automotive Component and Allied Manufacturers (Naacam) statistics showed.

Although exports were expected to grow only moderately this year because of declining vehicle sales worldwide, there was sufficient capacity in SA to increase exports substantially and reduce forex usage.

(74P) From Page 1

SA's Japanese-sourced motor manufacturers could begin sourcing more components locally if the devaluation of the rand against the yen became a long-term trend, said Naacam director Denzyl Vermooten.

The value of locally manufactured vehicles and components in 1992 was virtually the same as the rand value of the industry import bill. Vermooten said the value of locally sourced components used by the industry had remained fairly constant over the past three years.

Customs union 'sank neighbours'

Buss. Day 11/6/93

CAPE TOWN — SA was the main beneficiary of the SA Customs Union, which had crippled the growth of the economies of Botswana, Lesotho, Swaziland and Namibia, Southern African Development Community executive secretary Simon Makoni said in an interview at the World Economic Forum. (14 F)

Makoni took issue with Finance Minister Derek Keys's statement that the union was a financial burden on SA in that it had to pay unfavourably large amounts in transfer payments to member countries.

Makoni said the union had polarised industrialisation in such a way that little industrial development took place in SA's four neighbours. This was not only a result of implicit and inherent imbalances but also a deliberate policy of SA business and government. He cited as an example the recent scuttling by SA car manufacturers of plans to establish a French car assembly plant.

SA transferred revenues to customs union countries two years after they were collected. They represented interest-free loans of foreign currency by these countries to SA.

The protection of SA's economy by means of high tariff barriers also meant these countries had to purchase goods costing 25% more than if they had been imported directly.

One of the objectives in restructuring the customs union would be to democratise its management. SA's Finance Minister imposed his decisions on union members.

Makoni felt a new customs union would have to provide for balanced development of the union as a whole. "There is a tacit understanding that

LINDA ENSOR

as soon as a new government is in place in SA there will have to be a renegotiation of the customs union in order to address these inequities."

The expansion of the union to the whole of southern Africa would be a long-term objective.

SA's economy was so distorted and had such enormous problems that it could not act as an "engine of growth" in southern Africa.

"White SA overestimates the capacity of this country and its economy." Makoni pointed to SA's inefficient and uncompetitive manufacturing sector, its critical skills shortage and its lack of sufficient resources to redress the imbalances of apartheid, let alone invest in the region.

SA's manufacturers were generally high-cost, low-quality producers and were only able to sell more than 70% of their exports — which were internationally uncompetitive — to the southern African region because they had a captive market and because government subsidised them to a large extent.

ANC economic department head Trevor Manuel said during a news briefing that SA's economy would not be able to go it alone as an island of prosperity.

Manuel believed current one-way intraregional trade flows were unsustainable. He stressed the need for an approach which allowed for integration and which enhanced the competitive advantages of the different countries in the region.

African Development Bank vice-president Adewale Sangowawa likewise did not believe SA would play a locomotive role in southern Africa as it had its own problems to deal with.

SA to revise offer on GATT tariffs

Buss. day 3/6/93

SA WAS about to make a new provisional offer to GATT on the country's tariff policy, Trade and Industry director-general Stef Naude told a meeting of the world body's trade council in Geneva this week.

Naude and other government officials yesterday completed two days of evaluation of SA's trade policies by 40 member countries. He said SA had reviewed its policy and the new offer would bring SA into line with the objectives of the Uruguay Round of negotiations.

Naude said SA's new provisional GATT offer would bind 55% of its tariff lines to GATT agreements.

Previously, less than one-fifth of SA's tariff was bound in GATT. In terms of SA's latest offer, the simple average tariff for imported industrial products would decline by a third and the percentage of duty-free tariff lines would rise from less than 20% at present to more than 25%.

Naude said that since the offer was made, it had been found that SA's existing industrial tariff offer "does not provide an adequate base for fundamentally rationalising the present tariff structure".

"A revised offer that would also aim at meeting the Uruguay Round objectives is therefore under consideration. The proposed revised offer would require some tolerance from our trading partners in view of the transitional process in SA."

The general export incentive scheme (GEIS) was considered essential to overcome the anti-export bias, a view which Naude said was supported by an unpublished World Bank report.

Despite facing questions from 28 countries, the SA delegates apparently elicited widespread understanding for the transition the country was undergoing politically and the need to concentrate resources in socially desirable projects.

PETER DELMAR

In a report published yesterday GATT said SA's trade regime had undergone "welcome changes in the past decade".

"Tariffs have been lowered and the extent of import controls has declined considerably. However, the tariff structure and the review mechanism underlying it are far from stable or transparent."

It said SA's potential as a market, supplier and host for new investment, given political stability was "considerable".

Experience in other countries at a similar level of development to SA which had undertaken trade liberalisation showed that autonomous liberalisation could bring "notable and sustained economic growth and development".

The report urged that reform be more rapid, but it "recognised that the SA economy was subject to many constraints. With sanctions largely dismantled, SA, as a country undergoing significant transformation, should make every effort to align its economy fully with the multilateral trading system."

Sapa-AP reports that the report said sanctions had cost SA about R40bn between 1985 and 1989, the equivalent of 13% of GDP. Since 1989, 1-million South Africans had lost their jobs in the country's longest recession. About 40% of the labour force was without proper employment.

This was partly due to previous drives to promote domestic production and cut reliance on imported goods.

The report said that between 1980 and 1991 SA's rank among world exporters fell from 16th to 30th and its rating among importers slumped from 25th to 36th.

A fall in the gold price cut gold's share in merchandise exports from 50% in 1983 to less than 30% in 1991.

Govt to scrap non-food import quotas within a year, GATT told

Buss. day 4/16/93

GOVERNMENT has told the General Agreement on Tariffs and Trade (GATT) that it aims to remove import quotas on non-food products within a year, and it says it is removing licensing requirements on agricultural imports as fast as possible. A spokesman for the SA trade mission in Geneva said yesterday that SA's revised tariff offer to GATT would have to be submitted not later than next month.

GATT parties have set September as the deadline for completion of the Uruguay Round. SA has committed itself to meeting the new requirements expected to flow from the new round of talks. Trade and Industry director-general Sief Naude, who led the SA team to the GATT council's review of SA's trade and industrial policies this week, warned local industry that it would have to face harsh realities. "SA's own future and the international community responsible for multilateral trade rules, demand from SA to face realities that are impossible to avoid. Our

economy simply has to be reintegrated into the world economy. We cannot delay." Geneva trade mission spokesman Braam Roodt said the council meeting had indicated it wanted SA to remove its "illegal" import measures within a year. The SA delegation said quotas or quantitative restrictions on 962 industrial tariff lines would "to a large extent" be phased out within a year. Replacing import restrictions on agricultural products was being hampered by limited resources, but

good progress was being made. During the meeting the South Africans reiterated earlier government statements that the import surcharge would be withdrawn as soon as possible. Roodt said there was understanding that this could not be abolished within the next month or two. He said it was generally recognised that formula duties were not reconcilable with GATT. However, the South Africans had assured the council that new anti-dumping measures to come into force soon would replace the role of formula duties in preventing disruptive dumping.

Roodt said he had been very pleased with the progress at the GATT talks. There was considerable understanding for why SA had certain measures in place, and for the fact that changes to tariff policy would have to be discussed by the National Economic Forum. Most of the pressure put on the South Africans was to secure timeframes for tariff liberalisation. However, Naude had made it clear that SA could not remove GATT-inconsistent measures immediately. This was accepted by the council.

Govt rulings a challenge to position of Glass SA

By Stephen Cranston

Glass SA's control of the local industry has been challenged by two government decisions.

The Board of Tariffs and Trade (BTT) has refused to extend provisional duties on imported glass, which fall away on Wednesday.

The provisional tariffs of 13 to 26 percent were imposed in February as part of a probe into dumping claims made by Glass SA subsidiary PFG Flat Glass.

PFG said it would suffer material damage from imports during the investigation period.

The decision was taken because unfavourable exchange rates have made glass imports uncompetitive.

But Glass SA CE Rod Fehrsen says glass distributors could easily start importing dumped glass again now that the anti-

dumping duties have been removed.

"We don't object to fair competition, as long as it is on a level playing field. But when excess glass is dumped, it is not competing on equal terms."

But Triangle Glass GM Meri Williamson says that although the decision on provisional payments has no bearing on the BTT's final decision, she expects the BTT to reject the tariffs.

"Glass importers already pay duties of 15 percent on glass. Additional levies could make this as high as 41 percent, allowing SA's only flat glass manufacturer once again to establish a monopoly."

There were written objections from hundreds of distributors and retailers when the current investigation into imports from Pacific Rim countries began last January after an identical inquiry threw out similar claims by PFG only six months earlier.

An application by glass distributors, including Triangle, has led to a Competition Board inquiry into the structure and control of Glass SA's holding company, Plate Glass and Shatterprufe Industries.

It will examine whether one or more companies in the PGSI group are in a monopoly situation against the public interest in any sector of the glass industry, whether they are engaged in restrictive practices and what acquisitions, if any, have been made in the past five years.

Fehrsen says it was inevitable that competitors would retaliate against Glass SA's recent application for further tariff protection.

"In addition to indignation about our dumping application, recent changes in our distribution policy have apparently contributed to complaints against us by our competitors."

Face harsh reality on trade barriers, industry leaders told

By Des Parker

115

DURBAN — South Africa's proposal to dismantle its import barriers more quickly and world trade body Gatt's urging of Pretoria to do much more to liberalise its trade policies will have done little for the peace of mind of hard-pressed industry bosses at home.

Leaders in sectors such as tyre manufacturing and textile production are seeking more — not less — tariff protection from what they perceive as disruptive levels of imports.

However, Trade and Industry Department director-general Stef Naude has told industrialists to face up to harsh realities. "South Africa's own future and the international community responsible for multilateral trade rules demand from South Africa that we face realities that are impossible to avoid," he said.

"Our economy simply has to be reintegrated

into the world economy. We cannot delay."

Gatt called for more uniform tariffs, phasing out of surcharges and a review of the rebate system. It said South Africa's export-orientation needed re-examination and the "fundamental lack of competitiveness" required attention.

Industry chiefs in capital-intensive sectors, such as textiles and tyre-manufacturing, would probably demur.

They contend that they cannot compete in their own backyard while their market is being eroded by cheaper imports, particularly from countries in the Far East which blatantly subsidise export businesses, and their production costs are being added to by duties levelled on materials and machinery they have to import.

In this environment, they argue, tariffs to protect their products are necessary just for survival

and to maintain existing jobs. They dare not invest without it.

BTR Dunlop of Durban is baulking at a three-year R100 million programme pending the outcome of a SA Tyre Manufacturers' Conference application to the Board of Trade and Industry for a rise in new and second-hand tyre tariffs and an overhaul of duties on raw materials.

Incentives

The shrunken Frame textile giant, also based in Durban, has hinted that it might cease to exist as an entity if a last-ditch attempt to resolve a long-lived imbroglio over tariffs in the clothing and fabric sector does not succeed.

On the other side of the coin are the incentives for exporters — such as Geis and the Tax Act's Section 37E tax credits system for major capital projects.

Without them, ventures such as Alusa's new R7.2 billion smelter (the country's biggest private project) and the Columbia stainless steel project, probably would not have seen the light of day.

Geis is being phased out and Section 37E is not expected to remain on the statute book much longer, in line with sentiment in Gatt and the World Bank.

Gatt, which celebrated its 45th birthday on January 1, evolved from initiatives at the end of World War 2 to undo much of the trade protectionism spawned during the six years of conflict.

South Africa was one of the original 23 signatories to the accord, which today has 105 member governments, as well as having de facto application in another 30 countries.

About 90 percent of world trade is between countries applying its dic-

Broadcast costs may rocket

SA's major broadcasters could face crippling increases in operating costs when their import rebates lapse towards the end of the year. (74F)

An industry source said the rebates allowed broadcasters to import equipment, spares and video material without paying customs and ad valorem duties. Only the surcharge and VAT had to be paid. The Customs and Excise rebate provision would lapse on December 19, and duties could increase some import costs by as much as 170%. (210)

A Customs and Excise spokesman said the provision lapsing did not necessarily mean duties would be imposed. This depended on the Board on Tariffs and Trade, which would decide whether to impose the duties, provide again for

rebates or take other measures. The board was not available for comment yesterday.

A broadcasting source said he believed the board planned to impose the duties but other relief measures might be introduced.

Finance Week said the SABC and M-Net could be liable for a total effective duty of 85,6% — including ad valorem duty, supplements and a surcharge — on imported video material. It said M-Net's fees would need virtually to double to about R120 a month, and the landed cost of a sitcom would increase to about R780 (R400) a minute. It said M-Net and the SABC had petitioned the board to reduce the duty on imported video material to zero.

M-Net and SABC directors were not available for comment.

B1 News 18/6/93

MARCIA KLEIN

Star 21/1/93

Trade walls must

(14F)



THE END of political isolation and the chance of return to the bustle of normal world trade was greeted with champagne parties in the boardrooms of most South African companies. Now come the headaches.

The first shock is that renewed access to export markets does not mean a flood of overseas orders. Exporters are finding the old price edge they used to enjoy over many rivals has vanished — labour and production costs have rocketed because of political reform and inflation — and new rivals have encamped themselves in our traditional markets.

Even worse, the removal of sanctions has exposed the thick entanglement of trade barriers that protect numerous local industries from international competition. And in exchange for letting South Africa re-enter overseas markets, global trade partners are demanding the opportunity to trade on level playing fields in South Africa.

Pressure to comply with the rules of global competition is coming from the General Agreement on Tariffs and Trade, (Gatt) a powerful secretariat that acts as a world trade policeman. All now hinges on how long Gatt gives South Africa to adjust to its rules — given the special circumstances of dramatic political and economic reform.

A South African Government negotiating team travelled to Geneva recently to start discussions. Department of Trade and Industry director-general Stef Naude found Gatt was fully aware of the damage caused by sanctions — the Gatt secretariat assessed the damage at no less than R40 billion — counting the combined losses caused by

the shrinkage in export earnings, financial sanctions and disinvestment.

Even so, Gatt remained highly critical of South Africa's tariff structures. It was true, a special report admitted, that South Africa had made a start on the removal of direct import controls. Out of a mountain of 12 600 tariff items, the number covered by controls had been trimmed down from 23 percent in 1985 to about 15 percent.

But tariff walls were still far too high. The average level of protection over the industrial sector was no less than 27 percent — soaring over 60 percent in some pockets of manufacturing and a staggering 90 percent or more in textiles and leather.

Also viewed with a stern eye

South Africa is emerging from isolation and sanctions to encounter new pressure: the demand to dismantle walls of protection around local businesses in line with the rules of fair play in world trade, reports MICHAEL CHESTER.

were the shelters around the motor and chemical industries and the tobacco trade. All in all, less than one-fifth of South African tariffs were bound by Gatt rules.

The Government was now volunteering to increase the number to a shade more than one-half. Also, South Africa was offering to lift the number of duty-free items in its tariff list from under 20 percent to more than 25 percent. Still on the

agenda, however, was South Africa's system of "import licensing" that protected the agricultural, forestry and fisheries sectors.

Next under review came the issue of how the State Tender Board handled government procurement contracts, where individual department were able to award contracts up to R500 000 for construction and engineering projects. The Gatt report said tenders were invited nor-

mally only from firms based inside South Africa — and preferences granted to domestic suppliers were estimated to create a margin of some 30 to 40 percent in favour of locally produced goods.

The Government was well aware of the way various protection measures increased the overall costs of manufacturers. It had compensated them by offering export subsidies that averaged about 20 percent of actual export value.

Under pressure, South Africa had now agreed to phase out its general export incentive scheme in 1995.

South Africa has also pledged to axe import quotas on non-food products within a year and remove licensing requirements

on agricultural imports as fast as possible. Gatt wants a written commitment on the table within the next month.

Naude emerged from the talks warning local industrialists they need to face a batch of harsh moments of truth. "SA's own future, and the international community responsible for multilateral trade rules, demand from SA to face realities that are impossible to avoid. Our economy simply has to be reintegrated into the world economy."

The Gatt secretariat argues that South Africa will be far better off in the end if it toes the line. "The immediate challenge is to regenerate growth in the context of policies aimed at social upliftment," says its re-

port. Rejoining the international trade circle involved would result in more international confidence in the economy, more investment and more jobs.

Seasoned economists have no argument with the longer-term scenario.

But there are reservations about the speed of trade reforms. "Pulling away all the layers of tariff protection could be traumatic for many industries," says one observer. What has to be weighed is the impact on employment. The loss of more jobs could ignite the fuse of political dynamite.

"Finance Minister Derek Keys has also promised the gradual withdrawal of trade protection as a longer term objective while new strategies are ironed out to restructure the entire economy.

"But we need time. The socio-political climate is far too sensitive to stand the shock of major trade upheavals." □

Duty hike unlikely for broadcasters

MAJOR broadcasters M-Net and the SABC were unlikely to be hit by a huge increase in duties when import rebates lapsed later this year, an M-Net spokesman said at the weekend.

Commenting on reports that rebates allowing broadcasters to import equipment, spares and video materials without paying customs and ad valorem duties would lapse on December 19, he said no additional duties would be charged from then.

He said broadcasters had been

aware of the lapsing of the rebate provision for some time. Their research had found that none of SA's trading partners included licence fees for customs duty purposes, and that a ruling to this effect would be contrary to GATT. (250) (74F)

An official from the Finance Department had also confirmed that there would be no additional duties after December 19.

MARCIA KLEIN

Exports continue their upward trend

Star 22/6/93

By Derek Tommey

Exports continued at a high level in May. (14F)

Figures issued by the Department of Customs and Excise show they amounted to R6,49 billion — the second-highest figure on record.

Although last month's exports were R380 million below the peak April figure of R6,87 billion, they were R1,25 billion, or 24 percent, higher than in April last year.

This reflects a strong performance by exporters, seeing that prices overseas of many of the company's traditional metal and mineral exports are depressed.

Imports last month amounted to R4,61 billion, which was slightly lower than April's R4,68 billion. This resulted in a trade surplus last month of R1,87 billion, against R2,19 billion in April. (14F)

While this is a most encouraging development for the balance of payments, it must be remembered that the figures are in

somewhat depreciated rands.

Exports in the first five months of this year amounted to R29,9 billion (R27,4 billion in the same period last year).

Imports to the end of May were R22,9 billion (R20,1 billion a year ago).

The cumulative surplus for this year was R7 billion, which was 4 percent down on last year.

Safto Marketing Services says rising export growth in May was largely attributable to the improved performance of unclassified exports and a big jump in jewellery and precious stones exports.

The improvement of the unclassified category no doubt reflects recent positive trends in the gold price.

Growth of exports to Europe rose 5 percent for January to May 1993. The improvement could be related to better economic conditions in the UK.

Exports to America grew by 9 percent and imports from America by 25 percent.

SA exports to Africa thought to top R10-bn

Star 23/6/93
(74F)

Business Staff

The real value of South Africa's exports to Africa probably exceeds R10 billion — and is rising.

Paul Runge, the South African Foreign Trade Organisation's (Safto) senior manager for Africa, predicts that the visible value of exports to the continent will soon approach R6 billion — double the 1989 figure.

But that's conservative, given that disguised trade with the last of the boycott markets is not reflected.

Nor are "invisible" exports such as training, technology transfer and tourism.

Hence the estimated R10 billion statistic, much of it from beneficiated products such as chemicals, building materials and vehicle parts.

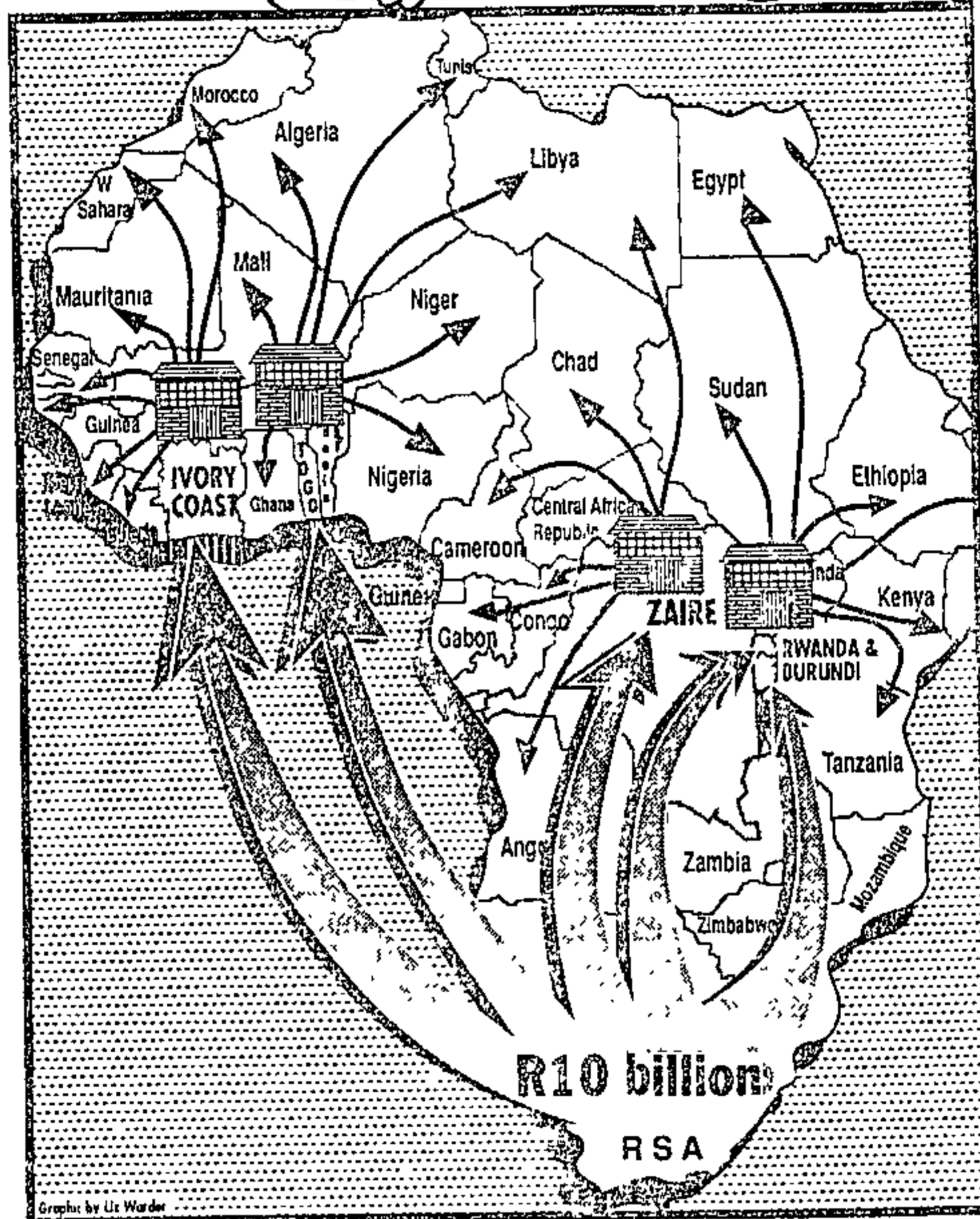
Runge regards the rapidly growing trade with Africa as remarkable, since, with very few exceptions, sub-Saharan countries are bankrupt.

"As they often lack the foreign exchange to pay for imports, payment is often far from secure, no matter how badly they want our products and services, or how advantageous are our weak rand, our proximity and our Africa-adapted goods."

He suggests that securing of payment is bedevilled by the low level of imports from Africa, which have remained at R750 million since 1989.

"Thus, while Africa's economic integration with the developed world has been declining, SA's unique position has given rise to our data going against the negative trend.

"As new markets open and African countries switch sourcing from Europe to SA (such as the flood of SA beer and fruit juice into Luanda that replaced European imports), so we are assured of a continued rise in our exports."



He says more SA companies are exploiting the advantages SA has in trading in Africa. They now increasingly seek joint venture partners instead of weaker agency agreements.

Yet, Runge cautions, behind this optimistic scenario lies a negative — SA's record in accessing aid funds to Africa.

As Africa's economic situation continues to decline, so the World Bank, EC and UN agencies continue to allocate huge funds for Africa. In the case of the World Bank the figure is about R4 billion a year.

Last year, SA reportedly accessed only about 0.8 percent of these funds, worth \$71 million.

In 1991, SA's formal subscription to the World Bank stood at

\$1.6 billion, giving it a voting power of 1.15 percent. Yet in the same year SA accessed only \$100 million in project work related to the bank.

Runge believes that although the World Bank still doesn't allocate funds directly to projects in SA, we can clearly do much more in the way of accessing cross-border projects in Africa.

"Formal business transactions in Africa have a ceiling because of the serious shortage of foreign exchange in the markets themselves.

"Aid money is in foreign exchange and is reasonably secure. The rules of the aid game must be learned fast.

"In the past three years Safto has been increasingly drawn into

this game at the insistence of our clients and also because we predicted this need. This has led to increased interaction with the major donor agencies and a far better knowledge of how they work."

But there's yet another major gap to be filled — private sector commercial aid projects not covered by the World Bank, ADB (African Development Bank) and UN agencies, which deal with governments and thus infrastructural and social upliftment projects.

Runge says the major agencies have realised that working with governments as implementing agencies for their projects yields a limited project success rate.

Hence the emphasis is shifting towards promotion of commercially viable projects in African countries via the private sector arm of the World Bank and the ADB's private sector development unit.

"These private sector promotion bodies have proved to be efficient and quick and their success rate has led to a deeper look at the whole question of private-sector promotion.

"In tune with the IMF's policy of boosting Africa's business ethic, the World Bank, the ADB and the UN Development Programme have pooled their resources to create the Africa Project Development Facility, which identifies projects for medium and small enterprises valued at up to about \$5 million and then uses the muscle of its three powerful patrons in securing finance for approved projects.

"Given SA companies' good but limited human resources and insufficient finance, this concentration on smaller commercial projects holds much potential, especially in the agro-industry and small manufacturing sectors."

GDM geared to attract new business

Star 25 16193



John Cowper... increased demand for services.

By Stephen Cranston

The continued recovery of its clearing and forwarding subsidiary African Shipping enabled GDM Finance to report a 10,1 percent increase in earnings, per share to 41,84c in the year to April.

Group MD John Cowper says that the attributable earnings of R10,7 million represents a 29 percent return on average shareholders' equity and a 30 percent compound return in the six years since listing.

The total dividend was increased by 9,7 percent to 17c. Pre-tax profit increased by

nine percent to R12,6 million and the use of tax losses in African Shipping and Repfin brought the tax rate down from six to five percent. Cowper says that the assessed losses in these two companies are unlikely to be used up before the next century.

The ratio of group borrowings in the trade finance companies at year-end was 3,4 to 1, well below the 5:1 maximum gearing for the group. Other finance companies have let gearing increase to 10:1 in the recent past, and in the case of Reichmans this led to huge losses.

Cowper says the conservative risk management, the ploughback

of profits and dividends to control gearing, a rand hedge advantage derived from profits generated externally in the UK and Europe, a clearing and forwarding arm and a growing reputation for service have put GDM in a good position to attract new business.

He says there is good synergy between trade finance and clearing and forwarding. African Shipping recorded a 36,7 percent improvement in taxed profit from R2,4 million to R3,28 million.

Cowper says an agreed election date and the prospect of a transitional authority would give hope for an improvement in the economy.

Zambian millers break into SA market

Star 25 16193

LUSAKA — Zambia's state owned National Milling Company (NMC), the country's largest milling firm, has broken into the South African market — exporting its livestock feeds.

NMC has also broken ground in neighbouring Zimbabwe for its stock-feed and was exploring further export potential to Botswana and Namibia, a company spokesman confirmed in Lusaka yesterday.

"We are also looking at exporting number three maize meal which is a by-product for animal feed," he added.

A ton of wheat bran is currently fetching \$55 although this might be revised to bring it in line with increased costs of production, he said.

The exports were a surplus to the local demand

by Zambia's farming community.

The spokesman however, declined to divulge details of how much foreign exchange would be earned, but stressed: "We can't just yet quantify our projected earnings because we are still processing the volumes of exports so far undertaken since we started the exercise a few months ago." — Sapa.

DO YOU WANT TO INVEST IN PORTUGAL

Assured honest and guaranteed business for only R40 000

Limited opportunity

Contact Mrs F Bellosti

urgently on (011) 622-6053 at all hours

11284



EXPORT OPPORTUNITIES

Mozambicans seek machinery electronic goods

By S17193

AN interesting feature in this week's list of export opportunities is the increased number of inquiries from Mozambique.

Most of them are for machinery and electronic equipment, such as TV sets, video players and cassettes, radio, hi-fi sets, CDs and cordless telephones.

In the metals category, South Korean company Y S Engineering is interested in a monthly supply of 20 000 tons of iron scrap on a full charter ship basis from local exporters.

An Italian textile company wants supplies of raw wool, cotton and other vegetable textile fibres. It is also interested in a countertrade relationship. Prospective partners will have to agree to import Italian high-technology textile machinery. A Belgian company is interested in "non-

JOHN DLUDLU

Professional security equipment."

A consortium of Italian paper companies, Consorzio Gruppo Economico, is looking for SA partners in the timber and alloy industries. The group's interests cover a wide range of products such as wood — cut in various shapes — cellulose, iron, semi-finished iron, paper pulps, discarded hobblins and ferro-alloys. It is particularly interested in the SA paper industry.

In the clothing sector, several US companies ask about leather products, men's and women's shoes, leather handbags, suits, ties, coats and belts.

All the inquiries are submitted to the Trade and Industry Department through SA embassies round the world.

- | | | | | |
|--|---|-----------|---------------------|--|
| Wool Group; M Saadat; tel: 0944-602-609 529, fax: 0944-602-509 539. | Etouke; tel: 09241-765 987, fax: 09241-765 987. | 85.23.15; | 85.23.15; | Gadget security systems - Belgium. B&B Promotion; tel: 0932-2-346 6962, fax: 0932-2-346 5194. |
| 61.15; 82.03.31; 62.15; | 85.17.10; | 85.23.20; | 85.21.10; 85.23.15; | 87.08. |
| 64.03. | 91.01.91; | 85.25.30; | 85.21.10; | Automotive components - UK. Vanstock; G Macarthur; tel: 0944-203-373 733, fax: 0944-203-641 228. |
| Socks, suits, ties, shoes - US. Gallery Uomo Import & Export; Antonio Radael; tel: 091-213-627 4987, fax: 091-213-627 4987. | 85.21.10; | 85.23.15; | 85.27.11; | 87.08. |
| 64.04; 64.03; 61.03; 42.02; 42.03. | 85.27.11; | 85.23.15; | 85.27.11; | Automotive components - UK. Sales Dev; Neil Harding; tel: 0944-453-751 904, fax: 0944-453-752 840. |
| Men's and women's casual shoes, dress shoes, suits and ties, leather handbags, coats, suits and belts - US. Frapa Clothing Co; Frank Tuck; tel: 091-614-852 2733, fax: 091-614-852 2209. | 85.25.30; | 85.27.11; | 85.27.11; | |
| STONE, CERAMIC PRODUCTS AND PRECIOUS | 85.25.30; | 85.27.11; | 85.27.11; | |



CHOICE HOLDINGS LIMITED

Govt acts to reduce import protection

B/Day 8/7/93

(14F)

EDWARD WEST

GOVERNMENT has taken a major step towards lowering industrial import protection measures, saying it is to forward a revised tariff offer to GATT.

Trade and Industry director-general Stef Naude said yesterday government would submit the revised offer in time for the Uruguay Round of talks. Indications were that the Uruguay Round would be concluded by the end of 1993 or early next year. SA had to submit its offer to lower tariffs by the end of August.

The revision affects 12 900 tariff lines.

Countries wishing to become members of the multilateral trade organisation have to submit offers to reduce import tariffs by about one-third on average over five years from the date of conclusion of the round.

The Afrikaanse Handelsinstituut (AHI) yesterday called for timely action in easing import restrictions via a moderate reduction in import surcharges and/or import tariffs.

The higher protection automatically afforded to domestic industries by the weaker exchange rate would largely compensate for the reduced direct protection ensuing from lower import levies. The consequent loss of fiscal revenue would be made good by the increased government revenue arising from higher export prices and volumes, the AHI said.

Sacob said participation in the Uruguay Round was imperative if SA was to in-

crease its share of world trade.

GATT said in a review of SA's tariff system in June that the tariff structure and review mechanisms underlying it were "far from stable or transparent". It said that "greater binding (fixing) of tariffs in GATT and less reliance on sectoral protection would provide a more reliable trading environment for firms in SA and for its trading partners".

Naude said the revised offer was necessary to rationalise SA's tariff structure. The rationalisation was aimed at "simplification, greater transparency, more uniform tariff rates and a more stable tariff not subject to frequent change".

His department said interested parties could comment on the proposed new offer (covering 40 pages) before August 11, after which government would, if necessary, amend the proposals before submission.

The offer would be presented to government, business and organised labour at the National Economic Forum for consultation, a department spokesman said.

Naude said SA had submitted a partial offer in 1990, which consisted of about 40% of the industrial tariff lines and would have increased the number of bound tariff lines to about 55%.

GATT subsequently suggested SA improve its proposal by lowering tariffs by about 23% on 40% of the lines.

AHI appeals for imports relief (74F)

PRETORIA. — The Afrikaanse Handelsinstituut has appealed to the government to begin phasing out import restrictions and, specifically, to moderately reduce import taxes and duties.

The AHI said in a statement the automatically-increased protection the weaker rand exchange rate had given local industries recently would largely compensate them for the loss of direct protection and possible increased competition through reduced import duties. **ARC 8/7/93**

The resultant loss in state revenue would be compensated for by income derived from improved export prices — Sapa.

SI Times [BUSINESS] 11/7/93
(74F)

Anglo chief urges currency freedom

ANGLO American chairman Julian Ogilvie Thompson has called for the removal of the import surcharge and the lifting of exchange controls.

He says in his 1993 chairman's statement that increased exposure to competitive forces from abroad is the cure for inefficiency in SA's industries.

Mr Ogilvie Thompson says the average tariff protection in SA is not high by developing country standards, is excessive in some industries yet too low in others.

It is necessary to move to a more uniform and consistent tariff structure and to remove the import surcharge as soon as possible.

"The process has to recognise the legitimate concerns of existing industries established under a previous trade regime, and allow time for

By JULIE WALKER

necessary adjustments to be made, not least to obviate a further surge in unemployment.

"The need for a sensibly phased approach has been accepted by such institutions as the World Bank as well as in SA's recent negotiations with Gatt.

"Reduced protection from imports where necessary would not only enhance competitive forces domestically; it would also reduce the bias against exporters in some industries that are burdened with high domestic input prices."

Mr Ogilvie Thompson says muddled populist thinking has given rise to the belief that economic concentration

confers excessive power that can somehow be used to thwart the State.

"Hence the argument that unless the State controls, by nationalisation or other means, the commanding heights of the economy, it cannot govern.

"It is an argument that was first adopted in the heyday of the National Party ... Fortunately, at least outside the country, such arguments based on an illusory perception of private-sector power,

have now been universally and decisively rejected."

Mr Ogilvie Thompson defends Anglo American's size, saying it has grown large because both at home and internationally, it has been successful, efficient and competitive — "surely not achievements to be penalised in the new South Africa?"

"It is the long years of politically necessitated exchange control that caused the successful South African companies to become more

dominant in the economy than they would have been had they been free to invest abroad, and politics again that caused foreign companies to be unwilling to retain their investments in SA or make new ones.

"Hence, although tariff reform is crucial, it has to be accompanied by gradual but steady progress in the lifting of exchange controls."

● An abridged version of the statement appears in this week's Sunday Times.

Local textiles ousted by imports

BizDay 12/7/93

MZIWAKHE HLANGANI

BUOYANT retail demand for clothing had failed to boost the domestic textile industry, as imports had absorbed the demand, Romatex strategist Jon van Coller said in the 1992/93 textile industry review.

Imports had won out as a result of a sharp escalation in duty-free permits in terms of government's structural adjustment programme for the clothing industry.

Van Coller said a surplus of between R500m and R600m in duty-free permits remained to be utilised before March 1994, the date until which the programme in its present form was effective. (H4F)

He said it was difficult to foresee heightened local activity until this remaining R600m had been utilised. (KSP)

He believed government's structural adjustment programme had been a disaster for the SA textile industry.

Although retail demand for clothing and textiles had continued to grow strongly, this had not been translated into local or-

ders. Clothing production in 1992 was 7% down on the year before. Textile production reported a 10% decline, and was nearly 30% below its recent peak in 1989.

The domestic market for woollen apparel had seen a substantial decline as a result of high wool price in recent years.

In synthetics, domestic apparel had experienced "tough competition from imported lightweights", he said.

Van Coller said the SA business cycle was showing early signs of bottoming, but this should be viewed against the political background.

A number of economic factors pointed towards improvement in the economy by year-end, and prospects for next year were good for the domestic textile industry if a political settlement was achieved without undue turmoil, he said.

Govt tariff offer ^{Biday 12/7/93} 'is not unilateral'

GOVERNMENT has assured industry that the lowering of import tariffs in the proposed revised offer to the Uruguay Round of GATT talks was not a unilateral action. (M4F)

The proposed offer, to be submitted to GATT by the end of August 1993, was expected to be implemented from January 1 1995.

The Department of Trade and Industry said the lowering of import tariffs should not be regarded as a unilateral action as supply side measures would be introduced to assist local industry to improve competitiveness.

And a more industry and business friendly environment, particularly for exporters, should materialise.

Unfair trading practices would be combatted with measures such as anti-dumping and countervailing action. There was also provision for safeguard measures in cases of surging imports, the department said.

Participation in the Uruguay Round would improve SA's market access through the lowering of import tariffs and the removal of non-tariff barriers by its trading partners, it said.

The proposed offer to GATT excludes the oil and agricultural products industry tariffs which would be dealt with separately.

In line with industry expectations, the import tariff for fully built cars

EDWARD WEST

and trucks has been pegged at 60%, the only import tariff line to exceed 30% out of the 12 900 industrial products in the offer.

The tariff on fully built cars and trucks was currently 100% after being reduced by 10% this year.

In terms of the offer, if the Round was concluded by the end of 1993 as expected, present tariffs higher than those on offer had to be reduced to the rates on offer in five equal annual reductions from January 1 1995.

Motor Industry Task Group chairman Derek Reiley said on Friday although the industry had to do all it could to lower import tariffs, nothing regarding the proposals to GATT was "cast in concrete" yet.

The Motor Industry Task Group is a forum of industry representatives to determine the future of the industry through the formulation of Phase VII of the local content programme by 1997.

National Association of Automobile Manufacturers of SA president Bert Wessels said the industry would meet government before August 11 to make final proposals on GATT and to assess the flexibility of changing the proposals.

He said the industry was committed to reducing tariffs to 60% as long as the reduction was orderly and took place over five years in line with its previous commitments to GATT.

Tariff barriers harming SA

132
745

BRUCE CAMERON Business Staff

TOUGHER competition board action and anti-trust laws to break up monopolies were required to make South African companies more competitive both at home and abroad, said Mr Neil Jowell, chairman of Cape-Town based blue chip, Trencor, this week.

At a conference on South Africa's international competitiveness, delegates also strongly criticised the ad hoc protection given to business against international competition with tariff barriers and un-

due government interference in market forces.

The conference on South African competitiveness came in a week which saw the margarine price being raised as a result of government intervention, monopoly control and tariff barriers.

The Oilseed Control Board — in itself a monopoly single-channel marketing operation — was allowed by government to raise the price of oilseed by 11 percent to levels significantly above world market prices. The cost of locally produced seed oil is now more than R2 400 a ton against a landed price of R1 500 to R1 600 a ton for imported seed oil.

Simultaneously, the government has refused a request by margarine manufacturers to

lower a R590-a-ton tariff on imported seed oil.

At the competitiveness conference, delegates argued that protection dulled South African companies and made them uncompetitive on international markets.

Delegates pointed out that there was no method in the setting of tariff barriers against imports.

Tariffs were set on an almost daily basis ranging from zero percent to more than 1 000 percent. One delegate said it depended on how much influence a company had in Pretoria.

Mr Jowell agreed with African National Congress economics department chief, Mr Trevor Manuel, that tough action was required to make South

African companies more competitive.

Mr Jowell — who firmly supported private ownership — said competitiveness in South African industry had to be improved and tougher competition-board action and anti-trust laws would be required to compel South African industry to become more competitive.

Mr Manuel said South Africa's conglomerate structure was anti-competition and anti-medium- or small-business. He said protection also had to be given to emerging black business and he issued a tough warning to South African Breweries to keep its hands off the National Sorghum Breweries.



Sasol ponders oil import duties

By KEVIN DAVIE

SASOL has begun discussions with the Board of Trade and Tariffs (BTT) which could lead to import duties on crude oil.

The petrochemical company, accused by critics of receiving government subsidies through the equalisation fund, confirms that it has had deliberations with the BTT "which are ongoing".

BTT chairman Nick Swart says the discussions were informal and included all Sasol's operations.

If Sasol makes a formal application, the BTT will investigate and make a ruling.

Dr Swart confirms that at stake is a possible import duty on crude oil. He is unaware if other countries apply such duties.

An international trade expert says oil imports, as a raw material, are usually duty free. Three countries apply duties to crude, Austria (about 3% of import value), Costa Rica (1%) and Morocco (2,5%).

Oil, as a strategic product, is seldom negotiated in the General Agreement on Tariffs and Trade, says the expert.

Sasol has been protected by a formula, funded by the equalisation fund, which gives it a floor price equivalent of \$23 a barrel for the 100 000 barrels of synthetic crude it produces at its Secunda plants daily.

Above \$28 a barrel, a portion of additional income is paid back to fund by Sasol.

With Middle Eastern crude prices now at \$14 a barrel, the equalisation fund, with a monthly income of R90-million, is paying R70-million in terms of the \$23 a barrel formula.

Sasol spokesmen say this protection formula is no different to other import duties on SA's tariff book. They say protection is justified because the cost structure for synthetic fuels produced from indigenous materials is higher than conventional fuels.

It is believed that Sasol's intention — should it decide to go ahead with the application and should it be granted by the BTT — is for there to be no price change as far as the motorist is concerned.

A move to bring Sasol's protection in line with other SA industries would constitute some normalisation for the oil industry.

Although many observers argue that the tight regulation of the SA oil business is for Sasol's benefit, the fuel-from-coal producer is taking a more active line on deregulation than the rest of the industry.

Sasol managing director Paul Kruger supports phased deregulation. He suggests that regulation on minimum prices be phased out.

Sasol Oil's Willie Rossouw says in a letter to dealers: "In our view it will be in the industry's interest to plan a phased approach to deregulation instead of resisting it and attempting to preserve a system which has no long-term future."

"Deregulation of the petroleum industry in some countries has had many undesirable effects and we believe that a pro-active phased approach can eliminate most of the negative results."

Mr Rossouw says: "We proposed to Minister George Bartlett that a plan to phase in deregulation be drawn up by a group representing all stakeholders."

"We have also indicated that the 'plan' should take cognizance of protection of jobs, avoidance of massive price swings at the pump and the strengthening of the position of service station operators vis-a-vis the oil companies."

In another move to normalise the industry, Central Energy Fund chairman Danie Vorster says SA oil companies can now import most of their requirements.

Oil imports have until recently mostly be done through the Government's Strategic Fuel Fund (SFF).

Mr Vorster says the change is in anticipation of the lifting of UN sanctions on crude oil and shipping.

"The proportion to be supplied by SFF will depend on the situation at the time and has not been finally decided."

Reduced import tariffs 'first step'

GOVERNMENT sees the gradual lowering of import tariffs as the first in a series of steps to eliminate the anti-export bias in SA's industrial structure.

Department of Trade and Industry director-general Stef Naudé said this bias had been built into the structure over decades through the import replacement policy and the imposition of high import barriers relative to developed countries. *B. Naudé*

Naudé said in an interview that it would be impossible to reintegrate SA's economy into the world economy other than through GATT. The only reintegration alternative would be membership of an international trading bloc. None was accessible to SA at present. *(74F)*

To improve SA's international competitiveness in manufacturing, a rebate or draw-back system on imported intermediate production inputs would be introduced in the near future. *191-1193*

The system was currently being devised by consultants and SA trade representatives in Washington. It would be fraud-proof and allow for automatic payment.

Export processing zones would also promote exports and their introduction was being negotiated at the National Economic Forum. Such zones had received favourable regional support in SA.

Although the General Export Incentive Scheme ran contrary to GATT, subsidised exports were regarded as essential to remove SA's

EDWARD WEST

anti-export bias. The scheme would be phased out gradually, along with the liberalisation of import tariffs.

To prevent disruptive and unfair import trade, new draft legislation on anti-dumping laws, which fell in line with GATT requirements, was completed and would be submitted to Parliament, Naudé said.

The Board on Tariffs and Trade's powers were recently curtailed to advise on specific tariff applications and anti-dumping matters as a further protective measure. Naudé said training and retraining of employees, to be implemented in conjunction with the Department of Manpower, was also necessary to improve SA's competitiveness.

Simplification of tariffs was the first step towards improving competitiveness and the proposed revised GATT offer would reduce the number of tariff rates from 10 900 to just over 1 000. A full 100% of the ceiling rates in the offer would be fixed after the Uruguay Round of tariff reductions, compared with 15% currently.

Because of recession and past policies, certain "sensitive industries" were identified for which government would try to negotiate with GATT that lower tariffs were phased in over a period of up to eight years.

These were the motor, clothing and electronics industries. Naudé said task groups had been established to formulate proposals to make these sectors more competitive.

Weak rand may boost trade surplus

ECONOMISTS expect the June trade surplus to hover around recent levels with some improvement in exports and a possible fall in imports as the lower rand begins to take effect. Figures are to be released this week.

In May the net trade surplus eased by R314m to R1,874bn as the fall in exports exceeded the decline in imports. Exports slumped 5,5% to R6,49bn while imports came down by 1,4% to R4,61bn. **1917193**

Any substantial improvement is likely to come from the export side as imports have remained fairly steady over the past few months.

Safto economist Carlos Teixeira was hopeful of a higher export figure in June. He believed growth would come from the depreciation in the rand and the substantial improvement in gold and platinum metal prices. **(74 F)**

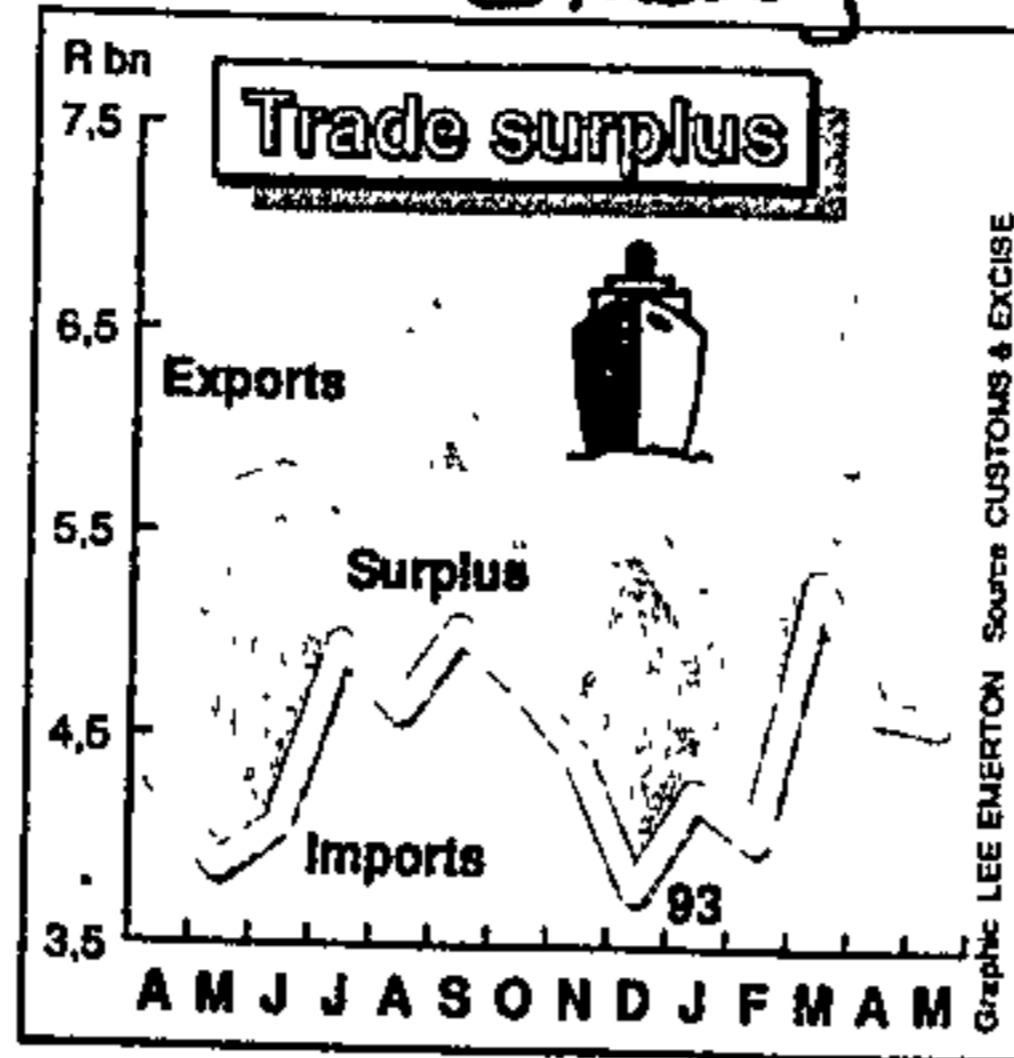
"This should see percentage growth in exports reaching double figures in nominal rand terms for the first six months of this year, compared with the same period last year," he said. **(1993)**

The recent strong performance in manufacturing categories such as transport, equipment and machinery was also expected to continue.

Teixeira based his predictions on the bullish outlook of exporters as evidenced in the Safto exporters' confidence barometer which rose to its highest level in a year last month. According to the survey, exporters were confident sales in US dollars would be higher in the second quarter than in the first as orders soared.

Analysts said the fall in imports in May could indicate the start of a declining trend as a lower rand placed a heavy burden on the ability of the country to pay for them.

These factors could indicate that the poor trade figures in the first quarter could be a thing of the past. In the first three months the surplus



on the current account deteriorated to R0,7bn. In its quarterly bulletin the Reserve Bank said merchandise imports had increased 5,5% in value terms while merchandise exports were down substantially by 4,5%.

The Bank said the higher import figure appeared to be a result of a significant increase in the volume of oil imports as international oil prices fell. The decline in exports was attributed to the slowdown in the world economy and the international over-supply of metals and minerals.

Economists were confident the longer term trend pointed to a recovery in the trade surplus this year to around R5bn. Although oil prices remained low, oil imports should slacken off as inventory levels reached their peak. Teixeira said exporter confidence suggested real growth in non-gold exports would be about 4% over the next 12 months.

Rand Merchant Bank chief economist Rudolf Gouws said although weakness in the world economies could put downward pressure on exports, some improvement could come from the higher gold price. "Imports should weaken due to the recession in the domestic economy and the effect of the weaker rand."

Gouws predicted a healthy overall trade surplus for the year — much

higher than last year's. "The improved surplus together with lower capital outflows in the second half of the year should take a lot of pressure off Reserve Bank Governor Chris Stals."

Sanlam senior economist Pieter Calitz held a similar view. Export volumes should improve as remaining sanctions were dropped, opening new markets for SA goods, he said.

Recent comments by Stals seem to support predictions of an improvement in the surplus. Last week he noted reserves had been increasing, but added it was too early to discern a trend.

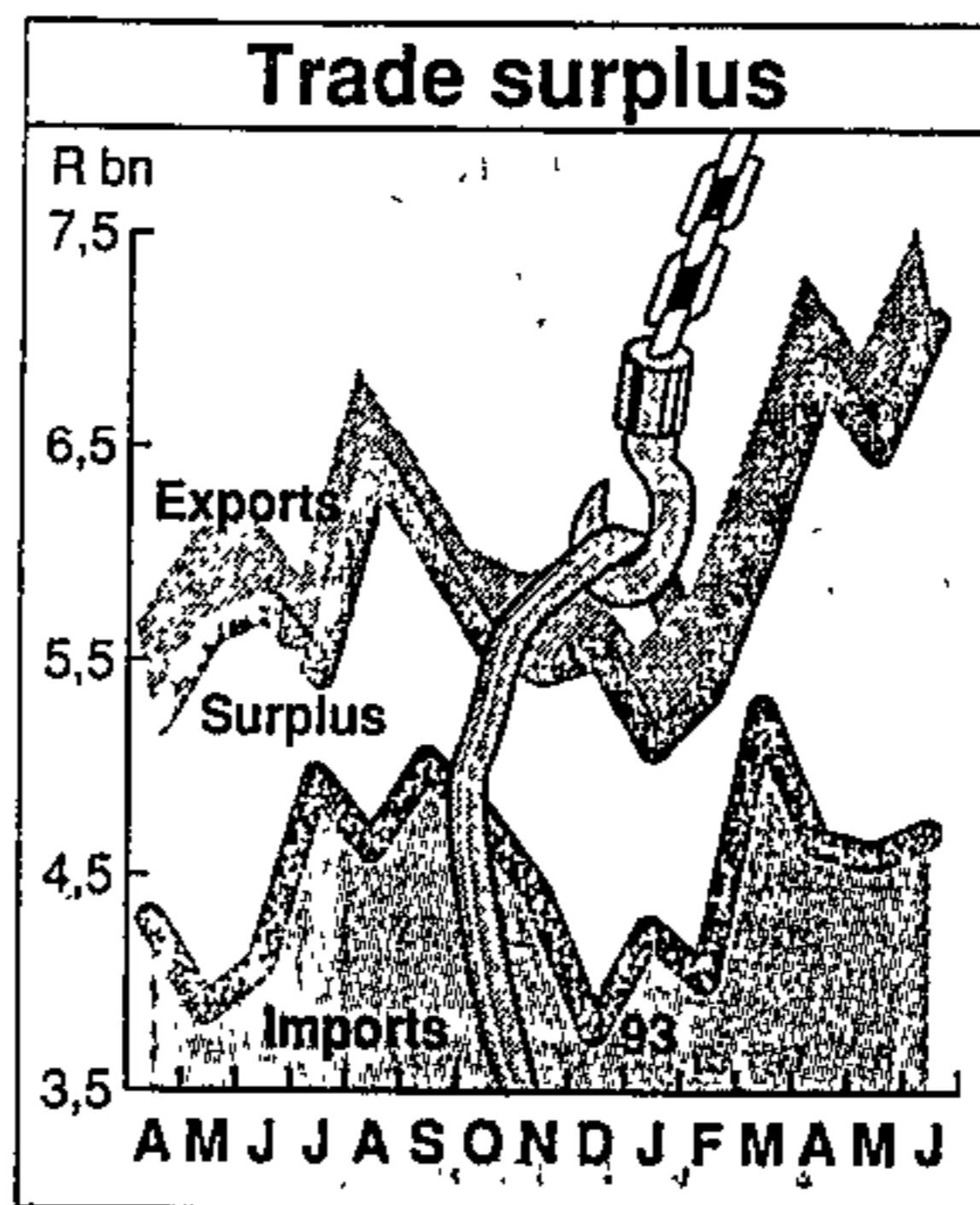
US June housing starts are expected tomorrow. The May level was the highest since December's, but recent economic indicators have reinforced the impression that the US economy continued to recover at a snail's pace. Consumer confidence took a dive, which could have affected housing starts. The floods in the midwest should also put a damper on figures.

Preliminary UK second quarter GDP figures come out on Friday. Economic output has been growing at an increasing rate since the middle of last year. In the first quarter of this year GDP was up 0,4% from the fourth quarter of 1992. Economists said this trend should have continued in the second quarter. "Industrial production has been increasing nicely while exports have benefited from the weaker pound," said Mathison & Hollidge economist Tracy Ledger.

UK June retail sales figures are scheduled for release on Wednesday. Economists did not believe the fall-back in sales in April and May was a reason for concern. Ledger said the decline appeared to be an adjustment for the unusually high growth that occurred early in the recovery. The annualised trend still indicated an upward movement in sales by between 2,5% and 3% this year.

INTERNATIO

...the mood was a position



Graphic LEE EMERTON Source: CUSTOMS & EXCISE

Gold export surge lifts trade surplus

KELVIN BROWN

A SURGE in gold exports helped lift SA's trade surplus by R500m in June to R2,37bn, raising hopes that a good trade performance will ease the way for a cut in interest rates.

Customs and Excise reported exports were up to R7,09bn in June from May's R6,49bn, while imports increased slightly to R4,72bn from R4,614bn. Economists attributed the improvement to the higher gold price and lower rand. Unclassified exports, including gold, posted a substantial gain to R2,5bn from R1,9bn the previous month.

Exports rose 11,5% in the first six months, while imports increased 14%.

Safto economist Carlos Teixeira said the rate of increase in exports for the first six months was rising compared with the same period last year, while import growth had stabilised. He was optimistic export growth would continue firming. "The improvement in Safto's export confidence barometer suggests a trend towards higher exports for the rest of the year."

Economists said the trade performance pointed to a "significantly higher" current account surplus in the second quarter after the dismal R700m in the first quarter. The current account of the balance of payments (BoP) is the trade surplus less net payments for services.

Economists predicted an overall current account surplus of R6bn for the year, substantially higher than was thought possible

□ To Page 2

Trade surplus

two months ago.

However, Sanlam senior economist Johan Louw said the figures suggested all was not well with the capital account of the BoP. The current account surplus for the second quarter should be about R1,1bn while overall reserves were down R390m. "This points to a substantial outflow of around R1,5bn in the second quarter."

Louw said the figures indicated why Reserve Bank Governor Chris Stals had not yet cut interest rates. But interest rates could be cut by next month, he added.

Absa senior economist Adam Jacobs

said it was only natural at this stage of the business cycle for imports to come down and exports to improve. There was also nothing on the horizon pointing to an improvement in domestic demand which would boost imports.

On a cumulative basis, unclassified exports grew 17,3% in the first half of the year compared with the corresponding period last year.

The other major category contributing to export growth was precious stones. The June figures indicated that these were up 40% in the first six months.

□ From Page 1

Trade surplus soars 26 percent

Star 20/7/93

74F 713

By Claire Gebhardt

South Africa's monthly trade surplus soared by 26 percent in June to its highest figure yet this year.

Department of Customs and Excise figures show the trade surplus in June was R2,36 billion compared with May's R1,87 billion.

Economists welcomed the figures as yet another positive indicator that the economy was turning after five years of recession.

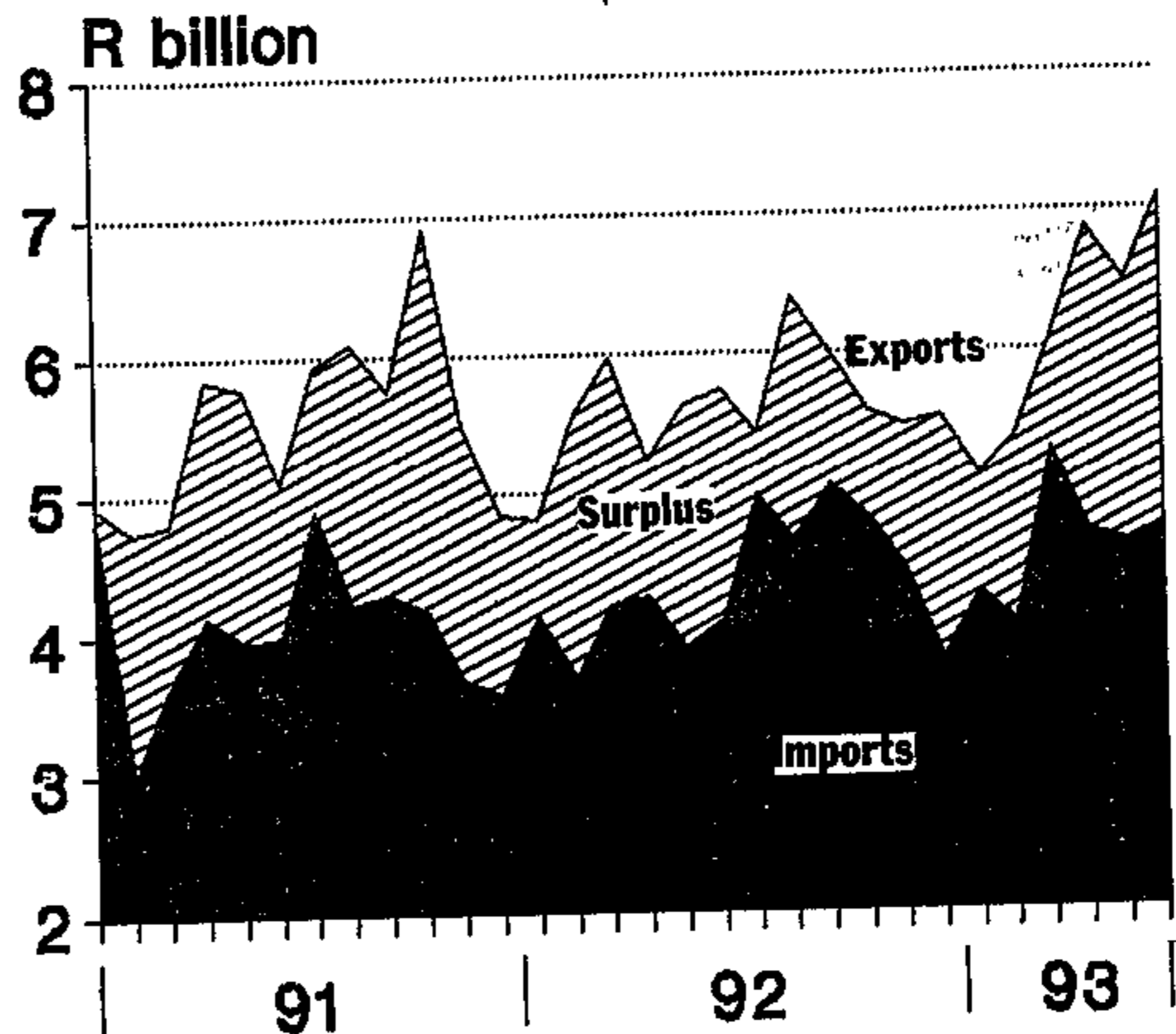
They were optimistic that the June trade surplus, combined with lower capital outflows in the second half of the year, signalled another cut in Bank Rate in coming months and a substantial surplus on the current account for the second quarter.

Exports were nine percent up at R7,09 billion while imports rose 2,43 percent to R4,72 billion from R4,61 billion in May.

Total exports in the first six months of this year of R3,69 billion were 11 percent higher than the same period a year ago while imports of R2,76 billion were 14 percent up.

Volkas senior economist Adam Jacobs said that on a seasonally adjusted annual basis, the surplus on the current account for the second quarter could be a substantial R7 billion compared with a very low R0,6 billion in the first quarter.

Economists attributed the improved export performance in June to the depreciation of the rand, the higher dollar price of gold and increased diamond sales.



Exports of precious or semi-precious stones and metals were 40 percent up at R4,78 billion in the first half of 1992 compared to R3,4 billion a year ago.

Growth in the imports of agriculture-related products slowed, following large increases early in the year due to the effects of the drought.

Most import categories registered nominal growth over the equivalent period last year, the figures showed.

Safto economist Carlos Teixeira said it was important to note the effect of the depreciation of the rand on the figures and not to attribute everything to increased exports.

"But it does mean a stronger surplus and more room to ma-

noeuve for the monetary authorities

"Our exporters' confidence barometer indicates that exporters perceptions are positive and they base their predictions on orders.

"So this is a very good sign of what will happen over the next 12 months.

"Another bullish indicator is that imports of machinery and transport equipment have continued to show strong growth.

"Transport equipment is up by 32,4 percent and machinery by 30 percent.

"This indicates that companies are starting to invest back into capital equipment and a turnaround in the investment cycle signals a bottoming out of the recession."

Police confiscate tyres worth R2m

JOHAN SCHRÖNEN
Crime Staff

(74F)

ARG 23/7/93

POLICE today confiscated allegedly illegally-imported motor vehicle tyres worth more than R2 million from an Ocean View warehouse.

Department of Trade and Industry import and export control officials from Pretoria flew to Cape Town to supervise the loading of the tyres from the warehouse in Milky Way.

Mr Rafiek Parker of Rylands, who bought the tyres from a South African importer, said he had been in close contact with the Department of Trade Industry import and export control division after it surfaced that the tyres had been imported or had landed in the country on an allegedly illegal permit.

Mr Parker said he had bought the tyres

legally but was on the point of re-exporting them to avoid losing financially. This had been agreed to in principle by the department.

But at the eleventh hour today police swooped and raided the warehouse.

The tyres bore an "M and S" stamp, indicating they were for use in mud and snow. However, the controversy was not about their quality but the way they had been imported.

Members of the police commercial branch said they could not leave the tyres, even after consulting department officials who advised them the matter was resolved.

Mr Parker, whose lawyers are consulting department officials, questioned the presence of employees from two major competing tyre companies in the warehouse during the raid.

BUSINESS

By MONDJI MAKHANYA

A RECENT landmark decision by the Appeal Court may have dealt a death blow to the country's burgeoning "grey goods" market.

Although no one has quite quantified the size of this industry, sole distributors of imported goods — particularly consumer electronics — were increasingly feeling the pinch of this phenomenon, which is also known as parallel importation.

How it works is that an unauthorised importer imports established brand-name goods from a foreign country and then sells into this country where somebody else has already borne the costs of marketing and advertising the product. Because the grey marketer has been able to avoid the costs of promoting the

Court draws the line on 'grey' goods

product, he is then able to sell it cheaper than the licensed importer. Also, he often does not need to provide after-sales servicing — which the licensed dealer is bound to provide.

This has seriously eroded the market of authorised dealers and also landed them with the unfair cost of promoting goods on behalf of someone else.

This is what spurred Frank and Hirsch managing director Errol Guggenheim on to a legal crusade against parallel importation. The company — the sole distributor of best-selling TDK's blank audio cassettes — had fallen victim to this practice. F&H

had discovered Durban-based Roopana and Brothers was importing TDK tapes from Singapore and trading in them on the local market.

Several attempts by F&H to halt Roopana and Brothers in court for infringement of copyright and unfair competition were thrown out. The breakthrough only came when the Appeal Court overturned a Durban Supreme Court decision and Judge Corbett ruled that parallel importation constitutes infringement of copyright. Spoor and Fisher attorney Owen Dean, who has been representing F&H, is now preparing to fight more

court battles as other sole distributors have come forward waiting to challenge grey marketers. "In the wake of this decision, I am expecting many more cases will follow," reckons Dean.

Strengthening the hand of some dealers now is that it is the Appellate Division that handed down the judgment, making it extremely difficult to challenge.

Although the problem has existed for decades, it has been escalating in the past few years since South Africa's reintegration into the world community.

The goods most affected have been in the electronic sector, motor vehicle

spare parts and, lately, the pharmaceutical industry — all sectors in which goods can be obtained more cheaply abroad than here. Fax machines also emerged as a favourite.

For the consumer, the judgment has both good and bad implications. On the negative side it may rob the consumer of a cheaper source of goods, particularly electronics, whose prices were significantly marked down. Many consumers resort to grey goods as an alternative to exorbitant prices for items such as hi-fis and video cameras.

On the other hand it protects the consumer from the grey marketers not honouring warranties as they are not recognised by the foreign manufacturer and most of them do not offer after-sales service.

Screw turns on SA trade

SI Times [Buss] 25/7/93

By CIARAN RYAN

THE General Agreement on Tariffs and Trade, the world's most powerful trade authority, has put the screws on South Africa, exacting a tough new programme of tariff reform.

SA's trading partners rejected its proposed tariff reforms in the June Gatt talks in Switzerland. The offer was hurriedly revised and increased.

The original offer included only 40% of tariff "headings", or import categories, but the new one binds 99% of industrial headings.

Although the earlier proposal envisaged reducing duties by an average 23% over five years, the new offer suggests up to 33%.

Import quotas would be phased out and variable rate formula duties scrapped. Tariffs in some sectors would be slashed by more than half, but many would be unchanged.

"Our previous offer was timid," says Seifsa trade expert Michael McDonald. "This is a much simpler

package, but it will be tough for certain industries."

The Government is putting a brave face on the new deal, claiming the lower tariffs demanded by Gatt will improve competitiveness and ensure exporters access to markets.

SA's tariff system would be simpler under the new offer, reducing the number of industrial headings from 10 400 to about 4 000.

Bound by Gatt, the Government would not be able to lift these duties.

Motors would become SA's most protected industry in terms of the revised offer, due to be presented to Gatt in August.

Imported vehicles would be bound to maximum duties of 60% by 1999 — twice the level of the next most-protected item. (74F)

The current duty on motor vehicles is 100% plus 15% surcharge.

Most tariff headings would be bound to maximums of between

15% and 20%, to be phased in over five years from 1995.

Under the revised offer, most iron and steel headings would be bound to tariffs of between 5% and 15%, replacing formula duties which raise the price of imports to above the domestic price, no matter how cheaply they are landed. Tariffs of 30% would apply to galvanised steel, now protected by formula duties deemed illegal by Gatt.

Duties of 30% would apply to clothing, well above tariffs in other countries.

Tariffs on hi-fi equipment, currently up to 100%, would fall to between 15% and 20%.

Gatt highlights the impact of import surcharges on prices, saying: "There is significant tariff escalation in SA. The weighted tariff for primary products in 1990 was 2.5% while for manufacturers the rate was 26.9%."

Including the surcharge over 25% of the value added in the manufacturing sector receives effective protection of more than 50%, says Gatt.

Star 26/7/93

SA has low level of indebtedness

By Stephen Cranston

South Africa is now one of the least indebted developing economies in the world, according to the Standard Bank Economic Review.

The review's issue for the third quarter says that total foreign debt to GDP currently amounts to just 15,1 percent, or \$17,3 billion.

The ratio of export earnings to foreign debt, which is a proxy for debt servicing capacity, is 61,1 percent.

Negotiations are being concluded with the country's 27 creditor bankers to settle the outstanding \$5 billion of moratorium debt still caught "inside the standstill net."

Once this has been finalised, which is expected to coincide with the appointment of an interim government, the World Bank will be in a position to follow the IMF's lead and activate project finance for South Africa.

The review says that official financial support, in turn, will allow South African private and public corporations greater access to global capital markets.

Concerns on the capital account of the balance of payments have recently usurped the previous focus on inflation as the main determinant of interest rate cuts.

South Africa has a real prime rate of 5,65 percent, which is re-

latively high by international comparison and reflect a sharper fall in inflation than in prime.

The bank says that the inflation rate, excluding the effect of increased VAT, is the lowest since 1972. Retailers have been absorbing costs into margins in order to contain price increases in favour of stimulating turnover and price discounting has offset the effects of rand depreciation on imported costs.

The bank expects only a further one percent cut in the prime rate, in part because South Africa's politically-determined balance of payments exposure militates against greater accommodation.

An early cut in the bank rate

could encourage traders to seek cheaper local finance facilities which would further jeopardise the foreign exchange reserves.

Changes in the balance of payments are anticipated. The trade surplus has already widened considerably in the second quarter of the year as a result of rising mining exports and falling net food imports.

Exports will be boosted by an expected 5,6 percent depreciation against the dollar by the end of the year.

Some pressure may emanate from petrol imports but this should be mitigated by the combined factors of stock replenishment in the first quarter and relatively low oil prices.

SA to submit revised GATT tariffs by the end of August

Monday 9/8/93

FINANCE Minister Derek Keys said on Friday the country would submit a new proposal to reduce the number of import tariff headings from 12 000 to about 1 000 to the General Agreement on Tariffs and Trade (GATT) by the end of August.

"If we want to be in a position to increase manufacturing exports we have to be a full member of GATT and that means we have to accept their terms," Keys told the SA Institute of International Affairs.

He said SA's trading partners understood that SA might take longer to adjust its tariffs and export subsidies than other countries, as it had the "second most complicated tariff position in the world" after Nepal.

SA's first proposal for reducing its import tariffs was rejected by GATT. Keys said a recent visit to Brussels to lay the groundwork for a trade treaty with the EC had been unsuccessful, mainly because the EC was preoccupied with eastern Europe.

SA was one of a few countries that did not have a treaty with the European market and it wanted to establish one.

Keys also said the Southern African Customs Union needed to be revamped to include other regional states.

A special meeting of the customs union — which includes Botswana, Lesotho, Swa-

ziland, Namibia and SA — would take place in Swaziland next week to consider changes to the operational structure and to discuss setting up a regional free trade area.

Keys said the customs union could not include new members because it would cost SA too much.

As the dominant partner, SA was obliged to pay out large subsidies to the other members amounting, in some cases, to over a third of a member country's national income.

If other regional states were included, the system "would run downhill at a rate which would be truly alarming".

He was optimistic an arrangement on a southern African economic community would attract international capital to the subcontinent.

Other southern African states would be wary of SA's economic strength in a regional economic arrangement, but the difficulties were not insurmountable.

The customs union meeting will take place shortly before the annual summit of the Southern African Development Community.

SA is not a member, but is likely to join after the April election. — AP-DJ, Sapa.

FUEL PRICES

fm 30/7/93

Boon but not a bonanza

The benefits to SA of falling international oil prices have been diluted by a weaker rand (see graph). But at least a large prospective rise in the pump prices of petrol and diesel has been converted into a modest one.

SA spends about R5,5bn a year on imported crude oil — about 10% of the import bill and around 60% of the required 400 000 barrels per day of refined liquid fuel. The rest is met by the synthetic contribution of Sasol's Secunda plant (31%) and Mossgas (around 9%).

There has long been a glut of crude oil on international markets — an enduring response to Opec's past pricing excesses. This is despite declines in the output of two of the biggest producers — the US and Russia — and UN sanctions against Iraqi oil after the invasion of Kuwait.

The recent dip in prices was triggered by expectations that Iraq might once again be allowed into world markets — on a limited, compassionate basis to enable it to finance imports of food and medical supplies. This caused a sharp disagreement between leading Opec members Saudi Arabia and Iran over the painful question of which should make the major sacrifice to accommodate Iraqi oil in the cartel's shaky quota structure.

Early in the week, a slight shift in expectations about Iraq's re-entry to the market caused a spurt in prices. Brent light crude for

September delivery rose about US\$1 a barrel to \$17. But the threat of an Iraqi re-entry and fears that some Opec members — like Kuwait, which is disregarding its 1,7m/bpd limit in its push to a target of 2m barrels — will increase output are almost certain to cap any meaningful rise in price.

But an industry source argues the price of the benchmark Brent crude is unlikely to fall below \$15. He says that in the past, when the price fell to this level, Opec's leading members have stopped jostling for relative output and cut production to defend the price.

As crude oil is invoiced internationally in dollars, the other important influence on the gold price is the value of the rand. UAL economist Dennis Dykes forecasts an exchange rate at \$/R3,39 by the end of the year and \$/R3,56 in 12 months' time. This assumes:

- The gold price at that point will stand at \$406/oz; and
- Net capital outflow could be about R5,2bn in 1993 (of which R3,7bn had already taken place in the first quarter) and R3bn in 1994 — as IMF and World Bank money offset gross outflows.

The effect of the rand can be seen in petrol prices in the first half of the year.

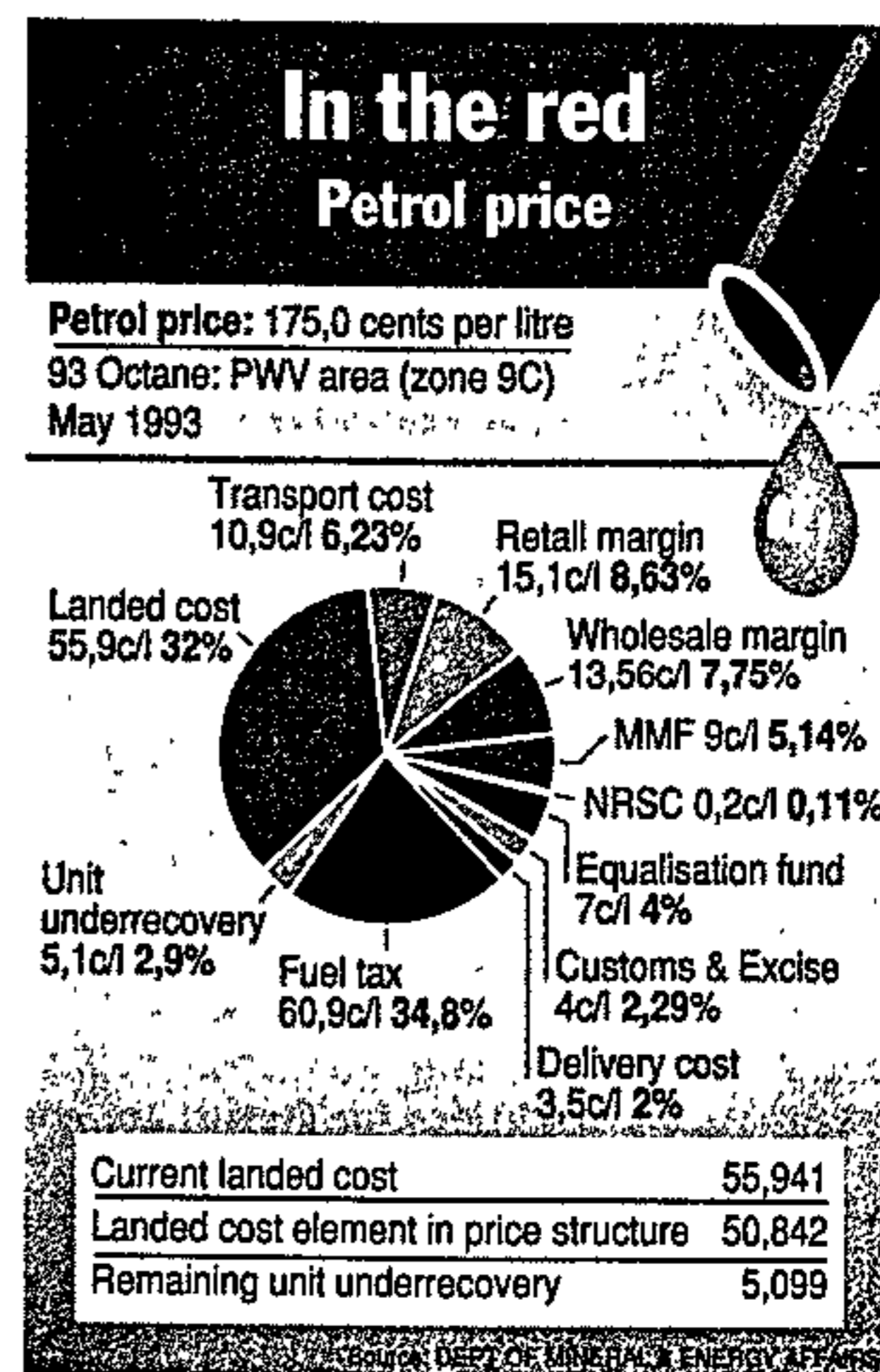
Mineral & Energy Affairs Department CE Lourens van den Berg says that due to the weaker rand, the landed cost of the reference grade 93 octane petrol rose from 50,481c/l for December 1992 to 56,616c/l for June 1993.

At the beginning of April, the retail price was increased from 159c/l to 175c/l. Of the 16c/l, 6,3c/l was reserved for a reduction in the under-recovery on the slate. Despite this, the under-recovery on the slate (used to regularise and adjust retail prices) rose slightly, from 5,739c/l for December to 6,074c/l for June 1993.

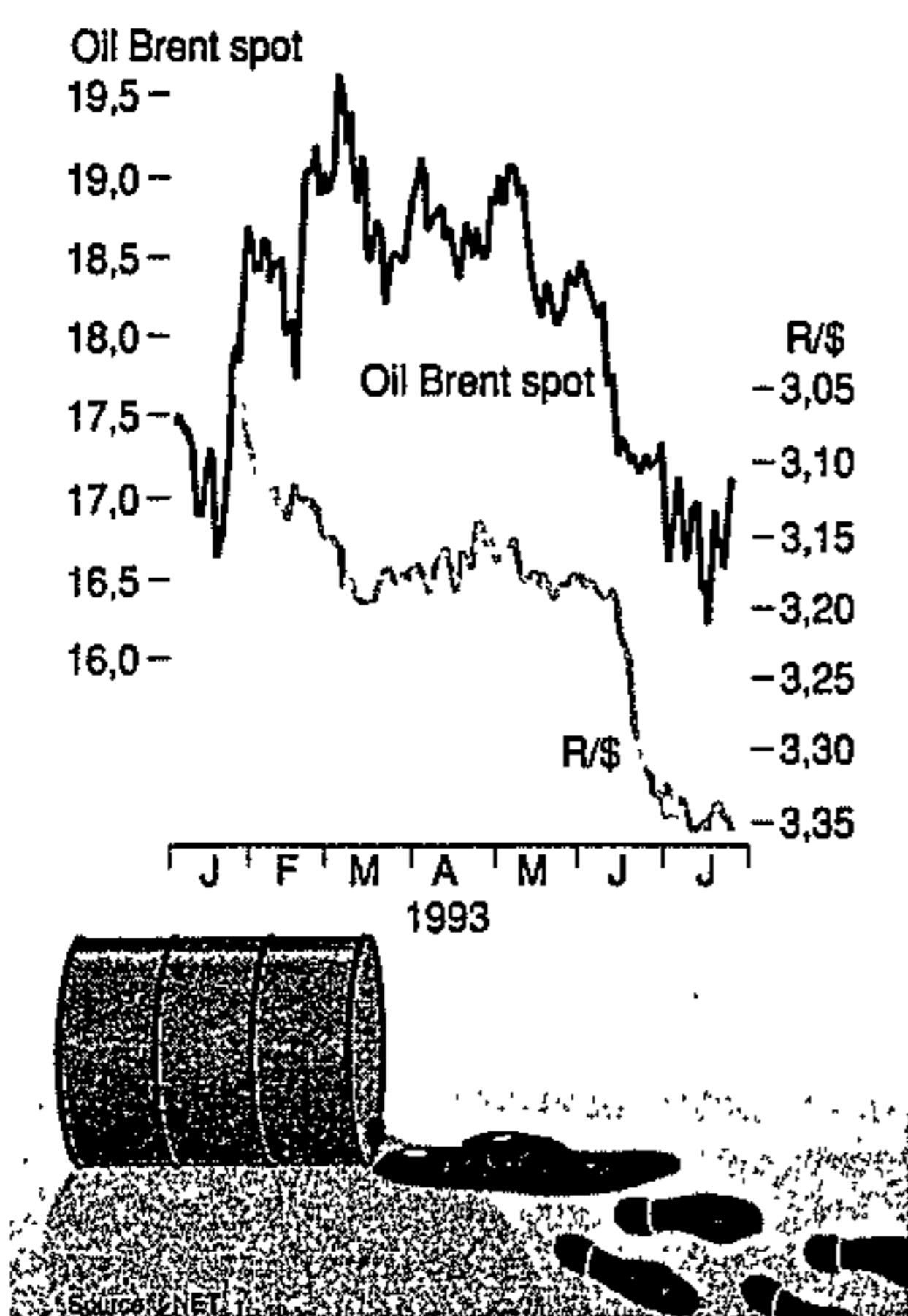
On July 23, the unit under-recovery was still 3,158c/l, despite the increase. This implies the need for a further increase in the pump price unless the rand improves against the dollar or oil falls substantially. The current shortfall on the slate is based on an exchange rate of \$/R3,3515 and current posted prices of refined products — as computed under the in-bond landed cost mechanism.

Government has at last recognised the need to debate oil policy afresh. It is convening a forum to discuss government involvement in the oil industry, to which all interested parties are invited to send representatives.

Another issue being addressed with government is Sasol's proposal to change the mechanism — which it seems will soon be extended to Mossgas — for tariff protection. The protection required by Sasol's synfuel is



In oil's footsteps Oil price and exchange rate



provided through a partial rebate of the equalisation fund levy. But, as protection for local synfuels production is a matter of general economic policy, it will not form part of the agenda of the new forum.

Sasol has already proposed that the complex system be replaced by a conventional tariff on imported crude oil because the present method of protection is easily confused with a subsidy. This could lead to countervailing duties being imposed on Sasol's exports to important overseas markets. However, the proposed changes would neither affect Sasol's profits nor the price of petrol.

Appearances are only part of the problem — the uneconomic nature of synfuel production was demonstrated afresh when Engen recently declined to take up its option to acquire more equity in Mossgas.

It's time to scrap the entire protectionist and over-regulated structure, with its administered profit margins at wholesale and retail levels, and its complex pricing formula.

Debate over the issue has been paralysed by government's need to protect the sources of SA's crude oil imports. If Opec heeds an expected call from the ANC to rescind all sanctions, the perceived need for secrecy will fall away.

The system could then be tested against sound free market principles. Even though the present government has moved intellectually away from protectionism, there will soon be a new generation of politicians to be shown its folly.

Drought aid, imports cost taxpayers R9bn

Biday 9/8/93

ROBYN CHALMERS

SA's prolonged drought has cost recession-hit taxpayers about R9bn in food imports and government handouts to the agricultural sector over the past 18 months.

Official statistics put the cost of aid packages at R4,3bn, but it could be as high as R5,5bn, taking into account spending by other departments. Additional food imports to offset crop losses had already amounted to R3,5bn by early this year.

The ANC-aligned Land and Agriculture Policy Centre said that while drought relief packages had warded off widespread foreclosures and a further fall in land

prices, they had not addressed the sector's future vulnerability to drought. (S) (S) (S)

On the positive side, agricultural spokesmen said several thousand farmers were now less vulnerable to losing their land and bankruptcies. Job losses in agriculture linked industries had been reduced, as had the Land Bank's exposure to farming debt.

The downside was that, with the exception of the R469m drought aid package announced last week, relief schemes had been financed through borrowings. This

left a future government in a weaker position without addressing the long-term problems of the sector. (74 F)

The Agriculture Department's financial assistance directorate's chief, Koos van Zyl, said the most recent aid package would be funded by selling strategic assets, including oil and minerals, which had been hoarded during the sanctions period.

Economists warned that should the drought continue, not only would food imports exceed their current high levels but farm debt in real terms could start rising

To Page 2

Drought aid

Biday 9/8/93

From Page 1

again, if government remained committed to allocating no further aid funds.

Statistics from Boland Bank's economics division show that although farm debt has risen dramatically in nominal terms — from R1,4bn in 1970 to R16,5bn in 1991 — in real terms it peaked in 1985 and has fallen slowly since then. (S) (S) (S)

Measured against 1992 money values, the total agricultural debt burden amounted to about R15,6bn in June, implying a real decline of R14,2bn since 1985. (S) (S) (S)

However, economists believe the wors-

ening debt to asset ratio of farms and the fact that the proportion of short-term debt is growing, give cause for concern, particularly when compounded by the sorry state of maize and wheat production.

Although the agricultural sector's contribution to SA's GDP amounts to only about 3%, it employs 12% of the economically active population, accounts for 10% of SA's total non-gold exports, and has a direct effect on other industries, particularly in the motor and transport sectors.

Comment Page 6



Tariff deal paves way for new aluminium plant

8/5/94 16/8/93
THE lowering of import tariffs has enabled Anglo American's Rheem aluminium plant to make soft drink cans available to the market at the same price as the usual steel cans, says Australian-based Comalcor Aluminium sales manager Rick Ralph. (T4F)

Government's agreement to reduce aluminium tariffs to 5% from 25% was an important factor in the decision to go ahead with the plant, Anglo chairman Julian Ogilvie Thompson said at the opening of the Rheem Can factory in Springs on Friday.

Aluminium is generally more expensive than steel products. (K55A)

Local manufacturers, including Alusaf, supported the lower tariff as a means of securing growth in the local market.

They hoped to compete in the domestic market eventually by expanding their

EDWARD WEST

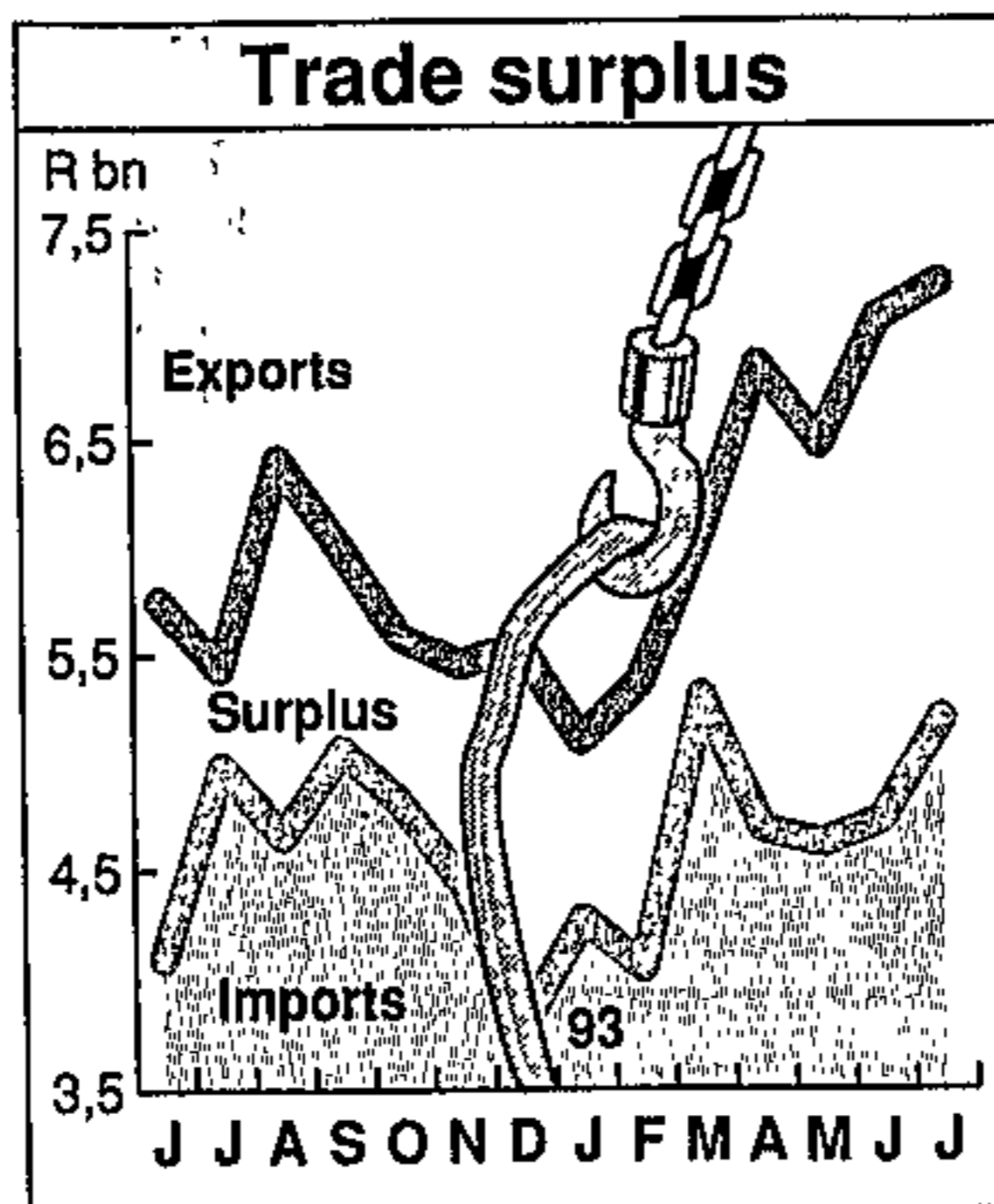
production lines, he said.

Alusaf could not supply rolled aluminium plate to Rheem. However, Hulett Aluminium was considering an investment of about R500m to convert Alusaf ingots to canning plate, Ralph said. Hulett directors were not available for comment at the weekend.

Aluminium Can Recycling Association GM Dawie Krugel said the value of the all-aluminium can was that about 95% less energy was needed to recycle aluminium from a used can than to produce aluminium from the ore bauxite.

The Rheem plant has the capacity to manufacture 500-million aluminium cans a year.

Existing contracts, including that for Coca-Cola cans for the Transvaal, have already tied up a major part of this capacity.



Graphic LEE EMERTON Source CUSTOMS & EXCISE

Trade surplus 'is still healthy'

KELVIN BROWN

SA's trade surplus remains healthy despite July's seasonal decline of just more than R300m to R2,06bn, economists say **B/Day**

Customs and Excise figures released yesterday showed that imports were up 9,9% from June to R5,19bn, while exports grew 2,4% to R7,25bn. **19/8/93**

There were sharp rises in imports of precious stones and coins, transport equipment and unclassified items, including oil. Exports lagged imports because of a fall in sales of chemicals, mineral products, plastics and base metals. **(74F) (44G)**

However, unclassified exports, which includes gold, continued to grow, increasing to R2,8bn from R2,5bn the previous month.

Old Mutual economist Ursula Maritz said a seasonal jump in July's imports was usual. However, the trade surplus was still strong. In the past four months it averaged R2,1bn from R1bn in the first quarter.

Export growth was attributed largely to the rand's devaluation, which had also given the surplus a "technical boost" as it improved the rand value of the trade figures. The firm trade surplus looked set to continue as the overall trend remained healthy. Maritz expected the current account surplus for the year to be signifi-

To Page 2

Surplus

B/Day 19/8/93

From Page 1

cantly up at about R6,5bn (R3,9bn).

Safto economist Carlos Teixeira said cumulative growth in exports had outpaced import growth for the first time this year. In the first seven months exports grew 14,4%, while imports increased 12,7%.

Unclassified exports grew 20,2% in the first seven months, reflecting the higher gold price and the Reserve Bank's substan-

tial gold sales. Improved mineral product exports was related to higher coal sales caused by the rand's depreciation.

However, growth in imports of capital goods, transport components and equipment, and certain industrial materials remained strong, suggesting an end to destocking and a turnaround in the inventory cycle, Teixeira said. **(74F) (44G)**

Star 19/8/93
**Trade surplus
slips 13 percent**

■ BY CLAIRE GEBHARDT

The monthly trade surplus shrank by 13 percent in July to R2,1 billion from R2,4 billion in June, Department of Customs and Excise figures show. (74 F)

Imports soared by nine percent to R5,2 billion, while exports rose marginally by two percent to R7,3 billion. (74 F)

For the first seven months of the year, exports were 14,2 percent up at R44,2-billion, compared with R38,7 billion last year.

Imports rose 12,7 percent to R32,8 billion, against R29,1 billion a year ago.

Southern Life economist Mike Daly said yesterday import levels were surprising, given the depth of the recession.

He attributed the higher import figures to perceptions that the rand would depreciate further, making imports more expensive.

"On the export side, the disappointing month-on-month figures indicate the on-going lack of demand and poor pricing of international commodities.

"We are currently looking at less than six weeks of import cover, compared with about ten weeks at the same time last year."

Fm 20/8/93
IMPORT TARIFFS

Uruguay roundabout (74 F)

SA business is facing a crucial test of its ability to compete internationally. Officials of the Department of Trade & Industry, domestic businesses, and their representative organisations, are wrestling with the final draft of a revised offer on tariffs, circulated

FINANCIAL MAIL • AUGUST • 20 • 1993 • 31

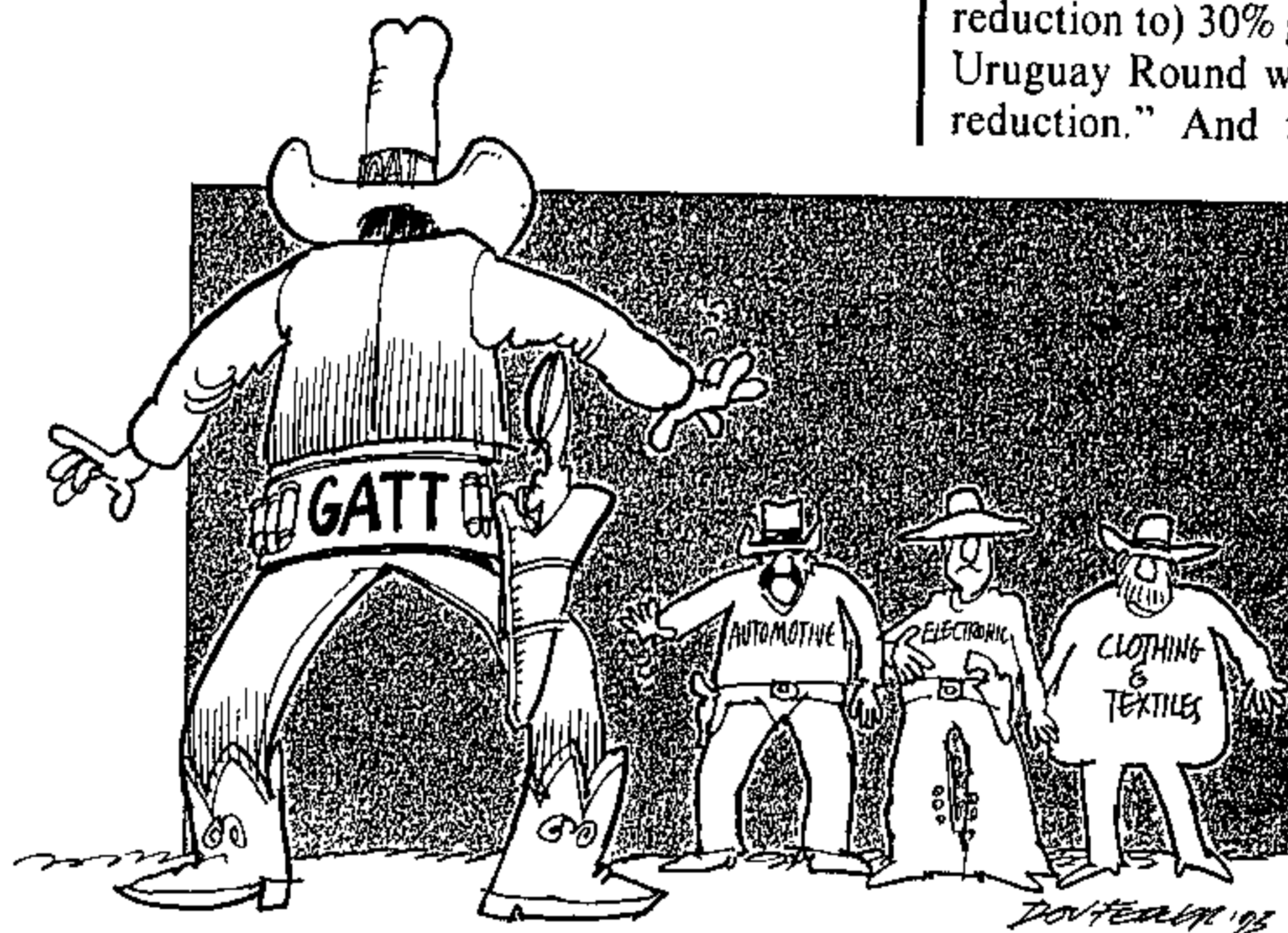
for comment several weeks ago. The closing date was August 11 and a final draft must be presented to the Gatt secretariat by the end of the month.

Both importers and manufacturers have lodged objections. "Manufacturers want to retain or increase tariffs, while importers want lower tariffs than those proposed," says Gerrie Breyl, deputy director-general of the department, which compiled the proposals.

In its present form, the offer undertakes to increase the number of tariffs bound, from 20% to 99%, and to reduce tariff levels, by one-third (on average), over five years, in equal tranches. Concessions are to be requested for "sensitive" industries: textiles & clothing, electronics and the automotive industry. An eight-year phasing-in period is requested.

Because of the complexities of the tariff structure, arguments are embedded in technical detail. One example relates to the steel industry, where the proposed ceiling of 15% is an increase on the existing 5% tariff. The Independent Wire Manufacturers Association's Robin Bosomworth says that "5% is in line with the tariff imposed by industrialised countries that are signatories to Gatt."

Breyl counters: "You can't compare an existing rate, which can be increased without any restriction, with a binding — which cannot be altered without intensive negotia-



tions with Gatt." He also points out that offering the products for binding at 15% doesn't mean the tariffs won't remain at the existing 5% level.

He argues further: "A wide range of steel products is not bound at present, whereas some items are bound at tariff rates varying from free to 25% *ad valorem*. In the case of unbound tariff lines there were no limits to the tariff that could be imposed. Under the present offer all tariff items would be bound."

Bosomworth says items which would remain at 5% (as proposed) are "unimportant in terms of value to the steel producers, such as pig iron and billet, as they make these items themselves and have no need to import. Whereas the strategic and more profitable cartel-controlled items used in manufactur-



Breyl

ing, are the ones that are hiked, such as wire rod and reinforcing steels."

Breyl makes a further point: "Most products have an alternative formula duty in addition to the *ad valorem* duty. The formula duty

may have the effect of a higher level of protection than the level in the offer. Therefore the general statement that the ceiling on steel has been increased is incorrect."

Says Bosomworth: "The formula duty on steel is mostly obsolete. It has been overtaken by inflation. Therefore the effective ceiling has in fact been increased on 80% of total production tonnage. It looks like the offer has been designed to favour the steel producers at the expense of secondary industry."

Breyl says he cannot respond to this point "without an extensive investigation."

Another area of potential controversy is textile & clothing. At present, tariffs on textiles average around 55%, says the Textile Federation's Brian Brink, while those on clothing are 100% or more. The industry will have the benefit of the longer phasing-in period. However, Brink argues that, in the case of clothing, "the proposed offer of (a reduction to) 30% goes a lot further than the Uruguay Round which requires a one-third reduction." And the proposed binding of

99% of goods "goes further than Gatt requires and will leave us little flexibility."

The automotive industry has taken a novel approach. It has provisionally put forward proposals which will bring the industry even closer to Gatt requirements than those contained in the latest official offer. On built-up vehicles, the official offer proposed a reduction from the

existing 100% to 60%; the industry has gone even further, suggesting a 50% final level at the end of eight years.

Similarly, with components and completely-knocked-down vehicles, the official offer to reduce tariff levels, determined by a complex formula, to 35%, has been bettered with an offer of 30%.

However, Derek Riley, chairman of the motor industry task group, stresses these proposals are provisional. "A director of the Gatt secretariat, Adrian Otten, will this week talk to the motor industry task group, on the implications of Gatt. Thereafter the group will put forward its final proposals."

All differences will have to be speedily resolved. An extension for SA is unlikely because the Uruguay Round is due to end in December

GATT worry for manufacturers

Biday 23/8/93

EDWARD WEST

MANUFACTURERS in secondary industry are worried that SA's new GATT offer will lead to extra protection for steel producers, says Independent Wire Converters' Association chairman Robin Bosomworth.

He said the offer, aimed at reducing tariff protection in general and lifting import tariffs on basic steel from 5% to a proposed ceiling of 15%, flew in the face of SA's need for manufactured export-led growth.

The offer benefited steel producers by maintaining a ceiling of only 5% on pig iron and billet, and leaned toward the primary industry sector, particularly as a 5% duty ad valorem had existed on basic steels for several years, he said. (1394)

Representations to government by the association on the offer had proved fruitless as Trade and Industry Department officials had indicated SA had to achieve what flexibility it could in the offer on tariffs, he said.

An Iscor spokesman said the offer to GATT had been generally well-received by the industry. Iscor had asked government to consider lifting tariffs to 20% because of global recession and surplus world steel capacity, it was reported. (14 F)

However, said Bosomworth, SA was recognised as having significant factors making for the cheaper production of steel, such as iron ore, coal, energy and other minerals. The country also boasted modern technology.

Local steel producers exported at prices much lower than domestic prices and, unlike Europe and the US, the cost of getting imported steel to the Reef was 20-30% above world prices, he said.

There could be no future for manufacturing and the creation of employment without access to internationally competitive prices on basic raw materials such as steel.

GATT should be seen as a protector of domestic competitiveness and an engine for growth.

The biggest deterrent to economic growth was the protection of inflated domestic price structures which "administered" inflation in the primary sector, Bosomworth said.

The ability to import was essential for competitiveness and the GATT bindings could be vital to the protection of economic rights and investor confidence during times of uncertainty, he said.

Poultry importers seek tariff reduction

POULTRY importers expressed concern yesterday at the continued enforcement of the interim tariff charge on imported poultry.

The Board on Tariffs and Trade introduced the duty last November on an ad hoc basis after requests for protection of the local industry.

Importers also oppose the 40% surcharge on non-essential products.

Importer Gaertner's Patrick

8/1 Day
25/8/93
JOHN DLUDLU

Gaertner said: "We understand the predicament of the local industry. We want only the reduction of the tariffs. But we're dealing here with a situation where two monopolies control 65% of the market."

The root cause of the 40% poultry price hike, he said, was the central control of the price of maize. (14F)

Imports from US on the rise as sanctions fall away

BIDAY 11/9/93

SA IMPORTS from the US grew 10% in the first half of 1993 from the same period last year, reinforcing the US's position as SA's top trading partner.

Latest figures from the US commerce department indicated SA imports rose to R3,5bn in the first six months of this year from R3,2bn in the corresponding period last year.

Economists did not expect the end of drought-related imports to change the US's position as SA's main trading partner. Imports of agricultural products accounted for just more than 10% of total imports.

The US figures indicated the strong growth recorded in imports of consumer and industrial items since the lifting of sanctions in mid-1992 had continued in the first half of this year.

There was a considerable increase in imports of computers, broadcasting equipment, tapes, farm machinery, engines, measuring instruments, testing instruments, coal and wood.

Categories that registered growth for the first time included refrigeration equipment, communication equipment and industrial chemicals.

Figures from SA's Customs and Excise Department indicated exports to the US grew 15% in the first five months of this year. The largest

KELVIN BROWN

categories of exports remained mineral products, base metals, prepared foodstuffs and unclassified items, including gold.

The most significant growth areas in exports in the first five months of this year in comparison to the corresponding period last year were mineral products and items from the vehicles, aircraft and components category.

Safto economist Carlos Teixeira said the lifting of remaining US financial and state sanctions could have a further positive effect on the demand for SA goods in the US, especially since the US economy was performing much better in relation to SA's other major trading partners such as Japan and Germany.

Teixeira did not expect the impact of the removal of remaining sanctions to be confined to products sanctioned, as the psychological effect of the move would benefit all export categories.

The depreciated rand exchange rate would also continue to make SA's export prices competitive in the US, he said. "It is generally expected the rand will depreciate to R3,50 to the dollar, if not even lower."

Nothing to lose but our restraints

IF import duties and export subsidies were simultaneously eliminated and the exchange rate adjusted appropriately, the balance of payments impact would be zero, but there would be a net efficiency gain for South Africa's economy, says a World Bank report.

Two-thirds of customs revenue from manufactured goods in 1990 was paid in export subsidies, says the just-published South Africa: A Review of Trade Policies.

The review says SA's most urgent task in international trade is to deal with the anti-export bias inherent in its trade policies.

The study backs a Sacob report which found that two-thirds of the disadvantages SA exporters suffered relative to foreign competition stems from the higher prices they pay for manufactured inputs.

"If anything the experience of east Asian exporters suggests that trade policies should be biased in favour of and not against exports," says the World Bank study by Pedro Belli, Michael Flueger and Amparo Ballvian.

Their report, which does not reflect World Bank policy

on SA, has been circulated as an informal document.

Some of its recommendations have been adopted by the Government in the normative economic model.

The report finds that SA's trade regime, although not overly protective, is far too fluid and complex and is biased against exports. SA has more tariff rates than any other country sampled by the World Bank.

A review by the World Bank has found that the high number of tariffs in SA helps to make its trade regime biased against exports, reports **KEVIN DAVE**.

exporters at a disadvantage compared to other countries that have access to inputs at world prices.

Protection on inputs raises costs for the manufacturing sector as a whole by about 12.6 percent compared with a free-trade situation. Higher input costs in the domestic market are offset by higher output prices. These are about 30 percent higher than under hypothetical conditions of free trade.

The report says it is doubtful that SA could sustain the present level of manufactured exports without the general export incentive scheme (GEIS).

"Without GEIS value added in domestic sales would have been 88.6 percent higher than in exports, with GEIS the difference was a negligible 2.5 percent."

Although SA increased exports by seven percent a year in the 1980s, the report says this growth is not sustainable without a change in trade policies.

"In particular, SA will have to ensure that large and small firms alike have easy and automatic access to inputs at the same price and of the same quality as their competitors in the rest of the world."

Incentives to export should also be brought closer in line with incentives to produce for the domestic market.

Options for reducing the anti-export bias include the establishment of free trade zones (FTZ), a free trade regime, bonded warehouses

and duty drawback systems. FTZs would not be the preferred solution for SA because it has a well-developed industrial sector.

A regime where exporters get free trade status for export activities is probably the most advisable option, the authors say.

Although there is a duty exemption-drawback system in SA, it is hardly used and needs revision. These systems either exempt exporters from paying duties on inputs or refund them for import and indirect taxes paid on imports.

GEIS is criticised for being expensive and imprecise.

Analysis of the impact of GEIS on value added by the industrial sector suggests that GEIS overcompensates for import duties in 55 out of 77 cases and undercompensates in the rest.

"As the SA government is fully aware, GEIS is a countervailable subsidy under the General Agreement on Tariffs and Trade."

Government support should be linked to export performance. Korea, for example, made tax concessions conditional on export performance.

"As a result, production for the domestic market was a spin-off from production for export, not vice versa."

Countries which first met the lax standards of the protected domestic market and then moved on to export production have been much less successful.

"A plant grown in shade can adjust to living in sun, but in this adjustment it will shed its leaves and grow new ones."

"If the old determined policy, the plant would never leave the shade."

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

Other major problems are that the tariff system is subject to excessively frequent changes and has too high a dispersal of rates.

The report says these problems need to be tackled quickly, including reducing very high tariffs (one was found to be 1 389 percent) to high or moderate rates. These could be reduced to a maximum of 150 percent.

Anti-export bias arises because sales in the domestic market are more profitable than exports and because protection increases the costs for domestic producers and exporters alike, placing

THE ROOSTER'S GROUP (SA) LTD

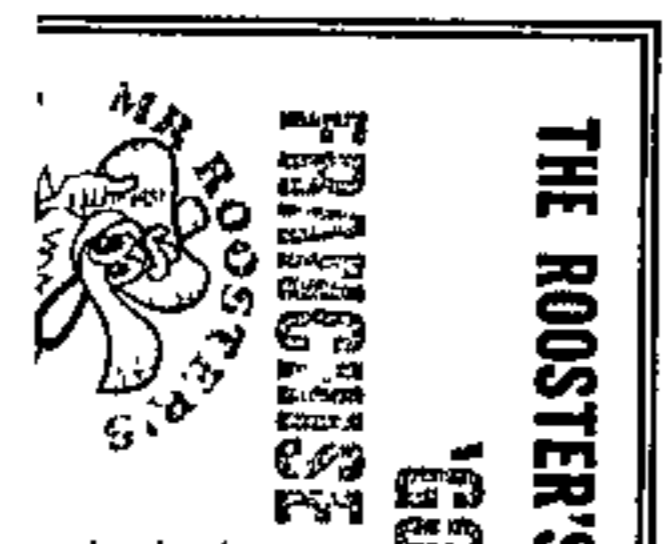
GOLDEN OPPORTUNITY

FRANCHISE OPPORTUNITY

★ HIGHLY PROFITABLE

★ EXPANDING AGGRESSIVELY

★ DYNAMIC NEW



Unibank hones its target

UNIBANK, which prospered on the foundations of the 130-year-old British Kaffrarian Bank, is increasing its capital base by more than 60% in an attempt to become an important niche player in financial services.

Heavyweight shareholders have put

existing banking infrastructure for things like savings accounts. But in certain areas we are seeking clients who feel comfortable outside the large-bank environment.

"We will be able to serve that client quicker and more effectively than some

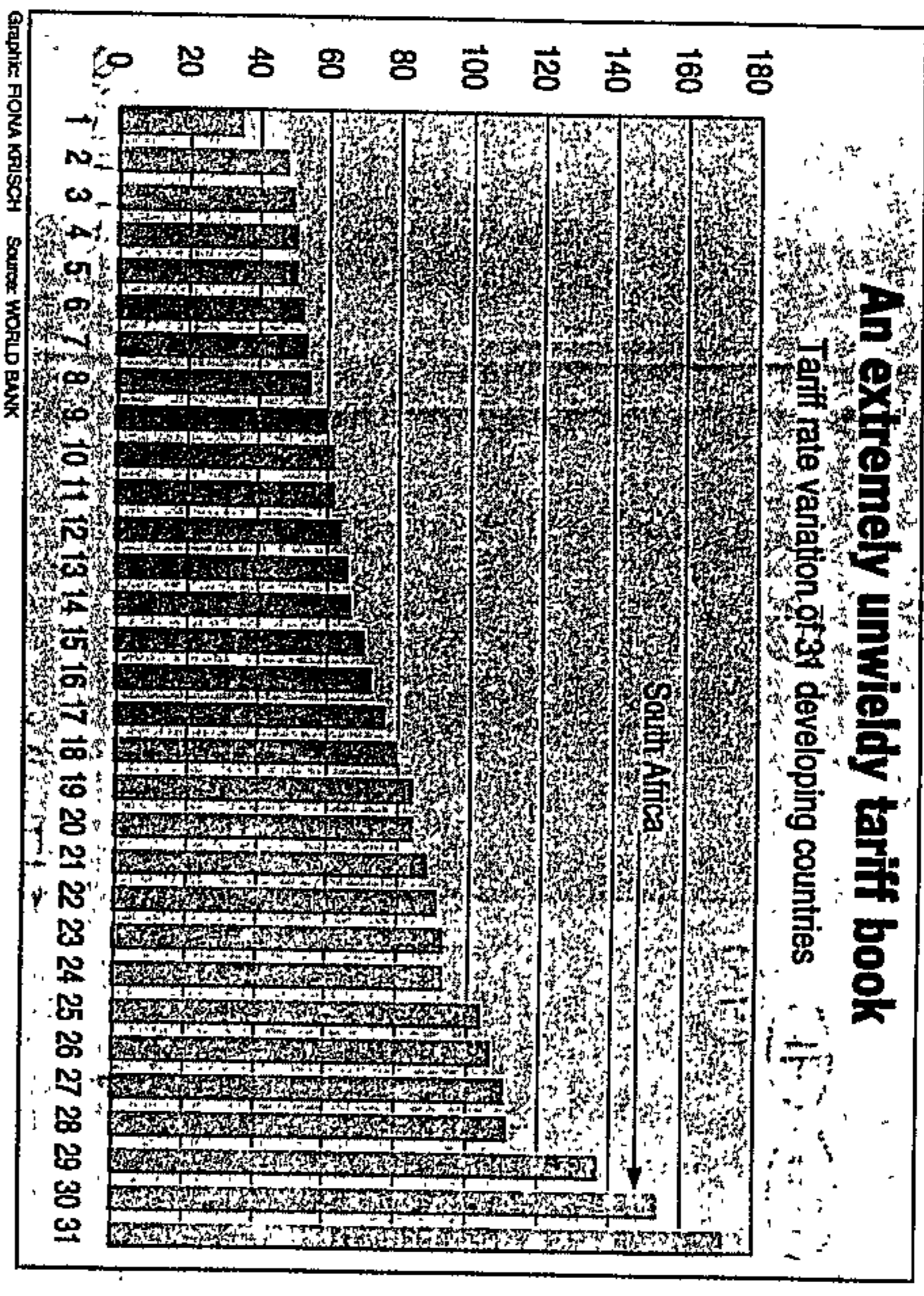
Unibank hones its target

UNIBANK, which prospered on the foundations of the 130-year-old British Kaffrarian Bank, is increasing its capital base by more than 60% in an attempt to become an important niche player in financial services.

Heavyweight shareholders have put

existing banking infrastructure for things like savings accounts. But in certain areas we are seeking clients who feel comfortable outside the large-bank environment.

"We will be able to serve that client quicker and more effectively than some



COMPLEX: SA's tariff structure as compared with 31 developing countries sampled by the World Bank. SA has more tariff rates than any other in the sample, its range of tariffs is the widest and the coefficient of variation is second highest after Nepal, as shown above. Compared with Chile's single rate or Mexico's five, SA's trade regime looks extremely unwieldy, says the World Bank.

(14F)



SiT wed [Cross] Si/9/93

Rag trade set for deal on import tariffs

Business Staff

STITCH by stitch, the rag trade is weaving its way towards compromise on trade protection as South African industry comes to grips with the reality of world trade.

The reality, according Gatt officials, who want a new multilateral international treaty ready for signature next April, is an about one-third cut in maximum import tariff levels in South Africa.

The fierce rivalries in the sector — principally between fabric-makers and their customers in the apparel industry — were buried at the end of a four-day "bosberaad" last month.

Negotiators agreed on a tariff offer of a maximum of 60 percent by the government to Gatt, the General Agreement on Tariffs and Trade.

This is about double the rate suggested by the Department of Trade and Industry, but was agreed to by all in the rag trade as necessary to allow policymakers room for manoeuvre.

By agreeing, the last remaining obstacle was removed for the submission last week by the DTI of a revised, hopefully final, provisional industrial offer to the international trade watchdog. The programme allows for a five-year phasing in of reduced levels under 99 percent of tariff headings.

But it is the more immediate debate on what level of tariffs should prevail for the next year or so until the Gatt programme begins, that is fraying tempers.

The influential Textile Federation says its members are surviving greatly reduced production levels — caused principally by fabric and apparel imports — only by slashing employment and company structures. A number, like Frame Group, are in the red and have been for some time.

The sector has still to face the effects of an overhang of R500 million-worth or more of duty-free permits from the abandoned structural adjustment programme until next April.

Fabric manufacturers want the government to keep in place a "band-aid" of higher tariffs introduced last November — as far as they were concerned to see them through until the Gatt tariff reduction begins.

"We are prepared to take a cut of about 10 percent as the commencement of a phase down to the Gatt programme," says Textfed executive director Brian Brink.

What Textfed negotiators could not accede to was a demand from representatives of the informal trade at negotiations last week for a scrapping of the minimum limit on ad valorem duty because, he said, that would expose them to huge imports of cheaper fabrics.

"In the absence of effective anti-dumping measures, we need that lower limit to shield us from below-cost imports, particularly of lower-price cloth."

Others see it differently. Durban manufacturer and secretary-general of the Consultative Business Movement, Shirish Soni, claims Textfed is "negotiating in bad faith".

In a telephone interview, he accused Textfed vice-president Harry Pearce, who is MD of SA Breweries subsidiary Da Gama Textiles, of indifference to the needs of poorer people and informal traders in an effort to maintain his group's financial wellbeing through his determination to retain hefty tariffs on cheaper fabrics.

"The entire garment pipeline, from retailers through to manufacturers, agree we need to scale down tariff barriers. Only Textfed is resisting.

"There's going to be war if they don't see sense. We will take a massive campaign to the streets," said Mr Soni. Mr Brink said Mr Pearce represented all Textfed members in discussions, and not Da Gama.

Star 7/9/93

Trade with China on rise

■ BY THABO LESHILO

There has been a marked increase in South Africa's trade with China and the former Soviet Union in the wake of the gradual lifting of sanctions, according to the Foreign Trade Organisation (Safto).

Safto economist Carlos Teixeira said yesterday that South Africa had imported R255 million worth of products from China in the first four months of this year, compared with R159 million worth last year.

The largest import category (R68 million) was textile and textile products.

In turn, South Africa exported goods valued at R223 million to China.

The bulk of these, R91 million worth, were in the vehicle, aircraft and component categories.

"Quite interesting is that we now produce whole cars for export," said Teixeira.

Another important export category to China was mineral products — R83 million

worth. (74F) (87F)

In the same period, imports from the former Soviet Union increased from R12 million to R45 million.

The former Soviets increased their purchases of South African products by R5 million to R186 million.

South Africa bought mainly textile and textile products (R17 million).

Its main exports to the former USSR, R162 million worth, were in the unclassified category (gold and other precious metals).

Foreigners tool up for a new era

By ZILLA EFRAT

FOREIGN-OWNED companies which stagnated in South Africa during sanctions are tooling up for a new era. Their prime target is exports to Southern Africa. *SI Times*

Ingersoll-Rand has spent R5-million on expanding its plant and expects to treble its capacity in three years at a cost of about R20-million.

Ingersoll-Rand SA managing director William Mallory says many foreign-owned companies are expanding and hiring staff. *[Buss]*

They are believed to include Joy Manufacturing and Eimco, Sulzer Bros and Atlas Copco. *12/9/93*

Mr Mallory says Ingersoll-Rand, subsidiary of a US group which operates in 108 countries and has annual sales of more than \$4-billion, stayed in SA during sanctions to support its customer base. But it stood still.

But Mr Mallory's mandate now is to boost exports to 17 African nations.

Mr Mallory will also oversee the entry of products previously not marketed in SA — machinery for the paper, pulp and sugar industries.

Two divisions — one for bearings and the other for door hardware — will be established. *(S)*

SA has infrastructure and communications systems. Its banks are represented throughout Southern Africa and the rand is readily accepted in the region. *(MLF)*

Many Americans are discovering that several African companies have opened purchasing offices in SA.

Some US engineering firms have opened shop in SA, including Texas-based Brown & Root which focuses on energy and petrochemicals.

Bechtel Corporation, believed to be America's largest engineering construction firm, is said to be looking for offices in SA.

TV duty may be slashed

Own Correspondent

JOHANNESBURG. — The import duty on television sets is likely to be slashed to 5% from 30% as a temporary measure to enable local assemblers to compete with duty-evading grey goods importers, industry sources said at the weekend.

Local manufacturing sources said prices of premium branded products were expected to drop by as much as R150 a set. But the price of cheaper TV sets would probably remain the same, they said.

However, an industry source said lower duties would not necessarily result in reduced retail prices. Many manufacturers were selling their goods at below cost, he said, and they would use the relief to improve margins. CT 13/9/93

It is not known if, or when, the lower tariffs will be gazetted. But some manufacturers are confident they will come into effect by the end of this month and will remain until the end of the year.

Govt set to slash TV import duty

MARCIA KLEIN

THE import duty on TV sets is likely to be slashed to 5% from 30% as a temporary measure to enable local assemblers to compete with duty-evading grey goods importers, industry sources said at the weekend. *Biday 13/9/93*

According to sources, local manufacturers, who assemble imported components, have applied to the Board on Tariffs and Trade to reduce the duty. Local manufacturers have had to drop their prices — often to below cost — in order to compete with grey imports. *(74F) (12)*

It is not known if, or when, the lower tariffs will be gazetted. But some manufacturers are confident this will come into effect by the end of this month and will stay in place until the end of the year.

An industry source said the lower duties would not necessarily result in reduced retail prices. Many manufacturers were currently selling their goods at below cost, and they would use the relief to improve margins.

It was expected that the prices of the premium branded products would drop by as much as R150 a set. But the price of cheaper TV sets would probably remain the same.

An industry source said major manufacturers and retailers had to compete on prices with the grey importers, who did not have to absorb the 30% duty. The lower duty would create stability in the industry and would make the importation of TV sets less attractive to grey goods importers.

Imports blamed for skewed data

JOHN DLUDLU

THE Central Statistical Services (CSS) has blamed large-scale international imports for the distortion in retail sales figures in the footwear manufacturing industry, CSS official K J F Shuter said yesterday.

An investigation was launched by CSS after complaints from an industry source that retail figures, showing an upward trend, were inconsistent with production figures. The latter had shown a consistently declining trend in the face of enduring recessionary conditions. *B/Dam*

The figures in question showed a 5.3% drop in manufacturing and a 51.1% rise in retail sales during March compared with the same month last year. *15/9/93*

The source alleged that one or more footwear retailers had inflated their sales figures, thereby distorting industry figures.

Shuter said the two-week investigation had found that increasing import penetration was the only plausible reason for the upward trend in retail figures. *(74F)*

He did not rule out the possibility of a deliberate manipulation of sales figures, but said this had not come out in the investigation.

According to data from Customs and Excise publications on imports in the footwear industry, the value of imports this year had dropped only once, in January.

This surge in imports occurred despite higher import duties.

Wire firms to cut costs with imports

~~BIDAW~~
EDWARD WEST

WIRE-makers have placed orders to import wire rod from Europe after local steel producers Iscor and Davsteel refused to meet imported prices, said Independent Wire Converter Association director Robin Bosomworth. 15/9/93

Several wire rod converters were combining forces to import wire rod from Europe to prevent their closure and the loss of jobs because the prices set by Davsteel and Iscor were uncompetitive, he said.

Each shipment would cost R10m in foreign exchange. (74F)

Prices for wire rod which was converted into items such as bed springs and fencing — were 40% higher than a year ago with a further 8% increase looming in January 1994. The price at the coast, about R1 400 a ton, was 40% above world prices which was currently about R1 000 a ton, said Bosomworth.

The manufacturers have called for a government investigation into two-tier pricing by certain steel producers. The two-tiered pricing system allows steel to be exported much cheaper than is available to local users.

Iscor exports just over 50% of its steel production. An Iscor spokesman said its multitiered pricing system was common practice throughout the world steel industry. Bosomworth said steel was freely traded with little difference between mill prices.

The two-tiered pricing policy rendered secondary industry uncompetitive internationally on raw materials and favoured associates and subsidiaries of raw materials manufacturers, he said. Iscor converts wire rod through a 50% stake in CWI and Davsteel through Cape Gate.

Bosomworth said the wire converters would ask government to lift the General Export Incentive Scheme (GEIS) paid to steel producers because steel was not available to secondary industry to add value to it at competitive prices.

Encouraging growth in exports, imports

Star 20/9/93
(74F) (749)

SA's monthly trade surplus narrowed slightly in August, but exports and imports this year have showed encouraging growth, according to figures released by the Department of Customs and Excise.

The monthly trade surplus eased 11 percent to R1,8 billion in August from R2 billion in July this year, as exports and imports rose considerably over August last year.

Exports last month at R7,1 billion trailed the previous month's

R7,3 billion, while imports increased from R5,2 billion to R5,3 billion in the same period.

Cumulative exports for 1993 at R51,4 billion were significantly higher than January to August last year of R45,2 billion, as imports also climbed to R38,1 billion from R33,7 billion a year earlier.

Imports of agricultural products caused by last year's drought have all but abated and the categories' import levels have levelled off.

The export of mineral

products, and precious and semi-precious stones continued to grow strongly this year, and total exports were bolstered by a healthy increase in the export of wood and wood products.

Imports of precious and semi-precious stones, mainly jewellery items, increased considerably.

Trade analysts expect imports to continue to grow as the four-and-a-half year recession bottoms out. They say exports should continue to grow.— Sapa.

Maize imports boost port business

Business Staff

TOTAL tonnage handled through the Port of Cape Town dipped nearly 3 percent to 440 324 tons in August compared to the corresponding month a year ago, Portnet figures issued today show.

However, if the maize imports made through the Port during August 1992 are excluded the tonnage handled for the month under review actually shows a marked increase of 23 percent.

Imports through the harbour in August dropped 23 percent to 198 629 tons on a year on year basis. The exclusion of maize from the import tonnage of August 1992 sees a 21 percent increase in imports last month.

Between April and end August 854 059 tons were imported through Cape Town — about 5 percent better than the 767 766 tons (excluding maize) handled in the same period last year.

Exports for August showed a pleasing 31 per-

cent gain to 150 128 tons. Export tonnage between April and end August rose 1,8 percent to 1,48 million tons.

Total tonnage handled between April to end August this year at 2,7 million tons is 8,2 percent behind the same period in 1992. However, if the maize constituent is removed, total tonnage for the 5 month period is almost 4 percent ahead of last year.

The number of vessels calling at Cape Town increased 10 percent to 297 for August. In the five-month period to end August 1 307 ships called — just one more than the same period last year.

The number of containers handled through Cape Town also showed an encouraging increase, shifting up nearly 22 percent to 18 237 in August. In the five months to end August 91 325 containers were handled through Cape Town, a slender 1,6 percent increase over the same period in 1992.

ART 22/9/93 (74F) 5

GDP

Fm 1/10/93

The foreign factor

The economy received a huge boost from foreign trade in the second quarter of 1993. Export volumes of goods and nonfactor services rose 45,4%, according to the latest Reserve Bank *Quarterly Bulletin*, the biggest rise since the 56% jump in the third quarter of 1988 — when the international economy was booming and world trade thriving.

The figures represent quarterly changes, seasonally adjusted and annualised. And they are derived from calculations in constant 1985 rands, which are used to quantify changes in real GDP. So they are not a reflection of higher rand income, after the SA currency's 4,4% fall against the dollar in the period. (The rand effect can be seen in balance-of-payments figures. These show that the value of second quarter merchandise exports was up 18,9% in the second quarter and net gold exports up 5,4%. These figures are seasonally adjusted but not annualised.)

The biggest contribution to export growth came from diamonds, agricultural products and manufactured goods — particularly chemical products, machinery and electrical equipment.

The volume of imports fell 11,1% in the quarter. (The change is seasonally adjusted and annualised, as are all other quarterly changes discussed below.) This was mainly because of a reduction in oil and agricultural imports. The higher export and lower import

for agricultural stocks in trade which increased strongly owing to the harvesting of a significant portion of the maize crop."

There was also a swing in the residual item, which reconciles expenditure and output figures, from a positive R536m in the first quarter to a negative R728m.

However, there was little change in the other components of GDE.

Private consumption was up 0,4%, mainly on "semi-durable goods, such as motor-related equipment, as well as on nondurable goods in the category food, beverages & tobacco," says the bulletin.

Government consumption was up 0,1%, as "total real remuneration of employees decreased slightly, while real outlays on intermediate goods and services were only marginally higher." A plus for fiscal 1993-1994.

Gross domestic fixed investment fell only 1,3% — the smallest shrinkage since this component turned negative in the first quarter of 1990. This "was probably related to the start of spending on a number of major capital projects, encouraged by tax concessions on depreciation allowances, a fairly sharp recovery in the gold price, the need for replacement of machinery and equipment and growing expectations of a revival in world economic growth and trade."

Together, the three components constitute final demand which was virtually unchanged (at about R120,5bn in constant 1985 rands)

less volatile — and, therefore, don't represent a turnaround.

Agriculture's contribution to GDP should remain high as the rest of the maize crop is harvested. Mining's contribution in the short-term depends on the gold price, as the prices of most other commodities remain depressed. And manufacturing will improve as soon as some stability is achieved in the political situation. Output in this sector contracted almost 0,5% in the second quarter, partly because of the large number of public holidays between March and June. Moreover, the assassination of Chris Hani in April pushed the number of man-days lost on account of strikes and other protest actions to 570 000 from 65 000 in the first.

First quarter manufacturing growth of nearly 2% may be a better indication of the trend in this sector. If work stoppages subside, the upward movement should resume. ■

LIFE ASSURANCE

Battle lines drawn

Legal steps have been instituted, apparently aimed at the Rowand brothers, who managed ailing life office Crusader. Those shareholders who brought last week's application for Crusader's liquidation include such notables as Eric Ellerine, Benjamin Rabinowitz and — famous for his role in insider trading — Greg Blank (though recorded in the court papers as Gregory Lex Blanic).

The crux now is to separate the interests of policyholders — who, all parties concur, should be protected — from those of shareholders. If that can be achieved the shareholders who bought shares from the Rowands, directly or indirectly, might be able to use the Companies Act to find out just what went on with shareholder funds.

The signatories to the court application bought Crusader shares in April and May, when the Rowand family trust was unloading. Crusader shares then traded at around 320c. Today they are considered worthless.

Blank, in an affidavit, says he bought 50 000 shares on April 28. Rabinowitz, through Syfrets Nominees, owns 158 405 shares and Ellerine Bros say they bought 50 000 on May 10. They, with other shareholders, have applied to the Witwatersrand Divisional Court for the liquidation of Crusader. That application has been opposed by the curators of the company who are supported by the Financial Services Board.

Subsequently, attorneys for the shareholders owning 2,4% of the total Crusader equity, stated that they were unaware that the terms of the curatorship put a stay on any legal

Surplus boost

Payments on current account, Rbn

	Seasonally adjusted annual rates							
	1991 Year	1992				1993		
	1st Q	2nd Q	3rd Q	4th Q	Year	1st Q	2nd Q	
Merchandise exports	44,7	47,5	49,6	49,5	49,4	49,0	47,2	56,2
Net gold exports	19,6	18,1	16,7	20,4	18,2	18,4	21,1	22,2
Merchandise imports	-47,4	-49,5	-49,2	-55,4	-53,4	-51,9	-56,4	-56,1
Net service and transfer payments	-10,7	-10,9	-11,6	-11,5	-12,2	-11,6	-11,2	-12,2
Balance on current account	6,2	5,2	5,5	3,0	2,0	3,9	0,7	10,1

Source: RB ANNUAL REPORT

volumes produced a second quarter rise in foreign trade's contribution to GDP, of 85%.

This more than compensated for the fall of 11,5% in gross domestic expenditure (GDE). The fall was almost entirely due to substantial destocking. Inventories fell by R1,1bn (in constant 1985 rands), after a first quarter increase of R1,3bn. "The substantial rise in the volume of exports and the decline in the volume of imports were probably the most important reasons for the decline — except

in the second quarter.

The net effect of the spending changes in the domestic and export markets was a 5,1% rise in second quarter GDP. This is the second quarterly rise which, technically, marks the end of the recession. But the figures are difficult to interpret because the drought in the summer of 1991-1992 and the recovery of agriculture this year, produced huge swings in the contribution of this sector. Changes in nonagricultural GDP have been

Food faces a roasting as trade walls fall

By TEIGUE PAYNE

THE food sector, a potential leader in South Africa's quest to become internationally competitive, will have to act quickly to avoid becoming a loser as trade barriers are lowered, says Tiger Oats executive director Hamish McBain.

Anyone with a job is likely to benefit from increased competition from imports. But Mr McBain fears that jobs will be exported because of unfair competition from imports supplied by nations whose agriculture is highly subsidised.

He told a conference on food processing that pressure on food raw material prices caused by imports would help processors to control costs. But they would also face increased competition from processed food imports.

Mr McBain says competition will intensify if a General Agreement on Tariffs and Trade (GATT) pact on agriculture is reached. But an agreement is likely to hurt SA's trade. Past GATT agreements worked because the US dominated the world economy and could hand out concessions.

— the US, Europe and the Pacific Rim — which are swopping concessions. Nations on the sidelines are likely to be disadvantaged, although they cannot afford to be outside of GATT.

He says Tiger has first-hand experience of the complex, high subsidies for agriculture in the US, where it has a major oilseed business which benefits, and in Europe, to which it exports.

It is also conversant with the myriad health and environment regulations which abet or replace tariff barriers in keeping out imports.

Mr McBain says SA's commitment to end quantitative import controls, part of its offer to GATT, would remove a serious impediment for food manufacturers. Imports of food raw materials and processed products would rise immediately even if tariffs were still applied.

However, he doubts that a GATT agreement on agriculture will be reached soon or at all. Negotiations have breached five deadlines already.

Even if agreement is not reached, SA's trade will have to be liberalised. Its tariff

structure, the second most complex among developing nations, will have to be simplified.

Some reforms will have to be phased in, others done immediately. But officials seem to regard no decision as better than a wrong one.

He believes essential uncompetitive sectors — wheat and soya, for instance — will have to go. But he says SA's core, potentially competitive farm sectors should be given fair protection. Otherwise, efficient farmers will fail and huge numbers of jobs and the basis for a sound food industry will be lost.

Mr McBain says SA farmers are falling behind biotechnological developments — genetic engineering — in other countries. In Europe, intensive biotechnology has upgraded deciduous fruit, closing the quality gap with SA.

SA canned fruit, fruit juices and wines, which comprised 42% of food exports of R1.9-billion in 1992, could be threatened.

So could many other sectors, even before they think of exporting.

Mr McBain says agricultural control boards must take much of the blame. They have not communicated the desires and complaints of food processors to farmers or encouraged production of hybrids for profitable niche markets. In desperation, Tiger went directly to farmers and found them highly receptive to its approach.

Results of SA agricultural research are also not communicated effectively to farmers. US farmers have close links with universities and are aware of what is going on.

Mr McBain says SA food processors have controlled costs well, but will have to do more. Two relatively high cost factors are power and distribution.

Because SA is thought to have cheap power, companies are much less aware of its cost than their European and American counterparts. Most factories buy power from municipalities at hugely loaded prices. Power in Randfontein costs more than double the Eskom tariff.

Kempton Park charges close to double Eskom rate. Eskom rates are flexible, but its hands are tied.

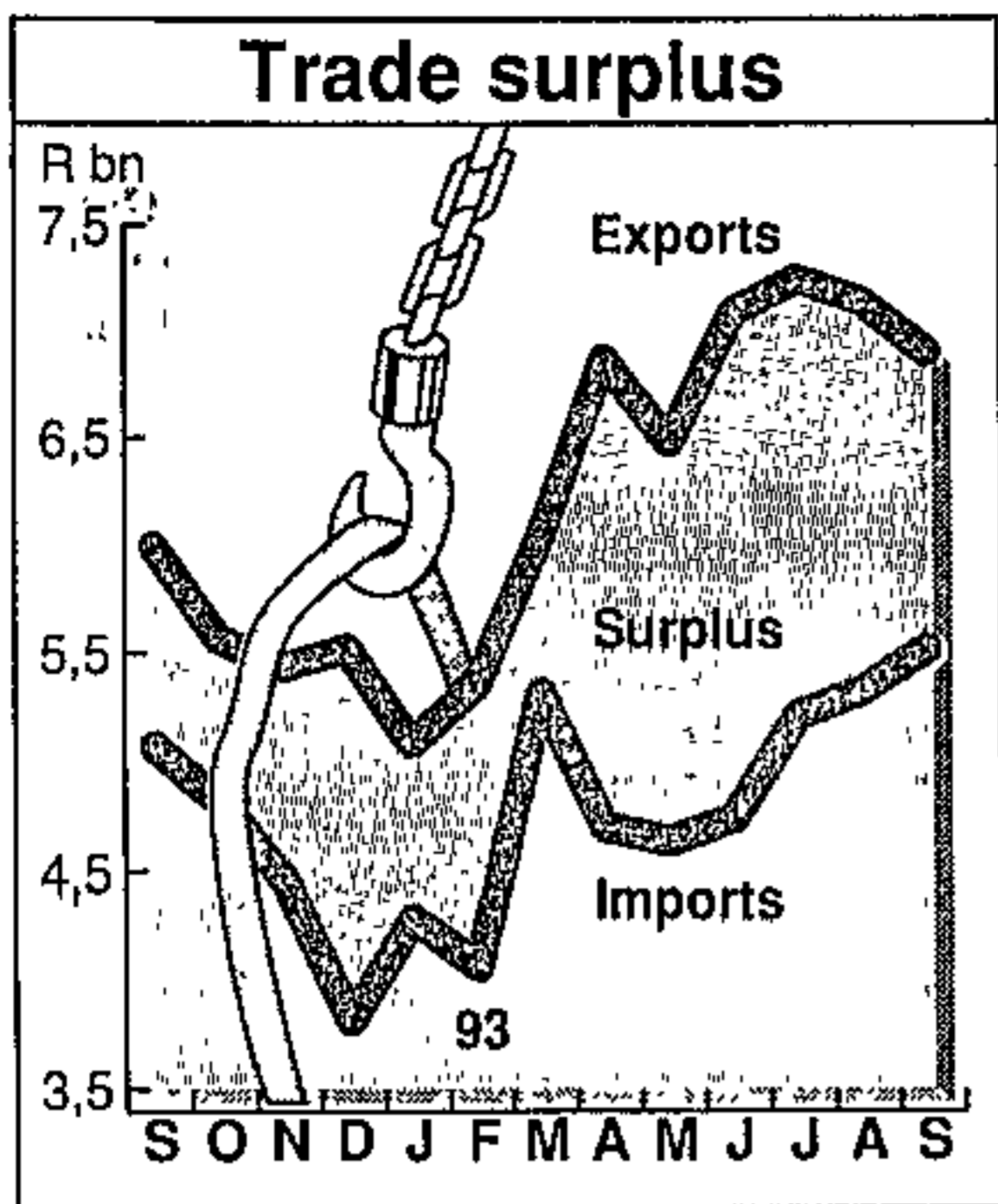
SA's food distribution costs are about twice those in Britain. Food processors are incensed by the long hours their trucks wait before offloading at retailers and wholesalers.

But they have not dealt with many issues of standardisation and rationalisation which could reduce costs.

Food processors have generally kept up with technology in spite of sanctions, but even productivity will have to be raised. A sophisticated machine in the hands of untrained, uneducated workers can lower productivity.

The likely phasing out of the general export incentive scheme (GEIS) from 1995 will end a major source of profit for established processed-food exporters.

Although GEIS has been a major factor in raising exports of manufactured goods, two-thirds of customs revenue from imports goes to export subsidies. It was also not foreseen that the system would be much abused.



Graphic LEE EMERTON Source CUSTOMS & EXCISE

Import growth sets back trade surplus

KELVIN BROWN

SA's trade surplus shrank to R1,4bn in September, its lowest level since March, as growth in imports gained momentum on the back of improvements in the economy.

Customs and Excise figures released yesterday showed imports were up 3,5% from August to R5,5bn, while exports slumped 3,6% to R6,9bn. **22/10/93**

Economists said increases in manufactured items and capital goods wiped out the continued fall in imports of agricultural items after the end of the drought.

Exports of chemicals, plastics, wood articles, pulp and paper and textile articles gained momentum. Machinery and mechanical appliances, transport equipment, and professional and high technological equipment were also up. **(74F)**

Safto economist Carlos Teixeira said, despite the latest figures, he believed it was still possible to attain a trade surplus well in excess of R5bn for the year.

There were signs of an improvement in important export markets. This, together with new markets opening up after the scrapping of sanctions, would support exports from the manufacturing sector.

Teixeira said the latest rise in imports

To Page 2

Trade surplus **81 Day 19/10/93**

From Page 1

appeared to be related to the improvement in business confidence which had caused an increase in stock replenishment and capital goods investment.

The value of imports had also been boosted by the continued depreciation of the rand. In September the local currency declined by an average 1,3% **(74F)**

On the export side the improved agricultural conditions were beginning to have an effect, said Teixeira. In the eight months to September animal product exports grew 17,9% compared with the same period last year, foreign sales of vegetable products

were up 17,9%, exports of vegetable products moved from a negative to a positive figure while animal and vegetable fats and oils surged 17,3%.

Teixeira said growth in exports of unclassified items remained significant despite a 6% fall in the average monthly gold price to \$356.

Exporters of transport equipment, machinery equipment and mechanical appliances were the best performers in the manufacturing sectors. The worst performers were textiles, plastics and chemicals, he said.

Stagnant exports to blame

Trade surplus slips to seven-month low

Star 19/10/93

(74F) (74G)

BY CLAIRE GEBHARDT

Stagnant exports have pushed the monthly trade surplus to its lowest level in seven months.

Customs and Excise figures show the surplus fell 24 percent in September to R1,38 billion.

Economists say the figures, are no cause for alarm, given the sluggish pick-up in activity of overseas trading partners.

Exports declined 3,7 percent to R6,9 billion from R7,1 billion in August.

Imports were 3,6 percent up month-on-month to R5,5 billion from R5,3 billion on what economists say is an indication of a slight pick-up in business confidence and a depreciated rand.

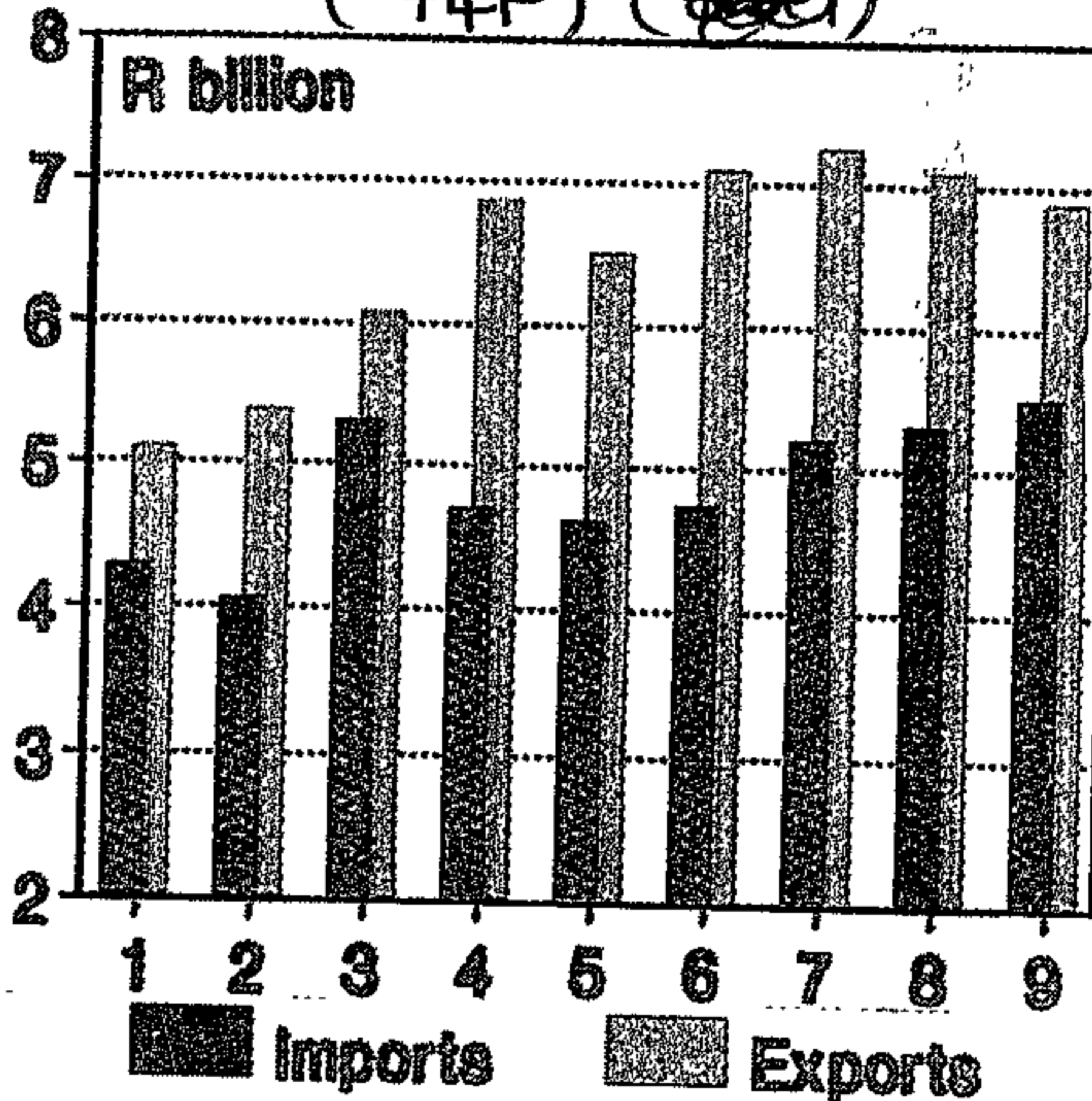
A pick-up in capital investment pushed machinery imports up 12,3 percent, while transport equipment and high-tech equipment were 33,9 percent and 21 percent up respectively.

Old Mutual chief economist Dave Mohr says the higher imports underline that there is little scope for a big rise in domestic spending when the upswing begins.

On a cumulative basis, exports for the nine months to September were R58,3 billion (R51,3 billion a year ago) — 13,6 percent up.

Imports rose to R43,6 billion (R39 billion) — a 12,1 percent increase.

Imports in the third quarter at R15,9 billion (R14 billion) were 14 percent



South Africa's trade surplus so far this year.

higher than in the second.

Foreign Trade Organisation (Safto) economist Carlos Teixeira says SA could still end the year with a trade surplus of over R5 billion.

Expectations for the rest of the year have been boosted by the end to sanctions and improved export growth.

Figures show export categories remained subdued in September, apart from a 19 percent uptick in the unclassified category — mainly arms and gold.

Sanlam economist Johann Louw says a decline in unclassified imports of 19 percent could indicate that SA is importing less oil in an attempt to improve foreign reserves.

Travelling light

Well-heeled South Africans, whatever lip-service they may pay to the coming new order, are hedging their bets.

Customs and Excise figures show they are increasingly investing in "portable property".

Imports of cultured pearls, precious and semi-precious stones, precious metals, imitation jewellery and coins have continued to soar every month this year.

In September, imports in this category were 356 percent up year-on-year.

Economists say though the figures are small in monetary value, the trend is indicative of political uncertainty.

FOREIGN TRADE
FM 22/10/93
Oil effect

One of the many mysteries surrounding the import of oil is what proportion it makes up of the category *other unclassified goods & balance of payments adjustments*. A spokesman for Customs & Excise says this category consists of "a long list of items" but what they are, and how much each contributes to the total, remains confidential.

Latest import figures show that, in the nine months to September, *other unclassified* was valued at R4,1bn, down nearly 19% on the value in the same period last year. There are two possible explanations for this: either less was imported or the price of a major import fell. (F4 F)

If, as generally assumed, oil is the major component it seems to be a reduction in volumes. The price of oil **had** fallen — the average price of the benchmark North Sea Brent crude in the nine months to September 1993 amounted to US\$17,66 a barrel, compared with \$19,34 in the first nine months of 1992. However, with a depreciation in the rand of 13% between the first and second period, the rand price of a barrel of Brent crude would have risen 5% to R57 (see PPI).

Another factor which could have been at work is the balance of payments adjustments.

Also down (3,4%) were imports of *vegetable products* — clearly the result of a normal rainfall last summer (after the drought the previous year) which reduced maize and other imports this year.

Imports of most major categories were up:

- *Machinery & electrical equipment* 12% to R12,5bn;
- *Chemical & allied industries* 16% to nearly R5bn;
- *Vehicles, aircraft, etc* 34% to R6,3bn;
- *Base metals & products* 4,2% to R1,9bn; and
- *Optical & photographic equipment, etc*, 21% to R1,9bn.

Total imports for the period amount to R43,6bn, up 12% on January-September last year.

On the export side, *other unclassified goods* (in this case mainly gold) rose 19% to R22,1bn. The item *precious or semi-precious stones* was up 43% to nearly R8bn. And *mineral products* was up only 7% to R5,8bn.

Total exports were valued at R58,3bn, up 13,6% on the same period last year.

The surplus for the nine months at R14,7bn was 22% up on the accumulated surplus in September last year. The surplus for September alone, at R1,4bn, was up 43% on that of last September. However it was down on the surplus in previous five months. ■

Constraints on foreign trade feared

By **BDS** 2/11/93

NANCY KEATS

PROTECTIONISM, political uncertainty and violence could offset the benefits of SA's regained international acceptability and keep foreign trade from booming, analysts say.

SA's exports have increased as the country has moved towards democracy and sanctions have been lifted, growing 14% in the past eight months from a year earlier.

Economists say a large part of that growth can be attributed to increased contacts in the form of trade missions and trade fairs. A case in point is the startling 71 428.0% increase in the country's exports to Dubai in the first six months of 1993.

But trade is also affected by political uncertainty and violence, economists say. Uncertainty about a new government's trade policies and loss of production due to nationwide strikes are keeping a more durable expansion on hold.

"Trade depends on our ability to be a reliable supplier," says SA Foreign Trade Organisation (Safio) economist Carlos Teixeira. Safio forecasts trade will grow a relatively modest 5% this year.

Also hampering trade is the country's high level of protection. This discourages trading partners from lowering barriers for SA exports and reduces the quality of SA products and thus their international competitiveness.

Exporters are also hindered by reluctance both at home and abroad to classify SA as a developing country to gain special treatment for exports, slow world economic growth and a perception that the rand is overvalued.

More than 10 000 black South Africans have been killed in political violence over the past three years, and many people fear the number will increase as rivalry grows ahead of the country's first multiracial elections. The vio-

lence, in turn, has led to strikes.

The ANC, largely expected to win the elections next April, has been inconsistent in its trade policy stance. The party endorsed free trade in its unofficial investment code, published in 1992. But ANC leaders have said on several occasions that local industry must be protected to maintain jobs.

SA's import barriers were built up over several decades. Concern about sanctions in the mid-80s led Pretoria to reinforce its efforts toward self-sufficiency, maintaining high tariffs when many countries were opening up. As a result, SA has some of the world's highest tariffs, examples being clothes at 239%, plastics at 215% and paint at 49%.

The Trade and Industry Department says it has submitted proposals to its trading partners in GATT that will reduce tariffs in line with GATT's target of a 33% reduction.

"SA has made fairly substantial offers for the first time," says Braam Roodt, spokesman for the SA trade mission to Geneva.

But Roodt declines to specify the proposed average reduction in protection, saying it has not been calculated.

Even if the proposals are accepted by GATT, there is a possibility they will not be honoured by a new government more concerned with creating and maintaining jobs than with relaxing import restrictions.

Reluctance among some GATT members to reclassify SA as a developing country has also hampered the country in receiving easier trade conditions.

To receive preferential treatment from GATT, which could include protection of infant

industries as well as balance of payments protection measures, the country would have to get approval for reclassification from its trading partners.

Trade and Industry Department officials say several of the country's trading partners are not keen to see SA reclassified because they compete in the same product areas. The officials refuse to name these countries, but analysts have suggested they could include Australia, Canada, the US and New Zealand.

"The US has indicated it would not look kindly at a SA application for reclassification as a developing country in GATT," says Roodt.

There is also resistance to reclassification within SA among business executives and government officials who do not want the country to be perceived as a developing country, partly because of pride but also because, they say, it would lower the country's creditworthiness in international capital markets.

An alternative to developing country status and membership of the Lome convention, an agreement which gives certain countries duty-free access to the EC for some commodities, is to get SA regarded as an "economy in transition", like many former Soviet bloc countries, trade department officials say. While not recognised in GATT as a specific category, economies in transition receive softer treatment, such as longer periods to phase out subsidies, they say.

"There is a certain amount of sympathy and understanding that SA cannot accept all the obligations of a developed country," says Roodt.

More than half of SA's exports are primary commodities, such as gold, diamonds and base metals. Other large volume areas include prepared foodstuffs, machinery, vegetable products and chemicals. — AP-DJ.

Cheap imports send paper prices tumbling

By Day 27/10/93.

MATTHEW CURTIN

CHEAP imports of packaging and fine paper, matched in price by local producers Mondi and Sappi, had sent prices for several paper grades tumbling to their lowest levels in more than three years, industry sources said yesterday.

While packaging producers and fine paper customers were enjoying the benefit of lower input prices, the price battle was putting pressure on already thin margins in the sector brought on by the recession.

Mondi and Sappi are understood to have made new representations to the Board on Tariffs and Trade in a bid to tighten SA's anti-dumping measures.

Although tariff protection exists, Mondi has complained that it is inferior to measures enjoyed by rival overseas producers. The board's revised tariff structure for the industry was implemented in September.

Sluggish growth in paper demand during the worldwide recession, added to currency devaluations among key pulp and paper producing countries, have encouraged companies to compensate for poor domestic trading conditions by pushing exports to countries such as SA.

The sources said the impact of the fierce competition, as increasing supplies of cheap and often inferior-quality paper were being imported from Brazil, Canada, Indonesia, Italy and Scandinavia, could be seen in the financial results of Mondi and Sappi.

"If nominal prices are at their lowest level since 1990, and you take inflation into account, you can see what's been happening to paper producers' margins," one source said.

Sappi reported a two-thirds decline in earnings to R64m (R175m) in the year to end-August.

Nearly 60% of the group's R2,75bn sales was derived from its UK, German and export operations whereas unlisted Mondi, 53%-owned by Anglo American Industrial Corporation, was more dependent on domestic markets. Exports made up 30% of the company's 1992 sales of R2,6bn.

In addition, Sappi produced a greater range of value-added products such as coated papers than Mondi.

One analyst said Mondi's operating margin had fallen from 8,6% in 1989 to 4,6% in 1992, with Sappi's shrinking from 27% to 9,5%.

In the 1993 annual report Sappi chairman Eugene van As said the past year had been one of the most difficult experienced by the pulp and paper industry.

While pulp prices had risen in 1992 from their 1991 lows and paper prices had started to show upward trends, the currency crises in Europe forced prices to below 1991 levels.

Clothing retailers join the cause for import tariff cuts

STIMMED (BUSS)

By DON ROBERTSON

CLOTHING retailers, subject to import tariffs of 90%, have joined manufacturers in calling for further reductions in duties. 3/11/01/93

Representations by retailers follow the temporary restructuring of duties announced by the Board on Tariffs and Trade (BTT) on October 19. The decision was criticised by the National Clothing Federation (NCF).

Retailers wish to be included in discussions on the long-term restructuring of duties.

The BTT has recommended a cut in import duties on wool yarn from 40% to 32%, yarn from 35% to 32%, woven and knitted fabrics from 50% to 45% and household textiles from 60% to 55%. The import duty on clothing is 90%.

The reductions will last from tomorrow until December next year and form the basis for a long-term strategy.

Retailers say in a letter to Finance and Trade and Industry Minister Derek Keys and to the BTT that it is important

the new structure promote the interests of all South Africans. It should meet the free-trade requirements of the General Agreement on Tariffs and Trade, the World Bank and the IMF. (2/4)

They say they represent about 40-million customers and they should be allowed to voice their industry's opinion on long-term tariff adjustments. (4/4)

Retailers recommend that duties be reduced to 30% for clothing and footwear and 15% for fabrics over five years. Further reductions in duties on fibres, yarns and household goods should be spread over three years.

They also suggest that clothing manufacturers improve productivity and that inducements be offered to promote international price competitiveness.

Retailers say protection duties add considerably to the price charged to customers. If a 100% duty were levied, an item of clothing costing \$1 (R3,43) would attract a customs value of 10%, the full 100% duty, import surcharge of 15% and VAT at 14% for a total of R8,45.

This is an increase of 147% on the fob price. At 50% duty, the increase is 89% and if no duties are charged the increase is 33%. This excludes distribution costs and profits.

One retailer says that even if retail chains are able to negotiate reduced prices on foreign goods, duties are automatically increased to the minimum. For the next year, this will be 90%.

Consumer code proposed for grey imports

74F ARG 6/11/93
ROY COKAYNE
Business Staff

PRETORIA. — A Business Practices Committee investigation into parallel or grey imports has proposed a consumer code to deal with the problem.

Chairwoman Professor Louise Tager said the committee had decided against a prohibition on grey imports.

She said it appeared illogical that a government should seek to enforce a right of exclusivity not granted by a foreign manufacturer or patent holder, particularly if that right of exclusiveness could not be protected under the law of the product's country of origin.

Committee member Dr E van Eeden said if South Africa had issued a broad prohibition on parallel imports, it would be doing something no other country has done.

"The emphasis is more on open borders and free trade and to move away from regulations that inhibit trade," he said.

Parallel importation and the subsequent trade in grey goods can occur when goods which were intended for sale in a specific national market are shipped from their original destination to another country.

Prof Tager said because grey imports were cheaper, they were an enticement.

But she warned the public to be on their guard and to ask sellers if the goods had a guarantee, service backup and spare parts.

Prof Tager said complaints registered with the Business Practices Committee claimed consumers were exploited by grey marketeers and the trade in grey goods constituted a harmful business practice.

She said it had also been alleged the practice was potentially harmful to the competitors of grey marketeers as well as the users of such products.

Prof Tager said it was also submitted that certain products sometimes distributed by unauthorised dealers might

have been designed for vastly different operating conditions so that consumers will be likely to experience product malfunctions when they acquire such products which are not intended or designed for local conditions.

Prof Tager said in terms of the proposed code, dealers would have to clearly indicate in their warranty related literature and on all sales receipts where, and to what extent, the guarantee is supported by the manufacturer.

It must also state whether the guarantee is supported by the seller only and/or any organisation unrelated to the manufacturer or the licensed distributors, specifying that the consumer may not be entitled to any rights, including rights for repair or replacement against licensed dealers of the product or the manufacturer, except as provided by common law or statute; and if there is no guarantee.

Other accusations levelled at grey marketeers included their alleged failure to comply with a variety of local legal product specifications and other requirements, she said.

Dealers must also inform customers if they have been notified by or on behalf of the manufacturer that goods being sold by the dealer are in a form or state which is not approved by the owner of the trade mark.

An obligation must also be imposed on retailers to refrain from representing goods as having a sponsorship, approval, status, guarantee, repair and backup services, affiliation or connection recognised by the proprietor of the trade mark under which they are sold.

A report on the Business Practices Committee investigation into parallel imports was published in the Government Gazette yesterday.

Prof Tager said the actual content of the envisaged code should be open to consultation with all interest groups and invited written submissions about the proposed code.

Big Day 11/11/93
Machine tool imports dive

EDWARD WEST

MACHINE tool imports, a barometer of industrial activity, have slumped in real terms to about 12% of the volumes shipped to SA a decade ago. The situation was not expected to improve until the end of 1995, industry sources said yesterday.

Machine Tool Merchants' Association chairman Robert Skok said it had become "a battle for survival" for the remaining machine tool merchants who had survived the past four years of recession.

Import values were expected to be slightly below R120m this year from R125m last year and R160m in 1991. A decade ago imports were averaging between R300m and R400m a year.

Skok said recession had resulted in substantial excess industrial capacity which would have to be taken up first before new investment in plant took place and lifted demand for machine tools. *(G4F)*

However, industry had adopted a wait-and-see attitude until next year's elections before making new investment decisions. This attitude was likely to persist until a clearer picture of a future government's industrial and economic policies emerged.

Demand from traditional markets had virtually dried up after military and government spending cutbacks and little cap-

ital expenditure investment by the mining, motor and steel industries.

The steel industry was suffering low world prices, motor manufacturers were reluctant to embark on further capital investment until clearer guidelines for a new local content programme were devised and mining companies were reluctant to embark on capital expenditure projects with weak commodity prices.

The Alusaf expansion, the Columbus stainless steel project, the Namakwa Sands project and some chemical industry projects would lift demand for machine tools by a few percentage points.

Machine tool prices had risen nearly fivefold over the past decade, curbing sales. Depreciation allowances barely covered the drop in the rand against other currencies, he said.

Exports of locally manufactured machine tools had the potential of becoming a fairly big revenue earner because of export incentives and preferential steel prices available to exporters. However, this was clouded by uncertainty arising from the effects of ending GEIS in terms of SA's proposal to conform to GATT and future government tax structures.

Saudis unban SA imports

RIYADH.— Saudi Arabia has decided to lift a ban on imports from South Africa, Saudi commerce minister Mr Salim al-Salim said yesterday.

Saudi customs would be instructed to allow traders to import from South Africa, he told reporters.

Saudi and South African officials are already negotiating the sale of Saudi oil to South Africa and the opening of an air route between the two countries.

Several South African business delegations have already visited the United Arab Emirates and Bahrain.— Sapa-AFP

'Iscor can live without import tariffs'

STEEL producer Iscor could live without tariff protection, provided government brought in tougher anti-dumping laws, the company said at the weekend. *B/D*

The R8,8bn-a-year company said it could accept proposals by Europe and the US in the Multilateral Steel Agreement that tariffs on steel and iron ore imports be lifted. But it said government had to protect the industry by introducing laws similar to those in other countries.

It became apparent last week that SA's trade reform offer to GATT had been deemed unacceptable by its trading partners. *15/11/93*

The Department of Trade and Industry (DTI) also said SA would "almost certainly" have to join the Multilateral Steel Agreement, which specified import tariffs on certain products be lifted for 10 years.

Iscor's hold on the 3,5-million ton

ANDY DUFFY

SA market is protected by a 5% import tariff, which has helped limit the share taken by imports to just 2%.

The company also tried but failed to persuade government earlier this year to increase the tariff to 20%, claiming that world oversupply could lead to a flood of cheap imports.

But a spokesman for Iscor said the company "would rather have anti-dumping legislation than tariffs".

Iscor still had to put the issue to government. A DTI spokesman said the decision to join the agreement depended on how many other countries would join and what the conditions were. *(FSP) (4F)*

tries Federation economics head and National Economic Forum trade policy task group business convener Michael MacDonald said dumping

could damage the industry if tariffs were dropped.

"We don't have a problem," he said, "but it could come up very quickly." The forum wanted legislation similar to that operating in the US, he added.

Iscor has come under fire for its domestic prices which are on average 40% higher than those in Europe and the US, leading to claims that the company uses its domestic dominance to underpin its exports.

The company, which in the year to June had attributable earnings of R283m (R336m), also gained a bottom line bonus from the General Export Incentive Scheme, which added R100m to its 1993 results.

Despite forecasts that demand was unlikely to recover before next year, Iscor managed a 9% list price hike in the year. A further increase of 5,8% to 7% was expected in January.

Steer 16/11/93

Govt urged to cut duties on imported fabrics

■ BY CLAIRE GEBHARDT

The National Clothing Federation of SA has hit out at the Government's reluctance to lower import duties on essential inputs.

Executive director Hennie van Zyl says a 50 percent cut in imported fabric duties could add 7 000 jobs immediately and another 40 000 to the clothing industry over the next 8 years.

"Fabrics account for more than 50 percent of the final cost of clothing."

The federation, which represents more than 200 000 workers in the small and informal business sector, says the Department of Trade & Industry's proposed "marginal" reduction from an estimated average protection level of 75 percent to only 70 percent, is squandering a golden opportunity to stimulate growth and employment.

Van Zyl says the Government appears once again to have favoured capital-intensive big business, such as the textile and synthetic fibre industries, at the expense of the labour-intensive clothing industry. (74F) (14)

He says a further factor contributing to the widespread unhappiness is that the federation received an official assurance, when the current high duties were imposed in November 1992, that inputs not man-

ufactured locally would be exempted from import duty.

"Subsequently, some 20 types of fabric not manufactured locally were identified, but the authorities said that for administrative reasons they could not give effect to their earlier undertaking."

The federation has sent an urgent letter to the deputy Minister of Trade & Industry, Dawid de Villiers Graaf, asking him to reconsider his decision before an official gazetting.

IMF to revamp SA customs

B/Day 23/11/93

GRETA STEYN

AN IMF team would arrive in SA in January to help overhaul the country's customs system which was not succeeding in keeping track of all import duties and export subsidies, Finance Minister Derek Keys said yesterday. (74F) (74F)

He told a Johannesburg Chamber of Commerce and Industry luncheon that trade policy initiatives to adjust import tariffs and export subsidies depended "critically" on whether the customs system was working well. "From an organisational point of view, it is the single most important thing I have to put in place."

The general export incentive scheme (Geis) and tariffs on imports required that goods going in and out of the country be subject to fundamental inspection. There was, however, proof that goods were slipping through the net. The National Economic Forum had asked government to revamp the customs system and the re-

quest was taken seriously.

According to a National Economic Forum report, the short term working group had noted deficiencies in the customs and excise infrastructure. Substantial imports of manufactured goods had escaped the duty net, resulting in jobs being lost in local industries. The leakages had been caused by staffing and infrastructural deficiencies and fraudulent behaviour.

Keys also said SA's success as a trading nation depended on getting three sets of prices right — the rand exchange rate, the prices of imported inputs, and labour. He would not give up "the battle" on wage costs in the National Economic Forum, as there were hardly any exceptions to the rule that countries could build economic growth without low labour costs.

□ To Page 2

Customs B/Day 23/11/93

□ From Page 1

He noted one of the key differences between the ANC-aligned Macroeconomic Research Group ((Merg) and government's Normative Economic Model was the emphasis the latter placed on export growth. He warned that Merg's advocacy of a demand-stimulus would lead to a balance of payments crisis if exports growth did not keep pace with imports. (74F) (74F)

The Normative Economic Model's policies would create jobs and provide sustainable growth through investment in human

capital, the building of a socioeconomic infrastructure and export-orientated industrialisation.

Keys emphasised the need to create an "investor friendly" economy which would attract foreign capital, and expressed confidence that the ANC agreed with this view. SA was about to re-enter international capital markets and would be able to negotiate more favourable interest rates if it succeeded in creating a stable, friendly environment.

Lifting of levy cheered

■ BY THABO LESHILO

The scrapping of anti-dumping duties on flat glass imported from China and Hong Kong has been cheered by the industry.

Up to 78c per square metre will still be levied on imports of 3 mm glass from Thailand and Singapore, however. *Star*

Duties of up to 26 percent were slapped on shipments from the Far East in February after allegations of dumping made by South Africa's only manufacturer of flat glass — PFG Building Glass. *24/11/93*

The move was strongly opposed by Triangle Glass and other independent distributors who said it effectively eliminated trade for importers in the R1 billion-a-year industry.

Although the tariffs fell away provisionally in June, the industry continued to await a final decision. *(74 F)*

The delay caused anger in the industry, leading to accusations that the Government was dragging its feet on the matter.

Triangle managing director Cyril Gebhardt said yesterday he was happy the tariff had been scrapped.

But he pointed out that local distributors had had to pay 26 percent provisional tax on imports for three months while the board considered the matter.

"The situation, however, is still unhealthy, with a single manufacturer monopolising the glass market, contrary to efforts now being made by Gatt to have restrictive trade protection eliminated."

Duties go on glass imports

74c

THABO LSHILO

JOHANNESBURG. — The scrapping of anti-dumping duties on flat glass imported from China and Hong Kong has been cheered by the industry.

Up to 78c per square metre will still be levied on imports of 3mm glass from Thailand and Singapore, however.

Duties of up to 26 per cent were slapped on shipments from the Far East in February after allegations of dumping made by South Africa's only manufacturer of flat glass — PFG Building Glass.

The move was strongly opposed by Triangle Glass and other independent distributors who said it effectively eliminated trade for importers in the R1 billion-a-year industry.

Although the tariffs fell away provisionally in June, the industry continued to await a final decision.

The delay caused anger in the industry, leading to accusations that the government was dragging its feet on the matter.

Triangle managing director Cyril Gebhardt said he was happy the tariff had been scrapped. *ARG 25/11/93*

But he pointed out that local distributors had had to pay 26 per cent provisional tax on imports for three months while the board considered the matter.

Book publishers to fight new 'tax on knowledge'

WIM 26/11-2/12/93

74F

Publishers are preparing to challenge a 20 percent surcharge on imported books which will see inflated prices skyrocketing even further, reports

Mondli waka Makhanya

A GOVERNMENT proposal to introduce a 20 percent surcharge on imported books is meeting angry resistance from publishers, who warn that it will cripple the book trade.

Publishing industry bosses met yesterday to map out a strategy to fight the surcharge. They argue that they will have to pass the surcharge on to consumers, causing book prices, already high due to the weak rand, to skyrocket.

What has further incensed book publishers is that they only came to know of the proposal, which appeared in the *Government Gazette* two weeks ago, by accident. The *Gazette* gives the book trade six weeks in which to lodge objections to the surcharge, which is supposed to come into effect in January.

"That means we now have only four weeks in which to formulate a response," said Penguin Group managing director John Allen, who is also an executive member of the Publishers' Association of South Africa.

The recommendation for the surcharge came from the Printing Industries Federation of South Africa, which is feeling a squeeze as local publishers increasingly take advantage of the cheaper paper and more advanced colour printing techniques available overseas. A lot of local publishers have been sending typeset books to be printed abroad — particularly in the Far East — and then importing them back into the country.

"I'm not sure if the printing industry looked at this thing carefully. It is going to have a huge impact at retail level because 40 percent of the books sold in this country come from overseas," said Allen.

It is, however, not difficult to understand why the printers are requesting protection from the state. They are already subjected to a 10 percent duty on imported paper, which is meant to protect local paper manufacturers from foreign competition. They also have to

contend with declining business as publishers send books overseas for printing and binding. Some paper manufacturers have been practising what is known as import parity pricing, whereby prices are inflated to just below import price.

"We have jobs to protect and a balance of payments account to think about," argues the Printing Industries Federation's Eric Kuhl.

But book publishers argue that the surcharge on foreign books will stifle local publishing rather than encourage people to do their printing at home. In terms of the intricate economics of the book trade, sales of imported books cross-subsidise those that are printed and bound locally.

Hard hit will be educational books, such as encyclopedias, dictionaries, bibles and text books, of which a substantial portion come from abroad.

A Juta representative pointed out that universities and technikons would feel the pinch as most of their prescribed books come from the United States and Britain.

The surcharge also contradicts a proposal, sent by the Board of Trade and Tariffs (BTT) to the General Agreement on Trade and Tariffs (GATT) earlier this year, that should it consider imposing a surcharge on books, the ceiling would be 10 percent. But Kuhl says the BTT did not take GATT into consideration because the surcharge would only provide "temporary relief".

But the book industry's main argument against the surcharge is a moral one. The trade feels it should be exempt from duties since this is effectively a tax on knowledge. And with a change in government next year, a major priority of the new authority will be to combat illiteracy.

"Books are not a commodity. They are products with a unique quality," said Maskew Miller Longman MD Mike Peacock.

'Impartial' policeman dropped

Farouk Chothia (276)

A KWAZULU policeman who was apparently making progress in investigating the recent massacre of 11 African National Congress supporters in Nquthu in Northern Natal has been pulled off the case.

KZP spokesman Warrant Officer Bongubuhle Ngidi confirmed that Lieutenant Wesley Mbatia has handed over the investigation to Captain V Ngcobo.

ANC activists in Nquthu expressed dismay at the decision, claiming Mbatia was an "impar-

tial" policeman whose investigations led to the arrest of four people in connection with the massacre. The ANC supplied the names of the four. WIM 26/11-2/12/93

But Ngidi said the KZP had arrested only two people — one of whom appears on the ANC's list.

A local ANC leader said: "We suspect a cover-up. Our information is that four people were arrested."

Ngidi said it was "normal procedure" for Captain Ngcobo to take charge of the investigation as he headed a special unit which dealt with such "serious cases".

FOREIGN TRADE Fm 26/11/93 Looking good

In the first few months of the year, export growth was lagging that of imports. Now the pattern has been reversed. In October, total exports for the year reached R65,9bn, which is 17,3% higher than in the first 10 months of

(74F) (11/93) ~~(11/93)~~
 Coult → P40

ECONOMY & FINANCE

1992. Imports have grown but at a slower rate — by 12,8% to R49,5bn. The surplus of R16,4bn is up more than 33% from the January-October figure for 1992.

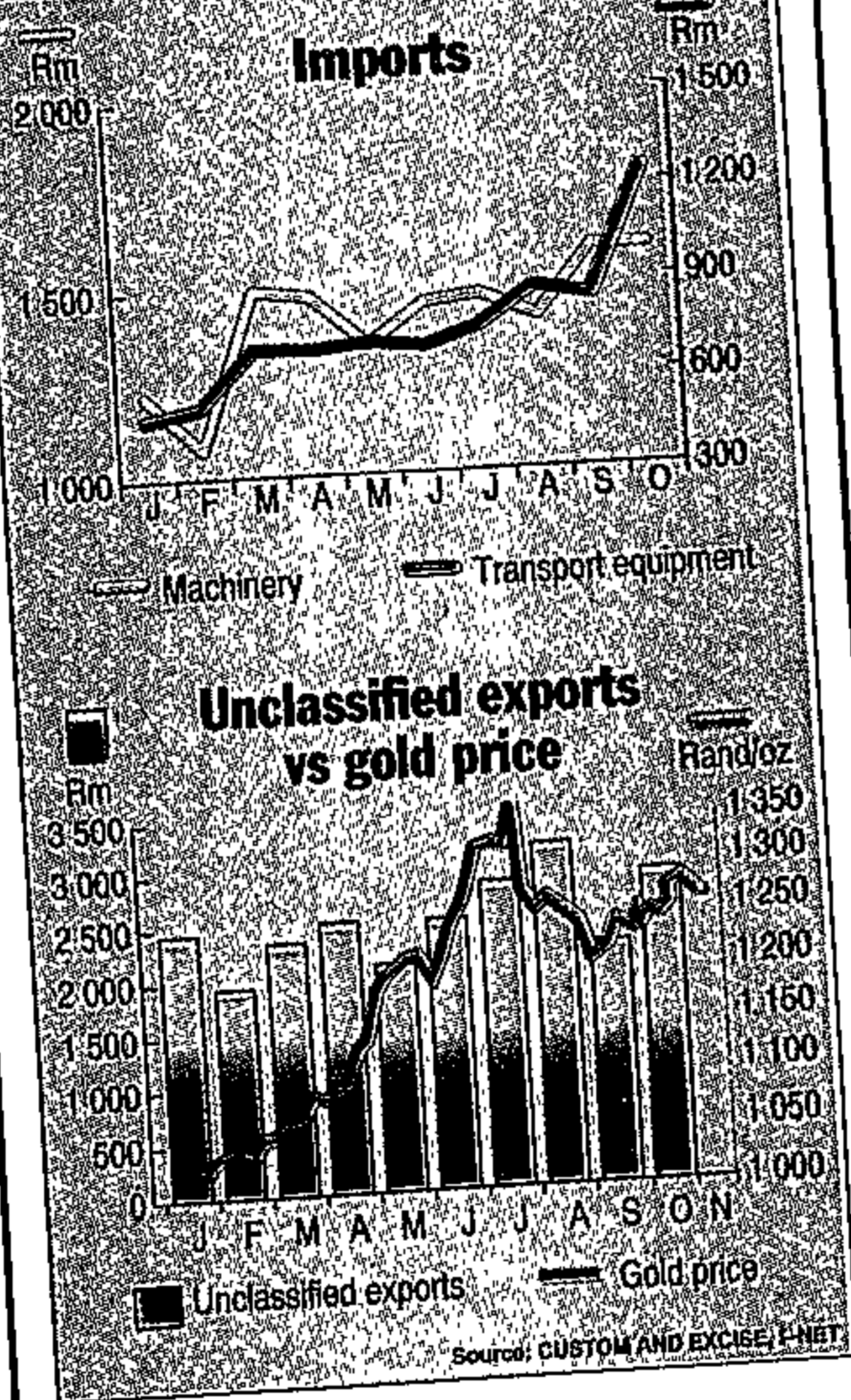
In the month, exports totalled R7,6bn, the highest this year and imports R5,9bn, giving a monthly surplus of R1,7bn from R1,4bn in September. Fm 26/11/93

The acceleration in export growth occurred in: (74F) (11/93) ~~(11/93)~~

- The unclassified item, the largest export category, which includes precious metals. This is due largely to improved prices in that period (see graph). The category has now grown to R25bn for the year, up 21,7% over the same period last year;
- Gems & precious stones (mostly diamonds from Customs Union States Botswana and Namibia), which has stayed above R700m per month since April and which brought in over R1bn in July and September. Its total is now R8,8bn for the year, up 48,4%; and
- Base metals. This category, which though only 5,3% higher at R8,3bn, has nevertheless recovered from shrinkage of 0,6% over the first six months of the year, compared with the first six months of 1992.

On the other side, a slowing in key import categories has helped boost the trade surplus. The unclassified item, in which oil imports figure prominently, totalled R4,7bn for the year, which is down 14,2% on 1992. This comes after a fall of only 1% in the first six months over the comparable 1992 period.

Two sides of a coin



This is due to price reductions. And imports of vegetable products are 13,1% lower at R1,7bn, due to the impact of

Fm 26/11/93

good rains on domestic agricultural output. On the other hand, the economic recovery in recent months has boosted imports in categories such as vehicles & transport equipment (R7,6bn, up 32,1%), machinery (R14,1bn, up 13,7%) and optical & other equipment (R2,2bn, up 19,7%).

Machinery includes various consumer goods such as electrical appliances, hi-fis and television sets. Vehicles & transport equipment includes freight containers and aeroplanes, among other things (the unusually high R1,2bn recorded in this category in October probably reflects a Boeing 747 purchased by SAA that month).

The upturn could place strain on the trade balance in the years ahead. Afrikaanse Handelsinstituut economist Nick Barnardt says the upturn at home should push up imports by about 25% between now and the end of 1995 and a recovery abroad should boost exports by about half that — which would translate into a zero current account surplus by the end of 1995. (74F) (11/93) ~~(11/93)~~

This, says Barnardt, emphasises the need for large capital account inflows in the next few years. Otherwise monetary policy will have to remain tight, hampering fixed investment which is needed to make SA more competitive in manufacturing, in particular. "The priority in the first 18 months under the interim government must be to follow economic policies which are conducive to attracting foreign investment," he says. ■

Campaign to scrap book tax

A proposed surcharge on imported books has come under fire. **Mondli waka Makhanya** reports

BOOK publishers are to launch an international campaign to stymie the proposed 20 percent surcharge on imported books. The trade has been galvanised into action this week following a request by the Printers' Federation that the government levy the surcharge in order to stop book publishers sending books overseas to be printed.

Under the auspices of the Publishers Association of South Africa (Pasa), publishers are to embark on lobbying campaign. According to Random House managing director Steven Johnson the publishers will lobby book trade organisations and executives in the United States and Britain — the two countries from which South Africa imports the most books. Universities and technicians are also being drawn into the protest because they rely heavily

ly on imported prescribed books.

"We are going to do everything possible to get the request either withdrawn or rejected," said Johnson.

The printers are standing by their recommendation and will arrange a meeting with Pasa soon. Pasa is trying to divide the printers by approaching operators individually. The strategy is for each publisher to convince the printer that since sales of imported books are used to subsidise their local publishing, a fall in these sales will boomerang on the printers themselves.

Estimates are that if publishers want to continue subsidising this arrangement, they will have to increase prices of foreign books by 40 percent. The resultant fall in demand may cause publishing houses and bookstores to close.

Government has so far stood aloof, only saying it will study the proposal once all interested parties have had their say. Board of Trade and Tariffs official Willie Lubbe says many angry objections have already

744 AR
been received W/M 3-9/12/83

It also appears a levy would be in contravention of the Florence convention, signed last year by several countries and under whose terms no duties may be imposed on published material. However, South Africa is not yet a signatory to this accord.

The African National Congress has also joined the fray, condemning the surcharge as a possible impediment to literacy.

Meanwhile, in Britain the government is to review a 1962 law that allows publishers to set minimum prices for about 75 percent of books sold. This regulation has allowed small publishers to survive and its extinction will result in a lot of them going under and will benefit the big chains. The decision by the Office of Fair Trading follows a five-year-long study.

Scrapping the Net Book Agreement, it has been argued, would also cause prices to rise, especially among books outside the bestseller lists.

Imported rice prices increase

Star 8/12/93

■ BY ZINGISA MKHUMA
CONSUMER REPORTER

The price of white American rice and thin-grain Thai rice went up by 10 percent and 25 percent from Monday.

This follows the recent 9 percent increase in the price of white and brown bread.

Failure of the Japanese rice crop, which caused a shortage in the world market, was said to be behind the rise.

South African National Consumer Union chair-

man Lilibeth Moolman said the increase in the price of staple food would cause hardship for many.

National Black Consumer Union president Nonia Ramphomane warned consumers to keep away from expensive imported products and advised them to buy cheaper local brands.

She added that the union, the ANC and the Wheat Board would meet next week to discuss wheat price rises which led to the recent bread price increases.



Pasa to fight 20% book duty

Stat 10/12/93

The Publishers' Association of South Africa (Pasa) will hold a protest meeting at a Johannesburg hotel today to announce plans to fight a proposed 20 percent import duty on books.

Pasa executive com-

mittee member Stephen Johnson confirmed last night that leading personalities from the literary world would be present to make known "their strongest possible objections" to the proposed duty. — Staff Reporter.

(74F)

(1/15)

'Little likely to change' as oil sanctions go

Stuur 11/12/93

WHILE South Africa welcomed the lifting of the United Nations oil embargo yesterday, economists warned that its effect would be more psychological than economic.

The UN decision came on Thursday in response to the inauguration of the Transitional Executive Council to oversee the run-up to the election on April 27.

"It's very good news, and it's what we expected," Roelf Meyer, the Government's representative on the TEC, said in Cape Town.

His ANC counterpart, Cyril Ramaphosa, also welcomed the news. "It

was anticipated and this in line with the progress we have made," he said.

Econometricix senior economist Dr Azar Jaminine said South Africa had for "many years" received UN oil — but at a premium, because it could not buy crude on the open market.

"That premium has slowly been reduced over the years ... it is just about nothing now."

Decline

"There are few major implications to the lifting of the embargo. The main impact will be psychological," Jaminine said.

A continuing decline

in the buying power of the rand would offset some of the benefits of falling international oil prices, he added.

Energy Affairs Department spokesman Carel du Toit said the UN decision would allow South Africa to deal on the open market, taking advantage of price fluctuations.

He felt the move would not alter fuel prices drastically.

"Prices don't only fluctuate downwards, they also go up," Du Toit said.

South Africa spends about R5,5 billion on imported crude oil — about 10 percent of the import

bill and about 60 percent of the required 400 000 barrels a day of refined liquid crude.

Of the balance, 31 percent is provided by Sasol, South Africa's oil-from-coal project, and 9 percent by Mossagas, the offshore gas project near Mossel Bay.

Democratic Party energy affairs spokesman Roger Hulley yesterday called for remaining secondary regulations on crude oil and the petrol market to be scrapped immediately.

The DP welcomed the final lifting of the United Nations oil embargo on South Africa, he said. The immediate signifi-

cance of the news was that details of the sourcing of the country's oil supplies and stockpiles need no longer be kept secret.

Bargain

Hulley said the oil embargo's lifting would also affect the petrol price. As all oil-supplying nations could now deal openly with South Africa, "we can now bargain for the most competitive prices available, without any 'pariah premiums' added on."

Any savings resulting from greater competitiveness should be passed on directly to the motorist.

It should be noted that the international price of crude oil had dropped about 18 percent recently and was now at its lowest level in five years. This reduction should be passed on to motorists, particularly as the rand had been relatively stable against the dollar recently.

"The time is now overdue for the Minister to reverse completely the 7c-a-litre increase he announced in September," Hulley said.

"Since 2c was reversed in October, he still 'owes' the public a further 5c a litre reduction." — Sapa-AFP.

Publishers to mount protests against book levy

Star 11/12/93


MANDY JEAN
WOODS

SOUTH African publishers have declared war on local printers, mounting a high-profile protest campaign to reverse a decision to levy a 20 per cent duty on imported books.

Publishers believe that printers, seeking industry protection, pushed for the levy. However, despite making official inquiries, they have not been able to confirm this.

The proposal to impose the levy was gazetted on November 20, and objections must be lodged with the Board on Tariffs and Trade by January 28.

Initially the deadline was Christmas Eve, but it was yesterday extended by Trade and Industry Deputy Minister David Graaff (A.F.)

Yesterday's meeting was the beginning of a nationwide protest that will include writing letters of protest to the Board on Tariffs and Trade and an advertising and bumper-sticker campaign. 

Condemnation

Representatives from almost every publishing house or industry association in South Africa attended the meeting to express their strongest condemnation of the proposed levy. Messages of support from prominent personalities and authors were also read out.

One, from Sir Laurens van der Post, said: "To tax and make more difficult in any way this kind of communication in depth, as the Board on Tariffs and Trade proposes, is a very serious retrograde step, no matter how plausible its economic arguments appear to be. It should be stamped upon at once."

Said Albie Sachs of the ANC: "Now is not the time to impose on ourselves a new cultural boycott — by price. We need more books from abroad, not less."

Literary history professor Tim Couzens said: "This tax will leave us in an intellectual desert from which we could never recover. It is not in the interests of the reading public and of the future education of, particularly, black people."

Synfuel 'needs tariff protection'

By ARI JACOBSON
THE synfuel industry in SA should remain protected by "tariff barriers" to prevent further dependence on imported supplies, according to the latest Bank of Lisbon economic review.

There has been hot debate about the heavy state involvement in the synfuel industry and the comments come in the wake of the lifting of the oil embargo on the country.

Sasol at present has a state guarantee that tariff protection will remain until at least 1996.

The Bank of Lisbon points out that the "original reasons for establishing Mossgas and Sasol are still relevant namely that the country is vulnerable to a future disruption of imported oil supplies".

The newsletter says that "the economy would be adversely affected by this dependence on imports" and adds that domestic production would be reduced "if tariff protection were eliminated".

It warns that although international oil prices have been weakening this

... to
cut oil
imports

ET 13/12/93
may be "temporary" and SA is therefore exposed as oil makes up the largest part of the import bill.

A recent article in the Economist magazine points out that as the industrial economies revive and the former Soviet economies stop

declining, demand would spur the price of oil, especially as supply could lag demand.

The review argues that there is little wisdom in eliminating such protection at this stage "and burdening the economy with higher volumes of imported oil".

This is so it adds because of "the potential future hikes in oil prices and the recent rundown of domestic stockpiles of oil".

It mentions that "tariff protection for SA synfuels does not burden the local consumer in comparison with the international trend".

The review says that retail prices in SA have been "significantly below European levels".

This is because the level of tax locally has been much lower than in Europe and this has offset "the cost of synfuel protection".

74F

LOCAL

Printers deny backing increase

Publishers hit back over tariff

Star 13/12/93

BY JAMES MITCHELL
BOOKS EDITOR

Publishers have already started to hit back at local printers attempting to push through a 20 percent increase in the tariff on imported books.

Wits University Press's Eve Horwitz has been contacting printers who have produced work for this Johannesburg-based publisher, to ask them where they stand.

The tariff increase was proposed by the Printing Industries Federation of South Africa.

With one exception, all printers contacted by Horwitz have denied backing the increase, the effect of which would be to drive up the price of imported reading material by between 25 and 30 percent.

No South African publisher was likely to do business with any printing firm which was in

PAPER companies are suspected of being behind raising the cost of imported books, seen as a tax on knowledge

74F

favour of a tax on knowledge, Horwitz said.

At a press conference in Johannesburg on Friday it was again suggested that paper companies were behind the tariff increase move. Last week a spokesman for Sappi, A C Locke, claimed the increase was "in no way connected" with the price of local paper.

And Manufacturers' Association of SA (Pamsa) chairman Bert Ibertson said major local paper manufacturers Sappi and Mondi had not increased the price of book printing papers for

18 months.

Pamsa, however, refused to condemn outright the proposed tariff increase.

Horwitz commented: "There are two huge paper companies in SA. They are 'protected' by tariffs against imported paper.

"Our suspicion is that they hook paper prices to the price of imported paper plus tariff, rather than setting prices at an economic level. We believe the same will happen with printers."

The chairman of the Senate Library Committee of Wits University, Professor Lesley Glasser, said the tariff move would have a major effect on education.

Award-winning author Professor Tim Couzens told the press conference: "When the books aren't there, intellectual activity isn't there."

► **A new threat to prosperity — Page 17**

Stre



Plan
has

TED results to be released on Wednesday

BIDON 13/12/93

Printers reconsider book surcharge as outcry grows

THE PRINTING Industries' Federation of SA could back down on its proposal to slap a 20% surcharge on all imported printed material as condemnation of the move intensifies. (195)

It was reported yesterday that federation spokesman Erich Kuhl said the organisation was canvassing its members in the wake of the furore and might change its position or drop the suggestion altogether.

The Printing Association of SA (Pasa) made a formal objection to the Board on Tariffs and Trade at the weekend, and has launched a campaign urging the public to protest against the surcharge. (747)

On Friday, members of the publishing industry said that until now, there had been a 1,8% wharfage charge on imported books, but no import surcharge.

Pasa executive committee member Stephen Johnson said publishers paid up front for books, and then financed the outlay until books were sold. He said a similar tax in Zimbabwe — which has since been removed — had increased book prices by 40%.

Witwatersrand University Press head Eve Horwitz said yesterday that a "tax on knowledge" would jeopardise SA's ability to remain "anywhere near the leading edge of developments in a whole host of specialist fields".

Britain warns on books surcharge

THE proposed imposition of a 20% surcharge on imported printed matter could jeopardise additional British investment in SA, British Consul-General John Doble has warned.

Doble, in a letter to the Board on Tariffs and Trade, said the tax would have a damaging effect on the UK publishing industry. Many British publishers had been established in SA for a long time and were particularly active in the educational field. *BIDAY*

The consulate had been planning a trade mission to SA in 1994, and this had been placed in jeopardy by the proposed tariff surcharge. *14/12/93*

The Publishers' Association of SA (Pasa) said yesterday tertiary education would be hardest hit by the surcharge on imported printed material.

Pasa academic interest group chairman Basil van Rooyen estimated that prices of tertiary textbooks had increased fivefold over the past 10 years because of inflation and the weakening dollar value of the rand. An import surcharge would accelerate a trend which already had serious implications for education. *(45) (74F)*

He said most tertiary textbooks were sourced from the US, with about 100 000 titles imported each year.

This did not represent a source of work and jobs for SA's printing industry because it would be impossible to produce any of these titles locally, he said.

The 20% duty would translate into a 25% or 28% increase at the bookshop till because up-front duty payments would have to be financed and extra administrative work would be needed by retailers and suppliers.

And Pasa warned that the price rises would apply to all books, not just imported ones. "It is standard practice in the industry to use the profit from imported books to subsidise the production of indigenous literature," it said. — Sapa.

The proposal to impose a 20 percent tax on imported books has brought on apoplexy, writes Books Editor

James Mitchell

Need is for more books, not fewer

Star 14/12/93

The proposed 20 percent increase in the tariff on imported books is a self-imposed cultural boycott.

That is the message from writers, publishers and educators in response to the bid — fronted by the Printing Industries Federation of South Africa — to impose the tariff.

Author Sir Laurens van der Post said from London: "South Africa has suffered too much already since the last World War from isolation, not only in the economic and political sense of the word but far more severely and damagingly in the intellectual communication and stimulation there should have been between it and the other civilised nations of the world."

The ANC's Albie Sachs, himself an author, said: "Now is not the time to impose on ourselves a new cultural boycott — by price. We need more books from abroad, not less."

Professor Tim Couzens, academic and multiple award-winning author, said: "This is being done for short-term gain."

He likened the effects of pricing reading material out of the market to "the great 19th century migrations of the springboks, in their millions, (which) will never recur. They have left only a desert."

"This tax on books will leave an intellectual desert."

He noted that the tariff would not create additional work for local printers as the majority of imported texts could not be printed here.

Only the economies of scale of international print runs made the exercise economically feasible.

He charged that South Africa would be reduced to "recycled intellectual crap printed on recycled loo paper".

Calling the tax "a direct attack on tertiary education", the president of the Wits SRC, Brendan Roodt, said that "the new South

What effect would the tariff have on the availability of books?

The "national bookshelf" would shrink incredibly, warned the head of one of South Africa's biggest importers and distributors of books.

Malcolm Edwards, MD of HarperCollins, said his company's current range of 12 000 different titles would probably shrink by 40 percent.

"Fifty percent of all the titles we have in stock in Johannesburg sell less than 50 copies a year. All those titles would suddenly be at risk."

Africa" was its target. ~~(S)~~ (74-F)

Black students were not merely educationally disadvantaged, but economically disadvantaged, he said. They already needed assistance with tuition fees and with residence fees. They would find it impossible to pay increased prices for textbooks.

Students depended largely on imported textbooks, emphasised Professor Njabulo Ndebele of the University of the North.

"In these days, when quality education is, in the national interest, the highest priority, we cannot place books further beyond the reach of South Africa's students."

The tax would be harmful to South African prospects for effective democracy, he said.

"Democracy can only be sustained, among other things, by an informed, literate, educated and reading public. The high cost of books and high levels of illiteracy in our society militate against our country's reaching that essential condition of democracy."

Van der Post called for the proposal to be "stamped upon at once before it can grow".

"With millions of readers who have been isolated by years of inflexible apartheid coming into the modern world for the first time,

books are every bit as important as they were to our people who once had access only to the Bible.

He said the tax would have a major effect on the supply of books to the whole African continent.

"South Africa has always set the example in education and books to the rest of Africa. Travelling through Africa as I so often do, the scarcity of books in the truly modern sense is appalling. South Africa has been one source of books for the whole continent, and to inhibit this now will have consequences for the whole of Africa."

There is no way in which the proposed tariff will "protect" local industry, warned Struik MD Nick Pryke.

Many of the books printed by his firm sold well overseas. Local runs were small.

"If we can't get the international sale (because of increased printing prices), we can't print the book."

"So the book would simply not be available at all."

Some local publishers will have to close their doors, according to Struik executive chairman Gerry Struik.

In an strong letter to the Board of Tariffs and Trade, he said that of his company's 210 permanent staff members, at least 50 would be retrenched should the duty be imposed. The knock-on effect would be some 250 additional people becoming unemployed.

Publishers and booksellers fighting against the imposition of the tariff have reported "a flood" of support from local and overseas sources".

At last week's press conference to announce their campaign against the measure, they urged all concerned to write to the Board of Tariffs and Trade.

■ The address is: The Chairman, Board of Tariffs and Trade, Private Bag X753, Pretoria 0001.

Govt keen to scrap book tariff

By ANTHONY JOHNSON
Political Correspondent

THE government last night signalled the death-knell of moves by the Printing Industries Federation (PIF) to slap a 20% tariff on all books imported into South Africa.

Instead, the government has ordered a probe — in line with South Africa's offer to the General Agreement on Tariffs and Trade (GATT) — to reduce the tariff on

ET 16/12/93 (74F)
imported books from the present level to zero "in the near future".

Tariffs on imported publications currently range from zero to 15% — with an average of 10%.

Deputy Minister of Trade and Industry Mr David Graaff responded yesterday to the "strong public reaction" against the application by the PIF.

He said such a move would require both a recommendation from the Board

of Tariffs and Trade and the agreement of the minister.

He added that South Africa's offer to GATT included a proposal to bind a tariff on imported books at zero.

Mr Graaff said he had requested that the Board of Tariff Trade's investigation of the application by the PIF "should also consider the desirability of reducing the tariff on imported books from the present level to zero in the near future".

20% tax on books shelved

Star 16/12/93

■ BY JAMES MITCHELL
BOOKS EDITOR

The Government will not implement the controversial proposals to impose a 20 percent tariff on all imported reading material.

Announcing this yesterday, Deputy Minister of Trade and Industry David Graaff made it clear that the decision was a direct response to the public outcry.

Furthermore, the Government might scrap the current 20 percent tariff which applies to certain categories of books such as directories, yearbooks, guidebooks and handbooks relating to South Africa.

The attempt to impose an overall 20 percent tariff — which would have had the effect of pushing book prices up by some 28 percent — was ostensibly initiated by the Printing Industries Federation of SA (Pifsa). Publishers, however, claimed that major paper manufacturers were behind the move. (S) (F) (F)

Academics and educationists had criticised the proposals as "a tax on knowledge".

Graaff said South Africa had made an offer to the General Agreement on Tariffs and Trade talks in Geneva to "bind" the tariff on imported books at zero percent.

News of the government move was greeted with jubilation by publishers and distributors.

Steven Johnson, MD of Random Century, said: "It was the only sensible thing to have done. I would now like to see a commitment from any future government to accept the Florence Agreement (on the untaxed movement of written material) as binding."

And Kate Everingham, a spokesman for the Publishers' Association of SA, called it "a victory for sanity".

No comment could be obtained from Pifsa.

Govt blocks bid to raise duty on books

CAPE TOWN — An application by the Printing Industries' Federation to slap a 20% duty on imported publications has been effectively blocked by government.

Deputy Trade and Industry Minister David Graaff said on Wednesday that the application would have had to have been recommended by the Board on Tariffs and

Trade and have had his concurrence.

In view of strong public reaction, neither had happened, he said.

Instead, he had recommended that the board consider whether the tariffs on imported books — currently ranging from zero to 15% — should be reduced to zero.

— Sapa.

BIDON 17112193

(198)(74F)

African trade terms decline

HARARE — Africa's trade terms declined 6% during the last two years, largely because of low growth rates in industrialised countries, according to the Association of African Central Banks.

Zimbabwean central bank governor Leonard Tumba said, while reviewing economic and monetary developments in Africa from June 1991 to September, that conflict and drought had also restrained growth.

"Low economic growth and higher rates of inflation compounded the problems of poverty and unemployment. Budget and current account deficits also deteriorated significantly," Tumba said in a report presented at the association's meeting in the Sudanese capital, Khartoum, last week. — Sapa.

Kenyan currency reforms

BIDAY 17/12/93

NAIROBI — Kenya, seeking to clean up its image for Western donors, took a giant step towards abolishing all foreign currency controls on Wednesday.

Finance Minister Musalia Mudavadi announced a package of radical reforms liberalising foreign currency movements and removing some limits on borrowing.

Non-resident shareholders will now be able to receive interim dividends without delay and foreign companies can borrow without restriction on the local market.

To encourage investment, the government will let residents borrow abroad up to the equivalent of \$1m as long as the loan does not involve government guarantees. Other changes raise the limits on the amount of foreign or Kenyan currency travellers can freely take out of Kenya.

Economic analysts hailed the changes, which take effect immediately, as a breakthrough in trying to reform an economy burdened by corruption and bureaucracy.

ruption and bureaucracy.

"These are excellent measures which will boost investor confidence," said one private banker. And another said: "These are very positive moves and leave exporters in a strong position. It is only a matter of time until the complete scrapping of foreign currency controls."

Under the previous system the central bank had to authorise some of the foreign exchange transactions. Corrupt officials demanded backhanders, hitting foreign confidence in the economy.

Now anyone leaving Kenya or arriving will not be required to declare foreign currency notes worth less than \$5 000. The maximum amount of Kenyan currency a traveller can take out has been raised from 200 shillings (\$3) to 10 000 shillings (\$140).

The measures are seen as key ones in attempts to stimulate regional trade and rebuild the East African Community linking Uganda, Tanzania and Kenya.

At a meeting in Tanzania on November 30 the presidents of the three countries agreed in principle to re-create the community, which shared railway, telephone and port authorities until it collapsed in 1977.

Despite the reforms, exporters will still have to remit half of their hard currency earnings from exports to the central bank, which then credits them with the shilling equivalent.

If they want access to the money again to pay for imports related to their business, they have to apply to the central bank for a licence. And residents may still not hold foreign currency accounts in Kenya.

President Daniel arap Moi, 67, has met many of the economic conditions set by Western donor nations for restoring balance of payments support. Economic analysts say Mudavadi, a reformist appointed shortly after Moi won multiparty elections last December, had also made tremendous progress in winning back creditor support. — Reuter.

Zambia's new import duties are unfair, say SA exporters

LOCAL exporters have criticised the Zambian government's plan to introduce new import duties on SA-manufactured goods, calling it unfair. BIDAY 17/12/93

Zambian Trade and Industry Minister Alf Hambayi announced last week that new import duties would be introduced on SA and Zimbabwean goods from next year to protect Zambian manufacturers against the competitive edge enjoyed by the two countries. (74F) (200)

The measure would be accompanied by tax rebates for Zambian manufacturers, he said.

SA's Daeta International, which exports general commodities to Zambia, said the plan would stifle trade. Daeta official David Dunn said the company planned to investigate the issue and approach the relevant authorities.

A local exporter of refrigerators and stoves said import duties were already too high in some sectors. It is understood that duties in some sectors are as high as 76%.

Another trade source said that while it was understandable that certain "infant industries" needed protection, it was unacceptable for governments to introduce blanket bans. "What makes it more ridiculous is that the duties will only apply to two countries," he said.

JOHN DLUDLU

ulous is that the duties will only apply to two countries," he said.

A spokesman for the SA trade office in Zambia said he would take up the matter with his Zambian counterparts.

Speaking from Pretoria, acting Zambian representative in SA Shula Musakanya defended the minister's announcement, saying it was aimed at encouraging "production-based investment". The government also wanted to stamp out dumping in Zambia of inferior goods by foreign companies.

This practice had been encouraged by a sharp plunge in the Zambian currency, which had since shown recovery.

One observer said the move was part of a continuing effort by the Zambian government to buoy its weak private sector and to create jobs by encouraging physical investment.

Musakanya said it was unlikely the decision would be reversed, as protectionist measures had so far strengthened the economy and the Zambian currency.

About 170 investment licences held by SA companies would not be affected by the new duties, he said.

High-level British trade mission arrives soon

JOHN DLUDLU

A HIGH-POWERED British trade mission is to visit SA next year in an effort to strengthen relations between the two countries, a spokesman said this week.

Speaking from London, Coventry & Warwickshire Chambers of Commerce and Industry export promotions executive director Malcolm Vaughan said the 20 companies taking part in the mission were "highly interested" in opening new accounts in SA.

The delegation will arrive in Johannesburg on February 14, spend four days in Johannesburg, and visit Cape Town and Durban. Among the industries represented are the cosmetic, manufacturing, computer and pharmaceutical industries.

Vaughan said the SA market was significant to British exporters both as a trading partner and as a gateway to southern African markets.

This visit will be the second in two years after trade relations were disrupted by sanctions in the '80s.

Vaughan said another aim of the visit would be to revive relationships with local chambers of commerce, which delegates were scheduled to meet during their week-long stay in the country. No meetings had been arranged with political parties.

He said the visit could lead to the establishment of joint ventures and distribution agents.

Vaughan described the attitude of British companies towards SA as "cautiously optimistic" on socioeconomic developments and the April election.

FOREIGN TRADE
Dance of the veils

In 1992, the US replaced Germany as SA's largest trading partner, according to an analysis of trade data by Kevin Lings of Nedbank's Economic Unit. Transactions with the US amounted to R12bn (US\$4,2bn). Of this imports amounted to R7,1bn (\$2,5bn) and exports R4,9bn (\$1,7bn).

Germany dropped to second place with R11,6bn (\$4,1bn). Imports were valued at R8,6bn (\$3bn) and exports at R3bn (\$1,1bn). Germany is the largest source of SA imports.

Lings' analysis is probably the first to be published since the veil of secrecy, placed over trade with specific countries between 1987 and 1991, was lifted.

Previously statistics had to be obtained from the trade commissions and embassies of the countries concerned, but are now available from the Commissioner for Customs & Excise.

A breakdown of trade balances by country, shows that SA runs a deficit with many of the larger industrial countries, the markets for most of our goods (see graph).

The largest surplus is run with Switzerland, which is the destination for the biggest proportion of exports, R5,4bn (\$1,9bn). But this is simply because diamond exports are routed through the Lucerne-based De Beers' operation. The figure is further inflated by diamond exports originating in Botswana and Namibia, members of the Southern African Customs Union.

Also high on the list of surpluses are Zambia and Zimbabwe. These countries source the bulk of their imports through SA ports

and they are then re-exported.
 Lings' country analysis breaks down trade by category. Germany heads the lists of the major import items:

- Machinery and electrical equipment at R3,3bn (\$1,2bn); and
- Chemical products at R1,1bn (\$391m).

Japan tops the list for vehicles and equipment, at R2,5bn (\$866m), with Germany next at R1,9bn (\$669m).

The US heads the list for SA imports of vegetable products at R1,1bn (\$393m), probably because of large quantities of maize brought in from there as a result of the 1992 drought.

Switzerland receives the largest exports of jewels and precious stones, at R5bn (\$1,7bn).

The biggest purchaser of exports of unclassified items (where these are allocated by country) is the US, at R2bn (\$704m). This includes exports of precious metals.

Japan is the biggest buyer of mineral products, at R1,2bn (\$426m), and Taiwan of base metals R1,2bn (\$433m).

However, much trade-related information remains under the veil. No figures are available for the years 1987-1991, for instance, so it's impossible to discern trends in trading patterns.

More important, the unclassified category, which includes imports of oil, exports of precious metals and sales of arms and military equipment, is still shrouded in secrecy. Movements by country in this category are only revealed at the authorities' discretion: otherwise they are listed as "unallocated." About R19bn (\$6,6bn) worth of exports is reported as unallocated out of unclassified exports of R25bn (\$8,8bn); and R6,2bn (\$2,2bn) out of unclassified imports of R6,5bn (\$2,3bn).

This distorts country figures, particularly on the export side. Were gold, for instance, included, it would probably change the order of SA's leading trade partners. It could also, conceivably, turn some of the trade deficits to surpluses.

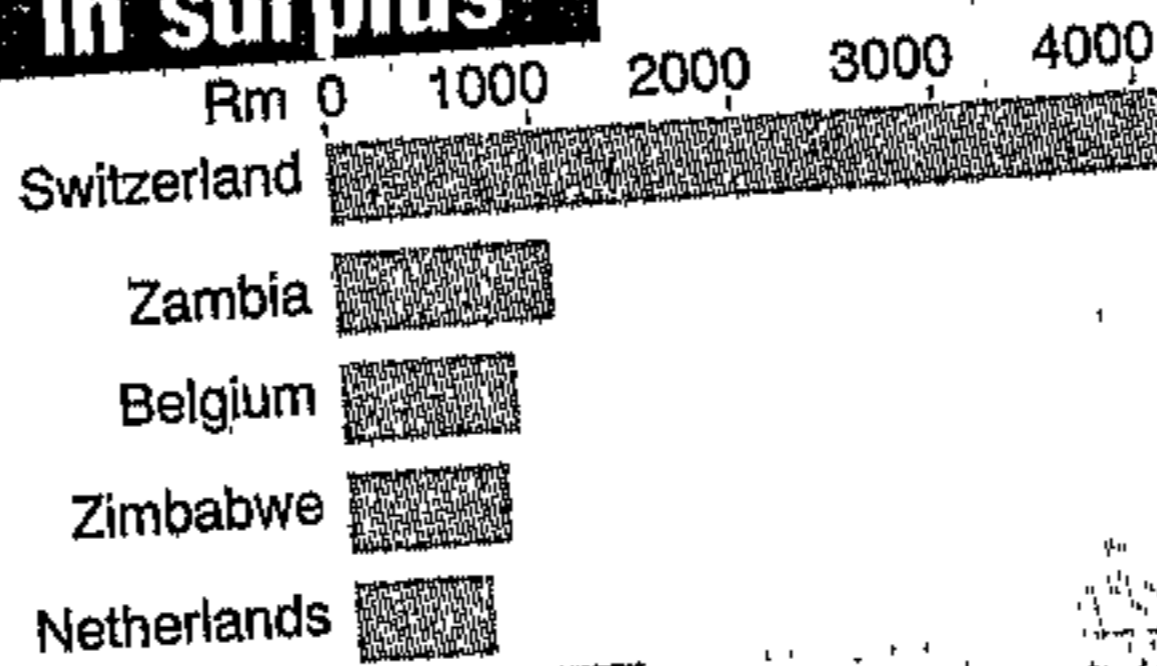
Gold exports should at least be disclosed

as a separate entry by country.

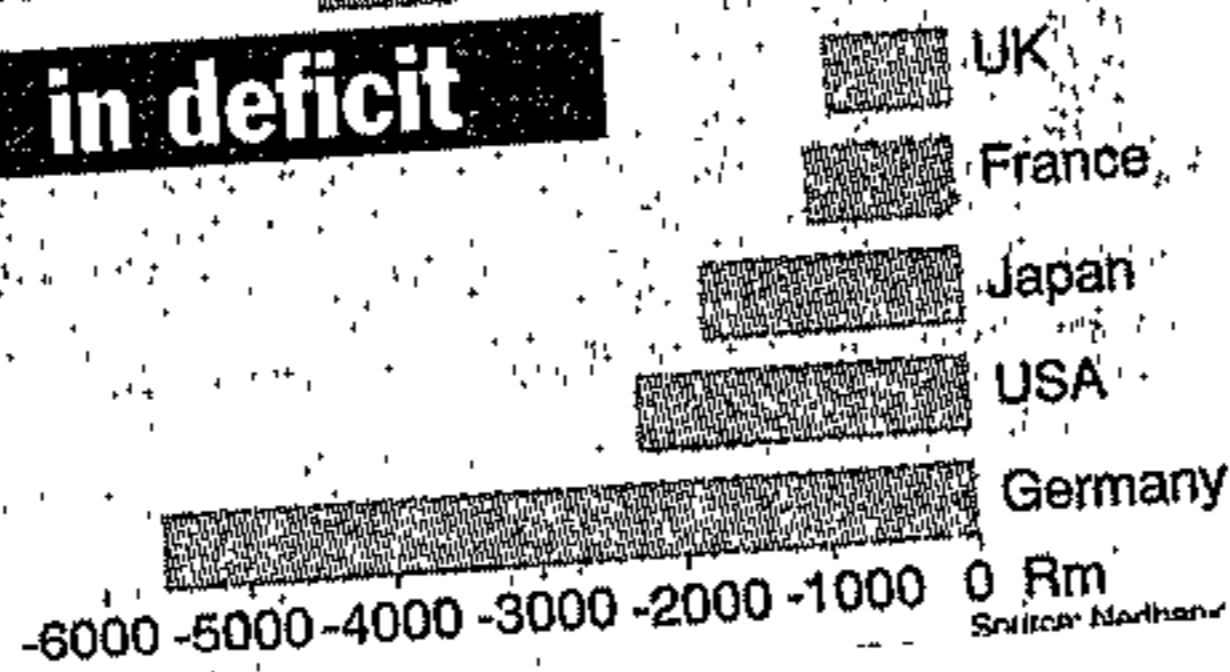
As with all international trade statistics, SA's figures often don't give the final destination of goods. The figure for diamonds through Switzerland is a case in point, as are the export figures for Zambia and Zimbabwe: SA is merely a thoroughfare for goods to these countries from overseas.

SA's trade balance:

in surplus



in deficit



Clothing tariffs unadjusted

SA's GATT negotiators had adjusted tariff offers in several key categories of industrial products, but kept the final offer on clothing intact, acting Trade and Industry director-general Gerrie Breyl said yesterday.

In their final offer negotiators agreed to tariffs of 25% on fabrics, 17,5% on yarns and 10% on fibres. Previously SA offered to impose tariffs of 45% on household textiles.

Negotiators compromised on their offer to increase tariffs on iron and steel products to 15% from the current 5% level, proposing a tariff of 10% instead in the final offer.

SA also offered to zero rate printed books and washing machines and parts after previously suggesting tariffs of 10% and 20% respectively.

The tariff on paper was reduced to 5% from a previous offer of 10%. Existing tariffs would be lowered over a 10 year period with an initial

KELVIN BROWN

standstill period of five years.

In the final GATT document SA offered to cut tariffs on soda ash imports to 5,5% from a previous offer of 20%. BIDON 22/12/92

The motor vehicle industry emerged from the talks with its high 50% tariff protection rating intact.

SA's agricultural sector is likely to benefit from last week's conclusion of the Uruguay Round of GATT, according to a report by the Agricultural Department, Sapa reports.

The GATT farm deal could lead to an increase of between 10% and 30% in world agricultural prices.

Under the GATT farm deal, domestic farm support is to be reduced by 20%, and subsidised exports sliced 36% in value and 21% in volume.

All import barriers are to be converted to tariffs and cut by 36% on average (74F)

Clothing firms told to export

BIDAY
Own Correspondent

CAPE TOWN — The SA clothing industry could double its current output to \$3bn — and create 225 000 new jobs — merely by securing a 1% market share in the US, Germany, Italy, France and the UK, says National Clothing Federation (NCF) director, Henrie van Zyl. 23/12/93

He says more use should be made of existing industry structures in a joint marketing effort to arrange trade missions, help manufacturers exhibit overseas and co-ordinate export training. (745)

Stressing the need to increase exports, Van Zyl says imports will soon rise and local manufacturers can compete only by ensuring two-way traffic. (87)

By AUDREY D'ANGELO
Business Editor

COMPETITION from duty free imports of mass produced clothing from the Far East, allowed into SA under the structural adjustment plan (SAP), is forcing Meritex to close its manufacturing division at the end of this year.

The company, which has been in existence for 50 years, currently employs 800 people.

It will continue to trade but financial director Dave O'Donovan said it would be "primarily a marketing and trading organisation."

O'Donovan said it was intended to sub-contract the manufacturing side of the business, and it was expected that "a large proportion of the workforce" would be employed by the sub-contractor.

But, "regrettably, some jobs will be lost in the process."

O'Donovan said arrangements to sub-contract the manufacturing work had not yet been finalised because discussions with the SA Clothing and Textile Workers Union were still in progress.

For this reason it was not yet possible to say how many jobs would be lost. "These things can no longer be decided unilaterally, without consultation with the union."

Making the announcement yesterday MD Ed Gordon said: "Through this measure, which was necessitated not only by the increase in low-priced imports but also by the burdens of persisting industrial unrest and declining productivity, the company expects to achieve improved economies of scale."

Meritex, which manufactured T-shirts and underwear and has a textile printing operation, employed more than 2 000 people in 1990.

Its last good trading year ended in January 1989, when it achieved earnings of 26c a share and after-tax profits of R4,2m. No dividend has been paid since then.

Earnings fell to 1c a share and after-tax profits to R125 000 in Janu-

Death knell sounded for Meritex core business

74F (123)

ET 23/12/93

ary, 1990. Earnings remained at 1c a share the following year, after a first-half loss of R1m.

And in January 1992 the company reported a loss of R3,5m after reducing staff numbers by almost 30%.

The net loss had grown to R7,5m by the end of the company's last financial year, on January 31, 1993. Its knitted fabric manufacturing division, Tide Fabrics, was closed.

Ed Gordon, blaming "dumping" and uncontrolled imports, explained then that T-shirts were being imported at a free on board (FoB) price of R2,24 each, which was less than the cost price for a local manufacturer.

Exports

The average rate of duty paid on the T-shirts was 9% because exporters were allowed to bring in 70c worth of duty-free fabric or clothing for every R1 worth exported.

The permits to bring in duty free clothing will expire in April. But O'Donovan said yesterday: "We have been taking a hammering for a long time."

"The country is awash with these cheap imported clothes and the duty free imports will continue to affect the clothing industry for a long time to come."

The SAP, and the permit system, were introduced to encourage SA manufacturers to compete in high fashion, high quality niche markets internationally rather than in the high volume market in which they need tariff protection against goods from South East Asia.

FOREIGN TRADE
FM 24/12/93

Against the grain (74F)

SA's higher foreign trade surplus, in nominal terms, owes much to the slowing in imports of maize and oil, since about the middle of

ECONOMY & FINANCE

FM 24/12/93

(74F)

the year (see graph). In November the trade surplus was R2,1bn, from R1,7bn in October. The cumulative surplus reached R18,4bn, up 27,6% on the same period in 1992. Exports so far total R73,2bn (up 18,6%) while imports total R54,8bn (up 13,2%).

The category vegetable products, which is made up mostly of imports of grains, has fallen off sharply since the maize import programme, initiated in April last year, was discontinued in March this year. As a result imports in this category are down 17% on the same period in 1992, at R1,8bn. They are likely to fall even further since wheat imports

- Mineral products, at R7,8bn (up 20,4%); and
- Jewellery and precious stones, at R9,7bn (up 48,4%).

Jewellery and precious stones should be read in the context of higher imports in this item, which totalled R1,4bn, compared with R322,8m over the first 11 months of 1992. This is because rough diamonds are purchased overseas, sorted and re-exported, thus pushing up both the import and export totals, says Osborn. "There would be some value added though, which is good news for economic activity."

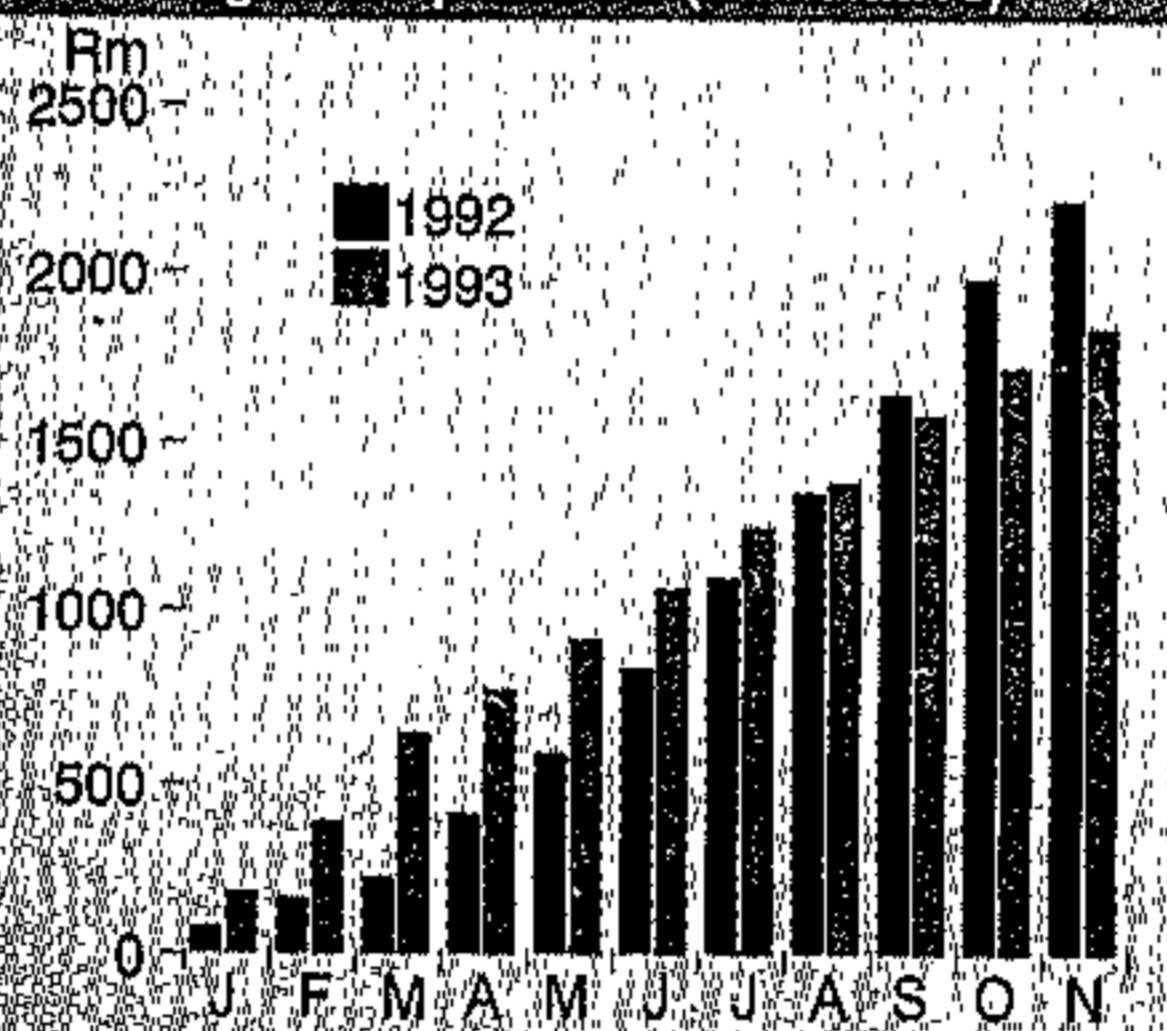
Osborn contends that the overall export picture is less encouraging when looked at in currency-adjusted terms (in other words, excluding the effects of currency depreciation). On this basis exports were only 3,6% higher than in the first 11 months of 1992. Of the big ticket export items, only jewellery and precious stones were significantly higher, by 28,3%, while unclassified goods were up a modest 6,4%.

But the currency adjustment has also amplified the decline in many import items, notably unclassified goods (-26,8%) and vegetable products (-24,3%).

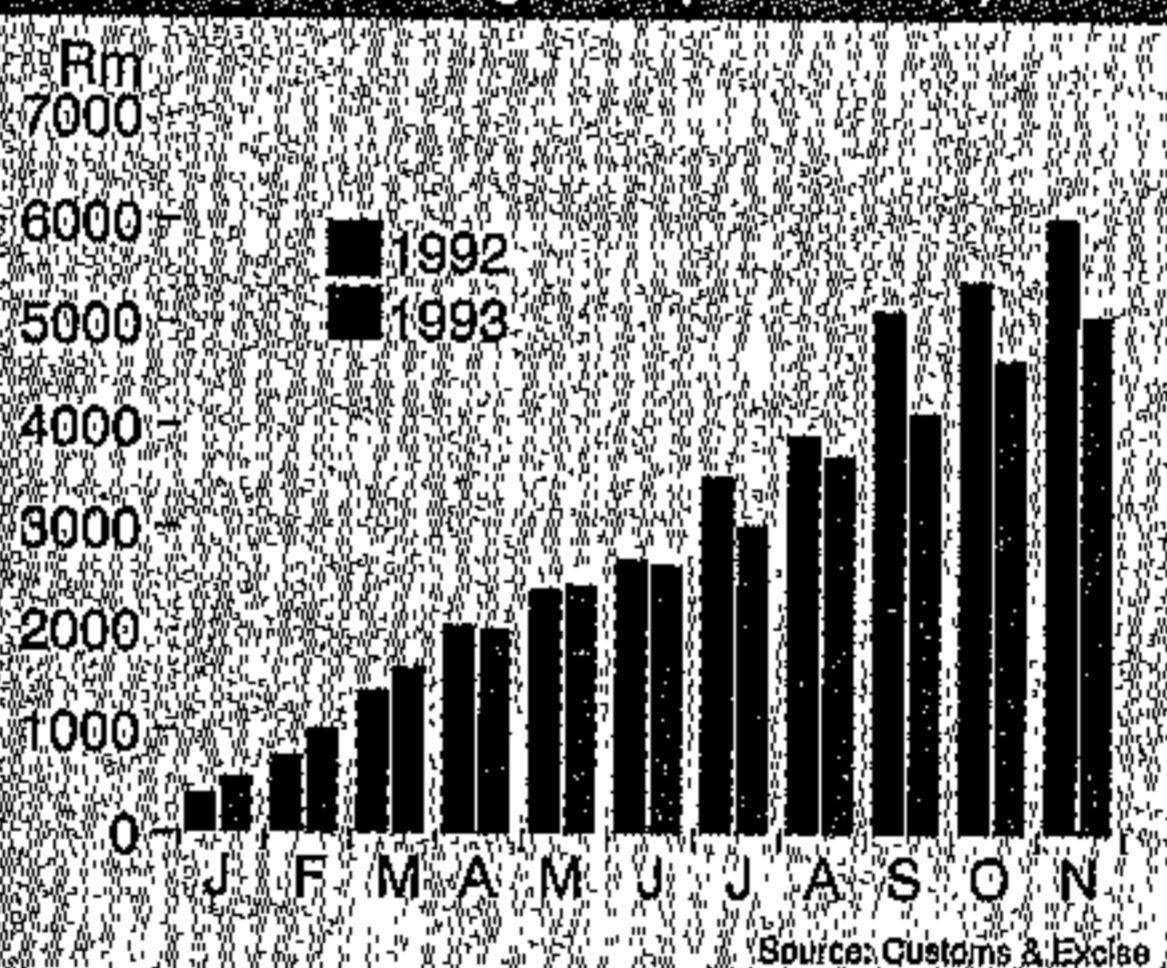
So overall imports are up only a currency-adjusted 1,5%. ■

Import relief in 1993

Vegetable products (cumulative)



Unclassified goods (cumulative)



are likely to cease from December.

The unclassified item, which includes crude oil imports, is 15,9% lower than in 1992, at R5,1bn. This has coincided with lower international oil prices this year. Nedbank chief economist Edward Osborn says there has also been evidence of increased local production and sales of strategic stocks.

The performance in these categories has offset growth in the larger import areas, notably:

- Machinery and equipment, which has cost R15,7bn so far this year (up 14,5%);
- Vehicles and transport equipment, R8,4bn (up 34,8%); and
- Chemical products, R6,1bn (up 15,5%).

The surplus has been further boosted by large exports of:

- Unclassified goods (mostly gold and precious metals, but including a new growth element — petroleum exports), at R27,7bn (up 22,6%);

FOREIGN TRADE - (IMPORTS ~~AND~~)

1993 - 1994

ago. Cr 23/7/93
Export

Free (745)

Zones (745)

'boost for

W Cape'

"real hard sweat" would be needed to achieve stable foreign reserves.

"SA needs to have forex covering three months of imports and for that reason I see interest rates staying high, possibly for the rest of the year."

He added that "there are tentative signs that the economy has already ceased contracting".

These signs included the real growth of retail sales and manufacturing production as well as the breaking of the drought, the rebound in new car sales and rising notes and coins in circulation.



THE debate on SA's foreign trade policy is focused on a need for further import liberalisation, in particular the systematic lowering of import tariff protection. This policy approach has been put forward, with varying degrees of emphasis, through research conducted by the IDC, the World Bank and the IMF, among others.

This approach stems, at least in part, from the impression that tariff protection levels are comparatively high. For example, the IDC's 1990 document Modification of the Application of Protection Policy put the average level of protection at about 20%. On the face of it this is relatively high, since for developed countries the level of protection is around 5%, while it ranges from 9% to 13% in newly industrialised countries.

But as the IDC itself points out, these percentages are deceptive and the generalisation misleading, since tariffs vary widely between industries and among products of a particular industry. Many products carry an effective tariff protection of more than 100%, while other items carry no tariff at all. Furthermore, in government's normative economic model it is suggested that "SA's tariff-based protection is not excessive when compared to other developing countries."

There are two arguments for increased trade liberalisation in the form of reduced import tariffs. First, if tariffs are reduced, price distortions caused by high tariffs on imported inputs are diminished or eliminated. Industry would then obtain a broad spectrum of inputs at world market prices and become significantly more competitive, particularly where value-added manufactured exports are concerned.

The second argument holds that the resulting increased level of competition will force industries to adjust and become more competitive through rationalisation and improved technical efficiency. Implicit in these arguments is the

Scrapping import protection could be counterproductive

KEVIN LINGS and EDWARD OSBORN

E/Nov 11/6/93

presumption that local manufacturing is currently operating inefficiently and that, if exposed to greater international competition and able to obtain inputs at ruling world prices, it would somehow become internationally competitive.

The arguments also assume a great deal about the mobility of resources and manufacturers' willingness to reallocate resources on the basis of policy changes that have proved to be less than consistent and sustainable. But most importantly, they assume local industry has the ability to adjust positively to increased competition. This has not been substantiated in any way.

Furthermore, the notion that greater export orientation is brought about by a scaling down of protection has been refuted. If import tariffs are not viewed as simply defensive measures, but rather the first step in becoming internationally competitive, as in many emergent Far Eastern economies, the very existence of import protection promotes greater export orientation.

Nowhere has the question of competitiveness been addressed adequately. The common presumption is that since industry has, for a long time, operated behind a high wall of protection, it has become lazy, ineffi-

cient and unproductive, unwilling to take risks, and is correspondingly uncompetitive. All that is required is a sustained dose of international competition, and all will be well.

Many factors combine to determine the international competitiveness of a country's manufacturing sector, including the cost of capital and labour, availability of skilled manpower, institutional support, access to technology, and even the willingness to compete internationally. Moreover, the impact of these factors is likely to vary quite significantly from industry to industry and, even more significantly, from firm to firm.

For example, an industry may not be internationally competitive primarily because it does not use the latest technology that is available to other producers abroad; it would have to improve its technology base to enter the world market effectively. Another industry may be uncompetitive because it faces relatively high costs of production, in particular a high unit labour cost. In both instances, a reduction in the level of tariff protection will not directly ad-

dress the primary cause of an industry's lack of competitiveness.

Rather, it is merely likely to result in the industry falling prey to overseas competition. Furthermore, it is naive to assume that the increase in competition following the reduction in tariff protection will jolt the industry into far more efficient means of production, particularly if that requires extensive capital investment accompanied by an improvement in managerial and technical competence and skills level.

The notion of tariff levels being relatively high or of local industry having generally become comfortable behind a protective tariff barrier is not at issue. Nor is it disputed that the system of applying tariff protection has been weak in terms of frequency of tariff reviews, the selectivity of granting tariff protection and the indiscriminate use of formulae duties. In addition, there is clear evidence to suggest that tariff increases, including import surcharges, have added substantially to the import parity price level. It is also not suggested that competition is unhealthy.

Rather, we argue that, to improve the manufacturing sector's competitiveness, there first has to be thor-

ough analysis of the reasons for its lack of competitiveness. In addition, it has to be recognised that the factors leading to a lack of competitiveness are probably going to vary from industry to industry.

Therefore, applying any single "solution" such as reducing tariff protection to some predetermined target — even if accompanied by measures aimed at maintaining macroeconomic stability — will not necessarily improve competitiveness, but could be extremely dangerous and possibly cause irreparable damage to certain industries.

There is no guarantee that a general reduction in tariff protection will result in a larger and more industrious domestic manufacturing sector; indeed it might have the opposite effect. Thus for SA's manufacturing sector, certainly initially, a lowering of the tariff structure will mean a fight for survival rather than a catalyst for expansion.

At a recent Idasa conference, Sanjaya Lall of Oxford University said "much of the past discussion (on import liberalisation) lacks a good feel for how industrial firms become competitive, and thus tends to oversimplify the needs of policy support in factor and product markets that do not function with the efficiency that economic theory expects."

Nevertheless, as Lall has pointed out, there is a case for the restructuring of the import protection system. This could include a more stable and simple tariff system. But most importantly, there should be a closer link between selective import protection and the achievement of international competitiveness by building in factors that both limit the duration of protection and promote international competitiveness.

Specifically, this requires incentives for upgrading technology and undertaking the necessary fixed investment. And it has to be recognised that adjusting to increased international competition would be easier during a time of improving economic performance.

Both authors are with the Nedbank Economic Unit.

Industrial policy 'less protected'

Biday 13/1/93
(745) (745)

EDWARD WEST

THE prolonged recession inhibited government plans to shift industrial policy away from protection to a more export-directed policy, Board on Tariffs and Trade chairman Nic Swart said in the 1992 annual report.

He said industrial policy had started to move away from protection to a more export-directed policy in the past few years, but rapid progress had not been possible last year due to the recession and weak international economies.

Subdued local demand and unutilised international industrial capacities had placed local industry under strong pressure.

Political developments also did not support the initiative away from protection, he said.

Economic growth was critically dependent on industrial development and a tariff structure promoting international competitiveness was essential.

However, to improve competitiveness further, other structural aspects like tax rates, exchange rates, training, investment and technology, would have to be addressed, Swart said.

The board aimed to eliminate constant amendments to tariffs, simplify tariffs, eliminate import control — the tariff should preferably be on an ad valorem basis — and eliminate

formulas and specific duties.

The board also aimed to reduce import duties on a planned and managed basis and to promote the competitiveness of exporters by means of drawbacks and duty rebates on inputs.

The reduction of tariffs and the elimination of formula duties could be achieved only if an effective anti-dumping unit was in place. The recently formed Directorate for Anti-Dumping would be further expanded this year, Swart said.

During 1992, the board initiated investigations into the audio/video cassette industry, the electronic components industry, the white goods manufacturing industry, the machine tool manufacturing industry and the tyre industry.

Price formation in the food industry and tariff protection on paper were investigated at the request of government during the year.

The board had also attended to 595 tariff applications during 1992, 140 of which were carried over from 1991. Of the 350 applications finalised during the year, it had supported 130 while 220 applications were rejected.

The board had supported 17 applications for greater protection of the 48 it had finalised, while the remainder were rejected.

'High duties hit exports'

AD my
13/11/93
HARARE — High duties imposed on textile imports by SA had cut the Zimbabwe textile industry's export earnings by between 15% and 20%, Central African Textiles Manufacturers' Association chairman Alan Smith said yesterday. (132)

The SA government's refusal to extend the import duty exemption period on Zimbabwean textile products had resulted in companies such as Zimbabwe Spinners and Weavers closing down some of their operations as export orders were being cancelled, Smith said. (74 D)

SA's Department of Trade and Industry last week defended its decision not to extend the exemption period, which lapsed on December 31. (27)

The DTI said the high duties were not aimed specifically at Zimbabwe and a margin of preference in favour of SA's northern neighbour was still being maintained.

Smith said his organisation was negotiating with the SA Textile Federation to try to establish a basis for equitable trade in textiles. — Sapa.

ANC takes up cudgels against import duties

WILSON ZWANE

THE ANC southern Natal region asked the Board on Tariffs and Trade yesterday to disregard a proposal by the Dry Bean Board and the SA Grain Trader Association to impose a 40% import duty on dry beans. The organisation also requested the board to abolish R40-a-ton import duty on rice. *BIDM 20/11/93*

In letters to the board, the ANC's economic policy department said the country's agricultural sector was in a "mess" because of agricultural control boards.

It said it hoped the board would not impose the proposed import duty on dry beans as that "will be against millions of South Africans who live below the poverty line and whose only source of protein is affordable dry beans".

The proposed import duty would also stifle the agricultural sector, which would thrive on healthy competition.

It said the import duty on rice should be abolished as a matter of urgency.

By doing away with the duty, the board would be demonstrating that it cared for "millions of South Africans whose diet consists of rice".

No official comment could be obtained from the ANC's headquarters in Johannesburg.

However, a source said no discussions on import tariffs had been held with the organisation's southern Natal region.

It would seem that the region was acting as a pressure group, the source said.

He added that the ANC was busy working on finding a holistic approach to import tariffs with a view to stimulating the competitiveness of the industries concerned.

There was a framework for such an approach but "technical details" were still to be worked out.

No comment could be obtained from the Board on Tariffs and Trade last night.

Anti-dumping duty to apply

By Stephen Cranston

Star 4/2/93

The Board of Tariffs and Trade has imposed anti-dumping duty over the next four months on building glass imported from the Far East.

Duties varying from 82c a square metre to 479c a square metre have been imposed on building glass from Hong Kong, China, Thailand and Singapore.

Rod Fehrsen, CE of Glass SA, the only local manufacturer of building glass, has welcomed

the board's decision to impose interim relief on local products.

But glass importer Triangle Glass says that imported glass will now become uncompetitive and allow Glass SA to increase its prices.

Triangle has collected 800 written objections to the application.

Triangle has been given a 30-day extension to give it time to gather evidence from China before making submissions to the board.

NOTICE 91 OF 1993

SOUTH AFRICAN RESERVE BANK

SECTION 30 (F) OF THE DEPOSIT-TAKING INSTITUTIONS ACT, 1990

CHANGE OF NAME: THE COMMERCIAL BANK OF NAMIBIA (SA) LIMITED

It is hereby notified for general information that **The Commercial Bank of Namibia (SA) Limited**, a registered deposit-taking institution, changed its name to **International Bank of Southern Africa—S.F.O.M. Limited** on 15 January 1993.

(5 February 1993)

KENNISGEWING 91 VAN 1993

SUID-AFRIKAANSE RESERWEBANK

ARTIKEL 30 (F) VAN DIE WET OP DEPOSITO-NEMENDE INSTELLINGS, 1990

NAAMSVERANDERING: THE COMMERCIAL BANK OF NAMIBIA (SA) BEPERK

Hierby word vir algemene inligting bekendgemaak dat **The Commercial Bank of Namibia (SA) Beperk**, 'n geregistreerde deponisionemende instelling, sy naam op 15 Januarie 1993 na **International Bank of Southern Africa—S.F.O.M. Beperk** verander het.

(5 Februarie 1993)

NOTICE 94 OF 1993

DEPARTMENT OF TRADE AND INDUSTRY

GRANTING OF TARIFF CONCESSIONS BY THE REPUBLIC OF SOUTH AFRICA TO THE REPUBLIC OF MOZAMBIQUE

Notice is hereby given that the preferential tariff quota of USA \$2 500 000 per annum for new tyres (tariff heading 40.11) and inner tubes (tariff heading 40.13) listed in Annexure A to Notice 749 of 1989 in *Government Gazette* No. 11991 of 7 July 1989, will be reduced to USA \$1 000 000 for the calendar year 1993, and withdrawn completely on 1 January 1994.

(5 February 1993)

KENNISGEWING 94 VAN 1993

DEPARTEMENT VAN HANDEL EN NYWERHEID

VERLENING VAN TARIEFKONSESSIES DEUR DIE REPUBLIEK VAN SUID-AFRIKA AAN DIE REPUBLIEK VAN MOSAMBIEK

Hierby word bekendgemaak dat die tariefvoorkeurkwota van VSA \$2 500 000 per jaar vir nuwe buitebande (tariefpos 40.11) en binnebande (tariefpos 40.13), wat in Bylae A tot Kennisgewing 749 van 1989 in *Staatskoerant* No. 11991 van 7 Julie 1989 gelys word, na VSA \$1 000 000 vir die kalenderjaar 1993 verminder, en op 1 Januarie 1994 heeltemal ingetrek word.

(5 Februarie 1993)

NOTICE 95 OF 1993

DEPARTMENT OF TRADE AND INDUSTRY

GRANTING OF TARIFF CONCESSIONS BY THE REPUBLIC OF SOUTH AFRICA TO THE REPUBLIC OF MOZAMBIQUE

The basis on which preferential tariff concessions are being granted to Mozambique is set out in General Notice 749 in *Government Gazette* No. 11991 of 7 July 1989, as amended to the extent indicated in Government Notice No. R. 2474 in *Government Gazette* No. 12181 of 17 November 1989.

With effect from the date of this notice tariff rebates will, in terms of section 75 of the Customs and Excise Act, 1964, be granted on the products of Mozambican origin specified in Annexure A on the same basis as that outlined in the above-mentioned notices and subject to the quota levels indicated.

The quota for fish represents an increase from the existing quota of 1 000 tons, while the quota for cashew nuts represents an increase from the existing quota of 200 tons.

ANNEXURE A

QUOTA PRODUCTS TO BE IMPORTED FROM MOZAMBIQUE PER ANNUM

Tariff heading	Description	Quota level
03.02	Fish, fresh or chilled..	2 000 tons
03.03	Fish, frozen.....	2 000 tons
03.05	Fish, dried.....	2 000 tons
0801.30	Cashew nuts.....	1 000 tons
2006.00.90	Cashew nuts.....	1 000 tons

(5 February 1993)

KENNISGEWING 95 VAN 1993

DEPARTEMENT VAN HANDEL EN NYWERHEID

TOESTAAN VAN TARIEFKONSESSIES DEUR DIE REPUBLIEK VAN SUID-AFRIKA AAN DIE REPUBLIEK VAN MOSAMBIEK

Die grondslag waarop tariefvoorkeurkonsessies aan Mosambiek toegestaan word, word in Algemene Kennisgewing 749 in *Staatskoerant* No. 11991 van 7 Julie 1989 soos gewysig in die mate aangedui in Goewermmentskennisgewing No. R. 2474 in *Staatskoerant* No. 12181 van 17 November 1989 uiteengesit.

Met ingang van die datum van hierdie kennisgewing word 'n tariefkorting kragtens artikel 75 van die Doeane- en Aksynswet, 1964, op die produkte wat in Bylae A gespesifiseer word, verleen op dieselfde grondslag as wat in bovermelde kennisgewings uiteengesit word en onderhewig aan die kwotapeile aangedui.

Die kwota vir vis verteenwoordig 'n vermeerdering vanaf die bestaande kwota van 1 000 ton, terwyl die kwota vir kasjoeneute 'n vermeerdering van die bestaande kwota van 200 ton verteenwoordig.

BYLAE A

KWOTAPRODUKTE WAT JAARLIKS VANAF MOSAMBIEK INGEVOER STAAN TE WORD

Tariefpos	Beskrywing	Kwotapeil
03.02	Vis, vars of verkoel ...	2 000 ton
03.03	Vis, bevrore	2 000 ton
03.05	Vis, gedroog	2 000 ton
0801.30	Kasjoeneute	1 000 ton
2006.00.90	Kasjoeneute	1 000 ton

(5 Februarie 1993)

TRADE FM 5/2/93.

[Handwritten signature]

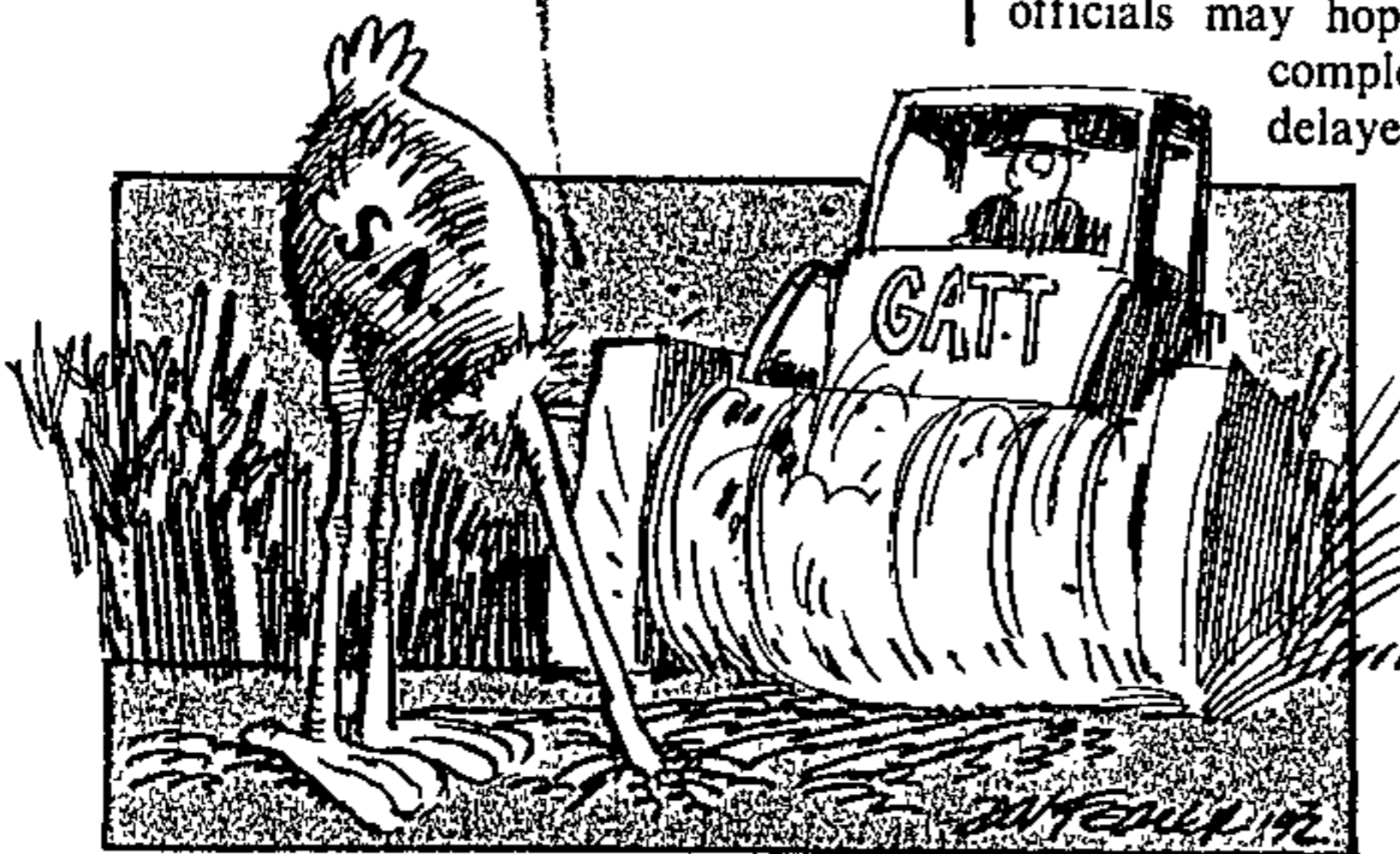
74D

[Handwritten scribble]

Making promises to the world

The Department of Trade & Industry will shortly submit agricultural tariff proposals to Gatt that would set maximum levels of protection from which gradual reductions would take place. If the proposals are accepted, and SA signs the completed Uruguay Round of the Gatt talks, the country will lock itself into a series of economic reforms that will have far-reaching ramifications:

- Import controls will be replaced with tariffs, which will remove the sole right of control boards to import their specific commodity, or issue permits to do this;
- Reduce this tariff protection by 36% over six years, allowing greater market access to Gatt trading partners;
- Reduce government support measures for



agriculture — such as the two-tier pricing system for maize, backed by levies and fixed prices — by 20% over six years; and

- Reduce direct and indirect subsidies by 21% over six years.

“We will shortly submit our tariffication proposals to Geneva,” says the department’s deputy director-general, trade, Gerrie Breyt. “An added advantage (of entering the process) is that it will give us insight into the tariff proposals of other trading nations.”

A few years ago the department made proposals to Gatt for manufacturers but no details were released. Agriculture Department officials believe their proposals will be published in the *Government Gazette* — once Trade & Industry gives the go-ahead.

It is doubtful that Trade & Industry’s proposals will be enough to satisfy Gatt. For one thing, the department shows little commitment to freer trade. It has done little to implement the IDC’s 1990 tariff reform proposals. Instead, it has opted for a combination of draconian anti-dumping legislation and multibillion-rand subsidies to exporters in terms of its General Export Incentive Scheme. What is also missing from the department is a clear signal to industrialists and agribusiness to prepare for a more competitive global market, where protectionism

has to give way to a competitive trading policy with less State support.

In any event, business is apparently not interested in preparing for this brave new world, at least not yet. “With job creation, social responsibility and our precarious political scenario being primary issues of public policy, SA cannot quickly drop tariff protection,” says SA Chamber of Business deputy director-general Ron Haywood.

But reform has not been phased in over the past few years. Rather, protection has been tightened, the latest example being a tariff duty increase from 5%-15% on iron and stranded wire, ropes and cable — at the request of market leader Haggie. Indeed, many businessmen, farmers and government officials may hope that the long-delayed completion of the Gatt round be

delayed indefinitely. (It looks as though the latest deadline, March 1, will be missed, but participants are optimistic that the wrangling between the EC and the US will be resolved soon and talks will wrap up this year.) But, as independent economist and farming consultant Johan Willemse

says, that attitude is self-defeating.

“If SA wants to remain part of the world trade scene, we must allow competitive imports into our markets. Unless we allow EC meat into our market, doors may close on our fruit exports. But Gatt also has benefits — with State subsidies down, world prices should rise.”

Gatt will scrutinise Trade & Industry’s proposals to evaluate whether they are realistic. If not, they may be sent back. Some fear that this fate may await proposals on both industry and agriculture, and that SA could be left out of the Uruguay Round.

One example of a seemingly unrealistic proposal that Gatt may quickly reject concerns wheat imports. SA’s proposed tariff may provide for transport costs from inland markets to the western Cape, adding about R130/t. But not only does the western Cape provide its own needs, it constitutes only part of the total SA market.

“There is a perception that Gatt will fade away and nothing serious will happen,” says Bokkie Strauss, deputy director, Department of Agriculture. “But the sooner we prepare for the reforms the better.”

As Gatt tariffication demands are being considered, government may be tempted to use tariffs as just another cash cow to fund

its R28bn budget deficit. Oilseeds are a case in point. The animal feed industry has not had any positive response to requests that government drop the R200/t tariff on imported oil cakes — even as SA is forced to spend hundreds of millions of rands on imported protein feed cakes.

The reason seems clear — government could collect almost R100m in tariff income on imported vegetable oils and oil cake this year. Hopefully, once the Uruguay Round is signed, Gatt pressure will force it to heed global market signals — and remove distortions that cost the economy dearly. ■

Importers to oppose medical supply duties

CAPE TOWN — Importers of medical supplies have formed a lobby group to fight imposition of import tariffs which they say will squeeze them out of the market and give big manufacturers a monopoly.

The lobby group — consisting of Macmed, RM Salters, Medical Textiles, Vitamed, Paperback SA and General Medical — would meet the Board on Tariffs & Trade (BTT) and Health Minister Rhina Venter to discuss the matter. Macmed MD Don McArthur said yesterday.

"Companies are using the BTT to eliminate competition at the expense of healthcare costs in SA," McArthur said. The group, with the support of private hospital groups and Macmed's US principals, has also taken its case up with the Competition Board.

There were two issues of complaint, McArthur said. First, the BTT had acceded to an application by Promex for import protection of the R25m-a-year syringe market. McArthur said "punitive duties" of 70% were imposed compared with the previous 35%, despite the opposition of syringe importers.

Promex replied to the allegations, saying it had sought protection against dumping, a request granted by the BTT after extensive investigation.

The second cause of complaint related to the application by Smith & Nephew, which McArthur estimated to have 85% of the R50m-a-year gauze market, for tariff protection against the import of finished and raw material gauze products.

Smith & Nephew GM Neil Wallace said the company had numerous sources of supply for low-cost medical fabrics, but believed it would be opportunistic and short term to switch its sourcing. "Given a level playing field on cotton and labour costs, high import duties would not be necessary. But until this happens we have some 800 jobs to protect."

Mixed reaction to medical aids Bill

THIS week's introduction in Parliament of legislation to amend the Medical Schemes Bill was met with reservation by doctors but applauded by medical aid schemes.

Medical Association of SA (Masa) spokesman Hendrik Hanekom said the new legislation addressed the problems of medical aid schemes, but ignored the interests of doctors and patients.

Masa believed that scrapping the direct guaranteed payment of doctors could compromise patient care. Many patients did not have the financial means to make co-payments or settle accounts, pending refunds from their medical schemes.

But Hanekom welcomed Cabinet's approval of an inquiry into the health insurance industry.

Masa was concerned that the proposed changes would not meet the criteria of making health care more accessible, affordable and efficient.

Much of the controversy surrounding the Bill centres on the provision it makes for "managed health care". Under the new legislation, medical aid schemes would be allowed to, for instance, set up a clinic and employ a range of health professionals to give a more comprehensive service.

Representative Association of Medical Aids (Rams) executive director Rob Speed-

KATHRYN STRACHAN

ie said managed health would eliminate wastage and cut down on overservicing by doctors, but it would not lead to substandard care.

Masa was concerned that the changes allowing the scrapping of minimum and maximum benefits would enable medical aids to "risk rate" members, favouring the young and healthy. The organisation favoured more flexible benefit packages tailored according to individual needs, but medical schemes should provide essential benefits.

It was also concerned about the power given to Rams and that it could wield too much control over the use and provision of services. The amendments would legally entrench Rams as the single spokesman of medical schemes.

AN ANC health spokesman said the collapse of medical aids was part of a much greater crisis affecting the entire health care system. He said the new legislation was aimed at resolving a crisis which affected mainly whites who were employed and ignored all aspects that affected the vast majority of South Africans such as the underfunding of public facilities.

Sapa reports that the South African Nursing Association said it was delighted that the amendments had been approved.

could cause cancer and other conditions
scare some addicts



AFTER a slow turn of the wheel of administration it will be the end of next month before the Board on Tariffs and Trade rules on an application made last year for a virtual doubling of tariffs on imported tyres.

Tyre dealers, who oppose the extent of the duties proposed by the Tyre Manufacturers' Conference (TMC), accept there is a need for increased restriction to put the brakes on the flow of poor quality new and used products entering South Africa.

But they are concerned that too high a duty structure will stop world class car and truck tyres in their tracks and deny the dealers access to used casings for retreading.

The TMC is motivated by the fall in its members' share of the tyre replacement market from 60 percent to around 45 percent over a few years

Rulings on tyre tariff increase

to imported new and used tyres and retreads. New tyre imports were pumped up by 22 percent between 1986 and 1990.

"This is a life and limb product we are talking about, so one cannot just look at the economic issue and say restrictions should go because it is cheaper to import tyres than it is to buy the products," says Mr Ken Case, managing director of Durban-based dealer Natyre.

"What we don't want to see is the local industry raising its margins while shielding under the umbrella of higher protection."

TMC executive director Mr Gert Fischer is on

record as saying that in return for greater import protection, local manufacturers are prepared to rationalise their operations and become more productive.

Interviewed in the wake of a report this week that sub-standard imported tyres contribute to two of every three minibus accidents in South Africa, Mr Case — emphasising he was not speaking in his capacity as Natal chairman of the Tyre Dealers' Association — said he was in favour of formula duties being retained in favour of a switch to an ad-valorem tariff system because the former "keeps the rubbish out."

"Only bona fide retreaders should be allowed to

"Imported tyres like Bridgestone, which are among the best in the world, already sell at a premium but they wouldn't survive that sort of increase."

Transport operators' costs would rise because they would get fewer retreads out of tyres and hence an increased cost per kilometre.

Dealers were also concerned that even once duties had been lifted the government might further delay suspension of the permit system — which was being abused anyway by pseudo-dealers importing inferior products.

"We need access to imported casings because we can't get the quantities we need locally."

"A big part of the problem is that the authorities do not enforce current minimum tread depth legislation."

import casings to ensure they are retreaded and not sold as secondhand tyres."

The current tariffs are the higher of 25 percent of the fob price or R8,60/kg minus 75 percent of the FOB on truck tyres and R8,30 minus 75 percent of fob on passenger vehicle tyres. The manufacturers want that increased to 25 percent or R17/kg minus 75 percent of fob on all imports.

"The proposed levels are totally unacceptable," said Mr Case.

"It will mean the current duty of roughly R150 on an imported truck tyre will increase to close to R550. Even with discount, the selling price will rise from about R1 300 to R1 400 to R1 700-plus."

awaited
13/2/88

(74D) (S) DAIRY
CTIS/2/93

ANC objects to dairy import tax increase

JOHANNESBURG. — The ANC has objected to an application for the increase of import duties on dairy products. The application by the Dairy Services Organisation was gazetted on January 8. The ANC's Department of Economic Policy, Southern Transvaal

Region, said on Saturday it objected to the application.

"While we recognise the need to save jobs, we have to be careful and avoid the situation of overprotection which leads to inefficiency, monopolies and corruption," an ANC statement said. — Sapa

'Grey' imports probe one the cards

Business Staff

JOHANNESBURG. — The government is to intervene in the 18-month fight by local trademark holders of goods manufactured overseas (mainly appliances) to prevent others firms importing and selling these goods.

The Business Practices Committee has announced that it is to investigate the sale of these so-called "grey" goods in terms of the Harmful Business Practices Act.

It defines "grey" goods as those which are imported and sold without a guarantee from the manufacturer or his authorised agent.

The investigation will look at the sale of products imported and then sold or offered for sale as new goods which:

■ Are in a form which is not approved by

ARG 22/2/93
the owner of the trade mark under which they are sold or offered for sale;

■ Are in a form or state which does not conform with the requirements or technical specifications needed to be sold lawfully or to enable them to function properly or safely in South Africa; and

■ Are represented as having a sponsorship, approval, status, warranty, repair and back-up services, affiliation or connection recognised by the proprietor of the trade mark under which they are sold, when they do not.

Anyone wishing to make written representations to the Business Practice Committee must write within the next 60 days to the Secretary, Business Practices Committee, Private Bag X84, Pretoria 0001.

TRADE POLICY

①

② (M4D)

③

④ (SSB)

FM 19/3/93.

Talking tough on tariffs

The World Bank has added its weight to the growing belief that the country's costly and unwieldy trade policies must be reformed. A study completed last month under the bank's auspices, but not yet publicly released, finds that high tariff walls and other misguided policies raise prices for products in the local economy by an average of 30%.

In contrast to Finance Minister Derek Keys's Normative Economic Model released last week, which omits any programme of bold reform, the 92-page World Bank study revives the debate provoked by the Industrial Development Corp's June 1990 report, which recommended a phased sharp reduction in tariffs but was never implemented.

The report, which is labelled an informal discussion document and not official World Bank policy, highlights the following issues:

- SA's trade barriers are not considered overly protective for a developing country, but they are considered highly protective for a developed country, which is how SA is classified under Gatt.

The tariff schedule is the most detailed and complex in the world, consisting of 13 609 items in 1990. The range of tariffs (0% to 1 389%) is also far greater than in most countries and changes from week to week as government responds to requests from industrialists for protection;

- A strong anti-export bias exists. Protection not only makes local market sales more profitable than exports but also raises the costs of inputs, placing local exporters at a disadvantage in world markets; and
- While the tariff debate has, up to now, focused on reducing the tariffs and bringing down the country's high prices, the World Bank would like to see an immediate improvement of the rebate system, which grants exporters rebates of the duties they pay on imported inputs and exemptions from duties. Streamlining and modifying the system would give exporters greater access to imported inputs and capital goods at world-related prices.

Successful East Asian economies operate sophisticated systems that give the green light for duty-free imports of inputs within hours, but SA's red-tape-ridden system has led most importers and exporters to ignore the system's dubious benefits. Instead, exporters have opted for the easy pickings of the General Export Incentive Scheme (Geis) subsidies.

While the report finds that Geis compensates for the negative impact of tariffs on manufacturing inputs, it suggests that Geis overcompensated in 55 out of 77 cases studied. It is also an expensive exercise — in 1990, two-thirds of Customs' revenues from manufactured goods were paid out as export

subsidies.

When all is said and done, the World Bank isn't looking for a speedy but painful Big Bang. Against the background of SA's long history of import-replacement protectionism that allowed industries to flourish in the greenhouse atmosphere of restricted and captive local markets, gradual tariff reform is seen as the more acceptable route.

But that does not mean the continued promotion of Geis, which flies in the face of Gatt, nor support for export processing zones, now preferred by Trade & Industry director-general Stef Naudé. Instead, bonded — and export-focused — manufacturing warehouses, which can be located anywhere in the country, are recommended instead of specific zones.

The report also rejects the concept of



zones because they are more successful in countries that rely heavily on foreign investment and their relative importance tends to decline after a while. Naudé supports the zones because government apparently lacks the manpower and expertise to administer the more complex warehouse system.

Compared with the specific policy focus of the World Bank report, Keys's document, which refers to the creation of "smarter industries," is vague on any policy guidelines and prefers generalisations. While it states clearly that SA's economy can achieve an envisaged GDP growth target only "by becoming fully competitive in internationally tradeable goods," it then hedges this lofty aim with a long list of preconditions.

Says Free Market Foundation executive director Leon Louw: "It is important for government to minimise investor uncertainty by establishing unambiguous policies and timetables for phasing out protection. This is lacking in the Normative Economic Model."

Louw prefers the more focused approach of the Old Mutual/Nedcor "Pep" report released last month, which offers a 70-page

list of more than 90 measures that inhibit the economy. Louw served on the Professional Economic Panel (Pep) that drew up the report. "An urgent and concerted effort to remove these and other controls is called for to allow the economy to develop and reflect the wishes of consumers." ■

EXECUTIVE CLUB

⑤

Cereal with Cyril 19/3/93.

FM

Frankel Pollak Vinderine's latest offering costs R2 000 and guarantees a return on investment. That is, if ANC secretary-general Cyril Ramaphosa carries through his promise to share the most up-to-date ANC thinking on topical issues with the 150 members of the new Executive Club.

According to a letter sent last week by the brokerage firm to prospective members, the club is an effort to "help promote closer ties between the ANC and the financial community."

The letter says Ramaphosa "has promised that the briefings will include information and analysis not available to the press or to the general public. The idea is to ensure that business community leaders are fully informed about ANC strategies, policies and views and to foster closer relationships between the ANC and the business/financial world."

It also says Ramaphosa "commissioned" the firm to organise the club. CEO Sidney Frankel, however, will not say whether the idea was his or Ramaphosa's.

The way the club works is that up to 150 members each pay R2 000 a year, excluding Vat, and get a minimum of six "confidential, in-depth briefings" from Ramaphosa. He is expected to talk about "political developments and other topical issues of the day from an ANC viewpoint." The first meeting, a breakfast at the Transvaal Automobile Club, is set for March 29.

The R300 000 raised from membership fees, minus expenses, will go to the ANC's general fund. "The money is not really of significance," Frankel adds. "All the political parties need millions for the election."

He will not say how many members have signed up, though he adds that there is "strong interest" and he expects it to be fully subscribed. "It's important for my clients, for the investment community, to know what the ANC is doing and for the ANC to know the feelings of the corporate community."

"I believe that in SA it is important to exchange ideas. It's better to get something working than to sit back and do nothing. I am pro-active in exchanging ideas." cont-

B10A-1 25/3/93

SA gets anti-dumping unit

THE Board on Tariffs and Trade (BTT) has established an anti-dumping unit as a step towards simplifying SA's tariff structure.

Effective and timely anti-dumping actions would be an important component in winning support for a lower overall tariff level. (74D)

BTT chairman Nic Swart said yesterday officials of the unit had recently visited Australia and New Zealand and had also trained with EC officials.

The unit was vital because of government's commitment to reducing and simplifying SA's tariff structure.

Because of this, a rapid response unit to prevent dumping had become a pri-

PETER DELMAR

ority, he said.

Vice-chairman Helgaard Muller said the unit, which currently had less than eight professional staff members, needed an enlarged complement. (74D)

It was possible that members would be recruited from the private sector.

Serious attention would be given to winning the confidence of industry, Swart said. B10A-1 25/3/93

A number of industries, including the pulp and paper sector which has a lowered, standard tariff system, were potential targets for dumping.

Swart said the board had recently been asked to investigate allegations of glass and bearing dumping.

US may press SA on export tariffs

B10M 5/4/93

741 07107

PETER DELMAR

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

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

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

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

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

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

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

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

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

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

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

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

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

● Comment: Page 4

**DEPARTMENT OF WATER AFFAIRS
AND FORESTRY**

**NOTICE IN TERMS OF SECTION 9A OF THE
WATER ACT, 1956**

No. 626

16 April 1993

PROHIBITION ON THE ABSTRACTION AND USE FOR IRRIGATION PURPOSES AND REDUCTION IN THE ABSTRACTION AND USE FOR URBAN AND INDUSTRIAL PURPOSES OF PUBLIC WATER FROM THE WHITE MFOLOZI RIVER AND ALL ITS TRIBUTARIES WITHIN THE CATCHMENT AREA OF THE KLIPFONTEIN DAM AND FROM THE WHITE MFOLOZI RIVER WITHIN THE GOVERNMENT WATER CONTROL AREA DOWN-STREAM OF THE KLIPFONTEIN DAM

1. By virtue of the power vested in me by Government Notice No. 310 published on 5 March 1993 in *Government Gazette* No. 14601, I, Johann Georg Geoffrey Hansmann, in my capacity as Regional Director: Natal of the Department of Water Affairs and Forestry, do hereby with due regard to the availability of water, amend paragraph 1 (b) of the aforementioned Government Notice in that the persons hereinafter set out may continue abstracting water from the public streams situated within the catchment area of the Klipfontein Dam between 06:00 and 18:00 on Mondays, Wednesdays and Fridays until and including Friday 30 April 1993 for the irrigation of the areas of land on the properties specified hereunder:

W. H. Colloty: Subdivision 8 of the farm Zaailaagte 780: Abstraction from the White Mfolozi River for the irrigation of 14 hectares.

H. K. Meyer: Subdivisions 10 and 11 of the farm Zaailaagte 780: Abstraction from the White Mfolozi River for the irrigation of six hectares.

M. W. P. Koekemoer: Remainder of Subdivision 2 of the farm Welgeluk 56: Abstraction from the uMakhwatha River for the irrigation of 11 hectares.

J. G. G. HANSMANN,

Regional Director: Natal,

p.p. Minister of Environmental Affairs and of Water Affairs.

GENERAL NOTICES

NOTICE 321 OF 1993

DEPARTMENT OF TRADE AND INDUSTRY

IMPORT CONTROL (740)

It is hereby notified for general information and comment that the Deputy Minister of Trade and Industry, acting on behalf and by direction of the Minister of Finance and of Trade and Industry, intends abolishing import control on the goods described in the Schedule hereto.

**DEPARTEMENT VAN WATERWESE
EN BOSBOU**

**KENNISGEWING KRAGTENS ARTIKEL 9A VAN
DIE WATERWET, 1956**

No. 626

16 April 1993

VERBOD OP DIE UITNEEM EN GEBRUIK VIR BESPROEINGSDOELEINDES EN VERMINDERING VAN DIE GEBRUIK VIR STEDELIKE EN NYWERHEIDSDOELEINDES VAN OPENBARE WATER UIT DIE WIT MFOLOZIRIVIER EN AL SY SYTAKKE BINNE DIE OPVANGGEBIED VAN DIE KLIPFONTEINDAM EN VAN DIE WIT MFOLOZIRIVIER BINNE DIE STAATSWATERBEHEERGE- BIED STROOM AF VAN DIE KLIPFONTEINDAM

1. Kragtens die bevoegdheid aan my verleen by Goewermentskennisgewing No. 310 gepubliseer op 5 Maart 1993 in *Staatskoerant* No. 14601, wysig ek, Johann Georg Geoffrey Hansmann, in my hoedanigheid van Streekdirekteur: Natal van die Departement van Waterwese en Bosbou, met inagneming van die beskikbaarheid van water, paragraaf 1 (b) van gemelde Goewermentskennisgewing sodat die persone hierna genoem mag voortgaan met die onttrekking van water vanuit die openbare strome binne die opvanggebied van die Klipfontein dam, tussen 06:00 uur en 18:00 uur op Maandae, Woensdae en Vrydae tot en met Vrydag 30 April 1993 vir die besproeiing van die oppervlaktes op die eiendomme soos hieronder uiteengesit:

W. H. Colloty: Gedeelte 8 van die plaas Zaailaagte 780: Onttrekking vanuit die Wit Mfolozirivier vir die besproeiing van 14 hektaar.

H. K. Meyer: Gedeeltes 10 en 11 van die plaas Zaailaagte 780: Onttrekking vanuit die Wit Mfolozirivier vir die besproeiing van ses hektaar.

M. W. P. Koekemoer: Restant van Gedeelte 2 van die plaas Welgeluk 56: Onttrekking vanuit die uMakhwatharivier vir die besproeiing van 11 hektaar.

J. G. G. HANSMANN,

Streekdirekteur: Natal,

p.p. Minister van Omgewingsake en van Waterwese.

ALGEMENE KENNISGEWINGS

KENNISGEWING 321 VAN 1993

DEPARTEMENT VAN HANDEL EN NYWERHEID

INVOERBEHEER

Hierby word vir algemene inligting en kommentaar bekendgemaak dat die Adjunkminister van Handel en Nywerheid, handelende namens en in opdrag van die Minister van Finansies, en van Handel en Nywerheid, van voorneme is om invoerbeheer op die goedere wat in die Bylae hiervan beskryf word af te skaf.

Persons who are of opinion that import control on certain of the goods are prescribed in the Schedule must be retained, are requested to advance reasons in writing why import control on such goods is deemed necessary. The correct description as well as the appropriate customs tariff heading or subheading must be provided. All requests or comments must reach the Director: Import and Export Control, Private Bag X192, Pretoria, 0001, before 21 May 1993.

D. GRAAFF,
Deputy Minister of Trade and Industry.

744D
~~204~~

Persone wat van mening is dat invoerbeheer op sekere van die goedere in die Bylae vermeld behou moet word, moet skriftelik redes aanvoer waarom invoerbeheer op sodanige goedere as noodsaaklik beskou word. Die korrekte beskrywing asook die toepaslike doeanetariefpos of subpos moet verstrek word. Alle versoeke of kommentaar moet die Direkteur: In- en Uitvoerbeheer, Privaatsak X192, Pretoria, 0001, voor 21 Mei 1993 bereik.

D. GRAAFF,
Adjunkminister van Handel en Nywerheid.

SCHEDULE 1 • BYLAE 1

Description of goods	Tariff heading Tariefpos	Beskrywing van goedere
Barley	10.03	Gars.
Malt whether or not roasted; of barley	1107.10.20	Mout van gars, hetsy gebrand al dan nie.
Vegetable saps and extracts; of hops	1302.13	Plantaardige sappe en ekstrakte; van hoppe.

(16 April 1993)

NOTICE 322 OF 1993

DEPARTMENT OF AGRICULTURE

AGRICULTURAL PRODUCE AGENCY SALES ACT (ACT No. 12 OF 1975)

NOTICE OF CESSATION OF BUSINESS

It is hereby notified in terms of section 14 of the Agricultural Produce Agency Sales Act, 1975 (Act No. 12 of 1975), for general information that Waspe Market Agent (O. Bellingham), who carried on business as a market agent at Uitenhage, has ceased business as such with effect from 1 February 1993.

H. S. HATTINGH,
Director-General: Agriculture.

(16 April 1993)

KENNISGEWING 322 VAN 1993

DEPARTEMENT VAN LANDBOU

WET OP AGENTSKAPSVERKOPING VAN LANDBOU- BOUPRODUKTE (WET No. 12 VAN 1975)

KENNISGEWING VAN STAKING VAN BESIGHEID

Ingevolge artikel 14 van die Wet op Agentskapsverkoop van Landbouprodukte, 1975 (Wet No. 12 van 1975), word hierby vir algemene inligting bekendgemaak dat Waspe Markagente (O. Bellingham), wat te Uitenhage as 'n markagent besigheid gedryf het, besigheid as sodanig met ingang van 1 Februarie 1993 gestaak het.

H. S. HATTINGH,
Direkteur-generaal: Landbou.

(16 April 1993)

NOTICE 323 OF 1993

ADMINISTRATION: HOUSE OF DELEGATES

DEPARTMENT OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE

APPOINTMENT OF MEMBERS OF THE SLUMS CLEARANCE COURT

It is hereby notified for general information that the Minister of Housing in the House of Delegates, in terms of sections 4 (2) (a) (ii) and (4) (2) (b) of the Slums Act, 1979 (Act No. 76 of 1979), and under and by virtue of the powers assigned in terms of section 26 of the Republic of South Africa Constitution Act, 1983 (Act No. 110 of 1983), appointed the undermentioned

KENNISGEWING 323 VAN 1993

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES

DEPARTEMENT VAN PLAASLIKE BESTUUR, BEHUISING EN LANDBOU

AANSTELLING VAN LEDE VAN DIE SLUMOPRUIMINGSHOF

Dit word vir algemene inligting bekendgemaak dat die Minister van Behuising in die Raad van Afgevaardigdes ingevolge artikels 4 (2) (a) (ii) en 4 (2) (b) van die Slumswet, 1979 (Wet No. 76 van 1979), en kragtens die bevoegdheid verleen in terme van artikel 26 van die Republiek van Suid-Afrika Grondwet, 1983 (Wet No. 110 van 1983), die ondergenoemde persone

THE Department of Trade and Industries (DTI) yesterday promised that the long-awaited export incentive scheme for the services sector would be introduced within a year.

In its 1992 annual report tabled in parliament, the DTI said this would correct the present bias in the General Export Incentive Scheme towards export goods only.

Trade analysts said that including the service sector would particularly benefit construction, where there is excess capacity of R12bn that could be turned into projects to earn foreign exchange.

The inclusion of services was expected to have been introduced on April 1 but analysts said they had not heard anything about it yet.

The DTI said the scheme had led to a significant rise in exports

Export Scheme imminent

DTI

of semi-processed and manufactured products last year despite recessionary conditions. Exports rose 4,8% last year to R67,5bn.

About 4 500 claims were received from exporters last year, on which R1,2bn was paid out. Of this, 52% was for manufactured exports, with strongest growth for footwear, transport equipment and chemical products.

But tougher verification procedures had led to the uncovering of faulty or fraudulent claims worth R13m, or 10% of export values claimed. — Reuter

Keys announces tariffs review

BIDAY 17/5/93

CAPE TOWN — Finance Minister Derek Keys told Parliament that a simplified tariff system was being drawn up which could lead to a review of SA's offer to GATT's Uruguay Round.

Opening the debate on his Trade and Industry portfolio, Keys said SA had developed a "greatly more complicated set of tariffs and tariff structures than most countries have" — which he said was hindering the free flow of international trade.

Keys said the Trade and Industry Department, the Board on Tariffs and Trade and the Industrial Development Corporation had formed a team for the tariff review.

It was examining the rationalisation of the tariff system and the improvement of rebate and drawback procedures.

"This work is being done in the light of the offer on tariffs made in 1990 to GATT (the Gen-

eral Agreement on Tariffs and Trade) and takes account of the import surcharge which presently exists," Keys said.

This could lead to a review of the offer made to GATT. Those parties who could be affected would be consulted.

The Trade and Industry Department said last year that it had offered to cut tariffs on about 42% of all lines. This would, over five years, replace all formula duties on these lines with ad valorem duties, with maximum levels of 30% on consumer products and 15% on other products.

Keys said that rationalisation of tariffs did not imply an immediate lowering of rates, saying there was room for simplification without changing tariff levels. But there was no getting away from the fact that SA had to prepare itself for a "progressive reduction of tariffs on certain products".

Keys said he was examining more effective export incentive options. Under the terms of GATT, SA would not be allowed to entrench export incentive rebates, but could phase them out over a number of years.

According to official figures, government paid out R1.3bn in export-linked rebates of up to 20% in 1991/'92.

Keys also said that rising levels of grey imports and high revenue-sharing payments to Botswana, Lesotho, Namibia and Swaziland meant that a review of the Southern African Customs Union was unavoidable.

He said grey imports on which customs duties have not been paid had "clearly increased during the past year".

Stef Naudé, the Trade and Industry Department's director-general, had signed a new five-year contract, Keys told Parliament. — Reuter.

Talks on SA-EC links

STEPHANE BOTHEMA

A CONFERENCE to discuss new links between SA and the EC will be held in Brussels in June.

Organised by the SA Foundation and Forum Europe, the event will focus on the new trade and political links with the EC once SA's political reform process is firmly established.

Speakers will include SA Reserve Bank governor Chris Stals, ANC international relations expert Aziz Pahad, Saito chairman Len van Zyl, the Belgian Foreign Commerce Minister Robert Urbain and the European parliament's external relations committee chairman Willy de Clercq.

In all, there will be 40 top-level speakers, and topics on the programme will include the scope of a new political relationship, an industrial partnership, SA's future as an advanced financial marketplace and the EC's possible role in confronting economic challenges in SA.

The conference will be held on Monday June 28 and Tuesday June 29, and organisers say it will reflect the increasing warmth of EC relations with SA.

Caution urged on tariff reforms

(74D)

CT18/5/93

IMPORT liberalisation would not be a cure-all for SA's ailing economy, the University of Cape Town's Trade Policy Monitoring Project warned yesterday.

In its the latest quarterly publication the project said "advocates of import liberalisation must be more cautious and circumspect when advocating it as a panacea to the ills of a country's economy".

The issues of import liberalisation and wide-ranging tariff reforms have become major points of debate in business circles, with Finance Minister Derek Keys last week indicating that a major revamp of tariff structures was underway.

The Trade Monitor said many economists believed a rapid reduction in tariffs would force industry to become competitive and lead to a surge in exports, boosting economic growth.

It compared this belief with that of a recent World Bank study which indicated that the real problem with SA's trade regime was "not so much over-protection, which is moderate by middle-income developing country standards, but the complexity and fluidity of protection," it said.

The Board of Tariffs and Trade tended to chop and change tariffs as and when local industries demanded protection from imports, and "requests for tariff increases are often made on poor grounds with little consideration for the economic costs," it said.

'SA move hurts Zimbabwe textile industry'

^{810AM 24/5/93}
HARARE — The SA government had refused to remove duties temporarily on Zimbabwean textile products, damaging the prospects of Zimbabwe's troubled textile and clothing industry, Industry and Commerce Minister Chris Ushewokunze said on Friday. (74D)

Ziana reported Ushewokunze said the Zimbabwe government had been negotiat-

ing with SA to give its industry temporary relief before making a decision on a proposal to update a 1964 trade agreement.

Duties on textile exports to SA, coupled with a depressed local market, had eroded the viability of the industry and had led to the retrenchment of about 7 000 workers in the past year, Ushewokunze said. — Sapa.

Exporters' fraud fiasco

(14 E)
ARG

ARG 15/5/93

■ An incentive scheme for exporters has been shown to be less than fraud-proof.

MASSIVE fraud involving export incentives has been uncovered by the Department of Trade and Industry, as well as plans to defraud hundreds of millions of rands more.

This was revealed in parliament by the Minister of Trade and Industry, Mr Derek Keys, when he introduced his department's budget vote.

Mr Keys said yesterday the General Import Incentive Scheme (GEIS) had given rise to many attempts at fraud, 51 cases of which were still being investigated by the Office for Serious Economic Malpractices, the commercial branch of the SAP and his department.

On the advice of the department's director-general, Dr Stef Naudé, a firm of chartered

accountants was appointed to investigate alleged malpractices perpetrated under Phase VI of the GEIS scheme.

One of the cases of fraud was allegedly perpetrated by the German/Swiss company Contrax Eurobolt Technoseth (CET).

The accountants had reported that "it was due to the diligent efforts of Dr Stef Naudé and the Department of Trade and Industry that the massive CET fraud, as well as the significant, related and other fraudulent rebate claims, were uncovered and terminated", Mr Keys said. Further acts of fraud had also been prevented.

The chartered accountants

were instructed to investigate the double claims, over-invoicing and foreign currency irregularities by CET and others.

One of the defects they had found in the Phase VI rebate scheme was that it had been conceived by an autonomous statutory body — the former Board on Trade and Industry — which had no obligation or responsibility for its decisions and advice.

Furthermore, Customs and Excise carried sole responsibility in terms of the Excise Act for the quarterly excise accounts while the Department of Trade and Industry had neither right nor access to Customs and Excise's classified records. — Sapa.

Millers seek import ruling

Supreme Court Reporter

A REFUSAL by the Maize Board to grant permits to three Western Cape milling and maize mix companies to import 500 000 tons of maize at a lower price than maize from the Free State and Transvaal, has led to their bringing an urgent interdict against the board.

According to papers before the court, maize could be imported from overseas at an approximate price of R595 a ton, while local maize would cost R630 a ton in the Western Cape.

(74E) (2) ~~74E~~ CF 26/5/93
The companies, Tiger Milling and Feeds Limited, trading as Meadow Feeds Mills (Cape), Bokomo Co-Operative Limited and Western Province Co-Operative Limited, are seeking an interim order calling on the Maize Board to show why an order should not be made in the following terms:

● That pending an appeal to the Minister of Agriculture against the board's decision in refusing them an import permit, the board be ordered to issue the permits allowing them to import 500 000 tons of maize.

● That they are ordered to lodge the appeal with the minister by June 13.

● That they be ordered to pay the board the difference between the national price per ton and the landed price of the imported maize.

Mr Justice S Selikowitz postponed the hearing to June 14 to allow the parties to file further papers.

Mr P Henning, SC, with Mr B Bhana, instructed by Mr John Zieff, of Sonnenberg Hoffman and Galombik, appeared for the applicant companies. Mr P B Hodes, SC, assisted by Mr M van Heerden, instructed Mr W Wilken of the state attorney, appeared for the Maize Board.

Altron scoops export award

CT 25/11/94 (74D)

HIGH Technology group Allied Electronics Corporation (Altron) — which exported more than R170m worth of products to 63 countries last year — has won the State President's Award for Export Achievement

A spokesman said yesterday that its exports had grown by 158% this year alone and now represented 17% of total manufactured output. Harold Serebro, chairman of the Altron group was particularly proud of the inroads its exports had made into Western Europe, the Gulf States, the Pacific Rim areas, Central and South Africa and South America.

Cape Town-based Macadams Bakery Supplies was among other winners. It increased exports by 62% this year and they now account for 45% of total factory production.

A spokesman said new ground had been broken in Brazil, Uruguay, Malaysia, Singapore and the Philippines since the company had taken part in an exhibition in Singapore.

Other new markets were opening up in Spain, Dubai, Kuwait, Oman and Israel and there were good growth prospects in China. The market in other parts of Africa was potential business in the "Macadams is in the final planning stages of again exhibiting in Düsseldorf in March, at the biggest and most important bakery and confectionery exhibition in the world."

The export awards were presented at a banquet at the Sandton Sun last night.

Meanwhile, Golden Arrow Bus Services received a certificate of excellence from Princess Anne, at a banquet for its contribution to the RDP, education and training, job creation and productivity.

It was one of four finalists for an award given annually by the Chartered Institute of Transport of Southern Africa, which has a membership of 700 companies from SA, Botswana, Swaziland and Lesotho. The other three finalists in the same category were a Transvaal-based company, Roadwing, Transnet and Safmarine. The award was won by Roadwing.

Tariff reform will cut food prices in SA

S/Times (Russ) 3/1/93.

By CIARAN RYAN

FOOD prices are set to fall early in the new year, when government will take action to expose South African food producers to increased local and foreign competition.

The Board on Tariffs and Trade proposes introducing a system of adjustable tariffs on imported food to keep local prices in line with international prices.

The reform of the agricultural control boards is also expected to bring down food prices. The Kassier Commission, which reports in the new year, is expected to make recommendations to this effect.

"We are proposing a system of adjustable tariffs on food such as is used in several developed countries," says Helgard Muller of the Board on Tariffs and Trade.

"These tariffs can be changed at short notice as international prices move. I would hope that this would bring SA prices into line with

overseas prices."

Quantitative controls on imported food and price-fixing by the agricultural control boards are two of the main reasons for the high cost of food in SA.

Dr Muller was responding to an IMF report which criticises SA's protectionist policies which have led to high food prices. The report says these policies are inappropriate for a country suffering drought and poverty.

Stubborn

There is considerable disquiet in government at the system of price fixing by agricultural control boards based on local cost structures of farmers.

This has caused SA food prices to fall out of line with international prices, an issue which will take political centre-stage in the run-up to free elections.

Food prices increased by more than 30% earlier last year, one of the main reasons why SA's inflation proved so

stubborn, but Central Statistical Services figures show a slowdown to 17,2% in November.

This helped lower the overall increase in the rate of annual inflation from 11,7% in October to 11% in November.

Sugar is one of the first crops likely to be subject to the adjustable tariffs once the Minister of Agriculture approves the scheme. The system will be extended to other agricultural imports.

"We cannot influence the price of agricultural products, only the level of protection, which ultimately has an effect on prices," says Dr Muller.

But pressure is mounting from opposition groups and government to change the system of fixing agricultural prices, currently vested with the control boards and the Department of Agriculture. The present system is perceived to protect farmers at the expense of the consumer.

SA is forced to import 4,2-million tons of maize at a

cost of about R1,6-billion because of the drought. SA's maize crop is expected to be 2,9-million tons this year compared with around 8,5-million tons in normal years. The country needs 6,5-million tons to feed itself.

The maize is landed at SA ports at between R345 and R399 a ton, but the local price is fixed by the Maize Board at R475 a ton. All profits from the sale of imported maize go to government rather than to the consumer.

One of the biggest culprits of high food inflation is meat. Imports of live animals and animal products were just 10% of last year's total food imports of R2,7-billion. A system of quantitative controls and tariffs is designed to protect local farmers so that very little meat is imported.

One of the few meat items to be imported is spare ribs. The Board on Tariffs and Trade dropped import tariffs from 50% to between 10% and 15% on spare ribs because farmers supplied a relatively small proportion of local demand.

The meat industry is highly regulated, resulting in rapidly escalating meat prices and falling per capita consumption of meat.

By removing controls, SA could take advantage of meat surpluses around the world, importing at less than half the local cost of meat. A further challenge to the meat industry comes from the Organisation of Livestock Producers, which is bypassing the complex system of controls by selling meat direct from the farmer to consumers at up to 45% below official prices.

Illegal

Dr Muller says tariffs will still be imposed on many food imports to protect local farmers against dumped produce.

"We do not have enough manpower in our anti-dumping unit to be able to guard against dumping of agricultural products. The agricultural sectors in many countries are highly subsidised."

He says tariffs will gradually replace quantitative controls, which are illegal in terms of the latest round of the General Agreement on Tariffs and Trade to which SA will become a signatory. "Once we have signed the Uruguay Round of Gatt, a number of food tariffs will be cut overnight, and other cuts will be phased in over a period of years."

One of the fastest-rising sectors of the JSE is food. The food index increased by about 20% in 1992 as listed food companies reported strong earnings growth.

FOREIGN TRADE — (IMPORTS PERMITS ISSUED)

1994

Challenges and opportunities

74F ~~74G~~

Exports soared in the sanctions years. Now the outlook is even brighter.

By raising huge hurdles for SA businesses, more than seven years of sanctions may well have boosted export industries.

The pressing need for forex earnings since 1985 made exports a policy priority. And the steep devaluation of the rand after foreign credit facilities were withdrawn that year made SA goods more competitive.

These benefits came with a price tag: several years of high and rising inflation following the currency devaluation, and the cost to taxpayers of subsidising export pro-

motion schemes. But they explain, in part, the remarkable rise in exports over a period when many countries were trying to bar or reduce their imports from SA.

Working in SA's favour was strong international growth in the Eighties. The rise in demand proved stronger than political pressure to boycott SA. Nedcor Bank economist Kevin Lings, who is preparing a report on the effects of sanctions on nongold exports, says in the EC, particularly, there was lack of will to impose strict sanctions, except against

coal and basic iron & steel.

According to *SA Coal Report*, purchases by the EC fell from 25 Mt in 1985 below 20 Mt in 1987. But sanctions were not applied uniformly. Chamber of Mines economist Roger Baxter says: "While some countries, such as France and Denmark, cut coal imports, more went to Germany and the Mediterranean countries."

Only in the US was political will strong enough to impose effective sanctions, and then mainly on iron & steel — which, Lings

LEADING ARTICLES

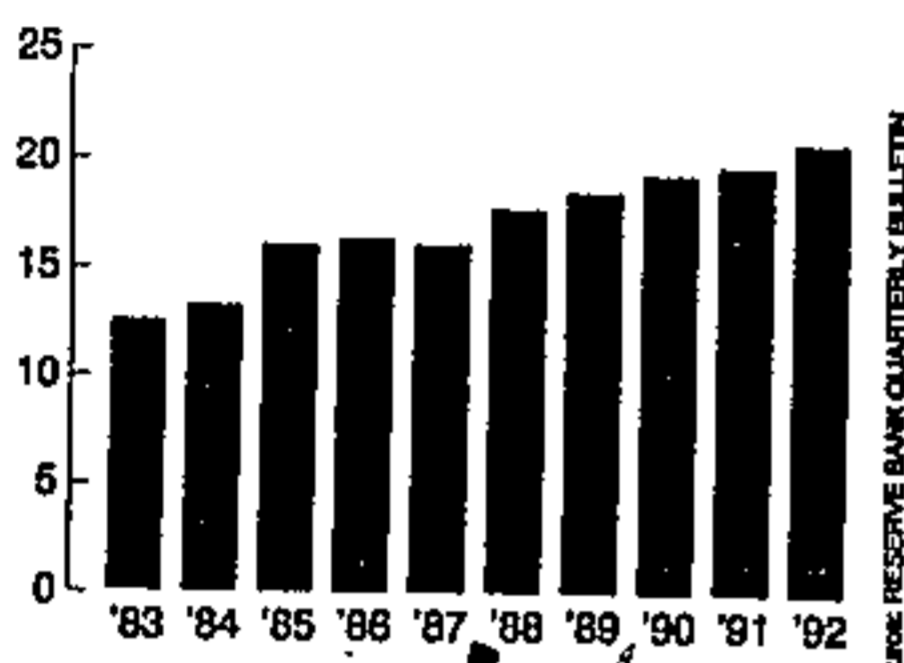
FINANCIAL MAIL • JANUARY • 14 • 1994 • 19

whole page

Fm 14/11/94

74F ~~74G~~

Real merchandise exports to GDP: rising ratio



says, "fell from 30% of total exports in this category in 1977 to 21% in 1982 and 15% in 1992."

For the most part, it was business as usual — though exporters paid a premium in time and transport costs, routing goods around formal barriers. According to the IMF, SA exports rose from US\$10.4bn in 1985 to \$22.2bn in 1989 and \$23.9bn in 1992.

Export activity has produced a trade surplus every year since 1985 and cured local producers' earlier reputation for being fickle suppliers. Previously many dabbled in exports and pulled out when the SA economy expanded. During the sanctions years, which were accompanied by two serious recessions, minds were clearly focused on the need to maintain foreign trade links and forge new ones wherever possible.

With gold easing to a low of \$326/oz early last year, most growth was in nongold exports. The Reserve Bank *Quarterly Bulletin* shows volumes of nongold merchandise exports rose nearly 30% between 1985-1992. As a ratio of GDP, they rose from 12.5% in 1983 to 20.7% in 1992 — based on constant 1985 figures, which eliminate inflation.

A January 1992 IMF study, *Economic Policies for a New SA*, states: "Notwithstanding the application of trade sanctions since 1985, (nongold) exports have grown at an average of 10% a year or by about twice the rate of growth in (world) trade."

So the past decade has produced a structural change in exports, with more commitment and an increasing emphasis on the nongold component, including manufacturing.

At the same time SA has been seeking new trading partners. IMF figures (see *Economy*

and graphs) show strong growth in trade with the Far East and Africa — which accelerated when SA adopted a new political profile in the early Nineties.

According to Frank Dunlop of First National Bank's International Business Centre, exports to Africa and Asia have increased, while import growth has been in trade with Asia, Europe and the Americas, particularly South America.

Lings says imports from Asia have climbed from 14% of the total in 1982 to 23% in 1992, exports from 13% to 18%. "Some growth has been with new trading partners like Thailand and Singapore. They didn't feature at all in 1982 but accounted for about 1% each of total trade in 1992."

"Asian growth has been primarily in traditional export items: coal, iron & steel, other minerals, and secondary mining products. To Africa, export growth has been largely in consumable items: food, beverages, tobacco products and the like."

He believes growth in Asian exports wasn't exclusively sanctions-related: "There may have been a shift in that direction, anyway, given the growth in those economies and their consequent rise in imports."

Taiwan, which took 4.5% of SA nongold exports in 1982, bought 12% in 1992. Coal exports to South Korea, Taiwan and Hong Kong climbed from 5 Mt in 1985 to 13.8 Mt in 1989. These markets helped total coal export volumes rise 62.2% in 1981-1991.

Steel was another industry that exploited the Asian opportunity. Says Iscor PRO Neels Howatt: "When certain markets, like North America and Europe, closed to Iscor's exports, we successfully developed other markets, particularly in the Far East/Pacific Rim countries, which enabled us to continue exporting excess capacity."

Now that sanctions have ended, Iscor has been able "to reactivate marketing networks which were operative when sanctions were imposed. But our main exports are still to

markets developed in the sanctions years."

Post-sanctions, new opportunities emerged in the Far East — in fast-growing communist China, as it experimented with market policies and trade liberalisation, doubling its share of world trade in a decade.

Once again Iscor benefited, says Howatt: "China's crude steel production increased by 13% to 80 Mt in the past year. It is a major importer of iron ore, of which our Sishen mine supplied a substantial amount." Iscor plans to open an office in Beijing "to ensure further development in this market."

The benefits of SA-China trade move mainly in the opposite direction. Lings' analysis shows a R154m trade deficit with China in 1992. SA's largest import category is textile & textile articles — R140m.

By far the biggest export — R251m of a total of R498m — is in vehicles & equipment. Says Volkswagen communications manager George Platt: "This represents the 8 100 Jettas supplied by VW SA in 1992 against an order for 12 500 received that year from a joint venture between VW Germany and FAW, a Chinese government-backed organisation."

"An order for 17 000 more Jettas, placed in mid-1993, was frozen in November, while China works out its forex problems. It now looks as if it will continue. On completion, the total order would be worth R500m."

Also showing interest in SA are India, Pakistan and Australia, says Gordon Griffiths, of the Johannesburg Chamber of Commerce & Industry. Countries which imposed stringent sanctions and are now potential growth areas are Singapore, Malaysia and Indonesia, says Webber Wentzel international trade partner Leora Blumberg.

Of course many of our new customers are eager to establish export markets for themselves. "India," says Griffiths, "is aggressively marketing textiles, leather products, jute, tea and rice. And investors are interested in joint ventures — mainly in India." In 1992, SA recorded an R89.5m trade deficit with India, according to Lings. Of total imports from India worth R109.6m, R40.2m consisted of textiles & textile articles.

His analysis also shows a deficit in trade with Singapore — R352.8m. Of imports worth R645.2m, R299.3m was machinery & electrical equipment. There was also a R380m+ deficit with Malaysia. SA's biggest import item was R154.5m fats & oil — mostly cottonseed and sunflower seed oil.

Overall trade with Asia, however, created a surplus of nearly R300m in 1992.

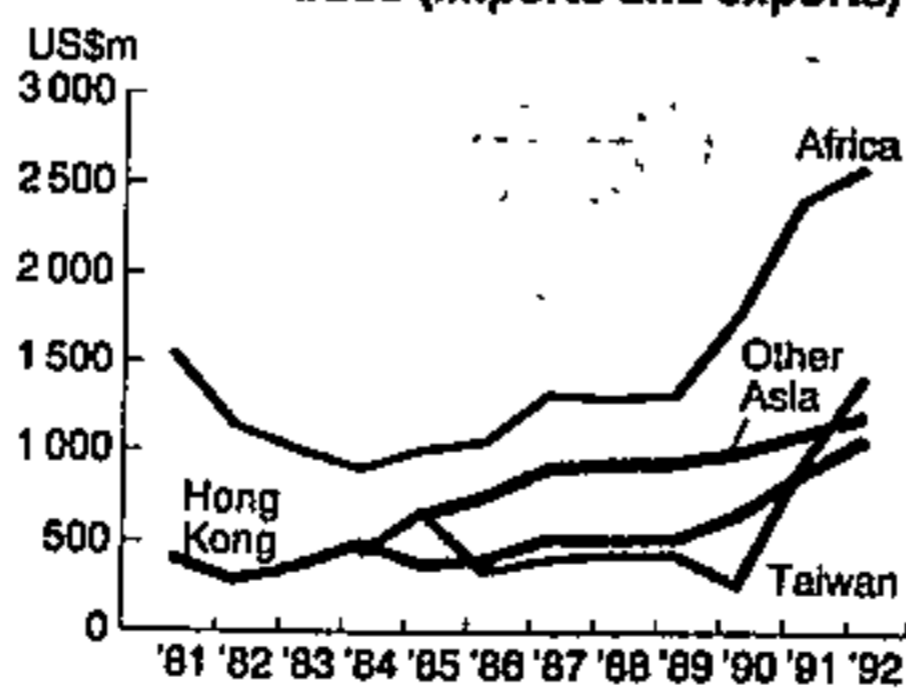
Trade with the Middle East is still comparatively small. SA has had dealings mainly with Iran and Israel, says Natal University's Gavin Maasdorp. But there are opportunities in other states where Maasdorp sees "a competitive advantage in foodstuffs, steel and building materials."

Baxter sees potential for arms exports to this region.

Trade with Africa has been significant. Says Lings: "In 1982 it was about 5% of the total; in 1992, 9%." Customs & Excise fig-

New markets

Combined trade (imports and exports)



NOTES:
1. Figure for Hong Kong probably includes a large proportion of re-exports to mainland China.
2. Taiwan figures only available from 1984 onwards.
3. Other Asia is mostly East Asia. Figures before 1984 would probably have included Taiwan, so are excluded to avoid distortions

Source: IMF

74 F

ures cite Africa as the destination for 15% of nongold exports — more than the US's 10%.

Lings fears limitations to this market. "There's little demand for the kind of goods we sell to industrialised countries. And exporters have had difficulty getting paid. A large proportion of exports to Africa are re-exports of machinery & equipment. This, together with food products, is likely to remain the predominant trading pattern."

But a number of exporters are finding the continent profitable — among them Andrew Martalas, MD of Tiger Oats subsidiary Imex International. "We have seen strong and consistent growth in an undertaking started two-and-a-half years ago — exports of finished goods to Africa. Main destinations are Mozambique, Zambia and Malawi."

Customs & Excise notes a R4,7bn trade surplus with the rest of Africa in 1992. Griffiths says that, in 1993, many of the 60 trade missions and delegations to visit SA came from Africa — Egypt, Ivory Coast, Congo, Gabon, Cameroon, Zaire, Ethiopia, Kenya and Tanzania.

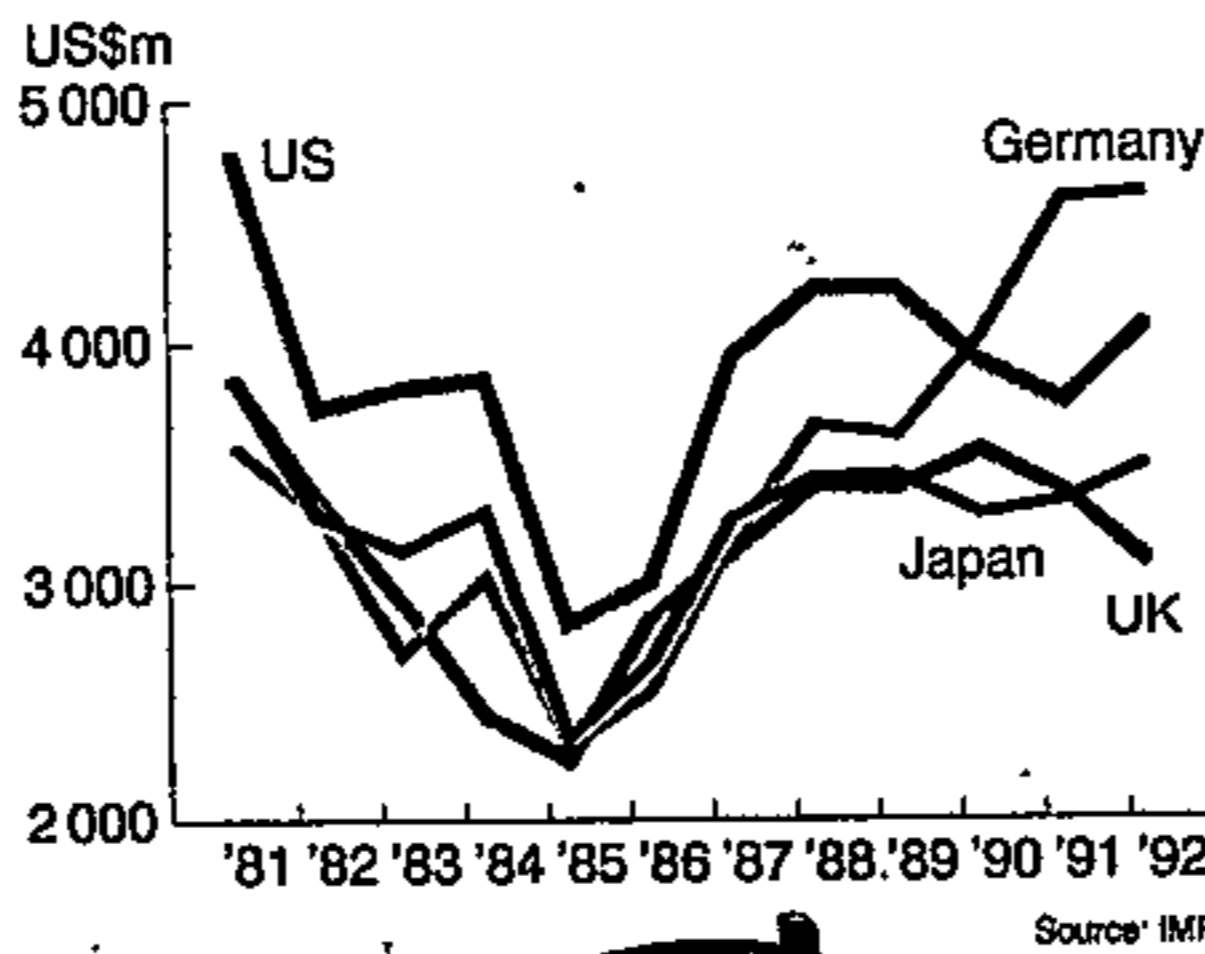
Activity has accelerated in recent months, especially in December when, Griffiths says, "we were exceptionally busy providing certificates of origin — especially for goods bound for Mauritius, Zimbabwe and other African countries." Lings' research shows that, in 1992, SA had trade surpluses with these countries: Mauritius R379m; Zimbabwe R791m; and Zambia R1,1bn.

Main exports were: to Mauritius, R94m base metals & articles; to Zimbabwe, R384m base metals and articles; to Zambia, R212m machinery & electrical equipment.

However, traditional trading partners remain the major players — the US, Germany, the UK and Japan. Lings established that total trade with the US and Germany in 1992 amounted to nearly R12bn each, with UK trade worth nearly R10bn and with

Industrialised countries

Combined trade (Imports and exports)



Japan over R9bn. In each case SA imported more than it exported and a major item was machinery & electrical equipment.

Deficits amounted to:

- The US, R2,3bn. Imports R7,1bn (machinery & electrical equipment R2,4bn);
- The UK, R856,2m. Imports R5,4bn (machinery & electrical equipment R1,8bn);
- Germany, R5,6bn. Imports R8,6bn (machinery & electrical equipment R3,3bn); and
- Japan, R1,8bn. Imports were R5,6bn. The biggest item was R2,4bn on vehicle &

equipment; R1,7bn went on machinery & electrical equipment.

The largest export category to the UK, US and Germany was "other unclassified," mainly gold:

- R485m to Germany;
- R2bn to the US; and
- R1bn to the UK.

The most important export to Japan was mineral products at R1,2bn, followed by base metals & articles, R938m.

Blumberg says that the dismantling of US sanctions creates enormous potential. "The North American Free Trade Agreement, signed recently by the US, Canada and Mexico, and the harmonisation of those countries' trade legislation will improve access to all three — though Nafta is not a customs union like the EC."

Asian markets too are clearly growth areas; and trade with Africa has possibilities.

Sanctions may have presented a challenge which spurred exporters but there is no way of measuring the cost of lost opportunities. "Local coal producers were often in a weaker bargaining position than their competitors," says Baxter, "so discounts were given. And business was lost because, all things being equal, customers would choose an alternative to SA."

"The 50,1 Mt we exported last year, though making us one of the world's top five exporters, might have been higher were we able to contract normally, especially during 1985-1990, when other producers were able to increase market share."

Post-sanctions, other obstacles emerge. Baxter warns: "Re-entry to normalised trade has already proved difficult because of coal oversupply, new producers and weak economic activity in industrialised countries."

In the long term, though, now that SA has shed its shackles, exporters should be able to improve their already impressive performance. ■

Exporters set new records

Star 18/1/94

■ BUSINESS STAFF

Exports boomed last year.

Figures issued by Customs and Excise show they jumped almost 18 percent from R67,4 billion in 1992 to R79,5 billion in 1993.

This was a notable achievement as commodity prices were depressed.

Imports rose 13,9 percent from R51,9 million to R59,1 million. The overall result was that the trade surplus jumped 38 percent from R14,8 billion to a record R20,4 billion.

A rise in export sales of precious stones by 42 percent to R10,14 billion made a major contribution to exports.

Exports of unclassified goods (mainly gold and platinum) rose by 22 percent to 29,93 billion, while base metal sales gained five percent to R9,92 billion.

Imports last year were led by machinery, up 15 percent to R17,17 billion and transport equipment, up 15 percent to R8,93 billion.

Europe remained the prime market for SA's exports. Exports to the continent were up by 12 percent to R25,79 billion while imports grew by 13 percent to R26,38 billion.

Imports from Asia surged by 32 percent to R15,62 billion while SA's exports improved by 17 percent to R14,22 billion.

Trade with Africa intensified as exports to the north of the Limpopo rose by 16 percent to R6,93 billion and imports showed a strong increase of 25 percent to R1,64 billion.

The slowest growth in overall trade was recorded with America, as the US only lifted its remaining trade sanctions late in the year. Exports to the continent were 9,5 percent higher at R6,75 billion, while imports firmed by five percent to R9,32 billion.

The monthly figures show that exports dropped in December to R6,26 billion from R7,5 billion in November. Imports declined, from R5,6 billion to R4,3 billion.

Stew 25/1/94

Import controls out within 12 months

Import controls on the remaining industrial tariff lines should be phased out within the next 12 months, says Trade and Industry deputy Director-General Gerrie Breyt.

He said yesterday import controls were being replaced by customs

duties, in accordance with Gatt requirements.

Although this had been government policy for some time, there were 1874 tariff lines still subject to controls, of which almost half — 912 lines — applied to fishery and agriculture products.

With regard to South Africa's offer under the Gatt, Breyt said the Government would implement the regulations agreed to in consultation with the important economic players represented in the National Economic Forum. — Sapa.

(74F)

ANC asks Bank to waive import duties

PRETORIA — The ANC had asked the Reserve Bank to waive import duties on election materials and for access to finrands to buy a building, the TEC heard last night.

DP delegate Colin Eglin said the application, which was passed on to the TEC's finance subcouncil, favoured one party and should be closely examined.

Even if the waiving of import duties was spread to all political parties, monitoring mechanisms should be put in place to prevent parties "stocking up on capital goods prior to the elections".

BISON 26/11/94
ADRIAN HADLAND

A TEC source confirmed that the ANC's treasury department had requested the waiving of duties for the importation of goods including electronic equipment, Land-Rovers and T-shirts. (74F) (3077)

Eglin said he had serious concerns about the ANC's application for finrands so that it could buy a building in Pretoria to use as party offices.

"I think it is wrong to use the TEC for matters falling under the Reserve Bank and for political parties to use finrands to

purchase commercial buildings.

"Securing a commercial building reflects a commercial enterprise of a capital nature," Eglin said.

But one delegate said the move was intended to level the political playing field ahead of the elections.

The TEC agreed to refer the matter to the finance subcouncil, which will investigate whether the ANC request should be approved, whether all parties should be able to claim access to import duty waivers and whether the finrand could be used for electoral purposes.

ANC asks for import duty waiver

PRETORIA. — The ANC had requested the Reserve Bank for a waiver of import duties on election materials as well as access to financial rands to buy a building, the Transitional Executive Council heard last night.

DP TEC delegate Mr Colin Eglin said the application, which was passed on to the TEC's sub-council on finance, favoured one party and should be closely examined by the sub-council.

He said even if the waiving of import duties was spread to all political parties, monitoring mechanisms should be put in place to prevent parties "stocking up on capital goods prior to the election".

Mr Eglin said he had serious concerns over the application for financial rands for the ANC to buy a building.

● Capital flight — Page 8

as new trim and color.

First Volvos arrive in Durban since Sweden's boycott of SA

Motoring Editor

AS some importers hold their breath waiting for the go-ahead on the new, reduced import duty — a figure of 80 percent has been agreed to — others have forged on without waiting.

The first Volvo cars to arrive here since Sweden started its trade boycott two decades ago were unloaded in Durban this week.

Brought in by Volvo's South African partner, Durban-based quoted company Combined Motor Holdings (CMH), 64 luxury cars totalling R12 million were offloaded, CMH said in a statement.

Through Swedish Car Distributors (Pty) Ltd, a subsidiary of CMH, dealerships trading under the name of Swedo Car have been established in Johannesburg, Pretoria, Cape Town and Durban.

While the cars are manufactured and assembled entirely by Volvo Europe, full parts and service will be provided locally. A comprehensive range of mechanical and body parts has already arrived in South Africa. Local service personnel have embarked on an ongoing training programme by Volvo technicians in the use of special tools and test equipment to meet Volvo's international standards.

The first four models to drive on to South African soil are the Volvo 850 GLT sedan, Volvo 850 GLT Turbo, Volvo 850 Estate and Volvo 850 Estate Turbo, all of which are available in automatic or manual.

The 850 front-wheel drive series is a new generation of Volvo featuring four technological world firsts: an integrated side impact protection system, an automatic seatbelt adjuster, a special patented rear-wheel suspension system and a unique transverse five-cylinder, 20-valve, 2.5 litre engine.

As Sweden's major car manufacturer, Volvo has a presence in almost 100 countries with a wide-ranging network of 2 000 dealerships and 2 700 service workshops worldwide. Volvo sold 304 000 cars in 1992.

During its 23-year involvement in the local motor industry prior to Sweden's disinvestment, Volvo sold 33 000 cars in South Africa, 10 000 of which are still running today.

● While strictly speaking not an "import", Hyundai are being seen more and more in Cape Town. The southern African distributors of the Botswana-assembled Korean cars advertised the opening of their Foreshore showroom this week.

NEI cuts loss, debt on road to recovery

CT 10/3/94 (74F)

By AUDREY D'ANGELO
Business Editor

NORTHERN Engineering Industries Africa (NEI) — which has struggled after serious accounting irregularities caused it to write off R52,5m in 1991 — seems on the way to recovery.

Losses and financing costs were reduced in the year to December, when loss-making businesses were disposed of.

And the directors point out that the group ended the year with a positive cash balance of R9,4m — “a total turnaround from the R107,7m interest-bearing debt at the end of 1992”.

A rights issue, aimed at raising R30m to strengthen the group's capital base, will be underwritten by major shareholders Rolls Royce and Old Mutual.

The group reported an attributable loss of R11,7m compared with a loss of R18,1m the previous year, and the dividend has been passed.

Turnover was reduced by 18% to R475,4m (R582,2m) as a result

of the depressed market, the sale of the Propower and AG Walker divisions, and the elimination of unprofitable businesses and product lines.

Operating income fell to R15,1m (R34,2m) and income before abnormal charges of R13,4m was R1,7m (R7,6m).

The pre-tax loss was R11,7m (R22,9m) and the after-tax loss was R10,6m (R19,5m).

But new CE Ken Whitehouse points out that financing costs were reduced from R26,6m to R13,4m.

“Cash generated from operations, good asset management, the disposal of non-core businesses, and the conversion of R50m worth of borrowings into R47m worth of redeemable preference shares and a loan of R3m, were the means by which the group's short-term debt was eradicated.”

Whitehouse, a former MD of International Combustion in the UK, took control of NEI in September and said yesterday: “I found things needed to be consolidated, there were long outstanding matters that needed res-

olution — particularly in the claims area — and there were non-core businesses we needed to be shot of.

“I wiped the old slate clean and now we are moving into new country.”

The recapitalisation from the proposed rights issue, the group's complete reorganisation “and the fact that we have now completed all the required corrective action make the outlook promising.

“NEI is now on a sound footing and is well positioned to take advantage of any economic recovery.”

Whitehouse said the group had received strong support from Rolls Royce. This was “reflected in our increasing competitiveness both locally and internationally. It was particularly pleasing that group export sales increased during the year by 90% to R44m.

“NEI Africa has good profit potential for 1994. But we have to bear in mind that the entire engineering sector is dependent upon a general recovery in the economy as well as new investment.

Botswana's car loophole under fire

SOUTH Africa's motor industry has rolled out its big guns to blast a minnow.

The Motor Industry Task Group (MITG), of which the National Association of Automobile Manufacturers of SA (Naamsa) is a member, is trying to close a 30-year-old loophole in the local-content programme.

The MITG applied to the Board on Tariffs and Trade last July for a new definition of completely knocked down (CKD) as it relates to the import of vehicle components.

Proposed changes to the law would close the loophole which allows assemblers to import semi-knocked-down vehicles to Botswana and avoid import and surcharge duties. It is proposed to lift duties on component imports from 40% to 80%.

One MITG target is Hyundai Motor Distributors, which imports

By DON ROBERTSON

vehicles from South Korea to Botswana and sells them in SA. Truck manufacturers in Botswana would be affected, but they sell few vehicles in SA.

Because Botswana is a member of the Customs Union, no further duties are payable when vehicles made there enter SA.

Since the launch last November, Hyundai has sold only 504 cars in SA.

South Korea's economic affairs first secretary in SA, Sun Heung Kim, says that if discriminatory action is taken, his country's trade relations with SA could suffer.

Naamsa replies that the loophole allows outsiders to "bypass the spirit of Phase Six".

Naamsa says MITG sought action in July 1993 — before Hyundai entered the market.

Naamsa and the MITG say Hyundai indicated that it would eventually agree to changes in the law and would fall in line when Phase Seven became final.

Naamsa says: "This would essentially require substantial investment or payment of additional duties, which by that stage are expected to be appreciably lower than the rates applied at present. This would do little more than place Hyundai on a competitive footing with local industry."

It accuses Hyundai of failing to make its intentions clear.

Nick Franco, director of Hyundai Motor Distributors in Botswana, says his company, the Botswana Government and Botswana Motor Industry have objected to the MITG application for the definition of CKD to be changed.

Botswana Motor Industry is similar to Naamsa and represents

Leading Auto Engineers, makes Scania trucks, Swedish Motor Holdings and Monitor Kamaz.

Mr Franco says the Hyundai franchise deal was concluded in 1992 and construction of the assembly plant in Gaborone began in July of that year. Orders were placed then for SKD imports.

All this happened before the MITG application, says Mr Franco.

He denies that Hyundai will agree to changes in the CKD definition and says it would be impossible for his company to agree to Phase Seven.

Mr Franco also attacks the MITG claim that the loophole is an oversight. He says it was a gap in legislation dating from 1960.

The MITG, the Botswana government and Botswana Motor Industry are expected to meet soon.

Whatever the outcome, Hyundai will continue to operate in SA.

EU accuses SA of dumping

Star 2213194

■ BY DEREK TOMMEY

Highveld Steel will not be affected by the European Union's imposition of tariffs on imports of South African ferro-silicon, says Bob Ellwood, the company's general manager of steel and vanadium operations.

Highveld sold only limited quantities of ferro-silicon to Europe. Its main markets were in the Pacific rim countries.

He said the move was not a surprise. Highveld had been aware for some time that the tariffs were in the offing.

He doubted whether the new tariffs would have much effect on European imports. On American experience, the only result of increased tariffs on ferro-silicon imports was an increase the domestic price of the commodity. (74F)

The EU announced last night that that tariffs of up to 50 percent had been imposed on imports of ferro-silicon from China and South Africa, reports Sapa-AP.

Ferro-silicon is used as an alloying component in manufacturing steel. (SAPA)

In the official journal, the

EU's executive commission said European ferro-silicon producers were hurt by the cheaper imports from China and South Africa.

The EU therefore had imposed anti-dumping duties of 49,7 percent on Chinese imports and 47,4 percent on South African imports, except those from South Africa's Highveld-Rand Carbide, which faces duties of 34,7 percent.

The EU defines dumping as the export of goods at prices below their production cost or less than they sell for in their home market.

Audiodek deafened by a wave of grey imports

ROBYN CHALMERS

ELECTRONICS firm Audiodek was hard hit by the flood of supposedly illegal imports of home electronic equipment, posting a bottom line loss for the year to December.

In a year which MD and chairman Monty Tolkin described as the most difficult in the group's history, turnover rose 10% to R71m (R64,6m), but severe pressure on margins saw operating income more than halve to R1m from R2,3m.

The interest charge increased nearly a third to R1,7m (R1,3m), largely as a result of overstocking. This left a pre-tax loss of R725 000 from a profit of R988 000 during the 1992 financial year.

The tax bill was more than halved to R233 000 (R546 000) and the post-tax loss was considerably reduced at R492 000 against a profit of R442 000 previously. Earnings moved into a loss position at 2,48c from 2,23c a share profit during the previous comparable period. The dividend for the full year was passed.

Tolkin said the results were disappointing, with the Alpine division particularly affected by the import of

parallel or "grey" electronic products. This equipment was being sold at prices which were virtually equal to Audiodek's landed price.

"This problem of grey imports has affected all major brands at the top end of the car audio market and there is reason to believe that full duties are not being paid. (18915)

"The bulk of the problems appear to stem from misdeclarations and duty evasions," he said. (74F)

Tolkin said steps were being taken to reduce Alpine's overheads, which he hoped would enable the division to cope with current trading conditions.

He said there was intense competition in the bottom end of the home audio market, especially music centres, which made up a large share of the Audiodek division's turnover.

To return to profitability during 1994, Tolkin said, efforts would be concentrated on achieving an acceptable gross profit margin, reducing interest-bearing debt and increasing the turnover of stock.

Clothing industry slams waiver plan

EDWARD WEST

CAPE TOWN — A plan by government to temporarily exempt the PAC and the ANC from import duties for election paraphernalia has raised strong objections from the clothing industry. *B Bay*

An SA Clothing Federation spokesman said the Board on Tariffs and Trade was expected to announce the result of an investigation into the temporary exemption of payment of import duties on election paraphernalia soon, following a request by the PAC and ANC. *3113/194*

The items in question were clothing, flags, umbrellas, jeeps and bicycles.

The federation said in a letter to the board that donated imports were subject to abuse and difficult to control.

It questioned why the public should subsidise political parties and said financing of political parties by taxpayers should be transparent. *(74F)*

Donated clothing items, such as those to be imported during the election, would exacerbate job losses and lead to further rationalisation of the industry.

A National Association of Automobile Manufacturers of SA spokesman said although it was sympathetic to the parties wishing to import 16 donated jeeps to SA, the concern was the fact that temporary exemption could create a precedent for further exemptions at a later stage.

Import proposals opposed

■ BY THABO LESHILO

The National Clothing Federation (NCF) has objected to a request by the ANC and the PAC to be exempted temporarily from paying import duties on "election paraphernalia".

"Importing clothing for the election will lead to a public outcry since workers in our clothing and supply industries will be prejudiced through unwarranted imports," NCF executive director Hennie van Zyl said last week.

The federation's objection

Star 4/4/94
was delivered to the Board of Tariffs and Trade on March 21. The board has been asked by the Minister of Finance to investigate the desirability of making such a concession.

The goods, described as donations, including T-shirts, jeans, scarves, flags and bicycles, are intended for use in the coming election.

Van Zyl said it would be difficult to stop anybody from importing goods disguised as donations.

"Why should the public subsidise political parties?" the NCF asked.

Parties, he said, should rather persuade their "donors" to send cash to buy the goods locally. (74F) (13P)

In a letter to the board, the NCF said low-cost clothing imports had added significantly to the loss of more than 40 000 jobs in the the Western Cape, Natal and Transvaal over the past decade.

"Rebating donated clothing items, such as those which would be imported for the election, will simply exacerbate the problem and lead to further rationalisation in the industry," it said.

US attacks SA's import tariffs, trade subsidies

SI Times 17/4/94

By SVEN LUNSCHÉ

THE Clinton Administration remains highly critical of South Africa's extensive import tariff and trade subsidy system.

Although the US says SA's offer to the General Agreement on Tariffs and Trade (Gatt) deals with many of its worries, a recent report highlights serious trade distortions.

The National Trade Estimate Report was presented to Congress by trade representative Mickey Kantor this month.

It says: "We have asked the SA government to reduce and bind its import duties both through high-level bilateral demarches and in the context of Gatt."

"The US government has also raised its concerns regarding SA's non-tariff barriers, both bilaterally and in the Gatt."

Last year, SA was No 36 in the list of US export markets, business totalling \$2,2-billion, down \$228-million, or 9,4%, from 1992. SA imports to the US rose by 7,2% to \$1,8-billion.

US direct investment in SA totalled \$871-million in 1992, \$14-million higher than in 1991, says the report. Figures for 1993 were not available.

The report says that by early February this year, 134 of the 177 states, counties and municipalities that im-

posed some form of sanctions on SA had removed them.

Repeal measures are under way in 16 jurisdictions.

Following the elections on April 27 the last sections of the Comprehensive Anti-Apartheid Act, Sections 207 and 208, will expire. They require that US companies with operations in SA of more than 25 employees adhere to a set of fair labour standards.

The main focus of the report is a critical examination of SA's import tariff system (74F)

"The move to simplify SA's tariff system by reducing the number of separate tariff items has met with only limited success. Although some tariffs have been reduced, other have actually risen.

"US exports of soda ash, poultry, paper products and possibly washing machines have been hurt in the early 1990s by increased tariffs requested by SA industry."

The report says that approval of such requests is more likely where the producer has a major share of the domestic market and can show that foreign competition is eroding its market share.

The system of agricultural tariffs, taxes, quantitative import controls and numerous marketing boards "represent a major trade barrier to US agricultural exports".

Because import permits are controlled by 21 marketing boards they are sometimes issued arbitrarily, depending on domestic supply, internal demand and export commitments.

The report takes a critical look at the General Export Incentive Scheme and Section 37E of the Income Tax Act and declares its opposition "to domestic and export subsidies which provide a benefit to a specific industry or firm".

A major area of concern for US industry is the lack of intellectual property protection.

The report says the US film industry has lodged complaints that piracy, video copying and parallel imports are frequent in SA. The industry is also worried about potential new duties on video tapes used for TV broadcast in SA and based on the tape's contents.

Concern is also expressed about piracy in publishing, computer software and sound recording.

"The US government has advised SA of the need for adequate and effective intellectual property rights protection," the report adds.

Higher imports 'may hurt surplus'

EDWARD WEST

CAPE TOWN — Increased imports as a result of the revival of the economy could result in a smaller trade surplus at the end of the year than in the past two years, Boland Bank said in its latest Economic Review. *Biday 22/4/94*

During recent quarters politically inspired outflows exceeded the current account surplus, dealing foreign exchange reserves a serious blow, the report said.

Economic revival in SA traditionally resulted in sharply increased imports and in the first two months of 1994 imports rose 25%. It was realistic to assume that despite the excitement about export prospects, increasing imports would erode SA's current account, the bank said.

These trade prospects outlined the importance of capital inflows in future to protect already depleted foreign exchange reserves. However, South Africans seemed overpessimistic about the likelihood of capital inflows. *(74F)*

SA was underborrowed, offered growth potential and had a sophisticated financial infrastructure.

These facts could well prove prophets of doom wrong regarding foreign investment from the second half of 1994.

Cheaper motor-cycles on the cards

S Times (Buss)

THE price of motor-cycles could eventually be reduced by between 18% and 39% if import, ad valorem and surcharge duties are dropped — as recommended by the Motor Industry Task Group (MITG).

The decision rests with the Board on Tariffs and Trade. It has received an application for relief from the Association of Motorcycle Importers and Distributors (Amid).

Motor-cycle import duties range from 10% to 15%, the surcharge is 15% and ad valorem charges are as much as 32,5%.

The MITG report says motor-cycles are used mostly by business and du-

By DON ROBERTSON

ties result in additional input costs. There is no SA motor-cycle industry to protect. The state would forfeit R30-million in income if duties were dropped. 244194

An early decision on the application is not expected.

Motor-cycle dealers have suffered a sharp drop in sales, largely because of rising prices, exacerbated by the rand's fall against the yen.

Dealers say most sales — 83% in 1993 — are to the commercial sector.

Motor-cycle sales in 1983 totalled

47 780, falling to 24 500 in 1985, 12 920 in 1988, 9 980 in 1990 and 8 170 last year. Of last year's sales, 82,8% were motor-cycles below 200cc. They are used mainly for the delivery of small parcels.

The removal of ad valorem duties alone would result in an immediate reduction in retail prices. (74F)

Amid says importers and distributors have cut profit margins in an effort to contain retail prices.

The retail price of 50cc motor-cycles ranges from R8 700 to R11 000. A 500cc motor-cycle costs about R30 000 and a 750cc machine about R37 000.

FOREIGN TRADE
Fm 29/4/94
Favourable flows

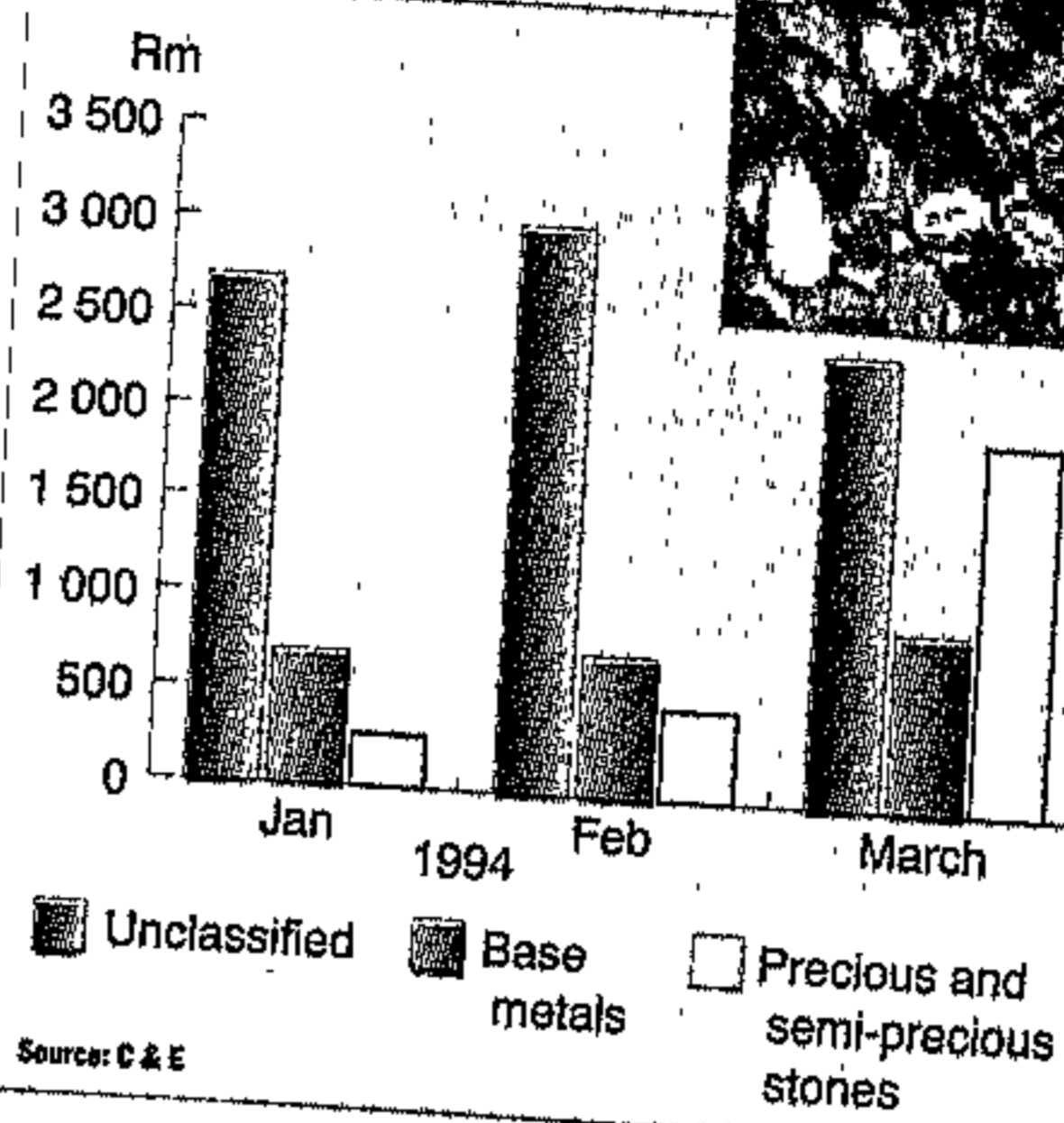
The latest foreign trade figures are good news — and even better for coming at the same time as Inkatha's decision to take part in this week's general election. A Customs & Excise release shows that, over three months, exports were up 24% — a revenue bonanza; and imports were up 20% — welcome proof of accelerating growth in the economy despite the political disruptions.

With the possibility that political stability will slow or reverse the crippling capital outflows earlier this year, it seems we may be able to afford the boom that is looming.

In March, a R4bn surge in the export category, which includes diamonds, sent overall export figures soaring. The value of precious & semiprecious stones exported that month was close to R2bn, from R481m in February. But a Customs & Excise official explains that the remarkable growth was due partly to a statistical overflow from previous months. *(74F) (74S)*

However, confirmation of export growth comes from the three-month figures. In the first three months, exports in the category precious & semiprecious stones, amounted to R2,7bn which is two-thirds higher than the R1,6bn exported in the first three months of 1992. This indicates the steep rise in CSO sales recorded in 1993 is continuing. Also in the first three months, base metal

Export swing



exports were up 16% to R2,4bn; the item "unclassified" — mainly gold — was up 18% to R8,1bn; and vegetable products — an item which includes maize — was up 183% to R568m. Total exports amounted to R20,6bn in the period.

Says Old Mutual's Rian le Roux: "There are two possible reasons. The exchange rate has fallen, so the rand value of exports is higher. And commodity prices — particularly gold and platinum — are improving."

Imports totalled R15,9bn.

"The 20,5% rise," says Le Roux, "is mainly due to an increase in volumes of about 17%. January-February figures on import prices show they rose only 3%." And this is despite the depreciating rand.

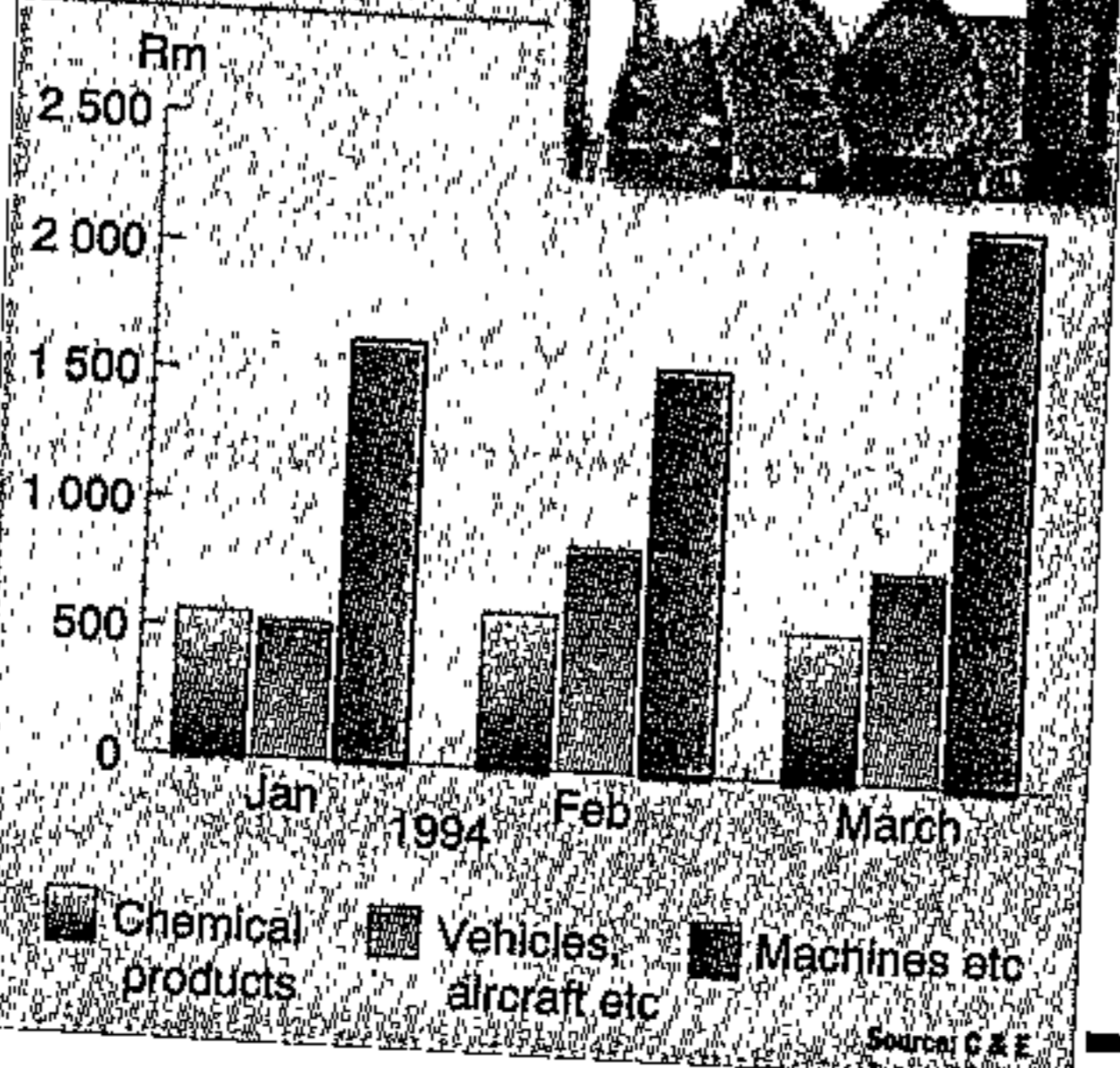
Economic recovery was reflected in purchases of machinery from abroad. This category jumped by R600m in March to R2,1bn. The value for the three months was R5,4bn — up 44% on 1993. *Fm 29/4/94*

The trade surplus in the month was R2,6bn — the highest monthly level since October 1991, says Le Roux. *(74F)*

In the three months the surplus was R4,8bn — compared to R3bn in the first three months of last year. *(74S)*

This will be countered by outflows on the services account "which are about R1bn a month," says Le Roux. "That leaves a current account surplus of about R1,6bn in March."

Import shifts



But he points out the vulnerability of foreign reserves which fell by R870m between February and March. "Given the trade figures and estimated service outflows, this implies capital outflows in March could have exceeded R2,3bn."

So the economy is in delicate balance and needs all the stability that the incoming government can provide to attract investment.

Dumping ousts tariffs to beat cheap imports

A TOTAL of 32 applications for anti-dumping investigations have been made since the introduction of legislation in 1992.

This suggests that companies are resorting to anti-dumping rules more than tariffs to bar cheap imports. Dumping is illegal under the General Agreement on Tariffs and Trade (Gatt).

Concern has been expressed about the time taken to complete investigations — up to 581 days in one case.

Manufacturers say the long time taken to complete investigations can damage business. Importers accuse manufacturers of improper use of the rules, which allow the Board on Tariffs and Trade to impose temporary tariffs while investigations are in progress. The rules have also been

By CIARAN RYAN

attacked for granting the board wide discretion in the selection of benchmark countries with which an exporter's production costs are compared.

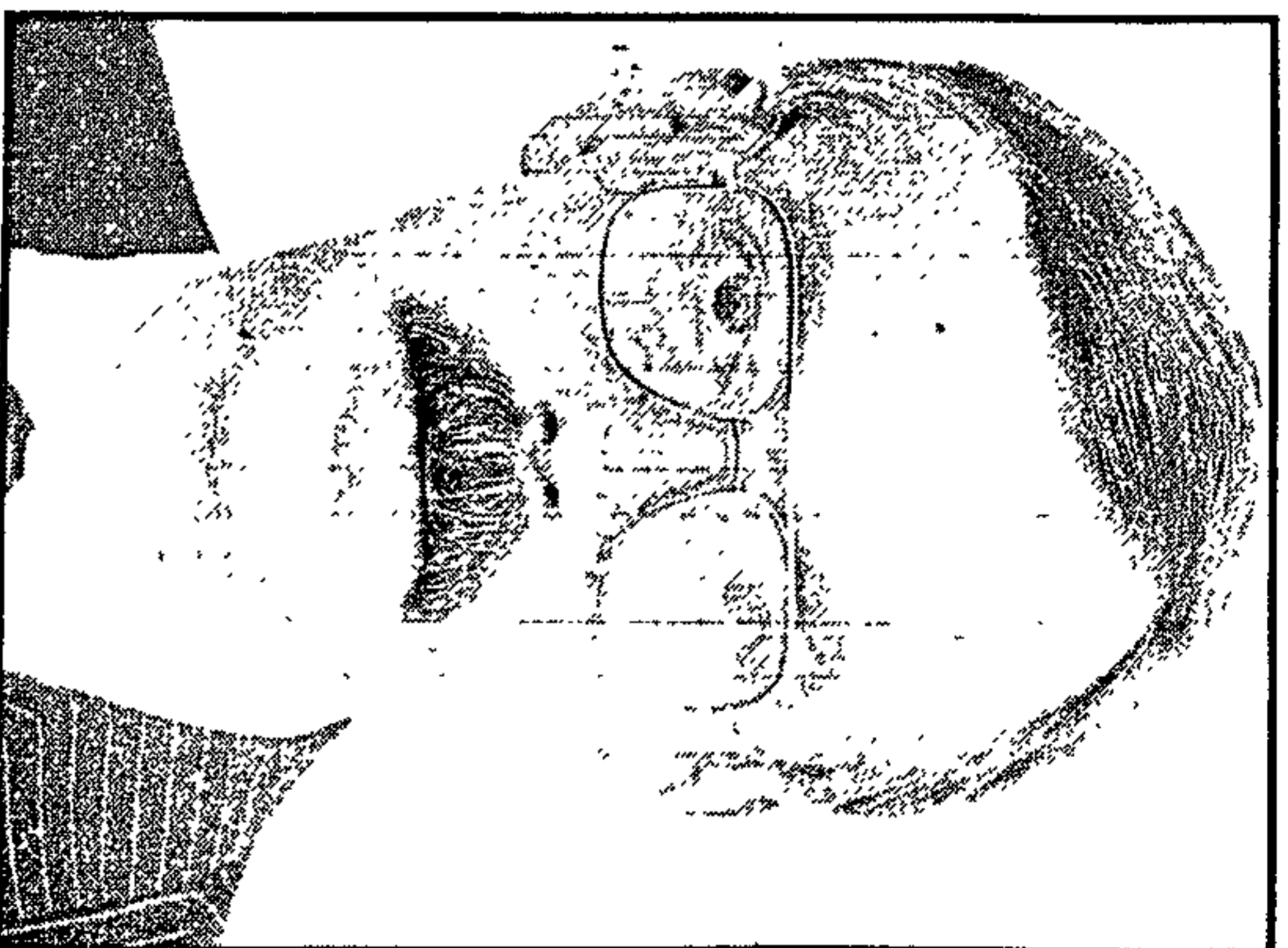
In one case, Germany was selected as a benchmark in an inquiry into the import of picks and shovels from China. Anti-dumping tariffs were imposed on the importer because picks and shovels are much more expensive in Germany than in China. **(F4F)** New Gatt rules prohibit the use of dissimilar countries for comparison in anti-dumping inquiries. Leora Blumberg, a trade attorney with Webber Wentzel, says: "The danger with SA's definition of dumping is that it can be used against

any import which is more expensive than the domestic price.

"The problem with anti-dumping investigations involving non-market economies such as China is that their costs of production are so much lower than elsewhere. It is often hard to prove dumping in these cases."

Samancor was hit with 50% punitive duties on ferrosilicon exports to the European Union and is subject to anti-dumping investigations in other countries.

Executive chairman Mike Salamon says foreign competitors are trying to protect their home markets by resorting to claims of dumping, a trend which is increasing. Mr Salamon says that in several other investigations, Samancor came out



MIKE SALAMON . . .

with a clean bill of health. SA will have to change its anti-dumping laws to conform with the new Gatt pact signed in Marrakesh.

Miss Blumberg says a problem is the lack of case law on dumping, restricting avenues of legal recourse for importers and SA manu-

facturers. But this is due to

change because several cases challenging board decisions are expected to come before the courts.

Companies cannot appeal against the merits of the board's decisions, but can challenge them on procedural grounds.

'Import and export boom looming'

THERE are strong indications that SA is set for a boom in exports and imports, says Grindrod Seafreight's Mike Millard.

These pointers included signs of positive economic growth among SA's major trading partners, he said at the weekend.

"Given the fact that the recessionary cycle in international economies is beginning to turn, we can look forward to continued growth in both imports and exports," he said.

Other sources saw the recent extension of trade incentives to SA by its trading partners — including the US and Canada — as significant in improving local companies' access to new markets.

The European Union is also considering extending trade concessions to SA. Millard said another encouraging sign

was that SA trade had surged ahead in the first quarter of 1994 despite pre-election jitters. "Exports in January-March grew 24% compared with the same period last year, and imports grew 20%," he said.

The nominal value of exports for the three-month period was R20,6bn, while imports were recorded at R15,8bn.

"While cost-inflation and the continuing depreciation in the commercial rand have to be taken into account in this quarter-on-quarter comparison, we are still seeing a real upturn in two-way trade."

Although the export of diamonds had jumped 67% to dominate the figures, general trade categories had also shown a healthy improvement.

JOHN DLUDLU

Nafcoc set to be influential force

NAFCOC would be well-placed to be an influential force in the SA economy with the restructuring programme begun by US consultant Robert MacGregor, the business organisation's executive director, Max Tlakula, said on Friday.

MacGregor had strongly urged the SA corporate sector to support the programme financially because, he said, Nafcoc was going to be the organisation the new government would work closely with.

MacGregor, president of the Minnesota Centre for Corporate Responsibility, worked for Nafcoc for three months earlier this year as a volunteer with the International Executive Corps.

The programme seeks, among other things, to strengthen Nafcoc headquarters to serve regional and sectoral chambers, giving most attention to the clear definition of the financial directorate.

The plan also includes strengthening representation at regional and national government level, monitoring legislation affecting small and medium enterprises, and advocating government aid for new and growing businesses.

Under the plan, regional and sectoral chambers of Nafcoc would have the responsibility of encouraging large companies to buy from smaller black businesses and assisting foreign and domestic corporations in identifying business opportunities in black communities.

THEO HAWANA

MacGregor appealed to SA companies to assist the restructuring programme financially. "The new government will work very closely with Nafcoc. It can become a most important player in business circles to keep this country supporting a market-driven economy and assisting SA on the many issues related to black empowerment and the need to jump-start black business."

He said a strong Nafcoc supporting a company's values was in everyone's self-interest.

MacGregor said an experienced German executive would be with Nafcoc for one year to work on operations and finances as recommended in the report, and an American with a Masters degree in marketing would assist with membership needs for a year.

In addition, a retired executive would be working with the organisation.

"I am also working with USAid and some of its funded agencies to provide capacity-building assistance," he said.

"In my public speaking in the US, I will give a very positive report on SA which will be substantially different from the negative reports featured on CNN and in other US media."

MacGregor added: "We all benefit from a restructured, moderate and responsible black voice, which Nafcoc represents."



SASFIN ASSET SECURITISATION LIMITED

(Registration number 91/02708/06)

Notice to holders of unsecured compulsorily redeemable asset-backed floating rate debentures due 2011

Interest rates

Mugabe warns SA on textile tariffs

CT. 2015/94

74F

From LINDA ENSOR

LONDON. — The most pressing issue bedevilling Zimbabwe's relationship with SA was the high tariffs imposed on Zimbabwean textile exports, an issue which would have to be addressed if SA was to join Southern African economic associations, state president Robert Mugabe indicated yesterday.

Mugabe is on an official state visit to Britain and gave a press conference at a Confederation of British Industry conference on investment opportunities in Zimbabwe.

So pressing was the problem of high tariffs which made Zimbabwean textiles uncompetitive on the SA market, that Mugabe raised the issue with Nelson Mandela while in SA for the presidential inauguration.

"At the moment SA is very closely guarded in respect of its textile products. They are guarding the market quite jealously because of a flood of dumped goods from the Far East, South Korea, Taiwan, Hong Kong and other countries."

This was the reason for the heavy duty imposed on Zimbabwean tex-

tiles, Mugabe said.

If SA joined COMESA and SADCC, it would have to abide with the regulations of those organisations to facilitate trade. "We want to remove tariff barriers altogether by the year 2030 to promote trade in the region."

Mugabe said SA's participation in these organisations would enhance markets and lend weight to them. He hoped that SA would lay its comparative advantages in the areas of quality and technology at the disposal of its neighbours.

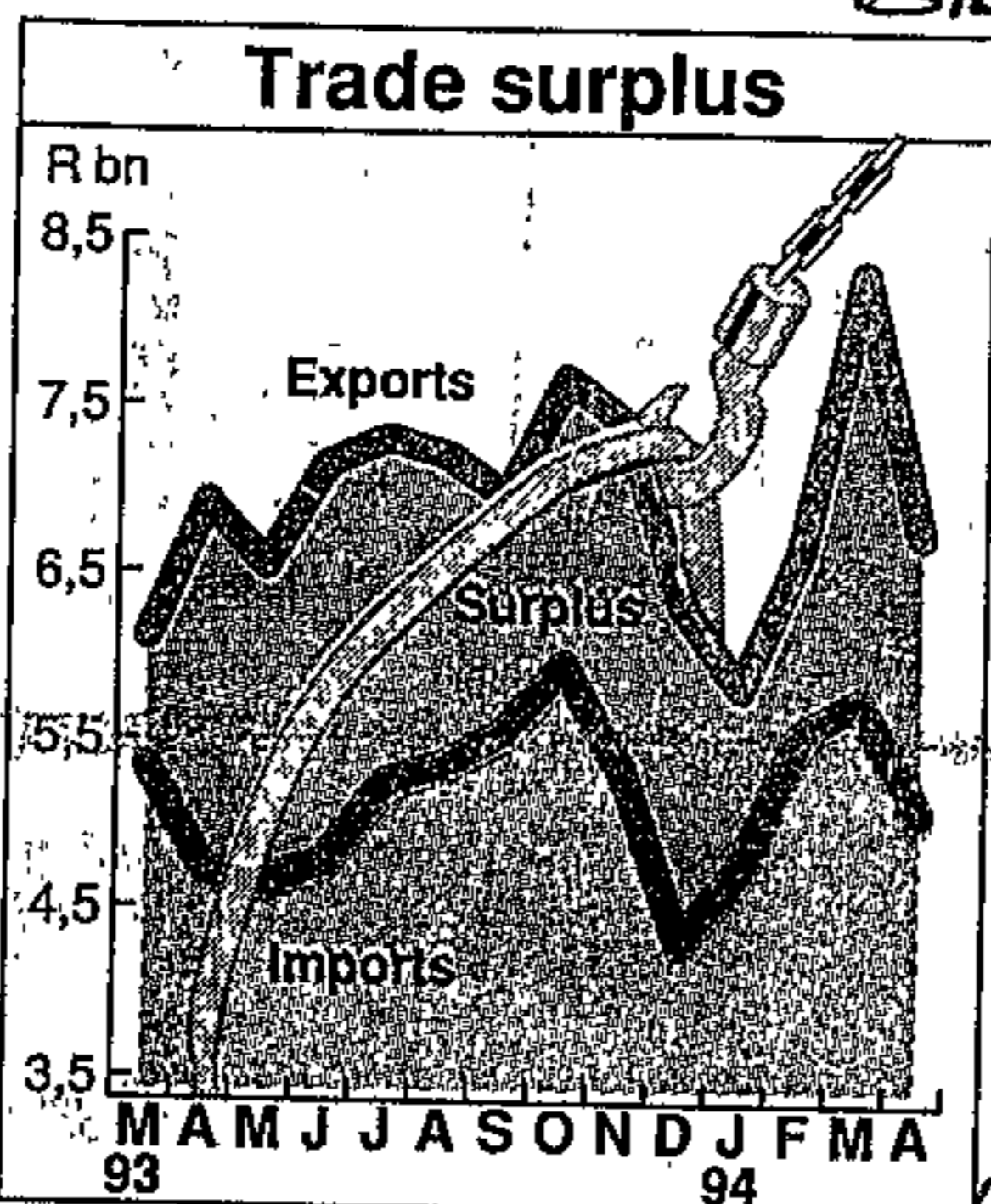
Britain's Board of Trade president Michael Heseltine also emphasised that the most effective form of regional cooperation at this stage could be the removal of trade barriers and the simplification of border controls to encourage the free flow of trade within Southern Africa. SA had a key role to play in Southern Africa, he added.

On the issue of investment, Zimbabwe enjoyed certain advantages over SA, Mugabe said.

"We pride ourselves on a much higher level of education amongst blacks than in SA and amongst blacks we also have a higher level of skills."

Trade surplus falls to R1,66bn

BIDAY 25/5/94



Graphic: LEE EMERTON Source: CUSTOMS & EXCISE

SAMANTHA SHARPE

THE SA trade surplus fell to R1,66bn last month from March's R2,56bn, in line with economists' expectations, Customs and Excise figures released yesterday showed.

Exports fell 19% to R6,69bn, outstripping a 12% fall in imports to R5,03bn.

April's many public holidays and uncertainty prior to the election were the major culprits behind the fall in imports, said Ed Hern, Rudolph economist Nick Barnardt.

But he had expected depreciation of the rand in April to spur growth in exports. He was disappointed the surplus had not reached the R2bn level.

He said the need for a consistently large trade surplus was still urgent in the context of the drain on SA's foreign reserves in the first four months of the year.

SA Foreign Trade Organisation econo-

(74F) To Page 2

Trade surplus

BIDAY 25/5/94 From Page 1

mist Carlos Teixeira said the April trade figures were strong on a month-on-month basis and, excluding the "weird" March surplus, were high compared with December, January and February.

The cumulative surplus for the first four months of the year was R6,37bn, which compared favourably with R5,4bn for the same period a year earlier.

Teixeira said there had been a break in the trend of lower oil prices keeping the import bill down. As demand in the economy heightened, there would be further

upward pressure on imports.

Growth in unclassified exports (mainly gold) was moderated by a decline in the dollar price of gold in April against March.

But preliminary results of Safto's latest export confidence barometer revealed an upbeat feeling among export managers for this year and next as political obstacles disappeared and the economic fundamentals driving higher exports improved.

Old Mutual economist Ursula Maritz said the latest figures were in line with a current account surplus of around R5bn for the year.

TRADE

In perspective

While exports in the first four months of the year were substantially higher than they were in the same period last year, this reflects more the poor level of exports in the early part of 1993 than a strong performance this year. *FM 27/5/94*

Particularly hard-hit this time last year were vegetable products (the category which includes grain), chemical products and the category gems & precious stones. Not surprisingly, it was these three items which showed the strongest percentage growth this year, with vegetable products soaring 124,4%, chemical products 39% and gems & precious stones 29,6%. Overall exports, at R27,3bn, were 26,3% higher than in 1993.

Imports were 14,9% higher than in 1993, at R20,9bn. There were substantial increases in the categories: gems & precious stones (72,9%); prepared foods (55,3%); and machinery (34,7%). *(74F) (41,5)*

These were dampened by declines in the levels for unclassified items (- 51,2%) and vegetable products (-41,2%).

The surplus for April is R1,7bn, down from March's R2,6bn. The cumulative surplus for the year is R6,4bn, compared with R3,4bn in the first three months of 1993. ■

Syringe trade takes aim at import duties

STwea 29/5/94

By DON ROBERTSON

THE Department of Health and the Board on Tariffs and Trade have been asked to lower "punitive" import duties on syringes and so reduce health-care costs.

Import duties were increased from 25% to 30% in December 1992. The formula duty was also raised, effectively increasing imports to as much as 170%, says Don McArthur, managing director of JSE-listed Macmed Health Care. Macmed is one of South Africa's largest syringe importers.

Higher duties were imposed after an application by Promex, then the only SA manufacturer of syringes. It complained that syringes were being dumped. The higher duties were imposed after an 18-month investigation.

A group consisting of Macmed, RM Salters, Vitamed and General Medical opposed the increase.

Promex has a major share of the R30-million syringe market and is by far the largest supplier to state hospitals. Syringe imports have grown since sanctions were lifted in October 1992.

Syringes worth R9-million were imported last year, all paying higher duties and adding to health-care costs, says Mr McArthur.

"We could sell an imported 2ml syringe for 15c compared with the Promex price of 26c, or a 5ml syringe for 24c compared with 33c," says Mr McArthur.

"High duties make the cost of importing safety syringes prohibitive. They are vital in combating blood-related diseases, such as AIDS and hepatitis. Other necessary products, such as the Solo Shot syringe recommended by the World Health Organisation, are also severely affected by the duty structure.

"These products self-destruct, prohibiting their re-use by drug addicts and unscrupulous general practitioners," says Mr McArthur.

The two-piece syringe is inexpensive to make and ideal for Third World countries, but also falls under the new duty structure and the cost of importing it is excessive. It is not made in SA. Imports at a lower price would reduce health-care costs, says Mr McArthur.

Mr McArthur accuses Promex of selling a 2ml syringe for 15c in Zimbabwe compared with 26c in SA.

Macmed's principal, Beeton Dickinson, the world's largest manufacturer of syringes, would build a manufacturing plant in SA if it could first establish a pres-

ence in the market through imports.

Promex marketing director Rob Millar says the higher import and formula duties were imposed solely to prevent dumping, mainly from eastern European countries. They are based on the landed fob price.

"If the fob price is low, suggesting dumping, the formula duty is high. If the fob price is based on normal Western prices, the duty is low." **745**

Mr Millar says duties will have to fall as SA complies with the General Agreement on Tariffs and Trade. Promex is gearing itself for this.

He expects the first cut in duties to come into effect in January. Duties should be reduced gradually over five years, allowing increased imports.

It is hoped that even with Gatt requirements in place, provision will be made for dumping duties.

Defending the price of syringes sold in Zimbabwe, Mr Millar says Promex is merely trying to establish an export market by accepting small margins and using incentives.

He says that if Macmed is able to sell an imported 2ml syringe for 15c, it is admitting to dumping because this product sells for two to three times this amount in Britain and the US.



MAKING A POINT... Macmed's Don McArthur, who says health services need cheaper syringes

Picture: AMBROSE PETERS

African export secrets come to light

CAPE TOWN — Details of SA's once-secret trade with Africa have been disclosed — and they show substantial growth in recent years and a healthy balance for SA.

Exports to Africa in 1992 totalled R17,3bn compared with imports of R4,1bn, the Pretoria-based African Institute has reported.

The institute disclosed the extent of trade with Africa in the latest issue of its journal, Africa Insight, and a special publication, SA in Subequatorial Africa: Economic Interaction.

In an article in Africa Insight, Rob Davies, now an ANC MP but former co-director of the Centre for Southern African Studies at the University of the Western Cape, outlined the possible benefits of SA's integration into southern Africa.

Political Staff

These included cross-border investments, mineral beneficiation projects, new niches for producers and industries in the region and changes in the pattern of production, with SA industries competing more directly outside the region.

Institute director Stef Coetzee wrote in another article that a surprising degree of integration and co-operation had already taken place. This had been borne out by the existence of the Southern African Customs Union, the multilateral monetary agreement and other agreements between SA and its neighbours.

Most of SA's 1992 exports to Africa went to the four customs union countries of Botswana, Lesotho, Swazi-

land and Namibia — totalling R11,4bn — but exports to Zimbabwe rose to R1,6bn, Malawi to R698m, Mozambique to R678,3m, Zambia R1,1bn, Mauritius R391,6m and R365,2m to Angola.

Exports to African countries rose 40% in 1989, 20% in 1990, 31% in 1991 and 18% in 1992.

The institute said: "SA exports to African countries are largely manufactured and processed goods, especially steel products, chemicals, paper products, foodstuffs, motor vehicles and mining equipment.

"Between 25% and 30% of all SA exports of manufactured goods go to Africa." (14 F) (775)

"The corresponding figures for machinery and chemicals were 43% and 25,5% respectively."

No 'flood' of cheap imports

BIDay 13/16/194

MICK COLLINS

THE Board on Tariffs and Trade said at the weekend it did not expect a flood of cheap imports after the recent signing of the GATT agreement.

It said as customs duties would be lowered over an extended period in terms of SA's GATT obligations, it did not see the necessity to increase staff levels in its anti-dumping unit.

The board also said it had received import tariff proposals from the National Economic Forum's trade and industry working group.

The proposals — which cover textiles, clothing, mineral fuels and associated products — were aimed at implementing SA Customs' tariff offer in terms of GATT, restructuring the tariff for industrial development purposes, and simplifying it.

Industry sources have suggested the board's anti-dumping unit — which has just 11 staff — be beefed up to police the new tariff agreement.

Highveld Steel, which exports 50% of its production, said GATT did not provide sufficient protection in the short term to local producers.

This particularly applied to eastern bloc countries which were under investigation for dumping in several countries.

Most producers said GATT would not have a substantial effect on local markets. Lower tariffs worldwide would open new export markets for producers with a weaker rand providing a competitive edge.

SA steel and ferro-alloy producers had emerged relatively unscathed from the agreement, according to a Haggie Engineering report.

Iscor said it could live with the new GATT deal and did not need higher duties with the exception of some tariffs at the lower end of the market — reinforcing bars and billets.

Discussions were under way with the board to determine acceptable tariff levels on these products.

"We are not worried about GATT," a spokesman said in the report. "Other countries in the Far East such as South Korea, India and Taiwan have enormous tariff structures which they will have to lower to 10%. This opens new markets for us."

Ferro-alloy producer Samancor said the new GATT agreement did not affect it. (74F)

Quoting Samancor executive chairman Mike Salamon, the Haggie Engineering report said foreign competitors were attempting to protect their domestic markets by resorting to claims of dumping.

As conventional tariffs were legislated, producers would go for more focused targeting of competitors through anti-dumping legislation.

"The industry is fraught with this kind of behaviour. In a number of investigations we came out with a clean bill of health," Salamon said.

Concern over high footwear imports

THE significant increase in imports from the Far East was of concern to the local footwear industry, which was finding it increasingly difficult to compete, Footwear Manufacturers' Federation of SA (FMF) directors said in the 1993/94 review. ^{2016/19}

Director Dennis Linde said footwear production grew last year — for the first time since 1988. In 1993 45,4-million pairs of footwear were produced, 3,8% more than the previous year. ~~(15)~~ (74F)

At the same time, footwear imports had shown "exceptional growth", with imports for 1993 reaching a record 33-million pairs. Market share of imports stood at a record 42,1%, compared with the previous record of 33% in 1987. China and Hong Kong not only accounted for the

MARCIA KLEIN

largest portion of imported footwear (67%), but also for the greatest increase in imports over the past year. Currently, SA's footwear export volumes were relatively small.

Linde said it was becoming increasingly difficult for the West to compete with the Far East. The massive volumes produced by countries like China were of great concern.

Although footwear production grew in 1993, employment in the industry has declined steadily to slightly more than 21 500 — down 22% from 1989. Further retrenchments were taking place, short-time was being worked, and rumours of factory closures were doing the rounds.

Linde said all of these factors

pointed to "a further contraction of the industry" which was already producing 29% less than the record levels of 1988 and 1989.

FMF president Robert Feinblum said the primary cause for the industry's poor performance was "the unabated increase in low-cost imported footwear from the Far East, which rose to 16,1-million pairs in 1992 and 33-million pairs in 1993".

The Board on Tariffs and Trade said in 1991 that the local industry experienced substantial costs disadvantages compared to manufacturers abroad, especially with regard to footwear of synthetic materials and textile fabric uppers in the lower price ranges. The industry was more competitive in terms of footwear with leather uppers.

Rag trade might seek lower tariffs

MARCIA KLEIN *BlDay*

REPRESENTATIVES of major clothing and textile companies and organisations are expected to call on Trade and Industry to bring in import tariffs significantly lower than those in the GATT proposals, and to hasten the implementation of a lower tariff structure. *2016/194*

They suggest a phasing in over five years, compared to 10 years proposed by a clothing and textile industry task force.

The task force proposals seek import tariff reductions of 40% on clothing, 30% on household textiles, 22% on fabrics, 15% on yarns and 7,5% on fibres. These objectives fall within GATT targets. Strategies to improve industry's competitiveness are in the task force report and submissions will be accepted until month-end.

A source said SA's tariff structures amounted to a tax on a tax. There was an import tariff of 90%, plus a 15% surcharge. The 14% VAT rate was paid on the price and all duties and tariffs. With the current 90% duty, consumers paid 135% more than the cost of the item, before the retailer added costs and profit margins.

It has been proposed that the duty be dropped to 40%. Assuming the exchange rate remains the same, the consumer will then pay 78% more, excluding what the retailer adds on. *(FILED)*

There are minimum and maximum duties on specific items, and they can be as much as double the 90% duty. It is believed that there will be calls to remove them.

Textile industry opposes quick tariff change

THE textile industry was against hastening the implementation of lower import tariffs which could lead to disarray in the industry and the loss of a significant number of jobs, sources said yesterday.

They said that the textile industry would not be calling on the Trade and Industry Department to bring in

MARCIA KLEIN

import tariffs lower than the industry task force had recommended and to hasten implementation of the lower tariffs. 22/6/94

Earlier this week, it was reported that the clothing and textile industry would make these calls in their submissions on proposals

by the task force, which was seeking import tariff reductions on clothing, textiles, fabrics and yarns over a 10-year period. B1 Day

The sources said they believed it was largely the retailers — who possibly had manufacturing or textile arms — which were set to benefit from hastening the process.

But purely manufacturing companies were not in favour of bringing tariffs down lower over a shorter period of time. (74F)

Textile Federation executive director Brian Brink said the industry preferred what had been recommended by the task group, including the phasing in of lower duties, export incentives, productivity incentives, an effort to improve training and education and the promotion of investment in the industry.

Brink said the task group's recommendations had reflected consensus

among people in the clothing and textile industry, but these had not been ideally suited for any one party.

EDWARD WEST reports several small and medium-sized clothing manufacturers have criticised the clothing and textile industry task group's proposals to restructure the industry as a reinforcement of protectionism.

They enjoined a call on Monday by representatives of major clothing and textile companies and associations for import tariffs significantly lower than those proposed by GATT instituted and to speed up the implementation of the lowering of tariffs.

The manufacturers rejected the task group's "ridiculously high minimum specific ceiling duties" relating to, for example, knitted and woven fabrics, which would be lowered from 96.1% and 74.7% to 22% by 2005.

5% import
(74F)
surcharge
CT 23/6/94
scrapped

Staff Reporter

THE consumer would benefit from the immediate scrapping of a 5% import surcharge on all capital and intermediate goods, the chief director of financial planning said yesterday.

This follows the budget announcement that the surcharge is to be abolished.

Chief director of financial planning Mr Coen Kruger said the import surcharge on non-essential goods such as televisions was 40%, on white goods (eg. refrigerators and stoves) was 15% and on capital goods (machinery and equipment) and intermediary goods (components of equipment) was 5%.

Only the latter would be scrapped, he said.

The move would encourage local and international investment as "most capital goods are not manufactured locally, making it cheaper for people to invest".

The consumer would benefit from the price structure on goods which would filter down.

TRADE *fm* 1/7/94

Capital imports

A major portion of SA's rising import bill is due to an increase in the item, machinery & electrical equipment — a sign of growing fixed investment as the economy recovers.

In the first five months of the year, imports were valued at R27bn — an increase of 20,8% on the same period in 1993. Of this, machinery & electrical equipment, which has been going up steadily in the year (see graph), cost R9bn, an increase of 38,7% on the 1993 period. (74F)

Imports in May alone were R6bn with the figure for machinery & electrical equipment R2bn. Though this category includes much that is not of a capital nature — such as television sets, hi-fi systems and appliances — machinery for large projects is likely to have constituted a significant proportion.

ECONOMY & FINANCE

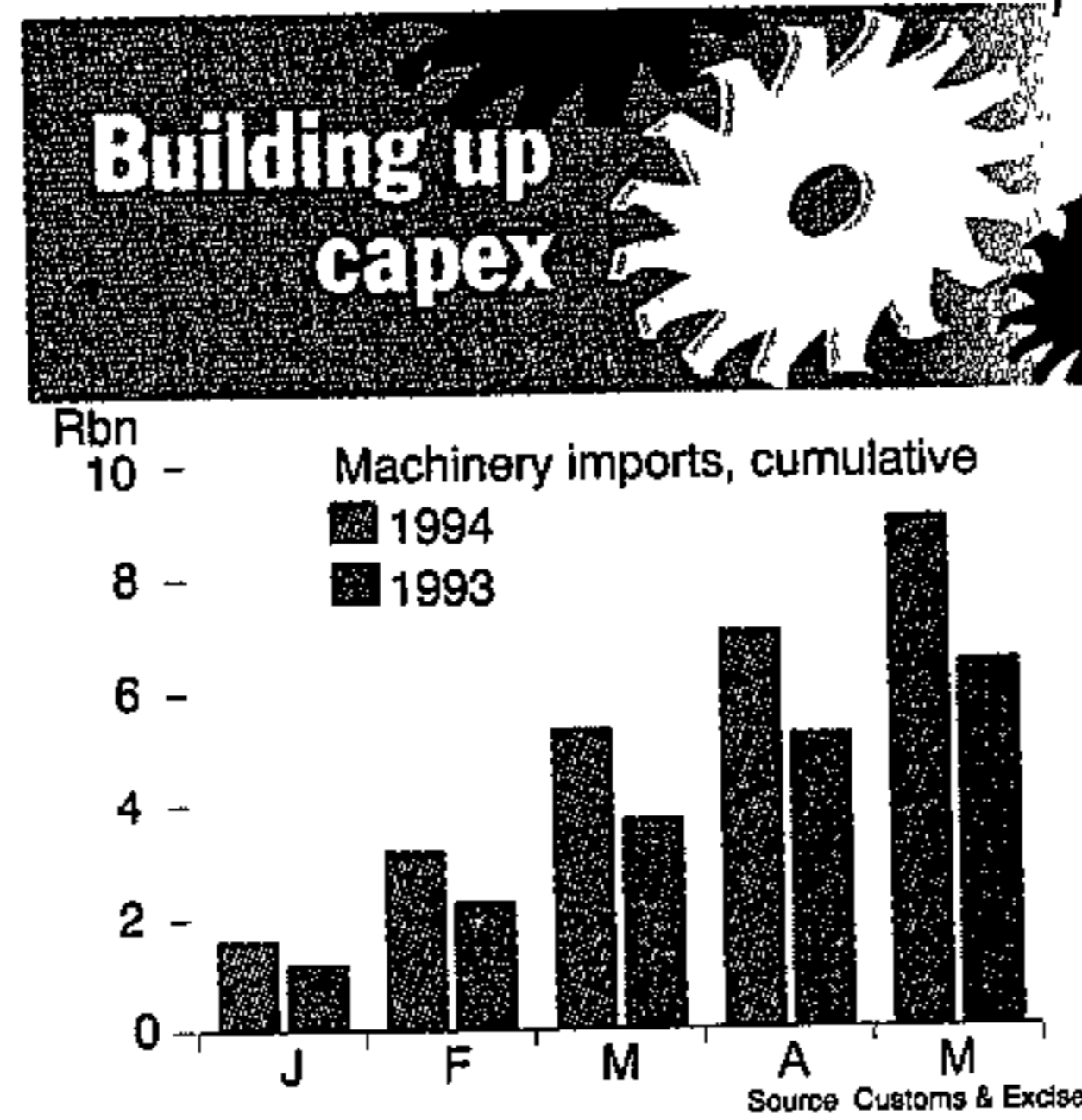
An Alusaf spokesman says overseas contractors are supplying about R1bn of equipment for the Hillside aluminium smelter and most of this has been spent already.

Other, smaller projects would have contributed to the category's growth. These include new chemical projects by Sasol, Sappi's expansion of the Saiccor dissolving pulp project, the expansion of Engen's refinery and the upgrading of AECI's PVC plant.

With the removal of the 5% import surcharge on goods of a capital nature announced in the Budget last week (together with the higher rate of secondary tax on companies), it's likely that imports in this category will increase.

There should be an impact later from the Columbus Stainless Steel project. Columbus finance GM Andrew Smith says R1,2bn has been awarded to overseas contractors "and most of this is expected to be realised in imports from now until January." (74F)

Rand depreciation has also contributed to the rise in the value of imports. The commercial unit fell 6,6% against the US dollar between end-December and end-May. And



the rise in oil prices has pushed up imports in the unclassified category; though still 34,3% down cumulatively on last year, at R1,5bn, there was a R492m jump in May.

On the export side, the recent firming in commodity prices is yet to have an effect. The item mineral products, at R3,1bn, is still

2,6% down on 1993. And increases in items base metals (13,7% to R4,3bn) and unclassified goods, which includes precious metals, (up 15% to R13,4bn), have been modest.

The poor performance in mineral products can be attributed partly to SA coal being sold through annual contracts, says Chamber of Mines economist Roger Baxter. "We haven't seen the benefit yet of the recent increases in spot prices."

Baxter expects further improvements in the economies of industrialised countries, especially Germany and possibly Japan, along with rand depreciation, to lift export earnings for commodities later this year.

There have been big increases in exports of vegetable products (up 65,3% to R1,6bn) and chemical products (up 42,6% to R1,7bn).

Overall, exports over the first five months of 1994 stand at R34bn (R6,7bn in May alone), 12,6% higher than over the same period in 1993. The trade surplus stands at R7bn, 10,5% lower than in 1993.

The trade surplus for May is R624m, down from April's R1,7bn. ■

Cut cruelty, 'barbaric' feather pluckers warn

DI CAELERS

Weekend Argus Reporter

OSTRICH products from South Africa may be banned in the European Union because of the "barbaric" practice of plucking feathers from the birds while they are still alive.

Already the United Kingdom has closed the door on the import of ostrich meat, and that decision could extend to all European Union countries by the end of the year unless the industry cleans up its act.

Officially, live plucking of ostriches, since the United Kingdom decision late last year, has been outlawed here but sources in the industry maintain the practice still goes on.

Ostriches are apparently plucked before slaughter because the quill holes close up better, improving the quality of the hide, according to the animal rights

newsletter Animal Voice, published in Cape Town.

They quote an eyewitness as saying that "to pluck unripe or green feathers from an ostrich is barbaric. To see them being stripped stark naked was one of the most terrible things I've ever witnessed. The pain and blood is terrible to see".

Negotiations are presently under way between the ostrich industry and the EU, veterinary public health deputy director Malcolm De Budeé said this week. By the end of the year a set of European directives controlling imports from countries outside the Union will decide on the fate of South African ostrich products.

"At the moment the regulations are not unified so we still export to countries like Belgium and Austria. But at the end of the year the directives will bind all EU countries.

"We are trying to influence the EU to write the regulations in

■ South Africa's multimillion-rand ostrich industry, already battered by Britain's refusal to import ostrich meat because of live plucking of the birds here, faces a total European ban by the end of the year if strict controls are not applied.

such a way that we can fit in with them. The major point is to convince them that we pose no threat," he said.

South Africa only took steps to stop live plucking of ostriches after British ministry of agriculture, food and fisheries inspector, David Mauat, vetoed the import of ostrich meat into the United Kingdom after a visit here late last year.

His objections, which are also the subject of EU negotiations, included:

■ The live plucking of ostriches was not acceptable to the UK's Charter on Animal Welfare.

■ An outbreak of Newcastle Disease — the poultry equivalent of foot-and-mouth disease in cat-

tle — among South Africa's ostriches.

■ Residues of the growth stimulant Zerenol in the meat.

Walker Löwe, director of veterinary public health, told *Animal Voice* that following Dr Mauat's visit immediate measures were taken to stop live plucking.

"It was terrible. The ostriches were stripped of all their feathers. They went to the slaughter completely naked. We put an immediate stop to it and we try to monitor the situation now."

But *Animal Voice* reported a member of the ostrich industry as saying "humane changes" were still "in the pipeline" at some ostrich abattoirs, including the major one at Oudtshoorn.

And Dr De Budeé told Weekend

Argus that the fancy quill feathers were still plucked while the birds were alive because structural changes to some abattoirs were necessary before the practice could cease.

"There is not enough space for sorting them but we have said to them (the industry) that the policy is that they must get it right. In the meantime, only limited live plucking occurs.

"And this is only done under veterinary supervision to minimise the birds' discomfort. It's not the ideal situation and we hope to reach the ideal situation next year."

Discussing the other concerns around the industry, Dr Löwe told *Animal Voice* his department was conducting a residue-monitoring programme. The drug concerned was Zerenol, a growth stimulant, which he believed was no longer being used.

Dr De Budeé said another disease, avian influenza, was also of concern to the EU.

Marcelle Meredith, executive director of the SPCA, said her organisation had stopped live plucking at a Grahamstown abattoir in November last year and "to the best of our knowledge birds are now being slaughtered with all their feathers on".

"We have it from an expert from the United Kingdom that the practice of live plucking is unacceptable as it is not humane.

No vets in this country have voiced an opinion on the subject as they say they haven't done the necessary research.

"But in a case like this we must give the birds the benefit of the doubt," she said.

Marius Greeff, chairman of the Ostrich Producers' Organisation in Oudtshoorn, and Gavin Kani-

gowski, chairman of the Western Cape Ostrich Breeders' Association, were both out of town and could not be contacted for comment at the time of going to press.

Whisky imports, top 23 million bottles

(74F)
CT 12/7/94

SA imported 23 million bottles of Scotch whisky last year, making it the 10th largest export market for the spirit, with a value of £42m.

The earliest documented record of distilling in Scotland occurs in the Scottish Exchequer Rolls of the year 1494. The 500th anniversary is being celebrated worldwide.

Britain's President of the Board of Trade, Michael Heseltine, will be at a celebration lunch hosted by James Bruxner, chairman of the Scotch Whisky Association, at the Mount Nelson on Thursday.

Bruxner said yesterday: "The lunch provides an excellent opportunity for the Scotch whisky industry to enhance its long established trading relations with this important market as SA develops her economy."

Imports rising sum as yen gains power

APR 16/1994

74F

ALIDE DASNOIS
Business Staff

THE price of imports from Japan is soaring as the yen strengthens against the rand — and economists see no relief for importers in the immediate future.

Since the beginning of the year, the rand has lost nearly 17 percent of its value against the yen.

This is bad news for importers who must pay in devalued rands.

The motor industry is by far the biggest importer from Japan, accounting for R4 billion in a total import bill of R7,4 billion in 1993. The devaluation of the rand has prompted some motor manufacturers to consider sourcing components from subsidiaries of Japanese firms in other countries.

SA's trade balance with its Far Eastern partner worsened dramatically last year, in spite of a 16 percent rise in exports, as imports from Japan leapt nearly 34 percent in rand terms.

SA Foreign Trade Organisation (Safio) economist Carlos Teixeira said exports had been boosted by the lower rand, but held back by the recession in Japan.

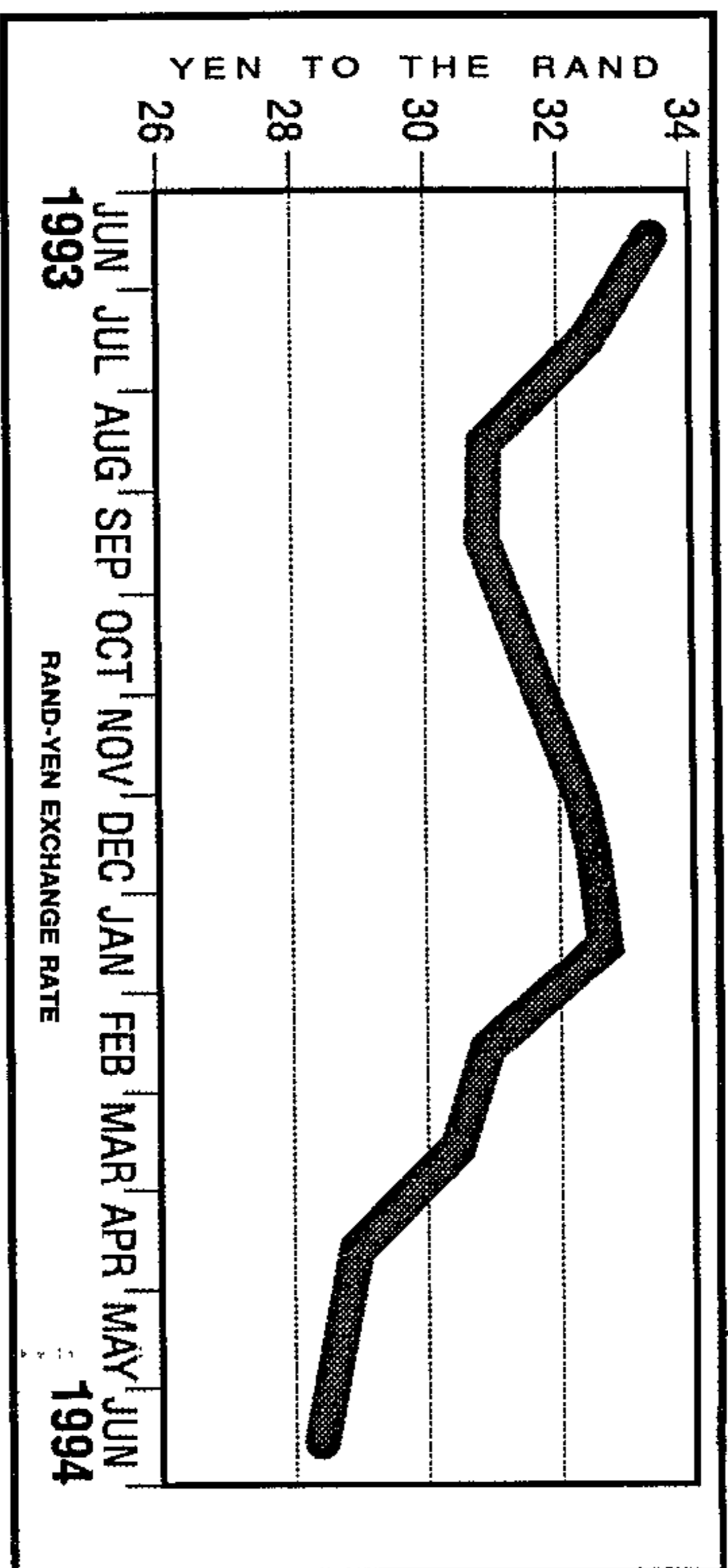
The country's trade deficit with Japan widened from R1,8 billion in 1992 to R3,1 billion last year, he said.

Gold and precious metals top the list of South African exports with a value of R1,23 billion in 1993, followed by mineral products including coal (R1,2 billion), base metals (R890 million) and wood (R215 million).

Main imports from Japan, after motor vehicles and components, are machinery, mechanical and electrical appliances (R1,9 billion in 1993), hi-tech professional equipment (R391 million) and chemical products (R311 million).

Standard Bank economist Cathryn Gush said given the US dollar's current vulnerability, the yen could strengthen further in the immediate future, in spite of poor economic conditions in Japan.

Even the recent reversal of US policy on the trade deficit with Japan had not shaken the yen. Previously the United States had pressured the Japanese authorities to keep the yen-dollar rate high, in an attempt to reduce the American



trade deficit with Japan.

But this had not been successful and the US had recently reversed this policy, opening the way to bigger Japanese trade surpluses.

Ms Gush said the strength of the Japanese currency was also underpinned by harder stock and bond markets in Japan which had attracted foreign funds. Lower capital outflows from Japan further bolstered the yen. Japanese financial institutions, previously major investors on

world markets, were now placing only 6 percent to 9 percent of their funds offshore.

But, she said, the major source of concern in SA should not be the yen's strength, but the rand's weakness.

Balance of payments problems, lack of Reserve Bank support and uncertainty about the financial rand's future were holding down the currency, she said.

South Africa's major trading partners last year

Rank	1993	1992	Trade Balance (Rands)	Imports from (Million)	Exports to	Total trade
1	USA	USA	-2311	7765(2)	5454(2)	13 219(1)
2	Germany	Germany	-6198	9281(1)	3083(5)	12 364(2)
3	UK	UK	-1810	6549(4)	4739(3)	11 288(4)
4	Japan '93	Japan '93	-3081	7444(3)	4363(4)	11 807(3)
5	Switzerland	Switzerland	+6586	1310(9)	7896(1)	9206(5)
6	Taiwan	Taiwan	127	2039(7)	2166(7)	4205(6)
7	Italy	Italy	-620	2085(6)	1465(9)	3550(8)
8	Netherlands	Netherlands	+766	1385(8)	2151(8)	3536(9)
9	Belgium	Belgium	+1042	1272(10)	2314(6)	3586(7)
10	France	France	-1087	2094(5)	1007(10)	3101(10)

Tight customs control sought

THE National Clothing Federation has called on government to tighten customs control measures.

Federation executive director Hennie van Zyl said yesterday that while the industry favoured the liberalisation of tariff duties — in line with GATT requirements — it was concerned about the amount of import penetration which suggested evidence of leakages in the customs control measures.

"We're not advocating that imports be raised as that will be swimming against the tide," he said. "All we want is custom policing measures to prevent leakages."

Raising import duties would provide only temporary relief, he said. The industry's long-term salvation was in beefing up the country's exports.

Clothing imports rose to R185m in the first four months of this year compared with R153m last year, while the import figure for the year could be as high as R520m — up from last year's R405m.

This rise took place against a slump in exports, which dropped in the first four months to R105m against R336m last year.

JOHN DLUDLU

Van Zyl also slammed the delays in government's response to recommendations tabled by the textile and clothing panel.

The panel's recommendations included the adoption of a phased approach to export incentive schemes like the general export incentive scheme (GEIS) and duty credit certificate (DCC), which allowed manufacturers to claim up to 30% of the value of exports on subsequent import duties for items such as fabric. *B/Dar*

He said the industry favoured increasing the DCC claim to at least 36% to cushion the effects of removing tax rebates available through GEIS. *29/7/94*

He said the clothing industry was losing out as a result of the uncertainty about the continuation of the DCC scheme beyond next March. *(74F) (C) (C)*

Clothing manufacturers favoured the continuation of the DCC incentives beyond March. The problem was compounded by the fact that no provision was made for retrospective claims, he said.

Target set for car tariff cuts

B1 Day 22/8/94
MUNGO SOGGOT

THE Board on Tariffs and Trade has recommended that tariffs on imported motor vehicles and parts be gradually cut to 30% by 2003 — a move that could inflict far heavier than expected blows on low-volume SA car production.

The board said the decision stemmed from the industry's current position and long-term strategic objectives, and the need to comply with GATT.

The Motor Industry Task Group — a task force representing government, unions and industry — had recommended a 45% maximum import tariff by 2002.

The board's chief director Alwyn Kraamwinkel said the proposals would be discussed with interested parties. The proposals were a revamping of Phase 6 of the local content programme; the board did not envision a Phase 7.

The National Association of Automobile Manufacturers of SA said at the weekend that it would call on the board to clarify the reason for the revision.

Director Nico Vermeulen said the board seemed to have rejected the task group's rationalisation proposals, which included trading off higher imports with export credits for SA producers. Instead, it had recommended further long-term tariff reductions on imported vehicles as a way of encouraging the phasing out of low-volume domestic production. (74F)

The board also recommended that vehicle manufacturers — as opposed to importers — enjoy a duty-free allowance

□ To Page 2

Car tariffs

B1 Day 22/8/94 From Page 1

on imported components. This allowance would drop in line with the gradual cut in import tariffs. (74F)

The board said vehicles imported in semi-knocked down form should be liable for the same duty as components.

Econometrix economist Tony Twine said GATT representatives had revised their recommendations on SA tariff structures after the task group had submitted

its proposals to the board.

Twine said the steeper cut would have significant implications, probably changing the "mode of business" for the industry. The industry might not be able to produce as many cars, but it would be able to import at lower tariffs. This would protect some of the smaller manufacturers, which could switch from production to act as wholesale importers.



Parallel imports of medicines under fire

LOCAL pharmaceutical multinationals could be hit by new proposals from the Medicines Control Council (MCC) unless the regulatory playing field was levelled, Boehringer Ingelheim director Kevin McKenna said yesterday.

McKenna said the MCC's proposed regulations for parallel importers made it easier to register a parallel import drug than a local product.

He described the regulations as "unjustifiably simplified" and said the system could increase the use of counterfeit medicines.

The ANC's recently published national health plan stated that par-

BIDay
21894
BEATRIX PAYNE

allel importation by government would be an option "to be used only if necessary" to drive down local suppliers' prices.

Parallel importing was common in EU countries with high retail prices for medicines.

Under the proposed regulations, if a manufacturer produced a drug in both Portugal and SA and the Portuguese product was cheaper, a parallel importer would be allowed to import that product for sale in SA at a discount, McKenna said.

But in many cases the discount would not be passed onto the consumer and would end up in the pocket of the importer.

He said Taiwan had banned parallel imports of medicines last year when it was found that their use had not led to lower prices and there had been an "explosion" of counterfeit medicines. ~~(S)~~ (74F)

"According to the proposed regulations the MCC would register the medicine simply on the basis that it is made by a particular multinational", bypassing the stringent regulations required for the registration of a locally produced drug, he said.

Car tariff move could hurt producers

Own Correspondent

JOHANNESBURG. — In a move that could inflict a heavier blow than expected to South African car production, the Board of Tariffs and Trade has recommended that tariffs on imported motor vehicles be gradually cut to 30% by 2003.

The board said the decision

stemmed from the industry's current position and long-term strategic objectives, and the need to comply with GATT.

The Motor Industry Task Group — a task force representing the government, unions and industry — had recommended a 45% maximum import tariff by 2002. The National Association of

Automobile Manufacturers of SA said at the weekend that it would call on the board to clarify its reason.

Director Mr Nico Vermeulen said the board seemed to have rejected the task group's rationalisation proposals, which included trading off higher imports with export credits for SA producers. Instead, it had recom-

mended further long-term tariff reductions on imported vehicles to phase out low-volume domestic production.

The board also recommended that vehicle manufacturers enjoy a duty-free allowance on imported components.

Economist Mr Tony Twine said the steeper cut would

have significant implications, probably changing the "mode of business" **CT 22/8/94**

The industry might not be able to produce as many cars, but it would be able to import at lower tariffs. This would protect some of the smaller manufacturers, who could switch from production to act as wholesale importers.

Danger signals as imports spiral

(74F)

CT 23/8/94

By AUDREY D'ANGELO
Business Editor

THE trade surplus improved by 9% month on month, to R1,65bn in July compared with R1,51bn in June. But high imports pulled it below last July's R2,06bn, sending danger signals about the balance of payments (BoP) and the outlook for the rand.

Exports rose by only 2,6% to R8,33bn compared with R8,11bn in June and R7,25bn last July. Imports were R6,68bn compared with R6,60bn in June and R5,19bn in July last year.

Exports in the first seven months this year totalled R50,42bn compared with R44,23bn in the first seven months of 1993. But imports in the same period total R40,27bn compared with R32,80bn last year and the surplus fell to R10,15bn (R11,43bn).

Economists commented that the high imports, including machinery, were a good sign that the upturn was continuing and fixed investment increasing. But, coupled with a continuing outflow from the capital account — although this has slowed — they are a threat to the BoP.

SA Foreign Trade Organisation (Safto) economist Carlos Teixeira said that based on current trends, export growth of more than 19%

in rand terms is possible this year.

"An average of at least R1,5bn a month on the trade account is needed if SA is to achieve a current account surplus of more than R3bn in 1994," he pointed out.

Figures released by the Customs and Excise show that exports of mineral products were 47% higher in July than in June. Exports of base metals rose by 35% and the unclassified category, which includes gold, rose by 17,4%.

"All three of these categories are strengthening and reflect improved world demand and higher prices," said Teixeira.

Cumulative growth

He said imports of capital equipment "continue to drive the cumulative growth of imports as companies upgrade and replace machinery and equipment".

Southern Life economist Sandra Gordon said that the benefits from the better agricultural season were already evident with exports of vegetable products up 55% this year to date.

But the performance of manufactured exports had been disappointing in July. Exports of vehicles were down by 57,8%, of machinery by 14,6%, textiles by 25,9% and chemicals by 11,1%.

"Imports related to gross domestic fixed investment (GDFI)

continue to rise strongly, with machinery up 4,2% month on month and vehicles 18,2% month on month. But the overall value of imports has been kept down by the fall in the value of oil imports, which is down 26,6% from June, and unfortunately we cannot expect this to continue.

"In order to get a trade surplus of around R18bn — translating into a current account surplus of between R3bn and R4bn — we need the monthly trade surplus to remain around the July level of R1,6bn for the rest of the year."

Old Mutual chief economist David Mohr said the continued rise in imports was an advance warning that the current account would soon move into deficit.

It was unlikely that the government would be prepared to abort the recovery so early, particularly in this transitional phase, and this meant there would be ongoing pressure on the rand's value.

Sanlam chief economist Johan Louw said it was a good sign that fixed investment was picking up. There were indications that the capital account had also improved in July.

Boland Bank economist Francois Jansen said exports would improve in the long term as a result of recent trade concessions made to SA. But he did not expect these to have much effect in the short term.

Call to abolish import duty

By BARRY STREEK,
Political Staff

74F
CT 24/8/94

ALL import duties on cameras, videos, watches, CD players and other electronic goods should be abolished, the Democratic Party's finance spokesman, Mr Ken Andrew, said yesterday.

It was common cause that tourism was important for the country, he said in the National Assembly during the debate on the Trade and Industries vote.

South Africa had the climate, scenic qualities, ethnic diversity and unparalleled attractions to draw hundreds of thousands of new tourists.

"These attributes are all God-given. We dare not just sit back and wait for the tourist dollars to flood in — we must explore every possibility of making South Africa more attractive to tourists."

Half the price

Mr Andrew said a major element in tourism marketing of the popular Far East tourist destinations, such as Singapore and Hong Kong, is the availability of low-priced, duty-free goods, such as cameras, videos, watches and CD players.

These goods were sold in these places at about half the price paid here in South Africa.

"A major opportunity exists for us in South Africa to add to our attractiveness as a tourist destination.

"We should abolish all import duties on cameras, videos, watches, CD players and other electronic goods not made or assembled in South Africa," Mr Andrew said.

Call to clarify car industry tariffs

THE motor industry called on government yesterday to clarify its position on tariff protection for the industry, which could be crippled by a harsh programme.

The Board on Tariffs and Trade has recommended that import tariffs on cars and components be cut gradually to 30% by 2003 — a move that would deal a heavier than expected blow to the motor manufacturing industry.

National Association of Component and Allied Manufacturers (Naacam) president John Brandtner said the board had rejected most of the motor industry task group's proposals. The group, which represented union, government and industry, had recommended a 45% import tariff by 2002.

Brandtner said the board's proposals exceeded agreed GATT levels in an attempt to make SA a "lily-white" signatory of the GATT agreement after years of excessive trade protection. A decision had to be made by the end of the year as the industry was "on hold in terms of any future invest-

2/12/94

MUNGO SOGGOT

ment decisions". 2/18/94

GATT regulations stipulated a new tariff programme would have to be in place at least 180 days before July 1995. (74F)

The task group's negotiations on the future of the industry had shown that industry players had too many vested interests to "formulate its own destiny without a clear direction from government".

Naacam feared the board's proposals — which aimed to use only tariff measures to regulate the industry — were oversimplified. The proposals made no mention of the task group's model rationalisation programme, which aimed to encourage manufacturers to concentrate on high-volume models and stimulate "badly needed" economies of scale.

"Naacam is concerned that after 30 years of local content programmes, the local content philosophy has been scrapped under the board's new proposal."

Car import duties cut

THE customs duty on imported motor vehicles has been reduced from 100% to 80% and the 15% import surcharge has been scrapped as of yesterday, the National Association of Automobile Manufacturers of SA (Naamsa) confirmed. CT 3/9/94

The reduced duty applies to cars, light commercial vehicles, minibuses and other goods vehicles.

On cars, the duty reduction and surcharge removal amount to a re-

(74F) (115%)
duction from 115% to 80%.

Toyota South Africa marketing managing director Mr Brand Pretorius said the duty cuts would encourage competition from low-volume imports, stimulating the local industry to become globally competitive.

But other industry sources, while welcoming the move, said it would have little impact on the man in the street or the local manufacturing industry. — Staff Reporter, Sapa

Slashed tariffs to boost GDP

SI Times (Buss)

By CIARAN RYAN

4/9/94

THE Industrial Development Corporation predicts a sharp fall in a wide range of prices as a result of cuts in import tariffs required by Gatt.

All sectors of the economy will experience export gains. Overall, gross domestic product will increase by 0,6%, employment by 0,8%, export volume by 2,8% and imports by 4,2%.

The IDC sees prices of clothing imports dropping by 27,6%, textiles by 15,7%, and rubber products and transport equipment by 15,3% over the phase-down period — 10 years for clothing and textiles and five years for rubber and transport equipment.

The study, using a computerised model, shows that inflation should be 2,3% lower than without the tariff reductions proposed by the National Economic Forum following the signing of the General Agreement on Tariffs and Trade in Marrakesh earlier this year.

The big losers will be the textiles and transport equipment sectors — two of the country's most protected industries. Employment in textiles will drop by 6,9%, or about 6 000 jobs, and by 9,5% in transport equipment. Most other sectors will experience a gain in jobs of between 0,4% and 2,4%.

"The results show that motor vehicles and textiles may be worse off if nothing is done to improve their

competitive position," says IDC economist Phillip Kotze.

Clothing import volumes will rise by 50,5% and textiles by 13,5%. The impact on clothing prices could be even more dramatic if tariffs are phased down over eight instead of 10 years, as advocated by the Department of Trade and Industry.

Clothing will be one of the major beneficiaries, with export volumes growing by 7,9% and export prices declining by 5%. Intermediate input costs for clothing manufacturers will decline by about 16% as a result of cheaper textile imports.

The price of food imports will drop by 3,2%, but the volume of food imports will grow by just 1,8%. There will be a 40% average reduction in industrial tariffs from about 17% to 10% over a five-year period.

Tariffs on consumer goods will be reduced from 41% to 22%, on intermediate goods from 7% to 5% and on capital goods from 13% to 8%.

Some regions will be more affected than others. The eastern Cape, home of the country's motor industry, will suffer most from a 25,5% increase in transport equipment imports.

The number of tariffs will be reduced from the current 9 600 to fewer than 5 500. About 8% of tariffs will

increase, mainly for purposes of uniformity. On less sensitive products, 65% will decline and 27% will remain the same. The number of tariff rates will be reduced from more than 70 to six — 0%, 5%, 10%, 15%, 20%, 25% and 30%. The remaining 400 import controls and 1 360 formula duties will be scrapped. (7/14)

The study shows that highly protected industries increased profits by just 8,2% a year between 1980 and 1990 compared with a 10,2% annual profit growth in export-based industries. Production levels in highly protected industries fell by 0,1% a year over the same period; productivity fell by 0,4%; and employment by 0,3%. This compares with a 1,9% annual productivity growth in export industries, a 0,4% growth in employment and a 1,2% increase in production.

The study concludes that the NEF proposals will exert pressure on domestic industries relying on import protection. The exposure to foreign competition will force these industries to raise efficiencies and boost productivity.

SA's anti-export bias, the result of high tariff protection which makes selling into the local market more attractive than exporting, will be reduced as a result of tariff reform.

The overall impact of tariff reform will boost growth rates marginally, says the IDC study.

Govt slashes duty on imported cars

Star 4/9/94

CAPE TOWN — In a move that could send shock waves through South Africa's embattled motor industry, fully imported cars are to be cheaper after a cut of about 30 percent in customs duty announced by the Government late this week.

This could send a signal to motor assembly strikers after five weeks of strike action that their jobs may be on the line. Imported models are in a position to fill the vacuum left by the strike.

But Econometrix motor industry analyst Tony Twine said the tariff cut was unlikely to translate into an immediate increase in imported vehicles.

Twine explained that under the recommendations of the Board on Tariffs and Trade, the level of protection afforded to the motor industry was to drop to 50 percent by mid-1995 and to 30 percent by 2003.

At present a straight comparison

THE Government has cut customs duty on imported cars in a move that could threaten the jobs of local motor industry workers. **HENRI DU PLESSIS** and **CHARLOTTE MATHEWS** report.

based on the exchange rate shows that some local cars are cheaper than their overseas counterparts, others are the same and some more expensive.

"In broad terms, the higher volume models in South Africa are very competitive in price compared with their home country counterparts," Twine said.

"The new tariff reductions will make exotic imported cars such as Volvos and Porsches a bit cheaper in rand terms but will not cause

a swing in levels of imports in the immediate future.

"However, the eventual reduction in duties to 30 percent will certainly make imported cars more competitive."

Two of the makes to benefit from the announcement are Volvo and the British sports car company TVR, whose cars are fully imported and have no local content.

Various heavy commercial vehicle and special vehicle suppliers will also benefit — at the cost of the local industry. (HAF)

Although the move was welcomed by industry spokesmen, all those approached for comment emphasised the need for South Africa's motor industry to cut production costs and increase efficiency.

The announcement comes at a crucial time for the local strike-ridden industry which is going through one of the most acrimonious labour disputes in its history.

Car tariffs cut *Star 5/9/94* 'not pressure' *(74E)*

■ STAFF REPORTER

A public dispute between the Trade and Industry Ministry and striking auto workers flared at the weekend.

The ministry yesterday issued a statement denying that the Government's decision to reduce tariffs on imported cars was aimed at putting pressure on strikers.

The dispute has set the scene for a confrontation between Trade and Industry Minister Trevor Manuel and members of the National Union of Metalworkers of South Africa (Numsa).

Scrapping

Outgoing Finance Minister Derek Keys announced on Friday the scrapping of a 15 percent surcharge and the cutting of import tariffs by 20 percent.

The Trade and Industry Ministry said yesterday the request for tariff reduction had been communicated to the Government as a mandated position from the entire au-

tomobile industry through the Motor Industry Task Group, a body on which Numsa is represented.

The ministry denied the announcement or its timing were designed to pressure strikers.

The National Association of Automobile Manufacturers (Naamsa) yesterday described the tariff cut as a warning to all parties that "already high wages" could not continue to go up if manufacturers were to remain competitive.

A Naamsa spokesman said the immediate effect would be a greater influx of imported cars including Sweden's Volvo and South Korea's Hyundai.

Strikers are due to decide today whether they stand firm in their strike.

Employers have offered a 10,5 percent wage increase but the union wants 11 percent.

The half a percent represents about R10 a month on the average income of workers.

Mercedes-Benz workers in East London last week accepted the offer.

Toyota reduces prices of imports

MICK COLLINS

THE motor industry yesterday took the first steps towards passing on import tariff cuts to the consumer, with Toyota SA unveiling limited price reductions.

Toyota SA Marketing MD Brand Pretorius said prices of Land Cruiser station wagons would be cut immediately. The Land Cruiser petrol station wagon would be reduced from R320 000 to R262 000. The Land Cruiser diesel station wagon would be reduced from R346 800 to R285 500.

A Mercedes-Benz SA spokesman said yesterday that tariff reductions would be passed on to customers if cars were imported on an individual order basis. *BIDAY*

But a Nissan SA spokesman said there would be no price reduction for fully built-up imported models as the company had taken tariff reductions into account before setting the prices of the Infinity sedan and the Patrol 4 x 4. "The rand/yen exchange rate is not looking too good, but the cut in import duties will enable us to hold our prices for longer." *6/19/90*

Pretorius said he welcomed the reduction of tariffs on fully built-up units from 100% to 80% and the abolition of the 15% surcharge.

"The move will encourage more competition from lower-volume imports and stimulate the industry by making us more determined to become more world competitive."

However, he stressed that Toyota SA remained fully committed to local manufacture. *(74F) (472)*

Imported cars cheaper?

Maybe 'yes' but maybe 'no'

□ 'Only certainty is that there is much confusion about what to do.'

HENRI du PLESSIS
Motoring Reporter

FULLY imported cars in the higher price groups may be cheaper after the cut in customs duties — but then again they may not.

Dealers and motor industry sources have diverging views on the matter, but the only certainty is that there is much confusion about what to do.

While local producers of medium-sized saloons seem to have little to worry about so far, it is the more expensive local marques which could face somewhat stiffer competition from overseas.

Cars like Lancia, Jaguar, Porsche and even the European supercars like Lamborghini, Ferrari and Lotus could become cheaper as the duty is dropped from 115 percent to 80 percent.

The government is discussing the possibility of cutting the duty further — to as low as

45 percent and even 30 percent over eight years — to comply with requirements of the General Agreement on Tariffs and Trade signed internationally.

Wholly imported luxury and sportscars might drop that little bit in price to become more competitive against their equals in the Mercedes Benz and BMW ranges, sources said.

A drawback is that the already depressed sportscar market, with its relatively low prices, may be hit by a further price drop, according to industry sources.

That Lamborghini or Lotus in the garage which was bought as an "investment" may therefore be worth even less.

Land Rover products, imported in a semi-knockdown state before BMW's buy-out of Rover in Britain, have seen no increases in price for the past three years, a local dealer says.

"The Land Rover Discovery's

price has not increased in three years and I think the last few were brought in at a loss," said Charles Greening of Prestige and Performance Cars.

"I don't see a decrease in the price this year, but after BMW formally takes over by November 30, who knows? There might be a new approach to marketing."

Volvo spokesmen refused to comment, saying no decision would be made until after the Jewish New Year.

But sources claimed the local distributor had already been subsidising the price of these popular Swedish cars and that a price drop did not seem likely.

In South Africa, the Volvo 850 competes with the BMW 5-Series, while in Europe and elsewhere it was compared to the BMW 325i, said BMW's Deon Ebersohn.

"It is possible that certain imports could harm us in the

beginning, but our future plans depend on the drop in customs, so we are quite pleased," Mr Ebersohn said.

A spokesman for a Johannesburg-based Porsche importer refused to comment.

According to Toyota's Brand Pretorius, the 80 percent customs duty was enough to protect the budget models.

"It is when the duty is cut to 50 percent or below that we will have to start taking it very seriously," he said.

"We will have to become internationally competitive and cut costs. At the top end of the market, things have already happened — we have decreased the prices of our Land Cruiser station wagons to get in line with the cut in duties.

"The petrol model used to cost R320 000 and now it is R262 500, a difference of R57 500. The diesel came in at R346 800 and now costs R285 500, R61 300 less.

74P

~~74P~~

~~74P~~

ARG 7/9/94

Prices of imported cars drop after duty cuts

Biday 8/9/94

Own Correspondent

CAPE TOWN — The cuts in import duties on built-up vehicles — widely believed to have caused the collapse of the strike at motor plants — have already appeared in price lists.

The reduction of duty from 100% to 80% of a vehicle's price in its country of origin expressed in rands, as well as dropping the further 15% surcharge, has slashed R100 000 off the price of a Porsche 911 Carrera Coupé. Subaru vehicles are now between 10% and 16% cheaper but Hyundai — whose products are partly assembled in Botswana — is not affected. (74F-122)

A spokesman for importers LSM Distributors said the reduction of import duty and a realignment of prices by Porsche in Germany, Jaguar in England and LSM had made possible the price reductions.

Prices of new Jaguars

would drop substantially but LSM and Jaguar had no details yet.

LSM manager Hans Holster said: "Friday's announcement has stimulated interest in exotic cars. There has been some growth in the market since the April election and the last four weeks have seen further interest. This also points to increasing consumer confidence in the SA economy."

Porsche AG recently announced that worldwide sales of the 911, 968 and 928 grew 33% in the past financial year.

Subaru's MD in SA, Ricky Hartog, said: "We are fully committed to passing on all benefits of the reductions to the motoring public."

About R35 000 has been slashed off the price of the flagship Subaru SV; it now costs R289 995.

Import duty cuts: Cars 'cheaper'

Motoring Editor

THE recent cuts in import duties on built-up vehicles — believed to have caused the collapse of the nationwide strike at motor plants — are already appearing in price lists.

The reduction of duty from 100% to 80% of a vehicle's price in its country of origin, as well as the dropping of the extra 15% surcharge, has slashed

R100 000 off the price of a Porsche 911 Carrera Coupé and 10% to 16% off those of Subaru vehicles.

However Hyundai, whose products are partly assembled in Botswana, is not affected.

A spokesman for importers LSM Distributors said the reduction and a re-alignment of prices by Porsche in Germany, Jaguar in England and LSM

had led to the price reductions.

Prices of new Jaguars will drop substantially but LSM and Jaguar have no details yet.

Mr Hans Holster, manager of LSM, said: "Friday's announcement has stimulated interest in exotic cars.

"The lowering of import duty comes at an opportune time for Jaguar and LSM as the new Jaguar X300 Series has just been

launched overseas. The lower duty and a re-alignment of prices will ensure it offers even better value for money."

Subaru's managing director in South Africa, Mr Ricky Hartog, said: "We are committed to passing on all benefits of the cuts to the motoring public."

The flagship Subaru SV is now about R35 000 cheaper, costing R289 995.

(*) (74F) CT 8/9/94

FOREIGN TRADE

We can't afford to miss the export boat

Economic recovery, which started in Europe this year, and continued growth in the US and UK should have provided a bonanza for SA's trade account.

Unfortunately, disrupted production in the first half sliced the volume of manufactured exports — neutralising the benefits of a higher gold price and the vastly improved agricultural trade flows. So, despite an improvement in terms of trade (export prices relative to import prices) of 3,8% this year, the ratio of export to import earnings remained static at 1,3%, according to the SA Foreign Trade Organisation.

Safto says that in June the value of total exports grew only 17,3% in rand terms compared with the previous June. After the substantial decline of the rand, the result was even more disappointing in US\$ terms with growth of only 4,5%.

Over the six months from January to June, rand export value rose 13,5% (1,7% in dollar terms). Imports, on the other hand, fuelled by the economic recovery, have been growing at a great pace — 47% in rand terms (31% in dollars) June-on-June; and 25% (12%) first-half-on-first-half. The effect of rising demand as the domestic economy recovered was compounded by depreciation of the rand.

This brought a fall in the trade surplus to R18,7bn in the 12 months to June, says Safto, down from more than R20bn in the 1993 calendar year.

According to the Reserve Bank Annual Report, the weakness came in exports of "chemical products, machinery & electrical equipment, paper & paper products, textiles and transport equipment — probably due to exceptional circumstances related to political uncertainty, labour unrest, strikes, work stoppages and special holidays leading to loss of production."

Fortunately, 1993 growth in net gold exports continued in 1994. Says the report: "The value of net gold exports, which had contracted at an annual average rate of about 2% from 1988 to 1992, rose by 21%

in 1993 to R22,2bn." In the first half of 1994 "a seasonally adjusted and annualised value of R22,9bn was registered. A rise in the price of gold was mainly responsible for this substantial increase."

However, the commodity sector performed disappointingly, says Safto economist Carlos Teixeira, "given the increase in international prices and improving conditions in trading partner countries. This is reflected in export earnings of base metals, (steel and iron) and minerals, (mostly coal). (74F) (FES)

"Perhaps contracts were settled at the start of the year and companies locked into prices agreed then. There may also have been a redirection to local market as demand increased."

Teixeira has done a further breakdown — of categories into component parts — but only for the first five months of 1994.

"Iron & steel, an item which makes up 67% of the base metals category, was up nearly 23% over the comparable period last year. But export proceeds of other components fell: copper by 8,6%; nickel 21%; aluminium 3,8%."

An analysis of mineral products shows that coal, which comprises 63% of the category, rose 3,2%; while ores, slag & ash fell 14,9; salt, sulphur, earth and stone increased only slightly.

The outlook is good.

Iscor, which published results last week, for the financial year ending June 30, reported that average steel export dollar prices in the past financial year were 6,3% higher. It also predicted: "The international steel market is poised for further improvement. Consequently, dollar prices for steel are expected to firm while the rand/dollar exchange rate should continue to weaken."

The report adds that "iron ore export prices in dollar terms (which) decreased on average by 10,9% (in the financial year) should improve in dollar terms."

Improvement should also be seen in the category jewellery & precious stones, which includes diamonds, says Teixeira. This performed disappointingly in the first half (see graph) but "diamond sales are always very erratic. I believe they will do as well this year as they did last but the sales

will come in bursts."

He suggests the impact of a healthier commodity market generally will be seen on the trade account towards the end of the year.

Meanwhile, the trade surplus is sliding as imports roar ahead. The Bank says categories that saw the strongest growth in the first half of the year were chemical products, textiles, machinery & electrical equipment, transport equipment and professional equipment.

An important barometer of economic activity is the item which includes machinery and comprised more than 30% of the total June import bill, according to Safto. It was up that month by more than 50% on the previous June. In the period January-June it was up more than 40%. Exports in this category also increased, but only by about

34% and 12% in the periods. This has pushed the deficit on the item from R14,6bn in 1993 to over R17bn in the 12 months to June.

Transport is another useful indicator. Safto's figures show goods in this category made up more than 15% of June's imports: a 47% June-on-June increase was recorded and a 27% first-half increase. The deficit in the 12 months to June rose to R9,6bn from 1993's R6bn.

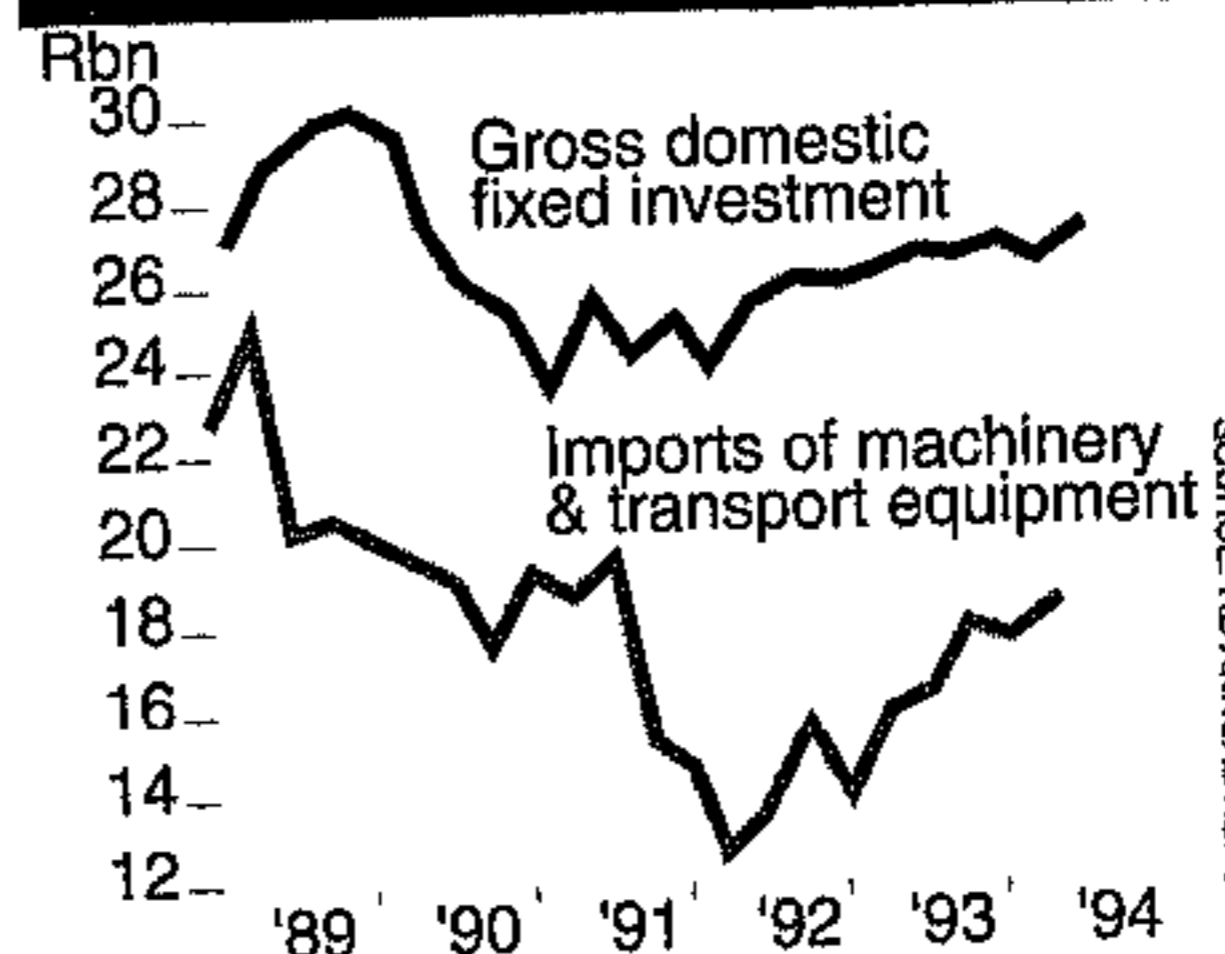
Trade has been the mainstay of the balance of payments since capital started flowing out of the country in the mid-Eighties. It helped accumulate an overall balance of payments surplus of R7,9bn in the four years leading up to 1992 but was unable to prevent the gains in foreign reserves being wiped out in 1993.

According to the Bank, net gold and other foreign reserves decreased by R10,3bn that year: due partly to an increase in net service & transfer payments to nonresidents, from R11,5bn in 1992 to R13,5bn in 1993; and largely to a net outflow of capital of R16,3bn in 1993.

If the domestic recovery, which started in 1993 but was postponed while a new government was installed, is to continue, export earnings must be boosted by increasing production and SA must attract capital flows. These are essential to fund the rising import bill — an unavoidable consequence of every economic recovery.

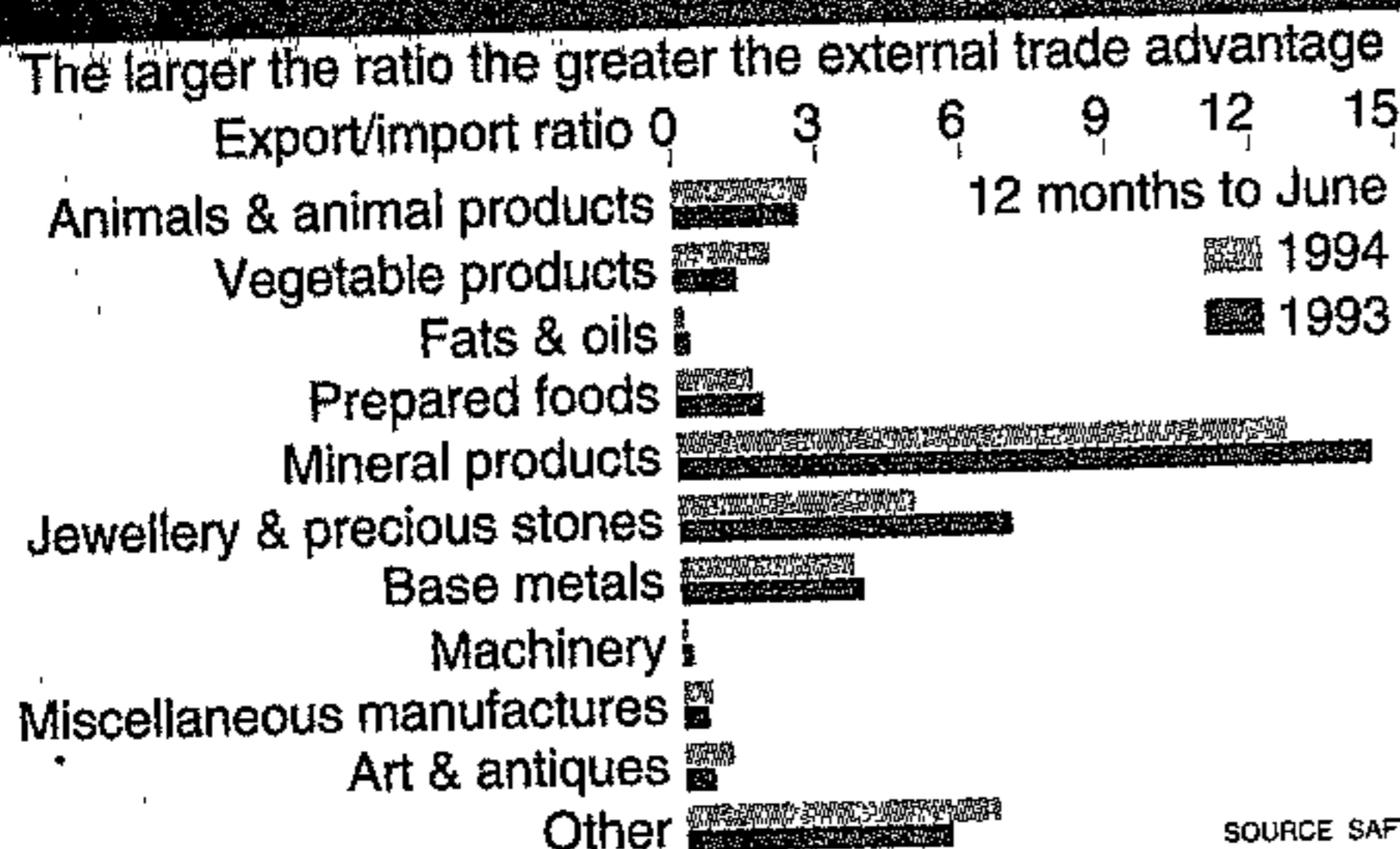
The outcome of the current round of industrial disputes is critical on both scores.

CAPEX BOOSTS IMPORTS



SOURCE: RB ANNUAL REPORT

TRADE: GOING NOWHERE



SOURCE SAFTO

More cuts for car import tariffs

SI Times (Buss)

11/9/94

A GOVERNMENT plan for the motor industry proposes slashing import tariffs to 65% next year from 80% at present and phasing them down to 30% over eight years.

This could mean dramatic reductions in car prices next year. Although duties would fall to 65%, luxury cars could be imported duty-free by companies with strong exports — every R1 of exports generates an equivalent duty-free allowance.

This could mean price reductions of up to 30% in top-of-the-range vehicles. On average, car prices should drop by 7% immediately, although lower priced vehicles will not be affected in the first year.

Last week the government

By CIARAN RYAN

dropped import tariffs on vehicles to 80% from 100% and abolished the 15% import surcharge. Most motor assemblers announced price reductions this week in response to the lower tariffs. (74)

The Board on Tariffs and Trade proposal throws out many of the recommendations of the Motor Industry Task Group which called for punitive duties on low-volume production vehicles in order to reduce the range of models manufactured.

The plan scraps controversial aspects of Phase VI of the local content programme which saw manu-

facturers pushing up the price to satisfy local-content regulations.

The new plan offers an additional duty rebate incentive of 25%, phasing to 16% over eight years, for assemblers. Manufacturers who achieve 50% local content will not pay duty on component imports.

The board's plan will result in fewer models being produced locally as it becomes cheaper to import them. The models most likely to go are the BMW 5 and 7 series, Nissan Maxima, Opel Rekord, Mitsubishi Pajero, Audi, Mercedes Benz E and S classes, the Toyota Landcruiser and other models with sales of less than 2 000 a year.

The plan is designed to have a neutral impact on the balance of

payments by exempting component and vehicle imports from duties for companies able to show an equivalent export value.

South Africa produces 42 models, a market of some 300 000 units a year. This means the average size of production runs is 7 000 a year — one of the world's lowest.

Studies show most motor manufacturers did not use the full 115% import protection provided by government because of strong price resistance in South Africa.

Prices of locally produced vehicles were about 40% higher than the overseas equivalents as assemblers cut margins in order to increase sales.

British exports to SA surging

NEIL BEHRMANN

LONDON. — British exports to South Africa are surging and the trade balance remains in favour of Britain. (74F)

In the twelve months ended end July, Britain's exports to South Africa totalled £1.26 billion, up 19 percent on the same period the previous year, according to the British Department of Trade and Industry. ARG 22/9/94

"The increase pertains to products across the board," said Stephen Elliott, trade and investment manager at Uksata, the Britain/South African trade association.

"Imports from South Africa in the twelve months ended July, rose by 13 percent to £1 billion. Yet in spite of that increase, helped along by a surge in wine and fruit imports, Britain's trade surplus with South Africa has risen to £260 million from £200 million."

Trade has overtaken investment by a wide margin. In the past four years, 68 British companies either expanded present investments or bought new acquisitions, according to British statistics. Yet a value has not been placed on these investments. According to Uksata, total British investment is around £9 billion, or about 50 percent of the total foreign stake. This proportion has remained the same for years.

British businesses and the government are embarking on an aggressive campaign to invest and promote goods in fast growing emerging markets. The whole Southern African region has much potential and exports jumped to £1.5 billion in the twelve months ended July from £1.35 billion the previous year.

Yet Asia is the buzzword. British exports to Asian "tiger" nations are running at an annualised rate this year of £7.8 billion. They are 20 percent higher than the whole of 1993 and compare with £5.1 billion in 1992.

The sharp increase in exports has sharply reduced the British trade deficit with newly industrialised Asia.

Combined imports from Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand are at an annualised level of £9.8 billion. Export growth is surpassing the rise in imports from these countries. Britain's trade deficit with these nations thus fell to an annualised £2 billion, down 29 percent on levels seen in 1993.

Sterling's 20 percent depecciation against the US dollar between September, 1992, and September, 1994, has undoubtedly helped exporters. Yet companies are also benefitting from promotion programmes in Asia, Africa and other emerging markets by government and business — John Major's visit to South Africa an example.

"Too many British companies still have a tendency to see the eastern, African and other emerging markets as far away and expensive," said Richard Needham, British Minister for Export and Trade.

"They look to the mature markets of the US and Europe rather than the developing ones," he said.

Imports drag down SA's trade surplus

BIDay 26/9/94

MUNGO SOGGOT

AN ASTONISHING surge in imports in August dragged SA's trade surplus down to R288m, the lowest monthly level since October 1992, according to Customs and Excise figures released at the weekend.

Economists said the "shockingly" low figure was probably a major reason behind Reserve Bank Governor Chris Stals's decision to raise Bank rate. But the surge was in line with buoyant economic activity.

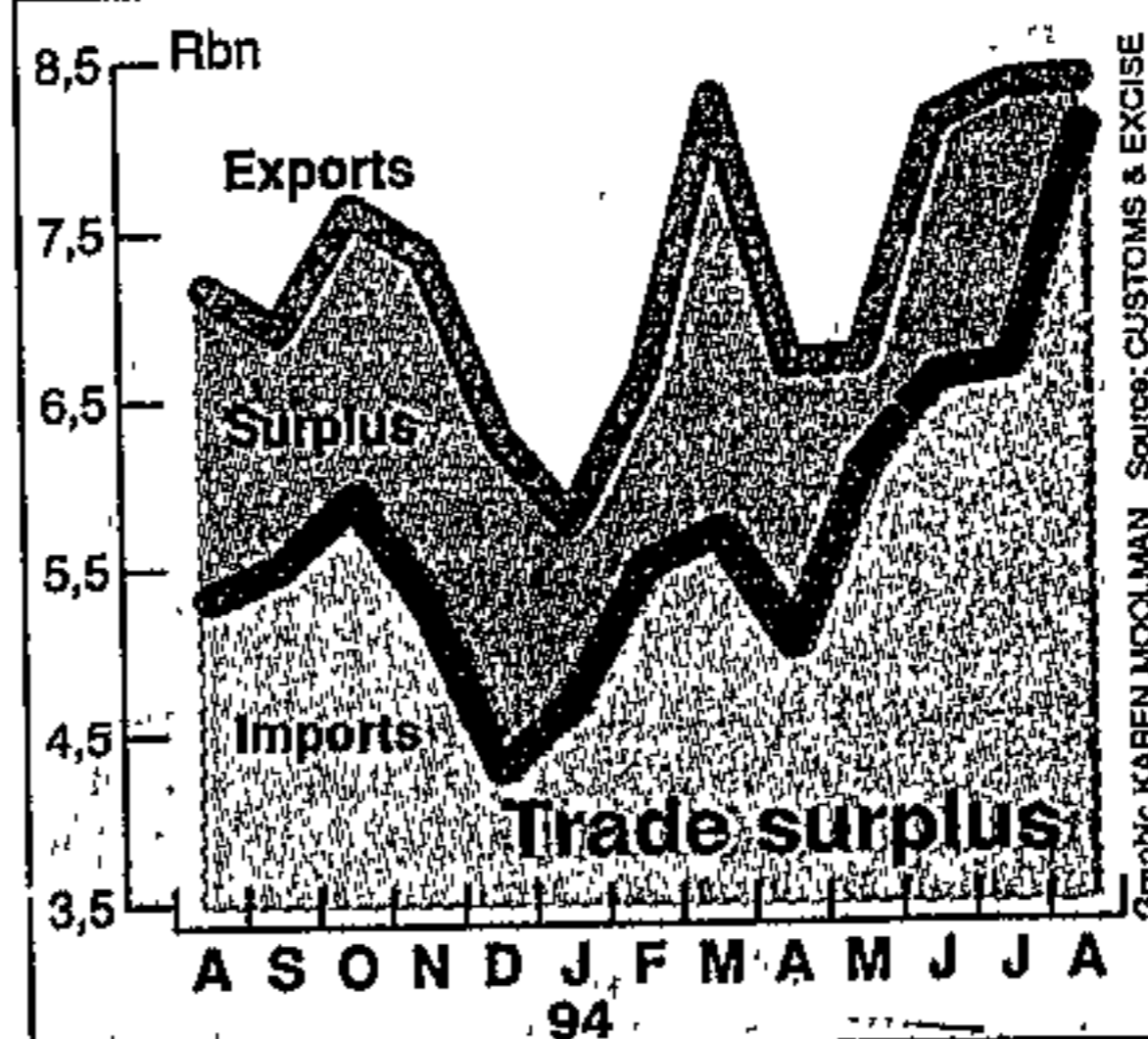
Exports rose only 0,3% in August to R8,36bn (R8,33bn), while imports rocketed 20,8% to R8,07bn (R6,68bn). The trade surplus in July was R1,65bn, while the average surplus for the year to July was a fairly healthy R1,45bn. (744) (744)

Economists warned the figure could mean the start of a sustained surge in imports, which would be exacerbated by the scrapping of import surcharges on capital goods announced in the Budget, and the lowering of tariff barriers.

The surge in imports in August stemmed in part from SA's economic recovery, as well as the foreign sourcing of parts and products following strike action, they said.

Safo economist Carlos Teixeira said the imports figure was particularly disturbing because the surge was "broadly based" with rises in imports in most categories. The largest rises were a 44% jump from

Pincer movements



July in the transport category, which included motor vehicles and components, and a 30,4% increase in textile imports.

He said the broad nature of the increase in imports could mean the start of a steady erosion in the trade surplus, but he said there was significant "room for improvement" in exports, which could help bolster the balance in months to come.

Teixeira said there had been a 13,8% growth in exports in the period January to August, compared with a year ago, while imports had risen 26,9%.

One economist said despite the general-

□ To Page 2

Surplus

BIDay 26/9/94

□ From Page 1

ly positive outlook for exports because of higher commodity prices, there was concern that diamond exports could fall further if the sale of Russian gems continued to threaten De Beers' grip on the diamond market. Diamond exports fell by 12,5% from July. (744) (744)

Economists said the jump in motor imports stemmed in part from the five-and-a-half week motor strike.

But Econometrix economist Tony Twine said the imported vehicle parts which featured in the transport category would have been ordered at the beginning of the year,

when manufacturers forecast an upturn in demand. Some manufacturers would have arranged with their overseas suppliers to hold back delivery of orders because of the build-up of stocks over the strike.

Economists said the low trade balance implied the current account was in a deficit of about R1bn in August. The current account is the trade balance less net payments for services such as tourism, freight and interest. They said the fact that the foreign exchange reserves rose strongly despite a current account deficit implied substantial capital inflows.

Call to slash heavy vehicle tariffs to 50%

Biday 5/10/94

MICK COLLINS

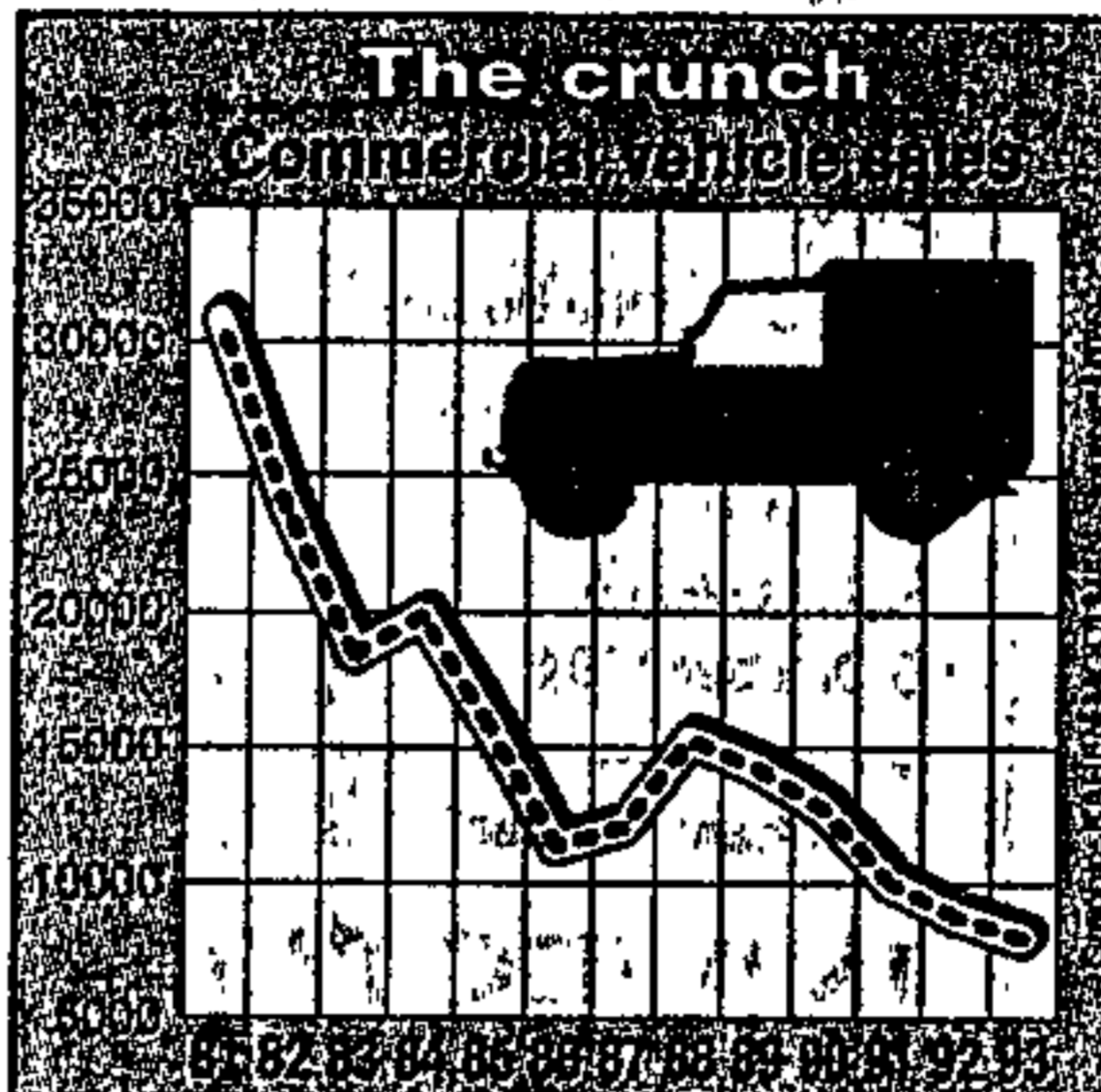
THE motor industry task group has called for import tariffs on heavy vehicles to be cut to 50% — more than a third below current levels — in a move to open the market up to international players.

The government-appointed group, which is charged with formulating proposals to restructure the sector, said the industry was "too cosy" and such cuts were needed to bring down costs.

Economists said the proposals could lead to job losses in the R1,75bn-a-year industry, though the Industrial Development Corporation (IDC) said this would be balanced by higher exports and general gains across the economy.

The hard-hitting report, which follows the task group's similarly radical proposals for the car industry this year, also calls for the scrapping of all excise duties on commercial vehicles from January.

Group chairman Derek Reilly said "strong pressure" should be brought to bear to make the sector more competitive.



Duties were cut last month from 100% to 80%, and a 5% surcharge was chopped.

The group recommends the dropping of minimum local content requirements for vehicles and chassis and the scrapping of surcharges on components used in new vehicle manufacture/assembly.

It proposes the progressive reduction of

To Page 2

Motor tariffs

Biday 4/10/94

From Page 1

import tariffs to January 1 2002 on completely built up (CBU) units and engines from 50% to 30% and 25% respectively. Tariffs on transmissions and axles should be reduced from 30% to 15%, on cabs from 20% to duty free, and other parts should become duty free in January.

To encourage exports, vehicle and component manufacturers, as well as non-manufacturers who import and export CBU vehicles and components, should be allowed to work towards complementing imports and exports. All CBU import duties should be rebateable on a rand-for-rand basis against export.

Reilly said the recommended levels for medium and heavy commercial vehicles, while lower than those recommended for cars and LDVs, were "still too cosy" and unlikely to exert sufficient downward pressure on vehicle prices.

He said the IDC looked at three scenarios. The first reduced tariff protection on motor vehicles from 100% to 45% and on components from 50% to 30%. The second proposed reducing to 30% the protection on vehicles and components by 2003. The third looked at the removal of all import protection. "All three show that there will be benefits to the total economy", offsetting the net losses to the local and component industries.

New commercial vehicle sales have fallen from 30 702 units in 1981 to 7 869 units in 1993. But the replacement needs of the existing commercial vehicle population — about 300 000 strong — provide a basis for future growth.

The task group noted with concern the high cost of diesel fuel at 166c/l and recommended that this be investigated by a motor industry authority, which the task group recommended be formed.

Imported red
meat to be taxed

PRETORIA. — Levies
are to be imposed on im-
ported red meat "to
level the playing field"
for local producers of
red meat, the Meat
Board said in a state-
ment yesterday.

It said Agriculture
Minister Mr Kraai van
Niekerk had approved a
levy of two cents a kilo-
gram on beef, three
cents per kilogram on
mutton and goat meat
and two cents per kilo-
gram on pork. — Sapa

CT 20/10/94

MEAT

(54F)

US's Reebok hits at import duties

MADRID — Reebok, the US manufacturer of athletic shoes, has accused SA bureaucrats of being "out of sync" with their political masters — causing problems for foreign investors.

Reebok director Bertram Lee told the SA summit of the World Economic Development Congress that while the company was committed to its SA operations, it had encountered import duty problems.

When plans were drawn up, Reebok was told there was a 30% duty on athletic footwear, and another 15% was added because it was leather. The company budgeted on an overall tax of 45%. But within two weeks of setting up shop, it was informed the duty had been raised to 60%.

"We are working with Trade and Industry Minister Trevor Manuel to sort out this problem. It is a 100% increase, which is a serious problem."

He was surprised that SA could justify such a high tax, given that the types of athletic shoes were not manufactured in SA and that it went against GATT. "I imagine it is being done to protect the low end of the athletic footwear market

GRETA STEYN

which is being manufactured in the country."

But he believed the relationships built up with people who are now in government would help resolve the problem.

Former US ambassador to the UN, Andrew Young, told the audience that affirmative action laws were required.

"The US needed laws to get people to hire black folks," he said, arguing that they had worked well.

Black Enterprise editor Thami Mazwai called on foreign investors to enter into joint ventures with black entrepreneurs.

He told them nationalisation was "as dead as a dodo" in SA. ~~THE~~

Genbel executive director Peter Cronshaw called for the scrapping of exchange controls and privatisation to create a more liquid market in equities.

Trade and Industry Minister Trevor Manuel did not rule out privatisation, but said that in the case of utilities such as Eskom, the need to electrify millions of black homes meant state ownership was probably preferable.

Customs union squabbles over import duties

SELLO MOTLHABAKWE

A ROW between Southern African Customs Union members over motor vehicle manufacturing has emerged as a major stumbling block in negotiations to agree on an updated treaty. *BIDAY*

At last week's meeting in Pretoria of customs union members there was apparently a heated debate over the rationalisation of vehicle manufacturing plants in the region, with some delegates calling for the reinstatement of import duty rebates that have been withdrawn by SA.

Sources at the meeting of trade ministers from SA, Botswana, Lesotho, Swaziland and Namibia said Botswana expressed concern about SA's withdrawal of rebates on import duties on cars imported by neighbouring countries. The Botswana delegation complained that the decision had harmed the operations of its two heavy vehicle plants, leading to a 40% rise in input costs. *17/11/94*

Lesotho called for the reinstatement of the rebate provisions and their retention until a suitable long-term arrangement was in place. Lesotho's industry had also come under severe pressure since the concession's withdrawal. *(74F)*

It was believed SA was wary of reinstating the rebates for fear of competition from neighbouring states. Its vehicle manufacturing industry already faced increased competition as a result of GATT reforms. SA suggested the matter be referred to a technical committee.

But Botswana insisted the matter be resolved speedily to alleviate the pressure on its heavy truck assemblers before they abandoned the country.

In a counter-attack, SA asked Lesotho to clarify its position on importing completely built-up (CBU) units from Japan. Lesotho denied it had special measures to facilitate Japanese imports. Only second-hand engine units in the 2,500cc range were

Healthy increase in trade surplus

Star 24/11/94

■ BY CHARLOTTE MATHEWS
AND SAPA

Lower imports in October after exceptional import expenditure in preceding months lifted the monthly trade surplus to R847,6 million from R167,6 million in September, according to figures released by the Department of Customs and Excise yesterday.

South African Foreign Trade Organisation (Safto) economist Linda Smith said the improvement in the monthly surplus was usual for the fourth quarter.

Local companies usually deferred their imports of equipment and materials until the new year because they did not wish to hold large stocks over the Christmas break.

Imports dropped to R6,8 billion from R7,4 billion in September, while export volumes were slightly higher at R7,7 billion from R7,6 billion.

Martin & Co economist Deanne Gordon said the main reasons for the fall in imports were lower oil and motor vehicle purchases.

There had been some stockpiling of oil in previous months triggered by the crisis in Nigeria.

Higher motor vehicle imports in preceding months had resulted from the local motor industry strike.

Econometrix economist Tony Twine said the level of imports in September was exaggerated by pre-emptive buying on fear of a weakening

commercial rand.

"This had slowed down by October because it was clear that the rand was not going to fall," he said.

The total trade surplus for the first ten months of the year was R11,5 billion — some 7,9 percent above the R10,6 billion for the first nine months of the year.

Gordon said an extrapolation of the cumulative surplus for the year to December would be R13,7 billion.

If this was compared to the R1,2-billion-a-month service outflows evident from the latest Reserve Bank quarterly report for the first six months of the year, it suggested the country was moving towards a small current account deficit of around R700 million for the full year. (74F) (74F)

This compares with a current account surplus of R5,9 billion for 1993.

Nedcor chief economist Dennis Dykes said the latest figures were disappointing because they meant that for the third consecutive month SA's trade surplus was less than R1 billion.

SA required a monthly surplus of about R1,5 billion a month to achieve a reasonable surplus for 1994.

However, Dykes said relatively high imports indicated the economy was growing.

As long as it showed sensible spending on developing export capacity, rather than consumables, it was positive, he said.

Imports

BIDay

24/11/94

From Page 1

export performance, which was up only 3,5% on October last year despite the weaker rand, and the uptick in the commodity cycle (74F) (74F)

SA Foreign Trade Organisation economist Linda Smith said SA companies usually deferred their imports of equipment and materials until the new year so as not to have large stocks over Christmas. "Thus the improvement in the trade balance should be seen as a seasonal factor rather than a longer-term decrease in imports." Demand for machinery imports re-

mained very high, up 48% year-on-year. Economists said the capital-intensive Alusaf and Columbus Stainless Steel projects were still responsible for the high figure, although the rate of increase in machinery imports had slowed in October. Smith said a slowdown in the rate of increase in imports for the vehicles category suggested domestic production was back on track after strike action earlier in the year. Vehicle exports remained sluggish, but would probably pick up once the local backlog had been cleared.

Import dip leads to trade surplus rise

BIDay

24/11/94

MUNGO SOGGOT

SA's trade surplus grew to R847,5m in October from R167,6m in September, but the rebound was not enough to haul the balance of payments out of the doldrums.

Customs and Excise figures released yesterday showed imports had subsided after rocketing in August and September, while exports remained sluggish.

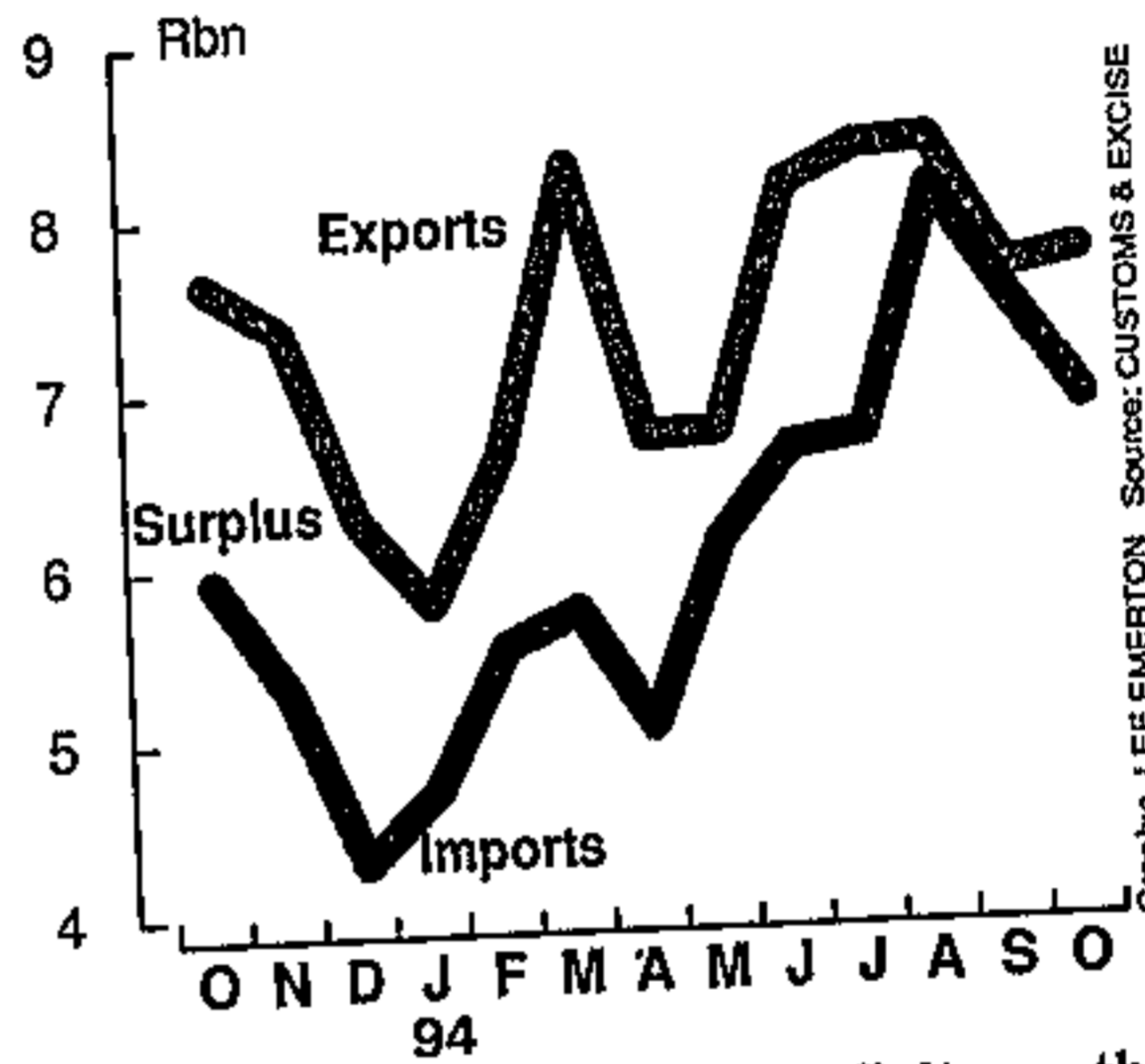
Economists said SA would almost certainly have a current account deficit this year. The current account is the trade balance less net service payments for "invisible" trade such as tourism, interest payments and freight charges.

The figures showed imports in October down at R6,84bn (R7,43bn), while exports rose slightly to R7,68bn (R7,59bn).

The figures showed a sharp drop in oil imports, which fell to R293m (R1,09bn), helping to cut SA's import bill for the month. There was still strong demand for imports in most sectors. (74F) (74F)

Economists said the gathering pace of the recovery meant a significant drop in imports was unlikely for some time, so SA would probably turn to foreign loans next

Trade surplus



year to help finance the deficit on the current account.

Earlier this year economists predicted a current account surplus similar to last year's R6bn, but their predictions have been toppled by a dramatic jump in imports and a weak export performance in the second half of the year.

Economists were disappointed by SA's

To Page 2

German imports rise

Business Editor

SA imports of German printing machinery rose to R30m last year — 25% more than in 1992, Claus Groth, president and CE of the Düsseldorf trade fair company, told Cape Town representatives of the Cape Town printing industry and media yesterday.

He said sales in the first half of this year were 62% ahead of those in the same period last year. If they stayed on track they would total R200m for the year. *CT 6/12/94*

Groth and Kurt Werner, president of the board of printing machinery company Goebel, were speaking at a

presentation on DRUPA 1995, the largest exhibition of printing and paper technology in the world, which is held every five years at Düsseldorf.

Werner said print would remain the core of the communications industry. New technology speeded up processes still further. New generation machinery was more cost-effective, "leaving a comfortable leeway for profit margins." *(74F)*

Print still retained its strong position in the competition between the different media.

It was ideally suited to human nature, with no acceptance problems

Del. ... 0 2 1

Board wants vehicle

import tariffs cut

BIDAY 6/12/94

THE Board on Tariffs and Trade has recommended slashing tariffs on imported cars, trucks and components — a move that is expected to expose SA's vehicle manufacturing industry to stiff international competition.

In recommendations due to be gazetted on Friday, it also calls for the scrapping of all excise duties from July 1.

The government body proposes that tariffs on fully built-up cars and light commercial vehicles be cut from 80% to 65% from July and duties be phased down to 40% over the next eight years. Recommendations for the components industry include chopping tariffs to 49% by July and to 30% by 2002. (74F)

The board calls for import duties on fully built-up medium and heavy trucks to be cut to 40% from July and to 20% within six years. All excise duties on heavy commercial vehicles will also be scrapped.

There will be no minimum local content requirement on locally built vehicles.

The board said that in formulating its proposals it considered a long-term strategic objective for the industry and the need

MICK COLLING

to comply with GATT. Interested parties had six weeks to comment.

Industry analysts said the recommendations "smacked of favouritism for the National Association of Automobile Manufacturers of SA (Naamsa) to the detriment of truck manufacturers, the components sector and the unions".

Naamsa is believed to have persuaded the board to reconsider its August proposals that import tariffs on light vehicles be cut to 30% by 2003. The motor task group — representing government, unions and industry — initially recommended a 45% maximum import tariff for cars by 2002.

In what industry analysts described as "strong support for exports", the board said motor vehicle manufacturers were entitled to a 35% international trade duty free allowance. All parts and accessories destined as original equipment for motor vehicles would, on importation, be entered under rebate of duty.

Immediately after the reconciliation at

To Page 2

Tariffs

BIDAY 6/12/94

From Page 1.

the end of this month, excess use of the 35% duty-free entitlement would be offset by the payment of duty and/or the use of duty rebate derived from exports. The allowance would be based on the total value of vehicles sold. The scheme could be used only to offset duty on original equipment components or on fully built-up units.

In a proposed export facilitation scheme, the board said credit notes should be issued to exporters. These could be used by vehicle manufacturers to reduce the amount of original equipment imports on which duty had to be paid after the duty free allowance had been accounted for. If earned by components manufacturers or other exporters, the credits could be used to import components under rebate of duty or be ceded to vehicle manufacturers. (74F)

In an accompanying document, the National Union of Metalworkers of SA said the proposals were likely to produce the "worst of all worlds". They would lead to high levels of imports, relatively little pressure on manufacturers to rationalise the large number of models and an industry based increasingly on pure assembly with low local content.

"There are strong signs of more manufacturers wishing to enter the SA market on the basis of assembly with a limited use of locally produced components."

Econometrix motor industry specialist Tony Twine said the proposals appeared to be a trade-off to protect the high worker density levels in the car sector and the relatively low levels of employment in the heavy truck manufacturing sector.

Excise duties on motor imports to go

JOHANNESBURG. — Government's board on tariffs and trade said it would gazette recommendations on Friday to drastically reduce import duties in the motor industry over the coming eight years.

The board's proposals include the scrapping of all excise duties from July 1.

They propose the cutting of import duties on built-up light vehicles from the current 80% to 65% in July next year, with further annual reductions to 40% by 2002.

Duties on components will be pegged at 49% in July, decreasing to 30% by 2002.

A further 35% "international trade duty-free allowance" would allow manufacturers to reduce import duties payable in direct proportion to the extent to which they export finished vehicles or components, it said.

Imports destined for original equipment or the manufacture of original equipment would be entered under rebate of duty.

"After reconciliation at the end of the year, excess use of the 35% duty-free entitlement is to be offset by the payment of duty and/or the use of a duty rebate derived from exports," said the proposals.

Motor manufacturers have noted

(74F) CT 7/12/94
broad acceptance of the proposals, with some expressing concern about the possibility that final duties would allow the importation of painted and half-assembled bodies as "completely knocked-down" (CKD) units.

If classified as CKD's, these imports would qualify for import duties of 49% and would require the addition of only components and trim.

Manufacturers would be able to cut workforces by up to 60% if they chose to scale down assembly operations to deal with painted and semi-assembled vehicles, said John Newbury, automobile manufacturers of SA (Naamsa) president and Nissan SA chairman.

Mercedes-Benz of SA's CE Christoph Kopke said the 10% differential between components and built-up vehicles is essential to allow manufacturers to become more efficient.

The recommendations suggest no minimum local content requirement on all locally built vehicles.

The board calls for the cutting of tariffs on finished heavy trucks to be cut to 40% from July and to 20% by 2002.

SA has had to implement measures to restructure the industry in line with the GATT in the face of increasing international competitors setting up in the country.

Imports surge hailed as growth sign

Business Staff
and Sapa

(74F)
A SURGE in imports of capital goods in November shows the economy is expanding, economists say, although the trade surplus took a knock.

Figures released by the Department of Customs and Excise showed imports of machinery and mechanical appliances shot up nearly 47 percent. Total imports in November were up 7,1 percent to R7,3 billion from October's R6,8 billion.

But exports grew only 3,2 percent to R7,9 billion, leaving the trade surplus at R610,6 million from October's R847,6 million.

ARG 23/12/94
Econometrix director and chief economist Azar Jammine said November's figures reflected the mixed fortunes of the South African economy.

"In one sense the figures are very good in that they suggest that South African businesses are continuing to buy machinery. On the other hand it means we have to worry about our balance of payments — if we don't get more foreign capital, we won't be able to sustain this cycle."

Sluggish growth in exports, which were far below expectations, was disturbing, especially in view of improved commodity prices.

Most disturbing was the fall in exports of mineral products and precious stones and metals compared with November, 1993. The value of mineral products exported so far in 1994 fell to R7,1 billion from R7,8 billion during the same period last year.

Safto economist Linda Smith said exports of mineral products and base metals remained disappointing.

"This is of particular concern when you consider that mineral products constitute about eight percent of our total exports.

"One possible explanation is that South African exporters are now facing tougher foreign

competition for their products. They'll need to take this into consideration when it comes to strategic planning."

Another economist suggested strikes, not only on the mines, but in related industries, could have contributed to November's fall in mineral exports.

Exports of base metals in the year to November at R10,1 billion showed a small increase during the month, but below expectations.

The cumulative effect of November's import/export figures brought the accumulated trade surplus for the year to November to R12,1 billion from R11,4 billion in the year to October.

Cosatu attacks Govt over import tariff cut

Star 6/9/84
■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

Cracks between the State and workers emerged yesterday when the Congress of SA Trade Unions attacked the Government for the reduction of import tariffs on imported cars, as well as for excluding the federation from the newly established Tax and Fiscal Committee.

Cosatu expressed disappointment yesterday at Trade and Industry Minister Trevor Manuel's "unilateral and provocative" decision in reducing tariffs on imported cars.

The Government announced the scrapping of the 15 percent surcharge and the cutting of import tariffs by 20 percent.

Cosatu general secretary Sam Shilowa said he had a meeting with Manuel last week at which agreement was reached that if the tariff reduction were implemented, it would be done by consensus. ~~74F~~ (74F)

"We agreed that he would assemble a delegation consisting of, among others, Labour Minister Tito Mboweni and Minister without Portfolio Jay Naidoo.

"From our side we would have representatives from our trade unions in the metal, textile, electronic and chemical industries to discuss the implementation of the tariff reduction. At no time did he indicate his intended decision," Shilowa charged.

Cosatu president John Gomomo said Manuel's actions contradicted the Reconstruction and Development Programme (RDP).

He said the understanding was that the reduction in tariffs would be held back for five years.

"We agreed that we needed a breathing space to improve the quality of lives of our people by providing jobs and houses. The minister's decision will affect jobs of thousands and contradicts the RDP," Gomomo said.

The Trade and Industry Ministry said the request for tariff reduction had been communicated to the Government as a mandated position from the entire automobile industry, through the Motor Industries Task Group, a body on which trade unions are represented.

On the exclusion of Cosatu from the Tax and Fiscal Committee, Shilowa said it was workers who, back in 1982, had approached the Government to set up a tax commission. He asked: "How can they forget us now that our initiatives are being implemented?"

The rift between the Government and workers comes on the eve of Cosatu's fifth national congress which starts at Vista University tomorrow.

Cosatu's affiliates go into the congress unanimous in the rejection of privatisation, described as undermining the RDP.

Import duty cuts just the

74F APR 6 1994

beginning

THE government's immediate announcement of an increase in import duties on passenger cars from 115 percent to 80 percent is just the beginning of the Motor Industry Task Group's bid to end inefficiency and contain the prices of locally made cars.

The task group recommends that duty be dropped to 70 percent by next year and be further reduced, by degrees, to 45 percent by 2002. Tariffs on imported components for local vehicle production should be cut from 50 percent to 30 percent and "duty penalties" in the form of relinquishment of duty-free allowances imposed on local

production of low-volume models from mid-1995.

The task group is a tripartite forum comprising government, labour and manufacturers. Its major aim is to reduce South African import tariffs on both vehicles and components until they conform to the General Agreement on Trade and Tariffs (GATT).

Other aims include making vehicles affordable to the local market, increase employment, improve export performance, boost the industry's contribution to economic growth and curtail foreign exchange requirements. Although the group's rec-

ROGER FRIEDMAN looks at the work and structure of Motor Industry Task Group.

ommendation that import duties be slashed from 115 percent to 45 percent appears revolutionary — GATT does not require the complete removal of protective tariffs — it is uncertain whether they go far enough to appease GATT requirements.

Australia and New Zealand charge import duties of 32 percent, Thailand charges 42 percent, Brazil 40 percent and Taiwan 30 percent. Yesterday, the National Union of Metalworkers of South Africa lashed out at the government's timing of the

announcement, calling it "unfortunate in the sense that it looks like a direct threat against the (motor industry) strike".

The union is represented on the Task Group and was therefore privy to the group's decisions, made several months ago.

But Numsa negotiator Gavin Hartford said the timing of the announcement "undermines the tripartite process" and "does not bode well for tripartism in the future".

He said the union planned to confront the government

over the matter at this week's Cosatu congress.

According to the seventh annual car survey published recently by Cape Town company FSA-Contact, locally manufactured cars increased in price by an average of 23.5 percent a year between 1985 and 1993 — effectively double the rate of inflation.

In 1982 the price of a new car constituted 67 percent of average annual household income in the white population group. By 1992 this had risen to 97 percent.

"According to the latest phase of the Task Group's plan, the industry will be compelled to discontinue producing low-volume cars and

light commercial vehicles," the annual survey explains.

"This is to be achieved through sharply reducing the tariffs on imported vehicles and through placing strict duty penalties on local production of low volume models.

"The group hopes that these measures will terminate inefficient production and contain the high prices of local vehicles thereby creating a small, stable, internationally competitive motor industry in South Africa."

The measures would effectively compel some local manufacturers to terminate manufacture of several models with immediate effect.

The Task Group envisions a cost-effective minimum production level of 20 000 vehicles annually from each model platform (each of which should be defined as a single base: for example Toyotas' Corolla and Conquest, Volkswagens' Golf and Jetta and Samsor's Mazda 323, Ford Laser, Meteor and Rustler).

"A rationalised industry characterised by high-volume production of specific makes and models would increase the economies of scale. It is acknowledged, however, that there would be casualties in the transformation process — but this is an inevitable part of evolution," the survey concludes.