GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED
BOP/W/153
29 June 1993
Limited Distribution

Committee on Balance-of-Payments Restrictions

CONSULTATION WITH THE REPUBLIC OF SOUTH AFRICA

Background paper by the Secretariat

I. Introduction

1. This paper has been prepared in accordance with paragraph 7 of the Declaration on Trade Measures Taken for BOP Purposes (BISD 26S/205).

2. Between 1959 and 1972, South Africa held regular consultations with the Committee under Article XII of the General Agreement. The last consultation by the Committee with South Africa was in 1976, following the introduction of a temporary import deposit scheme at 20 per cent on all imports not specifically exempted (BOP/R/92). This measure was not covered by Aricle XII; before the adoption of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes in 1979, import restrictions other than quantitative restrictions were not covered by the relevant consultation procedures of the GATT. The Council, however, referred the examination of the temporary import deposit scheme to the Balance-of-Payments Committee.

3. The Committee concluded, inter alia, that the deposit scheme was non-discriminatory and had been introduced as a short-term measure for balance-of-payments reasons, mainly to further reduce domestic liquidity and to contain the increase in speculative imports. It further noted that the South African Government had also taken domestic fiscal and monetary measures to restore equilibrium. The import deposit was in addition to the system of quantitative restrictions maintained by South Africa. The Committee welcomed the statement by the representative of South Africa that it was his authorities' intention to terminate the Import Deposit Scheme after six months' operation namely, on 2 February 1977 and that no further trade restrictive measures were contemplated at the present time. The Committee agreed that South Africa's Import Deposit Scheme, applied on a temporary basis, was not more restrictive than an application of the provisions of Article XII of the General Agreement. Noting that South Africa was not invoking the provisions of Article XII, the Committee agreed that this conclusion was without prejudice to the rights and obligations of contracting parties under the General Agreement.

4. The present consultations stem from the introduction of an import surcharge by South Africa, covering at that stage unbound items, in 1985, and its extension to bound tariff lines in 1988. South Africa's notification (L/5898 and Adds.1 and 2 and Corr.1) was made under Paragraph 4 of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes, under which "All restrictive import measures taken for balance-of-payments purposes shall be subject to consultation " in the Committee (BISD 26S/205). The notification does not specify which Article of the General Agreement is invoked by South Africa.

II. South Africa's Trade and Exchange System[1]

(i) General developments

5. South Africa has traditionally aimed at inward-oriented development, with trade policy serving to foster import substitution. The hallmarks of the trade system for long were a structure of selective tariff protection and binding import controls. Since the 1970s, direct import controls have, in most instances, been replaced by tariffs. Complementary to the inward-orientation of trade policy has been concessional finance for major projects; through the Industrial Development Corporation, public funds were channelled to capital-intensive projects designed to exploit the significant reserves of, inter alia, coal and iron ore and develop downstream heavy industries such as synthetic fuels and steel.

6. In the early 1970s, quantitative restrictions were gradually eased , but the process came to a halt in the early 1980s in response to a deterioration in the external payments situation. Export incentives, to compensate for the anti-export bias implicit in import restrictions, were introduced in the 1970s and expanded in the 1980s. Nevertheless, until the early 1980s, the binding constraint on imports was an extensive system of import controls. The dismantling of import control was resumed in 1983; its coverage was reduced from 77 per cent of imports in 1983 to 23 per cent in 1985, when the positive list of permitted imports was replaced with a negative list of imports still subject to control. Tariffs were increased selectively to compensate for the removal of quantitative restrictions.

7. Motivated both by international protest against the system of apartheid and the increased economic uncertainty inherent in South Africa's volatile political situation, many foreign governments and corporations limited their trade and investment relations with South Africa in the period from mid-1985 to early 1990, when sanctions began to be dismantled.

8. Exchange control was tightened through a dual currency system and an import surcharge, initially of 10 per cent, was imposed in 1985. In 1988, the scope of the import surcharge was broadened and financial policy became more restrictive, dampening domestic demand and, by freeing production capacity, implicitly encouraging exports. There has also been increased reliance on explicit export promotion policies. Significant political and economic factors from the mid-1980s contributed to slowing the process of South Africa's trade liberalization.

(ii) The Import surcharge

9. In October 1985, under paragraph 3 of the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance, South Africa, with effect from 23 September 1985, notified the introduction of a surcharge of 10 per cent "on all imported goods not bound in terms of the GATT". The surcharge was introduced "to forestall the imminent threat of a serious decline in South Africa's monetary reserves" (L/5898). Imports for use by the agricultural sector, raw materials for the manufacturing sector and essential foods are not subject to the import surcharge. Goods imported under rebate provisions, imports from Hungary, Poland, Romania and Czechoslovakia, Malawi and specified goods from Zimbabwe, imports for export production, and imports of capital goods not available locally are also exempt from the surcharge.

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[1]This section of the Document draws on the TPRM report prepared by the Secretariat on South Africa (C/RM/S/37A and B).

10. In 1988 and 1989 the scope of the surcharge was broadened, including to some bound items, and certain rates were raised, to 20 and 60 per cent. This was followed by surcharge reductions in 1990 and 1991. Since fiscal year 1990, when revenues from the surcharge were greater than from customs duties, the contribution of the surcharge to customs revenues has been declining.[2] Currently, the rate of surcharge, averaged across all products, is 6 per cent; the various exemptions mentioned above reduce the effective (trade-weighted) rate to less than 3 per cent.[3] The surcharge covers virtually all bound items.

11. In September 1992, the United States, supported by other countries, raised the issue of the import surcharge in the GATT Council, requesting that South Africa update its notification set out in document L/5898/Add.1 and consult in the Committee on Balance-of-Payments Restrictions under Article XII (L/7084 and C/M/259. In its notification dated 5 January 1993, South Africa updated its earlier notification and stated that "South Africa would be prepared to consult with contracting parties on these measures in the Committee on Balance-of-Payments restrictions" (L/5898/Add.2 and Corr.1).

(iii) Tariffs

12. The Customs Tariff of South Africa, containing over 12,600 9 digit tariff lines classified under the Harmonized Commodity Description and Coding System (the Harmonized System or HS), is divided into a number of Schedules, which list customs duties, import surcharges, anti-dumping and countervailing duties and duty rebates and refunds. The overwhelming majority of customs duties are applied on an m.f.n. basis. Most imports are subject to ad valorem duties. "Formula" duties apply to over 1900 9-digit tariff lines and specific duties to close to 500 lines.

13. The average unweighted m.f.n. tariff for all products in 1988 (as calculated for the GATT Tariff Study) was 22.0 per cent, 22.5 per cent for industrial products and 12.6 per cent for agricultural products. According to the Industrial Development Corporation of South Africa (IDC), 1992 tariff averages were 20.6 per cent for manufacturing, 7 per cent for agriculture and 2.7 per cent for mining. Sectoral averages in 1988 ranged from 7 per cent on professional and scientific equipment to over 60 per cent on tobacco. Within sectors, high rates, of over 35 per cent, apply to such product categories as motor vehicles, yarns, clothing, and footwear. Tariffs on agricultural products are not usually the principal protective instrument, in this area import control is normally the binding constraint.

14. Currently, some 18 per cent of South Africa's tariff is bound under GATT. Eight hundred and seventy lines are bound at zero. By principal economic sectors, nearly one-third of agricultural tariff lines are bound, whereas this is the case for less than one-fifth of industrial products. About 13 per cent of tariff lines are fully bound and five per cent are partially bound. When the results of the Uruguay Round are implemented, the share of bindings in the tariff is expected to rise to just over half.

15. Tariff quotas are applicable to specified goods imported under preferential trade agreements with Zimbabwe, Mozambique and Turkey. Tariff quotas on imports of textiles and clothing from all sources were implemented on 1 May 1992 as an interim measure to allow the industry and relevant labour unions, in cooperation with the Government, to investigate a long-term strategy for the textile

[2]See Table IV.2 in document C/RM/S/37B.

[3]Table AV.1(b) in document C/RM/S/37B sets out the average import surcharge by sectors.

and clothing industry. The tariff quotas were set at the 1989 level of imports. The ad valorem rates of duty applicable to imports of these items above the quota level were generally double the duty applied to imports within the quota. These tariff quotas were terminated on 31 October 1992.

16. South Africa implemented the Tokyo Round Agreement on Customs Valuation on 1 July 1983. The value for customs duty purposes is the transaction value, the price actually paid or payable. Customs value is calculated on an f.o.b basis.

(iv) Import restrictions[4]

17. South Africa has an import licensing system which is intended mainly to monitor imports of certain "sensitive" commodities. All used goods, waste and scrap require an import permit. Goods subject to import control require licences, which are issued by the Directorate of Import and Export Control within the Department of Trade Industry. Some imports may also require permission from the Departments of Agriculture, Health or Environment Affairs. Some goods imported for export processing or under other rebate provisions require a rebate (not import) permit to benefit from duty rebates and export incentives.

18. South Africa has not maintained any formal import quotas since 1980. In 1983, the Government began to phase out import licensing controls. At that time, 77 per cent of imports were subject to import control; by 1984, the share had been reduced to 55 per cent and by 1985 to 23 per cent. By September 1992, less than 1,900 tariff lines (15 per cent of the tariff) were still subject to import control.[5]

19. The coverage of import controls varies considerably by sector. The controls tend to apply to products already liable to high tariffs, although in the case of agriculture only 16 per cent of items subject to import controls have a tariff rate higher than 20 per cent ad valorem. Import controls apply to 74 per cent of tariff lines in agriculture, forestry and fishing. Over 90 per cent of tariff lines are under import control in the beverages, tobacco and rubber sectors, and over 85 per cent in the food sector. In textiles, a very low proportion of tariff lines is under import control, but almost 60 per cent of clothing items are subject to such control. No import controls are in force for leather, footwear, furniture, plastics, pottery, glass and other non-metallic minerals, motor vehicles and other transport equipment. According to some sources, import controls are applied in certain sectors, such as medicines, mainly for reasons of compliance with approved standards rather than for protection.

(v) Exchange regulations affecting trade[6]

20. At present, South Africa maintains a dual exchange rate system under which certain capital transactions are effected through the "financial rand" mechanism, while the commercial rand is used for current transactions involving the flow of goods and services to and from South Africa, foreign loans and remittances of dividends and interest payments. The external value of the commercial rand is determined in terms of a basket of currencies of South Africa's six main trading partners. Currency

[4]For more detailed information see Chapter IV of document C/RM/S/37A.

[5]See Chart IV.3 and Table IV.8 in documents C/RM/S/37A and B.

[6]For more detailed information regarding trade-related aspects of the foreign exchange régime see Chapter III in document C/RM/S/37A.

weights for the basket are not disclosed, to deter speculation. There are no taxes or subsidies on purchases or sales of foreign exchange.

21. As part of the intensified exchange control policy, the financial rand system, which had been abolished on 7 February 1983, was re-introduced on 2 September 1985. South African companies wishing to invest abroad must also use the financial rand mechanism. The financial rand is the channel for non-resident investment/disinvestment in South African stocks In the view of the authorities, the financial rand, being transferred between non-residents, should not directly affect the balance-of-payments position and has helped to protect the economy from the adverse effect of disinvestment.

22. The financial rand, since its reintroduction, has traded at a discount from the commercial rand. From the end of 1986 the discount narrowed from 53 per cent to a low of 7 per cent in November 1991. In 1992, the gap widened as constitutional talks stalled.

23. The financial rand mechanism does not permit the repatriation of foreign equity investments from South Africa at the expense of the country's official gold and other foreign reserves. An eventual elimination of the dual currency system is foreseen once South Africa's international financial relations have been fully normalized. Since 23 March 1992, the Reserve Bank, in order to stabilize the financial rand and gradually reduce the supply, has intervened in the financial rand market. Foreign creditors holding claims within the debt standstill net have the right to convert these claims, at the commercial rand rate of exchange, for investment in South African equities or property or may sell the financial rand to other non-residents against foreign currency. Between January 1988 and December 1991, US$1 billion of foreign debt had been converted for investment via financial rands.

24. In nominal terms, the commercial rand has depreciated by over 70 per cent against the U.S. dollar since the early 1980s. The rand's nominal effective rate has declined continously since that time, by about 75 per cent in the period 1981 to 1992, but the rate of depreciation slowed from 1989 to 1992. The real effective exchange rate of the rand fell by about 40 per cent between 1983 and 1985, appreciated by some 15 per cent in the following two years and has since been relatively stable . Inflation differentials with South Africa's major partners led to a slow appreciation of the rand's real effective exchange rate, by some 8 per cent since 1989.

III. Macroeconomic and Trade Developments[7]

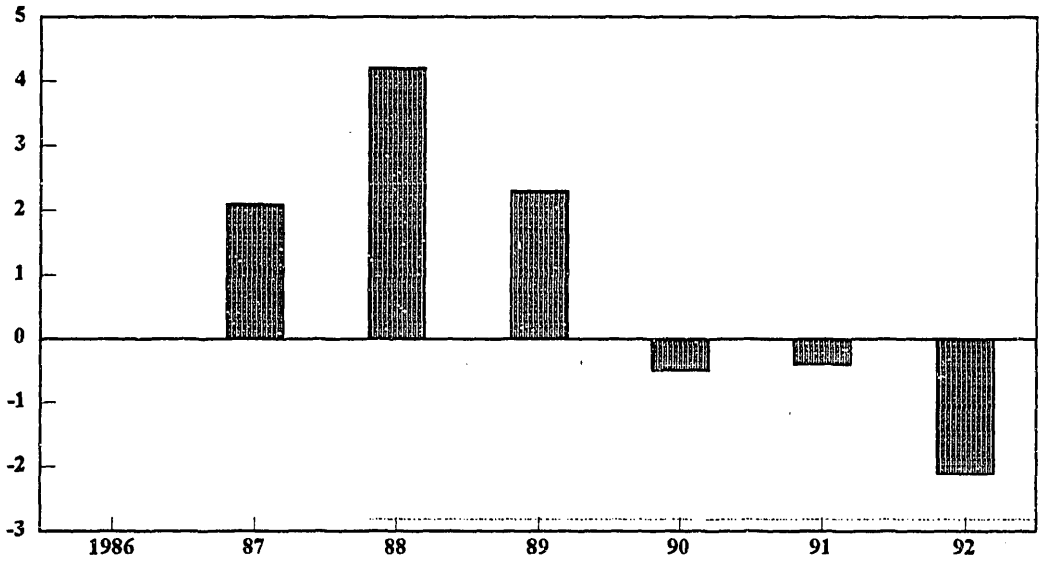
(i) Introduction and Overview

25. Real GDP growth of the South African economy averaged 1.5 per cent for the 1980s as a whole. In early 1989 the economy moved into a recession from which it has yet to emerge. Real GDP declined by some 0.5 per cent in both 1990 and 1991, and declined by a further 2.1 per cent in 1992 (Chart 1). Real GNP per capita has fallen by over 13 per cent since the start of the recession early in 1989. Employment has also followed a declining trend since 1989, falling by 0.5 per cent in 1990, 2 per cent in 1991, and is estimated to have declined by an additional 2 per cent in 1992. Employment in the mining sector has fallen by over 13 per cent between 1987 and 1991. The reduction in employment opportunities in the formal sector, in conjunction with the 2.5 per cent annual rate of growth in the

[7] Unless stated otherwise, all data reported in this section are from the South African Reserve Bank's March 1993 Quarterly Bulletin. These data are consistent with those used by the IMF, which had not yet completed its latest review of the South African economy at the time this report was drafted.

labour force, has reduced its relative importance. The informal sector currently accounts for about 50 per cent of the labour force. Throughout the 1989-92 period the rate of nominal wage growth was sufficient to raise real wages by more than increases in labour productivity.

Chart 1 - South Africa - Real GDP growth, 1986-92 (Annual percentage change)



Source : South African Reserve Bank.

26. Inflation has been fairly stable since the late 1980s, averaging about 14 per cent since 1987, but has followed a declining trend in 1992 and the first quarter of 1993. The rate of inflation - as measured by the consumer price index - fell from a peak of 16.8 per cent per year in October 1991 to 14.3 per cent in August 1992. As of January 1993 it had fallen further to 9.7 per cent. The government's expenditures have tended to grow faster than revenues since 1990, the central government budget deficit increasing from 1.6 per cent of GDP in 1990 to 4.6 per cent in 1992. Domestic public sector debt has increased significantly in recent years. It grew to US$47.8 billion in 1992, or 41.6 per cent of GDP, as compared to 33.8 per cent in 1990.[8]

[8]External debt is discussed in paragraph 32 below.

Table 1
South Africa: National savings, gross domestic investment and the current account balance, 1988-92
(percentage of GDP)

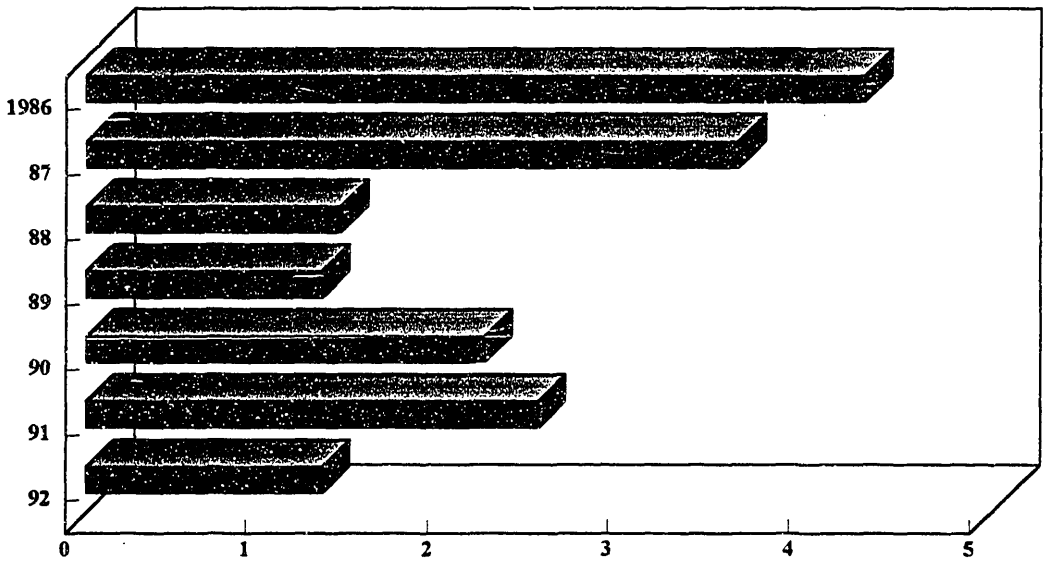
	1988	1989	1990	1991	1992
Gross domestic investment[1]	21.5	21.2	19.1	16.2	15.1
Public authorities	4.0	3.9	3.4	3.4	3.0
Public corporations	2.7	3.5	2.4	2.1	1.3
Private business enterprises	14.8	13.9	13.3	10.7	10.8
Gross domestic saving[1]	22.9	22.6	21.3	18.6	16.4
Personal saving[2]	1.5	1.0	0.9	1.4	1.8
Corporate saving[2]	5.3	5.7	4.5	4.3	4.0
Saving of general government[2]	-0.6	-0.6	-0.4	-2.9	-4.8
Provision for depreciation	16.4	16.5	16.3	15.8	15.3
Current account balance	1.4	1.3	2.2	2.5	1.3

[1] After inventory valuation adjustment
[2] After provision for depreciation and after inventory valuation adjustment

Source: South African Reserve Bank, Quarterly Bulletin, March 1993

27. Factors underlying the sharp decline in GDP in 1992 include a severe drought that substantially reduced agricultural output, weak international commodity prices, and uncertainty regarding the outcome of multiparty constitutional negotiations. All of these factors reduced confidence in the economy, and led to a fall in gross domestic investment. Aggregate gross domestic investment has declined in every year since 1988, falling from 21.5 per cent of GDP in 1988 to 15.1 per cent in 1992 (Table 1). National savings have followed a similar path, falling from 22.9 per cent of GDP in 1988 to 16.4 per cent in 1992, a historical low point (the average savings ratio during the 1980s was 24.5 per cent). National savings have consistently exceeded gross domestic investment since the late 1980s, and the country has registered current account surpluses. As a share of GDP, the current account surplus has averaged 1.7 per cent in the last five years. It more than halved between 1991 and 1992, moving from 2.5 per cent to 1.3 per cent of GDP (Chart 2), reflecting stagnant exports and greater imports of both merchandise and services. On a net basis, the government has dissaved throughout the last five years (Table 1). This has been an important factor underlying the decline in the national savings ratio. In absolute terms, total government dissaving doubled in 1992, from 8.6 billion rand in 1991 to 15.5 billion rand in 1992 (or in terms of GDP, increasing from 2.9 to 4.8 per cent).

Chart 2 - South Africa - Current account balance as a percentage of GDP



Source : South African Reserve Bank.

28. Official reserves have increased slightly since the late 1980s. Whereas in the 1988-90 period gross external reserves averaged about US$2.8 billion, reserves stood at US$3.7 billion at the end of 1992. The ratio of gross reserves to imports of merchandise and non-factor services consequently also increased somewhat, from 1.5 months of imports in 1989-90 to 2 months of imports in 1992. Reserves peaked in August 1992, and fell thereafter until March 1993. This outflow had an impact on monetary policy and on the decision to retain the import surcharge.

(ii) Balance of payments

29. Since 1985 South Africa has had a current account surplus. Deficits on the non-factor services and investment income accounts have been more than offset by surpluses on the merchandise trade balance. The value of merchandise exports in the 1988-92 period has been relatively stable, standing at some US$23 billion in 1990, 1991, and 1992 (Table 2). Exports were in part constrained by depressed prices for gold and other commodities, average export prices falling by 1 per cent over 1992.[9] Imports have been increasing slowly since 1989, rising from US$17 billion in 1990 to US$17.4 billion in 1991 and US$18.2 billion in 1992. The severe drought and consequent need to import agricultural products were an important factor underlying the rise in imports, and acted to offset the dampening effect of

[9] The average price of gold, which accounts for over one-quarter of South African merchandise exports, was $344 in 1992, the lowest since 1985. South Africa's terms of trade fell by 4.9 per cent in 1992.

the recession on import demand. The surplus on the merchandise trade balance in 1992 fell back to 1988-89 levels, standing at some US$5.3 billion.

30. The balance on trade in non-factor services has been negative since the mid-1980s. The deficit increased by 35 per cent in 1992 to attain US$2.3 billion, reflecting a decline in exports and an increase in imports (the latter resulting mainly from greater expenditures related to tourism and travel). In contrast, the deficit on investment income has declined in the last three years, falling from a high of US$2.7 billion in 1990 to US$1.6 billion in 1992. This largely reflects a fall in debt service payment obligations and dividends following reductions in the magnitude of foreign liabilities up to the end of 1991, as well the divestment of foreign capital. External debt has fallen from 36 per cent of GDP in 1986 to 15 per cent of GDP in 1992. The decline in the merchandise trade surplus in 1992, in conjunction with the increase in the deficit on invisibles (non-factor services and investment income) led to in a reduction of the current account surplus by over 40 per cent in 1992, from a record annual high of US$2.7 billion to US$1.5 billion.

31. The capital account has been in deficit since 1985. After having declined to US$1.1 billion in 1990, the deficit increased to US$2.2 billion in 1991, and attained US$2.3 billion in 1992. While outflows of long term capital declined from US$1 billion in 1991 to US$0.5 billion in 1992, net outflows of short-term private capital increased to US$1.8 billion in 1992, up from US$0.4 billion in 1990 and US$1.2 billion in 1991. Factors underlying the greater short term capital outflows include the relatively favourable cost and availability of domestic trade financing, balance sheet adjustments by foreign firms, and the appreciation of the U.S. dollar vis-a-vis the rand which led to forward cover transactions in third currencies.[10] The overall balance of payments registered a deficit of US$800 million in 1992 after having been in surplus in 1990 and 1991. The deficit was financed by a US$1.2 billion increase in external liabilities. Total gross reserves have followed a rising trend since 1989, increasing from US$2.7 billion to US$3.7 billion in 1992 (or 1.5 months of imports of goods and non-factor services to 2 months of imports) (Chart 3). Net foreign reserves fell by US$800 million in 1992.

Table 2
South Africa: Balance of payments, 1988-92
(US$ billion)

	1988	1989	1990	1991	1992
CURRENT ACCOUNT	1.2	1.2	2.2	2.7	1.5
Merchandise trade balance	5.3	5.3	6.3	6.3	5.3
Exports	22.4	22.2	23.4	23.7	23.6
Gold	8.6	7.3	7.0	7.1	6.4
Other	13.8	14.9	16.4	16.6	17.1
Imports	-17.1	-16.9	-17.0	-17.4	-18.2
Nonfactor services	-1.8	-1.8	-1.6	-1.7	-2.3
Credits	2.7	3.1	3.5	3.4	3.1
Debits	-4.5	-4.9	-5.2	-5.1	-5.5

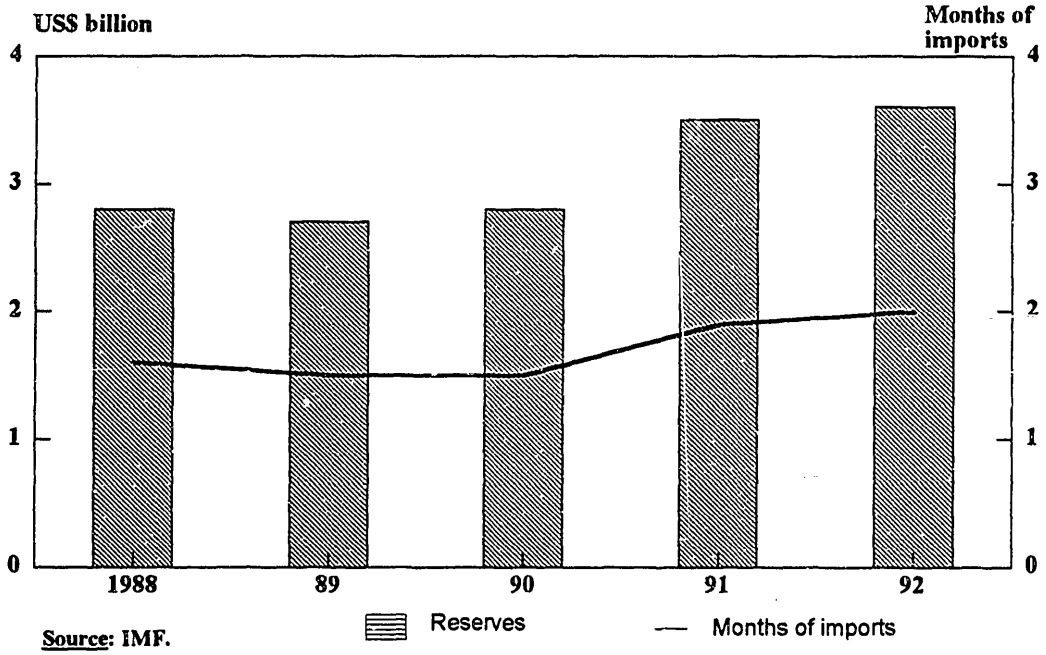
Table 2 (Cont'd)

[10] South African Reserve Bank, Quarterly Bulletin, March 1993, p. 14.

	1988	1989	1990	1991	1992
Investment and other income	-2.3	-2.5	-2.7	-2.0	-1.6
Credits	0.7	0.6	0.7	0.8	0.6
Debits	-3.0	-3.1	-3.3	-2.8	-2.2
Net Transfers	--	0.1	0.1	0.1	0.1
CAPITAL ACCOUNT	-2.7	-1.7	-1.1	-2.2	-2.3
Net long term movements	-0.5	-0.5	-0.8	-1.0	-0.5
OVERALL BALANCE	-1.5	-0.5	1.1	0.5	-0.8
Financing					
Gross reserves (increase -)	0.5	-0.1	-0.1	-0.9	-0.5
Liabilities	0.8	1.0	-0.8	0.6	1.2
SDR allocation/valuation	0.2	-0.5	-0.2	-0.2	0.1
Memorandum Items					
Gross reserves	2.8	2.7	2.8	3.6	3.7

Source: South African Reserve Bank, Quarterly Bulletin, various issues.

Chart 3 - South Africa - Gross external reserves in billions of US dollars and in months of imports of goods and services

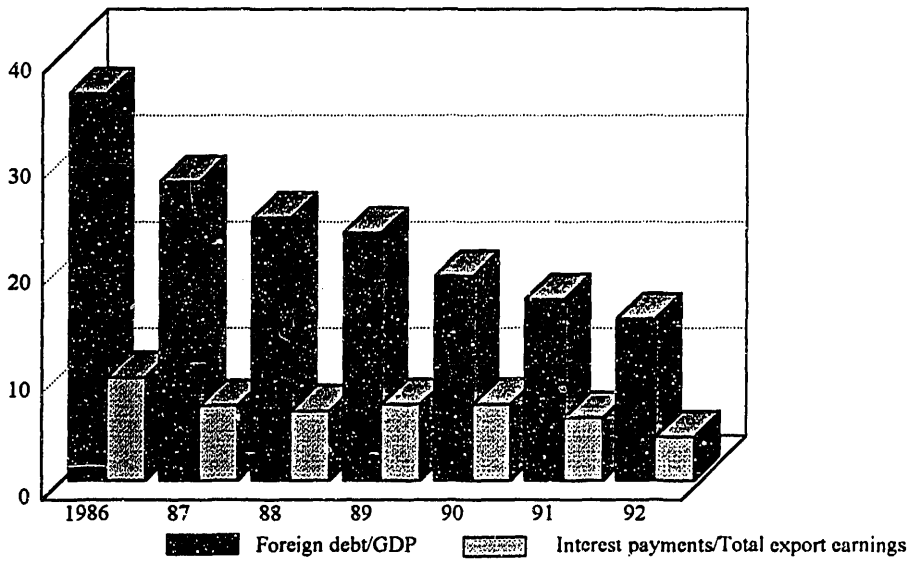


Source: IMF.

(a) External debt

32. A significant share of net capital outflows in recent years have been related to repayments of outstanding foreign liabilities. The value of gross external debt has fallen from US$22.6 billion in 1986 to US$17.4 billion in 1992, or from 36 to 15 per cent of GDP (Chart 4). Debt servicing obligations therefore also fell substantially, from 9.6 per cent of total export earnings in 1986 to 4.1 per cent in 1992. Following the imposition of sanctions restricting its trade in 1985, South Africa negotiated a standstill arrangement with commercial banks. The total of outstanding liabilities affected by this arrangement in 1986 was some US$14 billion; this amount has been gradually reduced since 1986. The stock of total debt affected by the standstill arrangement stood at US$6 billion in 1991, and is estimated to have fallen further to about US$5 billion in 1992. Large amounts of affected debt were converted into new "non-affected" debt or into equity through debt-equity swaps. Total debt not subject to the standstill arrangement increased from US$8.6 billion in 1986 to US$13.2 billion in 1989, declining subsequently to US$12.1 billion in 1991.

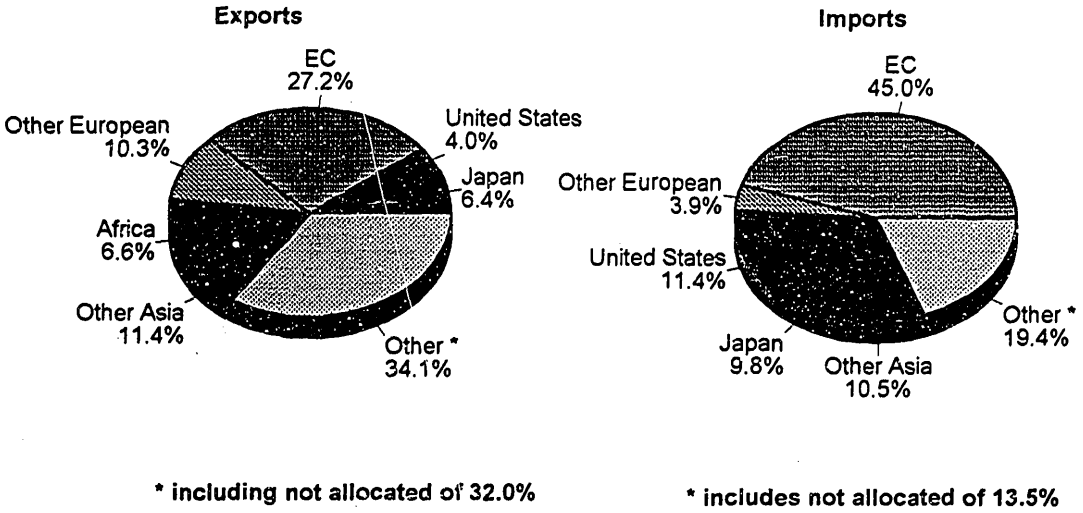
Chart 4 - Foreign debt as percentage of GDP and interest payments as percentage of total export earnings



(b) Direction and composition of merchandise trade[11]

33. Comprehensive data on the origin, destination and commodity composition of South Africa's merchandise trade partner are unavailable. This is because of the government's desire to hinder the monitoring of the impact and implementation of sanctions. Balance of payments data (see Table 2) reveal that gold remains a mainstay of South Africa's exports, but apparently has become much less important in recent years. In 1984, gold accounted for almost 50 per cent of merchandise exports, whereas in 1992 its contribution had dropped to 27 per cent. While other ores and minerals, including coal (representing some 7 per cent of exports in 1991)[12] and diamonds (for which no separate data are reported) also remain important, there has been a shift towards exports of manufactures. The incomplete data in Table 3 reveal that manufactures now account for at least 35 per cent of total exports, up from 29 per cent in 1988. Data on imports reported in Table 4 indicate that manufactures account for at least 85 per cent of total merchandise imports, of which machinery, industrial chemicals and motor vehicles are the most important components, together accounting for over half of total

Chart 5 - South Africa - Origin and destination of merchandise trade, 1990



Source: GATT, C/RM/S/37B, May 3, 1993.

manufactured imports. As far as the direction of trade is concerned, available data suggest that the EC is South Africa's most important trading partner, buying at least a quarter of total exports and providing almost one-half of total imports. Chart 5 presents available data regarding the origin and destination of trade.

[11] See the May 1993 TPRM report on South Africa for a more comprehensive discussion of South Africa's trade (C/RM/S/37A).

[12] GATT, C/RM/S/37A, May 3, 1993.

Table 3
South African merchandise exports by product group, 1988-91
(Million rand and percentage share)

Description	1988	1989	1990	1991
Total exports (R million)	49,566	58,805	61,146	64,930
Agriculture, forestry and fishing	3.1	4.7	4.1	3.6
Mining	19.4	22.2	22.4	21.3
Manufactures of which:	28.9	31.1	32.1	34.8
Food	3.5	4.0	3.9	4.1
Beverage	0.2	0.2	0.3	0.5
Tobacco	0.0	0.0	0.0	0.0
Textiles	1.8	1.8	1.6	1.9
Clothing	0.2	0.1	0.2	0.3
Leather	0.2	0.2	0.3	0.3
Footwear	0.0	0.0	0.0	0.0
Wood	0.4	0.4	0.5	0.5
Furniture	0.1	0.1	0.2	0.2
Paper	2.6	2.8	2.6	2.4
Printing	0.1	0.0	0.1	0.1
Industrial chemicals	3.5	3.6	3.2	4.0
Other chemical products	0.5	0.5	0.6	0.6
Rubber	0.1	0.1	0.1	0.2
Plastic	0.1	0.1	0.1	0.1
Pottery	0.0	0.0	0.0	0.0
Glass	0.2	0.2	0.2	0.2
Other non-metallic mineral products	0.3	0.4	0.4	0.5
Iron and steel products	8.3	8.9	9.0	9.1
Non-ferrous metal products	2.8	3.0	2.6	2.8
Metal products	0.9	1.4	1.7	2.1
Machinery	1.4	1.5	1.6	1.8
Electrical machinery	0.4	0.4	0.6	0.7
Motor vehicles	0.6	0.7	1.1	1.4
Other transport	0.2	0.2	0.5	0.4
Jewellery	0.1	0.2	0.2	0.2
Other manufacturing	0.4	0.4	0.5	0.4
Unclassified	48.6	42.0	41.4	40.3

Source: IDC, ISIC data. These figures include trade with the TBVC States and the BLNS (other members of the Southern African Customs Union).

Table 4
South African imports by product group, 1988-91
(Million rand and percentage share)

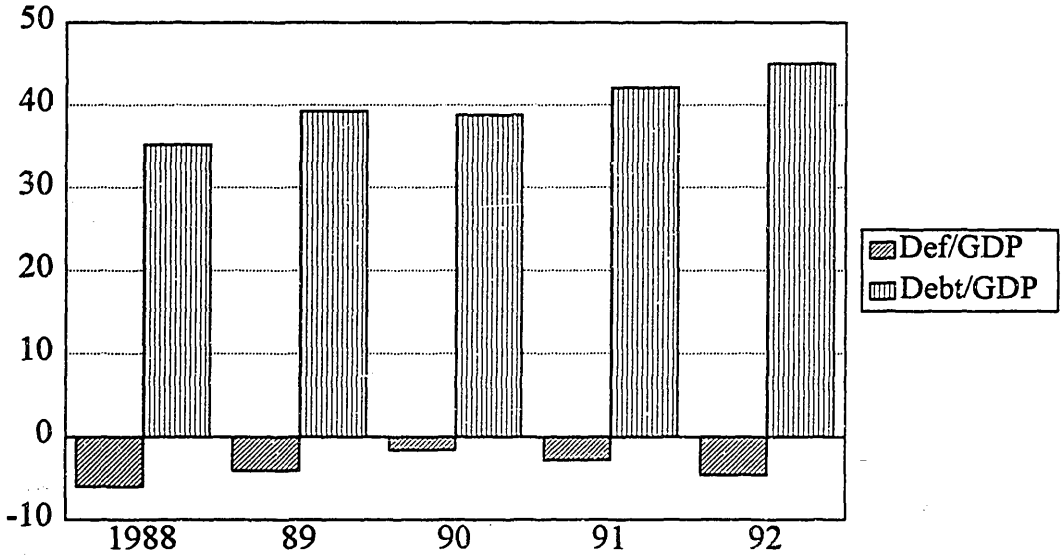
Description	1988	1989	1990	1991
Total imports (R million)	39,487	44,510	44,195	47,754
Agriculture, forestry and fishing	1.5	1.2	1.7	1.9
Mining	1.6	1.7	1.7	1.4
Manufactures of which:	84.9	84.8	83.2	85.5
Food	3.3	3.4	3.1	3.1
Beverages	0.7	0.8	0.9	0.8
Tobacco	0.1	0.1	0.1	0.1
Textiles	3.2	3.3	3.7	4.2
Clothing	0.4	0.3	0.4	0.5
Leather	0.5	0.6	0.6	0.5
Footwear	0.3	0.3	0.3	0.4
Wood	0.7	0.7	0.7	0.8
Furniture	0.1	0.1	0.1	0.1
Paper	1.6	1.6	1.9	1.9
Printing	0.8	0.7	0.8	0.8
Industrial chemicals	10.9	10.6	10.1	10.4
Other chemical products	3.8	3.8	4.2	4.5
Rubber	0.9	1.0	1.0	1.0
Plastic	0.6	0.6	0.6	0.7
Pottery	0.1	0.1	0.1	0.2
Glass	0.4	0.4	0.5	0.5
Other non-metallic mineral products	0.6	0.7	0.9	0.8
Iron and steel products	1.4	1.8	1.5	1.4
Non-ferrous metal products	0.6	0.8	0.7	0.7
Metal products	3.7	3.5	3.8	3.4
Machinery	21.7	21.4	21.2	20.0
Electrical machinery	9.2	8.1	8.0	8.6
Motor vehicles	11.9	12.6	10.8	10.2
Other transport	2.0	2.3	1.8	4.0
Jewellery	0.1	0.1	0.1	0.1
Other manufacturing	5.2	4.9	5.3	5.8
Unclassified	12.0	12.3	13.4	11.2

Source: IDC, ISIC data. These figures include trade with the TBVC States and the BLNS (other members of the Southern African customs union).

(iii) Public finance and macroeconomic developments

34. The central government deficit fell from 6.0 per cent of GDP in 1988 to 1.6 per cent in 1990 (Chart 6).[13] Since 1990, influenced by the deepening economic recession, the government has pursued an expansionary fiscal policy. This, in conjunction with the limited opportunities for revenue growth resulting from the economic downturn, led to an increase in the government budget deficit to 2.8 per cent of GDP in 1991 and 4.6 per cent in 1992. Additional factors underlying the rise in the budget deficit include the 1992 drought and pressures related to the political reform process. The latter also constrained the implementation of revenue raising measures and led to a demand for greater expenditures. The public sector borrowing requirement has increased substantially since 1989. After having fallen to 1.5 per cent of GDP in 1990, in part as the result of proceeds related to the government's privatization programme, it rose to 5.7 per cent on average during 1991-92. The resulting rise in public debt has been significant. The central government's debt rose from 35 per cent of GDP in 1988 to 45 per cent in 1992 (Chart 6).

Chart 6 - South Africa - Central government deficit and central government debt as percentage of GDP



Source : South African Reserve Bank.

35. The average annual rate of inflation - as measured by the increase in the consumer price index - declined from 15.3 per cent in 1991 to 13.9 per cent in 1992. Despite the severe recession, inflation did not fall further in 1992 because of a rise in the price of food products associated with the drought. If food prices are excluded, the rate of increase in the consumer price index fell to 11.2 per cent in 1992. The rate of growth of nominal wages and salaries per worker in the non-agricultural sector

[13]The data in this paragraph are on a calender year basis rather than on a fiscal year basis.

has slowed in the last three years, moving from 18 per cent in 1989 to 16.9 per cent in 1990, 15.8 per cent in 1991 and 15.1 per cent in the first nine months of 1992. The reduction in inflation was in part due to a reduction in the rate of money supply growth. A restrictive monetary policy was pursued in 1992, broad money growth (M3) declining from 12.7 per cent in 1991 to 8.0 per cent in 1992. Further reductions in money supply growth are envisaged for 1993. Despite the tightening of monetary policy, money market interest rates also followed a declining trend, falling from a high of 19.5 per cent on average in 1990 to 11.0 per cent in February 1993. Long term interest rates as measured by yields on government bonds also fell in 1992, declining from 16.9 per cent in the fourth quarter of 1991 to 13.9 per cent in October 1992. In the last two months of 1992 yields increased again, standing at 14.9 per cent in December. These higher rates, in conjunction with the reduction in inflation, led to a rise in the real yield on government debt from 0.1 per cent in August 1992 to 4.6 per cent in January 1993.