

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES

ROOM C-120

01

EBD/85/267

October 8, 1985

To: Members of the Executive Board  
From: The Acting Secretary  
Subject: South Africa - Exchange Arrangements

Attached for the information of the Executive Directors is a statement issued by the Chairman of the South African Standstill Coordinating Committee regarding the repayment of South Africa's foreign debt and the introduction of supplementary capital controls.

Att: (1)

Other Distribution:  
Department Heads



October 4, 1985

Statement Issued by Dr. C. L. Stals, Chairman of the  
Standstill Coordinating Committee Regarding  
the Repayment of South Africa's Foreign Debt

From the experience gained during the past month in the implementation of the standstill arrangements on the repayment of South Africa's foreign debt, certain problems and uncertainties relating to the application of proclamation No. R. 157, 1985 have been identified. In order to rectify the situation, various amendments to this proclamation were therefore published in government notice No. R. 2305 of October 3, 1985.

The more important amendments relate to the repayment of certain foreign loans where some discrimination in favor of repayment by the public sector has now been eliminated, and to import-related payments where those payments which are not subject to the standstill restrictions have been more clearly defined.

Regarding the repayment of loans, it has now been decided to allow the remittance of capital on maturing bearer bonds and bearer notes. Irrespective of whether the borrower is a public or private sector institution, and provided such bonds or notes were listed on any stock exchange on August 28, 1985. In the case of nonlisted bonds or notes, special permission will have to be obtained from the Standstill Coordinating Committee before any repayment of capital can be made. It is the intention of the Committee to allow such repayments in those cases where such bonds or notes were generally taken up, and are still held, by members of the general public.

As far as payment for imports is concerned, the standstill arrangements will not apply in respect of payments for goods or services received in South Africa on or after January 1, 1985, and where payment is to be made directly to the foreign supplier of such goods or services or to any collecting banker on his behalf. Payment in respect of goods and services received on or after January 1, 1985 will also be allowed without restriction if settlement is to be made in terms of a documentary letter of credit or of a documentary bill accepted by the importer or by a banker on his behalf. This should help to remove all remaining doubts in the minds of foreign exporters and bankers that payment in the normal course for South Africa's imports of goods and services is not affected by the present standstill arrangements and may be freely made and transmitted as in the past, subject only to the usual exchange control requirements.

The Minister of Finance has now designated the Standstill Coordinating Committee to exercise the powers vested in the Minister and the Treasury in terms of the proclamation, and all enquiries in this regard should in future be directed to the committee at the following address:

P.O. Box 427  
Pretoria  
0001

Telephone No.: (012) 325-3360  
Telex No: 322550

To supplement the existing controls over the outflow of capital from South Africa and to provide further protection for the country's available foreign exchange reserves, new exchange control directives regarding non-resident owned investments in South Africa were issued to authorized dealers in exchange on September 30, 1985. In terms of these directives, foreign controlled South African subsidiaries may now only transfer dividends to their foreign parent companies if such dividends are declared from profits or income earned after January 1, 1984. It is not the intention of the authorities to advance this date at regular intervals.

Authorized dealers have also been provided with further instructions regarding the transfer of foreign loan funds to the special restricted account with the Reserve Bank, the establishment of which was announced by the Minister of Finance on September 1, 1985. South African borrowers of foreign funds are only required to make payments into this account at the date of the final maturity of their foreign loan commitments in cases where no extension for the repayment of the loan is desired, or where an extension cannot be negotiated with the foreign lender. No preferential treatment will be given to the eventual repayment of those loans in respect of which amounts have been deposited in the special restricted account.

The standstill coordinating committee is in the process of collecting full details of South Africa's total foreign liabilities outstanding as at August 31, 1985. For this purpose, the South African Reserve Bank will, during the course of next week, through the branches of the commercial banks and the governments of the independent national states, make questionnaires available to the public, including companies, public corporations, and other public bodies, for completion and return to the Reserve Bank, to reach the Bank not later than October 25, 1985. In cases where the Reserve Bank is in possession of the addresses of persons or bodies with foreign liabilities, the questionnaires will be sent directly to them for completion. The onus to obtain copies of the required report forms, however, remains on the person or body liable for the completion thereof.

All residents of South Africa, Transkei, Boputhatswana, Venda, Ciskei, and South West Africa with foreign liabilities must complete the questionnaire. The information furnished by individual companies and persons will, of course, be treated as confidential. An appeal is made to all members of the public with outstanding foreign liabilities to cooperate and to provide the committee with this information needed for the committee's pending negotiations with the country's overseas creditors.