

## MEDIA STATEMENT

### SOUTH AFRICA AND ITS FOREIGN CREDITORS

South Africa's stable economic position, its willingness to meet its foreign commitments and thereby maintain good relations with its trading partners was clearly demonstrated by a new agreement entered into with South Africa's major creditor banks.

South Africa's Minister of Finance, Mr B J du Plessis, announced on Tuesday that the Debt Standstill Co-ordinating Committee had concluded the Second Interim debt arrangements in London with a group of banks holding more than 70 per cent of South Africa's restricted foreign debt. It is anticipated that all other creditor banks will endorse the new arrangements.

The present interim debt arrangements between South Africa and its foreign creditors expire on 30 June 1987. In terms of these arrangements South Africa repaid 5 per cent of the affected indebtedness while the creditors undertook to retain the balance of 95 per cent inside South Africa until at least 30 June 1987.

According to available information South Africa's total payable foreign debt, calculated at the present exchange rate of the US dollar, will amount to US \$13 billion, will fall under the standstill and will therefore be subject to the repayment restrictions of the interim arrangements. The balance of US \$10 billion, which includes a significant amount of medium-term liabilities, falls outside the standstill restrictions and will be repayable on the normal maturity dates in terms of the loan agreements.

The estimated total foreign liabilities of US \$23 billion as at 30 June 1987 are only US \$1 billion less than the amount of US \$24 billion outstanding at the end of August 1985, when South Africa proclaimed a unilateral debt standstill and placed a temporary restriction on the repayment of certain foreign liabilities. These figures do not reflect the fact that South Africa has repaid more than US \$3 billion of its total foreign debt. This is due to the decline in the value of the US dollar in the meantime. Measured at exchange rates prevailing at the end of August 1985, when the dollar had a higher value against most other currencies, the value of South Africa's total foreign debt would have been just over US \$20 billion.

The second Interim debt arrangements, which will cover the period 1 July 1987 to 30 June 1990, are substantially a continuation of the existing arrangements. However, the following new provisions are included:

- I. During this period South African debtors holding restricted debt will be permitted to make the following repayments:
  - (a) A down payment of 3 per cent of the restricted debt will be permitted on 15 July 1987 provided such debt has already reached maturity. Other restricted debt still to mature will also qualify for this 3 per cent down payment but only as and when it reaches maturity for the first time during the ensuing 3 years.
  - (b) Further capital repayments will be permitted as follows on those balances of restricted debt which already have matured on the date indicated:
    - 2 per cent of the outstanding balances on 15 December 1987 and 15 June 1988;

- 1 per cent of the outstanding balances on 15 December 1988, 15 June 1989, 15 December 1989 and 15 June 1990.

II. A revised 'exit' clause is provided which offers foreign creditors the possibility to convert short-term claims inside the net to long-term claims outside the net. Claims converted in this manner will be repayable over a 10 year period as follows:

- From date of conversion to 30 June 1990 - 13 per cent as for debt inside the net;
- The following 2 years - no repayment;
- The following 5 years - balance repayable in 10 equal half-yearly instalments.

III. Provision is also made for the granting of permission for the conversion of loan balances and short-term claims falling inside the net into equity investments (shares) which will fall outside the net. The Reserve Bank is presently investigating the implications of such conversions in the light of the terms and restrictions of the financial rand system. In the meantime this concession will not be implemented.

IV. The foreign creditor banks have agreed to roll over, in an appropriate way, the remaining amounts of all the restricted claims on South African debtors until 30 June 1990.

V. Provision is made for annual consultations between the Debt Standstill Co-ordinating Committee and a Representative Technical Committee of the foreign banks.

VI. The Second Interim debt arrangements will be reconsidered prior to its expiry at the end of June 1990.

Mr du Plessis added that over and above these arrangements South Africa will continue to repay foreign debt which falls outside the net. The available foreign reserves of the Reserve Bank increased by approximately US \$800 million during the past 2 months. This, together with the expected continued surplus on the current account of the balance of payments, is expected to meet these commitments.

There are encouraging signs that some foreign investors are taking a more realistic view of South Africa, the increase in the Financial Rand value and the rise in the foreign exchange reserves being two examples.

"I trust that acceptance of the new debt arrangements will further serve to bolster confidence in the South African economy, both inside and outside South Africa", Mr du Plessis said.

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