SARS MEDIA STATEMENT ON UNCTAD REPORT

PRETORIA – FRIDAY, 29 July 2016 South Africa's Trade Statistics are compiled according to the United Nations International Merchandise Trade Statistics (UN IMTS) guidelines which are based on the movement of goods in and out of the country's economic territories.

The UNCTAD report states that there are '*major discrepancies*' between the gold that South Africa reported it had exported to its trading partners and the gold imports from South Africa reported by trading partners for the period 2000-2014. Also, it alleges that most of the gold leaving South Africa is through smuggling operations.

The report indicates that South Africa's gold exports were $34.5 billion and gold imported by South Africa's trading partners was $116.2 billion. Thus the difference in the export value of gold is $81.7bn.

SARS has found that the statistics used in the report are not correct.

In fact, the methodology followed has severe limitations. This led to flawed conclusions on the purported missing gold.

The United Nations Statistical Division (UNSD) has officially cautioned against straight country to country analysis due to amongst other reasons: different trade statistics reporting systems; country of origin versus country of destination; Free On Board (FOB) and Cost, Insurance and Freight (CIF) differences.

For these reasons reconciliation of trade statistics requires major technical adjustments for country to country comparative studies.

The approach followed by SARS to reconcile trade of gold refutes the large discrepancy touted in the UNCTAD report.

The SARS reconciliation accounts for the discrepancy in gold exports raised by the UNCTAD report as follows;

- South African data for domestic gold exports for 2000 to 2014 $54.7 billion more than the $34.5 billion in the UNCTAD report.

  This discrepancy is a result of a classification anomalies pertaining to Harmonized system of tariff classification. This matter is already under discussion with the UN Statistics department way prior to the release of this report.

- South Africa reports according to the UN Special Trade system which specifically exclude non domestic Gold refined and exported from South Africa.

  Should the destination country report according to the General trade system they would include all gold emanating from South Africa, non-domestic included. SARS analysis accounts for Non-domestic gold exported from South Africa to countries using the General trade system to be $38.8 billion.

- Exports are generally reported as Country of Destination and Imports are generally reported as Country of Origin.

  For example, South Africa exports gold to country A. South Africa will then report country A as Country of Destination. Country A will report the import as South Africa for country of origin. Country A subsequently exports the South African gold to country B. Country A will then report country B as country of destination. Country B will report their import as South Africa for the Country of Origin. South Africa will not record the movement between country A and country B.

  Therefore, Country of Origin and Destination anomalies in which intermediary country recordal of trade may result in double counting of exports.

The SARS reconciliation therefore shows that Gold exports for the period 2000 to 2014 are in fact $7.9bn more than the $116.2bn reported by UNCTAD. Such small variances are expected as there will definitely be timing differences between the recording of exports and import transactions.

Despite this refutation of the quantum of purported missing gold, SARS as part of its normal day to day operations conduct threat analysis on gold and other commodities to inform audit and criminal investigations.

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