



MEDIA STATEMENT

018/2017

CHAMBER WELCOMES SECOND EUNOMIX REPORT: UNCTAD'S 'MIS-INVOICING REPORT' FURTHER DEBUNKED

Cape Town, 7 February 2017: The Chamber of Mines is pleased to announce the publication of a second report from economic consultancy Eunomix, commissioned by the Chamber, analysing and further refuting allegations of “mis-invoicing” by South African mining companies put forward last year in an Unctad report titled “Trade Mis-invoicing in Primary Commodities in Developing Countries: The cases of Chile, Cote d’Ivoire, Nigeria, South Africa and Zambia.”

The Unctad report, published in July last year, with a revised version released in December, asserted, among other things, that South African miners of silver, platinum group metals, gold and iron ore had systematically and fraudulently indulged in mis-invoicing in order to evade taxes and other legal obligations.

Unctad alleged specifically that “between 2000 and 2014, under-invoicing of gold exports from South Africa amounted to \$78.2bn, or 67% of total gold exports”. It added that “this does not appear to be a simple matter of undervaluation of the quantities of gold exported, but rather a case of pure smuggling of gold out of the country.”

The amended version backtracked to some extent but still maintained the original mis-invoicing hypothesis.

The first Eunomix report, published in mid-December and focusing on the gold sector, showed serious methodological errors committed by the Unctad researchers. Unctad used only the United Nations Commodity Trade Statistics (UN Comtrade) database and simplistically assumed that discrepancies in import and export data supplied by countries indicated mis-invoicing.



The initial Eunomix report showed that SA's gold exports were incorrectly reflected there. However, they are correctly reflected elsewhere, including in South African Reserve Bank, Stats SA and Chamber of Mines data. Using those figures significantly reduced the discrepancy, leaving \$19.5bn unaccounted for.

The 2nd Eunomix report, published today on the [Chamber's website](#) addresses the "missing" \$19.5bn. All indications are that this amount is explained by gold sent by other countries for refining to the Rand Refinery in Germiston. Foreign gold now accounts for about 50% of the gold processed at that institution. Ghana and Mali are among the main customers. The discrepancies arise because some of those countries record the gold returned to them as imports. South Africa does not record such gold as exports, as the origin and ownership of the gold lies outside South Africa.

The Chamber of Mines has requested Eunomix now to proceed with looking at the other South African discrepancies alleged as mis-invoicing by Unctad, namely \$600 million in iron ore and \$24 billion for silver and platinum.

The Chamber's Chief Economist, Henk Langenhoven noted that "We are disappointed that Unctad has lent its name to such poor quality research, a phenomenon aggravated by the fact that prior to publication of their revised report we made available to their researchers and officials the full detail of the methodological errors Eunomix had identified."

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