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BRIEFING: POLITICAL TRENDS IN THE SA BUSINESS COMMUNITY, JAN-MAY 1988.

Note: sources are Financial Mail most often, (sometimes a bit eccentric in terms of SA business outlooks), otherwise press clips.

SUMMARY

This paper examines the politics of white English speaking business in the first four months of 1988, with Black business touched on at the end. It examines how most sectors of business are keen on Botha's repression, but some are frustrated his politics and keen for an effective Opposition alliance in parliament. Business' ignorance of the real resistance to apartheid remains abysmal. As a whole, they seem to feel the crisis of the past few years has been ridden. They have consolidated a style of "quiet diplomacy", and the extent of their public political profile extends to a failed attempt to mediate in the Natal conflict and to some movement on Esops (employee share owner participation schemes). The economy pleases them, as does Botha's economic policy. There are a few problems around privatization and deregulation. Rivalry between business organisations has intensified. Black business is courted by dubious parties, and Sabta are taking negative positions. Nafcoc comes a bit closer to the democratic movement, and new smaller groups take up stronger stands.

SOME BUSINESS ATTITUDES TO THE BOTHA REGIME IN 1988

The inability of the Botha regime to offer a strategy to move out of the political crisis in SA continues to frustrate certain sectors of the business community. Early in the year, the FM carried an article titled "Leadership in SA: Why are we waiting?" (Jan 8).

The article credited Botha and Heunis with the "impressive achievement of containing terrorism and township violence, and while also moving away from the folly of Verwoerd's policies", but said they did not have a clear or inspired view of the future. Botha was the John the Baptist of a post-apartheid society, not its Messiah.

According to the article, the FM had supported the tri-cameral system despite the inadequacies "because we were deluded into believing that they were the beginning of a period of inspired leadership that would lead to more creative political reforms. In the even, they crystallised the inadequacies of a leadership soon swamped by inertia." It may have been necessary to stall or delay reform because of the need for greater security. But now when reported incidents of unrest had fallen sharply, there was no indication that government knew where it was going or whether it had the determination to get there.

Citing examples, the FM said the government now had PFP policy under a different name: viz. a national convention, in the form of a more limited National Council. This policy advertised indecision and no credible leaders would come forward to it. On Group Areas, the only policy seemed to be no policy in the hope that Hillbrow will somehow sort itself out. The government, said the FM, lacks direction and commitment, and was drifting rudderless. It had become more reactive than proactive.

The FM also attacked Botha's economic record, saying there was no political will to implement tax reforms, deregulation and privatization. It also



criticised the government holding onto control of the economy, government spending, the size of bureaucracy, and for giving a commitment that jobs wouldn't be lost through privatization and deregulation.

The FM continued this theme in late January with a cynical editorial titled: "Leadership: forward from apathy". It complained that the economic revival was insecure, and that there was still no sign of a political solution under Botha, and predicted a wasted parliamentary session. (22.1.88)

By March, the FM was still critical of Botha's lack of leadership. It wrote of the bannings of organisations that the Nats were lashing out in a policy vacuum, and acting cynically. The National Council was effectively dead, and the poll in the forthcoming black council elections would set new record low. (4.3.88)

The same March editorial argued that further concessions to the Right would be fatuously designed, and would incur economic penalties. FM (4.3.88) Already in its January 8 article, the FM had accused the government of being preoccupied with staying in power and keeping Treurnicht out. It had argued then that if the Nats were going to retain English speakers, they had to develop genuine policy and leadership. Failing this, Treurnicht had more than a running chance of sitting in Union buildings. (8.1.88)

Later in the year, the magazine went to almost extraordinary lengths to underrate the rightwing, and convince Botha that he should write off the right wing losses and move left instead. For example, one article argued that CP gains were in fact drawn from people who mainly split from the Nats in 1982. It projected that an election this year would give CP at very most a maximum of 63 seats (up from 22), with Nats 82, and left of NP parties still 21 seats. Said the FM: the "anti-Far Right vote" of the NP and 'allies' would prevail in this situation. (11.3.88)

Saying that "Schweizer-Reneke and Standerton are no cause for panic", the FM called for the budget to cut spending. "If this makes a couple more parliamentary seats vulnerable to the Conservatives, it's a price that must be paid". 11.3.88 In April, After the Randfontein by-election, the FM told Botha to simply absorb the losses. He should not lose his nerve from a single exocet, it said. (FM 8.4.88)

Through the year, the FM has at times dealt with the theme of Botha winning English-speaking support. It argued that NP must build alliances to left, or be eroded from both sides. Moderate English speakers, said the FM, sympathise with what it called the NP's new "centrist" position. In this observation, it was probably correct. The AECI company report at the end of March, had Gavin Relly saying that support for the CP showed that reform was fragile, expensive and hard to sell (Star 24.3.88)

Implying that moderate English speakers are up for grabs by the government, the FM described the PFP as being in "decline and disarray" and "ripe for the kill in all but their traditional strongholds". (FM 8.4.88)

But if the FM sometimes calls on the regime to win support on its left, and believes that the "vigour of opposition" has passed to CP, it also does call for unity among the parliamentarians "left" of the government. But it



argues that there are too many formulas being offered on the "left", and pours venom on the PFP. (11.3.88) This hard line on the PFP has been evident for a long time by the FM. It is evident again in January 1988, when the FM reported that Worrall's Independent Party with help of PFP insiders wanted to split the party and absorb most of its supporters. The FM added a rumour that Eglin was to be axed in August. (FM 14.1.88) In March, the magazine scornfully covered the story of the Indian PRP merging with the PFP as follows: "the recent restoration of the PFP's vision as a liberal torchbearer within a parliamentary tradition has at last opened the way for an option which is long overdue, says (Pat) Poovalingham. Overdue or not, it sounds like a long shot at this stage. (FM)". (11.3.88)

In its January 8 article, the FM says that PFP had shot itself in both feet in the 1987 white election, while the Independent movement was squabbling too much. In what resembles in some respects a desperate desire for Bonapartism, the FM observed that "Out of the morass of conflicting aims, ambitions and personalities, only the rise of a charismatic leader could provide the catalyst for unity." (26.2.88)

Six weeks earlier, the magazine had written that the only politicians showing leadership were Hendrickse and Treurnicht. "Where is our new Tielman Roos? No longer Wynand Malan or Worrall; surely not Eglin or Hendrickse", it asked. If such leaders can't be found, maybe we should all Pack For Perth, it answered (8.1.88) Six weeks on, and it had found no one. (26.2.88) Yet its January 8 article had claimed that "no society is left leaderless for long". It wrote: "No such leader is in sight (. But saying we have no charismatic opposition leaders is not the same as having no leaders". (26.2.88)

In fact, as early as a week after rejecting Hendrickse as the new Tielman Roos, the FM put some hope in him, describing him as adopting the role "traditionally filled by the dying PFP". (22.1.88) Now, a month later when the magazine was saying that co-operation on left of Nats was needed, it argued that PFP would have to compromise. "But who will take the helm?", it asked, responding by saying that "The PFP should make a start by asking Hendrickse to be its leader". (26.2.88) Following up this path in May, the FM got Worrall to interview Hendrickse. At the end of this interview, Worrall asks how the Labour Party finances are. Hendrickse replies that the corporate sector should look more sympathetically at the LP. Worrall responded that "this is one of the advantages of us finding some basis of co-operation". (15.4.88)

#### COMMENT:

In conclusion, as far as (some) business attitudes to the regime go, there is a two-pronged approach involving calls on the Government to ditch the right wing and win support to the left of it on the one hand, and to encourage the formation of a strong moderate Opposition to the Government in this arena. That these are slightly contradictory (each could only succeed at the relative expense of the other) does not seem to have occurred to business, nor does it seem especially relevant perhaps given that both Government and such a moderate Opposition would probably have much in common anyway.

Whether the FM and its constituency in the business sector can put help put together an effective political alliance out of such opportunist,



egotistical and degenerate elements as Worrall and Hendrickse, is an interesting question. Whether business can woo the regime's attention away from the rightwing, is also an interesting question. Neither could probably happen on its own, and it is likely that it would take another upsurge in mass resistance to give impetus to either process. As far as the FM is concerned however, and this goes for business as a whole, political initiative and leadership still emanates from the Establishment; the forces of resistance don't enter the picture in this capacity. They may be in for a surprise.

Two other interesting points arise: Firstly, that the FM looks to Hendrickse rather than Gatscha Buthelezi. Is this only because they are focussing on parliament, or does it also represent a decline in Buthelezi's standing with them? Secondly, in their vocal quest for leadership, "give us a leader", they are notably blind to the fact that a leader - however charismatic - will need policies and strategies. Their blindspot in this regard may well reflect the fact that neither they nor Botha/ Hendrickse/ Worrall actually have any proper policies or strategies to respond to the crisis. ENDS.

#### SOME BUSINESS ATTITUDES TO THE DEMOCRATIC MOVEMENT IN EARLY 1988

There are a diversity of views on the democratic movement in the business community, characterized by exaggerated fears of socialist threats alongside blind underestimations of the radicalness of resistance.

Some businessmen continue to raise the spectre of socialist revolution, seen to be embodied in the ANC. The sheer and wilful ignorance of the liberation movement is evident in the FM which describes the Freedom Charter as socialist, talks about the "Solly Mhlangu" (sic) ANC school in one article, and describes Ingaba as a splinter group of the ANC, and as the ANC's less tactful strategists in another.

Gavin Relly for his part, despite having met the ANC in person, recently told the Swiss-SA association in Zurich that the "radical left" wants populist revolution, after which economy will be run on Marxist lines. As with the "radical right" which wants absolute racial geographical separation, business could hardly be attracted to either wing, he said. (Star 16.2.88)

The FM describes Cosatu as unambiguously located in the populist, anti-capitalist camp, and ascribes this to the federation's link with the UDF and its endorsement of the Freedom Charter. It goes on to say that talking to UDF-Cosatu is no different to talking to the ANC. (FM 12.2.88) Such outlooks are hardly surprising when an unnamed employers congress in CT in November 1987 was addressed by Commissioner of Police, General Hennie de Witt, who told them that Cosatu's campaigns were part of a communist onslaught. Sow 10.11.87.

JCI economist, Bethlehem says that future of capitalism in southern Africa is on the line. There is a snowballing attitude in the black community in favour of a socialist future. (4.3.88 FM) In a question revealing the fears of business, Leadership magazine said to Dr Conrad Strauss, MD of Standard Bank Investment Corp: "If business supports genuine negotiations, it exposes itself to a situation that is truly open-ended and could lead to a



far more socialistic system than we now have. Are you really prepared to accept that?". He replied that "the longer we postpone the adjustment process because we fear the socialist threat, the likelier it is that the threat will become a reality".

However, in contrast to the above, there are also comments portraying a belief that the liberation and democratic movements are only mildly threatening. A Gencor statement by Derek Keys at the end of March, says that the years experience had "tempered both radical and conservative expectations" (FM 8.4.88) Dr Conrad Strauss, MD of Standard Bank Investment Corp: said "I suspect that in spite of all the rhetoric there is a drift towards greater pragmatism among black leaders in South Africa, particularly in the labour field." (Leadership nov 87., p 80) Leadership magazine (Nov 87) describes Jay Naidoo as an uncompromising ideologue, but without motivating why, says (almost hopefully) that this characteristic may give way to pragmatism in post apartheid era.

The FM has also carried several articles suggesting that the democratic movement may take part in State structures. Its analysis is that "the UDF simmers over the issue of whether to participate in local elections in order to find a way out of the political cul-de-sac it has landed itself in". (26.2.88) The NIC was reported as considering taking part in House of Delegates, and there was allegedly speculation that the UDF may contest black local authority elections in October. It gave credence to an unsubstantiated Poovalingham says that ANC advised extra-parliamentary groups to reconsider boycott, and think of sabotaging from within. (12.2.88) In addition, the magazine advertised that the UDF had been offered foothold in parliament via Peter Mopp's UDP in the House of Representatives. The FM also said it was ironic that Gumede, most outspoken proponent of possible participation, was restricted by the crackdown. (FM 4.3.88)

COMMENT: There is a tendency among some businessmen to regard their role as "enlightening" not the regime, but the democratic movement. Dr Conrad Strauss, MD of Standard Bank Investment Corp argues that business can do little to directly influence politics. And with supreme opportunism, he adds "so it must concentrate on persuading those who now have only limited participation in the political process that a market related economy is not synonymous with a limited democracy. ... In short it is business' task to encourage broader community participation in the the business process" (Leadership Nov 87., p 80).

In line with this approach, and alongside propaganda and tactics like Esops (see below), it appears almost as if the bourgeois media have been trying to woo (or wish) the democratic movement into taking part in State processes. Their ignorance of the liberation movement is reflected in their over-estimation of the pro-participationists, and also in their perverted understanding of the supposed division between "workerists" (= reformists in their eyes, rather than ultra-leftists) and "populists" (=communists in their eyes).

ENDS

#### THE POWER AND POWERLESSNESS OF THE BOURGEOISIE

Faced with the challenge of collaborating with apartheid, business people like Strauss (above) claim that there is little they can do to change the



government. This oft-repeated refrain is complemented by another response where business people also claim to have achieved much in the way of reforming apartheid. Thus, on the one hand, they deny that they have the influence to change government policy, on the other they also claim credit for reforms.

For example, Len Abrahamse claims that the private sector got the government to recognise the permanence of blacks in a single economy. Raymond Ackerman in 1986 said that the jettisoning of the Immorality, Mixed Marriages and Influx Control Acts was in no small way influenced by the many examples of successful integration by the private sector. He adds: "And little by little the small chipping away of apartheid will lead to the final collapse of the system. But someone must do the chipping - natural erosion takes centuries." (SA Forum, Vol 9, no. 7-10, 1986)

At the same time Abrahamse has "no wish whatsoever to exaggerate the clout or leverage that business does have" (10.). And the former MD of Johnson and Johnson Ron Morris (now a chair in the parent group in the USA) describes the company in SA as thus: "We are but a small candle in a vast cavern of darkness, but we prefer to light that candle than scream futilely at the darkness that surrounds us". (DD 24.02.88)

Business must be aware that this is not believed by many. Leadership magazine has published the opinion of Jay Naidoo who says that business does have political influence, but is unwilling to use it. Naidoo said that unions had seen very little concrete of business opposing apartheid and business people had supported the State of Emergency. (Leadership 87)

Indeed, any alleged impotence of business is qualified by Bob Tucker who says that the "conventional wisdom" that business can do very little for a more just society is only correct "because we as a business community have, over a period of time, been co-opted to accept that the sole function of business is to maximise profit and avoid confrontation or involvement in the affairs of state". COMMENT: what Tucker ignores is that much business is quite happy to accept such co-option if they can continue to make even short-term profits without being disturbed by political pressures. It is nonetheless remarkable that the SA business community in general has such a narrow and limited class perspective. While it launched the Urban Foundation in response to 1976, there appears to be no social or political response or ongoing strategy of similar or greater magnitude to the current crisis - including Esops, Post-apartheid SA studies, one-off visit to the ANC, the FCI Business Charter, or even increased "corporate social investment" programmes (housing, charities, etc).

What emerges from the claim that by this sector of the bourgeoisie that it has no power, may well be, apart from propaganda, a reflection of the real situation. That is to say, they have immense potential power, but they are also highly inexperienced in the political use thereof - having always left it to the regime to organise this for them. This analysis is supported by the fact that businessmen continuously are made political fools of by Botha: they believe his promises, they fall victim to his smear campaigns. As a class fraction therefore, they lack real class political consciousness and experience. While representing the ruling class, they lack the capacity to govern for themselves. ENDS.



## BUSINESS THINKS THE CRISIS HAS BEEN SURVIVED

Although the business community regards the liberation movement as a political problem needing a response, it no longer sees the liberation movement as a security threat. Walter Hassenkus of BMW told Leadership magazine that there was new realism permeating all thinking about SA, including the resistance: "no radical believes anymore that the revolution is imminent". He adds that "although the government's security forces and services were severely tested in recent years by ANC bombings and civil unrest, all of these forces are unscathed and intact. Government is in complete control, even though it has had to effect unpopular and morally questionably measures to stay in control".

Businessmen also seem to believe that sanctions pressures have also been successfully accomodated. They are still concerned, however - and coal exports and computer imports are seen to be threatened. The Financial Mail says it is virtually common cause that impact of sanctions will be slow and attritional, and prove to be counterproductive in dismantling apartheid. They cite Merle Lipton's report in depth which has similar conclusions. (FM 22.1.88) Two letters in the FM 22.1.88 complain of clerics calling for sanctions, and Raymond Ackerman says that SA businessmen should fight sanctions and disinvestment (DD 18.2.88) They also worry about the government's actions in stimulating sanctions. Even Kurt von Schirnding, former ambassador to the UN and now SA Foundation director general has said that it is short-sighted, confrontational and dangerous for the Government to taunt SA's trading countries to do their damndest. CT 30.3.88

However, the general theme seems to be that the impact of sanctions has been absorbed. FM 29.1.88 Stockbroker Louis Geldenhuys believes that business has adjusted to shocks of the 1980s, and though growth may be slow over the next two to three years, they can look forward to more stability. (4.3.88 FM) And the FM notes that business confidence would be bolstered by government crackdown: "it's logical that anything which seems to enhance national stability will be made the most of by those - and who would excluded himself? - desperate to turn an honest penny in a climate of relative stability".

In this context, the government's bans were followed, as Weekly Mail said, by muted business statements, hardly amounting to protest. The thrust of these was more to do with business' fear of the bans impeding labour relations and the international repercussions than the banning as such.

Assocom met with members of the Cabinet, and drew attention to "possible international repercussions" from bans, and hoped situation would revert to normal soon as possible. The FCI said: "While the employer organisations are not in a position to evaluate the security factor inherent in the latest set of restrictions, they regret that circumstances have led the government to impose stringent measures to restrict the activities of certain organisations and individuals".

The Chamber of Mines, said it believed in freedom of speech and the rule of law, and it was "regrettable that the S Afr situation had deteriorated to the extent that the government found it necessary to further erode fundamental pillars of democracy in order to preserve stability". The organisations banned could have been dealt with through existing laws, it



said. A long term solution was needed to address full political participation. Gavin Relly said the need for bans was not evident. If they were necessary, it was worrying. (Star 24.3.88) The Afrikaanse Handels Instituut was silent.

According to the Weekly Mail, apart from these comments, no social or political comment had been made by business in past few months.

#### BUSINESS CONSOLIDATES "QUIET DIPLOMACY" STYLE

There two dimensions to business' public response to the crisis. The content as well as the form of business' relations to the regime have changed. Firstly, it has grown closer to the regime on political and economic fundamentals, and secondly, on matters of difference it has moderated its style of acting on these. On the first issue, business was enjoying an economic boom and "unrest" was being contained, as Weekly Mail, pointed out (15.4.88) It was possible to ignore uprisings and sanctions. On the second issue, Botha's humiliation of Barclay's Chris Ball and the emigration of figures like Tony Bloom and Gordon Waddell meant that businessmen increasingly kept a low political profile.

In January, the Times (UK) said that "over the past year the business community has been much more acquiescent, partly because of a tendency to rally behind the government in the face of sanctions and partly out of fear of incurring Botha's wrath". (27.1.88)

This situation made it possible for Bob Tucker of the SA Perm to tell Wits graduates in April there was complete and effective co-option of business for the maintenance of status quo. He said that in boardrooms, the debate was around tax and privatization. The fact that the country was in its 21st month of the State of Emergency, at war with Angola, continuing forced removals and educational disparities, and that there was a civil war in Natal did not come onto the agenda. (S Trib 10.4.88)

A similar theme emerged from BMW's Walter Hassenkus who told leadership magazine that the business community had "reluctant politicians" and outspoken leaders. (15) The latter had latter lost out in the 1987 election, were shot down by Botha, and also did not score with politicised blacks. He described a "New realism" of business deciding against rhetoric and going into practical political action. (15) BMW, according to Hassenkus, used to call on the government to speed up reform. However, when the government decided to slow down in late 1986, BMW realised this call would be meaningless. He cited an article from Business Day arguing that leading businessmen publically sniping at the government had been shot down themselves, and that a head-on approach only invited trouble and frustrates progress. Business still had much room to manoeuvre and get on with abolishing apartheid. (16) Hassenkus went on to claim that BMW was now involved in "meaningful programs aimed at bringing about levels of prosperity and education that would avoid the unemployment-related civil unrest of recent years, and create the kind of climate within which sophisticated, evolutionary political change would occur."

Hassenkus pointed to business shifting political attention away from the regime as one response to the situation. Similarly, Raymond Ackerman responding to Tucker's speech said that business was fighting for change



within its own realm. (See below for Esops).

Another response to the situation has been to take up a non-confrontational approach to the government. Thus, even though Len Abrahamse of Syfrets and SA Foundation, calls on business to voice its views more effectively to influence the government at the top level on reform, he warns against against a confrontational approach. (18.3.88) ( Tony Bloom's successor, Peter Wrighton, should make him happy: he says he won't be high profile like Bloom - he has a more conservative style, though not, he says, more conservative politics. (WM 4.3.88) The FCI's chief, Prof Hugo Snyckers responded to Tucker's speech saying that business was concerned about the issues raised, but that there were different ways of dealing with them. The theme of "quiet diplomacy" was already in vogue last year with FCI, Assocom and the Urban Foundation, and appears to be consolidated now. In the face of this, the Weekly Mail noted that public statements are needed from the business community. (WM 15.4.88) But at least for the medium term, it appears unlikely that these will be forthcoming.

Some movement may come from the Five Freedoms Forum initiative to organise business people against apartheid. The FFF formed a business focus group on a mandate from business people at its September conference. A planned conference in March was due to discuss ways of ending discrimination in business, black advancement and protection of disadvantaged consumer, and deregulation. A post apartheid study group and another to liase with more conservative business organisations are planned. (WM 19.2.88)

#### MEDIATING IN NATAL

Perhaps the only place where business has embarked on a high profile political initiative has been in the Inkatha/UDF conflict. This may well be spurred on by the fact of the conflict spilling into the Pmb city centre, and the disruption of workers' transport (TGWU bus drivers attacked by Inkatha). Led by Paul von Uytrecht - manager of the PMB chamber of commerce, the idea seems to have been to try to be "potential peace brokers" (in the FM's words), and succeed where both Government and Tutu had failed.

Uytrecht described the role as "firefighting in an explosive political environment", and the FM reminded its readers of UDF-Cosatu resentment of business support for the Indaba and JEA. 27.11.87 The Chamber made some successful representations for UDF leaders to be released to continue peace talks and hold a public rally in November 87 (WM 12.2.88) The initiative was reported to be in danger of floundering by February, and the PMB Chamber resorted to bringing in an Assocom delegation of Alex Rogoff, Raymond Parsons and Brian Kurz to tour the Pmb townships) FM 5.2.88

However, by May, Uytrecht was withdrawn from the Chamber's team after complaints against him of anti-Inkatha bias by Buthelezi. Van Uytrecht does seem to have become disenchanted with Gatsha. In addition, the deputy Minister of Law and Order Roelf Meyer told journalists that the chambers' efforts amounted to nil, and were unlikely to do anything else. ( 25.3.88) The FM commented that "Though the Chamber appears intent on rescuing its role as peacemaker between Inkatha and UDF, the latest blow may well prove fatal to its initiative."



## ESOPS

According to Judy Maller, writing in October 1987, 24 companies in SA have Esops, with two more planning to introduce them. Seven are in retail, 3 in food. In October, the FM hailed the Anglo American proposed esop as a model for other employers. Anglo was to give employees with two years service five shares at no cost on the mines in March 88. (FM 1.4.88) Since then, the Gencor company annual statement said the time was ripe for exploring, with unions and workers, democracy in workplace and comprehensive economic participation. ( 8.4.88) However, it is unknown how much more the idea is catching on.

Esops have also been questioned by one businessman, Steuart Pennington who criticises AAC for the fact that unions have been specifically and purposefully excluded from consultation about the issue, and that the scheme is individually rather than collectively based. He says this is dangerous because it polarizes, rather than involves the unions in the benefits of capitalism. In his view, negotiated mechanisms for involvement diffuse militant behaviour. "Can business at this juncture be seen as part of another state attempt to alienate the black union movement", he asks (FM 22.1.88)

## ECONOMY

Part of the explanation for current business politics lies in the state of the economy.

In early February, the FM carried an ebullient article which began "suddenly things are looking brighter". It was in reference to the economy, the rains, and the rise in business confidence. Talking about a "post-sanctions upswing", it said that South Africans had shown that they could take over disinvesting companies. Assocom said the upswing was a tribute to the resilience of the SA economy, and predicted a 3 to 3.5% growth rate this year. Management buyouts were hailed as a great economic success.

At the same time, the FM said little of this was attributable to government policy, and complained that government spending and taxes remained too high. Trade unions were also ready to fight - by implication a problem in the FM's view. Following the Standard Bank's economic review, the FM says that privatization, cuts in government spending, deregulation, tax cuts and informal sector promotion could push the rate up to 5% to 6%. (FM 5.2.88).

It was reported that the SA economy grew at 2.5 % last year. Fourth quarter growth was 5 percent, whereas first was 1%. Private sector fixed investment increased, and though the national total still fell, this was only by 1.5% over the year compared to 17.5% in 1986. (WM12.2.88) JCI's Bethlehem predicted a rate of 3% growth for 1988. (4.3.88)

Assocom's business confidence index showed the informal sector becoming more active, credit demand rising, rains. Also there was an increase in imports and retail sales, less inflation, more immigrants, fewer insolvencies. The bad signs were rising interest rates, lower car sales, more unemployed. The BCI was at 100 in October, dropped to 97 in November, rose slightly in December and reached 98 in January. FM 5.2.88 By March,



it had edged up for the fourth month in a row (1.4.88). Consumer confidence was reported to be the highest in 10 years according to the Bureau for Economic Research at Stellenbosch, and there was a dramatic increase in private consumption. (Star 13.4.88)

In this context, Botha - in opening parliament - announced a disparate set of measures that sent waves of premature euphoria through business circles.

#### BOTHA'S ECONOMIC POLICY

An indication of the popularity of Botha's economics is that Gavin Relly said that his disappointment by the lack of emphasis on political reform in opening parliament was ameliorated somewhat by the new economic plans. (24.3.88)

The British FT analysed the speech as Botha shifting from stalemated reform to practical terrain of economics. Indeed, the FM asked Stoffel van der Merwe, Minister of Information, if the economic initiative meant that political reform was ditched for the time being. He replied that reform was not even paced, and that socio-economic reform was needed as well as political reform. (FM 18.3.88)

According to the FT, the speech represented the influence of Fred du Plessis who holds that economic growth will defuse black demands and made sound base for power sharing, and that conceding political power without the economic basis to give it substance leads to disillusionment. (4.3.88)

(Du Plessis himself hailed Botha's NEP, but also called for tighter management during the crisis to encourage business to pursue goals of growth. He criticised De Kock's market-oriented policies. (FM 25.3.88) )

Tony Norton of JSE said that Botha's opening parliament speech showed a willingness to put economics at centre of priorities. (Star 6.2.88) However, the Weekly Mail pointed out that the speech actually signalled political priorities and was an attempt to get cooperation and material support from the private sector.

In essence, Botha announced a semi-freeze on public sector wages. (32 percent of govt spending currently), and a cut in new posts. PW also asked business sector to keep wages down. He announced plans to privatize public corporations, and the replacement of gst with vat. He also announced new deregulation plans and said controls on government spending would be tightened. All state functions and services would be examined. He also said he wanted to reduce the state's debt, encourage black enterprise and ensure that direct tax base is broadened. (WM 12.2.88) (FM 12.2.88)

The previous week the FM reported a speech by Botha on similar themes to business in Cape Town, prior to saying that he had made the right noises and taken business along, by having focussed on inflation and admitting the government's culpability. This was courageous said the FM, and involved a substantial political price. PW deserved the support of business community.

However, the FM was later to complain that Ministers backtracked in days after Botha's parliamentary speech, saying that the government would still



retain control of privatised industries. And after his parliamentary package, it said that it was unsure if the economic package could be taken at face value, or if there was a hidden agenda. "Is there a genuine move to economic freedom and competitiveness, or is this a smokescreen for diverting resources to an untenable political grand design?" it asked. Business needed evidence, otherwise the "brave speech" would join the Rubicon disappointment. FM 12.2.88 The FM also complained about the continued subsidization of Bantustans.

The FM said that what was most important and urgent was not privatisation, but government spending. It repeated this before the budget saying that tax reform, privatization and deregulation were pointless without a real cut in state spending and resource use. (FM 11.3.88) According to Ronnie Bethlehem, government spending has risen from 22 to 28% (of GDP ?) in the 80s. (4.3.88)

One of the few responses with a political angle was Len Abrahams, SA Foundation, who said that no use speeding up privatisation and deregulation if fundamental apartheid constraints remain. (18.3.88)

The FM said that now that PW Botha got much support from English-speakers, including many businessmen (who are less obvious than the Prog business establishment), it was right not to buy off civil servants at everyone else's expense and the magazine therefore commended the semi-wage freeze.

One can see why business supported the wage freeze. Equally they pledged to try and keep wages down in the private sector. Following Botha's speech, Alec Rogoff of Assocom appealed to business to heed Botha's appeal for wage and price control. (DN 6.2.88) The FCI asked regional chambers to ask members to exercise maximum restraint on salary and price increases. (Star 17.2.88) But two months later, Botha expressed displeasure that business had failed to restrain wages and prices in combatting inflation, and threatened to use the Control of Harmful Business Practices Bill against them. (CT 22.4.88) He attacked Ackerman as a particular example of paying too high wages. Business responded saying they had to deal with unions, and that pay rises were mainly for the lowest paid staff anyway.

Response also came from De Kock of the Reserve Bank who told the Sakekamer that control on wages and prices didn't combat inflation, rather money supply, government spending and raising interest rates did. (S Star 24.4.88) Earlier, Prof Attie de Vries from Stellenbosch Bureau for Economic Research says that restraint on salaries in public sector is no long term solution. A longterm programme was needed. (4.3.88)

Business also supported the introduction of VAT, which like the State wage-freeze meant workers would carry the burden. Business had generally, excepting the FCI (though there were even divisions there) opposed the Margo Commissions recommendations for a Consolidated Business Tax. Business people were therefore relieved when the government ditched this recommendation and opted for VAT instead. The tax package apparently looks much like Assocom's proposals. 18.3.88

Under VAT, unlike GST, each transaction is taxed, not only end-use consumers. Registered vendors balances tax received with tax they pay out, and difference goes to or is received from govt. Less tax evasion is



possible. Capital goods and food are to be included when the tax comes in in 1989. Under GST, food has not been taxed - now workers will have to pay up on it. The FM predicts that VAT will probably have some inflationary pressures. FM 19.2.88

Where business did protest was that RSC levies will remain. In addition a new Minimum Tax on Companies has been imposed on the basis of dividends paid minus dividends received minus tax paid.

(However, a FM chart shows that as percentages of the total tax revenue collected, individuals (through paying GST and income tax) paid 50% in 1983/4 and this has risen steadily to and expected 62% in 1988/9.

(Companies and mines paid the rest). Although companies appear to have had a higher percentage increase in how much they paid over this period, they still appear to be footing less of the total. (25.3.88.)

COMMENT: There appear to be increasing harmony, Botha's Harmful Practices bill notwithstanding, between business and regime on economic policy. ENDS.

#### PRIVATIZATION

According to Botha, privatisation will apply to sections of the road network, Sats, Eskom and the post office on the list. The proceeds of privatisation to go to the State's capital revenue fund, not to finance current expenditure. From there it is earmarked for basic infrastructure and services in developing areas and small businesses.

Gatsha Buthelezi has told foreign business that Botha's privatization programme had potential for astounding progress in SA. (Star 12.2.88). But many business people have reservations.

The first is where the money will come from to buy the privatized companies. Potential sources are institutions, private investors, employees. About R5 Bn available for share investment among JSE holders, but Eskom assets for example are about R28 bn which is 2x the size of Anglo or Barlows. In addition, apart from Foscor and Iscor which are profitable, many investors are likely to prefer to put cash into listed companies with apparently spectacular profit figures. (WM19.2.88) Investment from overseas buyers is a thorny issue obviously.

Secondly, business is concerned that the government plans to retain some control over privatized companies. On the one hand brokers are reported to have welcomed the State's intention to keep 51% equity in privatized firms, because this would alleviate flow of funds away from other counters.

However, business people seem to feel differently. "State control might not be a good thing if the making of profit is a major motive - as is the case in business. The State has to bear in mind the needs of workers, who also happen to be voters" - John Le Roux, a director of Personal Trust investment advisers. (CT 11.2.88) Free Market Foundation exec director, Fred Macaskill, said that tho strategic for govt to keep control, it could use legislation, rather than 51%. (CT 9.2.88)

In fact it remains unclear exactly how much economic control the State intends to keep. Deputy Finance Minister, Kent Durr, said the government



was not relinquishing control, rather a partnership was being offered. But he later retracted. (WM12.2.88)

If the government does keep control, the nature of privatisation and the scope for capital seems different. The FM says that this kind of privatization amounts to issuing public debt under a different guise.

Thirdly, there is concern over what the revenues of privatization will be used for. Bethlehem argues that though Botha stressed need to use funds for capital investment, room will have to be made for rising spending on black housing, education and general welfare. 4.3.88 The FM says it is happy if money does go on this, but expresses fears that when Du Plessis talks of using proceeds from privatization to finance social investment, he may mean decentralisation subsidies 26.2.88

The Weekly Mail argues that cash income from privatization will go to tricamerals, separate amenities, policing townships and Angolan war - and this is probably true, even if it happens indirectly by making cash available for these areas which otherwise would have had to go to development. 12.2.88 However, other business people do not seem to have raised such a fundamental point.

Fourthly, the terms and timetable of privatization are still somewhat vague. The FM looked forward to privatization of IDC, but its MD Koos van Rooy says they will only sell when they need the cash, which they don't right now. 12.2.88 Only Richards Bay Alusaf (aluminium smelting) owned by IDC has been mentioned as likely to be privatized in 1988. 26.2.88

Another area, though not raised by business, is what the rationale of privatization in SA is - apart from making a quick buck. Ronnie Bethlehem of JCI sees privatization as shifting funds from private to public sector, and indeed, this may well be its sole real rationale. Arguments of private ownership leading to efficiency, more competition and cheaper prices are thin in a context where effective private monopolies will simply take over public ones. At the same time, Escom for example is apparently already efficient and cheap, hence even the claims of the arguments in favour of privatization don't apply to it. The Weekly Mail argues that, in fact, the main reason is to get cash for the state. (WM 12.2.88)

#### DEREGULATION

Deregulation in various applications is part of Botha's economic strategy. But it generates contradictions among business (and between business and the informal sector).

The deregulation of the transport industry illustrates this. The measures involve eliminating restrictive laws under which transport operators goods in SA. The existing permit system will go.

Big business has two qualifications to this deregulation however, as implicit in remarks by Roy Marcus, MD of Cargo Carriers. Firstly, it should go along with privatizing SATS and abolishing its special privileges. Secondly, to defend monopolies from small operators undercutting them, a safety standards system is needed. FM 29.1.8



Indeed, the big companies have organised themselves into a Public Carriers Association and explicitly called for protection for established companies in event of deregulation. They want a safety system which will control entry to industry, and a block on unfettered price competition by setting minimum rates. Fm 12.2.88

There is also some opposition to privatizing roads and turning them into toll roads, owned by consortiums of road builders. This comes from Assocom and SAAU, and Transport Consultative Committee (whatever that is?), who argue (unsuccessfully, it seems) to the government that roads were built with taxpayers cash, and should not be handed to private sector monopolies, and that the toll of R60 for trip between Jhb and Durban will fuel inflation. The State's Transport Director-General Ron Meyer says however that the system will lead to more roads being built. 12.2.88 FM.

The FM also points to contradictions between business and the informal sector over deregulation: "Stand ready for some stiff opposition from vested interest in the business community to government's grand plans to deregulate." It cites the arrest of 312 hawkers in Jhb following sharp increase in complaints of illegal trading from established traders. 12.2.88

#### BUSINESS ORGANISATIONS

The rivalry between Assocom and the FCI has hotted up in 1988.

Assocom has changed its name to the Associated Chambers of Commerce and Industry to reflect the 30% industrial component of its 23 000 member companies (grouped in 96 chambers). Its Chief Exec Raymond Parsons argued that the AHI and Nafcoc covered both industry and commerce sectors, with the advantage that on 90% of issues, they could speak with one voice. Sub-structures catered for different sectional interests.

The FCI response to the change was rather peeved: president Prof Hugo Snyckers said that they believed the division remained, and that Assocom would blur its focus because of the mix. He claimed that the FCI's new Transvaal branch had recruited many industrialists who had become disillusioned with the Witwatersrand Chamber of Commerce and Industry, formed when the Transvaal Chamber of Industries merged with the Johannesburg Chamber of Commerce. FM 12.2.88. The new Transvaal branch is claimed to be growing rapidly and it has attracted Evert Groeneweg of Barlow Rand as first president. 19.2.88

The FCI board of management from eight regional chambers and representatives of 20 national assocs affiliated to it met in February and agreed that "many manufacturers do not want a joint body with commerce".

Snyckers says that duplication and co-ordinated voice can be achieved through an existing committee of presidents of AHI, Assocom, FCI and SAAU. This could be expanded to include other bodies, and co-ordinate activities, and thus act as an umbrella organisation. Meanwhile, FCI has announced a membership drive in direct competition with Assocom.

The PE based Midland Chamber of Industries met with Raymond Parsons in March, and is concerned about national co-ordination. But denies it is moving to Assocom. The MCI covers 90% of industrialists in region,



according to Snyckers. (FM 8.4.88)

The FM suggests that the FCI may move closer to Seifsa, with whom they share headquarters. FM 12.2.88.

### BLACK BUSINESS

Black business is characterised by some interesting developments.

- \* Black Management Forum takes progressive line.
- \* Nafcoc is further courted by dubious interests, and is shedding some of its rightwing as it improves its political line.
- \* Sabta continues its dubious political route.
- \* Several newer small informal sector groups formed.

#### BMF

The Black Management Forum, formed in 1976 as a social club, has a democratic sounding president, Don Mkhwanazi, executive director, Shakes Tshabalala and deputy president Lot Ndlovu. Under their leadership, BMF has grown into a national organisation with branches in PE, Pretoria, Witbank, PWV, CT, Bloemfontein and EL. BMF claims 1100 members, up from 360 at the end of 1986. (WM 15.4.88). As with other black business groups it is courted by big and foreign capital. For example, a delegation visited the USA in April. (S 25.4.88). And with Nafcoc and the Paris Chamber of Commerce and the Urban Foundation, they run a three year Joint Management Development programme, the third having taken place this year. They are currently researching a book on black advancement. FM 8.1.88

The BMF has developed contacts with unions and community groups, and was addressed by Sydney Mufamadi (Cosatu) recently. On a different occasion, a BMF seminar on new economic framework for SA, it was reported that many participants were calling for socialism, notably Jay Naidoo, Piroshaw Camay, and Curtis Nkondo. WM 22.4.88

Their philosophy is that black managers are "first and foremost black". Mkhwanazi argues that a socialist society will need administrators, managers, company operators, wealth creators. A recent edition of their newsletter, Black Leader, spoke of business and apartheid as an "unholy alliance". "For too long the corporate world has hidden behind a govt policy of exclusion, exploitation and oppression", says Mkhwanazi. FM 8.1.88

Mkhwanazi called in his end of year message in 87 for an end to killings between black groups. He says BMF has as yet no view on sanctions and disinvestment, though they understand and appreciate why people have argued for these measures.

#### Nafcoc:

Nafcoc has moved a lot in the past few years, but recently has exhibited some questionable trends. One Baron Arno von Offenheimer of International Whos Who, has set up a group called International Business Contacts for help black businessmen break into European markets. The IBC would act as unpaid trade representatives for Nafcoc in Austria and Germany. S Star 17.1.88

Sam Motsuenyane later visited West Germany and elsewhere in to promote



support for Nafcoc sponsored company, African Business Publication aiming to produce a Who's Who of black business in Southern Africa. Close relations between European business and black entrepreneurs should be developed, he said. Sow 27.11.87.

Nafcoc will take business men into Black Africa to pave way for post-apartheid trade links, according to pro, Gab Mokgoko. Looking more closely at reports, however, doesn't bear out that it is post-apartheid though.

COMMENT: There is a danger in all this that they may get linked into some sanctions busting or at least skirting activity on behalf of white capital. ENDS.

Nafcoc claimed 18 regional chambers with more than 15 000 members in 1987. It has initiated African Bank, a construction firm, Blackchain, a life insurance co, a Nafcoc industrial development company, and a travel agency. (SAF, Vol 10, no.8. 1987)

Nafcoc CE Sam Molebatsi says the organisation will draw a blueprint for its future in conjunction with "progressive black organisations" including trade unions and Achib (see below). He says he is for conditional foreign investment for benefit of blacks, but hostile to that purely for white benefit. 19.2.88

Three Nafcoc Inkatha members based in Inanda resigned, because of resolutions from Nafcoc last year that Nafcoc would not campaign against disinvestment and sanctions, and that there was a case for selective sanctions. One of them PG Gumede, president of Inyanda Chamber of Commerce, was with the Nafcoc delegation that visited the ANC. S Trib. 21.2.88 It is likely that these men had to chose between the business advantages of being linked to Inkatha and the Kwazulu opportunities and contacts, such as ventures with white capital. Much Inkatha business has links through Khulani Holdings registered in 1979 which has partnership with white capital in ventures with Tiger Oats, Magnum Group, Bowring, Barclays, Rupert Family trust. The MD of Khulani is Johnny Mhlungu, also a director of KZ Finance and Investment Co and member of regional board of First National, and cc Inkatha member, and MP. Sunday Star, 3.1.88

Nafcoc in the person of Sam Motsuenyane has been sticking to, and publically declaring, its view that Post apartheid means one person one vote, rule by majority party, on non-racial and non-ethnic basis. However, Motsuenyane has a particularly capitalist scenario for a Post apartheid SA. The govt, he says, must ensure rapid assimilation of blacks into business life through lifting law barriers and developing skills programmes and a special venture capital fund to enable blacks to buy shares in white companies. In his reported account, the Nafcoc-ANC discussion last year, the two groups concluded that the economy should be non-racial; the land acts invalidated and blacks allowed to buy property anywhere; there should also be a fair distribution of wealth, free labour movement and no discrimination in employment, as well as freedom from arbitrary detention and restoration of basic rights. So far, so good. However, he also said they concluded that some government services should be privatized; and that there should be a mixed economy with as little govt interference as possible.

It is notable how confused (maybe wilfully) Motsuenyane (and other black



business people) are about capitalism. Motsuenyane recently said the SA govt had initiated and maintained a rigid socialistic system in black areas, through restrictions on entrepreneurship and ownership of land, and its monopoly on liquor outlets. The exclusion of blacks from the free market system in his view has led to a growing disenchantment of young and educated blacks with capitalism (COMMENT: This is a clear dual economy understanding - whereas in fact, much rejection of capitalism - such as by workers - is based not on exclusion, but precisely on the experience of inclusion into capitalism ENDS). Ntatho Motlana says that negative attitude of young activists and unions to capitalism is most unfortunate - he sees capitalism as economic power for the black community (S 23.3.88). And in the view of Tom Molete, a senior manager at Barclays, "the majority need to stop being employees and become employers", (comment: this utopia jars against the experience of capitalist history) and he calls for a Majority Peoples Business Development Agency. (SA Forum, vol 9, no. 7-10, 1986)

#### Sabta

Since formation in 1981, Sabta claims to represent between 40 000 and 50 000 members in SA, Swaziland, Lesotho and Namibia. Sabta PRO, John Masilela says they are sending a delegation to Maputo, with Frelimo blessing. The organisation had splits in 1983 over the Welgemoed Commission report. Some supported the commission's recommendation that they should be restricted to four passenger sedans, and split off, but returned in 1985. There continue to be clashes between rival taxi groups however, and with Sabta, there is much criticism of the leadership. WM 29.4.88. This is over issues like the attempt to buy Putco (with probable BP finance), and the running of the organisation. (Ntlatleng claims that two national meetings mandated Sabta to bid for Putco, and the Transvaal Taxi Assoc later gave them another mandate to bid for Putco). Some members (several at the top apparently) are not in fact taxi drivers, but capitalists employing drivers to run a fleet of vehicles.

They do seem to offer some services and valuable lobbying for taxi drivers. One small example is evident in Godfrey Ntlatleng, exec vice-president of Southern African Bus and Taxi Association (SABTA), writing to the FM of the impending launch of Black Transport Development Trust to provide education and training for taxi-operators.

Sabta president, James Ngcoya travelled in the US recently and testified to a Congress committee that the association viewed sanctions as having little political effect. Instead blacks suffered, the government was more heavy handed and the rightwing gained strength. He and the others with him still made militant sounding noises, and stressed they were not calling for the lifting of specifically targetted sanctions against Government agencies. S 25.3.88 Back in SA, Ntlatleng said that Sabta supported pressure for radical change in South Africa which could include sanctions, but that they were opposed to disinvestment. Unnamed Sabta reps said that Ngcoya's stance was not representative.

#### Small newer groups

A Black Poultry Association was formed recently to help black businessmen get licences to sell live fowls in townships. Likewise a Sechaba/Sizwe co-op formed to campaign for traders rights. These new groups, incl Achib (see below), appear more militant and open to using demonstrations and



tactics, unlike Nafcoc. S 28.3.88

African Council of Hawkers and Informal Businessmen (Achib) appears to be led largely by its militant and vocal president, Lawrence Mavundla. He complains that the private sector claims to support hawkers and free enterprise, but also opposes them. He says, however, that licences are being made easier and quicker (due to attempts of licensing dept to deregulate). FM12.2.88 Achib claims 13 500 members, and recently 200 at the annual congress called on govt and private sector to stop harrassing hawkers and to lift trading restrictions.

Mavundla has called on township shop owners to stop serving in community councils, on the basis that they manipulate their positions there to protect their business interests. Their laws restrict hawkers and spaza shops, and instruct municipal police to raid hawkers, he says. WM 15.4.88

Small black business continues to be a focus. The SBDC launched a Small Business Start Up fund in 1986, and has loaned R57 million to 1347 enterprises since then. It recently called for special Bill of Rights from govt for small informal entrepreneurs to protect them from harassment. 3.2.88 Star.

Soweto entrepreneur Willie Ramoshaba last year launched a foundation with other businessmen, incl whites, to assist small businesses. The Business Achievers' Foundation will give loans, and financial and education advice. There already exists the Standard Bank's Small Business Development and Advisory Dept that gives training, support services and loans. First National's Wesbank has links to Potchefstroom University's Small Business Advisory Bureau. WM 30.10.87.

#### Disinvestment

Pepsi SA (a very weak company) was bought earlier this year by the Soweto Investment Trust Company, chaired by Makane Tshabalala who is also chair of Soweto Chamber of Commerce and Industries. Sitco used a First National Bank loan for this purpose. But the R2.4m loan was later criticised by Soweto Coc members, who said they were simply being used to attract funds to the company. The controversial co-ordinating manager, McDonald Temane, appears to have bypassed First National's advisory board when he used the loan to buy Pepsi. The bank seems to have thought the money was to finance several smaller projects, and has re-called Sitco's overdraft. 8.3.88

Black businessman Eric Mafuna recently spoke on disinvestment: "We expected that the benefits of disinvestment would be shared out and that blacks would be able to participate. What is disgraceful about the whole thing is that when companies started to pull out, their high moral statements raised a lot of hope among black business people. They thought they might be able to get a piece of the action. Blacks are just on the periphery of the private sector. Until we get investment capital, the logjam will remain unbroken, we will be unable to get into the major companies. " WM 5.2.88