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Business Bneï¬\201ng

incorporating Martin Springâ\200\231s South African Newsletter  
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STRONG RECOVERY  
WITHIN MONTHS  
IS FORECAST

STAND BY for lift-off. Contrary to all the doom and gloom about economic prospects that is prevalent in the business community and monopolizes the financial Press . . . we believe that South Africa is on the brink of one of the strongest economic recoveries in its history.

That is a startling statement. Here are the factors which we consider make for a new business upsurge that could start as early as the July-September period of this Year e, .

More than a quarter of South African business activity is involved in supplying goods and services to foreigners. Because of major adjustments in exchange rates that have taken place over the past 12 months, the

rand prices of those goods and services have effectively DOUBLED.

Most of the impact of that doubling still has to be reflected in business activity. But reflected, it will be.

â\200\230Some companies are already receiving export orders on a scale they have never before experienced,â\200\231 according to one of the countryâ\200\231s top financial policy-makers. â\200\230One director told me that the Americans want to buy 5 000 units a week of an item that his company has never produced more of than 500 a week.

â\200\230The problem some firms like that are facing is that meeting such orders must mean expanding their plant and facilities, and they fear that the exchange rate may no longer be so favourable further down the line when that expansion comes on stream. You can take forward cover on orders six or 12 months ahead, but not to cover the revenues of an export-oriented plant over a period of years.

â\200\230You donâ\200\231t hear about this booming sector of the economy because the chaps who are doing all the shouting are those who are being hurt by contraction of domestic markets, especially for durable goods, and are having to close operations and fire staff.â\200\231

Traditionally, economic recoveries in South Africa are led by the export sector. What most businessmen seem to have overlooked is that in rand terms â\200\224 and revenue in rands is what matters to exporters â\200\224 the foundation for an export boom has already been laid.

Because existing export businesses are sometimes locked into rand prices established in the recent past, and because there is an inevitable lead time before companies generally can switch tracks to foreign markets, that boom still has to show through in the foreign trade figures.

But show through it will, especially when word spreads through the business community about the fantastic profits being made out of exports.

The take-off could be even stronger if, as seems possible, there are also increases in the dollar prices of South Africa's principal export commodities such as gold, platinum group metals and coal.

The second stimulatory factor is the additional protection provided to industries supplying the domestic market by the fall in the value of the rand. Roughly speaking, this has doubled the prices of competing imported products. It means that for the first time South African manufacturers can go out into the market and compete on price, cutting to pieces even the Taiwanese and Korean factories.

Some of our industrialists do not yet realize how good their position is, we were told by our top-level informant, because much of the imported stuff on offer in the shops is old stock brought in at low prices. When that imported stock has to be replaced, at up to double the price, then buyers will immediately switch to local suppliers if their products are reasonable substitutes for imports.

Bonanza for exporters  
Exchange rate: rands per US dollar

252

2,0

1,8

â\200\230Already the FCI (Federated Chamber of Industries)

says it has noted a decline in the number of complaints by its members about dumping and foreign competition.â\200\231

A third stimulatory factor is continuing State spending at a high level, which seems inevitable irrespective of measures of constraint being applied by the Finance Minister.

You add it all together, and you come up with the ingredients for a heady brew. Confirming our bullish scenario, our top source commented: â\200\230Public attention has been focused singlemindedly on the unfavourable things, like the petrol price increase, because the booming sectors, like the exporters, donâ\200\231t shout much about their fabulous profits.

â\200\230This is not like the situation after Sharpeville, when the currencyâ\200\231s exchange rate was fixed and it took three years for the adjustments to work through. This time the adjustments are taking place much faster. There are more expansionary forces at work than almost anybody realizes.â\200\231 (]

#### PRIVATE HOSPITALS FOR WEALTHY BLACKS

BLACKS in Soweto have established their own medical aid fund and now have their own privately-owned hospital.

The Leseli Clinic has been dedicated by the Bishop of Johannesburg, Desmond Tutu, and may be the first of a chain of private hospitals for Blacks. It cost R3,5 million and has 78 beds, three operating theatres and a radiography unit.

A director of Leseli, Dr Nthato Motlana, says the block is the first phase of a larger development still being planned. He says the clinic is the culmination of the efforts of a group of Black and White doctors who came together after the 1976 Soweto riots to examine methods of improving South Africaâ\200\231s health system.

With the help of the private sector they established the Sizwe Medical Aid Fund. After a market survey conducted in 1978 showed that Soweto could support a private clinic of 250 beds for private paying patients, the Leseli Clinic plan for Blacks was agreed.

He says the aim of the clinic is to provide medical treatment at least equal to the best available at any other private clinic in the country. â\200\230It will by no means be a charitable venture, but a substantial private business that is highly viable in its own right.â\200\231

The clinic â\200\224 and others, should they be built â\200\224 will be a means of keeping Black doctors and specialists in South Africa. Motlana says many specialist surgeons are now working in hospitals overseas because of the limited op-

portunities to practise locally and continuing racial practices in the state health system.

He acknowledges criticism of the project that it is an elitist facility well beyond the reach of most Blacks. But: I hasten to say that the medical aid fund will bring it within the reach of most workers and their dependants.

The problem with getting Blacks into private clinics elsewhere is that the strange racial conditions in South Africa mean that a Black patient in a so-called White clinic often has to pay double because he has to pay for a separate room. The extra cost has been refused by medical aid societies.

However, inquiries by Business Briefing suggest this policy of treating Blacks differently from Whites in private clinics is dying out fast. In many clinics Blacks can be seen sharing the same rooms as Whites as another steadfast bastion of apartheid has begun crumbling in the face of economic reality and the need to utilize manpower and nurse-power more productively. [

#### STRENGTH ON THE FOREIGN PAYMENTS FRONT

RESERVE Bank sources tell us that every time they revise their figures for the current account of the balance of payments in the last quarter of 1984, the figures are better.

It now seems as if the surplus reached an annual rate of R900 million, and the Bank is expecting a surplus of between R1 and R2 billion during 1985.

The collapse of the rand in January, when it bottomed at 42 US cents, was largely due to speculation against the currency triggered by a combination of factors including Black township riots, a collapse in the gold price and publicity internationally given to Nobel Prize winner Bishop Desmond Tutu.

The exchange rate would have gone lower than 42 cents had it not been for the intervention by the Reserve Bank, which mobilized its resources in various ways, including a gold swap loan-raising operation.

Since then there has been a sharp recovery in the rand, which we understand could have gone as high as 53 US cents but for intervention by the Reserve Bank to calm the markets and to rebuild foreign currency reserves depleted in the support operation. 0

#### POWER STATIONS: RICH PICKINGS FOR SOME

OVERSEAS companies are doing well out of some of the huge development projects taking shape in South Africa. Escom alone provides contracts valued at hundreds of millions of rands every year to foreign companies.

Koeberg nuclear power station in the Cape and the possibility of South Africa's awarding other similar con-

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tracts have kept the French wary of allowing political ties to become unduly strained. The pragmatic French under a socialist government have been more concerned about deriding talk of disinvestment and trade boycotts than some of this country's closer allies in the past such as Australia and the Netherlands.

Although Escom has denied a second nuclear power station is on the drawing-board, it is likely another will be built in the Cape at the end of the 1990s because of the massive cost of transporting sufficient quantities of coal necessary to keep a big coal-fired station in operation.

The executive chairman of the Atomic Energy Commission, Dr J W L de Villiers, says the Western Cape is the only region where nuclear and coal electricity can in any way be comparable in cost. A coal station the same size as Koeberg - 2 000 megawatts - would need 16 000 tons of coal a day railed 1 600 km from the Transvaal.

He says one can expect that a few more nuclear stations of the size of Koeberg will have to be built to service the coastal areas between now and the year 2000.

Every time a new coal station is announced in South Africa, the contracts lure tenderers from all over the world. The RSA is building the biggest stations of their type in the world and the latest - Matimba - is by far the biggest dry-cooled station.

It will need far less water to operate than the many other stations in the Transvaal whose operations were placed in jeopardy during the three-year drought.

Although Escom uses fewer than 2 per cent of the available water resources in South Africa, most of the power stations are situated in areas where water resources are being rapidly over-exploited. But Matimba and another dry-cooled station, Khutala, will use only a third of the water consumed by comparable conventional coal stations.

The sheer size of the stations - which will produce 3 600 megawatts each and consume up to 12 million

tons of coal each a year - is staggering. Each will cost R3,5 billion.

Overseas firms and their subsidiaries here are reaping rich contract harvests.

For example at Matimba the boilers are being built by a French and German consortium, Sieva. Siemens has the contract for control and instrumentation. Turbo generators and auxiliaries are to be supplied by another foreign consortium, Man-Alstrom-IMS. GEA Air-cooled Systems is installing the costly direct air-cooled steam condensers.

And all these are just starters for one station. Apart from the billions of rands already invested in power stations by Escom, another 20 stations similar to Matimba and Khutala are planned for the next 25 years.

The spin-off to foreign suppliers becomes even more

heady when coal requirements are examined.

By the year 2000 Escom will be taking 182 million tons

of a coal a year to fuel its power plants.

All this means that more and more technology and equipment will have to be bought from abroad to get at the coal and move it to the plants.

South Africa, as the undisputed power house of Africa, is a source of huge revenue to many companies in many countries. Little wonder France is down-playing its political attitudes towards apartheid.

As Prime Minister Botha's initiatives in liberalizing the nation gather momentum, it is likely the rush will be on as multinationals scramble to get a bit of the industrial development action.

There is virtually no country in the world that would not love to have a stake here. Matimba, that massive monument to South African power that is taking shape at Ellisras in the Northern Transvaal bushveld, is only a small part of the offering . . .

#### BLACK INFANT MORTALITY PLUNGES

DRAMATIC changes are taking place in the health of Blacks in South Africa. And infant mortality rates have been plunging regardless of claims such as was made in the prestigious (but yet again a grossly inaccurate) New York Times.

In early February it claimed that more than 190 Black children in every thousand die before they reach the age of one year. In fact the figure is slightly under half that.

And while no-one in South Africa is proud of the infant mortality rate among Black youngsters, the parading of patently false statistics by overseas press critics of this country merely serves further and unnecessarily to undermine the credibility of the press.

While the Black infant death rate is regarded by South Africans as unacceptably high, comprehensive programmes are under way to try to tackle the problem. In the major urban areas where statistics are more reliable the improvement in survival has been significant:

Deaths per thousand infants

Year Jhb CT Dbn Pta  
FO30) 1 e 565

104G s 388

19468 = e 235  
950 et 232 210

1956 A 170  
1025 01 122 180 246

HO66 = \* 0 125  
HOF() . s 100 90 89

19788 s oees 40  
19795 v - 34

1980 o 38 19

The improvement has also been in dramatic in places  
such as Soweto, where deaths were 80 per thousand in

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1969 but by 1979 declined to 40,2.

The national figures for Coloured babies is 62 per thousand and 20 for Indians. The figure for Whites is 13.

Elsewhere in Africa the average infant mortality rate suggests little effort is being made to attack the problems of child disease and death. The average infant mortality rate for the whole continent is 146 and in some countries it is rising. Examples of specific rates:

INNaGlaRE T B ARNT . Mt e e e 203  
INiGeTia@iiea e - 01 il 200  
Ethiopiats s MEad Sl o o 162  
Algeriat ey KERVERS Ol G b 142  
ambid s o e e e 144

In the Easterri Mediterranean region the rate is 124 and in South East Asia it is 131, according to World Health Statistics of 1981. In many other places statistics are so unreliable and regimes so despotic even approximate figures are not worth recording.

As living standards rise and medical services improve the health situation in South Africa is improving markedly. Black life expectancy in 1950 was 45 years. By 1960 it was 51 years and by 1980 it was 58.

After allegations of severe malnutrition and starvation among children in rural Kwazulu and Natal, the Department of Health & Welfare conducted a weight-for-age nutrition survey in July 1983. The survey was preceded by the severe drought which had blanketed the area. Using internationally accepted methods the seven medical experts found no significant difference in weight and height between these rural Zulu children and White children in the same age group at a number of creches in Pretoria.

There are 4,4 hospital beds for every 1 000 Blacks in South Africa compared with 2 for Africa as a whole, 1,2 in the Eastern Mediterranean, 0,7 in South East Asia, 2,9 in the Western Pacific and 4,5 in the Americas. And these are World Health Organization statistics.

All well-known children's diseases have been brought under control in South Africa and some have virtually disappeared among all population groups. For example diphtheria, which caused 3 500 notified cases in 1953, infected just 25 in 1982.

Vaccinations against tuberculosis, polio, diphtheria, whooping cough, tetanus and measles are available free to everyone at 35 000 clinics or vaccination points throughout South Africa.

In 1983 there was one doctor for every 1 381 of South Africa's total population of 25 million. There were 18 100 doctors, giving this country one of the best ratios outside the Western nations in the world. In numerous workplaces unlike many Western countries company doctors are available to treat employees of all population groups and in the rural areas medical teams are continually on the move.

In an effort to tackle the infant mortality problem at its root, the Department of Health & Welfare is engaged in

a do-or-suffer struggle to reduce the Black fertility rate. Widespread programmes are in operation to introduce Blacks in rural areas to birth control.

In the urban areas increasing standards of living and better education, particularly of women, is doing the job of lowering birth rates naturally.

The department has a target date of 2020 of achieving a significantly lower birthrate among Blacks â\200\230otherwise South Africa will have to endure endemic povertyâ\200\231, says the head of the departmentâ\200\231s family planning directorate, Dr J P Pretorius. And by the year 2050, the population will have soared to 170 million, far beyond what even the natural water resources of the country will be able to provide for.

Yet South Africaâ\200\231s problems in this area are much less chilling than those facing many other countries in Africa with higher and uncontrolled birth rates. The massive death tolls in Ethiopia and Mozambique in recent years has been due to inadequate water supplies and burgeoning births. The severe drought has only brought forward the suffering that experts say is likely to be endemic from now until birth control programmes can be successfully implemented. 0

#### BLACKS INSTEAD OF BRITS

A LARGE South African construction industry firm has abandoned its long-time policy of hiring White supervisors from the United Kingdom and Europe. Instead, SGB Building Equipment is looking for ambitious, technically-minded young Black matriculants who want to train as supervisors.

Those chosen will be sent for two years to the Formwork & Scaffolding Training School at Bircham, England. It is one of the few independent schools of this type in the world.

SGBâ\200\231s joint managing director, Robert Bridgman, says a scaffolder needs the schoolâ\200\231s CITB qualification to get a job in Britain â\200\224 an indication of the schoolâ\200\231s acceptance.

He says that although immigrants have proved â\200\230remarkably stableâ\200\231, there is no guarantee that the company can rely permanently on this source of supply for staff. Another problem has been their difficulty in communicating with Blacks.

â\200\230It seems the time is right to find at least some of our future supervisors from among the Blacks themselves. In any case it's a good policy to recruit from among the people they will be required to control,â\200\235 adds Bridgman.

SGB appreciates that young Blacks could have trouble adjusting to the British environment, so it will be putting its short list of candidates through a selection of psychological tests to try to ensure they have the motivation and stability to cope with such a big change.

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BAN CREATES  
ADVANCED  
ARMS INDUSTRY

WHEN the United Nations called for an arms embargo against South Africa in 1964 it little thought that 20 years later some member-countries would be buying their arms from the Republic. That is the situation today. Instead of being totally dependent on arms suppliers overseas, South Africa is now largely self-sufficient.

It's a story of amazing perseverance and application of high technology. It has enabled South Africa to establish one of the finest and probably most cost-effective arms industries in the world.

That UN embargo also led South Africa to the point where, by relying on its own resources, it has been able to wage a guerrilla bush war successfully against heavily-armed assaults from northern border countries. It has been able to mount massive assaults against Soviet- and Cuban-supported regulars of the Angolan forces, with sophisticated Soviet weaponry at their disposal.

Armcor has worked under constant pressure to supply the huge variety of armaments that have been the nation's backbone of defence. Its main problem has been the continuous shortage of skilled manpower.

The value of Armcor's contribution to the nation cannot be measured only in military terms. It has made a major contribution to the industrial sector, where its efforts have been a catalyst for development of all types.

For each job created within the organization, between six and eight jobs are generated in the private sector. Armcor itself employs 22 000.

The high standards of quality and reliability required for military equipment, combined with the demand for self-sufficiency, have had a dramatic effect on local industry.

Defence contractors are generally regarded as leaders in their fields and many are now consistently meeting standards and tolerances almost unknown a decade ago.

The improvement in local design and manufacture combined with the expansion of production capacities has resulted in the successful and economic local manufacture of many commercial products which previously had to be imported. One example is the development of a range of commercial vehicles based on SAMIL military trucks. The manufacturer applied the expertise acquired during defence production to develop a commercial product.

Many more commercial applications have been found for military production lines, particularly in the field of electronics.

The influence of military production on private industry has been immense. Facilities created solely for the pur-

pose of military production have often been identified as ideal solutions for commercial applications.

When a special steel had to be developed for armaments, its malleability quickly led to a commercial application in the form of inexpensive lightweight beer cans.

One of Armscor's most important contributions to industry has been the introduction and establishment of international principles of quality assurance. This means that an article must be manufactured correctly the first time in order to keep wastage to a minimum and obviate the need for re-work during the production process.

Because of Armscor's close involvement with private enterprise, the principles of quality assurance as an integral part of the production process are increasingly being adopted and applied throughout South African industry.

South Africa's expertise was unveiled to a surprised world in 1982 when Armscor took a stand at the Defence Military Exposition in Athens. The quality and range of the South African products was unexpected. After four days protestors forced the stand to be closed, but Armscor had made its point and a new export trade was generated.

This impact gathered momentum when Armscor again exhibited at an international arms exhibition in Chile.

According to Jane's Military Review, the arms industry in South Africa works simply but effectively. The military define a requirement; Armscor examines it and farms the project out to the company or companies having the necessary expertise, giving assistance in the research and development phase as necessary.

A prototype is developed and handed to the military, who test it and report their findings. The development company then makes such modifications as may be necessary in the light of the military report and re-submits the equipment for further tests.

Once the equipment is approved, Armscor then allocate its manufacture, since it may be that the company which is adept at development may not have the facilities for mass production.

Throughout the process Armscor keep a watching eye on progress, ready to bring in expertise from elsewhere in its organization. If specialist materials are needed, Armscor sees to the supply. When the immediate military requirement is satisfied, Armscor examines the export potential and looks for customers.

Some important military developments include the highly dependable R1 rifle and the G5 155 mm gun/howitzer, which has a range of 40 km. The system is regarded as the best of its kind in the world and has put South Africa in the forefront of artillery technology.

The G6 high-mobility artillery system is still under

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development but is accepted as the best of its kind in the world.

Another world first is the compact laser range finder and the mini nightsight which is probably the most effective in use anywhere. Armscor in fact is a leader in the field of optics and electro-optics.

Then there is the highly advanced helmet sight which is part of the Kukri air-to-air missile system, and which enables the pilot to designate a target simply by looking at it. It has sparked wide interest overseas.

The Samil (South African Military) range of vehicles includes 70 variants based on three basic chassis in both mine-protected and conventional versions. They are regarded as perhaps the best in the world for operating under harsh bush and desert conditions.

One of the most formidable weapons in the South African arsenal is the Valkiri 127 mm artillery rocket system, which can fire single rockets and volleys of 24.

Even the SA Navy has benefited through Armscor, which has supported the establishment of a home ship-building industry. As has happened overseas, the navy is converting to more numerous smaller strike craft all of which are being built in South Africa.

More than 200 different types of ammunition ranging from the smallest rim-fire calibres to heavy aircraft bombs are now being manufactured in sufficient quantities to supply the total needs of the Defence Force. The Kukri heat-seeking dog-fight missile has significantly increased the strike power of the air force and the Eland armoured car, the virtually indestructible certainly by landmines Buffel troop carrier and the various versions of the Ratel armoured vehicle have

DATA BANK

HOUSING

[1 AVERAGE price of new and existing houses for Whites, calculated by Prescon Business News Agency on the basis of figures supplied by a major building society:

Year	Price	Year's change
196/	s it REISIS0F-	o - 15%
H068	G st o o g REEIE6520 o0 o	. 5%
1960	et i ol RIZA836 7 wes o *	10%
970	d s o RIAF/ 61 asa . o	15%
197	s oatd e, RISIGIOE T .	6%
197207	v g RI6G 6388 2o wig of	6%
LR e,	RAIGO66 -	15%
LO7Rutea	S S RZ2DESRS . S v S	10%
S Ther e	g2 R 6 o	9%
1976	5 % s n i R26YTE oy 5 0	4%
Q77	R24 6639 o	4%
19785	ot SaEe R251047- Âç~ aaii	2%
1979245	Â« %Â£ 50 RISFTIDE T iti e	- 15%
198057	Â« &8Âç s vl R358148= s sunriver v	22%
198174	ot e i RAGEOOS e =il	40%
1982	s 8 e det R5848047 et v	20%

1983 sz 730 R687A90F st v ko 16%  
1984 e it R786328 5 <o w50 o 15%

given the army a big advantage in securing South Africa's huge snaking northern borders, which cover about the same distance as from London to Moscow.

Jane's Military Review says South Africa, through Armscor, has not only caught up with, in many areas it has even surpassed the rest of the world in arms expertise. And it has largely been done in the past seven years. []

#### FEWER COAL MINERS DIE

DEATHS in South Africa's coal mines have fallen dramatically. In spite of continuing criticism from overseas that the mining industry is not concerned with safety procedures, deaths and injuries have been dropping throughout the industry.

Recently we reported the significant improvement in the gold mines where most of the nation's underground miners work. Latest figures for coal mines show the fatality rate in 1984 was 0,68 per thousand workers compared with 1,49 in 1983 when the Hlobane explosions occurred and 0,99 in 1982. This represents a 31 per cent improvement on the 1982 figure.

The Government mining engineer, G P Badenhorst, says there is still a need for better safety in the mines and new regulations would be introduced this year to try to cut the death and accident rates even further. The reportable injury rate last year was 7,94 compared with 8,97 in 1983 and 8,66 in 1982.

The chairman of the Chamber of Mines collieries committee, D Rankin, says the industry must set out to achieve the objective of reducing the death rate to 0,5 per cent this year and it must do it aggressively.

[J MORTGAGE BOND RATES on new mortgage loans on dwellings by building societies:

196727 20 s O e ne e o 8,5%  
11letP Sl s oAl F R SR 8,5%  
1969 . cna 01 " L i e N 8,5%  
1970 - 2R S b Lo e e e e 9%  
1971 Shsie C s ai i e - 9%  
1972 v T e S R s 9%  
1973.. vk o tieb s e A Wi o o 8,5%  
1974 raoi i S O D SR e 10,5%  
1975 st v Vm - B ot 10,5t0 12%\*  
1976820 cgron s o e g 10,5t0 12% \*  
19775 0 o e e i O 10 5ktorl 2%  
19787 some i S e e 10,5t0 12%\*  
19792 il o e i OASHOMETS T  
10805 =or v N e Of toNli%  
1981 temm tini i Sl cus e 12:25itorl4 255 %  
10828 e oo T e 14,25 to 16,25% \*  
19888 v a e s Ban e 16,2510 18,25% \*  
1084 a0t B0 8 e 18,25t0 20% \*

\* Depending on size of loan.

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## INFORMATION

Blacks oppose ban

A PROFESSIONAL market research study conducted among nearly 1 500 Blacks living on the Highveld has established that a majority regard the current economic recession as being a far bigger problem for Blacks than apartheid; that disinvestment by foreigners would hurt Blacks far more than Whites; and that pupils are wrong to participate in school boycotts.

The study, by the Human Sciences Research Council, found that:

• 64 per cent consider economic deficiencies such as lack of money, unemployment or inadequate housing, as the major problems in their lives, while only 21 per cent mentioned apartheid measures.

• 56 per cent oppose school boycotts, while 36 per cent approve of them.

• More than 60 per cent reckon that Blacks would be hurt most by disinvestment; only 14 per cent think Whites would be most affected.

SA will bounce back

ALTHOUGH all the indices of prosperity are pointing downwards at the moment . . . there is too much residual strength in the South African economic infrastructure for it to remain dormant for too long, says the noted American political scientist and expert on Southern Africa, Peter Duignan.

Duignan, who heads African study programmes at Stanford University's Hoover Institution, says that even in its current depressed state South Africa is relatively no worse off than most European countries and a lot better off than the rest of Africa.

South Africa's stability, based on industrial and military capabilities, is if anything stronger now than four years ago.

Gatsha hits out

GATSHA Buthelezi, leader of South Africa's largest political movement (Inkatha, with almost a million members), has strongly criticized Americans who are making a political football out of the suffering of Black South Africans, after a White House meeting with President Reagan.

He urged Americans to give less attention to strident and dubious voices expressing radical rhetoric, so often amplified by the media, and to give weight to the views of

â\200\230leaders who involve themselves in constituency politics, where they sink or swim on their ability to gather demonstrable Black support which can be directed towards

political objectives.â\200\231

He also criticized attempts to isolate South Africa from Western influences on the grounds that this would â\200\230favour those who aim to bring about change by violent means and to establish a socialist or even communist stateâ\200\231.

Land â\200\230fair sharesâ\200\231

CHARGES were again made during the Kennedy visit that Blacks who number 70 per cent of the population have been herded into 13 per cent of the land area. The proportion of the British South Africa of 1909 that has been allocated to Blacks is 46 per cent. Of the remaining 54 per cent, more than half was never settled by Blacks and a quarter is desert or semi-desert.

Super patriots

SOUTH African Whites are more willing to fight for the defence of their country than the citizens of almost any other nation in the Free World, according to a public opinion poll by Gallup and Markinor.

The poll established that 87 per cent of Afrikaners and 71 per cent of Englikaners would be prepared to fight, compared with 74 per cent of Scandinavians, 71 per cent of Americans . . . but only 22 per cent of Japanese. The Japanese figure is even lower than the figure for South African Blacks â\200\224 26 per cent.

New deal

AMONG the many significant changes of direction in racial policies announced in recent weeks are these:

@ A commitment to make provision for the political representation of Blacks inside the common constitutional structure (that is, not obliging them, as before, to seek expression exclusively through homeland authorities).

Â® An offer of amnesty to Nelson Mandela and other political prisoners providing they renounce violence as a means of achieving political ends. Some accepted and were released. Others, Mandela included, refused the offer.

Â® Suspension of all forced removal of Blacks as part of homeland consolidation,

pending a thorough review of Government policy.

• Urban Blacks are to be allowed to acquire freehold title to their properties in places like Soweto, in place of the existing 99-year leasehold system.

• Non-racial free trade areas are to be proclaimed in 44 towns and cities, allowing Nonwhite businessmen to compete on

equal terms with Whites.

• Moves to scrap two of the most criticized of the racial laws – the Mixed Marriages Act and Section 16 of the Immorality Act (which prohibits sexual intercourse between different races).

• Urban Blacks living in the Western Cape are for the first time to be allowed to buy properties, in the Langa, Nyanga and Guguletu townships, on 99-year leasehold basis.

Coal giant

SOUTH Africa, now the world's fourth largest exporter of coal and biggest exporter of steam coal, boosted its shipments by 10 per cent on tonnage last year, to 37 million, and by one-third in rand terms, to a value of R2 billion.

The prevalence of strikes in Australia has even opened up markets on the rim of the Pacific, where the Australians have traditionally been dominant, to South African exporters, who are renowned for their reliability as suppliers.

More than half the RSA's coal exports go to Europe, and most of the rest to Asia, though South Africa is also the biggest supplier of the small quantities of coal imported into the USA.

To cope with ongoing expansion of the industry, SA Transport Services is planning to spend large sums over the next three years to upgrade the railway from the Eastern Transvaal to the coal export terminal at Richards Bay.

UK buys uranium

BRITAIN has changed its ten-year-old policy of refusing to buy South African uranium, the Foreign Office has announced in London. The consignment was bought from Escom by the Central Electricity Generating Board.

Patients from Africa

SOUTH Africaâ\200\231s hospital system continues to lure patients from other parts of Africa. Last year 3 700 were hospitalized here. Fees are R10 for Blacks â\200\224 substantially less than the fee structure which applies to Whites.

If American senator Edward Kennedy had inquired, he would have found that a Black, even from Zimbabwe or Tanzania, can get expensive open-heart surgery for that R10 â\200\224 somewhat less than the tens of thousands of dollars it would cost a patient in his own country.

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## Price shocks

POLITICIANS and bureaucrats love to extend their power. But exercising power in economic matters can have painful consequences if you make mistakes, as our rulers are now discovering.

Last year they chose to exercise their power by raising their own pay by 30 per cent while fighting inflation by holding down the growth rate of administered prices to 8 per cent. This year they hope to hold down public service pay rises to an average of 10 per cent (4 per cent for upgrading, 6 per cent for the effect of the big pay increases for teachers to bring them into line with what the rest of the public service received last year).

But because administered prices were unnaturally restrained last year, there has to be a catch-up effect this year. A big one. Administered prices are expected to rise by an average of 20 per cent.

The irony about pay/price control is that the general public loves it in principle, but hates its consequences. What is surprising is that the politicians don't get this particular monkey off their backs.

Where it is impossible to allow free markets to set prices (because of monopolistic or strategic considerations, or in cases such as public sector pay), determination could be handed over to independent tribunals instructed to make their awards promptly and frequently to keep pace with inflation and other changes in the economic environment. Awards that the Government should have no power to delay or amend.

That would dissipate mounting public resentment with pricing decisions that seem to make no sense at all except in the context of short-term political benefits. VERY short-term.

## Money supply

I HAVE always had difficulty understanding the argument among economists about what has really been happening to the money supply in South Africa. Has it been growing too fast, or hasn't it?

One expert says the growth rate of the money supply has not been excessive, at least over the past few years, on the following grounds:

Due to enormous export earnings in the late Seventies and 1980, combined with exchange control (which prevented the money being recycled overseas) and bank credit ceilings (which prevented

accumulation of these funds in the traditional banking system), large amounts of money accumulated outside the banking system, for example in the form

of company-to-company lending. At one stage more than half the bankers's acceptances were held outside the banking system, by mining houses and so on . . . an extraordinary situation.

In brief, the published money supply figures for that period are entirely fictional, and do not reflect a huge build-up in the money stock that had already occurred.

Since then the freeing of the banks from controls has produced a massive transfer of those unrecorded funds into the hands of the banks, where they are recorded. In other words, the high growth rate of money supply as shown by the published figures is greatly exaggerated.

One Reserve Bank boffin has calculated that the

true growth rate of money supply (as measured by M1) over the past five years has been more like 12 to 13 per cent than the 32 per cent shown in the official figures. Still far too high. But nothing like as terrifying.

What about the criticism that the Reserve Bank has failed to use cash reserve requirements to prevent the banks from creating excessive credit?

My expert friend answers that it is ridiculous to worry about cash reserves when the banks are into the Reserve Bank on a permanent basis for anything from R1 billion to R3 billion of accommodation. He suggests the Reserve Bank could have squeezed the banks any time it wanted merely by raising its rediscount rate.

Why didn't it? Because of the old problem, reported so often in Business Briefing over the years any squeeze on the banks would have sent interest rates much higher, and the political backlash would have been awful.

For example, I understand the Reserve Bank ought to have curbed the growth of credit creation in December, largely used to finance speculation that drove the rand down to 42 US cents the following month. But that would have sent prime rate soaring to 35 per cent. The political backlash would have put an end to free-market policies in Pretoria and sent South Africa back to the dark ages of a network of bureaucratic controls.

Fortunately the rand panic is over, and free-market policies remain intact. But their future may still depend on the Reserve Bank's success in controlling the growth rate of money supply . . . as shown by the published figures.

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