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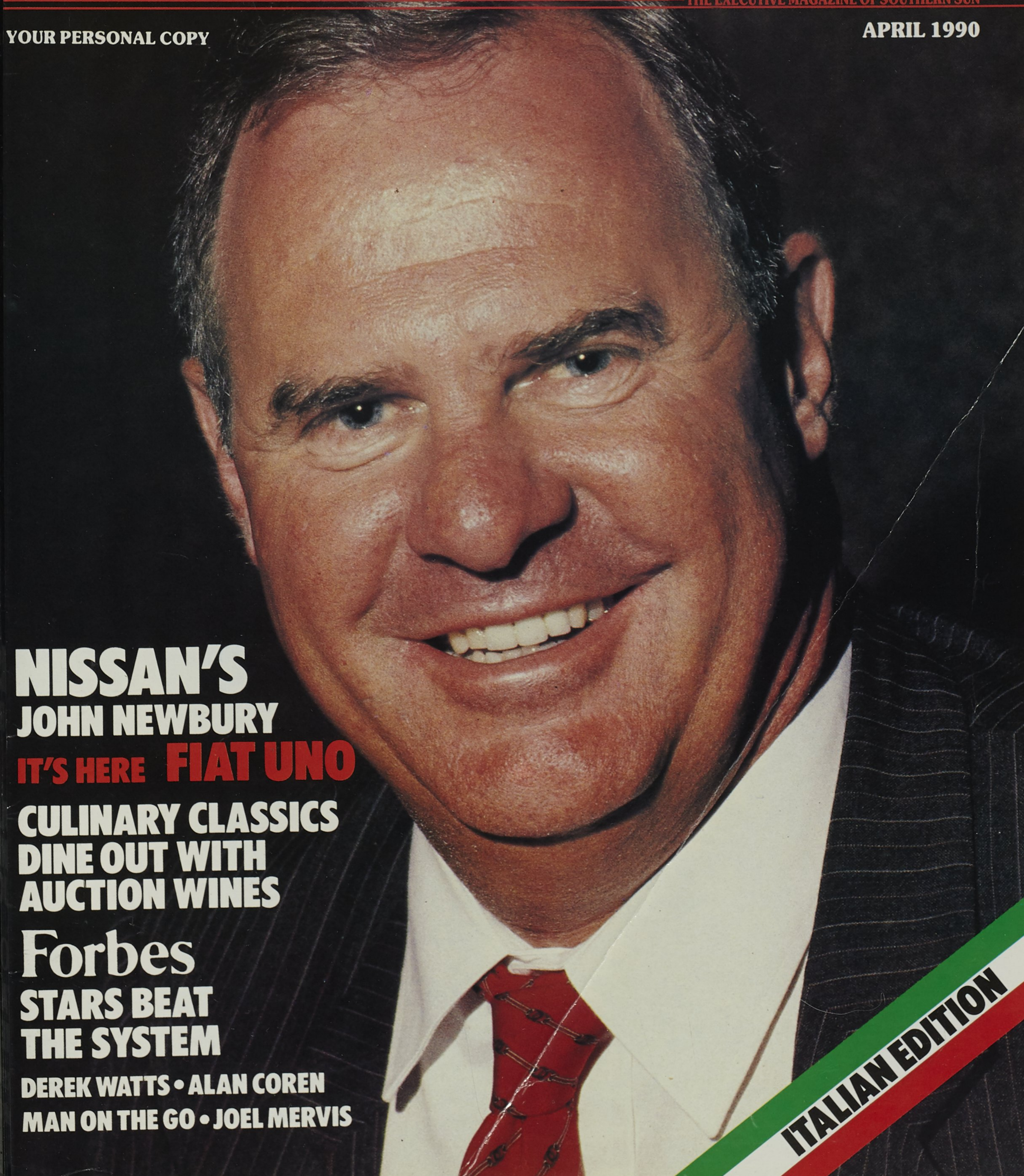

NISSAN'S JOHN NEWBURY

IT'S HERE FIAT UNO

CULINARY CLASSICS

DINE OUT WITH AUCTION WINES

Forbes STARS BEAT THE SYSTEM

DEREK WATTS • ALAN COREN

MAN ON THE GO • JOEL MERVIS

ITALIAN EDITION

THE SOUTHERN AFRICA EXCLUSIVE

July/August 1993

THE MONTHLY INSIDE TRACK ON ECONOMIC AND POLITICAL TRENDS THROUGHOUT THE REGION

Volume 4

EC to accept South Africa as a developing country

THE European Community (EC) is preparing to announce — probably by August — the removal of remaining sanctions against South Africa, the appointment of an effective EC embassy in Pretoria and some details of the special economic relationship it will institute with South Africa after democratic elections. The removal of sanctions — largely a formality — will be timed for the introduction of a transitional executive authority in South Africa.

It is about this time that the official permanent EC delegation will also be announced. Officially, there exist no formal plans yet for the establishment of the delegation. However, a decision has already been made about the ambassador-designate ('head of delegation'). He is Erwan Fouéré, the Irish-born son of a French Breton nationalist, Yann Fouéré, who is understood to have migrated to Ireland after independence in 1922.

Erwan Fouéré is a career Eurocrat whose last ambassadorial appointment was in Mexico City. He left that post last year and has been based in Brussels although he has proved uncontactable. As part of his preparation for his posting he has visited South Africa and was last there at the end of June.

With South Africa — at Ecu90 million this year — already a major recipient of European aid, the EC is obviously determined to tie the country — and the region — more firmly into the European trading bloc. This will be done through the granting of developing country status to South Africa (*Exclusive*, vol 3) as part of a 'special relationship' which will 'take account of the unique features' of the country.

Because of commitments to other regions, particularly eastern Europe, funding, both in terms of grants and concessionary loans, could be limited. So far there has been no detailed discussion on loan and grant availability. Projects and expressed needs are currently being assessed.

EC officials have also been told by the ANC that there has been no change in the ANC position regarding a future relationship with the EC. There was some confusion after ANC economics spokesman Tito Mboweni stated on 28 June that his movement wanted 'some form of associate membership' with the ACP countries under the Lomé agreement.

Mboweni made the comment during a speech at a 'forging new links' conference in Brussels. After consultations between Mboweni and foreign affairs delegate Azziz Pahad, the ANC privately stated that a special relationship with the EC was still sought. However, a new, democratic South Africa would also wish to establish 'South-to-South' links through some form of association with the ACP countries.

This could be a politically astute move. For budgetary as much as other reasons, the ANC does not wish to be included under the Lomé agreement. Equally, it does not wish to alienate South Africa from the ACP countries. By seeking political association with the ACP nations along with a special economic relationship with the EC, both requirements should be met.

Details of the special relationship are still to be finalised, but it is understood that the EC has agreed in principle to the categorisation of South Africa as a developing country. This could create problems with the World Bank and the International Monetary Fund (IMF), which persist in regarding South Africa as a developed, middle-income country. In strict, statistical terms, it is, but the EC has apparently agreed to take into account the distortions of the apartheid system when assessing the $2500 *per capita* income a year for South Africa.

With the prospect of a special relationship with the EC, the present government and the ANC are unlikely to rush to commit themselves to any of the $1

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QuickView

PROPOSAL: That the European Community establish a special relationship with South Africa as a developing country. Proposal supported by both ANC and NP.

PROSPECTS: Good. EC has already taken steps which indicate it should move in this direction by August or September.

ANALYSIS: Will aid future government in efforts to maintain control over structural adjustment and in its dealings with the World Bank and IMF. World Bank is unlikely to agree to reclassify SA as a developing nation.

OverView

- **SA election** Despite efforts of white Right and IFP, poll should take place on 27 April next year.
- **SA Violence** Increasing, but levels still lower than 1992. Closer to poll date, more expected.
- **Gold** Price stabilised, but signs of further rise in coming months.
- **Agribusiness** Good SA crops have meant more spend in agmachinery sector;
- **Economy** Remains fragile throughout region. Some improvement evident in Mozambique

Numsa brings the workers' party to centre stage

EMBARRASSING though it may be to the bulk of the South African trade union leadership, nationalisation is back on the agenda. It was put there in early July by a radical resolution passed by the biennial congress of the metalworkers' union, Numsa.

Because Numsa organises in such strategic economic areas and because it is arguably the largest affiliate of the Cosatu federation with 273 000 members, resolutions passed at its conferences cannot be lightly dismissed. But they should also be put clearly into context.

This omission is perfectly understandable since Cosatu — including Numsa general secretary Moses Mayekiso — is committed to attracting investment to South Africa. The bogy of nationalisation — especially without compensation — is guaranteed to frighten off potential investors.

While not much media publicity was given to the call, it has already gained wide currency within the trade union movement. And it is being linked to two other radical proposals adopted by the congress. One calls for the trade unions — as organisations of workers — to distance themselves from the ANC; the other refers to the need to establish a 'workers' party' once a future ANC government is in place. The call to establish a party was subsequently backed by the tiny Workers Organisation for Socialist Action (Wosa).

The subterranean existence of these demands has been reported (*Exclusive*, vols 2,3), but now they are out in the open.

Numsa office-bearers expect that a broad socialist alliance under the banner of a workers' party would perforce have to involve the communist party (SACP). In which case the SACP, which is having its own identity/direction crisis right now, might find its relationship with the ANC tested sooner than it might have wished.

That these demands should have surfaced through congressional resolutions from Numsa is hardly surprising. Numsa members tend to be more closely connected with the violence and poverty of black urban life than are those of either of the other 'Big Three' unions, the National Union of Mineworkers (Num) or the clothing and textile workers (Sactwu) who are ranked higher in the social and skills ratings. As such, they have never been as unhappy with the pace and direction of the negotiations process.

The depth of bitterness, disappointment and anger should not be under-estimated. But it must be seen in the context of a battered and fragile economy. This has largely had the effect of dampening the desire to use the strike weapon. Clear evidence of this was the dismal failure of early July's 'day of action in defence of democracy' — for which a stayaway was called in the wake of the right-wing attack on the negotiating forum.

The congressional resolutions amounted therefore to a firm message to the government-in-waiting: take care of us in the first five years, or that's all the support you'll get from us. It is a message projected beyond the proposed election of 27 April next year. But the mood from the shopfloor — economically embattled and feeling increasingly isolated politically — is tense and sullen. Yet the established — and generally cautious — union leaderships remain in control.

The demand for a workers' party which would draw in other elements of civic society and develop a mandate going beyond the relatively narrower sectional interests of the unions, also looks towards the existing leadership, particularly of the SACP. And there is no alternative leadership on the horizon; no clear alternative orientation to what already exists.

So despite all the radical rhetoric about nationalisation, socialism and workers' parties, there remains an orientation towards a form of negotiated programme for the economy involving unions and employers with the state as arbiter.

There is also an acceptance of the need for greater investment and for more productivity. An internationally competitive mixed economy seems to have become the common goal of all the main players on the South African political and economic scene — at least at a leadership level.

How these goals will square with the shopfloor expectations of more jobs, better pay and vastly improved education and healthcare facilities remains to be seen. What seems certain is that the ANC should brace itself for a rough ride within months of the first democratic elections.§

QUICKVIEW

SITUATION: With elections now in prospect within nine months, the metalworkers' union, Numsa, has launched a call for nationalisation and the establishment of a workers party. At the same time, the fight to succeed Nelson Mandela — 75 on 18 July — has come into the open.

ANALYSIS: Neither development was unexpected; the battle for succession in the ANC has been quietly raging for years and does not threaten the stability or orientation of the ANC. The radical calls from Numsa congress delegates are expressions of bitterness and frustration. But the existing — cautious — leadership remains in control. ANC faces a rough ride in the post-election period.

The fight to succeed Mandela

THE battle for who should succeed Nelson Mandela, who was 75 on 18 July, has started to come into the open. It promises to be a bitter and sometimes confusing fight involving shifting loyalties and burning personal ambitions — and is rooted in the scramble for position as elections loom.

The first public intimation came in June when the beleaguered ANC Youth League (YL) leader Peter Mokaba gave the league's blessing to Thabo Mbeki for the job of deputy-president. The militant YL giving backing to the pragmatic and moderate Mbeki caused some confusion among media commentators. But Mokaba needs friends and Mbeki — while he would not admit it publicly — wants support. The move was a direct attack on Cyril Ramaphosa, secretary-general (S-G) of the ANC and the man who, until now, had been perceived as the logical presidential successor. He had rapidly achieved the position after beating the initially favoured Jacob Zuma to the job of S-G (*Exclusive*, vol 2).

Zuma had been the candidate of the 'social democrat' group in the ANC, who look to Mbeki as their leader. The factional tables have therefore apparently been turned — at least for the time being.

In case there was any uncertainty about how the YL perceived the ranking of the two jobs, Mokaba dispelled it: in his view the deputy-presidency was definitely No 2. Mbeki should take the post, and his accession to the top job should be a formality.

Mandela is understood to have been shocked — anew — at Mokaba's presumption. Sisulu maintained a dignified silence. The reaction of Ramaphosa to Mokaba's venture into king-making was to sulk — but keep his head down. He knew he could not become publicly embroiled in a defence of his own future when his general credibility in the present is critical to the negotiations. Ramaphosa also knows that, as chief negotiator, he is unpopular with the generally militant YL and is seen as a potential 'sellout'.

Mbeki, who was out of the country when Mokaba made his pledge of loyalty, continues to retain a low profile. He will not comment on the issue and has shrewdly not allowed himself to become implicated with his currently declared or apparent supporters, among whom is former MK chief Joe Modise.

Mbeki is aware that the support of both Mokaba and Modise could prove counterproductive. Mokaba is now totally associated with wild rhetoric and the violent township fringes, while Modise's image has been badly tarnished by accusations of complicity in human rights abuses

However, it seems probable that Mokaba will later this year gain backing from the grouping around Mbeki for one of the three seats vacant on the ANC executive (NEC). He currently sits on the NEC as YL leader, but has to retire before he reaches the age of 35 on 7 January.

Despite all the publicity surrounding Mokaba and Mbeki, these are early days — but Ramaphosa seems ahead on points. He has the unspoken backing of Mandela and the mainstream ANC leadership. This includes the popular and ambitious Tokyo Sexwale who has an eye on the post of S-G as a stepping-stone to the top job.§

September moment of truth for IFP and AVF

FOR the Inkatha Freedom Party (IFP) and its segregationist right-wing allies grouped in the Afrikaner Volksfront (AVF) the moment of truth — strategically and politically — should dawn by the end of August. In the meantime, both groups remain determined to try to force a delay or cancellation of the proposed 27 April non-racial elections (*Exclusive*, vol 2).

In the latest attempt, IFP officials and their legal advisers are drawing up a submission to the supreme court in an effort to have the announced 27 April date declared invalid. It is understood that the submission will rely on a technicality based on the standing orders in use at the multi-party negotiating forum from which the date emerged.

Whether such an application will succeed or not is moot. But it is part of the confrontational strategy on which the IFP and the AVF have embarked.

For the IFP this includes verbal threats of war and calls to arms accompanied by mass rallies. It is a strategy mapped out by IFP leader Chief Mangosuthu Gatsha Buthelezi and backed by his hard-line white adviser Walter Felgate.

But it is a strategy that is opposed by a number of senior IFP leaders such as Dr Frank Mdlalose, Ben Ngubane and Joe Matthews. They cannot see why a settlement cannot be reached, since the ANC has already conceded the IFP's fundamental demand for a federated state comprising strong regions.

There is, therefore, growing tension in the upper echelons of the IFP. But Buthelezi remains very much in charge. And he has now fully incorporated his nephew, the Zulu king Zwelithini, into the strategy. Given the strongly traditionalist orientation of the IFP, this makes opposition within the organisation even more difficult.

Buthelezi and King Zwelithini are scheduled to address a mass rally in Johannesburg on 25 July. The AVF also plans a mass *volksvergadering* (people's meeting) in Pretoria about a month later.

QUICKVIEW

SITUATION: Zulu-based IFP and white Right allies in the AVF still intent on delaying non-racial elections; IFP plans supreme court application while both are embarking on campaign of mass rallies before proposed regional map is decided by end August.

PROSPECTS: On evidence so far, neither has real mass support.

ANALYSIS: White Right and IFP retain foothold in talks forum. If, as expected, 'mass mobilisation' fails, majorities in both will probably turn to this and accept deal hammered out by ANC and NP.

This is not so much a result of co-ordinated planning as a consequence of similar strategies based around the same issue. And the prime issue — about which the IFP and AVF bitterly disagree — is the future geography of South Africa. At the end of August, the negotiating council is scheduled to pronounce on the various regional, confederational and *volkstaat* (people's state) plans put before it.

The ruling National Party (NP) has submitted two proposals, one for seven regions, the other for nine. The ANC proposes eight regions. Together with a plethora of other suggestions, the whole question has been described as a cartographic nightmare.

The AVF proposal in particular is likely to receive short shrift. It is a frankly racist concept with its only apparent justification in abstract ideology. But that is what the AVF says it wants. Except that not all sections of the AVF agree. The 'Verwoerdians', for example, want the whole country to revert to white domination.

While the IFP certainly disagrees with the proposals of all sections of the AVF, it is still prepared to make common cause with the white Right which remains supportive of the IFP. This seemingly unlikely linkage is the clearest sign of the relative weakness of both groups.

Despite the often fearsome media images, especially of the para-military Right, there is a faint air of desperation about the latest strategies being employed by both groups. And both, for all their dismissive rhetoric, retain footholds in the negotiating forum which they are, at the same time, trying to wreck.

But while neither the AVF nor the IFP — separately or in unison — has the power to derail the the negotiations process, they cannot be dismissed. Both are capable of causing considerable — if very localised — disruption. And this they are pledging to do if they do not get their way.

On a smaller scale, but more frequently, the AVF has been staging meetings around the country to 'test public opinion'. These are being used to build for the rally in Pretoria at the end of August.

This is a gamble. At the IFP rally in Durban on 11 July, for example, at least 100 000 were expected; 30 000 turned up. This has happened in the past to the Right.

The frustration at failing to 'mobilise the masses' and the mounting pressure on him may lead Buthelezi to back down. He will do so reluctantly as he is aware that the IFP is unlikely to win an election. Even in rural Natal, it commands at most 45% of support. In urban areas, it is seldom more than 10%.

It could spell the end of Buthelezi as a national political figure. But the United States is now putting pressure on him to drop his 'obstructionist approach'. The NP, which has, until fairly recently, regarded the IFP as a key element in its anti-ANC strategy is also threatening to cut Buthelezi off at the purse-strings. This is a serious threat as the KwaZulu administration relies for 80% of its funding on Pretoria.

But while Buthelezi and the IFP may, in the final analysis, back down, especially if the 25 July rally fails to draw huge crowds, the white Right seems determined to continue with its attemopted disruption. It is now no longer 'if' but when, where and how the Right will launch its next spectacular strike to demonstrate its opposition to the multi-party negotiations process and in support of its volkstaat demand.

According to highly reliable inside sources, the AVF — despite having had some trouble from AWB elements — remains under the control of a directorate of four former army and police generals. The directorate is headed by General Constand Viljoen, who enjoyed considerable popularity among the officer corps when he headed the defence force (SADF).§

'Big bang' strategy of the white Right

THE strategy supported by the Right is described as 'big bang' — a 'series of dramatic actions that will force South Africa and the world to take our demands seriously'. Some of the proposed actions involve violence, but 'at this stage' there is a stress on preventing the loss of life.

Details of proposed actions are not known, but are said to involve 'acts of civil disobedience and strikes in strategic economic sectors'. Since there are only two industrial sectors where the white Right is organised — iron and steel and mining — and since leaders of both these unions have attended planning discussions, gold mines and foundries could be targets.

Also involved in right-wing planning are leading members of the powerful Transvaal and Orange Free State agricultural unions. It was they who were behind the 'siege of Pretoria' 18 months ago when right-wing farmers blocked the streets with hundreds of trucks and tractors.

KP leader Ferdie Hartzenberg refers in biblical terms to the unfolding of the right-wing strategy, calling it 'the ten plagues'. He has explained that the first step — or 'plague' — is mass action and demonstrations. In discussions with Dutch Reformed Church leaders he said: 'When it comes to the tenth plague, that means we will then be shooting.'

But the KP remains — like the IFP and the smaller white Right body, the Afrikaner Volksunie (AVU) — part of the negotiating forum. It is also a member of the AVF whose more moderate and pragmatic elements admit that it is necessary to stay in the talks if they do not wish to be marginalised.

By September, the die will be cast. Some of the hardline groups may opt to try to turn their radical rhetoric into reality, but the majority will probably settle — albeit reluctantly — for the deal hammered out between the NP and ANC and agreed by most of the participants at the forum. Especially if, at the end of August, they fail to rally hundreds of thousands to their banner in Pretoria.§

Land swap for farm debts talks under way

NEGOTIATIONS have already begun between development agencies and South African agricultural lending institutions over the possibility of debt-equity swaps as a means of rural land redistribution (*Exclusive*, vol 1). The agencies propose taking over repossessed land as part of a rural development strategy which relies on the self-activity of local communities *(see page 15)*.

However, most of the land available on this basis is agriculturally marginal. The development plans envisage rural electrification running in tandem with land redistribution and giving rise to a plethora of small rural industries. But while it is generally agreed that the development of various community-based services — from tailoring to shoe repairs — will certainly emerge, the question of more generalised income generation is problematic.

At least one senior official of a funding agency feels that there is a high degree of naïvety in the proposals so far floated. 'There actually is a limit to the handicraft business,' he said.

QUICKVIEW

SITUATION: High proportion of farmers in South Africa's semi-arid maize growing regions are effectively bankrupt. Development agencies have opened talks to swap land (for redistribution) for debt.

PROSPECTS: Good. Agencies have the funds and lenders should be willing.

ANALYSIS: Problems could start after redistribution of land to rural communities. Some development schemes seem rather naïve as general income generation seems problematical.

As previously reported, most of the bankrupt farms were once heavily subsidised maize producers. But even with fewer farmers, the maize crop this year seems likely to top 8 million tonnes.

The end of the recent drought has also affected other crops and there is considerably more money now going into the South African farming sector. This has been reflected in the sales of agricultural machinery, from tractors to balers and combine-harvesters. In June, 251 tractors were sold, compared with 165 in June last year.

However, with the prospect of open competition looming and international market prices for maize remaining below local costs, pressure for a regional agricultural strategy is growing. Zambia, despite a lack of fertiliser, machinery and transport will probably again produce a surplus of maize.

But much of it will go to waste as the state does not have the money to pay for it nor the transport to move the harvest. Initially, the government announced that it would pay K5000 per 90kg bag of maize, while farmers are demanding K8500. Now it appears there is no money available. Farmers are being asked to sell their maize on credit at K7000 a bag. It is estimated that there are perhaps 20 million bags of maize waiting to be transported from farms around the country. Even at the K5000 purchase price, this would require as much as K100 billion. The government has so far released K5 billion for transport costs.

First agricultural commodities market opens

AFRICA'S first farm commodity market, the Zimbabwe Agriculture Commodity Exchange (Zimace), began operations in Harare on 1 July. It is a sign of the Zimbabwe government's unfolding deregulation of the agricultural industry.

The brainchild of former Commercial Farmers' Union (CFU) president Alan Burl, Zimace has opened up for business as a floor for trade in all forms of farm produce. It has all the facilities to provide the contacts between buyers and sellers, and assists in arranging transport.

But the operation — Burl is one of the six directors — is still in its infancy. The first week of trading accounted for 6000 tonnes of maize, five tonnes of groundnuts and sorghum and 'a bit of coffee', according to Stewart Cranswick, a director who handles broking.

The initial aim of Zimace is to deal in exports of Zimbabwean commodities and to move into futures trading. For the time being, however, coffee is the only agricultural commodity that can be freely exported. Parastatal trading authorities still hold the monopoly on exports of other produce.

'We could survive on local dealing, but that's not the objective,' said Cranswick. 'The aim is to level the playing field, and you cannot do that without free trade.'

The marketing boards grant export permits, but the process takes up to six weeks and approval is not automatic. However the coming budget is expected to herald a further loosening-up of controls in a number of areas in line with the country's structural adjustment programme.

Zimace is well-positioned to take advantage of moves towards freer trade and aims primarily to take advantage of the South African market. Selling to Southern African Development Community (SADC) neighbours such as Zambia, Malawi and Mozambique is also a priority.

In the past six months Zimbabwe has bitten the bullet and made great strides in terms of deregulation. The prices of bread, milk, maizemeal and cooking oil have been deregulated and the maizemeal subsidy has been abolished.

This last latter move has caused some resentment — and a dramatic upsurge in the growth of private small 'hammer' mills to grind grain. These are especially evident around urban areas where stiff consumer resistance to the increased retail price of the national staple persists.§

❑ GOVERNMENT pressure may force the release of a 7000-tonne shipment of sugar beans from the Durban docks before the owners move to take legal action for claimed damages. The beans have been stranded in storage since November last year when a local importer reneged on the order.

Shippers, Intraco Resources, a joint Chinese/Singaporean company, then found another local buyer, but found the beans could not be moved without a permit from the parastatal Dry Bean Control Board. By mid-July, this had still not been granted.

❑ MYSTERY surrounds the disappearance of more than 20 000 cattle from the huge Nuanetsi Ranch, which is owned by theDevelopment Trust of Zimbabwe, a top-heavy organisation in which both vice-presidents, Joshua Nkomo and Simon Muzenda,are involved. The ranch, the biggest in the country, had about 26 000 cattle before last year's devastating drought.It is now reported to have only 2 500.

❑ THE South African Sugar Association has bought 35 000 tonnes of unprocessed sugar from a mill in Swaziland to ensure sufficient supplies for the local market. With drought conditions persisting in Natal, South Africa seems likely to face a shortfall next year as well of some 100 000 tonnes. South African annual consumption is 1.3 million tonnes.

❑ MACKEREL fish from Namibia have become a major source of protein in Zimbabwe. Selling at Z$6.00 a kg mackerel is about half the price of the cheapest cuts of beef, pork or chicken. The fish are even cheaper than tomatoes, whose price has increased by 700% in thepast two years.They are being bought from Namibia with funds from the Export Retention Scheme.

❑ ZIMBABWE is to export 2000 live elephants to theUnited States, Senegal and South Africa to earn Z$4 million. However, the country still has Z$70 million—30 000 tonnes — of ivory in stock. Zimbabwe cannot sell the ivory because of the international ban although several buyers have expressed interest. The national parks are estimated to have 80 000 elephants against a carrying capacity of 55 000.

Preparing to lose the international polecat image

SANCTIONS imposed on South Africa — some of them since the early Sixties — are on the verge of being lifted completely. In the popular perception this should be the equivalent of a dam burst, precipitating a flood of increased foreign aid, private investment and development loans.

Politicians — many of whom know better — have milked this perception unmercifully for years. The fact that Nelson Mandela, during his recent tandem visit to the United States with President FW de Klerk, did not call for a lifting of remaining sanctions was condemned on the one hand and hailed as a token of strength on the other.

But the US is the most important region in the world so far as sanctions against South Africa are concerned. It is, after all, a country where 27 states, 89 cities and 25 districts still apply financial sanctions. It is also the country where the Gramm amendment remains on the statute book. Drawn up at the height of South Africa's polecat status, Gramm blocks access to International Monetary Fund (IMF) finance.

Such matters have appeared in the popular media. But what do they really mean? If the local authorities dropped their sanctions tomorrow, what effect would such an action have on South Africa? The answer is: probably none, possibly very little. Certainly not enough to make much difference — even in the long term — to South Africa's prospects for growth. It should not be forgotten that the US — land of firmest sanctions against South Africa — is still South Africa's major trading partner.

Nonetheless, the Gramm amendment is a different matter. It is the equivalent of being barred from dealing with a convenient bank. But there are economists who argue that Gramm was a blessing in disguise; that it kept South Africa out of what are often seen as the manipulative clutches of the IMF. South Africa is now one of only three countries in Africa which is not subject to an IMF-dictated structural adjustment programme.

However, it is certainly true that by not having access to IMF funding, South Africa faced balance of payments difficulties which restricted monetary policy options. It made life rather more inconvenient than it might otherwise have been. And it added to perceptions of South Africa as an area in which extreme caution should be exercised.

But perceptions in politics, as in business, are important. The image of a product, a company — or a country — while perhaps wholly subjective, can make the business of business either easier or that much harder. And that was the power of sanctions. The real — objective — effects of those which were imposed were minimal. They coloured the attitudes of investors, potential and actual. This makes their removal important, but primarily as an exercise in public relations.

Mandela and De Klerk are both aware of this; that it is not a vital or even critically important terrain of struggle. But it is another stricture, another hurdle to overcome. And Mandela has the power to remove or retain it at least for a while longer. He has used this power to press the ANC demand for a transitional executive authority to pave the way for democracy.

The US Senate has gone along with this. A draft Bill entitled the 'South African Democratic Transition Act' now lies before it. Initiated by Republican senator Nancy Kassenbaum and Democrat counterpart Paul Simon, the legislation paves the way for the removal of existing sanctions, while stressing assistance to black South Africans and a code of conduct for US government and business during the transition to democracy.

The Bill is almost certain to be passed, as Simon was a chief proponent of sanctions against South Africa in the past and his endorsement will give authority to the proposed legislation. This now seems a formality. South Africa, dubbed the 'polecat of the western world' by a former Anglican bishop, Ambrose Reeves, appears at last set to lose that classification — at a time when the world seems in a more parlous economic state than it has been for 60 years.§

QUICKVIEW

SITUATION: Within months all remaining sanctions against South Africa should be removed.

EXPECTATION: That this will release loan funds, aid and investment.

ANALYSIS: Lifting of remaining sanctions will make very little material difference. But it will help alter widely held perceptions of South Africa as unwholesome; the national image and credibility of the country will be enhanced. This can only have a positive effect on trade and the availability of finance.

South Africa's most traded commodities

IN THE most traded commodities stakes last year, the five top-ranking import categories cost South Africa a total of R32.389 billion. The top five exports, by contrast, earned R29.275 billion. These categories, accounted for R3.214 billion — or the great bulk of the trade deficit.

Mechanical, electrical, sound and television equipment and parts leads the imports league table with a value of R15.01 billion. Vehicles, aircraft, vessels and transport equipment comes next at R6.618 billion, followed by products of chemical or allied industries at R5.789 billion.

In 1992 the importation of vegetable products cost R2.57 billion with base metals and what are classed as 'articles of base metals' costing R2.502 billion.

On the other side of the ledger, the export table was led by base metals and base metal articles with earnings of R9.484 billion. Pearls, precious or semi-precious stones, precious metals and coin brought in R7.160 billion and mineral products R7.083 billion.

Products of chemical or allied industries brought in R3.220 billion while vehicles, aircraft, vessels and transport equipment exports totalled R2.328 billion.§

SANCTIONS STILL IN EFFECT AGAINST SOUTH AFRICA — JULY 1993

UNITED NATIONS:
- ❑ Compulsory weapon and military embargo.
- ❑ Voluntary oil embargo.
- ❑ Embargo on World Bank and IMF financing.

COMMONWEALTH COUNTRIES:
- ❑ Ban on all loans.
- ❑ Ban on import of South African coal, steel, iron and uranium.
- ❑ 'People to people' sanctions (visas, tourism, cultural, scientific, direct air links etc.) still exist in theory.
- ❑ Economic sanctions in place continue.

EUROPEAN COMMUNITY:
- ❑ Restrictions on the import and export of military equipment and weapons.

UNITED STATES:
- ❑ Arms embargo.
- ❑ Gramm amendment blocking South Africa's access to IMF finance.
- ❑ Financial ban by 27 states, 89 cities and 25 districts.

CANADA:
- ❑ Ban on export credit guarantees and insurance policies which facilitate trade.
- ❑ No double taxation agreement.
- ❑ Province of Ontario bans the purchase of South African wines and liquor and excludes companies involved in financing the South African government from participating in Ontario government bond issues.

MALAYSIA:
- ❑ Ban on all exports and imports (likely to be lifted by end of July).

NORWAY:
- ❑ Ban on direct sales of Norwegian oil.

SWEDEN:
- ❑ Ban on new investment, re-investment, trade, the issue of patents and manufacturing licences, as well as loans, credit and guarantees not related to international trade.

TANZANIA:
- ❑ Ban on trade and commercial contact.

ARAB EMIRATES:
- ❑ General trade embargo, but individual countries openly trade with South Africa.

(source: Department of Trade)

Which were the real effects of apartheid sanctions

SANCTIONS — an expression of moral outrage and a calculated attempt to foster political change — always operated on two levels: governmental — including international institutions and multilateral organisations — and public. Local public agitation, usually coupled with and triggered by events in South Africa, was often responsible for governmental action.

Sanctions therefore should not be confused with normal business decisions dictated by the objective conditions on the ground, although the distinction is sometimes blurred, especially in the field of divestment. Several companies, which might not otherwise have withdrawn from South Africa, did so largely as a result of public and often trade union pressure. Classic examples here are Polaroid of the United States and the New Zealand insurance companies South British and NZ Insurance.

But many other companies which sold up and/or moved on did so on the basis of purely business considerations. However, to appear to be making a moral stand against apartheid at the same time did no harm to corporate images. In some cases — Coca-Cola's relocation to Swaziland from Durban is the classic example — apparent anti-apartheid divestments were highly profitable and otherwise sensible business decisions. Even Sweden which, under strong public and especially trade union pressure, imposed the toughest sanctions, did not order the subsidiaries of Swedish companies operating in South Africa to leave.

In fact — and contrary to widespread popular belief — there were no meaningful investment or loan sanctions imposed with the exception of access to the IMF and the World Bank. But in the wake of the township uprisings and the strikes of 1984/86, banks and other investors pulled down the shutters. These were decisions made on purely business lines. The fact that the ANC and its supportive anti-apartheid groups were calling for such action was a very minor contributory factor.

If violence and economic decline persisted in a future, non-racial and even democratic South Africa, international banks could be expected again to withdraw credit facilities. The withdrawal of these facilities in 1985 created great difficulties and effectively turned South Africa into a capital exporter.

Much of the blame for the heavy capital outflows has been laid at the door of sanctions. And trade embargoes, it is said, severely restricted South Africa's export earnings.

Yet there is considerable evidence that it was always possible, without much difficulty, to overcome trade sanctions — where they actually existed. In the final analysis, quality and price were the determining factors.

But before quality and price could be considered, the product had to be known — and be got to market. Many marketing failures have been blamed on sanctions.

Which is not to say that there were no effective sanctions campaigns against South African produce and products, mainly in Britain, the United States and New Zealand. There were, but they tended to be highly localised. For example, perhaps the most targetted South African exports throughout the sanctions era were South African deciduous and citrus fruits. Yet they were always available in their traditonal — and expanding — markets.

South African wines, on the other hand, were — and still are — much less evident. Yet they can stand alongside any in terms of quality — and better than most on price. The difference lay in the marketing.

In the case of deciduous fruits — apples, pears and other 'pip' fruit — marketing was handled by the Deciduous Fruit Board, later reincarnated in the 'commercialised' form of Unifruco. Significantly, Unifruco last year began to move into the wine export business.

South African wine, like fruit, was not — apart from very few localised exceptions — ever banned. Coal was a different matter.

It was specifically banned in a number of countries, notably throughout the European Community. But once again quality and price were the determining factors. Much of the 'Dutch coal' imported into Britain during the 1984 strike by British miners' was produced in South Africa. In fact, the 'Dutch coal' stored in Rotterdam bunkers and transhipped all over Europe, was South African, often blended with poorer quality Polish or Chinese fuel. The charade was transparent: Holland ceased producing coal in the 1960s.§

... and who were the gainers and losers

AN array of middlemen, both within South Africa and abroad were among the major beneficiaries of the sanctions years. These were the people who arranged for the shipment and sale — often the relabelling — of South African produce and products flowing out to a hostile world.

But the call for sanctions against apartheid also provided jobs — even careers — within what became a veritable anti-apartheid industry in many countries. Organisations in the Netherlands, Sweden, Denmark, Britain and the US, often founded in the Sixties by idealistic activists and frequently linked to churches, became established institutions.

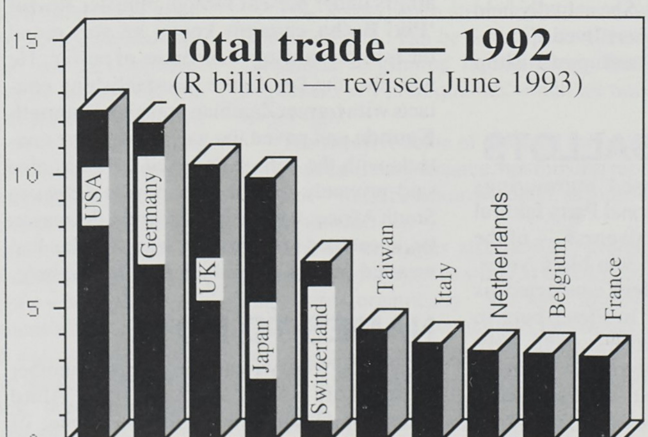
With the reform measures and the unbanning of anti-apartheid movements in February 1990, the prospect of imminent redundancy dawned, both for the commercial middlemen and the full-time campaigners. The British headquartered International Defence and Aid Fund (Idafsa) the largest conduit for funds for anti-apartheid legal defence in South Africa, made an early decision to close.

Resources were transferred to South Africa and a number of leading staff members followed. Director Horst Kleinschmidt moved into a similar field as deputy-director of the Kagiso Trust. Idafsa research staff, headed by exile employee Barry Feinberg, moved with the Idafsa archives to the Mayibuye Centre at the University of the Western Cape.

National committees in countries such as Canada and New Zealand have gradually faded. Only the British committee, which primarily raises funds for an educational trust, continues.

Most of the national anti-apartheid groups, with few exceptions, are also in the process of collapse. The Dutch Komitee Zuidelijk Afrika is one which has transformed itself into a 'post-apartheid solidarity committee' which now encourages contact with and investment in South Africa. The British Anti-Apartheid Movement (AAM) is officially pledged to move in this direction as well, but probably lacks the resources and support of its Dutch counterpart.

AAM still maintains its headquarters in the appropriately-named Mandela Street in London. But the level of staffing is a far cry from the nearly 30 employees of three years ago. Funding for most of the anti-apartheid groups — especially those which relied almost exclusively on donations from the public — has also dried up.



With sanctions still applying (*see page 8*), trade still continued. Undeclared is the estimated R10 billion of trade with other African states. Also disguised in the trade statistics are armaments sales. It is a state secret, but it is understood that 30 countries, including Burundi and Iraq, have bought arms from South Africa.

Make or break for South Africa within 18 months

THERE is a very real need for a new — and a special — relationship to be established between the European Community and South Africa. But if such a relationship is to succeed, it will have to be based on rather different principles from those which have applied — often none-too-successfully — in other developing countries.

Long-term sustainable development has been the frequently expressed goal in various relationships of bilateral assistance. It has usually failed. The consequences of failure in South Africa could be disastrous. We have to get it right from the start — and the next 12 to 18 months will probably be a matter of make or break.

It is obvious that a successful political transition in South Africa will require economic growth. Given the inadequacy of domestic savings, this implies a need for large external flows of capital. Europe, both because of its historic and its contemporary role in the region has a critical role to play.

But such a role should be clearly informed by a quite detailed understanding of how violence and the conditions which defeat development emerge and allow poverty to be reproduced. It is often the case that, by providing a resource to communities which are already struggling for access, the problem is exacerbated. Conflict is intensified because a new basis has been provided for that struggle for resources to develop.

What Europe and other interested donors need to do is to put a face to the people of South Africa; to identify the areas of greatest need. The recent drought underlined the vulnerability of large sections of the South African population, a population with a growth-rate now well over 3%. This in itself is a generator of poverty.

The urban bias in Africa is strong. In South Africa this is particularly so. Yet, to find the true face of poverty in South Africa we have to look to the rural areas. It is there that 70% of South Africans are trapped in poverty. That is where unemployment is concentrated; where, at most, people obtain 10% of their subsistence from the land. The rest is a very difficult process of scrimping and saving of remittances and some reliance on pensions. It is a massive problem. And it is here that work needs to start.

The question is how. In the first place it must be realised that South Africa shares the problems of development in Africa. It is very much a part of these, but it is also different.

What we have seen in Africa have been problems of weak post-colonial states, with low levels of civic consciousness and a tremendous problem of transforming colonial administration into development administration. Intervention has always tended to be top-down; the classic case of Weber's patrimonial state. In such cases, development is essentially seen as a form of patronage. The public sector expands and inefficiency and waste are the consequences. There is an increasing reliance on foreign aid which is increasingly reluctantly given.

This leads to a change in the relationship between external donors and the developing country. A new form of meta-colonialism develops, politely described as economic structural adjustment programmes. What this has usually signalled has been the start of a whole process of marginalisation, of the destruction of the development/aid relationship.

South Africa is different in that we start with a strong state which has become fatally crippled by illegitimacy. There also exist very high levels of civic consciousness and a very strong, demand-oriented popular culture. The problems of urban bias, of the growth of bureaucracy and various demographic difficulties are common to other parts of Africa. Only in South Africa is the scale so much greater. Given these conditions it will be an immense task for a new, fledgling democratic government to deliver. Once again this underlines the importance of getting right both the scale and the tempo of interventions from outside.

Based on the experience of projects undertaken by the Independent Development Trust, it seems to me vital that the approach in South Africa must be from the bottom up. Only by involving communities in their own development is it possible to establish the real needs and how best to deal with them.

This is also the only efficient method. For example, in the northern Transvaal, for the modest outlay of Ecu50 000, a very large number of small projects was started. These range from the unsilting of waterways to the making of bricks and construction of community centres. The lives of 50 000 householders have been affected.

This developmental pump-priming has led to the establishment of periodic markets and to villagers now embarking on the building of a road to link previously disunited communities. The key to the success of such projects has been, I think, the fact that the communities themselves hold the budget and establish their own project priorities. They have shown an extraordinary ability to respond to the creation of opportunities to address their own needs. It is out of this that sustainable rural development can grow.

This experience in the northern Transvaal illustrates, I feel, the true beginnings of the special relationship which should be sought between the EC and South Africa. It is a relationship which starts at community level. Conditions are created in which communities, institutions, NGOs, development agencies, local councils and other participants are forced to come together to discuss their needs. In the process many of the details which have led to conflict, underdevelopment and lack of stability are exposed. Such negotiation is also the first step to resolving such problems.

I believe we need to establish a special relationship between the European Community and the South African people. It is a project which is both necessary and urgent. We already have in place efficient and accountable delivery mechanisms such as Kagiso Trust, the Development Bank and the IDT. These organisations operate at one level; below them there is a spectrum going right through to the community-based structures.

It is around such structures that a new special relationship of an immediate kind can be developed. Clearly, there has already been a substantial beginning in this area. But I believe there are some important, key prerequisites which we need to pay attention to — and to get right.

The massive scale of the need for investment — initially by grant and concessionary finance, but moving rapidly towards standard forms of loan — must be acknowledged, as must be the speed at which it must be disbursed.

The communities also demand a non-partisan and inclusive approach — and want to work as equal partners. Such special relationships grow organically. We have to recognise that the technocratic issues — the rules, regulations and treaties — have to be subordinate to the organic growth of an understanding. This has to be based on mutual solidarity and a hard-headed awareness of what can be done.

Dr Sholto Cross is the director of the rural development portfolio at the Independent Development Trust.

South Africa has established its oil lifelines

OIL lies at the root of the commitment by South Africa to continue with its expensive submarine building programme at a time when the country is heavily reducing defence expenditure. For South Africa, through the recently Gencor-owned Engen company — the renamed Mobil Oil — has now laid the basis for oil self-sufficiency from the three west African states of Angola, Gabon and Congo.

This will be shipped mainly to Cape Town by sea — and will become South Africa's most vital lifeline in an increasingly volatile world. Such a lifeline — based largely on offshore platforms — will require protection. The accent on submarines therefore makes sense.

But South Africa's move into West African oil has also probably introduced the prospect of a battle in the long term with French interests. The preoccupation of France — another wholly oil importing country — with West Africa has much to do with the oil in that region. Some 80% of the total production of Elf Aquitaine, for example, is from this region. But there is also the likelihood of closer collaboration between South African and French oil companies.

South Africa's Engen has already involved itself in a number of joint ventures. In a deal announced in April it took up a 10% share in the Bukha gasfield in Oman. This was the most public of a series of deals — many of them taken over from the former United States-owned Mobil — in which Engen has been involved. Several are in the Gulf, but most relate to Angola, Gabon and Congo.

Given the security situation in Angola and the fact that instability is likely to persist for many years, certainly in the more remote regions, there is no possibility of running oil pipelines south or west from Angola.

Engen, which remains within the Gencor stable since the recent 'unbundling' of ownership undertaken by the minerals-based conglomerate, has also taken up stakes in two Angolan oil fields. Together with two US companies, Pecten (40%) and Maxus (25%), and with Shell (10%) as the operator, Engen has acquired 25% of the exploration licence for Block 1, some 50km offshore from the much-fought-over town of Soyo. The Angolan government will also shortly approve an Engen bid for more than 5% of Block 6 in which Conoco is the operator.

Most of Angola's oil production — the bulk of it high-quality crude — is offshore. Even if the country descended into complete chaos, production could continue, with the oil taken directly on to tankers.

In Gabon and Congo, it is understood that 'broad agreements' regarding supply and possible joint ventures have been reached both with Engen and other South African companies.

Sasol, the parastatal oil-from-coal enterprise, has also been active outside South African borders. With the so far highly unsuccessful parastatal oil exploration company Soekor and Mozambique's national oil company, ENH, Sasol will exploit the Pande gasfield. A 900km pipeline will link the gasfield, north of Maputo, to the Sasol II plant at Secunda in the eastern Transvaal.

Soekor is also involved in testing the viability of its January oil find in the Bredasdorp basin, 150km off the southern Cape coast. Indications are that this, one of many holes drilled by Soekor, could be productive. If it is, Engen will exploit the find.

With secure sources of oil, South Africa's four refineries are also gearing up to provide more refined products to neighbouring states. The country has four refineries owned by oil companies, Calref (Caltex), Genref (Engen), Natref (Sasol/Total) and Sapref (BP/Shell). The combined capacity of the refineries is some 350 000 barrels a day which is now being expanded to 450 000 b/d.

In addition, the synthetic fuel producer Sasol contributes 150 000 b/d although this production is subsidised. Also, even more heavily subsidised is the Engen controlled Mossgas (fuel from gas) project. This is now coming fully on-stream and should have a 45 000 b/d capacity within three years. The economics are still questionable.

Despite the moves towards self-sufficiency of supply and even the prospect of greater exports, the South African government refuses to lift the veil of secrecy surrounding strategic oil supplies. When energy minister George Bartlett released his eagerly awaited 'Report on government involvement in the oil industry' at the end of May, he remarked only that previous estimates of strategic reserves were 'never correct'.

Although some of the reserves — stored both in tank farms and in disused coal mines — have been sold, energy ministry sources have hinted that there could be 45 million barrels still stockpiled. This equals some five months of demand at present levels.§

QuickView

SITUATION: Despite still existing sanctions South African oil companies — particularly Engen — have tied up production, exploration and supply deals for oil and gas with Angola, Mozambique and Oman. 'Understandings' are being negotiated with Gabon and Congo; local oil find is being assessed. Refinery capacity is being expanded; government is committed to submarine construction.

ANALYSIS: Deals concluded or in place should ensure security of oil supplies, mainly from offshore Angola but also from Gulf. Sealane protection via submarines. Local promise minimal but major regional export potential for refined products.

EC: SA hopes to call the development tune

continued from page 1

billion of loans announced as available by World Bank vice-president for Africa, Edward 'Kim' Jaycox. These funds would be disbursed under IBRD conditions — at full commercial interest.

A future South African government would also perhaps baulk at some of the conditionalities attached to World Bank and IMF loans. It, together with locally-based agencies such as the Development Bank (DBSA) and the Independent Development Trust (IDT), would wish to remain in control of development — and structural adjustment — policy. Since, between them, the DBSA and IDT have substantially more funds than the $1 billion allocated by the World Bank to South Africa there is a possibility that the post-apartheid government and local agencies could largely call the tune. But this would depend on a substantial inflow of funds from Europe.

If and when there is recourse to the World Bank, attempts will be made to extract concessions. However, it is unlikely that the bank could or would reclassify South Africa as a developing country.§

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