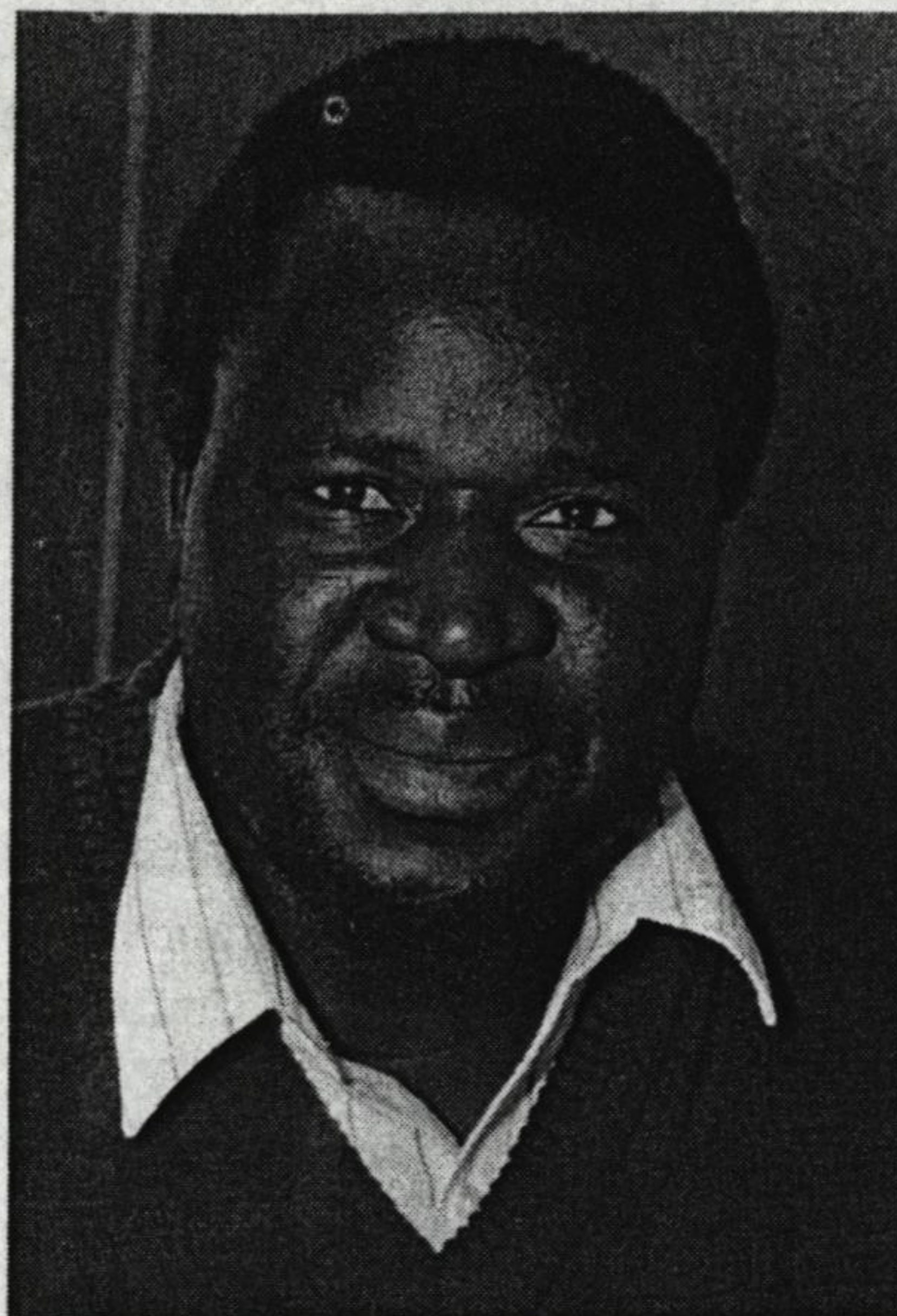


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# To get out of the mess won't be easy

**Tito Mboweni** of the ANC's Department of Economic Policy outlines the nature of the economic crisis and how it can be solved.



**MAYIBUYE: What are the key indicators of the economic crisis and how serious is it?**

**TM:** There are key economic indicators which show the nature of the crisis. Over the past decade, the Gross Domestic Product (GDP) has actually declined, indicating that there is something terribly wrong in the economy. In 1990 and 1991 real GDP declined by 0,5 percent.

Gross fixed domestic investment – investment in new plant and machinery – has declined by 1,7 percent in the same period. Where there is no investment, clearly there can be no growth. For the period 1989-1992 total fixed investment declined by 19 percent.

There is also a general decline in the gross domestic level of savings. This means that there is little available for investment. Unemployment has continued to increase and is estimated at 40 percent of the economically active population. Where there is no investment or growth, the

economy is not able to absorb new employees.

Government consumption expenditure has been increasing. This year the government deficit before borrowing is estimated at R28 billion. This is around 8,5 percent of GDP. The government regards three percent as an acceptable level for the deficit, and yet has exceeded this by more than five percent.

**MAYIBUYE: But doesn't the government have a solution to the deficit?**

**TM:** The government's solution is borrowing. The burden of debt is very heavy. Something radical will have to be done to control the level of government expenditure. What is more worrying is that about 80 percent of borrowed funds are used for current expenditure, not investment or capital expenditure.

**MAYIBUYE: What is the role of international factors and how does South Africa compare with other countries?**

**TM:** South Africa's negative growth rate compares very unfavourably with other countries. Japan had a growth rate of 5,7 percent in 1990; Malaysia, 10 percent; South Korea, nine percent; Australia, 1,2 percent.

The world economy generally is in a recession. Financial sanctions imposed because of apartheid exercised a very severe constraint on the South African economy. Capital no longer came into the country. The capital account of the balance of payments was negative because there was no capital coming in and there was a lot going out. This has sometimes been underestimated as a major factor in the crisis.

**MAYIBUYE: Is the very structure of the economy not the primary reason for the crisis?**

**TM:** Yes, the reliance on primary commodities, in particular gold, and on cheap labour is also a crucial element. When there was a shift from primary production to manufacturing, there was a focus on goods demanded by a very small percentage of the population. South Africa has to import some of the machinery required for manufacturing. This has caused a major structural problem. South Africa's commodities are consequently not competitive on international markets.

The current crisis requires a major change in the production system. There is no longer cheap labour. There is a union movement which is not going to accept cheap labour. Increasingly, gold and other primary commodities are less important than they were. South African manufactured goods are not competi-





***This Daggafontein mother shares grinding poverty with millions of voteless black South Africans. The corruption, militarism and wastefulness of white minority rule has meant privilege for a few and misery for the majority.***

tive and therefore cannot be used as exports.

**MAYIBUYE: A new democratic government should be able to resolve these problems!**

**TM:** To get out of the mess will not be easy. The political question can be resolved. That component of capital flight which was related to politics will stop.

The ratios of capital inflows and outflows will begin to balance. But there may be other reactions resulting from a democratic government doing things which the international capitalist world doesn't like.

According to the 1991 annual report of the Bank of International Settlements, the international capital available for investment is around 177 billion

US dollars. About 155 billion of this is invested in Western Europe, the US, Mexico, Canada and the Far East That leaves little for the developing countries. Therefore major capital inflows into South Africa cannot be expected.

The productivity of both labour and management must become a major focus. This will offset some of the cost factors in production. South Africa's productivity levels are falling, while those of her major trading partners are increasing. That also makes it difficult for South Africa to compete.

### **MAYIBUYE: Can the industrial base be changed?**

**TM:** An industrial policy must be formulated to address problems in the manufacturing sector. Most critical is the development of South Africa's own capital goods sector. This would mean less reliance on the import of intermediate capital goods. A higher level of investment in research and development is needed. Markets in which South Africa could over time gain competitive advantage should be identified.

We have to decide what we are going to do about the military-industrial complex. It has developed some elements of competitiveness. This is a political question.

While we have to continue producing primary commodities, the focus must be less on exporting the raw materials and more on adding value and selling the finished products. For example, why should we buy gold rings from Italy, when the raw material comes from here?

Restructuring of incomes is important to shift from producing for a very small local market. This will enable people to buy commodities. Hopefully investment growth and the labour absorptive capacity will increase and the rate of unemployment will fall. ♦



# Job creation through the ANC

Movement Marketing Enterprises (MME), formerly the ANC Business Unit, has launched an innovative job-creation scheme which goes under the title "Hawker Training and Development Scheme".

**M**ME General Manager Peter Roussos says working with hawkers became necessary in order to distribute ANC products that many commercial shops refused to carry. ANC members in need of work were recruited to sell ANC T-shirts, caps, magazines and so on in their townships.

"Initially we had 20 to 30 hawkers selling goods worth in the region of R30 000 every month," says Roussos. The scheme then snowballed and soon branches and regional offices from all over the country were requesting goods on credit. MME was not able to meet this growth in demand for credit. This prompted MME to develop the hawker scheme.



**Left:** Miriam Ncalo, graduate of the Informal Business Training Trust (IBTT), which trains hawkers in the scheme.

**Below:** a group of graduates at the IBTT, with Pete Roussos and Steve Umlaw standing.



The first step was to raise credit finance for the hawkers. After a year of tough negotiating, the Small Business Development Corporation together with First National Bank put together a financing package which provides the hawker with a R300 overdraft facility, increasing to R500 in the first six months.

To qualify for the scheme, hawkers have to be appointed by their ANC branches and approved by MME and the bank. The hawkers receive a week's free training organised by MME under the auspices of the Informal Business Training Trust. This focuses on skills like using a calculator, costing goods, keeping stock and financial records and repaying loans.

MME also offers the advantage of bulk buying. A range of commodities have been sourced by MME specifically for this programme. Goods have been donated by the Chinese, Taiwanese and other governments in the Far East. Local companies are also being approached to supply goods at competitive prices.

Strict performance criteria are set by the scheme. A hawker has to buy a minimum amount of goods from MME every month and the bank requires regular payments into the account.

## A HAWKER IN EVERY ANC BRANCH

"The long-term aim is to develop the hawkers into spaza shop owners and eventually into fully-fledged retailers in their townships," says Roussos. The scheme has been launched in the PWV region. Already negotiations have started with a broader consortium of financial institutions to spread the scheme countrywide.

Within the next 18 months, a hawker will be appointed at every ANC branch around the country. Hawkets will contribute a percentage of their earnings to the branch.

The monthly sales target for each hawker within three months is goods worth R1 000. With 2 500 hawkers in the field (one per ANC branch) the total monthly sales potential is a quarter of a million. This will raise one and a half million a year for the ANC.

The scheme will start with the ANC, but the intention is to spread to other community organisations. The scheme focuses on building the relationship between the individual and the community organisation. Without the organisation, the individual cannot get access to finance or training to start a business. The organisation provides the necessary security and in turn receives a percentage of the profits. ♦

**Any ANC branch that is interested in finding out more about the scheme can contact Peter Roussos at MME at:**

**Tel: 011-293032**

**Fax: 290050**