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DISCUSSION DOCUMENT ON INVESTMENT AND THE POLITICS OF CHANGE IN
SOUTH AFRICA FOR DISCUSSION WITH MR C BAM SPECIAL REPRESENTATIVE IN
EUROPE AND MR AZAM K ALIZAIE, DIRECTOR OF INVESTMENTS FOR AFRICA,
FROM THE INTERNATIONAL FINANCE CORPORATION, UNITED KINGDOM BY
MANGOSUTHU G BUTHELEZI, PRESIDENT, INKATHA FREEDOM PARTY AND

CHIEF MINISTER OF KWAZULU

ULUNDI - 5TH DECEMBER 1991

I believe that South Africa is now so launched into the future that fundamental change leading to the final and full scrapping of apartheid and the establishment of a new democracy is irreversible. The founding of the Convention for a Democratic South Africa

(CODESA) has already commenced. The Preparatory Committee meeting

held last week in Johannesburg, the 29th and 30th of November, saw

the South African Government and the ruling National Party draw together with all the other political parties of the country except

the PAC, AZAPO and the country's far right-wing parties.

Already sufficient consensus has emerged among the political

parties in this country to establish CODESA and to go on to explore

basic constitutional principles and transitional arrangements for a new South Africa.

Politically speaking it really will be impossible for the South African Government to renege on its undertakings to govern South Africa into a new multi-party democratic dispensation. ' The only politics in South Africa now that is the 'real politik' is the politics of change.

There is no power base in the country anywhere strong enough to challenge this position. The National Party itself does not any longer ~ have any power base from which it could proceed to do anything other than what it is now doing. Mr de Klerk succeeded

Mr PW Botha precisely because the ruling National Party could not survive the slowness with which Mr Botha was bringing about the changes that the National Party had committed itself to.

The International Community must be made aware that political parties in this country are being driven by institutionalised South Africa to participate in the liberalisation of the country and to fully eradicate apartheid. Whether you are about talking religious institutions or sport and cultural institutions, the institutional demand is for a normalised Western-type multi-party industrial democracy.

All the Universities in the country and virtually all educationalists have joined in with religious and economic groupings to build up enormous pressure for positive change away from apartheid. The majority of people in all our country's race groups realise that only a multi-party democracy will save South Africa from ruin and the majority of people certainly want change

to come about as rapidly as possible.

Big business and virtually all of the country's captains of industry and investors have been doing a lot more than talking about the need for a new South Africa. They have gone ahead of

politics and have been preparing for a race-free multi-party

democracy resting on an enterprise-driven economy. Organised mining, commerce, banking and industry are throwing their weight behind the thinking and planning for the new South Africa.

The South African commitment to bring about change away from apartheid is very real. However rough the road could yet become, and however many difficulties we may yet experience in the process of establishing a new South Africa and a new democracy, the only way forward is to democracy.

I constantly tell my people that as far as they can see ahead the majority of Black South Africans are likely to get poorer each year. We have a Black birth rate of over 3% per annum. There is

already a huge population bulge bearing down on the market place which is a result of this high birth rate. Over 50% of all Black South Africans are 15 years old and younger. There are already huge backlogs in housing and education facilities and in health and welfare facilities. The present population bulge bearing down on the market place will exacerbate the difficulties which are

inherent in dealing with these backlogs.

Even if we began with the best possible constitutional settlement tomorrow, what I am saying will remain true for at least another decade. Ultimately it is only improved economic circumstances

which lower birth rates in poverty-stricken Third World countries.

Right now the best we can hope for in sustained -economic growth rates is a growth rate of something like 5% per annum. We must face the reality that however inadequate that growth rate will be, in order to solve South Africa's poverty problem within the foreseeable future, sustained growth rates at that level will be difficult to maintain because of the lack of both development capital and sufficient numbers of educated, trained and experienced workers.

Already there is a very substantial Black South African reliance on the country's informal economic sector for life itself. There are

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vast sprawling squatter areas and informal settlements around every major town and city in the country. Many millions of Black South Africans live in them and there is for them little prospect of having anything much better.

The over-crowded and over-exploited rural areas cannot sustain the life of the people in them. A very strong urbanisation process is under way in South Africa which is increasing at something like 8% per annum. This means that in addition to increased numbers in urban areas due to high birth rates, there are further increases due to the flooding into towns from rural areas.

Generally speaking for every one Black wage earner in the country there are at least 11 dependants. The majority of children now at Black schools would not be able to be there if it were not for the assistance they and their families get from one or another

relative.

The development of the country's informal economic sector is going to be vital for the survival of the country. This sector will only develop if the central cash economy develops. The <central cash economy will in turn only develop if there is a very substantial inflow of foreign investment and the expansion of international

markets which that investment can exploit.

It is for me a matter of very great concern that there are still those who advocate sanctions against South Africa. I am totally astounded that in this day and age of enlightened thinking there are still those who cannot see the terrible dangers of continuing economic sanctions. They know full well that to be faced with exponential birth rates and to lineal growth rates we face certain economic ruin.

Those who advocate sanctions against South Africa do not stop to look at what has happened in the rest of Africa. Africa has shown us that spreading mass poverty always becomes the mortal enemy of democracy. People will always turn to blame the government of the

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day if they are trapped into situations in which they continue to
get poorer each year no matter what they do.

We have seen again and again how pressure from a disi
liberated people who have overthrown racism and colonial
without at the same time laying the foundations for sound
development, has lled to disastrous consequences. Qui
countries have been lliberated at the expense of
development because there was the wrong notion that once
matters have been settled and power passed to the people,
could be corrected.

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Economies cannot be switched on and off at will and adverse circumstances produced by wrong politics can have a lasting

detrimental effect on economic development.

We must begin now to correct the adverse effects of past apartheid and we must now begin dealing with the fact that the uncertainties inherent in South Africa's present position of flux and change, are

having a negative effect on foreign investment patterns.

Foreign investors would tend to wait for greater certainties than there now are and anybody dealing with the investment question

should know this fact and should be as persuasive as possible to

advance investment dates.

In medium and longer term the whole of Southern Africa is going to benefit from what is happening in South Africa today. Numerous states in the sub-continental region have had their victories against colonialism and racism but they have still to fight another form of struggle - the struggle against poverty, ignorance and disease.

South Africa simply must be made into a gateway for development for the whole of Southern Africa. We must so win our struggle for liberation here and it must be so backed by the international community and international financiers, that what happens in South

Africa feeds progress into the whole sub-continent.

Investors should help us exploit the very real advantages we have. We have an industrial base and very substantial mineral deposits as well as an economic infrastructure which is unparalleled in Africa. Our electricity and water supply systems and our rail and road transportation systems are ready to assist in this economic development.

There is already a base of managerial efficiency and technological sophistication which creates investment opportunities in South Africa which are just not found anywhere else in the continent. What is more is that these advantages exist together with the most sophisticated banking system on the continent. The prospects of

sustained economic development and the discipline of a sound fiscal control system should be really marketed with a great deal of vigour.

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The democratic process will suffer from poverty. It is not only people, however, that will suffer. Progress towards movement away from people suffering will be adversely affected by delays in making investments in the country that could now in fact be made.

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