

EMBARGOED UNTIL DELIVERED

**MEMORANDUM FOR PRESENTATION TO MARIUS SMITH,  
MANAGING DIRECTOR OF METROPOLITAN LIFE**

**BY MANGOSUTHU BUTHELEZI, CHIEF MINISTER OF KWAZULU  
AND PRESIDENT OF INKATHA FREEDOM PARTY**

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Mr Marius Smith, welcome to Ulundi. Metropolitan Life has made a tremendous contribution towards the shaping of South Africa's future. It's progressive management structures have set an example in the insurance industry, with its management training programmes for less advantaged Black people, helping these people overcome the educational and environmental disabilities inherent in our society. Once opportunities arise for the Black people of this country to obtain sound training and to actively put this knowledge to good use, their inherent ability to succeed in a market-orientated society will become obvious to the business world.

What I admire about a company like Metropolitan Life is the positive contribution it is making to achieve the economic growth levels this country requires to meet the needs of our burgeoning population. The success of your company rests with the philosophy to identify your position in the market, and attempt to understand the needs of your market. Your conscious commitment to create investment opportunities by ploughing capital back into the communities from which it comes, enhances the economic activities of these communities.

The business of the future will have to adopt an approach to social involvement aimed at promoting the social and economic development of the communities among which it works. The future of South Africa and its people will depend on a business-driven effort to bring lagging Third World regions nearer to First World possibilities by stimulating wealth-creating economic activities. This will require an emphasis on labour intensive business operations which will create employment opportunities for the rapidly expanding, economically inactive sector of our population.

The future government of South Africa must embrace an 'enabling' economic policy - a policy which serves to open up new and exciting economic opportunities for the disadvantaged majority, which at the same time will set this country on the economic growth path to success and prosperity. Whilst the IFP believes that it is absolutely necessary that political change be accompanied by fundamental restructuring and transformation of our society, every effort must be made to foster an environment which will promote economic stability and growth.



My greatest concern, and one which is no doubt shared by yourself and any other responsible business person in this country, are the disgruntled murmurs uttered by various mass-based organisations like the ANC and COSATU. While the ANC in general seems to be moving away from its radical rhetoric which expounds the virtues of nationalisation and the redistribution of wealth, my concerns regarding the future management of our economy remain.

Just recently the ANC economist, Tito Mboweni, proposed a reconstruction levy with estimates of the extra load on income tax burdens running into multiples of billions of rand. This package of proposals, with a once-off 15 percent special levy on income tax, plus a 5 percent tax on fixed assets, is precisely the recipe required for economic disaster. Policies of this nature which are aimed at creating a special fund for various socio-economic upliftment programmes to remedy the deprivations experienced by Black society under apartheid rule, must be severely judged for the potential risks they cause.

The South African Chamber of Business has estimated that it will take approximately R40 billion to iron out Black/White disparities caused by apartheid in the basic spheres of housing, education and health services. Any attempt to reverse this situation immediately, through radical reconstruction programmes, will set this country back for decades. Short term economic gain that is not sustainable will need to be sacrificed, if long term political and economic stability is to prevail.

South Africa will have to match what it needs to do with what it can afford to do, and confront the inevitable reality that it may require a process stretched over at least 10 years to level the playing fields. While the challenge of building a new society will demand that resources be made available for development, reparation and to some extent compensation, South Africa could never afford to provide all the necessary remedies in one stroke.

The IFP believes that the foundations of reconstruction must be built with care, so as not to run the risk of undermining longer term investor confidence. In 1991, both the World Bank and the IMF - which taken together are likely to be by far the largest sources of aid to the new South Africa outside the private sector - voiced the serious warning that any significant rise in South African taxes would merely stimulate emigration and the exporting of South Africa's wealth, thus eroding the country's tax base, and neutralising fresh investment from abroad.

At this critical juncture during the transition, politicians must apply their minds to what would be best for South Africa, not to what suggestions attract votes. Our business sector needs some certainty about their future. Both local and overseas investors need to know what they are letting themselves in for if they are going to invest in South Africa. This you will not get from the ANC for precisely the reason that debate on that certainty would tear the ANC apart.



The ANC has raised the expectations of their supporters to levels they have no hope of fulfilling. A belief has spread that once the economically irrational and oppressive apartheid system has been removed, a promised land - a just and equal social order and a democratic economic system - will come into being and will work peacefully and harmoniously towards the progress of all races. In this promised land those who have been oppressed by apartheid will obtain their rightful political power, and there will be a widespread redistribution of wealth so as to secure deliverance from economic exploitation and poverty.

Raising the aspirations of Black impoverished South Africans is easy to achieve, due to the demonstration effect of inappropriate and unattainable living levels enjoyed by South African Whites under apartheid. But what the ANC alliance have failed to take into account is the obvious problems which will flow from inflated expectations, especially when faced with the inequalities of the present and our country's restricted resources - resources bridled by our relatively under-developed economy and poor economic growth prospects. Unfortunately any future government of South Africa has been placed at an immediate disadvantage. The deployment of resources under apartheid has bred inequality, waste, and duplication. And it is from this quagmire of wasted economic potential that a new democratic order must emerge.

Economically, central government rule in South Africa has been a disaster. Under the past dictatorial policies of apartheid rule it was possible for the constitutional planners of the Nationalist Party to over-centralise power, ignoring or over-riding the will of the majority in local communities - a process facilitated by the South African Government's policy of disenfranchisement.

Yet, despite the glaring anomalies inherent in central government rule, this is the system of government demanded by the ANC. Instead of opting for the democratic devolution of state power, the ANC want to concentrate central power still further, and it is from their lofty positions of power at the top that they intend to redistribute the wealth of this country. Yet South Africa, as a developing country, simply cannot afford government spending to rise above its already unacceptable high level. It simply cannot afford a government that takes an increasing slice of a limited cake. The illusion of prosperity that goes with profligate government spending, continual price rises and concomitant wage increases evaporates all too quickly, only to be replaced by inflation, a gross misallocation of resources and even greater poverty.

In our anxious endeavour to improve the lot of our people, we must make sure that we do not unwittingly condemn them to further poverty and indigence. If anything, sustainable economic growth demands that resources be placed in the hands of those who best know how to use them efficiently - that, of course, being business. Business in South Africa must be unshackled from the constraints of bureaucracy and a meddling government so as to foster the kind of entrepreneurial spirit that remains the force behind economic growth.



The role of the new government in South Africa would be to support the positive effects of free enterprise by removing artificial barriers to entry and growth; planning, co-ordinating and implementing fiscal policies to raise revenue for development. The IFP believes that this promotion of economic growth and development could be best achieved through a federal state government, a government whose fiscal policy is directly influenced by regional and local government. The advantage of federalism lies in its ability to increase the efficiency and effectiveness of state expenditure by fine-tuning expenditure with the needs of the community.

From an economic perspective the most important feature of federalism is the fiscal relationship between the different levels of government. Federalism is a positive step forward when addressing regional imbalances that exist. Regional redistribution can be used to ensure that the poorer regions are able to render at least a minimum standard of essential services. Federalism alone reconciles the need for bottom-up community participation in development with top-down resource allocation. Federalism is about practical, sensitive, and most importantly, even development. Federalism creates structures which are at once politically accountable and economically sensible.

Opportunities for active participation in the political domain should begin now, by giving meaning to the notion of local empowerment. The merits of decentralisation as a means of giving people more control over their lives and ensuring that public services are efficient and appropriately tailored to local conditions is receiving wider acceptance, in regions throughout South Africa.

I would like to conclude by expressing my confidence in the future of South Africa. We have the determination and the will to see this country through its present economic crisis - we just need a clear vision on the way forward, and the concerted efforts and commitment from all parties to succeed, including South Africa's local business community. Together we must achieve a broad-based social and political consensus on the need for economic growth and the means of achieving it. This is the only path towards a future democratic South Africa.

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