Monday June 11 1990



As apartheid vanishes on to the scrapheap of history, South Africa is poised for a

compromise. Patti Waldmeir looks at the prospects for a peaceful transition from white domination, to

a constitutional solution that will satisfy the aspirations of all races

# Pretoria takes the plunge

South Africa is now a foregone conclusion. With a sigh of relief which is distinctly audible in the corridors of power, the ruling National Party has begun to divest itself of 40 years of apartheid baggage. There can be no turning back: "If you think we are going to cancel this, forget it," says Mr Barend du Plessis, the Finance Minister and an influential Nationalist. "We've jumped."

The supreme irony of South African politics is that only the African National Congress (ANC) can hold the net for the Nationalists. After 30 years as a banned organisation, the source of the "swart gevaar" (black threat) and the excuse for Pretoria's policy of "total onslaught", the ANC has re-entered centre stage as the white man's saviour.

The reversal has been dramatic: seemingly overnight, the state-controlled South African Broadcasting Corporation stopped demonising the ANC, and switched to transmitting a hagiography of its leader, Mr Nelson Mandela, released from 27 years in jail on February 11.

Since that time, Mr Mandela and Mr F.W. de Klerk, the South African president, have undergone an extraordinary

THE END of apartheid in bonding. The first official photograph of the two, released on the eve of Mr Mandela's release, showed them as stiff and uneasy. Yet, at their last joint appearance, following the talks between Pretoria and the ANC last month, Mssrs de Klerk and Mandela outdid one another with courtesy and warmth. In the words of one National Party MP: "They are like Siamese twins; neither can

survive on his own. For the forces of change are propelling both men towards the same bit of political ground: the territory inhabited by perhaps half of the 5m whites, as well as 1m Indians, 3m coloureds (mixed race peoples), and of the 27m Africans, many who yearn for peace.

In the process, each has alienated radical constituencies which oppose a negotia-tion. The Nationalists have lost support to the ultra-right Conservative Party, and inflamed the passions of the para-military right, including groups such as the Afrikaner Weerstandsbeweging (AWB). And the ANC risks leaving behind a large proportion of the youth, the "lost generation" of the mid-1980s which learned the politics of confrontation in



President F.W. De Klerk and Mr Nelson Mandela: "they are like Slamese twins; neither can survive on his own"

Even within the ANC's own broad anti-apartheid front, there are signs of opposition to the septuagenarian moderation of men like Mr Mandela. The South African Communist Party - a powerful, or even dominant influence within the ANC national executive remains loyally on-side for the moment. But its programme goes well beyond that of Mr Mandela and the African nationalists. At some point,

their interests must diverge.
The survival of both the National Party and the ANC may depend on their ability to do a speedy deal on a post-apartheid constitution which they can present as a fait accompli to the radical left and

right.

It is this imperative which has dictated the pace of change over the nine months since Mr de Klerk came to power in last September's general elections. The ANC has been kept almost permanently off guard by Mr boldly even when caution

would have been excusable. First he legalised peaceful political protest; then lifted restrictions on the ANC and other anti-apartheid organisations altogether. Political prisoners have been released, and others will come out soon; exiles have returned; repressive legislation (including the state of emergency imposed four years ago tomorrow) has been eased or repealed.

The aim is to normalise political activity, and interrupt the process of radicalisation among blacks which was the consequence of oppression. That normalisation process

is still under way; so far, Pretoria and the ANC have taken only tentative steps towards negotiating a new constitution. But the process has brought arch-enemies into civilised contact for the first time; and in the words of Mr Thabo Mbeki, the ANC's shadow foreign minister, each discovered that the other had no horns.

The two sides may yet find even more common ground between African and Afrikaner nationalism. For the natural coalition in South African politics is arguably not a conservative grouping - uniting, say, the National Party, the coloured Labour Party and Zulus represented by Chief Mangosu-

more powerful alliance might span the broad political possibly including the Nationalists (with their expertise and their finance) and the ANC with its superior

thu Buthelezi.

For the moment, both sides shake their heads in disapproval at such a notion. But even if formal alliance is a distant, perhaps an impossible goal, the past few months have already brought the ANC and the National Party into de facto coalition. The two sides have agreed to collaborate on ending violence, with Mr Mandela and Mr Advison Violence to the Minister

contact. Members of ANC-affiliated trade unions are consulted by government on issues such as labour law reform and privatisation. And there is more co-operation between black community groups and white-controlled local government structures.

Still, the gulf between the two sides is huge. Progress is being made on removing what both groups see as obstacles to formal talks on a new constitution: the release of remaining political prisoners, the return of all exiles, the repeal of some ecurity legislation; and from Pretoria, the demand that the

ANC end its armed struggle. But on the issue of the constitution itself, neither is willing to concede much common ground – either publicly or privately. The ANC is sticking to its insistence on a majorityrule constitution, with a bill of individual rights to protect minority interests, and an Mr Adriaan Vlok, the Minister independent judiciary with the power to review legislation.

multi-party democracy; when asked about specific constitutional guarantees for whites or other minorities, they bridle.

"That would just perpetuate apartheid under a different guise," says Mr Pennuel Maduna, a member of the ANC's constitutional committee. Mr Mandela has said he would consider "structural guarantees for whites"; but Mr Maduna dismisses the notion. And the ANC's continued insistence on an elected constituent assembly to draw up the constitution could prove a major 

The Nationalists envisage a Constitution which will bring education; Privatisation loses blacks to power, but without wholly marginalising whites. White dominance will go, but some measure of power must remain; anything else would be political suicide.

They are exploring constitu-tional models which could form the basis for compromise with the favoured option at the moment a two-tier American-style parliament. The lower house would be elected by proportional representation (viewed as the best way of ensuring minority representation); while the upper house would reflect a more explicit attempt to give whites a disproportionately large voice.

Minorities would be represented in this house according to some as yet undefined notion of "groups" — interest groups, language groups, or something else altogether. Ministers insist that race will not be the criterion; but it is hard to see how race can be avoided.

Crucially, many powers would devolve downward from the parliament to local or neighbourhood structures. By using health, safety or crowding standards, neighbourhoods could ward off integration and schools, through the medium of privatisation, could remain segregated.

On the economy, there may be even less common ground. For apartheid has bred economic disparities which are grotesque even by Third World standards: the average white that of a black Pretoria is from domination to democracy making belated attempts to has finally begun.

In this survey

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Editorial production: Roy Terry

redress these imbalances, with a R3bn trust fund for socio-economic development. But the ANC insists on a more active form of redistribution of wealth; and the South African Communist Party is eager to begin the transition to social-

The Communist Party believes that it is not social ism, but bureaucratic central ism which has been discredited in eastern Europe; its goal is to save socialism for posterity, by proving it can work in South

Both sides say they expect negotiations on a new constitution to begin late this year or early in 1991. Even the most optimistic think the process will take two to three years and will yield a transitional constitution, rather than the final document.

But, by the standards of recent South African history, three years is a long time: time enough for violence from left and right to sabotage negotiations; perhaps too long for the stamina of the 71-year-old Mr Mandela. Still, the prospects of a historic compromise in South Africa are better now than income per capita is 12 times ever before. The transition



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#### DEVELOPMENTS IN THE SOUTH AFRICAN ECONOMY

DR. C.L. STALS Governor of the South African Reserve Bank

Slower Economic Growth

After almost three years of an upswing in economic activity, the South African economy slowed down from the beginning of 1989. Real gross domestic expenditure declined in 1989 by almost 1 per cent, compared with an increase of 71/2 per cent in the preceding year. This decline can be attributed mainly to a substantial decrease in inventories at constant prices, while increases in real private consumption expenditure and real gross domestic fixed investment decelerated. In contrast, real government consumption expenditure continued to increase sharply, mainly as a result of an abnormally large increase in the first quarter of 1989. During the rest of the year real government consumption expenditure declined sharply.

The growth in the real gross domestic product for 1989 nevertheless still amounted to somewhat more than 2 per cent. Although this increase was lower than the growth rate of 3½ per cent recorded in 1988, it was higher than the average annual growth rate of 11/2 per cent during the 1980's. The relatively "soft-landing" of the economy can mainly be attributed

to favourable agricultural conditions and a continued rise in the demand for South African goods. The real value added by the agricultural sector increased by just more than 10 per cent in 1989, owing especially to a sharp increase in summer crops. After an increase by 51/2 per cent in 1988, real exports of goods and non-factor services rose by a further 91/2 per cent

Labour and Inflation

Total employment in the non-agricultural sectors of the economy increased by 0,9 per cent in the first nine months of 1989 compared with the corresponding period in 1988. This slower rate of increase in employment than in the economically active population implies a corresponding increase in unemployment in the country. An additional disturbing development that occurred in the labour market was a significant increase of almost 18 per cent in the nominal wage per worker during the first nine months of 1989, despite a marked slow-down in productivity.

Although the inflation rate is still high, there are nevertheless signs that the expansion rate has recently started to decelerate slightly. The annualised quarter-to-quarter rate of increase in the consumer price index namely declined from a peak of 18,4 per cent in the second quarter of 1989 to 14,7 per cent in the first quarter of 1990. Recent developments in the production price index is even more encouraging. The rate of increase in this index measured over twelve-month periods also declined from a peak of 15,8 per cent in May 1989 to 14,1 per cent in January 1990 and then to 12,9

**Balance of Payments and Foreign Reserves** 

In line with the deflationary strategy of the authorities, the surplus on the current account of the balance of payments rose from R2,9 billion in 1988 to R4,1 billion in 1989. The improvement on the current account in 1989 occurred chiefly in the second half of the year, and can be ascribed mainly to the high growth in the volume of exports as well as a significant fall in the volume of imports. Over the past five years this surplus amounted to

R26,3 billion, or an average of 3 per cent of gross domestic product. The capital account of the balance of payments also improved in 1989, but net capital outflows were nonetheless R5,6 billion as against R6,5 billion in 1988. These sustained capital outflows consisted mainly of scheduled debt repayments, but there was also a sharp increase in the foreign short-term assets of the country, apparently connected with the growth of

The improvement in the current account combined with the net outflow of capital, resulted in an increase of only R201 million in the country's gold and other foreign reserves. Preliminary data indicate that the capital account started to improve dramatically during the beginning of 1990. This development in conjunction with the sustained strength of the current account, caused South Africa's total net gold and other foreign reserves to rise by R2,9 billion during the first two months of 1990. Over the same period South Africa's total gross gold and other foreign reserves rose by R1,4 billion to R8,3 billion at the end of February 1990. As this level still covers only about 11/2 months of imports of goods and services, the declared intention of the monetary authorities is to strengthen these reserves further.

**Exchange Rates of the Rand** 

The improvement in the overall balance of payments resulted in a much more stable exchange rate of the rand. The effective exchange rate of the rand, which dropped by 22,5 per cent in 1988, declined only moderately by 4,3 per cent in 1989. Appreciations of the rand against sterling and the

yen were overshadowed by depreciations against all other major currencies. In the first four months of 1990, the effective exchange rate of the rand declined further by 3,9 per cent.

The financial rand appreciated by 40 per cent from its lower turning-point on 25 August 1989 to 6 February 1990. This improvement could be attributed mainly to increased foreign demand for South African securities and improved perceptions regarding socio-political developments. Subsequently it depreciated again by 21,2 per cent up to the end of April 1990.

**Monetary and Fiscal Developments** 

The excessively rapid increases in monetary aggregates and in credit extension by monetary institutions which started in late 1987, began to slow down markedly in 1989. Nevertheless, in the view of the monetary authorities the growth in money supply and bank credit remained too high. The twelve month rate of increase in the broad money supply (M3) declined from a peak of 27,9 per cent in August 1988 to the still high level of 21,4 per cent in February 1990. Similarly, the twelve month rate of increase in credit extended to the private sector by monetary institutions came down gradually from 29,9 per cent in January 1989 to 18,6 per cent in February 1990.

In view of these circumstances, the high rate of inflation, continued compulsory repayments on foreign debt and the low level of the foreign reserves, the authorities continued to apply a restrictive monetary policy. The Bank rate was increased in three further steps during 1989 to 18 per cent and greater pressure was placed on the banks by means of moral suasion and penalty rates on a part of the accommodation at the discount window. The authorities also reduced the guidelines for the growth in money supply between the fourth quarter of 1989 to the fourth quarter of 1990 to 11 to 15 per cent from 14 to 18 per cent in the previous year.

Strict discipline was adhered to by the fiscal authorities. In fiscal year 1989/90 government expenditure rose by 16,2 per cent, while revenue increased by 28,2 per cent. The deficit before borrowing relative to gross domestic product accordingly amounted to a mere 1,6 per cent, against the original Budget estimate of 4,1 per cent.

**Structural Adjustment** 

These short-term economic stabilisation measures are reconcilable with the increased emphasis placed by the government on a long-term structural adjustment programme. In view of serious structural problems which beset the South African economy as well as political reforms undertaken by the government, three broad structural policy considerations were formulated by the Minister of Finance in his 1990 Budget speech, namely:

(i) "The economy must be restructured so as meaningfully to raise the living standards of the entire South African population. Since the private sector is the prime wealth creator, those factors leading to

income and wealth generation by that sector must be promoted." "High priority will have to be given to the urgent socio-economic development issues of poverty and the backlogs in housing, education and training, literacy, basic health needs and other factors impeding both participation in the economy and the raising of living standards. But fiscal discipline must not be jettisoned in the process: there must be a thorough determination and rearrangement of pri-

orities, and also greater cost-effectiveness. "Apart from these long-term issues, macro-economic policy in the short-term must remain focused on the stabilisation of economic activity over the course of the business cycle.'

In view of these broad considerations, the Minister also stated that the

following structural problems in particular would receive attention:

• The gradual reduction of the inflation rate to levels comparable with those of South Africa's trading partners;

the restoration of savings; • the reduction of the tax pressure on households in comparison to

the encouragement of responsible wage bargaining;
the promotion of the competitive ability of South African industry; and • the elimination of factors preventing the relative prices of factors of

SOUTH AFRICAN RESERVE BANK

production correctly reflecting the relative scarcity of such factors.

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PRETORIA 0001 TEL: (012) 313-3733. TELEFAX: (012) 313-3749 CAPITALISM is on trial in

South Africa, and the trial

period is perilously short. Over

the next two years, perhaps

less, Pretoria must persuade blacks that capitalism is not

the cause of deprivation, but

its remedy. The system of economic apartheid inherited from

42 years of National Party rule

makes black leaders sceptical

of this message: and with eco-nomic growth depressed, now is the worst time to be putting

"It is a tragic irony that

negotiations are getting under way just when the economy in

on the downturn," says Mr

Barend du Plessis, the South

African Finance Minister, a

member of the National Party

team negotiating with the Afri

can National Congress (ANC).

omy which supports the nego-

tiation process," Mr du Plessis

argues. "It can't just be the

cherry on the cake; it must be

the very wheels that carry

negotiations to their destina-

But it is difficult to see the

1990 economy providing the

Nationalists with much ammu-

nition for their battle against

socialism. Economic growth

"What we need is an econ-

the free market to the test.

.1,223,226 sq km (includes homelands ..35.9m (1988 est including homelands

**KEY FACTS** 

Africans

economic system which uplifted the Afrikaner, but led

to inefficiency and waste -Pretoria has been born again

Ironically, international

sanctions appear to have

played a large role in spurring

the Government on to reform.

Without steps to promote

exports, and reduce imports,

South Africa's balance-of-pay-

ments situation would have

been untenable: since 1985,

when Pretoria declared a par-

tial debt moratorium, South

Africa has seen a total net cap-

recently: according to Mr Chris Stals, governor of the South

African Reserve Bank (central

bank), the net capital outflow

in the first quarter of 1990 was

zero; and in the past five

months, foreign reserves have

risen by \$1bn. Outflows will

increase as South Africa repays the \$1.2bn of debt

maturing this year (total debt

maturing in 1990 is estimated

by Mr Stals at \$2.1bn to \$2.2bn.

but a large portion has been or

However, Mr Stals sees no

difficulty in meeting these payments, with the surplus on the

to R6bn at the moment. And,

by the end of 1991, Pretoria will

any one year.

For the first time in years,
South Africa will then be able

to determine economic policy

without the constraint of run-

ning a large balance of pay-

ments surplus. Mr Stals esti-

mates that if the net outflow

could just be stopped, 3 to 4 per cent growth is possible, while

growth of more than 4 per cent

eign capital.

will be rolled over).

That situation has eased

ital outflow of R30bn (\$13bn).

into the capitalist faith.

Patti Waldmeir discusses the downturn in the economy

# Born again into capitalism

two quarters, and even the most sanguine forecasters expect at best 0.5 per cent real GDP growth this year.

Mr du Plessis argues that the basis has now been laid for sustainable growth, following an intensive period of structural adjustments aimed at

reducing the role of govern-ment in the economy (through privatisation and deregulation), and at introducing fiscal

leagues in other economic min-istries and departments, are and monetary discipline. "We had to telescope into a clearly proud of the Governvery short period of time strucment's recent record of ecotural adjustments which nornomic reform. For, after decades of Afrikaner socialism mally take place over a much longer period - and we were

BALANCE OF PAYMENTS (annual figures, Rm)					
	1985	1986	1987	1988	1989
Merchandise exports¹ Net gold exports² Service receipts less Merchandise imports¹ less Payments for services	20,465 15,460 5,796 23,045 13,109	25,048 16,719 6,222 25,514 15,664	25,146 17,792 6,453 28,320 15,350	31,472 19,622 7,504 39,170 16,882	39,555 19,228 9,297 44,133 20,381
Total goods and services	5,567	6,811	5,721	2,548	3,566
Transfers	358	385	431	393	531
Balance on current account	5,925	7,196	6,152	2,939	4,097

2 Net foreign sales of gold plus changes in gold holdings of the Reserve Bank and other banking s. Source: South African Reserve Ban

The ANC's economic debate

THE African National Congress (ANC) is clear about its economic objectives: to abolish white economic privilege along with political privi-lege; to "democraticise" and 'deracialise" the exercise of economic power; to eliminate the gross economic inequalities fostered by apartheid.

But it has only just begun drawing up policies to achieve those objectives. The ANC returns from 30 years in exile with few of its own position papers on vital economic issues, and only a handful of trained economists.

Now, though, economic debate within the ANC has begun in earnest. South African and foreign academics, trade union economists, and the local business community are being called on to contribute. The result, in many cases, is confusion. For the moment, the ANC is experimenting with numerous policy options.

The clearest indication yet of

the direction of its thinking came last month when Mr Nelson Mandela, ANC deputy president, addressed a conference in Johannesburg bringing together ANC officials and some 400 local businessmen.

He was at pains to stress that the ANC was not blindly committed to nationalisation an impression which he

# Mandela policy

previous statements on the issue, which precipitated sharp falls in the Johannesburg Stock Exchange and in the value of the rand.

"The ANC has no blueprint that decrees that (privatelyowned) assets will be nationalised . . . But we do say that this option should be part of the ongoing debate...It should not be ruled out of the court of discussion simply because of previous bad experience or because of a theological commitment to the principle of private property," Mr Mandela

He acknowledged "the critical importance of such matters as the confidence... of both the national and international business communities," adding that the ANC "can have no desire to go out of our way to bash them and to undermine or weaken their confidence in the safety of their property and the assurance of a fair return

statement

ANC government would have

to respond to "justified popular

concern about the grossly

unequal distribution of eco-

nomic power" Apart from these general statements of intent, Mr Mandela made passing reference to issues such as the use of antitrust legislation to limit the concentration of economic power; the appointment of state and trade union representatives to the boards of private sector businesses; land reform and taxation.

Mr Mandela chose his words judiciously to avoid alarming his listeners. But his bottom line was that redistribution of wealth must take place "in conditions of a growing economy", that public spending must be redistributed in favour of the disadvantaged, and that "growth by itself will not ensure equity". This could best be assured by the elaboration

tive national plan" drawn up by a future parliament "together with the public at

forced to do it without access

to international financial

Mr du Plessis, and his col-

large," he said.

However, it would be dangerous to draw too many conclusions from Mr Mandela's speech. It is not clear how closely the speech reflects the views of the ANC's most prominent economic thinker Mr Joe Slovo, an influential member of the ANC national executive and general secretary of the South African Communist

Mr Slovo argued in a recent article that "the resources which have to be generated to correct inherited imbalances and deprivations of the majority demand, in the first place, a necessary degree of state connecessary degree of state con-trol (involving selective forms of ownership and participation) over strategic sectors of the

"In short," argued Mr Slovo, "liberation can have little meaning without disturbing the existing access to and distribution of wealth and resources." Mr Slovo proposes nothing so dramatic as an immediate transformation to socialism; but his vision is clearly more radical than that of Mr Mandela, and appears to be shared by many within the union movement and the ANC

demands.

According to Mr Servaas van den Berg, an economist at Stellenbosch University, the cost of abolishing fiscal apartheid (introducing parity between white and black benefit levels) in the fields of education, pensions, health and housing would be some R75bn, more than the whole of the 1990/91

current account of the balance of payments running at R5bn be over its debt repayments hump, left with no more than \$1bn in foreign debt to repay in

would require an inflow of for-Mr du Plessis forecasts that by the end of 1991, the economy will have entered a new growth phase (provided, of course, that the gold price holds up). The ground has been prepared by a mildly stimulatory budget for 1990-91. "The strategy now is to stimulate the economy on supply side principles, while making masnext few months will begin to show whether Pretoria's optisive investments in social expenditure," says Mr du Ples-

that Pretoria's commitment to fiscal discipline may not survive the pressures of politics in the transition to a new South Africa. Mr Gerhard Croeser, director-general in the Department of Finance, says government remains firmly wedded to discipline. But he admits Pretoria will henceforth need to consult more widely on the budget – ANC officials will almost certainly have an input, if not in the next budget then in the following one – and it will be difficult to deny their

For the disparities between white and black are huge. Per capita spending on black education (excluding capital spending) totalled R765 in 1988/ against R3,082 for whites, while health spending was R137.84 per capita for blacks, and R597.11 for whites. Housing is perhaps an even more urgent problem: the Urban Foundation calculates that nearly half of all African families are housed in shacks.

Yet, according to Mr Stals, growth of more than 4 per cent cannot be achieved without foreign capital. And most economists and government offi-cials are extremely cautious about likely inflows post-apartheid. South Africa does not qualify for direct World Bank assistance because per capita income is too high; with its balance of payments surplus it would not qualify for assis-tance from the International Monetary Fund (IMF), even if politics did not prevent its access; and Eastern Europe may well prove stiff competition when it comes to other sources of capital.

Much will depend, of course on the economic policies of a post-apartheid government. "If you put nationalisation to the vote it would win," says Mr Stoffel van der Merwe, a member of Pretoria's negotiating team with the ANC. "But people who understand economics can be persuaded," Mr van der Merwe believes. "When it comes to the point of discussing economic issues we will have strong arguments." The

Economists fear, however,

#### **Head of State** ......100 cents = 1 Rand Exchange rate (1989 average) **ECONOMY** 89,409 Total GDP (\$m). 20% Real GDP growth. GDP per capita (\$). not avail Current account balance (\$m). 1.595 15% Budget deficit as % of GDP... 23.0% External debt as % of GDP... Debt service/exports.. Exports incl non-factor svcs 22.4 24.3 Imports incl non-factor svcs 18.8 5.5 Trade balance (\$bn). 9.5% Export volume growth rate. 22.5% 12.9% 0.0% Import volume growth rate.... Exports plus imports as % of GNP

Source: EIU, Reserve Bank Quarterly Bulletin

Black trade unions

## Gearing up for militancy

IT IS a heady time for black trade unionism in South

After four years at the fore-front of the black political struggle against Pretoria, trade unionists congratulate themselves for hastening the end of apartheid. Union leaders expect to play an important role in negotiating a post-apart-heid constitution, while their members, spurred on by rising political expectations, are gearing up for industrial militancy.

The legalisation of black unions a decade ago drove the first important wedge in the edifice of white power. Since that time, and especially during the darkest days of the state of emergency imposed in 1986, black unions assumed (along with the churches) the leadership of the anti-apartheid

struggle Pretoria barred the unions from political activity in February 1988; but they managed to keep the spirit of resistance alive. Meanwhile, union leadskills in wage talks with employers - influencing the ANC's eventual decision to negotiate with Pretoria, and the time when formal talks

Already union leaders are moving towards a less adversarial relationship with Pretoria and the employers. Officials of the Congress of South African Trade Unions (Cosatu), the largest union federation, and of the National Union of Mineworkers (NUM), the most powerful union, have met Government officials on numerous occasions recently to discuss industrial relations and broader political issues such as privatisation of state enter-

It is difficult to avoid the conclusion that the unions, like the ANC, are participating in a de facto coalition with the National Party.

"We're meeting ministers almost every day," says one enthusiastic NUM official. The gap between the two sides is still huge: after a recent meeting with ministers, union officials issued a statement criticising Pretoria's privatisation policy. But contact is at an early stage, and common ground may yet be found.

Two meetings last month, both held on the same day, illustrated the radical change in union relations with Pretoria and the employers.

In Welkom, the scene of racial attacks which left more than 10 people dead in one week last month, NUM officials held a meeting with the Minister for Law and Order, Mr Adriaan Vlok, and mine management. Mr Vlok, who ordered the detentions of more than 30,000 people during the state of emergency and is hated by many blacks, must have been astounded to hear Mr Cyril Ramaphosa, the NUM general secretary, refer to him as "our minister"

And later that day in Cape Town, it was time for unionemployer solidarity: union officials went into joint caucus with employer representatives to determine a strategy for their meeting with Mr Eli Louw, the Minister of Man-

Unions and employers – represented by Cosatu and the smaller union federation, Nactu (National Council of Trade Unions), and by the employers' federation, Saccola (South African Coordinating Committee on Labour Affairs) – presented to Mr Louw joint proposals on amending South Africa's labour laws.

The proposals were thrashed out during two years of unionemployer consultations, and have yet to be accepted by government. In themselves, they represent little more than a return to the status quo ante, before the adoption in 1988 of the Labour Relations Amendment Act which outlawed secondary strikes, introduced



Cyril Ramaphosa

Union membership

tougher definitions of unfair labour practices, allowed the Industrial Court to interdict lawful strikes, and held unions financially liable for damage during unlawful strikes.

The Cosatu/Nactu/Saccola agreement provides tentative evidence of a new maturity in the country's labour relations. But union officials argue that much remains to be achieved: despite the breathless pace of political change, workers have so far seen no improvement in material conditions.

Labour consultants predict a high level of industrial action in coming months, with workers' demands inflated by political expectations. Man days lost due to strikes in the first quarter of 1990 were four times as high as the same period of 1989, according to consultants Levy, Piron and Associates. They were estimated at 500,000 to 600,000 compared with 140,000 in the same period of 1989, while violence, damage to property and serious assaults also increased. And public sector workers, including hospital employees, are showing greater militancy.

It is too early to say whether 1990 will see a repetition of the bitter 1987 miners' strike, however. The NUM has demanded an average 35 per cent wage increase, and there seems little hope that employers will agree. redundant since the last strike, the miners' union will be in no hurry to repeat the 1987 experi-

In economic terms, now is the worst time for industrial action. Real economic growth is projected at no more than 0.5 per cent for 1990, and company profits are already reflecting the downturn. The trade-off between jobs and wages could well come sharply into focus: according to Levy, Piron, employment in manufacturing has risen only 5.6 per cent since 1980, while black wages in manufacturing have increased by 19 per cent per annum. Without large productivity gains in 1990, further pressure could be placed on

In the meantime, the unions appear eager to see liberal labour legislation put in place before a new Government takes over. This government may well be dominated by the ANC - with whom the unions are strongly allied. But union leaders are anxious to protect the independence of the trade union movement. Given the experience of labour unions in the rest of Africa, they would do well to ensure that now.

**Patti Waldmeir** 

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#### Philip Gawith looks at sanctions

### Harmful but also helpful

Africa is that sanctions are yesterday's topic - the world has done its worst, the country has taken the pain and from now on things can only get better. While this may be so, the economic legacy of sanctions will live on long after they have been lifted.

Attempting a political audit of sanctions — whether, if at all, they pushed the Government towards political reforms is an impossible task: the subject is so emotional, subjective and intangible. The truth is probably that sanctions were among many factors which influenced Government thinking.
A cost-benefit analysis is

even more vexed, although business has no doubts. Mr Lesley Boyd, chairman of High-veld Steel and of the South African Chamber of Business, says: "The damage caused by sanctions is far greater than any contribution they may have made to the political pro-

cess in the country. In more sanguine moments South Africans argue that sanctions have had some benefits for the country. Mr Stef Naude, director-general of the Department of Trade and Industry, notes: "The determination to rectify the structural problems in the economy was the result of sanctions. We're coming out of this leaner and meaner. The private sector has

lost its flabbiness." The problem is the country has lost a lot more than flab. A study by the Washington-based Investor Responsibility Research Center (IRRC) estimates sanctions cost between \$15bn and \$27bn and that the economy is 20 to 35 per cent smaller than it would have been without restrictions on capital inflow and costly

import substitution strategies. Sanctions divide into three main categories: financial sanctions, restrictions on markets for exports and disinvestment. Few dispute that financial sanctions have hit the country hardest. According to Mr Chris Stals, governor of the Reserve Bank, net capital outflows from South Africa in 1985-89 totalled R30bn. That meant running a current account surplus which, given the import propensity, has meant a ceiling of about 3 per cent on GDP growth. For a capital-hungry, developing country these outflows have seriously constrained growth.

Most South African exporters who lost markets in 1986-87,

avia and the EC implemented sanctions, found alternative outlets; but the cost was high. The deciduous fruit industry lost 17 per cent of its export markets and 12,000 seasonal workers lost their jobs. This bears out the IRRC conclusion that boycotts of South African goods have been regressive in impact, with blacks suffering a larger proportionate decline in

income than whites. South Africa had quotas to export 500,000 tonnes of finished steel to the US and the EC. These markets constituted 40-50 per cent of the industry's exports. In 1986-87, they were lost. According to Mr Boyd they have been replaced; but this has prevented normal growth of the industry.

The impact of disinvestment

is difficult to measure. In gen eral, business has gone on either via a licensing arrangement or through local compa nies buying the assets, often at knock-down prices. There have also been impressive turn arounds, such as with Delta which bought out General Motors. Anecdotal evidence indicates, however, that the withdrawal of a parent company leads to local companies falling behind in technology. But the main problem comes in the long term – there is little reason to believe a different political dispensation will bring back the multinationals.

Perhaps the most insidious effect of sanctions was their impact on industrial strategy The oil and arms embargoes forced the country to seek self-sufficiency in these areas; strategic, rather than economic, considerations determined investment decisions. The oil embargo hurt in two

main ways. First, it caused the stockpiling of oil at considerable cost. The second major cost came from synthetic fuel projects: Sasol, which extracts oil from coal, and Mossgas, (oil from gas). There have been repeated calls for the abandonment of Mossgas which is seen as a white elephant.
Recently there has been evi-

dence of greater normality in the running of economic affairs. Mr Dawie de Villiers, Minister of Mineral and Energy Affairs, announced an investi gation into the deregulation of the liquid fuels industry. And Mr Naude said that direct trade with traditional foes such as Africa, China and eastern Europe was growing as a result of political reforms afoot.

#### **SOUTH AFRICA 4**

IT SEEMED more of a family outing than the launch of what Mr Andries Treurnicht, leader of the far right Conservative Party, proclaimed as the "third freedom struggle" of the Afrikaner nation.

The aroma of roasting boerewors (sausage), colourful beach umbrellas, and children queueing for refreshments in the huge amphitheatre below Pretoria's Voortrekker Monument, looked more like a vast picnic for 50,000 people than a show of strength by right-wing South Africa.

On the same day last month, President FW de Klerk reaffirmed the policy that is dividing Afrikanerdom, addressing a crowd at Jan Smuts airport after his nine-nation tour of

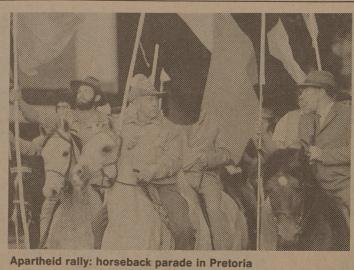
'The new South Africa is in the process of being born, and nobody can stop it," he said. So far it seems that Mr de

Klerk is holding his own. While the CP is able to play on the deep-rooted fears held by many whites about a postapartheid South Africa, it is unable to present a credible alternative.

The party stands for the old impractical apartheid ideal that racial groups should "exercise their right to self-determination in their own states under their own governments,' as the party's manifesto says. In his speech at the Voortrekker Monument rally, Mr Treurnicht's language was fiery, although his delivery was flat.

"You do not have enough jails to keep Afrikaner nationalism imprisoned," he declared. "We warn: this is an unfair government which no longer represents the volk (peo-

But Mr Treurnicht offered little in the way of strategy. A 10-point "plan of action" included a call for support at the Umlazi parliamentary by-election; further efforts to collect one million signatures



RIGHT-WING POLITICS

## Third freedom struggle

for a petition opposing government policy; and negotiations for a white homeland although it was too soon to set out its borders.

The party's strong showing in last week's Umlazi by-election, failing by a few hundred votes to take over a National Party stronghold, has boosted morale. But the next step is uncertain. Given that the CP has considered, but rejected, both a national strike by its members, and the resignation of its 39 MPs in order to challenge government's popularity at a "mini general election, the plan of action must have seemed dull fare for any

law-abiding party supporter. Hence the mood at the rally was subdued and reflective, rather than suggesting overwhelming enthusiasm for the "third struggle." (The Anglo-Boer war of 1899-1902 is known as South Africa's second war of independence). But the spectre of a right-wing backlash against the dismantling of apartheid nevertheless worries

many observers.
The CP, the Afrikaner Weerstandsbeweging (AWB), the extreme right para-military organisation led by Mr Eugene Terre'Blanche, and several smaller extremist groups, enjoy considerable support from within the ranks of the from within the ranks of the police and armed forces, although exactly how much is difficult to assess.

A recent outbreak of violence in the the mining town of Welkom, Orange Free State, showed how explosive an encounter between gun-toting white vigilantes and black

South Africans exercising their rights could be.

Bloodshed was almost inevitable with the combination of armed AWB vigilantes trying to evict blacks from the town centre, a retaliatory boycott of white businesses by black consumers, and tension in the mines with black workers demanding an end to discriminatory practices. In March, two blacks died at the hands of vigilantes, although police say they do not know whether the AWB was involved.

Further violence occurred last month, when two whites were murdered by black mine workers, and nine blacks died when police opened fire on a crowd leaving a meeting. Ironically, a decision to call off the business boycott was made at the meeting

Police and army reinforcements restored authority, but for about 48 hours, the town had the ingredients of a South African nightmare.

The fact that order returned, however, and that no similar racial clashes have occurred elsewhere, suggests that so far at least, the extreme right's bark is worse than its bite although danger remains of an assassin's bullet, be fired by an angry white at either President de Klerk or Nelson Mandela.

Whether the far right threat can be contained as the full implications of Mr de Klerk's policies sink in is another mat-

Frustrations could grow as changes to apartheid take effect -in health services, for example, and public amenities. Conservative Party MP's can do little to stop the process, despite the party's substantial, and growing, support from

Senior officials of the ruling National Party privately acknowledge that if an election was held today, it could lose, notwithstanding support from the middle-of-the-road Demo-

The officials are in no doubt that party popularity has fallen since last September's general election, when the CP gained 31.3 per cent of the vote and won 39 seats, the DP 20 per cent (33 seats) and the NP 48.6 per cent (93 seats) per cent (93 seats).

But this assessment is little comfort to the CP. There is no constitutional

requirement to hold an election before 1994, and when Mr de Klerk puts the outcome of constitutional negotiations to the white electorate, it will almost certainly be at a refer-

In the meantime, the National Party hopes it can keep the far right at bay, as it rebuilds its constituency in readiness for this critical test

Black politics is in a state of great flux, says Patti Waldmeir

# Beyond the revolution

revolutionaries. When we go out now, we wear a coat and tie." So says Mr Claude Mallins, a young African National Congress (ANC) activist who learned his politics in the street battles of the mid-1980s in the Western Cape. He has shed more than just

the uniform of the struggle. He is making the transition with the rest of the ANC from liberation fighter to platform politician. And he has no doubt where that leads him towards the middle ground in black society where most of the voting power lies.
The challenge for the ANC is

to coax or drag a host of other more radical groups - especially students and unionised workers - along with it on the path towards the centre.

To do this, the ANC must maintain and expand the front it formed for the liberation struggle: with the South African Communist Party (SACP), one of the few communist parties in the world with expanding membership; with the Congress of South African Trade Unions (Cosatu), the largest union federation; and with churches, youth groups and community organisations whose opposition to Pretoria has been far more effective than the ANC's military strug-

President FW de Klerk is counting on the ANC's ability to hold itself together long enough to ensure an orderly transition to a post-apartheid future – and hopefully long enough to allow common political values to grow between black and white.

But with black politics in a more fluid state than at any time since the ANC was formed in 1912, it is difficult to predict the outcome.

Political activity by blacks has been stifled for more than

30 years.
When Mr de Klerk announced its liberalisation on unbanning the February 2 - unbanning the ANC, SACP and Pan-Africanist Congress (PAC) - he released

the pent-up force of years of anger and deprivation.

Politically-inspired violence surged through the country and in the black homelands, but organisational structures did not exist to channel it towards a goal.

Lack of organisation is probably the most important issue facing the ANC. tradict one another on impor-

structures are embryonic. Without them, ANC leaders will find it difficult to bring their constituents around to the idea that whites are not simply going to hand over power. And they may find themselves unable to stop

seems to have no coherent

strategy in areas such as eco-

nomic policy. Its grassroots

another wave of violence. But while the ANC organises on the ground, holding membership drives and opening offices throughout the country, its deputy president and acknowledged leader, Mr Nelson Mandela, has made some progress in broadening the

anti-apartheid front. He persuaded four of the six leaders of non-independent black homelands to boycott a recent meeting with President de Klerk. He is also able to count the leaders of independent Ciskei and Transkei as

ANC supporters. But there are important segments of the non-white popula-tion which do not pledge allegiance to Mr Mandela.

A surprisingly large number of coloureds and Indians – and not a few blacks - say they would vote for President de Klerk in an election.

So far, there is only anecdotal evidence of such support. But political scientists, and those who work in non-white communities, say they believe it could be significant.

Tribalism is one motivation: the ANC hierarchy is dominated by Xhosas and non-Xhosas fear they might be left out when the ANC distributes the spoils of liberation.

More important is the rift with Chief Mangosuthu Buthe-

chief minister of the Kwa-Zulu black homeland, leader of much to Pretoria: for example Michael Holman I tant issues, and the group Inkatha, the Zulu political an agreement on protecting with Pretoria.

organisation, and a member of the Zulu royal family.

Chief Buthelezi, Chief Minister of the KwaZulu homeland: could be a dangerous man if cornered

Every day in Natal, Chief Buthelezi's supporters battle with Zulus who support the United Democratic Front (UDF), an ANC affiliate. More than 400 people have died in the black townships of Natal so far this year.

Mr Mandela has made clear his desire to meet Chief Buthelezi to seek an end to the carnage in Natal. But when he attempted to do so in April, Mr Mandela said he thought his supporters would "throttle" him. To them, Chief Buthelezi is a collaborator – a black who chose to operate within the apartheid system, rather than fighting underground.

The ANC appears to be try ing to isolate him as the only homeland leader of any substance who continues to co-operate with Pretoria.

ANC officials believe this strategy is working. The international community has backed away from the Zulu leader; Pretoria is more interested in the ANC; and the ANC is making inroads in Natal. Chief Buthelezi, whose Inkatha movement claims 1.5m members, is thrown back on his

xenophobic rural power base. The Zulu leader could be a dangerous man if cornered, and it is difficult to see a reso-lution in Natal unless he is

brought on board.

More nebulous is the threat from the PAC, the ultra-radical black group which opposes negotiation with Pretoria and has as its slogan "one settler, one bullet."

The PAC could easily

become the party of the dispossessed and of the youth if the

white rights. PAC's insistence that the land be returned to African ownership - an issue which the ANC largely avoids

could also prove popular.
The PAC seems likely to remain on the fringes of black politics, however, although that fringe may eventually prove large enough to cause considerable disruption.

Apart from these external threats, the ANC must also determine its relations with the SACP. At a recent meeting of youth in the Western Cape young members made clear their support for the Communist Party. Several said they would vote for Mr Joe Slovo, the white general secretary of the SACP, before Mr Mandela.

The SACP's aim of a phased transition to socialism goes far beyond the programme of the Freedom Charter, the 1955 document which embodies ANC policy. But the party appears to have considerable support among the youth and trade

It could not survive on its own. But its leaders, who are believed to represent a large proportion of the ANC national executive, exert a dispropor-

tionate influence. These leaders deny that eastern Europe represents the fail-ure of socialism. They say it is bureaucratic centralism that has failed and they plan to save socialism by proving it can work in South Africa. The party's secrecy and ten-dency to Stalinist authoritari-

anism is an unwelcome influence within the ANC. But for the moment, there is no prospect of the ANC-SACP alliance

dissolving.
Their historical ties are strong, and both still need each other to drive the best bargain

#### Patti Waldmeir analyses the failure of the homelands experiment

# **Dumping grounds of apartheid**

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OF ALL the grand designs of apartheid, none is grander or more brutal - than the policy of "separate development," aimed at ridding white South national community.

Africa of blacks. This particular apartheid experiment, which involved banishing millions of South African blacks to 10 remote tribal homelands, has now been quietly abandoned by the National Party government.

The party has acknowledged the failure of its policy of ensuring, in the words of Mr Connie Mulder, a former National Party minister, "that there will be not one black man with South African citi-

Mr Stoffel van der Merwe, Pretoria's minister in charge of the homelands, told the Parliament last month that the Government would no longer press homeland leaders to accept

Venda - and their status was never recognised by the inter-

The constitutional future of the six self-governing (non-independent) territories will be 'a matter of negotiation," said Mr van der Merwe.

On one level, the minister was doing no more than stating the obvious: that the National Party cannot demolish apartheid while leaving the cornerstone of the edifice -

the homelands – untouched. Even before Mr van der Merwe's statement, the homeland system seemed on the

verge of collapse.

When political activity was freed by the Government in February, demonstrations broke out in several home-lands. Residents challenged the legitimacy of governments led by men widely viewed as pup-pets of Pretoria, many of whom have used brutal methods to maintain power. In Ciskei and Venda, mili-

tary coups took place. Last month the Chief Minister of the KaNgwane homeland, Mr Enos Mabuza, a longtime ally of the African National Congress (ANC),

independence. Only four of the 10 ever did so - Transkei, Ciskei, Bophuthatswana and seembly: "Our demise as a seembly: "O political body is upon us."

And in Transkei and Ciskei,

t was announced that referendums would be held on whether to renounce independence and rejoin the Republic. Meanwhile, Mr Nelson Mandela, deputy president of the

ANC, was busy wooing homeland leaders to fall in behind the ANC in opposing Pretoria. He managed to persuade four of the six leaders of self-governing homelands to boycott a recent meeting with Mr F W de Klerk, the President. Pretoria has acknowl-

edged it can no longer count on them as allies. But however precarious the future of the homelands as political structures, their existence cannot simply be wished

away by a new government. The feat of social engineering which led to their creation in the 1960s and 1970s could have lasting consequences.

Pretoria, for its part, seems eager to see the homelands transformed into semi-autonomous regional political struc-tures, able to limit the power of central government under a new constitution.

The ANC rejects this view, arguing for a system of majorBut the ANC faces one pow-

erful opponent in the home-lands: Chief Mangosuthu Buth-elezi, Chief Minister of the most populous territory, Kwa-Zulu. He rejects any suggestion that the KwaZulu Government or legislature will be abolished. The Zulu nation was not created by the homeland policy,

he argues, and so cannot be demolished along with it. But even if a future government succeeds in dismantling homeland political structures, huge administrative bureau-

cracies will remain. ANC officials expect a big economic boost from attacking what Mr Mandela has called "the multi-headed hydra" of

apartheid administration, including the homelands. Some economists argue, however, that reducing the duplication inherent in the apartheid system would yield

only limited savings. For while South Africa might no longer need 10 homeland ministers of education and 10 ministerial limousines, it would still need regional governments and regional bureaucracies. And given that per capita spending on pen-

sions and other social services

offset savings gained by eliminating the duplication.

Mr Simon Brand, chief executive of the South African Development Bank, argues that the direct costs of duplication are not as high as is popularly believed. But he believes big savings can be achieved by phasing out Pretoria's industrial decentralisation policy which involves heavy subsidies to industries setting up in homeland or border areas.

About R700m a year is spent on such subsidies, although a recent report commissioned by Pretoria found that 74 per cent of decentralised firms were unprofitable and the number of jobs created was disappointing.

But it is not clear yet whether an ANC government might wish to maintain some industrial subsidies to rural areas. And an ANC government could come under heavy pressure to reward former combatants with positions in

homeland bureaucracies. Whatever the complexion of a future government, resources for improving the appalling living standards which prevail in most homelands will be difficult to come by.

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