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FINANCIAL TIMES SURVEY

● A testing time for Pretoria as capitalism goes on trial: Page 2

SOUTH AFRICA

● The right wing on the march towards a third freedom struggle: Page 4

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SECTION III

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

THE END of apartheid in 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 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 negotiation. 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 township streets.

President F.W. De Klerk and Mr Nelson Mandela: "they are like Siamese 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 de Klerk, who has moved 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 Mangosuthu Buthelezi.

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

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 Adriaan Vlok, the Minister of Law and Order, in regular 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 security 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 majority-rule constitution, with a bill of individual rights to protect minority interests, and an independent judiciary with the power to review legislation. ANC officials say they are committed to non-racial 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 stumbling block; to accede to that, Pretoria would be giving up without a fight.

The Nationalists envisage a constitution which will bring 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 constitutional 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 income per capita is 12 times that of a black. Pretoria is making belated attempts to 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 socialism.

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

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 ever before. The transition from domination to democracy has finally begun.

In this survey

☐ The economic realities of South Africa; The ANC's economic debate; Black trade unions; Sanctions ....Page 2

☐ Right-wing politics; Beyond the revolution; black politicians come of age; The homelands – dumping grounds of apartheid ....Page 4

☐ President De Klerk comes in from the cold; Natal's battleground ....Page 5

☐ Gold begins to lose its polish; Manufacturers eye overseas markets .... Page 68

☐ Agriculture; Crisis in black education; Privatisation loses its appeal .... Page 7

☐ Tourism recovers; Changes in the financial sector ..Page 8

Editorial production: Roy Terry

Patti Waldmeir discusses the downturn in the economy

Born again into capitalism

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 economic growth depressed, now is the worst time to be putting the free market to the test.

"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 African National Congress (ANC).

"What we need is an economy which supports the negotiation 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 destination."

But it is difficult to see the 1990 economy providing the Nationalists with much ammunition for their battle against socialism. Economic growth has been negative for the past 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 government in the economy (through privatisation and deregulation), and at introducing fiscal and monetary discipline.

"We had to telescope into a very short period of time structural adjustments which normally take place over a much longer period – and we were forced to do it without access to international financial resources."

Mr du Plessis, and his colleagues in other economic ministries and departments, are clearly proud of the Government's recent record of economic reform. For, after decades of Afrikaner socialism – the heavily interventionist economic system which uplifted the Afrikaner, but led to inefficiency and waste – Pretoria has been born again into the capitalist faith.

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-payments situation would have been untenable: since 1985, when Pretoria declared a partial debt moratorium, South Africa has seen a total net capital outflow of R30bn ($13bn).

That situation has eased 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 will be rolled over).

However, Mr Stals sees no difficulty in meeting these payments, with the surplus on the current account of the balance of payments running at R5bn to R6bn at the moment. And, by the end of 1991, Pretoria will be over its debt repayments hump, left with no more than $1bn in foreign debt to repay in any one year.

For the first time in years, South Africa will then be able to determine economic policy without the constraint of running a large balance of payments surplus. Mr Stals estimates 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 would require an inflow of foreign capital.

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 massive investments in social expenditure," says Mr du Plessis.

Economists fear, however, 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 demands.

For the disparities between white and black are huge. Per capita spending on black education (excluding capital spending) totalled R765 in 1988/89, 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.

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 budget.

Yet, according to Mr Stals, growth of more than 4 per cent cannot be achieved without foreign capital. And most economists and government officials 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 assistance 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 next few months will begin to show whether Pretoria's optimism is warranted.

BALANCE OF PAYMENTS (annual figures, Rm)

	1985	1986	1987	1988	1989
Merchandise exports[1]	20,465	25,048	25,146	31,472	39,555
Net gold exports[2]	15,460	16,719	17,792	19,622	19,228
Service receipts	5,796	6,222	6,453	7,504	9,297
less Merchandise imports[1]	23,045	25,514	28,320	39,170	44,133
less Payments for services	13,109	15,664	15,350	16,882	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**

1 Published customs figures adjusted for balance of payments purposes.
2 Net foreign sales of gold plus changes in gold holdings of the Reserve Bank and other banking institutions.

Source: South African Reserve Bank

KEY FACTS

Area .... 1,223,226 sq km (includes homelands)
Population .... 35.9m (1988 est including homelands)
Africans 74.9%
Coloureds 8.7%
Asians 2.6%
Whites 13.8%
Head of State .... President F.W. de Klerk
Currency: .... 100 cents = 1 Rand
Exchange rate (1989 average) .... $ = R2.622

ECONOMY

	1988	1989
Total GDP ($m)	87,993	89,409
Real GDP growth	3.7%	2.0%
GDP per capita ($)	2,451	not avail
Current account balance ($m)	1,272	1,595
Budget deficit as % of GDP	4.4%	1.5%
External debt as % of GDP	24.1%	23.0%
Debt service/exports	9.6%	8.9%
Exports incl non-factor svcs ($bn)	22.4	24.3
Imports incl non-factor svcs ($bn)	17.2	18.8
Trade balance ($bn)	5.2	5.5
Export volume growth rate	5.7%	9.5%
Import volume growth rate	22.5%	0.0%
Inflation	12.9%	14.7%

* Exports plus imports as % of GNP

Source: EIU, Reserve Bank Quarterly Bulletin

The ANC's economic debate

Mandela policy statement

THE African National Congress (ANC) is clear about its economic objectives: to abolish white economic privilege along with political privilege; 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 himself had created by several 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 (privately-owned) 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 said.

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 on their investment." But they would have to realise that an ANC government would have to respond to "justified popular concern about the grossly unequal distribution of economic power".

Apart from these general statements of intent, Mr Mandela made passing reference to issues such as the use of anti-trust 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 of a "macro-economic indicative national plan" drawn up by a future parliament "together with the public at 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 Party.

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 control (involving selective forms of ownership and participation) over strategic sectors of the economy."

"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.

Patti Waldmeir

Black trade unions

Gearing up for militancy

IT IS a heady time for black trade unionism in South Africa.

After four years at the forefront 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-apartheid constitution, while their members, spurred on by rising political expectations, are gearing up for industrial militancy.

Cyril Ramaphosa

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 leaders honed their negotiating skills in wage talks with employers – influencing the ANC's eventual decision to negotiate with Pretoria, and providing skilled operators for the time when formal talks begin.

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 enterprises.

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".

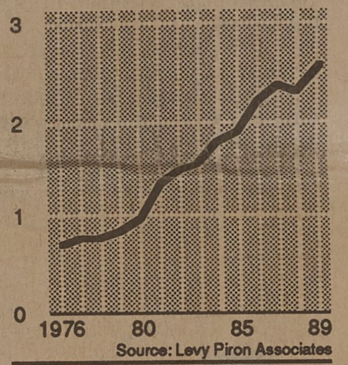
And later that day in Cape Town, it was time for union-employer solidarity: union officials went into joint caucus with employer representatives to determine a strategy for their meeting with Mr Eli Louw, the Minister of Manpower.

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 union-employer 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

Union membership

Million



Source: Levy Piron Associates

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. But with 50,000 miners made redundant since the last strike, the miners' union will be in no hurry to repeat the 1987 experience.

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 jobs.

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

Philip Gawith looks at sanctions

Harmful but also helpful

THE CONSENSUS in South 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 Highveld 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 process 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, when the US, Canada, Scandinavia 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 general, business has gone on either via a licensing arrangement or through local companies buying the assets, often at knock-down prices. There have also been impressive turnarounds, 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.

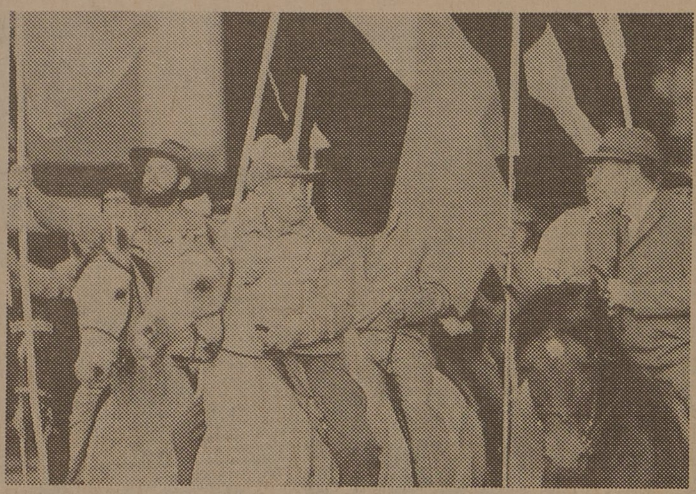
Perhaps the most insidious effect of sanctions was their impact on industrial strategy. The oil and arms embargoes forced the country to seek self-sufficiency in these areas; strategic, rather than economic, considerations determined investment decisions.

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 evidence of greater normality in the running of economic affairs. Mr Dawie de Villiers, Minister of Mineral and Energy Affairs, announced an investigation 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.

RIGHT-WING POLITICS

Third freedom struggle



Apartheid rally: horseback parade in Pretoria

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 Europe.

"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 post-apartheid 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* (people)."

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 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 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 mineworkers, 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 matter.

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 white voters.

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 Democratic Party.

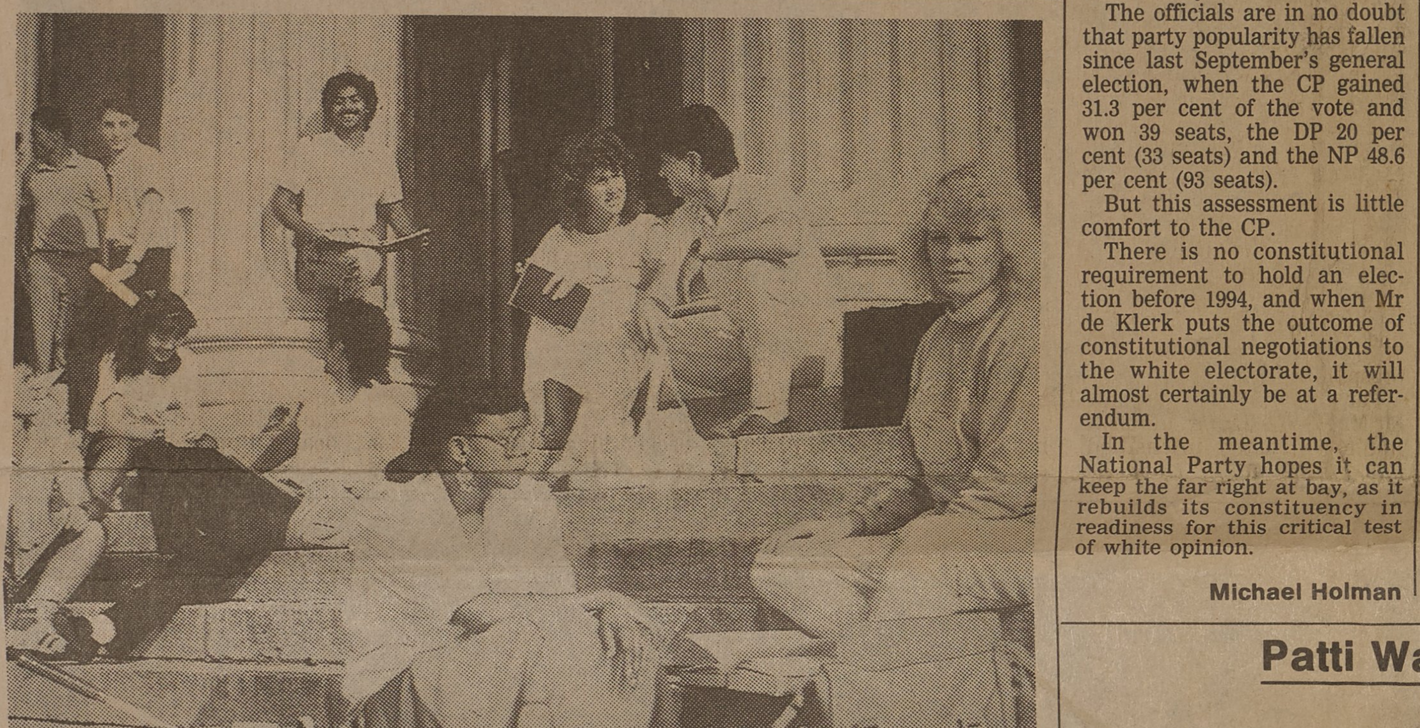
The officials are in no doubt that party popularity has fallen since last September's general election, when the CP gained 31.3 per cent of the vote and won 39 seats, the DP 20 per cent (33 seats) and the NP 48.6 per cent (93 seats).

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 referendum.

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 of white opinion.

Michael Holman



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

Beyond the revolution

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

"WE'VE MOVED beyond being 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 struggle.

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 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.

Its spokesmen regularly contradict one another on important issues, and the group seems to have no coherent strategy in areas such as economic policy. Its grassroots 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 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 population 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 Buthelezi, chief minister of the KwaZulu black homeland, leader of Inkatha, the Zulu political organisation, and a member of the Zulu royal family.

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 trying 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 resolution 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 ANC is seen to give away too much to Pretoria: for example an agreement on protecting 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 unions.

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 disproportionate influence.

These leaders deny that eastern Europe represents the failure 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 tendency to Stalinist authoritarianism 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 with Pretoria.

Patti Waldmeir analyses the failure of the homelands experiment

Dumping grounds of apartheid

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

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 independence. Only four of the 10 ever did so – Transkei, Ciskei, Bophuthatswana and Venda – and their status was never recognised by the international community.

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 homelands. Residents challenged the legitimacy of governments led by men widely viewed as puppets of Pretoria, many of whom have used brutal methods to maintain power.

In Ciskei and Venda, military coups took place.

Last month the Chief Minister of the KaNgwane homeland, Mr Enos Mabuza, a long-time ally of the African National Congress (ANC), called for homeland political structures to be phased out. He told the territory's legislative assembly: "Our demise as a political body is upon us."

And in Transkei and Ciskei, it 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 acknowledged 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 structures, able to limit the power of central government under a new constitution.

The ANC rejects this view, arguing for a system of majority rule in which the homelands would have no place as separate political entities.

But the ANC faces one powerful opponent in the homelands: Chief Mangosuthu Buthelezi, Chief Minister of the most populous territory, KwaZulu. 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 bureaucracies 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 pensions and other social services for homeland blacks is lower than for blacks in the Republic, equalising spending might 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.