

MEMORANDUM FOR DISCUSSION WITH AFRIKA-VEREIN

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AND PRESIDENT OF INKATHA FREEDOM PARTY

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It is with great pleasure that I receive your distinguished delegation from the Afrika-Verein. As your organisation represents German commerce, industry and trading interests with South Africa, as part of the global African continent, it is of vital importance that you are exposed to a broad spectrum of opinions and views with respect to the future economic and political prospects of my country.

As a change in government in South Africa draws nearer, increased attention is focused on the type of economic and political structure that will be put in place. Hence, much speculation and pressure exists over the precise implications of these future policies for South African and international businesses, and for the people.

South Africa itself is still very much a Third World country. It has a population of which 40% are estimated to be living at or below the breadline; there are vast numbers of unemployed; there are large economically backward areas; there is a declining industrial productivity; a serious shortage of critical skills; major financial headaches; and so on.

South Africa is a highly divided, semi-industrial society, presently undergoing fundamental conflict which has led to secular economic stagnation. It has become obvious that addressing its economic ills will require radical political transformation, during which process major economic upheavals are expected and will need to be addressed.

Some of these problems relate to the important macro-economic policy choices, such as the international trade policy, while others are concerned with the socio-political claims made on the economic system, and whether, and how, these could be accommodated.

What is of great concern are the utopian aspirations fostered in the minds and hearts of our mass electorate. Certain political organisations, particularly the ANC/SACP Alliance, in their campaign for support, have unrealistically raised the expectations of the masses.

A belief has spread that once the economically irrational and oppressive apartheid system has been removed, a promised land - a just and equal social order and a democratic economic system - will come into being and will work peacefully and harmoniously towards the progress of all races. In this promised land those who have been oppressed by apartheid will obtain their rightful political power, and there will be a widespread redistribution of wealth so as to secure deliverance from economic exploitation and poverty.

Raising the aspirations of Black impoverished South Africans is easy, due to the demonstration effect of inappropriate and unattainable living levels enjoyed by South African Whites under apartheid. But what the ANC/SACP Alliance have failed to take into account is the obvious problems which will flow from inflated expectations, especially when faced with the inequalities of the present and our country's restrained resources - resources bridled by our relatively underdeveloped economy and by poor economic growth prospects.

Unfortunately any future government of South Africa has been placed at an immediate disadvantage. The deployment of resources under apartheid has bred inequality, waste, and duplication. And from this quagmire of wasted economic potential a new democratic order must emerge.

Legitimation of the future post-apartheid system in South Africa will thus require great efforts and vast resources, as well as widely participative policy-making processes to ensure an efficient and appropriate deployment of resources. This demands a social policy system based on the material provision for the poor, which at the same time will not impact on future economic growth and development potential.

While the economic costs of apartheid have been great, its detrimental effects on economic growth and reform can be overcome. Restrictions on Black economic participation can be lifted; more can be invested in Black education and training; market distortions can be rectified; the composition of demand biased in favour of luxury goods, can be changed; and the siege on our economy due to our balance of payment constraints and limited access to international markets can be reversed.

However, in order to generate the exceptional economic growth and stability to achieve these goals, it will be necessary to rely on the hasty resolution of two essential problems - violence and confidence. Unless conflict in our society is reduced and local and international investor confidence renewed, South Africa has no hope of addressing the anomalies of the past.

The effect of the present state of violence and anarchy in South Africa at present has been the most serious obstacle to economic growth and investor confidence, and will remain an important political constraint under a new regime - in whatever form.

Try as I may, it has become impossible to believe in the honourable intentions of the ANC/SACP Alliance when all their latest actions clearly indicate a move to sabotage attempts at a peaceful negotiated settlement in a stable economic environment. With the ANC/SACP Alliance's latest mass action campaign our economy faced an estimated loss of R1.1 billion per day. Not to mention the increased risk of permanent and structural damage to the South African economy.

The recent spate of seemingly unrelenting violence and disruption in our communities, following this mass action campaign, has shattered what confidence existed in the process of negotiations. Our country was once again plunged into turmoil and disaster.

The war in our communities has got to end. A climate of peace and stability is vital if South Africa is to be placed firmly on the path of growth and prosperity to create the economic base needed to address the needs of our people. Without the effected and protracted control of the escalating violence, and an improvement of political negotiations, it is highly unlikely that foreign investment will flow through to South Africa's markets.

If constitutional negotiations are to succeed in establishing a secure and stable settlement, certain preconditions must be met. The prime political protagonists must exercise greater control over those of their supporters who are involved in the internecine violence. The leadership of these organisations must demonstrate their unswerving commitment to the promotion of peace through their ranks down to the lowest levels of the community.

Without improved organisational discipline and the entrenchment of a culture of political tolerance, violence will continue and the ground will remain fertile for agent provocateurs. As a result public confidence in the possibility of a negotiated transition to democracy will decline even further.

Time is of critical importance. Business confidence in South Africa is wilting fast in the heat of conflict and instability. Is the government of the new South Africa to inherit a wasteland of decay and corruption? We desperately need a kind of politics in South Africa which promotes democratic tolerance and consensus, where all South Africans have an equal stake in the future of this country.

We need to embrace and extol a politics that incorporates and respects the human dignity of all South Africans - their fears, apprehensions and day to day needs. We seek a transition through non-violent and negotiated means - the establishment of a new South African government by consensus in an open, democratic society. Ours is a highly divisive society.

The politics of a multi-party democracy will encourage the integration of our society. We need to reconcile the needs and interests of all South Africans, irrespective of race, cultural, ethnic, political or language grouping.

And our economy now needs all the help it can get. It desperately needs a negotiated settlement so that economic growth can be achieved. It needs investment to create jobs for the 40-odd percent of our workers who are without a formal sector employment. It needs sound monetary and fiscal policy to reduce inflation and to create a climate in which sustainable growth is possible. And it needs a resumption of mutually-beneficial relations with the international trading partners.

To this end I would like to thank Germany for sharing our concern for South Africa during this crucial period. Germany was one of the few international forces which realised that action cannot wait. The economic underpinnings that will be essential to the success of democracy must be built now, therefore Germany's involvement in South Africa is of great importance.

Germany has been in the forefront of development and investment in South Africa. Your country has taken cognizance of our much-needed priority to raise the standard of living of the Black people in South Africa in an attempt to alleviate their suffering and deprivation.

The IFP recognises that the road towards future economic prosperity will need the commitment of all sides to succeed. Our party is well prepared with a plausible economic philosophy which aims to combine sustainable economic growth with mass job creation and wealth distribution dynamics. We pledge to work for freedom and security in a normalised democratic society, with plans to create the wealth needed to solve the economic and social problems inherited from the era of apartheid. The IFP puts South Africa first, therefore, our country can only benefit from the proven vision and leadership the IFP has to offer.

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