

ECONOMY - GENERAL

JANUARY - JUNE 1977

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Meeting on Black education

Staff Reporter

EDUCATION for Blacks will be discussed by university students and scholars at a meeting to be held in Katlehong Township, Germiston, on Sunday.

Recreation will also be dealt with and the audience will be given a

chance to participate in the debate.

A new executive committee of the Katlehong Students' Representative Council will be elected during the meeting.

Young people, including those no longer at school, are invited to attend.

No upturn in economy warning

10/17/77
DURBAN — The President of the Durban Chamber of Commerce, Mr John Conradie, yesterday warned business to stop hoping for an upturn in the economy in the near future.

In the Chamber's latest information Digest, he urges businessmen to adapt their policies to ride out recessionary influences "which are likely to bedevil the economy for most of the year."

"This is no time for complacency. Only by facing facts fairly and squarely will a businessman survive the rigours of the new year."

Mr Conradie said he did not expect any relaxation of the Government's tight fiscal and monetary policies in 1977.

"I do hope, however, that there will be some improvement in South Africa's external payments position which might permit, towards the end of the year, a mild reflation, in which case I think there would be merit in giving a fillip in labour-intensive sectors with special emphasis on black housing.

"Any reduction in the country's inflation rate seems unlikely although slack demand and increased competition will be the main factors containing any substantial increase.

"Overall, I expect consumer spending, manufacturing output, and investment to continue at a low level throughout 1977 with the inflation rate similar to the 1976 rate," Mr Conradie said. — SAPA.

Among ^{SK} our top money-makers

SK
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Farming Editor

Excluding gold, agriculture was South Africa's main source of foreign exchange, with exports totalling R184-million in 1975, the State President, Dr Diederichs, told the agricultural scientific congress in Pretoria.

It also provided the industrial sector with products worth R1 000-million and was by far the leading employer of labour — absorbing 29 percent of

the economically active population.

The greater part of its success was due to the selfless devotion of a select band of scientists, research workers, technologists and administrators in the production and marketing fields, who together with the nation's farmers had developed agriculture in South Africa into a modern industry.

Dr Diederichs was speaking at a function prior to presenting awards.

Improvements to farming which scientists had made possible were indicated by the fact that agri-

cultural production had increased by an average of 3,8 percent a year over the past 15 years compared with the 2,9 percent annual population growth.

Dr Diederichs recalled that 70 percent of the world population of 3,9-billion lived in the poor countries and that by the year 2000 80 percent of the population of 6,5-billion would be in those countries.

The biggest barriers to ending the hunger from which 500-million now suffered were tribal custom, ignorance and illiteracy.

Blacks 'reject' free enterprise

Own Correspondent

Cape Times 12/11/71

DURBAN. — Black South Africans reject the free-enterprise system because in their view it is only for the rich, the Whites, Dr C van der Pol, group managing director of Hulett's, said last night.

Opening the Institute of Race Relations conference in Durban, he said Blacks would use 'political freedom to promote a system preoccupied with the distribution, not the creation, of wealth.

"The Marxist system is preoccupied with the distribution of wealth," he said.

"Black townships are full of people prepared to use violence and revolution to destroy a system in which there appears to be no place for them.

"Blacks in Kwa Mashu and Soweto are right: The free enterprise system is only for the Whites in this country.

"This is not only because Blacks are prevented from voting for the government they would like, but are prevented from doing things necessary for becoming part of the system."

Dr Van der Pol said too many South Africans were politically dishonest: "We talk

Race Relations conference

like Progressives, vote UP and thank the Lord for a strong Nationalist Government."

"We must be prepared to put our money where our mouth is. Employers must accept the principle of equal pay for equal work, employees must accept that a White skin does not entitle them to the cream of the labour market, shareholders must accept lower profits."

Push aside

Addressing Afrikaans-speaking Whites specifically, he said 200 years ago America, in the most difficult years of its existence, solved its problems by calling a convention of all interested parties.

"Has the time not come for us to push our political parties to one side and sit as citizens around a table, White, Black and Brown, to create a new sharing system for all?" he asked.

More food surpluses possible

Pretoria Bureau

The present downturn in the country's economy is likely to cause serious surplus problems for other agricultural products, in addition to butter and cheese, Dr F J van Biljon, managing director of the Imperial Cold Storage and Supply Company Limited, warned today.

He was addressing Agricultural Congress 77, in Pretoria.

However, Dr van Biljon pointed out that far more serious problems of over-production had been experienced in the United States and the Common Market.

In comparison with these countries, the South African exercise in agricultural price support appeared to have worked rather better, he told delegates.

Dr van Biljon said the high degree of price instability of foodstuffs and agricultural raw materials played havoc with the income not only of farmers but also their suppliers.

"It militates against investment in environmental protection as well as in the advanced technology that has made farming so productive and more capital intensive.

"It also upsets the economics of industries which use agricultural raw materials," he said.

DISADVANTAGE

Dr van Biljon said the increasing buying power of chain store groups was placing food processors at a bargaining disadvantage and this could have a depressing effect on producers' prices.

Food processors had the same bargaining disadvantage which farmers previously had, but joint action by suppliers — collusion — was forbidden.

"This downward price pressure on food processors can very easily have a depressing effect on the producers' prices as well."

● Agricultural Congress
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Audio/visuals

Is it essential to show any audio/visuals, such as a film or a videotape?

Apartheid

— 'luxury

SA can't

ARGUS. 12/1/77

afford'

DURBAN. — A prominent businessman said here today that apartheid was not only inhuman but also a luxury that South Africa never really could afford.

Mr. Len Abrahamse, deputy chairman of Ned-sual, was addressing the annual council meeting of the South African Institute of Race Relations on 'the economic consequences of apartheid'.

He said that whether judged in terms of racial harmony or restricting the growth of the urban Black population and the Whites' economic dependence on Black labour, apartheid has failed.

30 YEARS

Not only had apartheid failed, but we have also dissipated 30 years which could have offered a sufficient time-span to evolve a multinational (or non-racial) community without undue shock to sensitive social and political attitudes.

'We have trodden a long and devious path at enormous direct and indirect cost to the economy and so have foregone the production and subsequent use of untold wealth creation.'

Mr Abrahamse said that growth in gross domestic product per capita had been below the international average.

'On the one hand most non-Whites are compelled to contribute at a below optimum level; on the other a privileged minority is artificially protected and so their productivity is below an acceptable level too.'

Budget

LEADERSHIP

He also spoke of inadequate leadership. In the advanced Western countries experience had shown that about 4 percent of the population might be developed to provide the leadership, the ability and the character needed at the top.

In South Africa we have looked to some 18 to 20 percent of the White population emerging with comparable qualities.

'This is frankly not on. Mr Abrahamse said it was impossible to quantify the economic cost of apartheid, but there can be little doubt that the burden is astronomic.'

Without apartheid it would not be unreasonable to assume GNP per capita would have been some 50 percent higher. — Sapa

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Has a budget already been prepared? If so, how much money has been allowed for:

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Apartheid — a luxury the economy cannot afford

Cape Times 13/1/77

BROADLY speaking our population is ready for change — it is quite prepared to follow the lead of its elected government in that regard but it will need to be told the why's and wherefores. The insupportable cost in financial terms and the impediment to harmonious relations both domestically and on the external front are self-evident.

Our present prescription cannot nearly begin to provide an annual rate of economic growth which will satisfy our burgeoning population in terms of job opportunities and heightened material expectations — nor the internal security so essential to our defence strategy.

Legal impediments

The very essence of apartheid is found in the statutory control of race relationships, whether personal or impersonal. The dismantling of the discriminatory legislation which has filled our statute books does not mean that overnight people are going to abandon racial prejudice and a colour consciousness built up over a span of generations.

The first essential is to remove the legal impediments to inter-race contact. It is not my intention to traverse the minefield of political rights for Blacks, preferring to leave that to those more qualified in constitutional law and political theory than I. In any case, my views are well known.

My only comment is that without political dispensation all else will be seen as "cosmetic". There is also the danger, to be recognized now, that the Blacks will not buy the story and will want to change South Africa directly into an African socialist state.

In terms of ordered priorities none has a higher ranking than job creation. In this matter we should take pains to ensure that our scarce and expensive capital resources are spread more widely than hitherto. In recent decades we have forgotten the doctrine of comparative costs and since labour is plentiful and capital is in short supply in South Africa, we should expand those industries which are labour intensive and in

An extract from a paper by Mr L G ABRAHAMSE on "the economic consequences of apartheid" delivered at the council meeting of the Institute of Race Relations in Durban yesterday



Mr Abrahamse, prominent business man, is deputy chairman of Nedsual and chairman of the University of Cape Town's council.

general terms, employ factor combinations weighted more heavily in favour of labour than would be the case for any given trade or industry in a more developed economy.

There is no shame in not employing the most up-to-date equipment that is available on the world market if our relative factor prices are such that an alternative factor combination is more economic or suits our socio-economic environment better.

Certainly greater priority should be given to expanding our agricultural and mining industries, both of which utilize our extensive land and mineral resources and make a significant contribution to our export earnings. This is not an unimportant consideration since South Africa exhibits a high marginal propensity to import. And if we pursue this, the greater domestic savings will gradually lead to the required increase in capital investment per capita.

Clearly, and not unrelated to job opportunities, is the need to sharply increase our expenditure on education and training, especially technical training. The upgrading of skills is an urgent priority. Economic feudalism has never been the springboard to economic development.

Public transport is another candidate for more open treat-

ment. A common transport system for all race groups might well provide a utilization factor permitting a total overhaul and improvement of our transport network and hence a lessening of the stranglehold of the car and the related traffic congestion with its attendant social costs.

While residential integration on the basis of free choice may be in the distant future, a wider range of choice in housing and in the forms of ownership and tenancies available for Blacks should be afforded a higher priority.

As we move towards a fairer society providing more equal opportunities, the tax base should be widened. In the fiscal year 1974/75 the yield from income and poll taxes on Africans represented but 2½ percent of personal income tax revenues. The PAYE system of income tax collection should be broadened to encompass all race groups. In addition, greater weight should be given to indirect taxes which in 1975 yielded but 21 percent of total tax receipts as compared with 55 percent prior to World War II and 42 percent in the middle 'sixties.

Even assuming a consensus of an enlightened majority, the problems to be encountered will not be easily overcome and in some instances the correct choices of action even judged solely on economic considerations are not self-evident — and I think of such issues as the desirability or otherwise of statutory minimum wages and multi-racial trade unions.

However, in essence, we must move towards a greater freedom of choice for all our peoples. Even we Whites are restrained on all sides by undue government intervention — in the market place as consumers, employees and entrepreneurs. Just pause and think for a moment how much more this applies to the other ethnic groups.

The misallocation of resources, human and material, is evident to even an untrained eye and is a broad

measure of how far short we fall of our full human and economic potential. Yet the quality of our life and that of our children will depend on our ability to trade in an increasingly competitive world environment, political factors apart.

South Africa mirrors the world-wide problem of the widening gap between the "haves" and the "have-nots" — the developed and underdeveloped/developing economies — which provides the greatest threat to Western Capitalism. If we succeed in resolving our racial problems we can foresee a tremendous increase in GNP, due to the fundamental material wealth of the country, which would benefit Whites and Blacks alike by narrowing the wage gap through narrowing the "skills" gap.

Purposeful lead

And business has to provide a determined, purposeful lead. We have to stop paying lip-service to the need for change and show we have the courage to initiate change in the business environment. For too long we have mouthed the right phrases, eased our consciences, but done precious little.

Finally, I should make my position clear on one point. In calling for a sharing of economic (and political) opportunity, ie the elimination of institutionalized apartheid, I am not arguing the case for the reverse. I believe that enforced integration would be just as dangerous in the sensitive area of race relations as enforced separation. My plea is for freedom of choice in spite of the fact that we do not live in an ideal world and prejudice will continue to inhibit the exercise of that choice — but it is the only route to the progressive reduction of that prejudice.

It is in that context that the apparatus of apartheid is not only inhuman but is wrong-headed and a luxury or, more truly, a handicap that we never really could afford.

'Double pay for all' without apartheid

Cape Times 13/1/77

DURBAN. — South Africans would each be earning 50 percent more had there been integration over the past 30 years, the Institute of Race Relations conference was told yesterday.

Mr Len Abrahamse, deputy chairman of Nedbank-UAL and Syfrets, said that on a very conservative basis the cost of the gross national product of apartheid was about R13 000m last year.

Similarly, last year's gross domestic product would have been about R63-billion instead of R27-billion.

South Africa showed the largest difference between its bottom 20 percent

of earners and its top 20 percent of any major country in the world.

The difference made even Brazil's notorious 25:1 ratio "seem fair in comparison".

Mr Abrahamse said the accumulated economic loss caused by apartheid was "astronomic" and the future loss tremendous.

Much of this cost had been to no avail if apartheid had failed to achieve its objective of lessening racial conflict.

The biggest loss to South Africa had been the loss of a stable non-White middle class.

Giving guidelines on how to "unscramble the omelette of apartheid", he said the first priority was to create jobs and increase spending on education.

Next were a common public transport system, residential integration and a widening of the tax base with rate collection from all races.

"I would love to say 'open all the schools' but this is unlikely to happen. Let us rather start by calling for more educational facilities for non-Whites and an increased standard — that way something might get done."

(c) Is it the right size for the audience expected?

(d) Will everyone be able to see?
Is there a dais or platform?
Is there enough room for the proper positioning of one or more projection screens?

(e) Will everyone be able to hear?
Will you need to use a microphone?
Is there a public address system already installed? Will there be any distracting noises and can these be silenced during your presentation?

(f) Can the room be darkened easily?
Are there sufficient power supplies for any projected visuals or recorded sound?

Visuals

(a) What equipment will you have at your disposal? Will there be an experienced projectionist available?

(b) Are there any suitable visuals or other aids (e.g. films, videotapes, sound tapes, slides, etc.) already available?

(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared?
If so, how much money has been allowed for:

White South Africans have to choose between apartheid and peace. To achieve a peaceful society there will have to be massive sums of money spent. To maintain apartheid, there are also massive

sums spent. Some idea of the enormous cost was given by MICHAEL

Look what this is costing us

SAVAGE, of the department of Sociology at the University of Cape Town when he addressed the council meeting of the SA Institute of Race Relations in Durban yesterday. Here is his analysis of the estimated cost of the pass law system.

SOUTH AFRICA should investigate the costs of operating its present social system and, more particularly, of implementing its policy of apartheid.

Some indication of the magnitude of these costs can be seen if one selects one part of the apparatus of apartheid, namely the "pass laws", and attempts to cost them.

It is difficult, if not impossible, to do the arithmetic necessary to assess the fiscal costs of maintaining and operating the pass system.

However part of the cost of the "pass laws" — including curfew laws, restriction of document laws, regulations governing the entry of foreign Africans into the Republic, regulations contained within the Bantu (Urban Areas) Consolidation Act, Bantu Administration Act, Bantu Labour Act, and previously some laws concerning Masters and Servants, can be priced as follows:

ARRESTS AND SUMMONSES: The report of the Commissioner of Police for the year ending 30 June 1974 indicated that some 511 163 Africans were prosecuted for infringing the pass laws.

If one estimates the amount of time state officials spend policing these infringements, issuing summonses, arresting individuals, transporting those arrested, completing docu-

IMPRISONMENT: During 1974/5 it was estimated that the daily average prison population, sentenced and unsentenced, in the Republic and South West Africa was 100 000 and further that it cost the State R1 54 a day to imprison an individual.

Press reports estimate that one-third of those in prison at any one time are awaiting trial or are convicted to a term in gaol for pass law offences. Consequently some R18 749 312 was expended during 1974/5 on imprisoning those suspected, or convicted, of pass law offences.

ISSUING AND UPDATING OF PASS DOCUMENTS: By law every African aged 16 years or older has to be in possession of a reference book (pass).

The 1970 census showed that 44,88 per cent of the African population were below the age of 16; in 1974 the Minister of Statistics estimated the total African population of the Republic as being 17 745 000.

One can thus estimate that 55,12 per cent of the 1974 total population have been issued with reference books, that is some 9 781 044 persons.

Estimating the costs of providing and issuing a reference book, completing the form, and also the computerisation of the relevant papers associated with it and the payment of the salaries of all officials involved in this process

to be R10 per document, then some R97 810 440 has been expended on providing the present SA African population 16 years or older with reference books.

One could further estimate that some 200c a year is spent on all processes involved in updating the contents of, and records associated with, these documents — that is, R19 562 088 is spent annually.

Each year, using the 1970 census figures of 2,53 per cent of the African population being 15 years old, some 448 943 Africans have to be issued with a reference book on becoming 16 years old.

Again estimating the cost of providing each person becoming 16 years of age with a pass at R10, then annually some R4 489 480 is spent on providing new passes.

In sum, the capital and current costs of providing passes and updating previously issued ones can be estimated at R24 051 568 per year.

LABOUR CONTRACTS AND LABOUR BUREAUX: Recently it has been estimated that some 43 per cent of all economically active African men in South Africa are migrant workers, that is, some 1 490 000 men. Further, it is estimated that some 260 000 African workers are migrant workers, thus the economy contains 1,75-million African migrant workers.

The actual and capital costs of issuing contract documents and the fees associated with these documents could be estimated at a minimum of R20 a year for each migrant (including monthly charges). Thus some R35 000 060 is spent annually on the work and fees associated with issuing, registering and updating contract labour documents.

In addition the Deputy Minister of Bantu Administration and Education has indicated that there were 1 216 labour bureaux in operation as at 31 December 1974.

These labour bureaux, which are intricately involved in the implementation of the pass law system — through endorsing reference books, processing applications to enter urban areas, receiving Africans endorsed out of townships — can be estimated to cost some R15 000 a year each to run.

Attributing two thirds of this cost to that of administering the pass laws, some R12 160 000 is spent annually on operating the labour bureaux systems.

Consequently some R47 160 000 annually is spent on labour contracts and labour bureaux associated with the pass laws.

AID CENTRES: During 1974, 165 555 Africans arrested under influx control laws and regulations under the Bantu (Urban Areas) Act were referred to Aid Centres established by the State.

If one estimates that R1,50 was spent in giving advice and assistance to those arrested and referred to Aid Centres, and a further 50c a case in covering the capital cost of aid centres, then some R331 110 was spent in providing assistance to those arrested.

TRANSIT CAMPS: There exist in certain urban areas "temporary emergency transit hostels, and some houses for those Africans who are endorsed out of townships but who cannot be immediately accommodated in a "home-land".

The capital, administrative and running costs of an estimated 10 such camps can be placed at being R50 000 a year each, that is, some R500 000 annually is spent on operating transit camps.

Adding these estimated costs together one arrives at the following ANNUAL sum:

Arrests and Summonses 1 150 116
Policing 11 501 160
Prosecutions 1 714 526
Loss of production 7 667 444
Imprisonment 18 749 312
Issuing and updating of

passes 24 051 568
Labour Contracts and Labour Bureaux 47 160 000
Aid Centres 331 110
Transit Camps 500 000

I believe this estimate of costs is a conservative one. There are many hidden costs that cannot be priced including costs associated with the transport system, the civil service, costs employers face when replacing those workers endorsed out of urban areas, costs associated with

arrangements that permit workers time during the working day to update their pass documents at the relevant offices, and the cost bringing those in prison for pass law infringements into contact with criminals imprisoned for serious offences.

In many countries a full and detailed disclosure of government expenditure concerning all major areas of State activity is routinely made.

If South African Government statistics disclosed more than global sums allocated to particular activities within State financial departments it would not be necessary to engage in attempts such as this to cost the annual expenditure on implementing a major part of our legislation.

The estimated cost of operating and maintaining the pass laws is more than the combined sum of the 1976-77 budget allocated to the Department of Bantu Education, the Department of Labour, the Department of the Interior and to the operating costs of Parliament. And it is one-eleventh of the total defence budget.

If one is to squarely investigate the cost of implementing the policy of apartheid, the costing would also have to include an examination of the following items:

● The cost of the job and wage colour bars in the South African economy.
● The cost of the migrant labour system;
● The price paid for the political institutions created by apartheid — homeland governments, Urban Bantu Councils, the Coloured Persons Representative Council, the SA Indian Council;
● The cost of implementing the Group Areas Act and of to date having removed some 458 959 Coloured and Indian citizens, and of resettling Africans removed from so-called Black Spots;
● The cost of segregated education at school and university level;
● The cost of residential segregation, including part of the transport costs faced by Blacks resulting from their living in separate areas away from the centre of cities and townships;
● The cost of providing separate amenities — in hospitals, on trains and at stations, in prisons, in post offices, in Government departments, in shops, at airports, in factories and so forth;
● The cost of population classification measures;
● The cost of economic decentralisation and of the creation of jobs in border areas;
● The costs of policing and enforcing racially discriminatory legislation, such as sections of the Immorality Act, discriminatory legislation affecting labour organisations, sports and entertainment;
● The cost of operating the battery of legislation affecting only Africans which is administered by the Department of Bantu Administration and Development and of Bantu Education.



RAIDING FOR PASSES

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To this list should be added some part of the Defence budget, for much, if not most, of the continuing threat to South Africa arises precisely because of the abhorrence with which apartheid is viewed.

In the period 1960-1976, using the wholesale price index to control for inflation (for there is no such price index to apply to military spending), there has been a greater than 1 000 per cent real increase in defence spending.

Elementary arithmetic shows that we cannot pay for apartheid and its defence and at the same time have any serious commitment to creating an open, non-discriminatory society.

The choice White South Africa faces is a clear one: prepare to move on to a war footing and continue to implement apartheid, or dismantle segregation and use South Africa's resources to deal with the human needs of its population.

Simple affirmation by Whites of a belief in human dignity, or statements by some Whites of their dislike of discriminatory practices, have little significance against this background. Whites have to choose between apartheid and peace.

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required, appearing in court at the time of prosecutions, at a modest 35 minutes per arrest or summons, then it would appear that some 298 178 working hours annually are involved in bringing people to the courts for trial under the intricate pass laws and regulations.

Payments

Pricing each man hour spent at R3 per hour would mean that during 1974 a minimum of R894 534 was involved in payment for man-hours in making arrests and issuing summonses regarding infringements of pass laws. Adding to this figure the costs of forms, training of personnel, vehicles and petrol used, buildings involved, and pricing these background costs at a conservative 50c per arrest summons, a further R255 582 was involved in enforcing these laws. In all a minimum of R1 150 116 was spent during 1973-74 on arresting or summoning Africans suspected of infringing the pass laws.

● **PATROLLING AND POLICING:** It must be taken into account that perhaps for every one arrest for an infringement under the pass laws some estimated 20 checks are made of documents which are legally in order.

Pricing these checks at half the cost of an arrest or summons, some estimated R11 501 160 is spent annually on such checks.

● **COST OF PROSECUTIONS:** If one estimates the direct cost of personnel involved in the judicial process of prosecutions under the pass laws as being R25 an hour (magistrate at R7 an hour, prosecutor at R5 an hour, two court staff at R5 an hour, one clerk at R3 an hour) and further estimates that each of the 51 163 prosecutions during 1973/4 took some several minutes (with 1 400 prosecutions occurring for every day of the year, including Sundays and holidays), then some R1 490 892 was spent in 1973/4 on pass law prosecutions.

Adding to this an estimated 15 per cent of this total cost, or R223 633, to cover capital costs of buildings involved in such prosecutions, the costs of transporting those arrested to the court and the overall costs of the administration of the Department of Justice, then some R1 714 526 is expended annually in prosecuting persons for alleged offences under the pass laws.

● **LOSS OF PRODUCTION:** If one estimates the loss of production ensuing from prosecutions under the pass laws, by assuming that each of the 511 163 persons prosecuted under these laws lost an average of three days productive work before and during their prosecution and valuing loss of production for each at R5 per day the nation lost some 12,3-million man hours of work valued at some R7 667 445 during 1973/4 arising from pass law prosecutions.

APARTHEID

FIN. MAIL
14/1/77

Counting the cost

Some estimates of the crushing financial burden of race discrimination — quite apart from costs measured other than in cash — were provided in Durban this week by Len Abrahamse, deputy chairman of Nedbank and Syfrets-UAL Holdings.

Taking a conservative view and assuming there had been a natural integration on the economic front over the



Abrahamse . . . we never could afford apartheid

past 30 years, Abrahamse told an SA Institute of Race Relations conference that "it would not be unreasonable to assume GNP per capita would have been some 50% higher or R1 545 instead of R1 030. GNP in 1976 would then have been R39 800m rather than the expected R26 700m. On this very conservative basis the current cost is some R13 000m while the accumulated loss is astronomic and is a loss for all time. The future loss is also tremendous since it will take years to undo this legacy."

More immediately, last year's civil unrest could be considered yet one more cost of apartheid "which was a constant thread running through the many reasons" for the disturbances.

One of apartheid's more important consequences, in Abrahamse's view, is

the effect it has had on capital creation. The serious imbalance in income and numbers between skilled and unskilled workers has reduced the possible level of domestic savings and hence domestic capital creation. In turn this has inhibited the economic growth which would have encouraged a greater flow of foreign investment.

SA's foreign capital requirements are growing while foreign investors are becoming ever less inclined to take the risks such investment entails.

"If real gross domestic product", argues Abrahamse, "were to grow at an annual rate of 5% for the period 1975 to 1980, assuming that this growth requires a 6,4% growth in real gross domestic investment, R32bn at 1975 prices will be required to finance the investment." A 5,5% real growth rate between 1981 and 1984 would increase the total requirement for the decade to just over R60bn at 1975 prices. Hardly peanuts, even if these estimates are on the highside since, as he admits "it is unlikely that real GDP will grow at these rates."

Abrahamse warns that "the cost to the economy — and to the society — of being chronically short of capital will be an on-going one. It will be borne, in the main, in the form of a lower overall growth rate, a too low rate of employment and capital creation." He concludes that "the apparatus of apartheid is not only inhuman but is wrong-headed and a luxury, or more truly a handicap, that we never really could afford."

Dr Jill Nattrass of Natal University caused a stir after Abrahamse's paper by remarking that "under apartheid South Africa has in fact enjoyed a very high rate of growth and if businessmen who have benefited from that growth are now calling for change we should examine their motives." Abrahamse retorted sharply that he had said the same thing during the Sixties' boom. In growth *per capita* terms South Africa was way down the list. Also apartheid had only been beneficial to growth in the short-term.

University of Cape Town sociologist Michael Savage set about estimating some of the costs of this handicap or luxury. To maintain and operate the pass laws costs an annual R110,8m by his reckoning which, he hastened to add, was "but some fraction of the total cost of running the pass law system."

The calculable costs: arrests and summonses R1,2m; patrolling and policing R11,5m; prosecutions R1,7m; loss of production R7,7m; imprisonment R18,7m; issuing and updating of passes R24m; labour contracts and labour bureaux R47,2m; aid centres R0,3m; and transit camps R0,5m.

Taken together these costs exceed "the combined sum of the 1976/77 Budget allocated to the Departments of Bantu Education, Labour, the Interior and to

the operating costs of Parliament."

Other costs worth looking into: job and wage colour bars; migrant labour; the political institutions (Urban Bantu Councils, CRC, SAIC); Group Areas removals; removals and resettlement from Black spots; education segregation; residential segregation including transport costs; separate amenities; population classification; decentralisation; enforcement of discriminatory laws and operation of legislation affecting only Africans by BAD and Bantu Education — to name but a few.

"To this list should be added some substantive part of the Defence budget, for much, if not most, of the continuing threat to SA arises precisely because of the abhorrence with which apartheid is viewed by the outside world and by the majority of the Black population within SA," he claimed.

57, 79

**Economy
and rise
in jobless**

By GERALD REILLY
SOUTH AFRICA'S stagnant economy will remain in the doldrums for the rest of the year.

This is the burden of a survey to be released on February 3 by the Bureau for Economic Research of the University of Stellenbosch.

The bureau head, Mr Attie de Vries, said from Stellenbosch yesterday that according to the data processed there was little if any hope of a dramatic recovery this year.

Unemployment among White and Black workers would continue to rise.

According to Professor P. J. van der Merwe, of the Pretoria Economic Bureau, unemployment is rising at a conservative rate of 12 000 urban Black workers a month.

Mr De Vries said the state of the economy would continue to demand restraint. The survey was unlikely to be a happy document, he added.

Asked whether against a background of the gloomy results of the survey income tax could be expected to rise Mr De Vries said: "The Government will be unwilling to raise income tax. It is not impossible, however, that they will be compelled to raise more money locally to finance expenditure programmes."

If tax was increased, it was likely to be indirect.

He did not think either that the Budget would aim at even a mild stimulation of the economy. The balance of payments was not yet strong enough for this, and inflation was running at a high rate.

Mr De Vries said the mass of information and statistics collected for the bureau's quarterly surveys — from State departments and the private sector — was fed into a computer. The result was as balanced a picture of economic short term prospects as it was possible to attain.

WJ Econ.

- cours magistraux: * Benjamin Constant - Adolphe
 * Louis Mauriac - Thérèse Desqueyroux
 Gide - Les Caves du Vatican
 Gide - L'Immoraliste
 Paul Sartre - La Nausée
 Nouveau Roman

**FURY AT
 'RAJAHS'
 CAR DEAL**

RECHERCHE ET 1

- Le méti... é Gide ou le don de soi, T.E.R.,
 Unive... 1969, 84 pages
- Méthodol... française contemporaine, Thèse,
 Univer... 1975, 229 pages
- Comment... ers Culture, Editions Magnard,
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 Mr. Zurich said the
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 to large Mercedes and
 other imported cars.
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 of an example is this to
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 "How can we take
 them seriously - and I
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 "It's just about time
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- afin des générations: analyse et
un pédagogique de l'AFSSA, No. 3,
- série de fil... (deco-tape) pour l'enseignement
 de la civi... ar méthodes individualisées
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 * L'ense... WCSC-TV -EIAJ 773
 * Côtes... e France ≠ WCSC-TV -EIAJ 777
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 s Boulingrin (Cape Town, 1974)
 mais tel qu'on le parle (tournée
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 Mais n'te promène donc pas toute nue!
 s de la civilisation
 entre les Etats-Unis et la France

ADRESSE: jusqu'au 1er décembre 1976: après le 1er décembre 1976 (pendant
 congé sabbatique):
 Dr. Pierre PETIT, M. Pierre PETIT,
 French Department 97 rue Mazarin,
 University of Cape Town, 33000 Bordeaux,
 Rondebosch, 7700, France.
 South Africa.

Rampant 30/1/76

GELDSAKE

Dr. Wassenaar
● *bars uit*

VERKNOEI

'N SKROEIENDE aanval op die manier waarop Suid-Afrika se ekonomiese sake gehanteer word, word gedoen deur een van die heel bekendste Afrikaner-sakemanne in die land.

Hy is dr. Andreas Wassenaar, voorsitter van Sanlam, wat in 'n boek wat binnekort verskyn, ernstige bedenkinge uitspreek oor byna elke aspek van ons ekonomiese beleid.

Vandeesweek het hy op Malmesbury op 'n gesamentlike vergadering van die Rapportryers



en die Rotariërs 'n voor-smaak gegee van wat in die boek Assault on Private Enterprise verwag kan word.

Hy klim kaalvuis in. Hy praat van 'n geestelike kwaal onder die regerende klas, 'n „byna godsdienstige eerbied” vir gesag — „ons” regering mag nie in die openbaar gekritiseer word nie.

Onder sy sweep loop o.m. deur:

* Ministers wat deur die burokrasie (hul amptenare) oorheers word.

* Ons duur TV-stelsel.

* Onbeheerste besteeing deur die staat.

* Die 1976-begroting — „n finansiële tragedie”.

* Prysbeheer — wat al byna die steenkoolbedryf „vernietig” het.

* Staatsinmenging in die

volgende vyf jaar. Hierdie geld, sê dr. Wassenaar, gaan die staat in die vorm van belasting van die private sektor trek om verdere nasionalisering te bevorder.

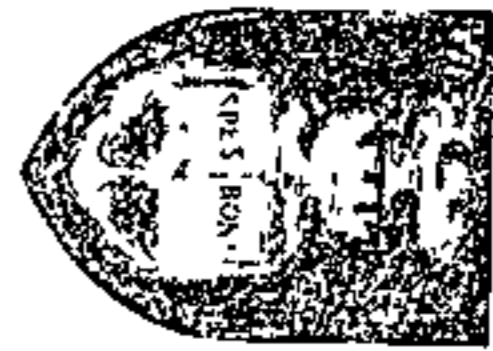
Die ekonomiese en finansiële krisis waarin die land gedompel is, kan net oorwin word deur 'n regering wat die morele krag het om topmanne uit die private sektor

* VERVOLG OP BL. 6 *

ard of the Centre for African Studies decided it would
ay workshop here at UCT where members of different
rch in diverse fields of African studies could meet
other of their work, pin-point gaps in research and
iplinary co-ordinated research projects. In order

In reply please quote

TELEPHONE 69-8531.



UNIVERSITY OF CAPE TOWN

UNIVERSITY OF CAPE TOWN

SCHOOL OF ECONOMICS,
Division of
Beattie Building,
Rondebosch,
7700

Dr. Wassenaar bars uit

* VERVOLG VAN BL. EEN *

in die ministeries van Ekonomiese Sake en Finansies te bring.

„Een ding is seker: Ministers wat so min ondervinding van die private sektor het dat hulle vir advies skromelik afhanklik is van die burokrasie, kan nie hierdie land in die huidige toestand red nie.”

Terwyl hierdie probleem homself nou eers begin ontvou, is die vertroue in die sakewêreld baie laag. En hier toe is hy gedwing deur prysbeheer en onsinnige belastingsvorme, en, bo en behalwe dit, deur 'n onverstandige en onsimpatieke burokratiese benadering.

Waarom S.A. die mees gevorderde en duurste TV-stelsel ter wêreld (Amerika ingesluit) moes hê, behoort 'n interessante onderwerp te

wees vir navorsing, indien nie 'n ekonomiese ondersoek nie, sê dr. Wassenaar.

Met die gewone ministeriële en departementele deeglikheid het 'n komitee elke aspek van die instelling van TV ondersoek. In die finale verslag was heelparty aanbevelings, waarvan een dat net drie vervaardigers toegelaat moet word om hier fabriek op te rig. Die redes: TV is hoogs tegnies en wanneer die „boom” verby is, sal daar nie plek vir meer as drie wees nie.

Hierdie aanbeveling is weer met die gewone ministeriële en departementele deeglikheid verwerp en vyf vervaardigers is toegelaat in die beperkte SA mark. Politieke oorweginge, die afleiding wat 'n mens kan maak, het dit kort daarna nodig gemaak dat 'n sesde toestemming kry.

Steenkool

Daarby word daar nie algemeen besef dat die staat die instelling van TV gebruik as 'n geleentheid om 'n verdere groot hap in advertensies en vermaak te kry nie. 'n Groot deel van die land se advertensiebegroting word nou deur die staat oorgeneem.

Prysbeheer het nou al byna die steenkoolbedryf vernietig as 'n lewenskragtige onderneming vir die private sektor deurdat so 'n dodelike wapen in die hande van die burokrasie geplaas is. Staatsamptenare kan dit nie gebruik nie omdat hul agtergrond en opleiding hulle nie die kennis en begrip gee hoe om dit te gebruik nie.

Om die steenkoolbedryf daartoe te bring dat dit feitlik ryp is vir nasionalisasie, was 'n maklike taak, wat net 'n paar ministers op advies van 'n paar staatsamptenare reggekry het. Maar om die bedryf weer ekonomies gesond te kry, sal 'n uitputtende taak wees waarvoor geduld en tyd en baie meer wysheid nodig is.

Groot skade

Dr. Wassenaar het dit ook teen kommissies onder burokratiese voorsitterskappe: Die Niemand-kommissie, wat die hoë pryse van kaal erwe moes ondersoek, kom kwaai onder skoot. Hy sê dat hierdie kommissie groot skade aan dorpsgebiedontwikkeling gedoen het en 'n verdere tipiese aanval op die private sektor van stapel gestuur het.

Hy vra waarom Ministers so lief is om die hooft van

hul departemente as voorsitters van kommissies van ondersoek aan te stel. Is dit nog 'n aanduiding van die mate waarin ministers en regerings in die algemeen deur die burokrasie oorheers word?

Oor goud sê dr. Wassenaar dat die sterk styging in die prys van goud van 1972 tot 1974 'n debakel vir die land was. Hy skryf dit toe aan 'n gebrek aan wysheid by die finansiële leiers van die land.

Tragedie

Die feit dat buitelandse bronne vir lenings feitlik opgedroog het, word aan politieke redes toegeskryf. Dis 'n foutiewe oorvereenvoudiging, sê dr. Wassenaar. Die hooftrede is 'n sterk gevoel dat besteding in SA onbeheers en ongedissiplineerd is en dat SA nie in staat is om sy verpligtinge na te kom nie.

Die 1976-begroting was 'n openbaring en 'n finansiële tragedie. Dit kon verhinder gewees het. Nie in 1976 nie, maar in 1972, 1973 en 1974.

Byna elke Afrikaner is teen die Kommunisme. Maar vir talle is die sosialisme nie heeltemal verwerplik nie. Wanneer hulle gevra word om tussen die twee te onderskei, raak die meeste heel pateties in woorde verstriek.

Mini-Rusland

Daar word algemeen aanvaar dat Rusland, onder 'n Russiese diktator en met alle ekonomiese bedrywighede genasionaliseer, 'n Kommunistiese staat is. Beteken dit dat Suid-Afrika, onder 'n Afrikaner-diktator en met al sy ekonomiese bedrywighede genasionaliseer, ook 'n Kommunistiese staat sou wees?

So sot sobs dit voorkom, die gevaar bestaan dat die Afrikanerdom homself so kan hipnotiseer dat hy glo so 'n Suid-Afrika sal nie noodwendig 'n mini-Rusland wees nie, maar iets gans anders.

Die Afrikanerdom kan op een somber oggend wakker skrik en hom by 'n ekonomiese dooie punt bevind waaruit hy nie die pad terug na ekonomiese stabiliteit as 'n demokrasie met vrye ondernemerskap kan vind nie.

Die punt van 'n finale besluit kom nou vinniger nader as wat die meeste mense besef, sluit dr. Wassenaar af.

Assault on Private Enterprise word deur Tafelberg uitgegee.

selfs „saam met die duiwel werk” om die regering uit die saal te lig) hom veilig sal kan voel in 'n party langs Helen Suzman, is ondenkbaar sê waarnemers. Hy en heelwat ander Sappe sal hul eerder tuis by die Streicher-Sappe voel.

Streicher

Dan is daar twee ambisieuse politici soos mnr. Harry Schwartz aan Progrekant en Japie Basson. Wie glo nie dat elkeen reeds maneuvreer om as die nuwe leier van 'n gesamentlike opposisie terug te kom ná die Paasreëse nie?

In sulke bespiegeling is die leier van die Progrese, mnr. Colin Eglin, se naam op die agtergrond. Sir De Villiers Graaff se naam word nie genoem nie.

Met die eerste oogopslag lyk dit of mnr. Myburg Streicher se „groep van ses” nie het die simpatie van die Regering het nie — selfs die deure by die Eerste Minister is vir hulle oopgemaak — maar of hulle ook in SAP-gelede reëlmatige steun te wagte kan wees.

'n Goeie aanduiding dat Streicher-hulle nie noodwendig in 'n politieke woestyn beland het nie, is die steun wat uit hul kiesafdelings vir hul optrede gekom het. Maar daar word gesê dat te veel mooi woorde van die Regering en sy koerante hul saak by hul kiesers kan kelder.

ger. Daar was 'n geskarrel en dit was 'n aardigheid om te sien hoe party se koppe op en af skud en ander s'n weer driftig heen en weer.

Nie 'n enkele Progre het egter opgestaan en sy party se beleid probeer uitspel nie. Die Sappe wat ooppraat het

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KOOP N

Sanlam head attacks State over economy



DR WASSENAAR

CAPE TOWN—A pillar of the Afrikaner financial community has launched a scathing attack on Government handling of the South African economy which he believes is headed for disaster.

Interviewed yesterday on a book he is to publish later this week, Dr A. D. Wassenaar, chairman of the giant Sanlam Group of companies, rejected a recent call by the Prime Minister, Mr Vorster, for prominent business figures to refrain from public criticism of the Government.

"In view of the current situation I don't believe anybody has a right to ask businessmen to remain silent," said Dr Wassenaar.

The country was probably experiencing the worst financial crisis in its history and this was due to Government economic and financial policies which included

overspending by the State, excessive Government bureaucracy, the 1978 budget which was a "financial tragedy," price control which had also destroyed the coal industry, and continual State interference with the business of the private sector.

Dr Wassenaar doubted whether the Government understood priorities and wondered whether there should not have been some hesitance in signing the contract for the Koeberg nuclear power station, for example, in the prevailing situation.

State corporations were committed to a R25,000 million expansion programme over the next five years. This money was obtained through taxing the private sector for further nationalisation.

Referring to the economic system of Russia, he asked if South Africa could not be considered a communist state

with an Afrikaner economic dictatorship.

There was a danger that through a form of self-hypnosis this could happen. The country would wake up one day to find that it was at an economic deadend and it would be unable to get back onto the road of stability as a free enterprise democracy.

"I am convinced that the economic policies we are following are leading us on the road to disaster," he said.

Government spending sprees in the past would mean successive increases in taxation for the next four to five years.

Backing Dr Wassenaar was the executive director of the Anglo American Corporation, Dr Z. J. de Beer, who said from Johannesburg that the Government was harming private enterprise in South Africa through restrictions and controls. — DDC.



Dr Wassenaar Dr De Beer Sen Horwood Mr Vorster Mr Heunis Mr Baxter

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Financier condemns Govt over economy

Cape Times 31/1/77

By GORDON KLING

A PILLAR of the Afrikaner financial community has launched a scathing attack on Government handling of the South African economy, which he believes is headed for disaster.

Interviewed yesterday by the Cape Times on his book, "Assault on Private Enterprise" which will be published later this week, Dr A D Wassenaar, chairman of the giant Sanlam group of companies, rejected a recent call by the Prime Minister, Mr Vorster, for prominent business figures to refrain from public criticism of Government.

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The country was probably experiencing the worst financial crises in its history. These were due to Government economic and financial policy which included overspending by the State, excessive Government bureaucracy, the 1976 budget which was a "financial tragedy", price control which had almost destroyed the coal industry and continued State interference with the business of the private sector.

Priorities

Mr Wassenaar doubted whether the Government understood the priorities of the country and wondered if there should not have been some hesitation in signing the contract for the Koeberg nuclear power station, for example, in the prevailing situation.

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taxing the private sector for further nationalization.

Referring to the economic system of Russia he asked whether South Africa could not be considered a communist state with an Afrikaans economic dictatorship.

Self-hypnosis

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Wassenaar. He said in an interview from Johannesburg that the Government was harming private enterprise in South Africa through restrictions and controls.

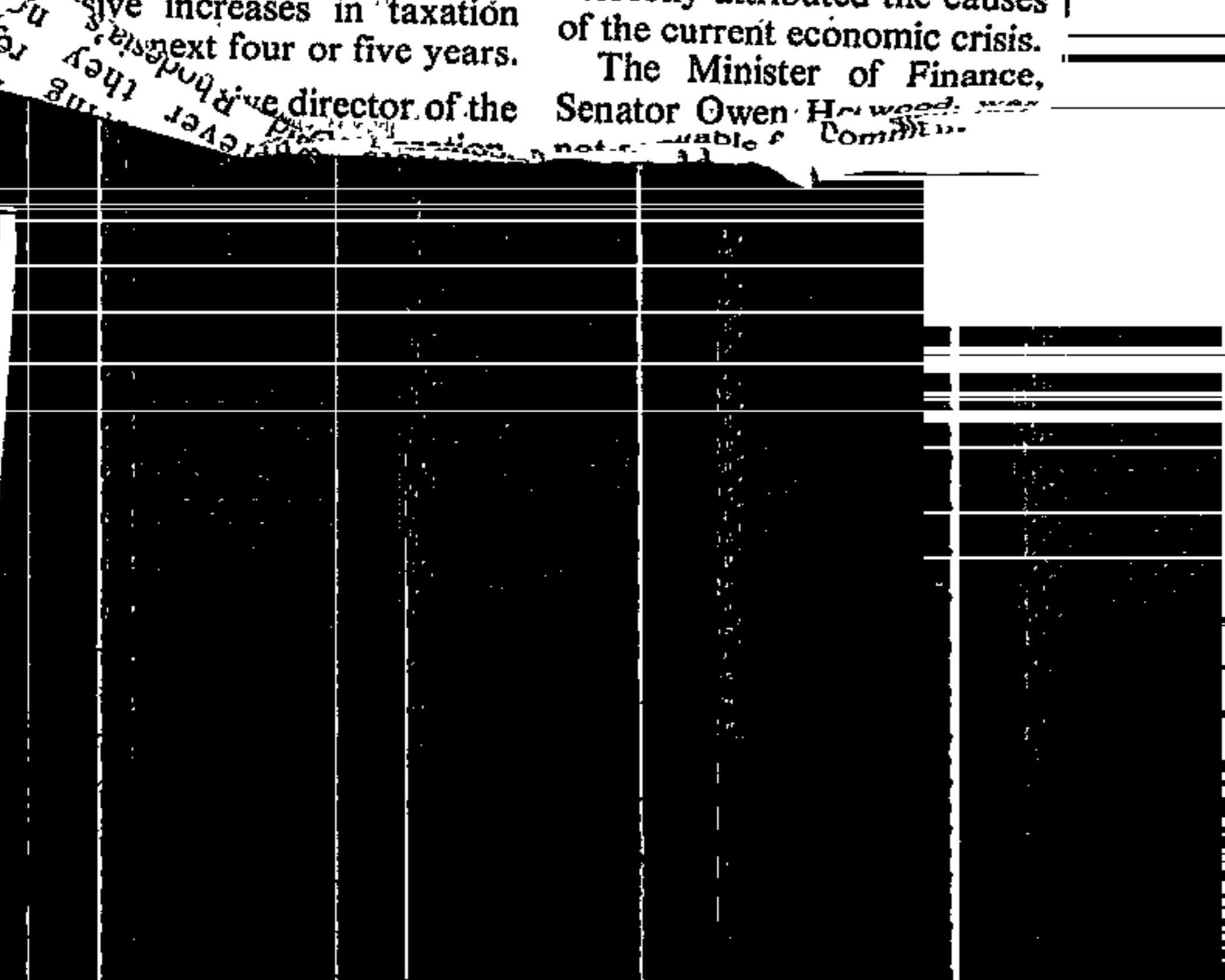
The Minister of Economic Affairs, Mr J C Heunis, said there was a motion on the order paper of Parliament for this Friday on the whole question of free enterprise in South Africa. He wished to withhold comment until that time.

The United Party finance spokesman, Mr David Baxter, said it was heartening that an Afrikaner businessman of Dr Wassenaar's standing, who was respected by both Nationalists and non-Nationalists, should be so critical of the economic and financial management of the country.

He said Dr Wassenaar had correctly attributed the causes of the current economic crisis.

The Minister of Finance, Senator Owen Hewwood,

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THE slashing attack on Government economic policy by Sanlam chairman Dr A. D. Wassenaar will give weight to the Opposition criticism during the current parliamentary session of National Party handling of the country's economy.

This was made clear today by financial spokesmen for the Opposition parties.

'Failure to criticise' attacked

DR A. D. WASSENAAR makes a slashing attack in a book to be published on Friday on the failure of Afrikanerdom to criticise the Government publicly when it makes economic mistakes.

Dr Wassenaar says his book, entitled *Assault on Private Enterprise*, has been written to show that economically the democratic West is at the crossroads, and to demonstrate the effect of politics on the economic and financial stability of South Africa.

In his book he also says Afrikanerdom is at the crossroads. Afrikanerdom is entitled to the credit for everything accomplished during its 28 years' rule which is good and commendable — but it must also take responsibilities for every problem created by its policies, for every skeleton hoarded in our cupboards, he writes.

'It must, above all, take responsibility for the economic mess in which the RSA finds itself and for the bleak future which stares private enterprise in the face.

RESPONSIBILITY

'What a dreadful responsibility this is!' he continues.

He says South Africa's ruling class is suffering from a mental disease. This is the theory, accepted with almost religious reverence that 'our' government must not be criticised in public. Criticism in public is reserved for, and only for, political opponents.

Dr Wassenaar says the policy that one should not criticise the Government but one must talk to it privately has not been successful, and is unlikely to be successful unless there is a complete change in the governmental approach to the private sector.

ACCEPTED VIEWS

In his book he attacks many accepted views, including the belief that it is the Government's duty to run public utilities and services. He points out that in several countries many of these services — such as steel manufacturing, railways, airways and television — are run with considerable competence by the private sector.

Also subjected to criticism in Dr Wassenaar's book is the bureaucracy — the public service where he contends there is between 30 and 35 percent over-employment.

Dr Wassenaar argues that Cabinet Ministers who have so little experience of the private sector are inordinately dependent on bureaucracy for advice. But the bureaucracy has not the background and experience required for

Bureau agrees with financier

THE Stellenbosch Bureau for Economic Research agrees with the chairman of Sanlam, Dr Andreas Wassenaar, who has made a fierce attack on the Government's handling of the economy.

'We are in general agreement with Dr Wassenaar, a senior economist at the bureau, Mr O. D. J. Stuart, said today.

Referring to the last Budget, called a 'financial tragedy' by Dr Wassenaar, he pointed out that the Minister of Finance had said nothing about salary increases for civil servants — yet he had granted increases three weeks later.

EXPERTISE

Mr Stuart said he felt the Minister of Finance should not be a politician or have any dealing with party politics. Dr Wassenaar had called on the Government to draw on the expertise of the private sector to repair the economy.

A spokesman for the Standard Bank of South Africa said the banks had been warning the Government about the economy 'for months'.

Mr Bob Goodwin, president of Assocom, said: 'It is not necessary to agree with all Dr Wassenaar's criticisms to feel that there must be something wrong when one out of every three White South Africans is dependent on the State for employment.'

He said the regular and frequent increase in taxation on relatively few taxpayers was especially debilitating to private enterprise in a developing country like South Africa.

Dr Charles Ferreira, managing director of Mercabank, said: 'Only the most arrogant would ignore the views of a man of Dr Wassenaar's status, stature and record of achievement. However, we are used to such arrogance.'

Their assurance followed the publication of sweeping criticisms of the Government's handling of the economy by Dr Wassenaar.

In a book, *Assault on Private Enterprise*, Dr Wassenaar says the country faces a financial crisis due to policies which have led to over-spending by the State, excessive Government bureaucracy and State interference with the business of the private sector.

The Stellenbosch Bureau for Economic Research is in general agreement with Dr Wassenaar, a senior economist, Mr O. D. J. Stuart, said.

The Minister of Finance, Senator Horwood, said he would study the criticisms made by Dr Wassenaar but did not propose commenting at present.

The Minister of Economic Affairs, Mr J. C. Heunis, has been quoted as saying that he would deal with the issue during discussion on Friday of a Private Member's Motion in the Assembly.

Best suited

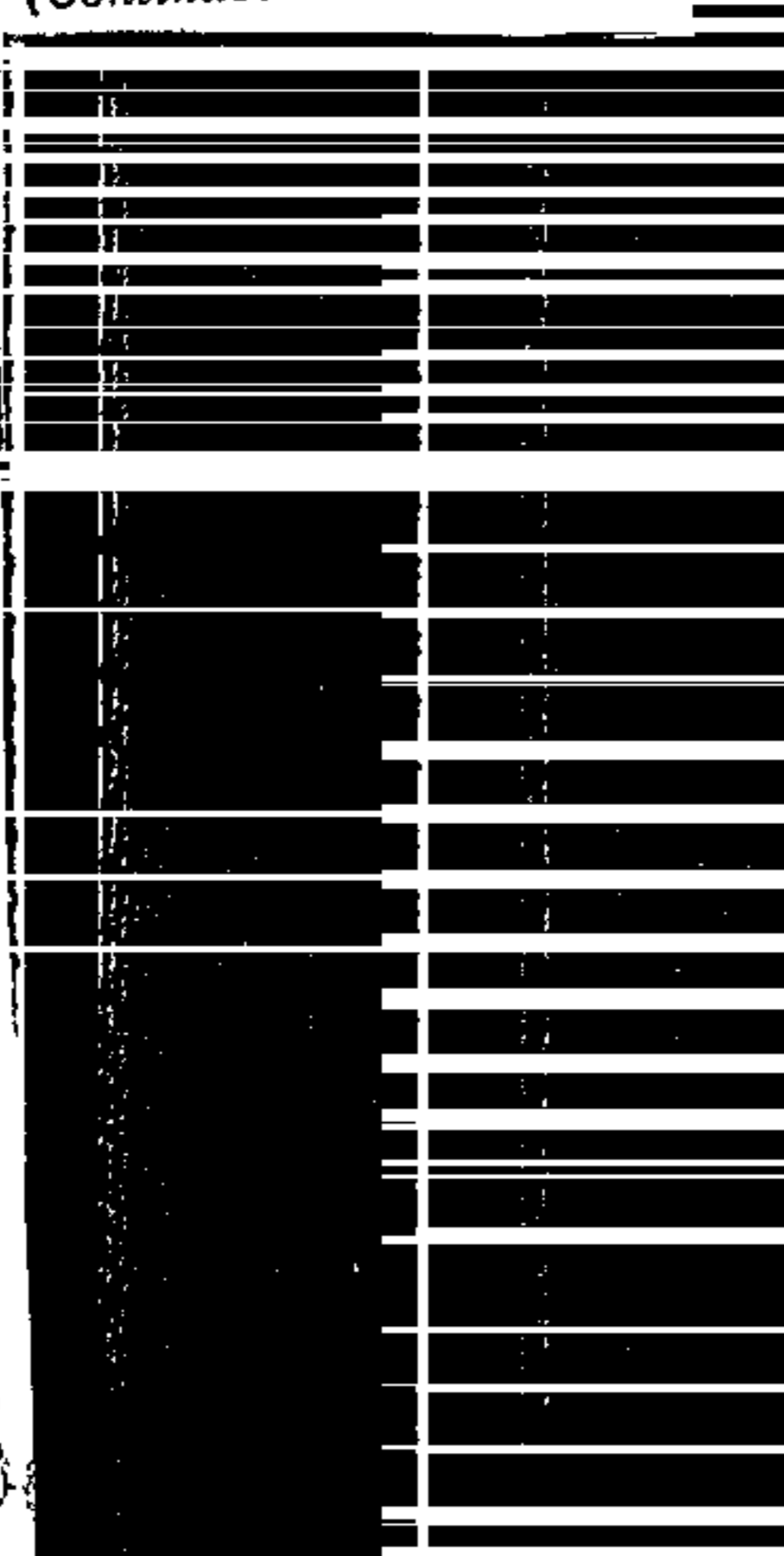
The motion, by Dr P. J. van B. Viljoen, a Nationalist MP, proposes that the House expresses the opinion that the present economic system based on the principles of free enterprise and the pursuit, in a responsible manner, of profit motive, is best suited for promoting the economic development of the country and the welfare of all its inhabitants.

The motion also wants the House to note with appreciation the steps taken by the Government to ensure the maintenance of this system within the framework of the broad national interest — a point on which Dr Wassenaar has accused the Government of having failed.

Loyal ties

Mr Harry Schwarz, the Progressive Reform Party's spokesman on Finance, said today Dr Wassenaar would undoubtedly be followed by others in his criticism of the Government.

He said the situation had become so serious that people were no longer prepared to keep



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Sanlam head attacks State over economy

CAPE TOWN — A pillar of the Afrikaner financial community has launched a scathing attack on Government handling of the South African economy which he believes is headed for disaster.

Interviewed yesterday on a book he is to publish later this week, Dr A. D. Wassenaar, chairman of the giant Sanlam Group of companies, rejected a recent call by the Prime Minister, Mr Vorster, for prominent business figures to refrain from public criticism of the Government.

"In view of the current situation, I don't believe anybody has a right to ask businessmen to remain silent," said Dr Wassenaar.

The country was probably experiencing the worst financial crisis in its history and this was due to Government economic and financial policies which included

overspending by the State, excessive Government bureaucracy, the 1976 budget which was a "financial tragedy," price control which had also destroyed the coal industry, and continual State interference with the business of the private sector.

Dr Wassenaar doubted whether the Government understood priorities and wondered whether there should not have been some hesitance in signing the contract for the Koeberg nuclear power station, for example, in the prevailing situation.

State corporations were committed to a R25 000 million expansion programme over the next five years. This money was obtained through taxing the private sector for further nationalisation.

Flexing in the economic system of Russia, he asked if South Africa could not be considered a communist state

with an Afrikaner economic dictatorship.

There was a danger that through a form of self-hypnosis this could happen. The country would wake up one day to find that it was at an economic dead end and it would be unable to get back onto the road of stability as a free enterprise democracy.

"I am convinced that the economic policies we are following are leading us on the road to disaster," he said.

Government spending sprees in the past would mean successive increases in taxation for the next four to five years.

Backing Dr Wassenaar was the executive director of the Anglo American Corporation, Dr Z. J. de Beer, who said from Johannesburg that the Government was harming private enterprise in South Africa through restrictions and controls.

— DDC

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Experts attack Govt on finance

Businessmen and economic researchers today supported the attack on Government economic policy by the chairman of Sanlam, Dr Andreas Wassenaar, who said South Africa was "on the road to economic catastrophe."

In Press interviews and

in a book to be published this week Dr Wassenaar attacked the Government for mismanaging the economy, for overspending, for price control and increasing the degree of public ownership of industry.

The following reactions to the attack were obtained today:

● The Stellenbosch

Bureau for Economic Research: "We are in general agreement with Dr Wassenaar."

● Dr Charles Ferreira, managing director of Mercabank: "Only the most arrogant would ignore the views of a man of Dr Wassenaar's status, stature and record of achievement. However we are used to such arrogance."

● The Associated Chambers of Commerce of South Africa: "It is not necessary to agree with all Dr Wassenaar's specific criticisms; to feel there is something wrong when one out of three South Africans is dependent on the state for employment."

● The Standard Bank of South Africa: "The Government has been warned for months about the economy. Dr Wassenaar is interpreting those warnings."

Other top businessmen and financiers refused to comment on Dr Wassenaar's attack, among them were Dr Frans Cronje, chairman of Nedbank, Mr Bob Aldworth, managing director of Barclays National Bank, Mr Jan de Necker, chairman of the Rand Bank and Mr Aub-

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11/2/71 AD

Parliament to debate Wassenaar's accusations

CAPE TOWN — The astonishing charges of financial mismanagement levelled at the Government by the Afrikaner financier, Dr A. D. Wassenaar, are expected to be debated fully in Parliament on Friday.

Wilson Prof. M. Hunterstoun,

Young Mr. G. P O Box 339

HOGSBA

CLAREMON

Dr Wassenaar, chairman of the giant Sanlam group, whose views on the Government's handling of the economy are to be published in a book this week, has warned of economic disaster ahead.

The Nationalist MP for Newcastle, Dr P. Viljoen, has tabled a private member's motion which will give Parliament full opportunity to debate Dr Wassenaar's charges on Friday.

It is not clear yet if the Minister of Finance, Sen Horwood, will take part in the debate, but Nationalists were speculating yesterday that top financial spokesmen would be involved.

Meanwhile, spokesmen for organised commerce and industry have agreed with Dr Wassenaar that there is excessive State interference in the private sector.

His criticisms of price control were also supported by consumer bodies.

The president of Assocom, Mr. S. O. Goodwin, said Dr Wassenaar had pinpointed a phenomenon which had worried many South African businessmen for years — the State's encroachment in the legitimate sphere of private enterprise.

"It is not necessary to agree with all Dr Wassenaar's specific criticisms to feel that there must be something wrong when one out of every three white South Africans is dependent on the State for employment."

The regular and frequent increases in taxation imposed on a relatively small tax base was especially debilitating to the private sector in a developing country like South Africa.

The head of the Bureau for Economic Research at the University of Stellenbosch, Mr A. de Vries, said there was much in what Dr Wassenaar said that he agreed with.

The growth of

commodity control boards and other Government and quasi government boards with their hundreds of employees was part of this top-heavy bureaucracy, he said.

The South African Council of Churches' ombudsman, Mr Eugene Roelofse, said he agreed with Dr Wassenaar that price control was a deadly weapon in the hands of bureaucracy, and that public servants lacked the background to administer an efficient and balanced control.

In his book, *Assault on Private Enterprise: the Freeway to Communism*, Dr Wassenaar says extreme dependence on ministerial and bureaucratic goodwill has created a private sector that is unwilling to offend in any way the authority on whose goodwill it depends.

"As a general rule it can be said that spokesmen for the private sector are loath to criticise, are liable to understate their case, are prone to agree with and are unwilling to challenge authority."

"The private sector of the Republic is in the doldrums. Great leadership will be needed to rescue a country, which is economically potentially strong, from the brink of economic disaster — inevitable if nationalisation continues." — PC-DDG

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Vose Mr W. c/o British Embassy, 6 Hill Street, PRETORIA 0002

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Actuary: I had to do it

JOHANNESBURG — Dr Andreas Wassenaar was a contented man last night — "very contented, indeed," he said.

"I've been a Nationalist, an Afrikaner, all my life and I still am. But I just had to do what I've done," he said in an interview.

Dr Wassenaar, the quiet-spoken 68-year-old actuary who rose to be chairman of the giant Sanlam group, made the headlines yesterday with his views attacking what he calls the uncontrolled and undisciplined management of the South African economy by successive National Party governments.

The attacks are contained in his book, Assault on

Private Enterprise — the Freeway to Communism, which will appear in bookshops on Friday.

Dr Wassenaar said the Afrikaner had been inclined to look at corporations like the IDC, Iscor and Sasol as a sphere of economic activity in which Afrikaners had control.

"But this is nonsense, of course. It is not control by Afrikaners or Jewry or anyone else: it is State control, nationalisation. And that only leads one way — to communism.

"If we carry on, we are heading for a communist state under an Afrikaner dictatorship."

The only answer was for men with the know-how from the private sector to

be given the finance and economic affairs portfolios in the Cabinet — "and possibly several other portfolios as well." These portfolios should be kept outside of party politics.

He said he had put these views to a number of Government ministers, including Mr Vorster.

The response? "Completely negative."

He hopes now, if he is able to enlist enough support from both the Afrikaans and English business communities, to force the Government to take some action. — SAPA.

Parliament to debate accusations, page 9.

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Bureaucracy 'taking control of SA'

Own Correspondent

CAPE TOWN. — A startling picture of "empire building" in the public service and the extent to which bureaucracy has taken control of South Africa is drawn by Dr A. D. Wassenaar in his book, "Assault on Private Enterprise: The Freeway to Communism", to be published this week.

Dr Wassenaar, chairman of the Sanlam group, is a pillar of the Afrikaner financial community and a highly respected economist.

He says in his book that it would not be unduly rash to estimate overem-

ployment in the public service at 30 to 35 per cent.

"In the private sector there is a consensus that the influence of bureaucracy on the Government is increasing inordinately."

He says that in a properly functioning capitalist society, subject to minimum State interference and no State competition in the private sector, the public sector employment growth rate should be appreciably less than the private sector's.

Quoting figures to show that the public sector employment growth rate is greater than in the pri-

rate sector, he says this must be regarded as "a reliable index of excessively increasing interference."

"Statistics show that expenditure on salaries, wages, goods and services of a non-capital nature incurred by the Government — including provincial and local government, but excluding the postal services, Railways and public corporations — constituted 10 per cent of the total domestic expenditure in 1960.

"By 1975 this had increased to 14 per cent — an excessive increase by any standard of comparison."

Dr Wassenaar says extreme dependence on Ministerial and bureaucratic goodwill — and permission and concessions — has created a private sector that is unwilling to offend, in any way, the authority on whose goodwill it depends so often for so much.

"As a general rule, it can be said that spokesmen for the private sector are loth to criticise, liable to understate their case, prone to agree with and unwilling to challenge authority."

Dr Wassenaar says the private sector finds itself under the complete control of a bureaucracy, whose members have no understanding of the private sector and its value to the country.

"The private sector is in the doldrums. Great leadership will be needed to rescue the country from the brink of economic disaster — inevitable if nationalisation continues."

truck-loads of Nationalists began to arrive from surrounding areas including Christiana, Schweizer-Reneke, Wolmaransstad, Boshof and Hoopstad and a growing air of excitement gripped the town. For some time it had been rumoured that Nationalists intended to create trouble for Smuts in Bloemfontein and the S.A.P. had actually taken the precaution of

ed to them. At 10 a.m. Smuts and his
 Les from Bloemhof by a mounted commando
 en and by a long line of cars, and all
 e bazaar hall. Smuts's arrival was
 st of cheers mingled with jeers. In
 sses presented to them, both Smuts and
 ere received with further cheering and
 the Chairman of the local branch of
 behaviour proved fruitless. In a

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S.A. RUN BY RED TAPE RULINGS

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11/21/77 Mercury Correspondent

CAPE TOWN — A startling picture of "empire-building" in the public service in South Africa, and of the extent to which bureaucracy has taken control of the country, is drawn by Dr. Andries Wassenaar in his book, *Assault on Private Enterprise: The Freeway to Communism*, to be published this week.

As chairman of the powerful Sanlam Group, Dr. Wassenaar is a pillar of the Afrikaner financial community and one of the most respected figures in South African finance generally.

In his book he says it would not be unduly rash to estimate over-employment in the public service at 30 to 35 per cent.

"In the private sector there is a consensus of opinion that the influence of bureaucracy on the Government is increasing inordinately. Private enterprise has, it thinks, every reason to be concerned."

Dr. Wassenaar says in a properly functioning capitalist society, subject to minimum State interference and no State competition in private sector activities, the growth rate of employment in the public sector should be appreciably less than that in the private sector.

And after quoting figures that show the employment growth-rate is greater in the public sector, he says that this must be regarded as "a reliable index of excessively increasing interference."

Statistics show that Government expenditure on salaries, wages, goods and services of a non-capital nature, including provincial and local government, but excluding the postal services, railways and public corporations — constituted 10 percent of the total domestic expenditure in 1960.

"By 1975 this percentage had increased to 14 percent — an excessive increase by any standard of comparison," says Dr. Wassenaar.

The public sector, including the public corporations, was responsible in 1975 for 48 percent of the total gross domestic fixed investment in the Republic.

Unwilling

Dr. Wassenaar says extreme dependence on Ministerial and bureaucratic goodwill — and permissions and concessions — has created a private sector that is unwilling to offend in any way the authority on whose goodwill it depends so often for so much.

"As a general rule it can be said that spokesmen for the private sector are loath to criticise, are liable to understate their case, are prone to agree with and are unwilling to challenge authority."

Dr. Wassenaar says the private sector finds itself under the complete control of a bureaucracy whose members have no understanding of the private sector, its strengths, its weaknesses and its value to the country.

Our correspondent in Pretoria reports that organised commerce and industry agree with Dr. Wassenaar.

His criticisms of price control, and the claim that it is a deadly weapon in the hands of bureaucracy, is also supported by consumer bodies.

Answer 2 col 85 1/2/77

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Gross National Product

128. Mr. H. H. SCHWARZ asked the Minister of Statistics:

What was the gross national product of the Republic for each of the past five years.

The MINISTER OF STATISTICS:

	R Million
1971	13 471
1972	15 058
1973	18 444
1974	21 874
1975	24 669

The estimate for 1976 is not yet available.

South West Africa is included.

Separate figures for the Republic are not available.



Dr Wassenaar

Wassenaar 'had to' attack Nat policy

JOHANNESBURG. — Dr Andreas Wassenaar was a contented man last night. "Very contented indeed," he said.

"I've been a Nationalist, an Afrikaner, all my life and I still am. But I just had to do what I've done," he said in an interview yesterday.

Dr Wassenaar, the quiet-spoken 68-year-old actuary who rose to be chairman of the giant Sanlam group, made the front pages of English and Afrikaans newspapers round the country yesterday with his views attacking what he called "the uncontrolled and undisciplined management of the South African economy by successive National Party governments".

The attacks are contained in his book, "Assault on Private Enterprise — The Freeway to Communism", which will appear in South African bookshops on Friday.

In it he condemns continual State interference with private enterprise and Government spending sprees, and calls the 1976 budget a "financial tragedy".

"The Afrikaner has been inclined to look at corporations like the IDC, Iscor and Sasol as a sphere of economic activity in which Afrikaners have control.

But this is nonsense, of course. It is not control by Afrikaners or Jewry or anyone else, it is State control, nationalization. And that only leads one way — to communism.

"If we carry on we are heading for a communist state under an Afrikaner dictatorship." — Sapa

Widespread support for attack on Govt

By GORDON KLING

A SCATHING attack on Government management of the South African economy by prominent Afrikaner financier, Dr A D Wassenaar, has received widespread support from organized commerce and industry.

In a book to be published on Friday, "Assault on Private Enterprise", Dr Wassenaar is highly critical of State interference in the business of the private sector, creeping socialism in government, expensive and inefficient bureaucracy, the 1976 budget, and excessive spending by the Government.

The chairman of the Afrikaanse Sakekamer in Johannesburg, Mr P L J van Rensburg, said the shock attack was prompted by a shocking situation and if it produced positive results it would be a good thing.

The Sakekamer had become increasingly concerned with the growing socialistic tendencies of the Government. At the same time it had to be kept in mind that many State undertakings, such as Sasol, were essential to the country.

Analysis

The head of the Federated Chamber of Industries, Dr Hennie Reynders, supported Dr Wassenaar's initiative and called for a quantitative analysis of the book's findings.

The president of Assocom, Mr S O Goodwin, pointed out that one out of every three White South Africans was dependent on the State for employment and there must be something wrong with this.

Dr Wassenaar had pinpointed a phenomenon — the steady encroachment of

the State on the legitimate sphere of private enterprise — which had worried businessmen for many years.

Too big a share of the country's financial resources were going to the public sector.

Regular and frequent increases in taxation imposed on a relatively small tax base were especially debilitating to private enterprise in a developing country like South Africa.

Supported

At the University of Stellenbosch Bureau for Economic Research, Professor J L Sadie accused the Government of setting a bad example in the fight against inflation by the great number of increases in the administered prices of key commodities.

The executive director of the Afrikaanse Handelsinstituut, Mr F Stockenstrom, preferred to reserve comment until he had read Dr Wassenaar's book.

The Cape Times Pretoria correspondent reports that Dr Wassenaar's criticisms of price control, and the allegation that it was a deadly weapon in the hands of South Africa's bureaucracy, was supported by consumer bodies.

However, commercial and industrial leaders were wary of comment on political criticisms.

These were of ham-handed

handling of finance and that the Government should appoint Ministers to handle finance and trade from authorities outside politics.

Disastrous

There was general agreement, however, on Government over-spending. Dr Wassenaar alleged "uncontrolled and undisciplined" spending, which had a disastrous effect on overseas borrowings.

Dr Wassenaar's allegations that there was a reluctance to criticize the Government openly was borne out by the reluctance yesterday of some commercial and industrial spokesmen to comment on some aspects of his criticisms.

Ombudsman

The South African Council of Churches ombudsman, Mr Eugene Roelofse, said yesterday that he agreed with Dr Wassenaar that price control was a deadly weapon in the hands of bureaucracy, and that public servants lacked the background to administer an efficient and balanced control.

"With more private sector background they would be able to spot the rackets more easily," Mr Roelofse said.

Mr Roelofse said a full scale inquiry into the price control structure was urgently necessary. As it was now being applied, price control had failed lamentably to protect the consumer.

Book indicates extent of bureaucratic control

Chief Reporter

A STARTLING picture of "empire-building" in the public service in South Africa, and of the extent of which bureaucracy has taken control of the country, is drawn by Dr A D Wassenaar in his book "Assault on Private Enterprise: The Freeway to Communism", to be published this week.

As chairman of the powerful Sanlam group, Dr Wassenaar is a pillar of the Afrikaner financial community and one of the most-respected figures in South African finance generally.

In his book he says it would

not be unduly rash to estimate over-employment in the public service in South Africa at 30 to 35 percent.

"In the private sector there is a consensus of opinion that the influence of bureaucracy on the Government is increasing inordinately. Private enterprise has, it thinks, every reason to be concerned."

Dr Wassenaar says in a properly functioning capitalist society, subject to minimum state interference and no state competition in private-sector activities, the growth rate of employment in the public sector should be appreciably

less than that in the private sector.

And after quoting figures which show that the employment growth rate is greater in the public sector than in the private sector in South Africa, he adds that this must be regarded as "a reliable index of excessively increasing interference."

"Public statistics show that public consumption expenditure — that is, expenditure on salaries, wages, goods and services of a non-capital nature incurred by the Government, including provincial and local government but excluding the postal services, railways and public corporations — constituted 10 percent of the

expenditure — that is, expenditure on salaries, wages, goods and services of a non-capital nature incurred by the Government, including provincial and local government but excluding the postal services, railways and public corporations — constituted 10 percent of the total domestic expenditure in 1960.

“By 1975 this percentage had increased to 14 percent — an excessive increase by any standard of comparison.

“The public sector, including the public corporations, was responsible in 1975 for 48 percent of the total gross domestic fixed investment in the Republic.

“The total expenditure of the public sector, including provincial and local government but excluding the public corporations, constituted less than 25 percent of the gross national product in 1960, and increased to more than 33 percent in 1975.

Stupendous growth

“That there is therefore a quite stupendous growth in bureaucracy cannot be in any doubt.”

Dr Wassenaar says extreme dependence on ministerial and bureaucratic goodwill — and permissions and concessions — has created a private sector in South Africa that is unwilling to offend in any way the authority on whose goodwill it depends so often, for so much.

“As a general rule it can be said that spokesmen for the private sector are loathe to criticize, are liable to understate their case, are prone to agree with and are unwilling to challenge authority.”

No understanding

Dr Wassenaar says the private sector finds itself under the complete control of a bureaucracy whose members have no understanding of the private sector, its strengths, its weaknesses and its value to the country.

“The private sector in the Republic is in the doldrums. Great leadership will be needed to rescue a country, which is economically potentially strong, from the brink of economic disaster — inevitable if nationalization continues.”

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As chairman of the powerful Sanlam group, Dr Wassenaar is a pillar of the Afrikaner financial community and one of the most-respected figures in South African finance generally.

In his book he says it would

Afrikaners or Jewry or anyone else, it is State control, nationalization. And that only leads one way — to communism.

If we carry on we are heading for a communist state under an Afrikaner dictatorship.” — Sapa

Vorlesungen: Außenpolitik bei Vorhalten r. Korsch Sowjet-

Ergänzung zu den Lehrveranstaltungen

Thema Materialismus, Korsch, Döblin, Langerhans, Eilsa- und Hanna Loeweritz (Berlin-Charlotten- Diskutiert werden Marx und Lenin, Ein- voran Brecht und Anschluß an diese mit Vorschlägen zur

Lehr- und Vortrags- Materialismus in Philosophie, Die dialektische Philosophie, Dialektik in London, wo

Lehr- und Vortrags- Materialismus in Philosophie, Dialektik in London, wo

Lehr- und Vortrags- Materialismus in Philosophie, Dialektik in London, wo

Lehr- und Vortrags- Materialismus in Philosophie, Dialektik in London, wo

lebt Korsch, wie zeitweilig auch Walter Benjamin, bei Brecht in Dänemark und schritt dort seine Marx-Monographie (Svendborger Marx), Gemaltens Arbeit an der brechtischen Verifizierung des kommunistischen Manifests, an Aufzeichnungen für das postum zusammengestellte Buch der Dialektischen Wendungen: Metis (darin die Figur des Philosophen Ko.).

1936/37, Walter Korsch siedelt mit seiner Familie von Svendborg nach New York über. (Brecht folgt 1941 auf dem Weg über die VASS/Wladivostok)

1945, 14. Feb. Brecht trifft Karl Korsch, der in Boston lebt und für einige Tage nach New York gekommen ist. 1947, Aug. Korsch besucht Brecht in Santa Monica.

1948 Brechts Bemühungen, für Korsch's Marx-Monographie einen Verleger in Deutschland oder in der Schweiz zu finden, schlagen endgültig fehl. 1950 Korsch trifft auf seiner Europa-reise Brecht in Westberlin. 1956 Letztes Zusammentreffen in Westberlin.

1952, Berlin/Leipzig Neu hrsg. u. m. e. Vorwort v. Karl Dietrich Schneider, Frankfurt 1968 (gekürzt um die §§ 11-20).

1923, Leipzig 2. erw. Aufl. Leipzig 1930. 3. Aufl. hrsg. u. m. e. Frankfurt 1958.

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1. Vorlesung: Was bedeutet „Wiederherstellung des Marxismus“?

2. Vorlesung: Die geschichtliche Marx — Entwicklung der marxistischen Theorie und Praxis — Verhältnis von Marx und Engels

3. Vorlesung: Marx als Politiker — Von der Bürgerlichen zur proletarischen Revolution — Problem der Diktatur — Gewerkschaftsfrage — Bürgerliche und proletarische Elemente in der marxistischen Fußpolitik

4. Vorlesung: Marx als Ökonom — Zwei Entwicklungsphasen der Marx'schen Ökonomie vor und nach 1850 — „Ökonomische“ philosophische Jugendschriften“ 1844 — „Das Kapital“ 1867

5. Vorlesung: Marx als Philosoph — Lösung von Hegel und der Philosophie — Bedeutung der scheinbaren Rückwendung zu Hegel bei Marx und Engels — Von der Philosophie zur Wissenschaft — Restproblem: Materialistische Dialektik?

6. Vorlesung: Der dialektische Materialismus in den Naturwissenschaften — Stellung Engels' — Stellung Lenins — Stellung der Sowjetphilosophie zu Fortschritt und Krise der naturwissenschaftlichen Entwicklung — Naturwissenschaftliche Theorienbildung als sozialwissenschaftlicher Forschungsgegenstand

7. Vorlesung: Der dialektische Materialismus in den gesellschaftswissenschaftlichen — Rolle der Dialektik in Marx' „Kapital“ — Philosophische und wissenschaftliche, kritische und systematische Elemente im „Kapital“ — Die gewöhnlichen Mißverständnisse über die Wert- und Mehrwerttheorie — Gegenwärtige Bedeutung des „Kapital“ für die ökonomische Wissenschaft — Beitrag des Marxismus zur sozialwissenschaftlichen Grundlagenforschung — Historischer Materialismus

8. Vorlesung: Der dialektische Materialismus in der Praxis — Von Marx zu Lenin — Die Leistung Lenins — Resultate und Folgerungen

Ort: Karl-Marx-Schule, Neukölln, Kaiser-Friedrich-Straße 208 (U-Bahnstation Rathaus Neukölln)

Teilnahme unentgeltlich Beginn: 14. November 1932 8 Uhr

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Karl Marx, London 1845. 2. Aufl. New York 1933. Deutsche Ausgabe hrsg. v. dem Institut für Sozialgeschichte von Götz Langerhans, Frankfurt 1967 (Jug. Svendborger Marx).

S. die ausführliche Bibliographie von Michael Buchholtz, in: Jahrbuch 1 der Reihe „Arbeiterbewegung - Theorie und Geschichte“, hrsg. v. Clelio Pozzoli, Frankfurt 1973.

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Gold 'ghost' haunts Nats — Wassenaar

By Ewald Thal

THE ghost of Hoggenheimer — the caricature of the gold-grabbing mining magnate created by the pen of Die Burger's late cartoonist, D. C. Boonzaier — still haunts the memories of Nationalist policy-makers and fosters a continuing mistrust of the English-speaking financial establishment.

This contention is made by Dr A. D. Wassenaar in his book, *Assault on Private Enterprise*, which goes on sale today.

Up to the time of the book at least, Dr Wassenaar himself enjoyed impeccable credentials as an associate of those same policy-makers.

But his irritation is plain, when he states that economic history has produced an officialdom — including a bureaucracy that is extremely Afrikaner-orientated — which is lukewarm, if not antagonistic, in its attitude towards private enterprise and which is certainly vehemently opposed to the profit motive to a degree which, in the long run, threatens the future of capitalism.

Dr Wassenaar traces the roots of this development to the discovery of gold on the Witwatersrand in 1885. Subsequently, wealth and gold became to be linked inseparably with Hoggenheimer's coarse character and contributed towards impressions, still prevailing to a marked extent, that the Anglo-American Corporation is a financial danger to the country and to Afrikanerdom.

ACCUMULATING

This type of thinking fostered the establishment of State-owned corporations as Afrikanerdom's answer to the somewhat overwhelming non-Afrikaner interests in mining and industry — and it is the unchecked expansion of State interference in the economy which threatens the entire fabric of the free enterprise system in South Africa, Dr Wassenaar contends.

But he blames the 'forefathers of Afrikanerdom' who sat on the sidelines watching how excessive wealth was accumulating in the hands of individuals who were, to them, 'uitlanders' during the early gold rush days.

The power of money, epitomised by gold, became a threat to Afrikanerdom.

Later, in the mind of Afrikanerdom the cloak of the 'uitlanders', the fortune-hunting foreigners, fell on the shoulders of their successors — the mining and financial bosses.

'The political gold bogey image persisted. The exploitation of this bogey played a not insignificant role in the growth of the National Party.'

EXPLOITING

And a significant contribution towards exploiting the 'gold bogey' was Boonzaier's Hoggenheimer, Dr Wassenaar says.

He quoted the Standard Encyclopaedia of Southern Africa's description of Hoggenheimer who symbolised foreign capitalist exploitation and the less admirable aspects of acquisitive imperialism. Hoggenheimer was represented as rich, fat, coarse and purse-proud — this coarse character was inseparably linked with wealth and gold.

Dr Wassenaar mentions criticism from certain 'Afrikaner circles' when Federal Mining bought control of General Mining and Finance Corporation from Anglo-American in 1963 as an indication of the extent to which as late as the 1960s the image given to Anglo-American by Boonzaier prevailed.

FROM

Heunis to speak on 'economic crisis'

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THE warning by leading Afrikaans businessman Dr Andreas Wassenaar that South Africa was heading for a financial crisis because of Government policies is expected to be answered on Friday by Minister of Economic Affairs Mr Chris Heunis.

He will reply in Parliament to a private motion by Dr Paul Viljoen, NP, Newcastle, on the free enterprise system.

Opposition speakers are expected to use the debate and Dr Wassenaar's comments to renew attacks on increasing State interference in the private business sector as "creeping socialism".

Dr Wassenaar has criticised the Government's handling of the economy, including State overspending and excessive bureaucracy, and claims the 1976 Budget was a financial disaster.

Dr Wassenaar's views, to be published this week in a book, "Assault on Private: The Freeway to Communism" have found wide support.

The Bureau for Economic Research at the University of Stellenbosch is in general agreement with him, a senior bureau economist said yesterday.

And economist Mr O. D. J. Stuart has pointed out that in the 1976 Budget the Minister of Finance

said nothing about salary increases for public servants — yet they got them three weeks later.

A Standard Bank spokesman said banks had warned the Government about the economy "for months".

Consumer bodies support Dr Wassenaar's claim that price control is a deadly weapon in the hands of bureaucrats.

The president of the Association of Chambers of Commerce, Mr S. O. Goodwin, said Dr Wassenaar had pinpointed a phenomenon which had worried many businessmen for years — the State's encroachment in the legitimate sphere of private enterprise.

He said: "It is not ne-

cessary to agree with all Dr Wassenaar's specific criticisms to feel there must be something wrong when one out of every three White South Africans is dependent on the State for employment".

Regular and frequent increases in taxation on a relatively small tax mass was specially debilitating to the private sector in a developing country such as South Africa, he said.

Dr Wassenaar's thesis about the future of private enterprise deserved serious attention from all those inside and outside Government who were concerned with the economic welfare of South Africa. — Sapa and Staff Reporter.

Handwritten signature and date: 1/2/77

2. TWO JUNIOR LECTURERS : DIVISION OF ECONOMICS

The Division of Economics has grown in student numbers. There are 580 first year students and 186 second year students, out of a total of 814 students.

The teaching methods of the Division of Economics are heavily dependent on tutorials and staff/student contact. Tutorials in economics are not easy to conduct as the tutor must have a good grasp of the whole of economic theory and be able to relate it to practical problems of the day.

For this reason, it is inadvisable although at present unavoidable, to employ senior students (third year) to take first-year tutorials. Similarly, Honours students are not really qualified to take second year tutorials.

To reach the required standard of teaching and to unburden more senior staff, junior lecturers are required, especially to help with second year tutorials and to participate in certain sections of first year lecturing, and such other lecturing as the junior lecturers are able and keen to give.

At present there is only one junior lectureship in the Division of Economics

3. SENIOR LECTURER : DIVISION OF ECONOMICS

The Division of Economics alone is as large as the largest department in the Faculty of Arts (excluding the School of Economics as a whole). It teaches a very dynamic subject, which requires constant expansion and up-dating as has been correctly observed by Professor Pope in 1965.

Indeed, there is a current demand to provide adequate teaching in the Department of Urban and Regional Planning and in the School of Environmental Studies. Such support requires the expenditure of time and effort, which the Division of Economics cannot afford, without imposing a great additional burden on certain members of staff. It is also essential that there be provided options in Urban Economics and in Environmental Economics, both of which are of great and increasing importance in the world (about 80% of the Western World's population is urbanised and environmental

R300m boost as deposit scheme goes

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By HOWARD PREECE
Financial Editor

THE ECONOMY will get a boost of about R300-million over the next six months.

This follows the announcement yesterday in Cape Town by Senator Horwood, the Minister of Finance, that the Government is abolishing the import deposit scheme from today.

The abolition was expected because the scheme was imposed at the beginning to August last year for six months.

It involved importers having to deposit 20 per cent in cash with the Reserve Bank on imports with effect from August 2 last year.

The deposit money has been frozen at the Reserve Bank without earning interest.

The scheme was introduced when soaring imports threatened a further rand devaluation.

The economic recession has now depressed imports without the need of the deposit scheme. It is also certain that the International Monetary Fund — which lent South Africa more than R300-million in the second half of last year — pressed strongly for the

removal of the deposit on imports.

Deposit money will be repaid to importers six months from the time that it was lodged with the Reserve Bank.

The injection of R300-million into the economy will give many industries a needed cash flow boost, particularly the motor sector.

Obviously, Government will take this cash injection into the economy into account in framing the Budget in March and in general monetary policy.

Senator Horwood said the decision to abolish the import deposit scheme was in line with Government policy of facilitating world trade, but should not be taken as approval for resuming large-scale imports.

“During recent months there has been evidence of a satisfactory improvement on the current account of the balance of payments, mainly as a result of a decline in imports, an increase in exports and a firmer price for gold on the private markets.

“In comparison with 1975, the physical volume of imports actually declined during 1976, while the value of imports for 1976 was only 6,2 per cent higher than in 1975. In contrast, the value of exports for the corresponding period was 13,2 per cent higher than in 1975.

“The Republic's gold and foreign exchange reserve position has not improved to the extent that an easing of the strict monetary and fiscal policy can be justified.

“The Government nevertheless decided, in the light of the improvement that has already taken place in the balance of payments and in the spirit of its policy of facilitating world trade as much as possible, which it subscribes to in accordance with the general agreement of Tariffs and Trade, to abolish the import deposit scheme with effect from February 2.

“I wish to stress that this step should definitely not be interpreted as the green light for the resumption of large scale imports.

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- rôle dans la comédie de Georges
- (Cape Town, 1976)
- en projet: création d'un Cent
- française en coopération ent

ADRESSE: jusqu'au 1er décembre 1976:

Dr. Pierre PETIT,
French Department
University of Cape Town,
Rondebosch, 7700,
South Africa.

Backdoor approach is out

BUSINESS opinion — and other — has long been divided in South Africa on whether Government should be criticised publicly or only privately.

Dr Wassenaar dismisses the "backdoor" approach.

He says: "In the course of my references to our economic and financial ills, I deal with a mental disease which has attacked the ruling class of South Africa. I am referring to a theory accepted with al-

most religious reverence — that 'our' Government must not be criticised in public. Criticism in public is reserved for, and only for, political opponents.

"Criticism in public is regarded as completely out of bounds for those who are and who want to be regarded as political adherents of governmental policy.

This approach has become generally accepted on account of a few trends

which have determined all political thinking.

"Firstly, the Government became accepted by Afrikanerdom as the only Government which was prepared and which was able seriously to defend the country.

"The choice was: this Government with security — or any other government without security.

"The result is that everybody in Afrikanerdom said to everybody else in Afri-

kanerdom: 'Don't criticise the Government in public. It isn't done. Go to the Ministers in private and discuss matters with them. Their doors are open to you. Go and speak to them privately. You will get more done that way.'

"This policy has not been successful. It is my opinion that it cannot be successful unless there is a complete change in the governmental approach to the private sector."

What is not realised is the extent to which socialism has encroached on the South African economy, writes DR A J NORVAL, who retired in 1962 after 22 years as chairman of the Board of Trade and Industries. A former professor of applied economics at the University of Pretoria, he served on the board for 25 years under nine ministers and seven governments.

Objective of gaining increased political control.

As the brilliant Austrian economist, Eugene V Bohm-Bawerk pointed out early in the century, when economics and politics clash, the former always takes over, and those who have pledged themselves to politics have inevitably to pay the price.

Over the past 25 years politics have taken over and economic administration has been relegated to a secondary position.

Politics put before SA's economic interests

tion has been relegated to a secondary position.

This situation is most forcibly demonstrated in the manner in which the Board of Trade and Industries, for more than 40 years the central economic advisory body of the Government, has been dis-

mantled and relegated to a secondary position without any determining role in the economic affairs of the country, ostensibly to give politics a freer hand.

The board, as originally constituted, was to be an independent body capable of guiding the economic

destiny of South Africa without fear or hindrance. As such the board became a real force.

This was not to the liking of the Government, which would then not be able to dispense favours so as to enhance its political strength and security. The respective heads of departments readily fell into line.

To a very large extent the board's functions have been taken over by the Economic Advisory Council of the Prime Minister.

This council is neither equipped nor has the statutory powers of the board. The council is not an independent body such as the Board of Trade and Industries was intended to be, and its councils are from the very nature of the case dictated to from above.

The council consists of more than 50 members, a heterogeneous array of people the majority of whom have no real economic training and experience.

The most calamitous measure through which the Government has been able to dispense its favours since the early 50s was the establishment known as the Industrial Development Corporation. This corporation, for which there was no real justification, was a protégé of the Social and Economic Council, hardly known for the objectivity of its reports.

For a decade the corporation sat twiddling its thumbs. Dr H van Eck, chairman of the corporation, had very little diffi-

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the funds, public and private, it needed, of course with the nod of the Minister. The corporation branched out and started a great variety of industries for which it had very little technical skill and much less business experience.

The Board of Trade and Industries had its hands full trying to pull the chestnuts out of the fire.

These industries ranged from oil and gas from coal to textiles from cotton, wool and artificial fibres; from leather and footwear to engineering and machinery; from fruit and vegetable canneries to soft drinks and ceramics; from hardboard and timber-milling to construction works, shipping and aircraft.

The Government, through the corporation, has penetrated into practically every sector of the economy and is stifling private enterprise to a much greater extent.

What is not realised is the extent to which socialism has encroached on the South African economy. The corporation has unquestionably very largely contributed to the serious plight in which the country finds itself at present.

What was the reason for this division of the department? The head of the department was not capable of running it. He apparently did not realise that there was a functional difference between the department and the Board of Trade and Industries.

The function of the department was administrative, whereas that of the board is advisory.

Along with the administrative function of the department the head tried to usurp the advisory function of the board and failed in both. Hence the division of the department.

As a result of the division of the former Department of Commerce and Industries, there are now two departments with often very divergent and contradictory policies.

The Board of Trade and Industries, once on independent advisory body serving several departments, including Prime Ministers, and for a time also the South African Railways and Harbours, is now a mere puppet.

What makes the situation so serious is that the Government is surrounded by heads of departments and advisers in various fields who lack the courage of their convictions and, in addition, by a multiplicity of advisory boards and committees, all of which run true to form, echoing their masters' voices.

That a man of Dr Andreas Wassenaar's stature, who is surely not in an opposing political camp, has felt it his duty to criticise the Government's financial policies in the forthright manner that he has done is surely one of the most encouraging events of our time.

Over the years I have been a voice crying in the wilderness. No heed was taken of my repeated warnings.

I once approached one

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Mrs. P. Fentfield, CATHCART 5310
 S Mr. W. Fentfield, CATHCART 5310

What has still further aggravated the position in South Africa is the extent to which Parkinson's Law has taken hold of the public services — central, provincial and local, as contradistinct from the private sector.

From 1960 to 1976 the manpower of the collective public services has increased from 175 231 to 289 208 by 113 979, or 65 percent, whereas the manpower of the private sector has increased from 970 769 to 1 512 792 by 542 123, or 55 percent.

The operation of Parkinson's Law is much more serious in the public services than is generally realised when, in addition to remuneration, costly lavish accommodation is taken into consideration.

This can be illustrated most forcibly when a specific case is considered, such as the former Department of Commerce and Industries.

Up to the 60s the department was a well-founded and closed economic unit. This department was then split into two departments, a Department of Commerce and a Department of Industries, each with its respective secretaries, under-secretaries, chief clerks, personal clerks, accountants, typists and numerous others.

enjoying numerous state and political favours. He assured me he more than agreed with my warnings. I suggested to him that a few of us acted collectively to draw the Government's attention to certain incipient dangers, he dismissed the suggestion without the slightest hesitation. He was not going to risk endangering the numerous favours he was enjoying.

It is all very tragic, but at last there seems to be some hope that forces are being awakened that might bring the Government to its senses.

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 of Natal, Dept of Economics, King George V Avenue

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Sanlam boss gets wide ^{sp/77} support

THE ATTACK on the Government's handling of the country's economy by Sanlam chairman, Dr Andreas Wassenaar, has been widely supported this week by commerce and industry.

Among those who agreed with some or all of the criticisms were the Association of Chambers of Commerce, the SA Council of Churches, the Federated Chamber of Industries.

The Government is reported to be shocked that the attack came from a prominent Afrikaans financier largely regarded as a supporter of the National Party.

Dr Wassenaar's criticisms included:

- Too much State interference in the private sector.
- Uncontrolled and undisciplined spending of public funds.
- The quality of those handling financial and trade portfolios in the Cabinet.
- A price control system which had come close to destroying the country's coal industry.

The Government will attempt to answer the criticisms in the House of Assembly tomorrow when a Nationalist motion praising the Government's handling of the economy will be tabled.

Dr Wassenaar's allegation that there was reluctance to criticise the Government openly was borne out earlier this week when several prominent businessmen declined to comment on the allegations.

Among them were Dr Anton Rupert and Dr Jan Marais.

See Inside Mail — Page 13

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Downswing will worsen during 1977, BER warns

Michael Chester, Financial Editor

The business downswing will worsen over the next few months and perhaps for the whole of 1977, warns the Bureau for Economic Research at Stellenbosch University in a new survey out today.

Prospects of a return to gradual growth in the second half of the year, now forecast by most economists, may turn out only a mirage, say the researchers.

Moves to stimulate the economy in 1977 are likely to prove impossible — and undesirable anyway — because of the dangers of backlash from inflation and balance of payments problems.

Definite improvements can be expected in both main problem areas over the next 12 months, says the BER, but they will still fall short of a total solution.

The next Budget may also be a damper on the chances of an early upswing. Sharp cutbacks in government expenditure may lie ahead on non-defence items.

TAX INCREASES

Also to be expected are certain tax increases, either direct or indirect, and perhaps even a cut-back of subsidies, in turn raising the threat of higher consumer prices.

To make matters worse, the researchers foresee increases in both unemployment and bankruptcies over the year.

The serious social implications will mean that priorities will continuously have to be established in a trade-off between holding social problems at bay while attacking in-

flation and the balance of payments.

But for the moment the BER sees an improvement in the current account ahead and estimates the 1977 deficit will be held at about R450m if average gold prices work out around 135 dollars an ounce.

Also, there are signs of a gradual easing in inflation pressures that pushed the prices spiral up by a record 13,5 percent in 1975.

One specific sector that should enjoy a good year is mining, which has the prospect of a relatively sharp increase in exports, especially metals and minerals, with Richards Bay and Saldhana Bay coming into the scene.

So too gold may well benefit in price levels from the fear of renewed world inflation and uncertainties about exchange

rates should the Western industrial giants go for expansion.

But for the time being, pessimism has worsened in the manufacturing sector. A net 75 percent of companies now report that business is worse than a year ago, and few see much chance of an improvement in the current quarter.

The wholesale trade is not in such despair, but even so 33 percent find business worse than a year ago, up from 27 percent in the third quarter last year.

The percentage in the retail trade finding business worse has grown to 70 and a still higher 85 percent find business is unsatisfactory.

And the pessimism in the motor trade, almost universal at the year end, has been deepened even more by higher petrol prices.

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National Debt

*5. Mr. H. H. SCHWARZ asked the Minister of Finance:

- (1) What was the total amount of the Republic's national debt as at the latest date for which figures are available;
- (2) in respect of what date is the figure given.

The MINISTER OF FINANCE:

- (1) R11 988 938 748,56;
- (2) 31.12.1976.

Publicity is the soul of justice

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DR ANDREAS Wassenaar comes down unequivocally on the side of free Press and free judiciary in the wider battle for economic and social freedom.

He quotes approvingly a famous English legal dictum by Jeremy Bentham.

"In the darkness of secrecy, sinister interest and evil in every shape have full swing. Only in proportion as publicity has place can any of the checks applicable to judicial injustice speak. Where there is no publicity there is no justice.

"Publicity is the very soul of justice. It is the keenest spur to exertion and the surest of all guards against improbity. It keeps the judge himself while trying under trial.

"The security of securities is publicity."

Dr Wassenaar adds: "In a judgment given by Lord Hewart he used words which have become famous: A long line of cases shows that it is not

merely of some importance, but it is of fundamental importance, that justice should not only be done, but should manifestly and undoubtedly be seen to be done."

Dr Wassenaar says that we have essentially the same problem in South Africa as can be seen from a judgment given by Steyn J. in the Cape Provincial Division of the Supreme Court, Van Wyk J. P. concurring.

"The democratic process through which public involvement in various aspects of government is secured often requires compliance with what may seem to be elaborate procedures and may result in irksome delays.

"Administrative authority will, understandably, find these tiresome, especially when, broadly speaking, it is acting in what it considers to be the public interest. It is, however, when public participation

in government is denied, that all the undesirable consequences of a system of closed and rigid administrative control ensue."

Dr Wassenaar says: "The latest Government acquisition — television — would, technically, be the easiest to denationalise. But the Government would undoubtedly oppose such a move on the grounds that the radio and television services have to be state-controlled for security reasons.

"Nevertheless, the more forceful and more important arguments are that these services are privately owned in some democratic countries, and that the irritations caused to governments by news media of this nature are essential parts of the magic concept of democracy. It is not only right but imperative that governments must learn to live with those irritations.

"This is the essence of freedom."

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Vorster to enter

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economy row

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Hughes Dr. K. Dept. of Economics

Israël Mr. L. c/o The Argus

Kahn Mr. B. 18 Kew Road, MOOREBURG

Kane Berman Mr. J. Financial Services

Kantor Mr. B. c/o Dept. of Economics

Kenny Mr. H. c/o Dept. of Economics

Kistner Dr. W. 60 Tenth Street, JOHANNESBURG

Kingwell Mr. R. Gordonville, JOHANNESBURG

Knight Mr. J. Institute of Economics, JOHANNESBURG

Du Plessis Mr. W. Cape Midland, JOHANNESBURG

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Letsie Mr. L. Catholic Church, JOHANNESBURG

Levy Mr. B. c/o 75 Kloof Road, JOHANNESBURG

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Lipton Ms. M. School of African Studies, JOHANNESBURG

Loots Mr. L. Office of Economics, JOHANNESBURG

Loudon Prof. J. University of South Africa, JOHANNESBURG

Maraïs Ms. L. c/o K.W.V. P O Box 100, JOHANNESBURG

Maraïs Mr. D. Uskor, Langenhoven, JOHANNESBURG

Political Staff
THE ASSEMBLY —
 The Prime Minister is now expected to step into the row which has developed round Dr A D Wassenaar's sweeping criticism of the Government's handling of the economy.

Mr Vorster is to take the unusual step of entering the debate on a private member's motion in the Assembly tomorrow, which will open the way for him to reply to Dr Wassenaar.

The motion, by Dr Paul Viljoen, MP for Newcastle, expresses appreciation to the Government for the manner in which it has maintained the free enterprise system, which is directly contrary to Dr Wassenaar's view.

FOCUS
 In his controversial book, "Assault on Free Enterprise" Dr Wassenaar alleges that the increasing tendency towards nationalisation and the Government's interference with private enterprise is heading the country towards communism in many spheres of life.

The debate is expected to focus strongly on the right of Government-supporting businessmen to criticise the authorities in public.

Dr Wassenaar has made

this a major issue in his book, claiming that the policy of not criticising the Government in public but seeing Ministers in private has not been successful.

On the other hand, the Prime Minister has in the past been strongly critical of businessmen interfering in politics.

● Ghost of Hoggenheimer still haunts the Nats—Page 22.

JOHANNESBURG 2193

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RONDEBOSCH 7700

Wassenaar to hear PM's reply

CAPE TOWN. — Dr Andreas Wassenaar, whose criticism of Nationalist economic policies has touched the Government on a raw nerve, will be in the public gallery of the House of Assembly today to hear Mr Vorster take part in the debate on private enterprise.

The Prime Minister is expected to reply to the criticisms made by Dr Wassenaar, chairman of Sanlam, in his book, "Assault on Private Enterprise: The Freeway to

Communism," which is to be published today.

A private motion by a Nationalist backbencher, Dr Paul Viljoen, expressing appreciation of the way the Government had maintained the private enterprise system, had not originally looked like provoking much reaction.

Now it seems sure to start off an afternoon of acrimony, with the whole Afrikaner concept of government, and particularly of steering the economy, coming under fire from

the Opposition benches.

Dr Wassenaar said yesterday: "I wouldn't miss the debate. I only hope that what I have said leads to some real changes."

The Minister of Economic Affairs, Mr Chris Heunis, was originally scheduled to reply to the debate, and probably still will.

But he is likely to stick to the general economic scene and leave the reply to Dr Wassenaar's criticism to Mr Vorster. — Sapa.

It's a scandal says Vorster

HOUSE OF ASSEMBLY

THE Prime Minister yesterday hit back at the man who accused his Government of "economic dictatorship" saying Dr Andreas Wassenaar had spread "scandal stories".

The Sanlam chairman had found fault with successive Finance Ministers and with civil servants who could not defend themselves, Mr Vorster told Parliament.

He denied that he had forbidden businessmen to criticise Government policy and said that an interview with Dr Wassenaar in the Cape Times which suggested this "borders on a deliberate lie."

Mr Vorster was speaking on a private member's motion thanking the Government for maintaining a free enterprise economy.

He reaffirmed the Government's belief in free enterprise and said Ministers were always willing to hear constructive criticism and to see what they could help businessmen.

The debate arises from consideration of irresponsible stories which have come from the Progressive Party and other liberals in connection with the so-called redistribution of wealth.

After referring to the newspaper interview, Mr Vorster quoted from a speech to the Associated Chambers of Commerce last October. He had said businessmen had a right to disagree with the Government and that they could raise differences with him, but he would not accept policies rejected by the electorate.

What he had done was to question the propriety of using as a vehicle for such criticism a business

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Mr Vorster described Dr Wassenaar's suggestion that South Africa was a communist state with an Afrikaans economic dictatorship as "rubbish" and "irresponsible."

The Prime Minister said he had a meeting with Dr Wassenaar, at the time when Dr Diederichs had retired as Minister of Finance.

Dr Wassenaar believed that National Party Prime Ministers from Dr Malan to Dr Verwoerd had not ment much, that successive National Party Ministers of Finance had not known what they were doing, and that successive Secretaries for Finance, up to the present secretary, Mr Gerald Browne, were not very capable people.

"He put it to me clearly that, if I were to mean something in contrast to my predecessors, I should dismiss Senator Horwood and Mr Heunis and appoint businessmen instead," Mr Vorster said.

"In the name of the National Party, I say that better people have already tried to break this Government and to cause its downfall."

● In Cape Town yesterday Dr Wassenaar said he would not comment on the Prime Minister's speech except in connection with the allegation that he had been opposed to the establishment of the Republic.

He had missed the referendum because of an aircraft mishap in Rome on his way home from London.

In talks before the referendum, he had taken the view that the Republic should, in his opinion, remain in the Commonwealth.

After South Africa had been forced out it then quickly became clear that it was better to be out. — Sapa.

● Enthoven hits back
— Page 2

Minister questions Wassenaar's motives

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JP 5/21/77

CAPE TOWN — The Minister of Economic Affairs, Mr Heunis, questioned the motives of the chairman of Sanlam, Dr A. Wassenaar's criticism of the Government's handling of the economy and asked whether there was anything sinister about the attack.

Speaking on a private member's motion on the free enterprise system, Mr Heunis asked if the attacks were of a personal nature or whether it represented certain groups.

He said the Government placed a high premium on the free enterprise system and the contribution it made to the development of the country.

The impression should not be created that State corporations were working in opposition to the private sector. These corporations should rather be seen as fulfilling a supplementary role.

The State only interfered in the private sector when it was specifically asked to do so in cases, for instance, such as foreign competition and import control.

Mr R Enthoven (PRP, Randburg) said the only reason the Prime Minister had entered the debate was to assassinate the character of one of the pillars of the Afrikaner business people — Dr Wassenaar.

"The Prime Minister does not give one tick about whether what Dr Wassenaar says in his book is true or not. He is only interested in politics."

What appeared in Dr Wassenaar's book was nothing new. It had been said time and again both inside and outside of Parliament. Dr Wassenaar had come in for criticism because he had broken the code and criticised the Government.

What he had said was only the tip of the iceberg of discontent existing in the country's business world.

Unless the opinions of Dr Wassenaar and other businessmen were accepted and taken note of, the country would see whole sections of the economy collapse.

What he found tragic was that at a time when the country found itself in the middle of bloody internal revolution, with trouble on its borders and the economy on the verge of bankruptcy, the Prime Minister had done nothing except to resort to petty

party politics.

Dr P. Viljoen (NP, Newcastle) said South Africa, already in the grip of a recession, could be harmed by emotional statements on the economy.

Introducing a private members motion in support of the present economic system, based on the principles of free enterprise and the profit motive, he said: "I am convinced a great number of people would welcome a freer economy. I am one of them. However, the State also has a political responsibility."

Dr Viljoen said South Africa did not have a partly socialistic economy. It was true the State had launched various big projects, but these were of a strategic nature and similar projects in other Western countries were also State-controlled.

Whenever the interests of State corporations and the private sector clashed, corporations had to withdraw, according to Government policy.

There had been much criticism of the control

board system recently, but whereas the private sector could not ensure price stability, the State could. The control board system was a necessity which could be justified

Criticism levelled against the South African public transport and communications systems were unjustified, because there was hardly any country in which private organisations regarded the operation of these types of undertakings as economically viable.

Mr Bill Sutton (UP, Mool River) said an individual investing his own money in his own business and working for his own benefit could do a far better job than any State organisation.

Mr B. J. du Plessis (Florida) said to aver that South Africa was moving toward communism was to do a grave disservice to the country because this served to break down the very argument South Africa used to attract support from the free world, namely, its strong anti-communist stand. — SAPA.

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Industry wants new initiative

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1976 (white)

THE GOVERNMENT had tended to maintain economic momentum by increasing its own share of the economy, which had led to higher taxes and inflationary expenditure, Mr John P. Cronje, president of the Federated Chamber of Industries, said last night.

Mr Cronje said in a statement the Chamber felt impelled to express its concern at the seriousness of the current economic situation in South Africa and to call again for a new initiative in the country.

"The South African economy has shown signs of distress since 1969. Domestic output has lagged behind demand. Misallocation of resources has occurred distorting the pattern of growth of the various sectors in relation to the EDP.

"The cumulative effect has been slower growth, a widening inflationary gap and a balance of payments deficit — all indications of the declining international competitiveness of the South African economy.

"To deal with the problems of inflation, the Government has employed measures designed to cool down the economy — measures that have frequently had a further depressing effect on economic activity." — Sapa.

in Southern Africa, No. 5, 1976

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South Africa.
Rondebosch, 7700,
University of Cape
Town, French Department
Dr. Pierre PETIT,
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ADDRESS: until 1st December

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Thèse,
Department at the

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(since 1974)

Secretary General
(Bordeaux) from 1974

editorial board
French Studies

MISCELLANEOUS:

La poésie française des nouvelles générations: analyse et
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de la télévision à l'école, (réalisés en 1972-1973);
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* Géographie de la France, Volume II: Dossier
Comment va la France?, Volume II: Dossier

* L'enseignement en France, Volume II: Dossier
Comment va la France?, Volume II: Dossier

* Côtes, rivières et ports de France, Volume II: Dossier
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* Vie: 1974-1975, Volume II: Dossier
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civilization by television, (publication pédagogique de l'AFSSA, No. 3,

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rôle dans la comédie de Georges Feydeau Mais n'te
(Cape Town, 1976)

en projet: création d'un Centre de civilisation
française en coopération avec la France

André Gide - L'immoraliste
jusqu'au 1er décembre 1976 (pendant

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Economics lesson for SA ^{6/27} from Austria

By DAVID PINCUS

AUSTRIA'S answer to government interference in the private sector — their economic chamber system — should please Dr Andreas Wassenaar, chairman of Sanlam, who this week pleaded for top men from the private sector to be incorporated into South Africa's financial and economic ministries.

He made this plea in his book, *Assault on Private Enterprise: the Freeway to Communism*, in which he says: "The economic and financial crisis that has developed in South Africa can only be solved by a government that has the moral strength to incorporate into economic and financial ministries top men from the private sector.

"Ministers who have so

little experience of the private sector that they are inordinately dependent on bureaucracy for advice, cannot save this country from the present situation."

The Austrians realised this a long time ago, so set up a system of chambers which are expected to give expert opinion on legislation and advice to Parliament and government departments on all matters affecting the business community.

The system also has an in-built facility to get priorities in their correct order, which keeps wage and price increases down to reasonable levels.

Were such a system in

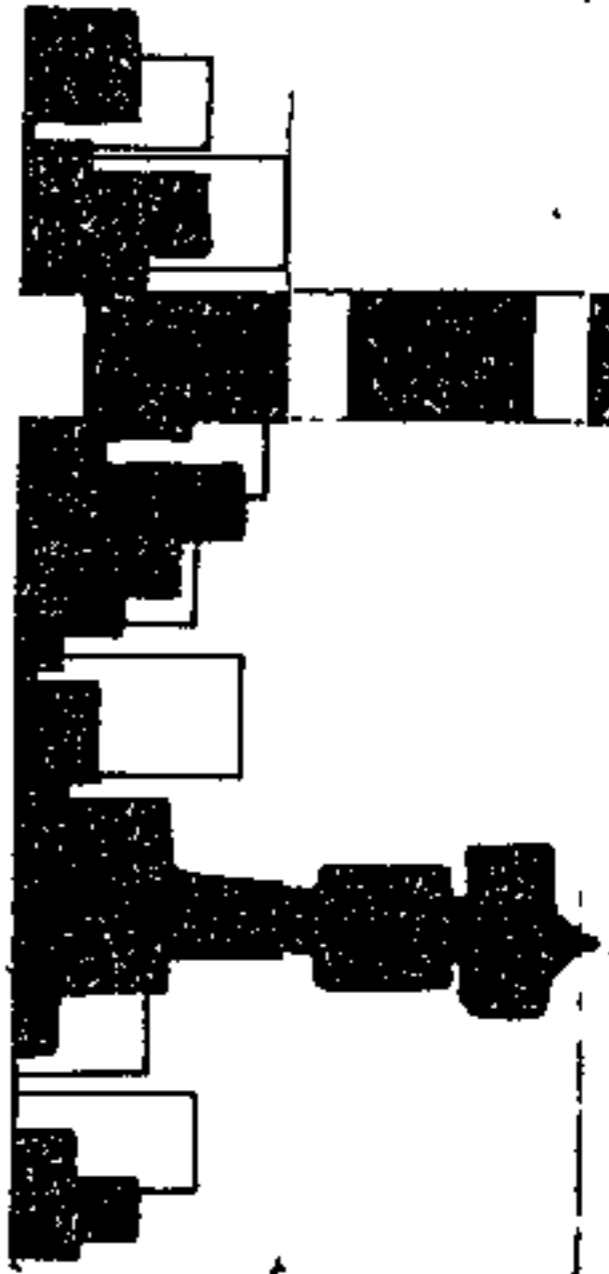
operation in South Africa, there is little doubt that it would have stopped the Government from going on the spending spree which is largely responsible for our present economic ills.

The Austrians are aware of the limitations of bureaucrats. In an official booklet explaining the operation of the chambers, there is this statement:

"If there were no chambers, their part in the public service would be done by the civil service. But the civil service would lack the immediate contact with those groups the chambers have to represent as one of their fundamental functions."

Who is next for collapse?

HOLLARD STREET



IT WAS certainly an interesting coincidence that the furious attack on the Government's economic policies by Dr Andreas Wassenaar was given currency at the same time that the Rand Bank-Glen Anil disaster hit the headlines.

If these massive collapses are the beginning of the crisis that Dr Wassenaar was talking about earlier this week, it could herald a fundamental change in the course of current thinking about which way the stock market is heading.

Understandably, the question most asked in the market is: Who is next? There is no shortage of candidates, and judging by the turnover and price movements in some shares, much speculation.

The prime candidates they say, are among the property and banking sectors. But will the builders escape unscathed? And what sort of exposure to risk does the in-

urance industry have with the property sector?

The most damaging result of the recent failures is the body blows they have given to confidence in the financial system, both domestically and abroad. Stock markets, like businesses, thrive on confidence and the domino effect of banks and property companies going "under" can be devastating.

I am told, for instance, that it is no exaggeration to say that the small banks are in a state of siege — fighting to keep every cent of the deposits they receive from big companies and institutions. Meanwhile, confidence in the property market, and

Edited by



Jeremy Woods

up and everyone is scared stiff."

Fund managers, too, are viewing the situation seriously. "As if the political situation was not enough," said one, "we now have a financial crisis to contend with."

Another said: "I don't think investors have taken the full implications of this week's events on board yet."

Most of the week the market has remained quiet. There appears to be a predominance of sellers but there has been no real selling pressure up to the time of going to press. Though there would be little point in trying to off-load big holdings because of the market's thinness, jobbing portfolios and the like are a different matter.

Finally, I put the point to Dr Wassenaar. How bad is

this crisis and where will it end?

"I cannot tell you," he said. "Nobody can tell how wide or how deep this thing will circle out." I put other questions to Dr Wassenaar but this was the only point he wished to be quoted on.

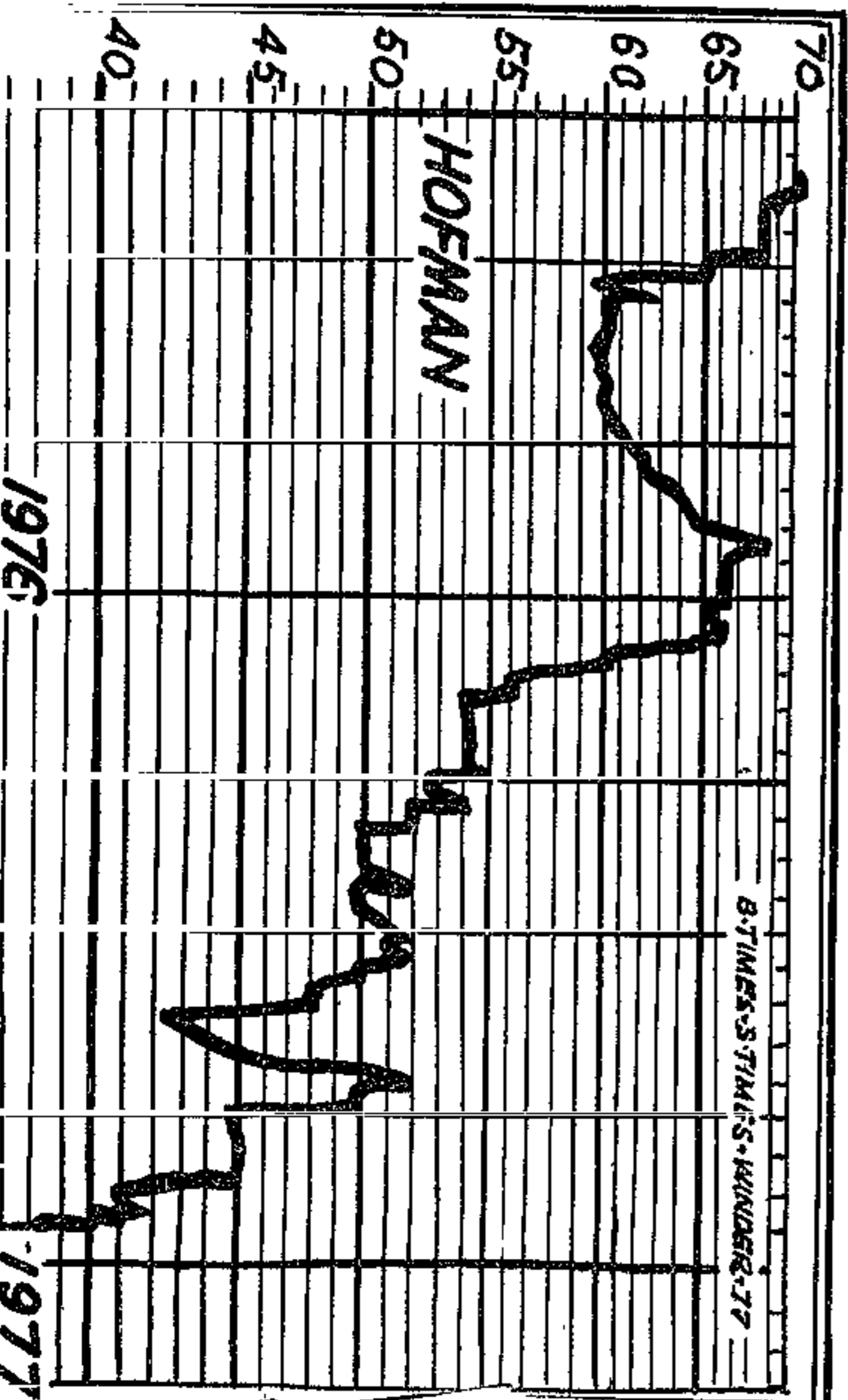
For anyone who lived through the banking and property crisis in London some two years ago, there is a feeling of "dejavu" about the present situation as the basic problem seems to be the same.

The collapse of the London fringe banks and property companies sent the financial community reeling until finally the Bank of England's "lifeboat committee" had to step into the breach. They are still sorting out the mess today. Whether the same sort of

thing will happen here only time will tell.

However, from an investor's point of view the message from recent events seems clear. The downside risk of the current situation outweighs the upside potential. It is not a pretty spectacle but this is what capitalism is all about. When the going gets rough, the weak get washed out and the system cleansed. Hopefully, South Africa will be the stronger for it.

It's not a pretty spectacle but this is what capitalism is all about. When the going gets rough, the weak get washed out and the system cleansed. Hopefully, South Africa will be the stronger for it.



CONFERENCE

on Plantations

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The man who stirred it up

AN AFRIKANER shook Afrikanerdom to its foundations this week when he branded our economy communist.

Dr Andreas Wassenaar could not have chosen a word that would shock Afrikaners more.



DR WASSENAAR
Scathing attack

He got the folk to sit up and think.

For years this 69-year-old Nationalist chairman of the R1 000-million Sanlam insurance group, lived by his own and Afrikanerdom's unwritten law:

"Don't criticise the Government in public. Go to the Ministers in private and discuss matters with them. You get more done that way."

He went to see the Cabinet Ministers in private. He even went to see

of its 159 pages tears strip after strip off the Government's bureaucratic machine and its spendthrift State corporations.

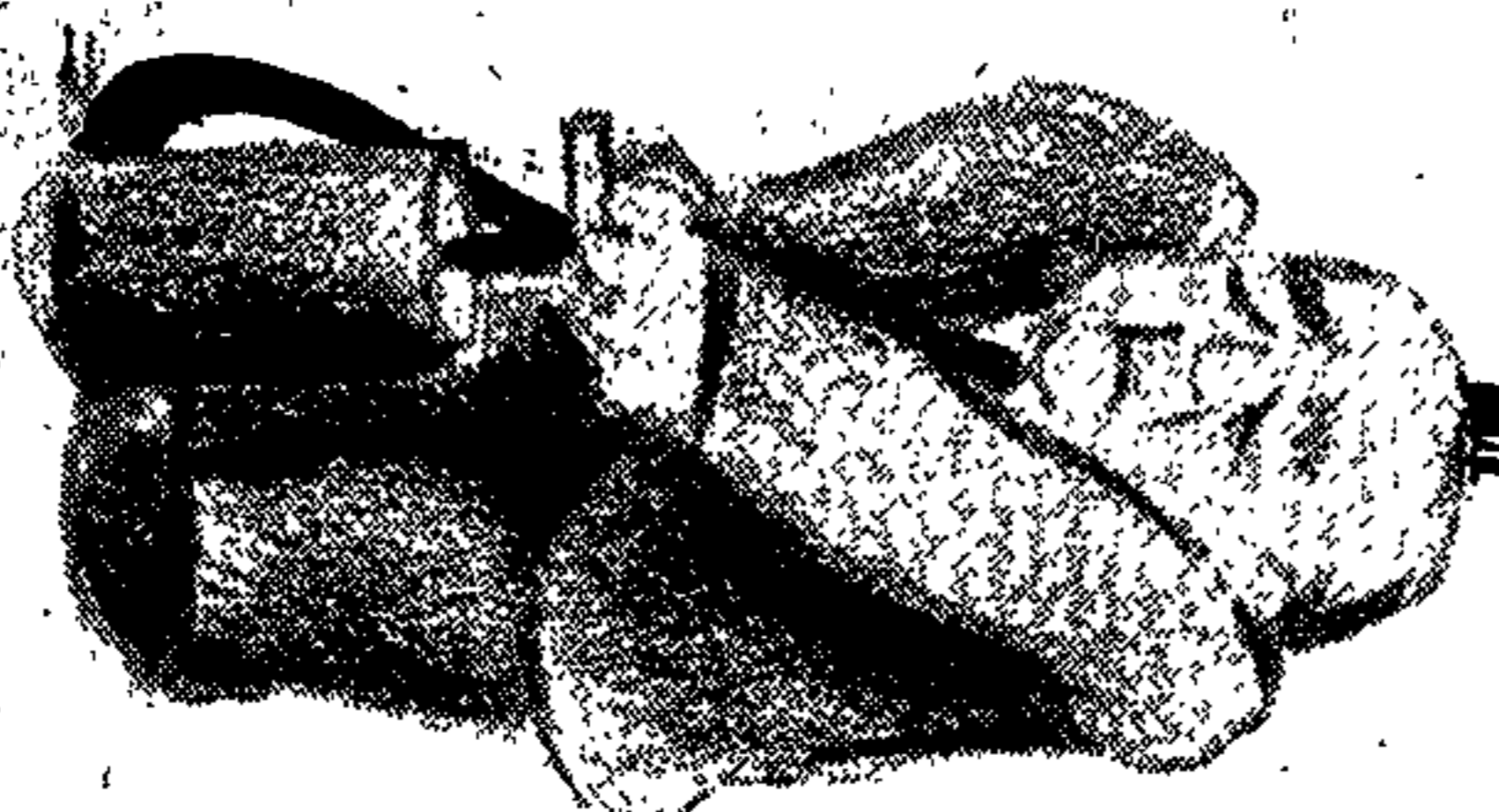
The Government has reacted. Only time will tell if it is prepared to act.

Survival

Dr Wassenaar is an adversary the Government could well do without.

He has an impressive record of survival and resilience, going back to his days as an SAAF pilot in 1929-31, when he stepped out of two plane crashes alive.

The son of a Middelburg, Transvaal, farmer, he matriculated at Pretoria Afrikaans Hoër Skool and obtained doctorates from the Universities of Pretoria and Stellenbosch. His first job was as a



stirred it up

civil servant in the census and statistics department in 1926.

He never dreamt that a half century later he would be counting the Government's sins and not the country's citizens.

After his SAAF stint he spent four years working for an insurance company in Edinburgh where he became a fellow of the Faculty of Actuaries.

His wife, Elfreda, whom he married in 1937, is the daughter of the late Sir Frederick Wells, Lord Mayor of London.

Freedom

In addition to Sanlam, Dr Wassenaar is chairman of Bonuskor and Bank Holding Corporation and is on the board of Volkskas, Federale Mynbou and Federale Volksbelegings.

His philosophy includes the belief that economic freedom is all freedom. Destroy it and all freedom is lost.

He laments the fact that South Africa, "which pretends to be vehemently anti-communistic," is well on the road to destroying economic freedom by the process of nationalisation.

He is annoyed by what he terms "the amateurish approach of the Treasury and successive Ministers of Finance" which, he says, has deprived insurance companies from playing a major role in financing private enterprise.

"Insurance could have made a much greater contribution towards establishing a sound private sector in South Africa. Instead, it has been exploited to provide cheap

money for the Government at great disadvantage and cost to its members, the policyholders."

South Africa's policy of compulsory investment in Government stocks, he says, is not matched even in socialist Britain.

Dr Wassenaar remains an avowed Nationalist. What he is against is the Government's economic policy.

This is perhaps where his book tends to fall down. In outlining South Africa's journey along the road to economic catastrophe he overlooks the devastating effect apartheid ideology has had on the economy. But, that aside, his scathing attack on the bulging public corporations is valid and his aggressive stand is to be admired.

Is it not **big men**...

that the Government

is in the business

of kiddies' swings and

property development,

washing lines and

supermarkets, filming

and even fishing?

By MARTIN GREAMER

SOCIALISM is not "creeping" in South Africa. It is on the march.

There is hardly one facet of industry in which the Government, through State corporations, does not have an interest.

And the pace of nationalisation is quickening.

With 20 public corporations and two public enterprises — the Railways and Post Office — South Africa's economy could well be as socialist as Britain's under a Labour Government.

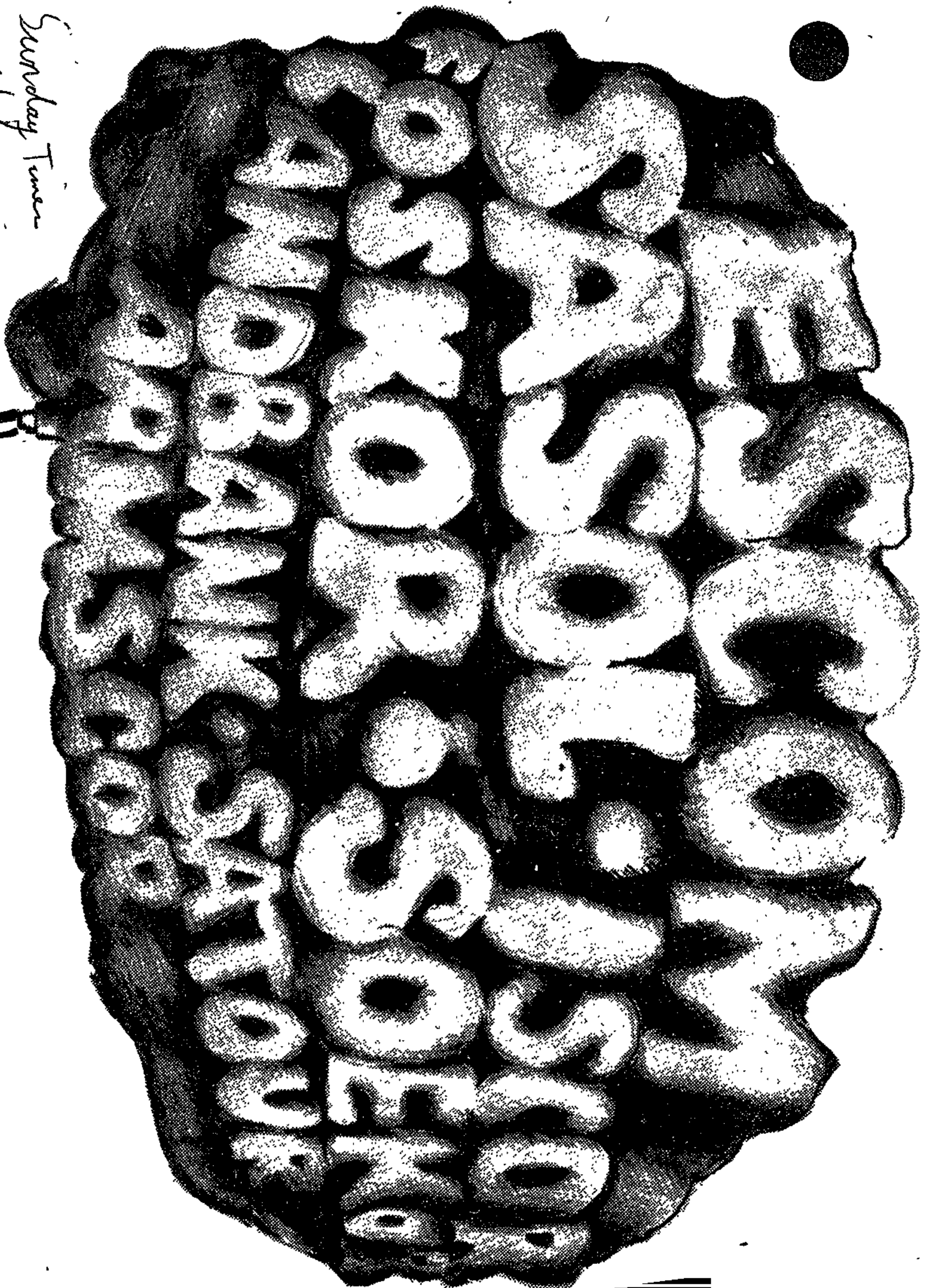
This week a leading Afrikaans business man, and lifelong Nationalist, Dr. A. D. Wassenaar, saw it as his duty to tell the Government: You are giving birth to a communist economy.

Our State corporations have a finger in industries ranging from steel and aluminium making to property development, fishing, filming and even supermarketing.

Take the oldest corporation, Iscor, founded in 1927 under the premiership of General Herzog.

Not satisfied with having nationalised the iron and steel industry, it has taken huge bites into engineering.

Through its control of Met-



*Sunday Times
6/2/77*

SOCIALISM UNWIND

... it has partially gobbled up international Pipe and Steel investments, which in turn controls Dorman Long Vanterbilj Corporation and Stewart and Loydys. For years both were powerful private enterprises.

Empire

Iscor has penetrated further into African Gate and Fence, which makes everything from children's swings to washing lines.

It controls a construction company, Fowler Holdings, and has big stakes in Witspeco Holdings and Union Steel. There is also a link with SA Mangenese Amcor.

It all adds up to an Iscor empire of hair-rising proportion.

Iscor is not alone in empire building. The Armaments Corporation, responsible for arming the services on a R1 800-million budget, has in 10 years doubled the number of its subsidiaries.

There is Musgrave of Bloemfontein, makers of sporting rifles, Naschem at Lenz, Somchem in Somerset West, Swartklip Products in Cape Town, Atlas Aircraft and Eloptra in Kempton Park and Pretoria, Metal Pressings and Lyttleton Engineering in Pretoria.

Not to mention a property development company, Bonaero Park (Pty) and a computer service company, Infoplan.

Magazines

There could be strategic reasons for the proliferation of Armscor subsidiaries. But how can the SABC explain its recent activities?

Not only is the State, through SABC-TV going to

QUOTE

NATIONALISATION of industries . . . is a silent movement towards the total subjection of a people to the dictates of the State. — Dr A. D. Wassenaar, Afrikaners business leader.

Sasol, which has a grip on South Africa's entire petrochemical industry, the phosphate Development Corporation (Foskor), which dominates the phosphates industry through its Phalaborwa mines, and the Aluminium Corporation, giant of the aluminium smelting business.

Spawned, too, by the IDC are a constellation of ideological corporations for each shade of skin and tribe.

There is the Bantu Investment Corporation, recently rocked by allegations of corruption, the Xhosa Development Corporation, the Bantu Mining Corporation, designed to promote homelands mining, and the Coloured and Rehoboth corporations.

The Coloured Development Corporation has moved into banking, property development, supermarkets and hotels.

Films

An Indian Development Corporation is on the cards for this year.

Sasol's tentacles have reached into the field of property development and coal mining.

The Fisheries Development Corporation has also been angling in the private sector, getting its hooks into four enterprises listed on the Johannesburg Stock Exchange and five other private businesses.

The State has even entered film-making through the National Film Board.

Worst of all is the propensity of the public corporations to spend more than they earn. For some the accounts come

out a deeper shade of red by the year.

This was well illustrated by Escom, the State's electricity utility. In 1975 it ran up a deficit of R27-million against R5-million in 1974.

Last year the deficit was expected to reach R55-million. On January 1 the electricity tariff went up 25 per cent to erase it.

Contrast

South Africans have become accustomed to State corporations monopolising industries. When TV was introduced last year it was taken for granted that the SABC should control it.

Yet radio in this country was initially a private enterprise, founded by Mr I. W. Schlesinger.

In America radio and TV are in the hands of private enterprise. So are the telephone service, steel, armaments, railways and airlines.

Another disturbing aspect of public corporation activity in South Africa is the secrecy surrounding them.

The appointment of directors and top managers is in the hands of the Government, which dishes out jobs carrying enormous salaries to Nationalists.

These top jobs are not advertised, so there can be no competition or merit selection, as was brought out in the Sunday Times exposé last week on Quango — Quasi Autonomous National Government Organisation.

Parliament has lost control of the public corporations. Their annual reports give little information on their ac-

THE SPEARHEADS

These are the State corporations which are spearheading the nationalisation of industry in South Africa: Iscor, Sasol, Escom, SABC, Armscor, Foscor, Alusaf, Industrial Development Corporation, Coloured Development Corporation, Bantu Investment Corporation, Fisheries Corporation, Bantu Mining Corporation, National Film Board, Reserve Bank, Land Bank, Satoru, Soekor, Uranium Enrichment Corporation.

tivities. Some do not even say how much their directors are paid.

Dr Wassenaar can be criticised only for making his attack too late.

In 1968, the late Dr Ben Roux, a brilliant young lecturer in public administration at Unisa, said the corporations had become "a law unto themselves".

Too late

They demanded protection against private competition and were averse to public inspection.

They had proliferated almost in total defiance of the principle of parliamentary supremacy.

Iscor, for example, had its tentacles round commodity-producing and engineering companies, farms, hunting resorts, country clubs and hotels.

"From a public control and efficiency point of view these corporations constitute a ra-

ther alarming picture," Dr Roux wrote.

"The existing control system comprising unverifiable annual reports, rudimentary financial statements and part-time ministerial supervision has proved totally inadequate in preserving the basic principles of public administration in a democratic society."

But Dr Roux's recommendations for tighter parliamentary control were never adopted. The Opposition still cannot get answers to questions about public corporations in Parliament.

Inadequate

The corporations have meanwhile been on new spending sprees.

If Dr Wassenaar's attack does nothing else, it may temporarily halt their empire-building ambitions.

But what is really needed is a reversal of the nationalisation trend.

Business lays

blame for tax hikes

49

7/2/73

JOHANNESBURG—The Government had tended to maintain economic momentum by increasing its own share of the economy, which had led to higher taxes and inflationary expenditure, Mr. John P. Cronje, president of the South African Federated Chamber of Industries, said here at the weekend.

He said the chamber felt impelled to express its concern at the seriousness of the current economic situation in South Africa and to again call for a new initiative in the country.

Points made by Mr. Cronje were:

"The South African economy has shown signs of distress since 1969. Domestic output has lagged behind demand. Misallocation of resources has occurred distorting the pattern of growth of the various sectors in relation to the economic development plan.

"The cumulative effect has been slower growth, a widening inflationary gap and a balance of payments deficit — all indicating the declining international competitiveness of the South African economy.

"To deal with the problems of inflation, falling national reserves and borrowing capability government has employed measures designed to cool down the economy — measures that have frequently had a further depressing effect on economic activity.

"Consequently the country has become increasingly dependent on foreign sources of supply for both goods and capital.

"Furthermore, factors such as price and profit control, as well as the exchange, interest rate and tax policies, have added to market imperfections.

Govt has not cured the sick economy, says industry chief

49

7/27/77 RSM

THE Government had maintained economic momentum by increasing its own share of the economy. This had led to higher taxes and inflationary spending, Mr John Cronje, president of the South African Federated Chamber of Industries, said in Johannesburg at the weekend.

Mr Cronje said the chamber felt it had to voice its concern at the seriousness of the economic situation and to again call for a new initiative.

"This results from an analysis of current conditions and future prospects at the most recent meeting of the chamber's central economic affairs committee.

"The South African economy has shown signs of distress since 1969. Domestic output has lagged behind demand. Misallocation of resources has distorted the pattern of growth in relation to the economic development plan."

The effect, he said, had been slower growth, rising inflation and a balance of payments deficit — all indicating the decline in South Africa's ability to compete in world export markets.

"To deal with the problems of inflation, falling national reserves and borrowing capability, the Government has employed measures designed to cool down the economy — measures that have frequently had a further depressing effect on economic activity.

"Consequently, the country has become increasingly dependent on foreign sources of supply for goods and capital," said Mr Cronje.

"Furthermore, factors such as price and profit control, as well as the exchange rate, interest rate and tax policies, have added to market imperfections.

"Cyclical influences have aggravated but not caused South Africa's fundamental economic malaise,

"While the Government has not been unresponsive to economic pressures, it has been limited to acting

within political policy. Unfortunately, the economy cannot indefinitely withstand the effects of non-economic decision-taking.

Insufficient action has been taken by the authorities to correct the causes of South Africa's growth problem, said Mr Cronje.

"The key lies in systematically making better use of resources, and South Africa's declining economic competitiveness is largely due to the inadequate use of the country's human potential.

"We need to move faster in developing an educated and industrialised non-White urban middle class that has aspirations aligned to the economic and social system of the country.

"All the above steps would lead to greater output, improved productivity and a better balance between local savings and investment."

It would mean a more balanced, self-sustaining economy with less inflation and an improvement in the balance of payments, said Mr Cronje.

"This is also the key political

Cape Times 8/2/77

FCI statement 'not support' for Wassenaar

49

Industrial Reporter

THE president of the Federated Chamber of Industries, Mr John Cronje, yesterday said FCI concern about the South African economy, given wide publicity at the weekend, was not intended as a support operation for attacks on Government handling of the economy by the chairman of Sanlam, Dr A D Wassenaar.

Mr Cronje said it was unfortunate that the FCI statement, calling for a new initiative on the economic front, had come in the wake of the Wassenaar issue and when over-sensitivity existed in

business and political circles. Dr Wassenaar was a respected figure capable of speaking for himself.

The FCI statement noted that the Government had maintained economic momentum by increasing its own share of the economy. This had led to higher taxes and inflationary spending.

"The South African economy has shown signs of stress since 1969. Domestic output has lagged behind demand. Misallocation of resources has distorted the pattern of growth in relation to the economic development plan."

This had caused slower growth, rising inflation and a balance of payments deficit — all indicating the decline in South Africa's ability to compete in export markets.

Cooling-down

"To deal with the problems of inflation, falling national reserves and borrowing capability, the Government has employed measures designed to cool down the economy — measures that have frequently had a further depressing effect on economic activity.

"Furthermore, factors such as price and profit control, as well as the exchange rate, interest rate and tax policies, have added to market imperfections. Cyclical influences have aggravated but not caused South Africa's fundamental economic malaise."

The key lay in better use of resources and South Africa's declining economic competitiveness was due largely to inadequate use of the country's human potential.

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R74m saved by Government cuts

Political Correspondent

THE ASSEMBLY. — Government departments saved more than R74-million during the 1975/76 financial year — the year the national anti-inflation campaign was launched, states the report of the Auditor-General, released in Parliament yesterday.

Mr F. G. Barrie, said that in the 45 votes approved by Parliament in the Budget a total of R74 299 173,04 had been saved on expected spending.

The largest saving was made in the vote on public debt where a surplus of R21 096 120 was surrendered.

Other large savings were on industries (R15,2-million), commerce (R8,4-

million), agricultural economics and marketing (R3,2-million), social welfare and pensions (R4,8-million), Bantu Education (R2-million), labour (R1,2-million), health (R1,8-million), hospitals (R1,2-million) and Indian Affairs (R1,2-million).

Even though the South African involvement in the Angolan war took place during the year, the Department of Defence made a saving of R555 000.

The Department of the Prime Minister, whose vote includes the secretly-audited Bureau for State Security, made one of the smallest savings, R13 251.

The provincial administrations, which received the largest single vote, of R1 271-million, managed to save R9 347.

Gross national product/expenditure

29. Mr. L. F. WOOD asked the Minister of Statistics:

- (1) What was the gross national product for the latest year for which figures are available;
- (2) what was the (a) estimated and (b) actual (i) percentage and (ii) amount allocated to (aa) research, (bb) health in the Republic and the homelands, respectively, (cc) social welfare services, excluding rehabilitation services, and (dd) rehabilitation services;
- (3) what was the (a) estimated and (b) actual (i) percentage and (ii) amount allocated to (aa) education and (bb) housing, in respect of each race group.

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The MINISTER OF STATISTICS:

The following figures are in respect of the financial year ended 31 March 1976.

The figures furnished in respect of items (2) and (3) relate to actual expenditure by Government Bodies.

(2)	Amount R million	Percentage of gross national products
(1) R25 257 million		
(a) Not available		
(b) (aa) Not available		
(b) (bb)		
Republic	615	2,4
Bantu Homelands	85	0,3
(b) (cc)	388	1,5
(b) (dd) Not available		
(3) (a) Not available		
(b) (aa)		
Whites	754	3,0
Coloureds	123	0,5
Asians	53	0,2
Bantu	169	0,7
(b) (bb) Whites, Coloureds and		
Asians	217	0,9
Bantu	114	0,5

In the case of (3)(b)(bb) separate figures for Whites, Coloureds and Asians are not yet available.

More pointers to tax increases

By GERALD REILLY
ECONOMISTS agree that increased tax — direct or indirect — will be imposed in the 1977-78 Budget next month.

They say that even to import the same volume of military equipment as last year would cost at least R200-million more than the R1 300-million earmarked in the 1976-77 Budget for defence. This is because of inflation in supplying countries.

But if the volume is to be increased, then a defence budget of more than R1 800-million is likely.

Economists say it is certain that tax on cigarettes, tobacco and liquor will be raised, with a strong possibility that State revenue from petrol sales will also be increased.

The chief economist of Volkskas, Mr A. S. Engelbrecht, says Government expenditure on defence will rise — probably sharply — and spending on Black housing and education will keep pace with the growing needs.

The Government has two options in finding additional funds — it can resort to inflationary financing by bank credit, or the tax screw.

He says: "I don't think the country can stand further rises in direct tax. What is most likely is an increase in indirect, with a further rise in the savings levy."

The head of the Bureau of Economic Research of the University of Stellenbosch, Mr Attie de Vries, says that if tensions in Southern Africa persist, it will be

necessary to increase defence preparedness.

The alternatives are an increase in direct or indirect tax, combined with a decrease in food subsidies, with a resultant rise in consumer prices, says Mr Engelbrecht.

Estimated spending on agricultural subsidies in the current financial year is R153-million.

A lowering of subsidies would mean substantial increases in the price of bread, mealie meal and dairy products, including milk.

Barclays Bank's chief economist, Dr Johan Cloete, expects restrictive monetary and fiscal policies to continue.

There seems little likelihood of a dramatic drop in the inflation rate, or of a dramatic improvement in

the balance of payments to a safe level.

This being so and taking into account the need for bigger spending on defence tax in one form or another will have to be increased.

Economist and industrialist, Dr M. D. Marais, says the Government should make greater use of the local capital market with tax-free issues to finance its spending.

Personal and company taxes are high enough, and the Government should think twice before raising them.

A higher savings levy is psychologically preferable to higher direct or even indirect tax. If indirect tax is imposed, he appeals to the Government to broaden the base and not confine it to tobacco and liquor.

'Credit squeeze' is threat to jobs

Labour Reporter

Fears of an upsurge in unemployment as a result of a "serious crisis in banking confidence" were expressed today by a leading economist.

The crisis, which had developed over the past two or three weeks, was curbing day-to-day working capital of companies, warned Dr G Jan Hupkes,

economic adviser to the Federale group of companies.

Dr Hupkes said the situation was an artificial one which did not originate directly from the downward phase of the economy.

He attributed it to over-reaction in the banking sphere to recent shocks such as the financial prob-

lems of Rondalia Bank, Rand Bank and Glen Airl.

These events had led to unprecedented stringent guarantees being demanded by banks before acceptance credit was renewed.

The result could be "substantial retrenchments," he said.

He called for immediate steps to ward off "the shambles now developing in the cash budgets of many employers."

"This tightening up on credit facilities is working its way down through the entire economy," Dr Hupkes said.

All but the most creditworthy of employers are now being squeezed on working capital and many may be forced to take drastic measures.

"If this ripple effect is not stopped, the consequences, at this stage, are unforeseeable."

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AMERICAN LABOR EXAMINATIONS

STATE TO THE FOLLOWING TO REPLY TO

Adjustments key to economic balance

Financial Reporter

GIVEN "half a chance", adjusting South Africa's balance of payments, from either an excess deficit or an unnecessarily large surplus, works easily and well, according to Dr Gerhard de Kock, senior deputy governor of the Reserve Bank.

He told the Institute of Bankers in Cape Town: "If, for example, South Africa experiences a large surplus on its basic balance of payments because of an increase in exports, forces are automatically set in motion which in due course will lead to a reduction in the surplus, i.e. to an 'adjustment' of the balance of payments. Export incomes will rise, the money supply will probably increase, interest rates will fall.

"Thus it can be assumed with reasonable certainty that, after a certain time lag, investment, consumption and general economic activity will rise at a faster rate, that imports of capital goods, raw materials and consumer goods will therefore rise sharply, and that before long the balance of payments surplus will disappear.

"These natural economic forces are usually also assisted by an expansionary monetary and fiscal policy designed to increase the rate of economic growth. In this manner the 'adjustment process' sees to it that equilibrium is restored to the balance of payments.

"From experience we know that the adjustment process generally also works effectively in the opposite direction, i.e. to correct a basic balance of payments deficit, certain economic forces come into operation which in due course produce a slower rate of increase or even a decline in investment, consumption and general economic activity.

And provided these natural influences are encouraged, and not neutralised, by monetary and fiscal policies, it is usually only a question of time before equilibrium is restored to the balance of payments.

"To be more specific, a deficit in the basic balance of payments in the nature of the case implies either a decline or a slower rate of increase in money incomes, in the supply of money and near-money and in the availability of credit, resulting in higher interest rates, financial stringency.

"If these developments are not offset by the creation of new money by the banking system, they must eventually exert a contractionary effect on total spending, and therefore on imports and other overseas payments.

"Of course, for the adjustment process to work efficiently, certain conditions have to be fulfilled. One of these, as already mentioned, is that it must not be counteracted by inappropriate monetary and fiscal policies. Another condition is that the exchange rate must be reasonably correct.

"If a country has an undervalued currency, it will prove difficult to correct a surplus on the balance of payments.

"If a country has an overvalued currency, a deficit on the balance of payments will not easily be corrected.

"Situations do arise, therefore, in which a revaluation or devaluation of the currency, or an upward or downward float, is called for as part and parcel of the adjustment process.

"Again, it goes without saying, the benefits flowing from such an adjustment in the exchange rate can be counteracted by inappropriate monetary and fiscal policies".

GOVERNMENT POLICY FOR 1977

44/27(K)

Address delivered by Senator the Honourable C.S.F. Horwood, Minister of Finance, on 18 February 1977 at a Conference sponsored by the Financial Executives Institute of South Africa on "Managing the Financial Problems of 1977".

February is the month in which many economic statistics covering the previous calendar year become available for the first time. For many people it is also the first full working month of the New Year following the Christmas holidays. For the Treasury, of course it falls in the period immediately before the Budget. For these reasons February has become a season for reviewing the latest economic developments, making new forecasts for the year ahead and reappraising policy, in both the public and the private sector. It is therefore an opportune time for holding a conference of this nature, and I welcome the opportunity to address this gathering on government financial policy for 1977.

Mr. Chairman, I intend to speak frankly and openly today about the economic situation and prospects and about official policy. I must make just one qualification. You will appreciate that I have to present a Budget six weeks from now, and that I cannot therefore reveal any Budget secrets. But if any participant in this Conference has a new miracle Budget prescription, preferably a painless one, which will simultaneously stop inflation dead in its tracks, improve the balance of payments situation and produce a rapid rate of economic growth, I shall be only too happy to hear about it!

The economic situation - where do we stand now?

Before dealing with present and prospective policy, I must, of course, tell you how I assess recent economic developments and the present situation. Beyond question our economic situation is still exceedingly difficult. We remain confronted simultaneously by recessionary tendencies, inflation and balance of payments difficulties. In recent months the position has in some respects

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become more difficult. But there have also been several favourable developments. On balance, the overall situation has improved. Our fiscal and monetary policies have begun to show favourable results. We are clearly on the right track. This conclusion is not based on wishful thinking, but on some hard facts.

Before going any further, I must warn against the use of calendar year statistics only. In the present case this can be misleading. To compare calendar 1976 with calendar 1975 in many instances misses the point, as significant changes occurred during the course of 1976 and particularly during the second half of the year. This applies to both the unfavourable and the favourable developments. To gain an insight into what is really happening, it is therefore essential to analyse the latest quarterly and monthly statistics. In other words, instead of merely comparing a snapshot of 1976 with a snapshot of 1975, we should look at a movie of what has been happening since the middle of 1976 up to the present time.

Let me first deal with the "bad news", which, as I shall point out again later, is related to the "good news". The first main item of "bad news" is that, as expected, we are still in a downward phase of the business cycle. As everyone knows, the South African business cycle always lags behind that of Western Europe, which in turn tends to lag behind that of the United States. For a combination of economic and non-economic reasons, the time lag on this occasion is longer than usual. Indeed, our current business cycle downturn has now lasted for approximately thirty months, which makes it the longest recessionary phase in the post-war period. Moreover, while this recession was exceptionally mild by all standards until about the middle of 1976, it has subsequently become more severe, particularly in certain sectors of our economy. This continuation of our current downward cyclical phase is brought out by developments such as the following:

- (1) Although real gross domestic product showed an increase of about 1½ per cent during 1976 as a whole, the real value added by sectors such as gold mining, manufacturing,

construction and wholesale and retail trade, including the motor trade, showed declines during the fourth quarter.

- (2) After reaching a high level in the fourth quarter of 1975, real gross domestic expenditure declined during all four quarters of 1976. Real private consumption expenditure still showed an increase of 2 per cent during 1976 as a whole, but actually declined during the third and fourth quarters. Real fixed investment declined by more than 5 per cent during 1976 as a whole and showed a downward tendency during all four quarters of the year, mainly as a result of a decline in private fixed investment. Real inventory investment was negative during all four quarters of 1976. The only component of total expenditure which showed a significant increase was real consumption expenditure by the government sector, which increased by about 8½ per cent during 1976 as a whole, although it too showed a marked decline in the rate of increase during the second half of the year.
- (3) Unemployment has continued to rise, to some extent.
- (4) Although the physical volume of manufacturing production during 1976 as a whole showed almost no change compared with that of 1975, it has been on a declining trend since the second quarter of 1976. Towards the end of the year a substantial degree of unused production capacity existed in this sector.
- (5) Real activity in the building and construction sectors declined further during the course of 1976.
- (6) The level of retail sales at constant prices during the second half of 1976 showed virtually no increase compared with the level during the same period of 1975. The value of wholesale sales at constant prices actually declined during the course of 1976.

- (7) The downward tendency in the number of new motor vehicles sold continued throughout 1976.

Another unfavourable development was a decline in the net inflow of foreign capital, particularly during the second and third quarters of 1976, compared with the record inflow in 1975. This took the form of a decline in the foreign long-term borrowing of the central government and banking sector and the private sector and a substantial outflow of short-term capital from the private sector. Although the net inflow of long-term capital still amounts to nearly R1 000 million during 1976, by comparison with R1 746 million in 1975, it tapered off towards the end of the year. The substantial net outflow of short-term capital, which occurred particularly during the second and third quarters, to some extent represented a reduction of outstanding trade credits, which was the natural result of the decline in imports, and as such is to be welcomed. But in part it also appears to have been attributable to the political uncertainties in Southern Africa as a whole. During the fourth quarter the position appears to have improved to some extent. It is true that the net inflow, provisionally estimated at more than R300 million during this quarter, was partly the result of R160 million obtained from the International Monetary Fund. But there also appears to have been an improvement in the net inflow of capital in other forms.

So much for the "bad news". Let me now turn to the "good news" which I have indicated, overshadows the bad news. The main item of good news is that the current account of our balance of payments has improved dramatically, namely from a seasonally adjusted annual rate of R2 405 million in the first quarter of 1976 to a figure provisionally estimated to be in the vicinity of R300 million to R400 million in the last quarter. If the current deficit is expressed as a percentage of gross domestic product, this represents a decline from 8,9 per cent during the first quarter to just over 1 per cent during the fourth quarter. Since the latter percentage is considerably lower than the post-war average of about

3 per cent, it is evident that the current account as such is now in a sound condition. This improvement was mainly the combined result of a substantial decline in both the volume and value of imports and a continued, further increase in both the volume and value of exports.

The second main item of good news is the considerable progress which has been made on the inflation front. The increase in the seasonally adjusted consumer price index, which had reached an annual rate of 17 1/2 per cent during the third quarter of 1974, declined to 9,0 per cent in the fourth quarter of 1976. This has been no mean achievement, particularly if account is taken of the inflationary effect of the devaluation of the rand in September 1975 and the substantial increases in government administered prices during the past two years.

These important favourable developments in part reflected natural cyclical influences, but have to a large extent been brought about by the successful application of co-ordinated fiscal and monetary policies. With the ultimate aim of improving the balance of payment and reducing the rate of inflation, these policies have had three immediate and related objectives: The first was to reduce the rate of increase of domestic credit extension to both the private and the public sector. The second was to reduce the rate of increase of the supply of money and near-money. And the third was to bring about an actual reduction in real gross domestic expenditure.

It is heartening indeed to observe now that all three of these objectives have been attained. Bank credit to the private sector increased by less than 7 per cent during 1976, as compared with 20 per cent during 1975. Even more important, net bank credit extended to the government sector, which increased by over R1 000 million, seasonally adjusted, during the first half of 1976 (particularly during the second quarter), increased by the relatively small amount of R162 million during the third quarter and actually declined by R495 million during the fourth quarter. This latter figure should impress even those doubting Thomases who did not believe in the middle of 1976 that such a turnaround was feasible.

The decline in the rate of increase of money and near-money was even more dramatic. Indeed, during the second half of 1976 the supply of money and near-money showed an annual rate of increase of only slightly more than 2 per cent, bringing the rate of increase for the calendar year 1976 to only 9 per cent, by comparison with 17 per cent during 1975. This represented the lowest annual percentage increase since 1971.

Real gross domestic expenditure, which during 1975 had still shown a rate of increase of 1 per cent, actually declined by about 2 per cent during 1976. Moreover, it declined during all four quarters of 1976.

The attainment of these three immediate policy objectives naturally contributed greatly to the decline in the value and volume of imports during the course of 1976 and to the reduction in the rate of inflation. All of these favourable developments, of course, also formed part and parcel of the recessionary tendency in the economy. As I have indicated, the "good news" and the "bad news" were clearly interrelated. But this was in accordance with the government's game plan for 1976, which necessarily accorded priority to the improvement of the balance of payments and the curbing of inflation, and to which I shall return in a moment.

The outlook for the immediate future

In formulating economic policy one must, of course, not only review the recent past but also look ahead. Making economic forecasts is at the best of times a hazardous exercise, and in the present economic and political circumstances it is even more difficult than usual. But that is no excuse for not having a working hypothesis. Such a hypothesis or "scenario", as it is called nowadays, is essential if appropriate policies are to be applied.

Present indications are that we are likely to see a continuation of recent tendencies for the time being. Allowing for seasonal variations, I would expect the rate of increase in bank credit and

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in money and near-money to remain relatively low. Real gross domestic expenditure will probably continue to decline with little, if any, increase in real private consumption and a further decline in both real fixed investment and inventory investment.

In these circumstances I would expect seasonally adjusted imports to continue their present downward cyclical tendency in the period immediately ahead. Since exports are rising and the gold price has improved, the small deficit still remaining on the current account of the balance of payments might well decline even further and is likely to be abnormally low for 1977 as a whole.

The prospects for the capital account are more uncertain, as they depend to a large extent on non-economic developments. Moreover, some foreign loans to the official and banking sector and to public corporations will have to be repaid or rolled over during the course of the year. In the circumstances, the prudent course to follow would be to anticipate only a relatively small net inflow of foreign capital in 1977. -

All of this implies, of course, that the recessionary tendency in the economy will still prevail for the time being. It is certainly true that with exports rising and the gold price improving, the basis is already being laid for the next cyclical upswing in the domestic economy, and in due course the South African business cycle will no doubt enter its next upward phase. But in the meantime conditions will probably remain difficult.

International economic situation

In formulating economic policy in South Africa it is, of course also essential to take a view on international economic developments. South Africa is not a closed economy. On the contrary, it is one of the sixteen largest trading member countries of the International Monetary Fund. We cannot therefore isolate ourselves from international economic developments.

Now it is a fact that the present world economic situation is far from healthy. It is true that the United States and most of the other main industrial countries have already been in a new cyclical upswing for about eighteen months and that their negative growth rates in 1974 and 1975 have made way for positive growth rates in 1976. Some of these countries, notably the United States and West Germany, have also succeeded in bringing down their rate of inflation. But all is not well with the recovery. The new upswing has thus far not been very vigorous, and during the second half of 1976 even appeared to lose momentum. As yet there has been no real upturn in fixed investment, and unemployment remains a serious problem. For many industrial countries, including the United Kingdom and Italy, the problem is compounded by balance of payments disequilibrium.

If the position of some of the major industrial countries is not sound, that of most non-oil-producing developing countries is considerably worse. These latter countries are struggling with adverse terms of trade and heavy debt burdens, and for them the short-term economic outlook is bleak.

Most international economic institutions and other experts still forecast a continued economic upswing in the main industrial countries during 1977. But recent developments have not been encouraging, and it remains to be seen whether the present world cyclical upswing will, in fact, regain its lost momentum. As I have indicated, South Africa's exports have already benefitted from the economic recovery overseas, and could rise much further if the forecasts for the world economy turn out to be correct. But clearly it would be unwise to base our policy on wishful thinking in this regard.

Present policy stance

Against this general domestic and international background the monetary authorities see no alternative but to maintain and, if necessary intensify, their present conservative fiscal and monetary policies. It remains our policy to retain tight control

over the rate of increase of domestic credit extension to both the public and the private sector, over the rate of increase of money and near-money and over total spending.

In doing so we are aiming not only at curbing inflation and improving the current account of our balance of payments still further, but also at reducing the outflow of short-term capital and attracting more long-term capital. In the past our reputation for financial discipline and sound money has been of great assistance to us in obtaining not only foreign capital for the rapid development of our rich natural resources, but also bridging finance in times of temporary balance of payments deficits. We are determined that this favourable reputation shall not be tarnished. To this end we shall leave no one in any doubt as to our willingness and ability to do whatever needs to be done to maintain sound financial conditions and to assist the economy in bringing about the adjustments necessitated by the changed circumstances.

It is evident from what I said earlier that we are not dealing at present with the usual case of excess demand, i.e. with an overheated economy. On the contrary, in the domestic economy our problems are those of recession, slow growth and rising unemployment. And in the short term these problems may be exacerbated by some of our present policy measures. It is understandable therefore that the private sector should seek other, less painful, ways out of our present dilemma. I see the problem, and am particularly concerned over the decline in real fixed private investment, which in many ways is the economic and political key to South Africa's future welfare.

If South Africa had been a closed economy we could perhaps at this stage have applied a deliberate anti-cyclical policy by relaxing our monetary restraints and stimulating total expenditure. We could have considered a policy of "spending for prosperity". But it is clear from the facts I have presented that, as an open economy in a world struggling with serious economic problems, we cannot afford to do anything of the kind. Despite the recessionary tendencies in the domestic economy, there can be no question for the time being of adopting fiscal and monetary policies designed to stimulate economic activity in South Africa.

We all know that the South African economy has been adversely affected during the past two years by a whole series of unexpected economic and political developments, and that adjustments have had to be made and still have to be made. From the evidence I presented earlier, it is clear that we have already made considerable progress in bringing about these adjustments and that the process is continuing. However, our task in this regard has been made more difficult by the fact that we have been chasing a moving target.

First, in 1975, we had to cope with the adverse cyclical effects on our economy of the deepest and longest world recession since the early thirties, which to a large extent caught the world by surprise. On top of this came the impact of the unexpectedly sharp decline in the gold price, which was partly also a cyclical phenomenon.

Then, from December 1975 onwards, just when our policies to deal with these unfavourable cyclical developments were beginning to show results, new unexpected adverse factors of a non-cyclical nature came into operation. I refer in particular to the political developments in Southern Africa, which necessitated higher defence expenditure and adversely affected the net inflow of foreign capital. At that stage, the gold sales of the International Monetary Fund also served to depress the gold price further, while the effects of the higher fuel prices were increasingly being felt. The addition of these non-cyclical developments to the existing cyclical influences fundamentally changed the underlying position and, as the Americans would put it, produced a "whole new ball game" for South Africa.

For the time being, therefore, it is possible that we may have to live with a smaller average net inflow of foreign capital than the 3 per cent of gross domestic product to which we became accustomed during the post-war period as a whole. This would imply a smaller average deficit on the current account of the balance of payments than 3 per cent of gross domestic product. And this,

in turn, would make it all the more necessary to proceed with the kinds of adjustment now already being made to the domestic economy.

Another consideration influencing our broad policy stance at the moment is the need to repay some of our short-term official foreign loans and to build up our gold and other foreign reserves in the period ahead. In the next surplus phase of our balance of payments this will certainly form part of our policy. Building up reserves is, of course, never a costless process and, as an objective of policy, has to be balanced against other objectives, such as curbing inflation and encouraging economic growth. But we do attach importance to it. A higher level of reserves will afford us more scope in future cyclical downswings to apply anti-cyclical, as opposed to pro-cyclical, policies.

All these considerations reinforce the need to continue to accord the highest priorities in our policy to strengthening the balance of payments and curbing inflation.

This does not rule out adjustments in our policy measures to make them more effective or equitable. On the contrary, we are conscious of the need to overhaul and improve some of our monetary and fiscal policy instruments. Nor do we rule out the possibility of taking steps to assist certain sectors of our economy which are experiencing particularly serious problems. Consideration is also being given to proposals to reduce certain types of unemployment, for example in Black townships.

In the field of longer-term economic policy, such as the promotion of exports and the encouragement of economic import-substitution through tariff protection, adjustments may also have to be made. In this regard we are particularly interested in the encouragement of labour-intensive, rather than capital-intensive, industries.

But all of this will have to be done for the time being within the framework of the present conservative monetary and fiscal policies. And we should not let our understandable eagerness to reduce unemployment and bolster domestic economic activity in the short-term, lead us into the error of providing artificial encouragement to inefficient and high-cost industries, which in the longer-term will prove to be inflationary and harmful to real economic growth.

To conclude, Mr. Chairman, as matters stand now, the Government's financial policy for 1977 will remain tight and restrictive. "Soft options" are out. In due course we hope to get to a position where we can once again stimulate private fixed investment by means of expansionary monetary and fiscal policies. But we are not there yet. Any premature attempt on our part to encourage spending and growth would be bound to be self-defeating, and would have extremely harmful consequences for South Africa. Until we have attained our objectives, we shall therefore persist with our present conservative approach.

The ultimate purpose of this approach is to lay a sound foundation for future economic growth. South Africa has all the basic prerequisites for rapid economic development, including rich natural resources, an adequate supply of labour, managerial talent of a high order, a sophisticated financial system and a well-developed infrastructure. These assets, together with the resolute manner in which we are now tackling our short-term economic problems, augur well for the country's economic growth over the medium and long term.

~~ISSUED BY THE DEPARTMENT OF INFORMATION~~

~~AT THE REQUEST OF THE MINISTRY OF FINANCE~~

~~CAPE TOWN~~

~~18 February 1977~~

EMBARGOED for 11.15 HOURS FEBRUARY, 18, 1977.

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ADDRESS BY THE SECRETARY FOR INFORMATION, DR ESCHEL RHOODIE
TO THE SECOND SOUTH AFRICAN CORPORATE MONEY CONFERENCE,
CARLTON HOTEL, JOHANNESBURG, FEBRUARY 18, 1977.

SUBJECT: WHAT THE GOVERNMENT IS DOING TO PROVIDE A STABLE
BUSINESS ENVIRONMENT : THE FOREIGN SITUATION,
DOMESTIC SECURITY, RACE RELATIONS, AFTER SOUTH
WEST AFRICA AND RHODESIA.

It is a privilege and a pleasure to be able to speak to
you today, although I feel distinctly nervous in the presence
of so many experts from the mysterious world of high finance.
Rather like the missionary who suddenly encountered a lion in
the veld. It was impossible to flee, so he sank to his knees
in prayer. To his amazement, the lion did the same. "How
miraculous", said the missionary, "to have you join me in
prayer, when a moment ago I gave myself up for lost." "Stop
babbling," growled /...

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babbling," growled the lion. "I'm saying grace."

I have been asked to outline what the government is do-
ing to provide a stable business environment. First of all I
want to reverse the question: what should a government, any
government, do in South Africa to achieve a stable business
climate in our peculiar circumstances. There are a number of
obvious steps which I will skip. Instead I want to deal with
the major requirements which cover (i) the field of foreign
relations, in view of our dependence on foreign trade, communi-
cations, foreign investments, loans, tourism, immigration, etc.,
(ii) military preparedness to protect the sovereignty of the
state, (iii) internal security - against upheaval which could
bring the economy to a standstill, (iv) race relations - to
prevent ethnic /...

prevent ethnic and cultural confrontation or conflict and, lastly, future developments which I will deal with by way of a prognosis. In particular I will deal with the situation in Southern Africa after independence is attained in South West Africa and Rhodesia.

Before I deal with the foreign situation let me say I am happy to read that responsible analysts have not blamed the government for the collapse of a number of businesses in South Africa the past year. I say I am happy because in the 14 years I worked overseas, on four continents, trying to explain our country's make-up to an ignorant world, one of my greatest difficulties was to convince people that while the government of this country is politically extremely powerful in many other respects it is not all-mighty. All the ills of South Africa, /...

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of South Africa cannot be laid at its doorstep. I am therefore glad to see that THE PRETORIA NEWS in an editorial and Stephen Mulholland in THE SUNDAY TIMES described the collapse of Glen Anil and some other businesses as the result of their over-spending and over-reaching, of being carried away by the spirit of economic upsurge, and as the inevitable removal of the poorly financed, ill-managed and over-ambitious.

We live in difficult times, but we should always retain a sense of perspective. Because we are experiencing possibly the worst recession since the Thirties, and its full impact has hit us in the wake of the Angolan affair and the township disturbances, there is a tendency both to exaggerate the political situation and to blame political and government mis-

management for /...

management for everything that goes wrong.

South Africa is in the unfortunate situation of being closely involved with the world economy, yet having little influence over its course. The beginning of the recession in South Africa had little to do with politics, and can be blamed largely on the depressed state of the international economy.

The foreign situation.

Any South African government must make a sustained effort to establish diplomatic and trade relations with as many countries in the world as possible, not only for the sake of trade, investments, tourism and immigration but also to facilitate the exchange of technical and scientific information, the exchange of political views and to maintain international communication.

In our /...

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In our case the existence of such hostile international organisations such as the OAU and the UN makes international communication and the provision of reliable and comprehensive information an absolute necessity. The real enemies of South Africa (I am not referring to its critics) wishes to internationalise our domestic policies and problems but at the same time to isolate and silence the government so that when radical measures against South Africa are adopted or implemented, our voice of protest will not be heard. Among the enemies of South Africa I list the United Nations, the World Council of Churches, the Soviet Union, International Communism and its many fellow travellers, the OAU, the majority of the socialist countries of the Third World, the leftwing in the academic

world and /...

world and the more liberal members of the worlds media. The latter no longer report on South Africa - they advocate. They are prosecutor, judge and executioner of white society. These are the people who would like to see an end to sporting contacts with South Africa, to corporate investment, to trade, to tourism and immigration, to diplomatic relations. Anything as long as it can force the elected government to adopt an ideological line of their making. When I say anything I mean it. When in 1975 important wage improvements were announced here the Secretary of the World Council of Churches condemned it for, as he explained, it diminishes the chance of violent revolution for South Africa.

You will all know that the WCC and many other church organisations (and governments) played a leading role in providing moral, material /...

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moral, material, financial and military support for the so-called "liberation" of Mocambique. This, they said, was in line with world opinion. Now after the "liberation" there is only left an atheist, hardline Marxist-Leninist state without a shred of personal freedom left for the man in the street. Compared to the present circumstances the Portuguese colonial-provincial rule was a Garden of Eden. Yet the same churches, governments, newsmedia and academics who assisted in the "liberation" of the black man in Mocambique now also want to liberate Rhodesia, South West Africa and the Republic of South Africa. Every step the government has taken towards easing race relation and to resolving the political aspirations of the black people have been flung back into our faces as not enough. In this way they are contributing to a polarisation between black and white. /...

and white. Many governments abroad, many churches, news-media, labour organisations and academics apply a double standard to South Africa. Much worse, however, is a new tendency to automatically reject a white point of view. It is close to a new form of racism, anti-white racism, which ignores hundreds of thousands of blacks slaughtered elsewhere by blacks in political upheaval including naked genocide such as in Uganda but becomes agitated the moment it takes place in a frame of reference of black and white, such as in South Africa.

Faced with such a situation a government must take extraordinary steps to maintain its diplomatic links and, through its information agency, to try and present those facts to opinion formers and decision takers without which any kind of assessment of /...

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assessment of developments in South Africa becomes impossible.

The government of South Africa has done humanly everything possible to do this. In the diplomatic sphere it has greatly increased our formal and informal diplomatic contacts with the rest of the world the past decade. Despite the well-organised UN-Soviet-Third World campaign to ostracise us, South Africa today has more than 100 Embassies, Consulates and Trade Missions abroad. Commercial, trade, scientific, information, military and other attachés can be found at most of our Embassies abroad.

The extension of our missions abroad is an on-going operation. Africa has received the government's special attention for we are an African state and inescapably part of the continent. As /...

ment. As the retiring Foreign Minister Dr. H. Muller explained in Parliament in 1974 we have direct contact with more than 12 African states and in that one year literally hundreds of exchange visits from ministerial level to mid-range officials, scientists, etc. took place between South Africa and these 12 African states. These contacts still exist, have in fact increased, and dialogue with Black Africa is far from dead.

To the question as to whether the government has and is doing enough to maintain and expand our contacts with the world, I can therefore reply in the affirmative. Whether or not another government, such as United Party or Progressive-Reformed Party could have done any better is a valid question. Domestic policies, more often than not, have a direct bearing on our

foreign relations /...

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foreign relations and both parties would probably claim that their policies would have been more acceptable to the world than that of the present government and that our diplomatic contacts would thus have been more extensive and meaningful. Frankly, that I don't believe this at all. Leaving aside the Free World nations I can state categorically that ninety-nine percent of the so-called Third World and Communist countries would not accept a United Party or Prog-Ref government if such a change took place tomorrow. Their minimum demand of both the UP and the PRP would have been for majority government (i.e. black government) not in two years, not next year, but this year. I base my assessment not on hearsay but on declared statements made by these governments at the UN, on their own official press, on analysis made by Foreign Policy Research In-

stitutes and /...

stitutes and on what Third World politicians, diplomats and some cabinet ministers have personally told me the past years. Their attitude springs from anti-white racism and no amount of political theorising on the part of the UP and the PRP is going to change their point of view.

We don't have to look overseas for an example of this kind of approach. Let us take the case of Tsietsi Mashinini, former Chairman of the Soweto Students Council. He was given every opportunity in Britain's media to state his case, more than any UP or PRP politician from South Africa ever had. He, Mashinini, was also described in the US, British, German and Dutch press as the prototype of the young Black South African student. This may be so but what did he say to two reporters of DIE BEELD in Gaborone, Botswana on January 16, 1977? That all whites should
get out /...

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get out of South Africa or be killed. Asked whether there was a difference between Dr. A. Hertzog of the HNP and Mrs Helen Suzman, M.P. he replied, and I quote: "No, Helen Suzman is just another White bitch. I have met her. You can tell her what I think of her. It does not matter who you vote for. Your white skins mean that you must die". Crude, but to the point.

I don't want to belabour this point any further except to say that apart from about 45 so-called free world countries the rest of the 160 states of the world could not care less which white party was in power. If it was not prepared to immediately implement a rapid policy aimed at black rule they would not establish diplomatic relations with white South Africa.

I have /....

I have said earlier that a government faced with a threat of ostracism must maintain its overseas links and must propagate its cause. The Department of Information has had its budget raised from R6 million in 1971 to R15 million for 1977/78 and has tripled the number of press and information officers abroad. It has vastly increased its production of news material, films, books and other publications.

Tourism is being promoted with equal vigour and South Africa is one of only three countries in the world which has shown a continuous growth in tourism the past 10 years. Today tourism earns South Africa some R260 million in foreign currency per year and where only 257 000 tourists came to South Africa in 1966 a figure of one million is expected in 1980.

The same /...

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The same goes for government sponsored efforts to get semi- and skilled immigrants to South Africa. A Department of Immigration was established in 1961 and since then it has opened offices in many countries abroad with notable success. Since 1961 immigration increased sharply from 15 000 to 50 000 in 1975, a record in South African history.

I believe everyone here knows that the South African government has always and still do encourage foreign investment and as businessmen you are all well aware of the many advantages which has been created for foreign investors.

All in all I believe the government is entitled to praise for what it has done to propagate the facts about South Africa abroad and to establish, maintain and expand its diplomatic

contacts, ipso facto/...

contacts, ipso facto in the field of promoting tourism to South Africa, immigration and foreign investment.

Military preparedness.

So much has been said about the size of South Africa's military budget for 1976/77 and the expected budget for 1977/78 that I do not intend dwelling on this. There are other aspects which deserve attention.

Legislation recently introduced in Parliament will, if passed, make it possible under special circumstances for the armed forces to be used against both urban and rural terrorism.

Urban terrorists have, sometimes, in some countries, been able to frighten substantial numbers of people into reluctant collaboration with them, where the authorities have allowed

highly-disciplined /...

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highly-disciplined and well-organized units to become established. There is no question of the security authorities allowing this to happen in South Africa. Urban terrorism here may cause grave harm to a few people and inconvenience to many more, but it cannot present a threat to the security of the State or to the stability of government in South Africa. This vicious phenomenon, should we be cursed with it, can be expected to be negative in its impact.

There is not much chance of rural terrorists becoming established on South African soil. Our terrain is unsuitable, being largely open, flat, and not heavily wooded - in marked contrast to countries like Vietnam. The people of the rural areas, whether Black or White, are politically more conservative and certainly hostile to Marxism. Our security forces

are well trained /...

are well trained to deal with guerilla attack, and they cannot easily be infiltrated or their morale weakened by Communist propaganda, as happened to the Portuguese forces in their colonies and to American troops in Vietnam. Another difference of course is that we are not colonists, we shall be fighting for our own land - an important factor of morale to terrorists' disadvantage.

Looking at Southern Africa as a whole, there are, in military terms, a number of adverse factors which give cause for pessimism. But there are many elements to counter these, and give cause for optimism.

The Russians achieved a significant political victory in Angola, thanks to Western countries' failure to back South

Africa's aid /...

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Africa's aid to Savimbi and Roberto, the erstwhile idols of the West back in the sixties. Although they will undoubtedly exploit their bridgehead to advance their national interests in Africa, foreign experts believe a substantial direct Russian military involvement in this region looks unlikely.

Firstly, because the Communist doctrine of revolutionary war favours limited support for radical movements over a long period, rather than massive involvement of Soviet military force. Angola was a special situation in that the imperial power had just abandoned the country and left a vacuum. Even then, the Russians preferred to use the Cubans as their proxy rather than involve their own forces directly.

Secondly, because to attack a sovereign non-colonial state

such as /...

such as South Africa with conventional military forces would antagonise the Americans and could sabotage the detente and East-West trade initiatives which Moscow considers extremely important.

Thirdly, the Angolan affair has alerted not only the Western world but also many influential Black Africans - to the dangers of Communist imperialism. It is usually Russian policy to do nothing blatant in such a situation that would escalate tension, but rather to pursue quieter and less provocative tactics such as political subversion, strikes, urban riots, disruption of normal activities, etc.

Fourthly, the Soviet Union appears to recognize that South Africa would be a "hard nut to crack" in a conventional military confrontation /...

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military confrontation. Our army is no push-over. The long, erosive techniques of revolutionary warfare, domestic sabotage, unrest, infiltration and demoralisation will almost certainly be preferred by them in this situation.

These are the theories but South Africa cannot wait to have them proved. Then it would be too late. It has to arm itself to protect not only its sovereignty but also its mineral wealth and the Cape sea-route, two horses which, in international horse-trading, can hardly be ignored.

For instance, at a conference in June in Swaziland to consider the strategic role of minerals in Southern Africa, it was pointed out that the world's largest chrome, vanadium and platinum deposits are in Southern Africa, together with very important reserves /...

important reserves of manganese. The importance of Southern Africa, and especially South Africa, in the context of Western economic security, was stressed by Dr. Robert Kilmarx of the Centre for Strategic and International Studies at Georgetown University, Washington. He noted that a study by this centre of the relative power ranking of the nations in respect of non-fuel mineral resources had shown that South Africa was next to Australia and just below the USA and USSR in terms of this component of economic strength.

It was pointed out that there is reason to believe that the Communist world may now realise that its underlying objective of hastening the decline of Western economic power and its democratic political institutions might be most effectively pursued

by encouraging /...

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by encouraging maximum disturbance at vulnerable points in the Western world's mineral supply base i.e. Africa, notably Southern Africa.

The Foreign Affairs Research Institute of London noted the apparent importance attached by the Communist world to the control of certain strategic minerals as a factor in the supremacy contest between the two main ideological power blocs. It referred to certain conclusions reached 20 years ago by Major General Lagovskiy, then the Soviet Union's greatest expert in economic warfare, namely the dependence of modern armaments on such raw materials as chrome, platinum, nickel, cobalt and titanium. In-so-far as the West was vulnerable to the supply of these commodities Lagovskiy believed the USSR should exploit this weakness.

Even if /...

Even if supplies to the West were not affected, there is the question of continued investment in exploration and development of mineral resources in countries supplying the West, as it is well known that political disturbances or unrest can and will inhibit investment in such countries.

With the industrialised nations of the West feeding ever rising amounts of metals and minerals into their furnaces partnership with a supplier such as South Africa assumes growing importance. This importance, apart from the supply aspect, is accentuated by two other factors. Firstly, the era of the Very Large Cargo Carriers (VLCCs) has dawned as cheaper methods of transporting raw materials from the southern to the northern hemisphere are sought. The planned mammoth dry dock at Saldanha Bay on the South African Atlantic coast for super giants of up to 500 000 tons will /...

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tons will be among the few to offer facilities to the VLCCs in the vast expanse of the Indian and Atlantic Oceans south of the Equator. Secondly, with rising fuel and other prices it could become uneconomic for the industrialised nations to import raw ores in bulk - despite the VLCCs and their carrying capacity. There are few countries more suited to the processing of raw materials at source than South Africa with her vast and varied mineral resources, her uniquely cheap electrical power, her stable and efficient labour force with a high rating of technical expertise, her relative record of non-intervention in the private sector through nationalisation and other devices (common in some other mineral suppliers), her relatively favourable taxation structure and the fact that current profits, dividends and interest /...

and interest on investments are freely transferable to non-resident beneficiaries.

South Africa must therefore protect its sea-routes, its harbours and to make sure that sea traffic is not disrupted when it comes to the export of such important materials.

Even if we groan at the size of the military budget and whatever your views may be on the government's decision to build up a formidable defence force, two facts are important. Firstly, South Africa will now be able to withstand any conventional attack from any country or group of countries in Africa and the army will be a decisive factor in combatting large scale rural terrorism in South Africa. Secondly, we are not the only ones who need to arm ourselves at great expense. In the USA a group

of world /...

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of world renowned statesmen, politicians and strategic experts "The Committee on the Present Danger" with people such as Dean Rusk, Saul Bellow, John Connally, General Maxwell Taylor and others on the Committee have now publicly warned the US government that it is facing its biggest threat from military actions by the Soviet Union.

Internal Security.

Internal Security depends basically on only two factors: the size and efficiency of the security forces i.e. the police and the general socio-political and socio-economic situation which may or may not breed local unrest and violence. I will deal in greater detail with the latter when discussing what is being done in the field of race relations.

The name /...

The name "Soweto" perhaps needs no clarification because this is where the Black urban riots of June last year started. Much publicity was given to these events. And in doing so the impression was created that urban rioting was a peculiar South African phenomenon and that the racial tensions in this country were caused by government policy. The critics and commentators who argued rigidly on these lines should be reminded that urban rioting, especially among the lower classes and still unemployed youth, is a global phenomenon. The Harlem riots of New York City in 1935 and the subsequent riots of the sixties in places such as Chicago, Little Rock, Alabama, Nashville, Detroit and even London are all cases in point. These were racial riots
that took / ...

that took place in racially integrated societies. In these cases the riots were purely racially motivated. In the South African case the riots certainly had a racial undertone, but it should not be overlooked that Blacks killed Blacks as well. The implication of this fact is that some Blacks resisted the constant intimidation by intimidators who tried to create greater chaos and suffering to those who wished to continue with their work in an orderly manner.

Racial tensions, whether it be implicit or explicit, are inherent conditions of all plural societies. The South African plural society is no exception, and certainly not in the African context.

Racial and / ...

Racial and ethnic tensions are rife in Uganda, Rwanda, Burundi, Sudan, Chad, Nigeria and Mauritania to mention just a few examples. But even this is not an entirely African phenomenon. Take the examples of the Lebanon, Northern Ireland, the Basques in Spain, Cyprus, Malaysia. In fact more than 12 million people have been killed in violence of this nature in 120 countries all over the world during the past decade or two.

In South Africa, millions of city Blacks have been subjected to psychological strains imposed by rapid industrialization, urbanization, detribalization, deculturalization and feelings of acute inferiority in relation to White Africans through close contact with them. It would not be surprising should there be a high level of violence in such conditions. Indeed,

what is / ...

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what is surprising is that in fact there has been so little violence that 16 years passed between Sharpeville and Soweto.

Whatever the case may be the government can hardly be faulted on providing sufficient police forces even though, interestingly enough, this so-called police state has a multi-racial police force, more or less 50-50 black and white, and number less than the police force of New York city alone. Nor can the government be accused of lack of security legislation which it can employ to ensure the safety of the state or to combat terrorism and sabotage or the spread of the dangerous ideology of Communism. On the contrary the government stands accused by many, probably by some of you here,

of over-policing / ...

of over-policing the country and of over-bill in terms of security legislation.

The Government has made it clear that it will not condone violence as a means of achieving political change in South Africa nor will it permit mass demonstrations, no matter how politically well motivated, which could endanger lives, property, the flow of rail or road traffic and telephone or other means of communication.

I have said earlier that the government is politically very strong. The field of race relations is one in which government action is decisive and since good relations are essential for economic growth it can justifiably be argued that it is the government which must set the example.

Race Relations / ...

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Race Relations

South Africa's problems in the field of race relations however is basically also a legacy of the past. It is of no use to say to the government, forget the past and lets only look at the present.

We cannot turn our back on history, because history is the soil in which our different communities sprouted, grew, and came to maturity. To suggest solutions to our problems that simply ignore our history is to expect trees to grow without roots. However, the government is prepared to make changes, even radical changes, within the framework created by history and within the framework of policies approved by the electorate

in order / ...

in order to improve race relations.

South Africa's conditions are unique, and they require a unique constitutional framework. The Government's policy is that the framework should allow each ethnic group to develop either a high degree of sovereignty or complete independence. The final objective is a commonwealth or association of independent states for Southern Africa.

The Government sees no virtue whatever, for Blacks or Whites, of abandoning what some of you may see as limited democracy in favour of total dictatorship. Instead, the Government is moving rapidly towards a more democratic system based on group sovereignty, communal rights and separate freedoms, or, as

Dr. C.P. Mulder / ...

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Dr. C.P. Mulder has defined it, the structuring of a plurality of democracies. As proof of its integrity in this regard, the Government has granted independence to the Transkei, will give independence to BophutaTswana before the end of this year, and has promised independence to all other homelands that desire it.

In addition, the Government is committed to advance much greater powers to the Coloured, Indian and urban Black communities to rule themselves and to determine the shape and pace of their contribution to the country's development.

The Cabinet Council system, introduced last year, offers Coloureds and Indians an opportunity to influence Government policy and to achieve the power and status of Cabinet Ministers.

Already a / ...

Already a proven success, the Cabinet Council system is to be strengthened, by giving it statutory powers if necessary. But the government has gone a step further.

A Cabinet Committee is investigating the possibility of a departure from our existing system of government, for Whites, Coloureds and Indians, which originated in the homogeneous, centralized and unified societies of Western Europe, and its replacement by a system better suited to the South African situation, with its heterogeneous, decentralized and ethnically disparate communities.

A frequent criticism of the Government's policy is that it makes no proper provision for the constitutional development of urban Blacks, many of whom never want to go back to the homelands. / ...

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homelands. It is true that the Government encourages urban Blacks to consider the advantages of returning to their homelands. But it also recognizes the permanence of residence of many of them in the White-primacy areas of the Republic, in terms not only of long-established legislation, but also via recent concessions such as the one that allows urban Blacks to buy their own homes in townships such as Soweto.

Constitutionally, Government policy is that in matters of national import these Blacks should express their wishes and exercise their influence through community-based or ethnic representation. And such representation is naturally in homeland areas where the majority of each ethnic group has its home and political power base. This does not mean that

urban Blacks / ..

urban Blacks are disfranchised. It means that they vote within their nation or ethnic community, and that their representatives already (or will soon) defend their interests by direct consultation and negotiation with the leaders of White South Africa. In the same way, if you like, that the interests of Italian citizens working in Switzerland are watched over by the Italian Government, or the interests of Malawians working in South Africa are cared for by the Malawi Government through its diplomatic representatives here.

The Government has turned its back on a system of White domination, but cannot accept any alternative which would simply amount to Black domination. This is not only because the Whites are determined to protect their identity and sovereignty, but / ...

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sovereignty, but also because of fear of the type of political system that a Black-majority government might impose. Fear, as Mr. Harry Oppenheimer has put it, of "destruction of the free enterprise system and of parliamentary government as we understand it."

Both the constitutional progress of the homelands and the level of development of urban Blacks have reached the stage where the Government is now also prepared to give wide-ranging powers to urban Blacks to manage their local affairs, via autonomous, elected, urban community councils. These will have a high degree of control over matters such as administration and policing, housing, schools, health facilities, business, transport, welfare and sports and recreational facilities. / ...

Facilities.

The Government is committed to ending legalized racial discrimination, where it has nothing to do with preventing racial friction or with the protection of the identity of the various communities.

Certain public facilities like the Nico Malan Theatre, libraries and art galleries have been opened to all races. Thousands of "Whites only" signs have disappeared from places such as lifts, benches, parks and beaches. In work places traditional segregation has been eroded, without friction, thanks to commonsense shown by all parties.

Sometimes the way this has been done has been rather amusing.

One company / ...

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One company went about dispensing with racial segregation of its canteen by using a flower box with a trellis and vines crawling up it, to separate the Black and White areas. When the vines reached the ceiling, the trellis was removed. Then the company stopped watering the vines. When the vines died, they were removed. Finally, the flower box was quietly taken away.

Massive spending is under way to improve educational, housing and industrial training facilities for Nonwhites. For instance, the Government has taken the first step towards compulsory education for Blacks, pupils in most standards now have free books, special effort is being made to do away with double sessions, and special classes for children with learning problems are being extended. Over the past three years the number of

Black students / ..

Black students enrolled at secondary schools has more than doubled. A new medical university designed to produce hundreds of Black doctors, dentists and veterinary surgeons is due to open its doors to its first intake of students next year.

Massive effort is being put into the provision of industrial training facilities to turn unskilled Blacks into artisans. Eight industrial training centres have been completed, and five are already functioning. A further 12 are planned.

Government spending on sub-economic housing has been estimated at R335-million last year. That is a great deal of money. Since 1950 the Government has built more than 430 000 homes for Blacks in the White-primacy areas and
in the / ...

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in the homelands.

In terms of wages the government has encouraged a closing of the wage gap and the payment of decent wages. This has had some interesting reactions.

Recently the US State Department recommended that American employers in South Africa should not pay their workers less than \$150 a month, which it said was a "reasonable minimum wage." But there were red faces all round when subsequent inquiries revealed that 24-million Americans earns less than that - and with higher cost of living.

Much publicity is made out of figures which purport to show that employers in South Africa pay "starvation wages."

as knowledgeable people / ...

As knowledgeable people have pointed out these comparisons are usually misleading, and based on fallacies - for instance the assumption that each Black family has only one wage-earner, when in fact the average is between 1.65 and 2, according to city.

The most authoritative and detailed investigation into this subject was carried out two years ago by the University of South Africa's Bureau of Market Research. This proved conclusively that almost ALL Black men and women living singly in our main urban areas enjoy incomes above the Minimum Subsistence Level. The average male Black worker living alone in Johannesburg, for instance, earns anything from one-and-a-half to four times /...

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to four times his MSL. As for multi-person households, 77.1/2 per cent have incomes above the MSL.

Almost all such households with incomes below the MSL fall into two categories: Excessively large families, usually headed by a man who had little or no schooling; and smaller households headed by pensioners or women abandoned by their husbands, or widowed. Now the poverty of such families is to be deplored. Don't think the government is happy about this situation. But poverty under similar conditions is regrettably a universal tragedy, and is found in advanced countries too. It cannot always be laid at the doorstep of the government.

Businessmen in / ...

Businessmen in South Africa may raise the pay rates of their Nonwhite employees to any level they wish. And they may offer fringe benefits such as education, housing, medical services, pensions, transportation. There are no Government restrictions, statutory or informal. In fact both the Government and the official Opposition have come out strongly and openly in favour of improved conditions for Black workers.

Naturally, worker productivity has to be raised if higher wages are to be financed in a non-inflationary way. And there are difficulties in doing this, such as the primitive rural background of many Black workers and their lack of adaptation to the disciplines of an industrial society; educational deficiencies; unco-operative attitudes of skilled workers seeking to protect their / ...

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protect their jobs and pay differentials; lack of sufficient industrial training facilities; and statutory job reservation. This last point is much exaggerated, by the way. Job reservation now affects less than 2,6 per cent of the jobs held by Whites, and the Prime Minister has given assurance that the Government will not prevent Blacks moving into skilled, higher-paid jobs - provided such changes are made in an orderly fashion, and with the agreement of the labour unions involved.

The Star's Labour Reporter, Siegfried Hannig, commented in August 1975 that what is often lost sight of is "the unlimited scope for Black job advancement in vast industries where there is no colour bar. Those that spring to mind most readily are the textile, clothing, furniture, leather and footwear, radio, television and / ...

television and road transport industries. There are many others as well." He reported that "more than half the analytical laboratory assistants in some of the laboratories of South Africa's leading chemical and explosives concerns are Black.

Already more than a quarter of Black workers in the principal urban areas are classified as skilled, and the proportion is growing every year.

Close to 15 000 Blacks have in recent years taken over work previously done by Whites on the State-owned railways, while

the Post Office / ...

the Post Office now employs 5 000 Blacks in skilled positions, and has almost doubled the starting pay for Black postmen.

Black consumerism will increase notably in the foreseeable future, especially in view of the fact that the educational system is geared towards providing more and better education for Blacks in South Africa. This, together with the process of urbanization, are important determinants in the rise of an emergent and affluent Black middle class with its typical desires for sophisticated goods.

The greatest growth in this field is certain to take place

in Soweto / ...

in Soweto which is the largest Black city in South Africa. In fact, 22,6 per cent of all urban Blacks in South Africa live in Soweto. There are 860 registered Black taxi owners in Soweto, but an estimated 2 000 private taxis also operate in that area. There are nine garages within the township and and on the periphery. The centrally situated Tshabalala Motors pumped an average of 610 kiloliters per month giving it the largest petrol output of any service station in South Africa. There are approximately 49 000 privately owned vehicles in Soweto (Volkswagen, Valiant and Ford are the three most popular makes found in Soweto: 2.6 per cent of all cars in Soweto are Mercedes Benzes!)

This general / ...

This general offensive against poverty has been going on for a long time. It is not a fad of recent origin, to be forgotten when journalists, bored, move on to some newer and more fashionable issue. During the sixties, for instance, the real purchasing power per capita of the Black population increased by 69 per cent (at a faster rate than that of Whites): In the five years to mid-1975, Black's disposable income rose from R2-billion to R4,2-billion; it's forecast to reach R8,1-billion by 1980.

A far higher proportion of the Black labour force is in wage-earning employment in South Africa than elsewhere in Africa, and wage levels of Black industrial workers are substantially higher. No wonder a Kenyan was driven to write to an influential British newspaper, The Manchester Guardian; "We all deplore

Vorster and /...

Vorster and his racialists. But don't set him up by exposing his regime as the best payers in Africa - and with a much lower cost of living than, say, Kenya."

Black pay levels in South Africa even compare favourably with those of far more advanced countries. For instance, according to a report in the New York Times in October 1975, a teacher in Russia with ten years' experience earned the equivalent of R1440 a year. Even in 1973 a Black South African teacher, matriculated and with four years' experience, was on a salary scale starting at R1586 a year, rising to R3384.

If you ask me whether the government is doing enough to give blacks the feeling that they have something to live for, and to look forward to then the answer can only be yes.

Over the /...

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Over the period 1962 to 1975, for instance, South African Whites spent more than double the amount on development of their Black fellow-citizens as the United Nations did on development of 130-million people in 38 of the world's poorest countries. Annual transfer of wealth from Whites to Blacks is, on a per capita basis, very much higher than any of the world's nations attains via foreign aid programmes.

Perhaps the most obvious achievements have been in the field of education. More than 20 percent of all Black people receive schooling - a percentage almost on par with Western Europe. According to Mr Michael O'Dowd, a senior executive of Anglo American Corporation: "An African (Black) child has a better chance of getting to high school, and a better chance of getting to university in South Africa, than anywhere in the (African) continent."

An ever-increasing /...

An ever-increasing number of Black graduates is pouring out of universities which receive twice as much government subsidy per student as in the case of colleges for Whites. In 1977 more than 11 000 Blacks have enrolled at university.

I do not have to tell you what the government is doing in the field of health services to the non-whites except to say that it is probably the most comprehensive service, rendered virtually free of charge, outside North America, Australasia and Western Europe.

There are of course many areas where people believe the government is not facing up to realities and where more could be done to ease the situation for black people. I believe this is often a

superficial view. /...

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superficial view. Take the question of influx control. For two years now a committee consisting of black homeland leaders, a White cabinet minister and officials are battling to improve the system. Unless you want to have another two Sowetos in ten years some sort of influx control must remain. Interestingly enough a top-level British Labour Party government committee last week recommended a pass law system if Britain wanted to improve its control over non-white immigration.

My Department is now finalising a survey of six years of change in South Africa (1970-1976) which indicates beyond a shadow of doubt that the government in general have done more to improve and ease ethnic relations during the last six years than in the previous sixty years back to Union in 1910.

Some of /...

Some of the more important points can be mentioned.

- (i) The enormous increase in dialogue at all levels from the Prime Minister down to officials in various government departments.
- (ii) The liaison committees set up in 1976 consisting of Whites, Indians and Coloureds with the aim of defining and eliminating points of friction.
- (iii) Encouragement of academic, commercial and scientific contact between various races and approval of the establishment of institutes and associations with multi-racial trustees.
- (iv) The establishment of a cabinet committee to investigate laws which are discriminatory purely on the basis of colour, with /...

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colour, with a view to their abolishment.

- (v) The appointment of Indians and Coloureds to statutory boards and commissions e.g. Group Areas Board, the Housing Commission, Wage Boards, Road Transportation Board, etc.
- (vi) The independence of Transkei and the coming independence, this year of Bophuthatswana.
- (vii) The meetings of the Inter-Cabinet Council under the Chairmanship of Mr Vorster.
- (viii) Developments in the field of sport to the point where all teams in the 70 odd Olympic sports can now be selected on merit. (More blacks play on the professional golf circuit of South Africa today than Negroes in the USA).

The establishment /...

- (ix) The establishment of Bantu Administration boards which vastly improved the mobility of Black workers.
- (x) The establishment in 1971 of more than 20 aid centres in cities which by 1975 were rendering assistance to some 200 000 Black people.
- (xi) The introduction of a computerized system in 1975 to cut red tape in respect of the administration of Black interests in the urban areas.
- (xii) Improvements in transportation of Black workers. The Bantu Investment Corporation's investment in this area alone now stands at more than R40-million.
- (xiii) The government's broad policy decision to get rid of all measures which do not serve to prevent racial friction or which /...

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or which do not help to safeguard the identity of the various peoples.

- (xiv) The opening up of all kinds of facilities to Blacks by various municipalities e.g. in Pietermaritzburg, Pretoria, Johannesburg, Durban, Cape Town, etc. without government intervention. In the process beaches, parks, museums, libraries, art galleries, etc. became desegregated.
- (xv) The desegregation of luxury trains and the opening up of luxury hotels to foreign Blacks.
- (xvi) The construction between 1971-1976 of some 300 000 houses in the Black homelands.
- (xvii) The government's decision that Blacks can now own, in perpetuity, their own houses in Black townships, including business premises and sell or bequeath these properties.
- The decision /...

- (xviii) The decision to increase the income required by Coloureds and Indians to qualify for sub-economic housing to the same level as whites.
- (xix) The rapid increase in building houses for the Coloureds so that three Coloured houses to every White dwelling unit is now being provided from the National Housing Fund. In one spell from September 1973 to December 1974 some 30 000 houses were approved for 180 000 Coloureds.
- (xx) The approval of wholly Black school boards having the say over the medium of instruction in schools.
- (xxi) The decision of the government that free and compulsory education for Blacks be pursued as rapidly as possible.
- (xxii) The transfer of all powers, including budgets, for Black education in /...

- education in the homelands to homeland governments.
- (xxiii) The appointment of a Coloured and a Black to the post of principal of the Universities of West Cape and the North.
- (xxiv) The successful completion of the government's third five year development programme for the homelands at end of 1976 at a total cost of close to R2-billion.
- (xxv) Approval of the establishment of the African Bank of South Africa.
- (xxvi) Promotion of tens of thousands of Blacks, Coloureds and Indians into posts formerly held for Whites e.g. in the Railways and Post Office.
- (xxvii) Government efforts to close the wage gap between Black and White and the payment of equal wages by some organisations such /...

organisations such as Safmarine.

- (xxviii) The establishment of more than 12 technical training centres for Blacks and in-service training of Blacks for technical posts e.g. in the Post Office.
- (xxix) Elimination of antiquated laws e.g. the so-called Masters and Servants Law and amendments to Labour Relations Laws to permit greater participation by Blacks in wage discussions.
- (xxx) Compulsory school education for Indian and Coloured. Children up to the age of 13 will be subject to compulsory school attendance.
- (xxxi) The elevation of Coloured consultative municipal committees to management committees.
- (xxxii) Having post offices and police stations in some areas entirely staffed /...

entirely staffed by Coloureds and Indians and promoting Indians and Coloureds to officers rank in the police, including that of Captain.

- (xxxiii) Transferring Indian education, pensions and the application of the Aged Persons and Childrens Act to the Indian Council.
- (xxxiv) Opening of the Nico Malan Theatre in Cape Town to Coloured people.
- (xxxv) The South African games of 1973 which saw blacks and whites competing against foreign athletes before a multi-racial audience.

You may argue in all directions of the compass but ten years ago no one of these events would have been possible and if this wide

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spectrum does not reflect change then nothing else will. These changes are not cosmetic either for it is part of a deeper on-going process. Whoever argues to the contrary is being intellectually dishonest unless, of course, by change they refer to revolutionary change. As far as that is concerned, nothing of lasting value has ever been achieved in Africa by revolutionary change.

After Rhodesia /...

After Rhodesia and South West Africa.

In the context of our future security the question is often asked where we will find ourselves after the independence of Rhodesia and South West Africa. What will the government do when South Africa, white South Africa, is finally surrounded by countries all with black majority governments for even in South West Africa - Namibia, the majority of the members of Parliament will be non-white. Another question is whether the world will then collectively begin to put pressure on South Africa for majority government here, or, whether the Soviet Union will, with its proxy forces and aided by the choir of the socialist European states, the UN and the WCC, begin its final political and terrorist offensive against South Africa. What will the government do in this case?

These are /...

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These are, I believe, very real questions and very valid ones for any businessman who has a long term investment.

Let me say first of all that the government has no problem with the idea of black states on our borders. Why should it be when we have long lived in relative harmony with the B.L.S. countries next door to us and in our midst. Mr. Vorster said at the time of Mocambique's independence that South Africa is not interested in the colour of the government next door, only in its stability. Furthermore, the government has always expressed the hope that it could normalise relations with all non-Communist black states. It has expressed the hope that the states of Southern Africa could work hand-in-hand to promote regional co-operation. It has stated that it will sign a treaty

of non-aggression /...

of non-aggression with any African state. It has shown through its actions that it will, and can, co-operate with black countries such as Malawi, Swaziland and Botswana to mutual benefit.

From an ideological and political point of view South Africa has therefore always stood for co-operation with other African states. It can therefore be assumed that after the independence of SWA and Rhodesia foreign policy will dictate an all-out effort to convince SWA and Rhodesia to join South Africa in promoting regional trade and co-operation, the best bet for growth and development.

If Rhodesia and South West Africa were to react rationally and in the interest of their people's future prosperity, they too will elect to co-operate with South Africa in trade, scientific research, /...

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tific research, agricultural development and mining and manufacturing as well as to permit a relatively free flow of labour -- even if, politically, the governments may differ in their outlook and ideology. It would be almost unthinkable that an independent South West Africa would not associate itself with the states of Southern Africa to which it is linked geographically and in so many other ways. Much the same applies to Rhodesia, the Transkei and other future independent black states such as Bophuthatswana. It is hardly conceivable that Bophuthatswana and South West Africa would wish or even be able to remain out of the existing customs union, the monetary agreement, and our transport network including the harbours. This also applies to Rhodesia in many respects.

The government /...

The government will therefore pursue a policy of vigorous economic and other forms of collaboration to ensure regional growth and thereby regional political stability and harmony.

At the moment the states of Southern Africa already support each other in the field of energy supplies, employment opportunities, harbour facilities and rail, road and air transport. There is also substantial regional co-operation in the technical and scientific field.

On the other hand I do not have the slightest doubt that the pressure of the world on South Africa will increase to persuade us to adopt a policy of (black) majority rule. I say "persuade" because I doubt whether the Western world would force a state, whose sovereignty they have long recognised, to do things the /...

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things the legitimate and constitutionally elected government do not want to do. But persuasion can take many forms and some actions will have teeth. The government realises this and will reply to this (a) by vigorously defending the principle of our sovereignty and will certainly reject the concept of power-sharing between disparate black and white nations on the grounds that no such formula exists at least not on earth. It will argue that elsewhere in the world there is increasing separation of political powers between different ethnic communities and nations, not increasing integration, and increasing devolution within already independent communities. Africa, India, South East Asia and Europe contain many examples of separation of states. In Finland, Sweden, Norway, Denmark, the Netherlands, Yugoslavia, Austria, Spain, France, Cyprus, the Lebanon, etc. ethnic minorities /...

ethnic minorities are clamouring for special treatment, separation, autonomy -- even secession. In their recent study ETHNICITY Nathan Glazer and Patrick Moynihan of Harvard University have proved that ethnicity is increasing in the world not decreasing. (b) The government intends by concentrating on the political and constitutional development of the black nations and by moving away from discrimination, solely on the base of colour, prove that it is not out of step with world trends and that it's objectives are not contrary to so-called free world opinion.

The government recognises that only by making it policy of plural democracy highly visible and tangible to our own black peoples can it hope to establish permanent political peace in

this part /...

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this part of the world. World opinion itself is not so important to the government than the attitude of the white and black nations in South Africa. It is here and not in Europe or the USA that the answers must and can be found.

Finally, all white South Africans and all blacks, Coloureds and Indians who hold moderate views will have to face up to the fact that to the Soviet Union and its fellow travellers there is only one objective - ideological and economic control of the entire sub-continent. No matter what the government does, no matter the colour of the government, no matter how representative the new South West Africa government may be, no matter if the Rhodesians find a solution to their problem to the satisfaction of the free world, the Soviet bloc and certain militant African

and Third /...

and Third World states will never accept the situation. What they want is a Marxist-Leninist state subservient to the views of Moscow. They will do everything in their power to achieve this objective.

South Africa might therefore in a decade have succeeded in winning the confidence of the free world and the moderate anti-Communist states in Africa and Asia but it will for much longer have to arm itself, militarily, economically, socially and ideologically against Communist subversion and pressures. This is part of a wider conflict in the world and just as elsewhere in the free world you can have economic growth and prosperity even while arming yourself against Communism, so South Africa can also prosper. We must, however, succeed in convincing

the West /...

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the West not to sacrifice the White nation on the altar of one-man one-vote or black majority rule for such a sacrifice will only make a Marxist take-over of South Africa that much easier.

In conclusion let me repeat what Francis Bacon said:

"Prosperity doth best discover vice, but adversity doth best discover virtue".

I believe that the difficult times we are now experiencing are encouraging us to take a hard look at ourselves, to recognise our weaknesses and our failures. This applies to the man in the street, who has become too used to automatic prosperity; to you men of business, who now have to struggle to achieve reasonable profits; and to our national policymakers, now taking a new look at ethnic relations and South Africa's constitutional set-up.

We are /...

We are discovering virtue in our adversity, and I have no doubt that we shall emerge in good shape from this period of setbacks.

Let us not forget our blessings. We have a stable government and an honest administration.

We have, as Mr. Harry Oppenheimer put it recently, "A parliamentary system through which opposition opinion is freely and forcefully expressed. We have an independent judiciary which frequently demonstrates its independence by taking decisions which perhaps are not as welcome to our government as they might be. We have a national press which is free within wide limits and is uninhibited in its comments and criticism." How many countries in the world are as fortunate? Perhaps twenty

out of /...

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out of the 164.

Our Whites continue to enjoy high living standards. Our Blacks have seen their living standards rise at an unprecedented rate in recent years.

We are self-sufficient in most of the raw materials needed by an advanced industrial economy. We grow so much food that we have large surpluses to export to the rest of Africa and elsewhere. And we have industrial complexes capable of producing not only all the simpler goods we require, but also many highly sophisticated engineering, electronic and chemical products.

Of course there are still lots of things that are wrong. There are areas where progress should be faster. Mistakes are being made. /...

being made. Errors are inevitable, as we are only human. But let us keep a sense of perspective, give weight to the good things as well as the bad.

Too often in South Africa we see people criticising existing policies or arguing for new ones from viewpoints rooted in their selfish, narrow, sectoral interests. Or in philosophies which matured in the climate of 19th century Europe and have little or no relevance to Africa in the late 20th century.

Little effort is made by such critics to appreciate the broader implications of policy changes they argue for, to appreciate the frequent need for short-term sacrifices to achieve long-term benefits.

This plague /...

This plague of negative attitudes that afflicts our country, breeding suspicion where there should be trust and goodwill, and a defeatist lassitude where there should be confident dynamism, is something we cannot afford and should not acquiesce in.

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Future shock - more homes, jobs, food

Industrial Reporter

THE South African economy is going to have to provide some nine million new houses at a cost of about R67 000m by the year 2000 to cope with the expected increase in population.

This prediction was made last night by Mr. A. T. Williams, deputy director of the Futures Research Unit of the Stellenbosch University's Bureau of Economic Research.

Speaking at the Pine-town / New Germany division of the Natal Chamber of Industry's annual dinner, Mr. Williams said that the available work force would have doubled by the end of the century and that some R67 000m would have to be ploughed into the economy to create jobs for these people.

He said the gap between the growth for gross domestic product (GDP) and population increase was very narrow. If it could move to over six percent most demands could be met, but if it dropped below five, the implications would be serious and some experts feel that the figure could well be around four percent for the next few years.

There were several dangers facing businessmen during the next 10 years, according to Mr. Williams. Among them were:

- Future shock. It had been proved that excessive

could have an adverse effect on health, and the rate of technological and political change in South Africa could provide heavy strain on businessmen.

● The attitude of the West in general and the Carter administration in particular to South Africa. Carter's adviser on security, Mr. Zbigniew Brzezinski, had made it clear that he felt the Soviet communists were strangling their economy and ideologies in red tape, and felt that it would be a matter of time before Russia joined a U.S. led group of developing nations. America would therefore not help South Africa.

● The role of the Dutch in the other part of the world. The Dutch in Indo-Portugues and Males-Portugues, op moontlike kreo- an Afrikaans die aandag gevestig het. D. C. Hesseling lages in 1897 en 1899 verder gevoer, veral in sy beroemde Afrikaansch (1899) waarin hy Males-Portugues-teorie het. In teenstelling met die vorige teorieë was Hesseling s'n wat werklik wetenskaplik verantwoord was. Volgens Hesse- jaar binne die eerste dertig jaar van die volksplanting 'n sing van tale aan die Kaap plaasgevind het, nl. 'n botsing 7de-eeuse Nederlands van die burgers, soldate en ampe- Males en 'n vorm van- ging van albei („Males- antal slawe wat gebroke ou volgens Hesseling 'n het wat tot 'n vinnige ulfaat was 'n sterk ver- ratika. Wanneer 'n kula- botsing met 'n sosiaal lese reduksie, struktuur- lat 'n mens van kreoisse-

any struggles with communism.

● South Africa's rapidly growing population - which could pass the 70m mark by the year 2000 - and the attendant problems in feeding, housing and the provision of employment.

het Neder- lenskappe, kompara- r. 3, 1965,

I. A. VERHAGE. „Deftige en gemeensame vorme in die sinsverband van hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeërfde verskynsel te make.

van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamluk groot hoeveelheid direkte gege-

het om 'n Kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taal- gegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daar- om was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

Serious problems for discussion Economic Advisory Council meets today

Financial Editor

THE Prime Minister's Economic Advisory Council will meet in Pretoria today and tomorrow to grapple with the most serious economic difficulties that this country has ever faced.

The current position was put in a nutshell for me recently by one of Durban's liquidators.

He said it was sad when a property company failed because people lost money. However, the assets of land and buildings did not disappear in the crash. Sooner or later somebody would pick them up and carry on again.

Also, it did not matter very much if a couple of shops dropped out of business as there were other stores which were ready and willing to take on additional customers.

However, if an industry had to close its doors there would be suffering on several fronts. People lost money, workers lost their jobs and it took a long time to re-establish an industry once it was closed.

Natal has suffered severely during the past 12 months in this respect. Pietermaritzburg and Durban have seen a number of its large plants close on a temporary basis or for good.

South Africa has an advantage which some other countries do not have — the authorities can take action in financial affairs which would unseat the Government in other parts of the world.

We can hope that the talks in Pretoria today will result in action, no matter how drastic, to correct the slide into recession.

Some degree of reflation is needed. But the problem is how to achieve this without increasing inflation and storing up the ingredients for a bigger slump than ever in a few years' time.

'National crisis' over economy

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from 25/2/77

OWN CORRESPONDENT

CAPE TOWN

SOUTH AFRICA was at the crossroads and faced a national emergency, the chairman of the giant Rennie's group, Mr C. W. Fiddian-Green, said last night.

The country was in the middle of the worst recession since the 1930s, companies were going bankrupt daily and unemployment would probably go higher.

"To say that businessmen are worried about the future is perhaps the understatement of the century," he told the annual meeting of the National Development and Management Foundation's Cape Western region.

Liquidity was extremely tight, costs were rising, demand was falling, taxation was extraordinarily high, overseas lenders were reluctant to invest more money in the country, and shares on the Stock Exchange were at record lows.

Businessmen had been far too complacent about politics and many had been loathe to seek for themselves the facts, the head of the huge travel and industrial group added.

"I wonder how many businessmen — or for that matter White South Africans — really know what is going on in the African townships?" he asked.

It was significant that English-speaking South Africans had about as much direct say in the running of the country as the Zulu people.

"At least the Zulus have a Chief Minister who has access to the Government at the highest level, but there is no single spokesman for the English-speaking South African who has the same access."

Mr Fiddian-Green said he did not believe splinter opposition parties were going to solve the problems of the country.

A broadly-based opposition party led by an Afrikaner was required to challenge the Government.

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Banker warns standard of living will be lower

1/31/71
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DURBAN — South Africa's economy will look quite different in three years' time. The increasing expenditure on defence will ensure that the high standard of living enjoyed by South Africans in the past would not continue.

This is the view of Mr George Forrest, the economics manager of Barclays National Bank, who said yesterday that the mix of the local economy was changing rapidly.

With more money being spent on arms the private sector would continue to decline.

"In the future there must be an acceptance that exporting should become a part of life. South African industrialists have to think on a wider export basis than fruit and gold."

Mr Forrest said that changes could also be expected in the banking sector. The next few years would be a period of caution and consolidation.

"The weaker banks would have to be taken over. South Africa would have less banks. This has happened overseas and it would take place here."

In addition, more control of banks was required without being restrictive. At present a bank's reserves were worked out in ratio to the amount of money deposited by clients.

Mr Forrest said that the ideal way would be for the reserves to be in relation to the type of lending.

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UCT votes for capitalism

RDM 3/3/77

Own Correspondent
CAPE TOWN. — The free enterprise system received a vote of confidence in the centenary debate of the University of Cape Town's debating union on Tuesday night.

But the result was close and enough people abstained to have swung the debate either way.

The motion before the meeting in the packed Beattie Theatre was "Only socialism can satisfy South Africa's future". It was proposed by Mr Peter Randall, former director of Spro-cas.

Mr Harry Oppenheimer, chancellor of the university and head of the Anglo American Corporation, defended the free enterprise system.

Mr Randall argued that South Africa's present socio-economic system was leading the country to disaster and that only a socialist programme offered any real hope for the future.

Capitalism in South Africa, he said, was blatantly undemocratic. White-controlled business juggernauts got more swollen and more powerful by the day. Takeovers, mergers and amalgamations were concentrating more and more power in fewer and fewer hands.

"We must recognise that social justice can in fact lead to greater productivity and efficiency as well as to greater security and happiness."

Mr Oppenheimer said that the private enterprise system should be developed to its full to ensure that people got their proper share of the "great benefits it can bring."

He said that creeping socialism had already spread its tentacles too deep in South Africa.

"It is not the job of the Government to run every-



MR OPPENHEIMER
...carried the day



MR RANDALL
...no social justice

thing, but to determine and enforce the rules of the game for maximum freedom."

People should not be confused by the injustices in South Africa and believe they could be saved by socialism. All the iniquities could be eliminated without turning to socialism, he said.

Many speakers in the debate stressed the social injustices present in South Africa and one speaker from the floor received a loud ovation when she said "the future of South Africa does not lie with us". She suggested it was arrogant for a White audience to decide the issue.

Governing waste is costing millions

2/3/77
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Nearly R10 million was wasted by Government departments during the financial year 1975-76 through avoidable expenditure, accidents, wrongful arrest and, in most instances, downright carelessness. A sorry state of affairs which points to a serious lack of control at the top.

But considerably more was wasted — nearly R2 000 million — on the continuation of the departments of Bantu Administration and Development, Bantu Education, Coloured Affairs, Indian Affairs, the four provincial administrations, and the Homelands.

Bantu Administration and Development, Bantu Education, Coloured Affairs and Indian Affairs could well be dissolved completely. They serve no useful purpose and, in fact, are an international political (and military and economic) embarrassment.

With these departments out of the way there would be no need for the

The Business Editor of the Daily Dispatch reveals how the taxpayers' money is being wasted through carelessness and a serious lack of control within the Government, and also offers a solution to South Africa's economic ills.

Homelands, as it would be a united South Africa with all on a similar footing — and not necessarily one man one vote, or black majority rule, which so many members of the Cabinet keep insisting is their only alternative to their own form of Government.

Provincial administrations during the financial year in question between them managed to dispose of R1 271 228 652, which is more than a number of national budgets of some of the smaller nations. Yet much of their "work" is merely duplication of that carried out by various existing Government departments.

The obvious solution is the dissolution of all four provincial administrations, with any

possible extra work load being passed on to the appropriate government department — without an increase in staff. After all, is not productivity the name of the game about which the Government shouts so much?

By this quite simple, but vitally necessary action, almost R2 000 million has been "saved" of the national annual expenditure.

Obviously some work will have to be continued, and the overall saving would not be as great as that, but even a casual glance will show how the money could be better spent and still leave a large surplus in hand.

For example, during that year a little more than R215 million was spent by the Department

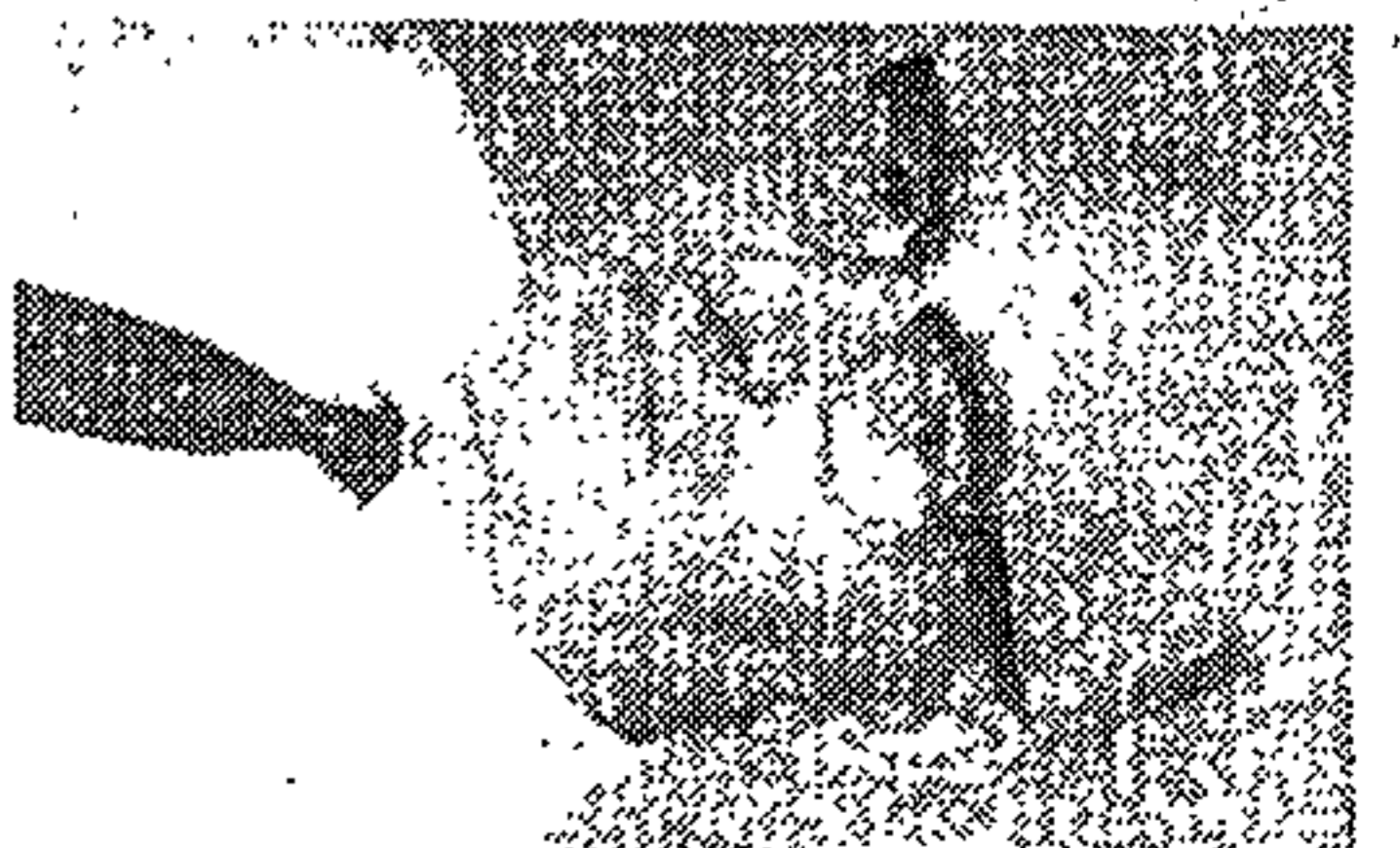
of National Education, compared with nearly R67 million by the Department of Bantu Education.

There should be only one education authority, so if the saving of R67 million from the disbanding of the Bantu Education Department, plus the R239 943 405 being wasted on the Bantu Administration Department, were added to the R215 million of the National Education Department, there would be more than R520 million available to give everyone, of all races, a sound and equal education, with the same syllabus and examinations throughout the country, rather than the existing, ridiculous multiple set-up.

The allocations to the Department of Welfare and Pensions and Department of Health could be doubled, still leaving a "surplus" of nearly R1 250 million.

A 50 per cent cut in the tax on petroleum products would be a priority, and would have the almost immediate effect of lowering the prices of all transported commodities, namely essentials which have a large bearing on the cost of living.

Company tax could be reduced by at least ten per



cent to give industry and commerce a much needed boost, and to spark off a mini-boom that would provide an essential increase in employment.

There would be little need for any increase in defence spending, but rather a cut-back, as the disbanding of the three insulating government departments, together with improved education facilities and pensions for all races, would remove much of the cause of unrest.

And as for the wastages of public money through negligence and lack of supervision:

A few instant dismissals at the top level — and this includes within the Cabinet — would have a salutary effect upon all others in responsible positions. It can happen in industry and commerce, so why not within the Government?

It would also show the South African tax-paying public that the Government means what it says so often (seemingly lip service only): that it is cutting its spending and avoiding waste.

Such actions must not only be done — they must be seen to be done.

Socialism can save country says Randall

Handwritten initials and scribbles.



MR RANDALL . . . racial disparity immoral.

CAPE TOWN — South Africa's present socio-economic system was leading the country to disaster and only a social democratic programme offered any real hope for the future, Mr Peter Randall, former director of Spro-Cas, said here.

He was proposing the motion "Only socialism can satisfy South Africa's future" in the centenary debate of the UCT Debating Union.

He was opposed by Mr Harry Oppenheimer, head of the Anglo American Corporation and chancellor of the university.

"For any future worth having we must eradicate the artificial gap in incomes and living standards between white and black," Mr Randall argued.

He said the huge racial disparity was immoral and it held the seeds of massive conflict from which the present economic system could not save South Africa.

The present system might admit a few blacks to form a middle class buffer, but it could not solve the major problem.

Mr Randall pointed out that 10 per cent of the country's population received 58 per cent of all income and this situation was worse than that in Brazil, a country notorious for its social inequalities. Whites, who formed 17 per cent of the population, earned 73 per cent of all the country's income.

Nearly two-thirds of all black households earned less than R80 a month and one third of Coloured people lived below the poverty line. "Yet whites are persuaded to spend more

than R20 million on their pets while R300 m was spent on television sets in the first 18 months of the service," Mr Randall said.

He argued that capitalism in South Africa was blatantly undemocratic and the white-controlled business juggernauts got more swollen and more powerful by the day and takeovers, mergers and amalgamations were concentrating power in fewer and fewer hands.

Free enterprise may once have allowed for reasonably healthy competition, but the country was now on the road to monopoly capitalism.

He said jokingly that most South Africans would soon face the choice of working either for Anglo American or for the Government.

Mr Oppenheimer stressed that the private enterprise system should be developed to its full to ensure that people got their proper share of the "great benefits it can bring."

He said the socio-economic system had already gone too far in South Africa and that "spreading wealth and freedom did not depend on the Government alone."

Mr Oppenheimer said a socialist system was "wrong" because:

It was an inefficient means of getting the product — "this I base on

experience because if everything was controlled by the Government — the organisation (companies) would not be what the people wanted."

It tended to disregard the need of providing people which with personal and family security and, "most of all, a freedom of choice".

Economic freedom was essential for political freedom — "it is not coincidence that the great hope the Russians pinned on the revolution ended in the tyranny we have now."

Mr Oppenheimer said: "I certainly cannot find that greater Government control would make for happier and more evenly treated people. It just doesn't work," he said.

"Of course you can turn round and say that a socialist government is not necessarily like this. But what does a socialist government mean? Who can decide what is good for the people? I profoundly agree that there is a very bad government here."

"It is all very well to talk of the misery of black workers, but we must not be deceived by socialism. Blacks must be given a proper part to play and this would make the country even greater," he said.

The free enterprise system received a vote of confidence in the debate. — DDC.

Take black hand,

SA told

STAR 15/3/77



MRS DUNCAN

Everything which presents constructive alternatives to violence is worth doing" even if it conflicted with "ideological laws," said Mrs Sheena Duncan, president of the Black Sash, in Johannesburg last night.

In calling on South Africans to "take the hand outstretched to us," Mrs Duncan told those attending the opening of the movement's national conference that battles

were never won by "people standing on the sidelines wringing their hands and proclaiming their irrelevance."

"We need to ensure that blacks will consult us about our position and protection in the South Africa of the future.

"I believe we are quite capable of forging a constitution which will incorporate checks and balances, constitutional devices to create a society in which all people have a maximum of individual

freedom and in which human liberties are inviolate."

Mrs Duncan spent most of her speech drawing parallels between the white South African's fears of majority rule and criticisms of black-ruled states and South Africa as it is run now.

She likened the Government's calling together of the National Party executive and Cabinet to discuss last year's urban black unrest, instead of summoning Parliament, as being "more akin to the one-party states of which whites are so critical when they occur in other African countries."

Whites valued the free enterprise system and feared majority rule would lead to a socialist economic system which would be "undesirable and threatening to their interests."

FAILED

But the capitalist system as practised in South Africa "has failed to provide social security for the vast majority of people."

Mrs Duncan said for blacks "the system whites enjoy at the moment is an economic tyranny."

Blacks scorned the "Christian" Government which separated them from their families.

"Blacks believe that the discrimination and oppression practised against them because of their race is heresy and doubly a heresy because it is practised in the name of Christianity."

MARTIAL LAW

White South Africans rejected majority rule because it often led to military rule and martial law — but the pass laws are imposed and maintained by constant police action."

Mrs Duncan said there were "no arguments whites can present to blacks in this sphere which can persuade them that majority rule is not in their interest."

① 49

② 2/66

15/2/78

Hope for economy, says Minister

Pretoria Bureau

There were rays of hope for economic growth in South Africa, the Minister of Economic Affairs, Mr Heunis, said in Pretoria today.

He was opening a meeting on the activities of the Anti-Inflation Committee.

But he said the economic position had worsened since the signing of the anti-inflation manifesto in October 1975.

The recession has deepened and we now have the painful consequences: an increased

measure of idle production capacity, increasing unemployment, and decreases in the real income of some worker groups," he said.

It would be unfair to regard 1976 as a year of complete economic gloom, however. There were certain rays of hope regarding the prerequisites for economic growth.

There had been a big improvement in the current account of the balance of payments.

The decrease in the value of the imported goods from the first to the second half of 1976,

together with the 34 per cent increase in the value of goods exported, resulted in the balance of payments dropping on average by 7.8 per cent during the first two quarters to an average of 2.9 per cent during the last half of the year.

At the same time, there had been an unfavourable trend in the inflow of foreign capital, causing a considerable reduction in South Africa's gold and other foreign reserves.

Mr Heunis said the rate of inflation in 1975 was more than 12 per cent. Last year the increase in the consumer-price index declined to a seasonally adjusted annual rate of nine per cent during the last quarter.

This, he said "indeed represents no small accomplishment."

The consequences of the recent increases in the price of steel, electricity and rail tariffs had not yet been felt.

It would be irresponsible to predict a substantial increase in the cost of living because of them, but it must be acknowledged that they would have an effect on consumer prices.

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Economy clamps to stay — Heunis

26/7/73
RAM

By CHRIS CAIRNCROSS
Industrial Editor

THE Minister for Economic Affairs, Mr Chris Heunis, made it clear yesterday that the battle against inflation would be continued and that the Government had no intention of relaxing its restrictive clamps on the economy.

He dashed any hopes there might have been that next week's Budget would provide selective stimulus to certain sectors of the economy, like the building industry, in an effort to halt rising unemployment.

Speaking in Pretoria at the last meeting of the Anti-inflation Continuation Committee which terminated the agreement on price, wage and salary restraints, Mr Heunis warned that in the light of South Africa's current economic problems it would be unpatriotic for anybody to seek short-term economic advantages at the cost of steady growth.

The temptation to do so after the long period of restraints is very real, but to put South Africa back on the road to permanent economic growth, everyone — the State, the worker and the entrepreneur — will have to be prepared to apply financial discipline.

He said that although short-term restraints contained in the anti-inflation manifesto had been terminated, there should be no doubt that the long-term objectives, aimed at increasing productivity, re-

mained in operation.

To this end the continuation committee would carry on its work and meet from time to time to monitor the progress being made with the implementation of the medium and long-term measures.

Mr Heunis said a substitute form of discipline would effectively replace the wage and price restraints.

He believed this discipline would be sufficiently strong to prevent a substantial increase in the rate of inflation and also strong enough to force the rate to lower levels.

"The substituting discipline is found in a number of factors," he said.

"Firstly we have the high and rising level of unemployment which is a matter of concern to all concerned — the Government, labour and employers.

"In the second instance we have a situation of low demand, increasing excess production capacity, increasing unit costs and a general decline of return in investment.

"Thirdly, we have the fact that the Government is not in a position to ease its restrictive monetary and fiscal policy.

"In combination, these factors cause a situation in which wage and price increases can neither be justified nor afforded without further increases in unemployment."

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TO BE RELEASED ON MONDAY MORNING 4 APRIL 1977 AT 00h01

STATEMENT RELEASED BY THE HONOURABLE THE PRIME MINISTER, ADV. B.J. VORSTER, IN CONNECTION WITH THE FORTY-FOURTH MEETING OF THE ECONOMIC ADVISORY COUNCIL IN PRETORIA ON 24 AND 25 FEBRUARY 1977

With a view to the presentation of the Budget on 30 March the Economic Advisory Council's discussions at its recent meeting were focused mainly on an analysis of the possible approaches which the Government could consider in the application of its fiscal and monetary policy in the coming months. As is customary, this statement was held back until after the Budget Speech, in which the Honourable the Minister of Finance gave a detailed account of the economic position. To avoid repetition, this is therefore referred to in the statement only in so far as it is necessary as background to the Council's recommendations.

THE ECONOMIC POSITION

The information on the position in the different sectors of the economy, as provided by the representatives of the various employers' and employees' organisations, confirmed the indications in the official economic statistics that the recession in the South African economy had deepened since the previous meeting of the Council. It is therefore understandable that in most of the sectoral surveys attention was devoted in particular to the more painful consequences of the recession, such as the increasing extent of unutilised production capacity, increasing unemployment, and the declining real incomes of some employee groups - which, of course, reflect the decline which has taken place in South Africa's real gross national product over the past two years.

Against the background of these unfavourable trends, which are now beginning to draw attention very strongly, it is easy to overlook the fact that for quite some time now favourable turns in our economy have also been in evidence. These favourable

turns do not affect the general public so directly, and therefore do not attract public attention so readily, as the unfavourable trends already referred to. The Council, however, took due account of them, since it is precisely these favourable turns that must form the basis for an improvement in our general economic position. With a view to formulating appropriate policy for the immediate future, it also had to take note of the connection between these favourable turns and the fiscal and monetary policy that has been operative during the past year.

THE COUNCIL'S RECOMMENDATIONS ON FISCAL AND MONETARY POLICY

At its meeting in February 1976 the Council recommended that the severely restrictive monetary measures which had at that time already been put into effect, should be continued and supplemented by a strong curtailment of the Government expenditure and that as far as possible, that expenditure should be financed from taxes as well as from loans from the local non-banking sector and from abroad. In the 1976/77 Budget the Government identified itself with this severely restrictive approach to fiscal and monetary policy, which was considered essential to reduce the deficit on the current account of the balance of payments, to curb the speculative movement of short-term funds between South Africa and foreign countries, to help reduce the rate of inflation, and at the same time to enable the country to meet an unavoidable, sharp increase in defence expenditure.

This restrictive fiscal policy could of course not be put into effect immediately, with the result that the Exchequer's net indebtedness towards the monetary banking sector during the first quarter of the 1976/77 fiscal year continued to increase strongly. In the second quarter of the fiscal year, however, this net indebtedness decreased appreciably, showing a further slight decrease over the following four months. This favourable turn in the Government's accounts contributed substantially to the fact that the amount of money and near-money in the second half of 1976 increased at a seasonally adjusted annual rate of only about 2 per cent, as against 16 per cent in the first half-year.

The appreciable decline in the value of the merchandise imports from the first to the second half of 1976 could be attributed largely to the favourable turn in the Government's accounts in the latter half of 1976 and the accompanying restrictive monetary policy. As is already generally known this change in the imports, together with the strong increase in the merchandise exports, contributed towards decreases in the deficit on the current account of the balance of payments, as measured at a seasonally adjusted annual rate, from 8,9 and 6,7 per cent of the gross domestic product in the first and second quarters, respectively, to about 3,5 and 2,3 per cent in the third and fourth quarters, respectively. At the same time the increase in the consumer price index, with a temporary interruption in the second quarter, continued its consistent declining trend which had been in evidence since the third quarter of 1974, and in the fourth quarter decreased to a seasonally adjusted annual rate of 9,0 per cent.

The Council could therefore arrive at the conclusion that good progress had already been made towards attaining the targets set at its meeting of a year before with respect to the balance of payments and the rate of inflation. As a matter of fact, had the net inflow of foreign capital remained at more or less the same level as in 1975, the gold and other foreign reserves might already have been sufficient to justify the consideration of stimulating measures. However, with the decline in the net capital inflow to only about half its 1975 level, after allowing for official loans specifically negotiated to bolster the reserves, the net gold and other foreign reserves declined considerably in spite of the improvement in the deficit on current account.

The Council therefore had no alternative but to conclude that it was essential to continue a severely restrictive monetary and fiscal policy for the 1977/78 fiscal year. In view of the burden which direct taxes and loan levies were already placing on companies and individuals, the predominant opinion was that in the implementation of such a severely restrictive fiscal policy the accent should as far as possible be on cutbacks in Government expenditure and not on further increases in direct taxes.

How long it will take before it will be possible to switch to a deliberate relaxation of the fiscal and monetary policy will depend mainly on the rate at which the net gold and other foreign reserves can be built up to an acceptable level. In this, the determining factors will be the further decline in imports (to which the recommended fiscal and monetary policy should make a substantial contribution), the export performance, the gold price trends, and the amount and composition of the net inflow of capital from abroad.

After the very welcome increase of 34 per cent in the value of South Africa's merchandise exports in 1976, the information at the disposal of the Council showed that, owing to the levelling-off in the growth rates of the leading Western economies, this high rate of growth would not be maintained during 1977, although a further increase could still be expected. Although South Africa has reason to be satisfied with the firm undertone that has set in on the gold market, for policy purposes it would be unwise at this stage to bank on a much higher average gold price for 1977 than has until quite recently been prevalent. As regards the inflow of foreign capital, the Council took into consideration that developments on the political front, internal as well as external, would play an important role. It was, however, also emphasised that the favourable turn already evident on the economic front, especially if it could be sustained, was already having a positive influence on foreign investors' interest in the South African economy.

All in all, therefore, the considered opinion was that perseverance with a restrictive fiscal and monetary policy was necessary not only under the present conditions, but that through such a policy it would be possible, within the foreseeable future, to provide the groundwork for a healthy upturn in the economy. In the mean time the favourable results that have already been achieved so far with the current fiscal and monetary policy have of course not been without their painful side-effects. This is evident particularly from the increase in unemployment and the degree of unutilised production capacity already referred to.

UNEMPLOYMENT AND UNDER-UTILISATION OF CAPACITY

The Council devoted an in-depth discussion to the extent of unemployment, particularly among Blacks, in respect of whom reliable statistics are not as yet available on a continuous basis. In the course of this discussion, it was stressed that for policy purposes it was important not to take note of overall unemployment statistics only, but to distinguish between regions, sectors, occupational groups and age groups.

The Council also noted the estimates of the extent of unemployment among Blacks, which were based on a comparison of official employment opportunity statistics with projections of the economically active Black population. As it appeared from the discussions that estimates of this kind, particularly because of their sensitivity to projections of the economically active population, were subject to a large margin of error, the Council did not want to identify itself with any particular estimate without certain qualifications. Over against this, there was general agreement that the available figures on Black jobseekers signed on at the labour bureaux in the White areas were largely an under-estimation of the actual number of unemployed Blacks. The only really reliable, unambiguous way of obtaining an indication of the extent of Black unemployment, with due regard to the regional and other variations referred to above, would be a country-wide sample-survey, and it was learned that the Department of Statistics is at present preparing for such a survey to be carried out later this year. Meanwhile the Council was in agreement that, whatever the actual figure, there could be no doubt that among Blacks unemployment was already assuming considerable proportions and that, as was in fact the case with the other population groups as well, it was increasing rapidly.

In view of this, as well as the concern expressed about the high degree of under-utilisation of production capacity in the economy, careful consideration was given to the various proposals to proceed to selective stimulation of the economy. Increased spending

on low-cost housing for Non-Whites received special attention in this regard, since this kind of spending has a low import content, is comparatively labour intensive and would at the same time contribute towards reducing the existing backlog in this type of housing.

Although the Council underscored the high priority that housing schemes of this kind should enjoy, it could not but conclude that under the prevailing conditions there was no room for further increasing the already high expenditure on such programmes beyond the limits set by the appropriate restrictive fiscal policy, be it by means of direct bank credit or through additional issues from the Exchequer. Even if the direct import content of such programmes is low, indirectly they do lead to an increase in the money supply, income and expenditure, a part of which will have a detrimental effect on the balance of payments through additional imports or other factors. From a balance-of-payments point of view, therefore, additional expenditure on programmes of this kind would be justified only if such expenditure were to be incurred at the expense of other forms of Government spending that have a more detrimental effect on the balance of payments. The Council had to accept, however, that, in the process of cutting down on the budget requests, which had in fact already taken place at that stage, due account had already been taken of considerations of this kind, and that, in spite of the severe cutbacks in Government expenditure, the Budget might in any event already be exercising a mildly stimulative influence.

Consideration was duly given to the possibility of alleviating to some extent the problems of unemployment and capacity under-utilisation within the framework of the restrictive policy. From the discussions it appeared that even at this stage there are still labour shortages in certain regions, industries and types of work, which, owing to job preferences, insufficient information or other restrictions on the mobility of labour, have not been met in spite of the high general level of unemployment. The Council therefore recommended that, as a matter of urgency, every possible way of making such vacancies accessible to the unemployed should be in-

investigated. Although such measures are not likely to reduce the total number of unemployed to any great extent, it was nevertheless felt that they could make a significant contribution towards easing the problem.

It was also pointed out by several members that, despite the decline in virtually all the components of the domestic demand and, coupled with this, the under-utilisation of production capacity, goods which could be supplied from existing production capacity within the country were still being imported from abroad in considerable quantities. It was the unanimous opinion that a significant contribution could be made towards cutting down imports, towards the fuller utilisation of production capacity with a resultant reduction in unit production costs, and towards the creation of additional job opportunities, if it could be borne in on all South Africans that they should make a point of giving preference to South African-produced goods in all cases where the quality and price of such goods are comparable with those of the imported product. The Council feels that it is important that this approach should be adopted not only in purchasing consumer goods, but particularly also in purchasing intermediate and capital goods and in the use of commercial services by both private businesses and Government undertakings.

In so far as the provision of housing for Non-Whites is concerned, the Council was informed by the representatives of the private sector that the private sector was able to play a bigger supporting role, especially as regards the financing of housing for Black employees, and thus make a considerable contribution towards easing the acute housing need. However, the committee appointed by the Council at its previous meeting to go into certain aspects of Non-White housing had come to the conclusion that, without amending legislation, it would probably not be possible to remove the restrictions imposed on private-sector financing by the nature of the security that employers and other financing concerns could obtain in providing funds for the housing of Black employees. It had come to the notice of the Council, however, that the Urban

Foundation was already giving attention to this matter with a view to formulating proposals for the provision of an acceptable form of security for the private sector, and the Council therefore recommended to the Government that there should be the closest possible liaison between, on the one hand, the Urban Foundation's law advisers and, on the other hand, the law advisers of the Government departments that are directly concerned in this matter, so that a system could be devised that would be acceptable to both the private sector and the Government.

THE BUDGET FIN *MAIL 8/4/77*
Digging deeper *(49)*

Who is being trimmed most severely by Finance Minister Horwood's pruning shears? Obviously, increases in some departmental votes in last week's budget

(16)

Financial Mail April 8 1977

imum period. The State then constructs a

had to be offset by decreases elsewhere. And so they were.

Defence rose by 21,3% (in money terms) making for an increase of over 250% in just four years. Some rises in Defence spending were included in other votes, however. The biggest component of Public Works' 22,5% increase is a R14m rise (up to R46m) in spending on military bases.

An extra R42m for housing made up the Department of Community Development's increase of 19,3%. The vote for Indian Affairs rose by 19,5%.

Bantu Education, on the face of it, got an increase of 50,8%. Closer scrutiny reveals, however, that the vote is going up by only 32% — since capital spending for Black universities (R14m) has now been transferred from Bantu Administration and Development (BAD) to the Bantu Education vote (see next story).

Foreign Affairs' 585% increase

doesn't portend any massive outward drive. R120m of the projected R147,4m represents aid to Transkei.

So BAD's own 9,3% expenditure fall does not, however, signal any dismantling of the apartheid apparatus but merely a transfer of some of its responsibilities to other votes. If these were still included in the BAD vote, it would show an increase of 10%.

The Customs and Excise expenditure decline (82%) is only apparent: the monies payable to Botswana, Lesotho and Swaziland under the customs union agreement (R43m this year) will no longer be debited to Customs and Excise.

However, some spending cuts are only too real. R45m of the 20% fall in Agricultural Economics and Marketing constitutes a cut in food subsidies (see page 114).

Mines' 7,1% fall was largely the result of the gold price recovery. Assistance to the gold mining industry has been

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to departmental

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ceives a salary as

WHERE THE MONEY GOES

Department	Total estimated Exp. 1977/78	Final estimates 1976,7	% change
	R'000		
State President	365	336	+8.5
Parliament	5 861	5 482	-7
Prime Minister	12 817	12 420	+3.2
Defence	1 654 000	1 364 000	-21.3
Foreign Affairs	147 444	21 496	+585.9
Bantu Administration and Development	610 271	672 987	-9.3
Bantu Education	117 419	77 885	+50.7
Transport	150 225	143 008	+5
Labour	21 503	19 500	+10.3
Mines	168 001	180 806	-7.1
Information	15 370	14 100	-9
Interior	9 100	8 242	+10.4
Public Service Commission	10 330	9 960	+3.7
Government Printing Works	13 350	12 960	+3
Social Welfare and Pensions	370 000	353 894	+4.6
National Education	303 934	264 277	+15
Sport and Recreation	2 705	2 480	+12.7
Agricultural Economics and Marketing	175 408	226 808	-20.1
Agricultural Credit and Land Tenure	50 260	48 415	+9.1
Agricultural Technical Services	66 000	61 652	+7.1
Health	136 983	121 760	+12.5
Planning and the Environment	55 386	51 105	+8.4
Statistics	5 510	4 882	+14
Treasury	3 119 736	2 814 598	+10.8
South African Mint	1 594	1 654	-3.7
Inland Revenue	18 500	16 000	+15.6
Customs and Excise	8 919	50 720	-82.4
Audit	4 700	4 267	+10.1
Commerce	52 161	48 632	+7.3
Industries	253 686	297 160	-14.6
Justice	44 700	40 150	+11.3
Police	204 000	185 629	+9.9
Prisons	80 750	73 826	+9.4
Indian Affairs	84 049	71 641	+19.8
Community Development	267 773	224 500	+19.3
Tourism	6 550	5 872	+11.5
Public Works	264 652	216 027	+22.4
Immigration	11 524	11 503	+0.1
Water Affairs	160 400	160 107	-0.1
Forestry	38 939	31 745	+22.7
Coloured, Rehoboth and Nama relations	235 230	214 864	+9.5
Total	8 960 105	8 147 350	-10

budgeted R10m below last year's contribution.

The primary component of the Department of Industries' 14,6% cutback is a R30m decline in loans to the SWA Water and Electricity Corporation, the Cabora Bassa project and shipbuilders. They will receive R16m, R9m and R5m less respectively. The National Supplies Procurement Fund will get R12m less than it requested for this year. How this shortfall on funds available for interest payments on overdrawn bank accounts with the Reserve Bank will now be met, Industries' Chief Accountant Phillip Venter does not know.

Finally the almost unchanged immigration vote (after the 33% rise in the previous Budget) is a sign of the times. "We are budgeting for realities", says Secretary for Immigration Alec Ellis. "At the moment there are fewer opportunities in SA to accept immigrants."

Comparing last year's final expenditure figures (R8 147m) with the year's total departmental estimates (R8 960m) shows an increase of 10% in money terms. Horwood, however, insists the increase will only be 7,8%, since further cutbacks of R200m will be made. Some departments have already been told to prune a further 2% 4% from the sums already budgeted for them.

Whether these cuts will actually materialise remains to be seen. Last year, actual spending turned out 6% higher than the estimates in the 1976/77 Budget. But perhaps Horwood intends working miracles.

TODAY: A letter to businessmen by Prime Minister John Vorster

Dear Mr Goodwin,

During the recent discussions you and members of your executive committee had with me in Cape Town, you asked me to put in writing, for the members of your association, my opinion of the socio-economic problems facing our country, the solutions to those problems, and the progress we are making towards those solutions.

In acceding to this request, I do not wish to repeat in detail the Government's view of our current economic situation, which has recently been set out by various of my colleagues in the Cabinet, notably the Minister of Finance in his Budget speech, and which had also been confirmed in broad terms by the Economic Advisory Council on whose most recent meeting I have just realised the usual statement.

I therefore merely want to reiterate that although the worst of the recession in domestic economic activity is clearly not yet behind us, the current account of the balance of payments has since the middle of last year taken a distinctly favourable turn. This has been the result both of a sharp decline in imports and of a very encouraging improvement in exports, and if these tendencies can be continued at least through the first half of 1977, we will have progressed far in laying the groundwork for an upturn in our domestic economic activity.

This will, however, require the continuation for some time to come of the strongest possible discipline in our consequences of relatively high levels of unemployment, idle production capacity, and low turnovers and profits in virtually all but the export sectors of the economy.

Inflow

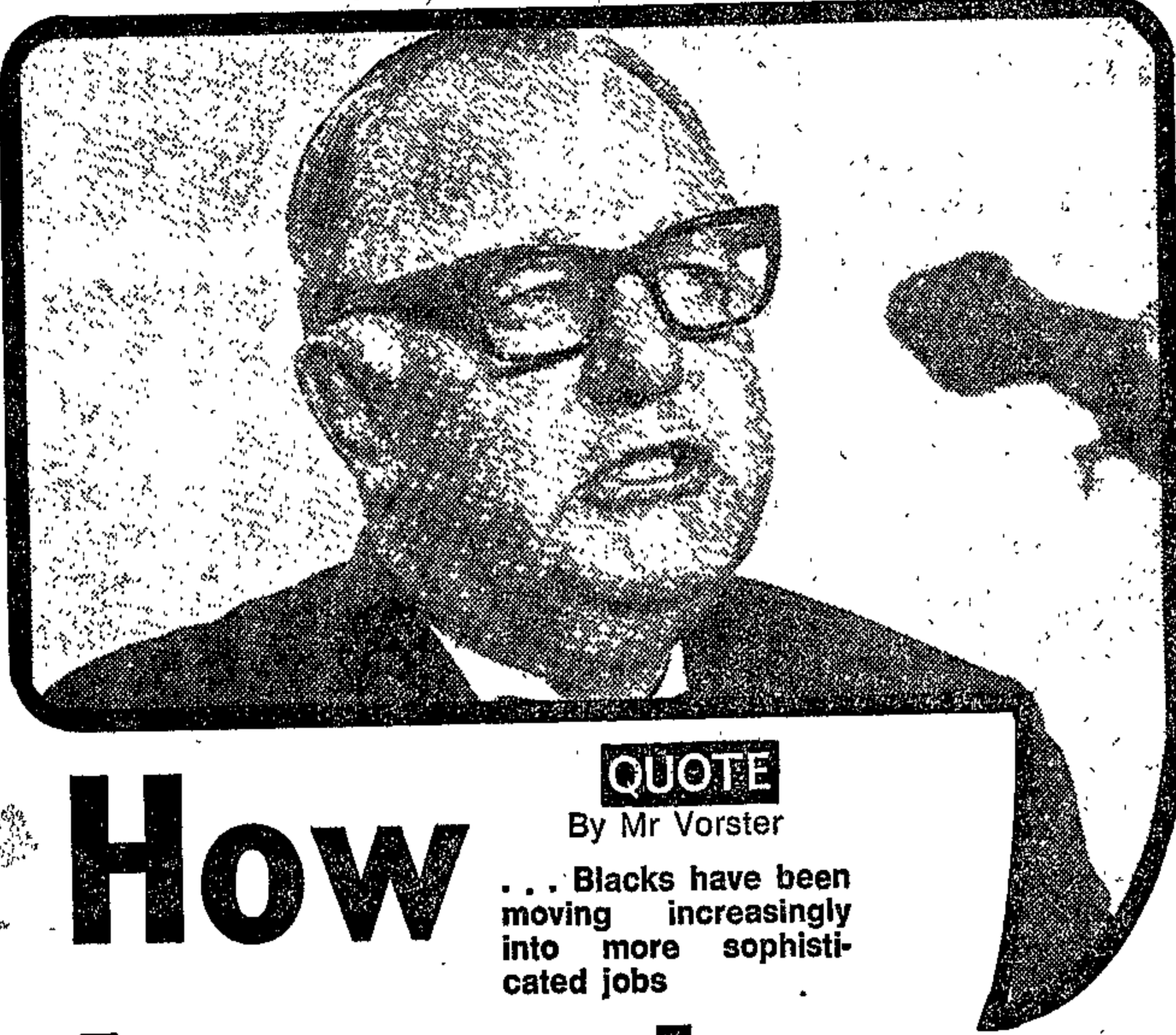
Were it not for the decline in the inflow of foreign capital we have recently experienced, we might already have reached a stage where the level of our gold and other foreign reserves would have allowed some stimulation of the economy. A resumption of the inflow of especially longer-term foreign capital would certainly bring forward the time for such stimulating policies.

Meanwhile I have little doubt that our willingness and ability to persevere with appropriate, albeit painful, economic policies will in itself go a long way towards restoring confidence in foreign business circles in the economic future of South Africa.

Also, as soon as our economy passes the lower turning point of the current recession, and local business prospects begin to look more promising again, I fully expect a resumption of interest among foreign investors in South Africa as an investment field.

While expressing this view, I do not deny that there are grounds for believing that the confidence of foreign investors in the long-term stability of our economy has been affected negatively by political developments in South Africa and in other parts of Southern Africa during the past year.

Because of this, we have to take into consideration that even though there should be a resumption of the inflow of longer-term foreign capital as the economic outlook in South Africa improves, we may not be able to attract such foreign investment in the volumes we would



QUOTE

By Mr Vorster

How ... Blacks have been moving increasingly into more sophisticated jobs I see change

The ASSOCOM president, Mr S. O. Goodwin, the deputy president, Mr R. M. Mitchell and Mr R. W. K. Parsons had an interview with the Prime Minister, Mr Vorster, last month.

Assocom requested Mr Vorster to give organised commerce

his opinion of the socio-economic problems facing the country, the solutions to those problems, and the progress South Africa was making towards these solutions.

The document was made available to the Press by permission of the Prime Minister.

previously have regarded as normal.

Should this turn out to be the case, we would obviously have to adjust our economic expectations and adapt our economic policies accordingly.

The view is frequently expressed in business circles that in order to restore the confidence of foreign investors we should do all we possibly can to ensure stable political conditions both in our own country and in the sub-continent as a whole.

My reaction to this is that we should of course pursue these objectives, and are indeed doing so, but in the first place because they are worthy objectives in themselves rather than to impress potential investors. I agree, however, that the degree of our success in pursuing them will have an effect on the perception of South Africa by foreign investors. It is, however, important that we understand clearly what in this regard is within the bounds of possibility, and what is not.

To begin with, we should have no illusions that by making adjustments in our domestic political set-up we can bring about a relaxation of all the outside pressures on our country. Even if we should be prepared to go much further than any of our white political groupings are at present prepared to contemplate, we would still not satisfy the ambitions of those whose designs are aimed at taking total control of the people and resources of Southern Africa.

The best we can therefore hope for is that moderate opinion in the West and in the countries of Southern Africa will come to realise that their basic interests and ours coincide, and that South Africa can, and should be allowed to play a constructive role in furthering those common interests.

While the possibility of such a realisation on the

part of at least some Western and Southern African countries cannot be written off, it is only realistic on South Africa's side to see clearly the limits to our own influence on the course of events in the sub-continent.

Turning again to our domestic affairs, it must be clearly understood by all concerned that there are certain points on which no-one should expect us to yield. These include the right of our white people to retain control of their own destiny, the maintenance of law and order, and the determination of the kind of economic system under which we are to live and work. In this last respect, there should also be no doubt about our commitment to an economic system which provides the greatest possible scope for private enterprise and individual initiative.

Within the limits set by these fixed points, much is possible and is indeed being done to widen the scope for self-realisation of all South Africa's peoples. In the political sphere, I want to mention only in passing some of the steps which have already been taken and which will be developed further to ensure more effective participation of the Coloureds and Asians in decision-making, not only in their own affairs but also in matters affecting both them and the whites.

Social

In respect of the blacks, the decentralisation of political autonomy to the homeland governments, will continue, while the intention of the Government has already been announced to provide for a meaningful role for blacks in their local affairs in the metropolitan areas.

In the economic as in the social sphere, the Government has clearly expressed its intention to do away as fast as possible with restrictive measures which discriminate on the basis of race and colour.

This will continue to be done by removing such measures as and when the original rationale for their adoption, viz to avoid friction and confrontation between the various population groups, falls away.

In the field of labour for example, restrictions on the occupational mobility of Coloureds and Asians have with few exceptions been eliminated, while blacks have been moving increasingly into more sophisticated jobs in terms of negotiated agreements between employers and the recognised trade unions.

The Government has repeatedly made it clear that it would not lay obstacles in the way of these developments, and has indeed as a major employer been setting an example of what can be achieved in a responsible manner.

The acceptance as an objective of Government policy of the elimination of wage and salary differentials which are based purely on race, and the initiatives taken in co-operation with the private

sector in the improvement and expansion of occupational training facilities for all population groups, are further examples of the movement away from discrimination in the labour field.

With respect to business rights, it has already been announced that Coloured and Asian industrialists are to have free access to industrial areas outside their own group areas, and the necessary steps to give full effect to this announcement are well advanced.

Also, the extension of business rights for blacks in black townships outside the homelands has been accepted in principle.

Some adjustments to the relevant regulations have already been made, and further adjustments are under consideration in conjunction with the development of home ownership for blacks in these townships, which is already under way and in relation to which efforts are now being made in consultation with the Urban Foundation to design an acceptable form of land tenure.

All these developments should go some way towards providing an increasing stake for all population groups in our economic system.

I must, of course, caution that in none of these spheres can the desired changes be brought about by the stroke of a pen.

In virtually all of them, there are existing interests which are affected and established procedures that have to be gone through.

The fact that such considerations must be taken into account, and necessarily often have a delaying effect should, however, not obscure the direction of change to which the Government has committed itself.

In making further progress along this road, the private business sector can play a valuable role in identifying areas in which further adaptations can be made, and devising methods by which this can be done.

The only condition is that in identifying such areas and proposing such methods, due consideration should be taken of the constraining factors I have just referred to.

I repeat that we should move along this road for no other reason than that we ourselves believe it to be the right one. I have good reason to believe, however, that this movement towards making the benefits of our free-enterprise economic system more accessible to people from all our population groups, will also go a long way to meet the misgivings which some of our friends, in other countries, especially in business circles, have about us.

While it is natural that in our own discussions of these matters we should tend to concentrate on what still needs to be done, it is therefore important that all of us should also carry out to our friends abroad the evidence of what has already been achieved.

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Vorster pledge on economics

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DAILY DSP
18/4/77

JOHANNESBURG — The Prime Minister, Mr Vorster, has pledged his Government's commitment to providing an increased stake in South Africa's economic system for all population groups. And, in a statement to organised commerce setting out his views on the socio-economic problems facing the country, he added: "We should move along this road for no other reason than that we ourselves believe it to be the right one." The Association of Chambers of Commerce (Assocom) has released the text of the Prime Minister's statement, made in response to an Assocom request. The text will go out to 16 000 businessmen around the country in the next few days. Mr Vorster said although the worst of the recession in domestic economic activity was clearly not yet past, the current account of the balance of payments had taken a distinctly favourable turn since the middle of last year.

This had resulted from a sharp decline in imports and an encouraging improvement in exports. If these tendencies could be continued, at least through the first half of 1977, South Africa would have progressed far in laying the groundwork for an upturn in domestic economic activity. Mr Vorster admitted there were grounds for believing that the confidence of foreign investors in the long term stability of the economy had been affected negatively by political developments in South Africa and other parts of Southern Africa in the past year. Business circles frequently held that, to restore the confidence of foreign investors, everything possible should be done to ensure stable political conditions both inside South Africa and in the sub-continent as a whole. "My reaction to this is that we should of course pursue these objectives, and are indeed doing so, but in the first place because they are worthy

objectives in themselves rather than to impress potential investors. "It is, however, important that we understand clearly what in this regard is within the bounds of possibility, and what is not. "To begin with, we should have no illusions that by making adjustments in our domestic political set-up we can bring about a relaxation of all the outside pressures on our country. "Even if we should be prepared to go much further than any of our white political groupings are at present prepared to contemplate, we would still not satisfy the ambitions of those whose designs are aimed at taking total control of the people and resources of Southern Africa. "The best we can therefore hope for is that moderate opinion in the West and in the countries of Southern Africa will come to realise that their basic interests and ours coincide, and that South Africa can, and should be allowed to, play a constructive role in furthering these common interests," Mr Vorster said. On the domestic scene, Mr Vorster warned: "It must be clearly understood by all concerned that there are certain points on which no one should expect to yield. "These include the right of our white people to retain control of their own destiny, the maintenance of law and order, and the determination of the kind of economic system under which we are to live and work." — SAPA.

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The migrant mine worker from Lesotho, for
less of his earnings for maintaining and i
he would have done if he had remained a full
too may get more, less, or the same amount of taxes from the migrant that it
would have got from the same full-time farmer. But even if the migrant saves
more than he would have done as a full-time farmer what of his ability to
convert¹ these savings into productive investment? From a theoretical point

1. I am indebted to Alex Petersen a member of the seminar group referred to in the first f.n. for his use of the concept of "convertibility" in discussion of an earlier draft of this paper.

20/1/77 D.C.

Prolonging recession dangerous — economist

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PORT ELIZABETH — The Government's policy of deliberately prolonging the recession to bring about a fall in the inflation rate was described yesterday as playing with fire by a leading South African economist.

Speaking at an economic seminar organised by the Midland Chamber of Industries in

Port Elizabeth, Dr Johan Cloete, group economic consultant of Barclays Bank, said it was a fallacy to think that if South Africa "took its medicine" by lunging deeper into a recession all its problems would be solved.

It should be remembered overseas countries which opted for

policies of negative growth to improve their economy did not do this deliberately but were forced to do so because of the oil crisis.

Dr Cloete said South Africa would have to pay heavily in output and employment because of the prolonging of the recession through the deflationary budget.

"I am inclined to think it would have been better to accept the present ten per cent inflation rate and rather to have concentrated on providing some growth to the economy, even if only to match the growth in our population.

Those who relied on exports to boost the South African economy were somewhat optimistic. Most of our overseas trading partners had lower growth rates this year than in 1976.

He criticised South African industry and commerce for importing far too many goods.

South African commerce and industry should try, perhaps jointly, to encourage development of the Republic's own raw materials to help reduce imports. — DDC.

Wassenaar under assault

After six weeks of simmering silence, Postmaster-General Louis Rive is attempting a demolition job on Andreas Wassenaar's *Assault on Private Enterprise*. The counter-attack challenges Sanlam's chairman-author to match any of his companies against the Post Office's progress.

"I just couldn't let him get away denouncing us (State employees) across the board," an angry Rive tells the *FM*.

In his rebuttal of *Assault* Rive throws back at Wassenaar everything he said or implied about the PO's shortcomings. Rive says he was so incensed by Wassenaar's "invidious overtone, obsessed aversion and frustrated one sidedness" that he believed it was time somebody asked the author to put up or shut up.

Just as angrily, Wassenaar denies running down civil servants *en masse* and hints at mild rabble-rousing during Rive's personal attack on him at the 42nd congress of the 14 000-strong Post & Telecommunications Association in Pietersburg this week. "According to Wassenaar we are over-staffed, overspent, incompetent and demotivated," Rive told delegates. "I would readily accept being labelled incompetent if it came from someone I consider a competent judge. I do not know on what grounds Dr Wassenaar considers academically qualified persons in the bureaucracy to be inferior to his giddy marvels in the private sector.

"I am proud of the achievements of my bureaucrats. Let Dr Wassenaar tell us how the performance of the undertakings in which he had a hand — and he can discard those which had to throw in the towel — compares with our achievements," Rive told delegates.

"Suspect" figures

He apologised "for being personal but I was left with no option" and accepted that Wassenaar's book had merit and a number of points "on which I am in complete agreement." Then Rive turns the screws on these points:

● **Over-staffing:** Wassenaar's figures are "suspect" because, by including an assumed no-growth in agriculture, he pulled the private sector's manpower growth down from 3.45% to 2.36%. The PO's manpower growth in the same period was 3.22% — lower than that of the private sector excluding agriculture. Rive adds that the 3.22% growth in PO manpower must "be seen against a 10.4% annual growth in PO services".

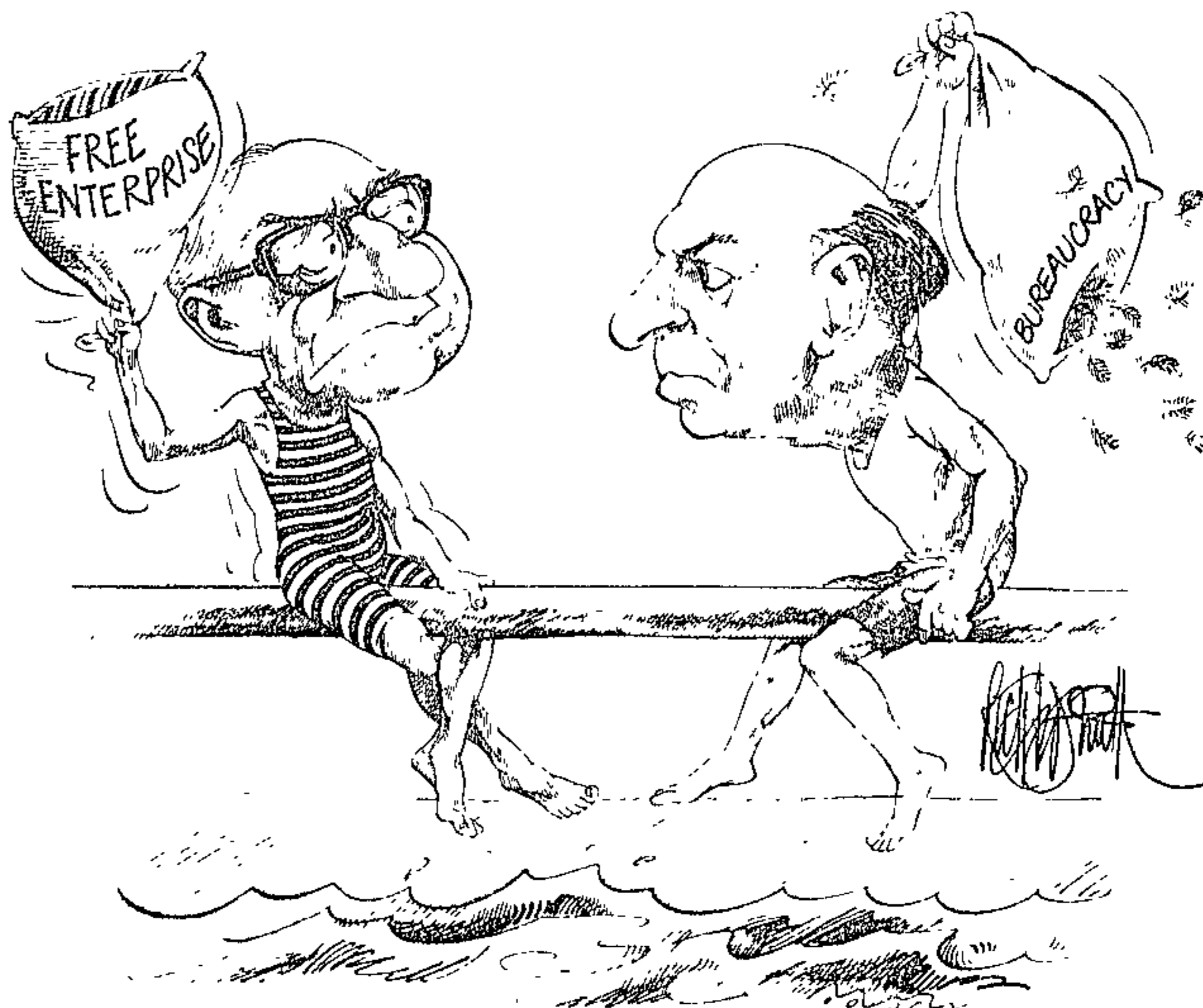
● **Overspending:** "As a country we exceeded our limits in the golden years ... but a fair share of public expenditure was in response to vociferous demands

by private enterprise to increase infra-structures."

● **Incompetence:** Wassenaar, according to Rive, says civil servants are not trained by necessity to undertake the task of long-term cash-flow forecast. Rive challenges: "I am prepared any day to subject the performance of my people to

company which had to throw in the towel. Why? They are kept alive by public funds. Nor have I singled out the PO for such scathing criticism.

"If the GPO has for a long time made meticulously correct long-term cash flow forecasts then Mr Rive should be extremely proud of being a very unique



a searching evaluation by an impartial and knowledgeable judge if Dr Wassenaar is prepared to do the same in comparable spheres."

● **Motivation:** "To Dr Wassenaar competition is the magic force ... and because of the absence of the profit motive the bureaucracy is in a 'vain effort to maintain efficiency' ... Serving a noble cause, pride, self-respect, loyalty and dedication are foreign concepts in his world of success. What a pitiful philosophy of life it must be when one's soul is solely and irretrievably dedicated to the pursuit of profit."

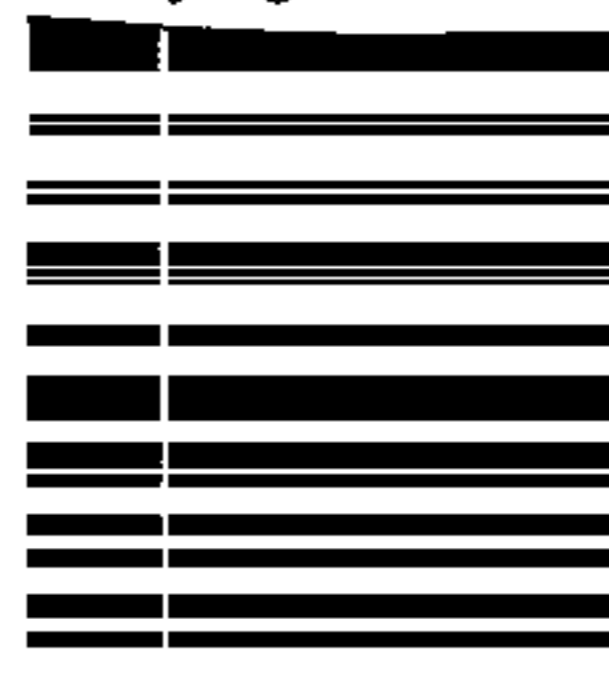
Rive says that Wassenaar's "persistent disparaging attitude ... and the tone of disdain" was, for civil servants, a humiliating and unsavoury experience.

Wassenaar tells the *FM*: "I have never denounced State employees across the board nor stated they were incompetent and demotivated. I say (in *Assault*) that civil servants have not got the expertise, the training and the experience to render such reliable advice (to Ministers)."

He adds: "I knew of no State or public

exception in public finance. The challenge to submit the GPO (against the performance of private companies) sounds rather hollow.

"Phrases such as serving a noble cause, pride, self-respect, loyalty, and dedication are wonderful words to inspire a large gathering of GPO personnel but they sound ominously like the catchphrases of Karl Marx and others a century ago."



april 22 1977

Vorster and our future

What is the import of the Prime Minister's long letter to Assocom released at the weekend? Two constructions can be put upon it — the one encouraging, the other infinitely depressing.

The optimism arises from the promises of change made in the letter:

- Further steps would be taken to "ensure more effective participation of the coloureds and Asians in decision-making, not only in their own affairs but also in matters affecting both them and the whites." (Last week's white paper on the Theron Commission shows, of course, that these steps are likely to be extremely limited).

- Government would "provide for a meaningful role for blacks in their local affairs in the metropolitan areas." (Already announced.)

- Steps to allow coloured and Asian industrialists free access to industrial areas outside their own group areas were "well-advanced", while business rights for Africans in African townships outside the Bantustans were under consideration.

- In consultation with the Urban Foundation, an "acceptable form of land tenure" to facilitate home ownership for Africans in these townships was being designed.

- It was also an objective of government policy to eliminate "wage and salary differentials which are based purely on race."

By these and other means, said Vorster, government was moving towards "making the benefits of our free-enterprise system more accessible to people from all our population groups," and the private sector could "play a valuable role in identifying areas in which further adaptations can be made and devising methods by which this can be done."

Vorster went on to "caution that in none of these spheres can the desired changes be brought about by the stroke of a pen." Existing interests, which had to be considered, often delayed matters but this "should not obscure the direction of change to which the government has committed itself."

The pessimism arises from some of the riders Vorster attached to his promises of change: "The right of our white people to retain control of their own destiny" was a point "on which no-one should expect

us to yield."

The letter to Assocom did not elaborate on this, so it is necessary to look elsewhere for an indication of what Vorster meant. Firstly, he warned Assocom's conference last October that attempts by businessmen to force basic changes in policy would cause "harmful friction" between them and the government.



Vorster . . . points on which we will not yield

Secondly, various statements which he made in the second half of last year make it clear that Vorster is as strongly committed as ever to the fundamentals of apartheid: he had finished talking about political rights; he would investigate "shortcomings" in separate development but would go no further; there would be no urban Africans alongside coloured people and Indians on the "cabinet coun-

cil;" urban Africans had to exercise their political rights in the Bantustans; there would be no national convention since its aim would be to tear up the constitution and replace it with one man, one vote.

In other words, the denial to Africans in the cities of political rights where they live and work is now part of the organic law of the country, an accomplished, irreversible fact.

It is this that is infinitely depressing.

And it was surely precisely this that Andrew Young had in mind when he said last week that the South African government was "illegitimate" (which it technically isn't) and "unrepresentative" (which it certainly is). *The World* commented in an editorial on Tuesday: "It is the tragic nature of affairs in our country today that while white South Africans feel very uncomfortable with Young's pronouncements, the majority of black people agree with him . . . After all, we do not have the vote, and have never decided on which government should reign. And when the SA government speaks and exercises its authority, it does so for the whites" (our italics).

Hostile urban blacks

The dangers of this situation were demonstrated in the township revolt last year. As Professor Johann van der Vyver of Potchefstroom University said a few months ago: Nationalist policy meant that so-called white areas would be saddled with predominantly hostile urban blacks.

Vorster said he agreed with the view "frequently expressed in business circles that in order to restore the confidence of foreign investors we should do all we possibly can to ensure stable political conditions."

This can be done in one of two ways: greater and greater repression; or broadening the basis of political support for the country's government — ie giving it legitimacy not only among whites but among blacks as well.

The first is not only quite obviously totally objectionable; it is also unlikely to be successful in the longer term (although some cynics, who cite Russia as an example, are not so sure). Which leaves the second as the only way.

The *FM* does not share Vorster's pessimism that "even if we should be pre-

pared to go much further than any of our white political groupings are at present prepared to contemplate, we should still not satisfy the ambitions of those whose designs are aimed at taking total control of the people and resources of Southern Africa."

The ambitions of foreign powers are

one thing: the aspirations of black South Africans are another. The history of Southern Africa has shown that it is only when the latter are denied that the former become a problem.

If black South Africans were given a direct and meaningful voice in the control of the country and the allocation of its

resources, they would have no need to resort to guerrilla warfare and there would be that much less pretext for foreign intervention.

And if foreign powers still intervened, we would then be able to fight them as a united nation.

And reduce our defence budget.

R100m payment shows strain on reserves

By HOWARD PREECE
Financial Editor

SOUTH Africa repaid about R100-million official foreign debts last week — an indication of the severe pressures on the foreign exchange reserves that made necessary the latest gold swop deal.

It is also clear that the gold swop was a bigger affair than was suggested by Monday's rather bland statement from Dr T. W. de Jongh, the Governor of the Reserve Bank.

The gold and foreign exchange reserves last week rose by just over R94-million to nearly R760-million, as Dr De Jongh announced earlier.

However, yesterday's statement from the reserve Bank disclosed that the gold holding fell by R88 245 815 to R286 979 114.

The official gold stock is valued at the statutory priced of R29,55 an ounce.

What price the gold was mobilised at for the swop deal can only be guessed.

The Reserve Bank will make no comment.

But a price of about \$110 an ounce — R96 — is said to be around the level of the first swop deal in March last year when the reserves got a net boost of R300-million.

It seems reasonable to suppose that this second swop was based on a gold price in that \$110 area.

It is hardly likely to have been much less because otherwise the South African authorities would be putting a psychologically risky low level on gold as a monetary value.

Assuming a \$110 level the revaluing from R29,55 to R96 would give a value of R286-million on the gold that has gone out of the reserves.

With no other changes that would have meant a net increase in the reserves of nearly R200-million — the R286-million less the R88-million drop in the gold content.

In fact however, the net increase in the reserves last week was only R94-million.

That leaves over R100-million to be accounted for — more than the actual increase recorded in the reserves.

Dr De Jongh said on Monday

that not all the foreign exchange boost of the gold swop would be reflected in the reserves figures because of the repayment of undisclosed overseas credits, which could be renegiated if necessary.

But the extent of this repayment seems far larger than was generally assumed. On a gold price of \$110 it would be approximately R104-million.

The official reserves at the end of last week were R757-million of which R470-million was in foreign exchange and R287-million in gold.

Even if the gold is valued at \$140 — four times the statutory price in rand terms — that would put a maximum of R1 600-million on the total gold and foreign exchange holdings of the Reserve Bank.

At the last official count the short-term foreign liabilities of the whole banking sector, including the Reserve Bank, were R1 572-million.

The iceman has arrived.

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RDM

5/5/77

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Economic and political problems 'tied closely'

RDM 11/5/7

THE SENATE. — Despite Government assurances, the recession had deepened over the past three years to a point where it was worse than the Depression of 1930, Senator L. F. Poorter (UP), said in the Senate yesterday during the resumption of the Budget debate.

It was time the Government realised the interrelation between the social and political problems, and the state of economy, he said.

"Only a person with his head buried in the sand will agree that we have an economic problem only. The social and political problems are integrally tied up with the economy.

"If South Africa's resources were properly exploited for the benefit of all the people, the country could and should be one of the most prosperous in the world.

Senator J. W. van Staaden (NP), speaking about Black unemploy-

ment, said the opposition quoted any figure that came into their heads for their own selfish reasons, and the true situation was no where so bad as they were trying to make out.

A first sign of unemployment was migration of workers from the cities back to the platteland.

Senator Van Staaden said he had not seen a single sign of this migration.

Oppenheimer calls for action

The Argus Correspondent

JOHANNESBURG. — Only political action could eliminate South Africa's economic problems, unemployment and unrest, said Mr Harry Oppenheimer in the chairman's annual statement of the Anglo American Corporation, issued today.

It is a question of whether we in South Africa are going to be able to give proof of the ability and the will to eliminate the grievances and resentments which lie behind the rioting and unrest, said the statement.

The riots which started in Soweto would not have been in vain if they had dissipated the notion that rapid implementation of the policy of separate development made it less urgent or unnecessary to tackle Black grievances in urban areas.

On unemployment, Mr Oppenheimer said: "The problem will be solved not by low wages but by more rapid development."

While anxiety about South Africa's political fu-

ture persisted, the foreign capital necessary for that development would not become available.

Mr Oppenheimer said that social peace calls should be made for the elimination of unemployment and rising living standards, especially in South Africa, where economic hardships fell with special force on the Blacks.

It was the shortage of foreign capital which inhibited an economic upturn.

The basic reasons for the concern of foreign investors about South Africa were not financial but political and "they can only be removed by action in the political field."

It was no good pretending that problems such as the pass laws, inferior education, housing shortage and overcrowded trains could be easily or quickly solved.

VITAL NEED

"But at least the Government must now be fully alive to the urgent need for improvement," Mr Oppenheimer said.

There was a vital need for planning, finance and hard work to improve the quality of life in Black urban areas. The primary responsibility lay with the Government.

"But nothing worthwhile will be achieved unless the Black people concerned are enabled to participate at every stage in what is being done."

Mr Oppenheimer said the corporation had conducted an in-depth study on one of its gold mines and had provided facilities for a church group from Lesotho to undertake a similar project.

This was done to satisfy ourselves that we are giving full recognition to the views and perceptions of the migrants themselves in identifying what most needs to be done," he said.

"As a result we have taken a fresh look at all our administrative and induction procedures and have improved on, or dispensed so far as possible with those that are a source of irritation or dissatisfaction."

One of the encouraging features to emerge from the research was the pride that many Black mineworkers took in their work.

"We are very conscious of the need to respond to this pride through career advancement and proper representation," Mr Oppenheimer said.

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Labour relations 'the key'

RDM
12/5/77

GEORGE. — The future of South Africa during the next 10 years would be determined by its labour relations policies, professor G. Marais, of the School of Business Leadership at the University of South Africa, said in George yesterday.

Addressing the main congress of the Afrikaanse Handelsinstituut, he said it had to be accepted that secondary industry was

largely dependent on Black labour.

Should Blacks have to do more skilled work-in factories they would increasingly expect to have Black foremen and a say in any policy which would concern him. Businessmen and the Department of Labour would have to work out a policy to accommodate this development, he said.

The human dignity of

the Black worker was closely associated with good labour relations.

"Let me put it honestly that our policy of separate development is unacceptable to the Western World," he said.

If South African businessmen ignored the human dignity of their fellow men they had no hope of success, Prof Marais said. — Sapa.

CHIEF WARNS ABOUT FREE ENTERPRISE

African Affairs Correspondent

CHIEF Gatsha Buthelezi yesterday predicted that the free enterprise system, as operated in South Africa, would not last, but he warned that White exploitation must not be replaced by Black exploitation.

Speaking to a multi-racial audience when he opened the annual conference of the African Chamber of Commerce (Inyanda) in Durban, he said various taxes imposed on Africans by Whites had made them cash dependent and African needs "became an ingredient in the whole miserable success formula for White dominance and White affluence."

But the White man's struggle to improve his own standard of living had created a contradiction.

"That contradiction is that you cannot forever treat as subservient somebody on whom you are totally dependent."

The free enterprise system, in this country was tailored for Whites alone.

Black subservience must be replaced by partnership, and if partnership did not replace exploitation the loss of human lives could well follow.

Nonsensical

While it was nonsensical to deny the constructive and creative role of free enterprise, "it is equally madness to think that the present idiom which free enterprise operates can last."

"The unfettered capitalist system as it operates at present seems to have no place in a new society which is certain to be born in our country. Irresponsible and exploitative free enterprise is something we Blacks must avoid duplicating."

Free enterprise should be preserved, but purified of its more

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Money supply

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down—but not inflation

ARGUS 19/5/77

Financial Editor

CONTROL the money supply and you will control inflation, claim some economists. This theory may well work in some countries but it has yet to do so in South Africa.

Figures issued by the Reserve Bank this week show that the growth in the money supply in the 12 months ended March was a mere 4,6 percent.

This is probably the smallest year-on-year increase since 1960 and compares with a 17,4 percent increase in 1975 and a 22,7 percent rise in 1974.

Yet notwithstanding this sharp decline in the growth in the money supply in the past 12 months, the inflation rate in the year ended March was still 11,8 percent.

Although there is a possibility that the reduced growth in the money sup-

ply has still to work its way through the economy, the fact remains that several bankers have recently predicted an inflation rate of up to 18 percent in the months ahead.

Meanwhile, an analysis of price changes in the 12 months ended March shows that the commodities scoring the biggest increases were sugar (33,5 percent), fuel and light (27,1 percent) and non-alcoholic beverages (25,7 percent).

At the other end of the scale 'communication' (letters, telephones and telegrams) actually showed a decline in price of 0,7 percent, reflecting the abolition of the airmail postage rate.

SMALL RISES

Relatively small price rises were also recorded by meat and also reading matter and stationery both (5,6 percent), milk, milk products and eggs (5,8 percent) and recreation, amusement and sport (6,8 percent).

In spite of the jump in the price of sugar and non-alcoholic beverages, the average increase in f.o.d. prices was 10,5 percent.

Against this the cost of transport rose by 18,8 percent, with public transport rising 13,6 percent, the cost of running a car rising 15,1 percent and other private transport (presumably cycles and motorcycles) increasing by 23,4 percent.

The figures show that alcoholic beverages increased in price by 17,6 percent, cigarettes and tobacco by 16,4 percent, medical services by 15,1 percent and education by 11,4 percent.

Rent and home owners' costs rose 7,6 percent, furniture and household appliances 10,7 percent, ser-

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ADDRESS BY THE STATE PRESIDENT, DR. N. DIEDERICHS,
ON THE OCCASION OF A BANQUET GIVEN BY THE ASSOCIATION
OF CHAMBERS OF COMMERCE IN SOUTH AFRICA IN THE LANDDROST
HOTEL, JOHANNESBURG

EMBARGO: MONDAY, 23 MAY, 1977: 19h15

TOESPRAAK DEUR DIE STAATSPRESIDENT, DR. N. DIEDERICHS,
BY GELEENTHEID VAN DIE BANKET AANGEBIED DEUR DIE VER=
ENIGING VAN KAMERS VAN KOOPHANDEL IN SUID-AFRIKA IN DIE
HOTEL LANDDROST, JOHANNESBURG

SPERTYD: MAANDAG, 23 MEI 1977: 19h15

Mr. President, ladies and gentlemen

Thank you very much, Mr. President, for the kind invitation extended to Mrs. Diederichs and myself to be your guests of honour tonight under the pleasant circumstances we are privileged to enjoy at this banquet. We wish to thank you most sincerely for the hospitality which has been extended to us at this function.

It is of special significance to me that, apart from members of Assocom, some of our country's other leading associations are also represented at this function. The prevailing circumstances in our country certainly demand the greatest possible measure of goodwill and co-operation amongst all management bodies in the search for solutions to the difficulties confronting us.

Allow me also to extend a special word of appreciation to the ladies who are present here tonight. It reminds me of the old saying that a dedicated woman stands on the side of every successful man. This is particularly true in modern times. Today's women do not only exercise a decisive influence over the pattern and size of a country's private consumption expenditure which, of course, has a strong bearing on most management decisions but they are also playing an ever increasing role, directly in the economy through their participation in the economic process itself as is evidenced by the relatively large proportion of the economically active population which presently consists of women. Furthermore the present day

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pressures of frequent management deliberations both within the country and beyond its borders in a volatile and fast changing business environment place so much physical and mental stress on business leaders that the assistance and moral support of their wives have become an indispensable ingredient for continued perseverance and business success. It is in the light of this form of assistance and moral support that I view your presence here tonight.

Since this evening's social event serves as a prelude to Asso-com's so-called "mini-congress" during the next two days when business leaders from all over the country will be taking part in a discussion of various matters pertaining to business in

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general, I should like to offer some comments to you tonight on what I consider to be one of the most important factors having a bearing on the business climate and the level of business confidence in our country. I have in mind the attitude displayed by our entrepreneurs towards our problems and challenges in the economic field, seeing that the reactions of businessmen to both internal and external events and circumstances shape the business climate in one way or another.

I need not enlarge on the economic and other problems at present confronting South Africa since these difficulties

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and the causes thereof are already well-known to all competent observers. However, I only wish to observe that it is unfortunately true that exogenous factors i.e. non-economic developments have also had, and are still having a profound effect on the economic fortunes of our country. And, whether we like it or not, the burden of these non-economic developments has to be shouldered by all of us, be it through their impact on the balance of payments, defence expenditure, investment, taxation, income levels or the rate of inflation. In this context I would like to refer to the recent decline in the inflow of foreign capital into the country which has received much prominence here and abroad and which in my opinion should be viewed with a great amount of circumspection.

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First of all I should like to remind our business community that in this regard even more strenuous conditions than what we are experiencing now were in fact encountered in the not too distant past, but ultimately they were overcome with great success. Over the four year period 1957 to 1961 with the exception of 1958 this country experienced a net outflow of foreign capital which reached a post war record level equal to 3,4 per cent of the gross domestic product in 1960 with the Sharpeville event. The government then took strong action to restore confidence in the country's economy and was also strongly backed by many of our local entrepreneurs and investors. This led to a strong revival and maintenance of

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our growth rate which amounted to 6,5 per cent between the years 1961 and 1965. This performance of the South African economy which was initiated and financed solely by domestic sources restored foreign confidence in South Africa as an investment field. Consequently we again had a net inflow of foreign capital in 1965. What was even more significant is the fact that in the period 1965 to 1969 the current account of South Africa's balance of payments was more or less in equilibrium and thus we were in a position to use the whole net inflow of foreign capital which averaged about R240 million per annum to build up our foreign reserves to a level in 1968 that was almost sufficient to finance five months' imports. This was also the period in our economic history when an average growth rate in the real GDP of no less than 6,4 per cent

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per annum was recorded - a period to which economists frequently refer as the "golden sixties". I wish to re-emphasise that the whole of our investment requirements in this period was financed from domestic savings. Since 1969, however, the process of economic development took a different turn and was mainly characterised by a large deficit on the current account of the balance of payments and notwithstanding the fact that the average net inflow of foreign capital at least up to the end of 1975, amounted to R732 million per annum, the gold and other foreign reserves decreased to a level which was not sufficient to finance more than one and a half month's imports. Even if certain special

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factors were to be considered such as the severe recession in the economies of our major trading partners, rising import prices, especially the more than threefold increase in the price of crude oil imports and the rise in defence expenditure all the evidence seem to indicate that the South African economy has become more dependent on foreign capital in the nineteen-seventies and that in addition to this the growth potential of the South African economy had been lower compared to that of the sixties. It is, of course, very difficult to identify the underlying causes for this development. Ongoing investigation seems to indicate, however, that we can already identify certain factors which have played an important role in this respect. First of all it is evident that the overall propensity to save in South Africa has declined in the nineteen-seventies with its obvious

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detrimental effect on our balance of payments. Especially the propensity to save by private individuals has had a significant negative impact on our savings-investment balance. Again it is difficult to find the real reasons for this development, but it would appear that the relatively high rate of inflation since 1970, the introduction of television, the recent fast rise in the income of non-Whites relative to that of the Whites, all played a part. Personal savings can therefore not be expected to show the same buoyant trend as in the nineteen-sixties as long as the inflation rate remains high and productivity increases continue to remain at a low level.

Another important source of domestic savings is of course the
11/.....

government itself, and it is also significant to note that whereas it has percentage wise made an increasing contribution to total savings in the nineteen-sixties, this percentage has remained practically unchanged in the nineteen-seventies. This was mainly the result of the fact that the growth rate in government revenue could only just match the sharp increase in government spending, especially for defence purposes. Lastly, I should like to point out that on top of this declining tendency in the overall propensity to save in the nineteen-seventies, it became evident that the rate at which the economy is becoming more capital intensive has accelerated considerably since 1970. Thus the increase in the capital stock required to employ one worker which ran at a level of 3,43 per cent per annum in the sixties, accelerated

to 4,26 per cent in the first half of the seventies. This also means that more capital investment is required to produce a given volume of output. Moreover, it is known that the import content of plant and machinery is well over 60 per cent. It follows that the increasing capital intensity places a heavy burden on our balance of payments.

It would appear that three main causes have contributed to the acceleration of this undesirable tendency. Firstly, there has been a concentration of large public investment projects with long gestation periods in the seventies, some of which started production only some five to six years after the initial investment was made. Some of these projects have,
13/.....

however, come into production during the past year, whilst others are still in the process of construction. Obviously it will not be possible to terminate these projects before completion, but it will be necessary to rephase others where it is still possible and to undertake large new public schemes on a very selective basis only during the next decade. If public schemes are allowed on the same scale as in the first part of the seventies, domestic savings, the balance of payments and the rate of inflation will continue to remain under pressure.

The second factor aggravating the increase in capital intensity per worker is the rapid increase in labour costs during recent years which far outstripped increases in productivity. Productivity performances have been far from satisfactory during

the seventies. If this tendency is not arrested, it is difficult to foresee how satisfactory rates of growth, employment and income per capita could be maintained without harming our competitive position in the international sphere. I confidently expect the economy to start moving upwards again later this year on account of the current performances in our primary and export sectors. The prospective upturn will obviously allow for a higher increase in productivity. We would do well in such circumstances if productivity increases are not lost sight of when wage increases are negotiated.

The third factor affecting the capital intensity per worker is the stability of labour which presupposes an uninterrupted

15/.....

supply and a low rate of absenteeism. The behaviour of both these factors in recent years contributed to intensify the tendency amongst businessmen to opt for mechanisation.

Of course, there are other factors such as the maintenance of law and order, the adaptation of imported machinery to local conditions, the interest rate policy, etc. which also affect the issue. However, entrepreneurs weigh up all these factors when deciding whether to introduce capital or labour intensive production methods.

In view of the fact that South Africa has a relative abundance of unskilled and semi-skilled labour and a shortage of domestic and foreign capital, we should look into all the factors which

16/.....

encourage the increasing use of capital intensive production methods rather than labour intensive methods. The Honourable the Minister of Economic Affairs has already announced his intention of appointing a committee to investigate the matter.

Tot dusver het ek getrag om ons groeiende afhanklikheid van buitelandse kapitaal en die druk op ons betalingsbalans te ontlee en gevolgtrekkings daaruit te maak, aangesien dit die vernaamste knelpunt vir 'n hervatting van ons ekonomiese groei inhou. Ek het nie probeer om die probleme wat ons in die gesig staar te verkleineer nie. Hulle is ongetwyfeld

17/.....

daar en hulle word vererger deur ander faktore buite die ekonomiese veld.

Ek is egter hoegenaamd nie pessimisties dat ons beide in die kort en in die langtermyn hierdie probleme gaan oorkom nie. Ek het reeds gemeld dat ek 'n versnelling in die groeikoers later in die jaar verwag as gevolg van die prestasies van ons primêre en uitvoersektore. Daarbenewens het die klimaat wat groei kan bevorder in die afgelope maande steeds gunstiger geword. So toon die lopende rekening van die betalingsbalans reeds sedert die begin van 1976 'n volgehoue verbetering terwyl die inflasiekoers aansienlik gedaal het vanaf die hoë peil wat dit in 1975 bereik het; fiskale en monetêre beleid het veral sedert die tweede helfte van 1976 baie effektief geword en die toenamekoers in die

18/.....

hoeveelheid geld en kwasi-geld het aanmerklik verminder tot 'n peil wat heelwat laer as die inflasiekoers is.

Maar die belangrikste van alles is dat ons sake- en arbeids-
lui toon dat hulle nie net die erns van ons ekonomiese
posisie beseef nie, maar dat hulle nou doelbewus iets daar-
aan begin doen. 'n Mens is bemoedig deur die onlangse
besluite van die georganiseerde handel en nywerheid om op 'n
gedissiplineerde wyse meer Suid-Afrikaanse produkte te koop
en te verbruik. So 'n stap moet natuurlik die gunstiger
verwikkellinge wat reeds plaasvind en in vooruitsig is, net
verder verstewig. Dit is 'n voorbeeld wat die Suid-
Afrikaanse koperspubliek met vrug kan navolg.

19/.....

Ons grootste vakbonde het reeds aangekondig dat hulle nie nou
van plan is om met eise om loonsverhogings te kom nie. Die
verantwoordelikebesef van hierdie groepe werkers word waar-
skynlik nêrens in die wêreld oortref nie, veral gesien in die
lig van die moeilike omstandighede waaronder die aankondigings
gedoen is.

Mr. President, surely it is now of the greatest importance that
we should avail ourselves of these positive developments in
our economy and, of course, to make sure that this is
brought to the attention of the outside world. I appreciate
that this is not an easy task in the light of present circum-
stances and the constant stream of counter-agitation against
our country emanating from international and other forums.

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On the other hand, it cannot be denied that there are still many positive factors which should strengthen our confidence in our country and its economic growth potential. In this regard I should like to stress that South Africa is by no means the only country experiencing economic difficulties at present. In particular, our conditions should be compared with those of the so-called "more developed primary producing countries". Such a comparison shows that our position is, in fact, considerably better than that of most members of this group and we have been fortunate not to have registered a negative growth rate in our GDP yet as quite a number of these countries already had or are still experiencing now.

21/.....

I need not remind you of several important positive factors which will undoubtedly stand this country in good stead in the medium to longer term. For instance in the international sphere, South Africa is by no means an island in itself as so many of our critics would like or pretend it to be. In this connection I need only refer to the fact that during 1976 South Africa carried on trade exchanges with 164 foreign countries and held the seventeenth position amongst the leading trading nations of the world. Furthermore it should be realised that for the year 1976, South Africa had an external trade deficit, excluding gold exports approaching R4 billion which in my opinion illustrates convincingly the important, be it indispensable role we fulfil in world trade today.

22/.....

The strategic importance of South Africa as a major supplier of raw materials to the industrialised world has now been acknowledged and we should and are in fact exploiting this advantage to the full. It is important that we encourage foreign participation in the future development of our raw material resources. The South African government has clearly illustrated in the past that it has no intention of extending its control over private sector operations in this field as compared to quite the opposite tendency in many other primary exporting countries where nationalisation of the assets of private companies has become the rule rather than the exception.

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But, important as these and other positive factors doubtless are, they will not assist us in attaining the desired return to stability and rapid economic growth, if our people, and particularly our businessmen, are hesitant in their approach towards the future development of our country. Fortunately, it appears that there are still many entrepreneurs in our country who refuse to succumb to feelings of depression, but who believe that business never comes to a full stop and who are, therefore, prepared to persevere more strenuously in their efforts to meet the present challenges in the economic field.

Meneer die President, soos ek reeds gesê het, is 'n gesonde sake-klimaat en besigheidsvertroue nie iets wat uit die lug in ons skoot val nie. Dit moet veral deur ons sakelei

24/.....

self, met die bystand van die Regering, geskep en bevorder word. Dit is die somtotaal van die ondernemers se aanname van sekere uitdagings wat deur hulle te bowe gekom moet word as ons land op ekonomiese gebied verder wil presteer, asook die sakefilosofie wat deur elke individuele sakeman in ons land aan die dag gelê word en wat op 'n bedagsame, verantwoordelike en gedissiplineerde wyse uitgedra moet word.

Ons land het 'n besondere probleem vanweë die uiters ingewikkelde samestelling van ons multinasionale bevolking.

Dit bring noodwendig mee dat daar op die ekonomiese terrein owerheidsmaatreëls in werking gestel word wat by tye wesenlik mag verskil van die maatreëls wat deur die regerings van ander

25/.....

kapitalistiese lande met meer homogene bevolkingstrukture toegepas word. Dit is egter die Regering se basiese verantwoordelikheid om te verseker dat die belange van alle groepe van die gemeenskap beveilig word.

By die nastrewe van hierdie doelwit was die Regering nog altyd bereid gewees om by wyse van oorlegpleging en in samewerking met

enige groep van die gemeenskap op grond van daardie groep se opregte belange en goeie bedoelings te soek na 'n oplossing wat vir alle partye aanneemlik sal wees, of wat 'n kompromie van moontlike botsende belange sal bied, en om dit te doen op 'n wyse wat binne die land se bestaande breë politieke en sosio-ekonomiese raamwerk sal val.

Terselfdertyd kan ek nie help om te wys op die gevare van die dag en die noodsaak vir wakkerheid nie. Ons voer vandag

26/.....

nie alleen 'n stryd teen terroriste nie, maar ons is ook
midde in 'n psigologiese stryd teen die magte wat probeer om
ons volk geestelik te ondergrawe en ons morele en etiese
standaarde af te breek.

Ons kan om begryplike redes nie ons oë sluit vir hierdie
gebeurtenisse wat 'n regstreekse invloed op die sakeklimaat
en besigheidsvertroue in ons land uitoefen nie. Aan die
ander kant kan ons ook nie toelaat dat hierdie gebeurtenisse
en die huidige ekonomiese probleme ons perspektief van die
gunstige ontwikkelingsmoontlikhede wat ons land op die langer
termyn bied, vertroebel nie. In hierdie gees wil ek dan
ook 'n beroep op ons sakegemeenskap doen om positief te dink,

27/.....

te beplan en op te tree. Sodoende sal hulle ongetwyfeld
'n wesentlike bydrae tot die suksesvolle oplossing van ons
land se huidige vraagstukke lewer.

I trust, Mr. President, that my remarks will also serve
to generate a spirit of faith and confidence in our country's
future amongst the members of your Association during their
deliberations over the next two days.

I would like to extend my best wishes to your Association
for the success of these deliberations, and to express
the hope that your discussions will be characterised by a


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full recognition of the great opportunities still open to
the private entrepreneur in this fair land of ours.

ISSUED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST
OF THE OFFICE OF THE STATE PRESIDENT

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING OP VERSOEK
VAN DIE KANTOOR VAN DIE STAATSPRESIDENT

KAAPSTAD
20 Mei 1977

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cheap Black labour. This paper seeks to make a contribution

towards such a

SA facing more difficulties in raising foreign loans

Cape Times 24/5/77

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By Neil Behrmann
LONDON. — It will be even more difficult for South Africa to raise money overseas and attract foreign investment if Mr Vorster continues to be intransigent.
Both American and English bankers involved in raising funds on the Euromarkets, a huge international capital market, believe that cosmetic changes in South Africa are insufficient. They were disappointed with Mr

Vorster's stand and are sincerely hoping that he will still make changes.
The general feeling amongst European and English bankers and brokers is that blacks — especially urban blacks — must have a say in South African politics if long-term stability is to be assured.
The main reason why South Africa has found it difficult to raise funds abroad is precisely because of fears over this stability. Questioned on Mr Andrew Young's suggestion that there should be a squeeze on loans to South Africa, large American banks in London said this was already happening.

banks have not been openly syndicating loans, for some while."
The banker said that there were probably private loans and the normal short-term finance of less than a year for trade deals. Yet, in the past nine months — even though there have been no significant riots — it has been extremely difficult to raise finance.
Before Angola, South African borrowers in the public sector could borrow money at 0,75 percent above the London interbank offered rate (Libor). The banker said that if South African borrowers do scrape up some lenders, the margin above Libor is 1,75 percent to two percent. This is a rating which has been given to the less developed countries with low credit ratings.

The stance of the Carter administration adds another burden to the big banks who have faithfully raised money for South Africa over the years. These banks first encountered opposition when the withdrawal of the Portuguese created a new scenario for southern Africa.
The second has been the growing opposition of church and pressure groups to loans to South Africa.
Recently Citicorp, Barclays and Midland Bank encountered protests at their annual meetings and adverse publicity over loans to South Africa.
Mr David Rockefeller, chairman of the Chase Manhattan Bank, recently made the statement that the bank's lending policy "specifically excludes loans

agriculture (8). But it within White agriculture
From an analysis of favour of the 1913 legislation who favoured territorial

"It's been difficult if not impossible to pull together teams to lend money to South Africa," said an American banker. "The majority of

... on the land were not archaic and semi-feudal landowners who wished to preserve master servant relationships on the land in the original frontier tradition. Rather the impression is given that it was the modernising sections of settler agriculture who saw the elimination of African squatting and farming on the halves as essential if "closer settlement" and capital-intensive agriculture were to be achieved (9). These latter interests can be seen as a product of a pressure for a new and more entrepreneurially-orientated agriculture after the establishment of British imperial hegemony after the Boer War.

/Implicit

The business undertakers

THE ONLY people who can be said to be smiling at and among the debris of company fatalities that now litter the economy is that small group of professionals who are frequently described as the "undertakers of the commercial world" — a label the recipients themselves are quite happy to accept.

These are the liquidators, whose job it is to deliver the last rites and prepare for burial those companies which, for a variety of reasons, are unable to survive in today's unhealthy business environment.

The Master of the Transvaal Supreme Court, Mr Kenneth Watrus, estimates that there are about 70 firms in the Transvaal capable of handling liquidations and the management of insolvent estates:

Together they support about 140 individuals who, in the Master's view, are suitably experienced and qualified to be appointed judicial managers or liquidators. They are mainly attorneys or chartered accountants.

Of this number only a small minority handle most of the business. On the fraternity's own estimate only about seven firms get about 80% of all the liquidation business that becomes available. Invariably the few have close ties with the large banking and financial institutions.

For the preferred seven business is brisk and getting busier all the time. "Potential earnings", in the light of the number of large companies collapsing, certainly runs into millions of rands.

Unfortunately it is virtually impossible to quantify the earnings precisely for the firms and individuals concerned are not prepared to be specific.

However, Mr Perry Oertel, one of the liquidators of the Glen Anil property empire, and whose company, Metrust, is one of the biggest in the business, says that where as liquidations brought in 25 per cent of Metrust's gross income in the last financial year, this has since increased significantly to 45 per cent.

The remuneration liquidators and trustees can claim is laid down in the Insolvency Act. The tariff basically stipulates that liquidators can claim 10 per cent of all realised assets of an insolvent estate, with the minimum fee payable being R250.

SA's liquidators: when the bad times are good

WITH the South African economy deep in a recession that is reminiscent of the black days of the early 1930s the business community is exhibiting the resilience and stability of a pack of cards: companies are collapsing at an alarming rate month by month — and even weekly.

In the Transvaal liquidations increased by about 16 per cent from 1 118 in 1975 to 1 299 in 1976. This trend is unfortunately showing depressing signs of accelerating in 1977.

Transvaal Supreme Court figures show that liquidation climbed by 57 per cent in the first three months of the year, with 615 companies going to the wall compared to 390 in the comparable period in 1976. CHRIS CAIRNCROSS reports:

However, it is also left to the discretion of the Master to either increase or reduce fees for a particular reason — although this seldom occurs in practice.

Provision is also made that where an insolvent estate or liquidated company has insufficient assets to meet the liquidators' fees, then the creditors of the estate or company concerned will have to make up the shortfall — on a pro rata basis related to the amount of their claims.

The liquidator is, therefore, always certain of getting paid for his services.

On the basis of this tariff structure what do liquidators stand to gain from this current growing level of insolvencies? Transvaal insolvencies in the first three months of 1977 are estimated to involve a total sum of not less than R200-million — a figure which was boosted significantly by the Glen Anil collapse.

For the liquidators concerned this could mean a potential gross income of about R20-million, some of it spread over the several years it would take to wind up the companies concerned.

Whatever the time lapse — be it five or six years — it would appear that these are boom years for the liquidation fraternity, however hard they may have to work to justify their earnings.

But this is far from the case. Inflation and

also taking their toll and this group are not lining their pockets as well as is imagined.

Securities Executor's Mr Michael Cato, one of the two judicial managers of Corlett Drive Estates township development group, strongly denies that he and his fellow liquidators are enjoying a field day.

"If anything, our financial position is in as bad a state as everyone else's," he says. "Our cost of administration, staff and travel have risen dramatically."

He complains that liquidators are being forced to work on a tariff structure that is 15 years out of date. "For example, the R250 minimum is ridiculous."

Mr Cato stresses that earnings of a liquidator are on assets "realised" and not on valuation of assets. The important determinant, therefore, is for what the assets of a liquidated company or insolvent estate will sell.

With most companies now going under being in some way involved with property — where the market is severely depressed — that 10 per cent that goes to the liquidator can wither away.

When forced sales take place the reduction in income from what the property should have fetched can be significant. To illustrate, Mr Cato outlined the case of a block of flats once owned by Chaim Wainer which went under

the auctioneer's hammer about a week ago. Given a valuation of R142 000 the sale eventually only realised R92 000.

Then there was the luxury home in Hyde Park which probably cost R200 000 to build about 10 years ago.

"This should have realised at least R300 000 in today's terms," says Mr Cato. The final price was R115 000.

A township development at Verwoerdburg near Pretoria was given a valuation of R800 000, but the closest offer that could be obtained when the market was tested was a miserable R20 000. Needless to say the offer was turned down.

This is not always the case and the sale goes through, at the expense of the liquidated company's creditors and the liquidators themselves.

The trend over the past year has been that larger and larger companies are going to the wall. And the bigger the estate the relatively more lucrative it is to handle it.

"This is so and earnings have improved," one liquidator conceded. "But what one wins on the swings are lost on the roundabouts."

He explains that it requires virtually as much work to wind up an estate valued at, say, R1 000 as one worth R50 000.

Liquidators, in general, comment that any estate valued at about R5 000 or less provides them with at best a marginal return on their services.

One of the bleats the liquidators have is that they can expect no remuneration on a company's leased assets — which often comprises a fairly large proportion of a company's assets.

"It is a grossly unfair situation," says Mr Cato.

Under the lease agreement the original owner of the assets concerned — it could be mechanical and earth-moving equipment for instance — can claim them back on the basis of the likely balance owing.

In the final analysis — unless one had direct access to the annual accounts of the liquidators — the earnings of this specialised sector of the economy still remains fairly obscure.

One fact is clear-cut, however. Potential earnings are not inconsiderable and, unlike most sectors that comprise the South African economy, the liquidators are not suffering from a shortage of business.

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Cape Times 27/5/77

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Govt has failed to honour race pledge — Reilly

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Industrial Reporter

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MANY businessmen believed the Government had not honoured its pledge to move away from racial discrimination at a time when South Africa was in a state of crisis, the president of the Cape Town Chamber of Commerce, Mr S L Reilly, said yesterday.

White
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meeting.

The Government White Paper on the Theron report was "tragically lacking and negative" on vital issues, particularly those involving the question of parliamentary representation, and had failed to get to grips with the major causes of dissension and resentment, he told the chamber's annual meeting.

Unless
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Unless South Africa was prepared to show far more flexibility in her policies and practices, there could be little hope of countering world opinion.

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The country was in a crisis state he said, because of a combination of factors including the drying up of foreign investment and loan capital, an ailing economy, and reversals in the détente policy of Africa.

Mr
Reilly
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Mr Reilly disclosed that the object of chamber meetings with several Cabinet Ministers



Mr S L Reilly

employees had more than doubled in the past six years, and their salaries had increased dramatically. This "awful burden" had to be financed by comparatively few taxpayers.

There had been a continual transfer of real capital resources from private businesses to the public sector, and there was a need to arrest more and more State interference in the economy if its productive potential was not to be strangled.

Mr Reilly appealed to industry to give more attention to increasing exports, but said he believed a recent Federated Chamber of Industries call for more import replacement industries should be treated with circumspection. This could succeed only through tariff protection and would raise costs.

The conclusion that is reached, therefore, is analysis

of evasion of the laws on squatting (92).

of Race Relations by Leo Marguard found that there was widespread

for even as late as 1939 a survey carried out by the Institute

These conditions seem to persist in the Orange Free State

Star

27/5/77

The Star Friday

49

Blacks 'are advanced too slowly'

Grant Rogerson

South Africa's black advancement programme was moving far too slowly for any rapid or sound economic recovery and the most logical solution was to urgently give blacks a far greater role in the country's free enterprise system.

This was said by the Association of Chambers of Commerce (Assocom) after its mid-year executive minicongress in Johannesburg this week.

Speaking at a Press conference, Mr Bob Goodwin, president of Assocom said: "We are in total agreement with the direction Government policies are taking in making necessary changes, but the pace with which these changes are taking place is just far too slow.

"There should be a lot less talking and a lot more action. The key here is that although a good job has been done to raise expectations, not enough has been done to meet them."

CHANGES

Mr Goodwin said that Assocom's standpoint was that anyone — white or black — who invested capital and expertise in the country's economy had the right to do so with an equal sense of anticipation of reward.

He pointed to the various changes which had already taken place regarding urban blacks, and particularly black traders — including the increase in the number of commodities in which they could trade and their ability to form partnerships.

Such regulations, he

...especially as far as home and land ownership were concerned.

HARDSHIP

"If adaptations to existing regulations could be made soon, the hardships of blacks would naturally be lessened and this change in the country's socio-economic structure would in itself make way for a recovery."

Assocom warns, however, that the "economic mess" will get a lot worse before it gets better and said the continuance of strict monetary and fiscal discipline is creating unemployment on a massive scale (especially among blacks) with the social risks which that entails.

● Assocom calls for new formula for recovery
— Page 27.

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● Assocom
new formula
— Page 27.

Greek text in Tod 42, but rather see Meiggs
11 and People decreed: it was the prytany of
Antides was president: Diognetus spoke:

Athenians are to swear as follows:
from Chalcis, nor shall I destroy the city,
private person, nor shall I punish him by
nor shall I put him to death, nor shall I con-
without trial and without the authority of the
shall I put to the vote the case of either in-
ned to stand trial, and when an embassy arrives
ople within ten days when it is my prytany as
guarantee this for the people of Chalcis if

A delegation is to come from Chalcis with officers to administer the oath and is to put under oath the Athenians and list those who take the oath. The generals are to see that all take the oath.

The Chalcidians are to swear as follows:

I shall not revolt from the people of Athens in any way or manner either in word or deed, nor shall I obey anyone who revolts, and if he revolts I shall report him to the Athenians; and I shall pay the tribute to the Athenians, whatever I persuade them to impose, and I shall be as good and just an ally as I am able and I shall help the people of the Athenians and defend them if anyone wrong the people of the Athenians.

All the men of Chalcis who are of age shall take the oath. Anyone who does not do so is to be disfranchised and his goods are to be confiscated and a tithe of them is to be consecrated to Zeus Olympius. An embassy of the Athenians with officers to administer the oath in Chalcis is to go to Chalcis and list those who take the oath.

Anticles spoke: The Athenians and Chalcidians are to take the oath with God's help, as the people voted in the case of the Eretrians. The generals are to see to it that this happens as soon as possible. The people are to elect immediately five men to go to Chalcis and administer the oath. As to hostages, the answer to the Chalcidians is to be that for the time being matters are to rest in accordance with the decrees, and when it seems fit, they will arrange a settlement after deliberation on whatever terms suit the Athenians and the Chalcidians. The aliens at Chalcis, save those, who, resident there, pay taxes to the Athenians and anyone who has received from the Athenians a grant of exemption, shall in all other cases pay taxes to Chalcis as do also the Chalcidians. The clerk of the assembly is to record this decree and the oath on a stone stele and to place it in the city at the cost of the Chalcidians, and let the Council of the Chalcidians record it and place it in the temple of Zeus Olympius.

Putting the nation to work

SA's growth is too capital intensive. Priorities must be reshaped to build more jobs

From the latest import and export figures it is clear there has been further improvement in SA's trade with the rest of the world. The current account for the first four months can only have been marginally in deficit, if at all. It is equally clear that the balance of capital transactions is still in the red, with whatever minimal inflows we are getting more than cancelled out by outflows. Overall, however, our international receipts and payments are moving towards balance, which is a great relief.

While the PM's economic advisers will no doubt feel it is too early to say so publicly, the real message of last Monday's EAC meeting, then, may well be that the foreign reserves crisis is almost over, and that priority should now be given to employment instead of the balance of payments.

Creating jobs is a far greater challenge. If SA could continue to attract foreign capital, the task would be formidable enough. Without foreign capital (and any realistic post-Vienna political analysis must surely lead to the conclusion that foreign funds are going to remain scarce, possibly for years to come) it is well-nigh impossible. Only a drastic reshaping of our consumption and investment patterns will suffice.

The implications for fiscal policy, (some of which we deal with below), for industrial strategy, for the exchange rate and for a whole range of other "facts of life" (matters which we intend returning to at a later date) are extremely far-reaching.

If SA sticks to the old patterns, then simply to absorb each year's rise in the labour supply without re-employing those now jobless, it needs 6% annual growth. But as is apparently recognised in the as yet unpublished Economic Development Programme for 1975-1981, this rate will not be achieved.

Structural problems require structural solutions. Calls from bodies like the EAC, the FCI, and the Handelsinstituut for the utilisation of more labour-intensive technology are therefore welcome. The implications of such a step are enormous, however. What strategies could be adopted to move the SA economy away from its present course of ever increasing mechanisation?

First and foremost, a major psychological barrier must be overcome: "Recognition," in Simon Brand's words, "that SA is not a member of the industrialised first world, but part of the less developed third world." Businessmen and bureaucrats will have to recognise that "progress" does not necessitate incorporating the most advanced and most mechanised foreign technologies into new investment in SA.

More importantly, tax concessions intended merely to encourage investment but which serve also to hasten mechanisation need to be modified. Currently, 30% of the cost of plant or machinery is deductible from taxable company profits. This concession is based solely on the cost of capital equipment, so lowering its price relative to labour.

Some investment incentive is appro-

appropriate, of course. But the existing bias towards capital should be eliminated. The deductible amount for capital equipment should be reduced to, say, 15%-20% of its cost, while concessions should be offered for employing additional labour. Some 30%-40%, say, of added labour costs flowing from new investment should be deductible from taxable income for a specified number of years.

Other existing tax concessions lowering capital costs are the initial and depreciation allowances. However, since they compensate for "wear and tear" rather than act as investment incentives, they need not be changed.

These tax concessions for industry do not apply to mining. Instead, gold mines are permitted a capital redemption allowance, in terms of which the entire cost of new equipment is tax deductible. New gold mines get additional concessions.

Certainly these allowances cheapen capital. Nedbank's Merton Dagut, however, argues that the choice of mining techniques is made largely on engineering considerations and would thus not be much affected by changed prices of capital and labour. Moreover, it is also argued that mining mechanisation is necessary to reduce the industry's dependence on foreign migrants.

But it should also be borne in mind that to stop employing foreign migrants would have serious implications for SA's already strained political relations with her neighbours, and do nothing to right the structural imbalances in the interdependent sub-continent. It would simply

FIN. MAIL

27/5/77

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The Star 2/16/77 (1) 49 (2) 228

Profit motive not all in present climate

Businessmen should consider South Africa's best interests, as well as their individual profits when making management decisions.

Dr P E Rousseau, in his FVB chairman's statement said that with rising wages it was cheaper in economic terms to import expensive capital goods to save on labour costs.

South Africa had gradually become relatively over-mechanised, especially if the population mix was taken into consideration. "It has become far too expensive to create job opportunities."

The country had, however, now entered a new phase in its economic history with the normal inflow of foreign capital disrupted by considerations not always of a purely economic nature.

"It has now become very important to evaluate domestic economic activity, not only from the purely accounting point of view of realising the biggest advantage for the individual entrepreneur, but also on the basis of what is in the best interests of the country."

If, for instance, foreign exchange could be saved by a lower level of mechanisation coupled with the

use of additional labour at a higher cost, ways should be considered of making this alternative economically attractive for the entrepreneur.

"For South Africa, it is now no longer a case of the optimisation of economic activity through the free use of international facilities," he said.

"It is now a question of domestic survival, with special emphasis on the employment of more South African labour resources."

South Africans must be made fully aware of the basic truth that the standard of living did not necessarily rise when wages and salaries were increased.

"At present the opposite is true. The worker continues to price himself out of the market, his work is taken over by machines (usually imported), inflation continues unabated, and we continue to undermine our economy."

There had been praiseworthy increases in the living standards of black workers in recent years but now, in the interests of the black man himself, the movement should slow.

"Well-intended humanitarian considerations will have to give way to economic realities," he said.

"It is good that we should endeavour to make the poorer black man more prosperous, but we must do this on a more permanent basis and in such a way that this new prosperity will not collapse like a house of cards."

Dr Rousseau said South

Africa was still in a recession and there was no indication that a turning point had been reached.

Dr Rousseau said it was already clear that the increase in results achieved in 1976—a 21 percent jump in consolidated net taxed profit to R8,64m—would not be repeated to the same extent in 1977.

The board and management would emphasise and apply itself to the control of expenditure, improved productivity, and the increase and effective utilisation of the group's cash flow—Sapa.

30.2	Total (Mean)
37.1	Other
57.	Horti-culture
35.	Crops
6	Pigs/Poultry
17	Dairy
35	Sheep/Beef
29	Wattle/Timber
21	Sugar

TABLE

50-05
06-90
28-28
29-62
96-7
38-38
84-3
25-1
02-1

Gold report

(R) "Gold 1977," the latest report on the annual series on world gold production and markets published by Consolidated Gold Fields, is to be released simultaneously in Johannesburg and London next week.

Mr Christopher Glynn, the co-author is to address a Press conference on the report in Johannesburg next Tuesday. — Sapa.

	EXCHANGES		PROVISIONS		BONUSES	
	N	%	N	%	N	%
T	6.2	-	6.48	-	6.2	-
O	6.76	62.0	5.04	51.0	6.76	62.0
H	2.5	42.9	9.25	57.0	2.5	42.9
C	6.87	58.5	5.14	70.7	6.87	58.5
P	5.4	83.3	4.8	61.1	5.4	83.3
D	6.67	78.1	6.36	70.7	6.67	78.1
S	6.0	49.5	6.2	67.0	6.0	49.5
W	6.2	65.4	7.0	65.4	6.2	65.4
S	9.7	71.9	8.1	76.0	9.7	71.9

TABLE 4 True mean values of paym the calculation

Economic Development Programme details

CAPE TOWN 9/6/77

PRETORIA. — The growth potential of the South African economy between 1975 and 1981 could be a maximum of 5,0 per cent a year — provided certain deliberate adjustments in the development pattern could be brought about.

This is the conclusion reached in the latest Economic Development Programme for the country released yesterday by the office of the economic adviser to the Prime Minister.

The growth potential also depended on certain basic adjustments in the current account of the balance of payments.

Seen from a labour point of

view, however, it appeared a growth potential of 5,0 percent per annum over the new programming period was the minimum rate which could be accepted.

Although, according to the projections, the number of unemployed blacks as a percentage of economically active black population (excluding the labour force in the agricultural section in the black homelands) would drop from 7,1 percent in 1975 to 6,8 percent in 1981 at an average growth rate of 5,0 percent per annum in the real GDP, the number of unemployed blacks as such would increase from 492 000 in 1975 to 552 000 in 1981.

Blacks

From the point of view of black unemployment it therefore seemed desirable that even more drastic adjustments should take place in the development pattern of the South African economy than those provided for in this programme, the report said.

The report said the South African economy had, during the past number of years, undergone or was still undergoing various structural changes which could have an adverse influence on the medium-term growth potential of the economy if they should persist.

It appears the following factors would have to be constantly borne in mind in determining the economy's growth potential:

A. A tendency towards general over-spending in the economy which could be traced back to various socio-economic causes, including the higher level of defence expenditure, which was expected to become a permanent feature of government spending over the medium term;

B. A persistent tendency towards large deficits on the current account of the balance of

C. The concomitant tendency towards inadequate domestic saving in relation to the growing capital needs;

D. A rise in unemployment which, apart from the effect of the business cycle, seemed to be partly of a structural nature to the extent that it could be ascribed to a tendency towards more capital intensive production, which in turn contributed to the deficit on the current account of the balance of payments;

E. A tendency for the demand for skilled and semi-skilled labour to increase in relation to the demand for unskilled labour, and, F. The possibility that in the coming years foreign capital might be less readily available than in the past.

Changes

In view of these structural changes the conclusion was reached in the eighth EDP that the growth potential of the economy over the programming period 1965 to 1981, seen from the point of view of the capital requirements and the available sources of finance, could be put at a maximum of 5,0 percent per annum, but on condition that it would be possible to bring about certain deliberate adjustments in the development pattern.

Various instruments could be considered by the authorities to bring about essential structural changes, the report said.

As regards fiscal policy, the projections contained in the EDP indicated that both private and government consumption expenditure would have to increase at a lower rate than in the recent past.

First, in order to limit the growth rate of private consumption expenditure consideration could be given to an increase of direct personal taxes or indirect taxes. Second, provision was made in

This meant, however, that the rates of increase of government consumption expenditure on general services (excluding defence), the provision of roads, community services, education, social and economic services would have to be drastically reduced.

Third, it followed from these adjustments that, according to the projections, the current surplus of the government would increase in relation to the gross domestic product, which could help to counteract the tendency to a capital shortage.

Capital

Provision was also made in the analyses that the growing capital shortage foreshadowed by the analyses would, to a large extent, be alleviated by changing the available savings in the right directions and using them as effectively as possible, both in the private and in the public sector.

The government for its part could give effect to this approach at the efficient co-ordination of capital programmes in the public sector and the application of a strict scale of priorities.

In both the private and the public sectors more emphasis could also be laid on research programmes and other incentives aimed at a less capital intensive development programme and at the use of machinery and equipment that were better suited to local conditions of relative capital scarcity and the relative abundance of skilled and semi-skilled labour.

The government's monetary policy could play a part in combating structural unemployment in the sense that, to the extent that interest rates were allowed to fulfil their normal market function, it should favour labour intensive relative to capital intensive production.

a growing demand for skilled and semi-skilled workers made it necessary that training programmes should be continuously overhauled to provide for this need and that adjustments in the accessibility of more advanced work for all the population groups should constantly keep pace with these altered circumstances.

Finally, as regards foreign trade policy, the estimates indicated that even with a less capital intensive production pattern and an improvement in

South Africa's international terms of trade over the programming period, it would only be possible to keep the deficit on the current account of the balance of payments within reasonable limits if imports grew at a lower rate and exports (excluding gold) at higher rates than in the recent past.

Special attention would, therefore, have to be given to suitable measures to give further encouragement to import substitution and to promote exports, the report said. — Sapa

Heunis statement

THE Minister of Economic Affairs, Mr Chris Heunis, in a preface to the eighth Economic Development Programme for the period 1976 to 1981, says he agrees with the Economic Advisory Council's decision not to recommend that the Government should commit itself to a particular target growth rate for the period.

The Government has also accepted the recommendation by the council that investigations should be made into a new approach to economic planning in South Africa.

The minister says the new programme should not be regarded as a forecast but rather as an instrument to aid all persons and bodies concerned with the formulation of the country's economic development policy and as a broad framework within which the public and the private sectors can plan their activities.

"Compared with our growth achievements in the past the South African economy has, on the average, grown at a relatively low rate during the past few years. Although this relatively poor performance, particularly

private sectors, as well as the general public, were prepared to take the necessary measures required by the new circumstances.

"As far as the public sector is concerned, some of the policy implications are implicitly or explicitly spelling out in the programme and the government has taken note of the broad policy approach required from the authorities.

"In view of the uncertainty in various spheres, however, the Economic Advisory Council did not want to recommend that the government, as in the case of previous economic development programmes, should commit itself to a particular target growth rate. The government agreed with this.

"It should be clearly understood, however, that even if the government should succeed in eliminating all the bottlenecks identified in the programme, the economy would not necessarily grow at a rate of five percent a year.

"In fact, taking into account the circumstances during the first

...the economy and partly as a result of the adverse changes in the terms of trade which arose, inter alia, from the rise in the oil price relative to other prices.

As regards labour policy, the projections pointed to two important guidelines. First, it was essential that the accepted objective of narrowing the wage gap between white and brown or black workers should not be pursued in such a way that it would cause the labour cost per unit of the real gross domestic product to rise in relation to the capital cost, since this would be conducive to more capital intensive production.

attributed largely to short-term factors, including, among other things, the deep and prolonged recession experienced abroad, it is obvious that certain structural changes have also occurred which could have a negative influence on the long-term growth potential of the South African economy and of which we must perforce take note," he said.

The conclusion had been reached that the growth potential of the economy could put at five percent in the longer term, provided both the public and the programming period, it is very unlikely that this rate of growth will indeed be achieved.

MONETARISTS VERSUS

Unions and large corporations "admit Active government intervention vital potent than monetary policy.

The Economic Development Programme should, therefore, not be regarded as a forecast but merely intended to identify bottlenecks in the economy and to determine the growth potential of the economy over the longer term if certain assumptions should apply." — Sapa

Not a forecast, says Riekert

The Economy. Strong self-regulating tendencies; tends naturally towards full employment with stable price level. Profit motive spurs private investment and thus growth. Monetary policy more potent than fiscal policy

Fluctuations in money supply cause fluctuations in national income. Recessions associated with decline in money supply. Depression of '30's caused by large contraction in money supply. Inflation caused by excessive monetary growth.

PRELIMINARY estimates show the real gross domestic product grew by only 1,5 percent in 1976 and the growth performance in 1977 is not expected to be much better, the economic adviser to the Prime Minister, Dr P J Riekert, says in a preface to the eighth Economic Development Programme.

Dr Riekert adds, however, that business conditions should improve during the rest of the programming period — from 1978 to 1981.

Influence of Interest Rates. Demand and supply of money insensitive to changes in interest rate. Aggregate expenditure highly sensitive to changes in interest rate. Investment decisions and home buying sensitive to interest rate. Transactions demand important. Money supply unresponsive to changes in interest rate. Banks usually fully "loaned up."

Fluctuations in economic activity cause fluctuations in money supply. Non-monetary causes of inflation. Inflation can be caused by excess demand for money and money as a result of change in demand and supply of money.

Indications were that the economy would probably not be able to achieve an average growth rate of more than three to four percent a year over the whole programming period and that at the end of this period there would, therefore, still be idle factors of production.

The programme he said was a study of the potential of the economy and not a forecast of actual trends over the next six years.

Monetary Policy. Changes in money supply by central bank lead to large changes in interest rate and thus large changes in aggregate expenditure. Monetary policy is so potent that it is too dangerous to leave it in the hands of government.

Changes in the money supply by central bank lead to large changes in interest rate and thus large changes in aggregate expenditure. Monetary policy there is so potent that it is too dangerous to leave it in the hands of government.

Certain important structural problems in the economy are, however, identified in the programme and the concomitant policy implications indicated.

"It is trusted that the publication of the EDP will contribute towards inducing all sections of our population, the private business sector and the public sector to make the adjustments that are necessary to overcome the bottlenecks indicated."

Fiscal Policy. Relatively ineffective. Increase in government expenditure needed for transactions purposes. Firms, households borrow money or sell bonds. Aggregate expenditure drops. Government has "crowded out" private expenditure.

Very effective. Increase in government expenditure needed for transactions purposes. Borrowing and bond sales increase as a result of money drops as people buy assets. Supply and demand for money rise in interest rate. Banks had large excess reserves. No increase in money supply. No increase in government expenditure by decrease in interest rate.

It is trusted that the publication of the EDP will contribute towards inducing all sections of our population, the private business sector and the public sector to make the adjustments that are necessary to overcome the bottlenecks indicated."

Sapa

A plan in search of a purpose

The 1976-81 Economic Development Programme is of little use to businessmen. But it does pinpoint the acute problems facing economic planners

Plunging living standards, spiralling unemployment and puny foreign capital inflows are some of the grim prospects spelled out in the 1976-81 Economic Development Programme. Yet, judging by some of its assumptions, even the EDP's sombre scenario is optimistic.

The programme's compilers candidly admit "that the SA economy will not be able, within the programming period, to make up the shortfall which has developed in comparison with the growth potential indicated in the previous EDP" and that it is necessary "to think anew about the whole question of SA's growth potential".

Dwindling foreign capital inflows in particular have forced the planners to plump for a potential real GDP growth rate of 5% pa, compared with 6,4% projected in the 1974-79 EDP.

But even 5% is optimistic and indeed government has refused to recognise it as a target. Actual growth over the programming period will be much lower, "probably not more than 3%-4%", according to the PM's Economic Adviser Piet Riekerk.

The EDP makes no bones about the tight corner into which the economy has been driven. Domestic capital creation is inadequate, foreign capital is scarce, burgeoning defence spending is here to stay. Meanwhile, increasingly capital-intensive production techniques are contributing to soaring unemployment and excessive imports.

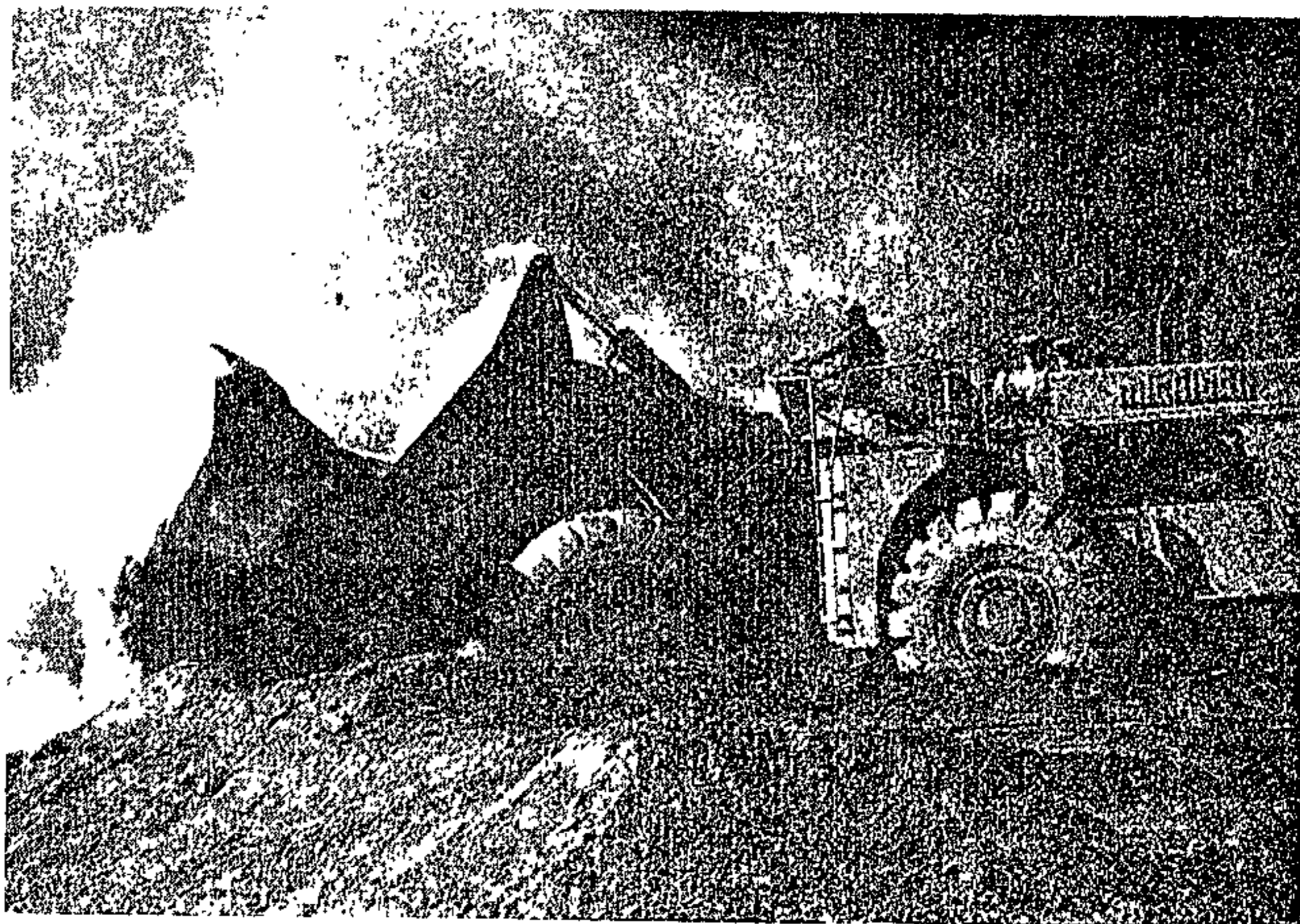
WHAT NEXT?

The EDP contains no planning targets or economic forecasts but merely gives "an indication of the rate of growth which should be possible if all the country's resources are fully utilised".

Not surprisingly, Minister of Economic Affairs Chris Heunis reveals in his preface to the programme that the PM's Economic Advisory Council has proposed "that investigations should be made into a new approach to economic planning in SA".

The idea is that the EDP should also be a *plan*, to be used by government and business as a yardstick for the success of their policies.

The feasibility of a "target" approach and various alternative methods are presently being studied by the Office of the PM's Economic Adviser. It's hoped to submit a report to the August meeting of the Economic Advisory Council and to get the go-ahead for a "new look" 1978-83 EDP.



Shovelling sand . . . which way is more profitable, by machine or by hand? It depends on wage, interest and tax rates

in the 1974-79 Programme), a 2,3% rise in community services and a real *fall* of 2,2% in spending on roads. And it could be worse since some of the EDP's basic assumptions could be way out of line.

Take exports. To sustain a 5% growth rate, the annual rise in exports must average 9,3%. Projections of the increase in world trade to 1981 point to a mere 7,2% annual rise in SA's exports, while private sector advisers consider an 8,3% growth rate "a realistic potential".

Then there's the question of encouraging labour-intensive production methods. Greater use of labour is rightly seen as a high priority for economic policy, and the EDP suggests interest rates should be allowed to find their true market levels in order to discourage capital intensive projects.

Worthy as these aims are, is it realistic to expect a pronounced shift to labour intensity over the next four years?

Another dubious assumption is that SA will attract a net 30 000 white immigrants each year. Recent experience shows that the lack of foreign confidence reflected in the fall-off in capital inflows is also manifesting itself in lower immigration and soaring emigration. In March, for the first time in many years, those leaving the country exceeded those coming in.

Turning to the effects of a 5% growth

The well-worn remedies of export promotion, import substitution, labour training and the setting of spending priorities are clearly not enough to deal with these structural imbalances.

The EDP notes that "both private and government consumption expenditure will have to increase at a lower rate than in the recent past". The price will be high.

For instance, the EDP provides for a mere 1,5% real annual increase in government spending on education (6,9%

Riekert in new ⁴⁹ look at EDP ^{SUN-TIMES} ^{BUS-TIMES} 12/6/77

By NIGEL BRUCE

THE MOST heartening thing about the 1976-81 Economic Development Programme is not so much its more modest economic growth expectations (which are still on the optimistic side), but the planners' acknowledgement that it is becoming increasingly less relevant.

Moreover, according to the Prime Minister's economic adviser, Piet Riekert, his technocrats are about to sit down again and produce a programme that is more apposite to the economy as it now stands. They are not going to wait until the 80s to do something about it.

The programme as it now stands postulates a possible GDP growth of 5 per cent a year but estimates that in reality it is more likely to be between 3 and 4 per cent a year.

While the details of the new approach have still to be worked out by the technocrats, Dr Riekert explains that it will take better account of the structural changes in the economy in recent years and the non-economic factors that now have an important bearing on our economic wellbeing.

The present approach to the GDP dates back to the

period when infrastructural inadequacies were a major constraint to growth. That is not so today, it is the balance of payments, and particularly the capital account thereof, that is our main problem.

As Dr Riekert sees it, the new approach to the GDP will make clearer the distinction between actual growth forecasts and postulates of what might in certain circumstances be possible. It will also explain more adequately why forecasts are not achieved or exceeded.

The compilation of the GDP is a complicated, painstaking and time-consuming task. It is a pity that it has taken so long for official acknowledgement that these endeavours have fallen short of practical business requirements.

However, despite their doubtful relevance for business forecasting, the preparation of past GDP figures were probably important, if only because they must have helped refine bureaucratic techniques that should now prove invaluable.

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DINGE KAN I

SE EOP

Leffent 12.6.77

Ons sê...

DIE jongste Ekonomiese Ontwikkelingsprogram gee 'n duidelike aanduiding van wat die werkloosheidsprobleem nou is — en as 'n mens dieper lees, hoe ernstig hierdie probleem oor die volgende paar jaar kan wees.

Die EOP is geen ekonomiese plan soos algemeen in die Kommunistiese lande gebruik word nie. Dit lê geen riglyne neer van hoe die ekonomie moet ontwikkel nie. Dit gee net 'n aanduiding van wat onder 'n gegewe stel aannames gaan gebeur.

In die jongste program is selfs dr. Piet Riekert se sobere voorspelling van 'n ekonomiese groei koers van tussen 3 en 4 persent per jaar vir die ses jaar tussen 1975 en 1981 dalk aan die optimistiese kant. Nogtans voorspel dit die soort werkloosheid, veral onder die swart bevolking, wat ons nie kan bekostig nie.

Hy glo nie dat 'n vrywillige oproep om meer arbeidintensiewe projekte veel gaan beteken nie. Die antwoord lê dalk daarin om 'n ekonomiese plan uit die EOP op te stel.

So 'n plan sal dalk belastingtoegewings kan toestaan vir die skep van nuwe werkgeleenthede, terwyl die bestaande belastingtoegewings op kapitaalbestedings kan verval.

Moet ons nie in die trant verder dink nie?

Werklooses kan na 10 persent styg

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'n HOë mate van werkloosheid gaan nog 'n gerulme tyd met ons wees. Volgens die jongste Ekonomiese Ontwikkelingsprogram vir die Republiek (EOP) wat vandeeweek beskikbaar gestel is, was totale werkloosheid in 1975 5,19 persent en is die kans baie goed dat hierdie persentasie tussen nou en 1981 tot meer as 10 persent kan styg.

Volgens die kantoor van die Ekonomiese Adviseur van die Eerste Minister die Suid-Afrikaanse ekonomie vir die ses jaar-tydperk tussen 1975 en gemiddeld jaarliks met 4,96 persent groei om te verseker dat die werkloosheid vlak nie verder styg nie.

Maar in sy voorwoord tot die EOP sê die ekonomiese raadgewer, van die Eerste Minister, dr. Piet Riekert, dat die 'ekonomie waarskynlik nie 'n gemiddelde

groeikoers van meer as tussen 3 en 4 persent per jaar oor die hele vyf jaar tot 1981 sal kan bereik nie.

Afrikaanse ekonomie of die afgelope twintig jaar nie tot 'n beter aanwending van arbeid geleidelik het nie.

Faktore

Om hierdie rede verwag dr. Riekert dat die land aan die einde van die tydperk nog oor onderbesette faktore sal beskik. Een van hierdie faktore sal 'n aansienlike vlak van werkloosheid wees.

Volgens die EOP sal werkgeleentheid teen 2,74 persent per jaar styg indien die ekonomie met 5 persent per jaar groei. As die ekonomie met slegs 4,5 persent per jaar groei is die toename in werkgeleentheid slegs 2,25 persent. Alhierdie berekeninge is gegrond op die aanname dat die gemiddelde produksie per werker oor die tydperk met 2,2 persent per jaar toeneem.

Landbou

As hierdie basiese aannames toegepas word op 'n gemiddelde groeikoers van slegs 3,5 persent per jaar in die ekonomie en daar word verder aangeneem dat weens die laer ekonomiese bedrywighede produktiwiteit met slegs 2 persent en nie 2,2 persent per jaar styg nie, sal daar teen 1981 ongeveer 1,3 miljoen werklooses wees teenoor die 500 000 in 1975.

Dit beteken 'n styging in die werkloosheid van 5,19 persent tot 11,8 persent.

Hierdie werkloosheidsyfer sluit alle rasse in wat ekonomies bedrywig is buite die landbou.

Aan die einde van 1975 was daar reeds 492 000 swartes werkloos of 7,1 persent van die 6 897 000 swartes wat toe as ekonomies bedrywig geklassifiseer was.

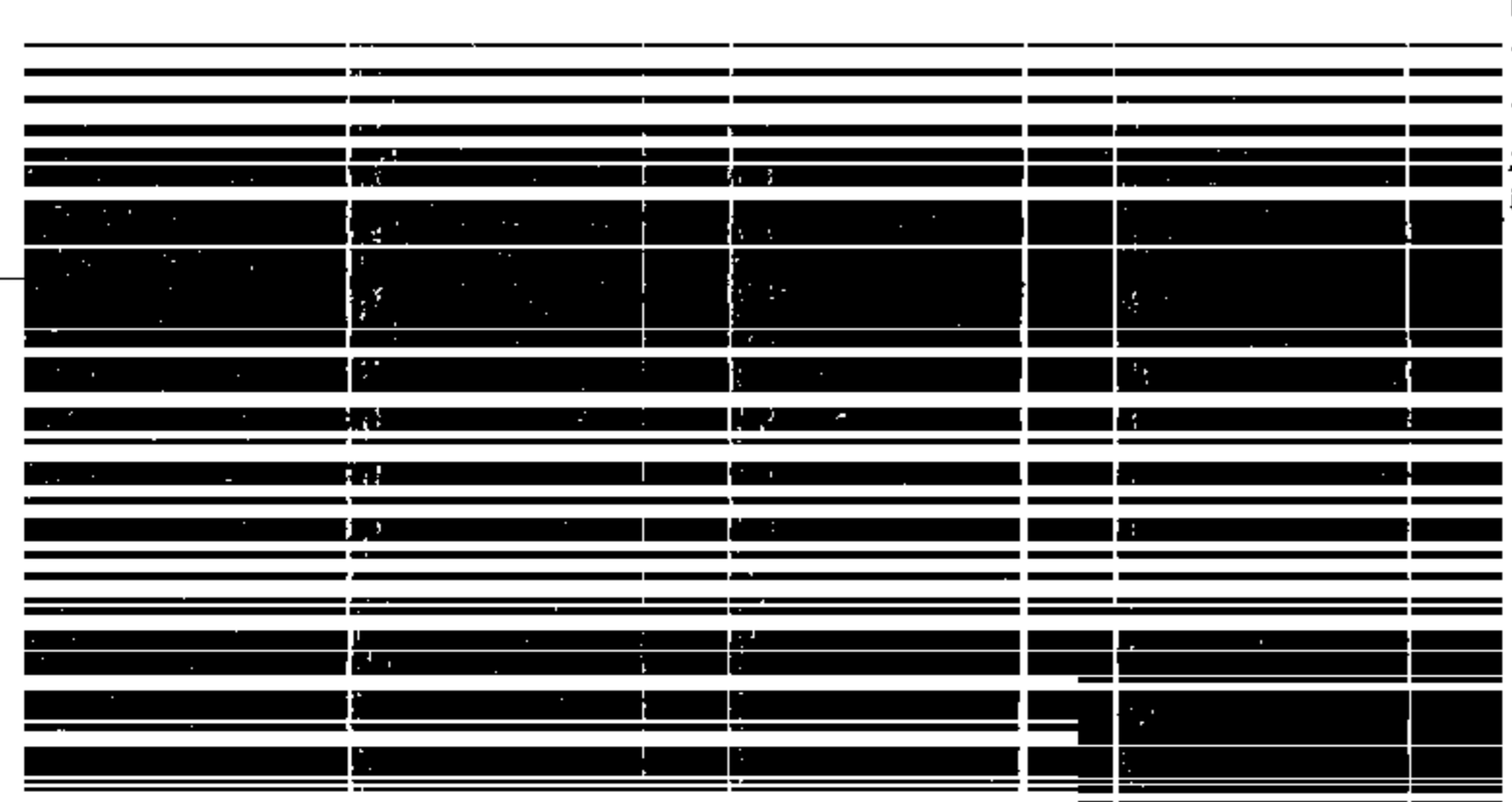
Aan die einde van 1975 was slegs 10 000 mense uit die ander groepe werkloos. En al word aangeneem dat dit oor die vyf jaar tot 200 000 styg, beteken dit dat daar in hierdie tydperk nogtans meer as 1 100 000 swartes werkloos sal wees. Dit is 13,6 persent van die ekonomies bedrywigheid swart bevolking van 1981.

Die EOP wys ook daarop dat die gemiddelde styging in die produksie per werker gedaal het van 3,17 persent per jaar gedurende die tydperk 1961-1970 tot slegs 1,99 persent vir die tydperk 1970 tot 1975. Hierdie skerp afplating in die produktiwiteit per werker het plaasgevind ondanks die feit dat die kapitaal aangewend per werker van 1970 af teen 'n vinniger koers toegeneem het as in die tydperk voor 1970.

Die EOP kom daarom tot die gevolgtrekking dat dit „wil voorkom asof die toenemende kapitaalintensiteit van die Suid-

and the range in all items is less than 5% and the range between highest and lowest sub-region in west rations (R84 p.a.) and smallest grazing (R216 p.a.) and most generous ploughing rights eastal sub-region for example, which has by far the most variation between

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LANG PLAN VIR EKONOMIE

SAKE
RAPPORT
19.6.77

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DAAR is op die oomblik geen korttermyn-oplossings vir die land se werkloosheid en ander strukturele en sosio-ekonomiese probleme nie. Die paar klein ligpuntjies in die ekonomie, soos die verbetering in die land se handelsbalans, is nog ver nie genoeg om die byna krisismaatreëls wat getref moet word, te kan ondersteun nie.

Vandaar dat twee bekende ekonome, mnr. Raymond Parsons, uitvoerende direkteur van Assocom, en prof. Robert Tusenius, direkteur van die Nagraadse Bestuurskool van die Universiteit van Stellenbosch, vandeeweek langtermyn-planne vir die ekonomie bepleit het. (Sien ook berig hieronder).

Langtermyn-ekonomiese beplanning word dikwels afgemaak as maar net nog 'n plan of die skepping van net nog 'n komitee. Die rede is omdat dit omtrent nooit enige korttermyn-resultate kan lewer nie.

Maar al twee here voel juis dat ons in die verlede gans te swaar geleun het op korttermyn-oplossings. En juis tot groot hoogte het dit ons ekonomiese ellende besorg waarsonder ons goed kon klaarkom.

Mnr. Parsons, het vandeeweek in 'n toespraak op Uitenhage gepleit vir 'n siening van ons ekonomie wat nie strek oor die volgende vyf of tien maande nie, maar oor die volgende vyf of tien jaar. Sodoende sal nie net Suid-Afrika self weet waarheen hy op pad is nie, maar ook die buiteland sal dan weet en dienoor-

eenkomstig kan beplan.

Hy sê die publisering van 'n vyf- of tienjaarplan (sosio-ekonomies) waarin die verkryging van sekere gespesifiseerde toestande of doelstellinge binne sekere tydperke voorsien word, sal die opregtheid, gedetermineerdheid van die Regering en die private sektor om in die regte rigting te beweeg, versinnebeeld.

Terselfdertyd sal dit ons kanse verbeter om in die land 'n toestand te skep waarin alle bevolkingsgroepe voorspoed sal geniet — en waarin alle redelike aspirasies van alle seksies van die bevolking verwesenlik kan word.

In die breë gesien kan so 'n plan die geleentheid skep om die volgende agt dinge te bevorder:

Duidelikheid; aanpasbaarheid; koördinasie; geloofwaardigheid; kommunikasie; konsultasie; samewerking en vertroue, het mnr. Parsons gesê.

Drie dinge kan bv. as oogmerke teen 'n sekere datum gesien word.

- Die afskaffing van wetgewing wat teen swart sake-manne en swart werkers diskrimineer;

- Die verwydering van wrywingspunte wat voortspuit uit die beleid van afsonderlike ontwikkeling;

- Die uitvoering van aanbevelings in verslae soos die Theron-verslag en ander binne 'n sekere tyd.

Klein groepie moet sê hoe

SAKE-RAPPORT 19.6.77

DIE werkloosheid van 10 persent wat verlede week in Sake-RAPPORT voorsien is, is 'n ernstige korttermyn-ekonomiese probleem. Mac prof. Robert Tusenius van die Nagraadse Bedryfskool aan die Universiteit van Stellenbosch kyk verder as die eerste twee of drie jaar.

In die Vrye Markseminare wat verlede jaar deur die Nagraadse Skool georganiseer is, is daar van die standpunt uitgegaan dat Suid-Afrika se bevolking oor die volgende 23 jaar sal verdubbel. Dit beteken dat per werkdag gemiddeld 1 500 nuwe werkgeleenthede geskep behoort te word indien ons strukturele werkloosheid en die aaklige gevolge daarvan wil vermy.

Dit is om probleme soos

hierdie en ook ander struktuurvraagstukke oor die lang termyn uit te skakel dat daar op die Vrye Markseminare gepleit is vir die stigting van 'n klein komitee wat 'n gekoördineerde ondersoek na onder andere die volgende kan doen.

- Maar veral die vryer maak van die ekonomie en die bevordering van 'n so „vry as moontlik vrye markstelsel”. En hieronder veral die volgende:

- Die formulering van aanbevelings hoe om daardie funksies wat aan die private sektor oorgelaat kan word en wat tans deur owerheidsinstansies gehanteer word, afgestoot kan word.

- Hoe die doeltreffende operasie verseker kan word

van daardie publieke sektor-instansies wat nie aan mededinging onderhevig is nie.

- Die bepaling — en definisie van die begrip redelike wins in 'n so vry as moontlik vry markstelsel, met inagneming van die verskillende risiko's.

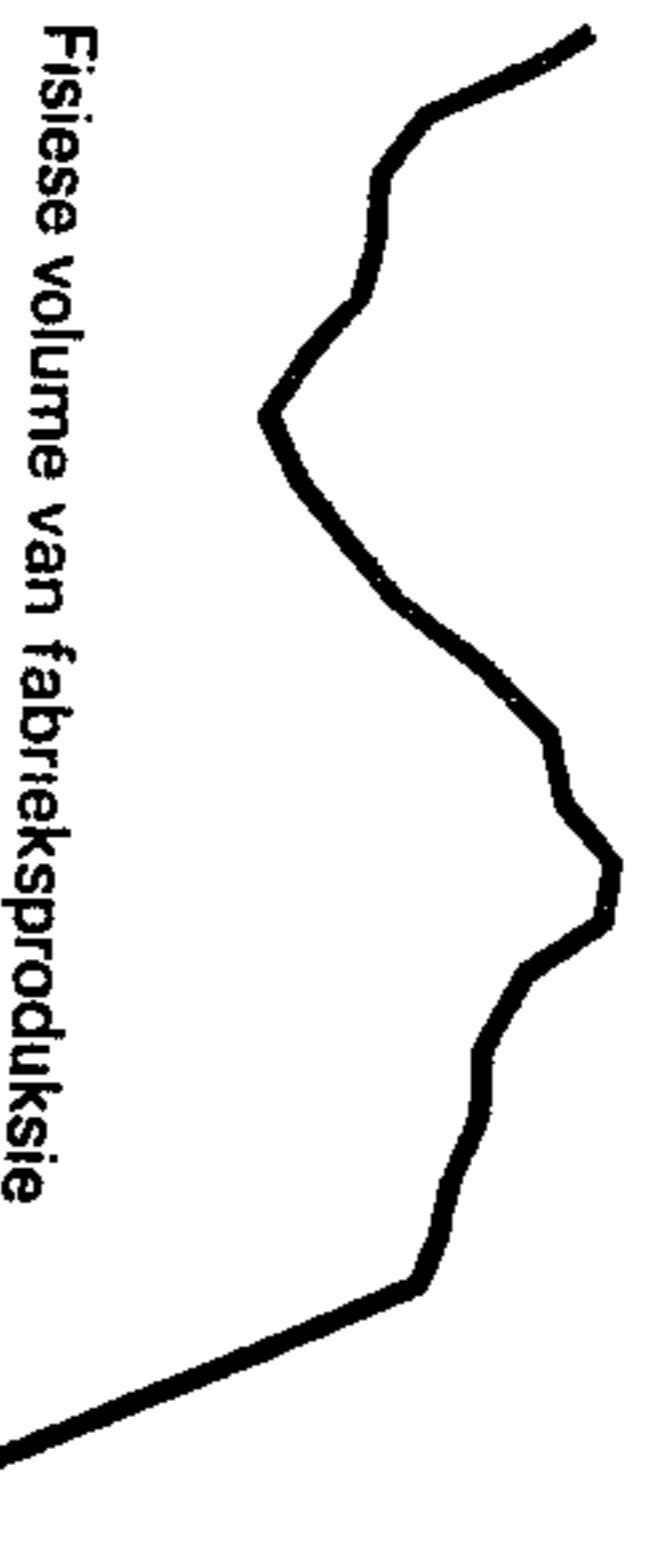
Maar die belangrikste van so 'n ondersoek, sê prof. Tusenius, is dat dit deur 'n klein maar doeltreffende werkgroep gedoen moet word sodat die eerste aanbevelings reeds binne twee tot drie maande voorgelê kan word.

Net soos mnr. Parsons glo hy dat die blote aanstelling van so 'n werkgroep al reeds 'n gunstige sielkundige uitwerking op beide die binnelandse en buitelandse ekonomiese vertroue sal hê.

UITJAAR VERSAAG

Percentasie-afwyking van reekse* vanaf die langtermyn-reïging:

Bruto binnelandse produk teen konstante 1970-pryse (nie-landbou-sektor)



Fisiese volume van fabrieksproduksie

Goedere-invoere teen konstante 1970-pryse (Dourne en Aksyns-syfers)



Groot- en kleinhandelswynkope teen konstante 1970-pryse



Werkloosheid-Blankes, Kleurlinge en Asiërs (Omgekeerde skaal)



Uitvoerwins kan help

Deur Vic de Klerk

DIE mooi verbetering in Suid-Afrika se uitvoer vanjaar in Mei maak twee ander klappe wat die ekonomiese vandesweek gekry het, ietwat sagter. Vir eers was daar 'n verslag van die Bank vir Internasionale Verrekeninge dat Suid-Afrika vanjaar R2 900 miljoen se buitelandse skuld moet terugbetaal. Dan is daar ook nog die land se netto buitelandse reserwe wat verder gedaal het tot die rekord-laagtepunt van minus R1 053 miljoen. (Berig hierby).

Dit is om hierdie rede dat die wins op uitvoer nie nou al beskou kan word as bestern vir selektiewe stimulering van die ekonomie nie.

Die land se uitvoer het in Mei gestyg tot die baie hoë vlak van R550,8 miljoen, terwyl die invoer gedaal het tot R391,9 miljoen, wat 'n oorskot vir die maand van R159 miljoen laat. Vir die eerste vyf maande van die jaar oorskry ons uitvoer nou reeds ons invoer met R107 miljoen.

Volgens die jongste Kwartaalblad van die Reserwebank toon die land se lopende rekening 'n oorskot van R39 miljoen vir die eerste kwartaal van die jaar. Hierdie syfer sluit alle handele en dienste-transaksies met die buiteland in. Dit is die eerste keer sedert die derde kwartaal van 1973 dat so 'n oorskot behaal word. Dit vergelyk met 'n tekort van R1 515 miljoen vir die hele

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714

Netto syfer skok

DIE netto reserwe aan goud en buitelandse valuta het in die eerste kwartaal vanjaar weer 'n skerp daling van R202 miljoen getoon nadat dit in die laaste kwartaal verlede jaar ietwat beter gegaan het.

Die daling is waarskynlik in die eerste deel van die tweede kwartaal voortgesit. Dit was basies die rede waarom die Reserwebank einde April vanjaar 'n tweede goudruiltransaksie aangegaan het.

Die netto buitelandse reserwes het nou gedaal tot minus R1 053 miljoen vergeleke by 'n vlak van tussen R700 en R800 miljoen aan die plus-kant so 'n paar jaar gelede. Toe het dit nog goed gegaan met die land se ekonomie.

Die betalingsbalansontwikkelinge wat ons in die berg hierby voorsien, naamlik 'n verdere verbetering in handel en 'n groot aflossing van buitelandse skuld, behoort tot 'n aansienlike verbetering in die land se netto reserwes te lei. Terselfdertyd kan die bruto reserwes, of anders gestel, die beskikbare buitelandse kontant om

WIENS tegniese probeemne verskyn Beurs-RAPPORT en Sake-RAPPORT se opsomming van die belangrikste bewegings en neigings vandesweek op die Johannesburgse Effektebeurs, vandag op bls. 6 en 7 en NIE op bls. 4 en 5 soos gewoonlik nie.

oomblik voorgeskryf deur die lae vlak van die netto buitelandse reserwes. Voeg dan hierby Min. Chris Heunis se waarskuwing dat ons invoer weer gaan styg met 'n oplewing in die ekonomie en dat sekere uitvoer-produkte

Volgens die Kwartaalblad het Suid-Afrika se banksektor aan die einde van maart vanjaar korttermyn-skuld van R1 828 miljoen teenoor buitelandse banke gehad. Van hierdie bedrag was R712 miljoen korttermyn-skuld deur die Reserwebank.

Bankiers in Suid-Afrika verwag dat hulle nou ná die BIV se verslag heelwat van hierdie lenings nie hernieu sal kry nie. Volgens sommige bankiers kan dit selfs tot tussen R200 en R300 miljoen wees. Dit sal 'n verde-

deel van die lenings gekoppel is aan handel en daarom hernieu sal word, kan dit nogtans 'n aansienlik negatiewe uitwerking veral op die banksektor se regstreekse lenings in die buiteland hê.

Volgens die Kwartaalblad het Suid-Afrika se banksektor aan die einde van maart vanjaar korttermyn-skuld van R1 828 miljoen teenoor buitelandse banke gehad. Van hierdie bedrag was R712 miljoen korttermyn-skuld deur die Reserwebank.

1971 1972 1973 1974 1975 1976 1977

ressessie raak al hoe skerp — is dit dalk al
is 'n depressie? Bostaande reeks raffeke word
r die Reserwbank gebruik om die mvang van
junkturskormelinge in Suid-Afrika te meet

Wat egter hinder aan die
mooi vertoning van ons
uitvoer, is dat dit hoofsaak-
lik afkomstig is van 'n
stygting in mynbou- en
landbou-uitvoer. Die ver-
vaardigingssektor lewer
byna geen stygende bydrae
nie.

In die landbou en myn-
bou bestaan daar feitlik
geen oorskot-vermoë nie.
Die styging in mynbou-
uitvoer kan hoofsaaklik toe-
geskryf word aan die ont-
wikkeling van die twee
nuwe ertshawens. Die hoër
uitvoer van hierdie twee
sektore verdien wel vir die
land handige buitelandse
valuta, maar dit skep nie tot
dieselfde mate werkge-
leenthede in die binneland
as wat 'n styging in die
uitvoer van fabrieksgoede-
re kan skep nie.

Die fabrieksektor werk
tans teen slegs 83,7 persent
van sy vermoë, en as 'n deel
van hierdie ledige vermoë
uitgevoer kan word, sou dit
aansienlike nuwe werkge-
leenthede skep.

Met die verkryging van
buitelandse kapitaal en
veral die uitvloei van priva-
te korttermyn-kapitaal
gaan dit steeds nie goed
nie. Volgens die Reserwe-
bank was daar in die eerste
kwartaal van vanjaar 'n
uitvloei van R149-miljoen
se private korttermyn-
kapitaal.

Intussen het die Bank vir
Internasionale Verrekenin-
ge (BIV) vandeeweek 'n
tabel gepubliseer wat toon
dat Suid-Afrika vanjaar in
sowat R2 900 miljoen se
buitelandse lenings moet
terugbetaal. Hoewel hier-
die syfer nie net so aanvaar-
kan word nie omdat 'n groot

(50%)

In each.

e two

Both jobs will take exactly one hour.
Type B has no alternative uses and zero scrap value, but 200 units can
be used for the Bellville job. In addition it will be necessary to buy
3000 units of Type C at R10 each for the Bellville contract.

Type A would not be used for the Bellville job, but could be sold
for 50c each.

1 000 units of Type A at R1 per unit
500 units of Type B at 50c each

Materials The Company has already bought all the materials for the
Parow job:

It is estimated that the Bellville job will require the lorries to
travel an extra 1 000 miles each.

Transport The Company has a fleet of 4 lorries bought for R5 000 each
2 years ago. Depreciation is reckoned to be R400 p.a. plus 10c per
mile.

The Company's existing workforce of 10 workers, each earning R2 000,
will be adequate for both jobs.

Staff The Bellville job, being larger, will require the services
of an extra secretary to handle administration at R3 000 p.a., and
an extra foreman for R4 000 p.a.

4. Plausible Ventures Ltd. is a construction firm based in Cape Town.
In August 1974 the firm's tender of R20 000 for a job in Parow is
accepted, and plans are made to start the following January. But
in November the firm is invited to do a job in Bellville instead
for R40 000. The Parow job can be given up on payment of an agreed
penalty of R15 000.

WAT

Turning point in economy 'near'



By Tony Koenderman

THE confidence of a majority of South African business men took a knock because of the Government's handling of black politics since the Soweto riots last year, according to a Business Times survey.

However, over the past few months, a more optimistic attitude towards the general business situation appears to have been creeping back.

Of 430 top business men polled, 51 per cent said they had lost confidence, 41 per cent were unaffected, and 7 per cent had gained confidence from the handling of black politics.

The question was asked in the Quarterly Review of the Business Mood, conducted for Business Times by Market Research Africa.

But there has been a considerable drop in the numbers expressing themselves either fairly or very pessimistic about the general business situation, from 58 per cent in the February survey, to 48 per cent in the May survey.

Now, 24 per cent are optimistic (compared to 20 per cent in February, and 28 per cent neutral (22 per cent).

The budget may well have had something to do with the more sanguine mood. A big majority gave Finance Minister Owen Horwood top marks for his March package.

Asked to rate the budget on a scale from 0 (very unfavourable) to 10 (very favourable), a whopping 87 per cent gave it six or more out of 10, while 35 per cent scored it nine or 10.

Most business men feel the turning point in the business cycle is now not too far away. Asked: "When do you think the economy will start to recover?", 43 per cent gave it six to 12 months, and 26 per cent 12 to 18 months, so that two-thirds of those polled believe the recovery will begin between the end of this year and the end of 1978.

Four per cent believe it has already started, and 15 per cent expect it within six months. Just under 2 per cent don't think there will ever be a recovery.

So how is this affecting their planning and profit expectations?

Well, there appears to be a slight steadying of the position. Those expecting a decrease in capital expenditure during the next six months are down from 39 per cent to 35 per cent, and those expecting no change are up from 49 to 54 per cent. However, slightly fewer (11 per cent as against 12 per cent) expect an increase.

The situation on the labour front follows the same trend, with more people expecting no change in the labour force in the next six months (up from 60 to 66 per cent), and fewer expecting a decrease (down from 34 per cent to 27 per cent).

An increase of 8 per cent is forecast, compared with 6 per cent before.

Consequently, the decreasing trend in black employment appears to have bottomed out.

Only 35 per cent say production or turnover has increased in the past six months (41 per cent last time) and 53 per cent say it has declined (45 per cent last time).

Looking ahead, however, there are signs of optimism, with 36 per cent expecting an increase in turnover in the next six months (34 per cent), and 46 per cent a decrease (46 per cent).

Regarding pre-tax profits in the next six months, 27 per cent of respondents expect an increase, 18 per cent no change, and 55 per cent a decrease.

The survey covered 270 manufacturers and 160 non-manufacturers.

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
Attitude towards the general business situation			
Those who are —			
Very optimistic	No %	6 1,4	5 1,9 0,6
Fairly optimistic	No %	96 22,4	52 19,3 27,5
Neutral	No %	122 28,4	83 30,9 24,4
Fairly pessimistic	No %	178 41,5	113 42,0 40,6
Very pessimistic	No %	26 6,1	15 5,6 6,9
Don't know/ not answered	No %	1 0,2	1 0,4 —

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
Forecast of production/turnover during the next 6 months			
Those expecting production to—			
Increase by 10% or more	No %	47 11,0	31 11,5 10,0
Increase by 7-9%	No %	51 11,9	31 11,5 12,5
Increase by 4-6%	No %	15 3,5	5 1,9 6,3
Increase by 1-3%	No %	40 9,3	26 9,7 8,8
Remain the same	No %	81 18,9	53 19,7 17,5
Decrease by 1-3%	No %	42 9,8	25 9,3 10,6
Decrease by 4-6%	No %	47 11,0	33 12,3 8,8
Decrease by 7-9%	No %	28 6,5	16 5,9 7,5
Decrease by 10% or more	No %	78 18,2	49 18,2 18,1
Don't know/ not answered	No %	— —	— — —

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
Forecast of expenditure on capital account during the next six months			
Those whose capital expenditure—			
Will increase	No %	45 10,5	30 11,2 9,4
Will remain the same	No %	233 54,3	137 50,9 60,0
Will decrease	No %	151 35,2	102 37,9 30,6
Don't know/ not answered	No %	— —	— — —

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
Total labour force during the next 6 months			
Those whose labour force —			
Will increase	No %	32 7,5	20 7,4 7,5
Will remain the same	No %	283 66,0	170 63,2 70,6
Will decrease	No %	114 26,6	79 29,4 21,9
Don't know/ not answered	No %	— —	— — —

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
How would you rate the last Budget? Express opinion in a score from 0 (very unfavourable) to 10 (very favourable)			
Score 0	No %	1 0,2	1 0,4 —
Score 1	No %	3 0,7	1 0,4 1,3
Score 2	No %	9 2,1	4 1,5 3,1
Score 3	No %	3 0,7	2 0,7 0,6
Score 4	No %	6 1,4	4 1,5 1,3
Score 5	No %	29 6,8	16 5,9 8,1
Score 6	No %	43 10,0	27 10,0 10,0
Score 7	No %	93 21,7	52 19,3 25,6
Score 8	No %	87 20,3	58 21,6 18,1
Score 9	No %	95 22,1	70 26,0 15,6
Score 10	No %	56 13,1	32 11,9 15,0
Don't know/ not answered	No %	4 0,9	2 0,7 1,3

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
When do you think the economy will start to recover?			
Has already started	No %	15 3,5	9 3,3 3,8
Within 6 months	No %	63 14,7	35 13,0 17,5
In 6-12 months	No %	186 43,4	131 48,7 34,4
In 12-18 months	No %	111 25,9	60 22,3 31,9
In 18-24 months	No %	30 7,0	17 6,3 8,1
In over 2 years	No %	13 3,0	8 3,0 3,1
Never	No %	8 1,9	6 2,2 1,3
Don't know/ not answered	No %	3 0,7	3 1,1 —

Number of respondents	Total		
	429	Manu- factu- rers 269	Non-manu- factu- rers 160
Since the Soweto riots have you gained, lost or remained unaffected in your business confidence by the way the Government is handling black politics?			
Gained	No %	31 7,2	17 6,3 8,8
Unaffected	No %	175 40,8	109 40,5 41,3
Lost	No %	220 51,3	140 52,0 50,0
Don't know/ not answered	No %	3 0,7	3 1,1 —

26/6/77 *gunday* *trials*
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ECONOMY - GENERAL.

JUNE. 77.
NOV. 77.

3. הנהגת קול אנונימי (ה) - כי לא יוכלו להעביר את המידע לממשלה. 2. מכאן - כי הממשלה לא תוכל להעביר את המידע לממשלה. 1. מכאן - כי הממשלה לא תוכל להעביר את המידע לממשלה.

Star BUSINESS

Nedbank too sees signs of recovery next year

Michael Chester, Financial Editor

The business barometers inside at least two of the leading commercial banks now show positive signs of the economy moving into better weather.

Mr G S Muller, managing director of Nedbank, today forecast that South Africa will now end 1977 with a surplus on the current account of the balance of payments of R600m or even more.

And in an economic review at a Home Builders Congress in Johannesburg he predicted the pendulum swing of the business cycle will pass its worst before the year end.

He foresaw a hesitant revival slowly gathering momentum next year, with an increase in real consumer spending at the tail end of 1977 leading into a rise in industrial output in the 1978 first quarter.

For next year as a whole he forecast:

- The current account will be looking good.
- Real gross domestic product may advance by about 3 percent.
- Inflation will be cut from around 11 percent at the moment down to only 7 or 8 percent.

The optimism from Nedbank coincided with an economic review from Standard Bank saying that many of the key statistics now point to improvements over a broadening front.

The successful performance of the agricultural and mining sectors - causing a swingabout in the direction of the overall GDP from a 4.5 percent decline in the first quarter to a positive growth of 12/13 percent in the second quarter - has now started spilling over into the production and retail sectors.

The decline in retail sales - as steep as 15 percent a year at one recent count - was finally checked and tilted back higher at mid-year.

Gains were principally based on foodstuffs, furniture and improvements at department stores and shops selling clothing and shoes.

In turn, some of the improvement has rubbed off on the wholesaler sector, where sales, in real terms, though still down at mid-year, at least have been a hard brake on the pace of decline.

The pace of decline was also much slower in overall manufacturing and production in June - down in the month by only 3 percent compared with the dramatic tumble of 8 percent a year ago.

However, says Standard, there remain sectors which look unlikely to benefit from a turnaround for some time yet. Among them, building and property and civil engineering.

הנהגת קול אנונימי (ה) - כי לא יוכלו להעביר את המידע לממשלה. מכאן - כי הממשלה לא תוכל להעביר את המידע לממשלה.

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8/June/1977



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**ECONOMIC DEVELOPMENT PROGRAMME
FOR THE
REPUBLIC OF SOUTH AFRICA
SUMMARY AND POLICY IMPLICATIONS**

1976 - 1981

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PREFACE BY THE HONOURABLE THE MINISTER OF ECONOMIC AFFAIRS

Compared with our growth achievements in the past the South African economy has, on the average, grown at a relatively low rate during the past few years. Although this relatively poor performance, particularly over the past two years, must be attributed largely to short-term factors, including, amongst other things, the deep and prolonged recession experienced abroad, it is obvious that certain structural changes have also occurred which could have a negative influence on the long-term growth potential of the South African economy and of which we must perforce take note.

In the eighth Economic Development Programme for the Republic of South Africa, drawn up by the Office of the Economic Adviser to the Prime Minister for the period 1976 to 1981, some of the above-mentioned structural problems are identified. Nevertheless, the conclusion is reached that the growth potential of the South African economy can be put at 5 per cent in the longer term, provided both the public and the private sectors, as well as the general public, are prepared to make certain adjustments and to take the necessary measures required by the new circumstances. As far as the public sector is concerned, some of the policy implications are implicitly or explicitly spelled out in the Programme and the Government has taken note of the broad policy approach required from the authorities. In view of the uncertainty in various spheres, however, the Economic Advisory Council did not want to recommend that the Government, as in the case of previous Economic Development Programmes, should commit itself to a particular target growth rate. The Government agrees with this.

It should be clearly understood, however, that even if the Government should succeed in eliminating all the bottlenecks identified in the Programme, the economy would not necessarily over the new programming period grow at a rate of 5 per cent a year. In fact, taking into account the circumstances during the first two years of the new programming period, it is very unlikely that this rate of growth will indeed be achieved. The Economic Development Programme should therefore not be regarded as a forecast, but is merely intended to identify bottlenecks in the economy and to determine the growth potential of the economy over the longer term if certain assumptions should apply. Viewed in this light the Programme can therefore serve only as an instrument to aid all persons and bodies concerned with the formulation of the country's economic development policy and as a broad framework within which the public and private sectors can plan their economic activities.

Since doubts have arisen about whether the approach followed so far in preparing the Economic Development Programme is still in all respects the most suitable for our circumstances, and a need has also been felt for other forms of economic planning, the Economic Advisory Council has recommended that investigations should be made into a new approach to economic planning in South Africa. The Government has accepted this recommendation and in view of this, as well as the fact that no specific target growth rate has been decided on, only a brief summary of the latest Economic Development Programme is published. The complete Programme is available, however, in duplicated form and can be obtained

PREPARE BY THE ECONOMIC ADVISER TO THE PRIME MINISTER

In the preparation of the first seven Economic Development Programmes an attempt was constantly made to relate the target growth rate determined for each successive Programme to those in the previous Programmes. At an early stage in the preparation of the eighth E.D.P., however, it became clear that in view of the severe recession experienced by the South African economy during the first years of the new programming period, as well as certain structural changes which have taken place since the beginning of the seventies, this approach would no longer be realistic. An attempt was therefore made to determine anew the growth potential of the South African economy in the medium term.

Seen purely from the labour point of view it was found - just as in the case of the previous E.D.P.s - that a medium-term growth rate of 5,5 to 6,0 per cent a year in the real gross domestic product (G.D.P.) should be possible. At such rates of growth the number of persons unemployed, as a percentage of the labour force, should drop considerably. However, a decline in the domestic propensity to save and a tendency towards capital intensive production in recent years point to a growing capital shortage in years to come unless certain adjustments can be made in these trends. In the light of these adjustments, as well as the possibility that in the years ahead foreign capital may be less readily available than in the past, the estimates for the eighth E.D.P. indicate that the growth potential of the South African economy over the medium term can be put at about 5,0 per cent per annum.

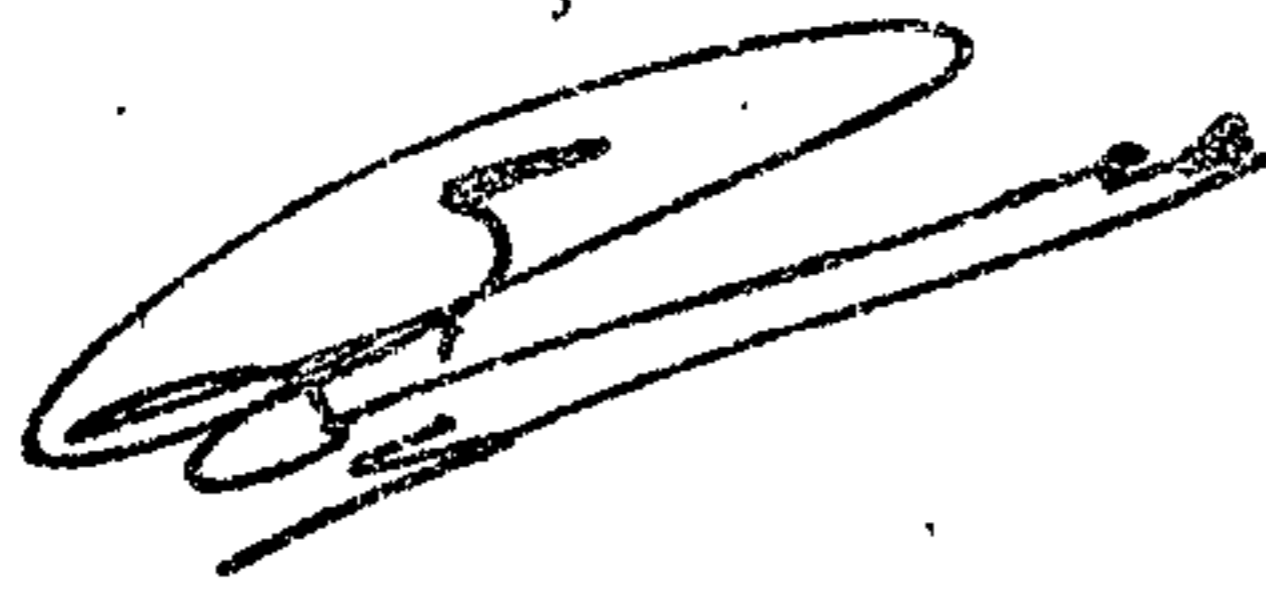
The present prolonged recession entails that the economy, which already had idle capacity in the base year 1975, will have grown at considerably less than its potential during the first two years of the new programming period. According to preliminary estimates, the real G.D.P. grew by only about 1,5 per cent in 1976 and the growth performance in 1977 is not expected to be much better although business conditions should improve during the rest of the programming period, i.e. from 1978 to 1981. The indications are, therefore, that the economy will probably not be able to achieve an average growth rate of more than 3 to 4 per cent per annum over the whole programming period 1976-1981 and that at the end of this period there will therefore still be idle factors of production.

This eighth E.D.P. for the period 1976 to 1981 is therefore presented with the above-mentioned reservations. It must be clearly understood that this is a study of the potential of the South African economy and not a forecast of actual trends in the economy over the next six years. Certain important structural problems in the economy are, however, identified in the Programme and the concomitant policy implications indicated. It is trusted that the publication of this E.D.P. will contribute towards inducing all sections of our population, the private business sector and the public sector to make the adjustments that are necessary to overcome the bottlenecks indicated.

Only a summary of the eighth E.D.P. is herewith published for general information

to make it readily accessible to a wide reading public. The complete E.D.P. is, however, available in limited numbers for those who want to obtain more particulars on the economy in general and on the 50 sectors distinguished in the E.D.P. Persons and bodies who want to make use of it are, however, cautioned once again that this is a study of potential growth and not a forecast for the period 1976 to 1981.

In the preparation of the E.D.P. use was once again made over a wide front of the expert knowledge of persons and bodies in both the public and the private sectors. My Office owes a great debt of gratitude to these persons and bodies. A special word of thanks is directed in particular to the members of the various Sectoral Advisory Committees for their valuable contributions. Where my Office has been instructed by the Cabinet to consider anew the format of and approach to economic planning and to make recommendations in this regard to the Economic Advisory Council and the Government, I trust that we can continue to rely on the highly prized assistance of these persons and bodies.

A handwritten signature in dark ink, consisting of a large, stylized initial 'B' followed by a long, horizontal stroke that tapers to a point.

ECONOMIC ADVISER AND CHAIRMAN OF THE
ECONOMIC ADVISORY COUNCIL OF THE PRIME MINISTER

ECONOMIC DEVELOPMENT PROGRAMME FOR THE REPUBLIC OF SOUTH AFRICA: SUMMARY AND
POLICY IMPLICATIONS: 1976-1981

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SUMMARY AND POLICY IMPLICATIONS

In the eighth Economic Development Programme (E.D.P.) the realised developments during 1974 and 1975 were compared with the E.D.P. projections for the programming period 1974-1979; the implications of three alternative growth rates, viz 4,5, 5,0 and 5,5 per cent per annum, in the real gross domestic product over the new programming period, 1976-1981, were examined from various points of view; and the projected developments in respect of each of these growth rates were examined on the basis of main sectors and sectors. The purpose of this summary is to bring together the major conclusions and policy implications arising from the above-mentioned analyses. Since it appeared clearly from the analyses, however, that the South African economy does not in the present circumstances have the ability to grow at a rate of more than 5 per cent a year over the medium term, the attention is focused mainly on a growth potential of 5 per cent per annum, as well as on the conditions under which it could be regarded as the medium-term growth potential of the economy and the steps which could perhaps be taken to remove certain bottlenecks identified in the c

1. REALISED ECONOMIC DEVELOPMENTS IN 1974 AND 1975

During the period 1973-1975 the major industrial countries experienced the most serious economic recession since the Second World War. The effect of the recession was aggravated by the fact that the world, over the past few years, has had to cope with a shortage of raw materials, a food crisis and a fourfold increase in the price of oil. All this took place in an atmosphere of uncertainty closely bound up with the high rates of inflation all over the world and with drastic changes in the international monetary field. It must therefore be clear that any medium-term estimates of future developments in the economic sphere based solely on the extra-polation of developments in the past, must of necessity be unrealistic.

The South African economy has now been in a downward phase of the business cycle ever since November 1974 and most of the main sectors of the economy grew at low rates in 1975 or even showed declines in their production. The duration of South Africa's present downswing is so far in accordance with previous experience, namely that the business cycle in South Africa follows those of the major industrial countries after a certain period of time. It is expected therefore that the upward phase of the business cycle, which has already started in certain countries and has already had its effect on South Africa's exports, will only in due course be followed by an upswing in the South African economy.

South Africa has also throughout the two years under review experienced a high rate of inflation and although there has been a sustained improvement in this regard, the indications are that in the near future the control of inflation will call for constant vigilance. Apart from this, the South African economy during the two years 1974 and 1975 has had to contend with a sustained large deficit on the current account of the balance of payments,

which only started to show an improvement in the second half of 1976. This is not the normal pattern, for during the early part of the downward phase of previous business cycles the current account has usually shown a moderate improvement since the domestic demand for imports then usually starts to decline. Later, when overseas countries move into an upswing and exports begin to rise, the current account usually shows a more definite improvement. The high level of the real gross domestic expenditure in relation to the country's economic capacity over the period concerned was the one underlying cause of the unsound balance of payments position. A considerable rise in the current expenditure by the Government, particularly on defence equipment and the building up of strategic supplies - both expenditure items with a high import content - was one of the main reasons for this over-spending. Another important reason for the continued rise in the deficit on the current account of the balance of payments during 1975 was the deterioration of South Africa's international terms of trade. The price of gold dropped sharply after August 1975 and the protracted and deep recession overseas resulted in a decline in international raw material prices. Consequently South Africa's export prices slipped back in relation to its import prices.

In spite of the large deficit on the current account of the balance of payments the gold and other foreign reserves improved by R124 million during the two years 1974 and 1975. The reason for this was that during these two years a net amount of R2 780 million in foreign capital flowed into the country. Almost 80 per cent of this consisted of long-term capital. The drop in the net capital inflow which has taken place since then, i.e. in the second half of 1976, together with the tendency which has been in evidence for some time now for the maturity structure of the available foreign loans to become shorter indicates, however, that it might be wise to bear in mind that the net inflow of long-term capital during the next six-year period could be considerably smaller than was the case during the past few years. (Also see Tables 1 and 2.)

The lower average rate of growth in the economy experienced during the two years 1974 and 1975 also resulted in a lower rate of increase in employment opportunities. This caused a rise in unemployment, a trend which was continued in 1976 because the growth in the economy in that year was even slower than in 1975. The rise in the G.D.P. per worker realised over the two-year period from 1973 to 1975 was also lower than the projected rate. If this had not been the case the increase in unemployment would have been even greater. The increase in unemployment can be ascribed partly to the trend in the business cycle. As soon as the rate of growth in the economy turns upward the rate of increase in employment opportunities should also rise, and it is quite possible that the creation of new employment opportunities will then show a closer correspondence to the growth in the labour force. (Also see Table 3.)

As a result of the relatively slow rate of economic development over the past six years - the real G.D.P. increased by an average of only 4,3 per cent a year - the G.D.P. will, over the new programming period 1976-1981, with

TABLE 1 - NATIONAL INCOME AND EXPENDITURE: REALISED DEVELOPMENT COMPARED WITH E.D.P. PROJECTIONS
 (ALL MONEY VALUES ARE IN MILLIONS OF POUNDS AND, UNLESS OTHERWISE STATED, ARE EXPRESSED IN 1973 PRICES)

	1973 (Base Year)	1974			1975			Annual growth rate %			
		E.D.P. pro- jections	Realised figures	Per cent devia- tion	E.D.P. pro- jections	Realised figures	Per cent devia- tion	E.D.P.	Realised	1973-75	
INCOME:											
1. G.D.P. at market prices	19 074	20 239	20 424	1.0	21 590	-3.2	-3.2	6.4	7.1	2.3	4.7
2. Net factor payments to the rest of the world	630	676	733	8.4	786	852	17.4	7.4	16.3	16.2	16.3
3. Effect of changes in the terms of trade 1)		-13	144		-26	-789					
4. GROSS NATIONAL INCOME	18 444	19 540	19 835	1.5	20 828	19 258	-7.6	6.3	7.5	-2.9	2.2
EXPENDITURE											
5. Private consumption	10 948	11 021	11 306	-1.0	12 337	11 863	-3.8	6.2	5.1	3.1	4.1
6. General government consumption	2 256	2 395	2 509	4.8	2 543	2 857	12.5	6.2	11.2	13.9	12.5
7. Gross fixed capital formation	4 939	5 371	5 359	-0.2	5 771	5 654	-2.0	7.4	7.2	5.5	6.3
8. Inventory changes	26	209	1 493		347	792					
9. Residual item	170										
10. GROSS DOMESTIC EXPENDITURE	18 398	19 596	20 867	6.5	20 998	21 166	0.8	6.9	13.4	1.4	7.3
11. Balance on current account (excluding transfer payments) 1)	45	-55	-1 032		-160	-1 908					
12. TOTAL SPENDING ON GROSS NATIONAL INCOME	18 444	19 540	19 835	1.5	20 838	19 258	-7.6	6.3	7.5	-2.5	2.2
BALANCE OF PAYMENTS ITEMS:											
13. Gold production	1 770	1 790	1 543	-13.9	1 812	1 437	-20.7	1.3	-12.0	-6.7	-9.9
14. Exports of goods and non-factor services	3 191	3 509	3 235	-7.8	3 859	3 317	-14.0	10.0	1.4	2.5	2.0
15. Imports of goods and non-factor services	4 286	4 666	5 219	11.9	5 079	5 021	-1.1	8.9	21.8	-3.8	8.2

1) Items 3 and 11 are at current prices.

1975 as base year, have to grow at the high average rate of 6,75 per cent in order to reach a level of production in 1981 equal to the level that would have been reached if the real G.D.P., with 1969 as base year, had grown at a compound rate of 5,5 per cent per annum up to 1981. (See Figure 1.) Over the past 30 years, however, there has not been a single six-year period in which the real G.D.P. had grown at an average rate of 6,75 per cent or more.

From the above analysis the conclusion must be reached that the difficult situation in which South Africa finds itself at present could partly be attributed to causes related to the business cycle. However, there are strong indications too of structural changes in the economy. As a result of this it is clear that the South African economy will not be able, within the new programming period from 1976 to 1981, to make up the shortfall which has developed in comparison with the growth potential indicated in the previous Economic Development Programme. Since this shortfall has not simply developed during the present recession, but the economy has in fact during the whole first half of the seventies proved itself unable to realise the potential indicated by successive E.D.P.s, it is necessary to think anew about the whole question of South Africa's growth potential.

TABLE 2 - GROWTH IN THE REAL CONTRIBUTION OF THE VARIOUS BRANCHES OF PRODUCTION TO THE G.D.P. AT FACTOR INCOMES COMPARED WITH THE E.D.P. PROJECTIONS

	Percentage of G.D.P.	Realised rate of growth in		Average rate of growth for the two years 1973-1975		Deviation from E.D.P. projections in 1975
		1974	1975	Realised	Projected	
Agriculture	7	27,2	-4,4	10,3	5,9	+8,5
Mining	9	-3,1	-1,2	-2,1	4,4	-12,1
Manufacturing	27	6,2	2,2	4,2	7,0	-5,2
Electricity, gas and water	3	8,6	6,8	7,7	7,6	+0,2
Construction	5	8,3	-2,4	2,8	6,7	-7,2
Commerce	17	7,7	3,3	5,5	6,6	-2,1
Transport	10	7,0	6,9	6,9	7,4	-0,9
Miscellaneous services, etc.	22	5,7	4,3	5,0	6,5	-2,7
TOTAL	100	7,2	2,4	4,8	6,4	-3,0

TABLE 3 - EMPLOYMENT OPPORTUNITIES ACCORDING TO RACE AND BRANCH OF PRODUCTION, 1973-1975
E.D.P. PROJECTIONS COMPARED WITH ACTUAL REEMPLOYMENT
(1000 OF PERSONS)

	Adjusted E.D.P. figures	1974			1975		
		Adjusted E.D.P. figures	Realized figures	Difference	Adjusted E.D.P. figures	Realized figures	Difference
ALL RACES							
Total	8 745.7	9 012.5	8 972.5	-37.0	9 293.1	9 169.2	-123.9
Agriculture	2 785.4	2 819.4	2 810.3	-9.1	2 836.1	2 856.1	20.0
Mining	672.3	637.9	662.5	25.4	701.7	621.3	-80.4
Secondary industries (Manufacturing)	1 688.4	1 751.0	1 761.0	10.0	1 039.0	1 803.5	764.5
Service industries	(1 190.7)	(1 238.8)	(1 244.3)	(5.5)	(1 291.0)	(1 273.1)	(17.9)
Service industries	3 501.6	3 744.2	3 732.6	-11.6	3 093.3	3 088.3	-5.0
WHITES							
Total	1 623.5	1 664.8	1 657.2	-7.6	1 708.4	1 705.7	-2.7
Agriculture	23.4	28.9	26.9	-2.0	28.5	28.7	0.2
Mining	58.6	59.6	60.0	0.4	60.8	60.7	-0.1
Secondary industries (Manufacturing)	351.1	360.0	356.8	-3.2	379.7	370.5	-9.2
Service industries	(263.0)	(267.0)	(265.2)	(1.8)	(275.8)	(274.6)	(1.2)
Service industries	1 184.4	1 156.3	1 151.5	-4.8	1 109.4	1 160.0	50.6
COLOUPIDS							
Total	792.2	816.4	821.9	5.5	841.7	845.7	4.0
Agriculture	141.9	142.2	142.2	0.3	142.5	142.5	0.0
Mining	7.8	8.0	7.7	-0.3	8.3	7.8	-0.5
Secondary industries (Manufacturing)	255.2	265.4	268.6	3.2	276.2	270.5	-5.7
Service industries	(200.0)	(207.3)	(209.7)	(2.4)	(215.1)	(209.9)	(5.2)
Service industries	387.5	400.8	403.4	2.6	414.7	425.4	10.7
ASIANS							
Total	199.3	205.2	205.8	0.6	212.4	213.1	0.7
Agriculture	5.7	5.7	5.7	0.0	5.7	5.7	0.0
Mining	0.6	0.6	0.6	0.0	0.7	0.6	-0.1
Secondary industries (Manufacturing)	74.4	76.8	76.8	2.4	80.4	77.4	-3.0
Service industries	(68.4)	(70.5)	(70.6)	(2.1)	(73.7)	(71.8)	(1.9)
Service industries	118.8	122.1	122.7	0.6	125.6	129.4	3.8
BLACKS							
Total	6 130.5	6 326.1	6 260.6	-65.5	6 530.6	6 404.7	-125.9
Agriculture	2 546.4	2 582.6	2 582.6	36.2	2 619.4	2 619.4	0.0
Mining	605.5	619.7	594.2	-25.5	634.9	552.2	-82.7
Secondary industries (Manufacturing)	1 007.7	1 058.8	1 058.8	51.1	1 112.7	1 085.6	-27.1
Service industries	(659.3)	(692.0)	(698.8)	(38.5)	(726.4)	(717.2)	(9.2)
Service industries	1 979.9	2 065.0	2 059.0	-6.0	2 163.6	2 147.5	-16.1

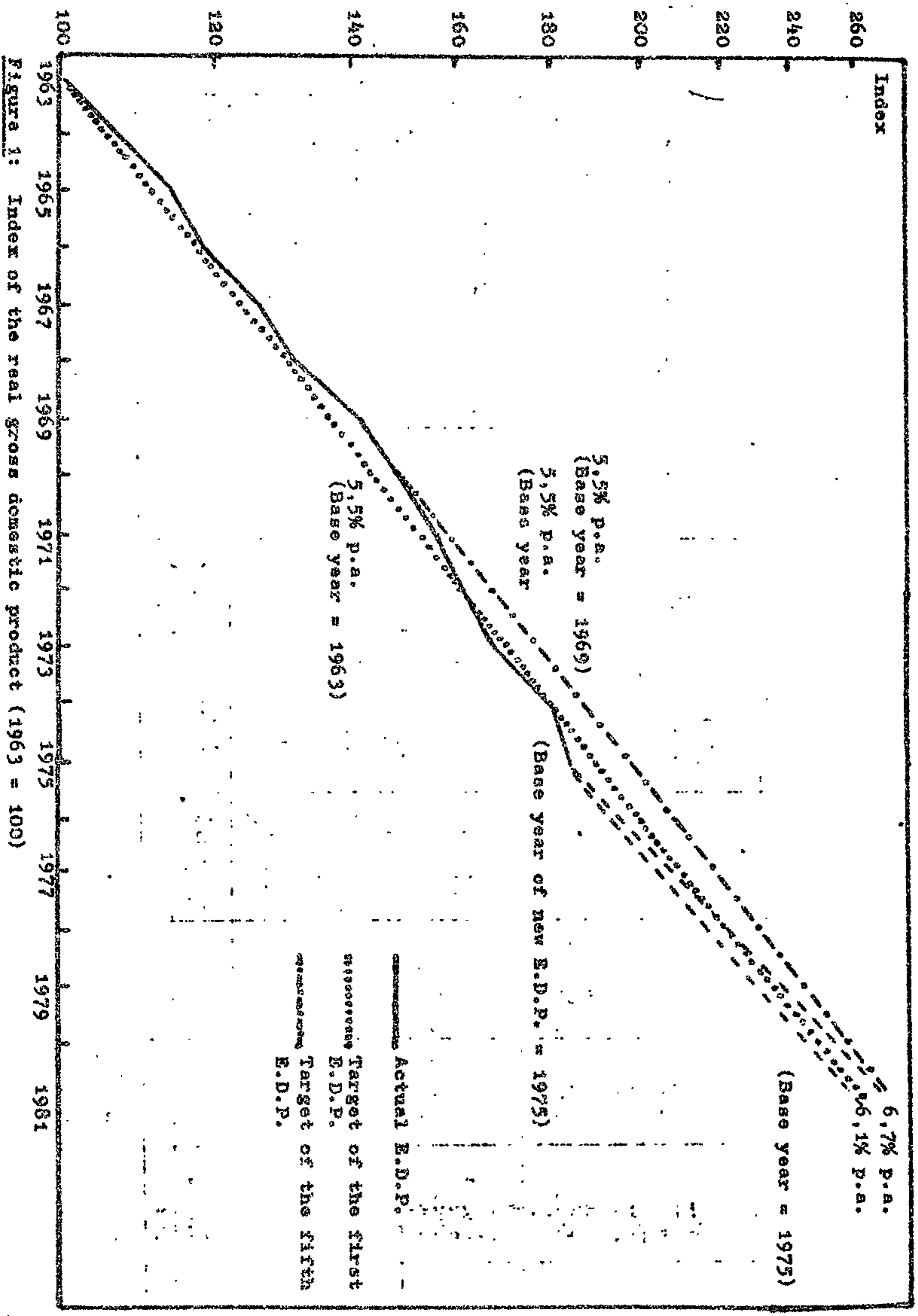


Figure 1: Index of the real gross domestic product (1963 = 100)

J. GROWTH POTENTIAL OF THE ECONOMY OVER THE PERIOD 1976-1981

The object of the E.D.P. is to determine the medium-term growth potential of the South African economy and not to make short-term forecasts. This means that the E.D.P. is an investigation into the rate at which the South African economy should be able to grow with the aid of the available factors of production without causing excessive pressure on the balance of payments and/or the gold and other foreign reserves, and assuming that this rate of growth will also under normal circumstances be accompanied by a reasonable degree of price stability.

Since it is only through the use of factors of production that value can be added to a product, it follows that a yardstick for the production potential of a country is the total value added, i.e. the gross domestic product. The growth in the real G.D.P. over the past 30 years can be divided into four periods of which the first 11 years, 1946-1957, represented a period of relatively rapid growth at an average of 5,1 per cent a year. This was followed by a four-year period, 1957 to 1961, when the real G.D.P. increased at the slow average rate of only 3,2 per cent a year. After this, for a period of eight years, 1961 to 1969, it again grew at the high average annual rate of 6,4 per cent. The last six-year period, which began in 1969, the base year of the fifth E.D.P., was again a period of relatively slow growth in which the real G.D.P. grew at an average annual rate of 4,3 per cent. (Also see Figure 2.)

According to preliminary calculations, the real G.D.P. grew by only about 1,5 per cent in 1976, the first year to which the new E.D.P. relates. In order therefore to attain an average rate of growth of, say, 5,5 per cent per annum over the next six-year period the G.D.P. would have to maintain the high average rate of about 6,2 per cent over the last five years of the programming period 1976-1981. For alternative target growth rates of 5,0 and 4,5 per cent per annum the required average annual rates of growth over the last five years of the programming period decrease to 5,6 and 5,0 per cent respectively. If the past thirty years are divided into five-year periods moving forward one year at a time, then there was only one of the 25 five-year periods in which the average annual growth rate in the real G.D.P. was equal to or larger than 6,2 per cent, while seven five-year periods showed average annual rates of growth in the real G.D.P. equal to or larger than 5,6 per cent and 13 of the 25 periods showed rates equal to or larger than 5,0 per cent. Seen in this light the chances that the real G.D.P. will grow rapidly enough over the five years 1977-1981 to make it possible to realise an average annual rate of growth of more than 5 per cent over the six years of the programming period, 1976-1981, look rather slim.

As mentioned already, however, it is not the purpose of the E.D.P. to forecast the actual growth rate, but rather to give an indication of the rate of growth which should be possible if all the country's resources are fully utilised. To the extent that this indicated potential growth rate exceeds the actual growth rate expected to be realised it simply signifies that at the

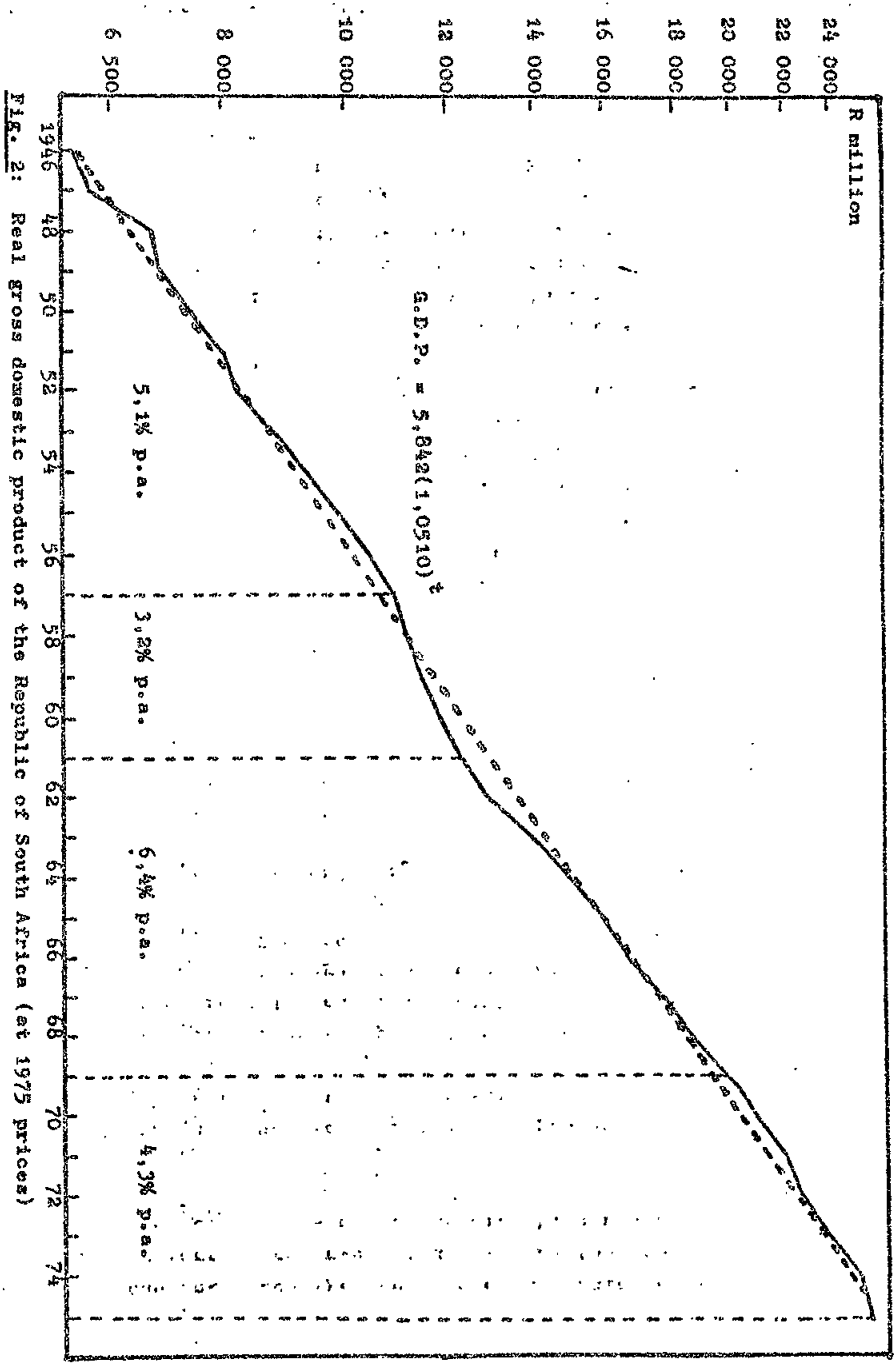


FIG. 2: Real gross domestic product of the Republic of South Africa (at 1975 prices)

end of the programming period there will be an under-utilisation of factors of production with, for instance, a higher rate of unemployment than that which would prevail if the potential rate of growth were actually realised. In order to identify the potential growth rate the implications of specific growth rates in the real G.D.P. over the six years 1976-1981 were analysed from various points of view.

2.1 Labour implications

The potential economic growth rate which it should be possible to maintain over the next six-year period, seen from the labour point of view, will be determined by the growth in the economically active population, the rate at which the G.D.P. per worker can be expected to increase over the programming period and the expected trend in unemployment.

Based on the assumption that the net immigration gain will amount to 30 000 White persons per annum and that the number of contract labourers from adjoining and near-by states will decline by an average of 5 per cent a year, an average annual growth of 2,70 per cent in the total economically active population is projected for the new programming period.

The G.D.P. per worker grew at an average rate of 3,17 per cent per annum over the period 1961 to 1970. From 1970, however, this rate of growth levelled off and amounted to an average of 1,99 per cent per annum over the period 1970 to 1975. It is particularly alarming that this sharp levelling-off in the rate of growth of the G.D.P. per worker took place in spite of the fact that the capital per worker increased at a higher rate after 1970 than in the period before that year. It appears therefore as if the growing capital intensity of the South African economy over the past 20 years has not resulted in better utilisation of labour.

The growth in the G.D.P. per worker is of course also closely associated with the phase of the business cycle in the economy as a whole, in the sense that the G.D.P. per worker tends to grow at a low rate if the growth in the real G.D.P. is slow, and vice versa. It can therefore not be expected that it will be possible for the G.D.P. per worker over the new programming period to grow at the high rate of 3,17 per cent per annum realised during the period 1961 to 1970, unless the growth achievements of the sixties can be repeated, which, as will appear later on, seems unlikely. On the other hand, the relatively low rate of increase in the G.D.P. per worker over the period 1970 to 1975 can partly be attributed to the slump in the economy since the third quarter of 1974 and the fact that quite possibly there was already a certain degree of under-utilisation of labour in 1975. Since 1975 is also the base year of the new programming period, it is also reasonable to accept that the G.D.P. per worker will probably under more normal circumstances increase at a somewhat higher rate over the new programming period than the rate of 1,99 per cent at which it grew over the period 1970 to 1975. It seems therefore as if the most probable rate of increase in the G.D.P. per worker over the new programming period will

lie between 3,17 and 1,99 per cent per year. This conclusion was also confirmed by the members of the Sectoral Advisory Committee, and after consultations with them it was decided to work with an average increase of 2,2 per cent per annum in the G.D.P. per worker for the economy as a whole over the new programming period. (See also Figures 3 and 4 and Table 4.)

If employment grows at the same average rate as the projected growth in the economically active population, namely at 2,7 per cent per annum, and the G.D.P. per worker increases at an average annual rate of 2,2 per cent, then the real G.D.P. must grow at an average rate of 4,96 per cent a year. Given the above-mentioned assumptions concerning the growth in the economically active population and the final product per labourer, an annual average growth rate of 4,96 per cent in the real G.D.P. over the new programming period can therefore be regarded as the lowest rate that is reconcilable with the condition that the level of unemployment should not rise. Although the absolute number of unemployed persons will still increase at this growth rate, it will, as a percentage of the economically active population, be the same in 1981 as the 5,19 per cent in 1975.¹⁾ In order to prevent the absolute number of unemployed persons from increasing the real G.D.P. will have to increase at an average rate of not less than 5,1 per cent per annum over the programming period. Under such circumstances the unemployment percentage will drop to a maximum of 4,42 per cent in 1981. It would seem therefore that the growth potential of the economy, seen from the labour point of view, must be put at a minimum of 5 per cent per annum for the new programming period. The implications of this rate of growth for the employment of the various population groups will be examined at a later stage.

2.2 Income and expenditure

2.2.1 The gross national income

The point of departure for the projections of the various domestic items of expenditure is the real gross national product, in other words the income of the permanent residents of the country. This magnitude is derived from the real gross domestic product by adjusting it for the net payments to foreign factors of production (capital and labour) employed in South Africa and for changes in the terms of trade between South Africa and the rest of the world.

The relatively low rate of growth in net factor payments which, according to the projections, as shown in Table 5, should accompany a growth rate of 5 per cent in the real G.D.P., is attributable to the fact that factor receipts were at a low level in the base year and are therefore expected to increase fairly rapidly over the programming period.

1) Unemployment figures relate only to the non-agricultural sector. In calculating this percentage no provision was made for a rise in unemployment in the agricultural sector although the percentage was calculated on the total labour force. To the extent that an increase in unemployment in the agricultural sector does actually take place - though this will be difficult to determine - the unemployment percentage therefore represents an under-estimation.

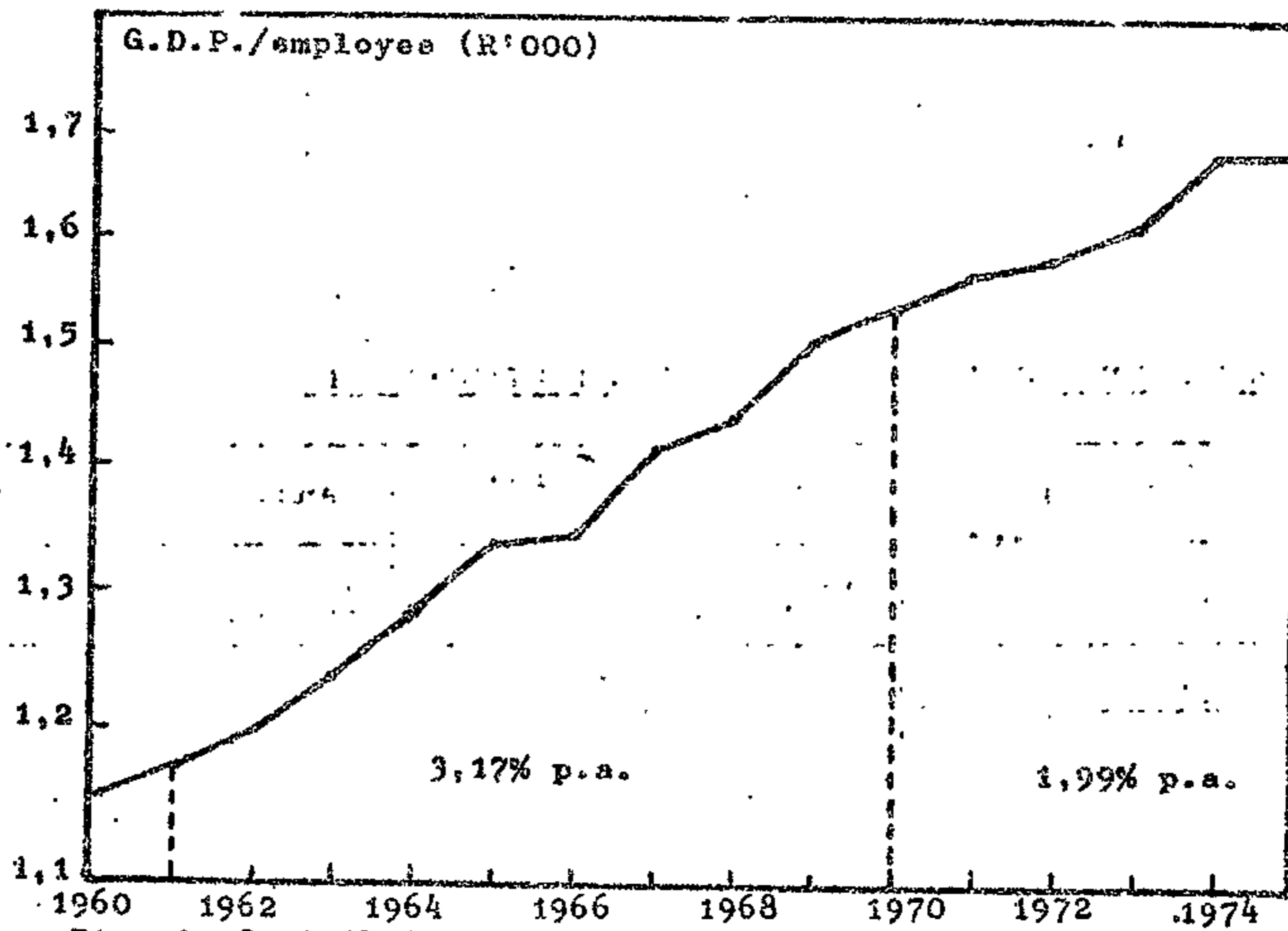


Fig. 3: Contribution to the G.D.P. per worker (at 1970 prices)

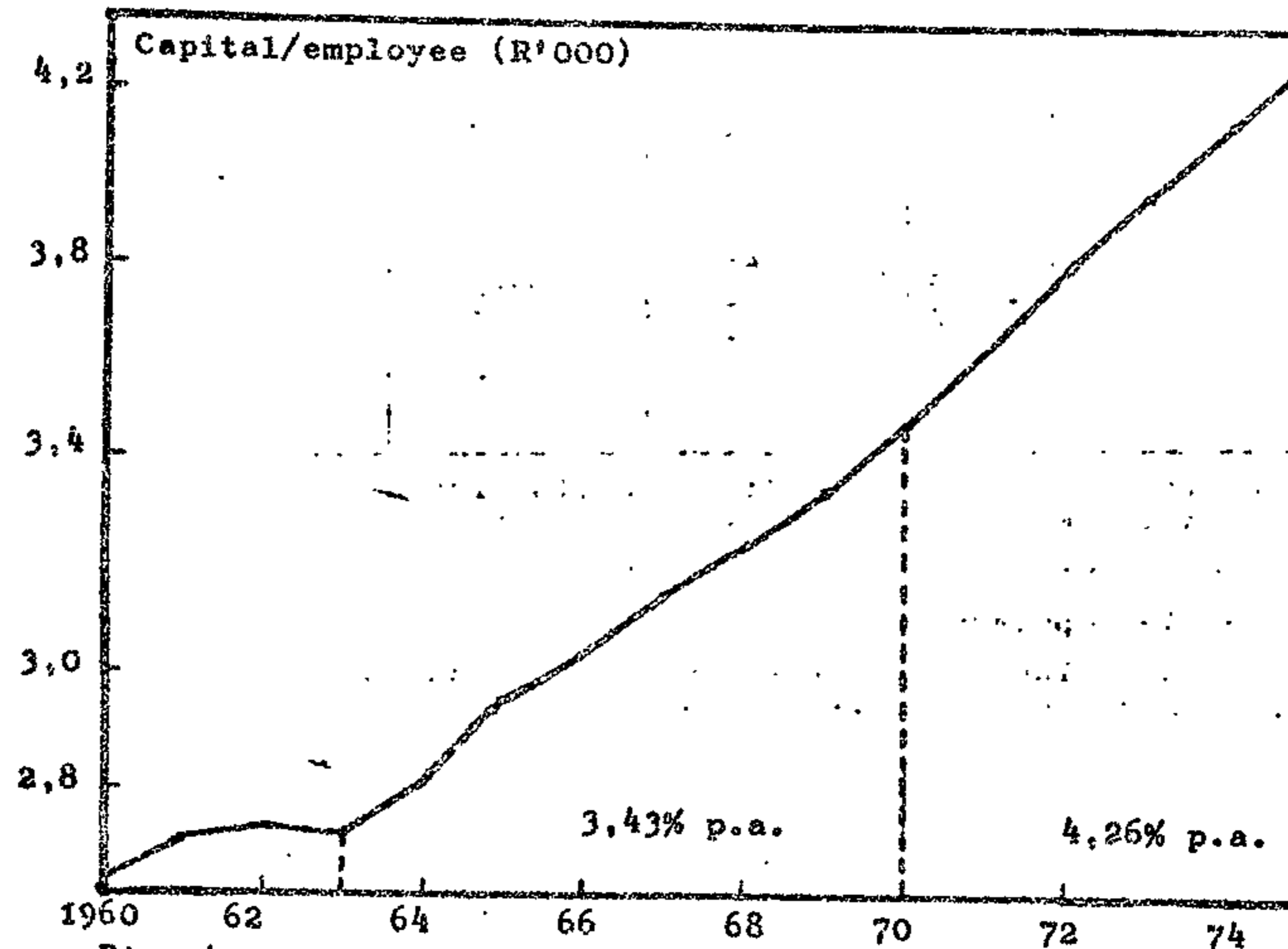


Fig. 4: Gross fixed capital per employee (at 1970 prices)

TABLE 4 - PROJECTIONS OF THE AVAILABILITY AND UTILISATION OF LABOUR¹⁾

	1975	(000 persons) 1981		Annual growth rate	
		4,5%- growth rate	5,0%- growth rate	4,5%- growth rate	5,0%- growth rate
AVAILABILITY OF LABOUR					
POPULATION					
TOTAL ²⁾	524	29 744	29 744	2,58	2,58
Whites ²⁾	4 240	4 836	4 836	2,22	2,22
(Whites) ³⁾	(4 099)	(4 456)	(4 456)	(1,39)	(1,39)
Coloureds	2 380	2 800	2 800	2,74	2,74
Asians	730	848	848	2,54	2,54
Blacks	18 174	21 260	21 260	2,65	2,65
ECONOMICALLY ACTIVE					
TOTAL ²⁾	9 672	11 348	11 348	2,70	2,70
Whites ²⁾	1 710	1 975	1 975	2,43	2,43
(Whites) ³⁾	(1 644)	(1 803)	(1 803)	(1,55)	(1,55)
Coloureds	850	1 028	1 028	3,23	3,23
Asians	215	256	256	2,97	2,97
Blacks	6 897	8 089	8 089	2,69	2,69
UTILISATION OF LABOUR⁴⁾					
TOTAL	9 170	10 479	10 784	2,25	2,74
Whites	1 706	-	1 970	-	2,43
Coloureds	846	-	1 023	-	3,23
Asians	213	-	254	-	2,97
Blacks	6 405	-	7 537	-	2,75
DIFFERENCE BETWEEN AVAILABILITY AND UTILISATION					
TOTAL	502	869	564	-	-
Whites	4	-	5	-	-
Coloureds	4	-	5	-	-
Asians	2	-	2	-	-
Blacks	492	-	552	-	-

- 1) The data relate only to the Republic of South Africa (including the Black homelands) and the Republic of Transkei.
- 2) Including 30 000 immigrants per annum net.
- 3) Endogenous White population.
- 4) The utilisation of labour was determined on the basis of a growth of 2,2 per cent per annum in the G.D.P. per worker.

TABLE 5 - NATIONAL INCOME AND EXPENDITURE OVER THE PROGRAMMING PERIOD 1975-1981
(ALL MONEY FIGURES ARE EXPRESSED IN MILLIONS OF RANDS AND, UNLESS OTHERWISE INDICATED, IN 1975 PRICES)

	1975	4,5 per cent growth rate		5,0 per cent growth rate		5,5 per cent growth rate	
		1981	Rate of growth p.a. %	1981	Rate of growth p.a. %	1981	Rate of growth p.a. %
A. INCOME							
1. Gross domestic product at market prices	25 771	33 561	4,5	34 536	5,0	35 534	5,5
2. Net factor payments	1 140	1 314	2,4	1 354	2,9	1 395	3,4
3. Effect of changes in terms of trade ¹⁾	-	392		408		419	
4. Gross national income	24 631	32 639	4,8	33 590	5,3	34 558	5,8
B. EXPENDITURE							
5. Private consumption expenditure	14 902	18 773	3,9	19 240	4,4	19 716	4,8
6. Government consumption expenditure	3 709	4 375	2,8	4 501	3,3	4 632	3,8
7. Gross fixed capital formation	7 400	9 358	4,0	9 673	4,6	9 997	5,1
8. Inventory changes (including residual item)	367	548		621		696	
9. Total expenditure	26 378	33 054	3,8	34 035	4,3	35 041	4,8
10. Balance of payments on current account (excluding transfer receipts)	-1 747	-415		-445		-483	
11. Total expenditure of gross national income	24 631	32 639	4,8	33 590	5,3	34 558	5,8
C. SUPPLEMENTARY INFORMATION							
12. Net foreign transfer receipts	131	157	3,1	157	3,1	157	3,1
13. Total balance on current account ¹⁾	-1 616	-258		-288		-326	
14. Gross domestic savings	6 139	9 648	7,8	10 006	8,5	10 367	9,1
(a) Personal savings	2 003	2 475	3,6	2 638	4,7	2 805	5,8
(b) Depreciation	2 063	2 905		2 930		2 956	
(c) Company savings	1 250	1 763	5,9	1 825	6,0	1 889	6,2
(d) Government savings	823	2 505	20,4	2 613	21,2	2 717	22,0
15. Consumption expenditure and savings as percentage of gross national income:							
(a) Private consumption expenditure	60,5	57,5		57,3		57,1	
(b) Government consumption expenditure	15,1	13,4		13,4		13,4	
(c) Gross national savings	16,5	20,9		21,4		21,8	
16. Gross fixed capital formation as percentage of the G.D.P.	28,7	27,9		28,0		28,1	

1) Items 4, 11 and 14 are in current prices.

One of the key assumptions on which the projections of the national income and expenditure items are based, is that with regard to the terms of trade. As is shown in Figure 5, the prices of imported goods rose considerably faster in 1974 and 1975 than those of exports. For this reason the calculations in this programme are based on the assumption that the prices of exports (excluding gold) will rise more rapidly than import prices over the period 1976-1981, while the price of gold will increase to R140 (about 160 dollars) per fine ounce by 1981. Provision is therefore made for a positive terms of trade effect of R408 million in 1981 at a rate of growth of 5,0 per cent in the real G.D.P. This also means of course that the deficit on the current account of the balance of payments will decrease accordingly and that, for a given deficit on the current account of the balance of payments, the growth in the physical volume of exports need not be as rapid as would be the case if the positive terms of trade effect were smaller or even negative.

If the assumptions regarding the trends in the net factor payments and the terms of trade prove to be correct, the real gross national income will increase somewhat faster than the real G.D.P. over the programming period, viz at an average annual rate of 5,3 per cent in the case of a G.D.P. growth rate of 5,0 per cent. This implies an increase of 2,5 per cent per annum in the real gross national income per head of the population, compared with the average rate of only 1,9 per cent attained over the period 1970-1975.

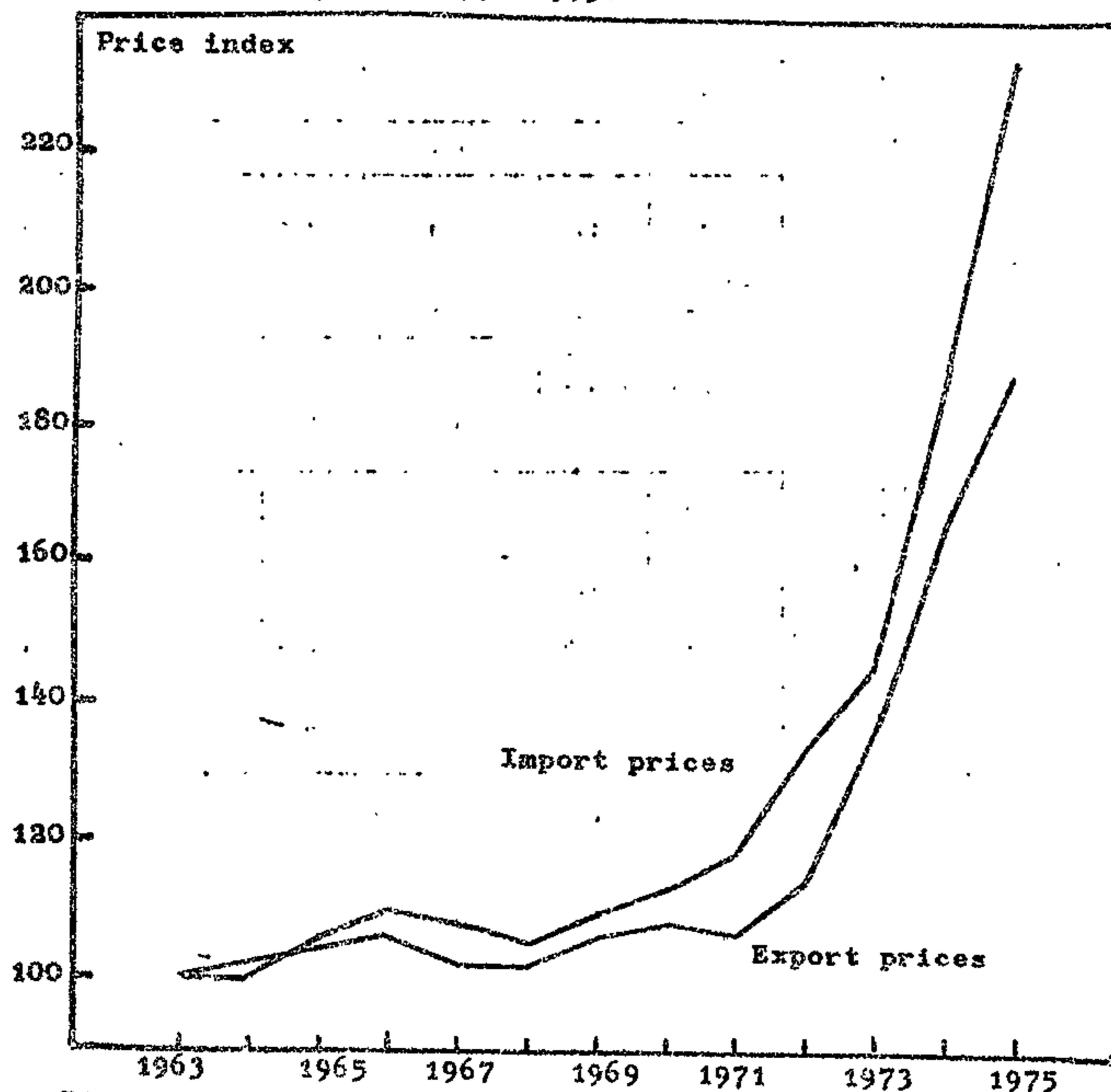


Fig. 5: Price indices of imported and exported goods (excluding gold) - 1963 = 100

2.2.2 The gross domestic expenditure

In an open economy such as that of South Africa the gross domestic expenditure is equal to the G.D.P. at market prices minus the difference between exports and imports of goods and non-factor services.

The relatively high level of South Africa's real gross domestic expenditure over the past number of years was reflected in large deficits on the current account of the balance of payments. The other side of this coin was that the gross domestic savings, i.e. the difference between the gross national income and the domestic consumption expenditure, were inadequate to finance the total fixed and inventory investment. The deficit therefore had to be financed from foreign funds. It must be borne in mind, however, that the gold and other foreign reserves were relatively low at the beginning of the programming period and that it is possible that in years to come South Africa may not find it so easy to attract long-term capital from other countries. It was therefore regarded as sensible, in determining the growth potential of the South African economy over the period 1976-1981, to provide for a relatively modest net inflow of foreign capital. In making the expenditure projections the view was consequently taken that measures will have to be introduced to curb the expansion of the consumption expenditure and to make better use of the available savings by directing these funds into the most productive channels and applying them as effectively as possible in those uses.

Firstly, it is projected that, at a 5 per cent rate of growth in the real G.D.P., the private consumption expenditure as a percentage of the available personal income will amount to 87,2 per cent in 1981, which would differ little from the average percentage over the 15 years 1961-1975. However, in order to counteract the above-mentioned tendency for the rate of growth in consumption expenditure to be too high, it was accepted, inter alia, that specific policy measures would have to be taken to retard the growth in the available personal income. This could be achieved, for instance, by an increase in the direct taxes on persons as well as in indirect taxes.

It is projected therefore that available personal income will grow at a slower rate than the gross national income over the programming period and that, as a percentage of the gross national income, it will drop from 69,2 per cent in the base year 1975 to 65,7 per cent in 1981. Provision is therefore made for an average rise of 4,4 per cent per annum in the real private consumption expenditure at a rate of growth of 5,0 per cent in the real G.D.P.

The government consumption expenditure as a proportion of the gross national income rose from 12,3 per cent in 1969 to 15,1 per cent in 1975. This was not only attributed to the sharp rise in defence expenditure for the rest of the Government's consumption expenditure also stood at the high level of 11,1 per cent of the gross national income in 1975, which was the highest percentage recorded over the past two decades.

In the projections for the eighth E.D.P. it was accepted that government con=

sumption expenditure, like private consumption expenditure, will have to grow at a lower rate than in the past. In view of the very high level of current government expenditure in 1975 provision is therefore made for an average rate of growth of only 3,3 per cent per annum over the period 1976-1981 at a 5,0 per cent rate of growth in the real G.D.P. This implies that government consumption expenditure as a percentage of the gross national income will drop from 15,1 per cent in 1975 to 13,4 per cent in 1981. However, since provision had to be made in this projection for a relatively high rate of growth in defence expenditure, the growth rates for the other items of government consumption expenditure had to be lowered accordingly. (See Table 6.)

If political and other exogenous factors should require that government consumption expenditure as a whole increase at a more rapid rate than that provided for in these projections, then it will of course be necessary to further retard the growth in private consumption expenditure by means of fiscal and monetary policy measures in accordance with this requirement in order to ensure that the total domestic demand for goods and services does not increase more rapidly than can be accommodated within the potential rate of growth.

In order to determine the country's growth potential an estimate must then be made of the expenditure in the form of the gross domestic fixed investment that will be necessary to realise specific growth rates in the G.D.P. It must also be determined whether sufficient domestic savings and foreign capital will be available to finance this investment.

It has already been shown that the growth in the G.D.P. per worker has levelled off since 1970. An average annual rate of 1,99 per cent was attained, which is considerably lower than the average rate of 3,17 per cent realised over the period 1961 to 1970. The capital per worker, however, showed the opposite trend. It increased from the average annual rate of growth of 3,43 per cent attained over the period 1963 to 1970, to an average rate of growth of 4,26 per cent over the period 1970 to 1975. It would therefore appear as if the increased capital intensity did not result in an improved utilisation of labour, and indicates that a relatively larger increase in the capital per worker was required after 1969 for a given rise in the contribution to the G.D.P. per worker than was the case before 1969. (See Figures 3 and 4.)

It also appeared earlier on that the available domestic savings in recent years have been inadequate to finance the capital needs. (See Figure 6.)

The estimates for the eighth E.D.P. indicated that if these recent historical trends should continue, a 5 per cent growth rate in the real G.D.P. would require that the real gross fixed investment increase at an average of 5,1 per cent per annum. Such a high rate of growth in the gross domestic fixed investment will, however, be difficult to finance from the domestic savings which could be generated at that rate of growth and the net inflow of foreign capital that could reasonably be relied upon in years to come. It also appeared from the analyses that if the recent historical trends as regards the capital intensity of the South African economy should indeed continue the

TABLE 6 - THE PROGRAMMED CURRENT INCOME AND EXPENDITURE OF THE GENERAL GOVERNMENT OVER THE PERIOD 1975 - 1981
(R MILLION)

	1975	4.5 per cent Growth rate		5.0 per cent Growth rate		5.5 per cent Growth rate		
		1981	Average Growth rate p.a. %	1981	Average Growth rate p.a. %	1981	Average Growth rate p.a. %	
A. INCOME								
1. Income from property	433	476	1.6	476	1.6	476	1.6	
Less Interest on public debt	392	579	6.7	579	6.7	579	6.7	
2. Indirect taxes	1 030	2 819	7.5	2 888	7.9	2 959	8.2	
3. Direct taxes	3 451	4 987	6.4	5 178	7.1	5 373	7.8	
4. Current transfers received from households and from other countries	177	340	11.5	354	12.2	363	12.7	
CURRENT INCOME	5 472	7 042	6.6	7 317	7.2	7 571	7.8	
B. EXPENDITURE								
5. Consumption expenditure on goods and services	3 709	4 374	2.9	4 501	3.3	4 632	3.6	
a) General services (including defence)	1 694	2 245	4.8	2 281	5.1	2 316	5.4	
b) Provision for roads and streets	244	206	-2.8	214	-3.2	222	-1.6	
c) Community services	129	143	1.7	148	2.3	154	3.0	
d) Educational services	813	850	0.7	890	1.5	938	2.3	
e) Other social services	702	788	1.9	819	2.6	853	3.3	
f) Economic services	127	142	1.9	149	2.7	155	3.4	
6. Subsidies	292	360	4.5	393	5.1	407	5.7	
7. Current transfers paid to households and other countries	655	784	3.0	810	3.6	836	4.2	
CURRENT EXPENDITURE	4 656	5 538	2.9	5 704	3.4	5 875	3.9	
8. CURRENT SURPLUS	823	2 505		2 613		2 717		
C. SUPPLEMENTARY INFORMATION								
9. Total current income as a percentage of the G.N.I. at market prices	22.2	25.0		25.0		25.0		
10. Expenditure per item as percentage of total consumption expenditure on goods and services								
a) General services (including defence)	45.6	51.3		50.7		50.0		
b) Roads and streets	6.6	4.7		4.8		4.8		
c) Community services	3.5	3.3		3.3		3.3		
d) Education	21.9	19.4		19.8		20.1		
e) Other social services	18.9	18.0		18.2		18.4		
f) Economic services	3.4	3.3		3.3		3.4		

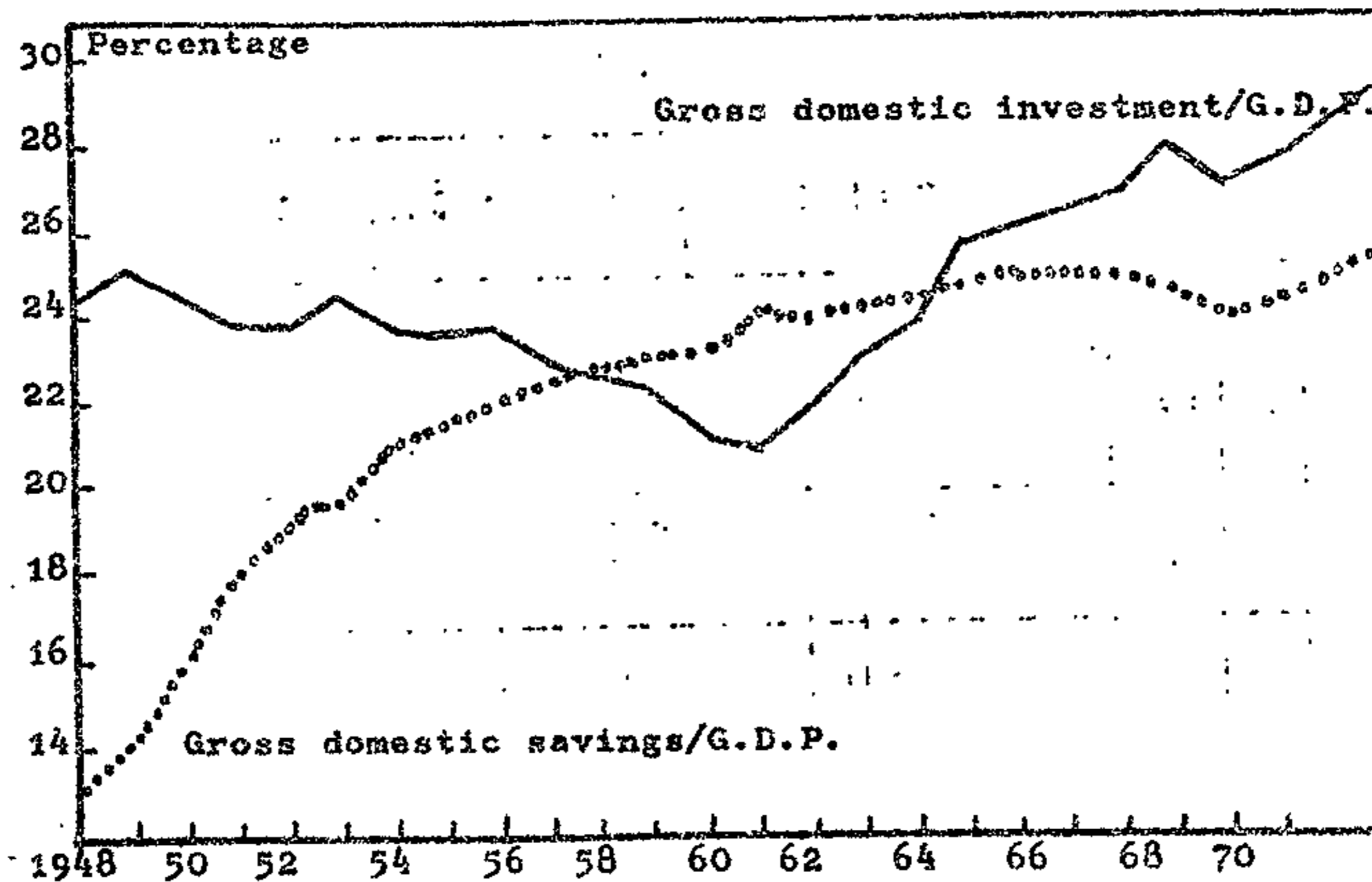


Figure 6: Five-year moving averages of the gross domestic investment as a percentage of the G.D.P., and of the gross domestic savings as a percentage of the G.D.P.

percentage of unemployed persons would show a tendency to increase over the programming period assuming that the real G.D.P. will grow at 5 per cent per annum.

A change in the historical trends of the production and capital per worker through more labour intensive production and the more efficient utilisation of capital therefore seems necessary.

On the assumption that the policy measures proposed in the concluding section will indeed bring about such changes in these historical trends it was projected that the real gross domestic fixed investment will have to grow at 4,6 per cent per annum in order to maintain a 5,0 per cent growth rate in the real G.D.P.

3. THE BALANCE OF PAYMENTS ON CURRENT ACCOUNT

Before final consideration can be given to the medium-term growth potential of the South African economy it is also necessary to examine whether the current account of the balance of payments will not form a bottleneck if the real G.D.P. should grow at a particular rate over the new programming period. In order to do this the first requirement is to determine what the import needs of the country will be over the new programming period. Given the import needs and assuming that net factor payments, the terms of trade and the balance on the current account of the balance of payments (excluding net transfer receipts) will show the trends postulated in the previous section, it can then be determined at

what rate exports of goods and non-factor services will have to increase over the programming period to finance the imports of goods and non-factor services which cannot be financed by means of foreign capital (and/or a change in the gold and other foreign reserves).

The volume of commodity imports increased by an average of 7,7 per cent between 1967 and 1975. If the historical import propensity of the South African economy is maintained, it can be expected that the imports of goods and non-factor services, in terms of constant prices, will increase at an average annual rate of 5,7 per cent in the case of an average annual rate of growth of 5,0 per cent in the real G.D.P. Given the projected trends in the other balance of payments items referred to above, the exports of goods and non-factor services (including gold), in constant prices will, under such circumstances, have to increase at an average rate of 7,94 per cent per annum over the new programming period. If it is assumed that the net gold production will increase at an average rate of 2,3 per cent per annum, this will mean that the exports of goods and non-factor services (excluding gold) must increase at an average rate of 10,47 per cent per annum. Bearing in mind that the exports of goods and non-factor services grew at an average rate of only 3,4 per cent per annum over the period 1969 to 1975, it is unlikely that the above-mentioned rate of growth will be achieved. It therefore seems as if the current account of the balance of payments will not be able to support a rate of growth of 5,0 per cent per annum in the real gross domestic product if the historical import propensity should be maintained.

The relatively large rise in imports during the period 1967 to 1975 was of course to some extent associated with the growing tendency in the South African economy to become more capital intensive. In the last section it was accepted, however, that this tendency would be counteracted by more labour intensive production and the more efficient utilisation of capital. As far as imports are concerned, it was therefore also accepted that the imports of goods and non-factor services would not continue its historical trend, but would increase at an average rate of 4,95 per cent per annum in the case of an average annual rate of growth of 5,0 per cent in the real G.D.P. This relatively low rate of increase in real imports may, however, also require that specific measures be considered to promote import substitution.

Even if the imports in terms of constant prices should increase at an average rate of only 4,95 per cent per annum over the programming period, the exports of goods and non-factor services, including gold, will still have to grow at an average rate of as much as 7,2 per cent per annum. Given the projected growth rates of 2,3 per cent per annum in the gold production and 9,9 per cent per annum in the receipts for non-factor services, this implies an average growth rate of 9,3 per cent per annum in the volume of merchandise exports, excluding gold. (See Table 7.)

A study by the Office of the Economic Adviser has shown that there is a significant correlation between the growth in the South African exports and the

TABLE 2 - PROGRAMMED BALANCE OF PAYMENTS ON CURRENT ACCOUNT OVER THE PERIOD 1975 TO 1981

	4.5 per cent growth rate		5.0 per cent growth rate		5.5 per cent growth rate		
	1975	1981	Average growth rate p.a., %	1981	Average growth rate p.a., %	1981	Average growth rate p.a., %
A. Trade account							
Receipts at 1975 prices							
Exports of goods	3 618	2 985	8,8	6 175	9,3	6 325	9,8
Gold production	2 540	2 912	2,3	2 912	2,3	2 912	2,3
Total: Goods	6 158	8 897	6,3	9 087	6,7	9 237	7,0
Payments at 1975 prices							
Imports of goods	6 681	8 370	3,8	8 597	4,3	8 763	4,6
Balance on trade account	-523	527		490		474	
B. Services account							
Receipts at 1975 prices							
Non-factor services	1 061	1 777	9,0	1 869	9,9	2 000	11,1
Factor services	245	253	10,8	469	11,4	485	12,1
Net transfers	131	157	3,1	157	3,1	157	3,1
Total	1 437	2 387	8,8	2 495	9,6	2 642	10,7
Payments at 1975 prices							
Non-factor services	1 145	1 797	7,8	1 858	8,4	1 981	9,6
Factor services	1 385	1 767	4,1	1 823	4,7	1 880	5,2
Total	2 530	3 564	5,9	3 681	6,5	3 861	7,3
Balance on services account	-1 093	-1 177		-1 186		-1 219	
C. Balance on current account							
Balance on current account in constant 1975 prices	-1 616	-650		-696		-745	
Changes in terms of trade	-	+392		+408		+419	
Balance on current account at current prices	-1 616	-258		-288		-326	

Growth in the South African exports and the growth in world trade. In the light of the rate of growth foreseen for world trade over the next six-year period, it is possible that, under the present circumstances, South Africa's exports will increase at an average rate of only 7,2 per cent per annum over the programming period. Judged by the views expressed in the Sectoral Advisory Committees, however, a rate of growth of 8,3 per cent per annum over the period 1975 to 1981 can be regarded as a realistic potential. Against this background, and taking into account the average rate of growth of only 3,4 per cent per annum in the exports of goods and non-factor services over the period 1969-1975, it would therefore appear that the annual growth rate of 9,3 per cent in exports provided for in the projections at the 5,0 per cent growth alternative, is rather high and that to achieve this very serious attention would have to be given to the promotion of exports.

4. SECTORAL GROWTH PATTERN

The sectoral growth pattern of the economy can be identified from the trends in the various shares of the three main branches of production, namely the primary, secondary and tertiary sectors, in specific economic magnitudes (G.D.P., imports, exports and the demand for labour and capital). The projections for these shares that would be reconcilable with a rate of growth of 5 per cent per annum in the real G.D.P. are set out in Table 8.

4.1 The primary sector

For a real increase in the G.D.P. of 5,0 per cent per annum over the programming period it is projected that the share of the primary branches of production (i.e. agriculture and mining together) will have to increase at an average of 5,1 per cent per annum. The historical trend shows that the importance of agriculture relative to the total G.D.P. has declined in the long term and, according to the projections, it will decrease even further to 7,4 per cent in 1981. For the purpose of the projections it is accepted that the tendency towards mechanisation in agriculture will continue over the programming period and, in accordance with the historical experience of countries that have already reached an advanced stage of economic development, it is projected that employment opportunities in agriculture will become less in relation to the total economically active population. (See Table 9.)

The share of mining in the real G.D.P. dropped from an average of 11,3 per cent in the five years 1961-1965 to an average of 8,8 per cent in the five years 1971-1975. There are strong indications, however, that it will rise over the programming period, at a rate of 5,8 per cent per annum. This growth should be concentrated mainly on entry into the export markets, particularly for iron ore and coal. The expected strengthening of the share of mining in the South African economy is mainly related to the development of the export projects at Saldanha Bay and Richards Bay. Apart from gold and diamond mining, which has traditionally played such an important part in South Africa's economic development, the mining of several other mineral products is beginning to

TABLE B - THE CONTRIBUTION OF THE MAIN BRANCHES OF PRODUCTION TO THE G.D.P. 1)

Branch of production	A: Contribution to the G.D.P. in R million		Average growth rate %
	1975	1981	
Primary sector			(5,1)
Agriculture	1 869	2 406	4,3
Mining	1 967	2 757	5,8
Secondary sector			(5,7)
Manufacturing	5 828	8 260	6,0
Electricity, gas and water	753	1 029	5,3
Construction	1 117	1 429	4,1
Tertiary sector			(4,6)
Trade	3 570	4 979	5,3
Transport	2 525	3 684	6,5
Miscellaneous services	6 654	7 998	3,1
TOTAL	24 283	32 542	5,0

	B: Percentage contribution to the G.D.P.				
	1961-1965	1966-1970	1971-75	1975	1981
Primary sector	(22,4)	(19,9)	(17,1)	(15,8)	(15,8)
Agriculture	11,1	9,4	8,3	7,7	7,4
Mining	11,3	10,5	8,8	8,1	8,4
Secondary sector	(26,9)	(30,2)	(31,9)	(31,7)	(33,0)
Manufacturing	21,4	23,9	23,9	24,0	25,4
Electricity, gas and water	2,4	2,5	3,2	3,1	3,2
Construction	3,1	3,8	4,8	4,6	4,4
Tertiary sector	(50,7)	(49,9)	(51,0)	(52,5)	(51,2)
Trade	13,5	14,7	14,9	14,7	15,3
Transport	9,0	8,8	9,6	10,4	11,3
Miscellaneous services	28,2	26,4	26,5	27,4	24,6
TOTAL	100,0	100,0	100,0	100,0	100,0

1) G.D.P. at factor cost.
For a 5 per cent per annum growth in real G.D.P.

TABLE 9 - PROJECTIONS OF LABOUR USE ACCORDING TO THE MAIN BRANCHES OF PRODUCTION, 1975-1981¹⁾

	1975 Thousands	1981	Annual growth rate %
TOTAL ALL RACES	9 170	10 784	2,7
Agriculture	2 857	3 256	2,2
Mining	622	783	3,9
Secondary industries (manufacturing)	1 804 (1 273)	2 214 (1 583)	3,5 3,7
Service industries	3 887	4 531	2,6
TOTAL WHITES	1 706	1 970	2,4
Agriculture	89	86	-0,5
Mining	61	71	2,6
Secondary industries (manufacturing)	371 (275)	421 (308)	2,1 2,0
Service industries	1 185	1 392	2,7
TOTAL COLOUREDS	846	1 023	3,2
Agriculture	143	141	-0,2
Mining	8	10	4,2
Secondary industries (manufacturing)	270 (210)	344 (264)	4,1 3,9
Service industries	425	528	3,7
TOTAL ASIANS	213	254	3,0
Agriculture	6	5	-3,2
Mining	1	1	4,9
Secondary industries (manufacturing)	77 (71)	92 (85)	2,9 2,9
Service industries	129	156	3,2
TOTAL BLACKS	6 405	7 537	2,7
Agriculture	2 619	3 024	2,4
Mining	552	701	4,0
Secondary industries (manufacturing)	1 086 (717)	1 357 (926)	3,8 4,4
Service industries	2 148	2 455	2,3

1) For a 5 per cent per annum growth in real GDP.

give a quite new dimension to the role of mining. In view of the sharply rising price of crude oil and the uncertainties regarding the availability of this raw material an intensive and world-wide search is taking place for alternative sources of energy, and consequently there is a renewed interest, inter alia, in South Africa's coal deposits and in the enrichment of uranium for nuclear power purposes.

The expansions in mining production will, according to the projections, give rise to an increase in employment in the mining industry. As a result, amongst other things, of increased mechanisation, particularly in non-gold mining, more workers will move from unskilled to semi-skilled and even skilled work. Intensive training programmes in the mining industry are already under way or are being contemplated with a view to training Blacks for such more sophisticated work. (See Table 10.)

4.2 The secondary sector

The share of the secondary sector in the G.D.P. will, according to the projections, increase at an average annual rate of 5,7 per cent over the programming period in the case of a 5 per cent growth rate in the real G.D.P. The shares of the various manufacturing and other secondary sectors in this growth rate will be the outcome of the projected final supply and demand structure as reflected in the differential growth rates of macro-economic magnitudes such as private consumption expenditure, inventory formation, current expenditure by general government, exports and imports, etc. Any deviation from the projected supply and demand structure will of course give rise to a different sectoral growth pattern, although it will not necessarily result in a different growth rate for the secondary sector. The slow growth in the available personal income for which provision has been made over the programming period, has a direct effect on the expenditure on durable and semi-durable goods. For this reason it is expected that certain industries, such as the manufacturers of metal products, motor vehicles and parts, furniture and domestic electrical equipment, will not grow very fast. In general it was accepted that the local demand would grow at a slower rate than the production, so that exports will have to increase more rapidly. The major export industries are the food processing industry, the basic industrial chemicals industry, the basic iron and steel industry and the miscellaneous manufacturing industry. Apart from the food processing industry, the projections allow for strong export efforts by all these industries over the programming period.

The relatively low projected growth rate of the construction industry can be attributed mainly to the excess supply of certain types of buildings in the base year and to the slower increase in government expenditure (apart from defence expenditure) allowed for in the projections, particularly as regards the creation of infrastructure.

The low projected growth rate for electricity, gas and water is attributable to the fact that in the projection for the domestic production of electricity provision has been made for the import of electricity from the Cabora Bassa scheme.

TABLE 10 - PROJECTED DEVELOPMENT IN THE OCCUPATIONAL STRUCTURE OF THE LABOUR FORCE ACCORDING TO THE MAIN BRANCHES OF PRODUCTION FOR THE PROGRAMMING PERIOD 1975 TO 1981

	1975	1981	Percentage distribution according to population group													
			TOTAL	Professors, etc. workers	Managers, etc. workers	Clerical workers	Sales workers	Transport workers	Services workers	Production workers	Foremen and supervisors	Artisans and apprentices	Labourers	Peasants, etc.		
MINING INDUSTRY																
Whites	1975	1981	9,6	9,5	4,3	11,0	0,2	0,7	0,9	44,9	2,2	26,2	0,1	-	-	-
	1981		9,1	11,2	4,3	11,6	0,2	0,7	1,2	40,9	2,4	27,2	0,2	-	-	-
Coloureds	1975	1981	1,3	2,7	-	5,9	0,2	9,0	2,3	50,3	0,2	2,6	26,7	-	-	-
	1981		1,3	3,0	-	8,6	0,3	9,6	1,7	55,2	0,2	7,6	13,8	-	-	-
Asians	1975	1981	0,1	-	0,3	10,3	-	14,7	2,3	31,4	0,3	5,0	23,4	-	-	-
	1981		0,1	0,6	0,3	29,9	-	18,0	4,3	31,4	-	4,6	11,1	-	-	-
Blacks	1975	1981	88,8	0,4	-	2,0	0,1	2,7	4,4	80,7	0,2	-	8,5	-	-	-
	1981		89,5	0,5	-	2,0	0,1	4,3	4,1	82,9	0,4	-	5,7	-	-	-
Total	1975	1981	100	1,3	0,4	3,0	-	3,5	4,1	76,7	0,4	2,6	8,0	-	-	-
	1981		100	1,5	0,4	3,0	0,1	4,0	3,8	78,7	0,6	2,6	5,3	-	-	-
SECONDARY INDUSTRY																
Whites	1975	1981	20,5	10,9	8,9	19,5	4,0	1,0	0,7	16,6	7,7	30,7	0,1	-	-	-
	1981		19,0	12,4	9,9	29,5	3,8	0,8	0,7	15,1	8,2	29,7	0,1	-	-	-
Coloureds	1975	1981	15,0	0,5	0,1	4,8	0,5	2,6	1,3	55,2	1,6	15,2	18,2	-	-	-
	1981		15,5	0,5	0,2	5,1	0,6	2,4	1,1	55,4	1,6	17,3	15,6	-	-	-
Asians	1975	1981	4,3	1,1	0,8	16,2	1,2	3,3	1,4	60,6	3,4	7,7	4,3	-	-	-
	1981		4,2	1,4	1,0	17,8	1,3	3,3	0,7	59,2	4,1	7,5	3,9	-	-	-
Blacks	1975	1981	60,2	-	0,1	1,9	0,2	3,4	2,1	38,8	0,9	1,5	51,1	-	-	-
	1981		61,3	0,2	0,1	2,0	0,2	3,7	2,0	42,9	1,0	1,5	46,0	-	-	-
Total	1975	1981	100	2,5	2,0	6,5	1,1	2,7	1,6	37,6	2,5	9,8	33,7	-	-	-
	1981		100	2,6	2,0	6,5	1,0	2,9	1,6	40,2	2,6	9,8	30,8	-	-	-

TABLE 10 (cont.)

	TOTAL % of total per sector	Percentage distribution according to population group											
		Professional, etc., workers	Managerial, etc., workers	Classical workers	Sales workers	Transport workers	Service workers	Production workers	Foremen and supervisors	Artisans and apprentices	Labourers	Farmers, etc.	
MANUFACTURING INDUSTRY													
Whites	1975 1981	31,6 19,5	10,6 12,1	9,2 9,9	21,1 21,0	5,1 4,7	1,1 1,0	0,8 0,7	17,0 16,4	7,0 7,1	27,1 27,0	0,2 0,1	-
Coloureds	1975 1981	16,5 16,7	0,5 0,6	0,2 0,2	5,5 6,0	0,7 0,7	2,7 2,6	1,4 1,2	66,4 66,4	1,5 1,8	5,4 7,2	14,7 13,3	-
Asians	1975 1981	5,6 5,4	1,2 1,4	0,9 1,1	16,1 17,9	1,2 1,4	3,1 3,1	1,5 0,8	64,6 62,7	3,3 4,0	3,4 3,4	4,6 4,2	-
Blacks	1975 1981	56,3 58,4	0,3 0,3	0,2 0,2	2,4 2,5	0,3 0,3	4,2 4,6	2,3 2,2	50,9 54,3	1,2 1,3	0,4 0,5	37,9 31,8	-
Total	1975 1981	100 100	2,6 2,6	2,2 2,2	7,7 7,7	1,5 1,5	3,2 3,2	1,8 1,8	47,0 47,0	2,6 2,6	7,3 6,9	24,1 22,3	-
SERVICE INDUSTRIES													
Whites	1975 1981	41,5 40,5	21,9 22,6	8,2 8,7	32,8 32,9	11,8 11,9	5,6 5,2	7,7 7,2	8,6 8,6	1,2 1,2	7,3 7,1	0,9 0,6	-
Coloureds	1975 1981	11,9 12,6	11,5 10,7	0,3 0,4	11,6 14,4	8,3 9,5	7,0 7,6	27,2 25,8	7,0 6,9	0,5 0,4	1,9 2,1	23,9 21,9	-
Asians	1975 1981	4,4 4,5	10,3 10,6	2,4 3,0	27,3 32,4	15,9 18,9	8,2 6,6	22,2 16,6	4,5 3,3	0,5 0,4	1,5 2,3	7,2 5,9	-
Blacks	1975 1981	42,6 42,4	10,2 10,3	0,1 0,1	4,1 4,7	3,3 4,6	10,7 12,0	20,5 20,3	7,2 8,0	0,3 0,3	0,6 0,6	43,0 39,1	-
Total	1975 1981	100 100	15,2 15,4	3,6 3,7	17,9 18,6	7,9 8,9	8,2 8,5	16,0 15,5	5,2 5,4	0,7 0,7	3,5 3,5	21,8 19,8	-

22

The demand for White and Asian labour by secondary industries will, according to the projections, grow at a somewhat lower rate than the average, but the demand for Coloured and Black labour at a relatively high rate. In the case of the Whites the labour structure changes in favour of more professional and technical jobs. In the case of the other population groups too the labour structure changes in favour of more skilled work. (See Table 10.)

4.3 The tertiary sector

The tertiary sector includes commerce, transport and miscellaneous services. The first two sectors will, according to the projections, grow fairly rapidly, mainly as a result of the export projects which will come into full operation during the programming period, to wit the Sishen-Saldanha and the Richards Bay projects. Miscellaneous services includes the financial, property and business services; social and personal services; general government services, as well as other producers. The low projected growth in this sector is mainly attributable to the relatively slow growth in the consumption expenditure of the government and private households for which provision has been made over the programming period.

The tertiary sector is the largest employer of labour in South Africa. In 1975 42,4 per cent of the economically active population was employed in this sector and, according to the projections, the employment will grow by 2,6 per cent per annum over the six years, 1976-1981. The labour structure of the Whites in this sector is expected to remain stable. As far as the Coloureds are concerned, however, a relatively larger proportion of them will become clerks and salesmen and a relatively smaller proportion unskilled labourers. The projected pattern is the same as far as the Asians are concerned. According to the projections, the Blacks will increasingly be employed as sales and transport workers, clerks and production workers in this sector. The percentage of labourers will decrease accordingly. The Blacks who qualify as professional workers are mainly found in government services, where they are employed as teachers or nurses and, according to the projections, they will remain a constant percentage of the labour force.

5. KEY CONCLUSIONS AND POLICY IMPLICATIONS

It appeared from the estimates in the preceding sections that the South African economy had, during the past number of years, undergone or was still undergoing various structural changes which could have an adverse influence on the medium-term growth potential of the economy if they should persist. It appeared inter alia that, as has already been done in certain respects in the Budgets for 1976/77 and 1977/78, the following factors would have to be constantly borne in mind in determining the economy's growth potential:

- a) a tendency towards general over-spending in the economy which can be traced back to various socio-economic causes, including the higher level of defence expenditure, which is expected to become a permanent feature of government spending over the medium term;

- b) a persistent tendency towards large deficits on the current account of the balance of payments, partly as a result of the general over-spending in the economy and partly as a result of the adverse changes in the terms of trade which arose, inter alia, from the rise in the oil price relative to other prices;
- c) the concomitant tendency towards inadequate domestic saving in relation to the growing capital needs;
- d) a rise in unemployment which, apart from the effect of the business cycle, seems to be partly of a structural nature to the extent that it can be ascribed to a tendency towards more capital intensive production, which in turn contributed to the deficits on the current account of the balance of payments;
- e) a tendency for the demand for skilled and semi-skilled labour to increase in relation to the demand for unskilled labour; and
- f) the possibility that in the coming years foreign capital may be less readily available than in the past.

In view of the above structural changes the conclusion was reached in the eighth E.D.P. that the growth potential of the economy over the programming period, 1975 to 1981, seen from the point of view of the capital requirements and the available sources of finance, could be put at a maximum of 5,0 per cent per annum, but on condition that it would be possible to bring about certain deliberate adjustments in the development pattern. It further appeared from the analyses that this growth potential was also dependent on certain basic adjustments in the current account of the balance of payments. Seen from a labour point of view, however, it appears as if a growth potential of 5,0 per cent per annum over the new programming period is the minimum rate which can be accepted. Although, according to the projections, the number of unemployed Blacks as a percentage of the economically active Black population (excluding the labour force in the agricultural sector in the Black homelands) will drop from 7,1 per cent in 1975 to 6,8 per cent in 1981 at an average growth rate of 5,0 per cent per annum in the real G.D.P., the number of unemployed Blacks as such will increase from 492 000 persons in 1975 to 552 000 in 1981. From the point of view of Black unemployment it therefore seems as if it would be desirable that even more drastic adjustments should take place in the development pattern of the South African economy than those provided for in this programme.

Various instruments could be considered by the authorities to bring about these essential structural changes.

As regards fiscal policy, the projections contained in the E.D.P. indicate that both private and government consumption expenditure will have to increase at a lower rate than in the recent past. Firstly, in order to limit the growth rate of private consumption expenditure consideration could be given to an increase in direct personal taxes or indirect taxes. Secondly, provision is made in the projections for keeping the current government expenditures at a lower level all through the period in relation to the available income without jeopardising the necessity of increased defence spending. This means, however, that the rates of increase of government consumption expenditure on general services (excluding defence), the provision of roads, community services, education, social and economic services will have to be drastically reduced.

Thirdly, it follows from these adjustments that, according to the projections, the current surplus of the government will increase in relation to the gross domestic product, which could help to counteract the tendency to a capital shortage.

Provision was also made in the analyses that the growing capital shortage foreshadowed by the analyses would to a large extent be alleviated by channeling the available savings in the right directions and using them as effectively as possible, both in the private and in the public sector. The government for its part can give effect to this approach by the efficient coordination of capital programmes in the public sector and the application of a strict scale of priorities. In both the private and the public sectors more emphasis could also be laid on research programmes and other incentives aimed at a less capital intensive development programme and at the use of machinery and equipment that are better suited to our local conditions of relative capital scarcity and the relative abundance of skilled and semi-skilled labour.

The government's monetary policy could play a part in combating structural unemployment in the sense that, to the extent that interest rates are allowed to fulfil their normal market function, it should favour labour intensive relative to capital intensive production.

As regards labour policy, the projections point to two important guidelines. Firstly, it is essential that the accepted objective of narrowing the wage gap between White and Brown or Black workers should not be pursued in such a way that it will cause the labour cost per unit of the real gross domestic product to rise in relation to the capital cost, since this would be conducive to more capital intensive production.

Secondly, the tendency towards a growing demand for skilled and semi-skilled workers makes it necessary that training programmes should be continuously overhauled to provide in this need and that adjustments in the accessibility of more advanced work for all the population groups should constantly keep pace with these altered circumstances.

Finally, as regards foreign trade policy, the estimates indicated that even with a less capital intensive production pattern and an improvement in South Africa's international terms of trade over the programming period it will only be possible to keep the deficit on the current account of the balance of payments within reasonable limits if imports grow at a lower rate and exports (excluding gold) at a higher rate than in the recent past. Special attention will therefore have to be given to suitable measures to give further encouragement to import substitution and to promote exports.

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3. Write briefly on the causes of urbanisation.

(10 marks)

30/6/77 M/MERC.

S.A.'S RESERVES DECREASE

PRETORIA — South Africa's total gold and foreign assets dropped by R10 506 121 last week and stood at R774 187 833 on Friday, according to the weekly statement of the Reserve Bank.

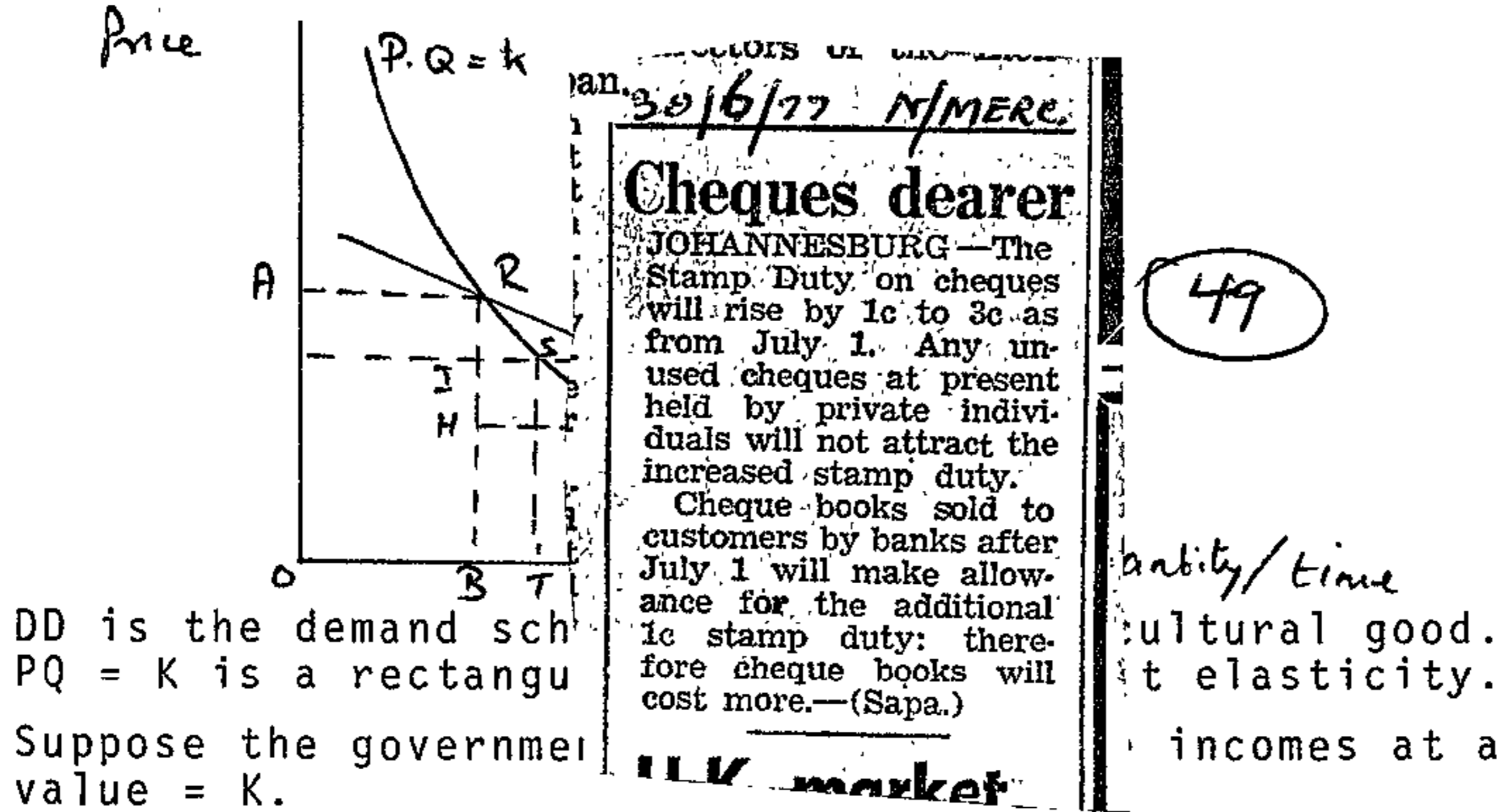
The gold holding alone increased slightly by R161 919 to R286 226 926.

Notes in circulation increased from R987,1 million to R1 075,3 million.

The ratio of gold reserve to liabilities to the public less foreign assets stood at 21,7 percent on Friday. — (Sapa.)

49

38. Consider the following diagram :



If in a certain year there was particularly good weather and output was OC rather than the expected level OB then, in order to stabilise farmers' incomes of K the government would have to -

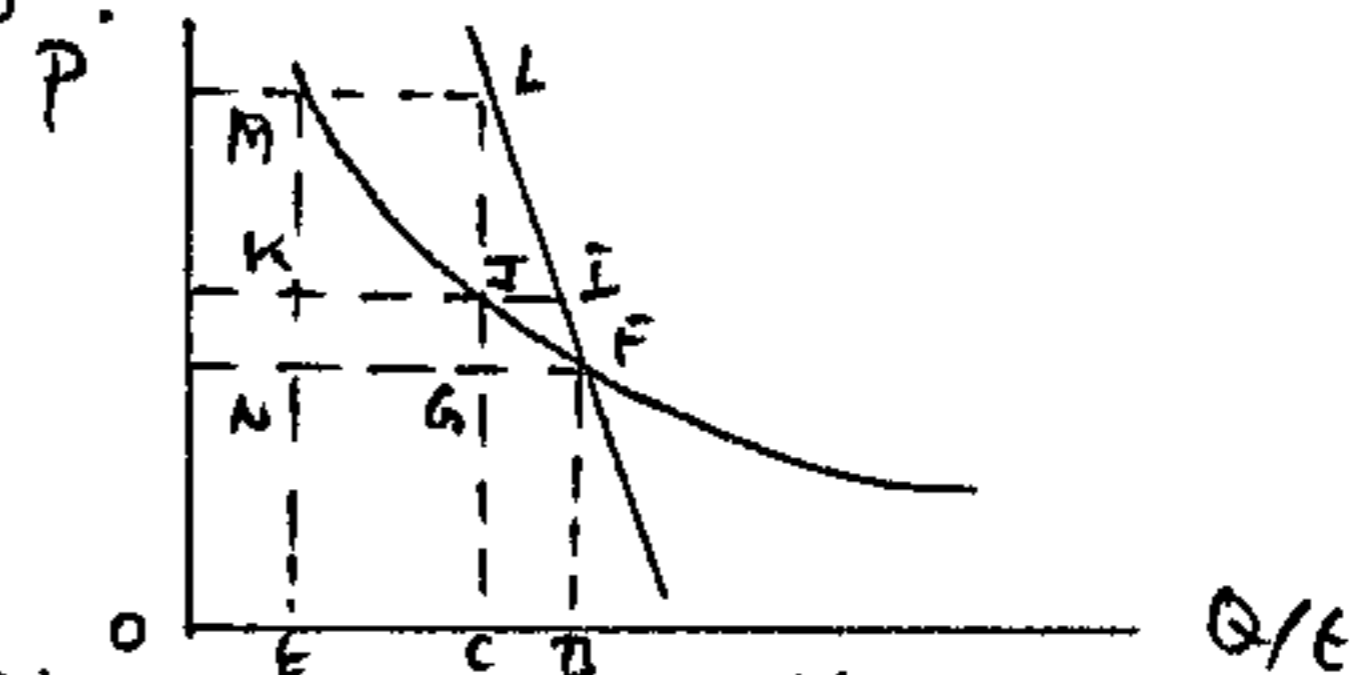
1. Buy up $HG = BC$ wheat.
2. Buy up $JS = TC$ wheat.
3. Sell $GF = CE$ wheat.
4. Sell $JS = TC$ wheat.
5. Sell BC wheat.

39. Given the diagram above one can see that over a ten year period if it started with no stocks

1. The government scheme would certainly not be self financing.
2. The government's scheme might or might not be self financing depending on whether over the period crop surpluses were equal to crop shortfalls.
3. The government would inevitably accumulate vast surpluses.
4. It is theoretically impossible to stabilise incomes.
5. None of the above.

40. In the diagram below (where $PQ = K$ is a rectangular hyperbole and DD is the demand schedule for wheat) income stabilisation in a bad year, where output was OC instead of the expected OB , would require the government to :

1. Sell JI wheat.
2. Sell $LM = EC$ wheat.
3. Buy $LM = EC$ wheat.
4. Buy $GF = CB$ wheat.
5. Sell $GF = CB$ wheat.



41. Given the diagram shown above (Q.40) one can see that over a ten year period, if it started with no stocks -

1. The government scheme would certainly not be self-financing.
2. The government would inevitably run out of wheat.
3. The government's scheme might or might not be self-financing depending on crop fluctuations during the year.
4. The scheme whilst stabilising incomes would make prices paid by consumers more unstable.
5. None of the above.

Blueprint for industry

49

What direction should industry take to lead it to the next century? The formulation of a route is the function of a new committee

The committee on industrial strategy, headed by Board of Trade chairman Basie Kleu, faces a daunting task. It is to chart industry's course right into the 21st century. No less.

Its eight members, drawn from government, business and the universities, met for the first time last week, and by all accounts they intend doing a thorough job.

The ocean they will have to navigate is vast. Manufacturing industry is the largest single component of GDP. In the twenties, it accounted for less than 10%; today, it's 27%. And it is expected to grow to 35% by the turn of the century.

About 1.3m workers are employed in factories and, from the latest Economic Development Programme, it seems only training will create jobs at a faster rate over the next five years.

Self-sufficiency

Clearly, as the Du Toit Viljoen Commission on Protection of Industries pointed out 20 years ago, "the prosperity of the economy and the welfare of its people have become very closely aligned with the fortunes of secondary industry". The question is: how to maximise this prosperity and welfare?

Since the late Forties, the emphasis has been on increasing self-sufficiency through import replacement. Import controls, tariff protection and generous tax incentives are among the perks that have promoted local industry. By and large they have paid off.

Expanding iron, steel and heavy engineering capacity, motor assembly lines, electronics plants, armaments factories and many others have reduced the country's vulnerability to foreign pressures.

These and other industries have provided scores of thousands of jobs, not only for unskilled labourers but for many highly trained men who might otherwise have left the country. Indeed, sophisticated new industries have been a magnet for thousands of skilled immigrants.

They have also given an impetus to many other industries and services, and

to the improvement of facilities at the universities and technical colleges.

More recently, however, some of these arguments in favour of a continuing drive towards self reliance have lost much of their shine. Instead, job creation is being billed as the first and foremost criterion for future industrial development.

Indeed, the main indictment against past and present import substitution drives, is that, they have failed to provide enough jobs for the burgeoning population. One reason is that, since the bulk of imports are high-technology capital goods, it is possible to replace them only by setting up capital intensive industries.

What's more, SA simply does not have the resources to provide the specialised skills required for many "import replacement" industries. Last week, the FM

highlighted the shortage of electronics experts. SA needs an extra 480 electronics engineers and 5 000 technicians annually. Yet our universities will this year turn out only 30 electronics engineers.

Moreover, with political uncertainty likely to continue for years to come, SA cannot rely on the steady stream of immigrants of past years.

Then there is the point that self-sufficiency in intermediate or finished products may not mean much if SA still depends on the outside world for supplies of raw materials to make these products. Though SA now has its own aluminium smelter, for example, it still depends on imported alumina to feed it. Over a third of what goes into a new car is imported. Components for the "strategic" TV industry are almost all imported.

Not only do short production runs make many local industries uneconomic without heavy tariff protection, but several strategic projects have barely lessened SA's dependence on foreign supplies. The fledgling ball bearing industry not only imports special steels from Sweden (hardly one of apartheid's best friends) but it can manufacture only a small proportion of the range of products required. Sasol II will produce less than 30% of local fuel needs by 1982.

Make more jobs

Understandably, then, there are moves in some quarters to downgrade the importance of self-sufficiency as the criterion for development and to work harder at job creation — and hence to move away from capital intensive towards labour intensive industries. This has implications for pricing policies, exports, decentralisation and even the exchange rate.

To boost import replacement, Pretoria decided several years ago, for example, to keep the prices of many basic industrial products (steel, electricity and cement, to name a few) artificially low. Result: Iscor and Escom had to borrow to the hilt and their huge interest burdens



Basie Kleu . . . peering into a clouded future

Were made to replace figures by indirect measurement, eg.

- (1) R. Fogel: "The New Economic History: Its findings and methods." The Economic History Review, 2nd Series, XIX, 1966.
- (2) R. Floud: Essays in Quantitative Economic History, pp. 1-2.

are now contributing to the sharp increases in steel and power prices. Their parlous financial state has also inhibited further expansion.

Meanwhile, price control has stifled expansion (and thus job creation) in several sectors, like cement, bricks and, until recently, coal.

The "job creation" criterion could be applied to exports too. Unfortunately, SA's low labour productivity makes it unlikely that we could emulate successful

labour-intensive export nations like Hong Kong, Taiwan and Korea. But we could move in that direction.

Instead of trying to compete (with the help of costly subsidies) against high-technology Japanese, American and German products, should we not rather concentrate on mining, agriculture and those industries with relatively high labour inputs. By subsidising the latter (the clothing industry, for example), taxpayers' money would at least be helping provide

new jobs.

There's growing evidence that economic planners appreciate that job creation has become one of SA's top priorities. And it's encouraging that the Kleu Committee will be taking a close look at those industries where the tendency towards capital intensive production has been most pronounced.

It will hopefully suggest practical ways of reversing the trend. And of providing the jobs.

amongst many others. The African Ministers' Federation worked in close co-operation with the ANC. Congressmen often couched African grievances and aspirations in Christian terms. Xuma and Moroka constantly appealed to democratic and Christian principles. They repeatedly pointed out that the ANC was not anti-white but was working for the common good of all South Africans - "to promote ideals of Christianity, human decency and democracy." Thus African emancipation was strongly identified with the application of Christian justice. (5) Moreover, non-violent methods of resisting white domination were consistent with Christian principles.

African leadership generally subscribed to the maintenance of democratic institutions with parliamentary representation for all in an integrated society. The American Negro precedent set an example to African leaders, demonstrating that change could be brought about within the democratic framework in an evolutionary way. (6) But ANC leaders found themselves being pushed further and further away from such a standpoint as discriminatory legislation increased. At first ANC leaders showed a willingness to work with white liberal institutions such as the SAIRR and the Joint Councils. They were even prepared to express African political aspirations through the government instituted Native Representative Council. As government discrimination increased, the ANC moved away from white liberals, finding their efforts ineffectual. In 1941 Xuma refused the invitation to become president of the SAIRR. Many ANC leaders were members of the Native Representative Council but abandoned it in disgust when they realised its powerlessness. Gradually African leaders became less and less anxious about alienating liberal whites. (7) Once consultation within the parliamentary system had failed, African political action moved into extra-parliamentary channels.

(5) P. Walshe : The Rise of African Nationalism in South Africa
pp. 340 - 345.

(6) Ibid, p. 341. (7) Ibid, p. 347.

1. Explain graphically the determination of the equilibrium level of GNP by (a) the AN/AS approach and (b) the $W = \frac{1}{1-MPC}$ approach. Why must equilibrium relationships exist? The MPS? MPS is 0, 0.4, 0.6, and 1?
2. What is the relationship between the MPC and the MPS? How many times does the MPS change if the MPC is 1, $\frac{8}{9}$, $\frac{2}{3}$, $\frac{1}{2}$, and 0? How do these changes affect the consumption and investment schedule?
3. How may the saving schedule be affected by:
 - (a) Threat of inflation to expect future
 - (b) A decline in interest rates
 - (c) A sharp fall in market prices
 - (d) The development of a significantly cheaper method of consumer durables.
 - (e) Expected inflation
 - (f) Advent of a new technology
 - (g) The expectation of a war
4. Assuming the level of investment is R16M and total output, complete the following table.

2/7/77 N/MERCURY

Bank queries 'no-go' tickets

Mercury Reporter

THE Reserve Bank in Pretoria is investigating the possibility of people obtaining their annual R2 000 travel allowance under false pretences by purchasing an air line ticket with no intention to travel.

Some airlines suspect an increase in ticket refund demands is due to people purchasing tickets simply to obtain a travel allowance which is endorsed on the person's passport but not on the ticket.

A leading Durban banker said: "It is quite possible to send counter-signed traveller's cheques out of the country to friends or an external bank account."

"It is illegal but it is also possible to have two valid passports, in which case R4 000 could be obtained on the strength of one airline ticket which could later be returned for refund," he said.

An airline manager said one way to stop this happening would be to endorse the ticket when a travel allowance had been issued.

This suggestion was put to a senior official at the Reserve Bank, who said: "It would seem a logical step. There may, however, be broader and more effective measures."

Possible levels of Employment (millions)	AS (NNP - DI)	Consumption (C)	Saving (S)
40	240	244
45	260	260
50	280	276
55	300	292
60	320	308
65	340	324
70	360	340
75	380	356
80	400	372

availability of domestic and foreign interest rates and credit will influence the demands for and supplies of foreign capital.

A further influence on the money base, again ceteris paribus, is the government's fiscal deficit. The difference, over any period of time, between government spending and tax revenues

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RDM 6/7/77 (49)
**Create 6m jobs
or face chaos,
says economist**

Labour Staff

SOUTH Africa has to provide 2 800 000 jobs before 1980 and 3 700 000 in the next decade if there is to be full employment for all races, Dr Wim de Villiers, economist and manpower expert, said in Johannesburg yesterday.

Addressing a seminar on Manpower and Unemployment held by the International Association of Economic and Commerce Students he warned this could be achieved only if:

- There were an economic growth rate of 6% a year.
- A 6% a year compound growth rate of job opportunities for Africans, coloureds and Indians in the industrial sector — instead of the 4,3% that held till recently.
- A 5,8% a year compound growth rate of service sector jobs — instead of the 3% a year of the past.

Dr De Villiers said un-

less South Africa's labour force were developed and better used the economy would not be able to improve living standards.

Turning to the rural areas he said the goal should be to "help the man in the conditions in which he exists, where he exists".

He said: "This can be brought about by the creation of low-cost labour intensive employment — such as by the use of simple tools which can raise productivity and utilise available resources without relocating large numbers of people."

Another speaker, Professor Mburumba Kerina, director of information for the South West Africa/Namibia Foundation, warned that unless more blacks were trained for skilled jobs and these were opened to them South Africa faced a future of racial strife.

He said that if the present situation persisted it

would mean that by the turn of the century the white 10% of the population would occupy 60% of the jobs while the black 90% would be compressed into 40% of the jobs.

"Clearly this untenable situation could never exist without racial strife and economic chaos."

"But if it is to be avoided it will require massive training programmes and large-scale job redesigning," Prof Kerina said.

Training workers would improve productivity and the economic growth rates. Moving more blacks up the industrial ladder would lessen pressure at lower levels, he said.

The professor said that it was because of restrictive labour policies that there was an increasing shortage of technical and supervisory whites.

"The turn of the century will see about 75% of blacks having to work in urban industry and commerce," he concluded.

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...ective of monetary and fiscal policy and this in turn demanded a more conservative fiscal policy. This indicates that fiscal and monetary policy cannot be regarded as independent of each other. Nor can they be seen as independent of the balance of payments.

The Mercury

9/7/77

Next year may see improved economy'

Mercury Reporter

IT WAS unlikely there would be an improvement in economic conditions until the second half of next year, the chairman of Corobrik, Mr. J. B. Robertson, said last night.

He told students at the annual prizegiving of the Technical College, Durban, that while the Government was likely to give the economy a boost at the end of this year, he could see no real improvement until the following year.

However, even that "ray of light" would be very much influenced by political actions, Mr. Robertson said.

He added: "The trades you have chosen are vital to the economy and every industry. Modern civilisation is dependent on your skills."

Mechanisation

These skills would be needed with the increasing trend towards mechanisation and the introduction of other technological advancements.

But factors having a material effect on living conditions at present were the parlous state of the economy and the ever-escalating cost of living, he said.

He pointed out that the White population had various protective laws.

"Job reservation and influx control are probably the most important.

"The former of these protections is already being lessened and within a few years it will exist in name only."

CRACKS IN THE CRYSTAL BALL

Economic forecasting is a risky business (don't we know it!) So it's not surprising that Professor Geert de Wet has landed in hot water as a result of forecasts made by his "econometric" model. The model predicted that the economy would start moving up in the third quarter of 1977, and that real GDP would fall during the year by between 1% and 3,5%.

Among the criticisms:

- Several conclusions appear way out of line. Assuming significant wage hikes in the fourth quarter, real GDP was slated to rise at an annual rate of around 50% in October-December.
- The model implies that wage levels are the major determinant of SA's economic fortunes. (De Wet defends himself by asserting that the possibility of a wages explosion was a hot issue when the forecast was prepared).
- Some assumptions were too vague -- "upswing in US continues" and "no significant net outflow of capital" are examples.

● Contributors, who have been asked to fork out several hundred rand, grumble that they didn't get their money's worth. The forecast comprised three tables and a 12-line introduction. Moreover, contrary to earlier impressions, they weren't given a chance to discuss the forecast's format in advance.

De Wet concedes that some of the complaints are justified, but retorts that "some of the criticism shows there is still a misunderstanding about the proper use of econometric models". He claims that the model has given SA economists their first opportunity of studying simultaneous changes in a large number of indicators. More and more experts are coming round to the model's prediction of a turning point during the September quarter, he reckons.

What's more, De Wet stresses the April forecast was no more than an experimental first effort and should not be used to judge future exercises.

Rhodesia, 9 April 1975. The availability of the model, has become much more of a problem. De Wet's decision, which could have serious consequences for the industry, was made without consultation. This was a grave departure from the cooperative attitude adopted in the past.

Business and Financial Review,

1975.

production noted in Grain and Cattle

Agreement contained on each contractee. Additional contracts were awarded to contractees (documented by Garaba).

Reports and Financial Statements
Johannesburg.

FM 15/7/77

(49)

Financial Mail July 15 1977

- 65/ Wenela representatives in Salisbury explained these reasons as: dislike of underground work, being 'trouble makers' and being 'disturbed' and 'unsettled'.
- 66/ G.M.E. Leistner and W.J. Breytenbach, The Black Worker of South Africa, Africa Institute No. 26, Pretoria, 1975, p.15, report a figure of 11 000 black Rhodesian workers as reported by the 1970 Census in South Africa. This is undoubtedly low. Dept. of Bantu Affairs figures are much higher. For example, see Rhodesia Herald, 3 April 1976.
- 67/ I am grateful to Nicholas Dziva who conducted the interviews in the vernacular.
- 68/ When starting operations, the Acting Manager of Wenela (Mr. N.D. Nicolle) conducted an on the spot review of unemployment in and around Salisbury. From this cursory investigation, he was well-satisfied as to the extensive evidence of urban unemployment in Salisbury. It is also worth reporting the comment of the President of the South African Chamber of Mines that an off-take of 20 000 contractees 'would not make a dent in the local labour market'.
- 69/ See Business Herald, 6 February 1976; and Financial Mail, 9 May 1975.
- 70/ I am grateful to Ian Phimister for pointing this out to me.
- 71/ It is an interesting point to be recorded that, according to the General Manager of Wenela in Rhodesia, the publication of political news indicating heightening of the local political crisis and/or possibility of change has brought about immediate fall-off in recruitment intake levels.
- 72/

WESTERN ECONOMIES

Deflating progress

LECTURES 6 & 7

The latest mid-year forecasts of the Paris-based Organisation for Economic Cooperation and Development (OECD) make dismal reading. They suggest that the Western industrial nations face declining growth, rising unemployment, and only modest declines in inflation rates over the next 12 months.

In its June economic outlook, published this week, the OECD predicts that average growth in its 24 member countries will slip back from an annual average rate of 4.5% in the second half of this year to only 4% in the first half of 1978. This is well below the 5.5% annual average target which the OECD government originally agreed to set themselves for 1975 to 1980.

At the same time, unemployment will continue to edge up, reaching 5.25% of the total OECD labour force in the first half of 1978, compared with 4.75% in the first half of 1977 and 5% in the latter half.

During the coming 12 months, average inflation in the OECD member countries is expected to slip from its present level of about 8.5% to about 7.5%. But it will still be running at record levels in many countries, and even the improvement is disappointing in view of the high cost of the recession in other terms.

The OECD remains worried that Germany and Japan are not doing enough to create a more expansionary world environment. For Germany, it forecasts growth at a meagre 3.75% during the next 12 months. This is well below the 5% annual growth rate the German government says it is aiming for. In Japan, growth is expected to decline from about 7% in the remainder of this year (at annual rates) to only 5% during the first six months of 1978.

At the same time big payments imbalances will persist, suggesting further monetary turbulence ahead. While the US is running a current account deficit of over \$10 000m a year, Germany will remain in substantial surplus of about \$2 000m a year. Japan's current account surplus is also expected to remain virtually unchanged over the next 12 months, at about \$4 500m a year.

316 FM 22/7/77 (49)

INTERNATIONAL TRADE IN SOUTH AFRICA

on-arable shallow soils or to the unploughed waterways. Import-substitution in South Africa: graze some livestock, mainly on natural vegetation, from a practical perspective.

extent, is often overgrazed. All problems of the Balance of Payments.

tion on the plains generally belongs to an Elionurus

ss? chloromelas, Themeda triandra complex with a large

lems of the Balance of Payments, the history

of the past 30 years and the present grazing pattern.

ishing political and cyclical factors.

us - Themeda triandra - Elionurus argenteus - Eragrostis

in Africa need foreign capital? grassed dwarf shrubland community (Plots 184 and 211)

terised by plot 184 and is similar to the previous

announced. dolerite dykes and outcrops. Poor management has

of dwarf shrubs and reduced the grass cover to less than

is a grassed dwarf shrubland. The dwarf shrub, Aster

LECTURES 8, 9 & 10

ominant. As the grass cover is low only two strikes on

are required to make it a dominant. In spite of this

dom Elionurus argenteus and Themeda triandra, with

Eragrostis chloromelas and Microchloa caffra as accom-

panied by the Hume-Spectra Flow. species usually found in this situation, such as

Heteropogon are absent proposed to work.

held Standard, actually worked) with a stippled

ce of dwarf shrubs. The dwarf shrub situation is not

his particular site was situated near a road on an

s in the World Economy - 1920's

management was poor. Depression - 1930's

an ancient river terrace of the Caledon river.

period

l 550m, form part of the pediment but the plant species

tion - The Marshall Plan, weathered soils are similar to those of the dolerite

ils derived from weathered basalt, are shallow, arrangements

and are susceptible to destruction if poorly

ortage to Dollar Glut.

- (d) managed; Breakdown of Bretton Woods and aftermath.
- (e) The dominant species are Elionurus argenteus, Eragrostis chloromelas, Future possibilities and the role of gold in the Heteropogon international monetary arrangements deteriorate to dwarf shrublands with over 12 per cent aerial cover if mismanaged, with lower

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(1) Lipsey. Ch. 47 (3) Samuelson. Ch. 36
 (2) Lipsey & Steiner. Ch. 42 (4) P.T. Ellsworth: "The International Economy"

FURTHER DETAILS TO BE ANNOUNCED.

49 SWAK DOLLAR HELP SA DOLLAR

Revaluasie kom nie

Sake-Rapport 24/7/77

Deur VIC DE KLERK

DIE huidige wisselkoersonsekerheid, veral die baie swak Amerikaanse dollar, kan op die kort termyn 'n matige gunstige invloed op die Suid-Afrikaanse ekonomie hê. Dit skep egter geen gevaar dat die waarde van die rand aangepas sal word nie. Daar is trouens geen meriete in gerugte dat die rand 'n klein bietjie gerevalueer sal word nie.

Indien die druk op die dollar nog 'n geruime tyd voortduur, kan die Amerikaners nóg meer kopsku raak oor hul reuse betalingsbalanstekort en daadwerklike stappe doen om dit te verminder.

As dit nie saamval met 'n stimulering van die ekonomie van Wes-Duitsland en Japan nie, en dit lyk onwaarskynlik, kan die wêreld se groeivoorsigte vir 1978 nóg verder verswak.

Volgens die organisasie vir ekonomiese ontwikkeling en samewerking (OECD) het die groeivoorsigte vir die Westerse nywerheidslande vir die eerste helfte van volgende jaar al reeds tot 4 persent per jaar verswak vergeleke by die 4,5 persent doelwitkoers vir hierdie lande vir die tydperk 1975 tot 1980.

Die daling in die waarde van die dollar oor die afgelope twee maande hou vir Suid-Afrika minstens twee korttermyn-voordele in. Die rand wat aan die dollar gekoppel is, het in die proses met sowat 1 persent in waarde gedaal. Hierdie klein devaluasie is 'n vorm van stimulering van die ekonomie. Dit is egter

so min dat dit moeilik waarneembaar sal wees.

'n Belangriker voordeel hiervan is egter dat enige druk of spekulasie wat moontlik nog bestaan het oor 'n amptelike devaluasie, nou heeltemal aan die verdwyn is. Dit het die voordeel dat dit 'n gunstige invloed mag hê op die uitvloeï van private korttermyn-buitelandse kapitaal wat die afgelope twaalf maande die belangrikste druk-faktor op ons buitelandse valutareserwes was.

Dit mag selfs ook nuwe korttermyn-buitelandse lenings deur die private sektor stimuleer omdat hulle nou met redelike vrymoedigheid dollars in die buiteland kan leen sonder om gebruik te maak van termyndekking teen 'n wisselkoersverandering. Dit kos 1 persent per jaar, en as dit weggelaat word, is buitelandse lenings met dié 1 persent goedkoper.

lande minder uitvoer en meer invoer sodat hulle ook 'n daadwerklike bydrae lewer tot die wêreld ekonomie.

Maar uit vorige ondervindings toe hierdie twee lande gedwing is om hul geldeenhede op te waardeer, is dit duidelik dat hulle dan wel minder uitvoer maar dat hulle invoere nie geneig is om te styg nie.

Swakker

Dit lei dan tot 'n afname in wêreldhandel en daarom ook in groeivoorsigte.

Die surplus op Suid-Afrika se handelsrekening het reeds in Junie vanjaar 'n daling getoon tot R15 miljoen teenoor R153 miljoen in Mei omdat die land se uitvoere oor dié twee maande gedaal het van R551 miljoen tot R469 miljoen.

Die kommoditeitsmarkte waarvan Suid-Afrika se uitvoere so afhanklik is, is reeds besig om swakker te vertoon. En afgesien van die swak buitelandse mark wat daar reeds vir landbouprodukte bestaan, neig die mark vir metale en minerale steeds swakker.

Daar is byvoorbeeld 'n groot ooraanbod van koper en staal terwyl daar selfs gepraat word van steenkoolvoorrade wat besig is om te hoog te raak.

Verskans

In- en uitvoerders in Suid-Afrika kan hulle egter op die oomblik maklik en goedkoop verskans teen die huidige wisselkoersonsekerheid.

Die rand is gekoppel aan die dollar. Daarom is die rand onderhewig aan dieselfde skommeling.

Alle transaksies anders as die dollar moet volledig verskans word in albei rigtings. So byvoorbeeld moet beide in- en uitvoerders wat sake doen in Duitse mark, dekking na albei kante toe neem. Want die risiko is dit dat hierdie geldsoorte nóg verder kan verstewig teenoor die dollar of daar mag 'n Amerikaanse beleidsverklaring wees wat op sy beurt kan lei tot 'n aansienlike verstewiging in die dollar.

Daar bestaan dus 'n risiko na albei kante.

Buitelandse transaksies waar die risiko net beperk is tot die Amerikaanse dollar, kan ooggelaat word omdat daar byna geen risiko is dat die waarde van die rand teenoor die dollar nou verander sal word nie.

Onsekerheid

Die ander korttermyn-voordeel is die stewigheid in die goudprys. Londense goudhandelaars sê dat hulle nog onthou dat die eerste groot styging in die goudprys hier van laat 1972 en vroeg 1973 saamgeval het met 'n baie swak dollar en 'n tekort op die Amerikaanse betalingsbalans, wat toe ook rekordhoogtes behaal het.

Die goudprys het wel met die huidige onsekerheid oor die waarde van die dollar nog nie weer daardie skerp stygings getoon nie, maar die vraag kan gevra word waar sou dit gestaan het sonder hierdie onsekerheid? Goudhandelaars wys daarop dat die ander kommoditeitsmarkte maar baie pap is en dat dieselfde maklik met goud kon gebeur het.

Geskep

Oor die langer termyn kan die onsekerheid oor die dollar beslis 'n nadelige invloed hê. Met so 'n swak dollar kan die Amerikaners nie voortgaan met hul groot betalingsbalanstekort en dit finansier met nuwe dollars wat maar net geskep word nie.

Die gedagte is natuurlik dat die versterking in die Duitse mark en die Japanse jen daartoe moet aanleiding gee dat hierdie twee

State - Rapport 24/7/77

Ons sê . . .

ONS wil nou nie al weer pessimisties raak oor ons ekonomie nie maar wil eerder daardie ligpunt van die pragtige verbetering op die handelsrekening van ons betalingsbalans verder vertroetel.

Dit is waarom ons moet waak teen 'n „grimeer“- revaluasie van die rand. Noudat die dollar so swak is en ons handel met die res van die wêreld al baie verbeter het, kan dit gedoen word en sal dit ongetwyfeld mooi lyk.

Maar dit sal geen doel dien nie. Ons wil tog nie nou invoere goedkoper maak en 'n bietjie van ons mededingende posisie op die uitvoermark prysgee nie.

Om ook nou te vinnig te wil reageer op die swakte in die dollar sal beteken dat ons weer glo dat ons die toekomstige verloop van daardie ekonomie goed verstaan.

Ons het dit in 1975 gedoen toe ons geglo het dat die buiteland reeds binne 'n oplewing is en dat ons vir al ons probleme op 'n uitvoergeleide oplewing kon staatmaak.

Die huidige swakte van die dollar en die daling in die groeivoorsigte in die Amerikaanse ekonomie wat daarop kan volg, moet deur Suid-Afrika se beleidsmakers met die grootste omsigtigheid gehanteer word.

Pretoria says no to wage-price curbs

• From page one

built up with our foreign creditors over recent months; a relationship capable of easy jeopardy as foreign indignation over our intransigent political policies grows.

Moreover, while rising black unemployment and its potential for violence is of grave concern in official policy making quarters, it is plainly obvious that township disturbances have their roots in frustrated political aspirations.

A restimulation now would be applying inappropriate economic solutions to problems of political expression. At best this will be a short-term palliative. In the longer run it would be ineffectual and, insofar as it might rekindle inflation and create foreign liquidity problems, could be seriously detrimental.

Nor should it be forgotten that white unemployment is negligible and that black unemployment is cushioned to some extent by the agrarian nature of the economy.

abroad, there are still no signs to suggest an early or medium-term improvement in the capital account of the balance of payments.

While there remains a modest inflow of foreign investment, it is being outweighed by an outflow encouraged by several factors. One is the reduction in imports which has meant less use of foreign trade credits and an increase in exports with accompanying domestic finance. Another is that trade credits tied to large capital imports last year are now being utilised. Moreover, foreign companies are remitting a

higher proportion of earnings abroad (hopefully temporarily). This is being facilitated by the fact that only capital and not current payments abroad are plugged by exchange controls. The capital account problem, however, is one incapable of solution by monetary and fiscal policies.

Disturbing though unemployment is, Pretoria would be remiss to be panicked into inappropriate response, especially as organised labour remains reasonably quiescent.

However, because monetary and fiscal disciplines need to be maintained, that does not rule out the increased provision of housing and other services for blacks. That in the context of this economy is peripheral to a general refashioning.

Unfortunately, despite the polishing of the country's short-term borrowing ability

BY NIGEL BRUCE

PRETORIA has no plans to impose curbs as a forerunner to reflation the economy, top officials close to Government makers told me this week.

Nor is any blue print being considered for a general restimulation of the economy during the remainder of this fiscal year, which ends next April.

An important reason for this is that international bankers and monetary officials, on whose opinion our access to vital foreign liquidity depends, are mightily impressed by the efficacy so far of our monetary and fiscal discipline, especially as we have not resorted to direct wage and price controls which usually cloak official profligacy.

Indeed, South Africa's recent economic achievements are being held out by them to

other developing nations as an example of what rigid adherence to these disciplines can bring about.

As a direct result, the country's short-term credit rating abroad has been largely restored, although access to medium and long-term capital remains a problem.

Consequently, Finance Minister Owen Horwood should be able with little trouble to secure the rolling over of the R149-million of foreign facilities required in terms of his March budget.

Also, as a direct outcome of the statistical verification of balance-of-payments and money supply trends that he was able to give foreign bankers, the South African Railways was able to pull in an additional DM15-million on a medium-term private placing originally intended

Economic strategy will remain the same

to test the West German foreign capital market for only DM20-million.

The issue was assisted, too, by the recent strength in foreign exchange markets of the DM.

In addition, the improved economic outlook here has encouraged European countries anxious to export, because of their spluttering domestic economies, to offer South Africa a further

generous credit facilities tied to export orders.

In a nutshell, the achievements, Minister Horwood was able to lay before our anxious foreign creditors, most of which flow from his own policies, were:

• The current account of the balance of payments having moved dramatically into comfortable surplus in the second quarter of the



Owen Horwood

declined by the June trade figures, released this week — despite the huge deficit at the same time in the previous year.

• Clear indications that the inflation rate, on an annual basis, could be down to single figures before, at least, the fiscal year end.

• The administered price increases that boosted inflation earlier this year are

no to wage-price curbs

public corporations, which are major borrowers abroad, to finance a larger slice of their capital expenditure from their own resources. This adds to the security of their foreign creditors.

• The money supply growth being kept on a tight rein despite the fact that normally in the early part of the fiscal year, before higher tax revenues flow to official coffers, the exchequer deficit is financed by drawing down bank balances.

This in turn was made possible by a number of factors. They include the extent to which Minister Horwood was able to pare spending this year in the face of tough Cabinet opposition. Others were a more modest exchequer deficit as a result of

rises and an increase in official liquidity that the recent gold swap achieved.

The periodic repayment of selected official foreign short-term credits, which has kept the level of reserves constant despite rising export earnings, further enhanced the country's short-term creditworthiness.

In consequence of all this, despite the heavy official borrowing of recent years, South Africa's total interest payments abroad are only a negligible 6 per cent of total exports and total foreign loans remain modest in relation to gross domestic product.

Clearly any radical change in monetary or fiscal policy now would upset the delicate relationship painstakingly

Shipping Sun. Times. company's ^{3/17/77} profit cut

(49)

By L. DANIEL

ZIM ISRAEL Navigation company, the national carrier, reports an after-tax profit for 1976 of \$3-million (R2,6-million) on a turnover of \$404-million (R351-million).

Although the profit is down by \$4,75-million (R4,1-million) from the 1975 figure, Zim general manager Yahuda Rotem still considers it a "considerable achievement" in view of the world-wide shipping slump and the losses the company incurred as a result of the Israeli seamen's strikes.

Recession

The recession in shipping continues and Zim has already lost \$4-million (R3,4-million) due to strike action this year, but Mr Rotem expects the company to remain in the black in 1977.

Turnover in 1976 was 4,4 per cent down on 1975 due partly to the introduction of the US law providing that half of all American aid deliveries must be shipped in US vessels.

N. Mercury 28/7/57

Economic survey's findings: Business cycle near its lowest point

Financial Editor

ALTHOUGH the South African economy is still wallowing in recessionary conditions, it appears that the downward phase of the business cycle has been reached or is close to its lowest point.

These are the findings of the latest opinion survey carried out by the Bureau for Economic Research at the University of Stellenbosch. The bureau's report is released for publication today.

The bureau says that it cannot be inferred from the current situation that a new upswing phase in the economy

can be expected immediately. But the improvement on the current account of the balance of payments and the apparent levelling off in the rate of price increases were encouraging.

"On the other hand, it should be borne in mind that these problems are far from being solved. The improvements can mainly be attributed to the deliberately restrictive policy laid down by the authorities."

The bureau adds that a price was paid for this in the form of growth stagnation, an increasing number of bankruptcies and unemployment.

Exports demand

Referring to the future, the bureau makes the following points:

- The economies of South Africa's main trading partners will not progress fast enough to stimulate the demand for South African exports to the extent of initiating a domestic upswing;

- The upswing will therefore have to be assisted by an adjustment in the Government's restrictive measures;

- These adjustments may be made in the final quarter of the year, by which time South Africa's foreign reserves position should have improved;

- However, stimulation must be in areas which will not create increased import demands;

- Next year a gradual recovery can be expected and an easing of long-term interest rates.

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Financials and Property

JULY 31, 1977

R1 000 million ⁴⁹mistake FCI boss Reynders slams crippling cost of 'unnecessary' importing

SOUTH Africa wastes about R1 000 million a year importing goods which could be made locally, according to a private sector survey which will be made public in about two weeks.

The survey was conducted by the Federated Chamber of Industries, the Handelsinstituut and the Steel and Engineering Industries Federation. It was designed, says FCI director Dr Hennie Reynders "to assess the extent of unnecessary importing and to find a means of approaching the problem."

Many local manufacturers are angry at the continued high level of these imports. They claim it is seriously aggravating already high unemployment levels, and is even pushing some of their fellows to the wall.

Particularly vociferous about the crippling effects of import competition are the shoemakers and the textile manufacturers.

Representative bodies of both industries have continually slammed excessive importing, blaming it for causing many of their ailments.

Stan Shlagman, executive director of the Textile Federation, sees excessive importation as being the main stumbling block to the industry's ability to survive the recession.

The chairman of the Cotton Textiles Manufacturers' Association, Bob Ankers, agrees. "If we could have enough limitation of imports to bring down the amount brought in annually from R170 million to about R100 million then we would rid ourselves of the spectre of widespread unemployment."

"Not only that, but it would represent a 20 per cent boost to our production demand — more than enough to keep us on a healthy financial footing."

Geoff Everingham, director of the Footwear

QUOTE

By Dr Hennie Reynders (right), director of the Federated Chamber of Industries

WE sometimes get the ridiculous situation of one person importing a product and being only 15 kilometres from someone who makes it, and neither knows of the other's existence.



Manufacturers' Federation, says shoemakers are being "badly hit" by the R20-million a year flood of imports, and a number of his members have claimed it is a big factor in the recent spate of shoe company liquidations.

They are not alone. Clothing manufacturers are also rejecting the need for many imports, which are now running at an an-

nual level exceeding R28-million.

One manufacturer said: "I think it's about time the Government answered some questions. After all, it allows the import permits to be issued."

The Minister of Finance may already have acknowledged his awareness of the extent of the problem in, this week, levying a 15 percent surcharge on

certain imports which were previously excluded because of South Africa's commitment to the General Agreement on Tariffs and Trade.

Meanwhile the Board of Trade has refused a number of appeals for an even greater degree of protection for certain industries, including that of the shoemakers.

Other unnecessary imports which could come under the import substitute microscope are certain processed foods such as golden syrup (R313 000 a year), cheese (R388 000), ham (R298 000) and powdered soup (R310 000).

All these, say manufacturers, have some form of local substitute.

Also recently under attack were other non-essential imports such as R6 million worth of wine a year, nearly R4 million worth of women's dresses, R2.3 million of men's shirts and R2.7 million of brushes and brooms.

Chamber of Industries chief Reynders says he has no answers — "only an idea of the way to approach the problem." But he restated his recent case for a South African products register, which he says would give the double-edged advantage of information for import control and also for export promotion.

He described the present position of ignorance of import substitutes as "untenable" and said: "We sometimes get the ridiculous situation of one person importing a product and being only 15 kilometres from someone who makes it, and neither knows of the other's existence."

Until the answer can be found, the country must face aggravated unemployment, a massive waste of badly-needed foreign exchange, repressed industrial capacity and higher costs throughout industry and to the consumer.

Millers plan slump talks

7. Mercury

2/8/77

Mercury Correspondent (119)

JOHANNESBURG — South African millers will discuss the country's worst recession since the last war when they meet in Johannesburg this week.

AT their 36th annual meeting, the Association's director, Mr. D. H. Eloff, will talk about the traumatic developments in world economy, political and monetary, that have moved market economies from a strong position to the most severe recession of the post-world war era.

The length and extent of the recession has made a mockery of the frequent forecasts by renowned economists, Mr. Eloff said, and have left the industry in a state of anxiety so that price-cutting has been an inevitable result.

The members of the association will review the progress made since the introduction of modern timber frame brick veneer construction, a concept that could play a deciding role in the success with which the country is able to catch up with the backlog in housing requirements.

The Minister of Community Development, Mr. Marais Steyn, who will officially open the annual congress on Wednesday, 3 August at the Wanderers Club, will talk on the stimulation of the building industry by Government and the possibility of introducing statutory control measures in the sawmilling industry.

Bank's Chief Economist warns:

Unemployment

N. Mercury 2/8/77

now serious

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JOHANNESBURG — Unemployment has already assumed serious proportions and in the absence of an early stimulation of the economy, the problem could be "quite unmanageable" by the year-end, Dr. Johan Cloete, chief economist of Barclays National Bank, says in an article published in the latest issue of the bank's publication, *Business Brief*.

The decision to stimulate the economy, therefore, should be largely based on a consideration of the deteriorating unemployment situation as well as rising business insolvencies, falling manufacturing output and trade levels and the considerable damage that the deepening recession was currently inflicting on domestic capital formation and hence on the capital base of the economy, according to the article.

"In the light of these considerations, the

sooner we start reflating the economy the smaller will be the harm caused to the economy in the short as well as in the longer run," Dr. Cloete says.

Stimulation could only affect the balance of payments by leading to an increase in imports. There was however, considerable surplus production capacity and adequate stocks so it was difficult to see how a sensible level of stimulation could give rise to an increase in imports, at least for the next nine months to a year.

Imports are moreover controlled.

"Furthermore, we shall have to continue to apply stricter import controls," he adds. "This will be necessary to bring about a permanently better balance between imports and exports necessitated by the weakness on the capital account of the balance of payments. Such a lower level of imports would, of course, lower our economic growth rate, at least in the medium term."

For the present, import control plus sensible economic stimulation should lead to a fairly immediate increase in domestic output through import displacement.

In the longer run, import control, through import replacement and the resultant better balance between imports and exports, would make it possible not only to reduce the present undue susceptibility to economic conditions overseas, but also to create jobs for Blacks more rapidly.

Inflation

"The export-led recovery, however, has proved as elusive as effective control of inflation through monetary restrictions alone," he suggests.

"Even the Government has apparently now abandoned exclusive reliance on an export-led recovery and is now talking of possible internal stimulation of the economy in four or five month's time." — (Sapa.)

2/8/77

Ergo's offer draws R245m

Mercury Correspondent

JOHANNESBURG—The Ergo public share offer — the shares will be listed on the Johannesburg Stock Exchange for the first time on August 10 — has attracted R245 million. It has had bank officials burning the midnight oil for the past few days counting the flood of applications.

The offer of shares in the Ergo project which will re-treat the old slimes dams on the East Rand was for 3 750 000 shares at a price of 350c each. However, the attractiveness of the issue fired the public imagination and would-be investors have applied for over 70 million shares.

Mr. M. S. McCrum, managing director of Ergo, said that about 20 000 applications had been received.

Good news for the "small man" is that he will not be overlooked when the basis of allocation of shares is announced on Tuesday.

Indications from London brokers is that they would recommend the Ergo issue at prices up to 420 cents, assuming the gold price remains at current levels.

Public interest

Some brokers feel that with the tremendous public interest in the issue, the shares could quite possibly hit the market around the 500 cents mark, but they believe that the issue would be definitely over-valued.

About four brokers who were canvassed feel that they would not recommend buying of the stock above 400 to 420 cents, unless they saw a swift rise in the gold price.

One broker said that with sound quality gold shares such as Randfontein, Vaal Reefs, Libanon and St. Helena affording an average historic yield

of 13,2 percent, there was little incentive to advise their clients to buy Ergo at prices above 400 cents.

In a detailed analysis of the issue brokers Strauss Turnbull estimate that on a maintained or rising gold price Ergo should pay 25 cents during the year ended March 1979 and 50 cents in the following year.

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Wassenaar

STAR 3/8/77

resumes

attack on

socialism

49

John Patten

The degree of nationalisation in Britain today could be overtaken by South Africa within 10 years, Dr Andreas Wassenaar, chairman of Sanlam, warned yesterday.

Dr Wassenaar, author of the controversial book "Onslaught on Private Enterprise" which brought down the ire of Mr Vorster on him earlier this year, resumed his attack on creeping socialism in the Republic when addressing a student forum at the University of Pretoria.

"There is a lesson for South Africa in the economic history of Britain," he said, quoting from leading economist Milton Friedman to show that nationalised industries were becoming an increasing economic and political albatross around Britain's neck, and that they could not easily be denationalised.

TAXATION

In the South African economy, Dr Wassenaar said, the ownership of motorcars was an example of socialist tendencies, because 75 percent of the population had become car owners, while only part of the cost for the road network needed was financed from car licences and taxation of petrol.

A policy was also being followed in South Africa where there was upward pressure on the wages of the lowest income group and a downward pressure on the salaries of the highest income group.

The lowest income groups were now being paid more than the productive content of their labour, while the higher income groups were receiving less than they contributed to the country's production.

PROFITS

Where a State corporation made profits, the profits were ploughed back, but where the State corporation made a loss, it did not go into liquidation. Funds were simply found from the State coffers.

Unlike in the private

The economy could not remain healthy if the taxation base was being undermined through nationalisation, he said.

The stage had been reached where the sombre picture Milton Friedman had painted of Britain could not be avoided. South Africa was lucky to have a mirror to look into in Britain to see what its economic face would be like when it was 10 years older.

The sour fruits of nationalisation could then not be avoided, Dr Wassenaar said.

There were no signs that there was any tendency away from nationalisation. On the contrary, there was every reason to believe the tendency could not be reversed, even if there were a Government decision in principle to move away from nationalisation.

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PRESS STATEMENT BY SENATOR THE HONOURABLE OWEN HORWOOD,
MINISTER OF FINANCE

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For Release : 18h00 on Thursday, 4 August 1977

In view of the particular set of economic problems confronting South Africa and the increased demands this is making on the Ministry of Finance, I have requested the South African Reserve Bank, as a temporary arrangement, to make available to me the services of the Bank's Senior Deputy Governor, Dr. G.P.C. de Kock. The Governor of the Reserve Bank, Dr. T.W. de Jongh, has agreed to this and I wish to express my sincere appreciation for his co-operation in this regard. Dr. de Kock will therefore shortly assume duty as my Special Economic Adviser in the Ministry of Finance; he will, however, retain his post as Senior Deputy Governor of the Bank.

I further wish to announce that I have decided to ask the State President to appoint a Commission of Enquiry into the Monetary System and Monetary Policy in South Africa, and to appoint Dr. de Kock as Chairman of the Commission.

During the past two decades financial institutions and markets in South Africa have developed exceptionally rapidly and in a variety of new directions. At the same time certain basic changes have occurred in the international monetary system, inter alia in respect of gold and exchange rates. Partly as a result of these changes, certain problems have developed in the working of South Africa's monetary system, particularly in the money and foreign exchange markets. These problems have to a certain extent contributed to the abnormal combination of inflation, recession and balance of payments disequilibrium in recent years. It is essential in my opinion that the application of monetary policy in these changed and still rapidly changing circumstances should be thoroughly investigated, and I consider the task of the Commission to be of the greatest importance to the country's economy. The names of the other members of the Commission, as well as its formal terms of reference, will be announced shortly.

ISSUED BY THE DEPARTMENT OF INFORMATION AT
THE REQUEST OF THE MINISTRY OF FINANCE.

PRETORIA.

4 August 1977.

Upswing on way says Nedbank

Mercury Correspondent 5/8/77

JOHANNESBURG — The long-awaited upswing in the South African economy is on its way, predicts Nedbank in its quarterly economic round-up, published this week.

Nedbank suggests that, with the possibility of a gentle stimulation on the part of the authorities, the economy seems set to take a recovery tack before the end of this calendar year.

The round-up states that, unless something unexpected happens, the business cycle will have reached its lower turning points within a few months, bringing to an end the longest uninterrupted quarterly decline recorded in South Africa's History.

During this period, the real output of the non-agricultural economy as a whole dropped for four successive quarters, from April, 1976 to March, 1977.

This "deep" recessive phase, says Nedbank, has been largely due to two factors — an imbalance in external payments and internal inflation.

These problems, "legacies of the days of over-spending" of the early 1970s, have not yet been overcome, but significant progress has been made in solving them. The correction has involved a time of under-spending, a phase of recession — deep by South African standards and widely spread throughout the country.

Three factors have helped to check the decline. The first has been the ability of the agricultural sector to maintain satisfactory results. Second, was the stronger world demand for the increased output of South Africa's mining (other than gold) sector.

The third has been the improvement, during the first quarter of 1977, in the "terms of trade" facing South Africa, largely as a result of the increase in the average market price of gold.

MAAK OOP, M

Ons sê...

MAAK oop, maar hoe? is die vraag wat ons hierlangs stel. Werkloosheid in Suid-Afrika kan ontaard in 'n baie groter probleem as bloot ekonomies of boeke wat nie wil klop nie.

Daar moet iets aan gedoen word. Maar hoe? Deur net die ekonomie te stimuleer kan hierdie probleem tydelik opgelos word. Maar ons ekonomie is nog so kwesbaar en sonder reserwes dat dit byna onmoontlik is om te stimuleer.

Deur nou te stimuleer, word twee gevare geskep wat ons nie kan bekostig nie. Inflasie kan weer weghol en daarmee ons kostestruktuur en mededingingsvermoë om uit te voer. Dit kan op sy beurt ons weer dwing in 'n baie ontydige devaluasie van die rand.

Die ander gevaar is die betalingsbalans. Die land moet net oor die volgende paar jaar toon dat hy sekere van sy buitelandse krediete kan aflos, anders gaan dalk meer van ons buitelandse vriende bestaande krediete oproep.

Die huidige vlak van werkloosheid kan nie sonder meer toegelaat word om verder te styg nie. Dit is om dié rede goed dat ekonome begin dink aan maatreëls wat dalk die een probleem kan oplos sonder om die ander te vererger.

Dit lyk egter vir ons of daar nog heelwat dinkwerk nodig is.

Stimulering nie maklik

Deur VIC DE KLERK

DIE land se ekonomie is nou so pap dat stimulering dringend noodsaaklik geword het. Werkloosheid begin te sterk afmetinge aanneem. Dit kan tot verdere onrus lei.

Dit was basies die boodskap van 'n paar ekonome en ander vandeeweek nadat daar in die jongste tyd al hoe meer ekonome na vore tree en sê dat die land nou genoeg van die resessie gehad het.

Ekonome soos dr. Johan Cloete van Barclays en mnr. Raymond Parsons van Asocom begin wonder of inflasie en die land se betalingsbalans nog die belangrikste ekonomiese probleem is.

Almal is klaarblyklik hoogs bekommerd oor die werkloosheid, maar dit is nog nie duidelik hoe hulle wil hê dat die ekonomie van owerheidsweë gestimuleer moet word nie.

Mnr. Parsons het Donderdag in 'n toespraak in Pretoria die mening uitgespreek dat werkloosheid aanleiding kan gee tot verdere onrus, wat op sy beurt vertroue in Suid-Afrika nóg verder sal knou.

Opdroog

Dit kan weer aanleiding gee tot 'n verdere opdroog van buitelandse geld en die uitvloeel van korttermyn-geld. Daarom sê hy dat werkloosheid die belangrikste negatiewe faktor op die betalingsbalans kan wees.

Mnr. Parsons wil dan ook hê dat die ekonomie só gestimuleer word dat dit moontlik is om weer ander maatreëls te tref om die gevare van 'n styging in inflasie en druk op die betalingsbalans wat daaruit mag spruit, te beperk.

Ander ekonome met wie Sake-RAPPORT gesels het,

wonder of sulke maatreëls moontlik is. Hulle weet nie hoe dit kan werk nie. In sy voorsittersverslag sê dr. Jan Hurter van Volkskas dat die huidige abnormale omstandighede waarmee die land te kampe het, weinig indien enige speelruimte in die onmiddellike toekoms bied vir die verligting van beperkende ekonomiese maatreëls.

Foute

Dr. Hurter is veral bekommerd oor foute wat gemaak kan word as die ekonomie nou gestimuleer word.

As 'n mens kyk hoe duur daardie fout van 'n ekspansionistiese Begroting die land in 1975 gekos het, is sy vrees nie ongegrond nie.)

Dr. Hurter is verder van mening dat die invloed van buitelandse kapitaal na Suid-Afrika nog 'n geruime tyd baie beskeie sal wees. Omdat die netto goud en buitelandse reserwes nog steeds op 'n baie lae vlak is, beteken dit dat daar nog baie langer gesteun sal moet word op die lopende rekening van die betalingsbalans om die land se buitelandse reserwes tot 'n gesonde vlak op te stoot.

Knoop

En dit is hier waar die knoop met stimuleer lê. Mnr. Gerry Muller, uitvoerende hoofbeampte van Nedbank, het vroeër in die week voorspel dat die oorskot op die land se lopende rekening vanjaar R500 miljoen kan wees. Onder normale omstandighede sou dit genoeg ruimte laat om die ekonomie te stimuleer.

Maar die konserwatiewe uitwys van die lae vlak van die land se netto buitelandse reserwes deur dr. Hurter kan nie misgekyk word nie. Daardie oortrokke rekening van Suid-Afrika wat deesdae sonder die goudruiltransaksies nog steeds in die omgewing van R1 000 miljoen is, moet eers reggestel word.

Die ekonomiese afdeling van die Nedbank-groep het teen die einde van die week weer met 'n ander gedagte gekom. Hy voel dat voldoende ekonomiese aanwysers daarop dui dat die

wagperiode byna verby is. Tensy iets heeltemal onverwags gebeur, behoort die laagste konjunkturaalpunt binne 'n paar maande bereik te word en kan die ekonomie oor die algemeen weer opwaarts beweeg.

Indien hulle reg het, verval die dringende behoefte om die ekonomie te stimuleer omdat dit in elk geval binnekort self sal gebeur.

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NO RECOVERY YET ...

A SAD MESSAGE FOR THE OVER-OPTIMISTIC

THERE IS little chance of a significant economic recovery by the end of this year. That's the sad message this week from a leading industrialist and two leading economists.

Mr. Bill Bramwell, managing director of Roberts Construction Company Ltd, told Tribune Finance in Johannesburg: "A country as well endowed as ours can't fail to recover from the present economic recession in spite of the political difficulties and pressures. The real question is when?"

He discounts predictions of a recovery this year as over-optimistic and says forecasts of a recovery in two years are probably too pessimistic.

"My own view is that somewhere towards the third quarter of next year we will see a recovery of consequence in the South African economy. This may take place sooner but, if it does, the recovery will arise from direct Government intervention in making funds available for refloating the economy, and I can't see this happening."

Bramwell says if the Government does decide to make "cosmetic adjustments" to relieve growing socio-political threats posed by increasing unemployment through "lifting a corner of the blanket to allow a trickle of funds out," it will take from six to nine months for the money to permeate through the economy.

And while Dr Johan Cloete, chief economist at Barclays Bank, sees little hope of any positive economic growth this year, he warns that the unemployment problem could become unmanageable by the end of the year unless the Government takes immediate deflationary steps.

"The sooner we start refloating the economy," he observes, "the smaller will be the harm caused to the economy in the short as well as the longer run."

He points out that manufacturing sector output in the first quarter of this year was 10.9 percent lower than it was during the first three months of 1976, when

BY ESMOND FRANK

the recession already had a firm stranglehold on the economy. Over the same period, he adds, commercial activity declined by 9.8 percent while construction work dived by 9.1 percent to depress the real gross domestic product by 1.9 percent.

Cloete maintains that the country cannot rely solely on its exports to pull the economy out of its recessionary trough, although he admits to a considerable improvement in the current account of the balance of payments. He says that while the surplus for 1977 could grow to more than R200-million if the gold price is maintained, it could be largely negated by unfavourable capital flows and repayments of foreign loans.

The current levels of surplus production capacity and stocks in industry will, he believes, prevent a renewed flood of capital goods imports for at least nine months if the economy is refloated to "a sensible level".

Comments Andre Hammersma, chief economist at the Standard Bank: "There is a very real possibility that the longer term cycle of relatively slow growth that started in 1969 will extend into the next decade."

He says that with excess industrial capacity of as much as 25 percent, it is doubtful whether there can be a broad turnaround in investment before 1980. Overall investment requirements, he adds, will largely be determined by the country's economic performance, which depends on the rate of world growth.

"Evidence suggests that the present period of below-trend growth in the industrial world will continue for some time since most of the major countries are unable or are unwilling to stimulate their economies for fear of renewed inflation and balance of payments problems."

Hammersma points out that the prospect of below normal world growth rates for about another five years automatically diminishes South Africa's economic growth potential since exports are unlikely to grow at the high rates so far achieved. He adds that political

developments are also likely to adversely affect the country's ability to raise long-term foreign loans.

If the political outlook remains cloudy, he says the balance of payments will remain a problem for reasons unconnected with business cycle movements. This, he believes, will lead to a tighter control on imports through an increasingly severe monetary and fiscal policy designed to keep the rate of economic growth low.

"Low growth expectations will, in turn, significantly affect investment plans by both the public and the private sectors."

Investment outlays, Hammersma observes, may in addition be further diminished by "features typical of an economy subjected to political pressure."

These features include: a relatively high and increasing rate of taxation; high rates of interest; tighter exchange controls; and more direct government intervention in the economy.

Meanwhile, state and provincial workers are banking on at least a partial economic refloating before next year's budget to relieve the increasing pressure on the rapidly eroding buying power of their near-static wage packets.

But a Pretoria source this week reports that their chances of receiving a pay boost in the foreseeable future are remote. An across-the-board 10 percent wage hike for the country's 800 000-strong army of black and white civil servants will deplete state coffers by an estimated R250 million a year.

And this, as Cabinet ministers have repeatedly pointed out, would be highly inflationary in the current economic climate.

The powerful Railway Artisan Staff Association is, nevertheless, expected to push up its demand for an immediate 15 percent wage hike, which was rejected by Lourens Muller, Minister of Transport, seven weeks ago, to 17.5 percent.

The Association executive, scheduled to meet Mr Muller again on September 14, will also ask for an additional 10 percent from June next year.

 VIR VRYSTELLING OP DONDERDAG, 11 AUGUSTUS 1977 OM 12h00
 TO BE RELEASED ON THURSDAY, 11th AUGUST 1977 AT 12h00

DIE ROL VAN DIE BUOKRASIE IN DIE ONTWIKKELING EN DIE AANWENDING
 VAN ONS NASIONALE HULPBRONNE

Referaat deur dr. P.J. Riekert, Ekonomiese Raadgewer van die Eerste Minister en Voorsitter van die Ekonomiese Adviesraad, by die Veertiende Algemene Jaarvergadering en Konferensie van die Suid-Afrikaanse Instituut vir Publieke Administrasie te Pretoria op 11 Augustus 1977

Om die onderwerp wat aan my opgedra is binne 'n redelike bestek te kan behandel, het ek aanvaar dat van my verwag word om my by die rol van die owerheid, of dan hoogstens die breër openbare sektor, te bepaal. Daardeur wil ek nie te kenne gee dat die burokrasie 'n verskynsel is wat hom slegs in die openbare sektor voordoen nie - intendeel, ek dink dit is belangrik om voor oë te hou dat burokrasie as 'n wyse om dinge gedoen te kry, ook kenmerkend is van groot sake-ondernemings. Om die voorkoms van burokratiese verskynsels in die private sakesektor te behandel, sou egter 'n selfstandige referaat verg en verkieslik ook 'n referent wat meer regstreeks in die praktyk van groot sake-ondernemings staan.

Om die rol van die (openbare) burokrasie in die ontwikkeling en aanwending van ons nasionale hulpbronne te kan evalueer, moet daar deur twee stappe gegaan word. Eerstens, moet die vraag beantwoord word of die owerheid wel 'n rol in hierdie verband te speel het en indien wel, wat daardie rol is. Tweedens, moet die vraag beantwoord word of 'n burokratiese opset die beste meganisme is waarmee die owerheid sy geïdentifiseerde rol kan vervul. Omdat ek noodwendig die saak uit die ekonomiese hoek benader, sal die klem in my referaat op die eerste vraag val. Hoewel ek geen kennis van die wetenskap van publieke administrasie is nie, sal ek ook sekere gedagtes in u midde lê oor aspekte van die tweede vraag.

Vir die doeleindes van hierdie referaat is dit nie nodig om 'n opgaaf te verstrek van Suid-Afrika se nasionale hulpbronne nie. Wat wel belangrik is, is om te onthou dat daar sowel kwalitatiewe as kwantitatiewe aspekte by die onderwerp betrokke is. Suid-Afrika beskik naamlik oor sekere hoeveelhede landbou- en mynbouhulpbronne en oor 'n bevolking van 'n bepaalde grootte - dit is die kwantitatiewe aspek. Die kwaliteit van daardie hulpbronne, oftewel hulle geskiktheid om aangewend te kan word in die nastrewing van nasionale doelwitte, word egter beïnvloed deur die kennis van die omvang en aard van die hulpbronne, die tegnologie wat beskikbaar is om die hulpbronne te benut en die vermoë van die bevolking om daardie tegnologie aan te wend. Die land se opvoedkundige, wetenskaplike en tegnologiese vermoëns moet dus ingesluit word onder die nasionale hulpbronne waaroor dit hier gaan.

Daar is wel diegene wat glo dat die beste resultate met die ontwikkeling en aanwending van 'n land se hulpbronne bereik kan word deur dit geheel en al aan die vrye markmeganisme oor te laat. Die ondervinding het egter geleer, en in die ekonomiese vakliteratuur word daar oortuigend aangetoon, dat daar 'n hele aantal onvolmaakthede in die werking van die markmeganisme bestaan. Deur vir hierdie onvolmaakthede te vergoed, kan owerheidsbemoëning in die werking van 'n ekonomiese stelsel wat steeds primêr op die beginsel van vrye mededinging in die mark berus, dikwels tot gunstiger resultate lei as wat daarsonder sou gebeur het. Ek wil nie vandag probeer om al die moontlike situasies van hierdie aard uit te wys nie, maar slegs op 'n aantal betreklik duidelike en terselfdertyd belangrike voorbeelde wys wat in die besonder met die ontwikkeling en aanwending van ons nasionale hulpbronne verband hou. Enersyds, wil ek bepaalde owerheidsoptredes uitwys wat beter resultate in die hand werk deur die ontwikkeling en die nuttige aanwending van hulpbronne positief aan te moedig, en andersyds, optredes wat politiek onaanvaarbare resultate voorkom deur beperkings te plaas op die ontwikkeling en aanwending van hulpbronne.

Begin mens by die positiewe stappe wat van owerheidsweë gedoen kan word, dan is die hele terrein van navorsing en ontwikkeling 'n baie goeie voorbeeld van 'n funksie ten opsigte waarvan die

partikuliere sakektor neig om te onderpresteer as dit heeltomal aan hom oorgelaat word. Die redes hiervoor is nie moeilik om te vind nie. In die eerste plek is navorsing en ontwikkeling dikwels 'n aktiwiteit wat groot uitgawes verg, wat buite die finansiële vermoëns van klein en middelslagondernemings in die private sektor lê. In die tweede plek is dit heel dikwels nie moontlik om die voordele van navorsings- en ontwikkelingsresultate te reserveer vir die onderneming wat die koste aangegaan het om dit tot stand te bring nie - sy mededingers deel dan ook daarin al het hulle geen bydrae tot die koste gemaak nie. Dit is wel soms moontlik om die gebruik van sulke resultate deur die registrasie van patentregte te reserveer vir die voortbrenger daarvan. Uit 'n nasionale oogpunt mag dit egter juis gewens wees om die resultate so wyd as moontlik te laat aanwend. Op grond van al hierdie oorwegings is daar 'n sterk saak voor uit te maak dat die owerheid die terrein van minstens sommige soorte navorsing behoort te betree om die beste moontlike ontwikkeling en aanwending van nasionale hulpbronne te help teweeg bring.

Hierdie argument geld by uitstek die landbou. Die ervaring in talryke lande, waaronder Suid-Afrika, het onteenseglik bewys dat basiese en toegepaste navorsing besonder goeie resultate kan lewer in die vorm van verhoogde opbrengste uit die beskikbare grond en ander produksiefaktore - wat niks anders beteken nie as die beter aanwending van nasionale hulpbronne.

Daarteenoor is die individuele boerdery-onderneming uiteraard te klein om navorsing en ontwikkeling selfstandig in enige noemenswaardige omvang te onderneem, en beskik hy ook nie oor die kundigheid om dit te doen nie. Om dit geheel en al oor te laat aan partikuliere sake-ondernemings wat 'n regstreekse kommersiële belang het by die afset van allerlei boerderybenodigdhede, is om klaarblyklike redes ook nie aangewese nie. Dit is daarom nie verbasend nie dat uit die jongste opname van besteding aan navorsing en ontwikkeling in Suid-Afrika, wat onlangs deur die Wetenskaplike Raadgewer van die Eerste Minister vrygestel is, blyk dat die staat se besteding aan landbounavorsing en -ontwikkeling in die finansiële jaar 1975/76 R19,1 miljoen beloop het, oftewel 80,6 persent van die land se totale besteding van R23,7 miljoen aan landbou-navorsing en -ontwikkeling.

Die regverdiging vir die aanwending van staatsfondse vir hierdie doel lê voorts daarin dat die verhoogde produktiwiteit dit moontlik maak om die verbruikerspubliek tot sekere hoogte te beskerm teen die stygende koste van die meeste produksiemiddele wat in die landbou aangewend word, maar om dit terselfdertyd vir die boere lonend te laat bly om met produksie voort te gaan. Tussen die laaste vyf jaar van die sestigerjare en die eerste vyf jaar van die sewentigerjare, byvoorbeeld, het die gekombineerde prysindeks van boerderybenodigdhede met 49,5 persent gestyg, maar die gekombineerde produsenteprysindeks van akkerbouprodukte het oor dieselfde tydperk slegs met 41,3 persent gestyg. Oor dieselfde tydperk het die gemiddelde mielie-opbrengs in die belangrikste produksiegebiede byvoorbeeld met 15,8 persent gestyg van 1,9 na 2,2 ton per hektaar en daar kan aanvaar word dat die owerheid se bydrae tot landbounavorsing en -ontwikkeling (waarby inbegrepe die landbouvoorligtingsdienste) hierby 'n belangrike rol gespeel het.

In teenstelling met die landbou, word die mynbou oorheers deur kapitaalkragtige mynhuise wat natuurlik wel oor die vermoë beskik om navorsing en ontwikkeling in aansienlike omvang te onderneem, en dit inderdaad ook doen. Derhalwe is die rol van die owerheid hier noodwendig kleiner, soos blyk daaruit dat, volgens die reeds aangehaalde opname in 1975/76 slegs R6,9 miljoen uit 'n totaal van R20,8 miljoen, oftewel 33,2 persent, van owerheidsweë bestee is aan navorsing en ontwikkeling ten behoeve van mynbou. (Indien die staat se besteding aan navorsing en ontwikkeling, ten opsigte van uraanverryking, wat nie by hierdie syfers ingesluit is nie, in aanmerking geneem sou word, sou dit die prent egter radikaal verander. Die regverdiging vir hierdie besteding deur die owerheid is daarin geleë dat die partikuliere mynbelange hulle navorsings- en ontwikkelingswerk uiteraard toespits op gebiede wat binne 'n redelike kort tyd winsgewende resultate kan afwerp. Hulle is egter minder geneë om uitgawes aan te gaan vir minder regstreeks winsgewende werk soos basiese geologiese kartering, basiese navorsing oor ekstraksiemetodes ensovoorts - terreine wat gevolglik deur openbare instellings soos die Afdeling Geologiese Opname en die Nasionale Instituut vir Metallurgie ontgin moet word.

By die fabriekswese en dienssektore is die situasie soortgelyk aan dié in die mynbou. In 1975/76 is R14,4 miljoen uit 'n totaal van R40,4 miljoen, oftewel 36,6 persent, is in 1975/76 van owerheidsweë aan navorsing en ontwikkeling vir hierdie sektore bestee. Hoewel

die navorsing en ontwikkeling in veral die fabriekswese, vanweë die groter mate van produktdifferensiasie as in die primêre sektore, uiteraard betreklik gebonde is aan bepaalde handelsmerke, is daar ook hier 'n duidelike behoefte daaraan dat sekere soorte navorsing deur die owerheid onderneem word. Die bedryfsvergelykende studies wat deur die Nasionale Produktiwiteitsinstituut gedoen word met die oog op die identifisering van produktiwiteitsverhogende bestuurspraktyke is hiervan 'n goeie voorbeeld - omdat vir hierdie soort navorsing insae nodig is in die interne werking van mededingende ondernemings in bepaalde bedryfstakke, kan die inligting uiteraard nie deur individuele ondernemings bekom word nie, maar slegs deur 'n neutrale instansie soos die NPI. Ekstreme aanhangers van die vrye markmeganisme sou wel hierteen wil aanvoer dat die mededinging in die mark vanself daarvoor sal sorg dat minder doeltreffende ondernemings uitgeskakel sal word. In praktyk moet mens egter daarmee rekening hou dat, veral in 'n land soos Suid-Afrika met sy beperkte binnelandse mark, die mededinging selde so skerp is dat dit hierdie rol ten volle bevredigend kan vervul. Aanvulling van die rol van die markmeganisme deur die verkryging en verspreiding van kennis oor die beste bestuurspraktyke kan onder hierdie omstandighede ongetwyfeld 'n belangrike bydrae lewer tot die beter aanwending van nasionale hulpbronne ook in hierdie sektore.

Ek sou nog kan voortgaan met 'n bespreking van die navorsings- en ontwikkelingsfunksies van verskeie ander owerheidsinstansies as dié wat ek reeds genoem het - in besonder die Wetenskaplike en Nywerheidsnavorsingsraad. Ek meen egter dat ek reeds genoeg gesê het om dit te twyfel te stel dat die openbare sektor 'n belangrike rol te speel het deur by wyse van 'n bydrae tot navorsing en ontwikkeling die gesonde ontwikkeling en aanwending van Suid-Afrika se nasionale hulpbronne te help bevorder. Die potenssiële belangrikheid van hierdie bydrae word in perspektief geplaas deur ramings wat daarop dui dat sowat 40 persent van die groei in Suid-Afrika se reële bruto binnelandse produk gedurende die sestigerjare (1962-1969) toe te skryf was aan verhogings in die produktiwiteit van die aangewende produksiefaktore (arbeid en kapitaal). Hiertoë het die besteding aan navorsing en ontwikkeling deur sowel die openbare as die partikuliere sektor ongetwyfeld 'n groot bydrae gemaak.

Another of the positive contributions which public activities can and do make to the development and better utilisation of our national resources is education and training, in respect of which very much the same considerations apply as in the case of research and development. Although there are some sorts of training which are so specific to the needs of individual employers (or groups of employers) that the employer can reasonably expect to recoup any expenditure he makes on training his employees, most kinds of education and training are much less specific. The result is that, if training is left wholly to employers, those employers who actively provide training facilities run the risk that their employees, once trained, will be enticed away by the higher wages other employers can afford to offer precisely because they spend nothing or little on training. The more general the education and training that is provided, the higher the likelihood that if the provision of facilities of this nature is left entirely to employers, there will be an underprovision of such facilities - and therefore, the more evident the case for government involvement in the provision of such facilities.

On the other hand, it must be kept in mind that the needs of employers should be taken fully into account in the design of educational and training curricula and programmes, if such programmes are to make a meaningful contribution to the development and better utilisation of the country's manpower resources.

Out of these different considerations it has become the accepted practice in western countries for government to take more or less full responsibility for general primary, secondary and tertiary education, both in academic and technical directions, and to provide support, in the form of direct financing, subsidies, tax concessions or otherwise, to applied training programmes provided by employers. This pattern also obtains in South Africa, and in recent years there have been a number of innovations in respect of government support for training programmes undertaken by employers for their Black employees in particular.

Among the positive contributions by government to the development and utilisation of South Africa's national resources, I finally

want to mention the government's role in providing the physical infrastructure and in stimulating the exploitation of specific natural resources. The history of the public corporations and government business enterprises, such as Iscor, Escom, the South African Railways, and a number of others, in setting up a local steel industry, developing a basic infrastructure of transport and power facilities, etc., is too well known to require repetition here. In addition to acting directly in this way through its own institutions, the government has also taken steps to encourage the local beneficiation of South Africa's minerals through the introduction of various financial incentives.

Turning now to the limiting functions which government undertakes in respect of the development and utilisation of national resources, the first that come to mind are again concerned with agriculture, viz the various legislative and other measures taken with regard to soil conservation. To some extent, the need for government involvement in this sphere arose from ignorance or lack of foresight on the part of some farmers, which had led to unsound practices of land utilisation. Even with a well-informed and prudent farm population, however, a considerable part of soil conservation planning is beyond the scope of individual farmers in so far as it involves the planning of whole river basins. On both these counts, it is generally accepted that some government regulation of private practice is necessary to achieve positive results.

Similar considerations provide justification of government regulation of some aspects of mining, in so far as uncontrolled private pursuit of profit may in given circumstances give rise to a waste of mineral resources. Also in respect of mining, but equally of manufacturing, the environmental effects of private activities call for a degree of governmental control.

In relation to the utilisation of manpower resources, government is called upon to intervene to ensure minimum health and safety standards, and to assume certain statutory responsibilities with a view to maintaining industrial peace.

One could go on enumerating ways in which the public sector has a legitimate and essential role to play in the development and

utilisation of national resources. I believe, however, that I have said enough to justify a positive answer to the first question I posed earlier in this paper, viz whether there is such a role for government. It remains to express some thoughts on the second question, viz whether a bureaucracy represents a suitable mechanism for fulfilling that role.

Ten einde hierdie tweede vraag te beantwoord, neem ek as uitgangspunt die omskrywing van 'n burokrasie wat in die toeligtig by die program van hierdie Konferensie verskyn, naamlik "... 'n stelsel waardeur 'n gegradeerde groep werknemers hulle werk verrig onderworpe aan die bepalinge van wette en regulasies wat onvermydelik vir die ordelike verrigting van werk deur 'n groep mense is".

Uit die beskrywing van, en die motivering vir die owerheid se rol in die ontwikkeling van ons nasionale hulpbronne wat ek hierbo verstrekket het, volg feitlik vanselfsprekend dat 'n burokratiese opset, so gedefinieer, inderdaad nodig is vir die uitvoering van daardie rol. Die aktiwiteite betrokke by die verskillende owerheidsfunksies waarop ek gewys het, is omvangryk en in 'n hele aantal gevalle ook geografies wyd verspreid. Daarom is dit noodsaaklik dat die individuele inisiatief van die werknemers op die verskillende vlakke by wyse van wetlike en regulatoriese voorskrifte in kanale gelei word wat die verwesentliking in die hand werk van die doelstellings wat met owerheidsopptrede beoog word. Hierdie oorweging is natuurlik veral belangrik omdat daar met openbare fondse gewerk word waarvoor uiteindelik op die politieke vlak verantwoording gedoen moet word. Die stelsel waarin daardie fondse aangewend word, kan dus uiteraard nie voorsiening maak vir sodanige mate van ongedissiplineerde individuele diskresie en inisiatief dat die subjektiewe doelwitte van individuele amptenare, in plaas van politiek verantwoordbare doelwitte, met behulp van openbare fondse bevorder word nie.

Soortgelyke oorwegings geld natuurlik groot ondernemings in die partikuliere sektor en lei dus ook daar tot die aanvaarding van burokratiese stelsels. Mens vra jou dus onwillekeurig af waarom die kritiek teen burokrasieë gewoonlik veral teen die openbare burokrasie gerig word. 'n Deel van die verklaring lê seker juis

daarin dat partikuliere sake-ondernemings 'n sekere verskansing teen die algemene publiek geniet, terwyl die openbare sektor baie meer regstreeks aan die algemene publiek verantwoordbaar gehou word. As ons eerlik wil wees, moet ons egter bereid wees om na nog ander moontlike verklarings vir hierdie verskynsel te soek. Word dit gedoen, dan moet daar toegegee word dat daar kenmerke van 'n openbare burokrasie is wat moontlik 'n sterker neiging tot verstarring in die hand werk as wat die geval is met burokrasieë in die sakesektor.

Die een belangrike aspek wat ek hier wil uitlig, is dat die fiskale dissipline waaraan 'n openbare burokrasie onderhewig is, en wat in die laaste instansie 'n politieke dissipline is, meer ruimte laat vir bepaalde onderafdelings van so 'n burokrasie om mettertyd 'n selfstandige bestaansreg te verwerf, as die winsdissipline waaraan burokrasieë in die sakesektor onderhewig is. Selfs in die kenmerke van drastiese besnoeiing van owerheidsbesteding soos dié wat ons in Suid-Afrika oor die afgelope paar jaar beleef het, is die uitgangspunt veelal dat die voortsetting van bestaande programme voorkeur geniet. Die gevolg hiervan is, enersyds, dat individuele programme in baie gevalle 'n lang leeftyd het, wat bevorderlik is vir die groei van 'n bepaalde burokratiese tradisie rondom so 'n program. Dit kan in bepaalde gevalle selfs mettertyd die hoofdoel van so 'n afdeling van die burokrasie word om die voortbestaan van die program waarom dit gegroei het, en aldus sy eie voortbestaan, te verseker. Andersyds, is die gevolg van die voorkeur wat voortsetting van bestaande programme in openbare begrotings geniet, dat 'n openbare burokrasie mag neig om nie baie gevoelig te wees vir nuwe behoeftes wat na vore tree nie.

Albei hierdie neigings lok vanselfsprekend kritiek teen die openbare burokrasie in die algemeen uit. Hoewel ek nie te kenne wil gee dat sake-burokrasieë glad nie soortgelyke neigings inhou nie, bied die winsdissipline waaraan sake-ondernemings onderhewig is, in die algemeen 'n sterker aansporing om op sulke neigings bedag te wees en stappe te doen om hulle te vermy of, waar hulle reeds ontstaan het, uit te skakel.

Especially in those areas of public activity which are closely linked to activities in the private business sector, such as the

public activities aimed directly at the development and better utilisation of national resources of which I provided examples earlier in this paper, the limitations on the public sector's ability to respond rapidly to new needs often give rise to severe criticism by the general public and create frustration among the personnel involved. One way which is often suggested to overcome this problem, is to take the specific activity out of the public service proper by creating a semi-public organisation with an autonomous statutory identity. This has in particular been a popular practice in the area of research activities.

To the extent that it represents an attempt to emulate the business sector it rests, to my mind, on a misconception of the essential difference between the public and private sectors. That difference is, as I have already mentioned, not that the one is set up on a bureaucratic basis and the other not - the semi-public institution will almost inevitably need to set up its own internal bureaucracy, and will also have to establish close links with the broader public bureaucracy. The essential difference between the public and private sectors lies, as I have pointed out, in the fact that in the one case the bureaucracy is subject to a fiscal-political discipline, and in the other to a profit discipline. The semi-public institution usually does not, by moving out of the public service proper, become subject to a profit discipline. In many instances it actually undergoes in the process some weakening of the fiscal discipline to which it is subject. The result may well be that it may become even more of a law unto itself than before, and less responsive to the needs of the broader public.

If my arguments are correct, the way to improve the flexibility and responsiveness of the public sector is not to try to escape the necessity of a bureaucratic form of organisation, but rather to improve the effectiveness of the fiscal discipline to which the public bureaucracy is subject. As is already well known, an important step in this direction is already under way with the progressive introduction of the programme budgeting system.

Another criticism which is often directed at the public bureaucracy is the fragmentation of public functions between different departments, which may cause confusion, involves the business sector and the general public in additional costs, and may result in duplication of activities and hence impose an unnecessary burden on the fiscus. One area at which this kind of criticism has frequently been addressed recently, is that of the utilisation of South Africa's manpower resources.

Again, I would argue that to the extent that this kind of situation occurs, its cause is not the use of a bureaucratic form of organisation, which, as I have argued, can hardly be avoided. Rather the origin of such fragmentation of functions lies in the diverse political considerations which lead to government involvement in the first place - in the manpower field, for example, the complicated composition of South Africa's population surely has a lot to do with the fact that government involvement is somewhat dispersed between different arms of government. While bureaucracy is, therefore, not the primary cause of such situations, I would certainly agree that the bureaucracy must share the responsibility for eliminating the concomitant disadvantages, either by consolidating or by effectively coordinating the related activities of different branches of the bureaucracy.

My algemene gevolgtrekking is dus, eerstens, dat daar 'n wettige rol vir die openbare sektor is in die ontwikkeling en aanwending van ons nasionale hulpbronne; en tweedens, dat die burokratiese organisasievorm nie in die uitvoering van daardie rol vermy kan word nie. Daar is egter wel neigings waarteen gewaak moet word. Hiertoe kan konstruktiewe kritiek van buite die openbare burokrasie seer seker bydra. Die amptenary waaruit daardie openbare burokrasie saamgestel is, dra egter self ook 'n groot verantwoordelikheid om te verseker dat die burokrasie 'n doeltreffende instrument van die landsbestuur sal wees.

Memorandum 13/12/77

A price caprice...

Agricultural Correspondent
THE Minister of Economic Affairs, Mr. Chris Heunis, has reimposed control over the prices of agricultural machinery, equipment, implements and spare parts, with immediate effect.

In his statement the minister said that in June this year the Government had decided to abolish price control measures for these products.

Because price increases had occurred since then, it had been decided that the justification should now be verified by the Price Controller.

Mr. Heunis said he had hoped that the free play of the market would have ensured prices remaining at reasonable levels.

He said a wide range of increases had forced the Government to reimpose price control and that all prices would be frozen at the levels which existed on August 5 this year.

The minister emphasised, however that only the maximum selling prices would be fixed in this way. He said dealers were free to sell at lower prices if they wished.

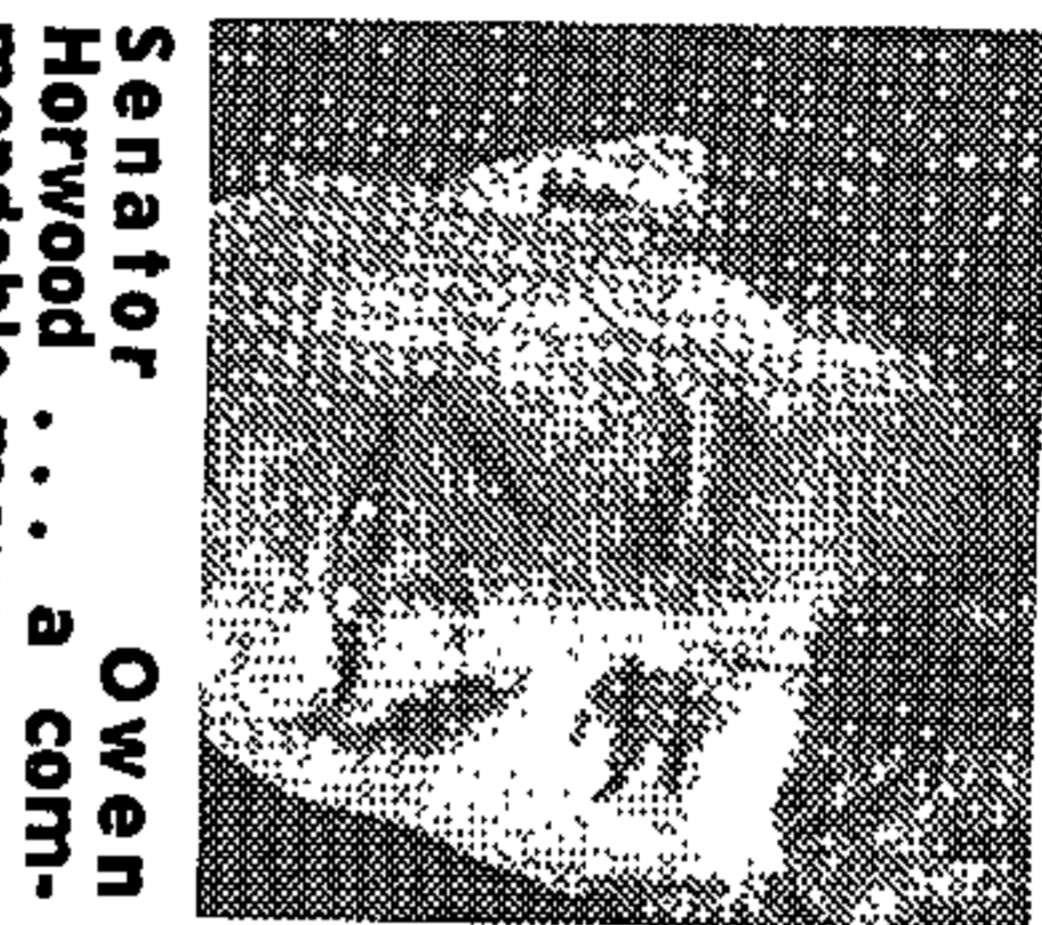
(49)

Dr De Kock's vital task

THE appointment of an official commission of enquiry into monetary policy under the chairmanship of Reserve Bank senior deputy governor, Dr Gerhard de Kock, is arguably one of the most important — if not the most important — banking developments this decade.

BY NIGEL BRUCE

The implications that flow from it will impinge on the lives of every one of us who are part of the industrial and commercial economy. For in a country as dependent on world trade as ours, control of the quantity and price of money, is crucial to our continued prosperity.



Senator Horwood . . . a commendable move.

Essentially, the commission will set out to formulate definite monetary policy objectives appropriate to the prevailing state of the economy and then adapt the present banking system — and its attendant money markets — to enable their most effective implementation.

The need for such a commission is long overdue. I would guess this has increasingly been pointed out to Finance Minister Owen Horwood by international monetary officials as, because of our borrowing and other capital requirements, the South African economy has come under closer scrutiny from abroad. Minister Horwood's swift action in this respect so relatively soon after having taken office does him credit. So does the appointment as its chairman of Dr de Kock, who has been intimately involved in the development of

our banking system to its present high level of sophistication and who, while representing this country on the International Monetary Fund, has been exposed to the foremost thinking of international experts on monetary matters.

Equally important, however, is Dr de Kock's known commitment to the manipulation of market forces in the attempted attainment of official policy objectives, rather than the haphazard use of controls that have at times in the past

Commission will affect all South Africans



Dr Gerhard de Kock . . . an important appointment.

had unexpectedly detrimental effects and led to humiliating official retractions.

This suggests that the pragmatic views of bankers and other businessmen who operate the monetary system will be given ample hearing and will be carefully weighed.

The main impetus for the commission's establishment comes from the country's growing need to use its limited capital resources to their maximum, especially to enable Government

financing to be conducted in as least inflationary a manner as possible.

For many years now our monetary authorities have used some policy measures — such as bank credit ceilings, deposit rate controls and variable liquid asset ratios — to meet immediate ad hoc needs.

There have been times, too, when fiscal policy, which involves Government revenues and spending and which is implemented by the Department of Finance, and monetary measures taken

by the Reserve Bank, have been out of kilter. The consequent waste that this involves, the country has never really been able to afford — less so now than ever.

Dr de Kock's simultaneous appointment to the Ministry of Finance as special economic advisor to the Minister should also mean that more complementary fiscal and monetary policies will be formulated and implemented. For while moving temporarily to the Treasury, Dr De Kock will

retain his post as senior deputy governor at the Reserve Bank. The irony of this country's monetary backwardness is that it has a financial sector and money market of unusually advanced sophistication through which to implement official policy.

Indeed, the fact that this has not been done has meant that in some respects money market development was prematurely arrested. In time, this itself has become a constraint in the effective implementation of monetary policy through the market mechanism.

For instance, a major difficulty over the implementation of open market operations — the buying and selling by the authorities of official securities to expand or control domestic liquidity — was the lack of interest in Treasury bills, partly because an outdated mechanism exists which enables the Treasury to hold the interest rate on these bills too low.

So today this is one of the few countries in the world

where Government, almost everywhere else a prime borrower, finds itself eclipsed by the large commercial banks.

Important implications both for business and the man in the street will flow from the view the commission takes on the extent to which interest rates (the cost of money) be used as an economic regulator.

The subsidisation of the farmer through the special privileges enjoyed by the Land Bank will, for example, have to come under the commission's scrutiny. As, indeed, will the State's subsidisation of white housing through the tax benefits enjoyed by certain building society investments.

In fact, assuming that the commission's terms of reference are as wide as expected, that it's not impossible that the very existence of building societies in their current form will be closely examined.

Of course, the most seriously affected by whatever the commission

Crucial monetary role for De Kock

From Page 3

decides will be the banks, the business of which is the chief mechanism through which monetary policy is implemented.

One vital area to them is the ultimate official attitude that should emerge from the

commission's recommendations on exchange rate policy, especially if it involves the encouragement of an international market in the rand and the eventual dismantling of exchange controls.

For if a more flexible exchange rate policy is adopted and the rand's value no longer fixed to the dollar, the banks will be forced to pay market rates for their customers' foreign currency requirements and consequently actually have to measure the risks involved. This should mean a better deal for importers and ex-

porters. For the banks it will require new skills. Undoubtedly, too, the cartel agreement among the commercial banks that limits price-cutting competition for deposits and the provision of services will come in for some searching scrutiny.

Clearly, after Minister Horwood's forced raids on the nation's savings and extensive use of banks' intensive requirement to cap future additional public revenue, the next logical step is to ensure money and capital markets operate more efficiently so that

these unfortunate measures become less permanent. For this reason it is probably safe to assume that not only will the De Kock Commission get cracking right smartly, but that as it gets into swing the effects of its advice will not be long in flowing through.

• To Back Pa

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Sun. Times 14/5/77 Business

Looking better for Britain

HOPES that Britain's beleaguered economy had turned the corner and that the end of the four-year-old recession was in sight were raised this week with share prices reaching their highest level since June 1973 and banks cutting their interest rates to offer their cheapest credit for four years.

Also, sterling held its own in currency markets.

Investors are increasingly optimistic that the economy is set to enter a new growth phase and that company profits will begin to get larger. The only set-back to these hopes could be inflation — the wholesale prices index shows a 1.25 percent rise for July — and a new bout of wage claims which are starting to loom after the demise of the social contract.

But although hope is tinged with caution, there was no hiding of smiles in the City this week. Share prices hit a four-year-high on Monday and then repeated their performance on Tuesday, reaching 481.8 on the Financial Times Index. Wednesday, too, saw higher prices to begin

with, but then the afternoon saw a fall-back arising from reports of a new flare-up in the Middle East — it was the Middle East crisis that sparked off the recession four years ago.

This week the big-four clearing banks announced a cut in their base rates from 8.5 to 8 percent, meaning blue chip companies will now pay only 9 percent on overdrafts — a contrast to the amounts their South African counterparts are having to pay.

Rates have now come down by six percent since the last financial crisis last winter.

The widespread falls in interest rates reflect the recovery of international confidence in sterling and the British economy, helped by the increasing volume of North Sea oil. Official estimates of the

benefits which North Sea oil will bring were revised upwards this week, with a statement from the treasury that oil from the British zones of the North Sea would improve the balance of payments this year by £1400 million (R2100 million), next year by £2700 million (R4050 million) and £3700 million (R550 million) in 1979.

Another implication of the fall in interest rates is that mortgage rates will almost definitely be cut. On Wednesday the Chancellor of the Exchequer, Denis Healey, forecast that the mortgage rate — at present 10.5 percent — will come down in the wake of the rising pound, a halving of interest rates since last October and reserves which are at an all time high.

He also forecast that inflation would be down to

single figures next year.

But he gave warning that the improvement depended on the total increase in earnings not exceeding 10 percent this year — the largest threat to stable growth.

And since the social contract came to an end, there have been demands for pay increases of a much larger nature.

Workers at the Northern plants of H.J. Heinz, the American-owned "57 varieties" food company, have received increases averaging around 20 percent as from August 1. Workers at other companies have received increases of 15 percent, challenging the pay restraint pleas.

The Government and the TTC have asked H.J. Heinz directors to reconsider rescinding their pay deal because of the

threat it poses for overall pay policies. The government's main sanction against companies breaking the pay code lies in its power to monitor and control profits. It can also withhold public contracts and industrial grants.

The TTC support Government pay restraints. General Secretary Len Murray said the TTC would be "expressing its views in a more direct way" to the union representatives concerned.

Another union on collision course with the TTC is the Merchant Navy Officers Association which is seeking pay rises bigger than allowed under the pay restraint conditions.

If they manage to force through the pay increases they are currently demanding — 17 percent rises compared to the maximum 10 percent envisaged by the authorities — the vicious cost-push inflation that could result might set back any growth paths that are now possible and wreck chances for improved standards of living in the long term.

FRANCAIS I

COURS DE LANGUE

AIDE-MEMOIRE POUR LA TRANSPOSITION D'UN TEXTE EN DISCOURS INDIRECT

DISCOURS DIRECT

On répète les paroles exactes de la personne qui parle.

EXEMPLES

1. CHARLES: "Marie, ouvrez la porte."
2. CHARLES: "Je suis pressé."
3. CHARLES: "Mon déjeuner est-il prêt? Qu'est-ce qui se passe? Pourquoi êtes-vous en retard?"

CHARLES dit (demande, ordonne) à Marie d'ouvrir la porte.
CHARLES dit (déclare, ajoute..) qu'il est pressé.

CHARLES demande (veut savoir, etc..) si son déjeuner est prêt. Il demande aussi ce qui se passe et pourquoi elle (Marie) est en retard.

I. Signes de ponctuation

DIFFERENCES

Le discours direct est introduit par deux points et placé entre guillemets. La question se termine par un point d'interrogation.
Les deux points et les guillemets disparaissent. Le point d'interrogation est remplacé par un simple point.

II. Le pronom personnel, le verbe, l'adjectif et le pr. possessif

Sont a diverse personnes.

III. Terme

Temps présent et proximité.

Charles: "Ceci ne doit pas représenter: soyez à l'heure"

1. Impératif

2. simple déclaration

3. question

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Scotts now in food

Financial Editor

SCOTT'S Stores Ltd., Durban, announced yesterday that it had acquired control of Cashmart Holdings (Pty.) Ltd., with effect from March 1, 1977.

This is Scotts' first investment away from its traditional clothing, footwear and soft goods stores. Its new stake is in food.

Cashmart operates a chain of 10 cash and carry wholesale outlets and one conventional wholesale store in Natal and the

Eastern Orange Free State. The chain's current annual turnover is more than R14 million.

Eighty percent of Cashmart's turnover is in food. It started operations in 1973 and has shown constant growth since then. The company's managing director, Mr. C. McLeish, has had 27 years' experience in wholesaling. He will continue, with his management team, in the Scotts Group.

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Business 16/8/77

Govt may have to animate economy

(49)

Financial Editor

IT IS likely that the Government will be compelled to stimulate the economy soon because of the urgent need to off-set the growing dangers being created by unemployment.

This is the view of Hill Samuel, the merchant bankers who, in a report released during the weekend, says that the Government has two courses of action open to it in the current emergency.

It can continue with the present deflationary measures which have already brought some reward or take steps to ease the suffering of the unemployed.

But, both courses were a gamble. If the Government followed a path of economic orthodoxy, it would risk unrest among the growing mass of unemployed. If it tried to create more employment too early, there was a risk that the economy would dive into a deeper recession at a later stage.

The bank adds that it is never easy to be a Minister of Finance in a time of recession.

Unpopular measures had to be taken to solve the pressing problems.

"Various sections of the community become alienated as they feel that they are bearing more than their fair share of the burden.

"Cabinet colleagues and public sector officials try to obtain as much of the reduced cake as possible while the private sector demands assistance and an end to its sufferings.

Arguments

"While bombarded with arguments from all sides, the Minister has to try to do what is best for the long-term future of the country.

Among the factors which had to be considered now were:

- The recession is three years old and it would appear to be time to take steps to end it;

- Only four months ago South Africa's deflationary budget was welcomed as being necessary. It was doubtful if this policy should now be reversed:

- Unemployment was at a high level and could result in unrest;

- If the Government reflate could lead to more severe measures having to be taken later;

- If the economy is not forced into an upturn, the country may miss out on the benefit flowing from the current improvement in overseas economies.

But, South Africa does not have sufficient foreign funds to be able to reflate.

The current account of the balance of payments was showing a surplus but the capital account was registering a net outflow.

The bank sums up by saying that on balance it seems likely that political pressures will force the Government to decide on reflation.

PRESS STATEMENT BY SENATOR THE HONOURABLE
OWEN HORWOOD, MINISTER OF FINANCE

Pursuant to my press statement of Thursday, 4 August 1977, I wish to announce that it has pleased the State President to appoint a Commission to enquire into and to submit recommendations in respect of the monetary system and monetary policy in South Africa, with special reference to -

- (i) the money market;
- (ii) interest rate policy, including public debt management and open market operations;
- (iii) credit ceilings, cash reserve and liquid asset requirements;
- (iv) the "grey market";
- (v) the position of the smaller banks;
- (vi) exchange rate and forward exchange policies and practices, and the development of a foreign exchange market in South Africa;
- (vii) the changed role of foreign capital; and
- (viii) the interaction between monetary and fiscal policy and the balance of payments.

The members of the Commission are:

- Dr G.P.C. de Kock (Chairman)
- Mr G.W.G. Browne
- Dr A.J. du Toit
- Prof J.A. Lombard
- Mr J.W. Louw
- Mr A.J. Marais
- Mr G.M.F. Oxford
- Mr R.A. Plumbridge
- Dr M. van den Berg

ISSUED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST OF
THE MINISTRY OF FINANCE

FOR IMMEDIATE RELEASE

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PRESS STATEMENT BY THE HONOURABLE J C HEUNIS, MINISTER OF ECONOMIC AFFAIRS, ON FINDINGS AND RECOMMENDATIONS OF THE STANDING ADVISORY COMMITTEE ON STATE COMPETITION

The Standing Advisory Committee on State Competition, appointed for the purpose of advising the Government on complaints received from the private sector regarding specific instances of competition with the private sector by the public sector, has reported to the Cabinet Committee on Economic Policy on cases which have recently been considered. For general information I would like to give a brief resumé.

1. Brewing of Magou by Bantu Affairs Administration Boards

1.1 Complaints have been received regarding the brewing and proposed brewing of magou by the Bantu Affairs Administration Boards. This product is traditionally manufactured by the private sector, but competes to a certain extent with Bantu beer which is traditionally produced by Bantu Administration Boards.

1.2 Bantu beer profits constitute a very important source of income for the Bantu Affairs Administration Boards and these Boards took steps to protect their income. The Bantu Affairs Administration Board of the Western Transvaal obtained

permission /....

permission to produce magou and converted an existing Bantu beer brewery into a magou brewery for supply to its own retail liquor outlets as well as for private sector distributors. Other Boards also intended to brew magou.

1.3 After the Standing Advisory Committee had discussed the matter with the Department of Bantu Administration and Development it was again reviewed and that Department has now made the following arrangements:

- The Western Transvaal Administration Board is to discontinue the brewing of magou as soon as practicable. The Board should negotiate for the disposal of its brewery on an economic basis. If the Board cannot thus dispose of its investments, it will be allowed to continue to brew only for its own requirements for distribution at its own retail outlets.
- Other Administration Boards will not be allowed to brew magou but may buy it from private producers for distribution at their own retail outlets, i.e. their liquor and Bantu beer retail outlets in urban Bantu residential areas.
- The Department will not take any further steps to bring magou under the jurisdiction of the Act on Bantu Beer, a step which was contemplated to discipline the magou industry.
- The Department of Industries will be requested to obtain undertakings from magou producers that they will

continue /

continue to observe their present self-imposed discipline of a low alcohol content for their own products.

- The Department of Industries will also be approached to endeavour to arrange for a SABS specification for magou (such a project is already being undertaken by the SABS in co-operation with the manufacturers).

1.4 The Cabinet Committee is in agreement with these arrangements.

2 Stone Quarry of the City Council of Pietermaritzburg

- 2.1 The City Council of Pietermaritzburg operates a stone quarry in competition with a local private plant. The products are not only used for municipal purposes but are also sold to the public.
- 2.2 Complaints were received regarding these activities of the City Council and on investigating the matter it was found that the Council not only operated within its jurisdiction, but also obtained prior approval on high level.
- 2.3 The Committee expressed the view that as the quarry had been in existence for a long time and seeing that the City Council duly obtained approval for the undertaking, the matter could hardly be undone. The Committee considers it basically wrong, however, that the Council also sells stone to the public. On the other hand, it is not known whether the local private quarry could meet the normal requirements of the area.

2.4 In all these circumstances the Standing Advisory Committee recommended that the Administrator be approached regarding the possible discontinuation of the selling of stone to the public by the City Council. Further it is suggested that the City Council should endeavour to decrease its own production gradually with a view to buying commensurately more from the private sector.

2.5 The matter is receiving further attention on this basis.

3. Packing of rations by the South African Defence Force

3.1 Complaints have been received that the SA Defence Force no longer obtain packed rations for troops on the border from the private sector, as in the past, but are at present packing these rations themselves.

3.2 It has been explained by the SA Defence Force that the former standard ration packs can no longer be used. Circumstances demand that rations be provided in a large variety depending on the nature of a specific operation and on the area involved. It is also frequently necessary to make up these packs, which must comply with specific requirements, at short notice - often during the night. A very large measure of flexibility is therefore necessary and it will be difficult for the private sector, if at all possible, to do the job. It has also transpired that only a minimal investment in equipment has been made by the SADF for this purpose.

3.3 The Standing Advisory Committee has decided unanimously that in the circumstances it would be impracticable to expect that

the /

the packing activities in question be farmed out to the private sector.

4. Distribution of arms and ammunition by Armscor

4.1. Certain wholesalers of arms allege that their trade is being harmed in that Armscor has the sole right to import certain calibres of arms and ammunition for distribution by the trade and is thus depriving them of profitmaking opportunities.

They are also dissatisfied because Armscor do not allow special discounts to wholesalers.

4.2 Armscor informed the Committee that they are not averse to discussing the matter with the trade, but the problem is that in the past there was no representative body for the large number of arms dealers. It would be of no avail to discuss the whole matter of quantity discounts, wholesale margins, the importance of local manufacture, rationalisation and strategic considerations individually with a large number of undertakings, each with its own particular interests.

4.3 The Committee has been informed that an association of arms dealers has just been formed. It has been decided that a meeting will be arranged with the Department of Industries and of Commerce, Armscor and the arms trade in an endeavour to straighten out the problems as soon as the association is representative of both the wholesale and retail trade.

5. Commercial activities of the Transvaal Provincial Administration

5.1 The Administrator of the Transvaal has furnished comprehensive

information /

information on the commercial activities of his Administration, indicating that the Administration farms out work to the private sector as far as practicable.

- 5.2 The Committee has noted the explanations, with appreciation, and has requested that similar information be obtained from the other provincial administrations. This is being taken up.
- 5.3 Further, the Committee has suggested that the Transvaal Provincial Administration be approached with the request to consult beforehand in the event of any new activities or the extension of existing activities being contemplated. The Provincial authorities is in agreement with this approach. If a suitable compromise cannot be reached in respect of a particular activity the matter will be decided upon by the Cabinet Committee.
6. Manufacture by the South African Railways of plastic products for its own use
- 6.1 With reference to complaints received in this regard, the Railways have explained that their activities in question in the first instance involve research and development which the private sector is not in a position to undertake. Components and panels for coaches, name plates for stations and benches, etc , have been developed from synthetic resins in substitution of less durable products of other materials. Some of the products developed are farmed out. It is, however, not possible for the SA Railways to farm out all the products which they develop, because they have to utilise the equipment which they have acquired for development work as well as the personnel involved.

- 6.2 Further the Railways point out that it is important for them to be able always to obtain components locally. Under present circumstances the private sector is anxious to supply but in times of boom the Railways cannot always obtain the components locally and for this reason have to take precautions to manufacture the goods themselves.
- 6.3 The Committee has concluded that due to insufficient information, it was unable to consider the complaints. The complaints will, however, receive further consideration if further particulars are received.

7. Manufacturing of re-inforced concrete products by the SA Railways

A complaint has been received to the effect that the SA Railways produce re-inforced concrete products in Bellville which could be obtained from the private sector. It appears, however, that these activities are of a minimal extent only. Only three non-whites are employed for this purpose under part-time white supervision. This information has been conveyed to the Federated Chamber of Industries, through which the complaint has been lodged, in order that the Chamber can decide whether the matter warrants further attention.

8. Complaints regarding the existing activities of the public sector

- 8.1 The Committee was appointed in the first instance to

investigate /

investigate complaints from the private sector regarding competition by the public sector and to make recommendations thereon.

8.2 Up till now it has been the standpoint of the Department of Industries that the task of the Committee is primarily to deal with cases where the public sector supply goods and services to the private sector in competition with the latter. Private sector members of the Committee have recommended, however, that it should also be the task of the Committee to adjudicate claims of the private sector to supply to instances in the public sector goods and services which have thus far been reserved for itself by such an instance.

8.3 The Advisory Committee has decided to refer the matter to the Cabinet Committee and the latter does not object to the Advisory Committee also extending consideration to cases of this nature.

RELEASED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST
OF THE DEPARTMENT OF INDUSTRIES

PRETORIA

.... AUGUST 1977

...ing. U doku-
nente word dus aan u
eruggestuur.

MNR. J. H. JORDAAN van
VALMER: Daar is by her-
taling in VERBRUIKER
verig dat die firma IMEX-
TRA al verlede jaar onder
ikwidisie geplaas is. Ge-
volglik is daar niks wat ons
nef u klag kan verrig nie. U
dokumente en bewysstukke
word aan u teruggestuur.

MNR. J. J. VAN ROOYEN
van WARNERSTRAND: U
klagbrief en aangehegte
korrespondensie is deeglik
geles. Dit is vir ons baie
luidelik dat die betrokke
notormaatskappy nie be-
leid is om op die saak
kommentaar te lewer nie.
Dit sal dus van geen nut
wees as ons u klagbrief aan
ulle voorlé. Indien u wel
an plan is om 'n eis in te
lien, raai ons u aan om 'n
prokureur te spreek. Die
ogmerk van VERBRUI-
KER is om behulpsaam te
wees waar verbruikers pro-
bleme of moeilikhede met
firmas ondervind. Ons kan
nie die betrokke motor-
maatskappy dwing om 'n
„meer positiewe antwoord”
aan u te verstrek nie. Ons
beskou dus dié saak as
afgehandel.

MNR. B. A. DE LA
HARPE van WALVISBAAI:
Dit wil voorkom dat u RAP-
PORT met 'n ander koerant
verwar. Skuilnamé word
nie deur VERBRUIKER
aanvaar nie en die koerant-
aïtknipsel wat u aan u brief
geheg het kom beslis nie uit
RAPPORT nie. Ons het ook
nog nooit enige brief van u
ontvang nie.

49 INLEIDING

Almal wag op dr. De Jongh

Deur VIC DE KLERK

DIE oogmerke van die beperkende ekonomiese beleid, naamlik 'n verbetering in die land se betalingsbalans en die bekamping van inflasie, is nog nie in so 'n mate bereik dat daar nou reeds sprake van 'n verligting kan wees nie.

Dit is om hierdie rede dat dr. Bob de Jongh, president van die Reserwebank, op Dinsdag se jaarvergadering waarskynlik nie enige belangrike veranderinge in die huidige beperkende geldbeleid sal aankondig nie.

Indien die daling in die
geldvoorraad wat in die
eerste kwartaal plaasge-
vind het, in die tweede
kwartaal voortgesit is, sou
die Reserwebank nou iets
moes doen. 'n Absolute
daling in die geldvoorraad
— terwyl die ekonomie in
geldterme 'nóg met onge-
veer 10 persent per jaar
styg — kon die land maklik
in 'n ernstige depressie
gedompel het.

Maar in April, Mei, Junie
en Julie het die geldvoor-
raad weer begin styg. Daar
is nou min meriete vir die
Reserwebank om met sy
geldbeleid skiet te gee.

Ekonomie met wie Sake-
RAPPORT gesels het, wys
ook daarop dat die land nog
net 'n selektiewe stimule-
ring van die ekonomie kan
bekostig en dat 'n verlig-
ting van die monetêre be-
heermaatreëls 'n algemene
stimulering sal wees.

Mnr. At Engelbrecht, hoo-
fekonoom van Volkskas,
wys daarop dat die huidige
ekonomiese verloop op die
oomblik reeds sodanig is
dat die geldvoorraad weer
besig is om te styg. Dit gaan
dus met die gelddeel van
die ekonomie taamlik goed.
Dit sou verkeerd en gevaar-
lik wees om dit nou nog
losser te maak.

Daar is op die oomblik
basies vier maatreëls wat
die Reserwebank kan ver-
lig as hy die ekonomie 'n
inspuiting wil gee.

• Die huidige kredietpla-
fonne waarvolgens bank-
krediet aan die private sek-
tor nie mag styg nie, kan
opgehef word of 'n styging
van sê 0,5 persent per
maand kan toegelaat word.

Die kredietplafon is met
die jongste Begroting inge-
stel om te verhinder dat die
groot hoeveelheid geld wat
die staatsektor net na die
Begroting in die ekonomie
sou pomp, nie aanleiding
gee tot spekulasie en 'n
uitvloei van geld uit die
land nie.

Gevaar

Daardie gevaar is nou
verby, en die banksektor as
geheel het op die oomblik
nog speelruimte onder die
kredietplafon. Dit sal dus
bloot 'n gebaar wees, wat
die staat niks sal kos nie en
wat ook nie juis nuwe
gevaar in die ekonomie sal
skep nie.

• Die baie hoë likwiede
bates waaraan die banksek-
tor moet voldoen, kan ook
verlig word. Hierdie lik-
wiede batevereistes is ba-
sies om dieselfde rede as
kredietplafonne ingestel,
maar het op die oomblik 'n
nadelige uitwerking op die
banke se winsgewendheid.
Om nou hierdie likwiede
batevereistes te verlig son-

der 'n verligting van die
kredietplafon, sal egter ook
nie veel help nie. Die banke
sal niks nuuts hê waarin
hulle die geld wat hierdeur
loskom, kan belê nie.

Albei moet dus tergely-
kertyd verlig word en gesa-
mentlik kan dit dalk die
ekonomie te veel stimuleer
sodat dit nie nou bekostig
kan word nie.

• Na vandeeweek se
klein verlaging in die oor-
trokke koers van die groot
handelsbanke vir hul beste
klante, is daar ook waarne-
mers wat meen dat die
Reserwebank dalk die
bankkoers met 0,5 persent
kan verlaag. Dit sal lei tot 'n
algemene daling in uitleen-
koerse en daarom ook 'n
kostebesparing vir die han-
del en die nywerheid.

Die probleem is egter die
kapitaalrekening van die
betalingsbalans. Daar was
die laaste klompie maande
'n aansienlike uitvloei van
k o r t t e r m y n -
buitelandse geld en op die
oomblik is ons eie koerse
nie juis veel hoër as dié in
die buiteland nie.

Doelbewus

'n Verlaging in binne-
landse koerse maak dus
buitelandse finansiering
minder aantreklik en meer
in- en uitvoerders kan bes-
luit om vir hul finansiering
van die buiteland na Suid-
Afrika oor te skakel.

Dit kan nuwe druk op die
land se buitelandse reser-
we plaas. En dit is iets wat
die Reserwebank tot elke
prys wil vermy.

'n Vierde moontlikheid
vir die Reserwebank is om
korttermyn-staatseffekte by
die private banksektor aan
te koop. Maar dit is nie
nodig nie, want die geld-
voorraad is reeds besig om
te styg.

Die netto goud- en buite-
landse reserwe het waar-
skynlik in die tweede kwar-
taal vanjaar gestyg, terwyl
die klein styging in bank-
krediet aan sowel die Rege-
ring as die private sektor
ook die geldvoorraad verho-
oog. Daar is dus geen me-
riete in om nou doelbewus
die geldvoorraad nog ver-
der aan te help nie.

Bankiers verwag egter
dat dr. De Jongh heelwat
aandag sal gee aan die
bestaande bankbeheer-
maatreëls — veral ten op-



Dr. Bob de Jongh, president van die Reserwebank.

sigte van die eie kapitaal
van banke en moontlike
verliese wat banke kan ly.

Hy kan selfs nuwe maat-
reëls voorstel om te verse-
ker dat banke nie weer in
die moeilikheid raak nie.

Om dus op te som, lyk dit
nie of daar Dinsdag noe-

menswaardige veranderin-
ge aan die land se monetê-
re beleid gemaak gaan
word nie. Ekonomiese
groei sal steeds die derde
prioriteit wees na die bes-
kerming van die betalings-
balans en die bekamping
van inflasie.

SOUTH AFRICAN RESERVE BANK

CHAIRMAN'S ADDRESS

Address by Dr. T. W. de Jongh, Governor of the South African Reserve Bank,
at the Annual General Meeting of Stockholders of the Bank on 23rd August, 1977

Gentlemen,
I have pleasure in formally presenting to you the Annual Accounts of the Bank, and the Reports of the Board and the Auditors, for the year ended 31 March 1977.

I also submit to you the Bank's Annual Economic Report, which should be regarded as furnishing a background to my remarks today.

Survey of Economic and Monetary Developments

During the year ended June 1977, a number of favourable developments occurred in the South African economy, but several problems still have to be faced. The most favourable development was the marked improvement in the current account of the balance of payments from a deficit of R2 039 million in 1976/76 to only R199 million in 1976/77. Moreover, the current balance changed from a large deficit to a substantial surplus in the course of the year under review. The deficit on the current account, taken at a seasonally adjusted annual rate, reached a peak of R2 529 million in the first quarter of 1976, then declined sharply in subsequent quarters and finally turned into a surplus of R1 277 million in the second quarter of 1977.

A decline in the value of imports actually set in from the first quarter of 1976 and at a seasonally adjusted annual rate, it decreased from R7 688 million in the second quarter of 1976 to R6 551 million in the second quarter of 1977, or by 14.8 per cent, after having increased at an average annual rate of 34 per cent during the preceding three years. In real terms, it decreased by 20 per cent during the past year. The decline in imports may be associated with a decrease of 3.5 per cent in the real gross domestic expenditure during the year under review. All components of real gross domestic expenditure, i.e. government and private consumption expenditure and fixed and inventory investment, contributed to this decline.

Merchandise exports rose by no less than 33 per cent during 1976/77, following an increase of 25 per cent during the preceding year. Price increases contri-

merce and industry. For example, the volume of manufacturing production decreased by 4.5 per cent during the eleven months to May 1977 and the utilisation of production capacity in manufacturing decreased from 88.0 per cent in the first quarter of 1976 to 83.9 per cent in the first quarter of 1977.

The depressed conditions in certain sectors of the economy and the overall low economic growth rate caused unemployment to rise rapidly. The number of registered unemployed Whites, Coloureds and Asians more than doubled during the year under review, but nevertheless represented only 1.4 per cent of the comparable labour force at the end of June 1977. Although no reliable statistics are available, indications are that Black unemployment also increased substantially. However, compared with the corresponding period of the preceding year, employment in the mining sector increased by 5.4 per cent and in the public sector by 2.9 per cent during the nine months to March 1977, although total employment of all population groups in the non-agricultural sectors increased by only 1.1 per cent.

A favourable development associated with the decline in consumption expenditure was an increase in the ratio of domestic saving to the gross domestic product from 23 per cent in 1975/76 to 26.5 per cent in 1976/77. This brought the relative share of foreign funds used in the financing of domestic investment down to only about 2 per cent in the past year, compared with 24.5 per cent in the preceding year.

Regarding the monetary and banking situation, considerable success was achieved in reducing the rate of increase in domestic credit extension and the money supply. The quantity of money and near-money increased by only 6 per cent from June 1976 to June 1977, compared with 18 per cent during the preceding year. Similarly, the rate of increase in domestic credit extension declined from 20 per cent in 1975/76 to about 9 per cent during 1976/77. Both bank credit to the private sector and net credit to the government sector contributed to the latter decline. The increase in domestic credit extension

In August 1976 arrangements were made with the International Monetary Fund for a standby facility of R150 million in order to absorb some of the anticipated pressure on the country's gold and other foreign reserves while the corrective monetary and fiscal measures still had to induce the necessary adjustments in the economy. This facility was drawn in three instalments in the course of the past year after a precondition on limits for domestic credit extension, which had been agreed on with the I.M.F. in August 1976, had been met.

The adjustment process made heavy demands on the domestic economy during the past year. Various business undertakings experienced serious cash flow problems and the banking system had to withstand severe pressure. Under these circumstances, the Registrar of Banks found it necessary to place two small banking institutions under curatorship. As a consequence, a lack of confidence in smaller banking institutions developed and substantial amounts of deposits were switched to the larger banks. To counter this and with a view to reviving confidence in the smaller banks, various measures were taken by the Reserve Bank.

One of the banks placed under curatorship had substantial outstanding foreign commitments, and the Reserve Bank provided unconditional guarantees for the repayment thereof and also confirmed its readiness to provide normal accommodation to all smaller banking institutions as part of its traditional central banking functions. Furthermore, arrangements were made with the five biggest banks to establish a fund of R55 million with the National Finance Corporation of South Africa for special loans to smaller banking institutions experiencing liquidity problems. The deposit interest rate control regulations were revised by reducing the exemption limit from amounts above R1 000 000 to amounts of R250 000 or more.

Although notable success had already been achieved with the restrictive credit control measures, the ceilings on bank lending to the private sector were further tightened in March 1977 when the

monetary or fiscal policies, having in mind also the continued need to curb inflation.

During the past year, this restrictive policy stance has in fact been applied more rigorously and in the process the authorities have succeeded in making considerable progress towards achieving their main policy objectives, namely to strengthen the balance of payments and to reduce the rate of inflation. At the same time, however, the rate of real economic growth has declined further.

The outstanding feature revealed by the foregoing survey of economic and monetary developments during the past year, is undoubtedly the success achieved in improving the current account of the balance of payments. This improvement was the result of (1) the success of the restrictive monetary and fiscal policy in reducing the rate of increase in domestic expenditure, and therefore also in imports; (2) a substantial increase in exports, particularly of mining and agricultural products; and (3) a rise in the price of gold and generally a higher rate of increase in export than in import prices.

The success attained in improving the current account of the balance of payments was not, however, reflected in a similar improvement in the balance of payments as a whole, the reason being that the capital account deteriorated during the year as a result of an increase in the net outflow of short-term capital and a decrease in the inflow of long-term capital. This weakening of the capital account was the result of factors such as the political uncertainties in Southern Africa, the repayment of certain short-term foreign debts of a compensatory nature, a decline in trade credits caused by the decrease in imports, a lower rate of fixed investment and less attractive yields on direct investments under the prevailing recessionary conditions.

The net result of the improvement in the current account and the deterioration of the capital account was reflected in a further decline in the net gold and other foreign reserves during the year, and although this decline was considerably less than during the preceding

indications are that unemployment for this population group also increased faster during the past year and moreover represented a larger percentage of the comparable labour force than in the case of the other three population groups. Whatever the true figures, it must be accepted that the matter of unemployment, more specifically in the urban areas, has become a further factor to be considered in determining economic policy.

Short-term Prospects and Policy

The foregoing analysis clearly indicates that the economic problems we were facing a year ago, have changed in several respects in the course of the past twelve months. On the one hand, success has been achieved in solving the deficit on the balance of payments and the excessive increases in domestic credit extension and the supply of money and near-money, while the high rate of inflation has at least been reduced. On the other hand, the problems of a weakening capital account in the balance of payments and a declining rate of real economic growth, resulting in increased unemployment, have become more pronounced.

Looking ahead, it would seem logical under the prevailing circumstances, and barring any unforeseen developments, to accept that, as far as the balance of payments is concerned, a further net outflow of capital may be experienced for some months to come, particularly as the repayment of outstanding short-term foreign debt may not be fully covered by an inflow of new capital. Whereas in the past the economy could be suitably stimulated at times on the acceptance that a sizeable current account deficit could be countenanced as this would automatically be financed by an inflow of foreign capital, such reasoning does not apply under the circumstances prevailing today. A major objective of economic policy should, therefore, be the maintenance of a large current account surplus in view of the continued need to build the net gold and other foreign

efficient excess liquidity. Present estimates, which are largely tentative, indicate that bank liquidity, which is already being fed by the Reserve Bank's seasonal creation of credit to the Land Bank mainly for the financing of the maize crop, and which is not being drained at present by a sharp decline in the gold and other foreign reserves as was the case a year ago, may be supplemented further by a net outflow of government funds during the months September to November. In view of this possible development and the fact that at least some of the big banks are close to their credit ceilings, the ceiling method of control will not be abolished just at present. It has been decided, however, that as from 1 September, the monthly increase of one half per cent in the ceilings, which was suspended as a temporary measure in March this year, will be reintroduced.

To facilitate the administration of the credit ceilings, it has also been decided to exempt from these controls those banking institutions of which the combined ceiling figure for investments, and discounts, loans and advances does not exceed R10 million. Each of these institutions will automatically become subject to the ceiling requirements as soon as its total credit to the private sector, as defined, exceeds this limit.

Concern has existed for some time now on the quality of bankers' acceptances which are certified as liquid assets. In order to make it easier for the discount houses to bridge temporary deficits and at the same time enable the Reserve Bank to exercise closer control over the quality of bankers' acceptances, it has been decided in principle to allow the discount houses to use their bankers' acceptances within certain limits as collateral for obtaining accommodation from the Reserve Bank. This matter will be discussed with the discount houses and merchant banks.

During the past year financial institutions other than discount houses, showed little interest in the weekly Treasury bill tender. One of the reasons for this lack of interest apparently lies in the rate quoted on call money by the National Finance Corporation of South Africa.

But the volume of exports also increased mainly due to higher exports of mineral products such as diamonds, iron ore, coal, nickel, copper and asbestos.

The current account of the balance of payments also benefited from a decline of 4.4 per cent in the invisible payments to the rest of the world. Another important current account item, namely the net gold output, declined slightly from R2 488 million in 1975/76 to R2 455 million in 1976/77, but in the course of the year under review, it increased progressively from a seasonally adjusted annual rate of R2 227 million in the third quarter of 1976 to R2 800 million in the second quarter of 1977. This improvement was due to an increase in the price of gold on the private market from an average of \$14 per fine ounce in the third quarter of 1976 to \$145 in the second quarter of 1977.

As regards the capital account of the balance of payments, a net inflow of R1 707 million in 1975/76 changed to a net outflow of R121 million during the year. This deterioration was largely due to a substantial net outflow of short-term capital of R767 million, including errors and unrecorded transactions of R565 million. During the second quarter of 1977 a repayment amounting to R121 million was made on short-term foreign loans obtained earlier to augment the foreign reserves, and this also contributed to the net outflow of capital. A net inflow of long-term capital amounting to R452 million was recorded during the year under review, compared with R1 361 million during the preceding year. Notwithstanding the smaller net inflow of long-term capital, the improvement of the current account was such that it led to a change in the basic balance from a deficit of R478 million in 1975/76 to a surplus of R253 million in 1976/77.

Despite the total net outflow of capital and the deficit on the current account, the gross gold and other foreign reserves declined by only R84 million, mainly owing to further gold swap agreements entered into in April 1977 to increase the cash content of the foreign reserves, and therefore also the total. This brought the total gross gold and other foreign reserves to R873 million at 30 June 1977. If the total amount of short-term borrowing related to the reserves is subtracted from the gross reserves, the net gold and other foreign reserves declined by R514 million during 1976/77, compared with a much larger decrease of R808 million during the preceding year. Moreover, the decline in the net reserves decreased from R339 million in the second half of 1976 to R175 million in the first half of 1977.

As mentioned above, the decline in imports was associated largely with a decrease in real aggregate domestic demand, which, in turn, was essentially responsible for a weaker rate of economic growth. Measured by the increase in the real gross domestic product, a growth rate of about 1 per cent was recorded during 1976/77, compared with about 2 per cent during the preceding year. The positive growth rate for 1976/77 resulted from an increase of 16 per cent in the real output of the primary sectors of the economy, which outweighed the decline of 1.5 per cent in the real value added by all the non-primary sectors such as com-

mer, sugar, etc. It was suspended in 1975/76 to R667 million in 1976/77, the latter representing an increase of only 8 per cent. Nearly half of the rise in bank credit to the private sector was accounted for by credit to the Land Bank to finance the early and exceptionally good agricultural crops. High liquid asset requirements, the imposition of credit ceilings, relatively high interest rates and slack demand for bank credit due to the recessionary situation were factors which contributed to the lower rate of credit extension to the non-agricultural sectors. In the case of the government sector, net credit extension was reduced from R1 096 million in 1975/76 to R442 million in 1976/77. Although a marked slowdown in the rate of extension of net bank credit to the government sector set in from the third quarter of 1976, a substantial increase occurred in the second quarter of 1977, but this was due mainly to seasonal factors. The lower rate of increase in government expenditure and the Government's successful programme to borrow more from the private non-banking sector reduced the use of bank credit as a source of finance.

Developments in the capital market were characterised by an increase in the amount of capital raised by the public sector at relatively high interest rates, depressed share, mortgage and real estate markets and, towards the end of the year under review, an easing of fixed-interest security yields.

A measure of success was attained in reducing the rate of inflation during the past year. The annual rate of increase in the seasonally adjusted consumer price index declined to 9.3 per cent in the fourth quarter of 1976, then increased to 13.3 per cent in the first quarter of 1977, but subsequently slowed again to 11.8 per cent in the second quarter. The acceleration in the first quarter was due largely to increases in indirect taxes and certain government-administered prices. The rate of increase in the seasonally adjusted monthly consumer price index, compared with the same month a year ago, declined significantly from 11.7 per cent for the twelve months ended March 1977, to 11.5 per cent for April and 11.0 per cent for both May and June 1977. Wholesale prices showed similar tendencies.

Survey of Monetary Policy

During the past year, the restrictive economic policy measures were maintained and even applied more stringently in some respects. Bank rate was raised from 8.5 to 9 per cent on 22 July 1976, while the Ministers of Finance and of Economic Affairs at the same time announced the introduction of a temporary deposit of 20 per cent of the value of certain goods imported after 2 August 1976. The import deposit scheme made an important contribution to the discouragement of imports and also provided the Government with additional funds at a time when it was of the utmost importance to finance government expenditure in a non-inflationary manner. The scheme was terminated on 2 February 1977 and the total deposits collected over the period of six months amounted to R348 million. These deposits have since been repaid.

More restrictive measures were introduced by the Minister of Finance in the Budget for 1977/78, inter alia by increasing the minimum prescribed investments for banks, building societies, insurers and pension funds, by imposing a surcharge of 15 per cent on a substantial part of South Africa's imports and by increasing indirect taxes.

During the second quarter of 1977, the Reserve Bank supplemented its restrictive policy measures by selling government stock in the market to absorb some of the surplus liquidity. Stock amounting to approximately R50 million was sold for this purpose and, although the amount was modest, these open market operations made an important contribution towards reducing the declining tendency in domestic interest rates and maintaining them above comparable rates in foreign markets.

As the gold and other foreign reserves remained under pressure, and to provide for possible adverse effects which the expansion of liquidity during the second quarter of 1977 could have had on the Bank's foreign cash reserves, further gold swap agreements were entered into with foreign banking institutions during April 1977 in terms of which gold was sold spot and repurchased forward.

In the course of the year various adjustments were made to the Foreign Exchange Control Regulations, for example, in respect of emigrants' funds and legacies. Certain exchange control measures were tightened and administered more rigorously. A regrettable increase nevertheless occurred in the number of contraventions and the authorities will have no alternative but to take drastic action in such cases.

Present Economic Situation

Last year in my Annual Address I stated that we were still faced by the same problems which had confronted us a year earlier, namely, the simultaneous experiencing of a declining rate of real economic growth, a high rate of inflation and certain balance of payments difficulties. After analysing these problems, it was concluded that the economic strategy of curbing gross domestic expenditure largely through monetary and fiscal policies would have to be continued; that a key factor in this regard would be the extent to which the authorities succeeded in attaining their Budget objectives, and, specifically, in minimising the government sector's use of bank credit; that these policies would have to be applied until such time as not only the combined value of our exports and net gold output, but also the net gold and other foreign reserves, had risen to a much higher level; and, that for the time being, therefore, it would be premature to attempt to stimulate economic activity by means of expansionary

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WANTED: MORE PRODUCTIVE INVESTMENT

Our economic planners could do a lot worse than take note of the ideas put forward by Rudi Gouws in the latest *Senbank Economic Opinion*.

Most of the recent press articles suggesting the imminence of an upturn have tended to concentrate on short-term changes rather than on fundamental issues. Gouws, on the other hand, has now attempted an in-depth analysis of SA's long-term economic prospects.

He examines trends in the major economic indicators since the war and isolates three periods for comparison. The first (1947-1958) was a period of continuous but dwindling balance of payments current account deficits, moderate price increases and fairly rapid growth. The second (1959-1969), on the other hand, was marked by minor surpluses or deficits on the current account, small price increases and very rapid growth.

The final period (1970-1976) is all too familiar: large balance of payments deficits, rampant inflation and a low average growth rate — which is dropping.

Gouws concludes that a high rate of growth need not necessarily generate

high inflation rates and large deficits on the current account, while low growth does not preclude high inflation or large balance of payments deficits.

More important to the situation in which we are now languishing is an explanation of the long-term causes of these changes. Gouws examines the trends of the country's real fixed capital, and finds many similarities between the 1947-1958 and the 1970-1976 periods. However, while the additions to capital stock in the first period came from all kinds of investment (both directly productive and infrastructural), those in the latter period were mainly infrastructural (Sishen-Saldana, Richards Bay, road construction etc.).

These infrastructural investments, Gouws argues, take such a long time to contribute to the economy that their immediate effect is to increase overall demand without increasing supply. This results in increased inflation and balance of payments deficits. In support of his argument, he shows that the ratio of capital equipment to output has risen very sharply since 1970, implying a large amount of temporarily non productive investment.

This doesn't mean that other factors have not played an important role in economic change, as Gouws is at pains to point out. What it does show is a long-term cause which helps explain how the very structure of the economy itself has played a major part in recent years.

How does this analysis help us? For one thing, it underlines the need for private business investment rather than government expenditure. Government has, perforce, concentrated on infrastructure until now. But what must now take priority in policymakers' minds are programmes to stimulate directly productive investment. Furthermore, to use such new capital SA must have skilled manpower. More emphasis should be placed on removing social and political barriers to black advancement if supply is to match demand. Finally, the dangers of bunching public sector capital projects within a few years are only too apparent.

If these conditions are met — and government action is the key — SA could experience moderate growth with relatively little inflation and small current account deficits.

Hand multo post Marcus Rubriusque, similiter ac puer vestiti, castris
advena c. Gender = a foreigner, stranger.
patrus = uncle
quietem est. Nemo ex castris excedet donec Vercobrix redierit.
vestros cibum capere et corpora curare. Adhuc satis temporis ad
eum adiuvabis. Et ad legatos versus, "Iubete" inquit "milites
Romani imperator, eos qui fratrem tuum interfecerunt puniet, si tu
pervenieris, roga eum de his rebus et haec verba dic: Caesar, populi
Tui Caesar, "Rubrius et Marcus tecum ibunt: et ubi ad patrum tuum
est. Sed libetne mihi Rubrium Marcumque comites habere?"
obscura ad locum facillime pervenire possum: nunc autem luna plena
"At ego" inquit Vercobrix, "libenter ibo ipse. Namque etiam nocte
tuum nuntium mittere poteris?"
sumam summum, nam ego quoque siccarios odi. Sed quomodo ad patrum
"Ego quidem," respondit Caesar voce severa, "de eis supplicium
tu illum hominem — advena ille est — eiusque socios punies."
interfecit, iam ante vehementer oderat: sed Romanos quoque odit, si
quod Britannos servos fieri non vult; tamen fortasse te iuvabit, si
Itaque Vercobrix "Pater meus" inquit, Castacum, qui patrem meum

FM 26/8/77 (49)

The threat of sanctions

Folly indeed it would be merely to shrug off the success achieved by a number of anti-apartheid activists in Europe whose action led to the barring of an aircraft delivery to Windhoek.

This could be the thin end of the wedge. It is an incident without parallel and no one should have any doubts that it will not whet the appetites of anti-South African groups throughout the foreign world. Today an aircraft, tomorrow mining machinery; today with holding of an investment, tomorrow withdrawal of shareholding in a South African-based company ...

This newspaper, which regards itself as the champion of equal rights in this country, sees in the Fokker affair a political affliction that is becoming increasingly evident even in the ranks of civilised people such as the Dutch.

But it will not help us one pfennig to lament political acrobatics of other nations. The fact remains that we are the skunk of the world because of indefensible racial policies ... -- Windhoek Advertiser, August 12, 1977.

It is obvious that one group of people which knows it cannot shrug off foreign pressures is the SA Cabinet. More and more strident notes of alarm have been evident in statements by ministers in the last few months and again at the Nationalist congress in Cape Town this week.

First, it was Connie Mulder threatening to look east for friends if the West continued to treat SA as a pariah. Then, early in May, we had Jimmy Kruger listing the Soviet Union, the SA Communist Party, and the US as the three biggest threats facing SA. Thirdly, only a few weeks ago, John Vorster talked about "strangulation with finesse". And last week Pik Botha was talking about the threat of sanctions.

As if on cue — and like a bolt from the blue — came the report from Paris earlier this week that France would halt trade with SA and possibly even sever diplomatic ties if nuclear tests took place here.

Is it only part of the game?

French threats to take a tougher stance against apartheid seem to have a habit of coming round about the same time as the French President or one of his ministers is travelling around trying to win friends and influence people in Africa. Up to now it's all been part of a game, and no doubt the Frenchmen who were able last year to export \$3 000m worth of arms world wide took it all in

their stride.

It is still possible that foreign minister Louis de Guiringaud's warning about "nuclear tests" was little more than an attempt to salvage something from the wreckage of his foray into Tanzania last week and stave off similarly unnerving experiences for any Frenchmen who happen to be sitting in on the UN sponsored anti-apartheid conference in Lagos this week. Perhaps it was no more than a smokescreen to hide continuing French participation in Koeberg.

Perhaps, on the other hand, it should be taken more seriously than that. And be seen as an indication of pressures being exerted on European governments both by the Americans and by some governments within the FEC's ranks, notably the Dutch.

The Netherlands has long pushed for a more aggressive policy towards SA, and Secretary of State for Foreign Affairs Peter Kooijmans has now proposed a mandatory arms embargo. Prepared for the Lagos conference, this had the prior agreement of Denmark and Ireland, both EEC members.

The Dutch cabinet's decision earlier this month to refuse an export permit to Fokker Aircraft to deliver a medium-haul F-28 Fellowship jetliner to Safmarine's Suidwes Lugdiens suggests that the Dutch are serious when they talk about embargoes. The classification of civilian aircraft as falling under an arms embargo is a precedent that could be followed by other countries.

A sanctions bill

Early next month Labour Party MP Relus ter Beek, an early supporter of the Fokker cancellation, will propose a "sanctions bill" in the Dutch parliament. In terms of this bill, which has its origins in the disclosures of Dutch involvement in Rhodesian tobacco trading some years ago, the government will be able to enforce sanctions at the request of international bodies, or after international agreements.

Already the largest Dutch trade union, the Industrie-Bond NVV (whose support for the Fokker cancellation was crucial), has asked the International Metalworkers' Federation in Geneva to get its affiliated bodies in other countries to prevent any replacement for the Fokker aircraft from being delivered to SWA.

The Dutch are not alone. Just before his departure for the conference in Lagos, Belgian foreign minister Henri Simonet (who is also the current chairman of the EEC's council of ministers) issued a clear warning: the European community was

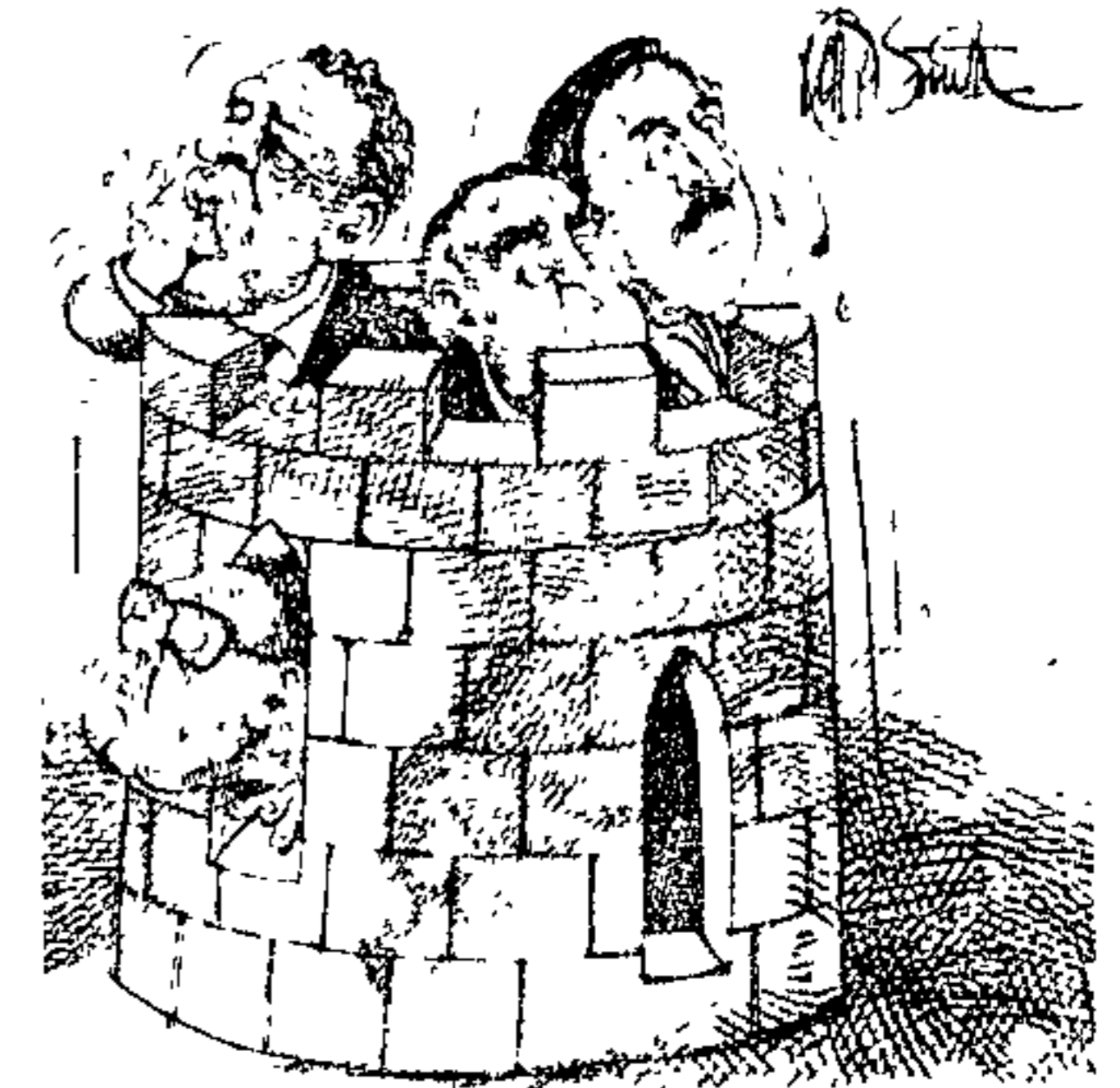
planning to use "the power of economic pressure" to bring an end to apartheid. In the short term this refers to the EEC's "code of ethics" on employment conditions in European-based multinationals operating in SA (FM July 15), but Simonet let it be known that the next General Assembly session was seen as the next step after Lagos.

According to Simonet a credible policy on Africa for the EEC stands or falls by the support Europe gives to democratic developments in Southern Africa.

Not all European governments go as far as these two, however.

The French, for example, argue that they cannot act unilaterally to block capital outflows or freeze export credits, and that these matters must be referred to the EEC's HQ in Brussels. But, whenever the possibility of imposing sanctions against SA has come up for discussion at the EEC, as it did last month, France has expressed the greatest reservations.

West Germany seems to fall somewhere in the middle. Although Bonn is under pressure to take a stronger stand against apartheid, it has been urging its EEC partners and the US not to press for a general trade boycott of SA.



Foreign Minister Hans-Dietrich Genscher repeated this view recently in talks with Cyrus Vance and Andrew Young. He pressed in Brussels for a joint community initiative falling short of a general boycott. Its cornerstone is meant to be the code of ethics, but Bonn also says it is ready to subscribe to a community declaration against sending weapons to SA -- a step which it says is in any case covered by its own guidelines on arms deliveries to "areas of tension".

The Federal Republic is well aware that people like the Dutch would prefer to go further, but is more sceptical about

Hot + cold	40	87,0
	6	13,0

TABLE A.8 BATHING FACI

	Number	% (
Tub	-	-
Basin	5	10,
Bath	36	78,
Shower	12	26,
Other	-	-

other nations. Foreign office officials believe that both France and Britain are actually taking a softer line with SA than their public declarations suggest. The pronouncements from Paris and London this week condemning any attempt by SA to give itself nuclear weapons fall into this context. Bonn examined the recent Soviet charges that SA was preparing to test a nuclear bomb and, after consulting both Britain and France, found no evidence to sustain the Russian claim.

The Bonn Government insists that it has made no threats to SA. It feels that the Republic's salvation lies in its own hands, through reforms to be introduced with all possible speed. But if this is not done, pressure from other Western states for tougher action could become overwhelming.

This warning is understood to have been conveyed by Genscher to Pik Botha when the two men met in Frankfurt on August 13.

ILETS

	Number	% (of 46)
	40	88,9
)	5	11,1
	-	-

TABLE A.10 DISTRIBU

HOUSEHOLD

Number in Household

		1	2	3	4	5	6	7	8	9	TOTAL
Number of Rooms	1	1	1		1				1		4
	2	1	3	1		6	3				14
	3		1	2	1	5	2	5	3	1	20
	4				1	1			5		7
	TOTAL	2	5	3	3	12	5	5	9	1	(45)

Table A.10 has been drawn to illustrate the incidence of overcrowding in Hanover Park. Due to lack of satisfactory definition of the state of overcrowding it has been assumed that the dotted line drawn in represents a fair definition of overcrowding. This being true, 20 households in the sample actually fall into the 'overcrowded' category, i.e. 44% of the sample.

Without reliable figures available for similar areas, it is impossible to test the validity of this estimate; however, it would appear to indicate the need for a future in-depth investigation into the incidence of overcrowding in such areas, as well as quality of services available in homes.

Stuck in a corner

So long as we have to repay foreign capital we have to export more than we import, and save more than we invest. That means still lower living standards

One can see why Governor Bob de Jongh did nothing to stimulate the economy.

His address to Reserve Bank stockholders on Tuesday (page 835) and the Bank's annual economic report (box) vividly illustrate the straitjacket in which the economy finds itself as it stumbles into the fourth year of recession.

Strange. Only 18 months ago, top government officials were insisting that the last thing SA wanted was a sustained current account surplus. As a rapidly developing country (*sic*), we needed to import heavily. Foreign investors would see to it that capital inflows more than matched the trade deficit.

Now, the second quarter's hefty current surplus is greeted with glee. And De Jongh says: "A major objective of economic policy should be *the maintenance of a large current account surplus* in view of the continued need to build the net reserves to a much higher level."

That of course means just the opposite of rapid growth. It means continuing deflation. It means more saving and less spending. It means still lower living standards.

As the graph so dramatically shows, this change in direction is the result of the clotting up of foreign capital inflows,

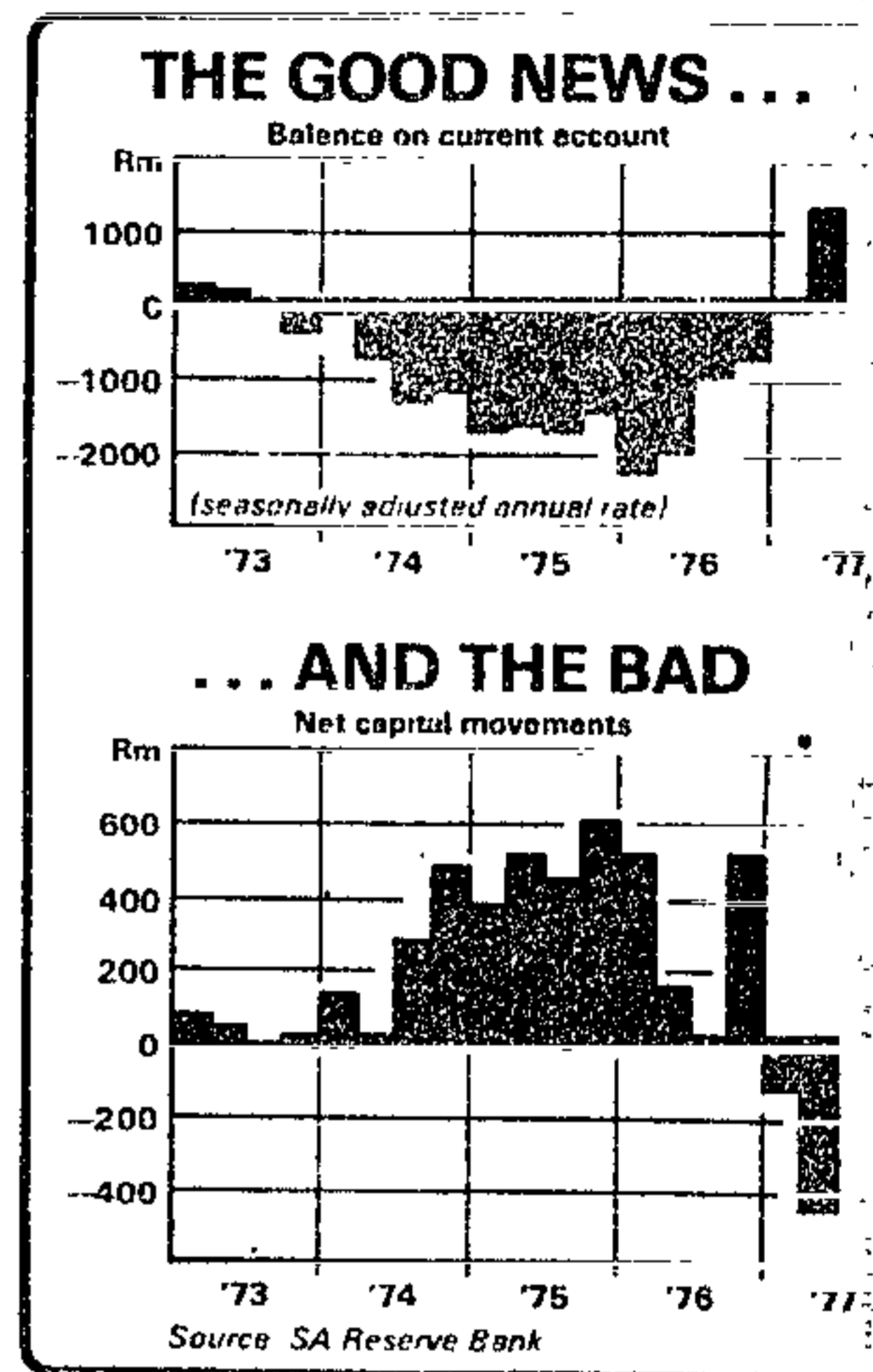
which are the lifeblood of SA's economic development.

The capital account has swung from a net inflow of R528m in the last half of 1976 to a R649m outflow between January and June this year. Since Soweto, an average of almost R100m of short-term funds has fled the country each month, and now even the long-term capital account has slipped into the red.

Pretoria is well aware of the political risks of continuing deflation. As De Jongh warned: "Whatever the true (black jobless) figures, it must be accepted that the matter of unemployment, more specifically in the urban areas, has become a further factor to be considered in determining economic policy."

There's another point. Many feel that unalleviated recession may in fact do the balance of payments almost as much harm as good. Not only does it mean cancelling still more trade credits, but it might also spark off further unrest which would make foreign investors even more jittery about putting (or indeed leaving) their money in SA.

The cautious path De Jongh has chosen certainly won't hurt the trade balance. Slightly lifting bank credit ceilings isn't going to send the economy into



orbit, sucking in imports. Far from More bank credit is the last thing business wants. For recovery, it needs

THE KEY FACTS AND FIGURES

The year that ended on June 30 1977 turned out to be one of the lowest growth years experienced by the economy during the post-war period — Reserve Bank's Annual Economic Report for 1976/77

That we all knew. What was not publicly known up to now was the full extent of the outflow of foreign capital since Soweto — which means any hope of significant economic recovery in the months ahead is ill-founded. Indeed, if SA continues to lose R100m a month of foreign capital, business conditions are going to get worse, not better.

Other key indicators from the report:

- **Growth.** Real GDP rose only 1% (2% in 1975/76). The rise was entirely due to the 28% and 10,5% growth rates respectively in farming and non-gold mining output. By contrast, real construction output fell 10%, wholesale retail and motor trade, 7% and factory production, 4,5%. Utilisation of production capacity sagged from 88% in the first quarter of 1976

to 84% a year later.

- **Demand.** Real domestic demand slumped by 3,5% (1,5%). A 1,5% drop in real household spending marked the first annual decline in this item since the war. Particularly damaging was the 23% plunge in real spending on durables, particularly TV sets.

Fixed investment declined by 8%. Biggest falls were in the wholesale and retail trades, public authorities (excluding the SAR), manufacturing and private residential construction. But investment by electricity, gas and water authorities, gold mines and the SAR rose 37%, 7,5% and 4,5% respectively.

Inventories tumbled R400m (R200m in 1975/76) and have now fallen for eight consecutive quarters. "Judged by past developments, the absolute level of inventories, at constant prices, could be expected to decline further," says the Bank.

- **Savings.** The ratio of domestic saving to GDP has edged up from 23% in 1975/76 to 26,5%.

Foreign funds required to finance

the shortfall between domestic savings and investment totalled R199m (R2 039m). This represents 2% of total financing of domestic investment, compared with 24,5% in 1975/76 and a 1971/75 average of 14%.

Even householders are saving proportionately more of their incomes.

- **Labour.** Seasonally-adjusted unemployed non-Africans soared from 7 379 in August 1974 to 13 379 in mid-1976 and 28 603 in June 1977, which is about 1,4% of the comparable labour force. Black unemployment has "deteriorated markedly".

Almost a tenth fewer hours were worked in manufacturing and construction in the first quarter of this year than in the corresponding months of 1976. Output per worker in non-farming sectors slipped by 1,7% between July 1976 and March 1977, compared with a rise of 0,2% in 1975/76.

- **Prices.** Consumer prices rose by a monthly average of 11,2% (11,9%). After falling to single figures at the end of last year, the seasonally-adjusted

household and corporate spending, which won't happen until incomes are boosted.

What can boost incomes? Exports, certainly. But there are signs that the export boom is running out of steam (see *Current Affairs*).

Then what about private fixed investment? That won't happen until excess capacity is used up. Which leaves government spending (or lower taxes).

Minister Horwood has spoken of the prospect of "selective stimulation". What he has in mind remains to be seen. What ever it is, it will have to be modest, for we cannot have both a current account surplus (which De Jongh says is vital) and a real economic recovery.

Real recovery requires a current

account deficit. And a current account deficit requires a net inflow of foreign capital. It is as simple as that.

So government's proper priority should be to restore local and foreign confidence. It has run out of economic options (except, perhaps, devaluation). If it wants the net reserves to pick up through a renewed surge of foreign capital, and if it is to be able to follow up the governor's address with *real* reflationary measures, it will have to come up with some genuine political answers.

Last week's appointment of the Rieker Commission to review the pass laws, the Environment Planning Act, migrant labour and certain other productivity bottlenecks is a promising start.

The Wiehahn Commission on labour matters — due to report before next January — could also go a long way towards instilling new confidence both at home and abroad in the SA economy.

Next week's get-together of the PM's Economic Advisory Council should make it its business to tell ministers and civil servants in no uncertain terms that the future economic well-being of this country depends less on credit ceilings, interest rates, import controls and price and wage curbs than on businessmen's confidence in the future political and social structure.

They realise the present structure, held together as it is by force instead of by consent, is cracking.

Back from the brink

The Triomf-JSE battle was noisy while it lasted. There were no casualties and a useful lesson has been learned

That common sense has prevailed and that Louis Luyt has withdrawn from his collision course with the JSE is a matter for congratulations to both sides. But let's also note that Luyt's threat to declare his own UDI from the JSE was wrong — and that the JSE was also at fault.

For the crux of the matter is simply that, no matter what the circumstances, minority shareholders in a viable com-

pany are entitled to a proper and orderly market.

That the circumstances of Triomf Fertilizer Investments are somewhat unusual is not disputed; neither is the fact that the JSE, after a warning over three years ago, should have put its house in order so that the situation could not have arisen.

But TFI's special circumstances are not the fault of the minority holders;

they've been brought about, presumably deliberately, by Luyt himself.

TFI is simply a holding company. Its asset, almost its sole asset, is the 51% it owns in Triomf Fertilizer (Pty), with AECI owning the other 49%. And the problem lies in Pty's much publicised Richards Bay phosphoric acid venture.

To finance that, both partners have poured in money on a lavish scale. Little problem for AECI, which has plenty,

rate of increase in the CPI bounded up to 11,8% in the second quarter.

The rate of increase in wholesale prices fell for the second successive year — from 19,4% in 1974/75 and 15,7% in 1975/76, to 14,8% last year.

● **Current account.** An "outstanding achievement" has been the swing from a seasonally-adjusted annual deficit of R2 529m in the first quarter of last year to a R1 277m surplus in April-June 1977. The current account has turned from a deficit of 9,2% of GDP to a surplus of 3,8%.

Exports shot up 33% (25%) thanks chiefly to sharp increases in sales of diamonds, uranium, wool, asbestos, copper, iron ore and coal.

Imports fell 5,7% after an average increase of 34% in the three previous years. As a percentage of GDP, imports have slumped from 28% in the first three months of 1976 to 19,6%.

There was also a fall of 4,4% in net invisible payments, compared with an average annual increase of 26% during 1972/76.

But gold output slipped to R2 455m (R2 488m). In the June quarter of 1977, however, output was running at a seasonally-adjusted annual figure of R2 800m, mainly as a result of the higher market price.

● **Capital account.** There was a net capital outflow of R121m (inflows of R1 635m and R1 707m in the previous two years). The capital account "deteriorated sharply" during the year — from an inflow of R528m in the last half of 1976 to a R649m drain in first six months of this year.

Net outflow of short-term capital totalled R767m in 1976/77, bringing the total for the past two years to R1 097m — caused entirely by outflows from the private sector.

Long-term inflows dwindled from R1 090m and R1 561m in 1974/75 and 1975/76 respectively, to R452m. There were particularly large falls in loan capital to the private sector, public corporations and local authorities.

● **Reserves.** Net gold and other foreign reserves fell R514m (R808m). Gross reserves dropped R84m to their

mid-year level of R873m.

● **Money supply.** Money and near-money rose by 6% (around 20% pa in the previous four years). The ratio of money and near-money to GDP slipped from 31% in mid-76 to 28,2% a year later.

Bank credit to the private sector increased by 8% (31%, 16% and 11% in the previous three years). More than half the increase was in September-November 1976 to finance import deposits and assist cash-starved companies, HP and leasing business grew particularly fast.

● **Government finance.** Exchequer receipts rose 7,9%, compared with an annual average since 1970 of 20,2%. Company and gold mine tax payments declined.

But exchequer issues crept up by only 6,9% against the previous five-year average of 21,4%.

The exchequer deficit of R1 851m (R1 789m) was financed by the non-bank private sector to the tune of R988m (R415m). The use of bank credit fell to R322m (R909m).

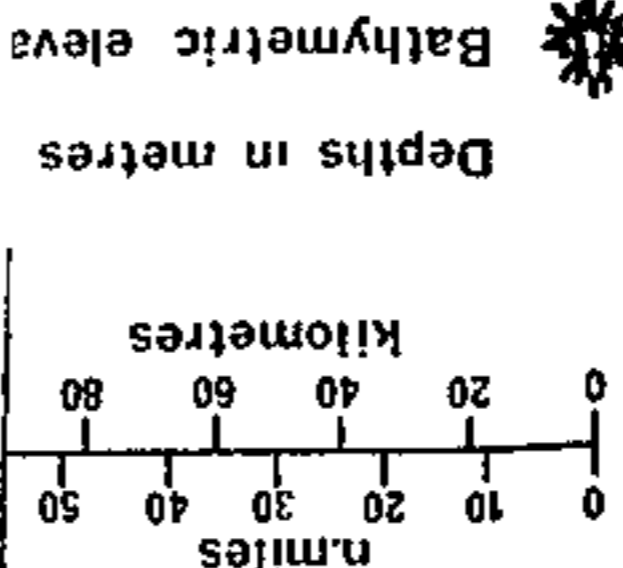
Afrik Lease

still looks

pricey at 540c

Sunday Times
(Business Times)
20/8/77

Figure 5.24



49

Sylvia Hill
Bob Bay
Bpton Bay
Mich Harbour
VIS BAY
KOPMUND

STOCK market forces are adept at gilding the lily in the case of as investors have seen recently Afrikander Lease.

The shares hit 720c two weeks ago in active trading and tumbled to 525c at one stage this week.

However, the markets are full of bulls and bears, and it was interesting to see what a prominent London broking firm said in an article about Afrikander Lease in its August market report. It was entitled "Rose-tinted spectacles."

An interesting potential newcomer," it says, "is Afrikander Lease. Drilling has indicated a large low grade deposit which should nevertheless be rich enough to support a primary uranium mine."

The feasibility of a 90 000 tons per month mine to produce at least 750 tons of uranium annually is being examined. An announcement is due over the next 2 - 3 months. Calculations based on the limited information available indicate that if production

were to start in 1981 and consumer finance were obtained, the present value per share discounted at 10 per cent is in the R9 - R14 region with uranium at \$25 in 1977 terms, and R16 - R22 on \$35 uranium."

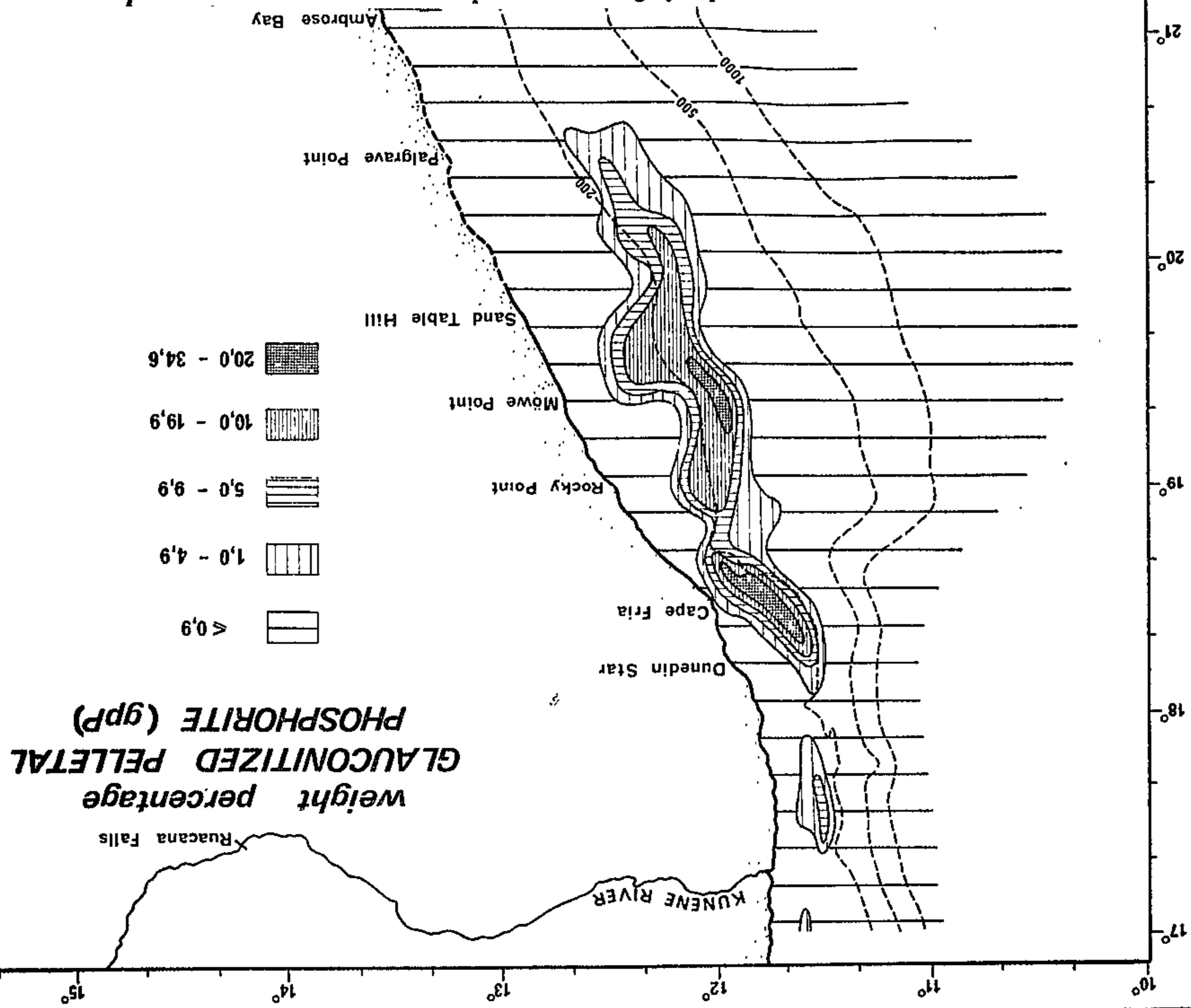
Time will tell whether it is right to take a bullish or bearish view of this stock. Incidentally, the broker made these estimates after allowing for a large interest-free consumer loan for some 80 per cent of development capital.

Clearly, this will not be the case as last week Dennis Etheredge, chairman of the company, indicated any consumer loan would meet about 25 per cent of needs.

The mine's potential has best been described by its chairman as "a good plodder".

Furthermore, I expect shareholders will have to cough up a further R80-million worth of development capital while the share has no dividend paying potential for some seven years.

I think Afrikander Lease shares look mighty expensive at 540c.



Rumour adds 70c to Trans Natal

THE bulls of Trans-Natal on uranium hopes have had their ardour for the share quietly doused this week.

The word was put out in the market two weeks ago that Trans-Natal had made an important uranium find and the shares took off in spectacular style from 210c to 280c.

A statement from Trans-Natal on Friday said: "Trans-Natal Coal Corporation Ltd has discovered occasional traces of uranium in the course of coal exploration activities in the North-Western Transvaal."

However, a spokesman said the company is in no position yet to determine whether the deposit is economically viable. It will be necessary to sink many more boreholes to ascertain the coal and uranium content in the area, as only a combination of the two would be extractable economically.

To make exploitation viable, the deposit will have to cover a very large area, the spokesman said. He cited cases of similar occurrences in the US where combined coal and uranium deposits have not been exploited.

On Friday, the shares were trading at 255c, 25c down on the week.

weight percentage
GLAUCONITIZED PELLETAL
PHOSPHORITE (gpp)

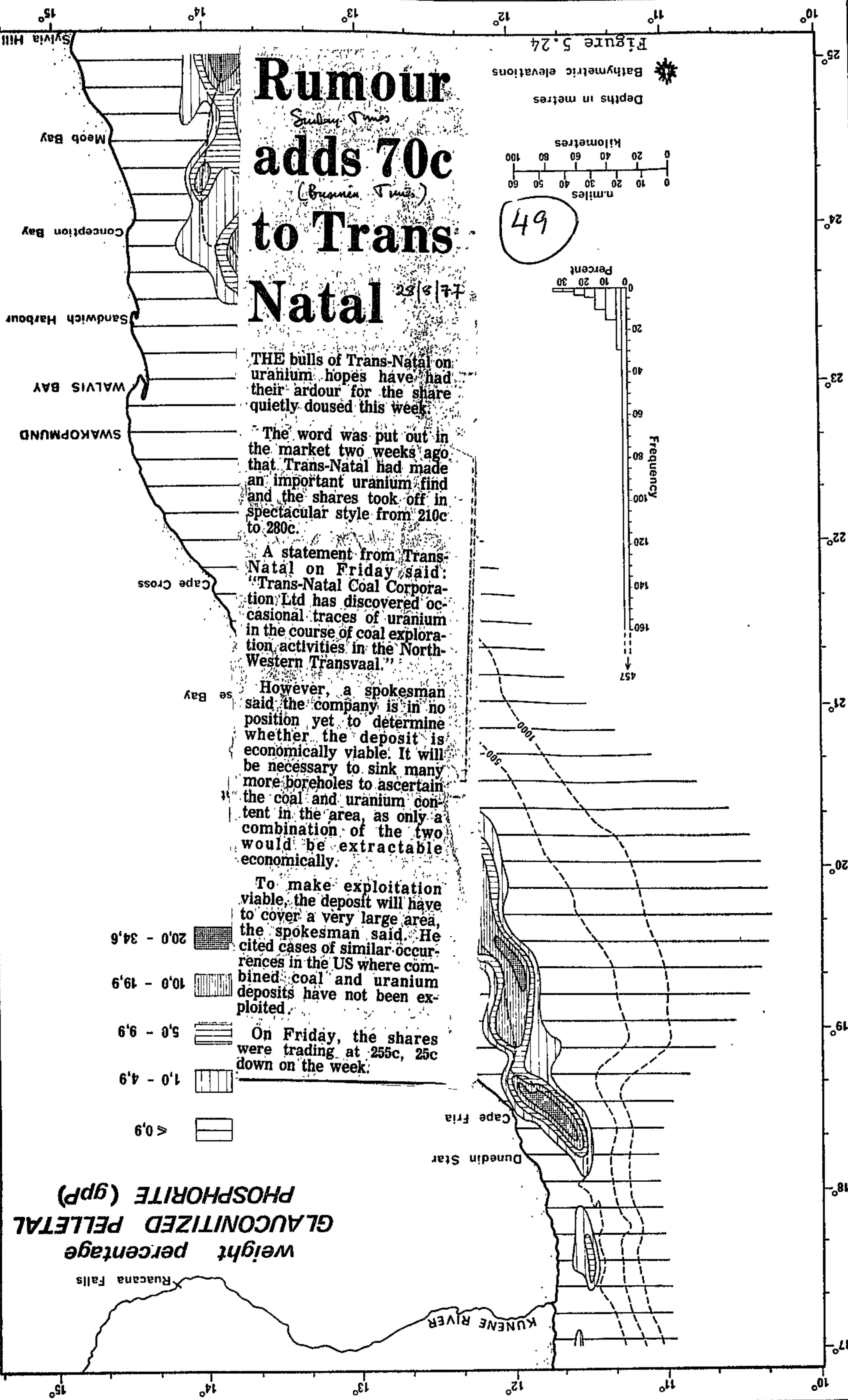
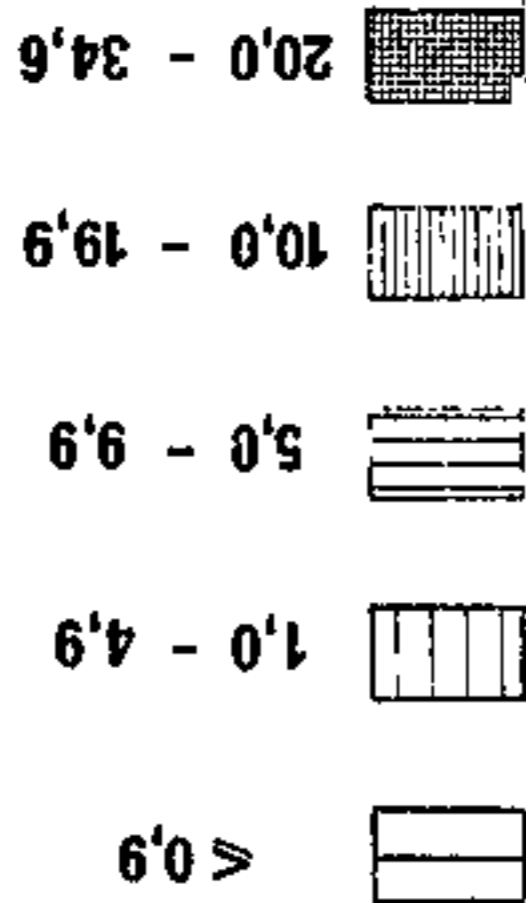
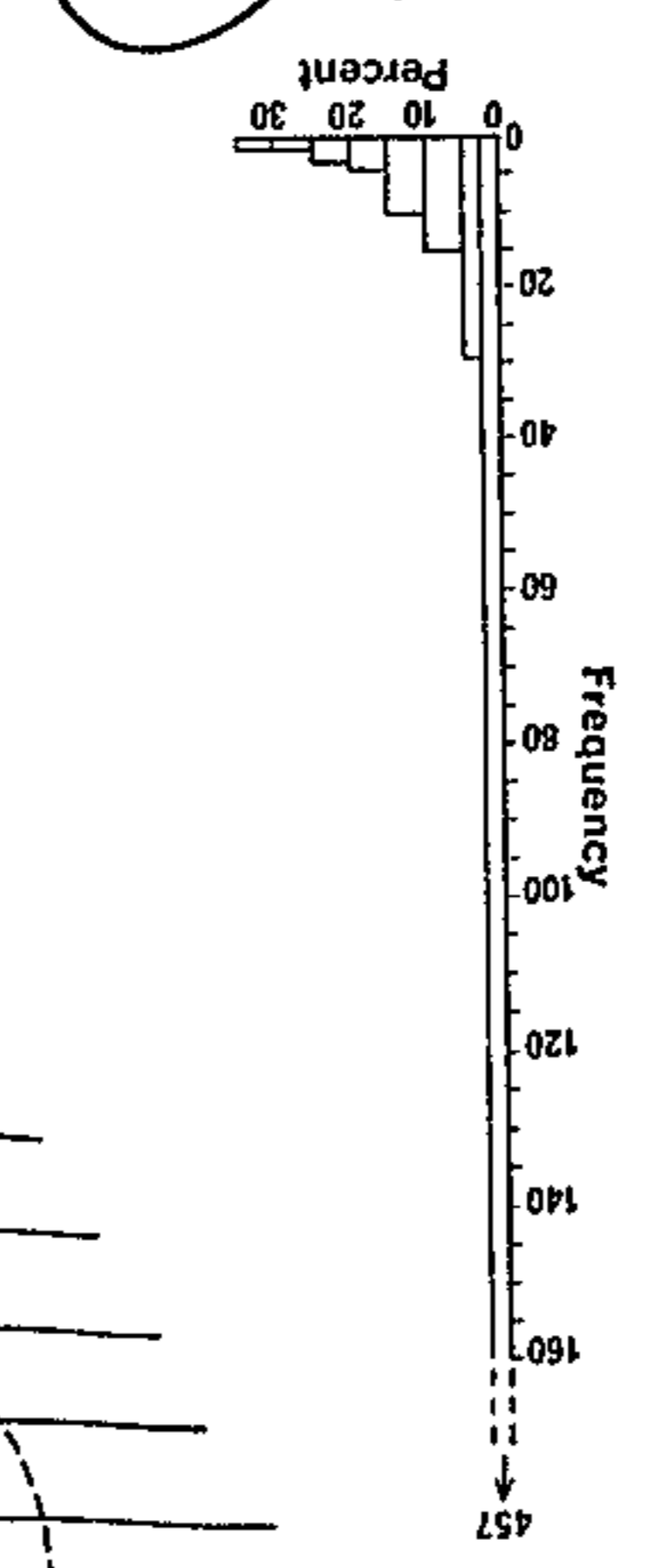
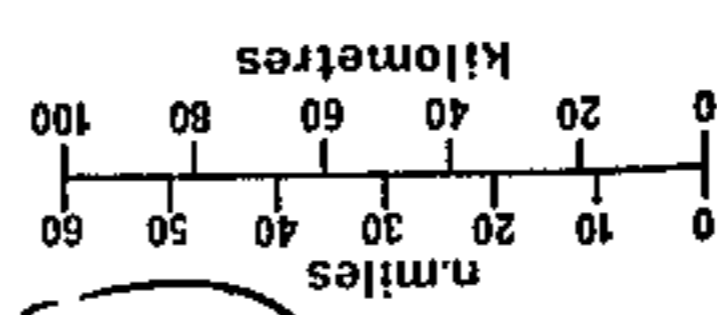


Figure 5.24
Bathymetric elevations
Depths in metres



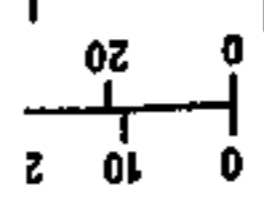
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Figure 5.24

Bathymetric elevations

Depths in metres



Rennies slump, dividend halved

Sunday Times (Business Times)

7/8/52

AWFUL, is perhaps the most apt way of describing the latest figures from the Rennies group.

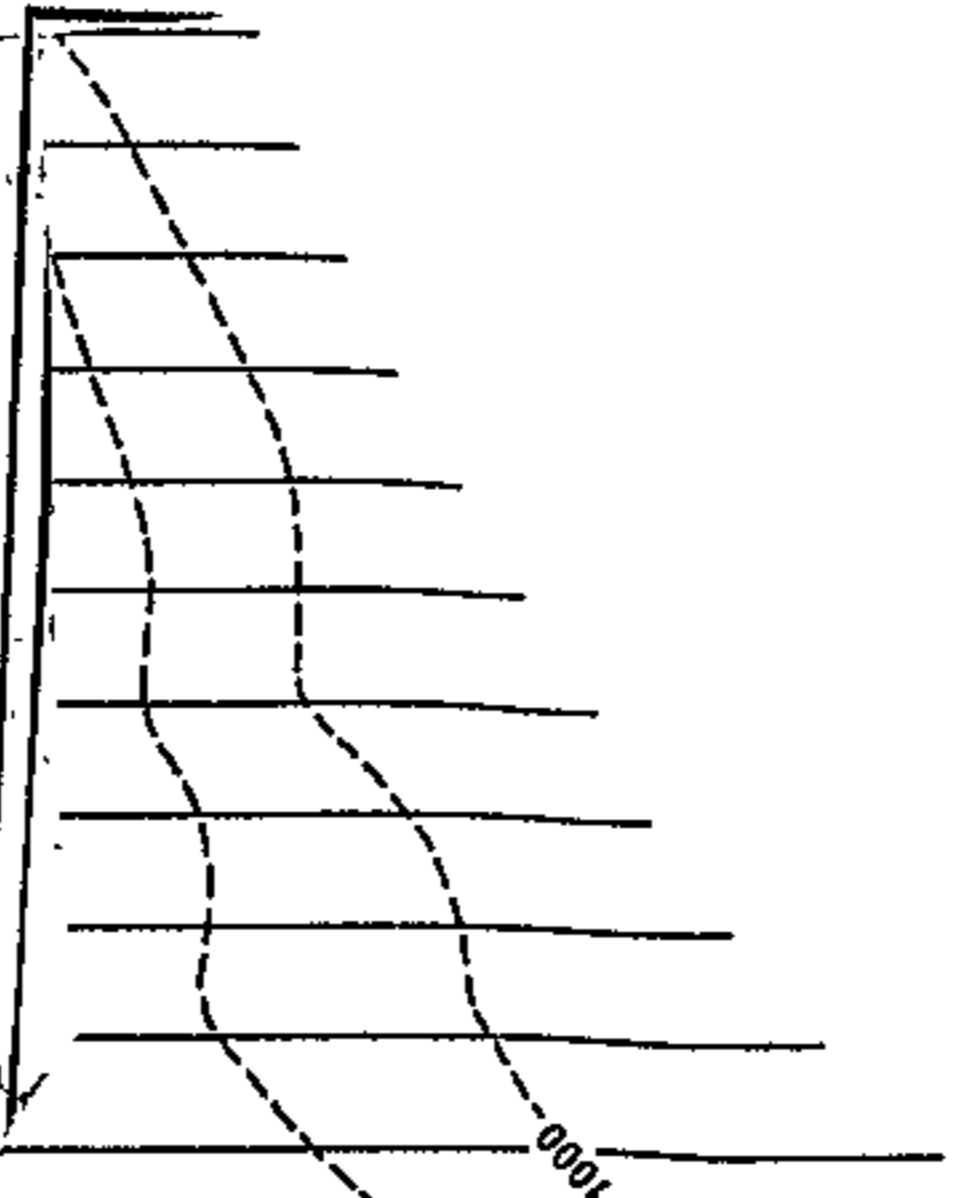
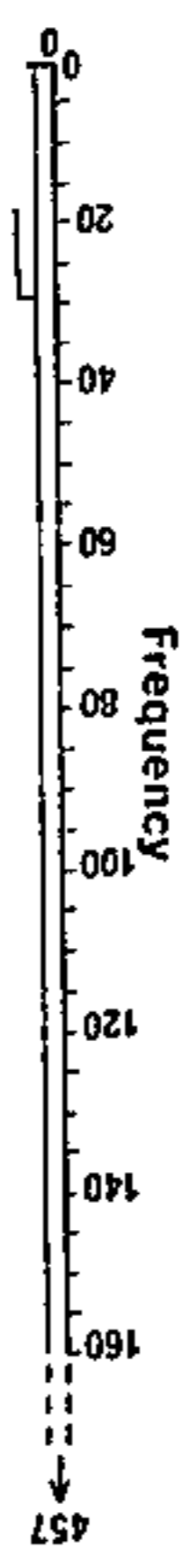
The important figures for shareholders are that despite an increase in turnover from R65,5-million to R71-million, net profits to June 30 slumped from R3,8-million to R1,9-million; earnings per share before non-trading items, fell from 15,4c to 6,5c. The dividend was more than halved from 9c to 4c.

A major factor for this decline, says the board, was that "economic conditions have had a more severe effect on all divisions in the group than anticipated at the time of the annual report."

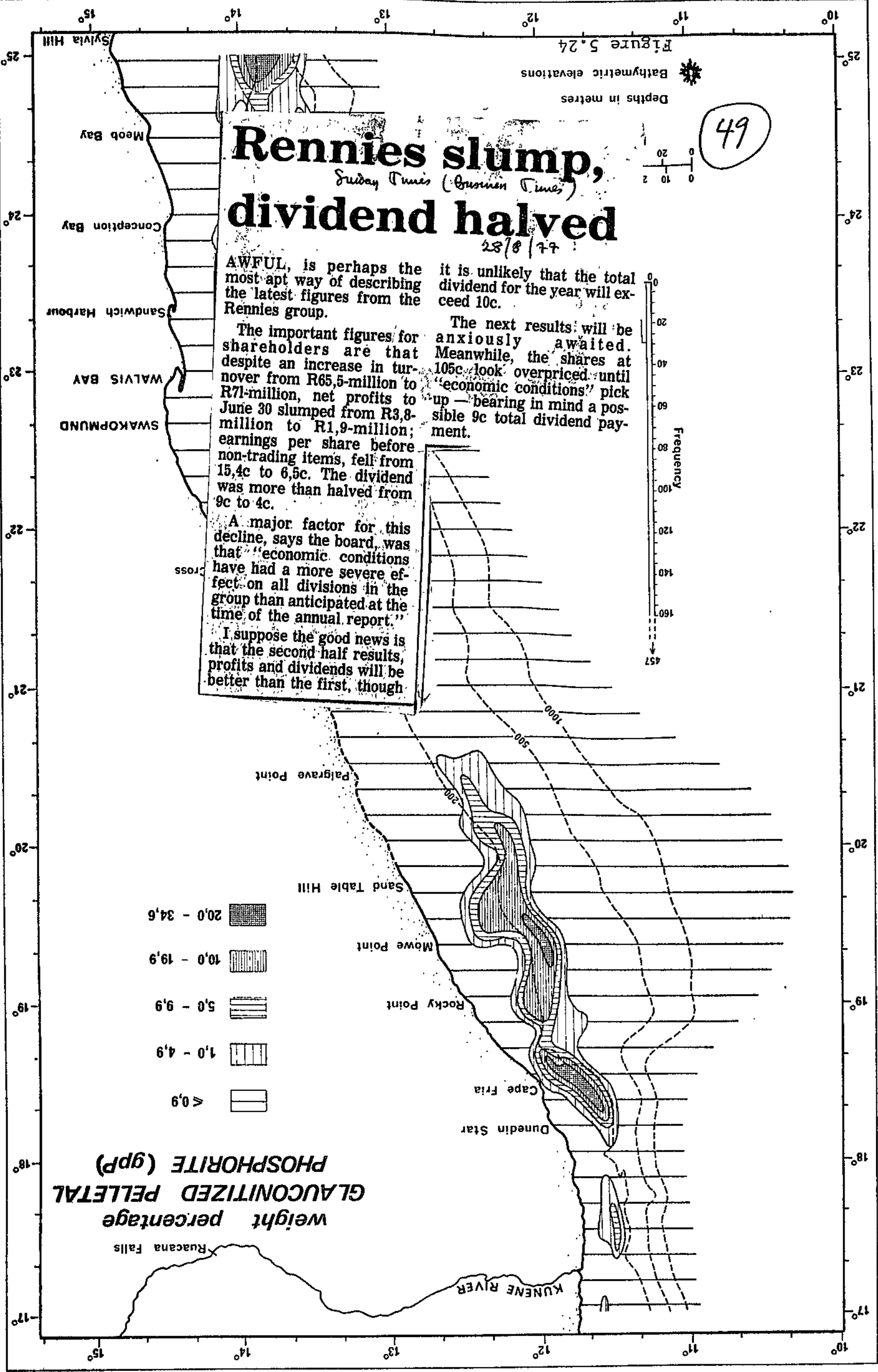
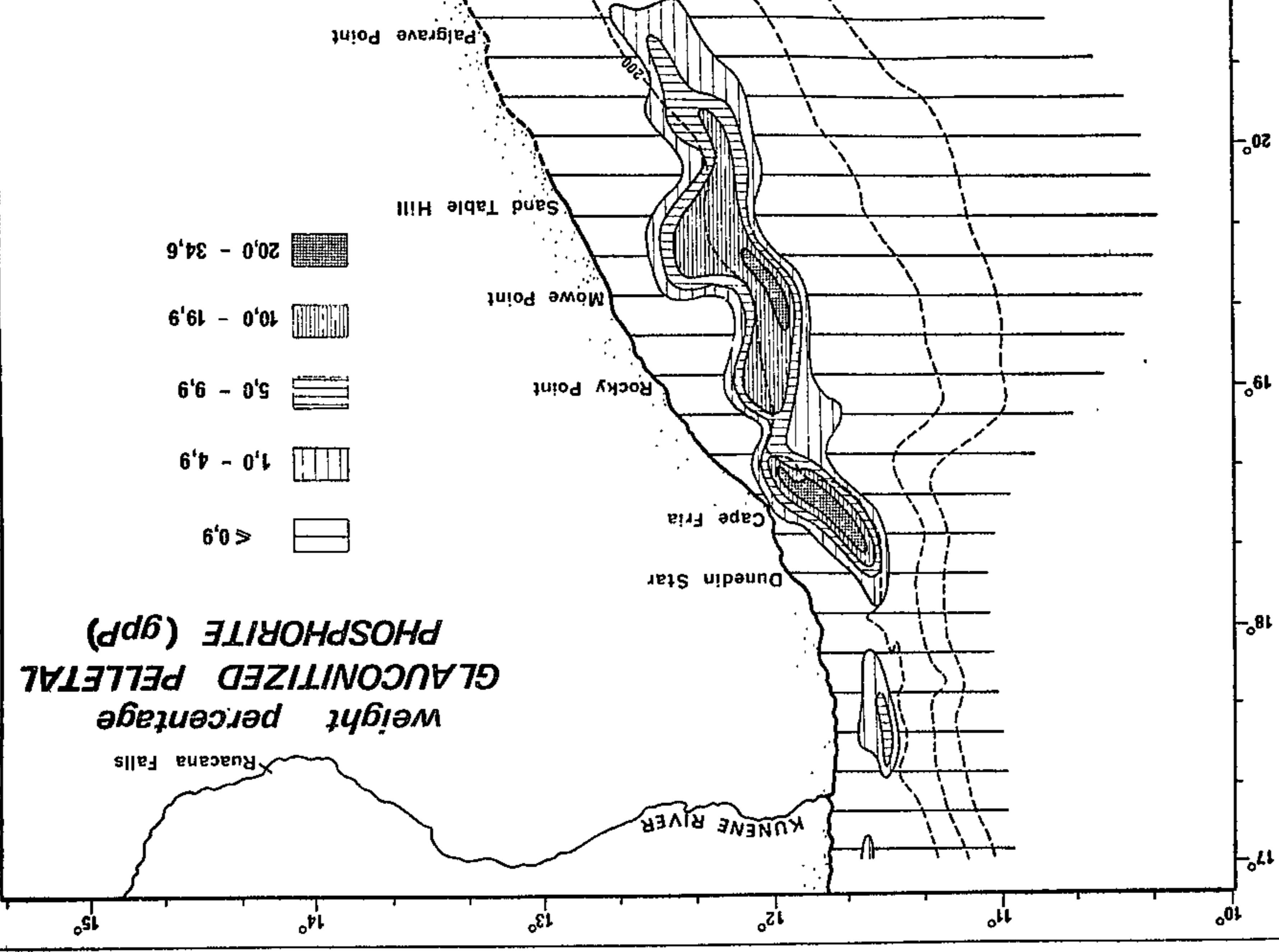
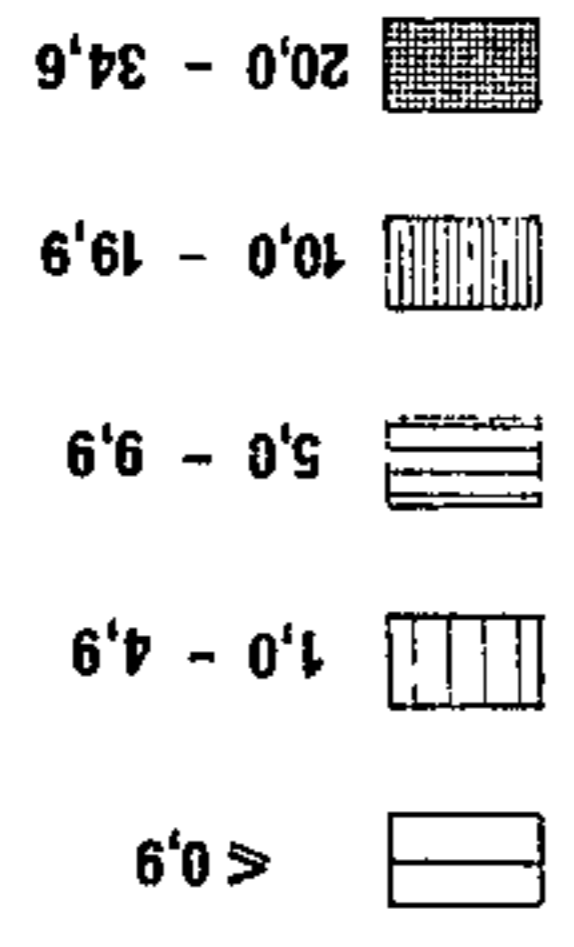
I suppose the good news is that the second half results, profits and dividends will be better than the first, though

it is unlikely that the total dividend for the year will exceed 10c.

The next results will be anxiously awaited. Meanwhile, the shares at 105c look overpriced until "economic conditions" pick up — bearing in mind a possible 9c total dividend payment.



weight percentage
GLAUCONITIZED PELLETAL
PHOSPHORITE (gpp)



Vasbyt

South Africa
will just
have to
sweat it out

Nigel Bruce reports

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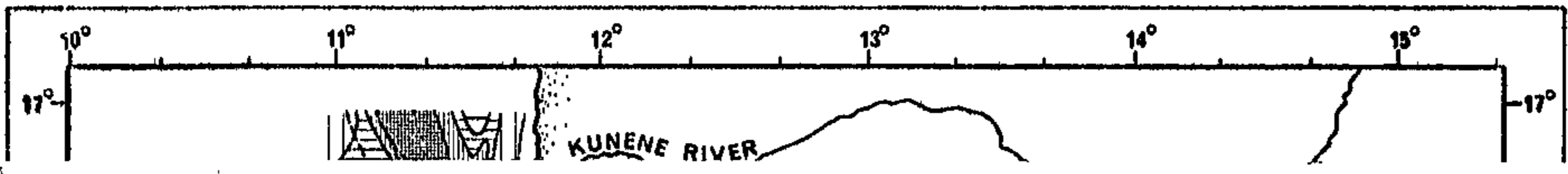
our

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term

Ho



says De Jongh

H AFRICANS
 the real choice
 to tighten, their
 and wait patient-
 export earnings
 to ease the
 way back on the
 recovery.

In my view, is the
 message from the
 of the Reserve
 Bank Bob de Jongh, in
 his economic report
 put out this week.
 He is saying is that
 Government were to
 spending or cut
 to finance the conse-
 quent deficit in a
 hasty way (which
 is possible in view of re-
 cent term borrowing
 costs), this would in-
 lead to the cost of
 exceeding export

Under circumstances
 that this has not mat-
 ched with the pace of
 activity quicken-
 ing, usually rely on
 of foreign capital
 to the deficit thus

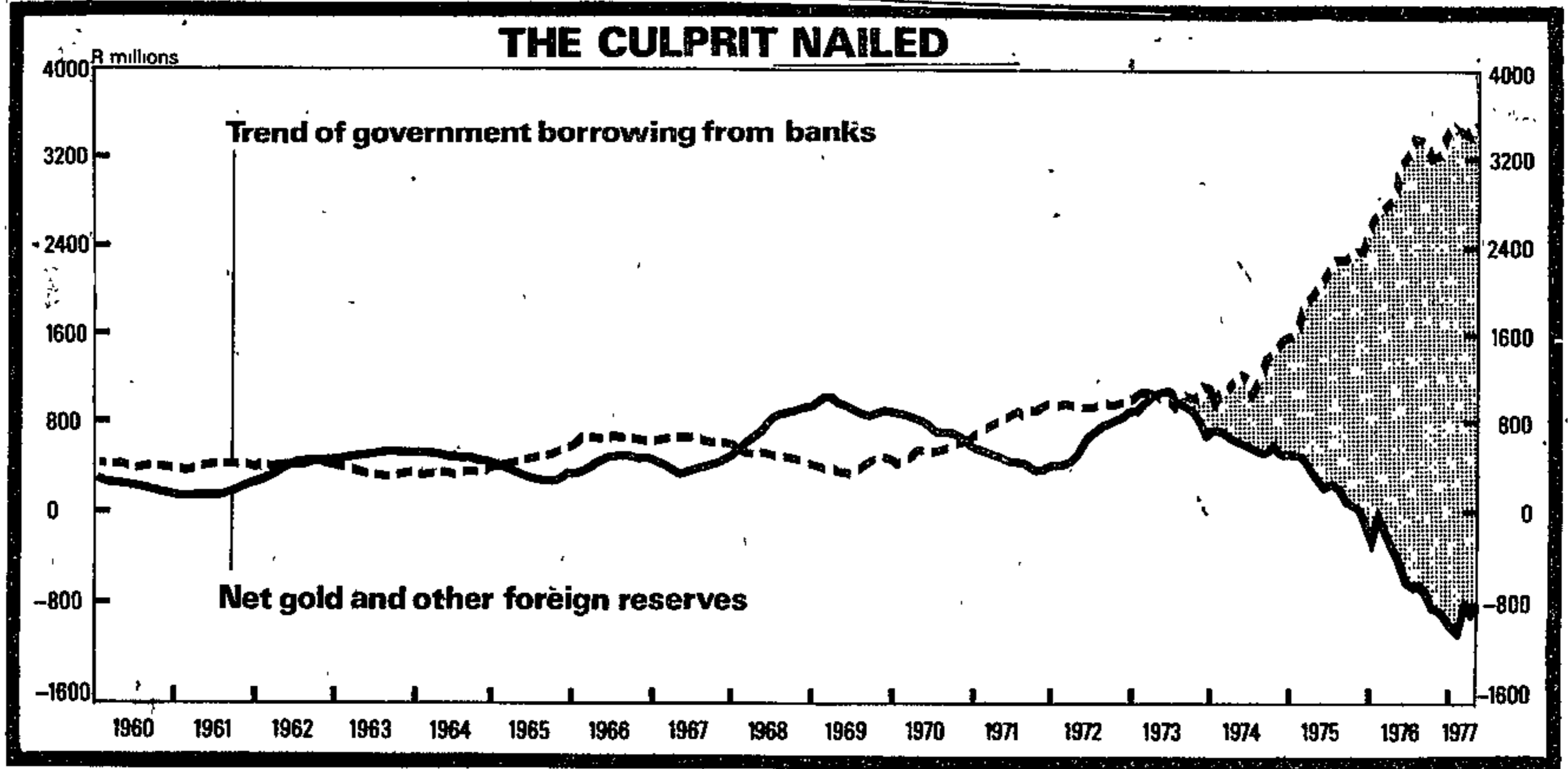
Outflow

For, as there has
 heavy outflow of
 and as pressing
 debts have to be
 the country now has
 a larger inflow of
 capital than the
 needed to meet the

As the Governor
 out, because of
 uncertainties here,
 no longer depend on
 growth alone to at-
 tract foreign capital in
 like the quantities

And, if foreign
 were in these cir-
 cumstances to see attempts
 to speed up economic ac-
 tivity, the forlorn hope of
 attracting foreign invest-
 ment could well take
 what they believe
 subsequent foreign
 requirements would
 lead to renew short-
 term loans.

For, because overt



The graph illustrates just how seriously Government spending grew since 1973, draining the reserves and boosting inflation through bank borrowings. (Source, SA Reserve Bank).

measures to stimulate the
 economy are not advisable
 now, it does not seem that
 the Governor is condemning
 us to perpetual poverty.

As I understand his
 reasoning, the fact that ex-
 port earnings are now sub-
 stantially higher than import
 costs is in itself stimulatory,
 albeit very mildly.

For this to continue to be
 stimulatory needs only ex-
 port earnings to be main-
 tained. So even if the
 rapidity of growth of these
 earnings should decline, ex-
 pansionary forces will still
 be at work.

He points out specifically
 that the economy is not ex-
 perencing a general reces-
 sion. Real output of the
 primary sectors (mainly
 mining and agriculture) in-
 creased by 16 per cent and
 contributed largely to the
 one per cent growth in gross
 domestic product in the year
 to June.

And this activity spilled
 over into certain non-
 primary manufacturing sec-
 tors associated with or serv-
 ing the primary ones.

Nevertheless, the Gover-
 nor says, the sluggishness of

other non-primary sectors,
 particularly the manufactur-
 ing and building industries
 and the commercial sector,
 created substantial black un-
 employment, which has
 become a further factor in
 setting economic policy.

Despite the recession, ris-
 ing unemployment and fall-
 ing productivity, wages in
 the non-agricultural sectors
 continued to rise rapidly —
 by 14 per cent in the three
 quarters to March this year.

Quite clearly his implica-
 tion is that these rises
 helped swell the ranks of the
 unemployed. He states quite
 categorically that they had
 inflationary consequences.

Savings

Other achievements of
 monetary measures and
 fiscal policy were a slight
 reduction in inflationary
 pressures, rising domestic
 savings which alleviated
 slightly the need for foreign
 capital, and an official bor-
 rowing operation that
 avoided to a considerable ex-
 tent inflationary bank loans.

However, restrictive
 monetary measures failed to

prevent a large outflow of
 short-term capital from the
 private sector while the in-
 flow of long-term capital
 was much less than in
 previous years.

Consequently, the capital
 account of the balance of
 payments showed a net out-
 flow of R121-million against
 a net inflow of R1 707-
 million in the previous year.

However, net gold and
 other reserves (which
 reflect actual reserves after
 short-term compensatory
 borrowings) declined by sub-
 stantially less than in the
 previous year to R514-
 million from R808-million.
 This might be encouraging
 but it still leaves a serious
 situation.

The clear message of the
 report is not that the
 economy is not ripe for
 stimulation now, but that un-
 til foreign business con-
 fidence in this country
 recovers, any stimulatory
 moves could have im-
 mediate funding implica-
 tions.

Nor, it is clear from the
 report, can Government
 heap the blame for this en-
 tirely on "political uncer-

tainties" although the
 removal of them remains its
 central, most urgent
 priority. The graph on this
 page maps out the effects of
 its own inflationary spending
 binge from 1973 to 1976 and
 illustrates the extent of the
 problem with which the
 Horwood administration has
 been grappling.

Reserves

If over that period the
 reserves had not been
 drained away and in-
 flationary bank borrowings
 had been held in check, the
 country's dependence on
 foreign capital would now be
 much less and business con-
 fidence much more solid.

So it is no good Economics
 Minister Chris Heunis blam-
 ing Marxists among our
 neighbours and agitators in
 our townships for our pre-
 sent difficulties. He must
 look also to his own Cabinet
 colleagues, as indeed he and
 Minister Horwood are now
 forced to do, for the political
 measures necessary to
 restore business confidence
 in this country.

De Jongh warns of dangers of economic stimulation

D. D. 29/8/77

49

PRETORIA — It would be one of general injudicious at this stage to modify South Africa's economic policy stance to

stimulation, the Governor of the S A Reserve Bank, Dr. T. W. de Jongh, said in his chairman's address at the annual meeting of stockholders of the Bank here.

a nett outflow of Government funds during September to November.

Such a course of action, he said, could largely nullify the progress which had been made during the past year "in setting our own financial house in order."

The fact remained that a healthy balance of payments and a lower rate of inflation remained prerequisites for re-establishing a sound basis from which economic growth could once again be promoted.

"This view does not, of course, imply that the problems of the current low rate of real economic growth and the resultant increase in unemployment can be ignored," Dr De Jongh said.

"A partial solution appears to lie in a policy of selective stimulation which has, in fact, already been intimated by the Minister of Finance in his budget speech in March, when he stated that selective stimulation and measures to reduce unemployment could not be ruled out within the general framework of a conservative fiscal and monetary policy.

Announcing certain "moderate relaxation measures," Dr De Jongh said it appeared a lack of bank credit was not at present retarding business activity because the banking sector in general had ample scope for credit creation under the credit ceilings, and still had sufficient excess liquidity.

Present estimates indicated that bank liquidity, which was already being fed by the Reserve Bank's seasonal creation of credit to the Land Bank, mainly for the financing of the maize crop, and which was not being drained at present by a sharp decline in the gold and other foreign reserves, as was the case a year ago, might be supplemented further by

"In view of this possible development, and the fact that at least some of the big banks are close to their credit ceilings, the ceiling method of control will not be abolished just at present. It has been decided, however, that as from September 1, the monthly increase of one-half-per-cent in the ceilings, which was suspended as a temporary measure in March this year, will be reintroduced," Dr De Jongh said.

To facilitate the administration of the credit ceilings, it had also been decided to exempt from these controls those banking institutions of which the combined ceiling figure for investments, discounts, loans and advances did not exceed R10 million.

Each of these institutions would automatically become subject to the ceiling requirements as soon as its total credit to the private sector exceeded this limit.

Concern had existed for some time now on the quality of bankers' acceptances which were certified as liquid assets. In order to make it easier for the discount houses to bridge temporary deficits and, at the same time, enable the Reserve Bank to exercise closer control over the quality of bankers' acceptances, it had been decided in principle to allow the discount houses to use their bankers' acceptances within certain limits as collateral for obtaining accommodation from the reserve bank.

"The situation will have to be watched closely during the coming months in order to determine whether further stimulation will be required, whether it can be afforded and whether it would be advisable," Dr De Jongh said. — SAPA.

20/9/77.

E

STATEMENT RELEASED BY THE HONOURABLE THE PRIME MINISTER, ADV.
B.J. VORSTER, IN CONNECTION WITH THE MEETING OF THE ECONOMIC
ADVISORY COUNCIL IN PRETORIA ON 29 AND 30 AUGUST 1977

The latest meeting of the Economic Advisory Council was held a week after the Governor of the South African Reserve Bank had delivered his Annual Address and the Annual Economic Report of the Bank had been released. The diagnosis of South Africa's present economic position, fully set forth in these two documents, was to a large extent confirmed by the surveys presented to the Council of conditions in the respective industries, as well as by the discussions during the meeting. On the one hand, this indicates that the recession in the domestic economy has deepened further. On the other hand, however, it indicates that there is now indisputable proof of progress having been made towards the attainment of the Government's short-term economic goals.

In South Africa, with her rapidly growing population and relatively extensive participation in international trade, economic policy makers must constantly try to strike a balance between a satisfactory economic growth rate, reasonable price stability and balance-of-payments equilibrium. During the past two to three years, the emphasis was placed mainly on the last two objectives, in accordance with the advice given to the Government by the Economic Advisory Council.

As regards the current account of the balance of payments, there has been a remarkable turn-about, since, judging by the seasonally adjusted statistics, a deficit in the first quarter of 1976 of R2 529 million (calculated at an annual rate) and of R2 165 million in the second quarter of 1976 made way for a R1 277 million surplus, calculated on a comparable basis, in the second quarter of this year. Even more encouraging was the fact that this turn-about did not take place erratically, but that the surplus recorded in the second quarter of this year followed upon a steady decline

in the seasonally adjusted deficit over four successive quarters.

The efforts to achieve price stability met with nowhere near the same degree of success; nevertheless there was reason for a certain measure of satisfaction. Admittedly, the declining tendency in the rate of increase of the consumer price index, which caused the increase in the seasonally adjusted index (calculated at an annual rate) to drop to a level of 9,3 per cent in the fourth quarter of 1976, was checked when the corresponding increase in the first quarter of this year reached 13,3 per cent. However, considering the inevitable effect on consumer prices of the increase in indirect taxes and the surcharge on certain imports, as well as the increase in certain administered prices, the purpose of all this in fact being to avoid inflationary financing of spending in the public sector, it is encouraging that the declining trend in the consumer price index apparently resumed in the second quarter of 1977, when the rate decreased to 11,8 per cent. During 1976/77 the monthly average consumer price index rose at a rate of 11,2 per cent, which was slightly less than the increase of 11,9 per cent in the preceding year.

The reasons for the results obtained with regard to the current account of the balance of payments and the rate of inflation can, be found in the recessional trend in the economy as well as in the Government's policy measures and the actions of persons and organisations outside the public sector.

In this regard, the Economic Advisory Council was particularly appreciative of the responsible conduct of South Africa's work force. In spite of the fact that the rising cost of living is weighing heavily upon them, the trade unions, in those sectors where new agreements have had to be negotiated, have generally accepted wage adjustments that are realistic in the light of current economic conditions. In fact, some of the most important trade union groups have decided not to demand any increases this year.

Moreover, that a more disciplined approach has been adopted by all levels of the population is evident from the fact that in the

past year all the components of the gross domestic expenditure, that is to say, private and government consumption expenditures as well as fixed investment and investment in inventories, either decreased or increased at a much slower rate; that the increase in the stock of money and near-money slowed down considerably, i.e., to a rate of 6 per cent during the year ended 30 June 1977, compared with 18 per cent during the preceding year; and that the same applied to the provision of domestic credit, which showed an increase of only 9 per cent from 30 June 1976 to 30 June 1977, compared with a 20 per cent increase in the preceding year.

Of course, the success achieved in pursuing the objectives relating to the current account of the balance of payments and the rate of inflation, as well as the disciplined action that made this possible, entailed considerable sacrifices. In the first place it meant that efforts to sustain a satisfactory economic growth rate had to be suspended for the time being. Partly as a result of a moderate improvement in South Africa's international terms of trade, the real gross national product did in fact increase by 1,5 per cent in the year ended 30 June 1977, after a decrease of 1,5 per cent in the preceding year. For the third consecutive year, however, the growth rate of 1 per cent in the real gross domestic product for the year ended 30 June 1977 was far below the level that is necessary to ensure the provision of enough job opportunities for South Africa's rapidly growing population.

This resulted, especially during the past year, in a marked increase in unemployment in all population groups. This happened in spite of employers' efforts to cushion the impact that the decreasing utilisation of production equipment was having on their level of employment, by resorting to shorter working weeks and shifts, to less overtime and to compulsory leave. That certain occupational groups, e.g. artisans, operators and semi-skilled workers, were particularly hard hit by unemployment reflects the extent to which certain industries have been harder hit than others by the downswing in the economy. This applies particularly to the building and motor industries, as well as to the production sectors supplying materials and components to these industries.

From the information available to the Economic Advisory Council at its meeting, it appeared that the low level of activity in these and other industries is now - apart from the obvious social problems arising from the high level of unemployment - beginning to produce adverse consequences that may lead to serious bottlenecks when an upswing in the economy gets under way. The consequences of the high level of unemployment, are for example, that professional people and artisans are leaving the industries concerned, that training programmes in these industries are beginning to be neglected, and that the progress in recent years with the better utilisation of Non-White labour is being adversely affected.

Judging from information supplied to the Council, certain sectors, namely mining and the basic steel industry, which have managed to maintain their activities at a relatively high level through their involvement with exports, are nevertheless still experiencing a shortage of certain types of skilled workers. This only goes to show how important it is to continue, in spite of the present recessionary conditions, and with the greatest possible zeal to recruit and train skilled workers of all population groups in South Africa, within the framework of Government policy.

The circumstances outlined above all point to the fact that the need to place greater emphasis on efforts to achieve a higher economic growth rate is now becoming very strong. At this stage of the business cycle the Advisory Council would normally have wanted to recommend unreservedly that this objective should now figure more prominently in the Government economic policy. The state of the capital account of the balance of payments and of the country's gold and other foreign reserves has, however, precluded an unqualified recommendation to proceed with general stimulation of the economy. Although the rate at which short-term capital is flowing out of the country, slowed down somewhat during the second quarter of 1977, it is still at a high level and we are also experiencing an outflow of long-term capital at the moment. It would be inadvisable to depend on the capital account showing a net inflow soon. Therefore it remains essential that the current account should show a considerable surplus in order to assist in the financing of this outflow of capital and

in building up the gross and net foreign reserves to a more satisfactory level.

In this regard the Council had to take cognisance of the fact that, for some time already, the economic upswing in the most important Western economies has been showing signs of levelling off, with obvious unfavourable consequences for the volume and value of South Africa's exports of raw materials; that the world prices of most raw materials weakened recently; and that it cannot be taken for granted that the good agricultural crops of recent years will be repeated in the coming year. On the import side, it should be borne in mind that a revival in the economy may, although not immediately, in due course lead to larger imports, according as the surplus production capacity in the economy is absorbed and as both the fixed capital stock and commercial and industrial inventories have to be replenished in order to adjust to an increasing demand. It is therefore not to be depended upon that, should the economy be stimulated, the surplus on the current account will remain at a level sufficient to continue offsetting the present unsatisfactory trend in the capital account.

Clearly, therefore, the time is not yet ripe for a general stimulation of the economy. In the Council the feeling was, however, that merely perpetuating the restrictive fiscal and monetary policy with which so much success had been achieved in the recent past would not be appropriate. The stage has been reached where there can no longer be any doubt, at home or abroad, about the authorities' ability to enforce the necessary economic discipline in South Africa. However, as has already been mentioned in connection with the effect of the high level of unemployment, the prolonged recession is now beginning to impair the economy's basic production ability seriously - but for the good performance of agriculture and mining during the past year, this would have been the case to an even greater degree. If the economy is cooled down further, these harmful effects will be aggravated and the concomitant social problems intensified. Added to that, businessmen at home and abroad may begin to have doubts about the inherent ability of the South African economy and about the prospects of an upswing in the economy being at all possible. Should such doubts arise, the

availability of foreign capital might be impaired rather than promoted.

A further deepening of the recession will also have a harmful influence on the Government's accounts since through its negative effect on personal incomes and company profits, it will in turn affect the yield from the existing tax structure. This may necessitate an increase in the tax scales, which would be undesirable under the present circumstances, or, alternatively, in any case compel the authorities to use a greater measure of bank credit to help finance the Exchequer.

In view of all these considerations, the Council decided to recommend to the Government a judicious change in the direction in which its economic policy is steering the economy. This may involve considering further measures to ease the existing restrictive monetary policy moderately and increasing the expenditure on certain selected projects. In the relaxation of the monetary policy measures, it is necessary to bear in mind, the seasonal increase in liquidity to be expected during the coming months as a result of the creation of credit to the Land Bank and the Government.

The type of project that can be considered for increased expenditure should preferably have a low direct import content and a high direct potential to provide employment, and should be productive in the economic or the social sense. It must also be the type of project that can get going quickly. In the opinion of the Council, housing for Non-Whites meets all these requirements very well. Apart from the low-cost housing for which the Government must necessarily take responsibility, the private business sector can also make a significant contribution by supplying housing of a higher standard to individuals in these population groups who can already afford it. With regard to both types of housing, the Council even saw justification for the use of short-term bank credit as bridging-finance until such time as the houses have been built and longer-terms funds can be mobilised by the Government and the private sector organisations concerned, to finance the sale of the houses to individual buyers. The Council has again stressed the urgency of providing a type of title deed for home-owners in the

urban Black residential areas to enable finance groups and employers to make a direct contribution in this field.

In view of the possibility that foreign capital may be less available in the foreseeable future, regard was also had to the necessity of lowering the South African economy's underlying propensity for imports. In this connection the Council gave its full support to the present efforts of the private business sector to divert, by disseminating fuller market information, the domestic demand from foreign suppliers to domestic sources where idle production capacity is available and the products concerned can be supplied at a competitive price and quality and on other competitive terms. On the other hand, the promotion of exports should now enjoy very high priority and the Council has also identified this as an area where the Government may consider some degree of further stimulation.

In making these recommendations, it is most decidedly not the Economic Advisory Council's intention to give the green light to any large-scale stimulation of the economy by giving free rein to Government spending and embarking on extensive creation of money. The conditions for such an approach to be followed without serious detrimental consequences clearly do not exist in the economy at present. The Council is of opinion, however, that a judicious change of direction in the Government's short-term economic policy, along the lines it has recommended, can have beneficial results. Since it takes time to put such a change of direction into practice and for its effect to become visible, the Council also feels that it would be best not to procrastinate. Members see little danger of the consequences of such a policy adjustment getting out of control, since not one of the components of the gross domestic expenditure shows a strong expansionary trend at the moment.

The Government's point of view

The Government agrees with the general purport of the Economic Advisory Council's diagnosis of South Africa's present economic position. Regarding the prospects for the coming months and the policy approach to be adopted at present, the findings and recommendations of the Council very largely correspond with those of

the Government. It has in fact already been indicated by the Ministers of Finance and of Economic Affairs, as well as in the Annual Address of the Governor of the South African Reserve Bank, that the time has come for a judicious change of direction in economic policy through the relaxation, already announced, of certain monetary policy measures and the encouragement of specific projects in the Non-White housing field and related fields, in other words, projects that receive high social priority and will exert relatively little direct pressure on the balance of payments. The Minister of Finance has already, before his departure abroad, given his attention to this recommendation of the Economic Advisory Council, and given instructions to the Treasury, in consultation with the Department of Community Development and other bodies involved, to go into the practical implementation thereof.

In implementing this change of direction, the authorities will of course be duly mindful of the position of the foreign reserves and the capital account of the balance of payments. At this stage a general relaxation of the economic discipline that has been successfully achieved at great sacrifice over the past two years, is out of the question. In this regard the Government wishes to associate itself in particular with the Advisory Council's appreciation of the responsible conduct that the country's work force is displaying in wage negotiations.

Apart from the measures that can be taken by the authorities to improve the balance of payments further and to give some stimulus to the domestic economy at the same time the private sector can of course also make important contributions. The positive stand that has been taken by the Economic Advisory Council with regard to the efforts in business circles to divert the domestic demand towards domestic instead of foreign sources of supply is therefore to be welcomed. Of course, this endeavour can never be a substitute for the country's accepted longer-term policy of selective tariff protection to promote import substitution on an economic basis. In the short term, however, this might very well make a significant contribution to foreign exchange savings, the fuller utilisation of the country's existing production capacity, and the provision of more job opportunities.

20.9.77

Handwritten notes at the top of the page.

Underpinning the recession

It would be wrong to describe Pretoria's new policy stance, announced by Finance Minister Owen Horwood in Durban on Wednesday, as "go for growth". At the very highest, the aim is to put a floor under the worsening recession.

Detailing the change of direction, Horwood said that the emphasis of fiscal and monetary policy would now move away from curbing investment and consumption and towards stimulating sound economic growth.

Like the Prime Minister's Economic Advisory Council, which met in Pretoria on Monday and Tuesday, he has obviously been influenced by the vicious circle argument: continuing deflation might help the current account of the balance of payments; but it could have a negative effect on the capital account by further damaging business confidence and driving away foreign capital.

Moreover, it would certainly reduce government's tax revenues (because of falling profits), which could make still higher tax rates (ie more deflation) necessary in the next Budget.

As the Minister put it: "The possibility now exists that a question mark could be put over SA's ability under present circumstances to deliver a new upswing in domestic economic activity. If the recession continues to deepen, a crisis of confidence in the economy might arise for the opposite reason to a year ago."

Boosting black housing

The new policy, explained Horwood, could probably take the following forms: Selective stimulation of specific projects, like African and coloured housing and the electrification of Soweto. He said projects would either have to be economically productive (which housing is not), or they would have to have social and political advantages (which housing does).

By improving the political scene they would presumably benefit the capital outflow of the balance of payments. Hopefully, we'll hear more about housing in the next Budget.

A moderately expansionary Budget, while strict financial discipline will still have to be observed by his Cabinet colleagues, Horwood apparently has indicated that part of the rise in government expenditure should be financed with bank



Horwood . . . a measured restimulation

credit.

Further relaxations in the control of bank credit to the private sector. This should ensure that the money supply, in Horwood's words, "will increase at a pace conducive to economic growth without causing demand inflation or new balance of payments problems".

Over the past 12 months, money and near-money rose by only 6%, about half the rate of inflation.

- Continuing export promotion.
- Import displacement. It would seem that Horwood has given his blessing to the "voluntary" import control scheme being arranged by organised commerce and industry. This involves private sector committees to disseminate information on import substitutes, especially for capital and intermediate goods.

There are also suggestions that Horwood might allow forward exchange cover for foreign loans for financing new projects built with locally produced capital goods.

Clearly, none of these measures is

going to set the business world on fire. At best, they will help to rekindle confidence by slowing the plunge in turnover and profits.

But at least they are a move in the right direction. Were it not for a bumper agricultural year, the slump would be even worse by now. If next year's crops are bad, or even average, the deterioration of business conditions could accelerate.

Horwood has finally recognised the need to adopt anti-cyclical policies instead of continuing to deflate demand when it has already virtually collapsed.

Good old-fashioned Keynes

Some good, old-fashioned, Keynesian anti-cyclical policies are, of course, precisely what SA needs right now. Everywhere, machines are standing idle; households are stepping up their savings; projects that could perhaps attract foreign capital are being shelved for want of markets. Using bank credit — either directly to the private sector, or indirectly via the government — to boost the flow of income through the economy will at least help to keep the patient alive.

Certainly, there is no danger that it will kill him. With so much excess plant capacity around, any marked upsurge of private sector investment is out of the question. And without an upsurge in investment, there will be no upsurge in imports, which SA cannot afford.

It would be a different matter if Horwood had given the go-ahead for a big across-the-board rise in government spending. That might well have sparked an upsurge in private sector investment. In fact, all Horwood is doing is attempting to break the vicious circle of deflation into which the economy has slipped. Such action is vital for keeping business alive — as well as for maintaining national income at a high enough level to provide sufficient savings to repay some of our foreign debts.

Continuing deflation would lead to a smaller national cake. A smaller national cake would lead to fewer savings. Fewer savings would mean less finance to repay overseas loans.

In other words, Horwood is not going for growth. He is only attempting, wisely, to underpin the dangerous slide in national income which threatens SA in 1978. Prudence demands no less.

A table at the bottom of the page, oriented upside down, with columns labeled 'REGION', 'REVENUE', 'FUNCTIONS', 'SOME EVIDENCE', and 'CONJECTURES'. It contains numerical data for various categories.

Brighter future for SA economy

D.D. 2/9/77
49

EAST LONDON — South Africa has received a morale booster from the Minister of Finance, Mr Horwood, who reiterated in Durban that the national economy is to be stimulated through shifts in the monetary and fiscal policies.

Bank credit to the private sector is to be eased further, he told the National Party congress, and there is to be selective stimulation to expenditure on black and brown housing.

The electrification of Soweto, and other major schemes to be completed, will also boost the economy, he declared.

The promotion of exports and the encouragement of import replacements will continue to be emphasised, Mr Horwood told delegates, "but although South Africa's economic position is likely to remain difficult for the time being, there had been a favourable change in that the country no longer lived beyond its means."

Responding to Mr Horwood's announcement, the executive director of Assocom, Mr R. Parsons, said:

"Most businessmen consider that the time is overdue for selective stimulation of the economy, as circumstances have changed drastically over the past 12 months. Business conditions, unemployment and bankruptcies have worsened to the point at which the encouragement of sound growth is essential.

"The significance for business confidence of a change in policy stance cannot be sufficiently emphasised — leaving aside the question of political factors in Southern and South Africa. The latest statement ought to have a favourable impact upon the business mood — provided the selective stimulatory measures are implemented as soon as possible.

"From a psychological point of view, the sooner a new package of such measures is introduced, the better will be the results, as it will, in any case, take some time for the beneficial effects to be felt in the economy.

"The future performance of the South African economy is heavily dependent upon the level of morale within the economy, and this makes it essential to maximise the impact of the new direction in economic policy as soon as possible", Mr Parsons said.

And so say all of us.

— BUSINESS EDITOR

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- (12) This is one of the arguments presented by both Johnstone and Legassick.
- (13) Hancock, Commonwealth Affairs, p. 54.

THE FLAK WILL FLY . . .

THE GROWING bureaucratic octopus and political factors will do more to influence South Africa's economic future than any amount of juggling with fiscal and monetary policies according to leading economists and businessmen.

With no sign of a significant revival on the horizon, the Government has been at the receiving end of more private sector flak than any time before or since Dr Andreas Wassenaar fired his much-publicised broadside at alleged growing state interference in commercial and industrial activity.

And Dr G. F. Jacobs, MP for Hillbrow and director designate of the business school at the University of the Witwatersrand, predicts even more severe clashes between big business and the government.

The clash between Dr Wassenaar and the Government, he says, was merely a prelude to what is still to come.

The two critical points from which most of the friction appears to emanate are foreign capital and public sector red tape.

Dr Frans Cronje, chairman of the South African Permanent

Public sector red tape one problem

By ESMOND FRANK

Sun. Trib. Fin. & Prop. 4/9/77

Building Society, points out that the country largely depends on a substantial inflow of foreign capital to stimulate fast internal growth.

He explains that South Africa does not have the domestic capital formation capacity to generate development quickly enough to absorb annual increases in the labour force and, at the same time, improve its material welfare.

Cronje says while the country has the natural resources, it is not attracting sufficient foreign investment capital because of the political situation in Southern Africa.

The Minister of Finance, Senator Owen Horwood, admits that political factors still play a part in discouraging foreign investment in the republic.

But he said recently that these factors are related to uncertainties rather than facts about social and political stab-

ility in South Africa and neighbouring states.

And he added that since these fears are based on uncertainties and not on facts, it is difficult to remove them.

While Horwood believes that the general political situation in Southern Africa is better than it was a year ago, he said uncertainty still gave rise to hesitation, particularly among those less well acquainted with South Africa.

Ignace van Kan, general manager of Nedbank's international division said in Johannesburg this week that political uncertainty obscured any improvements that might occur in the country's financial and monetary situation.

He added that political certainty within the country will engender a return of foreign confidence which, in turn, will probably lead to a resumption of

economic activity.

Van Kan observed that foreign confidence is unlikely to be restored by a simple improvement in the balance of payments achieved mainly through hardships without increased economic activity based on internal political confidence.

Ted Smale, immediate past president of the Johannesburg Chamber of Commerce, said recently that organised business had been reluctantly forced into the political arena since the country could no longer afford to stagnate, either economically or politically.

"If the politicians are unable to provide a business environment in which we can operate," he said, "then it is our duty to play an active role in correcting the situation."

He said it was necessary to firstly create job opportunities by a selective stimulation of the economy and then remove all forms of discrimination to allow the best man to do the job.

"We have to build a stable South Africa," said Smale, "and we have to start now."

Professor C. W. I. Pistorius, director of the Graduate School of Business at Pretoria University, said the country's black economy must be fully integrated with the white economy if South Africa is to survive.

And Robin Plumbridge, president of the Chamber of Mines, slammed creeping bureaucracy. He said 40 state departments and 200 control boards placed the private sector under the complete control of bureaucrats.

"More and more scarce resources such as labour and materials," he added, "are coming under the control of persons not prompted by economic motives."

State controls, he suggested, should be limited to providing an infrastructure and protecting the rights of individual citizens.

Call for a new economic deal

Bus. N. Mercury

7/9/77

JOHANNESBURG — The Association of Chambers of Commerce has called for a new economic package to be implemented as soon as possible to improve business confidence and morale.

Welcoming the announcement by the Minister of Finance, Senator Owen Horwood, that there is to be a change of emphasis towards selective reflation, the executive director of Assocom, Mr. Raymond Parsons, says in a statement:

"Most businessmen consider that the time is overdue for selective stimulation of the economy, as circumstances have changed drastically over the past twelve months. Business conditions, unemployment and bankruptcies have worsened to the point at which the encouragement of sound growth is essential.

"The significance for business confidence of a change in policy stance cannot be sufficiently emphasised — leaving aside the question of political factors in southern and South Africa. The latest statement ought to have a favourable impact upon the business mood, provided the selective stimulatory measures are implemented as soon as possible.

"From a psychological point of view the sooner a new package of such measures is introduced, the better will be the results — as it will in any case take some time for the beneficial effects to be felt in the economy." — (Sapa.)

Mineral exports up 60pc

Business 7/9/77
Mercury Correspondent

JOHANNESBURG — The value of South Africa's mineral exports, excluding gold and diamonds, rose by a remarkable 60 percent in the first six months of this year, but the prospect for the coming months is far from bright.

The latest issue of the Standard Bank monthly Economic Review records that total exports in the six months to June rose to R765,5-million compared with R478,5-million in the first half of last year.

It points out that the major contribution to this improved performance was the opening up of the Richards Bay and Saldanha Bay ore ports.

Metal prices

In addition, higher metal prices in the first half of this year accounted for an increase in the value of exports of chrome, copper, tin, asbestos, uranium and diamonds.

But a disturbing point is the fact that the growth in the value of mineral exports between the first and second quarters slowed down markedly to only 6 percent compared with a 9 percent growth in the first quarter and a 34 percent growth in the last quarter of 1976.

To some extent this slower growth is accounted for by the fact that metal prices rose during the last two months of 1976 and the first quarter of 1977 but have fallen steadily since mid-March this year, the report says.

ECONOMY IS WEAPON TOO

PRETORIA — South African businessmen should be prepared to change over to an "economy of survival," the Chief of the Defence Force, General Magnus Malan, said here last night.

Addressing the Pretoriase Junior Afrikaanse Sakekamer, General Malan said it had been done in other countries and could therefore also be done here.

Because the economy was such a powerful weapon in the struggle for survival, it should be put to the best use.

"We must become self-sufficient wherever possible. We must produce more, our own technology must be developed still further ..."

The will to survive that every businessman had, the built-in resistance against take-overs and mergers of the true entrepreneur, should be broadened and applied to the whole situation in South Africa.

"We flatly refuse a take-over of our country and shall use all weapons to prevent it. The economy is definitely one of the most efficient weapons in this struggle, and you are the soldiers manning it.

"A defence force has its officers and so too has the economy. I would like to suggest that those officers now begin to think urgently about an action plan to review the needs, the shortcomings, the strong and weak points in our economic armament so as to prepare it for action against the enemy in the economic field. — (Sapa.)

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Malan warns S Africa's businessmen

PRETORIA. — The Chief of the Defence Force, General Magnus Malan, said here last night that South African businessmen should be prepared to change over to an "economy of survival".



General Malan

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"We must survive the next few years so that we — and our descendants — can exercise our birthright as South Africans unhindered. I am certain that South Africa can depend on its young businessmen to contribute their share to that joint effort," General Malan said. — Sapa

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Army chief

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CAPE TIMES 10/9/77

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'total' SA

effort

PRETORIA. — A national plan, or rather co-ordinated planning and action, was of extreme importance for the continued existence of South Africa, the Chief of the Defence Force, General Magnus Malan, said here yesterday.

Speaking at the spring graduation ceremony of the University of Pretoria, General Malan said the severity of the onslaught against Rhodesia was increasing "and we must be prepared for any military implications it might have for us".

The arms boycott against the Republic was now practically universal and forced South Africans ever more to rely on their own resources and their needs.

Two quarters

General Malan said "total war" against South Africa was being waged from two different quarters — international communism and its hangers-on on the one hand and the Western world and its humanistic fellow-travellers on the other.

Co-ordinated planning and action at national level had become essential to ward off the onslaught against the Republic. Such a plan of action should encompass all sectors — the State, the private sector, diplomacy, commerce and industry and organizations like Armscor, the CSIR, the Human Sciences Research Council, the Bureau of Standards and others.

General Malan said that in his opinion co-ordinated action at national level had become an absolute necessity.

'No alternative'

"We all know that the struggle in which we are involved not only concerns the maintenance of the status quo or even the State, it also concerns our own mutual and individual existence. We therefore have no alternative but to defend ourselves against the enemy onslaught with all the means at our disposal.

"The question, however, is

Continued on page 2

Army chief

Continued from page 1

how can we use our resources to the greatest possible extent?

"One answer is that we must also apply our human material totally. Fortunately the government has long ago realized this truth and has for some considerable time been making use of the knowledge of scientists and academics from the private sector.

"I foresee that this trend will increase considerably in the near future."

'Dare not lose'

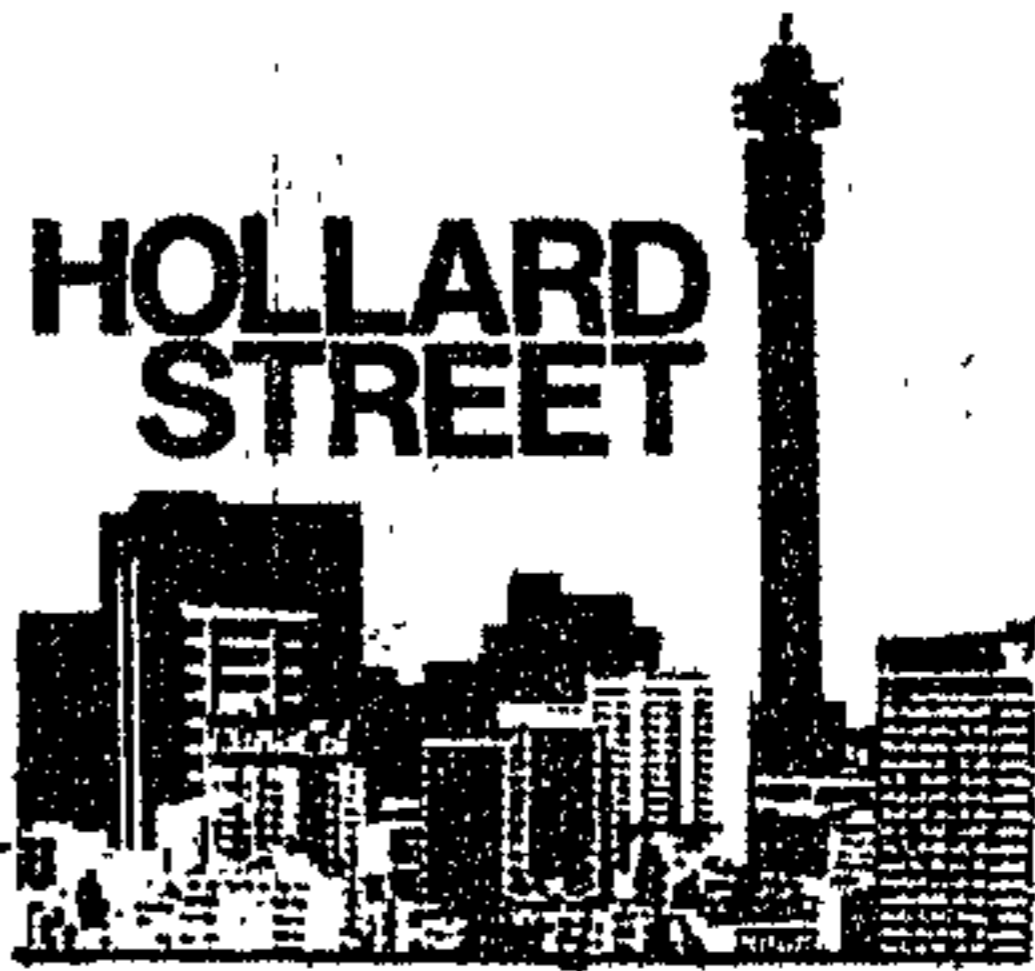
General Malan said: "This total struggle is one that we dare not lose, because we will not be given a second chance. We will therefore have to defend ourselves 'totally'. And that, I am sure, is exactly what we are going to do.

"As chief of the SA Defence Force, I cannot talk on behalf of the government, but as an ordinary South African and on behalf of all my compatriots, I wish to say this to our enemies — do not underestimate us. Together we will tackle the challenges with both hands. For us there is only one possible result, a resounding victory."

Retco's earnings

Sunday Times (Business Times)

11/9/77



in for a knock

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RETCO, a property blue chip, has been the subject of some relatively good buying in a depressed sector of the market. Last week for instance, over 100 000 Retco shares were traded, and in the last ten weeks the share price has moved up from 38c to 50c.

On the face of it, the shares look an attractive proposition. Retco is a well-managed company with conservative gearing and a good profits record. But, more to the point, at 50c the shares have an historic dividend yield of 12 per cent and a net worth of 110c.

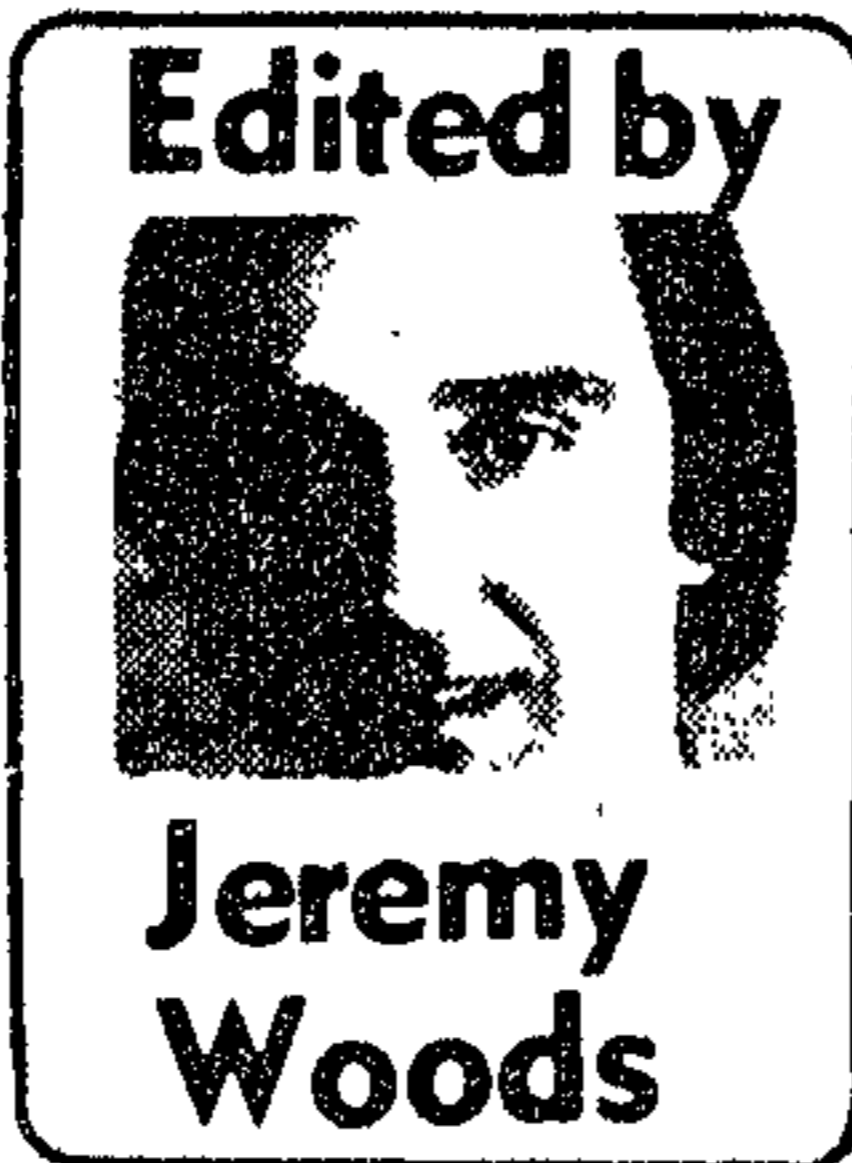
But there the good news ends. For Retco looks to have a couple of rather serious problems which could make a nasty dent in medium-term earnings and dividend potential.

No upturn

In the last published accounts for the year to February 28, Retco's chairman Dick Goss says: "As to the future, I feel that the depressed conditions existing in the property sector are likely to persist until the supply and demand for commercial and residential accommodation are in equilibrium. Even though rental income will show minor improvements, no dramatic upturn is expected for at least three to five years.

"To offset higher interest charges in the current year it will be necessary to increase profits from property trading activities."

Mr Goss concluded: "Your directors nevertheless believe there is a reasonable possibility that they (the profit targets) can be achieved in which event



the earnings and dividend will remain approximately the same or close to those of last year."

Last year Retco paid a total of 6c per share.

So far so good. However, this statement was followed by a supplementary statement to shareholders on June 21 in which Mr Goss said: "In my statement contained in the 1977 annual report, I said that to offset higher interest charges in the current year it would be necessary to increase profits from property trading activities and for earnings from associated companies to be maintained."

But this, said Mr Goss, no longer looked possible.

Profits down

First quarter profits were below budget and the lucrative property deals that have so successfully boosted Retco's profits in the past (R1.6-million last year against a total pre-tax of R7.3-million), were evaporating fast because "the opportunities for purchasing or developing properties for subsequent sale at a profit in a reasonably short space of time are diminishing."

Furthermore, warned Mr Goss "... the cancellation

or postponement of certain Government contracts could have an adverse effect on the results of associated companies."

So not only will Retco supporters, and there are plenty of them among our fund managers, have largely to forget any property dealing profits in the next set of interim results (due towards the end of the month), but losses could emerge in associated companies where there were previously profits.

But perhaps the most worrying aspect of Retco at the moment, is the amount of money it stands to lose on its proposed Arbitrage development in Diagonal Street, Johannesburg.

The site for this development, which cost Retco some R6-million, must be costing the company around R750 000 a year in interest payments.

Potential loss

This, coupled with a loss of dealing profits and losses in associated companies, could dent Retco's current profits by at least R3-million — or about 40 per cent of the total.

The last accounts say this about the Arbitrage development: "... a review of the high cost of borrowed money coupled with rapidly rising building costs and the oversupply of office accommodation has led to the indefinite postponement of the plans originally contemplated."

That leaves Retco with a development site it has to finance - or if it could sell the site - a potential heavy loss.

The book value of this property is now R6.3-million (1976 R5.9-million) interest and expenses having been capitalised up to the time the decision was taken to postpone the development.

"In the meantime," says the accounts, "interest and expenses will be written off the income statement until development of the site commences."

So those interest payments are coming right out of earnings, which could otherwise be distributed to shareholders as dividend payments.

Imponderables

There are two imponderables in assessing the effect of the Arbitrage deal on Retco. These seem to be:

How long will Retco continue to pay interest on this expensive white elephant?

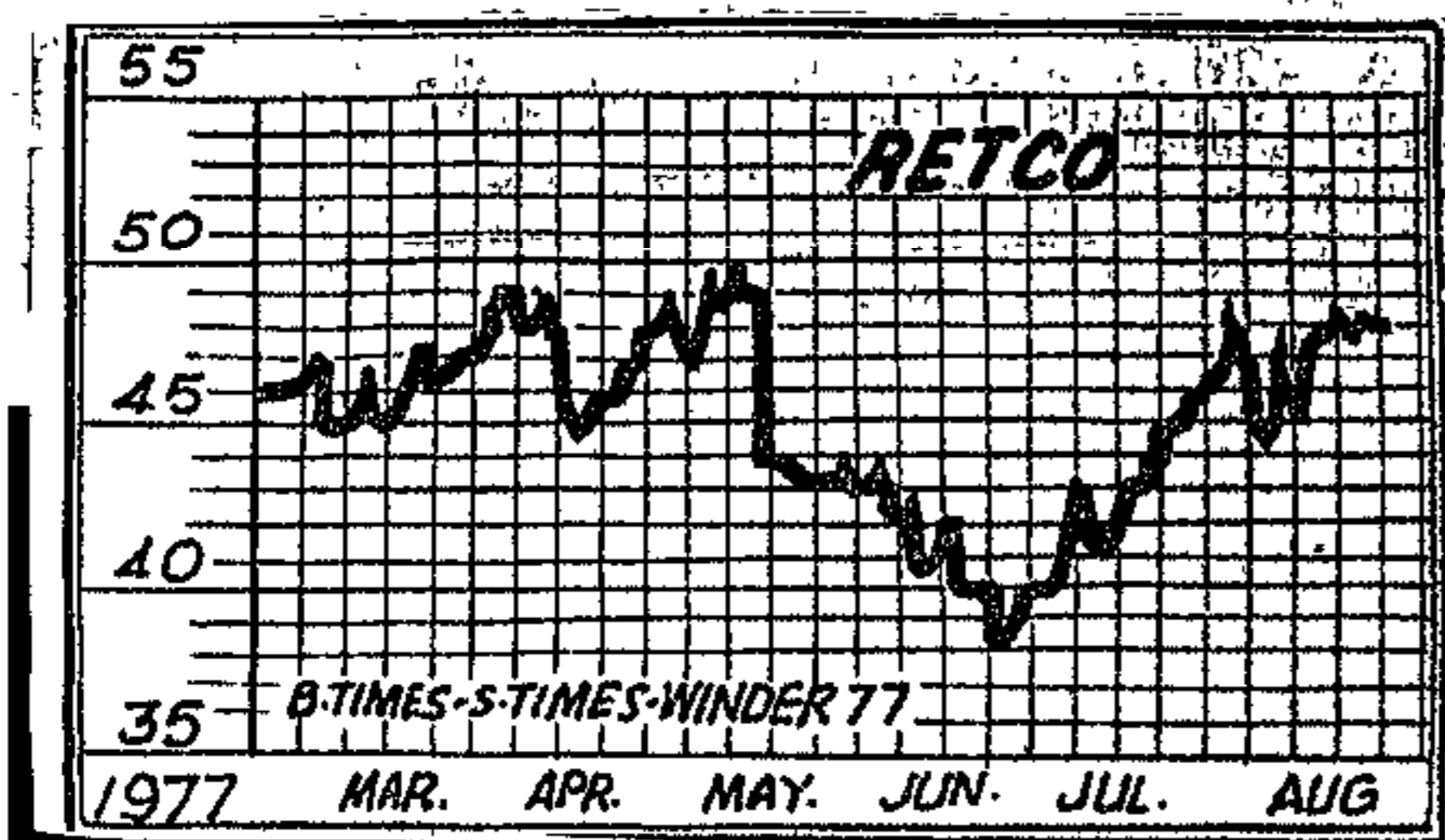
How will the loss (and there is almost bound to be a big one) be treated if the site could be sold? Will it be written off against income?

But what is Retco doing in this Arbitrage development in the first place? There is nothing new about high interest rates, rising building costs, or an oversupply of office accommodation. At least, there wasn't when Retco made the decision to go into Arbitrage.

Whatever the answers are, earnings seem bound to suffer severely.

Chairman Goss has said earnings will be in the order of 5-6c this year, compared to 7.1c last year. With properties virtually unsaleable at the moment, 5c could be on the optimistic side. My information from discussions with property agents is that Retco has not sold a property this financial year.

Therefore, I would rather work on the basis of a 3.5c dividend. At 50c the dividend yield would be seven per cent, which looks expensive given that Retco shares have stood on a double figure dividend yield for some months.



1977.

Anglo's computer

Sunday Times (Pretoria Times) 11/9/77

arm ties up new

software contract

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THE FIRST software package interchangeable with different makes of mainframe computer is being marketed in South Africa by the Anglo American subsidiary, Computer Sciences.

At present if a company installs a computer, its programming is written only for that computer. A switch to another kind of computer means that the programme package has to be changed as well.

But the Modular Application System, MAS, designed by the leading British software house, Hoskyns, can be applied to IBM, ICL, Hewlett-Packard, Burroughs, Honeywell and some Univac computers. It cannot be used with CDC or NCR computers.

Sole rights to the system in South Africa have been acquired by the country's largest computer bureau operation Computer Sciences' Datacentre.

With two IBM 370/155 computers installed, Datacentre can process 10 jobs simultaneously, and has a turnover of R4-million a year. The bureau handles all the head office processing for Anglo American AECI, Edgars and a number of other clients.

Computer Sciences runs a second bureau, Infonet, which has a turnover of R3.7-million a year.

By TONY
KOENDER

Datacentre division manager John McAllister says the six MAS sub-systems cover all areas of management information and control. A manufacturer, for whom the system is essentially designed, can pick any element he requires, whether it be cost control, manufacturing control, stock control or any other.

Hoskyns marketing executive Ken Sadler, who has been seconded to South Africa to help introduce the system here, says MAS is a single integrated system designed to "cover everything manufacturing companies could need."

Mr McAllister calculates it would have cost Computer Sciences more than R2.5-million to write a comparable programme of its own.

The deal with Hoskyns involves payment of a royalty, and it is expected that the revenue generated will be about R500 000 by the end of 1978.

A computer bureau rents out time on its own computers to customers who do not have to have their own hardware.

Sanctions would first boost SA, then hurt

Swabey Fines (Bruwer Fines) 11/9/77

(49)

AN ECONOMIC boycott of South Africa could produce an "exuberant phase" of import substitution which would be of enormous benefit to the economy in the short to medium term, says Professor Arndt Spandau of Wits University.

But in the longer term, serious difficulties could arise, he says.

Prof Spandau, head of the university's Department of Business Economics, spent 13 months producing a 250-page survey of the effects of economic sanctions on the South African economy.

The work is to be published in Germany shortly, and Prof Spandau is considering offers from publishers in South Africa. He is also to deliver a paper on his research to the

BY TONY KOENDERMAN

certain areas of the economy, but in the short to medium-term is likely to cause a boom in import substitution.

The main danger as far as imports are concerned is an oil embargo. Prof Spandau does not believe oil from coal will provide more than about 30 per cent of our requirements.

But an embargo of this nature could only be accomplished with a physical blockade, and the risk of such action escalating into war would be a major deterrent. A boycott of South African

exports could also have serious consequences, though it is unlikely it would ever be very effective against vital commodities such as gold, diamonds and strategically important minerals.

Looking first at foreign investment, Prof Spandau says there is now a high degree of substitution between imported capital and domestically generated capital.

Though foreign capital does bring with it a corresponding inflow of skills and technology, and areas such as the electronics in-



Arndt Spandau good news for the short-term.

Arndt Spandau, head of the university's Department of Business Economics, spent 13 months producing a 250-page survey of the effects of economic sanctions on the South African economy.

term foreign investment in 1976 were cut off, the decrease in the gross domestic product would be R386-million, he calculates.

This represents 1.3 per cent of last year's GDP at market prices of just over R29 000-million.

Gross personal income would decline by R247-million or 1.2 per cent, with most of the effect being felt by the whites.

The impact on unemployment would be more serious, however. A 50 per cent boycott last year would have put 52 000 blacks out of work, 27 000 whites, 10 000 coloureds and 2 000 Asians. Prof Spandau points out, moreover, that the invest-

ment boom experienced in the 10 years up to 1976 is now over.

As is explained by Standard Bank economist Andre Hamersma in the latest Standard Bank Review, capital requirements have declined.

"There is evidence to suggest that the country's requirements for new investments may in fact grow only slowly in the next five years, and that the central economic problem will not be a shortage of capital investment but rather how to use existing investments more efficiently," the review says.

Many public sector and in-

• To Back Page

Soap war hots up

Sunday Times
(Business Times)
11/9/77

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By JEREMY WOODS

A PRICE-cutting war between three major detergent manufacturers which has chopped the price of a kilo of soap powder from 92c to just 59c in the past two months, is estimated by a top retailer to be losing "many millions" for the manufacturers.

Sales of soap powder in major stores across the country are breaking all records, while Mr Norman Leibov, chief buyer for Pick 'n Pay in Cape Town, says:

"Our sales have been astronomical. If this war continues, the manufacturers will lose less if they stop selling."

The two big names in the soap powder market are Lever Bros and Colgate Palmolive. Then in stepped Henkel with its new Extra brand of soap powder and grabbed chunks of the soap powder market by cutting prices.

Pick 'n Pay also brought out its own no-name brand and down its prices came.

Lever and Colgate Palmolive hit back. Anything Henkel could do, they could do better. As Lever and Colgate slashed prices — so did Henkel.

Meanwhile, housewives have been busy buying, for soap powder has not been so cheap for five years.

A top buyer for one of the supermarkets told me: "I don't think this can go on for too much longer. I have been told one of the big producers has already lost R3-million. At the prices soap powder is being sold at now, no one can be making any money."

Sunday
EXPRESS

Business

Retail ads will go hard sell in tough times

Business
Sun. Exp.

11/9/77

BY PENELOPE GRACIE

THE days of an omnibus retail ad, showing a multitude of products haphazardly jumbled together, are numbered.

Retail advertising is becoming smoother and more sophisticated as agencies and retailers work at squeezing your last Rand from your pocket. And with this evolution it is becoming harder for shoppers to resist the subtle nudges to respond directly.

Everyone, it seems, is racing after this market — the fastest growing sector and perhaps the most exciting of the advertising markets. Both advertising agencies and specialists claim they can help retailers maximise sales. (Annually retailers sell some R8 000-m worth of goods).

Last year, advertising in the Press and radio totalled R172-m and of this R31-m, or 17.9%, was retail advertising. Retail advertising does not stop with your department store or supermarket.

Retail according to the marketing people includes any advertising where the appeal is direct to the public so services such as car-hire, hotels, airlines and liquor can be classified as retail.

Agency De Villiers and Schonfeldt has set up a new area of interest — the Sales Machine and Peter



• McDonald ... where the action is.

Devereux is in charge applying hard-headed retail thinking to retail problems.

With the advent of the Sales Machine and other specialist companies like Bates Wells Rostron's Retail Decisions, gone are the days when agency was given its creative head and retail did its thing in the store. Today the two work together.

De V & S sees its function as twofold: "Whilst the main De V & S team in bending the consumer's

mind, the De V & S Sales Machine is busy twisting his arm and (most of the time) causing him to lighten his wallet as well."

Sales Machine believes it can offer a retail client more than an agency service. Its Sales Machine people understand and have worked in retail.

So has bright young man. Brian McDonald. He heads up Retail Decisions Inc in this country, a company associated with agency Bates Wells Rostron.

McDonald who until the end of this month is general manager of Greatermans central marketing and sales promotion, is out to change South African retailers' minds about marketing.

Retail Decisions is to follow the same policy as the US Retail Decisions organisation which has built retail consultancy into a multi-million business in the past decade.

Retail Decisions bases its advertising policies on one or more of three principles: achieving immediate sales, building an image for a particular department or class of goods and developing the image of the retailer.

McDonald: "We know what it takes to sell. We

don't theorise, we don't fool around with grandiose schemes cooked up in ivory towers, and we don't cost a lot of money. We get right down to where the action is, because we think we know where it is."

Retail Decisions is in the market to offer advice on marketing, display, sales promotion, advertising and market research. It also offers a full service in designing advertising leaflets, catalogues and packaging.

The tone in retail advertising is already changing. Daily more stylish retail ads appear in our newspapers and more will appear as companies realise, to use Devereux's words, "that advertising should be like wallpaper. You use the wallpaper — the long-term image you're trying to project — as the background on which to hang your pictures."

US research has shown the pulling power of advertising — 34% of shoppers purchase as a direct result of a retail Press ad.

without an audit. The audit is no guarantee of a career, but it does on training. If you wish to offer your guided expert better chance yourself.

without an audit. The audit is no guarantee of a career,

Afrikaner

Ons Sê

Die Afrikaner het sedert die dae van die eerste ekonomiese volkskongres vir hom 'n sterk plek in die land se ekonomie verwerf. Hierdie vordering duur voort, maar in die proses het 'n paar vrot plekke ontstaan.

Dit was 'n ongelukkige verloop van sake en dit was jammer dat alles so op 'n kol was. Oor die reëls daarvoor sal nog lank gepraat word. Die skuld sal oor en weer geslinger word.

Maar terselfdertyd het die Afrikaner se aansien in die sakewêreld 'n knou gekry. En dit help nie om te wil glo dat dit nie so is nie. Die voordeel is egter dat hierdie uitskud, as 'n mens dit so kan noem, juis nou plaasgevind het. Die verposing in die land se ekonomiese groei bied die geleentheid om sake deeglik in orde te kry.

Op hierdie manier kan 'n sterk grondslag opgebou word, van waar daar weer sterk vorentoe gebeur kan word wanneer die ekonomie weer op dreef begin kom.

En dit gaan dalk ook terselfdertyd die moeilike wees as die Afrikaner opnuut na sy beginsels en praktyke in die sakewêreld kyk. As daar leemtes is, moet dit in orde gekry word.

Dit is seker nie moeilik om te raai wie se verloop wanneer hond hond begin vreeslike...

1973, 1972, 1964
Tjebbe, Schette, Pi...

Tyd nou om

te besin

Deur DAVID MEADES

DIT het hoog tyd geraak dat die Afrikaner in die sakelewe sy hand in eie boesem steek en ontslae raak van die melatsheid in hom. Die debakels wat 'n paar Afrikaner-maatskappye die laaste jaar of wat getref het, het die geloofwaardigheid van die Afrikaner-sakeman 'n ernstige knou gegee.

Hierdie woorde kom van 'n voorraanstaande Johannesburgse Afrikaner sakeman, wat sê dat hy eertlikwaar glo dat die Afrikaner besig is om sy status af te breek.

Terselfdertyd is daar ook al sterker bedenkings oor die leiding, toesis en steun wat deur die groot groepe aan filiale of verwante maatskappye gegee word.

En oor die gehalte van die bestuur van sommige maatskappye hang daar ook 'n vraagteken. Hy vra hoe dit kan moontlik wees dat 'n maatskappye soos FVB ooit kon toegelaat het dat Trust-Bank in so 'n swak posisie beland het, terwyl dieselfde geld vir die hoofaandeelhouders van-Randbank. En dan is daar ook nog Rondalia en Bonuskor se Vesting. Hy kan tog geen ander gevolgtrekking kom dat

Fout

daar nie behoorlik toesis gehou is nie, sê hierdie sakeman wat verkies om Hewer naamloos te bly. Praat 'n mens met mense wat na-aan die hoofaandeelhouders van sommige van die "rampe" is, word daar saamgestem dat heelwat foute gemaak is. In die jare sesdig is daar heelwat swak besluite geneem, wat eintlik eers die laaste jaar of wat aan die lig gekom het.

Terselfdertyd moet 'n mens nie die fout maak om te maklik te veralgemeen nie. 'n Hoofaandeelhouer het bereid wees om 'n filiaal te besin die moeilikheid

is, te steun. Maar ook dan gaan dit van geval tot geval verskil. Die belangrikste oorweging is om toe te sien dat onskuldige derde partye nie skade ly nie.

Waar daar 'n filiaal is wat heeltemal buite beheer raak en nie te redde is nie, is daar ook geen sin in om maar net voort te gaan om steun te verleen nie. Maar ook dan moet die belange van derde partye voorkur geniet.

Daar is op gewys dat Sanlam as die nuwe hoof-aandeelhouer van Trust-Bank reeds gedemonstreer het dat hy bereid is om by die bank te staan en toe te sien dat sake weer reggeruk word. Net so staan Santam ook agter 'n sukkende Mondorp.

Omnin

Dit is duidelik dat daar groot omnin is oor die besluit van Bonuskor om Vesting tot niet te maak. Maar ook hier word daarop gewys dat Bonuskor self die grootste krediteur is en dat dit ook nog geen uitgemaakte saak is dat sommige partye baie groot gaan verloor nie.

Die volgehoue voorspoedgolf wat die land tot 'n jaar of drie gelede ervaar het, het by talle maatskappye, ook maatskappye wat nie deur Afrikaners beheer word nie, veral bestuursprobleme gebring, wat op hul beurt weer deur die voorspoed verberg is.

Maar met die insinking in die ekonomie het hierdie swere begin oopbars en kan dit nou geïdentifiseer word. En dit is dalk hier waar daar ook voordele vir die toekoms is, word gevoel.

Le Nouveau Roman, Collection Ecrivains de tous pays, Le Seuil, 1973

KOSTE ERNSTIGE PROBLEEM

SAKE - RAPPORT

11/9/77

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SUID-AFRIKA se Bruto Binnelandse Produk het vir die jaar tot Junie 1977 met 15 persent toegeneem. As hierdie toename van 15 persent opgeweeg word teen die reëls groeikoers van slegs 1 persent, dan is dit duidelik dat die kostestruktuur in die ekonomie 'n ernstige probleem is waarmee deeglik rekening gehou sal moet word — veral met die oog op bevordering van die land se uitvoer.

Wat onder meer in hierdie verband tot onrus stem, is dat die gemiddelde vergoeding van werkers in die landbousektore in die drie kwartale tot 31 Maart 1977 nog met sowat 14 persent gestyg het, skryf mnr. At Engelbrecht, hoof-ekonom van Volkskas, in die bank se jongste Ekonomiese Soeklig.

Hy skryf: Dit is natuurlik so dat vinnig stygende lone en salarisse, gesien uit die oogpunt van die kostedruk daarvan, in 'n opswaai fase van die ekonomie wanneer produksievolumes vinniger styg makliker gehuisves kan word. Feit is dat so 'n kostestruktuur dan permanent ingebou word in die land se sakebedrywighe. In 'n omgekeerde toestand soos wat Suid-Afrika die laaste paar jaar ondervind, toon werknemersvergoeding egter 'n stadige reaksie op veranderende en minder gunstige omstandighede. Die onvermydeli-

ke gevolg van so 'n posisie is dat die bekamping van inflasie erg bemoeilik word — 'n aspek wat op sy beurt meebring dat ekonomiese groei onnodig lank belemmer word.

Hierdie nadelige proses word duidelik in die meegaande tabel geïllustreer. Hieruit kan afgelei word in watter mate arbeidsvergoeding sake bemoeilik in die strewe tot en handhawing van ekonomiese stabiliteit.

Toegegee, die dalende produksievolumes in die fabrieksektor in die ernstige resessiefase waarin die land verkeer, is in 'n hoë mate verantwoordelik vir die verontrustende styging in die arbeidskoste per eenheid produksie in die fabriekswese. Dit kan egter nie weggeredeneer word nie dat arbeidsvergoeding in hierdie fase eweneens 'n groot sondaar was.

Hierdie aspek, wat die

toekomstige groei en ontwikkeling van die Suid-Afrikaanse ekonomie in die gevaar stel, moet egter nie in isolasie gesien word nie. Sonder om die inherente probleme van vinnig stygende arbeidsvergoeding vir die ekonomie te onderskat, moet ook na die arbeidsprestasie in die sake-wêreld gekyk word.

Toename

Die jongste inligting toon dat die produksie per werker in die landbousektore in die eerste drie kwartale van 1976/77 met 1,7% gedaal het, teenoor 'n geringe styging van 0,2% in 1975/76. Vir dieselfde ooreenstemmende kwartale het die produksie per man-uur in 1976/77 in die fabriekswese met 2,2% afgeneem. Hierdie neigings oor die kort termyn in 'n tyd wanneer produksievolumes teen of 'n stadiger pas styg of daal,

oor die lang termyn gekyk, lyk sake vir Suid-Afrika egter nie goed nie. Die verbetering van arbeidsproduktiwiteit — gemêet deur die toename van produksievolumes deur die toename van die aantal werkers in diens te deel — oor die tydperk vanaf 1963 tot 1974 en tot 1976 toon 'n gemiddelde jaarlikse toename in die Suid-Afrikaanse fabriekswese van onderskeidelik slegs 1,7% en 1,2%. Hoewel dit 'n rowwe metingsmetode is wat byvoorbeeld nie die bydrae van kapitaalintensiteit tot hoër arbeidsproduktiwiteit identifiseer nie, gee dit nietemin 'n goeie aanduiding van hoe sake werklik verloop het.

Die resultate wat hierdie metingsmetode aandui verskil egter aanmerklik van die taakstellingkoers van die Ekonomiese Ontwikkelingsprogram in hierdie verband. Oor die tydperk 1963 tot 1976 toon die EOP 'n arbeidsproduktiwiteitsverbetering van 37,9% teenoor 17,1% volgens voorge-noemde metingsmetode.

Wat hier beklemtoon moet word, is dat die EOP kapitaalintensiteit in ag neem in die berekening van sy mikpunt wat betref die verbetering van arbeidsproduktiwiteit. Hoewel aanvaar moet word dat mikpuntberekenings deur verskeie faktore geraak kan word, toon voorgenoemde groot afwyking van die mikpuntkoers en gerealiseerde resultate aan dat daar baie skort met arbeidsproduktiwiteit in Suid-Afrika.

Die dringendheid van hoër arbeidsproduktiwiteit word in die besonder beklemtoon as Suid-Afrika se arbeidsproduktiwiteit vergelyk word met die van ander lande soos in meegaande tabel uiteengesit.

VERLOOP VAN ARBEIDSKOSTE PER EENHEID PRODUKSIE IN DIE FABRIEKSEKTOR (Indeks 1970-100)

Jaar	Totale lone en salarisse Indeks % verandering	Produksievolumes Indeks % verandering	Eenheidsarbeidskoste Indeks % verandering
1970	100,0	100,0	100,0
1971	113,0	102,2	110,6
1972	124,0	105,2	117,9
1973	141,9	114,4	124,0
1974	170,7	121,2	140,8
1975	203,7	123,7	164,7
1976	236,3	123,7	191,0

3de goudmark

LUXEMBURG gaan van Januarie aanstaande jaar Europa se derde goudsentrum word. Op die oomblik kan daar net in Londen en Switserland vrylik in goud handel gedryf word.

Luxemburg se minister van finansies, mnr. Jacques Poos, het Vrydag bekend gemaak dat hy wetgewing gaan indien om die huidige omsetbelasting van 10 persent wat op goudtransaksies gehef word, af te skaf. Die doel hiervan en ander

wetgewing is om dit vir internasionale banke makliker te maak om in dié land sake te doen en sodoende 'n sterker finansiële sentrum in Luxemburg te ontwikkel.

Selfs die Duitsers kon nog nie daarin slaag om die huidige omsetbelasting op goudtransaksies in hul land af te skaf nie. Die stap van Luxemburg verbreed die goudmark verder en kan oor die lang termyn net goed wees vir goud.

is natuurlik nie iets om sonder meer oor bekommerd te wees nie.

Word na hierdie neigings

INTERNASIONALE VERGELYKING VAN ARBEIDSPRODUKTIWITEITSVERBETERING IN DIE NYWERHEIDSEKTORE, 1963 TOT 1976

Land	Toename 1963 - 1976 (Jaarlikse gemiddelde)	Indeks S.A. = 100
Australië	2,7%	225,0
Kanada	3,3%	275,0
Frankryk	5,2%	433,3
Wes-Duitsland	5,2%	433,3
Japan	9,2%	766,7
Switserland	4,8%	400,0
V.S.A.	2,9%	241,7
Brittanje	3,9%	325,0
Suid-Afrika	1,2%	100,0

Opswaai nou aan die kom

Deur VIC DE KLERK

DIE ekonomie het gedraai en ná meer as drie jaar van al swaarder kry, voorspel van die land se voorste ekonome en sakeleiers nou 'n aansienlike verbetering in die ekonomie vir aanstaande jaar.

En die mooiste van alles is dat die ekonome nie net vaagweg praat van 'n opswaai oor „drie maande as dit of dat gebeur nie”. Volgens hulle is die laagtepunte alreeds verby en word 'n positiewe groeikoers van minstens 3 persent vir volgende jaar voorsien.

Die belangrikste rede vir hierdie optimisme tussen die ekonome is die voortge-

sette verbetering in Suid-Afrika se handel met die res van die wêreld.

Mnr. At Engelbrecht, hoofekonoom van Volkskas skryf in die bank se jongste ekonomiese soeklig dat die huidige oorskot op die lopende rekening van die betalingsbalans op 'n jaar-basis waarskynlik in die orde van R1 000 miljoen is. Mnr. Gerry Muller, uitvoerende hoofbeampte van Nedbank, voorspel weer dat die oorskot vir die jaar

1977 R600 miljoen kan wees.

Indien hierdie twee here se voorspellings korrek is, en ons het geen rede om dit te betwyfel nie, sal dit nie meer lank neem voordat die land se netto buitelandse reserwe weer tot 'n bevredigende vlak opgebou is uit hierdie oorskotte nie.

Dit is terloops die voorvereiste wat dr. Bob de Jongh, president van die Reserwebank, onlangs gestel het. Hy het gesê dat lank genoeg volgehou moet word met 'n oorskot op lopende rekening van die betalingsbalans totdat die netto reserwe 'n bevredigende vlak bereik het.

Hieruit kon afgelei word dat daar nog min ruimte vir die stimuleer van die ekonomie is maar as die oorskot wel in die omgewing van R1000 miljoen per jaar is, kan daar nou al sterk gedink word aan verligting.

Ons het so 'n oorskot vir net een jaar nodig voordat die netto reserwe tot 'n redelik bevredigende vlak gestyg het. Verder moet aanvaar word dat die ekonomie eers sowat nege maande na 'n verligting in die beheermaatreëls weer behoorlik aan die gang sal kom.

Stutkragte

Dalk is mnr. At Engelbrecht se tydsberekening presies in die kol wanneer hy in Soeklig skryf dat „tensy eksterne of ander faktore buite ons beheer sake vertroebel, dit lyk of die uitvoergeleide stutkragte in die ekonomie so in die loop van die eerste helfte van 1978 matig ver-

sterk sal kan word deur 'n doelbewuste verslapping van die beperkende ekonomiese beleidsmaatreëls waarmee ons al so lank saamleef.”

Dit voorspel dalk 'n taamlike gewilde begroting deur die Minister van Finansies, sen. Owen Horwood, aanstaande jaar.

Uit 'n ontleding in diepte van die verskillende bedryfssektore kom Standard Bank ook tot die gevolgtrekking dat die laagtepunt in die ekonomie reeds verby is. Die bank sê dat die sterk groei in die primêre sektore, veral landbou en nie-goudmynproduksie, besig is om deur te werk tot ander sektore.

Landbou

Volgens die jongste jaarlikse ekonomiese verslag van die Reserwebank was die reële groei in die landbou vir die jaar tot 30 Junie 28 persent en dié van nie-goudmynbou 10,5 persent.

Die Standard Bank wys daarop dat die reële kleinhandelafset in Junie vanjaar weer 'n positiewe groei getoon het, terwyl die afset van passasiersvoertuie waarskynlik reeds 'n laagtepunt bereik het.

Die bank sê verder dat die gemakliker likwiditeitsstoestand reeds gelei het tot 'n afname in die aantal maatskappybankrotte en dat dit 'n baie goeie aanwysers is vir 'n opswaai in die ekonomie.

Maar die bank sê ook dat daar 'n paar sektore is wat moeilik gaan deel in die oplewing. Hy is veral bekommerd oor die eiendoms- en konstruksiebedryf, terwyl die voortgesette lae vlak van vaste investering nog steeds die ingenieursbedryf sal knou.

In hierdie verband is SEIFSA in sy jongste nuusbrieff 'n bietjie meer optimisties. Hy sê dat hoewel daar nog geen oplewing in die vraag is nie, die afwaartse neiging reeds sedert Maart besig is om af te plat.

MAAK SO, PARSONS

OF die ekonomie sy laagtepunt bereik het al dan nie, is eintlik van min belang. Die belangrikste is dat die leerboek-beleidsrigtings van die afgelope jaar groot skade aan die interne ekonomie veroorsaak het. Dit moet nou omgekeer word.

Só sê mnr. Raymond Parsons, uitvoerende direkteur van ASSOCOM. Hy het aan Sake-RAPPORT gesê dat daar uit onlangse verklarings deur die President van die Reserwebank en die Minister van Finansies genoeg bewys is dat die beleidshouding verander het tot een van selektiewe stimulering.

Die Sekretaris van Gemeenskapsbou, mnr. Louis Fouche, het vandeeweek aangekondig dat die bedrag van R318 miljoen in die komende ses maande op laekoste-woningbou bestee gaan word.

Dit, sê mnr. Parsons, is 'n stap in die regte rigting. Wat die algehele toestand betref, is die sleutelgedagtes nou die volgende:

- Die skadelike kringloop-uitwerking van 'n tekort aan buitelandse kapitaal, deflasie, resessie, werkloosheid en self minder buitelandse kapitaal moet verbreek word;

- Daar is 'n regstreekse skakel tussen sosio-ekonomiese gebeure in Suid-, en Suider-Afrika en die stremming op die kapitaalrekening van die betalingsbalans;

- In 'n ekonomie wat blootgestel word aan wêreld drukke is die vermenigvuldiger-

uitwerking van groei wat deur uitvoer gelei word, minimaal;

- Suid-Afrika se groeivertoning vanjaar was grotendeels afhanklik van faktore waaroor ons min beheer kan uitoefen — die weer en die wêreld ekonomie;

- Sakevertroue is nou belangriker as enigiets anders. Dit verbeter maar dit bly maar teer;

- Behalwe selektiewe stimulering, is plaaslike en buitelandse sake vertroue nou afhanklik van 'n beter begrip van Suid-Afrika se doelwitte op die sosio-ekonomiese front;

- Maatskappye moet gereed wees om hul bedrywighede spoedig uit te brei sodra enige ommeswaai in die ekonomiese toestande dit toelaat. Sterk leierskap van die aard kan wel behulpsaam wees om die koms van die draaipunt te bespoedig.

Bankorp withdraws its offer to Trust 49

Mercury Correspondent

JOHANNESBURG — Bankorp has withdrawn its one-for-six share offer to the minority shareholders in trust bank and the shares of both companies will be reinstated on the Johannesburg and London Stock Exchanges today.

In an announcement accompanying the interim report of Trust Bank, which reflects an 80 percent tumble in profits, Bankorp says that because a number of Trust Bank shareholders have indicated that they will not accept the offer, "it has now been decided not to incur unnecessary expense by putting proposals before shareholders that have no possibility of being accepted."

Dea

^{15/9/77}
Bankorp will therefore retain its 60 percent holding in Trust but will continue with its plans to inject R25-million into the bank to put its finances in order.

Trust Banks' interim results are as dismal as had been expected, with the attributable profit down to R657 636 in the six months to June, compared with R3 289 577 in the comparable 1976 half-year. Earnings were a mere 1,4c a share compared with 6,99c previously and naturally no interim dividend has been declared.

A major point of interest, and one which will raise many questions, is the explanation that had the accounting policies of Bankorp been adopted for Trust in the past half-year, the profits now

reported, would have been "considerably lower."

According to the report, the downturn in profits results mainly from the continued deterioration in net income from the property portfolio and to an increase in the cost of funds, under even the most restrictive circumstances.

Trust's performance and earnings in the half-year on assets of R1 284-million as reported in the last annual report, is shocking.

The suspension of Metlife from the Stock Exchange lists yesterday suggests that the sale of Trust's 50 percent interest in this insurance company will form part of the restructuring operation.

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selecting students for admission in 1978. This will be done at the end of September 1977.

portunity
ore finally

Current indications are that we will probably have to limit student enrolment during 1978 and for this reason we would like to know as soon as possible which students definitely intend to pursue the programme next year. If you do intend to apply for admission please let us know as soon as possible and submit the necessary application forms.

Yours sincerely,

R.F.Fuggle
Shell Professor and Director, School of Environmental Studies

RFF/afa

Rising prices examined, says Heunis

Economic upswing

N. Mercury Business 15/9/77

on the way

PRETORIA — Certain economic indicators showed that an upswing in the country's economy was definitely on its way, the Minister of Economic Affairs, Mr. Chris Heunis, said here yesterday.

Speaking at the National Party Congress, the Minister said he wished to make a renewed appeal to all sectors of the economy to maintain their joint discipline in respect of wage and salary demands so that when the upswing did come it could be exploited to its fullest.

The Minister was replying to a resolution expressing concern about the steep increases in prices of locally manufactured consumer goods

and particularly spares for agricultural implements.

He said the question of rising prices was continuously receiving the attention of a standing Cabinet committee consisting of the Ministers of Economic Affairs, Agriculture, Labour, Transport, Planning and Forestry.

All applications for price increases were meticulously scrutinised by this committee and he could give the assurance that no price increases were granted unless they were justified.

Factors responsible for cost increases included increases in the prices of raw materials, railway tariffs, components in the manufacturing industry and finally salary and wage increases which, in some instances, had not been accompanied by corresponding increases in productivity.

Wage demands

In respect of salaries and wages, the Government had placed no limit on increases but had merely made an appeal to all concerned to limit their demands. This did not mean that the Government had taken away the right of the private sector to negotiate its own wage agreements.

The Minister said that although he saw "light ahead" Escom's higher tariffs were part of the burden the country would have to carry in the present economic climate.

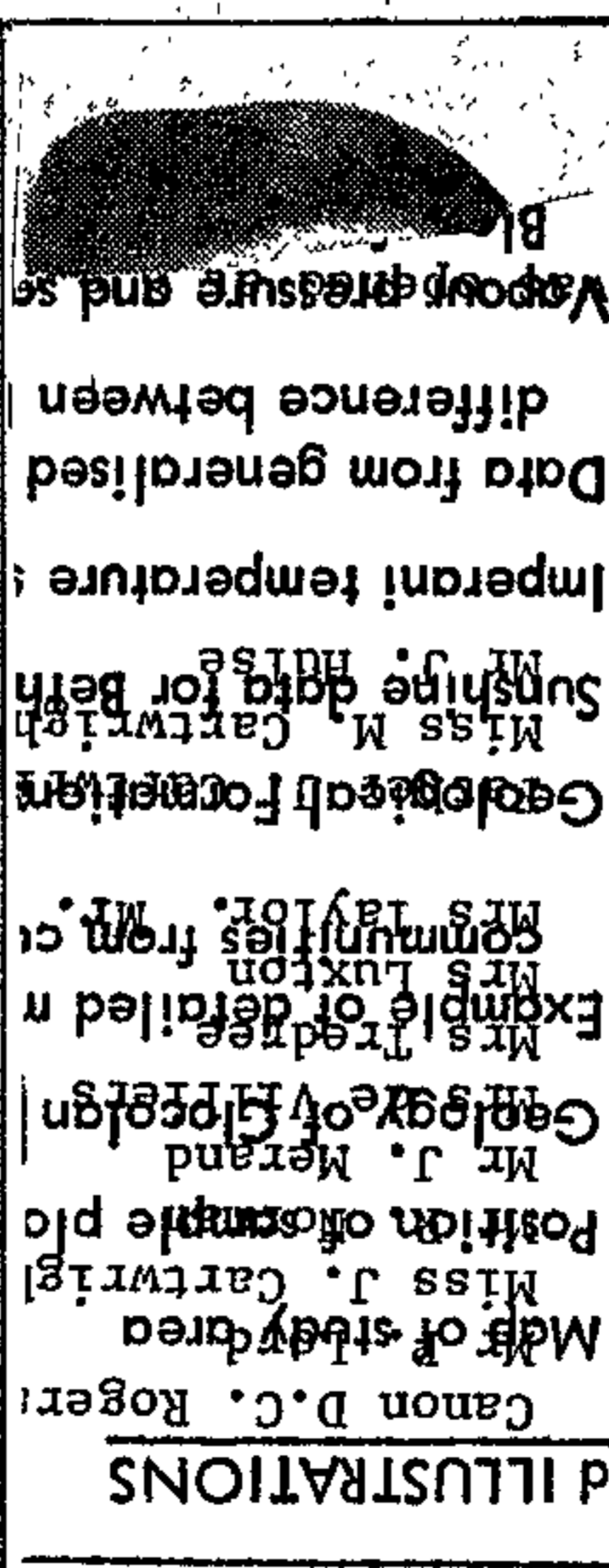
Mr. Heunis was speaking on a motion re-

questing the Government to appoint a commission of inquiry to report on the activities of Escom, with special reference to attempts to improve productivity and to cut overhead costs to prevent periodic tariff increases.

Mr. Heunis said he had, in March this year, instructed the Council for Trade and Industry, to try to find a uniform basis for Escom tariffs.

The council's report was expected early next year, and depending on its contents, he might consider appointing a commission of inquiry. — (Sapa.)

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Background

SOME British executives about to be posted overseas may perhaps derive comfort from the fact that there is still at least one city in the world cheaper than London. It is Johannesburg, where the pound in your pocket buys an extra 15 pence worth.

Meat is about 40 percent cheaper, tennis balls cost around half the UK price and you can hire a living-in maid for less than £34 (R51) a month. Anyone heading for Saudi Arabia, on the other hand, could find their cost-of-living doubled. Restaurant meals cost twice as much, potatoes fetch 30 p (45c) per lb and the lady who does the cleaning may charge about £2 (R3) an hour.

Veteran expatriates have grown accustomed to absurd prices, grotesque exchange rates and ridiculous shortages of practically everything. But the latest detailed surveys by Management Information Consulting Associates of the relative cost of living in 21 overseas centres compared with London may come as a shock to UK companies planning to set up overseas. Not to mention the financial, dietary and adjustment problems faced by the man (and particularly his wife) in Amsterdam, Lagos or San Juan.

The 1977 figures have taken a turn for the worse since last year.

First, the goodish news. By comparison with 1976, UK executives may find it relatively less expensive to live in Madrid (down 6 percent) or Stockholm (down 2 percent). Tenerife in the Canary Isles is cheaper than London by close on 4 percent, thanks largely to bargain-price restaurant meals, cigarettes and liquor, while Bogota in South America (with much the same advantages) is only 6 percent more expensive.

Moreover, the increased sterling cost of living in European centres like Amsterdam (up 3.2 percent) and Brussels (up 5 percent) is not too disconcerting. But from here on, the percentages are more painful. Vienna has become 16.3 percent more expensive, for example, and costs in Milan have shot up by 30 percent.

Nobody will be too surprised to discover that some executive locations are very expensive indeed. Wonderful Copenhagen, to be specific, may by now have the edge on Oslo as the priciest capital in Europe. Businesslike mothers might balk at paying nearly £18 (R29) for a pair of child's jeans, of course, and even the fussiest husband would perhaps question the economic wisdom of sending his shirts to the laundry at £1.95 (R3) a time.

The cost of living is more than 90 percent above the London mark.

In absolute terms, the cost-of-living of a UK executive in most parts of Europe is between 35 percent and 45 percent higher than it would be in London.

Living costs might be cut by adapting to local habits. Sticking to pasta

C.O.L. in 21 lands

49

By RICHARD MILNER
of The London Sunday Times

in Milan, say, and not insisting on a daily helping of spuds. But MICA's figures are based on the principle that businessmen from London will attempt as far as possible to duplicate their customary life-style in the new posting. In other words, starting the day with cornflakes, eggs-and-bacon, toast and marmalade irrespective of local prices and doing their level best to live like true Brits.

It is this factor that helps to explain the extraordinarily high cost-of-living figures for the two black African locations,

Douala in the Camerouns and Lagos in Nigeria. Foodstuffs tend to be twice as costly in Lagos, all imported products are marked up sharply and domestic appliances can be more than four times the back-home price. Hiring a cook at £77 (R115) a month is all very well but buying a modest-sized refrigerator for £320-plus (R465) can be a pain in the wallet. It should be emphasised that this cost-of-living index does not include rent. Recent inquiries showed that a suitable new three-bedroom executive house

in Lagos would set the company back £25 000 (R37 500) a year.

Oil tends to stimulate inflation.

Coastal Al Khobar reflects more than high prices for everything from food [£1.90 (R2.85) per lb for local fish] to paperbacks at £2-odd (R3). Imported beer sells at about £9 (R13.50) a can.

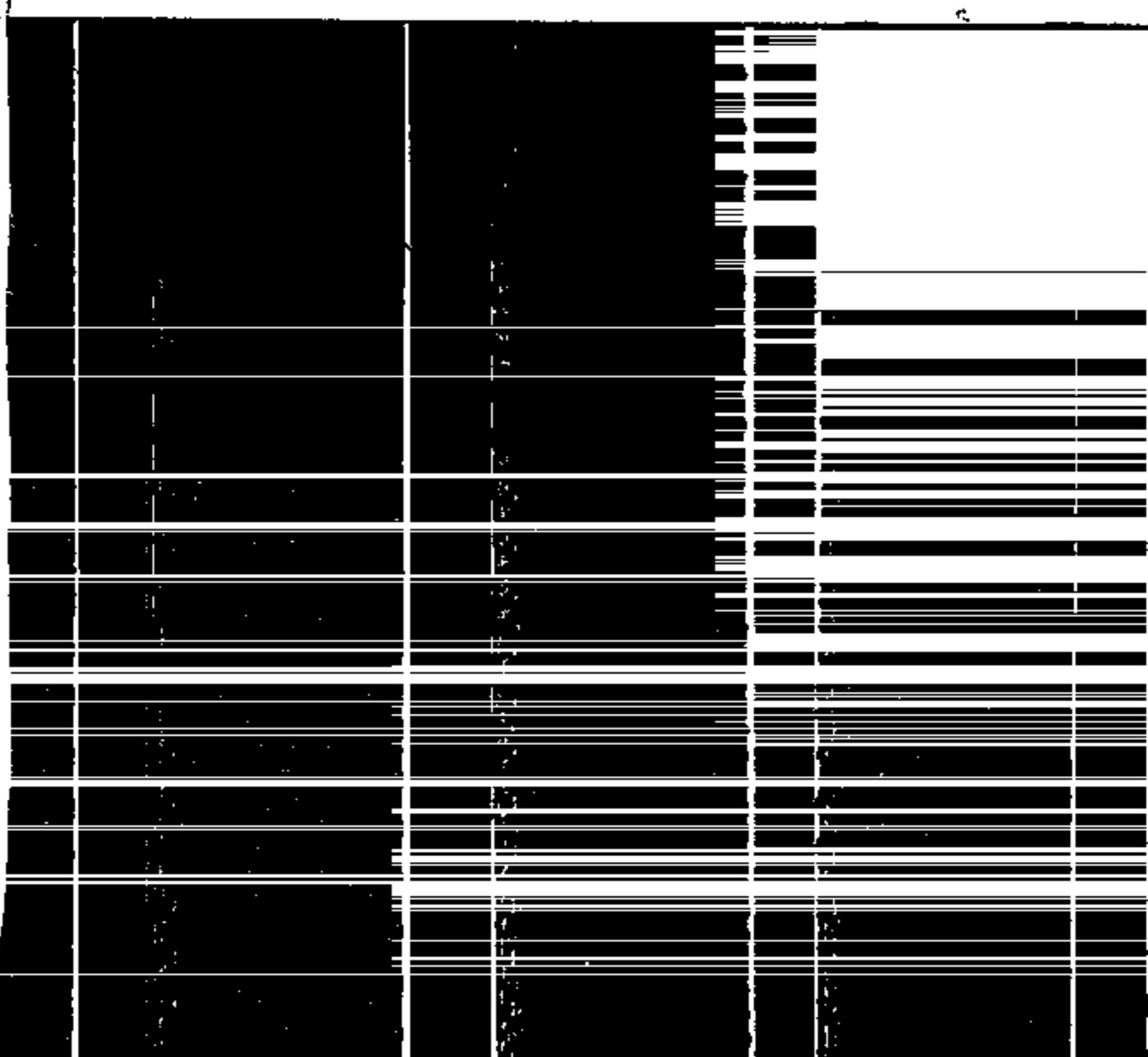
And for those who have never heard of the place, Douala in West Africa can present surprises. Although totally bereft of cornflakes, this little-known locale seems to have the world's most expensive barbers. It can cost £7 (R10.50) for a short back-and-sides.

Using London, with 100 points as the base, here is a cost-of-living index for 21 different cities in the world:

Al Khobar (Saudi Arabia)	199.8
Copenhagen	191.8
Douala (Cameroun)	156.4
Lagos	156.0
Vienna	150.8
Stockholm	148.4
Brussels	147.5
Paris	144.9
Amsterdam	142.3
Milan	140.9
Frankfurt	138.9
Athens	135.2
Cairo	132.0
Bahrain	131.3
Amman	131.0
San'a (Yemen)	124.6
San Juan	121.9
Madrid	113.3
Bogota	106.2
Tenerife	96.2
Johannesburg	86.9

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Another crisis

Confidence in SA's economic and political future has taken quite a beating in recent weeks. Whose fault is this?

In the 15 months since Soweto, government and business leaders have delicately tried to calm shattered nerves and rebuild confidence. To a degree they had succeeded, despite the deepening recession and Pretoria's painful slowness in correcting apartheid's more glaring inequities.

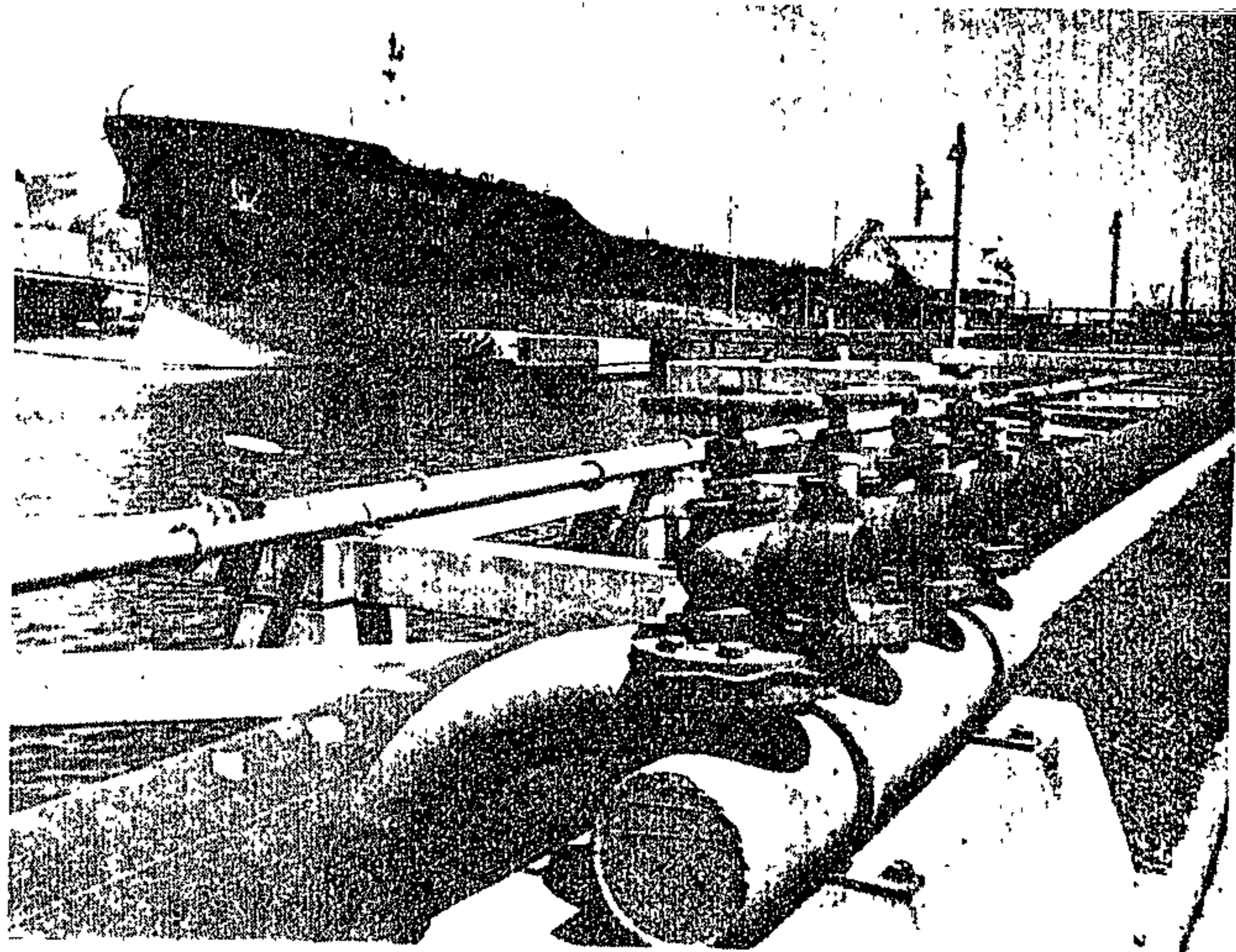
A healthier business and economic climate appeared on the horizon. The IMF and foreign investors were impressed by Senator Horwood's stringent financial policies and by the sharp turnaround in the current account of the balance of payments. Several international banks have been seriously considering expanding their lending to SA.

But in less than a fortnight all the smiles have vanished. Office and restaurant talk has turned abruptly from economic recovery and new constitutions to sanctions, isolation and renewed belt-tightening. A number of seemingly well-orchestrated alarm bells have triggered off a new crisis of confidence.

First there was Foreign Minister Pik Botha telling us to prepare for trade sanctions. Then Defence chief Magnus Malan warned of "total war" and urged the creation of a siege economy. Next, we had Economic Minister Chris Heunis last Friday lifting the shroud on government's hoarding programme for strategic materials. And on Tuesday John Vorster himself warned Transvaal Nationalists that "South Africans will be tested like no other nation in history".

Reaction to Steve Biko's death and the Labour Party's rejection of government's constitutional proposals have greatly deepened the gathering sense of gloom.

There's clearly much more to the ministerial drum-beating than attempts to frighten verkramptes, and white Rhodesians, into accepting new dispensations. For one thing, after its painful efforts to restore confidence in SA, it's hard to imagine Pretoria blowing the whistle so



Offloading at Cape Town . . . looks much bigger than a rowing boat

loudly without perceiving a substantial threat to the country's supply lines.

What's more, recent public utterances are clearly the tip of a big iceberg. The *FM* learns that the Prime Minister has briefed various business leaders in strict confidence on some of the economic threats facing the country.

In reply to questions on government and business strategy to meet sanctions threats, Heunis told the *FM* this week that "details cannot be divulged without the safety of our country being prejudiced". Indeed, it's believed for instance, that moves are afoot to alter SA's gold marketing strategy.

On the other side of the coin, it's been suggested that British newspapers have

exaggerated the oil sanctions threat and, as a result, SA policymakers have made a tanker out of rowing boat.

But the admission by a British Foreign Office spokesman this week that "the position on the question of oil sanctions is related to the question of settlement in Rhodesia" is a sure sign that a cut-off of SA's oil supplies is one option being considered to force acceptance of the Owen-Young peace plan.

Even if and when the Rhodesian problem has gone away, few are in doubt that the oil sanctions threat could surface again to twist Pretoria's tail over South West Africa and internal race policies.

But before sanctions materialise, there's a pressing need for all parties to do some hard thinking about the implications.

First, Britain and the US. It's difficult to see how sharper surveillance of oil sanctions against Rhodesia alone could have much practical effect. Almost all Rhodesia's fuel reaches it through South Africa, and the foreign-based oil companies operating in Rhodesia are purely distributors. How could the West stop this oil reaching Rhodesia without cutting off SA's own supply lines?

That in turn raises enormous problems. Foreign-based oil companies operating in SA shrug off suggestions that they could be forced to comply with sanctions by threats of prosecuting their

THE VIEW FROM IRAN

No oil embargo against SA could succeed without the co-operation of Iran, which supplies almost all our crude. How does the Tehran government feel about sanctions moves?

"Iran won't just cut off oil supplies to South Africa if she can help it," a top National Iranian Oil Company executive told the *FM's* man in Tehran this week. Pointing out that Iran has a 17% stake in the Natref refinery at Sasolburg, he added that "there are no plans at all to change the existing

arrangements with Natref. Why should we, when it is in our interest not to curtail operations?"

The official confirmed that "if nothing untoward occurs" Iran will continue shipping to SA at the present rate of about 50 000 barrels a day.

Said another Iranian official: "This arrangement is purely commercial and has nothing to do with the politics of the SA government. We cannot be a party to a boycott of our own financial and commercial interests".

Lion maak vuur ⁽⁴⁴⁾ in Rossllyn

SAKE -
RAPPORT
18/9/77

DIE Lion Match-groep gaan die helfte van sy Kaapse produksie oorplaas na sy fabriek in Rossllyn, Pretoria, wat op die oomblik onderbenut word. Die twee groot vuurhoutjemarkte, die Transvaal en Natal, het ten koste van die mark wat uit Kaapstad voorsien word, uitgebrei.

Hierdie ontwikkeling spruit logies uit 'n langtermyn-neiging — die Kaapse fabriek oorproduseer al jare lank. Dis geografies onprakties om die hele huidige produksie van albei die fabriek se produksiebane af te versprei. Gepaard met die onlangse spoorvragverhoging, is dit nou onekonomies om die Kaapse produksie in ander dele van die land te bemark.

Die fabriek in Kaapstad se produksie sal gevolglik met die helfte verminder word. Hoewel dit onvermydelik tot die ontslag van sommige van die personeellede sal lei, sal die Groep die oortollige werkers waar moontlik poste in Rossllyn aanbied. Hierdie fabriek sal voortaan vier masjiene bedryf — elk dubbelskof.

Die groep het besluit om die ekstra masjinerie in die Kaap te behou met die oog op 'n moontlike verandering van die verkooppatroon in die toekoms, of in geval die verkope in die Kaapse mark weer toeneem. Geen verdere inkorting van produksie word in die afsienbare toekoms verwag nie.

Die groep het reeds geruime tyd te kamp met 'n gebrekkige groei in die verkope van vuurhoutjies, in die eerste plek vanweë die huidige toestand van die land se ekonomie, en begin nou na die uitvoer-

mark kyk om van die oortollige produksie ontslae te raak.

R5-M A MONTH IS NEEDED TO GIVE HOLLARD ST A BOOST

Bus. Sun. Exp. 18/9/77

SA shares cheap, but foreign investors stay away

49

SOUTH African shares are fundamentally cheap and as interest rates continue to soften, will become increasingly alluring, but foreign buyers remain wary of our market.

Foreign investors remain unconvinced of the long-term attractions of Hollard Street, preferring to hitch their wagon to the skyrocketing UK market or the stagnant US market.

The accompanying graph, prepared by Senbank, charts the movements of industrial shares in New York, London and Johannesburg. From the graph it can be seen that traditionally New York moves have followed London closely with Johannesburg lagging slightly behind.

However in past months this pattern has been broken. New York industrials forged ahead growing ever stronger while London suffered its crisis of confidence.

Johannesburg until June last year pattered about at the 200 point level and has only recently gathered steam again.

What is puzzling chartists is the way that in the past nine months, the Dow has plummeted, breaking its relationship with London. The fall in the Dow has been well chronicled — caused primarily by the weaker dollar which depreciated the value of US investments for foreign investors and the slowing US economy.

London which is presently enjoying a rush of confidence, is now in a con-

tradictory cycle from the US.

The pressure of excess liquidity in the UK has forced institutions into the stock market and it is not unlikely that foreign funds have moved out of Wall Street in search of higher prices in London.

Senbank's chartist sees the Dow trapped for some time by its current mood of economic indifference, a slack economy with surpluses building up everywhere.

London it seems has overdone its boom for the moment and a market correction is forecast soon, but the chartists read the market indications as suggesting that the economy is coming right.

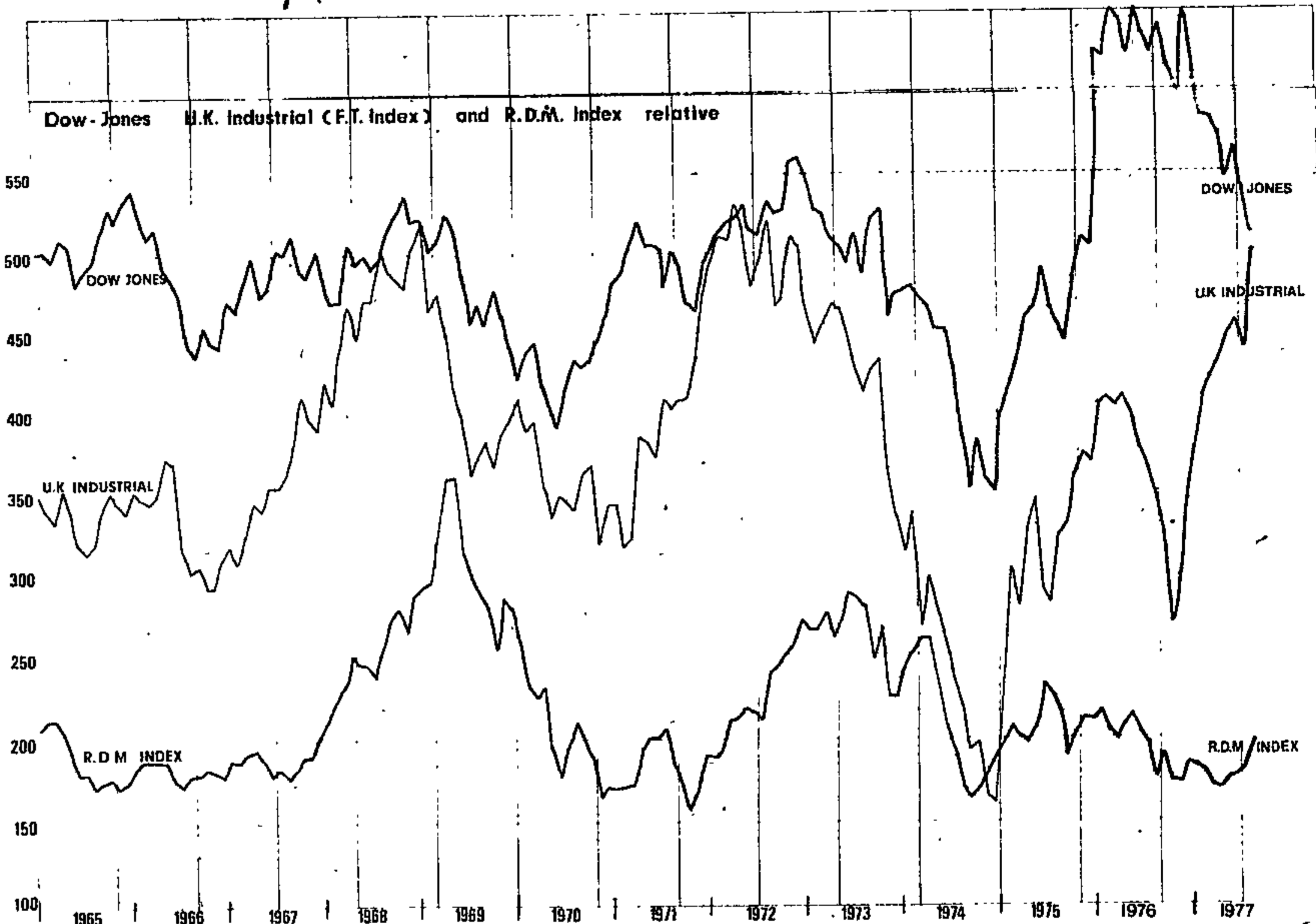
In the past Hollard Street has tended to keep in step with the world's main

markets but there is no real reason for foreign funds to move to Johannesburg.

Although the securities rand discount is narrowing, bullish for the local market, there is little evidence of sustainable investment reaching South Africa.

It would need R5-m a month (R60-m a year) in new foreign investment to boost our market — an unlikely event in the present political climate. Foreign investors are looking to a four-year payback period and do not regard South Africa as a prime investment market.

With the weight of local institutional funds looking for a home, now that interest rates are coming off, the Johannesburg stock market is bound to improve. However without that extra boost from foreign funds, it is not likely to race ahead as the London market has done.



By PENELOPE GRACIE

both Bloemfontein and to represent the situation from Bloemfontein. ates the increasing aridity distance from Ficksburg to on of bright sunshine to be nths, when rain clouds are ation is recorded, whilst of the possible sunshine re recording is highest highest percentage of louds are present. ifined by having only forty to fifty days

More money for the market

Sunday Times
(Business Times)
18/9/77

HOLLARD STREET



49

LONG-TERM interest rates are falling, share prices of SA's top industrial shares are going up — and there should be some R200-million of new money available for equity investment in 1978.

That seems to be the story behind the sudden and recent decline in interest rates.

After two months of flattening interest rates and an easy supply of cash through June and July, the City of Johannesburg came to the market for a R20-million loan at 12,5 per cent over 20 years.

Originally, the loan was to be for R25-million but in line with the recent Government directive, to municipalities to cut back on expenditure, R20-million was the actual figure.

The significance of the Johannesburg loan is that it was nearly six times oversubscribed, with R110-million worth of stock being subscribed for. This marked a recent turning point in the direction of long-term interest rates.


Indeed, some money managers I spoke to this week believe the Johannesburg issue was the catalyst that set long-term rates on the sharp slide of the last few weeks.

Since Johannesburg, the pattern of municipal loans has been a trend of over-subscription and declining rates. The rate of the Johannesburg loan was 12,5 per cent. The long-term rate was estimated by top money men this week to be closer to 12 per cent.

That's too far too fast say some of the experts. And they may well be right. But what is interesting about this sudden decline in long-term interest rates is the effect it is having on the stock market.

It is fair to say that any pattern of downward in-

Edited by



Jeremy Woods

terest rates at the end of a recession has an almost reflex action in stimulating stock market activity and pushing up share prices.

Cheaper money is an incentive to increase industrial expansion. And that should mean bigger profits.

So it is at the end (hopefully) of a long and comparatively hard recession in this country that rates are declining.

Now this situation has had two significant effects on share prices. As rates tumbled, fund managers said to themselves: "Now where do we get a 12,5 per cent return?"

And of course, they focused on the stock market where many sound and solid blue chip companies were

sitting with double figure dividend yields.

Secondly, as money is getting cheaper and the recession longer, stock market analysts are taking the view that the next economic upswing may not be too far away.

It is against this background of lower long-term rates and anticipation of the next economic upturn, that share prices of the top blue chips have moved ahead, mainly on institutional buying. During the last six weeks the RDM 100 industrial index has moved up steadily from the 180 level to 200.

Long-term rates, according to top money men from UAL, Liberty Life and Nedbank, are in a downtrend and this trend is expected to continue.

"The great demand for money that was expected for domestic capital expenditure has not emerged as the powerful force that had been anticipated," says Clive Turner, head of UAL's capital market operations.

"There have been tremendous cutbacks in Iscor's capital expenditure programme while Escom appears to have implemented self-financing policies such as the recent increase in electricity charges."

Mr Turner made the point that capital expenditure cuts in the public sector were particularly in evidence from the latest batch of municipal loans.

"The recent string of municipal loans have in many cases been for substantially lower amounts of money than was originally put down. The Johannesburg issue was to have been for R25-million. But when the city came to the market, the amount was for only R20-million. This sort of reduction has been seen in many of the recent semi-gilt loans."

Thus a situation has developed where there is no expansion taking place in the private sector of the economy, and there are large amounts of institutional cash looking for a safe high-yielding home. Some has gone into gold shares. But institutions have also been building up their holdings in a handful of blue chip industrial companies.

Furthermore, if long-term rates continue to decline, as they are expected to over the next 4-6 months, this weight of money going into equities will become even heavier.

For not only will fund managers have to find a home and respectable yield for current investment taken out of the gilt market, but they will have new investment funds from current cash flows to invest.

The best estimate that I could find for these new investment funds was R200-million.

Most of this new money will come from the big pension funds and insurance companies with total assets of about R2-billion. After the statutory 55 per cent investment in Government and semi-Government stocks, this R200-million of fresh funds for equity investment will form one of the smallest parts of the total investment strategy of new institutional cash flow.

But in stock market terms R200-million of new money is a lot. Therefore, I believe that so long as interest rates continue to decline, share prices will continue to rise over the next twelve months almost regardless of economic and political considerations.

They will rise from the sheer weight of money that will be pushed into the equity market because of a lack of suitable alternatives.

I believe the gold market is the place to be for the short-term excitement because I think the Arabs, both investors and jewellery buyers, are going to give the gold price a good pump before the end of the year.

But industrial shares have been edging up rapidly. The table shows some high-yielders that are worthy of consideration.

HIGH YIELDERS		
	Prices	Div Yield
Unisec	108	9,7
W & A	135	9,6
Protea	92	14,1
Elgin	220	12,5
Fedmis	125	13,2
Santam	42	11,9
SA Eagle	195	10,3
Grinaker	230	12,5
Pep	510	9,3

Business moo

Attitude towards the general business situation

Number of respondents		Total 414	Manu- factu- rers 250	Non- manu- factu- rers 164
Those who are — Very optimistic	No	4	3	1
	%	1,0	1,2	0,6
Fairly optimistic	No	140	77	63
	%	33,8	30,8	38,4
Neutral	No	128	85	43
	%	30,9	34,0	26,2
Fairly pessimistic	No	121	72	49
	%	29,2	28,8	29,9
Very pessimistic	No	21	13	8
	%	5,1	5,2	4,9
Don't know/ not answered	No	—	—	—
	%	—	—	—

Forecast of production/turnover during the next 6 months

Those expecting production to — Increase by 10% or more	No	45	28	17
	%	10,9	11,2	10,4
Increase by 7-9%	No	51	27	24
	%	12,3	10,8	14,6
Increase by 4-6%	No	35	22	13
	%	8,5	8,8	7,9
Increase by 1-3%	No	40	26	14
	%	9,7	10,4	8,5
Remain the same	No	86	58	28
	%	20,8	23,2	17,1
Decrease by 1-3%	No	29	19	10
	%	7,0	7,6	6,1
Decrease by 4-6%	No	32	11	21
	%	7,7	4,4	12,8
Decrease by 7-9%	No	26	13	13
	%	6,3	5,2	7,9
Decrease by 10% or more	No	67	46	21
	%	16,2	18,4	12,8
Don't know/ not answered	No	3	—	3
	%	0,7	—	1,8

Forecast of expenditure on capital account during the next 6 months

Those whose capital expenditure — Will increase	No	59	43	16
	%	14,3	17,2	9,8
Will remain the same	No	227	130	97
	%	54,8	52,0	59,1
Will decrease	No	127	76	51
	%	30,7	30,4	31,1
Don't know/ not answered	No	1	1	—
	%	0,2	0,4	—

Total labour force during the next 6 months

Number of respondents		Total 414	Manu- factu- rers 250	Non- manu- factu- rers 164
Those whose labour force — Will increase	No	46	25	21
	%	11,1	10,0	12,8
Will remain the same	No	258	154	104
	%	62,3	61,6	63,4
Will decrease	No	110	71	39
	%	26,6	28,4	23,8
Don't know/ not answered	No	—	—	—
	%	—	—	—

Do you think black managers should be permitted to operate in white areas?

Yes	No	373	225	148
	%	90,1	90,0	90,2
No	No	30	17	13
	%	7,2	6,8	7,9
Don't know	No	11	8	3
	%	2,7	3,2	1,8

Would you favour selective re-stimulation of the economy at this stage?

Yes	No	355	212	143
	%	85,7	84,8	87,2
No	No	57	37	20
	%	13,8	14,8	12,2
Don't know	No	2	1	1
	%	0,5	0,4	0,6

Which approach to Government economic policy would you favour?

A. High unemployment combined with low inflation	No	182	112	70
	%	44,0	44,8	42,7
B. High inflation combined with low unemployment	No	175	103	72
	%	42,3	41,2	43,9
C. Neither — middle of the road approach	No	26	18	8
	%	6,3	7,2	4,9
Don't know/ no response	No	31	17	14
	%	7,5	6,8	8,5

NINETY business black man be per operate in according Times sur

Only 7 per cent of businessmen in the country answered the question.

Recently Minister of Mr W.A. Croxall down an order to socom to business rights in white areas.

The reason that it was coloured would similar allowed into.

The Quarter the Business conducted for the by Market F also found a of business among top-

percent of white time has Government re-stimulate

Asked to attitude towards business situation scale "very pessimistic" optimistic demonstrate forward move-

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By TONY KOENDERMAN



from 48 per cent in the May survey to 34 per cent in August.

Those who were neutral rose from 28 to 31 per cent, while the optimists increased from 24 to 35 per cent.

The same trend was evidenced in forecasts of production or turnover during the next six months, where 41 per cent expected an increase (36 per cent last time), 37 per cent a decrease (46 per cent), and 21 per cent no change (19 per cent).

In reporting on trends in production or turnover during the past six months, the movement was less decisive. The number reporting increases rose from 35 per cent last time to 38 per cent, and those reporting decreases declined from 53 to 50 per cent. There was no change for 11 per cent (12 per cent).

Manufacturers were markedly better placed than non-manufacturers, with 42 per cent having had an increase (compared with 33 per cent of non-manufacturers), and 46 per cent a decrease (non-manufacturers 56 per cent).

Both capital expenditure and employment are likely to benefit from the rising confidence levels.

Capital expenditure in the next six months is expected to increase in 14 per cent of cases (11 per cent last time), to remain the same for 55 per cent (54 per cent), and decrease for 31 per cent (35 per cent). Manufacturers' expectations are greater than non-manufacturers'.

The labour force is expected during the next six months to increase for 11 per cent of employers (8 per cent), remain the same for 62 per cent (66 per cent) and decrease for 27 per cent (27 per cent).

Pre-tax profits are also expected to receive a boost, with 36 per cent forecasting an improvement (27 per cent), 16 per cent no change (18 per cent), and 47 per cent a decline (55 per cent).

The businessmen were also asked to weigh up the merits of a Government policy designed to achieve low inflation (with high unemployment as a corollary), and one aiming for low unemployment (associated with high inflation).

There was no consensus on this. The low inflation and high unemployment combination was preferred by 44 per cent, and the low unemployment high inflation combination by 42 per cent. Six per cent favoured neither and 8 per cent did not know.

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Other Theatrical Experience (Give details):

49

SECURITY FIRMS BOOM

11 Mercury
19/9/77

3.2.5 Distribution of

TABLE 3.5 DIS

Agriculture, Mining
Electricity, Const
Wholesale and Retail
Transport, Communi
Community and Social Services

THE SECURITY industry is about the only sector in the hard-pressed South African economy which is really booming.

It has also become very sophisticated but South African managements are still reluctant to spend on security.

According to Donald Simpson, general manager of the Security Association of South Africa, business losses due to security negligence are vast.

There were 35 735 burglaries at business premises during the past year and 31 354 thefts of vehicles (including motor cycles). Unfortunately

there are no statistics kept which list these losses in monetary terms, but the loss to industry is in hundreds of thousands of rands.

Security expert Gerry Schulz, operation director of a leading security company, points out that the latest electronic industrial protection is streets ahead of the local criminal — but most executives are not prepared to pay for this advanced technology.

He maintains that losses caused by pilfering, burglary and shoplifting amount to from 2 percent to 3 percent of the national product.

	11	293	16,85
	61	1061	61

Sources: BMR Report 50.5 of 1976; Response Sheets.

$$x_k^2 = 13,19 \quad \text{Significant} \quad (P[x_k^2 \geq 9,49] = 0,05)$$

Thus a difference is inferred in the distribution of earners by employment sector between the HP and BMR samples.

3.2.6 Distribution of Household Income (October 1975 prices)

TABLE 3.6 DISTRIBUTION OF HOUSEHOLD INCOMES

INCOME (R/year)	HP	BMR	HP EXPECTED
0-1999	24	259	15,93
2-2999	14	164	10,09
3-3999	4	137	8,43
4000+	4	188	11,56
	46	748	46

Note: A special deflator was calculated on the basis of prices in Cape Town and the BMR expenditure patterns.

Economy to get a slight push

Star 20/9/77

49

The Prime Minister, Mr Vorster, yesterday announced a swing in economic policy aimed at halting growing unemployment and shortages in the skilled work force.

But he warned that the country still faced considerable economic problems and said the Government was not yet in a position to allow a general stimulation of the economy.

Mr Vorster was making his normal policy statement after the regular meeting, on August 29 and 30, of his Economic Advisory Council.

Mr Vorster said the Ministers of Finance and Economic Affairs — Senator Horwood and Mr Heunis — had already indicated there would be a relaxation of certain measures and encouragement of specific projects in housing and related fields — projects with high social priority which would exert little direct pressure on the balance of payments.

Mr Vorster said the authorities would be duly mindful of the position of foreign reserves and the capital account of the balance of payments in

plementing the change of direction.

Apart from measures the authorities could take, he said, the private sector could also make important contributions.

The Economic Advisory Council's positive stand to divert domestic demand towards domestic sources of supply was to be welcomed.

This could never be a substitute for the longer-term policy of selective

tariff protection to promote import substitution on an economic basis.

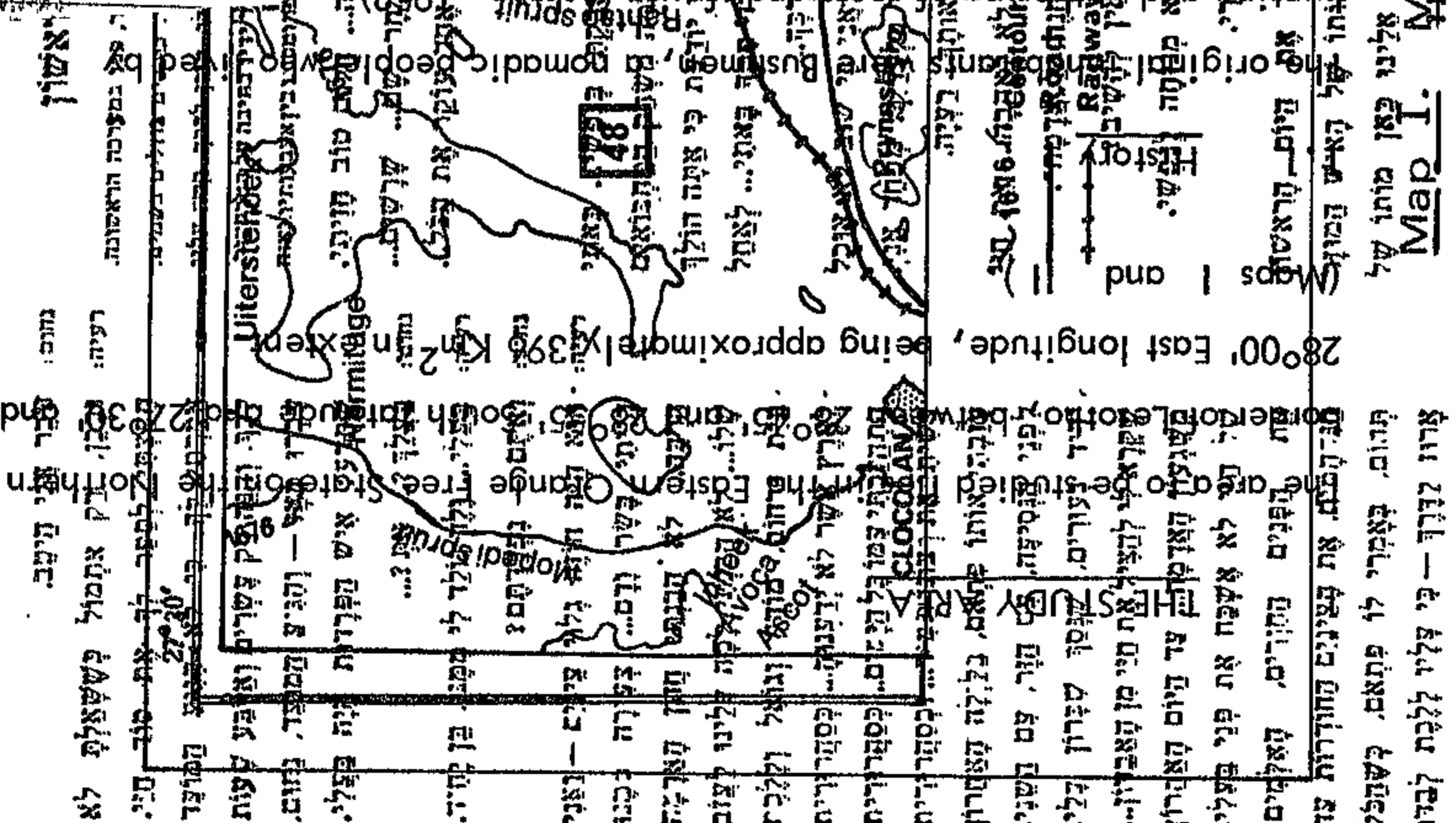
The council also recommended that the promotion of exports should now enjoy very high priority and identify this as an area in which the Government could consider some degree of stimulation.

Mr Vorster said unemployment was reaching a high level and there was a shortage among some sections of skilled workers

which could lead to "serious bottlenecks" when an upswing in the economy started.

In addition, the prolonged recession was beginning to impair the economy's basic production ability seriously — and this would have been illustrated much more clearly, but for the good performances in the past year of agriculture and mining. — Sapa and Political Correspondent.

על ידי משרד המסחר והתעשייה



Map I. Map of study area

Delight in commerce on plan to boost economy

ARGUS 20/9/77 (49)

The Argus
Correspondent

JOHANNESBURG. — There has been widespread favourable reaction in all sectors of commerce and industry to the Prime Minister's Economic Advisory Council's recommendations for a select stimulation of the economy.

Commenting on the Prime Minister's statement, Mr Raymond Parsons, executive director of Assocom, said: 'The Prime Minister's positive and constructive statement on the selective

stimulation of the economy is welcomed.

'A change in the direction of economic policy is urgently needed in order to help curb unemployment and to strengthen business confidence.

'Gentle stimulation of the economy is as far as responsible economic policy can go at this stage — but it is reassuring for businessmen to know that progress made with the balance of payments and inflation problems now permits some room for expansion.

PROMPT ACTION

'Business companies should be ready to act promptly to expand their activity even at some transitory risk as soon as any turn in the economic

conditions permits them to do so.

'Bold leadership of this sort, if it can be undertaken, may well help to bring about a turning point in the economy.

'We would be bluffing ourselves if we believed that new economic strategy could by itself dramatically transform our economic performance.

'There are uncertainties on the socio-economic front which are gnawing at business confidence internally and externally. These will also have to be put right if South Africa's economic performance in the year ahead is to match its tremendous potential.'

Dr Chris van Wyk, chairman of the financial chamber of the Afrikaanse Handelinstituut, said: 'We are delighted about the measures recommended by the council, emphasising a continuation of financial conservatism on the one hand, but on the other providing a judicious selective stimulation of the economy.'

'The latter is a positive move to try to mop up substantial black unemployment and substantial unused and wasted capacity in industry, however with special emphasis on measures that will not lead to a weakening of the balance of payments situation.'

SA gereed vir boikotte

49

Deur JOHAN VOSLOO

DIE Regering hou in sy beplanning reeds lankal rekening met die totaalstrategie van die Kommunisme, het mnr. Chris Heunis, Minister van Ekonomiese Sake, vandeeweek aan RAPPORT gesê. Hy is genader na aanleiding van toenemende gerugte dat sanksies moontlik teen Suid-Afrika toegepas kan word.

Op 'n vraag of die Regering in sy beplanning voldoende voorsorgsmaatreëls teen so 'n moontlikheid getref het, het mnr. Heunis geantwoord:

Die Regering hou in sy strategiese beplanning reeds baie jare lank deeglik rekening met alle fasette van die Kommunistiese aanslae teen Suid-Afrika. Hierdie aanslae teen ons land se ekonomiese, politieke en maatskaplike strukture wat ten doel het om alle bestaande ordes in ons land omver te werp, het in die afgelope twee jaar nuwe afmetinge aange- neem wat intensiteit sowel as sofistikasie betref.

Aanslae

'n Groot verskeidenheid van organisasies word in hierdie aanslae deur ons vyande aangewend om ons land veral op ekonomiese gebied op sy knieë te bring. Vakbondbewegings oor die hele wêreld, 'n groot aantal VV-organisasies en deesdae selfs kerklike organisasies is goeie voorbeelde van die instrumente wat deur die Kommuniste in hierdie aanslae teen ons land aangewend word.

Hierbenewens is 'n groot aantal regerings ons vyandiggesind en wissel hul optrede van die toepassing van amptelike handelsboikotte teen Suid-Afrika tot uiters subtiele optrede of 'n gebrek aan optrede wat nie maklik deur die leek by die verwesenliking van die Kommunistiese doelstellings tussgebring sal kan

word nie.

Ons leef al 'n hele aantal jare saam met die bedreiging teen Suid-Afrika sonder dat daar nog werklik veel deur ons vyande bereik is. Dit is natuurlik hoofsaaklik te danke aan die voordelige mark wat Suid-Afrika vir die uitvoer-goedere van die buiteland bied sowel as aan die Republiek se groot reserwe skaars minerale en metale. Die voorste nywerheidslande sal nie sonder dit kan klaarkom indien 'n algehele handelsboikot teen Suid-Afrika ingestel sou word nie.

Soos reeds genoem, word die optrede teen Suid-Afrika steeds hewiger en sou dit dwaas wees van die Regering om dit eenvoudig te ignoreer.

Ten einde ons in staat te stel om die veelvuldige bedreiging teen Suid-Afrika suksesvol die hoof te kan bied, word omvattende gebeurlikheidsbeplanning gedoen waarby 'n hele aantal departemente betrokke is.

Trouens, die Regering het al lank reeds die nodige masjinerie geskep om ontwikkelinge hier te monitor en om die nodige voorsorgsmaatreëls te tref. Ten einde Suid-Afrika se posisie stelselmatig teen enige moontlike gebeurlikhede in die toekoms te versterk.

Isoleer

Om begryplike redes kan daar ongelukkig nie besonderhede oor hierdie maatreëls verstrek word nie. Maar wat die oorhoofse strategie betref, kan die

volgende gemeld word:

- Weens voortdurende pogings om Suid-Afrika van die res van die wêreld te isoleer, word daar gekonsentreer op die verstewiging van ons land se diplomatieke betrekkinge met ander lande. Optrede in hierdie verband is in baie opsigte algemeen bekend, veral wat die persoonlike bydrae van die Eerste Minister betref.

- Om ons land se verdediging teen dade van interne onrus en ook teen vyandige optrede van buite ons grense te versterk, word die hoogste prioriteit aan besteding op verdediging in die voorbereiding van die jaarlikse begroting verleen. Groot vordering is al gemaak in die rigting om Suid-Afrika minder afhanklik van ingevoerde wapens en ander militêre toerusting te maak en hierbenewens is ons militêre opleidingsprogramme uitgebrei en verbeter.

- Om die aanslae van buite teen die ekonomiese stabiliteit van Suid-Afrika te weerstaan en om die nadelige toestande wat 'n grootskaalse optrede van hierdie aard tot gevolg sal hê te oorleef, is spesiale voorsorgsmaatreëls getref.

Steenkool

Besonderhede oor hierdie maatreëls kan ongelukkig nie verstrek word nie, maar sommige daarvan is reeds algemeen bekend soos die plaaslike vervaardiging van olie uit steenkool, die oopottog van ru-olie in oorlog met die private sektor en ook ander strategiese grondstowwe

wat onontbeerlik sal wees onder omstandighede van isolasie van die res van die wêreld.

Hierbenewens word maatreëls soos tariefbeskerming oordeelkundig aangewend om die vulling van produksiegapings, wat onder omstandighede van isolasie die plaaslike ekonomie kan ontwrig, te werkstellig.

Die Regering se bepaling van prioriteite ten opsigte van die nastrewing van die basiese ekonomiese doelstellings van die land, maak ook deel van hierdie gebeurlikheidsbeplanning uit. Dit is so omdat 'n gesonde en stabiele ekonomie die grondslag vorm om vyandige aanslae van buite te weerstaan.

Daar is natuurlik nog baie ander fasette van die land se breë gebeurlikheidsbeplanning wat ook deurlopend aandag vereis en wat meer regstreeks op die maatskaplik-politieke en finansiële terrein lê. Maar die bogenoemde gee 'n aanduiding van die erns waarmee die Regering die probleem benader, het min. Heunis gesê.

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Star Business 4/10/77

Economy is in need of a stronger pep-up

Star **BUSINESS** TOWN

Grant Rogerson

It is becoming increasingly evident that an economic revival in South Africa will require more definite stimulatory measures than are currently being contemplated, the South African Federated Chamber of Industry (FCI) said at its convention in Pretoria today.

The FCI pointed out that it might be necessary to do more than merely remove the restraints to economic expansion and actually to ensure that the facilities, so relieved, are utilised.

If that is the case it would be necessary to consider alternative short-term strategies to reflate.

The Chamber's executive council meeting and convention is taking place against a background of widespread international involvement in southern Africa, the forthcoming General Election, prospects of constitutional change and growing political unrest.

It is with this in mind that the FCI points out that if economic recovery is to occur, a careful and co-ordinated programme will have to be introduced

to make sure that better use is made of resources so that a new development phase will not be undermined by inflationary pressures and balance of payments constraints.

In order for a new appraisal of the current steps being taken to put the economy back on its feet again, action will have to reconcile programmes for export promotion, import reduction, and import replacement; raising employment and increasing the country's living standards generally.

But the FCI's central economic affairs committee believes an economic recovery will depend to a large extent on a change in the political climate which they see "as a key to unlocking the shackles on foreign investment."

The committee says South Africa is experiencing far more than the consequences of a cyclical downswing.

On both the internal and external political fronts, events are taking place which may have an overriding effect unless counter-acting policies and contingency plans to these events can be developed.

Much of today's early discussion dealt with:

- The growing influence of political events on the economy.
- The pressures which exist for the imposition of an oil embargo against South Africa;
- An urgent change in labour practices and measures to be taken for counteracting rising unemployment.

STUDENTS' REPRESENTATIVE COUNCIL

**A. Hariby
SRC RECEPTIONIST**

Please note that as from the 17th October the SRC telephone number will be 698531.

Business is improving — Standard

4/10/77
C.T. 4/11/77

JOHANNESBURG. — The Standard Bank Mutual Fund, in its quarterly report, said that the third anniversary of South Africa's most severe post-war recession had passed and there were signs of a bottoming out of activity and an improvement in the business mood.

Many of the key statistics and economic views that have emerged recently point to improved economic conditions over a broadening front. As yet the evidence is not sufficiently strong to conclude firmly that the country's real gross domestic product is set for a resumption of high positive growth.

Much of the recent improvement in our economy is the direct result of a rapid rise in exports, an excellent agricultural season and the easier liquidity conditions that prevailed during the second quarter of this year.

The exceptional performance of two primary sectors in the economy, namely agriculture and mining, has to a certain extent spilt over into the production and retail sectors.

There are, however, some notable exceptions from this somewhat improved picture and they are principally the building, property, civil engineering and capital goods industries.

"In our view these industries are unlikely to benefit from the turnaround for some time to come." — Sapa

All financial news in this issue was sub-edited by E V Hoeyman.



Mr W F de la Harpe Beck who has been appointed a director of The Board of Executors.

Horwood on gold sales

MUNICH. — The Finance Minister, Mr Horwood, said he sees no reason why South Africa should increase its gold sales in 1978 to help to ease payments' financing problems.

In an interview at the Washington IMF meeting he told the Sueddeutsche Zeitung his country's restrictive monetary and fiscal policies over the past two years had considerably improved the current account so that it was now in surplus.

Exports of other mining products should rise and this would lift the pressure on gold as an export article, he said.

He expects gold production this year to be almost unchanged on 1976 at 720 tonnes and that over the longer-term, the metal's price will rise.

5/10/77

49

Business and politics, mix, seminar told

5/10/77

By GORDON KLING
SOUTH AFRICAN businessmen were urged yesterday to play a greater role in politics and to step up efforts to abolish discriminatory employment practices without asking prior approval from the government.

Delegates to a seminar on equal opportunities in employment, arranged by Jaycee, Cape Town, were told that there was now an undercurrent of sympathy in the government for the removal of race discrimination in business.

The head of the department of Sociology at the University of Stellenbosch, Professor S P Cilliers, warned that free enterprise could only succeed in a just society. It would otherwise

degenerate into a system of exploitation of the masses by the privileged few.

"For too long have commerce and industry in our country adhered to the misguided and totally invalid admonition not to mix business with politics."

Employers should commit themselves to the removal of iniquities in the law of the Republic which barred equality of opportunity.

He said the record of business in this field was not a proud one, and employer action should go well beyond the endorsement of codes of practices or manifesto's proclaiming anti-discrimination stands.

Black doubts on the sincerity of calls for change by the white business community were expressed by a City

business consultant, Mr Vic Maharaj, who asked how businessmen could be expected to make changes when this implied altering a system that had put them at the top.

The economic, political and social structure of the Republic had one main objective and that was to retain white race domination as far as possible.

Businessmen were being asked to change their work environment in isolation from the total environment. This was an impossible task.

The chairman of Pick 'n Pay, Mr Raymond Ackerman, appealed to employers not to go to the government with every contemplated move to end discrimination, but to get on with the job.

His group had detected a sympathetic undercurrent from government on moves away from discriminatory practices in business and it now had 150 coloured managers, some of them in charge of whites.

He predicted that the "powerful voice of business" would be heard much louder in South Africa in the next few years.

He noted that the defence forces had recently announced the appointment of coloured officers, and he believed this could be regarded as giving businessmen an "open book" on similar moves.

The group had 6 000 employees and not a single law had been used to obstruct its efforts to abolish discrimination based on race.

Druk sluit die geledere

SARG-
RAPPORT
9/10/77

'n SLUITING van geledere tussen die sakewêreld en die Regering in die aangesig van verhoogde buitelandse druk, was die tema vandeeweek in Pretoria op die tweedaagse vergadering van die uitvoerende raad van die Gefedereerde Kamer van Nywerheid (GKN). Die trant van besprekinge het oënskynlik 'n lae profiel gehandhaaf.

Ons se oënskynlik, want die profiel was glad nie so laag as wat dit geklink het nie. Op die besprekinge van sentrale ekonomiese sake het die swaard wat oor ons koppe hang, die gesprek oorheers. Maar as die ergste gebeur, het 'n gewese president van die GKN, mnr. Ruby Back, gesê, sal die SA nywerheid sy man kan staan.

Die tittredende Sekretaris van Handel, mnr. Joep Steyn, het gesê ondanks druk en politieke onsekerheid is daar gewis baie positiewe elemente. Suid-Afrika het die bul by die horings gepak sover dit die identifisering van die probleem betref en die oorsake van die ekonomiese probleme begin uitskakel.

Die land het ook getoon dat hy gewillig is om, indien nodig, ietwat onverteerbare maatreëls te kan aanvaar.

Eienaardig genoeg was in die twee daagse besprekings geen sterk vertroue te bespeur oor die ekonomiese toestand op die kort termyn nie. Dit is grootliks te wyte aan die huidige politieke onsekerheid en die stadiger tempo van die wêreld ekonomie.

Dat die Regering maar te terdee bewus is van die probleme van sakemanne en dat hy maar al te gewillig is om te help, is deur verskeie owerheidsprekers, onder wie min. Jimmy Kruger, beklemtoon.

Die groeiende vennootskap tussen die private sektor en die owerheid is verder bewys in die debat oor arbeidsake. Daar was 'n

sterk gevoel dat die georganiseerde nywerheid dadelik arbeidshervorming moet instel en nie agter die rokpante van denkbeeldige wetgewing skuil nie.

CONFIDENCE LEVELS IMPROVE

49

A REVIVAL in consumer confidence and also in overseas investor sentiment towards South Africa is reported today by the statistical journal, Trends, published by the Bureau for Economic Research at the University of Stellenbosch.

These encouraging developments, the publication says, appear to be the result of economic and financial considerations, including changes in interest rates, the gold price, certain sections of the share market and also in imports.

In addition, the fact that the United Kingdom now appears to have settled down to some kind of political and economic direction has clearly benefited South Africa, and we should continue to gain as a result.

INFLATION

The publication shows that in rand terms revenue from gold is now almost at record levels. It adds that the consistent negative correlation between America's economic prospects and the price of gold is probably not coincidental.

This augers well for

FINANCE

the future economic stability of South Africa, it continues.

As a result, this country could find itself in the advantageous position of having a higher gold price alternating with larger base minerals and ore exports during downturns and upswings overseas during the next decade.

Referring to the current inflation rate, the publication says that technically the wholesale price index is due for a decline.

PAY RISES

However, the consumer price index is stubbornly fluctuating around 11 percent with no immediate downward inclination discernable.

The disparity in the two trends can be attributed primarily to one reason — a covert improvement in spending power arising from unpublicised salary and wage increases.

It is critical of Iscor's decision to raise salary and wage levels at a time of easier labour market conditions.

Discussing the unemployment figures, it says that these do not necessarily reflect the actual white, coloured and Asian retrenchment situation, as a number of white immigrant workers return to their countries of origin upon becoming unemployed here while some unemployed do not register.

South Africa's white male labour force has risen by about 26 000 workers a year in the past of which 11 000 were the result of immigration.

The implication of the present rate of immigration — which is low or negative — is obvious, the publication says.

Footnote: Trends is issued every two months and is aimed at providing important and useful facts about domestic, financial, industrial and commercial developments which will aid business in its forward planning.

TUC URGES REFLATION

LONDON. — The Trades Union Congress will press the Labour Government for a R5 200-million reflation of the economy to start next month.

The trade unions want subsidies on some food items and school meals, measures to boost the construction industry, and a R23 Christmas gift to every old age pensioner.

Some reflationary action is widely expected because of the improvement in the nation's financial fortunes since North Sea oil started to flow. — Sapa-Reuter.

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World economic outlook for '78 looks brighter

Star 13/10/77

49

Harold Fridjhon

The world's economic outlook for 1978 looks brighter than it has been this year. This is the strong impression held by most of the South African bankers who attended the recent annual meeting of the International Monetary Fund in Washington.

For the first time all South Africa's major banks attended the meeting. They were Dr A d Wassenaar, chairman of Bancor, Mr Ian Mackenzie, chairman of the Standard Bank group, Mr Gerry Muller, managing director of Nedbank, Mr Bob Aldworth, managing director of Barclays National and Mr Danie van Huyssteen of Volkskas.

The main reason is that the US economy is expected to be given a little shove. Mr Mackenzie said that the US deficit was not serious when viewed against the size of the economy; in any case most of that deficit was attributable to oil.

Bob Aldworth had the feeling, gleaned at Washington and later reinforced by meetings with bankers in New York, that Americans were bullish about their prospects for next year.

Gerry Muller said that

everyone who counted was trying to be optimistic in spite of the fact that they did not seem very sure of themselves.

What did give Muller grounds for cheerfulness was the impression that many speakers of note had appeared to have reached the conclusion that if 1978 were to be a growth year, the thrust had to come from the private sector — and not from government spending.

"Even the socialistically inclined countries seemed to share this view," said Muller.

Mr Huyssteen reminded that President Carter in his opening address had committed himself to growth in the US in 1978, but bankers with whom Mr van Huyssteen subsequently had discussions were not as sanguine as the President had been.

But all the South Africans said that the economic outcome for next year would depend first on a strong US recovery and then on Germany and Japan, particularly to follow the US lead.

UGLY PRACTICE

It was stressed at the meeting that unless the major powers were more outgoing the poor and underdeveloped countries would not be able to pull themselves up by their bootstraps alone.

One of the ugly practices creeping into world trade, which was sharply criticised, is the growing threat of protectionism. Unless this practice is curbed the world recovery outlook could suffer.

Both Muller and Van Huyssteen commented on the almost total absence of any talk about gold; the metal has slipped quietly into the background. It is no longer an issue. One impression is that its role has quietly

been accepted — not rejected.

The South Africans were, as usual, well received by their foreign counterparts and there is little doubt that this country will continue to receive all the facilities it needs to finance trade. Longer term finance was, apparently, not seriously discussed by the commercial bankers.

In banking circles this country's reputation stands high as a serious borrower and present monetary and fiscal policies are regarded with respect.

But the South Africans were considerably embarrassed by the Biko affair news of which caught up with them as the meetings opened. One banker said that the shock and horror of the event could cost this country, not only goodwill, but also the loss of monetary support.

ONS SAL GROEIPYN OORWIN

Deur VIC DE KLERK

SUID-AFRIKA se ekonomie het die lewensvatbaarheid en sy sakelui die vermoë om die eise wat die politieke veranderinge die afgelope paar jaar in Suider-Afrika ten volle te benut. Die groeipyne wat veral gaan spruit uit die gebrek aan nuwe buitelandse kapitaal, sal oorkom kan word.

Dit was oweral die menings van die sprekers wat Donderdag in Randburg opgetree het by 'n seminaar aangebied deur RAPPORT en die Johannesburgse Afrikaanse Sakekamer. Die seminaar tema was die eise wat die huidige politieke klimaat aan die SA ekonomie stel.

Dr. Frans Cronjé, voorsitter van Nedbank, SA Brouerye en etlike ander maatskappye, het dit baie duidelik gestel dat ekonomiese groei prioriteit nommer een in die huidige politieke bedeling moet wees.



DR. CRONJÉ
ekonomiese prioriteit
nommer een.

Tot onlangs toe was ekonomie en beleidsmakers nog baie skrikkerig om nou al weer die betalingsbalans en inflasie as tweede prioriteite ná groei te stel.

Verband

Dr. Cronjé het egter daarop gewys dat slegs 'n aansienlik hoër ekonomiese groeikoers 'n oplossing kan bied vir die huidige byna ondraaglik hoë werkloosheid, veral onder swartes.

Dit is ook die enigste manier hoe die loongaping toegemaak kan word omdat daar nie langer van blankes verwag kan word om tevre-

de te wees met 'n negatiewe groei in reële inkome sodat die klein bietjie groei wat daar wel is, byna uitsluitlik aangewend kan word vir 'n styging in die reël inkome van swartes nie.

Maar om nou groei te wil stimuleer, sal onmiddellik die betalingsbalans weer verswak en inflasie aanblaas. Dit is egter die algemene aanvaarde siening.

„Dit is nie noodwendig so nie,” sê dr. Cronjé. Hy wys daarop dat daar tussen 1946 en 1976 nie altyd 'n verband was tussen 'n hoë groeikoers, 'n hoë inflasie en 'n swak betalingsbalans nie.

In die sestiger jare was daar 'n toestand van relatief vinnige groei en lae inflasie. Vanaf 1972 was die groeikoers baie laer en die inflasie baie hoër, met die uitsondering van 1974 toe beide groeikoers en inflasie hoog was.

Beduidend

Hoë groeikoerse lei ook nie noodwendig tot betalingsbalansprobleme nie, sê hy. Oor die periode 1955 tot 1973 het invoere in tydperke van hoë groei nie aanmerklik toegeneem nie.

Maar hy sê dat daar wel 'n regstreekse verband bestaan tussen inflasie en owerheidbesteding. Die korrelasie-koefisiënt in hierdie geval bereken oor



sonder inflasie- en betalingsbalansprobleme nie.

Dr. Braam van Staden, ekonomiese adviseur van die Reserwebank, het in sy ontleding van buitelandse belegging en kapitaalinvloei — veral daarop gewys dat Suid-Afrika nie so vreeslik oorleë is in die buiteland as wat sommige mense beweer nie.

Die land lê iewers in die bondel. Hy het ongetwyfeld al baie geleen maar op die kritiese beoordeling van hierdie buitelandse lenings in verhouding tot die Bruto Binnelandse Produk, uitvoere en persentasie van totale staatskuld, lyk dit

glad nie so sleg nie.

Wat hinder

Wat egter hinder, is die struktuurveranderinge wat daar plaasgevind het in die invloed van buitelandse kapitaal en die uitvloeel wat ons nou ondervind.

Sedert die einde van 1956 was daar feitlik 'n volgehoue styging in die aandeel van buitelandse regstreekse belegging tot totale buitelandse laste van 49,6 persent tot 61,1 persent aan die einde van 1969. Sedertdien het die relatiewe belangrikheid van regstreekse belegging egter aansienlik afgeneem tot slegs 45,2 per-

sent van buitelandse laste aan die einde

Summar

Buitelandse laste met 'n minder as 12 sedert 1956 gesien 15 en 20 totale buitelandse laste. Sedert 1 die persentasie geneem.

Dr. Van Staden sluit deur te hierdie verandering in die nering van die lans die hoof surplus op die kening gehand word. Dit betref



MNR. PRETORIUS
ons moet produksie
belê.

heidsbeleid nie nou al na
een van die algemene sti-
mulering van die ekonomie
verander kan word nie.

Mr. Willem Pretorius,
senior hoofbestuurder van
Sanlam, en besturende di-
rekteur van Bankorp het
oor die binnelandse finan-
sieringsprobleme gesê dat
spaargeneidheid verder
bevorder moet word en dat
hierdie spaargeld meer
doelmatig aangewend moet
word.

Om dit te verseker, be-
pleit hy 'n oorkoepelende
nasionale strategiese plan.

'n Belangrike gedeelte van
so 'n plan sal die optimale
aanwending van ons land
se skaars kapitaalbronne
moet insluit.

Hy voel ook dat 'n te groot
gedeelte van die binne-
landse spare aangewend
word in die minder effek-
tiewe staatsektor. Daar
moet ook gewaak word teen
die belegging van groot
bedrae kapitaal in onpro-
duktiewe bates. Eiendoms-
belegging is 'n voorbeeld
van so 'n bate wat soms
heeltemal onproduktief
kan wees.

Om te verseker dat kapi-
taal altyd doelmatig aange-
wend word, pleit hy ook vir
die opheffing van alle
vorme van rentekoersbe-
heer sodat rentekoerse die
werklike skaarsheid van
kapitaal kan weerspieël.

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V.P

C

TREAS

SECRE

WE MEET AT THE PALACE HOTEL, MAIN ROAD, KENILWORTH
ADDRESS : P.O. BOX 263, RONDEBOSCH, 7700.

DR. VAN STADEN
ons is glad nie so erg
NG AT 18h30.

Reginald Maudling,
Britse minister mnr

'Twee hoëes gee hoop

SAKE - Rapport
10/10/77

Deur VIC DE KLERK

44

SUID-AFRIKA is as 'n lener nog steeds baie ongewild op die buitelandse geld- en kapitaalmarkte. Die geld wat die land wel kry, word half onder die tafel gegee, en die algemene gevoel is dat die land se naam liefs weggehou moet word van die leningsadvertensies.

Dit is die indruk wat gewek word in die jongste Euromoney, 'n gesaghebbende tydskrif oor die Euro-geld- en kapitaalmark. Vir die bietjie geld wat Suid-Afrika nou daar deur private plasings bekom, moet hy van die hoogste rentekoerse ter wereld betaal.

Die Minister van Finansies, sen. Owen Horwood, en dr. Braam van Staden, ekonomiese adviseur van die Reserwebank, het vroeër vandeewerk gese dat dit nou betwat beter gaan met Suid-Afrika se lenings in die buiteland.

Die vernaamste rede hiervoor is dat die land bewys het dat hy sy betalingsbalans kon regruk. Slegs Euromoney voorspel

dat Suid-Afrika die enigste van die ontwikkelde lande sal wees wat vanjaar geld op die markte geleen het en wat 'n oorskot op die lopende rekening van sy betalingsbalans sal toon.

Politieke faktore weeg egter nog baie swaar en Suid-Afrika sal basies eers oor 'n paar jaar van sy buitelandse lenings moet terugbetaal voordat die land weer sy ou status op die markte sal herwin.

dat die beleggers selfs 7/8 persent sou aanvaar.

Die ander Kommunistiese Oos Europese lande is ook gewilde leners. Hul belading wissel tussen 1 en 1,25 persent.

Rusland het onlangs nóg gesê vir 'n aanbod van 500 miljoen dollar teen 'n belading van 1 persent omdat die land voel dat hy ook teen 7/8 persent, die primakoers vir die beste lande, geld kan kry.

Gaan beter

Volgens dr. Van Staden kon ons tot in 1975 geld leen teen koerse wat goed vergelyk het met ander lande van Suid-Afrika se grootte. Maar in 1976 was daar 'n aansienlike verswakking.

Hoewel ons nie onlangs die buitelandse markte getoets het nie, is hy van mening dat dit nou beter gaan.

Onderstaande tabel toon die gemiddelde koers wat die verskillende lande vanjaar bo die Londense interbank-rentekoers (Libor) moes betaal vir lenings, of waarteen lenings vir hulle aangebied is. Omdat Suid-Afrika vanjaar onaktief in die mark was, is 'n marge vir hom moeilik bepaalbaar.

In onguns

Die merkwaardige herstel in die binnelandse ekonomie van Italië en Brittanje die afgelope twee jaar maak nou ook van hierdie twee lande gewilde leners. Italië kan nou geld kry teen 1,375 persent en Brittanje teen 0,875 persent bo Libor.

Dit is 'n bewys dat as 'n land sy ekonomie regruk, hy gou weer die guns van die beleggers wen.

Maar daar is ook 'n hele paar ander lande wat felik in onguns is.

Kuba en Ghana is twee lande waarvoor die beleggers dadelik nie dankie sê. En hoewel Kuba miskien

Land	Koers bo Londen-Interbank.
Italië	1,375%
Brittanje	0,875%
Portugal	1,50%
Spanje	1,375%
Frankryk	0,875%
Griekeland	1,125%
Rusland	1,0%
Kuba	2,0%
Kanada	1,25%
Nieu-Seeland	1,0%
Australië	1,0%
Zaire	2,25%
Nigerië	1,0%
Malawi	2,0%
Viëtnam	1,75%
Iran	0,75%

Geoordeel aan die lening van 35 miljoen Duitse mark deur die Spoorweë vroeër vanjaar, moet hierdie belading ongeveer 3 persent wees, volgens Eromoney.

Baie gewild

Aan 'n paar van bostaande lande is daar 'n baie interessante storie verbonde.

Nigerië, byna 'n buurstaat hier in Afrika, se leningsprogram oor die volgende drie jaar bedra 4 miljard dollar. Die land is 'n baie gewilde lener op die buitelandse markte en nie minder nie as drie bankkonsortiums het meegeding vir die eerste fase van 1,3 miljard dollar.

Die koers was 1 persent hoër as Libor maar Euromoney is van mening

teen 'n belading van 2,5 persent iets sal kry, is Ghana se finansiële bestuur tans só swak dat niemand belangstel nie.

Die Soedan staan bekend as 'n stadige betaler. Om hiervoor te vergoed, wissel die belading op enkele klein lenings tussen 2,5 en 3 persent.

Peru is op die oomblik die waarskynlikste kandidaat wat nie sy buitelandse skuld sal kan terugbetaal nie, terwyl Turkye al reeds die hulp van die IMF ingeroep het om sy probleem met buitelandse skuld te help oplos.

Die Opec-lande kan natuurlik almal geld leen teen baie lae koerse, maar Iran se belading van slegs 0,75 persent moet van die beste ter wêreld wees.

SAKE - RAPPORT 10/10/77

74

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Vertical text on the right side of the page, likely bleed-through from the reverse side of the paper. It contains various words and phrases, some of which are partially legible, such as "SAKE - RAPPORT", "10/10/77", and "74".

Trends sê ook

SO

In die Oktober-uitgawe van Trends probeer die Buro vir Ekonomiese Onderzoek van die Universiteit van Stellenbosch by wyse van 'n statistiese ontleding aandui dat buitelandse beleggingsvertroue in Suid-Afrika besig is om te styg.

Die Buro gebruik basies die verbetering in die diskonto op effekterand saam met die Londense om skakelingsfaktor vir ons aandeel om hierdie verbetering mee te bewys.

Daar bestaan min twyfel dat die Suid-Afrikaanse ekonomie nou meer buitelandse vertroue afdwing as 'n jaar of twee gelede sê die Buro.

In sy reaksie op dr. Braam van Staden van die Reserwebank se toespraak het dr. Hannes Human van General Mining dit egter reguit gestel dat hierdie moontlike klein verbetering in buitelandse sentiment nie genoeg is om die invloed van of nuwe beleggingsgeld of nuwe lenings te verseker nie.

Daarom glo hy dat die groeikoers in die binne-land nog steeds nadelig beïnvloed sal word deur hierdie gebrek aan buitelandse kapitaal.

16/10/77

16/10/77

(49)

(74)

Hertzog refused to commit himself to the satisfaction of the English, Malan left and formed the Gesuiwerde Nasionale Party which was the official opposition in 1935 with 19

49 16/10/77

ng' created profound unease within the Afrikaner community and various attempts were made at 'versoening'.

an outside event however to achieve a situation suitable for reconciliation. Britain declared war on Germany.

September 6 1939 the South African parliament voted to support the war effort. In the process the cabinet had split and Hertzog

remained as Prime Minister whilst Smuts was asked to

form a new ministry. Reconciliation within the ranks of the Afrikanerdom was imminent and within two days a rapprochement

was held at Monumentkoppie. On 8 September 'broederbond' was declared at an end when both Malan and Hertzog

met at a mass meeting. Yet within the differing approaches

characterized their speeches could be seen the seeds of a divide which boded ill for any prolonged reconciliation.

Hertzog continued on about the coming republic whilst Hertzog

for a sense of moderation. Clearly, the divide within the Afrikaner nationalist aspirations was between a Hertzogite gradualism on the one hand and a Malan extremism on the other.

Hertzog declared his gradualism repeatedly. At Smithfield

in 1939 for conciliation between English and Afrikaans

writes on 4 November 1939, just three weeks before the

beginning of negotiations in Pretoria. The Malanites

resented this and viewed Hertzog with suspicion. They were

convinced that Afrikanerdom would not wait for conciliation between the two groups first and then press for an independent republic for the South Africa.

The Conciliation Conference was potted with difficulties and

ultimately broke down over the republican issue. At stake was

the issue of whether the new party should only accept avowed

Republicans as members or whether such a choice should be

left to the individual member. Furthermore Hertzog wanted

the decision to become a republic to be left to the nation to decide in a referendum whereas the Malanites saw things differently - an Afrikaner republic was not to be dependent on the support of the English. Various formulas were tried as a 6-man committee explored the possibilities of meeting the needs of both sides. It was to no avail. The first attempt had foundered though conciliation was still possible.

DESPITE RECESSION SIGNS OF AN ^{Sunday} IMPROVEMENT ^{Tribune} 23/10/77

Finance Reporter

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THE RECESSION is continuing in the manufacturing, commerce and building industry, although the country's national accounts are showing signs of improvement due to the high rate of expansion in the primary sectors — agriculture and mining.

Inventory investment and private spending has continued declining. This information is revealed in the quarterly bulletin of the Reserve Bank, just released, which covers the second quarter of 1977 only.

While the current account of the balance of payments improved from a deficit of R262 million to a surplus of R1 277 million, due to increases in exports and gold output and a decline in imports, the

capital account of the balance of payments deteriorated, because of an outflow in short term capital and long-term capital.

Part of this was due to repayments on foreign loans, in particular by public corporations and local authorities who repaid a net amount of R61 million on foreign loans. Net invisible payments to the rest of the world increased largely due to a rise in interest payments on foreign loans and a rise in transportation payments to non-residents resulting from higher freight rates.

But, despite the capital outflow, gold and other foreign reserves declined by only R13 million mainly because of the gold swap agreements in April.

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'Govt moving too slowly in easing race discrimination'

Assocom message: Speed up change

The motion recorded Assocom's disappointment at the lack of progress in implementing socio-economic change despite Government's acceptance of the need for it, reaffirmed the belief in the creation of a stable black middle class, and called upon private enterprise to identify action it could take.

And, in possibly the most positive idea to emerge from the congress, the motion proposed the drawing up of a five or 10-year socio-economic plan which would lay down a programme of development towards equity for all races in the economic sphere.

Such a programme would show clearly, both to the outside world and to South Africans, what sort of timetable was being implemented. It would establish the nation's bonafides abroad, while allowing people at home time to adjust themselves to the changes.

With any luck, it would also bring to an end the 'stop-go' approach towards socio-economic policies in South Africa.

Other motions which were passed called for the abolition of price control, expressed opposition to the introduction of a retail sales tax, and objected to the diversion of investment funds from the private sector to the public sector.

A motion calling for an investigation into the cost effectiveness of fuel restrictions was defeated.

The taxation of agricultural co-operatives was condemned as still giving the co-ops "undue advantage" over their competitors in private enterprise.

But while purely economic matters received attention, politics — or "socio-economics" as it was euphemistically called — dominated much of the debate, a clear sign that most businessmen no longer see much distinction between the two.

BY NOW, Assocom must be accustomed to having the rug pulled from under its feet. Last year, the Prime Minister pre-empted its discussion of a motion calling for an end to racial discrimination in business by tongue-lashing commerce for interfering in politics.

This year, it was Jimmy Kruger's turn. As the 300 annual convention delegates were debating another resolution about non-discrimination, news of Wednesday morning's crackdown on dissenting opinion filtered into the hall, casting a pall on the proceedings.

"What have we been talking about?" said one despairing delegate. "We've been wasting our time."

But perhaps not. For despite Mr Vorster's words to last year's congress, he responded in April by confirming to Assocom that the Government supported "movement towards making the benefits of our free enterprise system more acceptable to people from all our population groups."

And the message from Economic Affairs Minister Chris Heunis when he opened the congress was that the Government WAS prepared to change — but it would not be pushed around.

What concerned the congress, though, was whether SA could afford to continue restricting the pace of change to that of a snail.

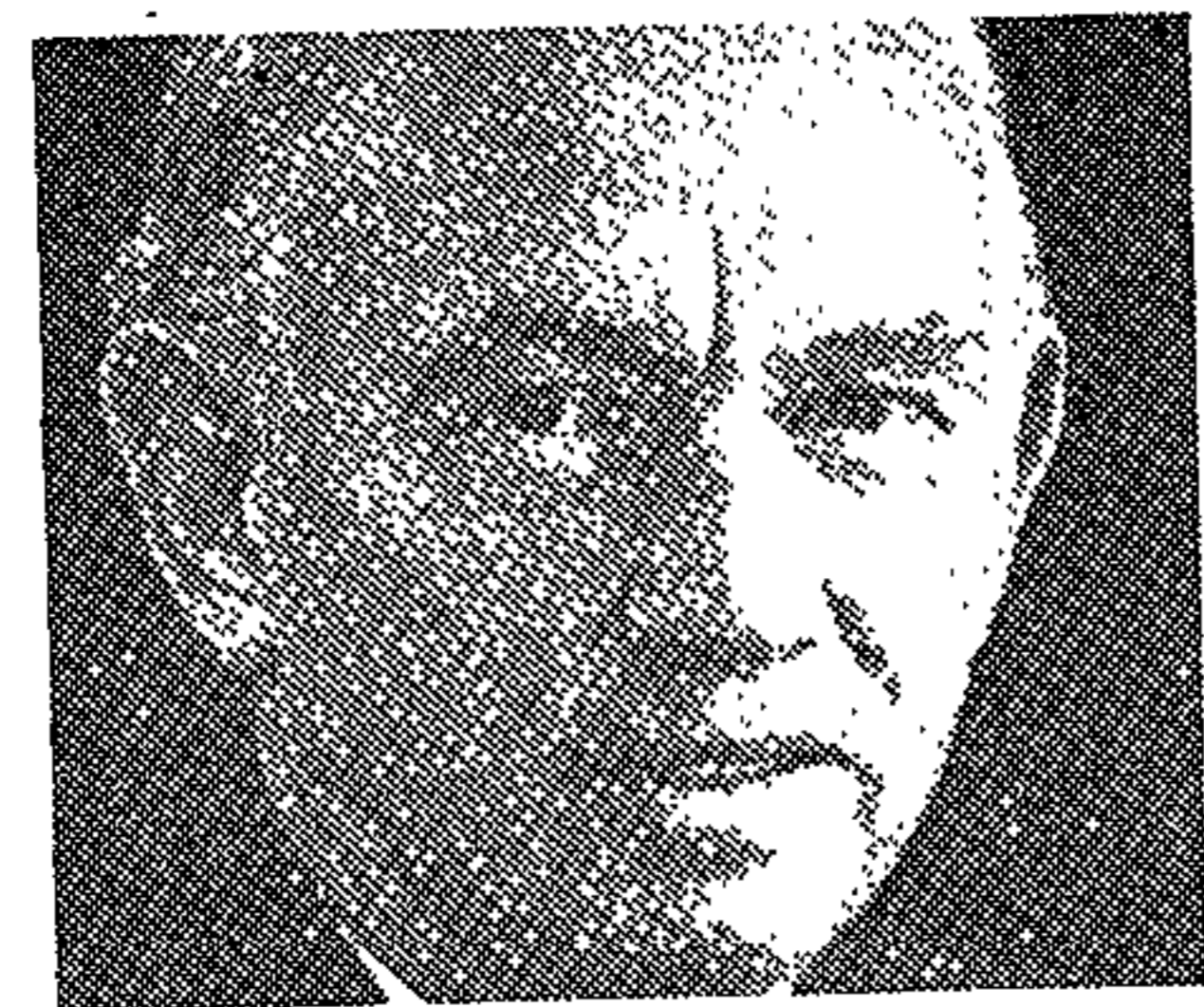
One of the key speakers, Barlow Rand chief executive Mike Rosholt, said the country's economic malaise was due largely to the lack of confidence on the part of overseas investors and bankers.

The first step to restoring this, he said, would be for the Government to act immediately on removing discriminatory laws

It was clearly a view which made retiring Secretary for Commerce, Joep Steyn, cringe.

"I hate that word 'change'," he said. "I prefer to talk of 'adjustment'. There is a cry for change all over the world. Every parrot cries the same word. But they do it for their own political purposes."

But if we can agree on the need for adjustments, that won't upset Mr Steyn too much, for he declared that "any human being who is afraid to make ad-



Two of the key speakers at the Assocom congress: Barlow Rand chief, Mike Rosholt (left) and Secretary for Commerce, Joep Steyn.

justments in his behaviour is afraid of life itself."

Semantics aside, there was a moderate degree of optimism among delegates (before the Jimmy Kruger bombshell) that they and the Government were beginning to talk about the same thing.

No longer were they arguing about the direction in which the nation should be going, but the speed at which it should move.

Unfortunately, when it came to discussing this year's resolution on race

By TONY KOENDERMAN

discrimination, Assocom and the Government weren't talking to each other at all.

The Secretary for Bantu Administration and Development, Mr I. P. van Onselen, declined an invitation to send a representative to the debate, off-handedly referring Assocom to previous Ministerial statements and enclosing a Press release

on the subject.

Assocom president Bob Goodwin angrily told the congress: "I regard this as impertinence. Our deliberations are far too important and of far too great consequence and benefit to the country for the Secretary in any department to decide that the attendance of a representative is not necessary."

Acceptance of the motion, proposed by Johannesburg delegate Campbell Ballingall, was total.

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Wellcome sales hit R16,7m

Sunday Times, Durban, 23/10/77

By Tony Stirling

despite ailing economy

WELLCOME Southern Africa, owned by the Wellcome Trust of Britain, has maintained its five-year unbroken record of growth over the past year despite the difficult economic conditions.

The group's chief executive, Mr Dieter Klingenschmidt, said this week that in the past year the group had increased its sales by 12,3 per cent to R16,7 million.

This excludes sales in neighbouring states which totalled R7,7 million.

"The group's growth rate

was lower than in previous years and with no improvement in economic conditions it was a difficult year," said Mr Klingenschmidt.

"However, all four operating divisions — Coopers Veterinary, Wellcome Medical, Coopers and Calmic Industrial and Coopers Consumer — showed positive growth," he said.

Mr Klingenschmidt added that the group's total increase in expenditure had

been lower than the inflation rate.

But in spite of tight expenditure control, Wellcome had increased its sales staff, technical service staff and research personnel by eight per cent.

"These are areas vital for taking full advantage of future business," said Mr Klingenschmidt.

Wellcome, which uses its dividends to finance human and animal research projects at universities and

other institutions, has total assets of R11-million in South Africa.

In his statement outlining the group's results, Mr Klingenschmidt criticised companies which copied medicines and which did little or no research into new compounds.

These medicines were sold at a lower price, thus depriving the research-based companies of sales and funds for further research, he said.

"If this were to become a general trend the world could find itself in a serious situation," he said. "Doctors could find themselves empty handed when facing future health problems."

ASSOCOM IN DIE GEES VAN POLITIEK

'N KONGRES in die gees van die veranderende tye waarin ons leef. Só kan 'n mens Assocom se 75ste jaarlikse kongres vandeeweek in Oos-Londen beskryf. Die ondertone van die politiek kon op die vooraand van die verkiesing, seker heel tereg, nie uitbly nie.

Mnr. Chris Heunis, Minister van Ekonomiese Sake, het in sy openingsrede die bal aan die rol gesit deur te kap na die pessimiste onder die sakelui wat meen dat verandering (en 'n ietwat oordrewe houding daarom-trent) 'n belangrike vereiste vir die herstel van die land se ekonomiese groei is.

Hy het gewaarsku teen die neiging van SA entrepreneurs om hul houding en denkwysse te diep deur die huidige buitelandse druk om radikale en buite-

konstitusionele veranderinge te laat beïnvloed.

Om aan daardie soort buite-konstitusionele druk toe te gee, sal, soos politieke gebeurde in die res van Suider-Afrika bewys het, net tot een ding lei: Die totale oorgawe van Suider-Afrika aan die Kommunistiese oorheersing, wat op sy beurt net sal lei tot die totale vernietiging van ons ekonomiese stelsel van private ondernemingskap — iets waartoe die Regering sowel as die private sektor

oor die jare heen diep verbind is.

Mnr. Heunis wil nie hê die sakemanne moet hulle totaal uit die politiek hou nie. Trouens, hy het gesê sakemanne beskik oor spesiale bekwaamhede wat vir sowel die ekonomiese as die politieke lewe van die land belangrik is. Hy wonder maar net of die sakemanne daardie bekwaamhede altyd in die beste belang van hulself en van die land inspan.

Hy glo dat die sakegemeenskap 'n wesentlike en positiewe bydrae tot die evolusie van die gemeenskap kan maak. Die Regering het klaar gewys dat hy bereid is om alle redelike en gemotiveerde aanbevelings ten opsigte van ordelike vooruitgang na hierdie oogmerk, te aanvaar.

Druk

In sy presidentsrede het die uittredende president, mnr. Bob Goodwin, hom oor die kwessie van druk van buite by die Minister aangesluit. Verandering, het hy gesê, is prysenswaardig, mits dit reg gehanteer word. Maar dan nie veranderinge bloot om veranderinge nie, maar verandering om wat dit kan bereik.

Uiteindelik is die doel tog om in Suid-Afrika 'n omgewing te skep waarin alle bevolkingsgroepe floreer en waarin die redelike strewes van alle seksies van die bevolking uiting kan vind. Daar is egter twee belangrike oorwegings by die bereiking van hierdie doelwit.

- Vir eers sal onredelike eise van welke rassegroep ook al, konflik skep en samewerking vernietig.

- In die tweede plek is die houding wat individue

en instansies aanneem, uiters belangrik. Leierskap kan dit ten goede of ten kwade beïnvloed. Trouens die houding teenoor die probleme kan selfs belangriker wees as die probleme self.

Wegdoen

Verskeie sprekers daarna, party heelwat ongeduldiger as die ander, het by die Regering aangedring op die wegdoen van diskriminerende maatreëls.

Mnr. Mike Rosholt, ondervoorsitter en uitvoerende hoofbeampte van die Barlow-Randgroep, het in 'n weldeurdagte toespraak gesê van die diskriminerende maatreëls wat uitgeskakel behoort te word, is die kwessie dat werkers hul dienste behoort te kan verkoop waar hulle wil; die reg om swart en bruin bestuurders in blanke gebiede te gebruik; en fundamentele veranderinge in die swart onderwysbeleid.

Hy stem nie saam met die Regering dat die verwydering van diskriminerende maatreëls en die toestaan van die stemreg onafskeidbaar van mekaar is en dat die een noodwendig tot die ander moet lei nie.

Verskeie buitelandse bankiers en oorsese sakevriende het al by herhaling aan hom gesê deur diskriminasie uit te skakel, sal Suid-Afrika maar net sy vriende help om ons te help. Geeneen van hulle het dit gekoppel aan die toestaan van die stemreg of meer spesifiek een mens, een stem nie.

Trouens, hul houding is net die teenoorgestelde.

SA heads for record surplus

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DOM
24/10/77

By HOWARD PREECE
Financial Editor

SOUTH AFRICA will this year achieve the largest surplus ever on the current account of the balance of payments.

It will also be the first surplus since the modest R47-million plus in 1968.

In real terms, however, it is highly unlikely that South Africa's current account surplus for 1977 will match the R313-million of 1962.

That R313-million must be seen in the context of merchandise exports for 1962 of R948-million and imports of R1 041-million.

Those figures take no account of gold or service payments and receipts.

Exports this year will be around R6 000-million and imports around R6 900-million.

That means, of course, that a current surplus of R1 809-million would be needed this year if it were to be in similar proportion to South Africa's trading position as the surplus recorded in 1962.

In fact the current surplus this year will certainly be less than R1 000-million.

I would expect it to be in the R600-million region.

That guesstimate, however, is on the assumption that there will be no major changes in the current account trends for the rest of this year — and that there will be no drastic revision of the statistical evidence available to date.

In the first half of this year there was a current account surplus of R410-million — R361-million in the second quarter alone, according to figures from the Reserve Bank.

Preliminary figures from Customs and Excise on imports and exports and from the chamber of Mines on gold, plus a projection of a net deficit on services and transfers of around R350-million for July to September, indicate a minimal current surplus in the third quarter.

According to Customs, imports were R1 350-million for that quarter and exports were

R1 489-million. The export figure was swollen, however, by about R100-million of Krugerrands which the Reserve Bank officially classifies as part of net gold output.

Those figures suggest a crude trade surplus of R40-million or so.

To that must be added the provisional estimate of gold output for the third quarter of R714-million.

But if one then subtracts R350-million net services deficit and also assumes a cost of around R400-million for oil and defence, the overall current balance is in the breakeven area.

That is why I would be surprised if the current surplus for the full year is much above R600-million in spite of the R361-million in the second quarter alone of this year and in spite of the booming gold price.

There was a fall of approximately R50-million in the gold and foreign exchange assets of the Reserve Bank in the third quarter.

This factor linked to the current account indicators points to a continuing but small overall capital outflow.

But the capital side is heavily influenced by repayment of previous borrowings, it is not worsening at present.

SHAREHOLD

MEETINGS
TODAY: 10.30, Cons Glass Works, 56 Main St, Johannesburg; 11.45, SA Marine Corp, BP Centre, Thibault Square, Cape Town; 11.45, Amalgamated Medical Services, 85 Eloff St, Johannesburg; 12, Union Cold Storage, 85 Eloff St; 12, Gypsum Industries, Bedford Centre, Bedfordview; 2.30, Silverton Tannery, Silverton, Pretoria.
TOMORROW: 10, World Furnishers, World Furn Centre, Kerk St, Johannesburg; 10.30, Steelmetals, 5f Main St, Johannesburg; 12, National Bolts, 56 Main St; 12, Desiree International, Main Rd, Observatory, Capri Town; 12.30, Seardeal Inv, Main Rd Observatory.
WEDNESDAY: 9, Reunert an Lenz, 10 Anderson St, Johannesburg; 10.30, Prima Industrial, Lincoln R Industrial Sites, Benoni; 11, Zamb Copper, Hamilton, Bermuda; 11, Middle Wifs, 56 Main St, Johannesburg; 12, Industrial Invest Co, 35 Ridge R Durban.
THURSDAY: 11, Primrose Industrial, 20 Anderson St, Jo

1968	1967	1966	1965
-38	3	27	81
-88	-1	30	1
-88	5	32	1
-88	21	144	15
-110	22	-212	56
-41	75	25	30
-4	3	-7	25
-5	26	10	10
-50	104	-142	104
-60	-316	172	172
-78	23	13	13
-78	159	-78	159
-612	-528	-528	-528
-1 577	-1 799	1 282	1 282
301	257	257	257
736	688	688	688
1 074	1 024	1 024	1 024
1964	1963	1963	1963

BALANCE OF PAYMENTS
Annual figures
R millions

1 Alle tabelle in hierdie afdeling het betrekking op die Suid-Afrika en Suidwes-Afrika
2 Gepubliseerde Doeanesifers aangesuiwer vir betaling eendes.

Verandering in bruto goud- en ander buitelandse reserve	Change in gross gold and other foreign reserves
SDR-toekennings en waardasie-aansuiweringe	SDR allocations and valuation adjustments
Liabilities related to reserves	Liabilities related to reserves
Laste verwant aan reserve	Laste verwant aan reserve
Verandering in netto goud- en ander buitelandse reserve	Change in net gold and other foreign reserves owing to
Wegens betalingsbalanstransaksies	Wegens betalingsbalanstransaksies
Verandering in netto goud- en ander buitelandse reserve	Change in net gold and other foreign reserves owing to
Balance of payments transactions	Balance of payments transactions
Foutte en onaangerekende transaksies	Errors and unrecorded transactions
Private sektor	Private sector
Private sektor	Private sector
Openbare korporasies en plaaslike owerhede	Public corporations and local authorities
Openbare korporasies en plaaslike owerhede	Public corporations and local authorities
Centrale regering en banksektor	Central government and banking sector
Centrale regering en banksektor	Central government and banking sector
Short-term capital movements not related to reserves	Short-term capital movements not related to reserves
Korttermynkapitaalbewegings nie verwant aan reserve nie	Korttermynkapitaalbewegings nie verwant aan reserve nie
Basiese saldo	Basic balance
Private sektor	Private sector
Private sektor	Private sector
Openbare korporasies en plaaslike owerhede	Public corporations and local authorities
Openbare korporasies en plaaslike owerhede	Public corporations and local authorities
Centrale regering en banksektor	Central government and banking sector
Centrale regering en banksektor	Central government and banking sector
Langtermynkapitaalbewegings	Long-term capital movements
Langtermynkapitaalbewegings	Long-term capital movements
Saldo op lopende rekening	Balance on current account
Transfers (net receipts) +	Transfers (net receipts) +
Ordragte (netto ontvangste) +	Ordragte (netto ontvangste) +
Total van goedere en dienste (netto ontvangste) +	Total goods and services (net receipts) +
Total van goedere en dienste (netto ontvangste) +	Total goods and services (net receipts) +
Payments for services	Payments for services
Betalings vir dienste	Betalings vir dienste
Merchandise imports, f.o.b.	Merchandise imports, f.o.b.
Goedere-invoere, v.a.b.	Goedere-invoere, v.a.b.
Service receipts	Service receipts
Ontvangste vir dienste	Ontvangste vir dienste
Net gold output	Net gold output
Netto goudproduk	Netto goudproduk
Merchandise exports, f.o.b.	Merchandise exports, f.o.b.
Goedere-uitvoere, v.a.b.	Goedere-uitvoere, v.a.b.

BETALINGSBALANS
Jaarsyfers
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ring en monêre

RDM 25/10/77 (49)

SA is prepared for sanctions — Cronje

By GERALD REILLY
ORGANISED commerce and industry and South Africa's largest trade union organisation are not greatly concerned about the effects of mandatory United Nations sanctions and boycotts.

The president of the Federated Chamber of Industry, Mr J P Cronje, and the general secretary of the Trade Union Council of South Africa, Mr Arthur Grobbelaar, claimed that in the short-term sanctions could give a substantial boost to local industry, and lead to a greater degree of industrial self-sufficiency.

The president of Assocom, Mr R Mitchell, said

while there were many threats of sanctions, the reality might be very different.

Mr Cronje said from Cape Town that South Africa had been conscious of the sanctions threat for months, and preparations had been made to absorb the impact.

Perhaps a fuel boycott was the most serious threat, but even in this area South Africa had large strategic oil reserves.

"While obviously not welcoming sanctions, it is important to look at the other side of the picture. To be realistic, South Africa has a sophisticated

manufacturing sector, advanced technology and management skills and these would be a powerful defence against sanctions."

But if the sanctions went as far as interfering with air, sea and other communications there could be serious repercussions.

Mr Grobbelaar agreed that sanctions would boost South African industry.

This had happened in Rhodesia.

If South Africa retaliated, as it probably would, by closing down on vital exports, then some of the boycotting countries could be harmed to an even

greater extent than South Africa.

The head of business economics department at the University of the Witwatersrand, Professor A Spandau, said a trade and investment boycott would have little effect on the South African economy.

In any case very little capital was currently coming into South Africa. There could be limited adverse effects, but none would be serious or catastrophic, he said.

Asked what effect sanctions would have on Stock Exchange prices, Professor Spandau said the boycott threat had been anti-

ipated.

"I think the stock market prices have already taken into account the effect of trade and investment sanctions, and if the sanctions are ordered by the security council there will only be a minimal, if any effect at all, on price levels."

The chief executive of the South African foreign trade organisation, Mr W B Holtes, said the effect of boycotts and sanctions would not be critical.

South Africa had a high degree of self sufficiency and local industry would be boosted to a higher level.

26/10/77

49

Business Mercury

Building industry urged to ... 'Make plans for trade sanctions'

PLETTENBERG BAY — The building industry should now prepare for a prolonged but extremely cautious economic recovery and should also have plans ready in case of trade sanctions against South Africa, Professor Gert de Wet of the Department of Economics, University of Pretoria, said here yesterday.

Speaking at the annual Congress of the Building Industries Federation he said the economic position was delicately balanced enough without these politically inspired problems.

"Taking them into account, we may expect the policymaker to be even more cautious. One should therefore expect no more than a gradual and mild loosening of the present tight monetary and fiscal measures.

Special treatment

"The building sector might receive special treatment insofar as it represented a sector where economic stimulation might be applied with only indirect consequences for the current account of the balance of payments.

Even if the Government could be persuaded in this direction, the building industry should at any rate not expect to enter its own recovery for some months to come.

One effect of trade sanctions on South Africa which no sector would be able to escape, would be decreased exports, which would be transplanted to the whole economy.

If firms were more aware of the implications of strategic choices made in good times, the ruinous effects of the downturns might be mollified, said Mr. Grant Robinson, senior lecturer, School of Business Leadership, Unisa, another speaker.

He said this was difficult when it was realised that the company which did not climb on the bandwagon when times were good might not be able to store up fat against the lean years. — (Sapa.)

Sanctions — urgency and joke

RDM 26/10/77 (49)

By CHRIS CAIRNCROSS
Industrial Editor

PLETTENBERG BAY. — The building industry was warned yesterday to prepare contingency plans that could be brought into effect should the threat of sanctions against South Africa materialise.

The warning was issued by Professor G L de Wet, professor of economics at the University of Pretoria, at the annual congress in Plettenberg Bay of the Building Industries Federation.

He said that while South Africa might be able to avoid sanctions, it was important to consider the possibility.

With the economy delicately balanced, political problems made it necessary for the authorities to tackle any proposed policy changes cautiously.

But Mr W F Hamilton, a member of the Prime Minister's Economic Advisory Council, said that in present

circumstances, any attempt at preparing a strategic plan for the building industry would be a joke.

Mr Hamilton, a past president of the Building Industries Federation said: "The best we can do is (adopt) a tactical campaign for the majority of our firms to stay alive and reorganise.

"Our industry is at present suffering from the worst depression since 1930 and here we are sitting on a rock in the middle of a pleasure resort fiddling while Rome burns."

Mr Hamilton complained that the strict policies forced on South Africa to improve its balance of payments and other problems had dealt a crippling blow to the building industry.

"We have been sacrificed as a service group and our long-term planning has been shattered."

Recent events had nullified the industry's long-term planning, training, recruitment and development.

Mr Hamilton suggested that although it might seem impractical at first glance, it would pay the building industry in the long run to prepare to switch to more primitive labour-intensive methods of production.

An indirect effect of trade sanctions, with a more than proportional impact on the building industry, was the depressing effect on the supply of loan funds that a slump in current account receipts would have.

Because the building industry was sensitive to the availability of investment funds to finance its activities, it should be ready to meet the situation should it arise.

Mr Mike Ridley, group managing director of LTA, said that there were two continuing problems the industry had to contend with.

These were the strains produced by a market which fluctuated rapidly in size and

virtual migratory labour system which operated at many levels, including salaried management.

"We badly need a more stable environment than we now have," said Mr Ridley.

This called for a more consistent and clearly stated long-term capital spending programme by the public sector.

The timing and level of public spending were not always determined by economic factors. Nor were the people concerned with these decisions making them, linking them to the building industry's requirements.

Mr Ridley called on employer organisations, like Bifsa, Seifsa, and the Federation of Civil Engineering Contractors, to continue exerting pressure on the Government to improve its long-term planning of capital spending.

This would enable the industry to improve its own strategic long-term planning.

GOLD EXPORTS AND

"The ability of industry to create wealth makes the difference between strong nations and weak ones."

Quote from speech made by Mr. H. W. Archibald, president of the Natal Chamber of Industries, to the Natal Footwear Association.

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panying species are
contortus, Setaria fl
weedy species such c
congesta, Microchlo
type develops throug

pediment slopes, which are slightly more mesic (Opperman & Roberts, 1974).

The soil forms supporting this type are Clovelly, Hutton and Avalon. This type is not common as the situations in which this community can thrive are normally those providing the best agricultural land and are usually under the plough.

5.2.3 (viii) Eragrostis chloromelas - Heteropogon contortus co-dominant grassland community

This community is represented by plots 208, 140 and 210 and is similar to the Elionurus argenteus, Eragrostis chloromelas, Heteropogon contortus dominated communities but has high values of Eragrostis chloromelas, a reduced cover of Elionurus argenteus, Themeda triandra and Brachiaria serrata, a slightly more consistent cover of Setaria flabellata, virtually no Tristachya leucothrix and no Eragrostis racemosa. This type occurs on the middle to lower portions of the pediment slopes generally between 1 550m and 1 600m; the drop in altitude often results in soils being shallower phases of the Clovelly and Hutton forms and of the Mispah form where Molteno Sandstone starts to outcrop. Where rock is not outcropping the soils are of Clovelly and Hutton forms.

Generally this type is poorer in species than the Elionurus argenteus - Eragrostis chloromelas - Heteropogon contortus community to which it is closely related and the species differences suggest a heavy grazing pressure which is reinforced by a reduction in cover to below 3,0 per cent. These areas are used for stock as the soil depth is shallow and cannot be used for extensive cultivation. The photo identification hue is constant at light-grey-brown (lgybr), the grey hue being derived from the Eragrostis chloromelas.

SOCIAL CHALLENGES

must recognise our problems'

Mr. G. S.
Reckling



Need for change

PROSPERITY will not return to South Africa until it changes its political stance, according to Mr. Fred Beard, chairman of Protea Holdings.

Mr. Beard writes that as a developing country, South Africa must be able to raise overseas loans and attract investment from abroad.

"We cannot do this until we eliminate racial discrimination and give our non-Whites a say in the running of the country. These are the requirements of our friends in the Western world — to whom we must look for the necessary loans and investment.

"It would be very nice, of course, to continue the status quo with all privileges and benefits that go with a white skin — but, our friends are demanding radical changes NOW.

APART from political decisions, at home and abroad, the fate of the South African economy depends almost entirely on the price of gold and the country's export trade, other than gold.

This is the view of Mr. G. S. Reckling, president of the Durban Chamber of Commerce, who says that it is necessary for South Africa, its government and people to concentrate on producing goods which have potential in the world market.

In addition, imports had to be restricted to items which were not available in South Africa and the money supply at home had to be curbed.

South Africa's deep involvement with the world economy entailed the disadvantage of her being dependent on other countries.

"The ups and downs of economic affairs in a number of countries have a pronounced effect on South Africa.

"It is my view that in spite of continuing difficulties, the world's economy has shown a more favourable trend recently.

"The volume of world trade, in real terms, which dropped by about 5 percent, in 1975, rose by an estimated 11 percent, last year.

"Also, recent falls in the exchange rate of the US dollar against other currencies, have affected the South

African rand. This has made our exports more competitive."

Mr. Reckling warned that a consistent fight against inflation had to be maintained. It was only thus that the material resources of the economy, and especially the real value of peoples' savings, could be preserved.

"There are many challenges to be met which have nothing to do with coping with a recession.

"Important assumptions are that overseas confidence in South Africa will return and our government has the ability to provide a formula for a sound economic base in this country.

"An obvious solution is the removal of racial discrimination in Commerce and Industry. This would have the effect of placing the entire economy in a higher growth bracket.

"In other words, there are socio-political factors which are hindering our recovery.

"We are suffering from more than a cyclical downturn. We must recognise our problems which, if they remain unresolved, will inhibit our recovery whatever happens elsewhere."

STIMULATING THE ECONOMY

Export must change pattern

P. J. van Schaik

Economist with the Nedbank Group Economic Unit

THE ECONOMIC downswing has continued for three years and the "recession", in the strict sense of a fall in non-agricultural output, for at least a year. As almost everyone is now adversely affected, it is natural that many, whether they believe the bottom has been reached or not, advocate a stimulatory policy.

However, it may not be safe to stimulate too widely or too generally. Two key problems still face the South African economy: the external payments imbalance and the still too high rate of domestic inflation.

The outlook on the inflation front is hopeful and by December inflation could be down to 10 percent — or even at last into single digits again.

The balance of payments position has improved dramatically. But it is still more of a problem than most people think it is. The root of the difficulty is that the inflow of long-term capital from abroad is substantially smaller than it was, say, two or three years ago. However, the South African economy is accustomed to running a current account deficit and offsetting it with capital inflows.

As it seems that the long-term inflows will now be smaller (at any rate in the medium-term future), the current deficits will also have to be reduced.

This means that unless the economy as a whole can change the manner in which it earns money (from exports) and spends it (on imports), the target feasible overall growth rate will be lower. The country has to

The need to be able to repay a part of the short-term foreign debt incurred in recent years is high on the list of priorities. This adds to the burden which the balance of payments current account surplus has to bear.

In an important sense it will not be safe to stimulate until the net foreign reserves are again at a satisfactory level.

Against that background a realistic appraisal of the likely pattern of export earnings is of the utmost importance.

Although the gold bullion markets have looked stronger over the middle months of 1977, there is no particularly persuasive reason to expect that the gold price will continue to increase. The value of net gold output was R2 346 million in 1976. Net gold output, if prices hold at present levels, will just better R2 500 million in 1977 — about 7½ percent more than last year.

Conventional wisdom holds that South Africa will find her way out of the dilemma because of a general increase in world metal prices. This may be so over the medium term or long term — but two reasons make it seem unlikely between now and the early months of next year.

The first is recent trends in metal prices on the world

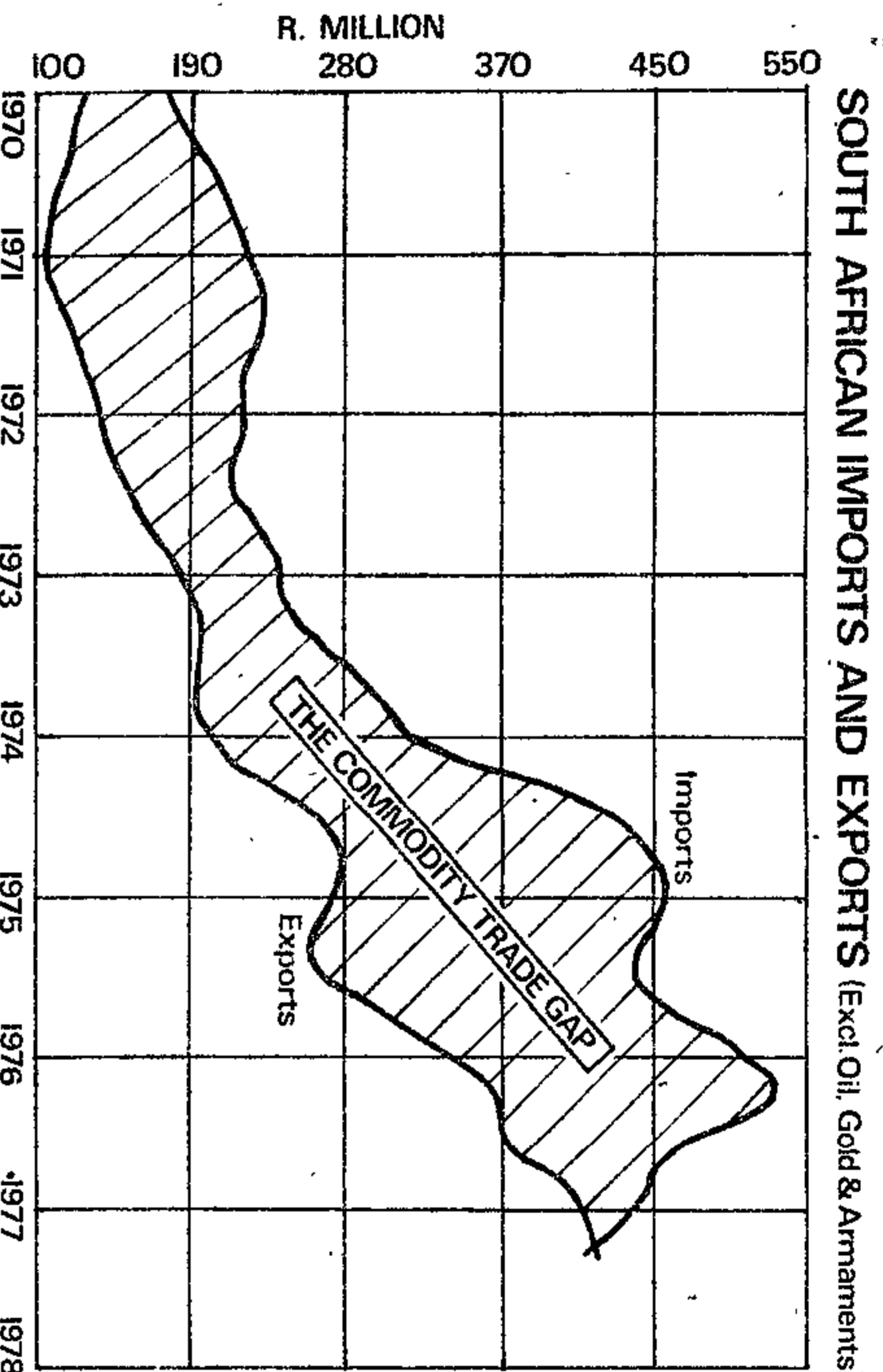
only marginally, as the second half of the year began.

Another aspect to be taken into account is the fact that, except for copper, tin and zinc, practically all of the country's mineral products are exported on the basis of a contract price, which is fixed for longer or shorter periods of time.

Although world market prices are taken into account, this gives only an indication of new contract prices and does not necessarily reflect them. The exports of copper, tin and zinc make up about 12 percent of total proceeds from the exports of minerals per annum. The prices for copper and zinc are expected to remain low for the remainder of this year.

The conclusion, thus, is that an upturn in South African export proceeds in the short-term will not materialise purely as a result of price movements on the world metal markets.

What is possible, however, and most likely to occur, is that total revenue from mineral exports will increase as a result of increases in volumes made possible by the commissioning of the harbours at Saldanha and Richards Bay and the relief which resulted, accordingly, in other major



THIS GRAPH, prepared by the Bureau for Economic Research at Stellenbosch, shows how the commodity trade gap has been closed. The merit of this achievement can be assessed by viewing it against the position last year and in 1975.

RESTORING THE PROFITMOTIVE

MANY leaders of industry and commerce are planning their hopes on an improvement in business conditions in 1978. But, so far, there are no positive reasons for optimism and, with the passing of each month, any improvement is, if anything, delayed further.

Improvement (or even further decline) in business conditions depends largely on the will of government to reflate the economy.

The real question is — will it? There appears to be some optimism based on the improvement in the current account in the first quarter, but even so the nation's net reserves declined. This gives little hope that the improvement in the current account will lead to any change in the Government's restrictive monetary policy.

This is reinforced by inflation still continuing unabated with the hope of reduction to single digit proportions still to be achieved.

In addition, there is the prior need to maintain Government expenditure on



H. W. Archibald
President of the Natal Chamber of Industries.

armaments and strategic industries and other works at a high level. This is not only a drain on foreign exchange, but is in itself inflationary.

This gives little, if any, hope to manufacturing industry that government action will bring relief, or improvement in conditions in the next 12 months.

What then can be done? Industrialists must exer-

cise all the obvious disciplines by way of management of resources to ensure their survival and so put their businesses in a position to take advantage of any recovery — whenever this may be.

On government there is the responsibility to create an improvement in environment.

A prior need is employment and housing for the growing population, many of whom are without adequate means of support.

As President of the Natal Chamber of Industries I reiterate the plea that the restraints to progress on housebuilding be replaced by an energetic lead by government to bring into being a massive construction programme for renting and house ownership.

In addition, that the import replacement and displacement study completed in July 1977, be implemented in an urgent and positive fashion by joint action between the various employer groups and government departments.

(continued on Page 3)

Tighter control

Dr. Johan Cloete

Group economic consultant for Barclays National Bank Ltd.

NOT so long ago, the view was widely held that the only kind of stimulation which we could afford, particularly because of the balance-of-payments weakness — was one emanating from exports.

The export-led recovery, however, has proved as elusive as effective control of inflation through restrictive monetary and fiscal policies.

Even the Government has apparently abandoned exclusive reliance on an export-led recovery and is now talking of possible internal stimulation of the economy in four to five months' time.

Two reasons are advanced why internal stimulation of the economy, at this time, would be premature. In the first place, it is argued that, although the current account of the balance of payments is in surplus, our gold and foreign exchange reserves must be built up to a substantially higher level than at present to provide for repayments of short-term foreign borrowings or for the possibility that we might not be able to renew a substantial part of our foreign loans falling due for repayment over the next year or two.

However, the need to build up our reserves does not appear to preclude stimulation of the economy. South African industry has a considerable amount of unused production capacity which means that our manufacturers can produce more (in response to an increase in demand) at least for the next nine months to a year without importing more capital goods. Stocks of industrial raw materials are adequate so that increased output can take place, for a while, without the need for an increase in imports.

Thus, more money put into circulation by the Government or by the banking sector or, for that matter, as a result of an increase in

exports, should not significantly affect the level of imports, and should not inhibit our efforts to build up our gold and foreign exchange reserves. We can make certain that additional money put into circulation does not push up imports by applying appropriate import controls.

The argument that we cannot, at this stage, stimulate the economy does not hold water since it is only by giving rise to an increase in imports that such stimulation of the economy can adversely affect the balance of payments and, unlike the position with regard to exports, we ourselves have control over our imports.

Moreover, by controlling imports, we could make certain that additional capital goods which our manufacturers require are, if possible, purchased from domestic sources.

In time, imports will have to increase if output is to continue to grow. But, in view of the likelihood that we shall have to do with less foreign capital than in the past, we probably have little option but to apply tighter import control from now on. We shall be forced to separate the balance of payments from the domestic economy by appropriate import control and rely on our manufacturers switching and exploiting domestic sources of supply, to give us the necessary economic growth.

Mercury 27/9/77 (49)

Other specific products the export earnings of which could make a very significant contribution are wool, sugar and maize. The price of wool for the season starting in September will probably show a slight increase over the average price of the season before, due to further shift in demand from synthetic fibres to wool as the price differential becomes smaller.

As far as sugar is concerned, prices are easing on the world market. This, however, will not affect South African revenue from sugar as the crop has already been sold forward at prices higher than the ruling market price.

The latest estimates place maize exports at about 2,9 million tons. At an average price of R75 (slightly less than last year), revenue from this source will make a substantial contribution to total export revenue.

To summarise: export earnings are not expected to increase during the second half of this year at the rate at which they did during the first six months — and the overall gain in 1976, which will be considerable, will be largely because the larger volumes will be maintained.

The aggregate of merchandise export proceeds, perhaps nearly R6 000 million, in 1977 will be about 24 percent larger than that of last year.

The growth in earnings from primary exports, which, it was hoped would lead South Africa into the upswing, has occurred. However, the upswing has not yet begun although there are indications that it will soon. But there is every probability of a gradual turn in the terms of trade in favour of manufactured products in 1978, i.e., a turn against many of South Africa's present exports. This emphasises the arguments that if the new growth of the South African economy is to remain export led, our export mix will have to change. The manufacturing sector will have to play a bigger role.

ake
dvantage

Ready for a new lift-off

THE Romatex Group has put the worst recession to hit South Africa for 40 years to good effect and is poised for the recovery when it comes.

"While nobody would welcome a recession of this severity, a business does need to slow down periodically to check that all the wheels are securely on," says executive chairman Mr. Jack Ward.

Restructured and renamed barely two years ago, Romatex has used the quiet period to perfect its organisation and philosophy.

It has identified its areas of business and its policy towards expansion and diversification. It has also defined its target returns on investment from its varied activities.

"When the economy lifts-off again, we should be well-placed to go ahead with it" predicts Mr. Ward.

"We have defined where we can expand and we have created a strong financial base from which to do it."

Apart from internal expansion, the policy is to seek acquisitions by existing divisions, in areas of allied technological or business expertise, and by the parent company, Romatex Limited, in new areas where the operation is of such a size as to stand on its own feet as a division in itself.

"It is our policy to reinvest substantially to en-

sure continued growth and technical efficiency.

"We have for the immediate future, a stated dividend cover policy of 2.5 times - in other words, we will ploughback 60 percent of net taxed profits."

While liquidity has been built up strongly during the lull and short and long borrowings represent only 33 percent, of ordinary shareholders' funds, the gearing will be increased if necessary to aid expansion.

Should such expansion opportunities not be forthcoming, the ploughback could also be reduced. In the view of Mr. Ward, "there is no merit in sitting indefinitely on large cash balances, we shall use them or distribute them."

Romatex has put the pause to good purpose in other respects too. A number of bottlenecks had developed in the production lines and the labour structure required streamlining.

The slowdown also allowed the group to analyse the market enabling it to revise strategies and assess its product lines.

During the past year, surplus plant capacity had been closed down, particularly in areas of lower efficiency. A number of new products have been introduced and existing ones revitalised and - particularly in the floor coverings division - the marketing structure and

strategy have been reorganised.

Romatex Mills and Carpet Manufacturing Company for instance, have rationalised their synthetic spinning plant enabling them to handle a wider range and to improve output.

A reassessment of labour and training needs is another vital area that has been covered in the quiet period.

This is an ongoing function but the research and study needed to get it off the ground has largely been done.

"We can see where we're going, and that means that we can concentrate our efforts on getting there."

INTERPRETING THE TRENDS

CAREFUL reading of local and international market trends has enabled the Pietermaritzburg-based Conac engineering group to chalk up growth in turnover and profits during one of South Africa's worst recessions in more than 30 years.

In 1974 Conac's turnover was valued at R1,6 million. In 1975 it rose to R3,1 million and last year, in spite of the recession, it went ahead again to R3,2 million.

Profit motive

(continued from Page 2)

Too long has industry suffered from inadequate protection causing damage to the national strategic capability, employment opportunities and balance of payments. It has been stated that industry has 25 percent of its capacity unemployed. This figure is more likely to be 50 percent, on a stretched basis and manufacturers would like the challenge. Not only would costs come down, to the benefit of all concerned including exports, but employment opportunities would increase.

The position of South Africa in relation to GATT has been exploited by some importing countries, and it is essential that realistic barriers be placed in their way as a matter of urgency.

In addition to all the foregoing, the profit motive must be restored to manufacturing industry. The

net, after tax, margins to manufacturers are too small and the return on funds employed has shrunk to unrealistically low proportions. Until this is restored, industry will not seek to expand. Profit control, by way of price control, must therefore be removed in all but the few extreme cases. Only then will the entrepreneurial energies and skills be released to the benefit of the nation.

NEW SKILLS

The recession has caused more people, out of work or feeling their jobs threatened, to turn to night tuition courses to acquire skills in new disciplines.

This has been the experience of CIM-Deltak (Pty.) Ltd., the company in the Fine Spamer group offering multi-media training mainly to large companies.



"We have to speed up the acceptance of the South African product. I am a little disappointed that people will buy a cheap imported item rather than a more expensive, but better quality, locally made product."

Mr. Fisher said that it was not sensible economics to pay a service charge of about R18 to have a stove switch replaced with a cheap product.

"Pay R5 for your switch and your troubles will be over for a long time."

Mr. Fisher added that the "throw-away era" was over. People could no longer afford to buy cheap products intending to replace them with other cheap products when they failed.

In addition, industrialists had to be more professional in their approach and attitude.

"The recession has shown that people are not prepared to replace large items such as stoves. On the other hand, the replacement market, for spare parts is strong."

Mr. Fisher said that although Oak Industries was doing well in the export market it was a bad principle to export when the economy was down.

"Overseas markets should be established when we are at the top and have money to spare."

the company, either had to expand or sell out.

Conac decided to buy out Clifford and the factory was closed down and moved to Pietermaritzburg.

Clifford's business was allied to cable machinery and this served to strengthen Conac's wire and cable machine manufacturing operation.

Conac is now exporting these machines, which are designed and built in Pietermaritzburg, to Israel, Britain, Australia, Nigeria, Brazil, Germany, Switzerland and Italy.

This diversification is expected to lead to a boost in export turnover this year, according to Mr. Eugen Ege, managing director.

"We are expecting to export machines valued at nearly R1-million this year compared with R400 000 last year."

Switches for export

OAK Industries (S.A.) Pty. Ltd., a company which makes controls and components used in various electrical appliances, is working flat out in spite of the downturn in the South African economy.

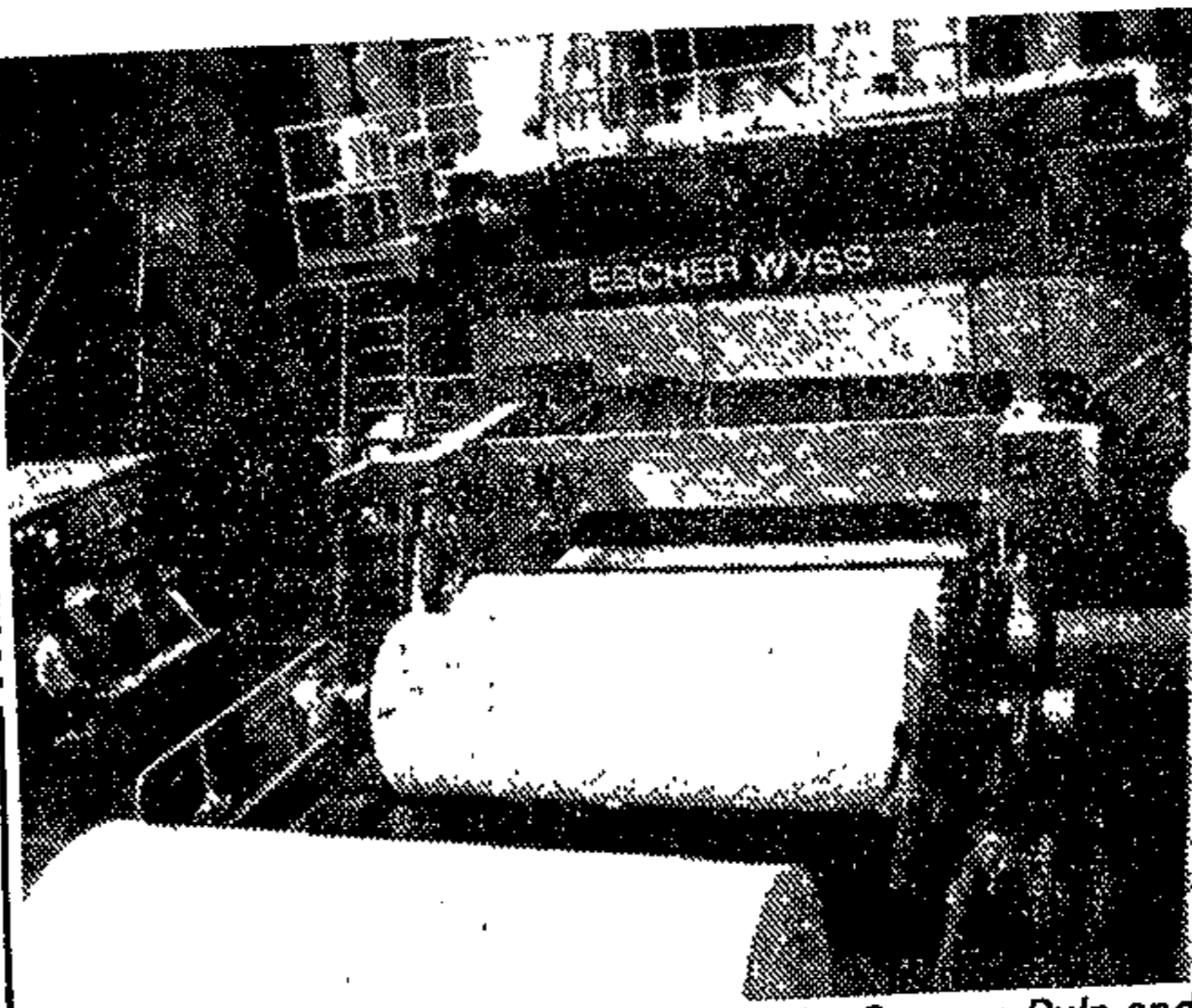
Production lines are humming at the company's Pietermaritzburg factory and the management is thinking about expansion in the new year.

Mr. Keith Fisher, marketing manager, said that an export market had been established in the U.S.A. and 60 000 rocker switches had already been exported to America this year.

"We have obtained our first order from the United Kingdom and we are looking for a market in Holland."

"Our exports may build up to a level when the home market becomes secondary in volume."

Mr. Fisher stressed that all the components used in Pietermaritzburg were South African.



The huge paper making machine at the Stanger Pulp and Paper Mill.

Saving rands on local paper

PAPER users must accept the fact that the Stanger Pulp and Paper Mill has come to stay, according to Mr. K. A. Skinner, the company's managing director.

Mr. Skinner said that it was nonsense to import paper when it could be bought on the spot.

The mill, which cost about R65 million to build could save the country R25 million a year in foreign exchange.

"There has been a stirring of response from printers and manufacturers. People are now satisfied with our products but at the start we had some difficulty in being accepted in the market."

Mr. Skinner stressed that although there was plenty of paper available in the world today, an unexpected change

in climate could result in a shortage.

The tissue now being manufactured at Stanger was good in character and colour. This was being used for producing toilet paper and facial tissues.

The mill's paper is now being ordered for labels, calendars, magazines, writing paper and for many other purposes.

Built on a large site adjacent to the Gledhow Sugar Mill, from which it obtains its supplies of bagasse for the manufacturing process, the paper mill is a joint venture by the C. G. Smith Group and Reed Finance (Pty.) Ltd., which is a wholly owned subsidiary of Reed International Ltd.

The mill is capable of producing 34 000 tons of uncoated and coated paper and 17 000 tons of tissue a year.

Saving waste

MR. G. J. VAN WEERS, managing director of Capital Waste Paper Co. (Natal) (Pty.) Ltd., Durban has announced that his company will install three hydraulic compactors at the Durban Hyperama at a cost of R70 000. This is being done to salvage waste paper at the huge store.

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o dicitur, quod non iure sit.
quo nocetur de castimat. q.
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Generatim dicitur
pro sit: h. res. ubi Cl.
o dicitur, quod non iure sit.
quo nocetur de castimat. q.
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COMMENTARIUS

TEXTUS

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Reserve Bank sees end of downswing

RDM
30/9/77
49

ALTHOUGH the economy is still in a downswing, factors are emerging which indicate that the end of the downward phase may be reached soon, says the South African Reserve Bank in its September quarterly bulletin.

The bulletin says a higher rate of economic activity in the primary sectors is mitigating the recessionary conditions that are reflected in the quarterly national accounts. These include a continued deterioration of the capital account of the balance of payments.

Giving rise to the hope that the recession is soon to bottom out is the fact that the real gross domestic product increased significantly in the se-

cond quarter of 1977 after having declined in the previous two quarters.

This increase was due to a rise in the real value added by the agricultural, mining and service sectors. The real value added by other industries and trade continued to decline.

Real gross domestic expenditure declined substantially in the second quarter because of decreases in gross domestic fixed and inventory investment.

Real private consumption expenditure remained more or less unchanged at the level of the preceding quarter, and real Government consumption expenditure increased moderately.

"At current prices, the gross national product exceeded the gross domestic expenditure for the first time in four years, and this was also reflected in a surplus on the current account of the balance of payments."

At a seasonally adjusted annual rate, the current account of the balance of payments changed from a deficit of R262-million in the first quarter to a surplus of R1 277-million in the second quarter.

This was due to a further increase in the value of merchandise exports and the net gold output and a continued decline in the value of merchandise exports.

The capital account of the balance of payments, however, deteriorated in the second quarter.

Not only was there a further outflow of short-term capital not related to reserves and repayments on compensatory foreign loans, but a net outflow of long-term capital.

A net outflow of short-term capital not related to reserves, including errors and unrecorded transactions, occurred again in the second quarter and amounted to R298-million.

The bulletin says the private sector was entirely responsible for this outflow because a small net inflow of short-term funds was recorded for the central Government and banking sector and public corporations and local authorities.

Notwithstanding the net outflow of long-term capital, the basic balance remained in surplus, and the surplus was even larger than in the first quarter.

Mainly because of new gold swap agreements in April, the gross gold and other foreign

reserves — after adjustment for the new gold swaps and changes in liabilities related to reserves — however, declined by only R13-million "which" was very modest in relation to the decreases recorded during preceding quarters."

The continuing depressed conditions in the non-primary sectors of the economy caused a further rapid increase in unemployment.

The seasonally adjusted number of registered unemployed whites, coloureds and Asians rose from 24 940 in March to 28 603 in July and 31 585 in August.

"Although no reliable statistics are available, indications are that black unemployment also increased substantially further during recent months," says the bulletin.

After having accelerated during the first quarter, the annual rate of increase in both consumer and wholesale prices declined in the second quarter.

"Notwithstanding this decline, the rate of price increases still remains high."

The seasonally adjusted money and near-money supply increased sharply in the second quarter and July, mainly due to a substantial rise in bank credit to the private sector. This was mainly attributable to an increase in cash credit advances by the Land Bank.

"Gross domestic saving increased further during the second quarter of 1977, and for the first time in four years actually exceeded the amount needed to finance total fixed and inventory investment.

"Consequently, the country's net indebtedness to the rest of the world could be reduced.

"Preliminary indications are that all components of gross domestic saving — personal and corporate saving, the current surplus of Government and provision for depreciation — increased during the second quarter of 1977." — Sapa.

Dresdner

job

BONN. — West Germany's minister of Economics, Mr. Hans Frederichs, will formally resign on October 7 to join one of West Germany's largest commercial banks. He will join the board of Dresdner Bank.

Sanctions would hurt West, say economists

49 Daily Mail 27/10/77

By GERALD REILLY

THE Western countries which are holding the threat of sanctions over South Africa had a combined favourable trade balance with South Africa of nearly R1 000-million last year.

Figures provided by the Department of Customs and Excise show the United States had a massive surplus of more than R800-million in its trade with South Africa in 1976.

South Africa imported US goods valued at R1 266 573 805, and exported goods worth R459 660 478.

The trade balance in favour of Britain was only R29-million — R1 030-million in British goods, com-

pared with SA exports of R1 001-million.

France exported to South Africa goods worth R255 377 370 in 1976, and SA exported to France goods valued at R158 576 380 — a balance favouring France to the tune of R96 800 990.

Economists said yesterday it's against this background that the threat of sanctions should be measured.

All three countries would suffer substantial losses if efforts were made to sever all trade ties with South Africa.

Professor Arnt Spandau, of the business economic department at the University of the Witwatersrand, said the favourable trade with South Africa would

make the leaders of the three Western countries think hard before supporting trade boycotts against South Africa.

In the US, particularly, the level of unemployment had been rising over the past few years.

It was highest, up to 11%, among minority population groups, particularly among young blacks.

Reduction in unemployment was a prime factor in the social policies of the three Western governments.

To sever trade ties with South Africa and jeopardise the lucrative export business would obviously seriously aggravate the unemployment problems in the three countries, Professor Spandau said.

49

28/10/77

SANCTIONS WOULD HIT WEST HARD

Mercury Correspondent

PRETORIA — The Western countries which hold the veto threat over South Africa's head had a combined favourable trade balance with this country of nearly R1 000 million last year.

Figures provided yesterday by the Department of Customs and Excise show that the United States had a massive surplus in its trade with South Africa of more than R800 million in 1976.

South Africa imported from the U.S. goods valued at R1 266,573,805, and exported to the U.S. goods worth R459,660,478.

With the U.K., the favourable trade balance was only R29 million — R1 030 million worth of British imports, compared with S.A. exports to the U.K. of R1 001 million.

French exports

France sold to South Africa during 1976 exports valued at R255,377,370 and S.A. exported to France goods valued at R158,576,380 — a balance in favour of France amounting to R96,800,990.

Economists said yesterday its against this background that the threat of sanctions should be measured.

All three countries, particularly Britain and the U.S., would suffer substan-

tial losses if efforts were made to sever all trade ties with South Africa.

Professor Arnt Spandau, of the Business Economic Department at the University of the Witwatersrand, said the favourable trade with South Africa would make the leaders of the three veto countries think hard before supporting trade boycotts against South Africa.

In the U.S., particularly, the level of unemployment had been rising over the past few years. It was highest, up to 11 percent, among minority population groups, particularly among young Blacks.

Reduction in unemployment was a prime factor in social policies of the three Governments.

To sever trade ties with South Africa and jeopardise the lucrative export business would obviously seriously aggravate the unemployment problems in the three countries, Professor Spandau said.

Horwood warns US of sanctions boomerang

RDM

28/10/77

(49)

Financial Editor
SENATOR Owen Horwood, the Minister of Finance, warned the United States yesterday that any United States sanctions against South Africa might prove to be "a pretty powerful boomerang".

He said the United States had a surplus of R816-million in 1976 in its trade with South Africa.

Senator Horwood said United States exports to South Africa were approaching R1 300-million a year and were greater than either British or German exports, hitherto the biggest to this country.

He told the American Businessmen's Club in Johannesburg: "It is quite unacceptable to South Africa to be told that its Government — or its people for that matter — has a lesser awareness or appreciation of human rights than the President of the United States."

"I need hardly remind you as businessmen with important American connections and interests of the very large amounts of capital of all kinds which have been invested over the years in South Africa by American business interests and individuals, nor of the unusually productive, profitable and secure nature of these investments."

Senator Horwood did not believe that effective economic sanctions could or would be taken against South Africa.

But if they were, South Africa would adjust its trading patterns to meet them. This would particularly affect the United States.

GERALD REILLY reports from Pretoria that the Western countries which hold the sanctions threat over South Africa's head had a combined favourable trade balance with this country of nearly R1 000-million last year.

Figures provided by the Department of Customs and Excise show that the United States had a surplus in its trade with South Africa of more than R800-million in 1976.

South Africa imported from the United States goods valued at R1 266 573 805 and exported to the United States goods worth R459 660 478.

The favourable British trade balance was R29-million — R1 030-million of British imports, compared with South African exports of R1 001-million.

France sold to South Africa goods valued at R255 377 370 and South Africa exports to France were valued at R158 576 380 — a balance in favour of France of R96 800 990.

Economists said yesterday it was against this background that the threat of sanctions should be measured.

All three countries, particularly Britain and the United States, would suffer substantial losses if efforts were made to sever trade ties with South Africa.

Professor Arnt Spandau, of the business-economic department at the University of the Witwatersrand, said the favourable trade with South Africa would make the leaders of the three United Nations veto countries think hard before supporting trade boycotts against South Africa.

In the United States...

Statement to come soon

Horwood favours boosted economy

JOHANNESBURG — The Minister of Finance, Senator Owen Horwood, said here yesterday he intended making a statement on the moderate stimulation of South Africa's economy on a selective basis "in the near future."

Speaking at a luncheon of the American Businessmen's Club, Senator Horwood said a moderate stimulation of the economy at this stage would strengthen rather than weaken the capital account of the country's balance of payments. At the same time it would exert an expansionary influence on the Treasury's revenue from both direct and indirect taxes.

"At my request senior officials of my department and of other departments concerned have made an intensive study of the position and have now reported to me. I intend to make a statement in this regard in the near future," Senator Horwood said.

Fiscal policies

During his recent overseas visit various meetings and discussions had served to confirm that the conservative monetary and fiscal policies South Africa had adopted had been essential for the country's economic wellbeing and had been the mainspring of the dramatic change in the current account of the balance of payments.

A deficit, at a seasonally adjusted annual rate, of R2,529 million in the first quarter of 1976 had been transformed to a seasonally adjusted annual surplus of R1,277 million in the second quarter of 1977.

The Government, however, fully realises the importance of long-term

sound economic growth in all sectors of the economy, especially against the background of a rapidly-growing population and the need to create job opportunities for the increasing number of workers who enter the labour market annually.

"Furthermore, conditions have now changed to such an extent that a shift in policy emphasis — from restraining investment and consumption to the moderate stimulation of sound economic growth — has become desirable," Senator Horwood said.

Although the Government had succeeded in cooling down the economy and thereby achieving a surplus on current account, any further cooling down might prove to be counter-productive.

Current account

"We have demonstrated that we have our current account under control. It is now important that we also prove that our economy has the resilience and the potential to ensure an increasing standard of living to all the peoples of South Africa. We must exhibit faith and confidence in the future and growth potential of our economy.

"We must continue to convince foreign investors that there are profitable investment opportunities in South Africa, because we welcome foreign participation." — (Sapa.)

Indications of rise in gold price

JOHANNESBURG — Indications were that the price of gold would rise further over the longer term, but short-term fluctuations could be expected as speculators came into and went out of the market, the Minister of Finance, Senator Owen Horwood, said here yesterday.

Speaking at a luncheon of the American Businessmen's Club, he said the recent price hike of gold indicated that the gold market had received the message of the IMF's annual meeting, namely that all was not well with the world economy. — (Sapa.)

O. METCAL
Arts Faculty Officer,
FOR REGISTRAR.

Inpertinence of the rest of the world

RDM
28/10/77
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THE two dark clouds over South Africa today were the possibility of sanctions and the pressures being brought to bear from outside "to change our socio-economic policies", said Mr S O Goodwin, immediate past president of Assocom, in Mafeking last night.

He told the Mafeking Chamber of Commerce: "Let me state here and now and categorically that I consider it to be a gross impertinence on the part of the rest of the world to dictate how we should run our country."

"But the rest of the world was entitled to its views."

"South Africa was always prepared to listen to friends and to those who were favourably disposed to the country."

"But we reject those who would force their ideological ideas upon us."

South Africa had to accept as a way of life that the outside world wanted change, that it was demanding change. "And that they are, possibly, even prepared to suffer economic disadvantages to themselves in order to attempt to bring about that change."

It had to be considered whether countries like Britain, West Germany and the United States, but especially Britain, would be prepared to discard their lucrative markets in South Africa for an ideological concept.

"I think that there will be a considerable degree of infighting on this issue at the United Nations and that in spite of the pressures brought to bear by the Third World the West will to a degree exercise caution and proceed very carefully."

"I am inclined to think that economic considerations will make the bark worse than the bite."

Mr Goodwin said: "We in South Africa have indeed a serious problem, but certainly not one which is beyond our ingenuity to solve."

"We have all the positive factors going for us, labour, mineral resources, agricultural resources, technical know-how and ability — we must see that we do not create for ourselves by losing touch with the realities such negative factors as will work to our detriment."

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Despise—Direct

Despise, v., ho nyelisa, nyatsa, khesa, eisa, nyanya, nyoyya, s...
Despond, v., khathala, khathala...
Destiny, n., se phelang m...
Destitute, v., hlokoang...
Destroy, v., timetsa, senya...
Detail, n., hlokoang...
Detect, v., hlokoang...
Detective, n., hlokoang...
Deter, v., hlokoang...

Dexterous, adj., ea masane ka...

Dexterous, adj., ea masane ka...
Differ, v., hlokoang...
Differently, adv., hlokoang...
Differing, v., hlokoang...

26

27

Direction, n., tsamaiso, tso, bo-...
Dismal, v., ho nyelisa, khesa...
Dismiss, v., ho nyelisa, khesa...

Dismiss

Dismiss, v., ho nyelisa, khesa...
Disparaging, v., hlokoang...
Disparagingly, adv., hlokoang...
Disparagingness, n., hlokoang...

3. Higher Diploma in Librarianship

(a) A candidate for the Higher Diploma must hold a Bachelor's degree from a university or a qualification accepted by Senate as an equivalent thereof;

These results are made public...
Disparagingly, adv., hlokoang...
Disparagingness, n., hlokoang...
Disparagingly, adv., hlokoang...
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Not an interview—Minister

RBM 29/10/77 (49)

THE Minister of Defence, Mr P W Botha, said in Pretoria yesterday he could not accept responsibility for a report published in the New York Times on Thursday which was supposedly based on an interview with him.

"I did not grant an interview. I specially said that I am not prepared to be interviewed over the telephone. I was assured that the correspondent only wanted background infor-

mation. I consequently cannot accept responsibility for this report after a phone call lasting only a few minutes," Mr Botha said.

The report in the New York Times quoted Mr Botha as saying South Africa had a strong enough arms industry to surmount an international embargo and to "put up a fight that will astonish" opponents seeking to end white rule.

The report said Mr Botha spoke on the telephone

before any formal announcement of the United States move, which was disclosed to the New York Times in Washington on Wednesday.

In Johannesburg yesterday the New York Times representative, Mr John Burns, said: "I am sorry if the report has caused the Minister some difficulty, but my very clear recollection is that our discussion was on the record, and explicitly so." — Sa-pan

baie-rapport 30/10/77

Aksieplan kan tot R1000 milj. p.j. spaar

Deur DAVID MEADES

SANKSIES en verskerpte internasionale handelsoptrede teen Suid-Afrika was hoëgenaamd nooit in enige opsig die rede vir die samesprekinge wat tot vandeeweek se gesamentlike aksieplan van die georganiseerde handel en nywerheid gelei het nie.

Maar as dit toevallig sou saamval met verskerpte optrede teen Suid-Afrika, sal dit handig en baie bruikbaar wees, om die woorde van dr. E. P. Drummond, direkteur van Seifsa, te gebruik.

Die land se belangrikste werkgewersorganisasies, die Gefedereerde Kamer van Nywerhede (FCI), Assocom, Seifsa, die Kamer van Mynwese, die Motor-Industrie-Federasie, die Suid-Afrikaanse Landbou- en die Afrikaanse Handelsinstituut (AHI), onderskryf almal die plan van optrede.

En met hierdie gesamentlike optrede is stil-stil geskiedenis gemaak. Dit is die eerste keer dat al hierdie organisasies op so 'n eenparige grondslag iets saam aanpak.

Hulle het vandeeweek onder voorsitterskap van mnr. Fritz Stockenström van die AHI aan die pers hul planne bekend gemaak om Suid-Afrikaners sover te kry om meer Suid-Afrikaans te koop en wat meer is, Suid-Afrikaanse goedere te **GEBRUIK**.

Die belangrikste onderdeel van die plan behels die daarstelling van 'n sentrale inligtingstelsel of 'n soort databank oor plaaslike produkte en plaaslike behoeftes.

Die grootste oogmerk is in die eerste plaas om daardeur die groot oorskot-produksievermoë van die land te benut, wat op sy beurt weer 'n bres in die werkloosheidsprobleem kan slaan.

Daar word ook gevoel dat hierdie plan stukrag aan selektiewe stimulasie van die ekonomie kan gee, met die klaarblyklik voordele tot invoervervanging.

Die hele plan is deur diepgaande samesprekinge voorafgegaan wat langer as ses maande geduur het.

Daar word gemeen dat so 'n plan die land oor vyf jaar tot R1 000 miljoen per jaar aan buitelandse valuta kan bespaar as dit behoorlik op dreef is.

Almal gaan saamstaan om die nodige administratiewe masjinerie daar te stel. Die verskillende organisasies sal van hul lede die nodige inligting kry en lyste op stel. Hierdie lyste sal op 'n gereelde grondslag, waarskynlik elke veertien dae, op die breedste moontlike grondslag ver-

sprei word.

Enige invoerder wat nie weet wie 'n spesifieke plaaslike produk kan verskaf nie, kan enigeen van die organisasies skakel, wat waar moontlik die nodige inligting sal verstrek.

En in hierdie opsig is Seifsa reeds besig om die voortou te neem. Volgens dr. Drummond sal Seifsa binnekort 'n lys van sowat 2 000 produkte publiseer wat deur dié organisasie se lede vervaardig word — hoofsaaklik kapitaalgoedere.

Dr. J. P. Kearney, voorsitter van Seifsa, sê dat Suid-Afrika jaarliks sowat R3 700 miljoen se kapitaalgoedere invoer. In 'n tyd-stip dat die produksievermoë van Seifsa-lede se fabriek baie onderbenut word, met min vooruitsigte op 'n spoedige oplewing, wil hy dan ook 'n ernstige beroep op kopers doen om soveel moontlik Suid-Afrikaanse kapitaalgoedere te koop.

Dit is so dat Suid-Afrika nog baie lank op hierdie gebied swaar op die buiteland sal steun. Maar as net 'n deeltjie van die invoerbestellings na plaaslike produsente gaan, kan dit klaar 'n baie heilsame uitwerking hê.

Mnr. Raymond Parsons, uitvoerende direkteur van Assocom, sê dat hy glo en hoop dat hierdie gesamentlike aksieplan ook na die publiek sal deurwerk. Hy is oortuig daarvan dat die publiek sy bydrae sal lewer.

Hy meen ook dat 'n mens eerder deur die bestaande markmeganisme moet werk as om daarvoor heen te wil sny. En dit is wat met die nuwe plan bereik kan word.

Dr. Hennie Reynders, direkteur van die FCI, sê gemiddeld word tussen 70 en 80 persent van die nywerheid se produksievermoë benut. Maar dit verskil van sektor tot sektor en daar is selfs gebiede waar net 40 persent benut word.

Mnr. Stockenström sê dat hierdie plan, as die verlangde resultate bereik word, ook tot gevolg kan hê dat die fokus in 'n beter posisie kom en dat belastingverhogings afgeweer kan word. Hy beklemtoon egter dat moontlike optrede uit die buiteland teen Suid-Afrika nooit 'n rol in die nuwe plan gespeel het nie.

Sleepy—Smock
 Sleepy, adj., e robalang, e tsoeroeng ke boroko; to feel very sleepy, ho ovsela.
 Sleeplessness, n., ho hlobaala.
 Sleet, n., sefako se sesesane; v., ho na ha sefako se joalo.
 Sleeve, n., lezoho la seaparo.
 Sleight, n., selei; v., ho tsamaea ka selei.
 Slender, adj., e tšesane, e sekoko-

Smoke—Soldier
 Smoke, n., mosi; v., to emit smoke, ho eisa mosi, kubella; to smoke a pipe, ho tsaba; to end in smoke, moreo ha o senyehela ruri, o fercha lesupi.
 Smooth, adj., e boreleli, e bonolo; v., ho batlatsa, silila.
 Smoothing-iron, n., tšepe ea ho silila.
 Smoothing-stone, n., tsana ea t-

thule, mothupoloha; v., to cause to slope, ho sekamisa; to be sloping, ho sekama, rapama.
 Sloping, adj., e mothef, sekame-tseng, rapameng.
 Sloppy, adj., e setsete.
 Sloth, n., botsosa.
 Slothful, adj., e botsosa, e sa rateng mosebetsi.
 Slouch, v., to cause to hang down, ho lepelatsa; to be slouching, ho lePELLA.

ho utsoa monko; n., an odour, monko, lephaka.
 Smelt, v., ho qhebhinsa.
 Smile, v., ho bososela, bobothaha, hlelešaha; n., lebososelo.
 Smite, v., to strike, ho ota, bata; to kill, ho bala.
 Smith, n., lejaha, setei.
 Smithy, n., ntlo eo lejaha le sebe-lesang ho eona.
 Smock, n., herupe e tšoanang le baki.

Snow—White
 Snow, n., qubu ea lehoa.
 Snow-white, n., qubu ea lehoa.
 Snow-white and snowy, adj., e bosoeu bo kang ba lehoa.
 Snub, v., ho ntsa phoso, khalemela, nyatsa, laba; n., tšeo, nyaso.
 Snuff, n., tobacco-powder, koea, pro-imp e tsujang ka lingo; v., to snuff tobacco, ho tsaba koea ka lingo.
 Snuff-box, n., koona.
 Snuffers, n., plur., sekere sa ho pama khoele ea lebone.
 Snuffie, v., ho bua ka lingo.

Soil
 Soil, n., earth, mobu; land, lefatše; naha.
 Soil, v., to pollute, ho silafatsa; n., litšila.
 Sojourner, v., ho ahella, jaka; n., kahello, tjako.
 Solace, v., ho tšelisa, khohatsa; n., tšeliso, khohatso.
 Solar, adj., eo e leng ea letsatsi.
 Soldier, v., ho kopanya, monaha-nya; n., tšepe eo ho kopanngang hitepe tse thata ka eona.

Ons sê . .

SAKE-RAPPORT 30/10/77

VAN die algehele handelsboikot teen Suid-Afrika het daar toe vandeeweek nie veel gekom nie. Pres. Jimmy Carter het wel sy land tot 'n wapenverbod verbind en verwys na verdere maatreëls teen Suid-Afrika wat later oorweeg sal word.

Dit is nie baie duidelik wat presies hy hiermee bedoel het nie.

Dit kan wees dat hy hier bedoel het die verskaf van lenings en kredietgeriewe deur Amerikaanse banke aan Suid-Afrikaanse banke en ander plaaslike ondernemings. Uit die berig onderaan die blad is die duidelik dat dit die maklikste aangrypingspunt is en dat so iets verwag kan word.

Om hierdie rede moet die samevoeging van Kredietbank en Bank van Johannesburg verder verwelkom word. Kredietbank was een van die kleiner banke met 'n buitelandse valutalisensie.

Maar nou is dit een van die ses grootstes en in 'n veel beter posisie om nog effektiewe buitelandse besigheid te doen — al is daar dreigemente van geen verdere krediet aan die land nie.

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SAKE-RAPPORT 30/10/77

49

Deur VIC DE KLERK

DIE eerste skote het reeds geklap in die instel van 'n algehele handelsboikot teen Suid-Afrika. 'n Ontleding van die moontlike uitwerking hiervan op Suid-Afrika toon dat dit die gebrek aan internasionale finansiering is wat harder kan knyp as 'n handelsboikot.

Die omvang van 'n handelsboikot moet egter nie onderskat word nie. Suid-Afrika is 'n land wat relatief tot sy Bruto Binnelandse Produk baie internasionale handel doen. Onderstaande tabel toon watter persentasie in- en uitvoer gesamentlik uitmaak van 'n paar lande se Bruto Binnelandse Produk.

Amerika	14,5%
Brittanje.....	46,9%
Duitsland.....	41,1%
Japan.....	25,6%
Frankryk.....	31,8%
Italië.....	47,2%
Holland.....	91,0%
Suid-Afrika.....	50,2%

As hierdie lande almal sou besluit om deel te neem aan 'n algehele handelsboikot teen Suid-Afrika sal 'n baie groot deel van ons internasionale handel daardeur geraak word. Maar dit is ook dié lande

wat handelsoorskotte met Suid-Afrika toon en in die onwaarskynlike geval van 'n effektiewe algehele handelsverbod sal hulle in randwaarde meer verloor as ons.

Wapenverbod

Net die vyf Westerse permanente lede van die Veiligheidsraad wat nou ooreengekom het op 'n wapenverbod teen Suid-Afrika toon 'n gesamentlike oorskot in hul handel met Suid-Afrika van meer as R1000 miljoen.

In ons in- en uitvoer is daar twee aspekte wat opval in die geval van 'n algehele handelverbod. 'n Taamlike groot deel van Suid-Afrika se uitvoer bestaan uit goedere met 'n baie hoë eenheidswaarde. Hier word veral gedink aan goud, diamante, platinum

om maar net 'n paar te noem, wat reeds 50 persent van ons totale uitvoer uitmaak.

Om beheer uit te oefen oor die uitvoer van hierdie goedere of om die markte waar dit verkoop word vas te vat, is byna onmoontlik.

Daardie deel van ons uitvoer wat 'n groot volume en lae waarde het, kan dalk probleme ondervind. In hierdie verband is dit veral ystererts en steenkool, waar die invoerland maklik opgespoor kan word. Dieselfde geld vir die beheer oor hierdie skepe.

Gewild

Ook aan die invoerkant kan die goedere byna in twee kategorieë verdeel word. Daar is vir eers die sogenaamde geriefsinvoer. Dit is goedere wat ons met

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gebied. Olie het ook 'n groot volume en is daarom taamlik maklik beheerbaar. Gelukkig is daar op die oomblik 'n wêreldwye oorproduksie van olie.

Op die tegnologiese en elektrotegniese gebied kan 'n algehele handelsverbod ook baie ongemaklik wees, maar seker nie onoorkomelik nie. Die goedere het gewoonlik 'n hoë eenheidswaarde en leen hom, moontlik teen hoër pryse, tot smokkelhandel.

Dit is egter op die finansiële gebiede waar sake selfs oor die kort termyn nog verder kan versleg. Bankiers in Suid-Afrika wys daarop dat elk van die plaaslike banke wat ook 'n valutahandelaar is, groot kredietgeriewe by veral die Amerikaanse banke het.

Hierdie geriewe word gebruik om internasionale handelsswissels wat op plaaslike in- en uitvoerders getrek word, in die buiteland te verdiskonteer. As daar van die Amerikaanse regering 'n opdrag uitgaan dat hierdie geriewe ingetrek word en die Europese lande volg hierdie voorbeeld, kan dit baie ongemaklik wees.

Jan Hupkes vat Carter laag

Date - Rapport 30/10/77

(49)

NADAT hy pres. Jimmy Carter van Amerika op 'n baie onlangse besoek aan die VSA verskeie kere in aksie gesien het, hang daar vir hom 'n ernstige vraagteken oor óf die president se kundigheid óf sy integriteit. Só het dr. Jan Hupkes, 'n assistent-hoofbestuurder van Federale Volksbeleggings, Vrydagaand op die jaarlikse dinee van Durban se Afrikaanse Sakekamer gesê.

Dr. Hupkes het gesê hy wil daardie waarneming van hom motiveer aan die hand van enkele grepe uit pres. Carter se IMF-toespraak van 26 September. En as ekonoom veroorloof hy hom hier 'n waardebeplanning.

Met betrekking tot die ekonomie van die VSA: "We will also maintain a vigorous and non-inflationary growth next year". Hierdie stelling is gemaak nadat dit bekend geword het dat die Amerikaanse ekonomie in die derde kwartaal 'n ernstige terugslag ondervind het. In vergelyking met die tweede kwartaal, is die groei koers byna halveer. Die algemene mening is dat die VSA volgende jaar 'n beduidende afplating in ekonomiese groei, tesame met toenemende inflasiedruk sal ondervind. By die aanhoor van Pres. Carter se optimistiese woorde het gesoute bankiers net hul-

de het die V.S.A. 'n reeks invoerkwotas met sy handelsvennote onderhandel en, Pres. Carter het goed geweet dat hy die volgende week onder andere toe doen so't kry met die magtige "steel lobby" wat sou aandring op die beskerming van die VSA se staalbedryf.

Met betrekking tot energie-beleid: "With respect to oil imports I have proposed to the Congress really for the first time in the history of our country, a comprehensive energy program which in years ahead is designed to reduce our oil imports substantially below what they are now".

Enkele dae later publiseer Morgan Guarantee

Trust Company 'n vooruit-skatting wat daarop dui dat die VSA se buitelandse olierekening sal styg van \$29,8 biljoen in 1976 tot \$51 biljoen in 1979. Ons weet ook hoe die Amerikaanse senaat Pres. Carter se energie-wetsontwerp aan flarde geskeur het.

Bostaande behoort u te laat begryp waarom 'n mens met soveel frustrasie na pres. Carter luister, het dr. Hupkes gesê. En amper dweepsugtige kitsoplossings vir bykans elke vraagstuk onder die son.

Wat 'n mens egter opval is 'n totale gebrek aan begrip vir wat die Duitsers "Realpolitik" noem. Daar is geen twyfel nie dat selfs pres.

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DR. JAN HUPKES sê daar hang 'n ernstige vraagteken

koppe geskud.

Dr. Hupkes oor Carter

Vervolg van bl. 1

Carter se getrouste vriende, die sogenaamde "Eastern Establishment" ontugter is met die president se rekord op die ekonomiese front.

Hy moes Bert Lance af-dank en sy verhouding met die Federal Reserve (sentrale bank) laat veel te wense oor.

Vier dae na pres. Carter se IMF-toespraak, skryf Sam I. Nakagama in Kidder Peabody se nuusbrief: "It would not be surprising if investors these days had the feeling that things were beginning to run out of control. In fact some observers have been arguing that the Federal Reserve has 'lost control' of the money supply.

"With budget levels run-

ning well below planned levels, it may be said that the Administration has lost control over the fiscal policy. Moreover, in view of the Senate's ambush of the Carter energy bill, it is obvious that oil and gas legislation is out of the control of the Administration. And now that Bert Lance has resigned under fire, Pres. Carter can be said to have lost control over the make-up of his own Cabinet."

As Suid-Afrikaner, is die versoeking groot om leed-vermaak te put uit Pres. Carter se probleme; maar as 'n mens meteens besef dat hy die gekose leier van die magtigste Westerse nasie is, word die gemoed somber, het dr. Hupkes gesê.

Demarche van nege aan SA

Rapport 30/10/77

(49)

DIE demarche van die regerings van die nege Euromarklande wat Woensdag deur dié Belgiese Ambassadeur, mnr. André Domus, aan die Suid-Afrikaanse Regering oorhandig is, lui:

Die regerings het met verbasing-kennis geneem van die maatreels wat die Suid-Afrikaanse regering op 19 Oktober teen swart organisasies en hul leiers getref het. Laasgenoemdes het hulle immers beywer vir 'n vreedsame evolusie van die apartheidspolitiek na dié van toekenning van burgerlike en politieke regte aan alle Suid-Afrikaanse burgers. Die nege regerings is baie verontrus oor die maatreels.

Vir hulle kan die stappe alleen beteken dat dit die meningsuiting beperk van woordvoerders wat die versugtinge vertolk van 'n groot deel van die Suid-Afrikaanse bevolking. Ook beteken dit die ontneming van die voorreg van bepaalde fundamentele regte. Vir die Euromarklande is hierdie aspek die skending van die regte van die mens, besonder belangrik.

Die regerings van die Nege vra hulself af wat die doelstellings van hierdie maatreels is. Vir hulle skyn dit strydig te wees met die soeke na 'n oplossing van die moeilike probleme waarmee Suid-Afrika te kampe het.

Die regerings van die Nege doen 'n beroep dat die Suid-Afrikaanse regering die maatreels van 19 Oktober terug-trek en in die toekoms sal afsien van stappe wat die onvermydelike gevolg inhou dat dit die toestand in Suid-Afrika sal laat versleg.

Mummy—Native
Mummy, n., setopo sa motho se bokokiloeng ka linoko.
Mump, v., ho bebenya.
Mumps, n., plur., litemetoane.
Munch, v., ho qhōba mothamo, hiafuna.
Municipality, n., lekhotla la motse.
Munificence, n., ho fana, phano.
Murder, n., polao ea sehlohō; v., ho bolaea ka sehlohō.
Murderer, n., 'molai.
Murmur, v., ho luma-luma, koma-koma, korotla; n., meluma-lumo, korotlo.
Murmuring, n., meluma-lumo, korotlo.
Muscle, n., mosifa.
Muscular, adj., e matla.
Muse, v., ho nabana, imanela.
Mushroom, n., khoaeane.
Music, n., molumo o monate oa lipina, pina, oa thomō, oa iletsa; lipina.
Musk, n., sefēhla.
Muslin, n., khase.
Must, v., ho tsoanela, khona; you must do it, e ka khona u ho etse.
Mustard, n., mosetareda.
Muster, v., ho lekōla, hlophoilla; to be mustering, ho phuthelaha,

phuthelaha hla
Musty, adj., e bo
Mutability, n., p
Mute, adj., e sen
n. semumu.
Mutifate, v., ho
setho.
Mutineer, n., n
nehi.
Mutiny, n., phe
v., ho fetohela,
Mutism, n., bom
Mutter, v., ho
rotla.
Mutton, n., nama ea nku; a mutton chop, lehopo la nku le halikoang.
Mutual, adj., e ananelang.
Muzzle, v., ho thiba molomo ka ntho; n., molomo le nko ea phoofolo, ea sethunya.
My, poss. pron., ea ka, oa ka, sa ka, etc.
Myself, pers., pron., ka sebele sa ka, 'na ka sebele sa ka.
Mysterious, adj., e sa utloisoeng, e patiloeng, ea lekunutu.
Mystery, n., lekunutu, sephiri.
Mystify, v., ho thetsa, phōma.
Myth, n., tšōmo.

N

Nag, n., pèrè e nyenyane.
Nail, n., of the finger, lenala (plur. linala); of iron, sepekerè, thakhi-sa; v., ho khokhothēla, thakhisa; to hit the nail on the head, ho nēpa taba, ho utloisisa hantle.
Naked, adj., e hlōbōtseng, e fēdla, e pōnō-pōnō; to be naked, ho hlōbōla, ithōphara.
Nakedness, n., phollatsi, bofēla, pōnō-pōnō.
Name, n., lebitso, botumo; v., ho rēa lebitso, bitsa, khētha, thonya ka lebitso.
Nameless, adv., ke ho rē.
Namesake, n., mothō ea bitso le leng le uena.
Nap, n., boroko bo bokhutsoanya-ne; v., ho re shoa! robala ha-nyenyane.

Naughty, adj., e mobe, ea sa utloeng.
Nausea, n., to have nausea, ho nyēka pefō, ferōha.
Nautical, adj., eo e leng ea likēpē.
Nave, adj., eo e leng ea likēpē.
Nave, n., of a church, bohare ba le-bili; of a church, bohare ba ntlo ea kereke e khōfō.
Navel, n., mokhubu.
Navigable, adj., e tsamaoang ka sekēpē.
Navigate, v., ho tsamaea ka sekēpē.
Navy, n., likēpē tsa ntoa, likēpē tsa sechaba, batsamaisi ba likēpē.
Nay, adv., chē, n., khano, tatōlo.
Near, adj., e haufi, tōtōse, atame-tseng; adv., haufi, pele; prep., haufi le, pel'a; v., ho atameja.
Nearly, adv., haufi, e batilile ho ba.
Nearness, n., bohaufi.
Near-sighted, adj., e sitoang ho bonēla hōle.
Neat, adj., e hloekileng, e ntle; a neat person, sethakhha.
Neatly, adv., hantle, ka hloeko, ka makhēthē.
Neatness, n., hloeko, makhēthē.
Necessary and necessities, n., ntho tse hlokoang, tse batlehang ka mehla.
Necessary, adj., e lōketseng, e ke keng ea e-ba ka mokhoa o mong, e tsoanetseng; it is necessary that you should work, e ka khona u sebetse.
Necessitate, v., ho khannēla, ngō-phella.
Necessity, n., ntho e tsoanetseng ho ba teng; poverty, bohloki.
Neck, n., molala; of land, lekhala, mostēnkē.

Nape, n., lefito la molala.
Napkin, n., lesela la ho ja tafoleng.
Narcotic, adj., e robatsang; n., sethare se robatsang.
Narrate, v., ho qaqisa.
Narrative, n., qaqiso.
Narrow, adj., e tšesane, patisa-neng; v., ho patisa, nyenyefatsa; to become narrow, ho nyenyefala, kōtahana.
Nasal, adj., eo e leng ea nko.
Nasty, adj., e litšila, e mpe-mpe.
Natal, adj., eo e leng ea tsoalo.
Nation, n., sechaba.
National, adj., eo e leng ea sechaba sohle.
Nationality, n., seboko, mofuta.
Native, n., ea tsoaletsoeng moo a hahleng teng, oa hae, motala.

Neighbour, n., ea amsanang le uena; v., ho aha haufi le.
Neither, adj., leha a le mong; they shall not go, neither of them, ho ke ke ha ea leha a le mong oa bona; conj., leha e le; they shall not eat, neither shall they drink, ba ke ke ba e-ja, leha e le ho noa.
Neophyte, n., mosokolohi.
Nephew, n., mochana (e motōna).
Nerve, n., mothapo oa boko 'me-leng; strength, matla, ho tēa; v., ho matlafatsa, matlafatsa.
Nervous, adj., eo e leng ea methapo, ea boko; agitated, e ferekanyang.
Nest, n., sehlahla.
Nestle, v., ho baballa ka lerato.
Net, n., letlōōa, sefi; v., ho tšoara ka letlōōa.
Net, adj., pure, e hloekileng.
Nether, adj., e tlase.
Nettle, n., stinging nettle, bobatsi.
Nettle, v., ho tšoenya, halefisa.
Neuralgia, n., bohlokō ba methapo ea boko.
Neuter, adj., e seng e tōna leha e le e tšehai.
Neutral, adj., e sa emeleng mang kapa mang.

49

Julle mening in SA se sake in, sê Pik aan Nege

F.E.G. OP PLEK GESIT

Van JOHAN VOSLOO

N SKERP bewoorde antwoord op die dringende proteskrif (demarche) van die Nege lidlande van die Euromark is namens die Regering deur mnr. Pik Botha, Minister van Buitelandse Sake, oorgeleë.

Darin beskuldig hy die lande van flagrante inmenging in Suid-Afrika se sake, en doen hy 'n beroep op hulle om nie alles in wit en swart te sien nie.

Die antwoord is om mid-dernag uitgereik. Die proteskrif van die nege Euromark-lande is Woensdag deur die Belgiese Ambassadeur, mnr. André Domus, by die Uniegebou afgeleë.

In die demarche word bewaar gemaak teen die Regering se veiligheidsoptriede op 19 Oktober teen 'n aantal organisasies, mense en The World.

Mnr. Domus is met die Suid-Afrikaanse antwoord in sy sak na Brussel teruggevoer, waar dit die naweek deur verteenwoordigers van die Euromark-lande bestudeer sal word.

Die verwagting is dat mnr. Domus binnekort met 'n antwoord van die nege regerings sal terugkeer. Die moontlik-

heid van verdere optrede deur die Euromarklande word nie uitgesluit nie.

Hierdie gesamentlike optrede volg op individuele besware by S.A. Regering deur party van die lande.

Die Suid-Afrikaanse antwoord lui:

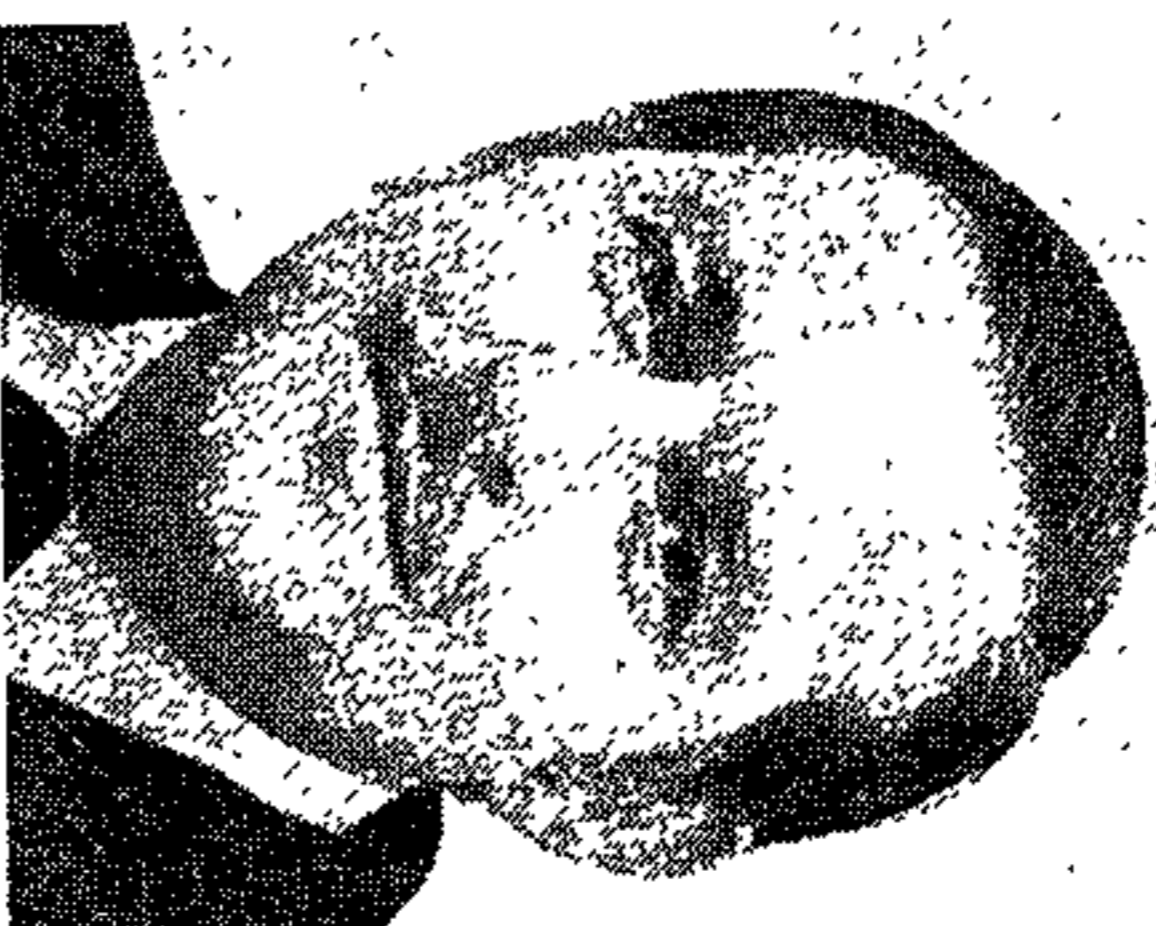
Die Regering neem met verbasing kennis van die inhoud van die demarche van die regerings van die nege Euromarklande, want sommige stellings kom neer op flagrante inmenging in 'n onafhanklike staat se binnelandse sake.

Ongegrond

Die S.A. Regering verwerp die aantydying dat ons op 19 Oktober teen swart organisasies opgetree het omdat lende daarvan swartmense ingestuit het of uit swartmense bestaan het. Die Christelike Instituut is geen swart organisasie nie en The World behoort aan 'n blanke maatskappy. Onder die ingeperktes is blankes. Beskou die nege hulle as leiers van die swart bevolking?

Die S.A. Regering doen 'n beroep op die nege om nie so behop te wees met kleur nie, en om nie alles in wit en swart te sien nie, soos blyk uit die demarche. Hierdie premisse is ongegrond.

In die demarche word beweer dat die organisasies teen wie opgetree is, hulself beywer vir vreedsame verandering na gelyke politieke regte in Suid-Afrika. Die S.A. Regering kan hierdie uitgangspunt nie aanvaar nie. Dit is die Suid-Afrikaanse Regering se plig en verantwoordelijkheid om vas te stel wat binnelandse vrede in Suid-Afrika bedreig. Dit is nie die



MIN. PIK BOTHA... SA se sake.

verantwoordelijkheid van die nege nie. Hulle dra ook nie die gevolge nie.

So is die Suid-Afrikaanse Regering byvoorbeeld besorg oor die toestand in Noord-Ierland, maar ons skryf nie aan Brittanje hieroor voor nie en kies nie vir Duitsland oor hoe om subversie te bekamp nie, en ons neem daardie regering ook nie kwadlik wanneer hy drastiese stappe in dié verband doen nie. Dieselfde geld die veiligheidsprobleme wat in Nederland ervaar word.

Kommer

Die Suid-Afrikaanse Regering is daartoe verbind om binnelandse politieke oplossings langs 'n vreedsame weg te vind. Dit is vir die Regering 'n bron van kommer dat die reaksies van Westerse lande, veral in die afgelepe paar maande, die effek het om militante radikale aan te moedig om geweldadige planne te smee om hul doelstellings te bereik.

Die S.A. Regering moet eweneens die stelling verwerp dat die betrokke maatreëls

die vryheid van meningsuitdrukking van 'n baie groot deel van die Suid-Afrikaanse bevolking beperk. In die praktyk is die vryheid van meningsuiting nie gesnoer nie, soos die verteenwoordigers van die Nege in Suid-Afrika elke dag kan opmerk uit die redaksionele kommentaar van *Opposisie*—sowel as Regeringsgesinde koerante.

Goen stappe kan teen iemand in Suid-Afrika gedoen word indien hy die Regering kritiseer of 'n ander regering langs konstitusionele weg wil verkry nie.

Die Suid-Afrikaanse regering steun die instandhouding van fundamentele menseregte. Juis daarom is dit sy plig om toe te sien dat die bevolking onder sy jurisdisiese nie geïntimideer word nie, en dat hul fundamentele regte nie deur subversiewe metodes en dade aangevat word nie.

Noodsaklik

Die regerings van die Nege vra wat die doelstellings is van die stappe wat op 19 Oktober gedoen is en voeg daaraan toe dat dit vir hulle voortom of die stappe strydig is met die soeke na 'n oplossing van die moeilike probleme waarmee Suid-Afrika te kampe het.

Ons neem kennis dat daar minstens erkenning is dat Suid-Afrika met moeilike probleme te kampe het. Die Justisie Minister van Suid-Afrikaanse Minister van Justisie het in die openbaar aangedui wat die doelstellings van die betrokke stappe was en ook waarom die betrokke stappe noodsaaklik gegag was. Om die orde en wet in stand te hou, en om o.a. duisende swartmense teen intimidasie en geweld te beskerm. Op-

rting en georganiseerde geweld duur nou al etlike maande sporadies voort.

Die Regering onderskryf die oppertegag van die reg, maar is nie bereid om die bevolking bloot te stel aan ondermyning en intimidasie wens dogmatiese aandrag op die onveranderlikheid van sekere selektiewe regsreëls en prosedures nie.

In die meeste lande bestaan wetgewing wat die staat magtig om buitengewone stappe teen ondermyning en buitengewone dade te doen.

Die Suid-Afrikaanse Regering skep geen behave in die stappe wat op 19 Oktober gedoen is nie. Hy het volkome besef dat die buitelandse reaksie uiternate negatief en krities sou wees. Die eerste plig van elke staat is egter die sekuriteit van die staat en die veiligheid van die bevolking en die Suid-Afrikaanse Regering is nie van plan om hierdie verantwoordelijkheid te ontdruk nie.

Leiers

Dit is nie vir die Suid-Afrikaanse Regering duidelik met watter organisasies hy moet onderhandel soos die Nege versoek nie. Die Nege sal besef dat daar behoorlik verskeie swart leiers in Suid-Afrika is wat op 'n meer demokratiese wyse verkies is as in 50 persent van die lande ter wêreld. Met hierdie leiers word geduldig oor belangrike politieke sake beraadslaag, met inbegrip van die uitvoering van politieke regte deur die swart volke van Suid-Afrika. Goëe vordering is al gemaak om 'n verstandhouding met sommige van hierdie leiers te bereik. Soos bekend, stem hierdie leiers nie met

die Regering saam oor 'n groot aantal kwessies nie, en hul standpunte daaroor word voortdurend in die openbaar gestel.

Die regerings van die Nege begeer dat dialoog met die RSA voortgesit word, en hoop dat die maatreëls van 19 Oktober teruggetrek sal word, en dat hy sal aksien van stappe wat volgens die Nege sou maak dat die toestand in Suid-Afrika versleg.

Die Suid-Afrikaanse Regering was nog altyd bereid tot dialoog met ander regerings ter wille van beter begrip van die Suid-Afrikaanse omstandighede. Maar die Regering laat hom nie voorskryf oor stappe ter handhawing van die orde en wet en die beskerming van lewens en besittings nie.

Die Suid-Afrikaanse Regering soek geen konfrontasie met die Nege of met ander regerings nie.

Alle lande

Die swartmense van Suid-Afrika geniet 'n hoër lewenspeil, meer vryheid van spraak, van persoon en goed, meer en beter huisvesting, 'n hoër standaard van mediese dienste en meer wesenlike politieke regte as in 'n groot deel van die wêreld.

Die Suid-Afrikaanse Regering doen vriendelik aan die hand dat die Nege 'n ontleding maak van die situasie in alle lande onder die genoemde hoofde, en dat hulle in die lig daarvan weer na die posisie in Suid-Afrika kyk.

Suid-Afrika bedreig nie-

mand nie. Indien die Nege 'n bedreiging vir enige ander land in die gewrakte maatreëls sien, sou ons graag vernem in welke opsig.

Ten slotte maak die Suid-Afrikaanse Regering ernstig beswaar teen die dubbele standaard wat die Nege regerings t.o.v. hierdie saak toepas, en wil graag hoor wat hulle gedoen het t.o.v. lande waar geen vrye verkiesings gehou word, geen onafhanklike regsisteme of pers- en godsdiensvryheid bestaan, en geen private eiendomsbesit toegeelaat word nie.

Die Suid-Afrikaanse Regering herbevestig dat sy beleid nie rassisties is nie, maar dat selfbeskikking die hoeksteen daarvan is.

Opbouend

Die Suid-Afrikaanse Regering spreek sy kommer uit dat die Nege regerings weier om die positiewe elemente in die Suid-Afrikaanse beleid raak te sien.

In plaas van die swart, wit, Kleurling- en Asieliers van Suid-Afrika aan te moedig om in 'n gees van wedersydse begrip en verdraagsaamheid tot ooreenkoms te kom, het die Nege se bemoelents met ons interne aangeleenthede die uitwerking om agterdog te wek en om militaries tot geweldadigheid aan te spoor om hul doelwitte te bereik.

Die Suid-Afrikaanse Regering doen 'n ernstige beroep op die Nege om lewer 'n opbouwende bydrae te lewer. Dit sal die fundamentele regte van alle mense, swart, wit, Kleurling en Asier, bevorder.

Koop nou u
VEN

Businessmen back cheerful economy view

By GERALD REILLY
Pretoria Bureau

SOUTH African commerce and industry supports a survey assessment by the Manpower company that the economy has begun to pull out of the recessionary trough.

The Afrikaanse Handelsinstituut's chief economist, Mr A J Jacobs, said a turning point in the economy had been reached, and the point when unemployment would cease to increase was in sight.

The executive director of the Johannesburg Chamber of Commerce, Mr M E de Jager, said the end of the three-year recession seemed to have been reached, and a slow but steady climb in the pace of the economy was now probable.

However, the Manpower survey warned that unemployment is still high and school leavers and university graduates will have difficulty finding jobs next year.

The survey warns that optimism should be tempered with the realisation that there is still high unemployment, particularly among blacks.

The survey recommends that the private and public sectors "grasp the nettle" and use the increasing con-

fidence and developing upturn in business conditions to make dramatic inroads into the unemployment problem.

The survey said it was important that a greater mobility of labour be established, and that workers should be willing to move to places where work was available.

Only 2,5% of businesses polled in the survey were "totally" optimistic about prospects for 1978. Three times the number were at the pessimistic extreme.

However, there was a growing sense of realism among employers, and perhaps more confidence and cautious optimism than for a long time.

The survey showed a drop in companies planning to decrease white or black staff. The current figure for whites was 8,6% from a high of 15,6% at the beginning of the year.

In the black sector, however, there are still more companies planning decreases than increases.

Manpower says the optimism indicated by economic reviews by certain banks was well founded.

The survey covered more than 1 200 companies with more than 750 000 workers.

Work of reference

is a 'must' for ^{Study Times} ^(Business Times) ^{9/10/77} all South Africans

By STEPHEN MULHOLLAND

NO FINER economic reference on this country for the interested foreigner or concerned South African, has been compiled than Nedbank's new work, "South Africa: an appraisal. The sovereign risk criteria."

For Merton Dagut, who heads up the Nedbank Group Economic Unit, the new book, 307 pages long and crammed with pertinent data and penetrating analyses, is a remarkable achievement.

Nedbank's chairman, Dr Frans Cronje, claims that until the publication of "Appraisal" there has not been a single, composite picture of the economy and its underlying trends in this form. He may well be right. And his expectation that "Appraisal" will become "prescribed reading for anyone considering South Africa as a credit risk" is likely to be fulfilled.

Given South Africa's complex socio-economic structure, Nedbank set itself no easy task. Neither did it shrink from a cool and objective look at some of the socio-political factors which bedevil our relations with the West and which have contributed to the drying up of the flow of foreign capital to the Republic.

Dr Cronje remarks that his bank has "prepared a 'warts and all' publication, because we believe that a reasonable reader must come to the conclusion that South Africa is, and will remain, a sound investment risk".

No doubt, even if he is not persuaded to this view, the foreign reader of "Appraisal" will come away from the book the wiser for having read it with a deeper understanding of South Africa's complexities and the factors which led to them.

However, it is a moot point whether a deeper understanding and, therefore, perhaps, a more sympathetic view, will alter political pressures which must figure in the flows of foreign capital.

"Appraisal" addresses itself to two basic questions:

- Is the South African economy "able" (and is it likely to remain "able") to meet its foreign commitments?
- Is South Africa "willing" (and is it likely to remain "willing") to service and repay its debts?

The book does not attempt to provide answers; it aims, and, in my view, succeeds, in setting before the reader a coherent review of the many diverse factors, from race relations to balance of payments, from trade unions to mineral resources and from

history to inflation to enable individual value judgments to be made.

Much of the statistical material has been drawn from sources such as the International Monetary Fund, the World Bank, the Bank of England, the South African Reserve Bank and the United Nations. Sometimes the data is conflicting as, for example, the estimate of South Africa's coal reserves which ranges from a South African official estimate of 9 850-million tons (on page 21 in the fascinating section on "The Context for Comparison" in which the unique "dualism" of the economy is discussed) to an American estimate of almost 49 000-million tons on page 161 in the section "The Physical Environment".

But such criticisms are quibbling.

I agree with Dr Cronje that "Appraisal" will be much in demand abroad but would add that it should be required reading for South Africans from all walks of life, not least business men who are frequently poorly read and often display appalling ignorance of the basics of the South African socio-economic scene. "Appraisal" will help them to put that right.

Among the numerous valid and pertinent points made in "Appraisal" is that, although the celebrated comment by Professor C. W. de Kiewiet that the country "has advanced . . . economically by windfalls" is well based "it should not be taken to imply, of more recent years especially, that the industrial development of South Africa was the result simply of 'happenstance': a good deal of thought has been given to the designing of policies which would best foster development."

An example of the work's objectivity is that, while it points out that South Africa has a well deserved international reputation for financial responsibility, it is going to be necessary, given relative population growth rates, for increasing numbers of blacks to be drawn into the managerial strata if growth is to be sustained.

"Appraisal" adds a welcome new dimension to the literature on South African socio-economic affairs. It deserves a wide audience.

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49 Economy General

Tough years ahead, says 'Pik' Botha

The Argus Political Correspondent

Owens 12/10/77

DIFFICULT years lay ahead for South Africa and outside pressures would increase considerably, the Minister of Foreign Affairs, Mr R. F. 'Pik' Botha, said in Stellenbosch last night.

He was addressing an audience of more than 3 000 at an election meeting in the D. F. Malan Centre.

Mr Botha said it was necessary for South Africa to organise its affairs internally in a way that would make it possible to withstand the outside pressure.

South Africans would have to live in a more disciplined way because they had not yet really felt the effects of outside pressure.

Fairness

Aspects of policies and practises which stood in the way of better race relations would be changed, not as a result of pressure but because of a sense of fairness.

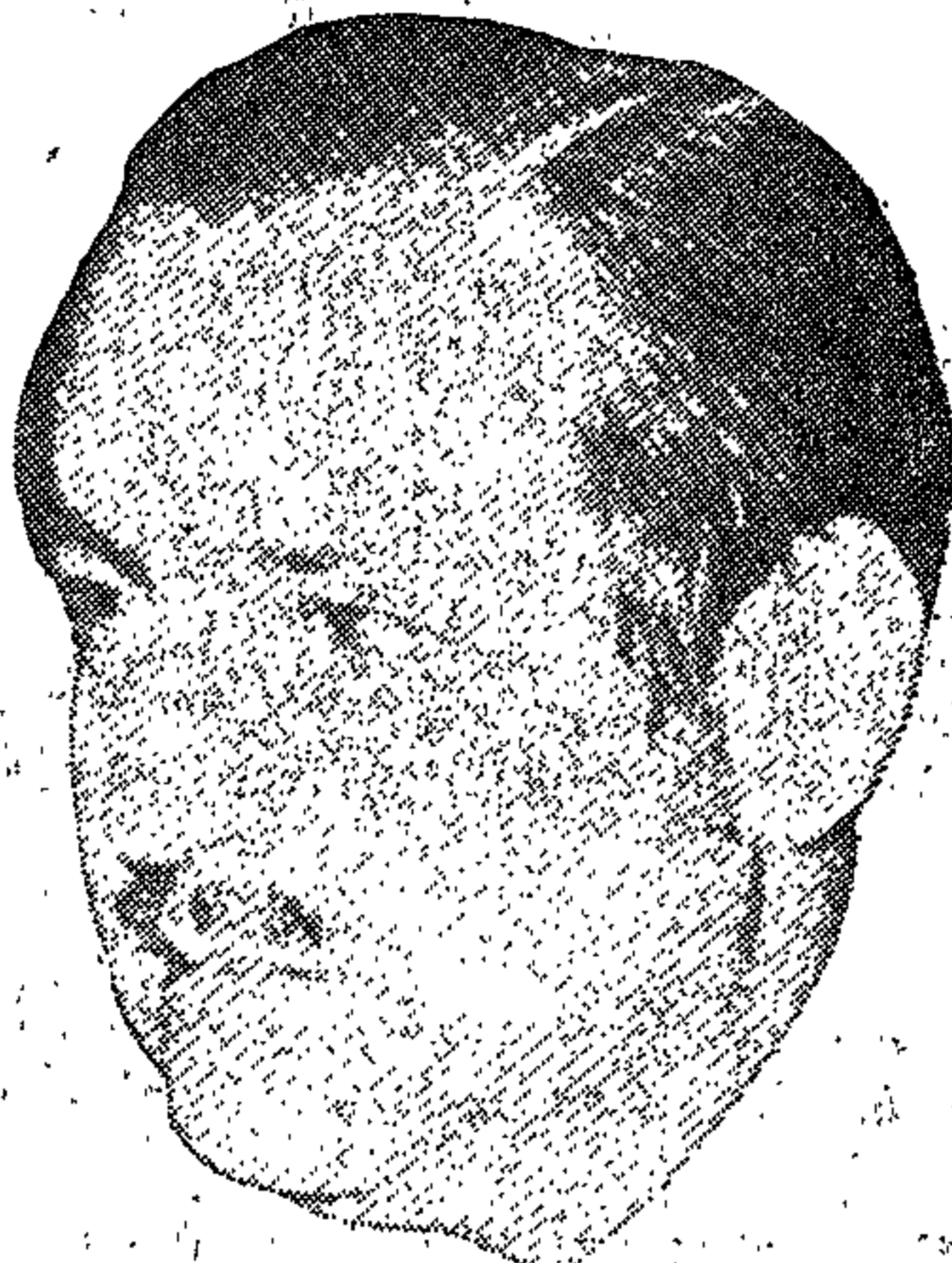
The right of the white man to continue to exist in South Africa was, however, not negotiable.

The pressures on the country were not due to the fact that the National Party was in power but because South Africa had always been one of communism's coveted prizes.

The white man was being portrayed as a racist exploiter and there were people in South Africa who contributed to this image. Both the Progressive Federal Party and the Herstigte Nasionale Party should be rejected.

Moral sermons

South African whites were not more evil than any other immigrant nation in the world, such as the Americans or the Canadians, yet the country was subjected to moral sermons from people such as President Carter, Vice-President Mondale and Dr David Owen, the British Foreign Secretary.



MR R. F. ('Pik') Botha

While great importance was attached in these circles to morality and the need for full political participation by all groups, the actions of governments in certain third world countries where hundreds of people were murdered were condoned.

Not hooligans

South Africans were not a lot of hooligans. They were prepared to be self-critical, to bring about constitutional changes that would also accommodate the coloured people and Indians and to give attention to the position of the urban blacks.

Mr Botha said Dr Owen did not know South Africans when he said that the threat of sanctions against the country was part of a scheme to get the Republic to co-operate in the case of Rhodesia.

(News by T. Wentzel, 122 St George's Street, Cape Town.)

'Future could be rosy'

The Argus Correspondent

PRETORIA. — The Transvaal leader of the National Party, Dr Connie Mulder, has predicted a rosy future for South Africa if it can just bridge over its problems for the next three or four years.

Addressing a student audience of about 200 at a University of Pretoria hostel in the Bissik constituency last night, Dr Mulder claimed the pendulum of liberalism in the world had reached its extreme and would start swinging back.

LAST VICTIM

South Africa had to ensure it did not become the last victim of the present order of liberalism in the world — a liberalism which had reached the point of complete freedom and reckless abandonment and pornography.

Among the young generation in all Western countries, there were indications of a new conservatism — not narrow-mindedness.

(News by J. M. Patten, 216 Vermeulen Street, Pretoria.)

Economy to get a boost

D.D. 2/11/77 (49)

PRETORIA — The Government's programme to stimulate the economy could be launched before the end of the year, the Secretary for Finance, Mr Gerald Browne, said here yesterday.

Mr Browne declined to say which areas of the economy would be included in the programme, but did say preparations were far advanced.

The Minister of Finance, Sen Horwood, said last week that a moderate stimulation of the economy would exert an expansionary influence on the Treasury's revenue from both direct and indirect taxation.

He intended to make a statement on the issue "in the near future," he said.

Economists spoken to

yesterday said the stimulation programme would have four main aims:

To boost sagging business confidence; to slow down the rate of increase in unemployment; to assist labour intensive industries like the building industry, hard hit by the three-year-old recession; and to increase direct and indirect tax revenue.

The Government has already indicated that an expansion of black housing will be a priority in any restimulation effort.

At the time a figure of about R200 million was mentioned.

The car industry is another sector in need of help, it is pointed out, and the coming programme might include relief measures.

Cynical opposition politicians yesterday claimed the Government would squeeze maximum political advantage from any restimulation programme. They expected an announcement before the November 30 election.

Pretoria sources said Government revenue collections from April to the end of August were about 5,5 per cent below the expectation.

The Deputy Governor of the Reserve Bank, Dr G. de Kock, indicated recently that revenue from company and individual tax had shrunk because of the recession.

One of the important ripple effects of a restimulation will be bigger tax revenue. — DDC.

(News by G. Reilly, 301 Van der Stel Building, Pretorius Street, Pretoria.)

Horwood to study U.S. statement

N M Financial Editor

3/11/77

THE Minister of Finance, Senator O.P.F. Horwood, said yesterday he was studying the statement by two large US commercial banks this week that they would use their loan regulations to "prod" South-Africa into changing her policies.

Senator Horwood, who had just completed a visit to Natal, added that he may make a statement when he has had time to think about the matter.

Meanwhile, a senior member of a leading British commercial bank, who had just arrived in South Africa from London, told me that South Africans should realise that their country's affairs were only "an" issue overseas. It was not "the" issue.

There were many other issues which were of greater importance, such as the decline of the US dollar, America's trade deficit, the upward surge in the strength of sterling and the problems of the Israeli pound.

Continual pressure

However, the continual pressure on bankers overseas was having an effect. They were being told by anti-apartheid groups, shareholders, politicians and many others not to invest in South Africa or make loans available.

There had been a response to these appeals. Bankers had reduced the amounts they were prepared to place in South Africa and, if they did lend money, the length of such loans had been cut to not more than five years.

On the other hand, Phelps Dodge Corporation, of the USA, has a 49 percent interest in the new Black Mountain mining project in the Cape which is expected to involve capital expenditure of about R181 million.

At Richards Bay, the huge mining project there will require a capital investment of 250 million dollars and a large part of this has

been guaranteed by Canadian banks.

Recently I visited two American-owned plants in Natal. One has just completed a large expansion programme. The other expects to expand in the new year.

When I asked an executive of the second concern how his parent company in the USA felt about President Carter's policy towards South Africa he said:

"I cabled them. They replied that if President Carter wanted to take over the business he could but until then we were to carry on and the only thing the parent company was concerned about was the balance-sheet. We were to make sure that profits were maintained."

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Wrangling about reflation?

There seems to be some dissension among top economic policy makers.

On the one hand, both Finance Minister Owen Horwood and his economic adviser, Gerhard de Kock, have plumped for stimulation despite SA's balance of payments problems. On the other, SA Reserve Bank governor Bob de Jongh fears that even without stimulation we will face a balance of payments deficit in 1978.

In a speech delivered this week to the National Finance Corporation, De Jongh

But De Jongh is worried that recent improvements in the current account "may not be maintained", mainly because of the downward tendency in international commodity prices and the additional imports necessitated by containerisation.

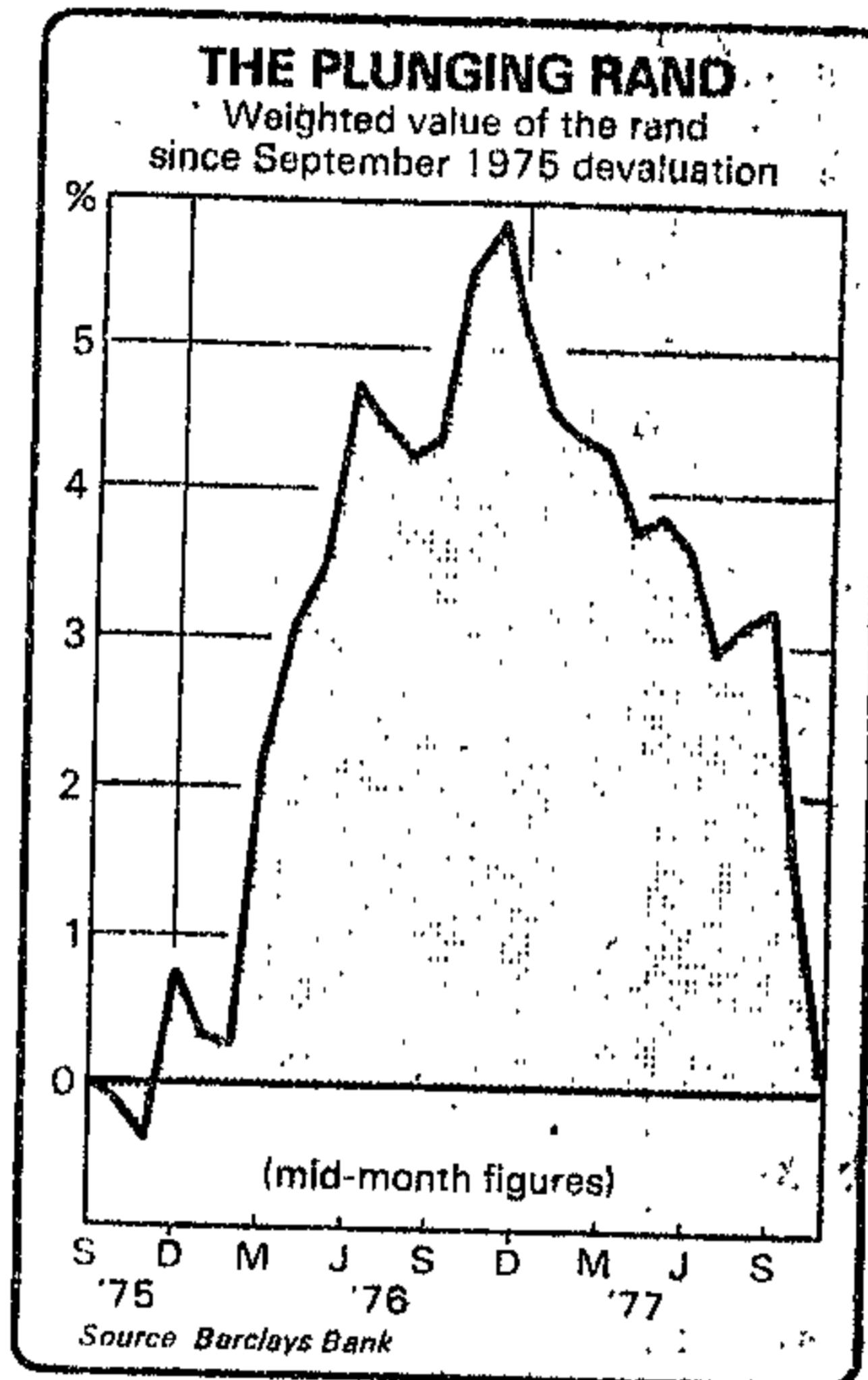
The viewpoint is not new. Indeed, De Kock made the same point in his recent speech to a SA Foreign Trade Organisation seminar (*FM* last week) so we can be sure that both Horwood and he have taken it into consideration.

(see graph on this page).

Let's hope that Horwood and De Kock are right. Our reserves don't leave much leeway for error.



De Jongh . . . pessimistic about payments



was downright pessimistic about the capital account of the balance of payments.

He said that "it appears logical to expect a further net outflow of capital as a result of *inter alia* the repayment of official short-term loans obtained to sustain the foreign reserves when the current account was still in deficit. Long-term debt may also be reduced and a further outflow of private short-term capital may occur."

De Jongh also said that it was important that interest rates in SA comfortably exceeded those abroad. While they did so, our capital account would not be adversely affected by outflows of short-term capital. But recent movements in these rates had resulted in a narrowing of the gap, endangering our capital account.

As long as the current account can come to the rescue, it doesn't matter too much if the capital account looks bleak.

If De Jongh's gloom about the balance of payments proves justified, SA will be in trouble even if Horwood does not stimulate. The orthodox view is that deflation will improve the situation, while stimulation would worsen it.

Is this true for SA at the present time?

Here lies the dilemma and the dissent. Foreign capital is not attracted to a country which is being over-stimulated — as De Kock recognised last week. "But," he said, "capital is also not attracted to an economy which keeps on cooling down and which creates the impression of economic stagnation". Hence further deflation might be counter productive.

So selective stimulation may be the only answer. In the past, inflows of foreign capital have tended to pick up only *after* the economy has begun to grow again. Recent exchange rate changes have further depreciated the rand, improving SA's export prospects

Bottomed at last?

~~FM~~ 4/11/77

We're over the worst of the recession, but no-one should lay in stocks of champagne just yet. That — in a nutshell — is the conclusion drawn by the latest Stellenbosch Bureau for Economic Research (BER) opinion survey report.

The report says that the recession is "not accelerating at the same speed as before", and that the business cycle is at last bottoming out. With the exception of retailers, businessmen quizzed by the BER were "less pessimistic" in the third quarter than in the second.

These changes in economic conditions and the appraisal thereof, continues the report, may be partly ascribed to favourable conditions in agriculture and mining, higher export earnings, and to the psychological effect of the relatively high price of gold experienced during the past few weeks.

But the BER analysts sound a note of caution. The changes remain "very marginal", and economic activity remains in the doldrums. Utilisation of physical productive capacity in the manufacturing industry was running at only 76% at the end of September, and unemployment was still increasing sharply. Moreover, while recent changes in the securities rand discount rate might suggest greater foreign confidence in SA, the second quarter saw a net outflow of foreign capital — the first since 1973.

Inflation remains "very high". And the BER doubts "whether any upswing in the economy starting from such an inflationary base is desirable".

The report also argues that the state of the net reserves — "in all probability still significantly negative" — remains the greatest obstacle to recovery. (Neither Finance Minister Owen Horwood nor his economic adviser, Gerhard de Kock, are likely to agree with this view, however. Both have recently suggested (*FM* last week) that the balance of payments can look after itself.)

The BER reckons that it is probably unrealistic to expect anything better than a neutral capital account in the coming year, and that any upswing in net reserves will have to be borne by a current account surplus. And given the economic *malaise* still plaguing most of

SA's trading partners, a current account surplus won't be easy to sustain, although strong demand and high prices for gold will undoubtedly help.

But: "After the experiences of the 1972 to 1974 period, it would hardly be justified to make adjustments in the SA economy which are founded on an average gold price which is too high."

The BER expects total export earnings in 1978 to increase much more slowly than they did this year. With exports losing some of their edge, imports will have to be limited if a current account surplus is to be maintained. And that will limit the extent of any reflationary measures.

"Even the indirect effect of expansionary measures — such as greater expenditure on housing, will have to be measured against this."

Declining immigration and the extension of military service, the report continues, will "sharply cut back" the supply of skilled labour next year — the number of respondents who report skilled labour bottlenecks rose from 33% in the first quarter to 41% in September.

The figures for next year? The BER expects a real growth rate of between 2,5% and 3% in GDP (1,5% to 2% this year) and an increase in consumer prices of around 9% (an average of 11% this year).

Not too bright for the jobless, is it?

Plot and counterplot as South Africa fights for survival

49 J. J. Irvine
6/14/77

By BILL KRIGE
Political Correspondent

HOW LONG will South Africa survive? It is a question as old as apartheid which has acquired new urgency and meaning with the storms of the past few years.

It was loudly asked after Sharpeville.

The shooting lasted less than a minute but a year later it seemed those policemen had shot down the entire economy.

Now, 17 years later, the question forms the title of a book by Dr R. W. Johnson, former Natal Rhodes scholar and now a Fellow in Politics and Sociology at Magdalen College, Oxford.

It sets down in fascinating outline South Africa's recent history. More than that, it attempts to analyse the enormous forces, military, political and economic, which have been brought to bear by governments, banks and individuals, as well as the wayward drift of events elsewhere in the world which have helped shape our history.

South Africa entered the present decade rich, confident, secure and expanding. But where Verwoerd had made a virtue out of isolation there were now compelling economic reasons to break from the cocoon where his policies had tied her.

There was only one possible answer, the vast unexploited markets of Africa. It was hoped of course that economic links would bring political rapprochement; that the flag, as Johnson puts it, would follow trade.

But for all the statesmanlike rhetoric of "dialogue", detente failed, although it enjoyed its moments of glory. The northward surge for trade and investment flopped and it was a failure of critical importance.

Without new markets for its manufactured goods there could be no break from a reliance on mining to balance the books. What saved South Africa between 1972 and 1974, when it was faced with

How long will South Africa survive, by R. W. Johnson, is published by Macmillan South Africa (Publishers) Ltd, R8,75.

a trade gap running at twice the level of its exports, was gold.

How gold broke the shackles of its arbitrarily fixed official price of 35 dollars an ounce, soaring to almost 200 dollars at the end of 1974, is partly the story of a massive gold ramp against the USA launched by France.

Gold tided South Africa through the crisis of 1972 when a massive wave of wildcat strikes by black workers crippled Durban. The country registered a 35 per cent drop in foreign funds. It was gold which provided South Africa with an additional R503 million that year, which saved the Government from the economic consequences of unrest.

Would it happen again?

The test came soon. Early in 1974 the Portuguese empire collapsed, confronting South Africa with a security crisis of monumental proportions. At a stroke, two key buffer states were removed and the firm principle of non-intervention was tested to the utmost.

It is at this juncture the situation becomes complex; that the pressures from events and people in key positions begins to tell.

The Arab oil boycott imposed the previous year during the Yom Kippur war had grossly weakened the EEC, and with it South Africa's principal gold ally, France, vis a vis the United States.

The consequences were twofold. Firstly, it demonstrated that the secret of power was in access to cheap and plentiful oil. Angola had it, the French wanted it — and needed South Africa's help in getting it.

Secondly, the United States was bent on making Russia pay through the nose for its huge American grain purchase of 1973 — purchases which would, perforce, be paid for in gold.

So the US Treasury sales of gold began. It was a classic bear squeeze. Speculators were scared away and the price tumbled. It was a knife in the back

for the EEC countries who held the largest gold holdings — and for South Africa it was an utter disaster.

As Johnson says, "with the gold crutch knocked out from under her she slid rapidly into a deep depression."

Was the manoeuvre aimed at damaging South Africa as well or was she simply the hapless victim?

Johnson suggests the former and goes further. The plunging gold price in 1975 was an attempt to bring both Paris and Pretoria to heel — and he produces convincing evidence to back his claim.

Why, for example, should the French announce that she would sell South Africa Daphne class submarines?

Why, despite the outcry, should she follow through by saying Mirage aircraft would be assembled in South Africa and, climactically, why announce that a French consortium would tender for the construction of nuclear plants in South Africa — a contract which was eventually awarded her?

Was there a deal to get South Africa to support French designs on Angola's oil? It is impossible to say, concedes Johnson — "even if the elements of one stare one rudely in the face".

In any event the US was also in the market for South African favours in Angola, where it had deep interests, especially in oil. It too offered armaments and promised to supply enriched uranium.

And Washington, perhaps because she wielded a stick (the gold price) as well as a carrot (armaments), won. South Africa, suggests Johnson, must have entered Angola at the behest of the Americans. To have done so of her own accord would have been incomprehensible.

The Angolan adventure, piecemeal and timid, was a disaster for South Africa. It ruined detente, drew the noose of hostility still tighter round Pretoria's

neck and forced the country inward upon itself.

There was no prize and no payoff. The gold price remained dismally low. June 1976, five months after the withdrawal of South African forces from Angola, Soweto erupted and the plight of the economy worsened.

For South Africa's economic woes Secretary of State Henry Kissinger seems at least partially responsible. His goal in a Presidential election year was peace in Rhodesia and an honourable settlement in South Africa.

Manipulation of the gold price was a most convenient and effective stick — and after Soweto, with South Africa enduring a huge crisis in investor confidence, he was given another. It soon became clear that the US was manipulating the credit market wherever Pretoria went in search of loans.

The more the US leaned on South Africa, and Kissinger was the effective instrument, the more John Vorster would be obliged to lean on a recalcitrant Rhodesian premier, Ian Smith.

And it worked, he contends. Rhodesian exports were mysteriously held up due to "congestion" at South African ports.

Military co-operation was reduced, confirmation of South Africa's partial financing of the Rhodesian military budget was stalled and petrol stocks plummeted to dangerous levels.

In the end Smith gave way. He had no choice.

Then, miraculously, the price of gold began to rise. It hasn't stopped going up since.

Pondering the question "How long will South Africa survive?" Dr Johnson has this to say about Kissinger's diplomacy: Its historical significance may be that it "initiated the US into a series of escalating squeezes on South Africa — with the difference that later squeezes will be applied not over South West Africa or Rhodesia but against the apartheid system itself." Perhaps it has already begun.

Government checks spending

RDM 8/11/77

49

3 (a)

Financial Reporter

THE Government has at last got its spending under control, according to Standard Bank.

It says that for 1977-78, the State should be able to meet its borrowing needs without recourse to the exchequer stabilisation account or without running down its cash balance — both steps effectively involving an inflationary printing of money.

Standard Bank says: "After six months into the current fiscal year it is apparent that the Government has been successful in overcoming the overspending problem of the two previous financial years.

"At the end of September total payments (excluding loan redemption) on the combined State revenue and South West African accounts were R4 311-million, or 48% of the year's Budget total of R8 992-million.

"This is a substantial improvement on the 1976/77 fiscal year, when 53% of the budgeted amount had already been spent by the end of September.

"Excessive expenditure during the first half of 1976/77 necessitated additional appropriations of R260-million.

"Actual expenditure was consequently no less than 20.8% higher than in the previous fiscal year. Not only has the rate of Government expenditure slowed this year, but at R4 311-million at the halfway mark in September, it was actually below the R4 342-million spent during the corresponding period last year despite planned expenditure for the current fiscal year exceeding actual expenditure during the previous 12 months by 6.1%.

"Had payment of some Government accounts during the last quarter of the fiscal year of 1976/77 not been delayed, it is possible that State expenditure during the six months to September this year might have been even lower.

"Exchequer issues during January and February this year were only R674-million and R543-million compared with an average of R722-million during the nine months ended December 1976.

"Although State spending returned to R771-million in March, this was only made possible by the granting of the additional appropriations. This suggests that some payment of accounts was postponed until the new fiscal year. It also explains both why issues were particularly high during April this

year (R755-million), followed by a continued decline (except during August) to R648-million in September. Assuming the overall budgeted expenditure plans for 1977/78 are to be fulfilled, the available evidence suggests a return to the pattern of expenditure followed by Government until the 1974/75 fiscal year, with the largest share of the Budget spent during the last quarter of the fiscal year and the least part during the first quarter of the new year.

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multiplier must be known the size amount of government must apply in its order to close the output no fiscal policy is the ing with its expenditure in government must know how spend or withdraw.

Too vague. 2/9

Diederichs sees ^{COM 9/11/77} signs of ⁴⁹ confidence

INDICATIONS of greater confidence among South African consumers and businessmen are among favourable factors in the economy, says the State President, Dr Diederichs.

Laying the foundation stone at the Johannesburg Stock Exchange yesterday, he said the R14-million complex was a demonstration of faith and confidence.

It was clear the South African economy would have to rely more on its own resources for its capital needs.

Among factors contributing to the lengthy cyclical downswing in the economy was the unfavourable publicity South Africa received almost continually because of ignorance or purely political motives.

However, "foreign investors have been impressed by the purposefulness and determination with which the South African authorities have approached the balance of payments problem."

He said: "Favourable elements in the present situation include the stimulating effect of the particularly good agricultural harvests of the 1976-77 season and increased production, and also the improved export achievement of the non-gold mining sector.

"Further, the strengthening of the gold price and factors supporting the expectation this strengthening will continue."

"Together with this is the growing need in overseas economies for more vigorous restimulation, especially in countries showing balance of payments surpluses."

In the long term, South Africa's richness in essential minerals ensured both its growth potential and the maintenance of its relations with the world economy, he said. — Reuter

ADM 9/11/77

49

Regional

Black buying power shows big increase

SPENDING by the central and homeland Governments from 1976 to 1977 increased by an average 26,5% a year from about R90-million to R752-million, the director of the Bureau for Economic Research for Bantu Development (Benbo), Dr J Weidemann, said yesterday.

Dr Weidemann was speaking at a National African Federated Chambers of Commerce (Nafcoc) conference on the homelands, held at a Jan Smuts Airport hotel.

He said the total buying power of blacks for the five-year period from 1970 to 1975 increased by 17,7% a year outside the homelands and by 20,8% within the homelands. In comparison, the buying power of the white community had increased by 12,5% a year.

In absolute figures the total buying power of the various black communities was estimated at R3750-million in 1974/75 of which R925-million was available in the homelands.

Dr Weidemann said that according to 1975 statistics there were more than 14800 black businesses in South Africa of which 9590 were in the homelands and 5266 outside the homelands.

The figures showed that a mammoth task lay ahead of black organised commerce to help find a solution to the "unhealthy leakage of buying power and low agricultural production which harm the economic development plans of the homelands."

The president of the federation, Mr S M Motsuenyane told the conference that his organisation had been asked by homeland governments to produce a blueprint for the economic development of the homelands.

Mr Motsuenyane said that, to put South Africa's economic position on a sound footing, a council of economic cooperation to include both black and white should be established.

A prominent black businessman, Mr S T T Mogotsi, has called for the establishment of a statutory body of black businessmen to act as a channel of communication with the Government and other authorities.

Among other things, the body would consult on:

The views of black businessmen on all matters affecting black enterprise in urban areas. — Sapa and Staff Reporters.

RDM 10/11/77 (49)

Heunis outlines a change of policy

Staff Reporter

THE Government has decided to move away from its recent restrictive economic policies, the Minister of Economic Affairs, Mr Chris Heunis, told the Natal Chamber of Industries in Durban last night.

Mr Heunis also announced that dormant provisions of the National Supplies Procurement Act would be activated by a proclamation in next Friday's Government Gazette to give him power to ensure sup-

plies of goods and services.

The Minister said the Act embodied all the necessary provisions of war measures passed in 1942.

But he promised that "no departure from the Government's long-established policy of maintaining a free and unfettered economic system was contemplated".

The powers taken would be used with the utmost discretion, and only to prevent the disruption of es-

sential services, and after consultation with organised commerce and industry, he said.

In a package of short-term stimulating measures for the economy, their effect on the sound longer-term development would be important, he said.

The likely lesser availability of foreign capital and the possible effect of international measures against the South Africa economy also had to be considered.

Preference would be given to creating employment opportunities with a high socio-political priority which would exert the least pressure on the balance of payments, he said.

"The provision of low-cost housing has been singled out as meeting the norms and I believe the Minister of Finance will make known the action in this area within the next day or two."

On the improved balance of payments, the Minister said the changes which turned a deficit of R1711-million in the current account last year into a surplus of R1 015-million in the first six months this year, were not painless. They went with rising unemployment and falling living standards for many people.

The adjustments had not been made easier by political developments in Southern Africa.

Steps taken to meet the threat of economic measures against South Africa included the accumulation of strategic reserves of oil and other raw materials and components, import replacement and creation of an inter-departmental framework of contingency planning, he said.

Nedbank sees sound base for recovery

RDM
10/11/77

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THE recession is bottoming and South Africa's external accounts have been strengthened, according to the Nedbank group's quarterly economic review.

These achievements, says the report, could provide a healthy foundation for the next recovery phase.

Although the economy was still in a recessionary phase, real gross domestic product increased in the March-June quarter this year after declines in the previous two quarters. Unfortunately this growth was not well balanced, with the major share provided by the agricultural sector. Trade and industry's contribution showed another decline — the sixth consecutive quarter in which a decline was recorded.

Private consumption expenditure remained all but unchanged in the first half of 1977, but is expected to pick up slightly as a result of the return flow spending following the excellent agricultural crops and increase

in export earnings across quite a wide range of goods.

Economic indicators for the period from January to September are not yet available to confirm the view that the recession has reached its lower turning point.

Many of the indicators available in July, however, started to level out from their downward tendencies, although some continued downward. This was so especially in those sectors hardest hit by the recession, among them the motor and construction industries.

The report says that while conditions in the motor trade remain dull, there has been an encouraging upward trend in the number of new vehicles sold. In the construction industry, the cumulative total value of building plans continue to show a decline on the year-on-year figures.

The picture in the mining and agricultural sectors is much brighter, with the output in the mining sector in the first five

months showing a 6,8% increase over the last year's figures, largely because of contributions by the non-gold mining sector.

These contributions offset a decline in the physical production of gold mines.

The effect of the slowdown in the economy on unemployment remains a cause for concern and the Prime Minister's Economic Advisory Council has advocated a selective stimulation to the economy.

This stimulation is to be applied to the construction industry with the emphasis on black housing.

Further stimulatory measures appear unlikely because the level of foreign reserves is still too low to allow measures which may result in a jump in the export bill.

The report says it seems that the worst of the post oil shock adjustment has been borne, and the South African economy has come through the phase far better than have many others.

Government take to control industry

S p
(power)

The Argus Correspondent

Argus

PRETORIA. — The Government is taking greater powers to control industry for strategic reasons and has announced major moves to stimulate the ailing motor industry.

The new steps were announced by the Minister of Economic Affairs, Mr J C Heunis, when he addressed the Natal Chamber of Industries in Durban last night.

His announcement is part of a package programme by the Government to reduce the economy's vulnerability, selectively to stimulate the economy and to further longer-term economic development.

Mr Heunis announced that certain sections of the National Supplies Procurement Act will be brought into operation, empowering the Minister to act to ensure the supply of goods and services in the interests of the safety of the State.

A time extension to January 1980 will be granted on the local content programme for cars.

The excise and sales duties on cars as well as the excise rebate scale on locally manufactured cars will be revised.

A further important booster to motor vehicle sales will be the concession made in extending the hire purchase period for payment on cars from 30 months to 36 months and the period on commercial vehicles from 24 months to 30 months.

4 SECTIONS

Dealing with measures to counter possible economic boycotts against the country, the Minister said four sections of the National Supplies Procurement Act would be brought into operation, but he emphasised this was an enabling measure and that he hoped circumstances would not arise in which he would have no other alternative than to use the provisions in more than isolated cases.

The powers contained in the four clauses would enable the authorities to manufacture goods on behalf of anyone without re-

course to the State Tender Board or State Procurement Board, and order anyone capable of supplying or manufacturing goods or services, or who possesses such goods, to supply, deliver or sell the goods.

This authorities could also seize goods if anyone refused to supply them and they would be enabled to enter any premises and take over the facilities for manufacturing or for obtaining services.

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Smiles from Cape industry

CAPE industrial leaders have welcomed the Government measures to stimulate the recession-hit motor and construction industries, announced by the Minister of Economic Affairs, Mr J. C. Heunis, last night and the Minister of Finance, Senator O. P. F. Horwood, today.

Mr S. R. Back, president of the Cape Chamber of Industries, said he welcomed the announcement by the Minister of Finance that large sums were to be spent on housing for blacks, coloured and Asians.

The announcement concerning freehold title for urban blacks is also most welcome as it will allow private enterprise to play its role, he said.

CONCESSIONS

This is a step in the right direction and will be a stabilising factor in the urban black areas, Mr Back said.

Reacting to the announcement that export promotion and import replacement would continue, Mr Back said he hoped this would be accompanied by additional tax concessions to the exporter as some had been removed.

Motor dealers in Cape Town, though welcoming the extension of the hire-purchase repayment period on new cars from 30 months to 36 months, do not think it will have much effect on sales.

Buyers will still have to find the 25 percent deposit, and this is the main stumbling block to boosting turnover, a dealer said.

QUALIFIED

Spokesmen for the building industry in Cape Town gave a qualified welcome to the announcement that R250-million is to be spent on housing.

"Any news that indicates an injection into the national building problem will be good news," said Mr M. Judge, acting president of the Master Builders' Association.

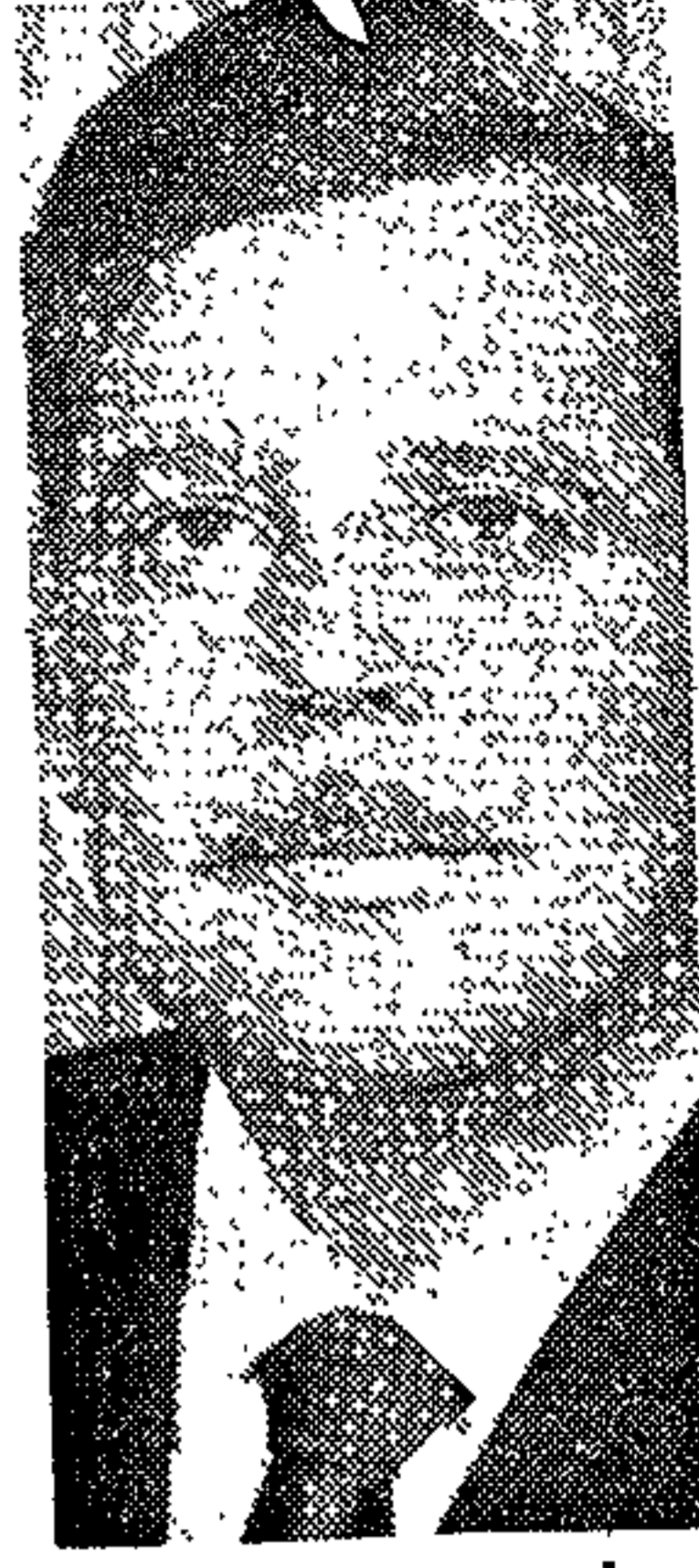
But he agreed with Mr J. J. Kitshoff, regional secretary of the Building Industrial Council, that the money would mean little relief for the industry as a whole if it was spent in large contracts.

Jobs thrust

Star 10/11/77



Senator Horwood . . . jobs for 150 000.



Mr Heunis . . . relaxed HP terms.

to economy

John Patten, Political Correspondent

The Government has announced dramatic new plans to aid recession-hit industries and to stimulate the floundering national economy — spearheaded by a massive R250-million outlay for housing.

The economic package is aimed at reviving the desperate building and motor industries, creating new jobs for the unemployed, giving security of tenure to blacks in urban areas and making an assault on the chronic black, coloured and Indian housing crisis.

The announcements were made in two major policy speeches — significantly timed only three weeks before the general election.

The Minister of Finance, Senator Horwood, said today at a Johannesburg investment conference that:

- An additional R100-million would be spent on black housing, R100-million on coloured housing and R50-million on Asian housing by early 1980;

- Plans to give urban blacks permanence of occupation and certainty of title were nearly complete — these would satisfy building societies and others granting home loans;

- Export promotion and import replacement would continue as important parts of official policy;

No tax relief for citizens

Financial Editor

Senator Horwood made it plain that there would be no tax cuts in the new package.

He said it had been tempting to consider such cuts, but he had decided the timing was wrong.

"There is no question of throwing caution to the winds and showing the green light for all kinds of public and private sector expenditures

Jobs boost to the economy

▶ From page 1

sionary phase, but moved into a new cyclical upswing.

Giving details of the Government's housing plan, he said R50-million would be spent in black homeland townships adjacent to metropolitan areas (such as Mdantsane, Umlazi and Mabopane) while R50-million would be for black housing in urban areas.

"It is calculated that each R100-million for housing will ensure a livelihood for one year to about 150 000 people," Senator Horwood said.

Out of every R100-million, R40-million would normally take the form of wages and salaries to skilled and unskilled building workers.

The housing plan had been worked out in co-operation with the Department of Bantu Administration and Community Development, the Reserve Bank and a consortium of banks.

(Report by J. M. Patten, 216 Vermeulen Street, Pretoria.)

● See Pages 27, 28.

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- A high level of public sector capital spending would continue and there would be an "adequate" increase in bank credit, money and near-money to stimulate economic activity.

Upswing

The Minister of Economic Affairs, Mr Heunis, said at an industrialists' dinner in Durban last night that hire-purchase terms on cars and commercial vehicles would be eased and the local content programme relaxed. (See Page 2.)

Announcing his stimulatory measures today, Senator Horwood warned that the changes were neither more or less than a "shift of emphasis" and that fiscal and monetary discipline remained the key to overall economic strategy.

The shift was necessary to ensure the economy did not remain in a recession.

To Page 3, Col 6

Industry sees no threat in 'war' Act

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Spokesmen for commerce and industry today expressed their trust that the Government would use its extra powers to control industry only as a last resort.

The introduction of the new powers was announced last night by Mr Chris Heunis, Minister of Economic Affairs, when he said certain sections of the National Supplies Procurement Act would be brought into operation. This will empower the minister to act to ensure the supply of goods and services for strategic purposes.

Today the president of the Transvaal Chamber of Industries, Mr Jack Holloway, said he trusted the minister would not use the powers available to their extreme degrees "except in a situation of total crisis."

RECOGNITION

In principle the TCI never liked to see Government interference in the private sector, but it recognised the Government was enabled to do so by the legislation.

It was impossible to generalise on the effect these powers would have on industry, Mr Holloway said, as the situation could differ completely from one company to another.

Assocom president Mr Rick Mitchell said he fully accepted that the Government would use these powers only if this became absolutely necessary. He accepted in good faith the Government's taking of extra powers, but hoped the situation would not arise for them to be used.

If they were used, he added, he was sure this would be done judiciously and in a way that would not seriously prejudice any sector.

Executive director of the Pretoria Chamber of Commerce, Mr Wulf Jacobson, thought it unlikely that commerce or individuals would experience any hardships as a result of the Government action.

CHALLENGE

He saw the move as a challenge to initiative and an encouragement for diversification, and as such it was healthy.

Mr H A Sloet, vice-president of the Afrikaanse Handelsinstituut, said in Pretoria today that the Minister had discussed the measures fully with his body.

"As a result I am confident the State will not go into competition with private enterprise unless this is absolutely necessary," he said.

He said it should be borne in mind that the Minister could use the measures to stimulate employment by creating new factories.

november 11 1977

Going for growth

Well, not exactly growth. Finance Minister Horwood's new measures should help to save the economy from the worst effects of the foreign capital drought: they will not make it bloom again. But at least they are a move in the right direction.

The chief measure is a new R250m public housing programme for Africans, Indians and coloureds, to be spread over the next two-and-a-third years. A consortium of banks will provide the bulk of the money. Also, HP terms for cars and trucks have been eased, as has phase five of the local content programme, and progress has been made towards providing building society credit for blacks.

Horwood also stressed export promotion, import replacement, the high level of public sector capital outlays and the need for Church Square to maintain adequate liquidity.

The credit ceiling? No change. Public sector wage and salary increases? No mention. Cuts in taxes or loan levies? Not on. Further cuts in interest rates? Nothing doing.

Clearly, Horwood is taking no chances with the balance of payments. Indeed, in his speech to the *FM's* investment conference on Thursday when he announced the measures, he went out of his way to stress he was not plumping for general stimulation.

"The government has rejected out of hand," he said, "any overall policy of trying to reflate the economy by means of large increases in government spending and money creation, low interest rates, and large wage and salary increases."

Downward spiral

His caution is understandable. Pretoria will probably have to continue repaying large amounts of official foreign debt over the next few years. To be sure of having enough foreign exchange to make the repayments, the current account of the balance of payments will need to be kept in the black. That means imports must be held down, which in turn means the overall level of spending must be kept down.

On the other hand, there is still a real danger that the economy could slip into a downward spiral, in which a still lower level of spending would result in an even smaller inflow of foreign investment. For



Owen Horwood . . . a helping hand

the shortage of foreign capital is due not only to its scarce supply; it is also due to falling demand.

As Horwood put it on Thursday, continued deflation "might well weaken the balance of payments by encouraging the outflow of 'recession liquidity' and reducing both the inward movement of new capital and the reinvestment of profits by overseas companies operating in SA.

"It is evident that if we grow next year at an annual rate of, say, 3% there should be more profitable investment opportunities for capital in SA than if we grow at 1%, and this also applies to foreign enterprises operating in SA."

There are other reasons why the government should try to stop the economy from unwinding:

- Joblessness is increasing by tens of thousands every month and unless the trend is arrested there could be serious social unrest;
- In many industries there is a great deal of unused plant capacity; utilising it more

fully would help to stop profits from slumping;

- Further deflation of demand will not markedly slow the rate at which prices are rising; and

- It would also mean lower incomes and therefore less tax revenue. "This," said Horwood, "could lead to a vicious circle in the sense that lower tax revenue might lead to either cuts in government expenditures or further restrictions on bank credit to the private sector, which in turn might erode the tax base still further."

- Finally, lower incomes lead to fewer savings. And fewer savings mean less money to repay foreign loans and finance future capital investment, which is vital for economic growth.

Political outlook

On balance, the amount of stimulation in Horwood's package is probably about right. Any less and the economy would have continued to slide, leading to a still larger repayment of private sector foreign debts and to a still smaller inflow of new foreign investment. Any more would have created too much cash in the economy, brought interest rates down with a thump and perhaps caused a massive overseas outflow of short-term funds.

Of course, the real constraint on growth is the *supply* of foreign capital. And there is nothing much the minister of finance can do about that. Only a dramatic change in the political outlook will help on that score.

The fact that more cash has been made available for black housing will be seen by some as a sign that Pretoria is starting to get the message. But unless it is followed up by meaningful moves away from race discrimination, and by the rapid restoration of civil rights and the granting of equal political, economic and social rights, the world is going to remain unconvinced that SA is still a good place to invest in.

Without foreign capital we will somehow manage to get along. But we will not be able to enjoy the rising living standards to which we have become accustomed.

That, sadly, is what is in store. Unless by some miracle there are dramatic and far-reaching changes for the better in the political scene.

State can now ^{RDN 1/11/77} seize any goods ⁽⁴⁹⁾

CAPE TOWN. — The Minister of Economic Affairs will be able to seize goods from any person in terms of certain sections of the National Supplies Procurement Act, 1970, which comes into effect by proclamation in the Government Gazette today.

Mr Chris Heunis said in Durban that certain previously dormant provisions in the Act would allow him to ensure the supply of goods and services if deemed necessary in the interests of the State.

This follows the adoption by the UN Security Council of a mandatory arms embargo on South

Africa and rumours of possible trade sanctions against the Republic.

The four sections empower the Minister to:

- Order the manufacture of any goods for the State or other person without recourse to the State Tender Board or State Procurement Board;
- Order persons capable of supplying such goods to the State to do so. Compensation will be paid;
- Seize any goods if supply is refused;
- Order the occupiers of premises in which such goods are made to allow entry facilities at all reasonable times. — Sapa.

Supplies

Act now

Star 11/17/49
Law



John Patten
Political Correspondent

The Government today brought into operation four clauses of the National Supplies Procurement Act — as was announced it would do by the Minister of Economic Affairs, Mr Heunis.

The four clauses, which have been dormant for seven years since the Act was introduced, were invoked today in a proclamation published in the Government Gazette.

These sections of the Act give the authorities enabling powers to manufacture goods on behalf of anyone without recourse to the State Tender Board or the State Procurement Board, and to order anyone capable of supplying or manufacturing goods or services (or who possess such goods) to supply, deliver or sell the goods.

They could also seize goods if anyone refuses to supply them and would be enabled to enter any premises and take over the facilities for manufacturing goods or obtaining services.

(Report by J. M. Patten, 216 Vermeulen Street, Pretoria.)

Industry welcomes Horwood's boost to the economy

X
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11/11/77

Industrial Reporter
and Sapa

INDUSTRY AND ECONOMISTS yesterday welcomed measures introduced by the Minister of Finance, Senator Owen Horwood, to give a selective boost to the economy.

The main points of the new economic package outlined in Johannesburg at an investment conference organized by the Financial Mail were:

- An additional R250 million outlay for housing in the next two years.
- Plans to ensure security of title in black home ownership schemes.
- Greater incentives for export promotion and import replacement.
- A shift in short term economic policy from curbing of investment and consumption to the encouragement of economic growth.

The announcement followed moves by the Minister of Economic Affairs, Mr Chris Heunis, to assist the ailing motor industry with longer hire purchase periods and a delay in implementation of the next stage of the local content programme.

The director of the Bureau for Economic Research at the University of Stellenbosch, Professor J L Sadie, told the Cape Times the package "will create an easier environment in which the economy can proceed at a higher tempo. It will help to create an atmosphere of confidence to which businessmen should respond positively. Indirectly it should give the economy a lift."

He added that the government could not be expected to move faster because of the difficult position of the balance of payments and the high level of inflation.

Breaking down the increased housing expenditure, Senator Horwood said R100 million each would be spent on coloured and black housing, and R50 million on Asian housing.

Half of the amount on black housing will be in homeland townships adjacent to metropolitan areas and the other R50m is for black housing in urban areas.

A consortium of banks is to provide R165m in bridging finance, and the remainder will be provided for in the budget.

Senator Horwood said the Department of Community Development would be responsible for administering R200m of the scheme, including the R50 million for black urban areas.

The Department of Bantu Administration and Development, through the Bantu Trust, would be responsible for spending R50m in homeland townships, this latter amount to be provided for in the Budget.

Banks were providing the finance at interest rate three percent above the bank rate, which meant 12 percent. The credit extended will be approved by the Reserve Bank outside existing credit ceilings.

It has been calculated that of every R100m spent on housing, R40m would take the form of wages and salaries for building workers and a further R16m would be absorbed by related manufacturing activities.

"Taking into account the average size of families, it is calculated that each R100m provided for housing will ensure a livelihood for one year to about 150 000 people, without even taking into account the secondary expansionary effects.

Over the past 10 years, expenditure through the national housing fund has increased from R43 million to nearly R194 million.

Discussions on a home-ownership scheme for urban blacks had recently taken place.

Features on which a final arrangement would be based should include satisfactory certainty of title, an inexpensive and simplified registration of title or mortgage, and owners to have the right to sell, sub-let and mortgage the houses, or leave them to someone in their will.

Building societies should also have the right to foreclose or dispose of properties in the event of default. Senator Horwood said the Minister of Bantu Administration and Development, Mr M C Botha, was prepared to withdraw a regulation containing grounds on which occupation of a property in black urban areas could be terminated.

Amendments to the Building Societies Act would also be needed, and a final announcement would be made soon.

The Director of the Association of Building Societies, Mr David Alston, welcomed the moves, as did the director of the Building Industries Federation, Mr J H D Grotius, who said the only disappointing feature of the housing outlay was that the funds would be spread over a long period.

He added that it was not clear whether essential amenities including schools, old age homes, and recreational facilities would be included in the scheme. Reuter says bankers were generally disappointed with the measures.



Senator Horwood



Professor Sadie

Horwood lê grondslag

Sake - Rapport 13/11/77 (49)

DIE Minister van Finansies, sen. Owen Horwood, se stimuleerpaket van Donderdag gaan oor die kort termyn nie juis hydra tot 'n verbetering van die ekonomie nie. Maar dit skep 'n belangrike grondslag vir konserwatiewe en stewige ekonomiese groei vorentoe.

Die twee sektore wat op die oomblik die swaarste kry, die motorvervaardigers en die boubedryf, het wel regstreeks hulp verkry in die vorm van verlengde huurkoopbetalings en 'n inspuiting van R250 miljoen oor drie jaar vir nuwe woningbouprojekte.

Die belangrikste grondslag vir ekonomiese groei, wat hy geskep het, is egter die bevestiging dat monetêre en fiskale maatreëls tegelyk aangewend sal word om hierdie doel te bereik. Ongelukkig is daar nog te min ruimte in die ekonomie om nou iets daadwerkliks hier te doen.

Die gedagte dat bankkrediet voortaan toegelaat sal word om ietwat vinniger te styg en dat die geldvoorraad vinniger behoort te styg, kan wat die monetêre maatreëls betref, 'n belangrike bydrae lewer.

Maar die groot probleem is steeds die betalingsbalans. Daar is steeds 'n uitvloei van korttermyn-buitelandse kapitaal en meer kredietgeriewe in die binneland kan dit verder stimuleer. Ons reserwe is ongelukkig nog nie op so 'n vlak dat hierdie uitvloei geabsorbeer kan word nie.

Wenslik

Aan die fiskale kant sou dit op die oomblik baie wenslik gewees het om belasting in een of ander vorm te verlaag en om die staatsbesteding, wat vir die eerste ses maande van die jaar in randwaarde laer was as in die ooreenstemmende tydperk verlede jaar, ietwat op te stoot.

Maar met sy belastinginkomste gaan dit ook nie so goed as wat begroot is nie. Dit is veral maatskappywinste wat in 'n baie laer tempo styg as waarvoor begroot is.

Aan die pluskant behoort goudmynwinste met die huidige goudprys weer heelwat hoër te wees. Maar die Minister wil blykbaar, heeltemal tereg ook, nie nou reeds die voordele van die huidige hoër goudprys gebruik nie. Die goudprys kan immers weer daal.

Aan die bestedingskant

moontlik oor 'n korter tydperk as die huidige dertig maande aangepak word.

Dit is duidelik dat daar nog probleme in die ekonomie is, maar die Minister is ook ernstig in sy pogings om nou weer groei aan die

gang te kry. Ons verwag dat daar nog ander maatreëls getref kan word voor die volgende Begroting en dat ons by daardie geleentheid ten minste nie weer te doen sal kry met hoër belastings nie. — Vic de Klerk.

Politics and business

Businessmen are bewildered. Nothing new in that. The future is always fraught with uncertainty and those who outlay vast sums of their own money on large new projects are always to be admired - if not for their good sense, then certainly for their courage.

But this time the future seems particularly hazardous; tremendous forces are tugging in opposite directions.

On the one hand, booming gold and diamond markets have boosted national income and prompted bullish sentiments, especially on the stock exchange. That was clearly underlined by the *FM's* investment conference last week.

On the other, the political news has never been grimmer, nor the political path so dangerous.

In the past month, executives have been shaken by Kruger's crackdown, startled by the UN's arms embargo, and scared by Heunis's assumption of vast new powers under the National Supplies Procurement Act.

The number of executives and professionals quitting SA continues to climb. "It's amazing how many top businessmen phone me to ask about emigration regulations," notes a foreign exchange expert. "They all say they're calling on behalf of a friend."

Moreover, there is little sign of any upturn in domestic sales or production. Over half of the firms quizzed by Stellenbosch in its latest quarterly survey expect business to be worse in December than a year earlier. "The business mood is very bad," explains a leading economist.

"Activity in the steel and engineering industries has reached a nadir," says Seifsa's director Errol Drummond. "But there is no real indication of an upturn."

Rough trading

Primrose's chairman David Lurie notes that many big contracts are now nearing completion with little to replace them. And OK Bazars' MD Meyer Kahn calculates that there is "a massive pent-up demand for furniture and clothing, but we need some socio-political stability. A spell of rough trading is still in store."

Finance Minister Owen Horwood's much-heralded "reflation" has brought little excitement, even to the hard-pressed building and construction industries. With the value of buildings completed

running at R70m a month (more than R2 000m over the next two and a half years, in other words), an extra R250m to 1980 is not much to crow about.

Another worry is the drop in immigration, which has dramatically lowered the white population's growth rate. Since whites constitute by far the larger part of the consumer market, the effects on the housing, car and many other consumer durables industries could be serious.

On the other hand, there are also some positive signs. Assocom's president Rick Mitchell says he has noticed a slight pick-up in consumer spending since July.

poses of compensation; and
• No commandeering will take place without consulting the private sector.

"I got the impression the Minister would be reasonable," commented an employer body official. The move has even been welcomed in some circles.

"SA has a very good record when it comes to those who invest money here," notes Afrikaanse Handelsinstituut vice-president Hendrik Sloet. "This measure is aimed at protecting them."

Adds Mitchell: "He timed it well. From a businessman's point of view, these *kragdadige* tactics tend to make for



Defence Force on parade . . . Heunis will keep the wheels turning

Siemens' boss Wilfried Wentges is convinced SA has a good business future and to prove it the parent company has invested over R2,5m here in the past 12 months.

Nor are all businessmen upset by the prospect of yet more intervention under the new National Supplies Procurement Act regulations. Economic Affairs Minister Chris Heunis has assured organised commerce and industry that:

- Pretoria will not set up its own production facilities unless the private sector is unable or unwilling to make the products required;
- Should he order a factory to produce certain goods he will take into account direct as well as indirect costs for the pur-

stability."

It is the general impression that foreign controlled firms supplying the Department of Defence could be commandeered if their parents instruct them to stop supplying goods which P W Botha needs. These go beyond arms and ammunition: motor vehicles, telecommunications and lighting equipment, ball bearings and other electronic goods are among the strategic materials produced by foreign controlled firms.

"Before the parent company can say to its subsidiary 'You can't', the minister will say 'You must'," is how an industry leader sees it.

A spokesman for General Motors notes: "It's another of the difficulties we

have to face. There's certainly no intention of quitting the scene."

These comments are sanguine enough. But they disguise a deep sense of uncertainty encountered in many interviews. There is no doubt that the chief concern is the political outlook. Apparent peace born of repression is widely held to be

something that cannot last.

Most local businessmen insist that definite political progress is a *sine qua non* for a return to prosperity. As for foreign businessmen, their attitudes are perhaps best summarised by the editor of *The Economist*, Andrew Knight.

Addressing the *Rand Daily Mail's*

Business Achievement Award banquet, he predicted that further clamps on the press, detentions and bannings would stop foreign firms from investing in SA.

"This is not because they are moral," he said, "but because they are economic. Short-term stability bought at that price is long-term instability."