

In Search Of Post-Apartheid South Africa

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The terms of reference set out for this Colloquy summarize some of the unjust effects of the policy of apartheid on black South Africans, and correctly point out that “ending the legal and political structure of racial domination alone will not redress the social and economic conditions created by apartheid.” The road which leads to the creation of a post-apartheid government will naturally partially determine what options are available to that government, and so, although the focus of this article is on those options, attention will have to be given to the process by which apartheid is dismantled.

At the outset, it is important to note that the goal of full racial equality, which I take to mean real equality of opportunity for members of all racial groups rather than a utopian egalitarianism, cannot operate in a vacuum. Just as there is a tension in international relations between the fundamental principles of justice and order, so too there is a need to balance the requirements of justice and of order, i.e., the need for effective and stable government, in the domestic life of any society. Even at moments of crisis in a nation’s life when the many who are suffering acutely would regard anything other than the principle of justice as being of secondary importance, the long-run well-being of the country demands that balance be borne in mind.

Whilst therefore in no way underestimating the urgent need to redress the inequities and injustices of the South African past and present, and therefore the need for rapid and wide-ranging political change, the perspective I wish to offer will focus on the ability to provide resources for effective and stable government by drawing on business and socio-economic experience in Africa and elsewhere. It will also be necessary to distinguish between the socio-economic effects of apartheid which can be avoided or repaired with the dismantling of apartheid, and those which are attributable to modernisation and which will therefore continue.

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The first major point I wish to make is that any post-apartheid government will have to deal with the reality of limited resources. The capacity of post-apartheid South African society to generate resources, and the actual quantity available to that government, will have been affected by the transitional period. The policy options then adopted by a new government will either enhance or deplete the resources available for urgent socio-economic programmes. The fact of the matter is that South Africa has elements of the First and Third Worlds. It is not an industrial nation, but rather, is wealthy only in relation to its less fortunate African neighbours. So for example, South Africa's GNP per capita in 1982 was only twenty-five percent of Canada's, an industrialised nation with roughly the same population. On the other hand, it was two-and-a-half times as great as the average for its twenty sub-equatorial African neighbours.

As a trading nation, South Africa can only preserve its mining and manufacturing base if it retains its membership in the western international economic system. This entails both maintaining and enlarging the capital and technology inflows essential to an industrialising society, and also maintaining the ability to compete in international markets. The myth that South African businessmen who place a premium on economic growth are self-interested capitalists collaborating with apartheid can be exposed by examining the alternative of a sanctions scenario in the context of South Africa's demographic and socio-economic realities.

South Africa has a population growth rate of 2.7 percent per annum, and a typical Third World population profile with over fifty percent of the population under the age of twenty. The difficulty of fulfilling even the basic needs of a burgeoning population with respect to health, education, employment, and general contentment can be quantified in illuminating terms. Part of that difficulty is attributable to the legacy of apartheid and the structural distortions introduced by the policy of separate development. But part is the result of the strains imposed on society in transition between Third and First Worlds, and would have been felt even if there had been no apartheid. As things stand now, an annual average growth rate of 5.5 percent in GNP is required to create employment for 250,000 or so new entrants on the job market every year. Such a growth rate would not affect the pool of unemployed variously estimated at up to twenty-five percent of the black population.

To make matters even worse, an economic growth rate just less than the population growth rate could only be achieved by drawing on foreign currency reserves for 3 percent of the country's investment needs. In the two decades 1964-74 and 1974-84, South Africa's economic growth rate

averaged roughly 5 percent and 2.5 percent per annum, respectively. In the earlier period, 10 percent of investment needs was provided by foreign capital. In the latter decade, there was actually an outflow of 0.5 percent of invested foreign capital. This trend worsened during 1985 and, the arrangement with South Africa's creditor banks reached in February 1986 notwithstanding, this trend will continue to worsen unless a reassessment of the effects of sanctions and of isolation on South Africa takes place. That is true even if socio-economic apartheid constraints are gradually being removed.

Of course, it can quite legitimately be argued that disinvestment, sanctions, and the withdrawal of foreign credit is a political vote of no-confidence that can only be reversed once the South African government has taken the appropriate political steps to dismantle apartheid. But sanctions designed to promote such a goal in the short to medium term will exact intolerable long term economic costs.

Recently, Xan Smiley, the respected commentator on Africa, suggested that the undermining of the ideology of apartheid and the transformation of the Afrikaner nation from a rural and blue-collar background into a modern western people, had turned the majority of Afrikaners into cheque-book consumers increasingly amenable to economic coercion.¹ Smiley, however, missed the crucial fact that well over 40 percent of employable Afrikaners are now in the state sector, many having retreated there from the agricultural and mining sectors. Such people must be highly ambivalent about ushering in changes which threaten their livelihood, particularly if a deteriorating economy makes alternatives hard to find. It should also be noted that the state sector is the chief beneficiary of apartheid.

What options do those in government and the security force, who retain the levers of power, have in the face of sanctions? Merle Lipton in her recent seminal work, *Capitalism and Apartheid*,² has pointed out that apartheid has been functional for those who have been able to pass on the economic and other costs of apartheid policies to other groups or who, lacking the ability to pass those costs on, have assessed such costs as cheaper than submitting to what they perceive to be direct threats to their security.

Initially, under a sanctions scenario, a substantial portion of the costs can be passed off onto others—black migrant workers from neighboring Southern African states, black South Africans, and South African

1. Smiley, *A Black South Africa*, THE ECONOMIST, Feb. 1, 1986, at 33.

2. M. LIPTON, CAPITALISM AND APARTHEID, SOUTH AFRICA 1910-84 (1985).

industry and commerce in terms of higher taxes and so on. In fact, this process can already be observed. So far, government has paid a relatively minimal price for the lack of foreign investment in South Africa over the past few years and, recently, for the increasing capital exports, when compared to the soaring job losses and the decline in living standards experienced by the private sector. Yet, by the time the adverse effects fully affect them, will the alternative which Smiley considers inevitable, black majority rule under the ANC, look any more palatable? Smiley answers that himself by commenting: "The ANC instinct, whatever its newly projected image of tolerance and moderation, would be to dominate . . . all the institutions of state, just as virtually every government on the African continent does."³

In any case, by encouraging black opinion in the view that whites can be driven by concerted local and international pressure into making all the concessions, sanctions will simply confirm the instinct of the ruling National Party to go for a repressive and destructive siege. This is said with no satisfaction or approval, but simply to illustrate the general principle that human behavior is governed by perceptions of interest, and in the pursuit of scarce resources, considerations of morality or absolute justice will not be the governing factor. Nor can people be "punished" into behaving well, particularly if they perceive alternative courses of action.

The evidence from Africa to the north of South Africa coldly illustrates the general proposition that the capillary system by which economies and particularly Third World economies grow cannot be recreated by fiat. It is difficult to reverse a trend of economic disintegration and heightened conflict.

Zimbabwe is an instructive example of a country where the legacy of conflict and sanctions have combined with harsh demographic realities to mitigate the effect of reasonably wise policy choices. Zimbabwe was more fortunate in retaining both a more developed infrastructure and a higher level of skill, both black and white, than its less fortunate neighbours who had also been through a "liberation" struggle. But, partly at the urging of President Samora Machel of Mozambique, who had learned from bitter experience, Zimbabwe refrained from translating radical rhetoric into damaging socialist measures such as nationalisation and wholesale land appropriation, which would have meant the rapid loss of white skills and agricultural and manufacturing production.

3. Smiley, *supra* note 1, at 34.

Despite his pragmatism in retaining much of the free-enterprise system in agriculture and commerce and industry, Mr. Mugabe has found that overseas private investors have failed to return to an independent Zimbabwe. This seems partly due to concern over continuing socialist rhetoric, and a consequent fear of nationalisation. It also seems partly due to an enduring perception of political risk relating to domestic uncertainties, and fear of the impact that instability and a deteriorating economy in South Africa might have on Zimbabwe.

In many respects, Zimbabwe's problems mirror those problems of modernisation that South Africa is facing and will continue to face in a post-apartheid society. The rapid extension of health and educational facilities to the population at large, combined with one of the highest birth rates in Africa and indeed the Third World (close to 4 percent per annum), means that an ever larger number of young black Zimbabweans with high white collar aspirations are coming on to the job market. The figure, currently around 100,000, will rise to 250,000 by the end of the decade. Yet only 5,000 jobs are being created each year in the formal sector of the economy, and there are no more people in employment now than there were in 1973. Unless this unbalanced equation can be altered by lowering birth rates and increasing wealth and job creation, political instability must result.

To drive home the point: if multinational corporations disinvest from South Africa, will they automatically return when a post-apartheid government is ushered in? Under a sanctions scenario, economic disintegration and a period of enhanced conflict suggests that there will be little incentive to return to a market even more contracted than it is now under recessionary conditions. This is particularly true when there will almost certainly be concern about stability in the same way as in post-independence Zimbabwe.

And what will happen to markets lost to South African products during the sanctions period? In the highly competitive world of nation states, South Africa can expect no charity for its products, particularly in areas where there is a surplus, as there is now in coal, sugar, steel, uranium, and paper. Markets will only be regained by the ability to compete, which in turn will require the absence of the distorting factors which so many African governments have allowed, such as an overvalued exchange rate and high minimum wages.

The ultimate irony of sanctions, a sort of "revenge on OPEC" scenario, would be if consumers of South Africa's strategic minerals were to reduce their dependence on South African sources of supply and thereby diminish one of the major sources of revenue for a post-apartheid state.

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Ignorance, poverty and repression, and not freedom, equality and democracy, will be the result of a post-apartheid society if it is created by revolutionary means in which sanctions and disinvestment have played their role. No phoenix will arise from the proverbial ashes, and questions of blame or responsibility will be irrelevant. The more the consequences of such a scenario are examined, the less unsatisfactory the slow course of evolutionary change appears, however frustrating or agonising it appears to participants.

At the heart of business priorities for a post-apartheid society lies a determination to retain and expand the wealth creating capacity of the free enterprise system. Unless the system of government adopted in a post-apartheid society allows individuals the freedom to make full use of their talents, government will have fewer and fewer resources with which to pursue the necessary priority of more equitable distribution.

The ethnic, quasi-socialist system of government pursued by the Afrikaner oligarchy during the apartheid period has incorporated some of the worst features of other centralised, bureaucratic, socialist systems. It has proved itself incompatible with the requirement of an industrialising society for high economic growth. The process of reform instituted in the late 1970's, and pursued somewhat unevenly in the 1980's, has been partly the result of the changing economic interests of Afrikanerdom as well as domestic and international pressures. In fact, the emerging Afrikaner business elite really came to the fore during this period. But, as noted above, there remains the political obstacle of the core of Afrikanerdom who stand to lose more than they would gain by pursuing reform in the political arena, if that reform is to be defined in the zero-sum terms of majority rule against a background of a deteriorating economy.

Whilst businessmen would continue to strenuously oppose the centrality assigned to ethnic divisions in South Africa under apartheid and propose in its stead the principle of freedom of association, there remains the troubling reality of the heterogenous nature of the South African population. The African National Congress is a central actor which cannot be wished away. Indeed, that organization ought to be legitimised, and its leaders released, in order that they might play their rightful role in the political contest. Yet, surveying the current crisis in South Africa, the sad fact is that conflicts and divisions between black political groupings based on ideology, interest, tribal identity, and the sheer competition for influence, are deepening. Whites ought not to draw comfort from these divisions: the whole inevitable process of reaching an accomodation in South Africa is simply made more messy and protracted, and the task of

a post-apartheid government more difficult, by these divisions. But they are a reality, and only romantics or revolutionaries believe they can be magically conjured out of existence or forcefully removed. Witness the history of Africa to the north of the Republic.

The businessman's mind therefore turns to the federal option for two reasons: first, because it seems to provide the most scope for devolving and sharing power so that differences are accommodated and the interests of minorities are taken into account; and second, because it is more conducive to ensuring the survival of free enterprise and individual freedoms.

Merle Lipton, in her book *Capitalism and Apartheid*, posits five possible strategies for a future South Africa: (i) retain both capitalism and apartheid; (ii) have less or no capitalism (i.e., a larger state sector combined with white domination); (iii) have less or no capitalism combined with black domination; (iv) get rid of apartheid; i.e., have multiracial (or non-racial) capitalism; or (v) get rid of both apartheid and capitalism; i.e., have multi-racial (or non-racial) socialism.

Of these, Lipton says she prefers option (iv) because

I believe it could be achieved with less violence than any of the others; it does not rule out subsequent movement towards more egalitarian, welfare-oriented politics; and it is the only option compatible with the revival of remnants of liberty and democracy: the degree of coercion required to enforce each of the other options seems incompatible with this.⁴

Indeed, the adoption of a Bill of Rights, now a much-advocated move in liberal and business circles in South Africa,⁵ is one way of helping restore the classic Western democratic concept of the rule of law, so tragically eroded during the apartheid era. A Bill of Rights, of course, would not be worth the paper it was written on unless it enjoyed the support of the majority of the population of South Africa. Yet one of the most exciting and positive developments in South Africa currently is the concept of finding common ground in the area of commitment to various freedoms and common law principles, as a preliminary to getting a real negotiating process off the ground.

Given all that has been said above, the negotiating process is likely to be a hard and drawn-out one. There can be no quick fixes in a complex society battling over the root issue of politics, scarce resources. But the process of dismantling the socio-economic elements of apartheid, already underway in South Africa, will go some way towards changing the

4. M. LIPTON, *supra* note 2, at 12.

5. The "Business Charter," published by the Federated Chamber of Industries, is one example of this support. *See Rand Daily Mail*, Feb. 7, 1985, at 1.

economic equation. By releasing unproductively used or wasted resources, increased growth will be generated. The abolition of influx control, which is now a prospect by the middle of 1986, will remove one of the fundamental impediments to the creation of a free enterprise economy, the absence of labour mobility. If this is coupled, as seems possible, with both the accelerated elimination of the mass of red tape inhibiting small business activity and the institution of a massive, labour-intensive housing program aimed at meeting the backlog of housing opportunities in urban areas, then a boost to domestic economic activity which would have important multiplier effects in both the formal and informal sector should be possible. An equally valuable indirect effect would be the reduction in population growth rates, since international experience has shown that urbanisation and modernisation are the best forms of birth control. Already, black family sizes in the more prosperous urban areas are significantly smaller than in the impoverished rural areas.

Tackling the key areas of labour mobility, employment creation, housing provision, and small business activity would not require punitive state participation. In fact, apart from the provision of land and basic infrastructure, such a program would rely on releasing the hitherto constrained energies and talents of a broad section of the population. No doubt the effect would be enhanced by a change in the tax regime, which again is in prospect with the current Margo Commission. Also, hopefully in 1986, ideologically motivated population removals will be finally abandoned, ending enormous human and financial costs. Similarly, when the notion of homeland consolidation is abandoned, several hundred million rand per annum may be saved.

The way such funds are then deployed should be constantly motivated by the principle of more productive use, as well as more equitable distribution. So, for example, in the field of agriculture, Zimbabwe has much to teach South Africa in terms of maintaining productive white commercial farms, while at the same time encouraging the rapid spread and progress of peasant farming by means of basic incentives. These incentives include higher production prices, ready credit, and convenient storage and processing facilities. As far as possible, the wasteful system of subsidies and parastatal agricultural boards should be abandoned.

What can be saved in defence costs by the de-escalation of tension in the region and the independence of Namibia may be used, as in Zimbabwe, to provide at least temporary employment to many in the form of a large standing army. This might also have value in terms of fostering national identity and healing old divisions.

As far as business is concerned, the drive to achieve a more representative complexion amongst employees at all levels will require a range of affirmative action programs, some of which are already, though late in the day, beginning. Greater worker participation in business, not just through trade unions, but also through shareholding schemes and other mechanisms, is likely. What is clear is that the complexion of South African business will in many respects be transformed, though, as I have indicated, the fundamental principles of private ownership of property will perforce have to remain.

Yet the acts of commission and omission of the past will not and cannot be overcome in a short period of time. It will be the choice of the right policy options that will be crucial in determining just how long the process will take and whether South Africa will claim her place as one of the successful nations competing in the international market and simultaneously satisfying the aspirations and welfare of her people.

In this respect, some of the nations of South East Asia provide inspiration, if not exact analogies. For example, Singapore in the late 1950's bore a striking resemblance to South Africa in the 1980's: high unemployment, poor living conditions, and inappropriate education for the bulk of the working class. In Singapore, unemployment at 13.2% was particularly acute amongst non-English speaking Chinese, a disadvantaged section of the majority Chinese community. Of the then-population of 1.5 million living in an area the size of greater Durban, 76% were Chinese, 15% Malay, 7% Indian and 2% "other." The population growth rate was 4.4%, and Singapore's demographic distribution was then almost identical to South Africa's today with 43% of the population being under the age of 15 years.

A middle-class group of Chinese socialists led by Lee Kuan Yew rode to power on a communist platform. This group, in two decades of pragmatic rule marked by vision and will, and a mix of democracy and authoritarianism, managed to transform Singapore into one of the success stories of the early 1980's. Recent "hiccups" in performance only serve to underline the point that successful policies and formulae need revision in the face of changing circumstances. Particularly instructive was their choice of a concerted attack on the housing backlog to resolve economic problems and enhance political legitimacy. Though the state oversaw the process, the Housing and Development Board enjoyed large measures of autonomy in terms of policy, administration, and finance. The same kind of cooperation between the state and the private sector would seem to be appropriate for South Africa's circumstances if the 250,000 housing units

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per year required to provide for the estimated future needs and the huge existing backlog is to be met.

In the late 1950's, in a message which is particularly pertinent now for all present South African leaders, Dr. Goh Keng Swee, then-Finance Minister and now widely acknowledged as the architect of Singapore's economic miracle, had this to say:

I want to make it clear that I am not against the welfare state. All modern societies, whether based on private enterprise or on the communist system, move towards the welfare state in their advanced stages of development. What I am opposed to is the belief that the good things of life can be got without sustained effort, and that it is the duty of a good government to act as the universal provider. In our present stage of development in Singapore, we are not rich enough to be able to set up the welfare state. Our first preoccupation should therefore be the accumulation of wealth through economic growth rather than a more equal distribution of existing wealth and a proliferation of state welfare services. The early stage of economic growth, be it through capitalism or communism, is necessarily a cruel and harsh process There is no easy way to grind out of the mass of poor people the economic surplus or savings needed to finance capital accumulation. Victorian England and Stalinist Russia went through the process of capital accumulation and there is no reason to expect that the backward countries of the world can hope to escape the same traumatic experience if they want to achieve self-sustaining economic growth. The trouble is that, given the traditional order and the prevailing ethos, none of their leaders dares even to contemplate the stern measures that need to be taken to propel their societies forward.⁶

This is a lesson that has been hard-learned in Africa. But after 25 years of post-colonial independence, more and more African states are looking to slim down bloated and inefficient public sectors and to stimulate the wealth creating private sector. It would be a tragedy if South Africa were to determinedly set off down a path which the rest of Africa after painful experience was just beginning to quit.

The progress of Man from barbarism to civilization has been erratic and, in aggregate in the world, pretty slow. Apartheid, and a naive predilection for sanctions, are a regression on the path as much as war and terrorism. South Africa's affairs are much too complex, its problems too deep-seated and the nature of possible solutions probably too unusual for demands from at home, and abroad, for instant resolutions based on a simplistic division between the apparent "baddies" and the putative "goodies" to be accommodated.

6. G. Swee, Speech of Jan. 30, 1967, *reprinted in* A. Bhide, Singapore A 24-25 (1980) (Harvard Business School unpublished case study) (on file with the author).