

1/5

430.08.6

20 August 1990

ANC / BUSINESS SUMMIT

Theme: "The relationship between political strategies & economic growth during the transition in South Africa".

List of overhead slides

1. Hypothesis no. 1

"A successful transition from authoritarian rule towards democracy is more likely during a period of healthy economic growth".

2. Hypothesis no. 2

"If we cannot achieve economic growth over the short term, then political and social stability over the medium term will be impossible".

3. Hypothesis no. 3

"The ANC needs an improved economy for its own survival - by supporting sensible economic strategies it can ensure a reasonable economic inheritance for the mid-1990's"

4. Perceived ANC strategy at present:

- * Reluctant to co-operate on economic & business issues until there is a better balance of political power
- * Single-minded focus on political "power struggle"

5. Does South Africa have time for political posturing?

- * GDP per capita has declined by an average of 1,1% per annum since 1980
- * Population growth 2,8% per annum
- * 4 m. + people already unemployed
- * Should economy continue to stagnate, more than 5 million people will be unemployed by the Year 1995

- 2 -

6. What should be done?

Government / ANC / Business / Cosato / International Community should form a pact with a single-minded objective of stimulating economic growth and employment.

7. Negative perceptions within the international community should be overcome. Conclusion reached by "The Economist":

"A study ten years hence might well show that staying out of South Africa was wise after all. The country suffers from political turmoil, and may yet suffer far more. It has persistent inflation. Its workers are easily persuaded to come out on strike. In power, the African National Congress probably would not nationalise much, but it might well raise corporate taxes and break up the big conglomerates".

20 July 1991

8. Result of these negative international & local perceptions:

- * Reluctance of overseas investors to invest
- * Low business confidence
- * Net capital flow still negative
- * Real private fixed investments are still declining
- * Inventories are being reduced
- * Low level of job creation
- * Escalating unemployment

9. How can we ensure successful political transition through economic growth?

All the major political players should:

- * Actively encourage foreign investment & the abolition of all remaining sanctions
- * Encourage the IMF & World Bank to make their facilities available to South Africa.

- 3 -

- * Boost the confidence of international & local investors in the economic future of S A.
- * Pledge support for a mixed economy
- * Stop referring to "socialism" & "nationalisation".
- * Stop wasting time and intellectual energy to devise grand schemes based on ineffective and discredited economic models.

10. How to ensure successful political transition through economic growth.

The business sector should:

- * Start making fixed investments immediately
- * Focus heavily on job security and job creation
- * Make a disproportionate investment in training & development of Black employees at all levels
- * Commit to equality of opportunity
- * Work towards worker participation and involvement at all levels, including broad policy making
- * Make a more meaningful contribution to Black Economic empowerment.
- * Accelerate spending on Social Responsibility projects
- * Put maximum emphasis on exports
- * GET ON WITH THE PROCESS OF WEALTH CREATION

11. At grassroots level the ANC should discourage:

- * Unrealistic wage demands
- * Stayaways
- * Intimidation
- * "Go-slows"
- * Internal "sabotage"
- * High levels of absenteeism
- * Demands for excessive leave
- * Culture of entitlement

- 4 -

12. On the positive side, the ANC should encourage:

- * Entrepreneurship
- * Education & training
- * Productive work ethic
- * Personal reliability
- * Dedication to deliver quality & good service

13. Summary

Negative scenario:

Should the economy continue to stagnate, then

- Unemployment could escalate to 40%
- Ideal breeding ground will be created for more crime & violence
- Political polarisation will become more intense
- International & local business confidence will decline
- No significant investments & job creation will occur
- Flight of capital & skills will accelerate
- Economy will soon be on its knees

14. SOUTH AFRICA WILL BE CAUGHT UP IN AN ACCELERATING SPIRAL OF DISILLUSIONMENT, VIOLENCE AND ECONOMIC DETERIORATION

15. What will the inheritance then be of the post-1995 S A Government?

"An economy that will be weak and unable to meet the expectations of the Black majority"

16. Summary:

Positive conclusions:

1. Healthy economic growth will ensure the probability of a successful political transition
2. The economic task is formidable - we should start now!

430.08.6

- 5 -

17. "In the final analysis, long term political stability depends on economic efficiency"

Brand Pretorius

1991-08-18

3714.spc