

SOUTH AFRICA: LOOKING FORWARD

Address given by Senator Gareth Evans, the Minister for Foreign Affairs and Trade, to the Mandela Foundation, 30 August, 1991, Sydney.

My immense admiration for Nelson Mandela is a matter of public record. He symbolises the struggle, in South Africa and overseas, against apartheid and racism. He embodies the qualities that South Africa so desperately needs: tolerance, vision and an ability to rise above narrow, sectional interests. And he has built around him in the African National Congress a core of mature, intelligent, sophisticated and moderate people who will make splendid leaders of their country if and when they are elected to play that role.

I make no apology for my admiration for Nelson Mandela and his colleagues in the ANC. But I should also say, as I have on many previous occasions, that is a far cry from partisan support from the Australian Government for a particular political party in South Africa. Our interest in South Africa lies overwhelmingly in the removal of apartheid and its institutions, because of the abhorrence in which Australians hold them, the terribly destructive impact they have had on the lives of tens of millions of non-white South Africans, and because of their destabilising effect throughout the whole of southern Africa. The ANC has been, and is now, the most prominent force in the struggle against apartheid. That is a statement of fact. But there is an important distinction, which some will not or can not see, between partisan support for the ANC and recognition of its importance in the scheme of things.

Political Reform

The situation in South Africa is fluid and events there are moving fast. We must be careful not to allow the detail to obscure the bigger picture: ultimately, it is the larger issues that really matter. The largest of those issues is still the willingness of the National Party government to make the major steps necessary to the final dismantling of apartheid. I do not want to detract from what has been achieved so far when I say that President de Klerk and his National Party colleagues in Government, consummate politicians that they are, have moved with their heads not their hearts. I said this before the revelations of South African government

funding for Inkatha (as well as for anti-SWAPO parties in the "guaranteed free and fair" Namibian elections in 1990), and it gives me little pleasure to have my prescience confirmed.

These revelations have seriously damaged the standing and trustworthiness of the of the South African Government. They have certainly dealt a blow, both domestically and internationally, to the credibility of Chief Buthelezi's Inkatha Freedom Party: recent opinion polls confirm that Inkatha has been thoroughly compromised by its association with the government it purports to oppose. But my judgment is that these revelations will not derail the process of reform - they might even expedite it insofar as the scandal has contributed to levelling the field as between the major players. The South African Cabinet has been recast in a more reformist mould, with the demotion of ministers Vlok and Malan. The capacity of Inkatha to play a disruptive role in the future, should it be minded to do so, has been much reduced. The security forces are under very much closer rein and scrutiny than they have been in the past. And there has been something of a blow to the Government's confidence, which is no bad thing in terms of bringing it to the conference table in a slightly more measured and balanced way in the future than has been the case so far.

On the whole, both the Government and the ANC have reacted in a restrained manner to the revelations, recognising that they have too much at stake in the process now under way to allow it easily to be reversed. There is evidence of some hard thinking, particularly on the side of the government, about the enormous interests at stake in a continuation of reform.

The pace of reform has slowed in recent months, but has not stopped altogether. On the positive side, the South African Government has, at last, repealed the so-called pillars of apartheid, the three abhorrent laws that enforced the classification and separation of the population along racial lines. The repressive security legislation that underpinned these laws has also been reviewed and, in large part, amended, although the South African Government still retains considerable power to control political activity. In spirit, if not in letter, the South African Government has removed these hindrances to further political progress.

On the other hand there continue to be problems with the release of political prisoners and the return of exiles, long identified as crucial preconditions for further reform. It is the case that the ANC's condition, and that of the Commonwealth, that all political prisoners be released has not yet been met: it is

estimated that there are at least 500 people still being held for what are political crimes, though some estimates put the figure as high as 850, including some 160 in the "homeland" of Bophuthatswana where the South African Government has claimed, implausibly, that its writ does not run. The issue of political prisoners was debated in the Bophuthatswana parliament as recently as 27 August, though the result was inconclusive. Negotiations for release have been a long process but there are indications that the issue may be resolved shortly.

I expect, too, that there will be shortly a satisfactory resolution of the political exiles issues. The main difficulty with the return of exiles has been agreement on process and administrative machinery. The announcement on 19 August of a role for the United Nations High Commissioner for Refugees follows an agreement whereby UNHCR will now take a leading role in organising the speedy return to South Africa of the estimated 20 to 40,000 South African political exiles and refugees. To facilitate this process UNHCR will be allowed to establish an office in South Africa which will be in charge of the resettlement of exiles.

The final impediment to the start of formal negotiations between the South African government and the ANC has been the horrific level of violence in the black townships. The apparent reluctance of the South African Government to take resolute action against this has led many in the black community to conclude, not unnaturally, that the government was fomenting and using violence to split the anti-apartheid movement. The revelations of the Government's funding of Inkatha greatly strengthened those suspicions. But there is hope for the future. A church/business sponsored peace initiative has recently resulted in agreement on a National Peace Accord which is to be signed in Johannesburg on 14 September by the ANC, Inkatha, the Government, trade unions, political leaders, civic associations and homeland representatives. The Accord will provide for a code of conduct for political parties, the security forces, a prohibition on the carrying of dangerous weapons, the appointment of police ombudsman and an independent police board to make the force more accountable. A National Peace Committee and a Standing Commission on violence will also be established.

The next step in South Africa's painful transition from the wreckage of apartheid will clearly have to be some form of interim government in which executive authority is shared, at the very least in the crucial areas of security and preparation for fair elections. Again, Inkathagate has acted as a catalyst. It has underlined to all sides the impracticality of the South African Government's

being both player and referee in the process of transition. President de Klerk has agreed with the ANC on this. I don't want to minimize the obstacles in the way of the formation of any kind of interim government, let alone the magnitude of such a government's tasks, but at least the realisation is growing that some form of interim government is an inescapable condition for further, real progress.

Sanctions

Australia can continue to play its part by ensuring that pressure is maintained on South Africa through all stages of the reform process. When genuine progress occurs, we can acknowledge and reward it through the phased easing of sanctions.

Australia's sanctions against South Africa are, as agreed by the Commonwealth Foreign Ministers Committee on Southern Africa, divided into three groups: people oriented sanctions; economic sanctions; and sanctions on purchases of arms. (Sports sanctions are a particular category of people-to-people sanctions which I will come back to later.) The Commonwealth foreign ministers agreed that the first group of sanctions, including consular and visa restrictions, the cultural and academic boycott, the ban on tourist promotion and on direct air links, would be lifted when the South African Government met certain conditions of political reform. Those conditions were the repeal of civil legislation underpinning apartheid, the review of reform of security legislation, the freeing of political prisoners and the return of exiles. All those conditions have either now been realised or are very close to it. I hope that my Commonwealth foreign minister colleagues and I will be in a position to make the judgment when we meet in New Delhi on 13-14 September that there has been enough movement to justify the lifting of that first group of sanctions.

Agreement on the other sanctions will require proof of further significant progress in the constitution making process. We shall only lift trade, investment and the centrally important financial sanctions in response to a major further movement in constitutional reform - such as, possibly, the formation of an interim government. We hope that it will be possible for the New Delhi meeting to look at a detailed strategy for the lifting of those sanctions, defining more precisely the triggers for the various phases, although it may be that this work will not be taken very much further before the Commonwealth Heads of Government Meeting itself in Harare the following month.

As to the embargo on arms sales - supported by UN resolution - there is clear

agreement within the Commonwealth, and a little dissent elsewhere, that this should be the last sanction to be lifted, when a new constitution is fully and finally in place.

We shall not be hurried on all this. Sanctions have been crucial in bringing about the changes to apartheid that have already occurred. It is only logical to presume that they will be crucial in bringing about further changes. And only the most wilful optimist would argue that the next round of changes will be easier than what has gone before. If we want to help the process of transition, the best thing we can do is to reward concrete reforms only after they have been fully realised, and to keep up the pressure for more changes throughout the transition process. It is my strong belief that the easing of sanctions by the EC last December gave premature comfort to the South African Government - making it believe that the international pressure was off, that it did not need to hurry the domestic reform process, and that it could devote more attention and resources to building its political base for the post-apartheid future than remedying the injustices of the apartheid past.

The main argument for the immediate abandonment of sanctions is of course that they hurt most those whom they are intended to help - that is, the non-white population of South Africa. I can rebut this red herring only by saying what I have said many times already, that Black South Africans themselves are best placed to tell the international community what is in their own interest. And the message we are getting loud and clear from Black leaders is that international pressure remains, for the time being, crucial to the achievement of an acceptable political settlement.

In discussing the issue of sanctions I have left until last those against sporting contact. Australia has been a leader in this area, and I am certain that our actions, and those of other Commonwealth countries have had a real psychological effect on white South Africans. The severance of sporting links between two such hard-playing and long-standing competitors in sports as dear to the hearts of the publics of both countries as cricket and rugby, did help to bring home to white South Africans the full extent of their international isolation. The policy of the Commonwealth, as proposed by Australia, is now to treat sports individually, reacting affirmatively to positive changes as they occur. As individual sporting bodies in South Africa become non-racial and unified, and committed to Black sports development, and then seek, with the blessing of the non-racial sports bodies to re-enter international competition, we shall certainly support the

successive lifting of the boycotts.

At this stage it appears that soccer will be the first major sport in which South Africa will re-establish international competition, followed by cricket. Developments in cricket are of course particularly welcome to Australia. We fully supported the decision by the International Cricket Council in June to readmit South Africa, a move which had the full support of the now unified cricket administration in South Africa and the ANC. We now hope that it might be possible for South Africa to be able to compete in the World Cup to be held in Australia and New Zealand in the new year. It is clear that there is widespread support for this within South Africa, including from the ANC, and I hope that the strength of that support will persuade cricket administrators to allow South Africa to play in the World Cup. Other sports, including rugby, will of course follow but it is important that this process not be rushed. The recent difficulties with athletics demonstrate the need to ensure that there is clear agreement among all the relevant bodies that a particular sport has met the criteria to re-enter international competition.

The Next Stage: Economic and Social Adjustments

In some ways, the political struggle against apartheid is only the first stage of the process of adjustment. Even before that struggle is over, South Africa will have to begin making enormous political and social adjustments to the new world it confronts. The principal problem on any agenda for South Africa in the nineties will be how to reconcile much-needed economic reforms with the demands for greater social justice among South Africa's underprivileged majority.

South Africa has been isolated from the economic changes that have fundamentally affected Australia, whose economy not so long ago closely resembled South Africa's in its dependence on commodity exports and its protection of domestic manufacturing. Whereas in Australia we have disciplined our spending, reduced tariffs, pursued higher productivity and sought an international orientation, South Africa remains bogged down in discredited economic practices. Its expenditure is undisciplined, its orientation is inward and levels of competition and technological innovation are low. Over the past decade, incomes and output have fallen, inflation has become entrenched at high levels and investment and savings have declined.

Apartheid has left an appalling hole in the educational and training base of the

Black population. This significantly constrains the pace at which the economy can expand its production of sophisticated goods and services. Each year, for instance, South Africa graduates 35 engineers for every one million inhabitants, compared with 370 in the United States and 220 in Australia.

So the difficulties of the political transition and the dismantling of apartheid are set to coincide with an economic crisis caused by structural weaknesses. Understandably, Black and other underprivileged South African groups will want more resources made available to them in education, housing and economic opportunities. White South Africans, whose skills will be needed for economic growth, will have to be encouraged to remain in South Africa. It will not be possible to reduce unemployment and increase Black South Africans' access to housing, education and other services except in an economy growing several times more rapidly than in the 1980s. It is possible for the economy to grow fast enough, but only with much better management than in the years of intellectual stagnation under apartheid.

Management will be a crucial problem. Until recently there was little awareness in the South African business community and government of the depths of the economy's problems or the implications of the transition from apartheid. In the ANC, too, for one reason and another, economic policy for a post-apartheid South Africa involved little more than simplistic slogans. This has changed, at least in terms of awareness of the need for economic policies to deal with insistent problems. Business groups, the government, trades unions and the ANC have accepted the awful economic reality and are producing their own prescriptions for dealing with this. Not surprisingly, these prescriptions vary according to the interests of the various groups. But a sign of hope is that some senior business people and officials are engaged in a dialogue with the ANC and the black trades unions to produce a social compact, within which issues of broad economic policy can be addressed.

I would share the concern that has been expressed by some about the direction of economic thinking in the ANC if I could see the evidence for it - but I cannot. It is true that the South African Communist Party plays a significant role in the ANC. But in my conversations with ANC leaders in July, including quite a number from the South African Communist Party, I received the strong impression that the Stalinist baggage of central planning and indiscriminate nationalisation was being thrown wholly overboard - very much helped of course by the collapse of East European communism. It would be surprising if there

were no pockets of continuing commitment to the Stalinist shibboleths which were so widely and so recently held, but I saw no sign of them. The main attachment of the ANC leadership to the SACP is sentimental, born of the fact that in the early days of the struggle that Party was one of the few groups in the country prepared to treat Black people as wholly equal.

Still, economic policy-making is a difficult enough business even where debate is well-informed and there is widespread agreement on fundamental economic choices. In South Africa these conditions do not apply. There is a great need for help in building up the economic policy-making base, particularly among the Black population which has few well-trained economists of its own. The existence of well-informed economic advisers in touch with international thinking could strengthen any future South African government's resistance to the pressure there will undoubtedly be for the excessive expansion of public expenditure and against the structural changes needed to enhance the prospects for economic growth.

It is in this context that the Australian government's program of strengthening economic decision-making capabilities in South Africa should be seen. Under this program, announced by the Prime Minister in July, we provided \$2.3 million dollars for scholarships, exchanges and institutional assistance. The background to this was the long-stated belief of the Prime Minister that it is crucially important that the Government which comes to power in South Africa when apartheid has been scrapped should have the will and the capability to manage the economy of that country effectively. It is a matter of history that the economic policy experience in post-colonial Africa has not been a happy one and it would be tragic if the same or similar mistake were made in South Africa. Following discussions with leaders of Black opinion, including Nelson Mandela during his visit to Australia, the Government sent an Economic Planning Assistance Team, led by Professor Ross Garnaut, to South Africa in May. It recommended, and the Government accepted, the \$2.3 million package for the financial year 1991/92 and 1992/93 which included visits to and from South Africa; consultancies in specialised areas (such as taxation policy); the establishment of an Institute of Economic Research at a South African University; upgraded training for black economists, including student scholarships; an economic policy research project on the relationship between bargaining structures, wage growth and macroeconomic performance; economic scholarships for students from disadvantaged communities; and finally, the provision of office equipment worth \$83,000 to the ANC to help it to establish a

Department of Economic Planning.

Further, Australia has strongly supported the Centre for the Study of the South African Economy and International Finance established under the Dr Jonathon Leape at the London School of Economics in February 1990. We provided \$305,000 in 1989/90 to establish the Centre, and guaranteed the Centre's budget for its first two years to enable it to review and report on South Africa's international financial links and to gather and publicise factual information on financial flows to and policies toward South Africa. With the significant developments in South Africa during the past two years the Centre is now looking to refocus its efforts on the financial needs of post-apartheid South Africa. This most worthwhile move will be discussed at the Harare CHOGM in October, but for myself I am fully supportive of Dr Leape's efforts to give the Centre a new and important role in helping to build research capacity on financial aspects of the economy in the new post-apartheid South Africa.

The consequences of economic reform in South Africa go well beyond that country's own borders. Despite its serious weaknesses, South Africa has the only large, relatively developed economy in the whole of southern Africa. It would naturally be the engine for growth in that region, were it not for the fact that apartheid and the economic sanctions it has elicited have reduced the economic links between South Africa and its neighbours. Once sanctions are removed, South Africa can greatly expand trade and investment activity with the countries in its region. Indeed, the evidence suggests that this has already started in trade, with South African exports to the rest of Africa increasing dramatically over the last two years. And as economic activity in South Africa picks up, regional countries will find new markets in the comparatively large and affluent South African market.

Stability in South Africa and the removal of apartheid and its institutions will encourage foreign investment that will probably spill over into other countries of southern Africa. South African firms themselves, particularly in mining, will begin to invest in neighbouring countries. In this way South Africa can play a role far different from the damaging and costly campaign of destabilisation it inflicted in the seventies and eighties on its southern African neighbours.

Australia and South Africa

Looking ahead to a period when trade, investment and financial sanctions have been removed, I do not see that Australia will be either a great winner or a substantial loser in economic terms from an invigoration of the South African economy. Given the strong similarities between the export bases of the two countries, it is hard to see South Africa as an el Dorado for Australian exporters. It is more likely that Australian and South African exporters will find profitable niche markets in each other. Those markets could amount to a relationship of some substance - after all, Australia was one of South Africa's ten major suppliers in 1984, and our exports then included manufactured and transport goods of which we are now more competitive producers. It is important that our exporters be aware of the markets that could be opened when sanctions are removed.

Most comment, however, has focused on the threat that South African commodity exports might pose to Australia's. We need to make a distinction here between the effect of trade sanctions and that of financial sanctions. Trade sanctions, it must be acknowledged, have not had any really significant impact on South Africa. Any perception that large amounts of South African production capacity have been blocked from entering world trade, and will return to supplying old export markets is not justified. While sanctions had an adverse impact on South African trade with individual countries and forced quite a deal of price discounting and subterranean rechannelling, they did not prevent that country from recording a strong export performance overall. South African merchandise export volumes rose by 17 per cent between 1985 and 1990 and South Africa remained around the 25th largest exporting nation in that period. The basis of that export record lay both in the capacity to develop new export markets, and in the increased international competitiveness of South African products that followed from the large devaluation of the Rand in the mid-1980s.

To the extent that there has been any significant constraint on increased South African exports of coal in the last five years, it has been the limited capacity of the Richard's Bay coal terminal, rather than a lack of overseas markets. It has been the weak performance of investment in South Africa that has significantly undermined the long term growth potential of the economy and in this respect financial sanctions have had a much greater impact on capital-hungry South Africa. The removal of those sanctions could see South Africa increase its investment in the infrastructure supporting the production and export of, say, coal, iron ore and steel. South Africa could become a more serious competitor to

Australia in those areas after it has put its economic house in order. We should receive warning of this, since large coal mining and export projects don't spring up in the night like mushrooms. But Australia, too, is becoming steadily more efficient, particularly with the government's reforms of transport. We should certainly be aware of the prospects of South African competition, and take that prospect into account as yet another of the many factors pushing us to put our own house in order.

Conclusion

The task ahead of South Africa is awesome. The legacy of apartheid, in social and economic as well as political terms, is appalling. Those contemplating the future of South Africa, through the current period of change and beyond, might be forgiven a degree of pessimism. And yet the very enormity of those difficulties is forcing South Africans of all races to contemplate fundamental adjustments to entrenched positions, on political and economic issues. There is justification for optimism in this evidence of flexibility. I look forward keenly to the time when that flexibility provides justification for the removal of sanctions and the integration of a multi-racial South Africa into the international community.

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