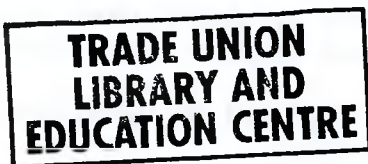


DISCUSSION DOCUMENT ON ECONOMIC POLICY:



By

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This document has been prepared to stimulate discussion within
ANC branches and other structures of the movement.

Introduction

This document has been prepared for debate within the ranks of the ANC. It does not represent an agreed policy, but rather seeks to contribute to a democratic process of formulating our movement's economic policy. The movement believes that economic policy should address itself to the demands and needs of the majority of the people, and active discussion and debate is essential if they are to have a more prominent place.

The ANC has long recognised the necessity for political liberation and constitutional changes to be accompanied by socio-economic transformation. The Freedom Charter proclaimed the necessity for the people to share in the country's wealth, for the land to be distributed to those who work it, for there to be housing, security and comfort for all, and for the doors of learning and culture to be opened. The constitutional guidelines also recognised the need for economic restructuring to be part of the process of constitutional change.

The proposals put forward for discussion in this document flow out of the two workshops held in Harare in April/May and in September 1990. The document is divided into 8 sections:

1. The Heritage of Poverty, Inequality and Stagnation;
2. The Necessity for a New Growth Path;
3. The Overall Goals of Economic Policy;
4. Key Elements of a National Development Strategy;
5. Financing the Reconstruction;
6. The Tasks of Government in Reconstructing the Mixed Economy;
7. The Role of Civil Society;
8. External Economic Relations.

1. The Heritage of Poverty, Inequality and Stagnation

Our country's economy is in need of fundamental re-structuring. For decades various forces within the white minority have used their exclusive access to political and economic power to promote their own sectional interests at the expense of black people. Black people have been systematically excluded and disadvantaged economically with the result that South Africa now has one of the most unequal patterns of distribution of income and wealth in the world.

The vast bulk of productive resources are concentrated in the hands of a tiny minority within the minority white community. Four large corporations (Anglo American, Rembrandt, SA Mutual and Sanlam) control the vast bulk of all production, distribution and exchange. Land ownership outside of the 13% of the country designated as "reserves" is still reserved by law exclusively for people classified as white.

Until comparatively recent times, apartheid laws prevented black people from taking up managerial and skilled employment and lack of access to educational and training opportunities continues to severely restrict the numbers able to enter such positions today. Many workers, particularly black women who have been the most disadvantaged section of the population, receive wages insufficient to maintain a decent standard of living and a large and increasing number of our people are unable to find any employment at all. As a result a minority of white people are extremely wealthy, while many black people live in conditions of abject poverty.

1.1 The Extent of Poverty and Inequality

According to recently published statistics:

- * The richest 5% of the population own 88% of all personally owned wealth;
- * South Africa has a more unequal pattern of income distribution (as measured on the Gini co-efficient) than any other member of a group of 57 countries for which such calculations exist.
- * The income received by over 50% of the total population is insufficient for families to maintain themselves at a minimal subsistence standard of living. For the African population as a whole the proportion in this category was 60,5%, while 81% of households in reserves, the majority of which are female-headed, are living in dire poverty.
- * At least 40% of the working age population is unemployed.
- * Some 40% of rural African and 15% of urban black children were found to be stunted due to malnutrition in 1985.
- * 7,4 million urban African residents lived in 466.000 "small housing units" in 1986 with an average density of 16 inhabitants per unit. The current estimated shortage of housing is between 800.000 and 1 million units.
- * 33% of Africans over the age of 15 years, a disproportionate number of whom were female, described themselves as illiterate at the time of the 1980 census.

Such features of our current economic reality are wholly incompatible with the democratic, non-racial, non-sexist principles to which the vast majority of our people aspire. We cannot build a stable, let alone a viable democratic, non-racial and non-sexist society unless we give serious attention to the problems of poverty and inequality confronting the majority of our people.

1.2 Economic Stagnation and Decline

Poverty and inequality are only one aspect of the economic reality we have to confront. Since the mid-1970s, the South African economy has stagnated. In the decade 1960-1970, the economy grew by an average of 5,8% each year. By contrast, between 1970 and 1979 it grew by only 3,1% each year. Between 1975 and 1982 the growth rate fell to 1,9% a year and between 1983 and 1989 the economy grew by an average of only 1,4% a year. These rates of growth are below those of the country's population which is estimated to be growing at between 2,4% and 2,8% each year. This means that in recent years the average income per person has actually been falling.

Sanctions and popular resistance to apartheid have resulted in a withdrawal of confidence by many potential foreign and domestic investors. This is one of the major factors leading the more far sighted elements within the state and business community to see the necessity to move beyond apartheid. External factors, like the rising oil price, the low gold price and the downturn in the world economy in the period since the mid-1970s, have also had negative effects on the South African economy.

Sanctions and adverse external factors have not, however, been the only causes of the current crisis of the apartheid economy. The path along which the economy grew in the period since the end of the Second World War has now run its course. For over forty years, the strategy followed by government and business sought to expand the economy by substituting locally produced manufactured goods for wealthier consumers for imported articles of the same type. This path of growth led to the emergence of a significant manufacturing sector in our country, but it was one orientated towards producing consumer goods for the wealthy minority. The manufacturing sector is also uncompetitive internationally. It has a high cost structure although wages are often low. It makes little contribution to foreign exchange earnings, but depends to a very great extent on imported machinery and equipment paid for out of foreign exchange earned by exports of our wasting mineral assets. The agricultural sector of the economy is also in deep crisis. Many white-owned farms are in debt and vast tracts of land designated for occupation by whites are inefficiently cultivated or used for speculative purposes. Many thousands of black rural households are, meanwhile, crammed into tiny plots of the least fertile land while the country as a whole desperately needs more affordable foodstuffs.

The policies promoted by government and business in the face of the stagnation evident since the mid-1970s have conspicuously failed to have any significant impact even on growth, let alone on poverty and inequality. The result is that South Africa is lurching into the 1990s with the essential crisis of the economy unresolved. If current trends continue, the problems confronting the majority of our people will become worse. Economists are

predicting, for example, that we could enter the next century with half the workforce or even 7 out of every 10 potential workers unemployed.

2. The Necessity for a New Growth Path

The ANC believes that it is absolutely imperative to reverse the present trend towards stagnation and to promote economic growth. Without significant growth in our economy we will not be able to address the pressing problems of poverty and inequality confronting our people. At the same time, we are convinced that no solutions will be found to these problems if we simply promote growth along the same path as that followed in the past. Even at times when the apartheid economy grew, for example in the decade 1960-1970, precious little benefit "trickled down" to the mass of the people, who continued to live lives of poverty and squalor.

The engine of growth in the economy of a democratic, non-racial and non-sexist South Africa cannot be rising demand for luxury goods by a minority of wealthy consumers. Neither can we develop as a modern industrial society unless our manufacturing industries can become less dependent on imported inputs paid for by mineral exports. Indeed our industries need to become earners of foreign exchange in their own right. Nor can we any longer afford to see vast tracts of land used inefficiently or for speculative purposes, while our people are hungry - for both food and land.

2.1 Satisfying Basic Needs by Growth through Redistribution

The ANC is convinced that it is essential that we promote a new path of growth and development in the economy. The engine of growth in the economy of a democratic, non-racial and non-sexist South Africa should be the growing satisfaction of the basic needs of the impoverished and deprived majority of our people. Programmes and policies that increase output, - particularly of social infra-structure and basic consumer products will increase employment and produce new incentives to growth which will benefit all sectors of our economy. We thus call for a programme of Growth through Redistribution in which redistribution acts as a spur to growth and in which the fruits of growth are redistributed to satisfy basic needs.

2.2 A National Development Strategy based on the perspective of a Mixed Economy

Bringing about a shift towards such a path will require the formulation and implementation of a comprehensive national development strategy. We need to turn the economy in a fundamentally different direction. In addition to redistributive policies, we need to implement other policies which will ensure sustainable growth. The productivity of investments need to be raised. This will require strategies to reintegrate South Africa into the world economy on a competitive basis and in a manner beneficial to the overall development goals.

The ANC's basic perspective is that of a mixed economy in which all sectors contribute towards defining and achieving broad national goals and objectives for the benefit of all. The task confronting us requires action not only by central and local government, but also by the trade union movement, cooperative and community organisations, women's and youth organisations, civic associations and business - all of which have an important role to play.

3. The Overall Goals of Economic Policy

The current plight of our country's economy demands an economic policy prioritising as a matter of extreme urgency the achievement of the following broad objectives:

- * Creating new jobs and progressively eliminating unemployment;
- * Raising real incomes, particularly for those who are most impoverished and deprived;
- * Increasing output and productivity, particularly but not only in those sectors producing goods and services to meet the basic needs of the majority of the people;
- * Correcting racial and gender imbalances in the economy through affirmative action policies;
- * Implementing a land reform programme capable of simultaneously addressing a major national grievance, responding to the acute land hunger and increasing food production;
- * Developing major new housing, education, health and welfare programmes capable of addressing the pressing needs in these areas;
- * Improving the provision of infrastructure to deprived areas;
- * Promoting greater democratic participation in economic life and a more equitable pattern of economic ownership;
- * Creating a more democratic industrial relations framework based on full rights of workers to organise and growing participation by unions in policy formulation;
- * Guaranteeing high standards of administration in economic affairs and ensuring that destabilising financial imbalances (e.g. unmanageable budget and balance of payments deficits) do not occur;
- * Ensuring that growth takes place in ways which harness the environment in a constructive and responsible manner;
- * Promoting new forms of involvement in beneficial international economic relations and cooperating with the OAU and SADCC in

creating new patterns of mutually beneficial economic interaction in the Southern African region and African continent.

4. Key Elements of a National Development Strategy

It will clearly not be possible to achieve all of the above objectives in full at once. It is nevertheless essential that we develop a national strategy which will progressively address all of these issues. Placing the economy on a path of Growth through Redistribution will require the development of new policies for each sector. The criterion for adoption of any policy option should be its effectiveness and efficiency in achieving the goals of national policy. The ANC believes that among the elements essential to the formulation of a national development strategy are the following:

4.1 Using Redistribution to satisfy Basic Needs and create new patterns of demand

A massive injection of finance will be required to meet basic social needs in such areas as welfare, housing, health and education. This will be essential to:

- (i) provide some immediate relief of poverty;
 - (ii) reduce existing social conflict over unequal distribution of material resources;
 - (iii) respond to the expressed expectations and demands of people and communities;
 - (iv) correct existing biases and inequalities in resource allocation relating to (a) race and gender (b) socio- economic divisions within black urban communities (c) between urban and rural communities;
 - (v) promote employment and training opportunities.
- At the same time it will be necessary to avoid inflationary spending policies. Reconciling these potentially conflicting objectives requires redistributing resources in such a way that new patterns of demand are created to which our productive sectors can respond. A future non-racial democratic state would need to actively foster community participation in the determination of priorities. It would also need to inject public finance in a way which mobilises private capital.

4.1.2 Welfare and Pensions

The future democratic state would bear ultimate responsibility for the provision of welfare and pensions. This would be exercised in a context in which welfare benefits continued to be the subject of collective bargaining between capital and labour and in which those groups able to provide for themselves continued to make their own arrangements. A national retirement scheme,

underwritten by the state, and a compulsory unemployment scheme involving contributions by employers and employees as well as the state would be enacted by an ANC government. All forms of gender discrimination in provision of benefits would be abolished. Benefit funds would be deployed in support of national development projects in a way which ensured that workers' money was not placed at risk.

Community involvement in the provision of welfare services is essential and the current urban bias needs to be redressed.

4.1.3 Housing and Social Services

The provision of sufficient affordable housing would be a national priority. A future democratic, non-racial government would need to take steps to ensure the release of sufficient affordable urban and rural land to meet the need for housing within reasonable proximity to people's work places. It would also need to commit itself to providing sufficient infrastructural services (such as electricity and transport) to ensure decent living standards at an affordable cost.

Construction of fully serviced stands could be part of a public works programme aimed at job creation. It could also be part of a process of creating conditions for a variety of community and private ventures orientated towards meeting basic needs. A public housing sector, providing low cost rented accommodation has an essential contribution to make and there is a need to encourage the construction of many more low cost housing units. Serviced stands need to be made available to community-controlled, non-profit housing development projects which would also be assisted with financial support. A future democratic government would also need to investigate the possibility of using prescribed asset regulations to encourage financial institutions to make a portion of their funds available to finance low cost housing projects.

4.2 Turning the Industrial Sector into an engine of Growth through Redistribution

Despite its poor performance over the past two decades, the future development of the country's economy depends to a large extent on the performance of the manufacturing sector. A future democratic, non-racial government would need to give serious attention to the implementation of policies which aim to restructure industry and develop a more dynamic path of industrial development. Industrial planning would be based on strategies targeted at specific sectors. This would be complemented by strategic planning which would set objectives for the whole economy and provide guidelines for sector planning.

The first priority of industrial planning would be to ensure that new productive capacity emerges to meet the new demands for basic needs in food, housing, welfare etc created by redistribution.

Industrial policies should, secondly, aim at transforming imbalances between blacks and whites, men and women, between urban and rural areas and between regions. The failure of the present regime's industrial deconcentration policies should not detract from the need for a more balanced pattern of industrialisation.

An alternative industrial strategy would, thirdly, need to overcome the current extreme dependence of the sector on imported inputs. Attention should be paid to promoting industrial exports, particularly but not only to our neighbours on the African continent. The potential to reduce import intensity also needs to be investigated.

Restructuring industry will require new policies on technology, skills training and the reorganisation of labour processes. Consideration will be given to establishing a national science and technology policy council to rationalise and coordinate research and development policies. Such a council should seek to involve industrialists, trade unions, scientists and academics and indeed all those who have a significant contribution to make. More resources need to be devoted to research and development if we are to achieve the goal of placing the industrial sector on a new footing.

The scope for the development of small scale enterprises needs to be recognised and a future democratic state would need to establish an agency to support and direct such ventures. In a future democratic, non-racial South Africa armaments production should be converted to meet civilian needs.

4.3 Husbanding our Mineral Resources to maximise benefits

The mineral wealth of our country needs to be husbanded in such a way that it benefits all of the people through the contribution it makes to national development. The policy of a democratic, non-racial government should aim to enhance the role of the sector as a job creator, foreign exchange earner and supplier of raw materials to local industry. A future democratic government would consider the option of using fiscal policy to encourage venture capital in new mines and also the possibility of itself making strategic investments in mines. Given the volatile nature of mineral prices, a policy of stabilising prices through the formation of cartels should be seriously considered. The formation of a State Minerals Marketing Authority would also need to be investigated. Such an agency would control all minerals marketing and enter into marketing agreements with other countries. Given the wasting nature of our mineral assets, high priority would need to be given to the creation of resource based industries which add value to mineral products. In this regard research should be encouraged to identify areas for minerals beneficiation industries.

Attention would also need to be paid to the demands and needs of mine workers. Racist labour practices would need to be rooted out and substantial improvements made in mine workers' living standards and conditions of work. The feasibility of creating an inspectorate to police mining health and safety, mining legislation, transfer pricing and high grading would be investigated.

The ANC is concerned that the current conglomerate control of mining finance is an impediment to an alternative strategy for the sector. So too is the current trend towards privatisation and deregulation which amount to abdicating the state's responsibility for ensuring that the mineral wealth, which is the heritage of all South Africans, benefits the nation as a whole. A new government would need to explore various options in respect of ownership patterns in the mining industry and, in view of the sector's strategic importance for the achievement of national development objectives, consideration would have to be given to the nature and extent of state intervention and ownership.

4.4 Promoting Agricultural Development through Land Reform

South African agriculture is in major crisis both in the advanced capitalist sector and the black rural areas. Land distribution is a central national grievance while raising agricultural production is vital to the future economic prosperity of the country.

The ANC has established a land commission to conduct research and mobilise popular participation in formulating a policy of land reform. Priority in such a policy should be given to immediately returning to the land those removed from black freehold land or from plots held under labour tenancy agreements. Beyond this the aim of policy should be to ensure that those who benefit from a land reform programme are provided with support to enable them to raise productivity and output.

A future democratic government would assist and encourage rural producers engaged in various forms of production, including smallholder production, cooperatives and joint ventures. It would re-allocate credit facilities, support services and training programmes according to principles of affirmative action; ensure in particular that such services were provided in such a way that they positively discriminate in favour of women, who would be guaranteed access to land credit and training. Labour legislation would be enacted abolishing backward labour employment practices and farm workers would be encouraged to join unions. Rural community organisations would also be encouraged.

4.5 Promoting Environmentally Sound Growth

A new democratic government would promote growth in ways compatible with preserving and protecting our natural environment. All laws and regulations relating to the emission of noxious waste would be reviewed with a view to reducing the current unacceptable levels of pollution and environmental damage.

Electrification programmes have considerable potential to reduce the use of more environmentally damaging forms of energy, such as wood and coal burning and would be encouraged as a major means of promoting welfare in an environmentally responsible way. Agricultural and land policies would seek to promote environmentally sound methods of land use. The current nuclear power programme would be reviewed in view of its potentially serious implications for the environment. A future democratic government would implement OAU resolutions prohibiting the dumping of toxic waste from abroad.

Our unique natural heritage would best be protected by responsibly harnessing it in the interests both of local communities and the country as a whole.

4.6 Developing our Human Resources

The success of a national development strategy depends to a considerable extent on developing our human resources.

A future democratic, non-racial and non-sexist government would need to take action to correct existing racial and gender inequalities in the workplace. This would be done not only by legislation but by investing and redirecting resources. A comprehensive programme of education, training and skills acquisition will have to be developed for workers in industries and within the state sector. Many more opportunities need to be created for black people and women to acquire technical, professional and managerial skills.

Policies of affirmative action, favouring black people and women, need to be promoted both in the public and private sectors. Black women - in townships, squatter settlements and rural areas - have been particularly discriminated against and constrained by the labour policies of the state. These disadvantages have been reinforced by the limitations created by inadequate social services and power/gender relations within the family. A future democratic, non-racial and non-sexist state would give top priority to applying affirmative action principles to black women. A democratic state would seek to correct these gender inequalities by means of legislation to secure women's rights. A vigorous programme of training will be needed to provide many more opportunities for women and provision would need to be made for special needs of women in such areas as ante and post natal care.

The content of all education and training programmes in technikons, universities, schools and other institutions will need to be critically examined to ensure that they are appropriate for changing labour market needs and contribute to affirmative action policies. The general level of education needs to be raised, particularly literacy and numeracy levels.

The current policy of the state to create employment through deregulation and privatisation is not a solution. A democratic state would address employment creation through public works programmes, retraining and by the re-deployment of resources from apartheid-orientated projects into employment creating activities. Non-exploitative youth employment training schemes for unskilled and underskilled youth will be needed and unions and employers should be encouraged to develop and co-manage training schemes.

The national development policy of a democratic, non-racial and non-sexist society would aim to promote a high employment, high wage, high productivity economy. Worker organisation would be encouraged and organised labour provided with the facilities and rights to enable it to make its indispensable contribution to the formulation and implementation of economic policy. Government policy would seek to empower organised labour and promote greater industrial democracy.

5. Financing the Reconstruction

While the end of apartheid will undoubtedly create prospects for renewed inflows of foreign capital, it would be imprudent to rely on injections of resources from abroad to rescue us from the inherited economic plight. The ANC is of the view that the main emphasis in financing the reconstruction of the mixed economy should be placed on domestic savings. Foreign investment (which would be encouraged - see 8.2 below) should be seen as a supplement to domestic savings and not as a substitute. Inflationary financing through money creation should be avoided.

5.1 The Capital Market

Mobilising domestic savings requires a critical examination of the institutions of the capital market. The current capital market does not sufficiently direct savings into productive activity or into critical areas of infrastructure. Instead paper chases paper in a scramble for short term speculative profit. A new government would need to rationalise and restructure the financial sector and develop new institutional arrangements for both the primary and secondary bond markets. This is needed to make them more ordered and orientated towards meeting broader development objectives.

Current financial deregulation policies and monetarist policies exacerbate the problems of the present financial system. State intervention and regulation will be essential to correct these problems. Consideration will also have to be given to the establishment of new state owned financial institutions as well as to the transformation of existing bodies in order to direct international and domestic finance to the critical development needs of the country.

5.2 Taxation Policy

The other crucial mechanism for mobilising savings for investment is taxation policy. A future democratic state would need to undertake tax reform to make the taxation system more equitable and effective in many areas. The present tax burden is carried disproportionately by individuals through both personal direct taxation and indirect taxation. The ANC supports shifting more of the tax burden towards corporations (in part by closing loopholes) and applying the principle of progressive taxation - in which individuals with higher incomes pay proportionately more. Consideration will also be given to levying capital gains, wealth and higher estate taxes, particularly where speculative activities are concerned.

5.3 Exchange Controls

Exchange control policy would have to be managed in such a way that domestic savings are retained inside the country and destabilising speculative capital outflows are avoided. Exchange rate policy will need to be consistent with other macro economic policies. The present system of exchange controls should be continued, but modified to respond to changing circumstances and the overall development objectives of the new democratic state.

6. The Tasks of Government in Reconstructing the Mixed Economy

A future democratic, non-racial government would like any other government have the duty to set the general framework within which economic life takes place and take the lead in promoting a national development strategy to achieve the objectives identified above. While market relations are an essential component of a mixed economy, the ANC does not believe that totally unregulated market forces will result in anything but the reproduction of existing disparities of income and wealth. The ANC thus envisages a future democratic government fulfilling this responsibility in the following ways:

6.1 Formulating a National Development Plan

Placing the economy on a new growth path will require government to initiate a macro economic planning process and to coordinate the contribution of all sectors and interest groups. The ANC believes that major attention should be paid to involving mass-based organisations in planning the re-construction and consulting widely with all significant interested parties. Preference should be given to incentive measures and to seeking consensus and cooperation in the implementation of new policies. Commandist or bureaucratic planning methods will be avoided.

6.2 Using Fiscal Policy as a means of Promoting Growth and Re-distribution

The state budget is a major potential instrument of redistribu-

tion. A future democratic government would need to make major changes in the present patterns of allocation of expenditure items. Significant savings can be made through eliminating the duplications created by the present racially exclusive administrative structures. Significant savings can also be made by reducing expenditure on the security services. Such savings should be used to increase expenditure on education, health, housing and welfare services, particularly for the poorest and most deprived members of the community. Existing patterns of expenditure for each of these items should also be examined with a view to redistributing resources allocated to each department in accordance with the principles of affirmative action.

While the redistribution of expenditure patterns will make a significant contribution to an initial post-apartheid dividend, in the longer term financing these services will require increasing tax revenue. Over time economic growth could be expected to widen the tax base. But a future government will also need to undertake tax reform (see 5.2). Consideration will also have to be given to the use of taxation policy as a means of providing incentives to industrial development.

Although the state budget can be a major instrument in promoting growth through redistribution, it will be imperative to recognise the limitations on what can be achieved in this way. We are aware of the destabilising impact which major financial imbalances have had on the South African economy and on re-distribution programmes in other countries. A future democratic government would need to avoid running up large budget deficits and break from the practice of the present government of financing budget deficits by large loans. Appropriate economic stabilisation policies, including monetary and exchange rate policies, would have to be used in conjunction with fiscal policy to counter-act any tendency towards macro-economic imbalances.

6.3 Turning the public sector into an instrument for development

The present public sector was established to meet the needs of successive minority governments. It is orientated towards serving specific sectional interests rather than the community as a whole and is often characterised by inefficiency and a bureaucratic style. Yet the public sector can play a vital role in shifting production towards meeting basic needs. Public corporations operating in such areas as transport, housing, electricity supply, road construction and water provision can all provide a major impetus to development through providing an infrastructural base. Major public works programmes not only respond to pressing needs, they also have the capacity to generate demand which through the multiplier effect can provide incentives to many other sectors.

A future democratic government will need to act to transform the public sector into a vehicle for development. But this does not mean creating large, profligate public corporations and para-

statals. Public corporations should not become vehicles for the enrichment of large bureaucracies. They will need to operate within strict budgetary controls and be accountable through democratic processes to government and people. While it will be essential for public corporations to operate according to principles of cost efficiency, the experience of South Africa and other countries shows that when profit maximisation becomes the central criterion services are often not provided or provided on only a selective basis to poorer communities and areas. The ANC is thus staunchly opposed to the current government's plans to privatise the public utility corporations. These should remain part of the public sector and any public utilities which are privatised will be subject to immediate re-nationalisation.

In addition to public utility corporations, it is envisaged that planning processes for different sectors will lead to the identification of strategic enterprises whose role is central to the realisation of development objectives. It could be anticipated that there will be cases where the balance of evidence suggests that it would be advantageous to have public corporations operating in these areas. In such cases these would be established by the voluntary or on rarer occasions the compulsory purchase of existing enterprises or by the establishment of new public enterprises. In all such cases a future democratic government would bear in mind the need to maintain confidence and bind itself to proceeding according to constitutional principles.

6.4 Maintaining high standards of economic management

The ANC is conscious of the impact which macro-economic imbalances, including inflation, large state budget deficits and deficits on the balance of payments, have had on the economy and people's living standards. We are also aware that such imbalances have presented critical obstacles to redistribution and economic development policies of governments in some other countries. While the ANC sees monetary, exchange rate, tariff and fiscal policy as well as regulation in a number of fields as potential instruments of overall development policy, the imperative to avoid destabilising imbalances needs to be recognised. The precise policies in each of these areas will depend to a considerable extent on concrete conditions existing at the time a future democratic, non-racial government assumes office. High standards of financial management and discipline will, however, be a constant requirement.

6.5 Transforming local government into a vehicle for development

Local government can become a powerful tool of development. Local authorities are responsible for the provision of many goods and services as well as for managing the infrastructure central to realising development objectives. A future democratic government would, however, need to bring about significant reforms in the existing system of local government before it could achieve its potential in this regard. Separate black local authority struc-

tures would need to be abolished and state policies should encourage the integration of towns and cities into metropolitan management structures. The principle of financial self-sufficiency for poor communities should be replaced by the integration of divided urban areas into a single local tax base and by applying cross-subsidisation within metropolitan areas. A future government would foster the establishment of democratic, non-racial municipalities, while at the same time maintaining the involvement of mass-based organisations in the provision and control of certain services.

7. The Role of Civil Society

While a future democratic, non-racial government will have the duty to lead the restructuring process, other forces in civil society will also have an indispensable role to play if we are to achieve the goals of promoting Growth through Redistribution.

7.1 The Trades Unions

The ANC is committed to guaranteeing organised labour a central role in the formulation and implementation of all economic policy. Organised labour should be empowered and greater industrial democracy promoted. These are essential components of a strong civil society, independent of state and political party, with real economic and other power. To this end existing industrial relations legislation and practices need to be re-examined in order to guarantee full rights of workers to organise and participate in collective bargaining. The scope of the collective bargaining process should also be widened to allow involvement by trades unions in investment planning.

7.2 Co-operative and Community ventures

Cooperative and community based projects and ventures of various types have considerable potential both to produce goods and services needed by the people and generate employment. But their existence should not provide an excuse for inaction by government or business. Nor should such ventures be treated in a paternalistic fashion as mere objects of charity. Rather it needs to be recognised that the capacity of locally based ventures to contribute towards resolving problems of poverty and unemployment depends on the environment in which they have to operate. The ANC believes that a democratic, non-racial government should actively promote involvement by community-based organisations both in planning and in the execution of projects of various types. More resources need to be made available, not only from government coffers but also by changing the current restrictive practices of financial institutions towards small scale, community ventures. Support for such projects should, however, depend on their long term economic viability.

7.3 The Private Sector

Private business has a major role to play in the economy of a democratic, non-racial South Africa. The ANC believes that a future democratic government should actively strive to build confidence with the private sector and encourage maximum cooperation in pursuit of democratically defined development objectives. The placing of the economy on a new growth footing and the ending of international isolation will create many new opportunities for the expansion of the private sector.

At the same time, the ANC is concerned about a number of features of the currently existing private sector, which remains profoundly marked by its origins in apartheid society. These include:

- * First, the gross under-representation of black owned businesses and of black people in senior managerial positions. Only about 2% of the total assets of the private sector are owned by black people while over 90% of top managerial positions remain in the hands of whites.

- * Second, the extreme centralisation of economic power in conglomerate hands. Over 80% of the shares traded on the Johannesburg Stock Exchange are controlled by four large conglomerates, which together dominate the vast bulk of production, distribution and exchange. This not only represents a massive concentration of power in the hands of the 1.000 odd white males who comprise the controlling boards of these companies, the conglomerate structure is in our view detrimental to the achievement of balanced economic growth in the interests of all the people of South Africa.

A democratic, non-racial government would be obliged to address itself to both issues. It would seek to promote greater participation by black owned business and encourage policies of affirmative action to correct existing racial and gender imbalances at all levels. It would also investigate the existing concentrations of economic power with a view to promoting a more efficient and effective use of resources. The ANC would prefer that these essential reforms were carried out in cooperation with business, but if such cooperation were not forthcoming a future democratic government could not shirk its clear duty in this regard.

8. External Economic Relations

8.1 Basic Principles

The ending of apartheid will create many new opportunities for South Africa to increase its involvement in international economic relations. The new state will have a responsibility to guide, lead and set the general framework for such participation. The general principles which should guide such involvement will be compatibility with and benefit to overall development strate-

gy. The new state will investigate the potential advantages of becoming members of international organisations and actively promote cooperation with all countries on mutually beneficial terms.

8.2 Foreign Investment

A future democratic state would encourage foreign investment on terms which are consistent with its developmental goals. Foreign investors would be encouraged to invest in activities which lead to increased employment and the development of local technological capacity. A law on foreign investment or an investment code would be needed to govern the rights and obligations of foreign investors. This should oblige foreign investors to follow labour practices acceptable to trades unions; to co-operate with government in achieving development goals; to operate in ways which are not detrimental to the environment and to re-invest part of their profits to promote continued growth. In return, foreign investors would be given certain guarantees relating to the security of their investment and the right to repatriate part of profits earned. Consideration should be given to applying foreign investment regulations on a differential basis to provide specific incentives for investments in priority areas.

8.3 The Southern African Region

Significant opportunities will exist for a democratic, post-apartheid South Africa to expand its economic relations with its neighbours in the African continent and in the southern African region in particular. These openings could provide major opportunities for increased trade, investment and the provision of services. At the same time, it is imperative that we take account of existing regional imbalances and the damage caused to the economies of southern Africa by apartheid destabilisation. A future democratic government should actively seek to promote greater regional economic cooperation along new lines which would not be exploitative and which will correct imbalances in current relationships. The new state must be prepared to enter into negotiations with its neighbours to promote a dynamic and mutually beneficial form of cooperation and development. While all of us stand to benefit from such an arrangement, it should be recognised that creating a new non-exploitative form of regional cooperation will require prioritising the interests of the most impoverished of our neighbours in certain areas, according to basic principles of affirmative action.

FORWARD TO A DEMOCRATIC ECONOMY !

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