UNITED
NATIONS

A

General Assembly

Distr.
LIMITED

A/AC.115/L.696
19 April 1994

ORIGINAL: ENGLISH

SPECIAL COMMITTEE AGAINST APARTHEID

REPORT OF THE SEMINAR ON SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT IN SOUTH AFRICA: POLICY PRIORITIES FOR THE EARLY YEARS OF A DEMOCRATIC GOVERNMENT, HELD IN LONDON, FROM 22 TO 24 JANUARY 1994

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I. INTRODUCTION

1. By paragraph 3 (b) of its resolution 47/116 B of 18 December 1992, the General Assembly endorsed recommendations contained in paragraph 181 (q) of the report of the Special Committee against Apartheid, 1/ thereby authorizing the Special Committee to facilitate a peaceful and stable transition in South Africa by promoting international assistance in helping South Africans to overcome the negative social and economic consequences of the policies of apartheid, _inter alia_, by organizing seminars on well-defined and specific topics with the participation of experts in relevant fields and in cooperation with relevant offices and agencies in the United Nations system and other intergovernmental and non-governmental organizations. The Special Committee included in its programme of work for 1993 the organization of a seminar on sustainable economic growth and development in South Africa: Policy priorities for the early years of a democratic Government.

2. In accordance with the above, the Special Committee cosponsored the Seminar, which was organized by the Centre for the Study of the South African Economy and International Finance of the London School of Economics and Political Science, in London, from 22 to 24 January 1994.

3. The objective of the Seminar was to help to inform the continuing policy debate over priorities for immediate action once a new Government of national unity was in place. It built on the work of the Seminar on South Africa's socio-economic problems and the future role of the United Nations system, which was held in Windhoek from 22 to 24 May 1992.

4. The Seminar was chaired by Mr. Ibrahim A. Gambari (Nigeria), Chairman of the Special Committee against Apartheid.

II. AGENDA

5. The agenda of the Seminar was as follows:

1. Overview of the economic conditions and development needs facing the democratic Government in its first year.

2. Mobilizing domestic resources:

    (a) Financial policy;

    (b) Fiscal policy.

3. Mobilizing external resources:

    (a) Managing external finance;

    (b) Exchange rate policy and exchange controls.

4. Restructuring the domestic economy:

   (a) Labour market policies;

   (b) Policy towards small and medium enterprises;

   (c) Trade policy;

   (d) Industrial policy.

5. The process of policy-making under a new democratic Government: the challenges of consultation and transparency.

III. PARTICIPANTS

6. Over 80 participants attended the Seminar. A list of participants can be found in annex II to the present report. Participants included approximately 40 economic, financial and other experts from South Africa, together with a small number of international experts who were invited in their individual capacities. Experts from the United Nations specialized agencies and other United Nations bodies, as well as those from the African Development Bank, the Commonwealth Secretariat, the European Union and the Organization of African Unity, were also among the participants.

7. The Special Committee was represented by its Chairman, Mr. S. Thanarajasingham (Malaysia), Mr. Abdullahi Omaki (Nigeria) and Mr. Farouk Al-Attar (Syrian Arab Republic).

8. Representatives of the diplomatic corps and non-governmental organizations were invited to the opening and closing meetings of the Seminar.

IV. DOCUMENTATION

9. The United Nations Centre against Apartheid and the Centre for the Study of the South African Economy and International Finance provided a number of documents for the Seminar, some of which were presented at the Seminar by their authors. The full papers and proceedings of the Seminar will be published by the Centre for the Study of the South African Economy and International Finance in due course.

V. PROCEEDINGS

10. The work of the Seminar was conducted at the opening and closing meetings, which were open to the press, and in four consecutive workshops, as well as in a round-table discussion, which were open to invited participants only so as to foster a free and unconstrained exchange of views. Each workshop focused on the following two policy issues:

(a) Workshop I: Mobilizing domestic resources: financial and fiscal policies;

(b) Workshop II: Mobilizing external resources: managing external finance and exchange rate policy and exchange controls;

(c) Workshops III and IV: Restructuring of the domestic economy: labour market policies and policy towards small- and medium-scale enterprises; and trade and industrial policies, respectively.

11. The workshops were moderated respectively by Mr. Azar Jammine, Mr. Wiseman Nkuhlu, Mr. Tommy Oliphant and Mr. Bobby Godsell, all from South Africa. Two discussants in each workshop assisted the moderators and the authors of the background papers in conducting the discussions. In workshop I, Ms. Maria Ramos and Mr. Lieb Loots presented papers and the discussants were Mr. Ncedo Mlamla and Mr. Philip Mohr; in workshop II papers were presented by Mr. Jonathan Leape and Mr. Brian Kahn and the discussants were Mr. Gerhard Croeser and Mr. Jim Gordon. In workshops III and IV four papers were presented. The first one was prepared by Ms. Adrianne Bird and Mr. Chris Lloyd and presented by Ms. Bird; the second one was prepared by the Taskgro Group and presented by Ms. Claudia Manning; the third was presented by Mr. David Lewis; and the fourth by Mr. Ebrahim Patel and Ms. Sheila Page and presented by Ms. Page. The discussants in workshops III and IV were, respectively, Mr. Brian Phillips and Mr. Mashudu Ramano; and Mr. Michael Fairbanks and Mr. Bobby Godsell.

12. The round-table discussion, chaired by Mr. Servaas van der Berg, addressed the process of policy-making under a new democratic Government, the challenges of consultation and transparency. Mr. Bobby Godsell, Mr. Michael Leaf and Mr. Eric Molobi were speakers at the round table.

A. Opening meeting

13. The Seminar was opened on 22 January 1994 by the Chairman of the Special Committee against Apartheid, who provided an overview of the economic challenges facing South Africa in its transition to democracy emphasizing, in particular, socio-economic disparities. He called on the international community to pay urgent attention to South Africa and highlighted the planned activities of the United Nations during this period (for the text of the statement, see annex I A to the present report).

14. Mr. Jonathan Leape, Director of the Centre for the Study of the South African Economy and International Finance of the London School of Economics and Political Science, in his welcoming remarks, noted that the Seminar brought together the two aims of the Centre, namely to contribute timely and informed research to economic policy discussions and to help to build capacity for policy-making inside South Africa.

15. Mr. Allan Boesak, Chairman of the African National Congress of South Africa (ANC) in the Western Cape; Mr. Mosebjane Malatsi, Secretary of the Department of Economics and Development of the Pan Africanist Congress of Azania (PAC); and

Mr. Christian Stals, Governor of the South African Reserve Bank, respectively, then presented an overview of the economic conditions and development needs facing the new democratic Government of South Africa in its early years (for summaries of the statements, see annex I B-D to the present report).

B. Workshop discussions

Mobilizing domestic resources

16. Ms. Maria Ramos presented a paper on issues relating to finance addressed in the interim Constitution and to the inadequacies of the public sector requiring substantial rationalization, the structures of key financial institutions and the transitional arrangements for the management of State assets and liabilities.

17. Discussions initially focused on the independence of central banks. Opinions differed, with some participants agreeing that the independence of the South African Reserve Bank would introduce a welcome discipline at the core of economic policy, citing the negative experiences of other countries where Governments wielded substantial influence over monetary policy. Others argued that principles applicable to other State-related institutions should also be applicable to the Reserve Bank. Some pointed out that the interim Constitution allowed for a consultation process between the Governor and the Finance Minister. A suggestion was made that the precise conditions under which the Parliament could override the Reserve Bank should be made public. Further topics discussed were the merits of the proposed "Monetary Policy Council", the fiscal powers of the regions and the implementation of the reconstruction and development programme for monetary policy.

18. Mr. Lieb Loots presented a paper on fiscal policy priorities and on interlinked issues such as government spending, budgetary deficit and government borrowing in domestic and international financial markets; conditions likely to have an impact on fiscal policy; growth and reconstruction; and a phased approach to fiscal policy and priorities, including those of taxation, borrowing and spending, as well as the importance of the credibility of fiscal policy.

19. Participants were broadly in agreement that the budget deficit should not be allowed to increase, although some expressed concern at the implications of it continuing even at the current level. Concern was also expressed about the possibility of tax evasion by current taxpayers if their taxes were to be increased. Some participants questioned how progressivity could be achieved when the vast majority of the current taxpayers in South Africa were already paying the top rate. There were also concerns as regards the implementation of fiscal discipline at the regional level. However, it was generally agreed that, in order to achieve the twin objectives of meeting expectations and maintaining fiscal discipline, the focus of expenditure should shift to human development.

Mobilizing external resources

20. Mr. Jonathan Leape presented a paper on external finance, which provided an overview of South Africa's access to external finance. This was followed by an examination of the prospects for inflows of new finance in the coming years. The paper also provided an assessment of theoretical and empirical research on the role of external finance in supporting economic growth and explored the links between management of external finance and other components of economic policy. General principles for an external debt strategy and policy priorities for a democratic Government in the management of external finance were also discussed in the paper.

21. Participants agreed that there was no automatic link between capital inflows and economic growth, that the priority was the mobilization of domestic resources, that the composition of external funding was of crucial importance and that preference should be given to foreign direct investment inflows. It was noted that, in addition to excessive external borrowing, other countries, including some in Africa, had had an inappropriate mix of external finance. The concept for the establishment of a policy committee on external finance was generally well received, although some expressed concern about the possibility of undue influence on the Committee by the current borrowers. It was also felt that the questions of how South Africa should manage aid and grant inflows and problems of capital flight required more analysis.

22. The paper presented by Mr. Brian Kahn reviewed South Africa's exchange rate policy since 1979, when managed floating of the commercial rand was introduced, and focused on exchange rate policy and exchange controls (controls on capital movements). The paper argued that, if manufacturing exporters were to remain internationally competitive, an appropriate exchange rate policy should be adopted. Available policy options and problems associated with the different options were also among issues discussed in the paper. In that connection, the author expressed a preference for a real exchange rate policy with a specified target zone. However, he was also of the view that the current exchange control regulations and current low levels of foreign reserves made it difficult to decide on an appropriate exchange rate level or to argue that the rand was overvalued.

23. Discussions centred on the appropriate focus for exchange rate policy and on problems associated with a real exchange rate rule: whether it should be rigid or should be a commitment to maintain competitiveness and stability. Despite recognizing that the adoption of a real exchange rate target could lead to wage and price indexation in South Africa, and thereby risk a cycle of high inflation and devaluation, or could result in speculation against the Reserve Bank, most participants supported the argument for the adoption of a real exchange rate rule. There was also discussion on how to calculate the equilibrium real exchange rate. Some felt that the existence of exchange controls was sufficient evidence that the rand was overvalued. Other comments concerned the difficulties in ensuring consistent monetary and exchange rate policies and the more general problem of policy coordination. With respect to relaxing capital controls, there was general agreement on the need for a cautious approach and that controls on non-residents should be relaxed first. On the other hand, some argued that despite the credibility of the argument for

a gradual relaxation of controls, the benefits of removing exchange controls were sufficiently large to merit swift action.

Restructuring the domestic economy

24. The paper prepared by Ms. Adrienne Bird and Mr. Chris Lloyd focused on a South African and regional (southern African) economic strategy for labour market development. The paper argued that, owing to the existence of historically entrenched divisions in the labour market, in effect, instead of one labour market, several labour markets existed, including the migrant labour market, with very little competition among them. To utilize the resources and experience of the South African economy and to combat unemployment in the country and in the region, the authors favoured the adoption of a strategy to develop national skills, flexible enough also to address regional needs, based on the recognition of traditional skills and focusing on skills development within a united national qualification framework.

25. Participants were generally supportive of proposals for a national skills strategy and for linking public works programmes to that strategy. However, some felt that the role of the private sector was unexplored and that government-initiated skill programmes should not be imposed mechanically, but used to stimulate private-sector action. The issues of costing and prioritization of labour market programmes were also raised. Discussions touched on regional aspects of the labour market policy, in particular, whether a strategy of vertical integration, with South Africa contracting labour-intensive activities to neighbouring countries, was compatible with South Africa's needs, given the high level of unemployment. It was also noted that comparative wage costs between South Africa and the developing countries, an issue of key importance to labour market policy, were not known.

26. The paper on small- and medium-scale enterprises, prepared by the Taskgro Group and presented by Ms. Claudia Manning, summarized a series of background studies on the development of small, micro, and medium enterprises in the post-apartheid period. The need to restructure, streamline and rationalize the current fragmented government support to those enterprises and to address the legacy of apartheid were the main assumptions on which the paper was based. There was general agreement that under the current regime the environment was hostile to the development of such enterprises and that steps should be taken to rectify that situation.

27. Participants agreed that the use of procurement policies and subcontracting from big business and the provision of extension services should be included in remedial action. Some participants advocated the establishment of a department for small, micro, and medium enterprises, separate from the current Department of Trade and Industry. Participants also expressed concern that financial institutions were unwilling to lend to small businesses. There was also a discussion on whether removing the legislated cap on the interest rate charged on loans to small, micro, and medium enterprises would benefit or harm small businesses. Some suggested that grass-roots financial institutions should be supported as the natural lenders to small businesses. The issue of whether these enterprises should become part of an organized system of industrial relations and become directly involved in poverty alleviation was also

discussed. In that connection, some were of the view that, precisely because small, micro, and medium enterprises were profit-making concerns, they should not be involved in the implementation of wider policy aims.

28. The paper on industrial policy was prepared and presented by Mr. David Lewis, who drew on findings of the industrial strategy project, a large-scale independent study of the South African manufacturing sector. The strategy for industrial restructuring proposed by the project rested on four pillars: firstly, that South African manufacturing should move "up the value chain", emphasizing skilled human resources, design capacity and sophisticated infrastructure rather than wage costs; secondly, that policy should target "competitive fundamentals" such as relevant technology, human resource development and encouragement of small- and medium-scale enterprises; thirdly, that emphasis should be placed on productivity-raising via a movement away from rigid and elaborate corporate and government organizational hierarchies; and fourthly, that, in order to avoid an unsustainable relationship between wages and productivity, policy should be directed towards reducing the cost of basic wage goods. To achieve that fourfold strategy, industrial policy should improve: (a) the incentive for firms to compete in international markets (e.g. through trade reforms); (b) the underlying capacities that would enable businesses to respond to improved incentives (e.g. through training); and (c) the network of institutions to develop those underlying capabilities over time.

29. Participants were generally in agreement that there were no "quick fixes" for an industrial policy. It was suggested that, to mitigate the pain of restructuring, the new Government should clearly state its policies, which should correspond to its social and economic objectives. There was broad agreement regarding the strengthening of inter-firm cooperation. With regard to the argument on targeting certain sectors, one participant pointed out that targeting could be successful, as in the case of some Asian countries, only with high levels of technical competence at all levels of Government and other sectors, which, however, had not been present in South Africa's experience in industrial targeting. While some argued that the aims of industrial policy should be more explicitly focused on employment generation, others believed that other government programmes were better suited for that purpose. It was widely felt that more analysis was needed on the regional aspects of industrial policy and on how foreign direct investment could contribute to industrial development. It was generally agreed that, to increase demand and to create jobs in all sectors of the economy, it would be more appropriate for an industrial policy to focus on increasing productivity and creating higher paid jobs in the formal sector of the economy.

30. The paper on trade policy, prepared by Mr. Ebrahim Patel and Ms. Sheila Page, provided information on South Africa's revised offer to the Uruguay Round of Multilateral Trade Negotiations and, in particular, on the evolutionary change in the approach of the Congress of South African Trade Unions (COSATU) to that issue. It also included recommendations for a future trade policy and on how an agreement could be reached between Government, business and labour on such a policy, as well as recommendations for a trade policy vis-à-vis other countries in southern Africa. In conclusion, the paper put forward arguments for the development of a social dimension to trade and

trade policy and detailed the institutional reforms necessary for a successful industrial policy.

31. Discussions included technical issues surrounding the compatibility of South Africa’s trade policy interventions with the General Agreement on Tariffs and Trade (GATT). A number of non-South African participants, in particular, those from the Southern African Customs Union (SACU), stressed the danger of adopting a policy that would cater primarily to the needs of South Africa alone. It was suggested that South Africa could consider selective abolition of exchange controls on capital exports for direct investment in neighbouring countries, which would then set up corresponding imports of South African goods. However, others were of the opinion that South Africa would tend to be realistic in following its own interests after the elections and that, given the high level of South African payments, it would be unlikely that SACU would continue in its current form.

C. Round-table discussion

32. Speakers reviewed the history and the current system, with its advantages and shortcomings, of policy-making in South Africa. All three speakers expressed preference for a policy-making system in which transparency was inherent to the process and which recognized the role of all the interest groups, regardless of their size and importance, in the policy-making process. In their struggle for a share of scarce resources, it was stressed, those groups would have to interact and modify their interests for the sake of the wider public good. It was stressed, in that context, that the forums that had already succeeded in opening up policy-making and which had the potential to become conduits between government departments and the communities, should become important institutions, replacing the historically entrenched ones, with a view to a real devolution of powers. The need to address the shortcomings of the existing forums and to restructure them through the redeployment of resources in order to prevent duplication was also stressed. As for the creation of an environment conducive to the development of a national enterprise culture, the small but growing African business sector would need to be integrated into the corporate sector and allocated adequate resources for capacity-building. It was also emphasized that, during the policy-making process, the impact of the envisaged measures on the region should also be taken into consideration. While policy formulation and implementation were on the cutting edge of change in South Africa, it was important for the technical experts, necessary elements in policy-making, to modify their language so as to bring about a fuller participation on the part of the public.

33. The discussions centred around the future of regional and national policy-making forums, focusing on their role under a democratically elected Government. The participants agreed with the speakers that those structures, where policy issues were discussed in greater detail than in parliaments, should be strengthened and made more representative, in particular, of business and labour, and should continue to play an advisory role in policy-making. Some suggested that civic associations should participate in the forums to make them more representative, in particular, of the poor, of the underemployed and of the rural communities, as well as to extend to the rural areas a concept of civics.

It was generally agreed that support should be made available to help the existing organizations and communities to develop and to improve their capacity for effective participation and representation in the forums. There was no agreement, however, on the form of support that should be made available. It was also acknowledged that some business and labour organizations lacked the capacity to participate in the forums.

D. Closing meeting

34. At the concluding meeting, chairpersons of the workshops summarized the discussions of their respective groups. Following brief remarks by Mr. Leape, the Chairman, Mr. Ibrahim Gambari, on behalf of the cosponsors of the Seminar, stated that the broad spectrum of views and ideas expressed during the deliberations of the Seminar had reflected the need to analyse fully policy options and how they might fit into a larger framework of sometimes conflicting priorities. He commended the frankness of the participants, which had confirmed the seriousness and the sense of responsibility with which everybody involved in the process of change approached the task of national reconstruction. The Chairman also emphasized that policy makers must always put people at the centre of all policies. In conclusion, he noted that the international community was looking forward to the time when South Africa would no longer be the focus of the special international attention that the world community had been paying to it over the last four decades but rather become an example to inspire and encourage other countries and regions that may seem overwhelmed by difficulties.

Notes

1/ *Official Records of the General Assembly, Forty-seventh Session, Supplement No. 22* (A/47/22).

Annex I

STATEMENTS MADE AT THE OPENING MEETING

A. Opening statement by Mr. Ibrahim A. Gambari (Nigeria), Chairman of the Special Committee against Apartheid

(*In extenso*)

May I first of all extend to you all a very warm welcome to London and this important Seminar. I wish also to place on record, on behalf of the Special Committee against Apartheid and on my own behalf, our appreciation to the Centre for the Study of the South African Economy and International Finance of the London School of Economics and Political Science, for the indefatigable efforts made in the arrangement of this Seminar, and particularly to the Director of the Centre, Mr. Jonathan Leape, and to all those who have worked with him on this important project.

The road to political change in South Africa has been long and arduous, and marked by enormous sacrifice and suffering. With the end of the cold war, persistent international pressure, the stand-off between contending forces in South Africa and the escalating and crippling human and financial costs of apartheid, it became clear to South African leaders, Black and White, that the only way out was through broad-based negotiations. With the encouragement and support of Members of the United Nations and the international community, South Africans decided at long last to resolve their differences peacefully, setting in the process a remarkable example for other countries beset by political, ethnic and other forms of internal conflict.

The international community welcomed the results of the broad-based multiparty negotiations process that started in April 1993 (after a 10-month suspension) and culminated in such significant developments as the setting of a date for South Africa's first non-racial and democratic elections; the establishment of a Transitional Executive Council (TEC) to oversee government operations; the setting up of independent Electoral and Media Commissions and an Independent Broadcasting Authority in order to level the playing field before the elections; and the adoption by the existing Parliament of a non-racial interim constitution and an electoral bill.

The Transitional Executive Council became operational on 7 December 1993 and marked the first step in the representation of persons of all races in the governance of South Africa. On 22 December 1993, the South African Parliament adopted the interim Constitution, which, when it comes into effect after the elections in April, will finally bring to an end more than three centuries of minority rule in South Africa. This interim Constitution will remain in effect until the adoption of a final Constitution by the constituent assembly. It is necessary to stress here that the decisive factors in all these positive developments were the political courage, wisdom and determination demonstrated by South Africa's leaders and their commitment to a peaceful political settlement. Indeed, by these developments South Africa has, in the words of

Mr. Mandela, not only reached the end of an era, but is now on a threshold of a new one.

On 15 October 1993, in recognition of their visionary leadership and their outstanding role in bringing the peace process forward, the Nobel Peace Committee awarded the Nobel Peace Prize jointly to Mr. Mandela and Mr. de Klerk. The Special Committee against Apartheid joined the many members of the international community that greeted the Nobel Peace Committee's decision with great satisfaction.

These are, undoubtedly, positive steps in the long road to freedom in South Africa. None the less, there are reasons for caution and vigilance on the part of the international community. We know that the negotiating process has often been marred by an upsurge in political violence. There are still those in South Africa who openly threaten to derail the transition process. There are those who are unwilling to abide by the rules of the democratic process.

Political violence has claimed over 10,000 lives in the past three years alone. South Africa's first one-person-one-vote election is only three months away. Recent studies indicate that growing numbers of South Africans participating in the electoral process are likely to be intimidated. Operating under the supervision of the TEC, governing structures now have to assume their full responsibilities without delay, in order to restrain the violence and to promote and protect the right of all South Africans to participate in the democratic process without intimidation. For peace, like freedom, is indivisible. It is beyond the pale and contingencies of short-term politics. To contain violence in volatile areas, much hope in South Africa rests on the establishment of a multiparty peace-keeping force. Although a broad agreement on the principle of such a force was achieved some time ago, questions relating to integration and control of a joint force are still under negotiation.

The international community has acted with a unique determination and unity of purpose since the issue of apartheid was brought before the United Nations some 40 years ago. For 40 years it has supported the South African people in their struggle for equality of rights and opportunities for all, without which there can be no justice or freedom. By taking up the issue of apartheid, the United Nations has also pioneered the concept that gross and persistent violations of human rights go beyond the exclusive jurisdiction of the individual State and are of legitimate concern to the international community. Recent decisions and activities of the Security Council, the General Assembly and the Secretary-General have demonstrated once more the significance of the international contribution to the process of peaceful settlement in South Africa.

I wish to emphasize that for well over two decades the international community has persistently tried to convince the apartheid authorities that negotiations were the only way to dismantle apartheid peacefully and bring about a democratic system. It is our fervent hope that the remarkable success of South Africans thus far, in reaching peaceful solutions through broad-based negotiations, will be a worthy example to those beset by political, ethnic and other forms of internal conflict in other countries and in other parts of the world.

In an address made before the Special Committee against Apartheid at United Nations Headquarters on 24 September 1993, Mr. Nelson Mandela called on the international community to end economic sanctions against South Africa. Following Mr. Mandela's appeal and at the recommendation of the Organization of African Unity (OAU), the General Assembly decided on 8 October 1993 to remove all prohibitions or restrictions on economic relations with South Africa and its nationals. At the same time, the General Assembly decided that the oil embargo should cease to have effect as of the date at which TEC became operational. As a result, the oil embargo ceased to have effect on 7 December 1993, when the TEC held its first formal meeting. In response to Mr. Mandela's appeal, the Commonwealth, the European Union and many Governments and local authorities removed bans and other similar restrictive measures. With the new, non-racial and democratic structures coming into place, many Governments have now begun the process of resuming their diplomatic relations or establishing them in South Africa, although full diplomatic relations may not be established or restored by several countries until after 27 April 1994.

Let me stress, however, that a new South Africa, despite improving and rather optimistic statistical indications, is in for some extremely bumpy years ahead. Many White South Africans consider theirs a rich country and, in a way, looking at the 1988 figures for gross domestic product (GDP) per capita, they are right. GDP for South African Whites was $6,500 compared to, for example, $650 for Zimbabweans and $1,600 for citizens of Botswana. Adult literacy among Whites is nearly 100 per cent. White South Africans can expect to live for 73 years. South Africa has many sparkling cities and leafy suburbs. It has a good infrastructure, many rich people, a few world-class companies, good hospitals and universities. These figures would, on the face of it, appear to indicate that South Africa belongs to the first world rather than the third. The reality, of course, is that it does not.

Look beyond the White minority and the country becomes truly the story of "a tale of two cities". The majority of South Africans struggle for access to the basics of life - land, water, work, basic social services and 84 per cent of the country's estimated 30 million Blacks earn less than enough to ensure that their families have adequate nutrition. These huge socio-economic disparities are indeed shocking in a seemingly first world country. Herein lies the contradiction that is unlikely to disappear soon in South Africa.

The transition in South Africa presents a formidable challenge of political management. The tasks and problems the country faces after apartheid will be no less daunting: Constitution-writing and nation-building; the glaring socio-economic inequities South Africans will expect a new Government to fix immediately; and other obstacles entrenched in the system by many long years of apartheid. The challenge is not only to seek accommodation between these divergent views, it is also to ensure that the exuberance and political anxiety, which accompanies this process of transition, is well managed and properly channelled towards that process. While the international community may stand ready to assist a new South Africa, ultimately, redressing its socio-economic imbalances will largely depend on a growing economy. However, time should not be wasted as inequalities of this magnitude will inevitably fuel political and social instability. Stalemate or continued political instability caused by differences over socio-economic policies should be avoided because their

economic, social and political costs would be indefensibly high. Our objective at this Seminar, then, is to seek to contribute to the process of building a minimum consensus on objectives and instruments of short- and long-term socio-economic policy that may be helpful for the new Government's policy makers when formulating measures that could produce some palpable results in the short term, without causing new structural problems.

Foreign direct investment is considered to be an important factor for sustainable economic growth and development in South Africa. This has been absent for a considerable number of years owing both to the success of international economic sanctions and to the absence of political progress and social stability in the country as a whole. International economic sanctions have now been lifted, giving South Africa access to external finance. It remains our expectation that foreign direct investment will help social progress and stability through the creation of productive jobs. This is not only desirable, but necessary to save the emergence of a new non-racial democratic South Africa.

You may recall that the parties involved in the negotiation process have agreed on the contents of a letter of intent, regarding post-apartheid economic policy, to accompany an application, which the TEC endorsed as one of its first acts when it became operational on 7 December 1993, to the International Monetary Fund (IMF) for an $850 million loan that would offset South Africa's export losses and additional imports caused by the drought in the region. I am pleased to note that IMF, in recognition of the political progress made in the negotiations, approved the request. We are also encouraged by reports that the World Bank is prepared to contribute long-term development assistance as soon as detailed projects have been worked out and studied.

These developments are a reassertion of the role of financial institutions in the development of South Africa's economy. The foreign banks themselves decided, in 1985, to have their short-term loans recalled. This action precipitated a liquidity crisis in South Africa and paved the way for the beginning of the end of apartheid. Owing largely to the progress in political developments in South Africa and in response to a joint proposal endorsed by the main political parties and groups in the negotiation process, a number of foreign banks agreed in December 1993 to reschedule to 2001 a $5 billion debt still outstanding under the debt standstill in 1985, which became due for repayment at the end of 1993 with the expiry of the third interim arrangements. The agreement will retain the option for foreign creditors to convert debt into investment using the financial rand as an additional incentive.

The reconstruction of the South African economy deserves very urgent attention from the international community. Some initial steps have already been taken by Mr. Mandela and Mr. de Klerk who, towards the end of 1993, embarked on a world-wide tour to encourage institutional investors and corporate executives, bankers and pension fund trustees to invest and trade in the country. The international community, after having supported the oppressed in South Africa for so long, now expects South African leaders to transcend their differences and build a common future by pursuing inclusive solutions through the new culture of consultation and negotiation across old barriers. This is not only a source of inspiration, hope and reassurance for the international

community, but also a useful instrument for the political leaders, representing the diversity of South Africa’s people, to shape the future of their country with patient dialogue and tolerance and by understanding the importance of interdependence for their own long-term interests.

I am pleased to bring to your attention that the Secretary-General on 10 January 1994, presented a report to the United Nations Security Council on the preparations for the complex and sensitive tasks involved in the coordination of an adequate presence of international election observers. a/ I must point out that the Secretary-General, in his report, emphasized that violence continues to be a major area of concern. Indeed, he stressed that recent studies indicate that growing numbers of South Africans participating in the electoral process are likely to be intimidated. Operating under the supervision of TEC, the relevant governing structures must assume, without delay, their full responsibilities in bringing this cycle of violence under control and in promoting as well as protecting the right of all South Africans to participate in the democratic process without intimidation. It is our hope that the recent agreement to set up a national peace-keeping force with elements from the South African Defence Force, the African National Congress military command and the forces from the homelands will provide a sufficiently accepted and effective instrument to contain the threat to the elections posed by the present, high levels of violence. Based on the comprehensive report of the Secretary-General, both the Security Council and the General Assembly have adopted appropriate resolutions providing for urgent personnel for the election monitoring as well as the expanded role of the United Nations Observer Mission in South Africa (UNOMSA).

I also wish to note that the United Nations is expected, very soon, to initiate and coordinate among its offices and specialized agencies, a process of detailed planning of programmes of socio-economic assistance, particularly in the areas of human resource development, employment, health and housing. These programmes will be coordinated with other international agencies, with legitimate non-racial structures in South Africa and, soon, with a new legitimate Government.

The United Nations and the Commonwealth are also planning to convene, in June or July 1994, an international donors’ conference on human resource development for a post-apartheid South Africa. The purpose of this conference will be to stimulate interest among donor countries and donor agencies in addressing the urgent human resource development needs in South Africa, particularly those of the disadvantaged sectors of the society. Preparations for the conference will be made in consultation with the TEC and, following the April elections, with the new Government.

Let me stress once again that today South Africa stands on the threshold of a new era, which is not only full of promises, but also fraught with uncertainty and danger. I am convinced that South Africans themselves will bring the process of peaceful political change to a successful end. The international community, at this crucial time, can only supplement this process by providing moral support and encouragement to their resolve and, to some extent, by providing material assistance to facilitate the transition to a free and equitable society.

I hope that the discussions of this Seminar will provide an additional impetus to the full international consensus developed over the last four years that has allowed the United Nations to speak with one voice in support of the peaceful process of elimination of apartheid in South Africa.

B. Keynote address by Mr. Alan Boesak, Chairman of the African National Congress of South Africa in the Western Cape

(Summary)

Mr. Boesak stated that he was speaking on behalf of Trevor Manuel, who was attending the Reconstruction and Development Programme Conference, which was being held at the same time as the Seminar.

Mr. Boesak devoted his statement to the reconstruction and development programme, beginning with an explanation of how its contents were being developed. The original ideas of the programme had been generated by experts in relevant subject areas. They had prepared policy papers, which were circulated to the African National Congress (ANC) membership at the regional level for discussion. Comments had been debated and incorporated in revised drafts as the programme began to take shape as an integrated socio-economic policy document. The Reconstruction and Development Programme Conference in South Africa was being held to debate the contents of the sixth draft. Based on its conclusions, a final draft would be prepared to be circulated to the regions for approval and would be launched in March 1994, forming a key component of the ANC’s election manifesto.

He stressed that the processes by which the reconstruction and development programme had been developed reflected the ANC’s commitment to democracy and commented that, by bringing together South Africans and interested international experts, the present Seminar had become a part of the process whereby consultation and discussion on the components of the programme took place.

The reconstruction and development programme was, first and foremost, an integrated socio-economic policy framework designed to mobilize South Africans for the eradication of apartheid and to enable South Africans to build a common future together. He stressed that South Africa urgently needed the reconstruction and development programme. The existence of abject poverty alongside wealth had been the result of an economy built on racial divisions in terms of land, education, health, transport and employment opportunities. In addition to the inequities of the system, apartheid had had deep, adverse effects on economic efficiency.

The reconstruction and development programme had arisen from the collective heritage of those who had challenged apartheid. The first decisive step forward would be the election where for the first time all South Africans would have the vote. However, the Alliance in formulating the programme had recognized that election victory would only be the first step and that democracy in South Africa would not flourish if people were to remain in poverty.

The reconstruction and development programme had been based on five principles:

(a) It was an integrated and sustainable programme for socio-economic transformation, and not a piecemeal approach that made reforms at the margins;

(b) It was a people-driven process and would continue to be informed by consultation with those which it affected. The most important resources for the country’s future were the aspirations and determination of its people;

(c) It was concerned with nation-building. The key to the current crisis in South Africa was the existing massive divisions in society. The benefits of economic growth could not be confined as in the past to the "first world" sections of the population. The reconstruction and development programme had also been exploring how the new nation would develop cooperative relations with southern Africa;

(d) It was linking reconstruction and development. Redistribution to meet people’s basic needs would allow them to participate in the economy and would open up vast areas of human potential;

(e) It involved a democratization of South Africa. Significant changes in the way policies were made and implemented were needed. At all levels, the people affected must participate in decision-making.

The components of the reconstruction and development programme were derived from an analysis of how to rebuild an economy that had been severely damaged by apartheid. South Africa had experienced low growth and severe inequality, a decline in investment and dramatic falls in employment. Macroeconomic policy had been made in a secretive and often contradictory way. The economy had remained dependent on mineral exports to purchase imported machinery. The manufacturing sector was not dynamic, in part because it had been treating workers as low-cost inputs. Capital had been allocated on a speculative basis by financial institutions. Small- and medium-scale business had remained underdeveloped while the parastatal sector had ballooned in size.

In addressing those problems, the reconstruction and development programme would balance State intervention and the use of the market. A state agency would be created to guide economic policy and would work in cooperation with the national economic forum. An ANC Government would pursue an activist trade and industry policy to aid the restructuring of the formal sector. There would be land reform and measures would be taken to reform the labour market and the financial sector.

The aim of policy in the areas of trade and industry policy and public investment, would be to increase employment, productive investment and competitiveness. The Government would implement human resource development to upgrade skills and improve managerial capacity. In addition, the public sector would invest heavily in meeting the basic needs of the population. A substantial programme could push the growth rate to 5 per cent per annum and help to create 300,000 to 500,000 jobs annually.

A second strand to industrial policy would be increased use of local inputs and beneficiation of South Africa's minerals production. The Government would put in place a stable incentive structure that encouraged export production. Import protection would be reduced and tariff lines simplified.

The Government would welcome foreign direct investment, so long as investors abided by the country's laws, respected its environment and contributed to increased employment and technological development.

There would be reform of the parastatals. Where necessary privatization would be reversed and the public sector extended.

Regarding labour market policies, the Government would follow active labour market policies to generate change in production and employment patterns. The State would monitor employment conditions, introduce minimum wage, promote collective bargaining, provide measures to enhance the skills and job security of workers, introduce workplace democracy and develop national training and education initiations. Above all, it would end discrimination in employment based on race or gender.

The Government would also take an active role in the development of small- and medium-sized enterprises. Some 2.7 million South Africans were currently being employed in small- and medium-sized enterprises and the informal sector, contributing significantly to GDP, 40 per cent according to a study of the Development Bank of Southern Africa. In terms of employment, the informal sector had been absorbing substantially more labour than the formal sector. The formal sector had currently been absorbing only 8 per cent of the entrants to the labour market, down from 80 per cent in the early 1960s.

However, there were many constraints on small- and medium-sized enterprises, including restrictive regulation and a lack of working capital. Banking and other lending institutions were continuing to restrict access to credit, particularly to small Black-owned businesses without collateral.

The new Government would help to provide inputs for small- and medium-sized enterprises. It would end discrimination in zoning, reduce regulation and abolish other laws that hindered small business. Subsidized loans would be provided to small business. The promotion of small- and medium-sized enterprises would spread income and economic power, especially to women, who accounted for 60 per cent of micro-businesses. Small- and medium-sized enterprises were important for job creation but they must provide socially acceptable jobs, and legislation will be enacted to that end. The new Government would reorganize the Small Business Development Corporation and reform lending criteria of other similar institutions to improve access to credit institutions that lent to small business. It would encourage big business to support small business through subcontracting and purchases.

In connection with mines and mineral processing, he said that mineral production had accounted for 75 per cent of South Africa's exports and had employed 750,000 people. Under the reconstruction and development programme, the mineral wealth of South Africa belonged to all South Africans, including the

future generations. The new Government would ensure that the mines were not recklessly depleted and were operated for the benefit of all the people.

Other objectives would be to improve export earnings, to beneficiate mineral production and improve wages and living conditions for those working in the mines. Help would also be given to those affected by the downscaling of mine activity.

With regard to financial institutions, there had been substantial concentration of financial assets in a few formal sector institutions in South Africa. Those funds were not currently being used as resources to develop a sustainable growth path for the economy. The new Government would introduce legislation to prevent discrimination in the financial sector. It would also improve the accountability of pension fund managers to their fundholders so that they could see where their funds were being invested.

The Reserve Bank would be independent but accountable to Parliament. Its legislated aims would be to encourage sustainable economic growth and to protect the internal and external value of the rand. Its Board would be made more representative and it would be required to take a more active role in combating capital flight.

In conclusion, Mr. Boesak acknowledged that the reconstruction and development programme constituted an ambitious programme for a new Government. ANC had to transform itself from a movement in exile to a political party ready to govern. However, the contents of the reconstruction and development programme had shown that it had remained responsive to the needs of the South African people. He believed that democracy had to be about affecting lives and about empowering the South African people. That would involve the transformation of society in order to give everyone in South Africa the freedom to live with dignity. The goal was to build a society where justice was honoured and where, for the first time, one could be proud to be a South African.

C. Keynote address by Mr. Mosebjane Malatsi, Secretary of the Department of Economics and Development of the Pan Africanist Congress of Azania

(Summary)

Mr. Malatsi began by thanking the organizers for the opportunity to speak on the development needs of South Africa. He wished to emphasize that he would summarize the position of the Pan Africanist Congress (PAC) and did not speak for the Development Bank of Southern Africa.

He first provided an overview of the origins of the current situation in South Africa and stressed that without understanding the history of expropriation arising from colonialism it was not possible to understand the policy programme that the PAC advocated.

The history of South Africa had been one of conflict. Europeans fought Africans with superior weapons and won their land. But African people had never given up the fight, whether conducted openly or more surreptitiously. The Union of South Africa, in 1910, ignored Africans who had received no representation in the political structures created. The apartheid Government, from 1948 onwards, used legislation to foster division among Africans, which had hitherto been on the decrease. It had encouraged a proliferation of languages and used Bantu education to enslave the African mind. It had relocated people to "tribal" homelands in order to operate a policy of divide and rule. Hence it was apartheid that was at the root of divisions among Black people in South Africa.

In South Africa today poverty was ravaging the African population. Job reservation and wage differentials had sustained Black people in poverty. Apartheid had to be removed not just in legislative terms, but in terms of closing the poverty, skills and income gaps between White and Black, or else South Africa would not solve its problems and violence and crime generally would continue to rise. The vote alone was not enough for Black South Africans: the previous dispossession and exploitation had to be reversed.

He outlined some of the critical areas to be addressed immediately, while acknowledging that it would take some years to approximate parity.

Almost immediately, a start would have to be made by the democratically elected national Government to introduce and carry out land reform. The Africans would have to be provided with land for farming, housing, business premises, marketing, social and sporting facilities, livestock grazing and other infrastructural development.

The resources to make that possible in the shortest time should be secured or made available by the Government to the deprived people. If the resources could not be secured or made available, other measures such as socialization and redistribution of land should be considered. One proposal called for farmers to be allowed to farm a maximum of 300 hectares, with excess land being redistributed through a land pool. Compensation schemes would be considered, but it must be remembered that the land was illegally expropriated initially.

The South African Land Bank needs urgent reform as it did not give loans to Africans. Commercial banks also had to be much more active in lending to Black farmers.

Regarding rural development, Africans must have access to resources to develop their own communities, not only in urban areas but in the rural areas where they currently lived. Historically, economic and industrial development in South Africa had followed the location of mineral deposits, leading to the development of the Pretoria, Witwatersrand and Vereenigig area and had also centred around ports such as Cape Town, Durban and later Port Elizabeth and other medium-size or smaller ports. The rest of the country was thus relatively neglected and undeveloped as regards balanced spatial development.

Rural restructuring should pay special attention to that imbalance. Physical and social infrastructure was either totally absent or hopelessly inadequate. The provision of water, electricity, health and educational and

related skills training facilities were to receive critical attention in that regard. Social amenities and related entertainment facilities should be attended to, among others, to stem the exodus of the youth. Agro-based industries, subcontracted processing or assembly industries should be developed as strategically and rapidly as possible. Marketing and other entrepreneurial facilities should be provided and supported as a matter of urgency.

Those initiatives would all help to provide job opportunities, income earning and income generating opportunities with the various linkages to promote balanced development. Mr. Malatsi stressed that, without that intervention, South Africa was likely to continue underutilizing its vast resources in the countryside and indirectly forcing people to leave those rural areas for the already overcrowded urban areas, with attendant problems of squatting, housing shortages and crime and violence.

He stressed that equity was crucial to economic growth in South Africa, emphasizing its importance for immediate equality of opportunity.

The land reform and redistribution and rural restructuring and development policies just described were crucial to economic growth and development. Other policies should cover macroeconomic and related spatial development, decentralization and micro-economic considerations. In particular, small- and medium-size enterprise development, particularly for the hitherto neglected and "marginalized" African community, must receive central attention. That programme of economic growth and redistribution would help to absorb the growing labour force, currently entering the labour market at the magnitude of about 300,000 new entrants per year.

There was an urgent related need for human capital development. Intensified training for all South Africans, especially the Africans, would not only help to revive the economy through increased productivity, but would equip the country to be more competitive internationally. Without a critical improvement in productivity as a result of training, South Africa was not likely to catch up and compete in the international market and the attempts to generate export-sector growth might be gravely frustrated as a result of lack of appropriate skills and expertise.

Schooling from the pre-school level to university must be addressed with urgency and intensity. No expenditure should be regarded as too high. The restructuring and rationalization of that sector was absolutely critical. It would be possible to make savings through the restructuring and consolidation of the over 19 educational ministries, departments and institutions.

There would also have to be protracted youth development, with heavy doses of appropriate training at various levels and sectors. More than 57 per cent of African youths were unemployed. More than 70 per cent of them were keen to learn and are prepared to undergo training to ensure full engagement of youth in productive ventures.

One of the most urgent issues facing South Africa was the provision of housing for Africans. Mr. Malatsi emphasized the link between property crime and the lack of housing. Some of the youth could undergo training in various

aspects of housing construction while actually constructing houses on public works schemes. For instance, training as bricklayers, electricians, plumbers, architects, surveyors, construction engineers and cabinet-makers. They could be paid some small salary or wage, thereby reducing unemployment. Upon qualification, youths would have the knowledge, skills and experience to be easily employed. Others could proceed to technical colleges or universities for advanced and consolidated training.

Radical changes would need to be introduced in the civil service. The hitherto excluded African majority would have to be present at the top hierarchy of the civil service. Retraining and radical reorientation of White civil servants willing to serve a new Government would have to be carried out without delay. The international community should be approached with the request to help with on-the-job training. Likewise, the corporate sector needed to go beyond tokenism to employ well-trained Africans in senior positions. Firms also needed to introduce in-house training to increase the capacity of the African workforce.

Mr. Malatsi concluded his address by emphasizing that the new democratically elected Government should urgently restructure and reorient all institutions to the changed situation. It should drastically reduce poverty through provision of job opportunities in whatever manner and way possible. It should reform rural support policies and redistribute land to all those who were in desperate need for it. It should revive the economy and promote balanced spatial development through decentralization and a participatory development process. The budget for those interventions must be worked out and money found as the alternative was not even an option to be considered.

D. Keynote address by Mr. Christian Stals, Governor of the South African Reserve Bank

(Summary)

Mr. Stals said that he was pleased that South Africa’s fundamental economic problems were now receiving the attention that they deserved. The new Government would be facing the problem of managing, if not a revolution, then certainly a most significant transition in South Africa’s path of economic development and, in particular, of managing the very high expectations of its constituents.

He noted the importance of non-economic factors in the economic development process. Such factors could not be ignored by policy makers as they could push the economy away from its projected direction. The impact of non-economic factors had made econometric models based on extrapolating past trends more than usually helpful.

He noted a number of favourable aspects to the current economic situation. First had been the improvement in the growth rate of South Africa’s GDP from a low of 5 per cent (annualized) during the recession in the second half of 1992, to growth of 1.5 per cent in the first quarter of 1993, rising to 8 per cent in the third quarter. Both private and Government expenditure had risen, while

there had been also an encouraging rise in gross domestic investment (of 1.5 per cent) in the third quarter. That had been the first increase in investment expenditure for three years. Although figures were not yet available for the fourth quarter, he believed that they would show that the recovery was continuing.

Second had been the continuing relatively strong position of the current account of the balance of payments. In 1993, a further surplus of R6 billion had been recorded, bringing the total surplus since 1986 to R45 billion. That, of course, had been achieved at the cost of lower economic growth and was necessary to permit repayment of South Africa’s capital account liabilities. He believed that the current account would remain in surplus during 1994, but that there would be a decline in the surplus from then on.

Third had been the stable domestic financial situation. Over the last years domestic credit extension had been increasing below the rate of inflation. M_3 growth had been below its target range. Inflation remained at its lowest level in 20 years.

He then turned to a number of weaknesses in South Africa’s economic situation, which would require the urgent attention of the new Government.

First would be growing unemployment, mainly structural and then some cyclical. It would therefore disappear as the economy recovered. Total employment in the formal non-agricultural sectors of the economy had been falling by between 2 and 3 per cent in each of the last three years. The economic recovery thus far had been making little dent on the total number of unemployed. The new Government might want to take additional measures to bring more immediate relief to the unemployment problem.

Second would be the problem of large capital outflows. It had been a major disappointment that capital outflows from South Africa had increased in the second half of 1993, from R5 billion in the first six months of the year to double that in the second half. Capital outflows had exceeded the current account surplus by some margin and as a result reserves had been severely eroding. At the end of the year, gross reserves held by the Reserve Bank were only sufficient to cover five weeks of imports.

It would be important to note that net capital flows did not include flows through the financial rand. Non-resident flows through that medium had undergone an important change in the second half of 1993 as non-residents had become net purchasers of South African equities for the first time in a number of years. Those investments had been funded by a welcome decline in financial rand deposits held with authorized foreign exchange dealers.

Unfortunately, the same change in sentiment towards South Africa had not been seen in finance supplied through normal banking channels and through bond investments. Very few maturing loans had been rolled over or replaced. As a result, the rand had continued to depreciate during 1993, by a total of 9.5 per cent in nominal terms against a trade-weighted basket of South Africa’s main trading partners.

It was obvious that capital outflows of that magnitude could not be sustained for very long at the level of the last six months without jeopardizing the economic recovery. The new Government would urgently have to address how to reverse those large capital outflows.

Third would be the budgetary situation of the country. The high budget deficit had precluded much expansionary activity by the Government. Although there had been encouraging signs that the targeted deficit of the Government of 7 per cent of GDP would be attained in 1994, the Government remained a large dissaver.

The new Government would be under a lot of pressure to increase expenditure. The needs of the people were desperate. It would be no easy task to reconcile those needs with the resources available to the country.

In that regard, it was particularly important for political leaders to be cautious in their statements on the economy, which were being analysed in a highly charged atmosphere.

A number of useful studies had recently been undertaken on the structural deficiencies of the economy. They included the normative economic model of the Central Economic Advisory Services, the framework for macroeconomic policy of the Macroeconomic Research Group and studies by the World Bank.

The studies had offered a maze of policies for South Africa to adopt in order to improve economic performance, and left the new Government with many options. He noted that many of those deficiencies would be addressed at more length in other sessions of the Seminar. He therefore commented on them only briefly.

First was the basic requirement to close the socio-economic gap between the communities in South Africa. The costs were frightening, but that should only serve as further motivation for a well-organized approach that produced results. The improvement of the living conditions of the majority of the population would produce substantial productivity gains.

Second was the need to increase the growth rate, which for the last decade had been below the population growth rate. Total manufacturing productivity must be raised. Measures to consider included special programmes to encourage increased fixed investment, export orientation, small business development and increased foreign participation in the economy. In the meantime, fiscal and monetary policies would have to continue to support overall stability.

Third was the requirement for South Africa to reorient its international and regional relationships. It would need to become an active participant in the global economy. Most important of all would be a redefinition of South Africa’s role in Africa.

He concluded with some remarks on monetary policy. The Reserve Bank had agreed with the recent constitutional initiatives in favour of an independent central bank. Monetary policy in South Africa had moved away from short-term demand management later than in other countries, but since 1988 the authorities

had adopted a monetary targeting approach. The aim of policy was now clearly to protect the internal and external value of the rand.

He emphasized that there were limits to the Reserve Bank's discretion in monetary policy. Above all, capital outflows had forced a tight monetary policy on the bank. Simply creating money was not an option when the country did not have the foreign exchange reserves to repay foreign creditors.

He concluded by emphasizing that the situation today for monetary policy remained adverse. Capital was still flowing out of the country, reserves were low and inflation, though lower, was still above that of South Africa's trading partners. There remained, therefore, little scope for pro-active monetary policy. Monetary stability was important for establishing the conditions for long-term economic growth. None of the macroeconomic objectives of a new Government would be achievable in a high inflation, persistent depreciation environment with the continuous risk of international default. No matter how unpopular it became, the Reserve Bank must continue to guard against those dangers.

Notes

a/ A/48/845-S/1994/16.

Annex II

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