South Africa is at a turning point, as economic policy fight rages

by L. Chamberlain

"As a country, we are today in danger of digging ourselves into a trap which will almost be impossible to escape from," says Secretary General of the Congress of South African Trade Unions (Cosatu) Sam Shilowa, who warns that the danger facing South Africa "is to abandon the path of transformation which we have set ourselves, by relinquishing our national sovereignty in the sphere of economic decision-making." In recent months, Shilowa has issued calls for a two-tier credit policy, with lower rates for investment in the productive economy, and for direct government control of the now-independent Central Bank. Shilowa, as well as leaders and members of Cosatu, the South African Communist Party (SACP), and the African National Congress (ANC) are engaged in a policy battle against an unelected shadow government called the South Africa Foundation (SAF), for control of national economic policy.

The SAF was founded by the British elite in 1959, and first headed by Sir Francis de Guingand, former head of British military intelligence. The pretext for its formation at that time, was that British (and American) businessmen would join with South African business leaders to defend white South Africa against a hostile world. The real purpose, however, then as now, has been to ensure British control over South African economic policy thinking. While the Anglo-American group of extractive companies, led by the Oppenheimer family, is well represented in the SAF, the Foundation embraces all of the power centers of South African big business. The heads of two of South Africa's largest banks are members of the SAF board. Its corporate members include such major insurance companies as Metlife, Sanlam, Old Mutual, and Liberty Life. Other corporate members include ESKOM (the formerly state-owned electricity company), Total, Shell, Sappi (the paper manufacturing giant), the Rembrandt Group founded by Anton Rupert (tobacco), Anglo Alpha (cement), and SA Breweries. There are links between the SAF and the South Africa Institute of International Affairs, an extension of the Royal Institute of International Affairs in London, as well as links between the SAF and the South Africa Nature Foundation, the South African affiliate of the World Wildlife Fund (now the World Wide Fund for Nature).

EIR has one overriding criterion for analyzing South Africa: Can this economic powerhouse become the cornerstone for saving Africa, a continent which is dying?

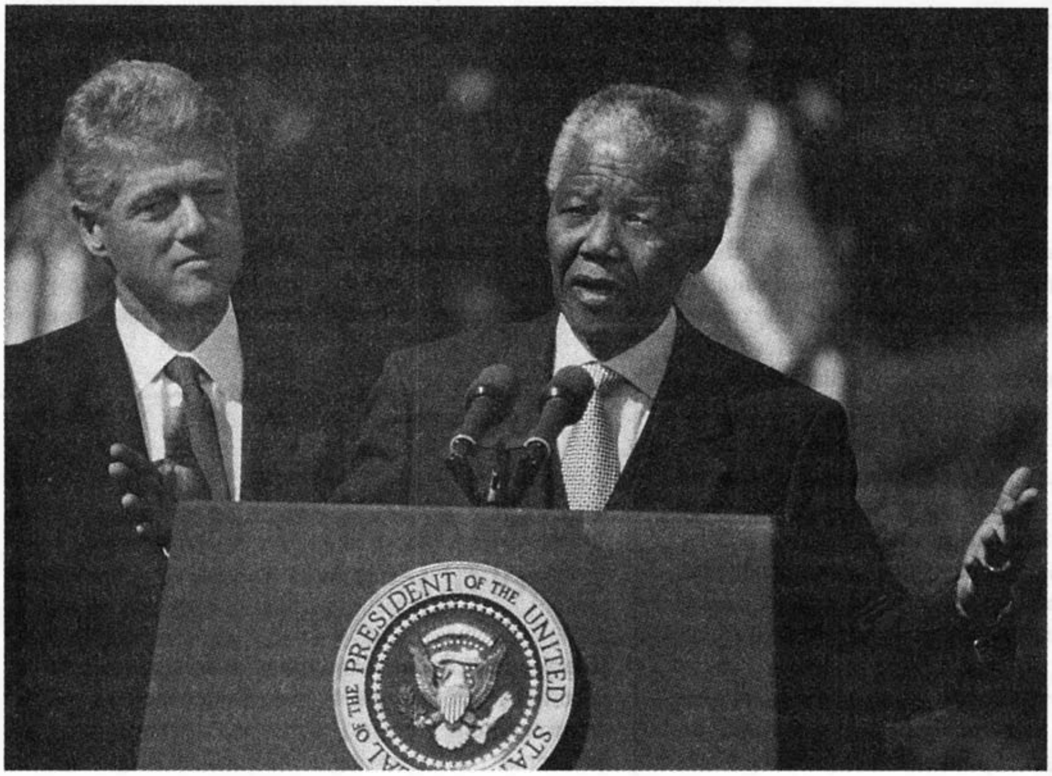
As *EIR* Founding Editor Lyndon LaRouche commented on Feb. 23, 1990, upon hearing of President Nelson Mandela's release from prison: "The problem is developing a high-technology structure, to build up the basic economic infrastructure and the social, that is, educational and medical infrastructure, required to elevate the entirety of the population of the region, beginning with South Africa itself, to a level of cultural potential and economic potential for proliferation of small, relatively high-technology firms, and including the development of an independent, flourishing African agriculture to match the quality of the Afrikaner farms in that region." Unless this is done, LaRouche warned, a "Dionysiac explosion" will be the result.

South Africa's fragile stability continues to rest on President Mandela as the figure of national unity. But a plummeting economy, a drain of the country's skilled labor power, and the destruction of the country's productive economy will mean the country's demise. For the British-tied mining interests in South Africa, their historical concern has only been extraction of raw materials.

A difficult 'inheritance'

Dr. Solomon Terblanche, a professor of economics for the last 30 years at Stellenbosch University, and described as one of South Africa's dirigist Afrikaner economists "of a bygone era," in an interview with *EIR* on July 31 (see below), emphasized the complexity of the current economic fight. "It must be said that the inheritance left to the ANC is a terribly difficult one—one really needs the wisdom of the biblical Solomon," he said. Terblanche chronicled the recent period:

"In the beginning of this year, suddenly, it seemed, the honeymoon of South Africa was over. The external support was not what it had been; foreign investment flowed out; the rand tumbled, and we've experienced quite an economic crisis since February." Also in February, the South Africa Foundation and Old Mutual, one of the biggest insurance companies, put out a document called "Growth for All." "My opinion was that it was a *terrible document!* It was rabid, and as Thatcherite as it could be," Terblanche said. Following this, "the government appointed a commission to formulate a new macro-economic policy. . . . And in the end, the new Macro-Economic Plan put to the table by [Deputy President Thabo] Mbeki and the government is more or less on the side of the South Africa



South African President Nelson Mandela with President Clinton in Washington, Oct. 4, 1994. South Africa's fragile stability rests upon Mandela as the symbol of national unity, but his effectiveness is being undermined by the deepening economic crisis and the machinations of the British-backed South Africa Foundation.

Foundation document. And the ANC accepted it!"

Terblanche explained that he is oriented to the "continental version of capitalism." This refers to the dirigism of Friedrich List, a policy that was approximated in South Africa, especially in the 1960s and early 1970s. The British-instigated policy of apartheid served as a brake on this process. Nevertheless, the relative success of this dirigistic policy is reflected in the following figures: Imports as a percentage of total production declined from 62.5% in 1945, to 40.3% in 1955, and to 33.8% in 1965. Domestic industries for the production of consumer goods accounted for much of the industrial growth, but the expansion of heavy industry and the production of machinery was also taking place in parallel. Employment in production of metal products, for example, grew from 54,100 in 1951, to 135,500 in 1982—a 250% increase.

But it was not just development of industry; South Africa became proof positive that modern agriculture is possible on the African continent. Its low and unreliable rainfall means that only 12% of the country is suitable for dry land crop production. It would seem to be a most unlikely candidate to become self-sufficient in food production, but it became nearly self-sufficient. South Africa became a world leader in the use of surface water resources for irrigation. But in order to remain self-sufficient in food production, by the year 2020, South Africa must double the volume of water available for irrigation.

If extremely dry South Africa can feed its population, then almost anybody can—with the proper technology and skills.

Yet, South Africa's success came to a screeching halt during the Reagan and Thatcher era, when most South African economists began the shift to the "free-market" orientation, according to Terblanche. The country now sits with 40% unemployment, mainly blacks, who live in absolute poverty.

The SAF destruction operation

The ANC leadership, the euphemistically named "Growth for All" document insists, has absolutely no choice but to accept the SAF documents's prescriptions "hook, line, and sinker." For example, it declares: 1) "This document proposes such a comprehensive strategy—one which can only succeed if *all* its elements are accepted"; 2) "The country has *no* alternative; world experience points in this direction and powerful international forces are pushing the economy that way. The underlying economic reality is so harsh that drastic measures are required immediately"; and 3) "Government needs to be decisive and firm about reform, overriding opposition from those who will lose out from it."

The kinds of reforms demanded? The SAF says: 1) Government investment should be limited; 150,000 jobs should be cut over five years in civil service; a plan is needed to cut government employment by perhaps 100,000 over the first three years. (The country already has 40% unemployment!) 2) There must be a plan to eliminate all export subsidies within two years. Both exchange controls and export subsidies should go. Reserve Bank intervention in the forward market should be terminated. 3) If "the need to render the labor market less rigid is not tackled firmly, then the reform program proposed" will not succeed; a strategy is needed "to eliminate or drastically ease minimum labor standards." 4) Overhaul the Department of Education to render it more efficient, with private education being encouraged. 5) Sell off most or all Industrial Development Corporation holdings within 18 months. 6) Government pension funds should be fully privatized. 7) "The main role of government is to create a suitably enabling market-friendly environment, and allow markets to respond appropriately." 8) The rand should be revalued.

The South Africa Foundation is serving as the British-run locomotive to force through Thatcherite economics, and to eliminate the opposition—predominantly labor—by manipulating ANC government officials into smashing their Cosatu and SACP allies in the tripartite alliance. Part of the game has been for various banks participating in the SAF to take actions to cause the fall of the rand, and then have spokesmen blame the rand's fall on statements by Shilowa and others, who have supposedly discouraged outside investors and the proverbial "market forces."

However, the reality is that the rand had been holding steady against the dollar for over a year, when the March-April issue of *Foreign Affairs,* publication of the New York Council on Foreign Relations (part of the same British-led international orbit as the SAF) published a 13-page signal piece for investors to pull money out of South Africa. And that they did. A Johannesburg political analyst told *EIR* at that time: "This is when the slide started; prior to this things were going quite well. . . . But now the money is gone. It is another Mexico."

Similarly, Standard Bank, whose head, Dr. Conrad Strass, is a trustee of SAF, took the lead in what appears to be a decision with other SAF-connected banks, to increase prime overdraft rates a full point on May 17, *without waiting for a lead from the central Reserve Bank,* dealing another blow to the economy. Officials at the central bank were reportedly quite miffed, but followed suit. The action is now the subject of parliamentary hearings. The leading individuals within Standard Bank are seen as anti-labor ideologues; they played a key role in formulating the South Africa Foundation's "Growth for All" document, and they publicly attack, and try to create dissension within, the alliance among the ANC, Cosatu, and SACP.

Moves to break up tripartite alliance

The attempt to force failed Thatcherite economic policy on this country—a country that has some of the infrastructure for making it the engine of Africa—unquestionably has driven the biggest wedge in the tripartite alliance since President Mandela came to power. London's *Financial Times* gloated July 25: "The uneasy alliance between South Africa's ANC and the trade union movement appears to be crumbling." The fact that the "honeymoon is over," the *Financial Times* said, "is probably no bad thing. The government has to make some tough choices in its economic policies, and it is unlikely to do so if it is always seeking to placate its union allies. It is too broad a movement to conduct a rigorous economic policy."

The *Financial Times* insisted that it was Shilowa's denunciation of the government's economic plan as a "recipe for disaster" that was responsible for the drop of the rand. The rand had lost more than 4¢ against the dollar as of July 23, but this followed directly on the heels of a scathing London

South Africa Foundation: a tool of British policy

The South Africa Foundation was founded in 1959, during a period when the fight over dirigist economics was intense: a turning point in South Africa's history, just as the present is. The Cape wing of the National Party—and the doctrine of apartheid—had been brought to power with British connivance in 1948, to terminate a movement toward South Africa's industrialization associated with the name of Dr. J.H. van der Bijl.

In 1958, the Transvaal wing of the party took over, with Henrik Verwoerd as prime minister. Verwoerd had clearly started out under British control, but he began to move in league with France's President Charles de Gaulle and West Germany's Chancellor Konrad Adenauer. Verwoerd managed to bend apartheid to coexist with a new drive for dirigist industrialization, alarming the British. Hence, the founding of the South Africa Foundation (SAF) as a counterpole to the Verwoerd government. Verwoerd was later assassinated. From its inception, the SAF was to function as a shadow government, in which all of the power centers of the South African economy participated, directed by British interests.

The World Wildlife Fund connection

There is substantial overlap between the SAF and the South Africa Nature Foundation (SANF), the South African affiliate of the World Wildlife Fund (WWF, now the World Wide Fund for Nature), founded just two years later. A major common goal is to ensure that control of the world's raw materials remains in the hands of a tiny handful of largely British or Anglo-Dutch multinationals.

The founding of both the SAF and SANF was supported, financially and otherwise, by Anglo American Corp. head Harry Oppenheimer and the Rembrandt to-

School of Economics report which hit the Reserve Bank's attempt to defend the rand.

Shilowa is being targetted for removal from the scene by means of threatening characterizations from the radical free-marketeers. Terry Markman, a board member of the Free Market Foundation of Southern Africa, is telling people that Shilowa is "a dedicated ideological communist whom we will not be able to turn."

Similarly, the *Aida Parker Newsletter,* which often reflects Mont Pelerin Society thinking, raged in its June 1996 issue: "One man can bring the ANC government's new economic program crashing: that man is Cosatu secretary-general Sam Shilowa—a gentleman with an awesome ego. . . . His profound and implacable hostility to bankers and business is well known to investors here and overseas. Confrontational politics are his lifeblood. . . . Only weeks ago he was threatening to lay unspecified criminal charges against the banks if they raised their interest rates. This was accompanied by unbridled attacks on the South Africa Foundation and its soundly prepared 'Growth for All' document.

bacco group's chief, Anton Rupert. Rupert was later named chairman of the WWF in South Africa, and is also one of the co-founders of Prince Bernhard of the Netherlands' 1001 Club. Sir Francis de Guingand, the former head of British military intelligence who was the first head of the SAF, was also a member of Bernhard's 1001 Club. J.A. Stegmann, an SAF trustee, was a trustee of the SANF.

Oppenheimer and de Beers are in a category of their own, in terms of the British power they wield. Julian Ogilvie Thompson is currently a trustee of the SAF, as well as chairman, Anglo American Corp. of South Africa Ltd.; chairman, De Beers Consolidated Mines Ltd.; and chairman, De Beers Centenary AG. Anglo American Corp. is the largest mining firm in the world; it dominates the economy of South Africa. It constitutes, together with the two De Beers companies, the Oppenheimer empire. The Rothschilds and J.P. Morgan and Co. provided Sir Ernest Oppenheimer the financing to cartelize diamond and gold production in South Africa between 1902 and 1929. De Beers Consolidated Mines Ltd. (South Africa), and De Beers Centenary AG (Switzerland), control world diamond production. This control was established by Cecil Rhodes in 1880, and, by 1888, with Rothschild backing, the two firms controlled 90% of the world's diamond production.

Throughout its history, the SAF has been powerful, and dirty. A president of the SAF in the 1970s, Dr. Jan S. Marais, was the most prominent South African leader in the Permindex network in that decade. (Permindex was culpable in the murder of President John Kennedy, and was thrown out of France for its involvement in several assassination attempts against President Charles de Gaulle.) Marais was chairman of South Africa Metropolitan Life Assurance, founder-chairman of the Trust Bank of Africa, and a member of the board of the SANF. When Henry Kissinger visited South Africa in the mid-70s, Marais was *the* prominent non-government figure with whom Kissinger was seen regularly. Lord Derek Pritchard, another member of the 1001 Club, was the longtime head of the SAF's London office.

The SAF today

Although the South Africa Foundation initially had offices in London, Washington, Paris, and Bonn, in August 1995 the foundation "concluded a major restructuring exercise to better reflect new South African realities," according to an SAF press release. All firepower was apparently moved back to Johannesburg itself, although "the foundation has retained as consultants" the directors of its former offices abroad. "The fundamental objective of the foundation will be to enable South Africa's major corporations to formulate a coordinated view on macroeconomic and other issues and promote the interests of South Africa's private sector, both domestically and internationally. Major South African companies will be directly involved in macroeconomic and social policy deliberation."

Currently sitting on the SAF board of trustees, along with Ogilvie Thompson and J.A. Stegman, are other notables, including:

• Dr. Conrad Strauss, the current head of Standard Bank. Standard Bank was founded by Cecil Rhodes; in 1969, it merged with Britain's Chartered Bank to form Standard-Chartered PLC, one of the biggest drug-money laundering banks in the world; it is now described as "a relic of the British Empire." In 1987, the megabank divested its South African holdings, and Standard Bank is now South African owned—but "its allegiance has not changed," notes a knowledgeable South African source.

• M.H. Daling sits on all the boards of the Afrikaner insurance giant Sanlam, as well as heading up Sancorp, Sanlam's investment company. Earlier, Fred du Plessis, Sanlam's chairman, headed the SAF.

• Basil Edward Hersov, the Cambridge-educated head of the gold-mining company Anglovaal. He is also chairman of the board, First National Bank, South Africa. He was honorary president of the SAF beginning in 1979.

• M.J. Levett, the head of Old Mutual Insurance Company. Old Mutual co-signed the SAF "Growth for All" document.

• D.C. Brink, the head of Absa Bank, South Africa's largest.

"At the same time Shilowa was threatening to get workers to withdraw their funds from Old Mutual if it did not turn socialist and cut its ties with the South Africa Foundation. He is ferociously hostile to privatization.

"He is not to be taken lightly. He has repeatedly disrupted the labor market. . . . He has done much to push the rand through the floor and render investment here unattractive. . . . Dr. Mangosuthu Buthelezi [Zulu chief, Inkatha Freedom Party head, and free-marketeer] recently let Shilowa have it with both barrels. Describing him as 'the water buffalo of South Africa, large, greedy, with no vision,' Buthelezi said: 'The time has come for the ordinary trade unionist to rise up and kick these political muggers out of their plush offices.' "

Other London players interested in breaking up the alliance, as the London *Guardian* acknowledged on July 6, are "two eccentric multi-millionaires, John Aspinall and his friend Sir James Goldsmith." Aspinall is close to Buthelezi, and reportedly funds his Inkatha Freedom Party quite heavily. A big knob in London's smart gaming set since the 1950s, Aspinall hopes in return to secure the majority of gambling licenses in the province of Kwa Zulu-Natal, Buthelezi's power base. Splitting up the ANC alliance, for Aspinall, is clearly just step one. He talks about breaking up South Africa into 30 components, with the Zulus reestablishing their tribal identity in the form of a separate nation.

Within South Africa, Tony Leon (who heads the small Democratic Party, generally acknowledged to be controlled by the Anglo American Corp.) is insisting that Mandela break from this "unwieldy" alliance. National Party leader F.W. de Klerk on July 25, in his first key speech since quitting Mandela's government of national unity, insisted that the tripartite alliance was alienating even previous ANC voters. The voters, de Klerk claimed, "share with us the anxiety and rejection of the hold the unions have over the government at the moment, almost holding them to ransom."

One of the methods being used to accomplish the split, knowledgeable South African political sources say, is the formation of a new political party to unite the South Africa Foundation's friends and potential friends in the ANC with the "left" wing of the National Party. "Unless the alliance is broken, the possibility is too high that the ANC-Cosatu-SACP hardliners—predominantly those who did not go into exile in Britain and other Western countries—will eventually regain dominance," one knowledgeable Afrikaner political analyst told *EIR*. "This whole economic program, as Shilowa says, is predicated upon the claim that if the government gives all these concessions, international investors will come into South Africa in droves. The upshot is, if international investment doesn't come, then what's all the pain for—the privatization, the dropping of tariffs, etc. It is inevitable that this policy is going to fail."

What is being mooted in the South African press, therefore, is a "more appropriate" alliance between the "left wing" of the National Party, led by long-time former National government official Pik Botha, and the ANC tripartite alliance's "right wing." "They have to create a new vehicle," explained the Johannesburg analyst. "President Mandela, when he was in Germany this summer, referred to the new party, only in terms of a split in the Nats—that Pik Botha was going to lead a new party. . . . But the main purpose would be to hive off the ANC's labor content." He noted that although the new party certainly would have to be led by blacks, "the Anglo crowd needs a vehicle more in their mode."

Before the Mandela takeover, the British and their South African sympathizers cultivated especially those of the ANC leadership in exile in Western countries, particularly in London, where they studied British economics, in some cases getting graduate degrees from British universities, such as the University of Sussex. The South Africa Foundation and all its tentacles targetted the ANC elite and attempted to "educate" them along the lines of their own oligarchical model. Regular meetings between the two sides began in London as early as June 1986—in London's Masonic Building, according to Anthony Sampson's 1987 book, *Black & Gold—Tycoons, Revolutionaries and Apartheid.* In this earlier period, Zach de Beer of the Anglo American Corp. was on record as terrified that "the baby of free-enterprise [British-style] would be thrown out with the bathwater of apartheid." Not only was Clive Menell of the Anglo-Transvaal ("Anglovaal") mining group involved in the early meeting in London in 1986, that same year he brought into being an extensive training program for the ANC elite in Israel, according to an exposé by the South African weekly *Mail and Guardian.*

The stakes

An economist with the National Institute for Economic Policy, Zunaid Moolla, lays out the immediate task, and the stakes. "A well-developed social and physical infrastructure (roads, railways, telecommunications, schools, clinics, technikons, etc.) lays the basis for long-term economic development and growth. Our trade, industrial, and competition policy should be geared toward developing and expanding the domestic economy, so that we start producing for 42 million inhabitants, instead of just the 8-10 million people who presently comprise the market. NIEP research shows that production for the domestic market in several industrially advanced countries generates more jobs than the market for exports. But it should also be emphasized that South Africa has so much spare capacity that production for the domestic and export market can be undertaken simultaneously. But the present policy of attracting 'hot money' (short-term speculative capital) has resulted in very few jobs being created relative to the amount invested, and should be seriously reexamined."

Moolla insists that the new economic policy "is not in the least suited to accomplish any of these goals. On the contrary, it will either thwart these goals or make it impossible to achieve them within our lifetime."