
Interview: Dr. Peet Strydom

Sanctions would destroy southern Africa's economy—but not apartheid

Dr. Peet Strydom, chief economist of Sankorp, the holding company of Sanlam, the large Afrikaaner-based financial conglomerate, was interviewed by EIR's correspondent Roger Moore on July 14, 1986.

EIR: Could you explain the measures your country would have to take if the West implemented sanctions against South Africa?

Strydom: There are two areas where we would take action. The one is on the export side, the other on the import side. If we elaborate on the export side first, the most important challenge for South Africa would be to develop alternative markets, to substitute for those well-established markets of our present trading partners, particularly in Western Europe, in other parts of the world. Second, to protect our interests in our existing markets through counter-trade measures. That means we still supply products to these markets, but in a round-about fashion. Of course, there are export products of South Africa which are unlikely to be affected by sanctions. For instance, gold. If we take measures such as those associated with the bannings of the Krugerrands, substituted by other coins to be produced in the United States, Canada, and other countries. It stands to reason that South Africa, being the most important gold producer in the world, will probably also supply gold for the production of those new coins.

Therefore, in this sense, the boycott of South African gold production has mere token value. It is virtually impossible to boycott the biggest producer in the world by limiting its access to the market, and to produce a commodity which competes with the one that has been excluded in terms of sanctions. Then, the mere importance of gold in the world system as a reserve asset, also indicates that it is very difficult to boycott this commodity as such.

Apart from gold there are some strategic raw materials supplied by South Africa which one would imagine would be very difficult for the world to boycott from one day to the other. Sanctions on crucial products, on strategic materials, would have to be phased in over a particular period, which would allow South African suppliers to develop new methods of supplying these markets without being able to identify these products. This means exporting to the rest of the world without being able to identify the product, which is actually something which is possible in terms of bulk materials such

as raw materials. These products do not carry trademarks, they are not identifiable and could be channeled through third parties to world markets. In terms of manufactured products, it is going to be far more difficult to channel products through third parties to the well-established markets, and this is where the development of new markets is very important.

As far as imports are concerned, South Africa will be forced into a process of growth through import substitution. This is not the best alternative. It has been indicated in terms of South African research and research on a global basis that the best growth alternative is through export growth and exploitation of competitive markets and not through protectionist import substitution. But under circumstances of total or extensive sanctions, South Africa wouldn't have a choice other than to exploit import substitution through protectionist measures and to develop these production procedures within the domestic economy.

This means that import substitution could, in the short term, benefit the South African economy, pushing up the growth rate, supplying employment opportunities. In the long term, this is unfortunately going to be a disadvantageous route, particularly if one comes to the end of the sanctions period. It is going to be very difficult to reswitch from protected import-substitution industries to open-market industries competing on a world basis.

EIR: What would be the impact on GATT if sanctions were implemented?

Strydom: If sanctions are imposed, the spirit and terms of GATT certainly do not satisfy the new conditions. One has to look very critically at those negotiations. Of course, I am not in a position to speak on behalf of the contracting parties. But as an outside observer, it is obvious that when sanctions are imposed, the basic philosophy underlying GATT no longer applies. The GATT contract assumes that it enables the different participating parties to compete with each other on a competitive basis. In other words, the most important measure to go by, and therefore, markets should be opened up so that international trade could take place in terms of competitive advantage in each country.

Now, the moment you introduce sanctions, this basic philosophy falls apart, because a particular subscriber to those principles is suddenly excluded from supplying his products



Disinvestment would impoverish South African blacks, and is opposed by South Africa's largest labor union, the United Workers Union, shown here at a rally of 80,000 on May 1 with its leader Chief Buthelezi.

NSIPS

in the market. Whether these products are the best competitively priced products in the world no longer matters. One of the signatories to this agreement is excluded from markets, which means the whole philosophy of this contract falls apart and should be looked at in a new way.

EIR: Could you explain the size of the South African economy as a trading partner and, therefore, the consequences for the world economy if sanctions were implemented?

Strydom: South Africa ranks among the top 20 traders of the world measured in terms of export trade, if we go by the 1984 statistics published by the International Monetary Fund. Then, if we take cognizance of the fact that one imposes sanctions on one of the top traders of the world, one cannot overlook the devastating effect of this on world trade. If we merely look in terms of the effect on the volume of world trade, by excluding such a major trading partner from world trade, then the disruptive effect could be quite substantial. What I have in mind is that we are looking at something that could have similar effects as were evident during the oil crisis of the 1970s. If we elaborate somewhat on this and we take cognizance of the fact that South Africa is also a major supplier of strategic products like gold and platinum and other products, a boycott of South Africa implies that the world will have to develop substitutes for these products, which means alternative production procedures which are going to be more expensive. Or, alternatively, the world will have to buy these products from third parties, as we have indicated already, and pay a higher price for the same products. This means that world inflation is likely to be affected adversely.

I think it is because of this international inflation fear that the gold price has been relatively stable over the past year. If these actions are taken in terms of the ideals propagated by the neo-Marxists, I can definitely see an upward pressure on world inflation which will be reflected by a higher gold price. That will benefit South Africa in the short term.

EIR: The South African ambassador to London, Dennis Worrall, has linked the effect of sanctions on export earnings to the stopping of debt payments. Given the worldwide debt crisis, the vulnerability of the "house of cards," those pro-

moting sanctions must take South Africa into account also as a financial factor.

Strydom: I'm not in a position to comment on behalf of the signatories to the debt rescheduling agreement, but as an outside observer, I would claim that once sanctions are imposed and South Africa no longer has the same capacity to earn foreign exchange, then the contract is no longer addressing the same variables and the same magnitudes which were addressed at the time when it was signed. In this sense, it means that the contract is no longer in line with factual developments, particularly in view of the fact that South Africa will no longer be in a position to have the same export earnings as in the past. This means that the whole repayment procedure is to be viewed within these new parameters.

The new parameters, as we see it at this point in time, unequivocally point toward restrictions in terms of repayments, because there will be less foreign exchange available to meet these commitments, which means, should these effects evolve in terms of less availability of foreign exchange, South Africa will be forced into the position where it cannot meet its commitments, because the contract is no longer addressing the same set of parameters. This will no doubt have an adverse impact on the world financial system.

EIR: The people who are proposing sanctions are putting South Africa in the same boat with many Third World countries like Mexico or Peru, countries that are saying, to one degree or another, we limit our debt repayment to some percentage of our export earnings, as in the case of Peru. Do you think it's a proper analogy, that South Africa would be thrown into the same conditions as Mexico or Peru?

Strydom: I think that is a very interesting option, which actually is in line with what I said earlier on, in the sense that the original contract is no longer valid, in the sense that the parameters, the whole environment, has changed so substantially that it has to be renegotiated. This could be an attractive alternative for any negotiation. The point is, if one starts negotiating in terms of the limited sources available to a country, then it means that the debtor is actually in a very advantageous position, because he has very little incentives to encourage his export earnings in order to meet his obliga-

tions, if such a clause is added to the contract. This is a completely different situation from what we have at this point in time. South Africa is actually pushing exports on a very aggressive basis and the surplus on the current account of the balance of payments bears evidence to that.

EIR: Many Third World countries feel that the 1979 climb of world interest rates launched by Paul Volcker at the U.S. Federal Reserve, plus the collapse of many raw-materials export prices, led to a crisis of expanding debt repayment but collapsing earnings per unit of export, leading to a depletion of financial reserves, of financial freedom for their own domestic development.

Strydom: This is exactly the position. At that point in time, we saw rising interest rates and falling commodity prices. Therefore, these diverging tendencies put these Third World countries in a very vulnerable situation as far as their export earnings were concerned.

EIR: Nigeria is a country that is looking at this linkage of export earnings and debt repayments. Do you think that if South Africa, with its strong economy and industrial base, takes the lead on this issue of linking export earnings and debt repayment, it might find support from Nigeria and other Third World countries suffering under debt repayment?

Strydom: I am not in a position to speak on behalf of the parties who will negotiate this, but as an outside observer, my conclusion is that the inclusion of such stipulations in the agreement is very disadvantageous to the creditor or the creditor nation. It is very much to the advantage of the debtor nation. I think this is going to put substantial strain on the international financial system if contracts regarding the repayment of foreign debt are linked to the availability of foreign exchange. Whether South Africa takes that lead or whoever takes that lead, I think that is going to introduce instability in the world financial order.

EIR: Could you address the question of apartheid and industrial development?

Strydom: I would like to point out that the major campaign in terms of sanctions, is that the supporters of sanctions believe that by introducing sanctions versus South Africa, they will actually dismantle apartheid. There is an important misconception in this belief, because in South Africa, over a fairly long period, there has always been tension between the economy and apartheid, particularly in the manufacturing industry. Apartheid actually limited the supply of labor to the manufacturing industry because of all the rigidities regarding influx controls into the cities, and the limitations imposed by apartheid on manufacturing industry by preventing it to employ black labor on a larger scale.

Furthermore, the demand for skilled labor in manufacturing industry exploded with an extension of the South African economy. The lack of supply of skilled labor across the color bar was actually a problem to manufacturing industry

over a very long period. Because of this tension between the economy, particularly manufacturing industry, and apartheid, businessmen and intellectuals have opposed the system and exploited all the opportunities at their disposal to employ people, and this is why, in the end, the influx-control measures imposed by government were inefficient and the apartheid system in the end showed a number of cracks. These cracks actually evolved to a large extent because of the tensions between the economy and the apartheid system.

Those who propagate sanctions will actually damage the South African economy, and in doing that, they will damage one of the major levers we have developed and exploited over the past 40 years to dismantle apartheid and to improve human quality, because that is what apartheid disclaims. It disclaims the fact that human quality can improve across the color bar, and this is what the economy, and manufacturing industry in particular, have proven all along.

If you allow people to exploit opportunities in the market place and if you provide opportunities for education and training, human quality improves and people can exploit any job opportunity in the market place. The point is that if you damage this important leverage that has developed over many years, you don't dismantle apartheid, you dismantle the economy. By dismantling the economy, which has always been opposed to apartheid, it implies that in the end, sanctions will favor apartheid. So, in the end, sanctions are actually heading for a substantial contradiction.

There is another area of contradiction I should mention at this juncture, and that is that our society is very much concerned with a new political dispensation in the sense that blacks, whites, and other minorities in our society have, as priority number-one, the extension of the democratic system in our society. If sanctions come our way, it means that survival becomes the daily call. It means the domestic priorities will have to be rearranged and survival will become the top priority. The commitment of society at this point in time to change in the political decision-making process, will have to be downgraded because survival will call the tune of the day. That means that in this respect, sanctions are heading for a substantial contradictory development in our society, therefore—not attaining what they have in mind, the total destruction of the apartheid system.

EIR: This emphasis on the role of manufacturing development creating the demand for black skilled labor: Is it not a tradition of your country, of those whites who consider themselves Africans for many centuries, to do whatever necessary to foster the development of the country, like the founding of the steel company ISCOR or the role of the electrical concern ESCOM in providing power, etc?

Strydom: I think the commitment of the white South Africans to this country is evident in several respects. In a material sense, it is evident in terms of the fact that we utilize our resources. We have prevented the returns on these resources from being taken outside of South Africa. We have actually

encouraged the reinvestment of those returns in South Africa. This is how we have actually developed a modern industrial state on this continent. This is a completely different cultural or philosophical approach from what we have seen elsewhere on this continent, and maybe also to some extent in Latin America, where outside interests and domestic interests as well, exploited the resources, and the returns were actually transferred to foreign bank accounts. The South African tradition in this respect is completely different and I think this is a very important indication of the commitment of South Africans in general, white and non-white, to this country.

The growth of the manufacturing economy represents important leverage against apartheid, with its restrictions on urban influx, and so forth. If you use sanctions to damage this important leverage, developed over many years, you don't dismantle apartheid, you dismantle the economy. By dismantling the economy, which has always been opposed to apartheid, it implies that in the end, sanctions will favor apartheid.

Then, in non-material things, in terms of cultural dimensions, despite the existence of apartheid, the different population groups have always cooperated on the job floor. The relations between the different population groups on the job floor has always been a collegial one in general. In present circumstances of political uncertainty and protests through the trade-union movement, it might be very difficult to ascertain this good will among the different population groups, but this, in general, as it has evolved over the years, is actually evident in terms of the support which the private sector and business in particular gave to the trade-union movement. The evolution and development of the trade-union movement has had the support of the private sector all along.

This shows that the different population groups have actually worked together irrespective or in spite of the limitations imposed upon society by the apartheid system. In fact, South Africa is not a divided country along racial lines as apartheid would have it.

In a similar vein, I would say that it is very important to see the close relation on a cultural basis between the different

population groups, if we take cognizance of the fact that black and white authors publish in the same volumes; that they work together in the theater, the arts, and professional societies. Last but not least, the language of the Afrikaaner is an African language, and it is an indication of his commitment to this part of the world. I think Afrikaans could play an important part in communicating the soul of Africa to the Western mind.

EIR: To put that another way, isn't it the case that your country, as the only successful industrial economy on the African continent, has much to offer to the rest of black Africa.

Strydom: Yes, we have very much to offer in terms of our technologically superior position. We have also a very important role to play in terms of suppliers of infrastructure to our neighbors. I would like to point out that many of our neighbors are completely dependent on the export of their products through our infrastructure, by using our ports and railways. I think the world is not aware of the fact that the moment they start imposing sanctions, the degree of instability in the southern African continent is likely to increase very rapidly, because these avenues will be closed in terms of what the proponents of sanctions are now arguing about.

Sanctions imply a violent approach; they are not peaceful. It means these countries will no longer be in a position to export their raw materials through our ports and using our infrastructure.

Now, of course, many people argue that they could support these countries by introducing an air bridge. That might be helpful in terms of small non-voluminous products, but this is not what these countries are exporting. They are primarily exporters of raw materials, bulk materials, which can only be handled in terms of ports and rail. I know of no method in terms of which we could export these vast raw-material bulk products in terms of an air bridge. Therefore, the instability in the southern Africa continent is likely to increase substantially if sanctions come our way.

The contribution which South Africa makes in improving living standards, in providing opportunities to these countries to exploit their economic possibilities through South African knowledge, know-how, and capital, will be limited. It means the living standards in these countries will go down quite substantially.

The proponents of sanctions argue that this is a temporary development; after a short while, apartheid will be dismantled and they can start building up everything. Well, no one propagating sanctions has got a firm plan of how to rebuild these countries. The experience of the past indicates that it is very difficult to rebuild after a period of destruction. We know that in terms of our experience after the destructive effects of the Second World War, it took many years to rebuild what had been destroyed. That also applies to Africa. We only have to look at the destructive effects of what happened in Zimbabwe.