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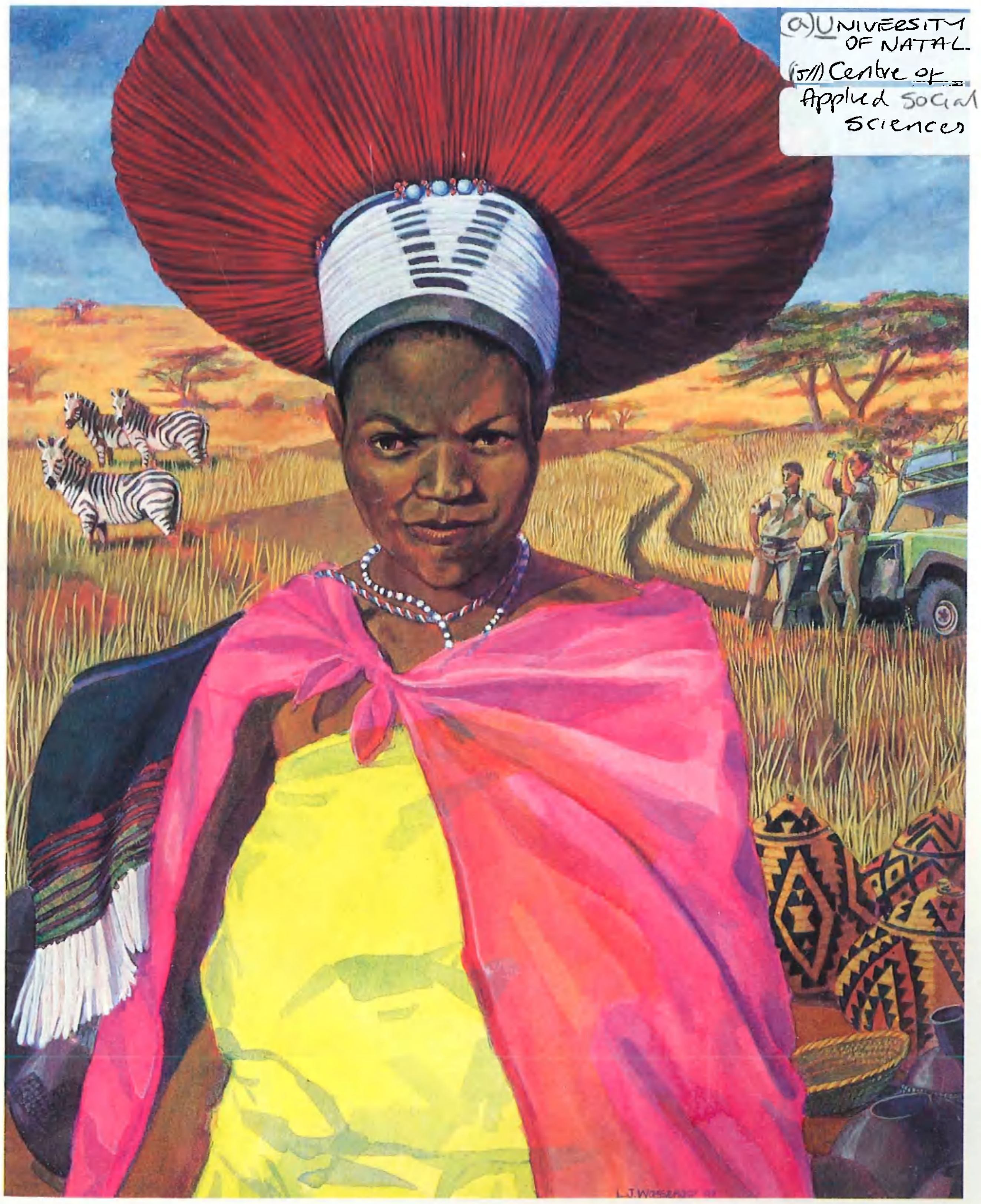

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S O U T H A F R I C A

Editorial

Information, particularly that in the public domain and which involves officialdom, easily becomes contested. Recently, two examples have been the results of the latest population census, and the furore over the release of crime statistics by police stations.

These are interesting cases. Debates over the reliability of both data sets have roots reaching far back into South Africa's apartheid past. These data have been and still are, politically sensitive – and in the case of crime statistics especially – their handling has reflected government bias in the past. Most important, both data sets are crucial for policy making, which explains the debate around their reliability. (Although for crime information, the harsh reality of crime will undoubtedly keep this battle high on the public agenda).

There are also some paradoxes where these data are concerned. In the past, an illegitimate government conducted a census which resembled a sample of the country's population rather than a true count of all people in South Africa. Based on models and projections, estimates were derived. That these figures were suspect, we all accepted – furiously footnoting their use, but nevertheless building years of research and policy around them.

Now the census is conducted in a more accountable environment, which – granted without 100% success – aimed to count everyone in the country. When the results, unsurprisingly, do not resemble past estimations, they are rejected amidst complaints that policy making will be jeopardised. The ironies abound.

Where crime statistics are concerned, the situation is quite the opposite. Under the political control of the Minister for Safety and Security, the South African Police Service forbids police stations to release crime statistics to the public. Requests are handled by the Crime Information Management Centre in Pretoria – hardly a time efficient and sensible notion for the community police forum in Umlazi Q section outside Durban.

Undoubtedly though, trying to validate crime information recorded more for administrative than analytic purposes from over 1 000 police stations, many in former homelands and some only recently computerised, could spell political disaster for the Ministry if badly managed in the public arena. And the public and media, starved of reliable crime information, are desperate for the figures – oblivious to the myriad of management and information technology glitches which disfigure SAPS statistics. All things considered, we should worry about the accuracy of crime rather than population statistics. Perhaps we have become too cynical: eager for the bad news no matter its quality, but suspicious of the good.

Antoinette Louw,
Editor

INDICATOR SOUTH AFRICA produces Quarterly Reports and *Crime and Conflict*. It is based at the Centre for Social and Development Studies at the University of Natal, Durban. Opinions expressed are not necessarily those of the Editorial Committee and should not be taken to represent the policies of companies or organisations which are donor members of Indicator South Africa.

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INDUSTRIAL MONITOR

DEVELOPMENT MONITOR

Tourism Series

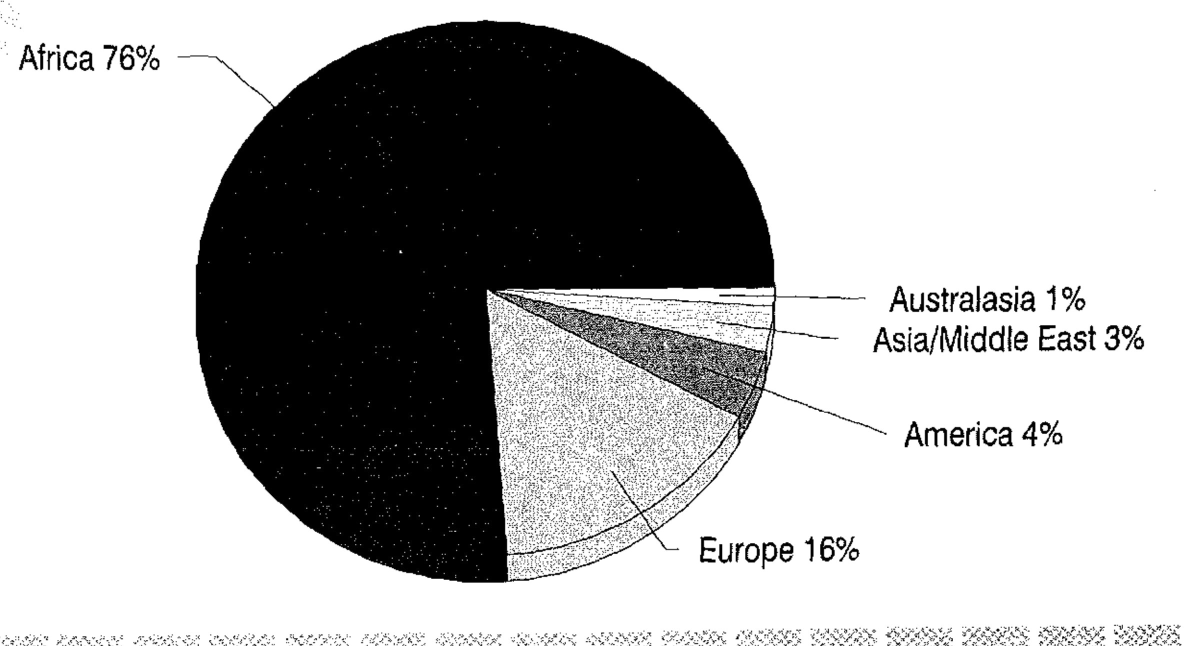
RURAL MONITOR

Racial composition of tourist-related permanent employment

Total number of overseas arrivals to South Africa by region

	Europe		America		Australasia		Asia/Middle East		Total	
	000's	% growth	000's	% growth	000's	% growth	000's	% growth	000's	% growth
1992	390		73		24		66		553	
1993	413	6%	87	19%	29	21%	82	24%	611	10%
1994	445	8%	109	25%	36	24%	106	29%	696	14%
1995	698	57%	153	40%	60	67%	150	42%	1061	52%

Origin of foreign visitors to South Africa



Source: Satour 1996

South Africa's Emerging Democracy:

A One-Party Celebration?

By Alexander Johnston
Department of Politics
University of Natal, Durban

The current political climate is inhospitable to opposition politics. Opposition parties are electorally weak and their roles in the democratic transition uncertain and even ambiguous. If a healthy opposition is anything to go by, South African democracy is ailing.

In the first half of 1997, the focus of political commentary and analysis has dwelt on the parliamentary opposition. President Mandela's offer of cabinet seats to the Democratic Party (DP) and Pan Africanist Congress (PAC) in January and their refusal in March, as well as the departure of Roelf Meyer from the National Party (NP) in May, helped put the opposition in the spotlight.

It is not the strength and effectiveness of the opposition which has been at issue – quite the reverse. The formidable block of support which the African National Congress (ANC) enjoys along with the ambiguities and divisions of the opposition parties have placed the prospect of a *de facto* one party state on the agenda.

In addressing this issue, it is useful to look beyond day-to-day political manoeuvres, and consider some aspects of our developing political culture. A useful point of departure is a quotation from a distinguished contemporary theorist of democracy:

> *"Democracy is the realm of the indeterminate; the future is not written. Conflicts of values and interests are inherent in all societies. Democracy is needed precisely because we cannot agree. Democracy is only a system for processing conflicts without killing each other; it is a system in which there are differences, conflicts, winners and losers. Conflicts are absent only in authoritarian systems.* ***No country in which a party wins 60 percent of the vote twice in a row is a democracy"*** (Przeworski 1991: 95). (Emphasis added.)

This last sentence reveals the relevance to South Africa's situation. 'Opposition' in the sense of organised, competitive conflicts of interest is central for democracy. This is defined in electoral terms. These choices are typical of what is commonly called 'Western' democracy. In these terms, South African democracy is vulnerable, if not downright sickly.

Ambiguities of opposition

The facts are not in dispute. Opposition parties are electorally weak and their roles in the democratic transition have been uncertain and even ambiguous. Central to this has been the NP's desire to be a consociational partner in government rather than an opposition, accepting the latter role only belatedly, reluctantly and without much aptitude for the job.

The electoral weakness of opposition parties is largely a function of the ANC's

The formidable block of support which the ANC enjoys has placed the prospect of a de facto one party state on the agenda

The electoral weakness of opposition parties is largely a function of the ANC's strength

strength. The ANC appeals to a very large block of voters in whose socio-economic profile poverty and the effects of exclusion from the benefits of the formal economy loom large.

It is not solely, however, on the promise to deliver these things – which its opponents can claim to do as well – that the ANC makes its electoral claims. Another more important dimension is on the grounds of common experience of struggle and exclusion. This explains the durability of the ANC's support despite disappointment with the government's performance.

Political culture

Three models of political culture – the beliefs, attitudes, behaviours and practices through which a country's politics actually take place – are relevant to electoral competition in South Africa:

Alan Boesak's guilt or innocence is being debated in terms of the loyalties of heroic politics as well as in legal terms

- Managerial politics: competition revolves around claims to govern (especially to manage the economy) more effectively, perhaps more justly and honestly than rivals. The electorate's expectations of politics and politicians are not high and party loyalties are not firmly set.
- Ideological politics: competition revolves around rival conceptions of how society and the economy should be organized.
- Heroic politics: competition takes the form of the struggle for basic rights and/or the expression of primary identities, ethnic or national.

Each of these models has its own distinctive form of representation. Representative government – one of the great essentials of democracy – is not necessarily a one-dimensional or self-explanatory thing:

The possibility of an opposition becoming an alternative government is increased by a culture of managerial politics

- In managerial politics, the rivals claim to be professional custodians of citizens' interests. Technical expertise, honesty and integrity are among the qualities which they claim, but there need be no particular emotional bond between parties and voters.
- In ideological politics, the rivals claim to represent voters by virtue of their understanding of truths about society.
- A vital element of the claim to represent in heroic politics includes voters' ability to recognize themselves in their representatives. This creates a strong and lasting bond between representative and electorate which may have strong emotional or even mystical overtones.

Although these are abstract models, they have relevance and meaning in the 'real' world of government, opposition and electoral competition. But no political culture is purely managerial, ideological or heroic, and no party bases its appeal exclusively on one or another dimension.

These dimensions are present across political cultures and vary from society to society and, over time, within societies too. There may, however, be a universal trend in which as the 'great issues' of rights and identities are solved and basic material needs met, the managerial dimension of political competition predominates.

What do these models mean for our understanding of the roles of opposition parties?

Managerial political cultures

In some senses, these are the most comfortable for democracy. Auditing of performance can take place unclouded by the influence of emotional bonds between government and governed.

The case of the Reverend Alan Boesak illustrates the point. His guilt or innocence is being debated in terms of the loyalties of heroic politics as well as in legal terms. Opposition parties wishing to discharge their function of auditing and holding to account can become disillusioned by the sheer weight of heroic loyalties.

The possibility of an opposition becoming an alternative government is also increased by a culture of managerial politics, as voters have little emotional investment in electoral choice.

These arguments suggest that opposition is essential for democracy and opposition parties thrive in a culture of managerial politics. But this is not the whole story. Such a political culture arguably fails to encourage vision and leadership in opposition parties.

Oppositions merely shadow governments, become obsessed with the middle ground where the bulk of the votes lie and offer only low risk, marginally alternative policies. Meanwhile, long term social ills and evils are ignored.

A judicious shot of heroic politics can also be useful for a government to push through a potentially unpopular policy which requires sacrifice or the postponement of voter expectations.

This is one reason why it was so important for the ANC to appoint a finance minister with 'struggle' credentials in Trevor Manuel, rather than continue with the purely managerial claims to authority of Derek Keyes and Chris Liebenberg.

❑ Ideological political cultures

When a political culture is ideological in a strong sense, opposition can be treated as a logical impossibility. Why should opposition to the truth be allowed? This, of course, is a fundamental symptom of authoritarian government. No South African political party espouses such views, but political intolerance reported by social surveys suggests that they are not uncommon in the electorate.

Despite the association of ideology with undemocratic systems, democracies would be impoverished without a substantial dimension of ideological difference. Opposition which is unsharpened by ideological difference can become slack and complacent. Rival claims on the electorate's choice can be reduced to cynical office-seeking.

Whatever its faults, ideology can elevate the politics of government and opposition to the status of a moral drama, without whose guidance electorates can be encouraged to relapse into apathy, cynicism or downright alienation.

❑ Heroic political cultures

Heroic politics certainly bring the elements of moral drama and emotional bonding to the politics of electorates, governments and oppositions. But where this predominates, substantial problems are posed for the consolidation of democracy.

On the whole, heroic politics tend to be associated with undemocratic political cultures or the more problematic features of democratic ones.

Heroic politics are more comfortable with the struggle for democracy than with its consolidation. The inevitable prolonging of heroic politics into this period poses problems for both government and opposition. The opposition has to find a way of adapting its pre-democracy personality to new conditions, or rejecting it altogether.

Even the DP, which believes it has nothing to be ashamed of and which (for better or worse) stubbornly insists on the continuity of its apartheid and post-apartheid personality, is at least privately aware of the dilemmas and costs involved.

The ANC has to make a different kind of calculation: how much to capitalise on this enduring culture of heroic politics – perhaps even encouraging it – without attracting accusations that its goal is in fact a one party state. The Truth and Reconciliation Commission represents an interesting, if somewhat flawed attempt to bridge that gap.

The ANC is not solely responsible for continuing the heroic strain: no party is more committed to heroic imagery and issues than the Inkatha Freedom Party (IFP). Ideological and managerial claims are present in its policy documents, but culture, history and self-determination crowd them out, especially in the heat of the moment.

Weak opposition?

For opposition to flourish and play a constructive role, there should be a balance between the managerial, ideological and heroic dimensions. Generally in South Africa, the managerial and ideological dimensions of political culture are weak at the expense of the heroic.

If this is the case, South Africa's political culture seems set to reproduce, in the short term at least, a weak and divided opposition. Does this matter? Conventionally, there are four principal grounds for arguing that in a political culture like South Africa's, a weak and divided opposition might not be a bad thing:

- ❑ In an ethnically diverse, materially unequal society with a history of bitter conflict, opposition is a source of disunity and even fragmentation. This is an obstacle to creating a single citizen

Opposition which is unsharpened by ideological difference can become slack and complacent

Heroic politics are more comfortable with the struggle for democracy than with its consolidation

In South Africa, the managerial and ideological dimensions of political culture are weak at the expense of the heroic

The ANC's conception of democracy has undergone substantial modification

nation. It is particularly true of opposition which seeks an electoral base in the majority, African population.

- The tasks of government – reconstruction and development – are moral priorities as well as policy choices. They are pressing and obvious. Opposition in this situation is a futile decoration which adds nothing of substance to democracy.

- The democratic transition should be an African one and not some mindless transfer of allegedly universal principles to our context, under pressure from self-interested outside forces.

- Where opposition is politically, culturally, or historically inappropriate, any threatened democratic deficit can be made up if the ruling, or dominant, or single party practices internal democracy.

There is a tendency in the ANC to incorporate or neutralise the opposition, rather than compete with it

These are the classic arguments for a one party state which, until recently, were commonplace in Third World politics. Today they are largely discredited but have been very influential in shaping the ANC's political orientation. For obvious reasons, however, they have been less traceable in the ANC's public pronouncements since 1990.

The ANC's conception of democracy has undergone substantial modification in the light of its own experience and the shifting global balance of power. There have been three principal influences in this:

- A genuine broadening of the ANC's conception of democracy has been prompted by the realisation that the party could have power and democracy and the understanding that broad based legitimacy including those that are not its supporters, is necessary for successful governance.

- Reinforcement of these developments has come from contributions and pressures from the ANC's adversary partners in the negotiating process, from civil society and Western countries.

Only the DP has been prepared to act like an opposition in the classic democratic sense

- The discrediting and even collapse of many of the ANC's role models in the turmoil of the end of the Cold War underpinned the strategic shift outlined above.

The broadening of the ANC's conception of democracy has not, however, been the only factor governing the place of opposition in South Africa's developing political culture. The dominant party's acceptance of multipartism is not enough to place opposition at the centre of South Africa's developing democracy:

- Whether in the interests of nation building and reconciliation, or closet, residual one-partyism, or simple electoral self interest, there is a tendency in the ANC to incorporate or neutralise the opposition, rather than compete with it.

- The wider conditions of South Africa's political culture do not enable opposition forces to operate either as auditors or alternative governments.

- The ambiguities of the opposition parties themselves have been a stumbling block. The IFP's aspiration to provincial autonomy is opposition of a special kind, as is the NP's hankering after institutionalized power sharing. Only the DP has been prepared to act like an opposition in the classic democratic sense.

Alternative opposition

This has produced a contradictory, if not paradoxical situation. All significant political parties are rhetorically committed to acknowledging the place of opposition in a democracy, but in practice, only one of the smallest seems fully to understand what is involved. It is not surprising then, that some creative alternatives to electorally based parliamentary opposition have emerged:

ANC as its own opposition

In this view, the best hope of democratic opposition comes from within the ANC itself or the ANC alliance, in several forms:

→ ANC members of parliament should make use of whatever institutional resources they can – domination of parliamentary committees is one – to be an effective check on executive power.

→ The ANC's grass roots should continue the politics of mobilisation which were so effective in the struggle against apartheid. Shortcomings in performance and departures from the ANC's electoral mandate could then be forcibly brought to the movement's attention by mass action.

- The various components of the ANC alliance – the SACP, the civics and Cosatu – can in their different ways use their formal and informal sources of influence to provide the spur, the check and the oversight which policy making needs.

Some might applaud any manifestation of internal democracy. Others might acknowledge that where opposition parties are numerically weak and of uncertain commitment, it is better than nothing. Harsher critics regard the whole idea as a manifestation of residual one-partyism.

However the idea of the ANC acting as its own opposition appears to outsiders, it was much in vogue after the ANC's electoral victory in 1994. Three years later, it has a slightly dated ring. Nevertheless, this conception of opposition will certainly be revisited in the event of an economic crisis or any other trigger of popular discontent.

❑ Extra-parliamentary opposition

Vested interests rooted in the old regime – notably in the military and the bureaucracy – have the ability to oppose and bargain with the new authorities without the interposition of opposition political parties. This extends to big business, which do not appear to need political parties as a mouthpiece.

This kind of check on the ANC has certainly played a part in the transition so far. But this version of opposition – certainly in the case of the bureaucracy and the security forces – will probably cease to have relevance as time goes on.

In the case of big business and organized labour, a formal opposition role is possible in the sense of corporatist opposition afforded by the National Economic Development Labour Council (NEDLAC). The NEDLAC principle has, however, a consensual rather than an adversarial rationale and the body has had a hesitant and fumbling start to its institutional life.

❑ Power sharing opposition

Lastly, the curious hybrid which has taken root in South Africa: the opposition which is also part of the government. The National Party has reluctantly given up on this role, the IFP continues to play it and the DP and the PAC have refused to join in.

It is notable that the IFP, the party which is least like a conventional parliamentary opposition – since it is a movement for regional autonomy rather than an alternative national government – is the only one which has been prepared to persevere with this role.

Conclusion

The present political climate remains inhospitable to both the conventional and unconventional resources of opposition. The constraints of a political culture which is so heavily weighted towards heroic conceptions of politics show no signs of loosening.

The ascendancy of the executive in ANC internal politics has been demonstrated by the Left's failure to articulate either acceptance or rejection of Government's GEAR macroeconomic policy and heightened by the expulsion of Bantu Holomisa. This has marginalised ANC populism and forced Holomisa into the formidable task of starting an opposition movement from scratch.

The same task awaits Roelf Meyer who left the NP when the contradictions between his vision of a broad, multiracial alternative to the ANC and the narrow (though possibly temporary) certainties of language and ethnicity could not be contained in the same party. Holomisa and Meyer recently announced their intention to join forces as a new opposition.

One problem that Meyer faced was that the new constitution's quasi-federalism holds seductive rewards for provincially based parties. The same principle inhibits the IFP's stature as an opposition party. An important issue for the development of opposition politics in the immediate future will be how the IFP reacts to the failure of radical provincial autonomy between 1994 and 1996.

Meanwhile, only the DP's refusal to accept President Mandela's constricting conditions for entering the government goes against the prevailing unfavourable trend for opposition politics. IPSA

Extra-parliamentary opposition will probably cease to have relevance as time goes on

The present political climate remains inhospitable to both the conventional and unconventional resources of opposition

An important issue for opposition politics in the immediate future will be how the IFP reacts to the failure of radical provincial autonomy between 1994 and 1996

Can Private Peacekeeping Deliver 'Executive Outcomes'?

By Mark Malan
Institute for Security Studies

The decision to intervene in an armed conflict is always a political one. When made by private companies, the concept of international law loses all meaning. But a solution to the dilemma of African intervention may lie between the United Nations and Executive Outcomes options.

Since the beginning of the decade, private security has become one of Africa's most vibrant growth industries. This international phenomenon is late in coming to Africa, having been evident in a number of Latin American countries in previous decades and more recently in the former Soviet Union.

In many cases, the industry has prospered as a direct result of the loss of power of centralised government, corruption and banditry within elements of the law enforcement community on the one hand. On the other, there has been the need for investment, security and development in the same countries.

In some cases, the problem is aggravated by ongoing demobilisation and downsizing which create a security vacuum that can only be filled by private security companies. More often than not, local forces are badly equipped and/or trained, with the result that clients feel obliged to utilise the services of private security companies. Many of these companies – in Angola for example – are managed by foreigners with military training.

The private security industry flourishes where the state is weakest, such as in Angola, Sierra Leone and former Zaire

The lack of trust in indigenous security coincides with a flow of former soldiers from national armies to the private security industry as a result of ongoing demobilisation programmes. In Africa, these are often undertaken as part of conflict resolution processes (such as in Angola and Somalia) or as post-conflict reconstruction processes (as in Namibia and Mozambique).

The haphazard way in which national security establishments have been dismembered has generated doubts about the quality and provision of normal security, and the maintenance of law. As a result, more and more private investors, both national and foreign, are allowing international security companies – which bring well trained and equipped former foreign soldiers – to operate directly in the countries of concern.

The private security industry is now a highly profitable and competitive industry in Africa. It flourishes where the state is weakest, such as in Angola, Sierra Leone and former Zaire. In Luanda, for example, the number of security companies grew from two in 1992 to over 70 in 1996.

The expansion of this industry is a function of increasing levels of conflict, crime and violence, and rising perceptions of insecurity among the higher income citizenry, big business interests, and governments facing an insurgent threat.

There are scores of security companies operating in Africa, the most important of which are part of large multinational enterprises which specialise in the provision of security. This includes a broad spectrum of services such as: the provision of security for foreign investors and foreign holdings; VIP protection; the transport and protection of resources to various parts of the country; protecting elites from crime; providing medical support; and even providing training and advice to national armies.

The South African based Strategic Resources Corporation (which is closely linked to the better known firm Executive Outcomes) makes no secret that its mission includes the provision of:

> *"community development, humanitarian aid, defence and security services and products to international governments and private sector clients through the application of technical, commercial and management expertise and innovative and progressive techniques".*

Accountability

The international community and African civil society is becoming increasingly concerned about the trend towards privatising security. This is because it can ultimately involve anything from the use of foreign mercenaries in the field, to the creation of paramilitary forces which eventually undermine the stability of the nation state itself.

A major preoccupation of the UN for example, is that commercial operations run by private security companies are rapidly gaining an undue exploitative position in the economies of certain African countries. Whereas national police and defence forces are (at least theoretically) accountable to recognised governments and – where some form of democracy exists, to the citizenry as well – private security companies are accountable to their employer, which may or may not be the 'state'.

Moreover, members of the police and defence force normally swear allegiance to the constitution and the people of their country. Private security personnel operate in terms of the profit motive, and are not bound by internationally accepted Rules of Engagement pertaining to the use of force. While both may bear and use arms in the line of duty, there is a fundamental difference in the ethos of the servants of the people and those that provide service to a private client.

A new area of concern is that Executive Outcomes has begun publicly promoting private peacekeeping, or third-party military interventions aimed at peace enforcement in Africa. Their argument is that there can be no peacekeeping without peace, and that the international community has failed to provide a viable recipe for former UN secretary-general, Boutros-Ghali's ill conceived concept of Peace Enforcement.

United Nations' failures

It is true that the international system has been unable, through the UN Security Council, to effectively cement the cracks of failed states in the throes of civil war. It has largely failed to enforce international humanitarian law, or ensure security for the provision of humanitarian assistance for those in dire need.

This is because UN interventions have been based on the peacekeeping principles of impartiality, consent, and the non-use of force except in self-defence or perhaps in defence of an ambiguous mandate. The Security Council also relies on voluntary contributions of member states to provide the material and human means for enforcing its mandates. But member states have had little stomach for enforcement, unless their narrowly defined national interests are threatened – such as the UN sanctioned coalition operation, 'Desert Storm'.

It is into this breech that Executive Outcomes has sallied, unconstrained by Charter provisions and the bureaucratic UN system, and unfettered by notions of national interest. Operating on the basis of a sound business (the profit motive), and prepared to take risks, Executive Outcomes claims success in enforcing a modicum of stability in two failed states: Angola and Sierra Leone.

It did so swiftly and efficiently and with no cost to the UN and relatively low cost to its clients. Indeed, in the process, the company may also have created some humanitarian space for international agencies and NGOs to operate.

Commercial operations are rapidly gaining an undue exploitative position in the economies of certain African countries

Private security personnel are not bound by internationally accepted Rules of Engagement pertaining to the use of force

The international system has been unable to effectively cement the cracks of failed states in the throes of civil war

There is a certain action-oriented appeal to this notion of privately enforcing stability in Africa

Executive Outcomes

The recipe followed by Executive Outcomes is a quick fix one, but its success lies in its simplicity: tip the balance of power in favour of the client in order to destroy the opposition's will to resist and partial stability will follow. This is basic Clausowitzian thinking.

It involves accepting a need for partiality – for choosing as it were the lesser of two evils, in terms of both the parties to the conflict and the amount of killing necessary for restoring a measure of stability. It means providing assistance to a beleaguered government through forcing the opposition into submission, thereby 'winning a decisive victory in the shortest possible time'.

There is a certain action-oriented appeal to this notion of privately enforcing stability in Africa, for it eliminates almost all the barriers to effective UN or regional operations. There is no delay in acquiring a confusing international mandate under Chapters 6, 7 or 8 of the Charter. The internal politics and vested interests within the Security Council, especially those of the permanent five members, are effectively bypassed.

There is some doubt as to the effectiveness of private companies in providing long term stability

There is no waiting for the clumsy and wasteful UN logistics machinery to grind into action, or for the USA to pay its UN dues so that troop contributors may be paid their assessments. And there is no outcry from the voting public back home when a private operator is killed or maimed – indeed, the public is probably not even aware of such tragedy.

On the other hand, allowing a private company to fill cracks in the international system is fraught with dangers, since there is no international quality control on the cement which is used.

Indeed, the contractor is accountable to no higher authority than the client (government) which may have lost all vestiges of authority – defined as the capacity to exercise legitimate, rather than legal power and to maintain minimum standards of order and social justice.

The use of power in a failed state often equates with the use of brute force, and here the contractor may easily be superior to the client

The use of power in a failed state often equates with the use of brute force, and here the contractor may easily be superior to the client.

Effects of privatisation

The effect of private interventions has also yet to be analysed. Military and police forces could abdicate responsibility for the security of the state and its citizens in favour of the profit motive, once their employer has utilised private companies. Other regimes may no longer feel obliged to improve on poor governance, since suppressive rule can now be propped up by a new form of external guarantor – a role previously reserved for former colonial masters.

There is also some doubt as to the effectiveness of private companies in providing long term stability in the wake of internal conflict. The 'executive outcome' may be short term at best – there is no firm linkage to post-conflict reconstruction programmes such as demobilisation, disarmament, repatriation of refugees and resettlement of displaced people and developmental projects.

Executive Outcomes was hired by the former military government of Sierra Leone in May 1995 after Revolutionary United Front fighters overan key bauxite and diamond mines and started attacking near Freetown. By February 1996, conditions were deemed sufficiently stable for the staging of elections and in March, Ahmed Kabbah was inaugurated as president. Kabbah retained the services of Executive Outcomes until 31 January 1997, when the group's contract was terminated according to a peace agreement which was eventually signed with the RUF on 30 November 1996.

On 28 January 1997, Kofi Annan eventually outlined plans to send a 720-person UN peacekeeping force to Sierra Leone, to do what Executive Outcomes had not done during 20 months of backing the army in its fight against the RUF. The force was to monitor and verify the cease fire, the disarmament and demobilisation of RUF fighters, and the withdrawal to barracks and eventual demobilisation of government troops not required for normal security. Although the Sierra Leone government pledged to cooperate with the operation, the mission was postponed by lack of consent by the RUF.

On 25 May 1997 the peace process was suddenly reversed. After just 14 months in power, Kabbah's government was toppled in a bloody 'palace coup' by a group of middle-ranking soldiers backed by RUF rebels.

In Angola, Executive Outcomes support for the MPLA government against UNITA troops created conditions conducive to the signing of a UN-brokered peace accord in Lusaka in December 1994. The accord provided for the formation of a national government and a new Angolan army, and allowed for the establishment of another UN mission. The mandate of UNAVEM III included verifying, monitoring, reporting and investigating any incidents linked with the Lusaka peace accord agreement. But after nearly two and a half years, as the UNAVEM III mission winds down, peace remains a distant goal, despite extensive Executive Outcomes and UN involvement. UNITA leader Jonas Savimbi is still not participating in the government of national unity and there have been reports of renewed fighting in the diamond rich province of Lunde-Norte.

Moreover, the apparent strengths of the Executive Outcomes concept of private intervention are also it major weaknesses. The decision to intervene and take sides in an armed conflict is a political one, whether it is made by an international organisation, a regional organisation, a coalition of states, or a single state.

When such decisions become apolitical – when they are allowed to be made by private individuals and companies – the concept of international law has lost all meaning.

Even unilateral intervention by individual states, which has become highly controversial, has definite political constraints – such as the opinion of the intervening state's electorate and the accountability of that nation's government as a signatory to the UN Charter. If there are no political constraints on private armed interventions, the way to international anarchy has been opened.

Preventing military excesses

Although imperfect, the international system does work to inhibit excesses by national armies – especially when multinational third-party intervention is authorised. Where forces are deployed with UN authorisation, there is an elaborate system of reporting every incident to the UN Security Council, the General Assembly and the world at large. A private company can never be a signatory to the UN Charter, the Charter of the OAU, the SADC Treaty, or the Geneva Conventions and Protocols. And when such guarantees fail during international interventions, CNN is there to fill in the gaps. But they do not provide good coverage of private operations. Private security companies operate according to the principle of confidentiality, which precludes the principles of transparency and international accountability.

In conclusion, it should be noted that much of what is reported about private security companies is based on speculation and manipulation of the few facts which have emerged via popular media reports. Because of the general ignorance related to the nature and scope of private security and the broad missions that some of the larger companies are espousing, it is very difficult to assess the impact of this trend in the region.

The perceived trend towards privatisation and militarisation of security, and the longer term implications for the security of the African citizenry as a whole, demands urgent, objective and in-depth research and reporting.

There is also a need to search in unorthodox quarters for solutions to the maladies of the African continent. A solution to the dilemma of African intervention may indeed lie somewhere between the poles of UN peacekeeping and Executive Outcomes concepts for intervention.

It is time to take a hard look at what can be really achieved under Chapter VII of the UN Charter and to develop a viable military doctrine for coercive disarmament, for the enforcement of international humanitarian law, and for prosecuting those who are guilty of genocide.

Perhaps the Executive Outcomes concept of training assistance can be developed and applied by international training teams, such as the UN Training Assistance Teams for peace operators. And perhaps some permutation of organisations such as Executive Outcomes will come to form the lowest layer of a system of 'layered responses' to conflicts in Africa.

In the interim, the divide between the perceived efficiency of private interventions based on the Executive Outcomes concept and the demand for international legitimacy required for such operations is simply far too great for acceptance. IPSA

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Much of what is reported about private security companies is based on speculation

Anthropology for Constitutional Court Judges?

By Simon Bekker
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The new Constitution has been cleansed of primordial reference to group, collectivity and minority. Nonetheless, it contains clear primordial elements. Debates on identity take place within a highly contested arena. Taking these decisions will place constitutional court judges squarely in the realm of the politics of identity.

That South Africans experience their society as culturally diverse is common cause. A linguistic profile reveals a mosaic of languages originating in Africa, Europe and Asia. No mother tongue is majoritarian, Zulu and Xhosa speakers form the two largest linguistic communities, and English – the only lingua franca linking South Africa to the globe – is used in the language repertoire of less than half the population.

A religious profile reveals similar plural patterns. Some two-thirds of South Africans attest to the Christian faith, almost half of whom belong to one of the various African Independent Churches. Most of the rest affirm to African animist beliefs while adherents to Hinduism, Islam and Judaism form significantly smaller communities. Racial consciousness permeates these and other identities with pernicious consequences.

Most of the standard markers of cultural diversity inform the everyday experiences of South Africans

In short, most of the standard markers of cultural diversity inform the everyday experiences of South Africans. These markers moreover are distributed unevenly, both across provinces and along the rural-urban continuum. Recognising this diversity, Nelson Mandela, at his inauguration as President in 1994, spoke of 'South Africans, both black and white, ... [who belong to] ... a rainbow nation at peace with itself and the world'.

There is a second sense in which South Africans experience their society as culturally diverse. On the one hand, many South Africans live by a universalist cultural logic, emanating from what Gellner calls enlightenment rationality.

On the other hand, many South Africans live by other cultural logics – 'basic cultural conceptions of good and evil, of causation, of aesthetics' – which, while continually changing, express principles different from those of universalist rationality. Animist and common property belief systems are examples.

Not only do these dissimilar cultural logics influence one another but the predominance of the former tends to corrode the principles of the others.

The 1996 Constitution

This Constitution was fashioned on the field of political battle, in cross-fires produced by forces of transformation and forces of preservation, by notions of constructing new identities and of safeguarding enduring identities. Its first striking feature is that of constitutional sovereignty.

Under the previous Constitution, governance was guided by parliamentary sovereignty which accorded the national executive and legislature supremacy over the judiciary, a constitutional authority which was employed on numerous occasions.

Today, the Constitutional Court bears this authority. When the South African state, reflecting – as it inevitably will – certain cultural interests, is called upon to be even-handed in constitutional terms, it will be the judges of this Court rather than the Government who will adjudicate.

The second feature is the territorial dispersion of political power. Intergovernmental relations between central government, nine provincial governments, and numerous urban and rural local governments are required to be 'distinctive, interdependent and interrelated', thereby constituting 'cooperative government'.

The elections of 1994 took place under the Interim Constitution of 1993. It required establishing a national assembly and nine provincial parliaments elected under a simple list of proportional representation (PR). For the first time in South Africa, the franchise was universal. Expressed by South African metaphor, the political playing field had been levelled.

The 'South African miracle' is due in no small part to the nature and outcome of this multi-party electoral system. It clearly identified the winning party while facilitating the emergence of minority party rule in two provinces, and minority party representation in all other governments-of-unity.

The new Constitution substitutes the Senate with a National Council of Provinces and abolishes the requirement to establish governments-of-unity at central and provincial levels. 'Cooperative government' is erected in their place.

Individual rights

If a constitution is interpreted as establishing a mandate between a state and its civil society, then the 1996 Constitution defines South African civil society as constituted primarily by individuals. In civil society, South Africans are free to choose from a menu of identities: they are free to construct communal identities at many levels – at family, city, workplace, cultural, linguistic, religious, provincial and national levels.

The Bill of Rights is the instrument that guarantees these freedoms and protects them from state interference. But, as a result of their differing histories, South Africans are equally empowered neither to choose, nor to change, nor to construct with others, many of these multiple identities. In these cases, the state intervenes to level the playing field.

Racial identities which are fused with the rank-ordering and, hence, inequality of other identities and which have – in the past – relegated the black South African majority to an inferior status, are forbidden. Gender identities which share a similar history, are protected from discrimination.

Institutions in civil society that are marginalised either through past actions or present conditions receive state recognition and support. The state is authorised to introduce positive measures of discrimination – for racial and gender communities, in particular – until conditions of equality are reached. The state is also obliged to elevate the status and advance the use of indigenous languages.

Simultaneously, the state builds the South African nation. Through common citizenship – the national anthem and flag – and through democracy and the Bill of Rights, the state ensures nation building.

Its task, accordingly, is to strike a balance between nation building, on the one hand, and the rights of citizens to choose from the menu of identities in society, on the other. This task is complicated by obligations to respect intergovernmental relations where the principle of cooperative government operates and within which both provincial and local governments enjoy substantial devolved powers.

The 1996 Constitution defines South African civil society as constituted primarily by individuals

The state is obliged to elevate the status and advance the use of indigenous languages

The state must balance nation building and the rights of citizens to choose from a menu of identities in society

Negotiating parties cleansed the Interim Constitution of all statutory recognition of groups or collectivities

Community vs group

In which ways, according to the Constitution, does civil society interact with the state? The core concept is that of community. The notion of minorities was rejected at an early stage of constitutional negotiations. The negotiating parties cleansed the Interim Constitution of all statutory recognition of groups or collectivities.

Thus – regarding those who can be identified for affirmative action measures – it was 'persons, groups or categories of persons' in 1993. In 1996 it is 'persons, or categories of persons'. Regarding self-determination, reference is made to 'collective rights' in 1993; to 'any community sharing a common cultural and language heritage' in 1996.

How is 'community' defined? Understood as a category of persons who have constructed a shared and valued common sentiment, it is one of two basic constituents of civil society in its interaction with the state. The other is the individual.

Individuals are now empowered to launch class actions against the state

And, since the relationship between civil society and the state is not only cooperative but also conflictual, individuals are now empowered to launch class actions against the state, on behalf of either themselves or of communities.

Where then, are the enduring identities which need preservation? The answer is found in two principles. The first is rooted in the terms 'traditional', 'customary', 'indigenous', and arguably, 'culture' itself. Traditional authority, customary law, and indigenous languages, which are constituents of civil society in the Constitution, refer to African cultures which differ from, and are being marginalised by, the dominant culture proposed by the 1996 Constitution.

Cultural, linguistic and religious councils may be established to promote and protect culture and heritage

This is apparent in the provision that customary law must be applied by the courts 'subject to the Constitution'. It is also apparent in the recognition that indigenous languages require state advancement because of their 'historically diminished use and status'. In a contemporary interpretation by a team of constitutional jurists in South Africa:

> *"...culture is understood as a source of identity. It is a means of drawing distinctions between groups of people on grounds of one or more of a number of characteristics such as their beliefs, knowledge, language, rules of kinship, methods of education, or forms of social relations."*

Accordingly, culture defines identity. This culturally given identity, where it differs from and is marginalised by the dominant culture – as in the recognised cases of traditional, customary, and indigenous identity – is protected.

The second principle is rooted in the term 'self-determination'. This is defined by the same team of jurists as the right of all peoples freely to determine, without external interference, their political status and to pursue their economic, social and cultural development.

Such a people is defined in the Constitution as 'any community sharing a common cultural and language heritage'. Here, 'community' is used in the sense of shared heritage and – in order to safeguard this heritage – 'community' may realise its right of self-determination, 'internally', within the bounds of the Republic.

In both cases, two kinds of actions from within civil society are provided to safeguard such cultures and heritages. Cultural, linguistic and religious councils may be established to promote and protect culture and heritage, and individuals are able to mobilise class actions through the courts with the same aims in mind.

Diverging principles

Constitutional negotiations were anything but easy. The African National Congress (ANC) and the National Party (NP) Government approached each other from profoundly different positions and from positions widely divergent from that of the 1996 Constitution. The process ruptured in 1992. The Inkatha Freedom Party (IFP) quit negotiations and refused to serve in the Constitutional Assembly.

The decision on the election date led to further walkouts. Importantly, the leading actors, the ANC and the NP, accepted that neither had options other than to cooperate with one another and to persuade their allies to remain within this process. Western diplomatic support, and pressure during breakdown, strengthened this exigency.

Throughout this process, the ANC was steadfast in championing two non-negotiable principles. The first was a non-racialist Constitution – the rejection of any primordial conception of group within South African civil society.

The second principle was that the market alone could not address past inequalities in both civil society and the state. Accordingly, land restitution and reform, public and private sector labour markets, managerial and entrepreneurial opportunities, all required interventionist state strategies to correct the effects of historical discrimination.

The affirmative action clause identified earlier is one manifestation of this principle. When addressed together, these principles are not fully harmonious: the former proposes an individualistic basis for constitutional rights, the latter a basis defined in terms of the former race group conception of South African civil society.

The NP had started to retreat from the principle of group right guarantees at an early stage of negotiations – the South African Law Commission, requested by the South African Government in the mid-1980s to investigate the question, found in 1991 that statutorily definable groups did not exist.

Beginning to perceive itself as a minority party, the NP sought instead guarantees in the Bill of Rights, in the electoral system and its critical element of proportional representation. Most notably it sought the concept of a government of national unity, an institution guaranteeing minority party representation.

Confident of a significant voice in the new government, the NP transformed its group based nationalist ideology into an individualistic, liberal-democratic ideology intended to attract supporters from beyond its previously defined group boundaries. In addition, acting both as outgoing government and as political party, it insisted on constitutional continuity, thereby simultaneously confirming and strengthening the culture of legality established within the state.

Self-determination

This shift in NP stance during pre-1994 negotiations led both to rapprochement with the ANC and to alienation from the Afrikaner separatist parties and from the IFP. As the prospect of constitutional rights for minority groups waned, Afrikaner separatist parties, represented by the Vryheidsfront (Freedom Front), began to insist on self-determination – on the right to establish a *volkstaat* (homeland).

Simultaneously, the IFP (and the KwaZulu homeland government) – engaged in a low-level civil war in KwaZulu-Natal at the time – unveiled a proposed federal constitution for this region which evoked rights of self-determination. Increasingly estranged by ANC-NP rapprochement, these two political actors formed an alliance based on their shared power of boycott, an extraordinary development in the light of their widely divergent views – at the time – of South Africa's future.

In order to draw both these parties and their allies back into the electoral process, during a period of heightened conflict, the multi-party negotiating platform agreed to add the right of self-determination to the list of guaranteed constitutional principles.

Though related, reasons for the constitutional inclusion of the institutions of traditional authority and their associated customary law are different. The IFP had defined itself in the 1970s as the political vehicle of the Zulu Kingdom and had invested the Zulu amakhosi (traditional leaders) with formal authority in the KwaZulu homeland government.

In the 1980s, a pro-ANC alliance of traditional leaders brought together traditional leaders from across the country. Their platform of political support for the ANC stretched across a wide range of rural areas, opposition to the IFP, and shared interest in the maintenance of their authority.

In search of wider representation after the breakdown, the multi-party negotiating platform agreed to include traditional leaders as a delegation. Simultaneously, the IFP demanded formal recognition of their institutional status. Another cultural constituent of civil society was, accordingly, identified.

The ANC steadfastly rejected any primordial conception of group in South African civil society

The NP had started to retreat from the principle of group right guarantees at an early stage of negotiations

To draw parties back into the electoral process, the right of self-determination was added to the constitutional principles

Legal institutions

Political leaders trained as lawyers were prominent in all party delegations during the negotiating process

One further reason for the particular interpretation of cultural diversity found in the new Constitution is worth discussing. During the apartheid era, the South African state had developed strong legal institutions. These institutions extended beyond direct state control.

When South African lawyers and judges attempted to constrain the state's apartheid powers – as they did on a number of occasions – the state typically responded by confirming the autonomy of these legal institutions and by using parliamentary sovereignty to change the scope of their authority.

Political leaders trained as lawyers were prominent in all party delegations during the negotiating process. Mandela and de Klerk are but two of many. In the late 1980s, alliances of lawyers began drawing up a post-apartheid bill of rights and devising structures for juridical review. In short, the proceedings of the negotiating process were deeply coloured by the shared legitimacy of these legal institutions.

The negotiating process was deeply coloured by the shared legitimacy of these legal institutions

In the turmoil of debate over the forbidding ideological and political questions of restitution and affirmative action; of minority guarantees and self-determination; of statutory, common and customary law; the idea that shared legal principles should take precedence over immediate political demands; that the Constitution should stand above the government and that judge prevail over politician, was considered by some to be indispensable and by all to be acceptable.

Surveys of constitutions world-wide were undertaken by constitutional experts of all political persuasions. Constitutional continuity was accepted. Constitutional supremacy was instituted.

Constitutional application

Our new Constitution is complex. It is strongly constructivist in conceptualisation – first drafts of the theory were cleansed of primordial reference to group, collectivity and minority. Nonetheless, it contains clear primordial elements.

Communities, the core civil society constituent together with individuals, are defined both as constructed – as manufactured by individuals – and as sites from which to preserve shared heritage. Cultures are defined both as the shared expressions of communities of individuals, and as grounds for distinguishing between a set of universalist logical principles embodied in the Constitution and sets of different principles found in the traditional, customary and indigenous identities of some South African communities.

Councils are to be established to promote and protect the rights of cultural, religious and linguistic communities. Rights of self-determination of sub-national communities sharing a common heritage are located within the perimeter of the right of self-determination of the nation. And, within the state, cooperation between the three spheres of government is balanced against centralised nation building, against national integration.

The application of these principles will test the powers of interpretation of the Constitutional Court. Intellectual debate on identity and identity construction takes place within a highly contested arena. Making and taking decisions on them will place these judges squarely in the realm of the politics of identity.

As Crawford Young puts it, 'For much of the globe, a great experiment in reconciling democratic governance and cultural pluralism is already in course – doubtless with a variety of outcomes'. Our outcome will rest significantly in the hands of our constitutional judges.

'For much of the globe, a great experiment in reconciling democratic governance and cultural pluralism is already in course'

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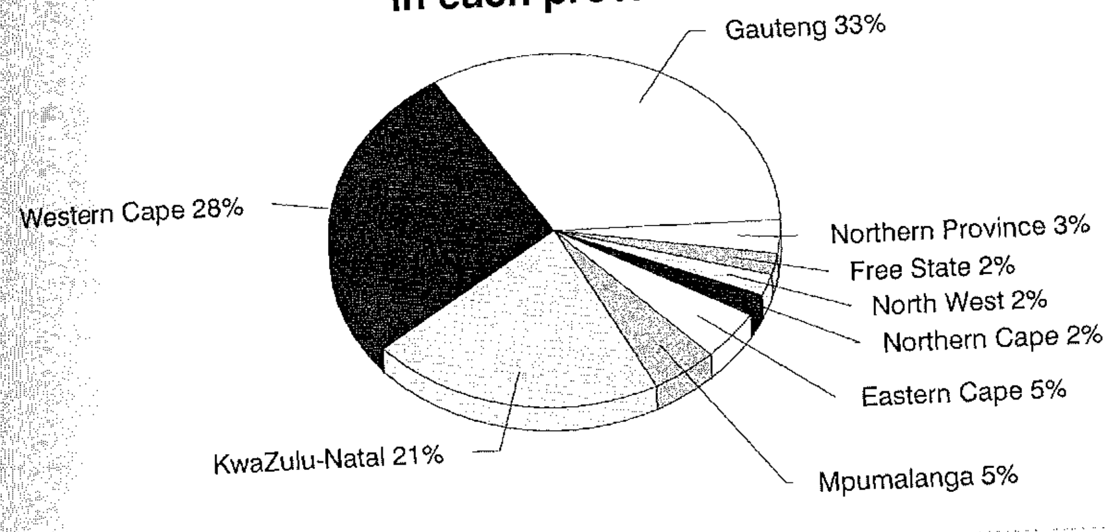
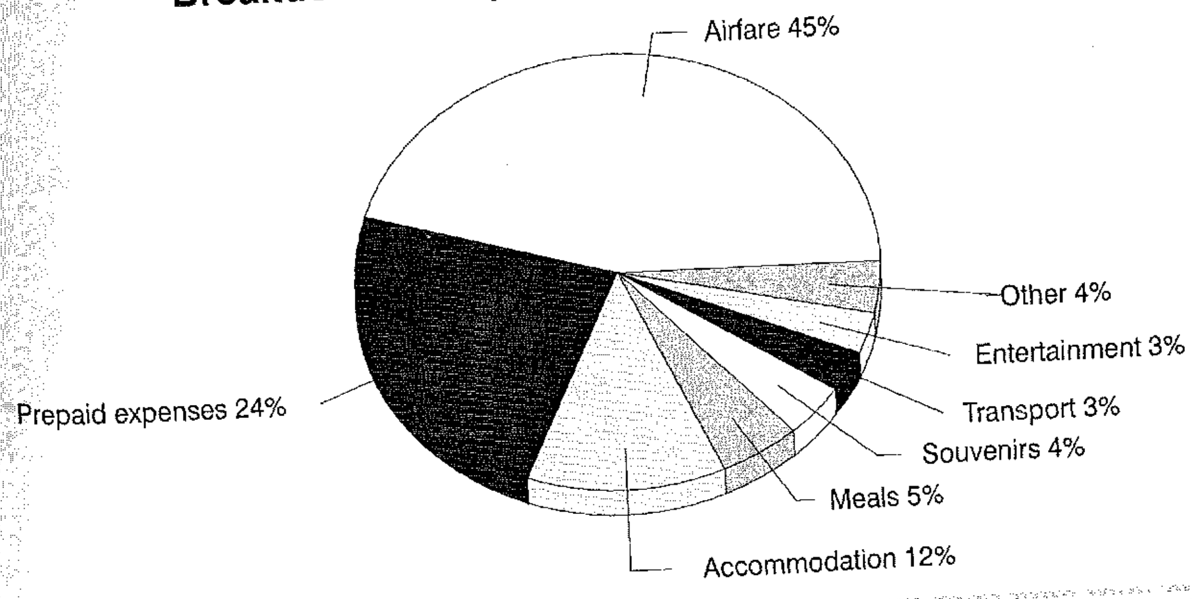
ECONOMIC MONITOR

The economic contribution of foreign tourists (%) during 1995 in each province



Breakdown of expenditure by foreign tourists



Source: Satour Summer and Winter Surveys, 1995

Malaysian Money: Sustainable Investments?

By Vishnu Padayachee and Imraan Valodia
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Malaysia is a new and important source of foreign direct investment into South Africa. Foreign investment from any quarter is to be welcomed, but the reasons, implications and sustainability of Malaysian investment are cause for concern. In particular, political considerations appear to be a major determinant of the surge in Malaysian investment.

Prior to 1994, there were two broad views on potential inflows of Foreign Direct Investment (FDI) into South Africa. The one view expected that large inflows would quickly follow the resolution of the political conflict, while the other took a more skeptical view, emphasising the mobilisation of domestic savings and the restructuring of the local capital market (Padayachee 1995).

This article examines trends in foreign investment inflows into South Africa, focusing on Malaysian investment. An attempt is made to explain the reasons behind Malasia's emergence as a key source of foreign direct investment. Political considerations – unusually – appear to be a major determinant. Some general observations about the relevance of the Malaysian model to development in South Africa are made.

FDI trends

According to BusinessMap, in the period May 1994 to April 1997, a total of R31 billion (US$6,8 billion) of FDI flowed into South Africa. The reliability of this figure as an indicator of flows of FDI into South Africa is questionable since BusinessMap's estimates of FDI seem to include portfolio investments which strictly speaking is not FDI.

The inflow of FDI into South Africa, although relatively close to that of countries such as Brazil and India, is minuscule compared to the East Asian economies (Table 1).

Table 1: South Africa FDI in comparative perspective

Country	FDI in $billion for 1994
Brazil	2.2
Malaysia	4.5
Indonesia	3.0
India	0.947
Singapore	7.900
China	33. 8
Hungary	1.510
South Africa	0.88

Source: Unctad 1995 and BusinessMap

The inflow of FDI into South Africa is minuscule compared to the East Asian economies

Malaysian investment is made up, almost totally, of investments in existing assets

Malaysian investors have been particularly active in the property and related tourism and leisure markets

A few interesting trends emerge in BusinessMap's estimates of foreign investment inflows into South Africa:

- There has been a sharp increase in foreign investment since 1994 when just under R5 billion flowed into South Africa, compared with just under R10 billion in the first four months of 1997.

- One third of the investment into South Africa has in fact been portfolio flows (existing assets), rather than FDI, strictly defined (Table 2). A more realistic estimate of FDI inflows into post-apartheid South Africa would therefore be R22 billion (removing the foreign investments in existing assets).

Table 2: Foreign investment by kind of investment

Kind of investment	FDI in Rm
Existing	9 349
Expansion	7 160
Other	4 772
New	4 041
Intended	2 000
Reinvestment	1 608
RIDP related investment	2 700
Total	31 652

Source: BusinessMap

Table 3: Sources of FDI

County	FDI in Rm	% of total FDI
USA	10 979	35
Malaysia	6 568	21
UK	3 481	11
Germany	2 314	8
Japan	1 625	5

Source: BusinessMap

- New investments make up just 13% of total investment. However, new investment and expansion of existing investment – which together give some indication of new economic activity – form 35% of total foreign investment.

- While most FDI flows are from countries that have traditionally had strong economic ties with South Africa (the UK and Germany, and to some extent the USA), Malaysia has emerged as a significant new source of FDI (Table 3). The top five investing countries together make up over 80% of investment, with Malaysia contributing 21%, behind the USA which contributed 35% of FDI into post-apartheid South Africa. The 'intended' investments in Table 2 are also, according to BusinessMap, largely planned investments by Malaysian companies.

Investment in SA

A key feature of Malaysian investment into South Africa is that it is made up, almost totally, of investments in existing assets. The two largest investments by Malaysian companies are the purchase by Malaysian Telekom of a stake in Telkom SA (R2,2 billion), and Petronas's purchase of a stake in Engen (R1,9 billion).

While most foreign investors have avoided investment in the property market, Malaysian investors have also been particularly active in the property and related tourism and leisure markets. Table 4 outlines some of the large property and leisure related deals involving Malaysian investors.

In addition, there have been reports of Malaysian interest in the development of the tourism potential of the Eastern Cape Wild Coast (*The Mercury*, 17 February 1997). Other reported interests of Malaysian investors include:

- A hotel in Cape Town by the Serting Group.

- Trading house Sime Darby which is involved in exporting South African mineral products.

- Malaysian Resources which is reported to have interests in the South African leisure industry (*Financial Mail*, 2 August 1996).

Table 4: Malaysian investment in South African property and leisure industry

Malaysian Company	Location of Property Investment	Amount in Rm
Promet	Krugersdorp	1 100
Metroplex	Johannesburg CBD	700
Samrand	Vaal River	600
Samrand	Midrand	unknown
Country Heights	Hartebeespoort (golf course)	600
Amtrad	Durban Harbour	300
Renong	Durban Point	1 000
Renong	Durban Convention Centre	unknown
Renong	Hilton Hotel Durban	210
Business Focus Group	Hilton Hotel Sandton	220

Source: F&T Weekly, 6 June 1997 and Financial Mail, 2 August 1996

- Mycom, a Malaysian conglomerate, which has acquired a controlling interest in six JSE-listed companies with a portfolio worth R500 million.

- New Strait Times Press, the largest publisher in Malaysia, which is to launch a new South African daily newspaper.

Samrand, the company owned by Dato Samsudin Abu Hassan is probably the most active Malaysian investor in South Africa, with interests in the banking sector (New Republic Bank and Boland Bank) and the property and leisure markets (hotel in Pretoria, office block in Sandton and property in Lanseria). It is reported to have purchased 700 ha of land in Midrand two weeks before the 1994 elections! (*Financial Mail*, 2 August 1996).

The South African black empowerment group Sam Sisonke, headed by Durban businessman Vivian Reddy, is reported to have struck deals worth R5 billion with Malaysian companies to develop shopping centres, office blocks, a cable manufacturing facility and a number of leisure related projects (*The Mercury*, 10 March 1997).

Some Malaysian investments in South Africa have been dogged by controversy. For example, the site for the Hilton Hotel in Durban and state land earmarked for the development of Durban's Point waterfront were sold to Renong at a substantial discount on the market value, and in spite of higher bids from other developers. In both these cases, prominent (ANC aligned) businessman Mzi Khumalo is alleged to have played a central role (*Sunday Independent*, 20 April 1997).

Malaysian investment abroad

It is significant that Malaysia has emerged as a source of FDI into South Africa second only to the USA, and above South Africa's traditional sources of foreign investment – Germany and the UK. What factors explain this?

There is a large and comprehensive literature examining the determinants of inward foreign direct investment. This literature has identified a range of variables that explain FDI. These are typically related to:

- resource endowments (skills, natural resources, research and development capacity)
- market structure related factors (levels of protection, firm size, concentration levels)
- capital requirements
- costs
- scale economics
- transport costs (UNCTC 1992).

A striking feature of this literature is the absence of politically related factors as important determinants of inflows of FDI.

Together with domestic developments in the Malaysian economy and economic development in South East Asia, there are a number of politically related factors which may, to a large extent, explain Malaysian investors' sudden interest in South Africa.

Malaysian investment into South Africa is not an isolated case. Since June 1996, Malaysian companies are reported to have invested US$1 billion in Africa, mainly in oil, power and telecommunications (*The Mercury*, 31 January 1997). Outflows of investments from Malaysia increased from US$460 million in 1992 to US$1 357 million and US$1 753 million in 1993 and 1994 respectively (Unctad 1995).

Malaysian companies have also been active in Zimbabwe, where they are engaged in projects in power generation, logging, housing, road construction and the development of industrial property, as well as in Ghana (*The Mercury*, 12 November 1996).

The purchase of a 30% stake in Telkom SA by Malaysian Telekom is reported to be closely linked to the Malaysian utility's policy of investing in developing countries to overcome competitive pressures in its own domestic telecommunications industry. Malaysian Telekom has also bought a 30% stake in Ghana Telecom. The investment in Telkom SA is the largest investment in Africa by a Malaysian company (*The Mercury Business Report*, 27 March 1997).

Petronas has similarly been engaged in expanding in developing countries in the

Some Malaysian investments in South Africa have been dogged by controversy

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Since June 1996, Malaysian companies are reported to have invested US$1 billion in Africa

It is probable that some of the Malaysian investment is in fact 'overseas Chinese capital' seeking fresh opportunities abroad

face of dwindling domestic oil reserves. Its expansion has been restricted to countries where its government has good relations, or at least neutral relations. Besides South Africa, Petronas has expanded into Vietnam, Cambodia, Laos, Burma, Turkmenistan, and – in spite of the threat of US sanctions – Iran (*Sunday Times*, 17 November 1996).

The growth in Malaysian foreign investment is one component of Prime Minister Mahathir's '20/20 vision', whereby Malaysia seeks to become a major industrialised and developed country by the year 2020. Promoting stronger economic links with nations to the South to counter Western dominance is a feature of this policy.

It is both conceivable and highly probable that some of the Malaysian investment is in fact 'overseas Chinese capital' seeking fresh opportunities abroad. A considerable amount of 'overseas Chinese capital', has found its way into some South East Asian countries since the late 1980s. Capital rich Taiwanese, concerned about mainland China's intentions, have long attempted to secure financial bases in other parts of the world. Hong Kong residents, concerned about the implications of the end of British rule, have similarly looked for investment opportunities elsewhere in Asia.

The Malaysian state and state linked corporate sector injected some R6 million into the ANC's election coffers just before the elections

The decision by the 'overseas Chinese' to invest in Malaysia was facilitated after 1989, as Malaysia's restrictions on accumulation by its own ethnic Chinese population was eased in the wake of the country's mid-1980s economic crisis. Most of these capital inflows went into tight Chinese financial and economic networks.

Politics and investment

The Malaysian governing party, UMNO, appears to have intensified its direct interest in South Africa after the ANC was unbanned in early 1990. Already by the end of that year ANC aligned economists and activists were speaking enthusiastically about the Malaysian model.

Examples of South African developments mirroring Malaysian experiences abound

In 1993 on the instructions of Prime Minister Mahathir, Renong's Halim Saad and Landmark's Dato Samsuddin were dispatched to South Africa as Malaysia's advance team. The Malaysian state and state linked corporate sector became major funders of the ANC election campaign, injecting some R6 million into the ANC's election coffers just before the elections.

The 'fixer' for these donations was a Malaysian called Lim Kok Wing, who was accountable to Tun Daim Zainuddin – former Malaysian Finance Minister and current economic advisor – and to the Prime Minister himself.

Examples of South African developments mirroring Malaysian experiences abound. The movement of Malaysian elites between the party (UMNO), government and the corporate world bears a striking resemblance to current developments in South Africa. Key ANC party leaders and supporters have moved out of politics into business.

Former ANC secretary-general Cyril Ramaphosa moved out of politics to the corporate world with the blessing of the President, and now sits on the board of Anglo-American, among other companies. Former Robben Island prisoner and senior ANC activist, Mzi Khumalo, set up black empowerment company Capital Alliance. Having secured control of JCI, Khumalo is currently negotiating to merge JCI with global giant, Lonrho (*Sunday Independent*, April 20 1997).

Natho Motlana and Don Mkhwanazi who have had close ties to the ANC are now major players in the business world. Mkhwanazi is a key advisor to Thabo Mbeki and is close to ANC treasurer-general and Eastern Cape premier Arnold Stofile (*Sunday Independent*, April 20 1997).

Mkhwanazi also heads the National Empowerment Fund, which is based on similar lines as Malaysia's National Equity Corporation. Both institutions aim to facilitate the participation of previously disadvantaged sections of the population in the economy, by selling them the assets of privatised parastatals at a considerable discount. Durban businessman Vivian Reddy, who has been prominent in establishing close economic ties between South Africa and Malaysia, is reported to have close links with the ANC.

Political considerations have pushed the level and intensity of Malaysian investment and other economic relationships in post-apartheid South Africa, beyond that which can be explained by conventional economic and risk-based considerations alone.

Malaysia has a history of supporting the anti-apartheid struggle and particularly the

ANC. More especially there is the strong perception by party political and business elites in both countries that they share a common challenge: to economically empower their historically disadvantaged majority populations.

It would appear as if Malaysian business interests in South Africa have been largely directed and orchestrated from the very top of the party and government hierarchy. As one South African businessman who has had extensive dealings with the Malaysians explained to Mark Gevisser 'If Dr Mahathir says "Go to South Africa"...you go, no matter what the risks' (*Sunday Independent*, April 20 1997).

Long term sustainability?

Unless there are other, hidden, motivations for Malaysian investment here, the political injunction appears to be strong factor. Of course, it would be silly to suggest that economic considerations were simply overridden. But there are good reasons for concern on the South African side about the long term sustainability of these commitments, if politics had any role in pushing investment here.

For political, moral and other non-economic considerations count for very little in the contemporary highly competitive global context. For several reasons there needs to be some caution in assessing the importance and sustainability of Malaysian investment in South Africa:

- There is a view in some quarters that the Malaysians are here for a quick killing and will soon lose interest.
- BusinessMap (1997: 7) argues that 'there is much talk of grand plans (by Malaysian investors), particularly in property development, with little as yet materialising. Research conducted in Malaysia has found that there is a high rate of non-delivery by Malaysian companies in their off-shore activity'.
- It is likely that the Malaysians may lose interest as soon as they realise some of the complexities of the South African situation, as Renong apparently discovered with its Durban Point Waterfront deal. One South African dealmaker points out that the Malaysians were told that the South African system was similar to theirs. 'What they found instead was a society that hadn't quite worked out its new processes: where the government just didn't wield the same kind of uniform power that UMNO did' (*Sunday Independent*, April 20 1997).

Malaysian model

For (black) South Africans in government, political parties and business, the Malaysian approach to empowering indigenous Malays (*bumiputra*) appears to be a rich and successful experience to draw from.

The Malay elite apparently see in South Africa and the ANC the 'perfect partner, a mirror in effect of Malaysian society 30 years ago' (*Sunday Independent*, April 20 1997), and a potentially powerful partner in Prime Minister Mahathir Mohammed's South-South axis to challenge northern hegemony over economics and politics.

An historically informed and contextualised analysis of Malaysia may contribute to South African debates. But Hart (1994) has shown that there are real dangers in the way in which the Malaysian experience is appropriated as a model for South African transformation.

Despite some similarities – a common British colonial past, a multi-racial population, a history of racially based economic inequality, the common usage of English as the language of business, the Muslim connection, and the similarities between the ANC and UMNO as powerful ruling parties (largely) of ethnic, previously disadvantaged majorities – huge differences also exist. These include:

- The global context under which democratic South Africa's economic transformation is being carried out is far less favourable than that which confronted Malaysia when it launched the New Economic Policy (NEP) in 1970.
- Oil-exporting Malaysia's NEP coincided with the OPEC oil price rise in the critical years of the new plan, enabling a state led redistribution from incremental (oil based) revenues throughout the 1970s, rather than a reallocation of existing, tight resources. In contrast the price of gold – South Africa's principal primary export – has, at best, been stable

There is a view that the Malaysians are here for a quick killing and will soon lose interest

There is a high rate of non-delivery by Malaysian companies in their off-shore activity

The Malaysian approach to empowering indigenous Malays appears to be a rich and successful experience to draw from since 1994 and declined dramatically in recent months.

- Malaysia's redistribution and reconstruction programme occurred in large measure under conditions of a rapidly growing economy (despite the economic crisis of the early to mid-1980s). By contrast, South Africa's growth rates since 1994 – while somewhat higher than that experienced in the recession years of 1989-93 – just cannot compare.

Malaysia's redistribution and reconstruction programme occurred under conditions of a rapidly growing economy

- A significant state led redistribution of assets and effective industrial policy set the stage for a more sustainable economic growth in Malaysia – a kind of growth through redistribution. In South Africa, the new government appears to have ditched such an approach in favour of a rather conventional neo-liberal strategy, focusing on inflation control and reduction of state spending.

State led redistribution of assets and effective industrial policy set the stage for a more sustainable economic growth in Malaysia

- Malaysia's NEP, and especially the empowerment of the *bumiputra*, received the support of the economically dominant Chinese business community. Although not entirely happy with the programme's implications, they felt quite powerless to resist. Deputy President Thabo Mbeki's scathing criticism of white South Africans' commitment to the new South Africa suggests that white South African conglomerates in the mineral-energy complex, among others, may believe they have enough power to chart their own more independent strategies (including international diversification).

- South Africa (unlike Malaysia) is attempting an economic transformation programme within the context of a constitutional democracy, a human rights and consultative democratic culture, and a still relatively strong civil society. This – correctly – constrains the state from adopting an approach which curtails freedoms, circumvents due process and stifles protest and dissent in the name of development.

South Africa (unlike Malaysia) is attempting an economic transformation programme within the context of a constitutional democracy

A shortage of foreign capital has long been regarded as one possible critical macroeconomic constraint on post-apartheid South Africa's economic development. In this context, foreign capital investment from any quarter, but particularly from new sources, is welcomed. Malaysian investment into South Africa has surged since the 1994 elections, albeit from a nil base.

However there is cause for concern about the reasons, implications and sustainability of Malaysian investment. A significant portion consists of investments in existing assets, much of it remains planned and not realised, and political considerations are an unhealthy rationale for investment.

There are also fears that the Malaysians may only be in South Africa with a short term perspective, and may lose interest when they discover that conditions, regulations affecting business and the bureaucracy, as well as the culture of democracy and consultation in South Africa are not as similar to the Malaysian case as they were led to believe.

In fact, despite some similarities, the implication of the Malaysian model for South African development appears to have been exaggerated. Global, national and political contexts and conditions actually differ markedly.

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Investment Without Exchange Controls

A Foreign Distraction?

By Chris Stals
Governor of the South African Reserve Bank

Announcements in March this year, of the further relaxation of exchange controls, present new investment opportunities for South African corporates and institutional investors. Private individualswould now for the first time be allowed to invest abroad. But the more rational investor may think twice before investing in a foreign currency, a foreign country and in the shares of a foreign company.

The announcement on the further relaxation of exchange controls by the Minister of Finance, Trevor Manuel, in March 1997 received as much, if not more, attention as his announcement on fiscal policy for the 1997/98 fiscal year.

For more than 35 years, South African residents were not permitted, at least within the rules of the law, to make investments outside the country without prior approval from the exchange control authorities. Approval was seldom given, particularly not before 1994 when the besieged South African economy had to contend with international sanctions, boycotts and disinvestment campaigns.

Following the political and social reforms in the country and the withdrawal of punitive international economic actions, the Reserve Bank and the Department of Finance started a gradual phasing out of exchange controls. A major constraint remained an acute shortage of foreign exchange reserves which were completely depleted by the time the Government of National Unity came into power in 1994.

Looking back over the past three years, good progress has nevertheless been made with the gradual phasing out of the exchange controls. As a first priority, all restrictions on non-residents to repatriate their investment funds from South Africa were removed.

Various ways and means were introduced to enable South African corporates to acquire foreign investments in branches or subsidiaries controlled by them. They were, for example, allowed to use the proceeds of foreign equity or convertible debenture issues to finance foreign investments. The Reserve Bank has approved a cumulative amount of about R20 billion for this purpose since March 1995.

In June 1995, a scheme was introduced to enable South African long-term insurers pension funds and unit trusts to diversify part of their existing asset portfolios into foreign currency denominated investments.

Approval has been given for about R56 billion of asset swap transactions in terms of which institutional investors could

For more than 35 years, South Africans were not permitted to invest outside the country without prior approval from the exchange control authorities

The announcement of further exchange control relaxations was very important, not only for its substance but also for the clear policy direction indicated

exchange South African assets for foreign assets in this process. According to information available to the Reserve Bank, about R30 billion of these transactions have been executed.

A number of internal arrangements were introduced to reduce the administrative burden of exchange controls. For example, the authorised dealers in foreign exchange were granted more scope for discretionary decisions on exchange control applications, without prior reference to the Reserve Bank. In the process, virtually all exchange controls on current account transactions in the balance of payments – payments for goods and services – were removed.

The announcement by the Minister of Finance in March extended the exchange control relaxation programme to foreign investments by private individuals. A basis has been established for continuing the gradual removal of the exchange controls through the periodic lifting of limits and other administrative measures over a wide front to cover the corporate sector, institutional investors and private individuals.

The concessions increase the scope for institutional investors to diversify part of their portfolios into foreign assets

There remains but the blocked assets of emigrants – former South African residents – that need to be addressed at some stage.

The relaxations

The announcement of further exchange control relaxations was very important, not only for its substance but also for the clear policy direction indicated. This was the first major relaxation of exchange controls announced by Manuel since he became Minister of Finance in April 1996 and confirmed his endorsement of the policy of gradually removing exchange controls.

The Minister himself also regarded the relaxations as an important change in the underlying philosophy held by Government on exchange controls. In his budget speech Manuel said:

Many South Africans wanted to invest outside the country for non-financial reasons

> *"The package of exchange control reforms placed before this House today moves South Africa to a system with a positive rather than a negative bias...The objective is to reach a point where there is equality of treatment between non-residents and residents in relation to inflows and outflows of capital".*

The Minister, in other words, wants to indicate that South Africa now has a free foreign exchange system with a number of temporary exceptions, instead of a controlled system with a few special concessions.

The wide-ranging concessions now made give South African corporates more freedom to make direct investments outside the country, with some special dispensation for investments in other member countries of the Southern African Development Community (SADC).

The concessions also increase the scope for institutional investors to diversify part of their portfolios into foreign assets. For the first time also, South African private individuals can now make foreign investments, either directly or through South African authorised dealers in foreign exchange. With effect from 1 July 1997 private individuals resident in South Africa and who are taxpayers in good standing and over the age of 18 years are allowed up to an amount of R200 000 abroad.

New investment options

In the past, many South Africans wanted to invest part of their savings outside the country for non-financial reasons, and this may still be so in future. The more rational investor, however, may think twice before making an investment in a foreign currency, in a foreign country and perhaps also in the shares of a foreign company. When considering these options, a few important macroeconomic realities have to be taken into account.

The first is that markets, the freer they become and the more efficiently they function, also work more effectively as a catalyst for equalisation.

For example, if the average rate of inflation in South Africa over time is 10% per annum and the average rate of inflation in the rest of the world is 3%, nominal interest rates in South Africa will on average be about 7% above the level of nominal interest rates in other countries. Differences in real rates of interest will reflect differences in the risk factor attached to investment in different countries.

In the same example, the exchange rate of the South African rand will depreciate over time by about 7% per annum. The depreciation in the exchange rate will therefore ensure that the converted rand value of a foreign investment will keep up with the value of a similar South African investment, adjusted for inflation. There is therefore no special gain to be made from the investment in a foreign currency.

Thirdly, taxation in South Africa will be levied on income earned on foreign investments on the same basis as income earned in South Africa – the taxation on 'passive income' earned in foreign countries as referred to by the Minister in his Budget Speech.

Foreign investments will, however, hold new risk exposures for South African investors, particularly in an environment of volatile international exchange rates. The timing of the transfer of an investment into a foreign currency can be detrimental.

A South African investor who may have transferred his savings into a sterling investment earlier this year when the exchange rate between the rand and the pound was R8,00 = £1,00 could have lost 10% of his investment within a very short period of time. By mid-March the exchange rate was back to R7,10 = £1,00.

This brings into any foreign investment a new speculative element that does not exist in the local investment market.

Finally, very few private individuals in this country have the knowledge and expertise to manage foreign investment portfolios, and to assess the alien risk exposures that are connected to such investments. South Africans should not, just for sentimental reasons, make use of a new freedom to invest funds abroad when a local investment will serve their needs better and more effectively.

Monetary policy

The new situation brings new challenges also for monetary policy. The depreciation of the rand last year, and the appreciation of almost 17% since November 1996, gave us a taste of the new exposures of our financial system to the global markets. If South Africa wants to be part of the global village, the rules of the international markets will have to be abided by.

Without exchange controls, capital in- and outflows will be dictated by market forces, and markets are inclined to put heavy penalties on errors made by governments and central banks in their macroeconomic policy decisions.

It will be fatal for a country to liberalise its financial systems and encourage the integration of its domestic financial markets into the global system, and then to balk at the disciplines of these markets.

Financial institutions

Many South African financial institutions have already taken up the challenge of becoming part of the international financial community. Such institutions will also have to consider carefully how this new venture will affect their own security, liquidity and solvability. There are numerous examples in the world of the collapse and failure of major financial institutions because of international exposure.

Governments or financial regulators and supervisors cannot protect multinational institutions against the many risks involved in being global. South African institutions were protected from these international risk exposures through the isolation of the country from the international markets. Now that opportunities are being opened up for an outward movement, they have to tread with caution.

Conclusion

The removal of exchange controls opens up new opportunities for South African corporates, institutional investors and private individuals. All of them, however, must not be overwhelmed by emotional considerations inspired by a new freedom, but must give careful consideration before any decision is taken to invest hard earned savings in a foreign country, in a foreign currency and in a foreign institution. IPSA

Very few private individuals in this country have the knowledge and expertise to manage foreign investment portfolios

There are numerous examples in the world of the collapse and failure of major financial institutions because of international exposure

INDUSTRIAL
M O N I T O R

EMPLOYMENT IN THE MINES IN SOUTH AFRICA

Annual employment by sector (thousands)

	1990	1994	Ave annual decrease	1996	2000	2005
Gold	396	274	-6%	241	187	136
Copper	9	6	-7%	5	4	3
Platinum group	107	96	-2%	92	85	76
Chromite	9	6	-7%	5	4	3
Other sectors	256	228	-2%	218	200	179
Total	**777**	**610**	**-4%**	**562**	**479**	**397**

Demographics of mineworker employment 1994

Province	Employees		Remuneration	
	Number	%	Rbn	%
North West	174 920	28.7%	3.6	26.6%
Gauteng	154 163	25.3%	3.1	22.6%
Free State	129 247	21.2%	2.5	18.6%
Mpumalanga	73 351	12.0%	2.1	15.5%
Northern Province	39 304	6.4%	1.1	8.2%
Northern Cape	22 315	3.7%	0.7	5.1%
KwaZulu-Natal	13 842	2.3%	0.4	2.9%
Western Cape	2 080	0.3%	0.04	0.3%
Eastern Cape	1 072	0.2%	0.02	0.1%
Total	**610 294**		**13.6**	

Source: Minerals Bureau

Ready for the Fall?

Downscaling in the Minerals Industry

By Mike Solomon
Minerals and Energy Policy Centre

Downscaling is one of the most serious economic and social problems currently facing the South African economy. The positive aspects of establishing mines overshadow planning to sustain development after mine closure. This article demonstrates the extent of the problems caused by downscaling.

Current discussions on mineral investment tend to be dominated by issues of political rather than technical risk. With the opening up of Africa, Indonesia, South America and the former Soviet-bloc states, vast new geological inventories have come on to the market.

Decisions as to whether to invest seem to depend on an assessment of the volatility of the country concerned. Mining is no longer merely an applied science or the domain of rough-neck prospectors and gung-ho engineers. Today it is the social dimensions that present the greatest challenges (Wilson 1996).

Africa is a developing continent, and 'sustainable development' is the buzz-word of emerging governments and aid agencies. The key to a sustainable economy is integrating the social, environmental and economic dimensions of society and industry (Wilson 1996).

Sustainability of minerals projects requires an involvement in several traditionally non-core activities

Developing economies in Africa are typified by increasing environmental and social awareness, disease, infrastructural and communications difficulties, economic restructuring, fiscal imbalance and uneven growth patterns. For any African government, the quest for a sustainable economy requires a somewhat utopian harmonising of the interests of both multinational mining companies and the societies in which they operate. Mining companies – by the very nature of their interaction with emerging democracies in Africa – can become instruments of social change.

Social dimensions

In countries with little industrial development, secondary industrial development becomes critical. Sustainability of minerals projects requires an involvement in several traditionally non-core activities such as small business development, inter-cultural communication and social development.

This social engagement frequently becomes a means of mining companies positioning themselves as preferred investors in developing countries.

The somewhat arrogant attitude of many South African mining companies moving into the rest of Africa that they have a right to invest based solely on free market principals and on society's need for mineral products, is becoming less compelling. Along with the weak rand and the headstart of Canadian, Australian and American companies in the new rush for Africa, this could become a major disadvantage for South African operators.

Mining companies must appreciate that their social responsibilities extend beyond creating job opportunities, corporate social investment and rehabilitation. They have a significant role to play in economic and social development – a role which may well decide the industry's future given increasing pressure from environmentalists.

This article adds another dimension to the area of social responsibility and social engineering: downscaling and the cost of closure of mines. This has yet to become an investment issue, but is likely to be yet another hurdle for mining companies in the future.

Infrastructural development

Economically, mining is a wonderful industry, despite what the environmental lobby says. The industry is a major employer in many African countries, and in South Africa it is the largest employer next to the state.

In addition to creating jobs, the industry yields numerous benefits. New mines generally occur in remote and rural areas. With the development of a mine comes physical, bulk, administrative and financial infrastructure which is generally part of the company's capital costs. Secondary industries can then be established in mining towns, supplying cost-effective services to rural areas.

Furthermore, during operation, the maintenance of this infrastructure is also paid for by the mine.

The mines thus in effect subsidise much of the country's rural infrastructure. As an investment strategy, these are strong points of leverage to be used when negotiating with governments in respect of mineral rights, taxes and royalties.

The generation of economic activity must, however, be qualified by the caution that minerals are a wasting asset.

The positive effect of employment is reversed, and for every mine job lost through retrenchment, ultimately many more are lost in other sectors. Moreover, the burden of maintaining rural infrastructure set up and serviced by the mining companies reverts to the authorities.

Downscaling

Mine closures are an inevitability and few people, particularly governments and decision makers, understand the implications. When mining companies invest in developing countries, they are welcomed by the authorities with open arms – and all too often, open palms.

Mine closures are an inevitability and few people, particularly governments and decision makers, understand the implications

However, mining companies are frequently seen by the local people as economic colonists. The employment created is considered as a right and not necessarily a privilege, and while politicians may appreciate the foreign investment, skills and technology, the 'exploited' masses seldom do.

Consequently, when mines close, the owners are seen as solely responsible for the subsequent unemployment, economic woes and social misery. Pressure is put on the mines for compensation at a time when they can least afford it.

Planning for mine closure at the outset must become an investment consideration. As with rehabilitation, there is a cost to closing a mine, starting with retrenchment packages and running into numerous other compensations. The final cost must be built into the investment equation – at both a financial and relationship level.

Planning for mine closure at the outset must become an investment consideration

Sectoral downscaling

❑ *Gold mining*

Gold mining is still the most important sector of the South African minerals industry, and the greatest employer of mine labour. Downscaling in this sector therefore – which is rapidly gaining momentum – is a serious problem.

The industry's performance has consistently declined over the last decade. Gold production has declined by some 24%, accompanied by a drop in revenue in real terms of almost 50%. This drop, has to a certain extent, been mitigated by relatively good maintenance of working costs, which have in fact dropped by some 28% in real terms. The drop in operating revenue is thus around 22% in real terms, which is still extremely serious.

Downscaling in the gold mining sector is rapidly gaining momentum

It is estimated by Government that gold production will drop to 416 tons by the end of 1997 (Botha 1996). This could lead

Table 1: Projected retrenchments on South African gold mines 1993-2000, using a 3-year average (in 000s)

	1993	1994	1995	1996	1997	1998	1999	2000
South Africa	152	134	119	105	93	83	73	65
		17	15	14	12	11	9	8
Lesotho	80	75	71	68	64	61	57	54
Mozambique	40	38	36	34	32	30	29	27
Botswana	10	10	9	9	8	8	8	7
Swaziland	14	13	13	12	11	11	10	10
Malawi	0	0	0	0	0	0	0	0
Total Foreign	144	136	129	122	116	110	104	98
		8	7	7	6	6	6	5
Total Workers	296	270	248	227	209	193	177	163
Retrenchments	27	26	22	21	18	16	16	14
Progressive Retrenchments		53	75	96	114	130	146	160

	2001	2002	2003	2004	2005
South African	60	56	52	49	45
Foreign	142	133	123	115	107
Total Workers	203	189	176	163	152
Retrenchments	5	14	13	12	11
Progressive Retrenchments	170	180	190	199	208

to a loss of as many as 111 000 jobs. This figure coincides approximately with the calculations in Table 1 (109 000).

The historical pattern of retrenchments in the gold mining industry is sobering. Between 1986 and 1992 the industry shed 124 000 jobs, a drop of 32%. Interestingly, the drop in South African jobs was 36% as opposed to 28% for foreign workers. This means that more South Africans jobs are being lost than migrant jobs.

As the retrenchment figures available only extend to 1992, the projections in Table 1 start at 1993. Taking the seven year average (1986-1992) for the data available, between 1993 and 2000 – should current trends continue – approximately 109 000 jobs stand to be lost in the gold mining industry by the end of the decade, and 166 000 over the next 10 years.

Indications are that around 14 500 jobs might be lost annually from gold mine closures

However, there was an acceleration in retrenchments after 1989. If one uses the same model with a three year average (1989-1992) the picture changes dramatically (Table 1). If this trend continues, which appears to be the case, the respective figures are 153 000 and 208 000.

Using a different approach of estimating mine closures with various gold price probabilities, the indications are that around 14 500 jobs might be lost annually (Table 2) which, like Table 3, confirms the scenario presented in Table 1.

The three independent calculations indicate a close enough correlation to enable the magnitude of the problem to be stated with some confidence despite the obvious problems with the data used. Figures for retrenchments that took place in 1994 and 1995 (Table 3) show that over those two years, 23 120 workers were retrenched. This unfortunately confirms the trends predicted above.

❑ Platinum group metals

The following estimates of downscaling in the other mineral sectors are drawn directly from then Minister Botha's written reply to a question in Parliament on 21 February 1996:

"South Africa produces 52,7% of the worlds platinum group metals (PGMs). While there has been a net increase in PGM production over the last decade

Table 2: The probable effect of the gold price on job losses in the South African gold mining industry

	Gold Price			
	300/oz	\$300-\$400/oz	>\$400	
Probability	10%	60%	30%	(MEPC Estimates)
1996-2000	250000	80000	30000	(NUM Estimates)
2001-2005	75000	75000	40000	
Totals	325000	155000	70000	(MEPC Calculations)

Projected Retrenchments 1996 - 2005 146 500
Annual average of approximately 14 500

Table 3: Retrenchments from South African gold mines, 1994 to 1995

Mine	Numbers Retrenched
Vaal Reefs	1781
Western Deeps	1899
Freegold	2786
Buffelsfontein	1518
REGM	1577
Blyvoor	2815
Durban Deep	4517
Harmony	2287
Primrose	1600
Other Mines	2340
Total	**23120**

Source: National Union of Mineworkers

from 121,7 tons to 183,9 tons, the real price in Rand terms of PGMs has dropped over the same period from R16 923/kg to R11 116/kg. This has resulted in a decline in employment levels between 1991 and 1994 from 106 609 to 96 458, a drop of 9,5% in four years, or an average of 2500 jobs a year. The possibility of closure of at least one platinum mine, along with the cut-back in labour to meet rising production costs against a static platinum price, could conceivably result in the loss of 10 000 jobs to the industry over the next two years."

❑ Diamonds

While not affected by retrenchments like the gold mining industry, the diamond mining industry is relatively speaking in far greater crisis, particularly in Northern Cape. Closure of the Namaqualand mines (Kleinsee, Koingnaas and Alexkor) and the major De Beers operations in Kimberley is expected within the next 10 to 15 years. These closures will affect some 5 000 mine workers, with grave consequences for the host regions, particularly Namaqualand.

❑ Copper

Between 1985 and 1995 South African copper production dropped by 19,5% from 205 000 tons. Exports dropped over the same period from 128 000 tons to 82 000 tons. Phalaborwa may be converting from an open cast operation to an underground mine by the end of the decade, but the open cast operation is reaching the end of its life.

O'Okiep Copper Mines in Springbok – while continuing with an aggressive exploration programme – reportedly has four to five years' life left based on current reserves (Namaqualand Mining Summit 1996). In the copper sector jobs are reported to have declined by 40,2% between 1990 and 1994.

❑ Chromite

Chromite production has fallen recently, primarily due to the replacement of chromite by less toxic substances in the manufacture of refractory bricks. The purchase of cheap chromite from Kazakhstan has exacerbated the problem. Between 1985 and 1994 the unit price declined in real terms from R101,40/ton to R59,90, while production costs rose in real terms. Employment in the sector dropped 50,1% between 1990 and 1994. A further 1 500 jobs are threatened in the next two years.

❑ Iron ore, coal and other minerals

Despite the increase in iron ore production from 24 to 32 million tons over the last decade, the industry still shed 9,6% of its jobs between 1990 and 1994. No further immediate to medium term losses are anticipated.

Despite the fact that employment in the coal industry dropped 30,5% from 86 656, no further downward movement is expected. Other sectors though, employing

The diamond mining industry is relatively speaking in far greater crisis than gold mining

Closure of the Namaqualand mines and the major De Beers operations in Kimberley will affect some 5 000 mine workers

In the copper sector jobs are reported to have declined by 40,2% between 1990 and 1994

Despite the increase in iron ore production over the last decade, the industry still shed 9,6% of its jobs between 1990 and 1994

around 45 000 workers, are expected to lose some 17% of jobs in the next two years.

Broader impact

If mine planners are to account for mine closure, information needs to be provided to suppliers of goods and services as well as to economic and social planners. This information provides for certainty that can be reflected in planning for economies of scale which benefits the mines themselves. Mine closures in turn reduce these economies of scale and increase unit costs of supplies.

From a social planning perspective, the linkages can be more generally defined. A commonly used multiplier for the mining industry is 2,5 jobs outside the industry for every job in the industry. The figure could be higher: a recent study done on Richards Bay Minerals found the figure to be 5,8 to 1. The implications of this are frightening.

A commonly used multiplier for the mining industry is 2,5 jobs outside the industry for every job in the industry

The gold mining industry stands to shed 136 000 first order direct jobs (on the mine payroll) by the end of the century. This will affect some 340 000 first order indirect jobs (suppliers of goods and services) and second order indirect jobs (civil service, tertiary commerce, trade and industry). By 2005 these figures may have escalated to 225 000 and 413 000 respectively (see Table 11). Total job losses could thus amount to 480 000 and 790 000 over the next 10 years.

This represents an economic and social crisis of national proportions and downscaling could well derail any attempts at economic and social renewal.

The downscaling of the mining industry thus becomes much more of a problem for secondary and tertiary industry, and for the government and the country as a whole, than it does for the mines themselves. Indications are that this is not adequately appreciated by either industry or the government.

Macro-economic effects

Downscaling could well derail any attempts at economic and social renewal

In 1994 the minerals industry accounted for 8,7% of the country's Gross Domestic Product (GDP), 9% of the Gross Domestic Fixed Investment (GDFI) (Table 8), 1,4% of the state's revenue (Table 9) and 48% of exports (Table 10).

The declining role of the minerals sector in the economy is immediately apparent.

Between 1985 and 1994 the minerals industry's contribution to GDP declined 41,2%. Contribution to GDFI has declined 24,4%, state revenue no less than 85,6%, and exports 28%.

Table 8: Contribution of the minerals sector to Gross Domestic Product and Gross Domestic Fixed Investment, 1985 to 1994

	GDP %	GDFI %
1985	14.8	11.9
1986	15.4	14.5
1987	12.5	14.8
1988	11.8	14.4
1989	10.6	13.7
1990	9.7	13.3
1991	9.2	13.3
1992	8.6	11.4
1993	8.8	8.8
1994	8.7	9.0

A fall-off in gold production and exports is the major contributor to these trends. For example, the decline in gold exports is 35% as opposed to 14,2% of other minerals. Gold still dominates the country's mineral production by value, though.

The decline of the relative value of the minerals industry is a mixed blessing in that it indicates a move away from dependence on minerals. It is nevertheless a cause for concern as minerals remain South Africa's most important natural economic asset.

What of the mining industry's wage bill? Since 1985, employment on the mines has declined by 24,3% (Table 2). Over the same period wages rose nominally by 151%, but in real terms – discounted by the consumer price indices from year to year – dropped from R5,4 billion in 1985 to R4,3 billion in 1994.

Despite the decline in the work force, this indicates no real benefit to the miners' individual pay packets. While nominal wages per worker have risen 232,8% over the decade, wages in real terms have increased by only 3,8%. In terms of the role that the industry as a whole has played as an employer, while in 1985 the industry employed 7,5% of the country's economically active population, by 1994 this had dropped to 4,3%.

Table 9: Contribution of the minerals sector to state revenue 1985-1994

	Taxation Rbn	Other Rbn	Total Rbn	% Total Revenue
1985	1.8	0.4	2.2	9.7
1986	2.9	0.7	3.6	12.5
1987	3.5	0.9	4.3	13.1
1988	2.8	0.7	3.6	9.5
1989	2.6	0.6	3.2	6.7
1990	2.3	0.5	2.8	4.4
1991	2.2	0.4	2.6	3.8
1992	1.2	0.3	1.6	2.1
1993	0.9	0.2	1.1	1.4
1994	1.0	0.3	1.3	1.4

Table 10: Contribution of the minerals sector to exports 1985-1994

	All Minerals %	*Gold* %	*VAR*	*Other* %	*VAR*
1985	66.7	43.4		23.3	
1986	66.0	42.5	-2.1	23.5	0.9
1987	60.0	40.3	-5.2	19.7	-16.2
1988	57.7	38.0	-5.7	19.7	0.0
1989	57.1	33.8	-11.1	23.3	18.3
1990	54.2	31.2	-7.7	23.0	-1.3
1991	53.2	30.0	-3.8	23.2	0.9
1992	49.1	29.0	-3.3	20.1	-13.4
1993	51.2	29.5	1.7	21.7	8.0
1994	48.0	28.0	-5.1	20.0	-7.8

Socio-economic impacts

Generally, the attention given to retrenchments focuses on the jobs lost as opposed to the attendant livelihoods that are lost as a result. There are estimates of between seven and 11 dependants per worker, so a conservative estimate of four dependants per worker is not unreasonable.

This means that for every 100 workers retrenched, 500 livelihoods are lost. The potential job losses of 109 000 by the year 2000 in the gold mining industry alone means the loss of 545 000 livelihoods of mineworkers and their dependants. In excess of two million livelihoods will be affected (not necessarily deprived) by the end of the decade, and almost four million by 2005 (Table 11). The implications for poverty, crime and political responsibility are huge.

Enough is not known about the linkages of the minerals sector into the economy of other sectors, the fabric of society, sub-regional and regional economies, the physical environment, and land use options. The irony of the South African industry is that, because of high migrancy levels, the effects of downscaling are frequently felt in areas other than mining. It thus becomes impossible for mine managers to plan for the eventualities.

It is the responsibility of government, not the mining companies, to take up these issues. However, these authorities have neither the information nor the skills to handle the problem at an industry-specific level. Assistance from industry is essential to the success of any socio-economic planning initiative around downscaling.

Environmental impacts

Few policy makers fully understand the implications of mine closures. It is an irony that – while the environmental lobby sees the mining industry as anathema – the broader environmental implications of mine closure can be far greater than the damage caused by mining activity itself.

The socio-economic impacts can have serious environmental implications. Assuming that the figures in Table 11 are 50% out, and that half the retrenched workers were miraculously re-employed in other sectors – this would still mean that by the end of the century 500 000 people who are currently dependent on the mining industry will be without a livelihood, and one million people by the year 2005.

These people will probably resort to a subsistence existence. As most mineworkers come from rural environments, this will lead to some level of subsistence farming. It also implies an inability to afford electricity, gas or paraffin, which will lead to further pressure on scarce fuelwood resources.

The quest for living space, lands for crop farming, foraging for wood and grazing for livestock, must lead to massive deforestation and overgrazing. The prospect of massive livestock increases will add to already significant pressures on farm land. Coupled with deforestation – the potential for rapidly increasing desertification in Southern Africa is great.

For every 100 workers retrenched, 500 livelihoods are lost

In excess of two million livelihoods will be affected by the end of the decade, and almost four million by 2005

Because of high migrancy levels, the effects of downscaling are frequently felt in areas other than mining

Table 11: Annual projected job losses by sector (thousands)

	2000 Direct Losses	Indirect Losses	Total Loss	Livelihoods	2005 Direct Losses	Indirect Losses	Total Loss	Livelihoods
Gold	109	272.5	381.5	1907.5	166	415	581	2905
Copper	1	3	4	20	2	6	8	40
Platinum Group	7	18	25	125	16	39	55	275
Chromite	1	3	4	20	2	6	8	40
Other Sectors	18	46	64	320	39	98	138	690
Total	136	342.5	478.5	2392.5	226	564	790	3950

Alternatives

Planners should anticipate the optimal use and conversion of the infrastructure created by mines, as well as the accommodation of retrenched mineworkers as mines close. This requires a strategy at the outset for alternative economic options in terms of employment and economic contribution. In effect, this calls for economic closure planning similar to that currently undertaken for environmental rehabilitation.

The broader environmental implications of mine closure can be far greater than the damage caused by mining activity itself

Ultimate responsibility for social and economic planning rests with government. However, companies have to take responsibility. Enforced economic closure planning will ensure that mining companies and government form a partnership that will result in a constructive downscaling programme.

It should also ensure that in the case of new mines, the infrastructure is planned at the outset with economic alternatives in mind. This must ultimately benefit the mining companies: at the end of the mine's life, where possible, the infrastructure and real estate have some residual value.

The problems around downscaling of the minerals industry are real, and the predictions gloomy. However, it is preferable to be facing a minerals industry in decline, than have no minerals industry at all.

The major advantage of minerals projects is that they create infrastructure and capital, and it is here that judicious planning is important. Planning how the benefits of the minerals industry can be harnessed to provide for more sustainable economic alternatives is crucial.

To do this, it is vital to understand how the minerals industry relates to other economic sectors. Without this, not only will optimal exploitation be compromised, but the likelihood of economic, social and environmental havoc caused by mine closures will be greatly increased. IPSA

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Deferring Conflict?

Industrial Relations in the Motor Industry

By Kuseni Dlamini
Anglo American Corporation

The historic three year agreement signed in 1995 between the automobile industry and workers has been described as the watershed to steer South African industrial relations into the next century. Since then, strikes and disputes suggest that participatory strategies could not contain the conflicts of interests.

In this topsy-turvy global political economy, innovations in industrial relations have become a critical factor in the fight for economic survival, global competitiveness and productivity. The motor industry is characteristically in the forefront of such innovations.

This is not surprising. The motor industry is the world's largest manufacturing business, with a turnover of well over $10 trillion, and 10 million employees. From Henry Ford's enduring symbol of industrialisation (the car-assembly line) to Alfred Sloan's model for the modern corporation (General Motors) to Toyota's pioneering invention of lean production methods, the industry is, by all accounts, a trend setter.

The South African automobile industry, like its global counterparts, has played a conspicuous role in industrial relations innovations. It seems set, as it grapples with the challenges of globalisation and domestic socio-political transformation, to become an example for other local businesses.

In June 1995, the industry's employers, represented by the Automobile Manufacturers Employers Organisation (AMEO) and workers, mainly represented by the National Union of Metalworkers of South Africa (NUMSA), made history when they signed the first ever three year agreement in South Africa. Some described it as a watershed that will steer South African industrial relations into the next century.

Three year agreement

The agreement covers a wide range of issues such as plant-level productivity and work organisation, wages and grades, skills and training as well as a peace obligation, indicating the parties' commitment to a peaceful and harmonious labour relationship.

The agreement implies that, over three years, the majority of workers would receive inflation linked wage increases. It also means that roughly 30% of the lower paid workers, and workers in the lower paying companies, receive real wage increases. On the other hand this means that artisans and technicians have taken real wage cuts as have an estimated 250 workers in the higher paying companies whose wages are above the target maximums.

The South African automobile industry has played a conspicuous role in industrial relations innovations

Management and labour deploy a new discourse of participation – but they do not have quite the same things in mind

According to one manager, 'the agreement is a milestone because it will stop the frequent strikes which are a threat to the survival of the industry. It will help us and the union to focus on the more serious issues of productivity and global competitiveness'. A NUMSA official viewed the agreement as: 'providing workers with an opportunity to have a say on a range of issues that affect them. It's a step towards a democratised workplace'.

Contrary to assumptions that the agreement would end the legacy of conflict associated with the motor industry, several strikes and disputes have since occurred. Management and labour deploy a new discourse of participation which is internationally fashionable in management circles and indeed prevalent in the language of post-apartheid politics. But they do not have quite the same things in mind, even if they are committed to finding solutions.

In March 1996, hardly a year after the agreement was signed, a strike occurred at Toyota South Africa

The strikes suggest that participatory strategies reached their limitations and could not contain the conflicts of interests between the contending sides. These strikes, like most, will change the context of future negotiations. They may do so in ways that increase distrust and exacerbate antagonisms, or which open the way to more productive strategies of negotiation.

Toyota: bonus war

In March 1996, hardly a year after the agreement was signed, a strike occurred over a profit bonus incentive scheme introduced in 1995 at Toyota South Africa. Shop stewards indicated their support for a system in which all employees received the same amount. The company accepted this only where union members were concerned. Higher profit bonuses were paid to salaried employees based on earnings.

The union said such payments were discriminatory and the fact that black workers were to get less than managers who are overwhelmingly white, heightened tempers. Management nevertheless distributed the bonuses.

Worker representatives at Toyota proved there is room to manoeuvre even inside performance based contracts

When the union asked that its hourly paid employees be given the same amount, the company complied. However, NUMSA then declared a dispute with the company and 250 workers occupied the administration building at the Prospecton plant outside Durban.

Management did not make any concessions, arguing that it was its prerogative to decide the criteria for distributing profit bonuses and other incentive schemes. Meanwhile support for the strike spread to other areas.

In the process, the company reported a loss of R328 million in turnover, while workers lost R13,44 million in wages. The overall impact of the strike on the company was an 11% decline in turnover from R3,1 million in the first six months of 1995 to R2,7 million for the same period in 1996.

The high level of worker militancy brought pressure to bear on management and NUMSA to resolve the issue. An agreement was reached after three weeks through mediation. Workers forfeited pay for the period they had been on strike and did not win their demand for an equal profit bonus for all.

But the agreement did not favour management either. Disciplinary action demanded by management was referred to mediation and arbitration. The company also agreed to pay a production recovery bonus of R1 200 to workers in the NUMSA bargaining unit subject to several conditions.

The strike revealed the split between shop stewards and management, between shop floor worker and supervisor and between production workers and salaried staff. This last divide was exacerbated by hourly paid workers securing a production recovery bonus.

Worker representatives proved to be highly tactical, showing there is room to manoeuvre even inside performance based contracts. They advised their members to accept the profit bonus and then embarked on the strike. This ensured that they had resources during the strike and that the withholding of the bonus could not be used as a weapon to divide workers.

Mercedes-Benz

The massive strike at Toyota was followed by protracted negotiations over wage increases. This despite the fact that the agreement laid down wage policies and rates linked to the CPI.

Negotiations were triggered when the CPI for May 1996 fell outside the agreements parameters. The May to May CPI figure in 1996 was 7,9%. The union used this to demand wage increases of 10% – higher than the CPI. The employer association offered 8,5%. Mercedes-Benz SA (MBSA) insisted that the principles of the three year agreement be adhered to.

In a move seen as a threat to centralised bargaining, Mercedes-Benz tabled a separate wage offer to its employees, thus effectively opting out of AMEO. MBSA refused to be bound by the 8,5% offer to the union, wanting instead to settle at 5,9% (the inflation rate for May 1996) with the difference negotiated at plant level.

MBSA applied for an exemption from the industry's National Bargaining Forum on the grounds that its wage offer be linked to the CPI, and that all other negotiations be concluded at plant level. It warned that if exemption was refused, the matter would be referred to an arbitrator.

At the outset of negotiations, interpretations of the wage increase clause in the second and third years of the agreement, differed. Formal mediation concluded that the increase should have been linked to inflation. However, with the union demanding 10% and the employer body offering 8,5%, and industrial relations realities – increases ranging between 5,9% and 8,5% were acceptable.

The union accepted the employer association's offer of 8,5%. For workers this was above the May 1996 CPI. For employers, the national wage increment was a lot lower than what is generally agreed in the industry. It was also less than the 9,6% average wage increment for 1996. Significantly, it was the first time that the motor industry settled at less than the national average wage increase.

MBSA, however, continued to distance itself from negotiations, reaching a plant level agreement for a 5,9% increase. The union accepted MBSA's move. It was speculated that this could cause problems for centralised bargaining, as the three year agreement was signed between the unions and the employer body, not individual employers.

Nattrass (1991) argues that in the cut-throat world of automobile production, there is a greater convergence of interests between workers and bosses in each particular company than there is between workers across the industry. As competition intensifies, capital and labour could enter into more constructive relationships in the interests of each company. Unfortunately for organised labour, this will mean that workers from different firms will be pitted against one another.

There is a greater convergence of interests between workers and bosses in each particular company than there is between workers across the industry

Nissan: cutting costs

In September and October 1996 Nissan SA embarked on a rationalisation process. The drive to reduce costs involved, among other things, the retrenchment of 900 workers.

Management claimed that NUMSA had been consulted and that its action was in line with the agreement with the union. When the company issued the first retrenchment notices, workers staged a two hour work stoppage in protest. NUMSA demanded that the decision be a subject of consultation.

Workers accused management of reneging on the three year agreement, which they claimed, guarantee their jobs for three years. In return, workers agreed not to embark on unprocedural strikes. The union also asked for disclosure of all operating costs.

The disputes either show support for, or against, the promise of co-determination in the historic three year agreement

The parties eventually reached an agreement under which the decision to retrench and give notice would be a subject of mediation. During consultation, the parties would discuss early retirement, voluntary retrenchment and any other proposal constituting an alternative to retrenchment.

Co-determination

Different interpretations of the above disputes have been advanced. The disputes either show support for, or against, the promise of co-determination – or worker participation in managerial decisions – in the historic three year agreement.

These two interpretations have failed to come to terms with the fact that although management and workers in the motor industry embrace the discourse of participation, they do not mean the same things or have the same aims and expectations.

Management and workers in the motor industry do not have the same aims and expectations

For Desai and Bohmke (1996), the strike showed that workers were against the

The strikes show that industrial relations problems cannot be overcome in a once-and-for all way

three year agreement. Co-determination they argue, is a travesty because it involves the union in refining the power of management. This by implication involves the union in policing workers. Co-determination makes workers responsible for upholding the racial and institutional discipline of the shop floor.

Von Holdt (1996), responding to Desai and Bohmke, argues that the strike was a strike for, not against, co-determination. He maintains that there is no connection between Desai and Bohmke's notion of co-determination and the contents of the three year agreement.

The agreement makes substantial inroads into managerial prerogatives in the areas of human resources policy, workplace change, information and consultation, productivity and performance pay. This is co-determination as a strategy for democratising the workplace, not for refining the power and control of management (Von Holdt 1996: 81).

If the discourse used obscures the basic conflict, the parties are essentially deferring conflict

Different expectations

These two interpretations are simplistic: they reflect either an uncritical support for or rejection of co-determination. Asked why the strike occurred, a shop steward said: 'the strike happened because management says one thing and does another. It was an acid test for management's commitment to what it says it is committed to'.

Workers feel that participation should entail real democratisation of the workplace which gives them a meaningful say on every issue that affects them. The issue of profit bonuses is one of those closest to workers' hearts because they feel that they are the ones who produce profits and should therefore get a fair share, a shop steward said.

On the other hand, a manager felt that the strikes had to do with politics. 'It proved to us that the union cannot be trusted. They failed to communicate what we had agreed to workers. In future we will make sure that they do that'.

The strikes suggest that the rhetoric of participatory management reached its limits

Although management embraces the discourse of participation, it wants to retain its prerogative on certain issues. For some managers the problems are usually sparked by a group of shop stewards and workers who for reasons known to them chose to make an issue of some things that are not negotiable. Clearly a refusal to negotiate on issues affecting workers will incur a company costs, but can also undermine trust in a labour relationship.

This raises questions about management's commitment to what it says and about the prospects of a shift from the adversarialism of the past, to a post-apartheid, post- adversarial and cooperative labour relationship.

Formal agreements?

What then do the strikes mean for mainstream assumptions that strikes could be reduced by a process of institutionalisation? Among other things, the strikes show that industrial relations problems cannot be overcome ...in a once-and-for all way, particularly without changes in the structure of...society more generally (Batstone *et al* 1977: 264).

Batstone *et al* argue that making a formal agreement is a temporary affair and that it has to be applied in day-to-day behaviour before it can take effect. If parties use the same language but do not have the same things in mind, and if the discourse used obscures the basic conflict, the parties are essentially deferring conflict.

The disputes/strikes may also reveal that formal agreements are likely to be broken simply because the main aim of both management and workers is not to preserve them because they are ...just temporary means to a variety of ends (Batstone *et al* 1977: 264).

Management on the one hand, is largely concerned with maintaining profitable production. Workers on the other, want to protect and promote their interests. Accordingly there are likely to be occasions when one or both parties believe their goals can be more easily achieved by breaking agreements (Batstone *et al* 1977: 264).

The strikes suggest that the rhetoric of participatory management reached its limits. It could not contain the conflicts of interests and priorities of management and workers.

A transformation of the labour relationship would require, among other things, changing the way South African managers think. They must acknowledge that the adversarial relationship with labour does not simply derive from a misunderstanding which better communications or a more mature approach can resolve.

It stems from the fact that businesses survive by beating their competitors. They have to minimise labour costs, which often brings them into conflict with their employees. And unions did not cause this conflict – they arose out of it. Unions need to understand that the *raison detre* of business is to make a profit which is necessary not only for capital accumulation, but for workers to have their jobs.

A constructive labour relationship will be founded on an appreciation of the points of convergence and divergence between the parties. Each party should accept the other's interests as legitimate and be willing to negotiate to achieve positive sum games.

Employers benefit

The future of the agreement hinges on the actual and perceived gains for the parties. If both feel they have made optimum gains they will push for another multi-year agreement in June next year when the present one expires.

Indications are that labour feels employers have gained more. Employers have gained through wage stabilisation as well as the stabilisation (perceived at least) of relationships in the industry. The agreement removed the traditional way of bargaining over wages, providing certainty for employers.

Labour's agenda is to pursue the useful elements of the agreement. NUMSA is currently soliciting views from its members on the agreement's effectiveness. The union will, for example, review its position on linking wages with the CPI. This decision was premised on the assumption that workers would benefit and be mobilised up the wage ranks through education and training.

For the union there has been little, if any, benefit on the skills side. Meanwhile some employers have benefited through increases in productivity as the number of workers has been reduced through retrenchments and natural attrition. NUMSA wants to move towards a mega-bargaining council for all metal and related industries with chambers that will address sectoral issues.

The agreement also provides for worker participation. But the question of whether the union has the same capacity in all plants to engage employers on major issues such as technological change, investment decisions capital versus labour intensive production, remains. Indications are that union involvement thus far is restricted to soft issues of work teams, rather than the core issues which have far reaching impacts.

The future of the agreement hinges on the actual and perceived gains for the parties

Union involvement thus far is restricted to soft issues of work teams, rather than the core issues which have far reaching impacts

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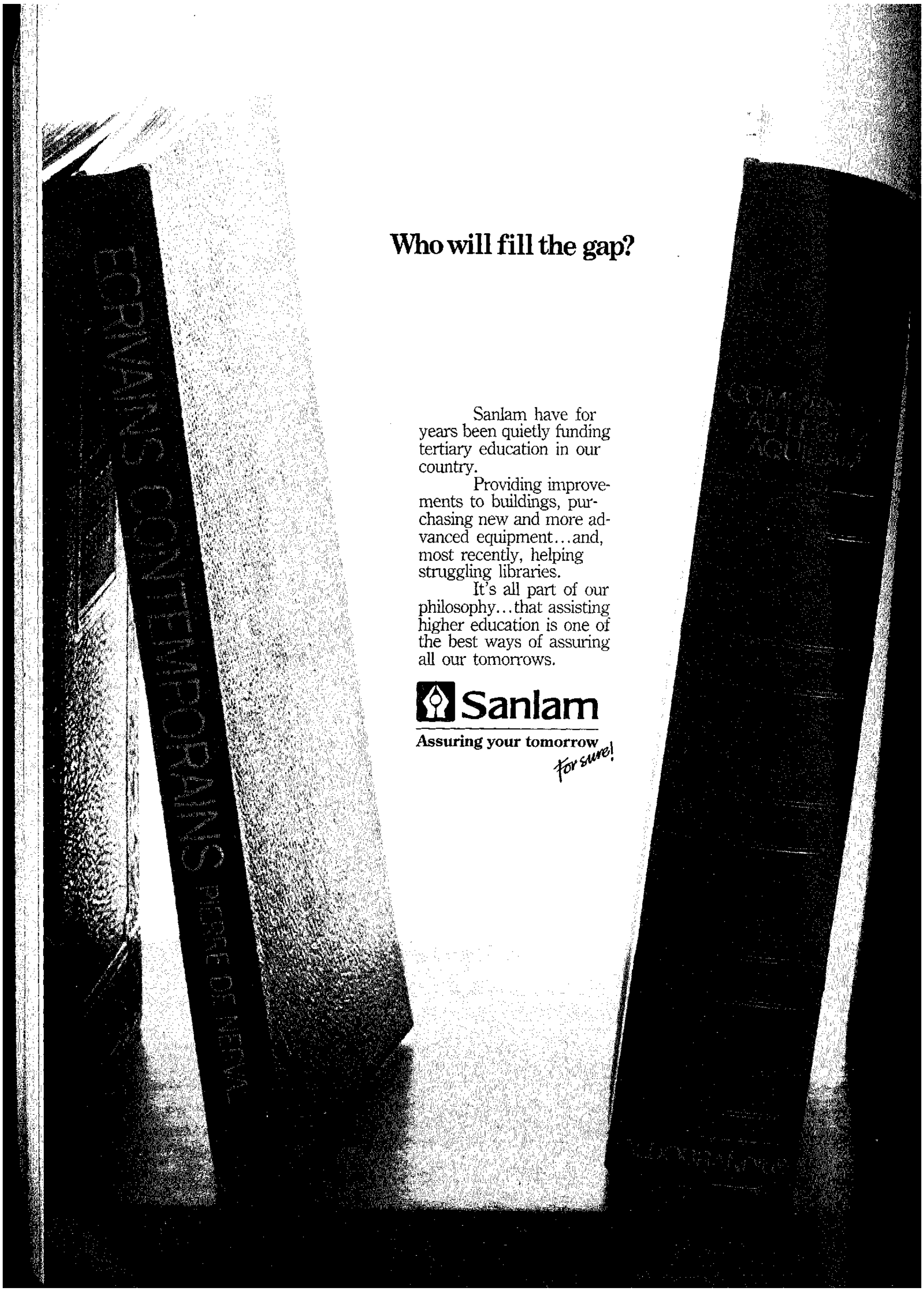
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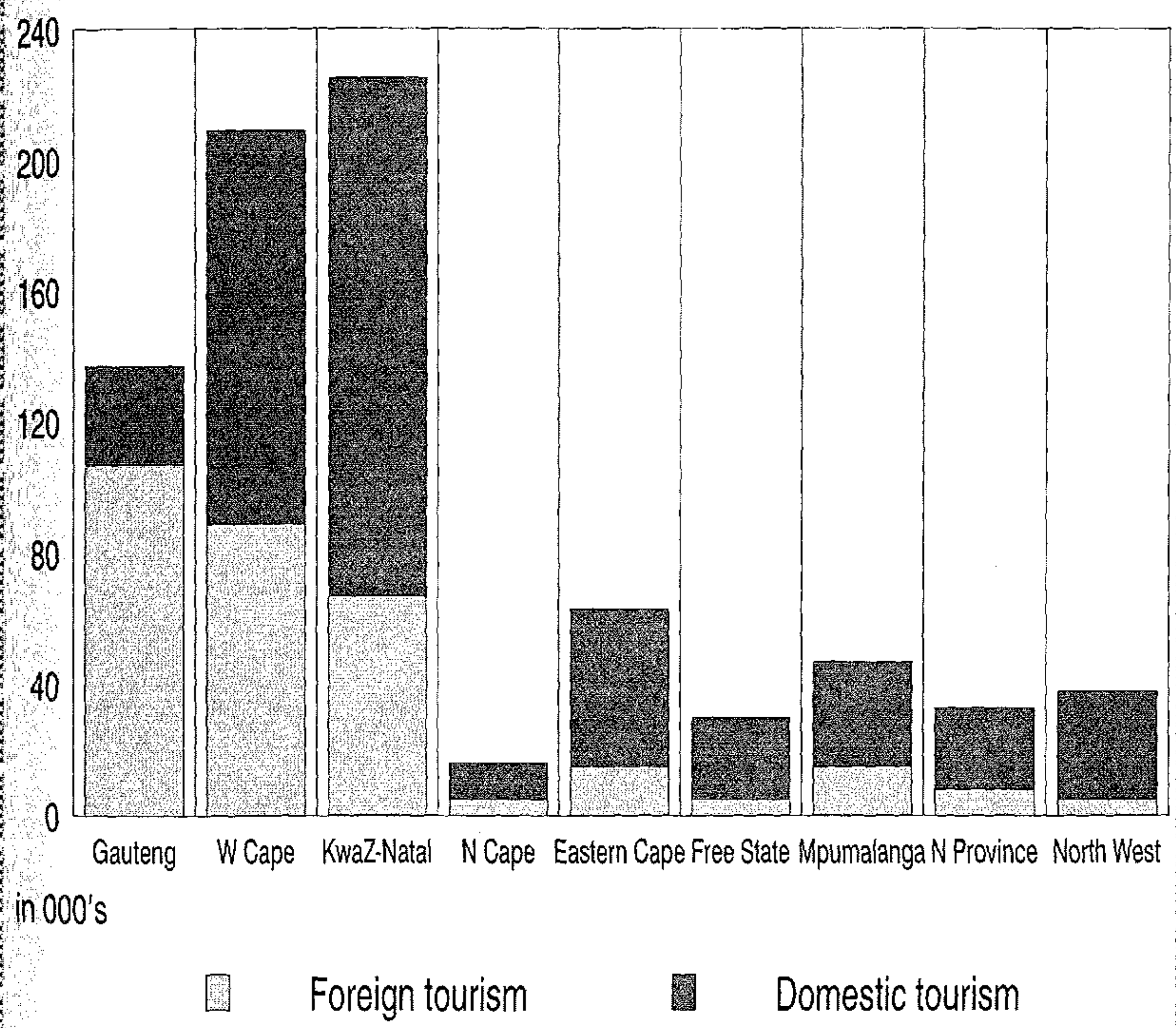
DEVELOPMENT
M O N I T O R

Total tourism related employment by province in 000's



Source: Satour, CSS

The Tourism = Employment Equation

Does it add up?

By Margaret Futter and Libby Wood
Data Research Africa

Tourism is one of the world's fastest growing industries, providing about 255 million jobs. The employment impact goes beyond those sectors in which tourists directly spend their money. But the extent of this indirect employment depends on the sophistication of the local economy. In underdeveloped rural areas, it is likely to be limited.

The importance of the tourist industry for South Africa's economy is undisputed. Yet it is difficult to present a reliable overview of the complete range of employment directly or indirectly linked to tourism because it does not form a discrete industry or activity. Rather, tourism includes a broad range of activities which impact on many people and economic sectors.

There is still no universally accepted definition of a 'tourist' or 'tourism' (Smith 1995). The diverse nature of tourism and lack of clarity and definition makes it difficult to collect accurate and comprehensive tourism data. Consequently, information sources tend to be sporadic and inconsistent in terms of the nature and scope of information collected.

The diverse nature of tourism makes it difficult to collect accurate and comprehensive tourism data

Even in national accounting systems, tourism is not separately classified as an industry. Instead, the economic contribution of tourism is hidden within different sectors. For example, employment in airline and car hire companies can be found under transportation; curio employment under retailing or manufacturing, and so on.

Defining tourism

Accurate assessment of the scale and nature of tourism related employment is largely dependent on the ability to identify a tourist. For example, what sets apart a tourist visiting a local restaurant from a regular customer? This set of articles in *Indicator SA*'s tourism feature adopts the definition used by the World Tourism Organisation (WTO) which has traditionally been the lead agency responsible for standardised tourism definitions. WTO defines tourism as:

> *"the set of activities of a person travelling to a place outside his or her usual environment for less than a year and whose main purpose of travel is other than the exercise of an activity remunerated from within the place visited".*

The phrase 'usual environment' means that the trips within the person's place of residence and routine commuting trips are excluded. The phrase 'exercise of an activity remunerated from within the place visited' excludes migration for temporary work paid for by an agent resident in the place visited.

Business related travel, where the traveller's employer is located elsewhere than the place visited is, however, included.

Tourists require further categorisation since they are not homogenous but display a wide range of socio-economic and trip characteristics. For example, the WTO recognises six main purposes for tourism trips: pleasure, business, visiting family, health and religion among others. However pleasure, for example, could be further broken down into nature based, cultural, leisure and sports purposes.

Tourists can also be classified in terms of their origin, destination, duration of visit, mode of transport and type of accommodation. All of these characteristics play an important part in determining expenditure patterns and the subsequent employment generated.

A useful organising framework for conceptualising tourism was developed by Leiper in 1979 and updated in 1990. The model's three basic elements are tourists, geographical elements and the tourism industry:

❑ Tourists

A basic distinction can be made between domestic and international tourists. Tourists can also be classified by purpose of visit, according to three categories: holiday, visiting friends and relatives, and business and professional. Tourists may be motivated by more than one of these categories of purpose per visit.

❑ Geographical

Tourism can be considered in terms of the following places:

- Tourist-generating – the place where tourists search for information, make bookings and depart from.
- Tourist destination – this place represents the 'pull factor' behind tourism. It is here that the full impact of tourism is felt and planning and management strategies are implemented.
- Transit route – this area represents the period of travel required to reach the destination and the intermediate places visited en route.

❑ Tourism industry

The tourism industry comprises many components, including hotels, restaurants, tourist lodges, curio trading, travel agents, airlines, etc. These interact to deliver the final product and in the consequent receipt of economic benefits and generation of employment.

Measuring employment

The employment impact of tourism goes beyond employment in sectors in which tourists directly spend their money, such as hotels, restaurants and airlines. The establishments which receive tourists also buy goods and services from other sectors.

Hotels, for example purchase the services of builders, accountants, banks and food, car rental and beverage suppliers. Furthermore, the suppliers to 'front line' establishments purchase goods and services from other sectors, and so the process continues. Employment therefore, will indirectly be created in several different sectors. Indeed, a significant share of the jobs generated by tourism are in areas not traditionally perceived of as being linked to tourism.

During the direct and indirect rounds of expenditure, income will accrue to local residents in the form of wages and distributed profit. A proportion of this income will be respent in the local economy, inducing further rounds of economic activity and employment.

In addition to quantifying tourism related employment, consideration must also be given to the type of jobs created, level of skill required, socio-economic composition of the labour force, wage levels and general working conditions. Additional issues relating to employment creation should also be addressed such as the ratio of labour to capital, skill acquisition and capacity to absorb unemployment and jobs lost in other areas.

Global contribution

The World Travel and Tourism Council (WTTC) estimates that in employment terms, tourism is the world's largest industry providing 255 million jobs (one in nine workers globally) and 10,7% of global wages in 1996. In the Middle East and

Tourists display a wide range of socio-economic and trip characteristics

A significant share of the jobs generated by tourism are in areas not traditionally perceived of as being linked to tourism

In employment terms, tourism is the world's largest industry

The high level of personal service required limits the potential for labour to be replaced by technological advancement

Table 1: Tourism's economic impact - global and Middle East/Africa estimates

	1996 Tourism related employment	2006 % of total employment	Tourism-related employment	% of total employment	Growth
Global	255 million	10.7%	385 million	11.1%	50.1%
Middle East/Africa	19.9 million	11.2%	24.4 million	10.6%	22.6%

Note: Business travel is not included in these estimates since it is an 'intermediate input' which is factored into the GDP contribution of other industries which are stimulating travel.
Source: WTTC, 1996

Africa, tourism related employment accounted for an estimated 11,2% of total employment in 1996, or 19,9 million jobs (Table 1).
These estimates include direct and indirect employment in the formal and informal sectors since they are compiled from a demand-side approach which automatically includes all indirect benefits in the final price of the product.

Due to the increase in tourism demand, the number of jobs is expected to increase to about 385 million by 2006 (Table 1). The high level of personal service required limits the potential for labour to be replaced by technological advancement, thus ensuring continued employment creation.

It is estimated that in South Africa as a whole, 810 000 people are directly or indirectly employed in tourism

Due to differing methods of data collection and calculation, tourism estimates tend to vary significantly between sources. However, figures of this magnitude are frequently encountered in studies and press reports.

Whatever the real global contribution of tourism, it is indisputably one of the most important and fastest growing industries in the world. Moreover, most of the jobs created by tourism have been either in regions with a low level of development, or in tourist centres and towns which are cultural and administrative centres (OECD 1995).

Table 2: Tourism's contribution to employment, 1994

Industrial Sector	Employment Figures	% of Total Economically Active
Manufactured Goods	1 399 513	9.8%
**Tourism*	*810 000*	5.6%
Agriculture	982 616	6.9%
Mining	613 584	4.3%

Note: Land and Agriculture Policy Centre's estimate based on WTTC, CSS and Saldru data
Source: CSS, SALDRU and WTTC

Local employment share

It is estimated that in South Africa as a whole, 810 000 people are directly or indirectly employed in tourism, representing just over one in 20 economically active people, including both formal and informal sector workers. If the expected growth in tourism materialises, this could create up to 350 000 extra jobs. Table 2 shows how this compares to employment in other major industrial sectors.

Table 3 provides a breakdown of tourism related employment generated in each province. The provinces with the highest share of tourism related employment are Gauteng, Western Cape and KwaZulu-Natal, as they receive the largest share of tourism expenditure.

These provinces also report a proportionally higher usage of hotels, restaurants, shopping facilities, banking services and car rentals by foreign tourists. They are as a result likely to enjoy a greater than proportional increase in tourism related employment creation as tourism demand increases.

An analysis of foreign and domestic tourist expenditure (see the next two articles in this series) demonstrates that the sectors deriving the most benefits from tourism are accommodation and transport, followed by restaurants and food retail outlets, and curios. These are labour-intensive, which suggests that it is in these sectors that the greatest tourism related employment creation will occur.

As already noted, in addition to direct employment, tourism creates indirect employment in other industrial sectors. Although aggregate employment figures are cited, it is difficult to identify the proportion of employment in these sectors dependent on tourism. The WTTC estimates 2,5 indirect jobs for every direct job created in tourism in Africa (Smith 1995). However, estimates vary significantly between sources.

Despite the severe shortage of comprehensive figures, the Government *White Paper on Tourism* issued in June 1996 recognises the importance of the indirect employment created by tourism:

"Tourism can also play a strategic role in dynamizing other sectors of the economy – the agricultural sector that feeds the tourism industry (driving the demand for new agricultural products and services..); tourism also creates linkages with the manufacturing sectors...as well as crafts (wood-working, curios, fine art). Perhaps the most undeveloped economic link in the tourism industry in South Africa is the services sector (health services, entertainment, health and beauty, banking and insurance)".

The extent of indirect employment is largely a function of the sophistication of the local economy. The more integrated, developed and diversified the local economy, the more indirect employment is created. In the rural areas of South Africa where the economy is underdeveloped, indirect employment is likely to be limited.

Socio-economic factors

Using CSS and Saldru data, estimates have been generated of the race and gender composition of tourism related employment through aggregating figures for the following industries: wholesale and retail trade, catering and accommodation services.

Tourism will, however, generate employment in other industries such as manufacturing and agriculture and the composition provided must therefore be treated as an indication rather than an absolute breakdown for the industry.

❑ Race and gender

Tourism related employment is predominantly occupied by black employees (49%) with a smaller, yet significant, proportion of whites (32%). There has been little change in the racial composition of the workforce over the past 10 years (Table 4). Most noticeable is a small decline in the proportion of whites in tourism related employment.

Table 3: Total tourism related employment by province

Province	Foreign Tourism (000s)	Domestic Tourism (000s)	Total (000s)
Gauteng	107	30	137
Western Cape	89	120	208
KwaZulu-Natal	67	158	226
Northern Cape	5	11	17
Eastern Cape	15	48	63
Free State	5	25	29
Mpumalanga	15	32	47
Northern Province	8	25	33
North West	5	33	38
Total	320	480	800

Source: Estimates based on Satour estimates of total value of tourism to each province, CSS provincial employment data, and DRA's estimates of total tourism related employment

Consultation with employers in the industry suggested that black employees generally hold semi/unskilled positions, while white employees are employed at higher paid managerial and administrative levels.

Tourism related employment is predominantly occupied by black employees

There is an almost equal split in the ratio of male/female employees in tourism. Gender composition varies considerably between the specific tourism sectors (Table 5). The restaurant, hotel and entertainment, and wholesale and retail sectors are dominated by female employees, while transport and communication is male dominated.

This suggests considerable gender stereotyping of activities, with maintenance and technical jobs being male dominated, and domestic related positions

Table 4: Racial composition of permanent employment in tourism related employment

Year	White %	Coloured %	Asian %	Black %	Total %
1985	35.3	12.2	5.5	47.0	100
1990	33.5	13.6	5.5	47.4	100
1995	31.5	13.9	6.0	48.6	100

Note: These were calculated from statistics for 1985 and 1990 which included wholesale and retail trade, catering and accommodation services, while for 1995 wholesale and retail trade, hotels and restaurants were included.
Source: CSS, 1995 & 1996

Table 5: Gender composition of permanent employment (% of total employment)

Economic Sector	Male	Female	Total
Restaurant & Hotel/ Entertainment	1.8	3.6	2.6
Wholesale & Retail	9.9	12.4	10.9
Transport & Communication	9.3	2.9	6.7

Source: Saldru, 1994

A broad range of skill levels are actually demanded by tourism

Table 6: Gender and racial composition of tourism related casual employment (% total employment)

Economic Sector	African M	African F	Coloured M	Coloured F	Indian* M	Indian* F	White M	White F	Total M	Total F
Wholesale & Retail	12.2	11.8	22.0	16.6	32.1	50.0	27.0	30.7	16.1	17.9
Restaurant & Hotel/ Entertainment	4.6	1.1	-	7.5	-	12.5	22.1	20.6	6.3	6.8
Transport & Communication	7.1	0.7	3.4	-	18.5	-	13.5	-	7.9	0.4

Note: *Sample size too small for conclusions to be drawn
M = Male, F = Female
Source: Saldru 1994

female dominated. Discussions with stakeholders in the tourism industry support this finding.

The gender ratio among casual employees is almost equal; the exception being the transport and communication sector which is almost entirely male (Table 6). In terms of race, casual employment is dominated by white employees. Consultation with restaurant, hotel and entertainment representatives indicated that this category of employee is dominated by students undertaking holiday or part time work.

There are large racial discrepancies in income levels in tourism related activities

❑ Skill levels

The popular conception of the tourism industry is that it employs a higher proportion of part time and seasonal workers than other industries, and offers mainly unskilled or low skilled jobs. The industry is also perceived as an easy entry point to the labour market for many first time employees and those with low skills levels.

Consultation indicates that, to some extent this is true – demonstrating the importance of tourism for reducing unemployment. However, a broad range of skill levels are actually demanded by tourism. Holtman (1993) provides the following categorisation of the skill levels demanded:

A significant proportion of tourism related employment is found in the informal sector

- managerial 3%
- skilled 40%
- technical 9%
- unskilled 48%

Table 7: Average monthly salaries and wages, 1993

Average Income	White	Coloured	Asian	Black
R 2 083	R 3 452	R 1 480	R 2 111	R 1 145

Source: CSS, 1995 - Wholesale & Retail Trade, and Catering & Accommodation Services

Employees at managerial, technical and skilled levels are generally well trained, having undergone formal training, as well as in-house training and orientation.

❑ Wage levels

There are large racial discrepancies in income levels in tourism related activities, with white employees earning on average three times that earned by their black counterparts (Table 7). This is largely attributed to the predominance of black employees in low skilled positions.

Informal sector employment

In the informal sector, which accounts for a large proportion of self-employed workers, black females dominate in street vending activities and black and coloured males dominate in the taxi industry. White and coloured males are the dominant self-employed group in the restaurant and hotel/entertainment sector.

A significant proportion of tourism related employment is found in the informal sector, ranging from street vendors and craft makers to taxi drivers. This sector is expanding and will undoubtedly capitalise on the opportunities created by the increase in tourism.

The difficulties associated with measuring the hidden, cash based activities of the informal sector are widely acknowledged (Preston-Whyte 1991). A government survey conducted by the Central Statistical Service in 1989 indicated that the value of informal economic activity for that year amounted to R16 billion. This estimated contribution to national income was, of course, not included in the GDP but represents almost 8% of that figure.

The survey also estimated the magnitude of the informal labour force. The results

Table 8: Racial and gender composition of self-employed in tourism related activities (% of total self-employed)

Activity	African M	African F	Coloured M	Coloured F	Indian M	Indian F*	White M	White F	All M	All F
Selling Goods on Street	17	35	17	21	12	37	6	10	15	31
Taxi Operator	12	0	8	-	2	-	-	-	9	0
Restaurant, Hotel & Entertainment	1	-	6	-	2	-	6	6	3	1

Note: *Sample size too small for conclusions to be drawn
Source: Saldru (1994)

There are distinct gender divisions in the nature of employment and subsequent remuneration in the informal sector

indicated that 2,7 million people were involved in the informal labour market in that year. This is undoubtedly a conservative estimate since the figures did not include TBVC states (former independent 'homelands' of Transkei, Bophutatswana, Venda and Ciskei), black informal earnings in white areas and white involvement in the informal sector.

Moreover, the figures are likely to have been further reduced by a reluctance or inability on the part of participants to furnish accurate information. The Institute for Future Research estimated that the informal sector would provide productive income generating activities for 4,7 million people by the year 2000 (Preston-Whyte 1991).

Activity in the informal sector can be divided into four broad categories: trading and hawking, service industries, production and construction, and 'immoral' activities.

As with formal employment, it is difficult to estimate the proportion of informal sector activity attributable to tourism: trading and hawking includes the sale of curios and foodstuffs to tourists; production and construction activities include the production of foodstuffs and curios; and service industries include carwashing, carwatch and the taxi industry.

As with the formal sector, skill requirements and income varies according to occupation, season, gender, experience, location etc. There are distinct gender divisions in the nature of employment and subsequent remuneration in the informal sector. Women tend to dominate petty-trading of food and curios and home based piece work.

While this can be seen as a means of enabling women to develop small businesses and thereby facilitate both their integration into the wider economy and their active participation in the development process, international studies have shown that returns on hours worked tend to be very low (Preston-Whyte 1991). Petty trading in particular tends to provide a haven for older, less skilled and single or divorced women (Tongdurai 1982).

Wood (1996) provides an example of wage levels and socio-economic characteristics of participants in informal curio manufacturing and trading activities in north-east KwaZulu-Natal. Detailed cost-benefit analysis, based on a survey of informal traders found that craft markets typically generate low levels of remuneration. They do, however, generate income in areas which are characterised by a distinct lack of waged employment.

Conclusion

The potential of tourism to play a major role in the reconstruction of South Africa and in the generation of employment is widely recognised. This has not always been the case: in the mid eighties, tourism was perceived to be of minor economic importance. It was not officially recognised as a separate industry and was given scant attention by government.

Over the past decade, overseas tourism has more than tripled (see the next article in this series). Strong, albeit less impressive growth has also taken place within the domestic sector. Further growth is expected in both domestic and foreign tourism.

Tourism has become an established concept in discussions concerning the economic development of the country and is arguably the export sector in which South Africa has the strongest competitive advantage. IPSA

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Foreign Tourists in South Africa:

The Rough Guide

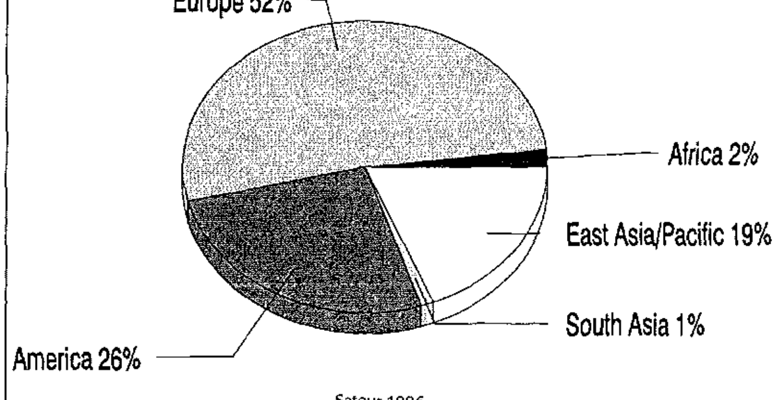
By Margaret Futter and Libby Wood
Data Research Africa

Foreign tourism has increased since political reform, and is the driving force behind the industry's overall growth. Increasing crime rates could, however, reduce the 2,6 million overseas and 5,4 million African tourists predicted to visit by the year 2000.

South Africa has been portrayed as one of the world's fastest growing tourist destinations. The country's more visible role in the international community and global awareness of its peaceful transition to democracy have opened up new avenues for tourism.

Moreover, South Africa's historical heritage and rich variety of cultures provide a unique, high quality tourist experience. This article in *Indicator SA's* series on tourism provides estimates of foreign visitor numbers and the scale and distribution of the economic benefits of tourism in South Africa.

Figure 1: Africa's proportion of global international tourist receipts



Satour 1996

Global tourism

The World Travel and Tourism Council (WTTC) estimated that tourism generated \$3,6 trillion of gross output and 10,7% of GDP worldwide in 1996. This translates into 255 million direct jobs or 10,7% of total global employment.

More specifically, it is estimated that for the Middle East and Africa, tourism generated \$124 billion of gross output and 9,8% of GDP in 1996, translating into 19,9 million jobs, or 11,2% of total employment (see the previous article in this series on tourism's impact on employment).

Despite these impressive figures, Africa currently captures a very small percentage (2%) of international tourism receipts (Figure 1). Europe captures over half of all international tourism and the Americas just over one quarter. Given the richness of Africa's natural and cultural endowments, its true tourism potential is clearly not being recognised.

In terms of actual arrivals of international visitors, Africa captures slightly more than its economic share suggests – 3,3% of the global market – indicating that tourists to Africa spend proportionately less than tourists visiting other countries. The share of tourism receipts captured by Africa remained relatively constant between 1990 and 1996.

The picture for South Africa is far more favourable. South Africa receives just under one third of arrivals to Africa having increased its share of African arrivals from 13,5% in 1990 to 31% in 1995. In 1994, South Africa was ranked 30th globally in terms of the number of foreign arrivals compared to 55th 10 years previously (revised from WTO, 1995 by Satour).

In 1995, tourism was estimated to contribute around R22,8 billion to the economy, constituting 4,9% of GDP. In this year, tourism's contribution was greater than that of other economic sectors such as agriculture (4,1%), but did not measure up to the contributions of manufacturing (22,5%); finance, real estate and business services (15,8%); and commerce, catering and accommodation (15,1%).

The value of tourism has increased significantly in recent years, from R12,8 billion in 1992, to R26,8 billion in 1996, and it is estimated that tourism's contribution to GDP could be close to 7% by the year 2000.

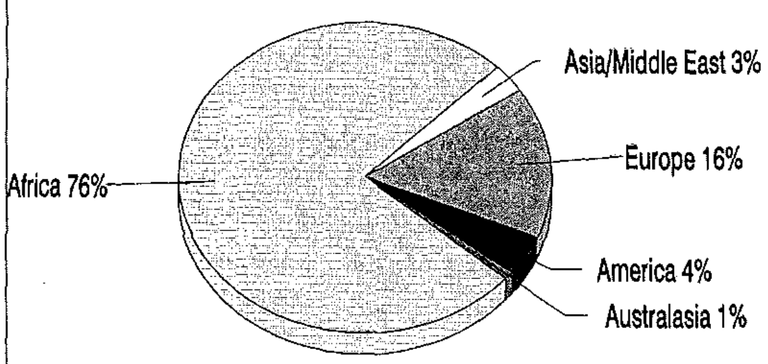
The importance of tourism to the economy is underscored by its contribution to foreign exchange earnings. Although not recorded in the *Foreign Trade Report*, Satour estimated that in 1994 tourism would have had the fourth highest value of all 'items' if it been included, contributing 7% of foreign exchange earnings, placing it ahead of agriculture.

Market trends

Foreign tourism in South Africa has been growing at an increasing rate since the introduction of political reform and is the driving force behind the overall growth in tourism. In 1996, 4,9 million foreign tourists visited South Africa, compared will only 310 000 in 1986.

The compounded annual growth rate for overseas arrivals between 1986 and 1995 amounted to 17% (Kessel Feinstein 1996). Although calculated from a low base, growth of this order for almost one decade is still very impressive.

Figure 2: Origins of foreign visitors to South Africa



Satour 1996a

Foreign tourists can be categorised into overseas tourists and tourists from other African countries. In 1996, overseas tourists constituted 24% (1,2 million) and those from other African countries made up 76% (3,6 million) of all foreign arrivals (Satour 1996, Figure 2). The size of both categories increased between 1992 and 1996.

South Africa receives just under one third of arrivals to Africa

But the increase in arrivals from other African countries showed signs of slowing, from a growth rate of 14% in 1994 to 10% in 1996. Overseas arrivals grew by 52% between 1994 and 1995, largely due to the increased visitor numbers during the World Cup Rugby, but have since slowed to an increase of 9,4% from 1995 to 1996. The total increase in foreign tourists between 1995 and 1996 was 10,2% (Satour 1996).

Europe is South Africa's most important source market for overseas visitors. In 1996, 65% of the overseas visitors arriving in South Africa came from Europe; of these, 32% were from the UK and 25% from Germany (Satour, 1996). Although Europe has been largely responsible for the growth in overseas arrivals, other source markets have also grown substantially.

In 1996 tourists from other African countries made up 76% of all foreign arrivals

The growth in overseas tourists is expected to continue and to reach 2,6 million by 2000. The number of visitors from other African countries is forecast to reach 5,4 million by the year 2000 (Satour 1996). These predictions are based on the following assumptions:

The main purpose of travel for Africans in South Africa is business

- That the perception of personal safety improves.
- That the momentum and focus of overseas marketing and promotional campaigns is substantially expanded and intensified.
- That the current positive international marketing climate for South Africa remains stable.
- That the current socio-political and economic situation in South Africa remains stable (Satour 1996).

It seems evident that if the increase in crime continues at its current rate, the first of these conditions will not be satisfied. This in turn could have serious negative implications on the number of foreign tourists choosing to come to South Africa. This will impact on the extent to which the potential for employment creation in the tourism sector is realised. These forecasts may need to be reassessed since the growth figures for 1996 are somewhat disappointing.

A relatively high proportion of foreign visitors (50%) had visited South Africa at least once previously

Destination

The provinces most visited by foreign tourists are Gauteng (68%), Western Cape (48%) and KwaZulu-Natal (30%) (Table 1). These provinces also record the greatest average number of nights spent by foreign tourists. Western Cape and Eastern Cape recorded growing popularity in 1996, gaining 3% and 2% market share respectively.

Table 1: Estimates of foreign visitor market for provinces

No	% of Tourists who visit	Average of nights
Gauteng	68%	8
Western Cape	48%	10
KwaZulu-Natal	30%	13
Mpumalanga	22%	4
Eastern Cape	15%	10
North West	8%	3
Free State	5%	5
Northern Cape	5%	6
Northern Province	5%	9

Source: Satour, 1997

The scenic beauty of South Africa was most appealing to 51% of the tourists

Purpose of visit

Of foreign tourists visiting South Africa in 1996, almost half were on holiday, one third on business and one third were visiting friends and relatives (VFR). It is evident that the purpose of travel varies significantly according to country of origin. For example, the main purpose of travel for Africans is business (50%), whereas a larger proportion of Germans (66%) visit South Africa on holiday. UK visitors constitute a large proportion of VFR visitors (Table 2).

Table 2 : Purpose of visit by country of origin

	Holiday	VFR	Business/ Conference
	%	%	%
Africa	21.0	22.5	50.0
UK	47.0	46.5	30.5
Germany	67.0	36.5	21.5
North America	43.0	32.0	45.5
Far East	55.0	20.0	33.0
All foreign visitors	45.5	32	34

Note:

1. Since visitors came to South Africa for more than one purpose, the percentages sometimes sum to over 100.
2. Statistics have been crudely calculated by taking an unweighted average of the Summer and Winter 1995 surveys.
3. The surveys only covered people departing by air and thus exclude a large proportion of tourists/business people from neighbouring countries.

Source: Satour, Summer 1995 and Winter 1996

The purpose of visit also displays considerable seasonal variation. There are higher proportions of holiday makers and VFRs in the winter. A relatively high proportion of foreign visitors (50%) had visited South Africa at least once previously. Experienced visitors are more often from neighbouring states (75%) and Britain (56%).

The main attractions of South Africa differ between nationalities, suggesting the need for different marketing approaches. Visitors from the UK were predominantly attracted by the climate; those from Germany and the Far East by the scenic beauty; and visitors from Africa, North America and Scandinavia by the political changes.

On leaving the country, the characteristics which foreign tourists stated as having appealed most to them were the scenic

Table 3: Economic contribution of foreign tourism by province, 1995

Province	Economic Value(R bil)	% of Total Value
Gauteng	3.5	33.9
Western Cape	2.9	28.1
KwaZulu-Natal	2.2	21.3
Mpumalanga	0.5	4.8
Eastern Cape	0.47	4.8
Northern Province	0.26	2.5
Northern Cape	0.18	1.7
North West	0.15	1.5
Free State	0.16	1.5

Note:
The total value of tourism to each province is calculated by multiplying the total number of visitor nights spent in each province by the average expenditure of R486 per day. This figure is an average expenditure of the results of the summer and winter 1995 international market surveys conducted by Satour.

Source: Satour, 1996

beauty of South Africa (51%), political change (28%), climate (26%), wildlife (21%) and South African cultures (18%) (Satour 1996).

Economic contribution

The economic contribution of foreign tourism to South Africa as calculated through foreign exchange receipts, was estimated at R8,9bn in 1995. This is expected to rise to R29,7 billion in 2000, allowing for an average annual inflation rate of 7,5% per annum (Kessel Feinstein 1996, based on South African Reserve Bank figures). The proportional contribution of foreign tourism relative to domestic tourism has increased from 34% of the total economic value of tourism in 1992 to 39% in 1995.

Table 3 demonstrates the economic contribution of foreign tourism in each province for 1996. Gauteng benefits the most from foreign tourism receipts (R3,5 bn), followed by Western Cape (R2,9 bn) and KwaZulu-Natal (R2,2 bn). The three dominant provinces account for 83% of the foreign tourism market.

The Satour 1996 Winter Survey demonstrated that the average amount spent per day in South Africa was R678 per person (excluding airfare but including pre-paid expenses). Spending varied considerably according to country of origin and purpose of visit.

Those visiting South Africa for business reasons spend the most per day (R968) followed by holiday visitors (R769). Those visiting friends and family spend only R342. However, since holiday visitors stay longer on average than business visitors, the average total spending by holiday makers is greatest (Satour 1995; 1996).

Table 4 provides a breakdown of the way in which total foreign tourism expenditure is made up – using an average of the Satour Summer and Winter 1995 Surveys. The majority of spending (65%) takes place in the home country, on airfare and prepaid expenses, indicating a large degree of economic leakage from the South African economy.

In terms of spending within the country, the accommodation sector is the greatest beneficiary, followed by restaurants and food retail outlets, curios and local transport. IPSA

Table 4: Expenditure by foreign tourists

Spending Category	Amount (R) per person	% of total
Airfare	8,000	43%
Prepaid expenses	4,100	22%
Accommodation	1,800	10%
Meals	1,200	6%
Souvenirs	2,000	11%
Transport	500	3%
Entertainment	400	2%
Other	600	3%
Total	R18,600	100%

Note:.
1. Spending does not add to overall total quoted of R18,600 since not all visitors were able to provide detailed expenses (Satour).
2. Results should only be used as a general indication of spending since response rates were poor.

Source: Satour Winter Survey 1996

Those visiting South Africa for business reasons spend the most per day

The majority of spending (65%) takes place in the home country, on airfare and prepaid expenses

In terms of spending within the country, the accommodation sector is the greatest beneficiary

Domestic Tourism in South Africa:
(Un)Limited Options?

By Margaret Futter and Libby Wood
Data Research Africa

Local tourism used to be the preserve of the wealthier, more mobile white population. This situation has changed dramatically, reflecting the rapidly changing nature of the domestic holiday market. Existing tourism facilities are not geared to meet this demand, and long term investment is required.

*The third in **Indicator SA's** tourism series – this article concludes with an outline of the economic contribution of both domestic and foreign tourism (building on the previous article) for South Africa.*

The only reliable way of measuring domestic tourism is through a large scale household survey

Estimating the domestic tourist market is a complex task. Domestic movements are difficult to monitor and the local industry consists largely of day-trippers and people visiting friends and relatives. The only reliable way of measuring domestic tourism is through a large scale household survey.

Satour has recently undertaken two domestic tourism market surveys. These surveys have their limitations since they exclude day-trippers, are based on a small sample of 2 000 households and do not provide time-series data. Moreover, the latest survey was undertaken over two years ago and the information is now outdated.

The domestic tourism market in South Africa has traditionally been dominated by the white population who have the greatest levels of wealth, mobility and access to amenities. The past few years have witnessed a dramatic change in the composition and nature of domestic tourism. This is attributable to the ending of apartheid and an increase in prosperity among the black populace.

The Durban Metropolitan Council's Urban Strategy Department projects a 261% increase in urban black South African tourists between 1986 and the year 2000 and a 473% increase in rural black tourists over the same period (Table 1). Although these figures are derived from a very low base, they reflect the rapidly changing nature of the domestic holiday market.

The emergent class of tourists tend to have lower spending power and preferences towards gregarious types of entertainment experiences. They also consist of a higher proportion of day-trippers and of people visiting friends and relatives (VFR).

Existing tourism facilities are not geared to meet this demand, hence long term investment is required. This could potentially lead to the creation of new employment opportunities in both the construction and operation of new facilities catering for this market.

Table 1: Composition and projected growth of the domestic holiday market

Racial Breakdown	1990 %	2000 %	Total Growth 1986-2000
Whites	45	28	22
Indian	4	4	105
Coloured	10	10	143
Urban blacks	28	38	261
Rural blacks	12	20	473
Total number	6 552 000	12 014 000	83%

Source: *The Mercury*, 13 December 1996

In order to better study the diverse tourist market, Schroenn's (1996) three categories referred to as Living Standards Super Groups (LSSG) are used here:

- LSSG A refers to established achievers who are urbanised, live in metropolitan areas, own their own homes, tend to have tertiary education and have an average monthly income of R4 571.
- LSSG B refers to the emergent market who are urban, mainly non-metropolitan, black and literate; over half have some high school education; and are blue-collar workers with an average household monthly income of R1 059.
- LSSG C refers to the less privileged who are mainly rural, young black adults or black adults over 50 years. Sixty percent have never been to school or have only received some primary education. They are mainly unemployed, students or retired with an average monthly household income of R557.

Tourist destinations

Table 2 provides a breakdown of the percentage of domestic tourists visiting each province relative to their respective share of the total South African population. This comparison is important since the main origin of domestic tourists is their province of residence.

The major domestic holiday tourist destinations are KwaZulu-Natal, Western Cape and Gauteng. However, Gauteng receives a small proportion of domestic tourists relative to its population size.

The major domestic holiday tourist destinations are KwaZulu-Natal, Western Cape and Gauteng

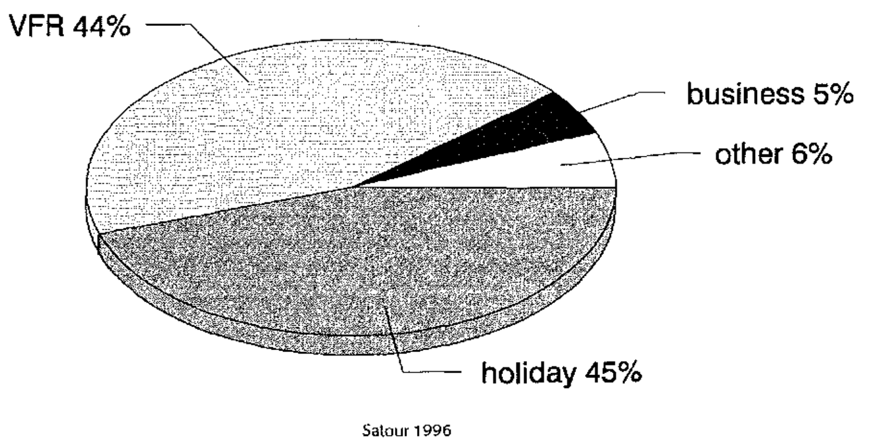
Table 2: Provincial market breakdown

Province	% of all trips	% of total SA population
KwaZulu-Natal	24.6	20.6
Gauteng	16.0	21.5
Western Cape	12.9	10.3
North West	10.1	7.8
Eastern Cape	9.3	14.3
Northern Transvaal	8.9	10.1
Eastern Transvaal	7.6	7.2
Free State	6.6	7.2
Northern Cape	2.0	1.0

Source: Markinor & Satour 1995

Gauteng receives a small proportion of domestic tourists relative to its population size

Figure 1: Purpose of travel for domestic tourists



Satour 1996

In 1994 business travel accounted for only 5% of the domestic tourist market

Satour estimated that some 17,3 million domestic holiday trips were undertaken in 1994

Activities

In 1994 holiday-makers and VFR each accounted for approximately two fifths of the domestic tourist market, while business travel accounted for only 5% (Figure 1).

The primary purpose of travel among Living Standards Super Group A (LSSG) respondents – or 'established achievers' – was holiday, whereas in LSSG B and LSSG C – the 'emergent' and 'less privileged' market – it was VFR. This is not surprising given the greater spending power of the former group.

KwaZulu-Natal and Western Cape receive a higher percentage of total expenditure than their share of trips would suggest

The sample size of the 5% of domestic tourists recorded as business travellers is too small for reliable quantification. Evaluating employment generated through domestic tourism is therefore restricted to the domestic holiday tourism market (which includes VFRs).

Table 3: Provincial market and LSSG breakdown

Province	% of all Trips	% of Total Domestic Tourism Expenditure	LSSG A (established achiever)	LSSG B (emergent market)	LSSG C (less privileged)
KwaZulu-Natal	24.6	32.0	61.5	28.5	10.0
Gauteng	16.0	6.0	39.9	45.5	14.6
Western Cape	12.9	24.2	88.6	8.8	2.6
North West	10.1	6.7	38.7	47.0	14.3
Eastern Cape	9.3	9.7	53.9	36.5	9.6
Northern Transvaal	8.9	5.0	40.7	48.6	10.6
Eastern Transvaal	7.6	6.4	54.8	31.3	13.9
Free State	6.6	5.0	61.5	35.5	3.0
Northern Cape	2.0	2.3	62.1	35.9	2.0

Source: Markinor and Satour 1995

Table 4: Spending by LSSG for domestic tourism market (at 1997 prices)

	LSSG A %	LSSG B %	LSSG C %	Total %	Av.Total per trip (1997 Rand)	Projected Grand Total (1997 Rand)
Accommodation	26	11	16	25	R299	R4.4 m
Food	21	17	24	21	R252	R3.7 m
Transport	26	44	36	26	R304	R4.4 m
Spending Money	27	28	24	27	R324	R4.9 m
Total	100	100	100	100	R1178	R17.6 m

Note:
1. 1994 figures have been adjusted to allow for inflation to represent equivalent 1997 spending.
2. Projected grand total is calculated on the basis of the total number of trips recorded in survey.

Source: Calculated from Satour/Markinor Domestic Tourism Survey 1995

Economic contribution

Based on the findings of the 1994 Domestic Tourism Survey, Satour estimated that some 17,3 million domestic holiday trips were undertaken in 1994, generating just over R19,5bn in domestic expenditure (adjusted to 1997 price levels).

The figures suggest that there is less potential for tourism among poorer groups than is generally assumed

This figure seems rather high and estimates based on the total number of trips actually captured by this survey (12,1 million) are used in this article. Recorded trips equate to R14,3bn generated through domestic tourism at 1997 prices. Actual figures for 1997 are likely to be higher given that domestic tourism is perceived to be increasing.

Table 3 demonstrates the proportional economic contribution of tourism to each province relative to number of trips. Interestingly, both KwaZulu-Natal and Western Cape receive a higher percentage of total expenditure – 32% and 24% respectively – than their share of trips would suggest.

This is largely due to the socio-economic characteristics of tourists visiting these provinces. The majority of Western Cape's and KwaZulu-Natal's source markets come from LSSG A. Most of Gauteng's source market would fall under LSSG B and C, and its percentage share of total expenditure is therefore smaller (6%) than its percentage share of trips (16%) would suggest.

Table 4 outlines domestic holiday expenditure according to LSSG. Domestic tourism expenditure is fairly evenly dispersed between accommodation, food, transport and spending money. Tourists from LSSG A spend a higher proportion of their total expenditure on accommodation than those from lower income groups.

The highest spending category for LSSG B and C is transport, indicating a smaller expenditure on other goods, rather than absolute higher levels on transport. The projected grand total provides an estimation of the economic contribution to the key tourism sectors generated by domestic tourism.

In terms of trips made by domestic tourists, a far higher proportion of people from LSSG A ('established achievers') make domestic holiday trips than LSSG C ('less privileged'). T he average expenditure per trip is also far higher for members of LSSG A (R1 549) than LSSG C (R188) (Table 5).

As a consequence of these trip and expenditure patterns, the percentage of total tourism expenditure is highly skewed towards LSSG A at 84%, with LSSG B and C constituting only 16% of expenditure in total. If these figures are reliable, they suggest that there is less potential for tourism among poorer groups than is generally assumed.

The survey did not, however, focus on day trips. Lower income groups could spend most of their 'holiday' budget on day trips, but no research evidence is available to confirm this. Furthermore, one could also argue that there is a latent demand, but that due to a lack of adequate facilities, people are not spending their money on trips.

Table 6: Estimated economic contribution of South Africa's tourism industry

	1992*(R bn)*	1993*(R b)*	1994*(R bn)*	1995*(R bn)*	2000*(R bn)*
Foreign tourism	4.4	5.4	6.9	8.9	29.7
Domestic tourism	8.4	10.3	12.4	13.9	22.8
Estimated total	12.8	15.7	19.3	22.8	52.5
Ratio of GDP	3.75%	4.09%	4.45%	4.9%	7%

Notes:
1. Estimates assume an inflation at an average of 7.5% per annum between 1995-2000 and a growth rate in real terms of 2.5% pa (Kessel Feinstein 1996).
2. Domestic tourism figures are based on results of the domestic household survey (Satour 1996)

Source: Calculated from Satour 1996, South African Reserve Bank, Kessel Feinstein 1996

Total contribution

Table 6 provides an estimation of the contribution of tourism to GDP in South Africa from 1992 to 1995, with projections for the year 2000. In 1995, tourism was estimated to contribute around R22,8 billion, constituting 4,9% of GDP. The value of tourism has increased significantly in recent years and it is estimated that tourism's contribution to GDP could be close to 7% by the year 2000.

The figures quoted in Table 6 are actually an underestimation because they do not include capital expenditure in the tourism sector. According to the World Travel and Tourism Council (WTTC 1996) tourism investment amounts to 21% of the total contribution of tourism to the global GDP.

The WTTC estimated tourism to contribute 9,8% of GDP for the Middle East/Africa in 1996. After subtraction of an assumed investment of 21%, tourism (excluding capital expenditure) in the East/Africa region contributed an estimated 7,8% to GDP.

If this average is assumed to be an achievable figure, this means that there is still a significant growth potential for the South African tourism industry. This potential is further highlighted by the fact that at a global level, tourism ranks as the top

Table 5: Domestic tourism expenditure by LSSGs

	LSSG C (less privileged)	LSSG B (emergent market)	LSSG A (established achiever)
% of SA population	25%	41.5%	33.4%
% of all domestic tourist trips	9.7%	34%	56.3%
Average expenditure per tourist per trip	R188	R420	R1549
Average spending per person per annum	R36	R172	R1309
Total expenditure (million)	R0.3 mil	R2.5 mil	R15.1 mil
Percentage of total tourism expenditure	2%	14%	84%

Source: Calculated from Markinor and Satour 1995

There is still a significant growth potential for the South African tourism industry

Tourism's contribution to GDP is currently greater than major sectors such as agriculture and energy

Tourism's contribution to GDP could be even greater than important sectors such as transport and mining

The tourism industry has a significant impact on the current and capital accounts of the balance of payments

foreign exchange earner, whereas in South Africa it is ranked fourth (Satour 1996a). A comparison of tourism's contribution to GDP relative to other officially recorded sectors provides a better understanding of the relative importance of tourism to the South African economy. Table 7 provides such a comparison, based on a sample of the key sectors.

Table 7: Tourism's contribution to GDP relative to other industrial sectors, 1995

Industrial Sector	Gross Contribution to GDP (R bn)	(percent)
Manufacturing	R104.5	22.5%
Finance, real estate & business services	R73.3	15.8%
Commerce, catering and accommodation services	R70.1	15.1%
Tourism (WTTC estimate for Middle East/Africa) (extrapolated for SA)	***R45.6***	***9.8%***
Transport, storage & communication	R32.7	7.1%
Mining & quarrying	R33.2	7.2%
**Tourism (Satour estimate for South Africa)*	*R22.8*	*4.9%*
Agriculture, forestry, fishing	R18.8	4.1%
Electricity & water	R17.8	3.8%

Sources:
1. CSS, 1995: GDP data
2. Satour, 1995: Tourism's contribution in SA
3. WTTC 1996: Tourism's contribution in Middle East/Africa

Table 8: Tourism's relative contribution to foreign trade, 1994

Item	Contribution to Foreign Trade(R bn)	Percentage of Total
Manufactured goods	34.5	35.5%
Gold exports	22.7	22.7%
Mining	17.7	17.7%
**TOURISM*	*7.0*	*7.0%*
Agriculture	5.3	5.3%
Other goods	9.9	9.9%

Note: * Satour 1996a estimate - not reported in Foreign Trade Report
Source: CSS and Reserve Bank

Foreign investment can lead to leakage of profits and a reduction in the use of local inputs

Clearly, tourism's contribution to GDP is currently greater than major sectors such as agriculture and energy. Moreover, if WTTC estimates for Middle East/Africa indicate tourism potential in South Africa, the industry's contribution to GDP will be even greater than important sectors such as transport and mining.

An important point to recognise is that tourism's relative economic contribution is actually greater that these figures imply since all the other sectors contain tourism related activities in their estimates. This is particularly so for 'commerce, catering and accommodation' and 'transport, storage and communication'.

The importance of tourism's relative contribution becomes further evident when considered in terms of foreign exchange earnings. Although tourism is not recorded in the Foreign Trade Report, Satour estimated that in 1994 tourism would have the fourth highest value of all 'items' in terms of foreign exchange earnings, had it been included.

Service requirements in many international companies exceed the levels traditionally accepted in the South African tourism industry

Tourism is estimated to have constituted 7% of foreign exchange earnings in 1994, placing it ahead of agriculture (Table 8).

The global economy

The tourism industry creates strong linkages with the global economy and has a significant impact on the current and capital accounts of the balance of payments. The current account is impacted since expenditure by foreign tourists can be viewed as an 'export' from the South African economy. The expenditure of South Africans travelling abroad effectively 'imports' goods from the respective countries.

However, linkages are not this straightforward since a proportion of foreign tourism expenditure will inevitably be attributed to imported goods and services. Tourism affects the capital account through foreign investors buying shares in companies involved in tourism related activities, or contributing to fixed investment. Alternatively, South African companies may invest in tourism ventures in other countries.

The number of foreign owned tourism companies in South Africa is increasing. Opinions regarding the implications of

Table 9: Depreciation in the exchange rate and inflation in South Africa, 1989-96

Year ending December	Depreciation Rate %	Depreciation Rate Index	Inflation Rate %	Inflation Rate Index
1989		100		100
1990	7%		14.4%	
1991	6.3%		15.3%	
1992	4.3%		13.9%	
1993	8.7%		9.7%	
1994	8.5%		9.0%	
1995	3.6%		8.7%	
1996	21.9%	177	7.2%	209

Source: Reserve Bank 1997

foreign investment in the local tourism industry are mixed. On the one hand, foreign investment can be viewed negatively given the likely leakage of profits, potential reduction in the use of local inputs and loss of control of the industry.

Alternatively, foreign investment can be seen as essential to the development of the tourism industry, encouraging the introduction of new technology, market techniques and an improved variety of tourism services.

The overall impact of foreign tourism investment on employment creation and the conditions of employment would seem to be positive since foreign investment can add to domestic investment already taking place. Moreover, it is suggested that service requirements and therefore levels of training provided in many international companies, exceed the levels traditionally accepted in the South African tourism industry.

South Africa's relative competitiveness in the international market in terms of price is heavily influenced by the exchange rate and levels of inflation. In the past few years, the rate of inflation has exceeded depreciation in the exchange rate (Table 9).

In absolute terms, prices have increased by 18% over the past six years in foreign currency terms. In competitive terms this equates to only 3% per year and cannot be said to have weakened South Africa's position. However, the real impact of this on South Africa's international competitiveness will depend on the rate of inflation experienced in those countries with which South Africa trades.

The actual increase in prices in some sectors of the tourism industry may have exceeded this inflation rate since some sectors have taken advantage of the increase in international demand and increased their prices at a rate in excess of inflation. For example, between 1990 and 1996, it is estimated that four or five star hotels have increased tariffs by around 150% to 180%.

If price increases have been implemented from an informed perspective, they could have positive employment implications since – assuming foreign tourism demand is relatively inelastic at current price levels – the total revenue accruing to the tourism industry can be expcected to increase. The implications for employment will obviously depend on how the increase in revenue is distributed. IPSA

The real impact of South Africa's international competitiveness will depend on the rate of inflation in the trading countries

Prices have increased by 18% over the past six years in foreign currency terms

Tourism and Development:

No Short Cuts

By Margaret Futter and Libby Wood
Data Research Africa

Tourism is increasingly viewed as a development solution, particularly in South Africa's poor rural areas. But an over reliance on this sector is unwise. Disparities in access to infrastructure and services are unlikely to be addressed by tourism and the industry's potential in this regard must be viewed realistically.

Tourism has caught the imagination of the public, politicians, planners and economists as a means of stimulating growth and development in South Africa. This is based on indications that tourism is the world's largest and fastest growing industry. In addition, it has boosted the economy of several countries including those along the Mediterranean coast, in the Caribbean, The Gambia and Kenya.

Based on this promise of economic growth and recognition of the enormous tourism potential of South Africa – many are touting tourism as the panacea to development problems (*Tourism White Paper* 1996), particularly in marginalised rural areas.

It is perceived that the infrastructural development necessary for tourism will benefit marginalised areas

It is widely believed that tourism, especially ecotourism, can deliver economic upliftment through creating employment and income generating opportunities. In addition, it is perceived that the infrastructural development necessary for tourism will benefit marginalised areas.

To a lesser extent, the debate in South Africa has acknowledged the potential social, cultural and environmental impacts of tourism. These are nuanced, being both positive and negative. They are more difficult to measure than economic impacts, as monetary values cannot easily be assigned.

In addition, there are other aspects relating to the growth of the tourism industry such as the necessity for education about, and awareness of tourism, and its potential impacts, and the need for institutional support. These areas have received far less attention and must be addressed for tourism to succeed and to have any redistributive impact.

International cases

The tourism industry is a fragmented market. The major segments are:

- Conventional forms of tourism such as beach holidays.
- Alternative forms of tourism such as ecotourism, ethnotourism, and agritourism.
- Business tourism.

Each of these impact differently on the local economy, society and the environment and consequently make different contributions to development. Most tourist development strategies have focused on conventional tourism, primarily due to its economic impact. International case studies in this regard are insightful.

❑ The Gambia

Tourism here has been promoted as part of the national development strategy since 1972. Most tourists come on prepaid, all inclusive tours and stay in foreign hotels. The accrual of tourism receipts to The Gambia is thus limited to between 22% and 45% of the total price paid (Dieke 1994). The economic benefit is further limited by the low levels of expenditure by tourists (US$8 per day), of which about 51% is lost to outside interests (Dieke 1994; Farver 1984).

In 1989 tourism accounted for approximately 7 000 jobs, of which about 4 000 were indirectly created (handcraft, taxi drivers, prostitutes) (Dieke 1994). Unfortunately the income levels of those employed is unknown, although Farver's study (1984) indicated that the income levels in the formal, waged sector varied from US$450 to US$50 per month for unskilled labour.

Other studies suggest that informal sector employment is more beneficial to the local population, as the formal waged economy is dominated by expatriates. Gambians are generally employed in menial and unskilled positions with little hope of advancement (Dieke 1994).

Employment is also highly seasonal, due to the seasonality of tourism. During low periods most hotels close, with half the staff being laid off and the remainder receiving reduced wages.

Impacts on Gambian culture have also been described: the disturbance of religious practices and the growth of 'professional friends', beggars and prostitutes. It has been noted, however, that 'money talks' in bringing about development despite objections from local residents (Wagner 1981).

❑ Kenya

Kenya is widely recognised as one of the major tourism countries on the African continent. Tourism development has been actively promoted by the government since Kenyan independence in 1963. The industry's contribution to Kenya's economy has however, been modest, at approximately 4% of GDP in 1984.

In broad terms, tourism has created only a limited number of jobs – 3% of total wage employment – with a small rate of increase. It is accepted that tourism provides a stimulus for other economic sectors, but many of the linkages are with overseas companies, which disadvantages the local economy (Bachmann 1988).

In this case, the social and cultural impacts of tourism are most noticeable. Conflict between different groups has arisen due to the varying attitudes and values held by local communities and tourists (Bachmann 1988). In particular, the traditional Muslim community has limited association with and approval for tourism, owing to the offence caused by tourist dress code, tourists' consumption of alcohol and employment of women in the industry.

Conflict between tourist groups has also been noted: the majority of British, German and Italian tourists keep to themselves and patronise different hotels. Prostitution and sexual favours have increased along with tourism, and in some instances are seen as part of the region's attraction (Bachmann 1988).

❑ Languedoc-Rousillon, France

In contrast with the above examples of tourism as a national strategy, this region adopted tourism as a means to develop and diversify the economy and reduce the emigration of young people from this region in the south-west of France (Klemm 1992).

Tourism here has grown from 30 000 visitors per annum to five million in 1990, all of whom could be accommodated. Tourism contributed 10% to the region's income in 1985 – the highest contribution in any region in France (Klemm 1992).

Although job creation is difficult to measure, it is estimated that between 50 000 and 60 000 permanent jobs and about 20 000 seasonal jobs were created. These are generally filled by young people, thus reducing their emigration from the region. The impact of tourism on the growth of other economic sectors is

The accrual of tourism receipts to The Gambia is limited to between 22% and 45% of the total price paid

The tourism industry's contribution to Kenya's economy has been modest at approximately 4% of GDP in 1984

In Kenya, the traditional Muslim community has limited association with and approval for tourism

The development impacts of the industry are spatially focused in those areas with tourism potential

noted, with the industrial and tertiary sectors exhibiting growth rates of 8,7% per annum (Klemm 1992).

Tourism has improved the environment, with local residents noting improvements in communications and quality of life. There have, however, been trade-offs: the area has many trees and fewer mosquitoes, but the draining of marshes has resulted in the loss of natural habitats (Klemm 1992). Larger areas are also covered by tarmac and concrete and there is more traffic, congestion and crowding over the peak season.

Tourism based development strategies have thus had mixed results. The economic benefits have been generally positive, although with some mediating factors such as seasonality. It is also important to note that tourism is regional: the development impacts of the industry are spatially focused in those areas with tourism potential.

Tourism can represent a diversification of the economy from the traditional foci of agriculture and manufacturing

Development options

Tourism can make several economic contributions. Spending by tourists injects capital into the regional economy, and induces an increase in GGP and government revenue. Money is thus available for investment, both by the public sector in infrastructure and service provision and the maintenance of these, and by the private sector. This economic growth in turn attracts further investment.

The injection of money into the economy also stimulates the entire regional economy through the multiplier effect, fostering economic growth and creating employment opportunities. Particular economic sectors may be stimulated, and new opportunities, particularly in the small, medium and micro enterprises (SMME) sector, created.

Tourism can represent a diversification of the economy from the traditional foci of agriculture and manufacturing, and encourages the establishment of related service and production activities. This broadens the base for future economic growth and development.

Seasonality makes the development contributions of tourism insecure

Although the jobs created through tourism may be primarily low skilled and low paid, they provide access to the formal labour market and to an income. Importantly, while the tourism industry is fairly labour intensive, it often provides an opportunity for the marginalised sectors of rural society, especially women (see the first article in this tourism series).

Tourism may bring about a strengthening of indigenous cultures in destination regions and provide an economic and social rationale for the preservation of cultural practices, although there are charges of this being exploitative. Protected natural areas have been established to attract tourists and facilitated their continued maintenance through the generation of funds.

Improvements in public infrastructure and social services also result from tourism development. These improve local communities' standard of living and levels of human development. However, it has been argued that basic needs and the provision of services for the poor are not directly addressed by tourism. This is furthermore unlikely to occur through the promotion of conventional tourism.

Negative effects

Despite positive contributions, tourism may bring about changes which threaten the region. Importantly, the issue of seasonality makes the development contributions of tourism insecure: employment creation benefits are limited to a short period each year.

Other considerations include the potential increase in inflationary pressures, a rise in crime, potential vandalism and destruction of both the built and natural environment, and increasing conflict between, and within, communities and tourist groups.

Increasing numbers of tourists, urbanisation and immigration of people to the region in search of employment may place pressure on the existing infrastructure, so lowering the quality of life and overburdening existing facilities. In the long run, this may threaten the basis of tourism itself.

The organisation of tourism development may reinforce the problems of uneven resource distribution. This marginalises those without access to, or with fewer, resources, and further entrenches existing income disparities.

Disparities in access to infrastructure and services have not, and are unlikely to be, addressed by tourism: any infrastructural improvements associated with tourism are likely to be aimed at increasing the amenity of the tourist, thus benefiting those who are already advantaged. In addition, SMME development – which is often argued to be redistributive – may take place within the relatively privileged groups, thus further reinforcing disparities.

The implications are that if conventional forms of tourism are to be adopted as a development strategy, trade-offs need to be made. These are between the reported economic benefits and the social and environmental impacts. The social trade-offs are likely to be commodification, distortion and exploitation of the indigenous culture in an attempt to promote cultural tourism and earn revenue.

Criminal activity in certain areas may increase and the social structure and its stability may be threatened by divisions between those who benefit from tourism, and those who do not. Environmental trade-offs may include increased poaching and uncontrolled trophy hunting. Further environmental degradation may result from increased tourist numbers placing strain on the environment, and increasing levels of waste generation and pollution, especially litter.

New focus

More recently, there has been a shift in focus within the tourism market to alternative forms of tourism, with tourists seeking new and novel experiences. In South Africa, this has been accompanied by initiatives to facilitate the diffusion of benefits to local communities.

These involve varying degrees of participation by local communities and include land leasing between communal authorities and conservation agencies or private enterprises, jointly administered ventures, and community led initiatives. Most projects involving local communities are still in the early stages of development. While some have yielded only token participation and benefits, others have resulted in significant flows of income and in the strengthening of community organisations.

Tourism will only empower local people and generate local economic benefits if accompanied by wide ranging reforms such as:

- restoration of land rights;
- strengthening and democratisation of community organisations;
- support for new forms of land tenure, including communal arrangements;
- construction of physical infrastructure;
- investment in technical and managerial skills of local people;
- social and economic impact assessments of proposed schemes.

The growth in the foreign tourism market has the potential to significantly benefit local communities since foreign tourists are interested in experiencing indigenous African culture. Both foreign and local travellers should be redirected to community based tourism ventures.

Both foreign and local travellers should be redirected to community based tourism ventures

But the industry's potential for bringing development should be viewed realistically. Tourism can contribute to economic upliftment in areas where the necessary attractions, amenities and infrastructure exist and are organised to benefit locals.

Tourism should be developed together with other economic activities on the basis of integrated regional planning. There should however, not be an over-reliance on tourism as the panacea for rural poverty.

Tourism should be developed together with other economic activities on the basis of integrated regional planning

The spatial specificity of tourism must also be recognised. The most important determining factors are community access to areas of ecological interest and the degree to which indigenous culture has been maintained. KwaZulu-Natal, for example, is rich in Zulu culture whereas the indigenous culture in Northern Cape has been eroded through evictions and resettlement programs.

Finally, the contribution of tourism to development must be considered relative to that of other economic sectors such as agriculture and manufacturing. Problems of effectively distributing benefits face all economic sectors – is the tourism sector any different?

The new focus of tourism is encouraging as it is based on the development of the land and culture – the two elements that local communities, with appropriate advice and support, control. This can ensure their involvement in tourism initiatives which benefit the community and encourage development. IPSA

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Development = Electrification

Or Does It?

By Caroline White
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Electricity is important for quality of life, but it is not a panacea. The hype surrounding its rapid extension to all South Africans should not obscure the other pressing energy related issues that must be addressed to make people's lives less onerous and less dangerous.

Ever since Ian Macrae took over the Eskom driving seat and announced, during the late 1980s, his dream of millions of lights going on all over South Africa, mass electrification has been a national goal, the humanitarian and economic benefits of which are not questioned.

And indeed, for some uses it is uniquely appropriate and a boon to those lucky enough to have it: there is no comparison between the illumination of a candle and that of an electric light bulb. For students pouring over their books, for people's safety in the streets, for night soccer matches, and a thousand other lighting needs, electricity has no peer among the so-called 'transition fuels' – paraffin, gas, candles and coal.

And even where the alternative is almost as efficient, such as gas or paraffin refrigeration, the cost of the appliance is prohibitive both to small businesses and to householders in squatter settlements and rural areas without access to the national electricity grid.

The majority of poor people who have access to electricity do not use it for all their energy needs

The poor's needs

So there is no doubt that mass electrification will benefit the poor in terms of lighting and refrigeration and save them many rands on batteries for radio's and televisions.

However, there are serious and urgent questions to be asked about the suitability of electricity for all the energy needs of the poor. As long as these questions are ignored, so too are the safety, efficiency and cost issues that pertain to the mixed energy use that is the reality of most poor households in South Africa.

The majority of poor people who have access to electricity do not use it for all their energy needs. They avoid using electricity for those needs that have a high energy demand and for which the appliances are specialised and relatively expensive, such as cooking and space heating.

Instead, for cooking, people largely use paraffin – in itself a volatile and dangerous fuel – in cheap and poorly designed stoves. For heating, all sorts of improvised means are used: around Johannesburg tin cans with holes pierced in them are filled with coal and set alight with paraffin; elsewhere makeshift arrangements are made with metal sheets placed precariously on top of unsteady paraffin stoves.

However, because everyone is expected to have electricity in the near future – and Eskom is indeed meeting its own prodigious targets of, for example, 300 000 connections in 1996 – little attention is being paid to making alternative fuels more affordable and accessible, less polluting and above all, safer to use.

Qualitative research

The data in the table below was collected in the course of research being carried out in four metropolitan areas – Cape Town, East London, Durban and Gauteng. Households occupying four different categories of housing were surveyed in each area – formal houses, backyard shacks of formal houses, and both planned and unplanned informal shelters.

In each metropolitan area there are 60 households with whom intensive qualitative research is in progress, and these are distributed among the different housing categories, some with access to electricity and others not.

The table shows all the areas in the project where electricity is available. It shows that the only places where the majority of people use electricity for all their energy needs are in backyard shacks in Gauteng and formal houses in Durban.

Despite having had electricity for close on 20 years and being highly urbanised by any criteria, most people living in the Gauteng formal houses prefer – if they have one – to use a coal stove for cooking, water heating and heating the house in winter. The consequence is indoor and outdoor air pollution with its concomitants of increased infant mortality, asthma and other respiratory ailments.

In all the other electrified samples, most households use paraffin, gas or coal for cooking and heating, either in combination with electricity or without using electricity at all for these purposes.

The table shows that in all the areas which have electricity, there are households which have continued to use or have reverted to using other fuels for cooking and heating, either exclusively or in combination with electricity.

So, in a total of 131 households with access to electricity, only 36 (or 27%) use electricity alone for these purposes, 40 (or 30%) use electricity in combination with gas, paraffin and/or coal and 51 (or 39%) never use electricity for cooking or space heating.

High costs

This alone is striking evidence that electricity is too expensive for many people to use for high energy purposes. In addition, however, work in Soweto shows that people use their electric stoves in summer only because a coal stove is uncomfortably hot to use in warm weather.

The most obvious reason for people not using electricity for high consumption

Little attention is being paid to making alternative fuels affordable and accessible, less polluting and above all, safer to use

Most people living in the Gauteng formal houses prefer to use a coal stove for cooking, water heating and heating the house

In a total of 131 households with access to electricity, 39% never use electricity for cooking or space heating

Electrified settlements: fuels used for cooking and heating

	E	E+G	E+P	E+C	E+G+P	E+G+C	E+P+C	No E	Total
Gauteng Formal	6	1		4		1	1	2	15
Cape Town Formal	0	4	4		1			5	14
East London Formal	2	7	1		1			4	15
Durban Formal	13	2						0	15
*Gauteng B'yards	11	2						2	15
*Cape Town B'yards	1	3						9	13
*East London B'yards	0	2						13	15
*Durban B'yards	3							11	14
Cape Town site and service	0	2	1		3			9	15

E = electicity
G = gas
P = paraffin
C = coal
* not all backyard shacks have access to electicity

Another perception is that it is not sensible to rely entirely on the electricity supply

Electricity remains the fuel that people aspire to use and associate with development

purposes is that it is expensive. Furthermore, a person with electricity can only use it once they have purchased appropriate appliances. These are enormously variable in quality and the cheaper ones often break. Paraffin is cheaper than electricity for cooking and a flame stove, at about R25 is very cheap, but has a short lifespan.

LPG (liquid petroleum gas in a cylinder) is more expensive than electricity and the appliances are costly but durable. Coal used in a stove is cheaper than electricity because it simultaneously provides several cooking surfaces, an oven and space heating. But coal stoves are very expensive to acquire.

In other words, each type of fuel has a 'life-cycle cost'. Thus, the appliances one already owns or can borrow or buy second-hand, as well as one's history of fuel use, has a bearing on what fuel will be chosen to cook with on a limited income.

Furthermore, many people experience paraffin, gas and coal as cheaper than electricity partly because they tend to use electricity more often – for another cup of coffee, for example. They also feel able to exercise tight control over their consumption of and expenditure on these other fuels.

Understanding electricity

People who have credit-metered electricity are constantly angry and dismayed by the size of the bills they receive. Because it is very difficult to monitor consumption with these meters, people often do not understand that a stove uses more electricity than, say, a television.

This enhances their sense that electricity is beyond their control – that however careful they are, they get deeper in debt. The belief is that all this can be avoided by using a paraffin stove: you know exactly how much it costs to fill and how much cooking you can to do with a full stove.

Another perception of people in poor township households is that it is not sensible to rely entirely on the electricity supply: you never know when there will be an interruption due to thunderstorms, national grid overload or a failure to pay. While in the former case, the supply will be resumed, in the latter, the reconnection fee may be unaffordable. Using paraffin or gas is then no longer a choice but a necessity.

Misunderstandings about the consumption of different appliances, frequent supply failures – which happen more often in Soweto and Alexandra than Sandton and Melville – and arrears accumulated during the boycott era which now appear every month as an increasing debt, combine to induce mistrust of the electricity supplier and contribute to the decision to use other fuels.

This decision is not made freely, however, but under economic and other constraints. Electricity remains the fuel that people aspire to use and associate with development and modernity and an up-to-date lifestyle. It is an unattainable aspiration, however, which policy makers need to address.

The people of New York, Rome and London cook with gas and heat with kerosene. Why are these seen as 'backward' fuels in South Africa? If people are going to continue using paraffin stoves for the foreseeable future, why is there no effort to make these appliances less of a health risk, safe and to secure people's homes against fires?

The South African Energy Policy Research and Training Project (EPRET) 'integrated energy planning scenario' includes the recognition that electricity 'may not be the desired and optimal source of energy for providing all energy services' (Williams EDRC and *Indicator* 12 (1) 1995).

Documents emanating from the Department of Minerals and Energy – such as *South African Energy Policy Discussion Document* (1995) – also demonstrate an awareness of the limitations of electrification for solving the energy problems of the poor. However, the Department's R808m budget has 'failed to earmark financial support for an energy, electricity and liquid fuels industries policy' (*Business Day*, April 17 1997).

Electricity is important for people's quality of life, but it is not a panacea. The hype surrounding its rapid extension to the people of South Africa should not be allowed to obscure the other pressing energy related issues that must be addressed to make people's lives less onerous and less dangerous. IPSA

ACKNOWLEDGEMENT

The information in this paper is based on work in all four metropolitan areas where research is being done for the project on the Social Determinants of Energy Use in low-income township households. It is thus the outcome of close collaboration between myself, the three regional coordinators and the researchers who have done much of the field research. I wish to acknowledge their contributions to this paper while assuring them that the responsibility for its faults lies with me.

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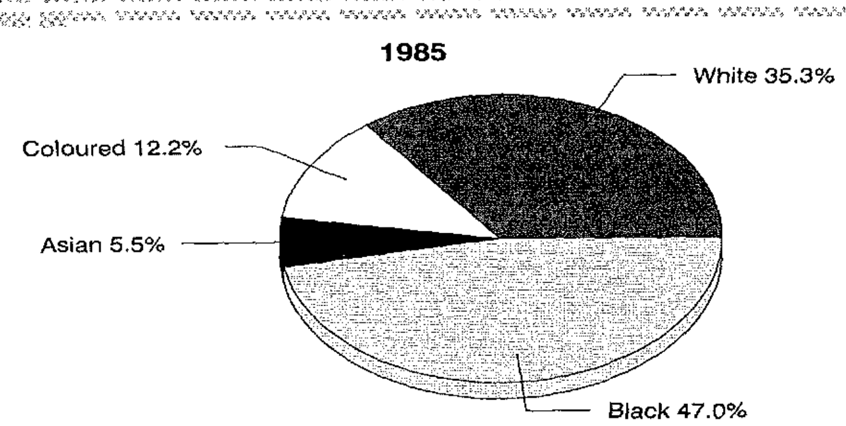
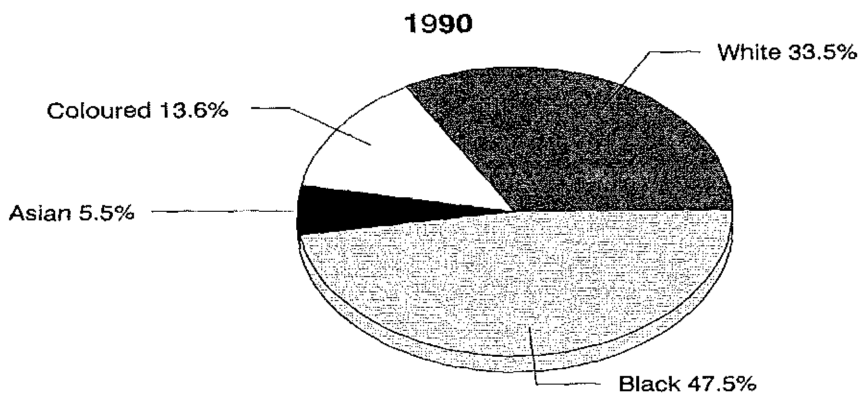
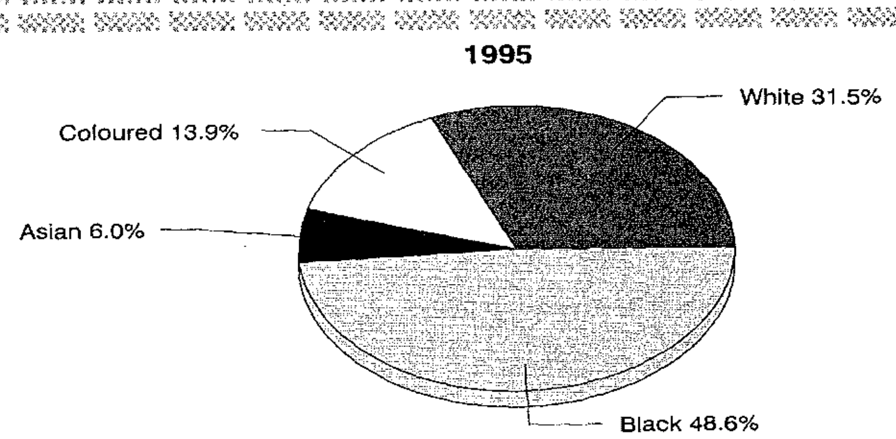
Racial composition of tourist-related permanent employment







Source: CSS, 1995 and 1996

Rural Land Tenure Reform

Surrounded By Hungry Allocators

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The scope for tenure reform in the impoverished former homelands is limited. And, while there is probably no substitute for communal tenure, these systems are becoming less workable as they edge towards collapse. The White Paper is right in its basic principles. But what is being proposed does not amount to tenure reform as yet: among other things, it needs to deal with the content of rights.

Rural land tenure for disadvantaged communities is teetering badly, poised between trying to become a new, forward-looking system and sliding into something that was never traditional. Deep in South Africa's transition to democracy, economic change is shaking apart the disempowered and discouraged former homelands.

For the people in these areas – the rural majority – confusion over the content of rights to land is discouraging economic activity and destabilising institutions. Local productivity and livelihoods options are grim and unemployment has soared. Instead of participating in Government's Growth Employment and Redistribution strategy (GEAR), the homelands are falling further behind as they fall into disorder.

Tenure reform is one of three pillars of the Department of Land Affairs' restructuring program

The land economy is no longer coping with the demands on it and rural institutions are in danger of coming apart. At policy level, the old homelands face being written off as basket cases. Rural violence cannot be ruled out if local economic development efforts fail, but without tenure reform and clear land rights, development may be unworkable.

Most seriously in doubt is whether Government's current tenure reform initiative will resolve these problems. The new White Paper plans would be implemented intensively, community by community. It will be difficult or impossible to deliver planned tenure reform to more than a few communities in any given year, and a 20 year horizon for full delivery has been suggested. But economic empowerment for the rural areas cannot wait 20 years.

Current policy

Government is concerned, and has prioritised the rural tenure problem. Tenure reform is one of three pillars of the Department of Land Affairs' (DLA) restructuring program, and a strong new team is in place to handle the issue. However, demands from ground level on an understaffed Ministry's slender resources are overwhelming. Going for the worst problems first, tenure planning tries to restore land rights removed by apartheid, and promotes free choice among a range of tenure alternatives. But Government may not be directing enough attention to critical tenure issues in the economy.

The DLA is doing two things. On the one hand, its tenure programme is concentrating on rights – trying to resolve conflicting claims. Protracted negotiations around land restitution for example, are likely to absorb large amounts of resources.

On the other hand, DLA is handing long-settled Tribal Authority (TA) land now held under Ministerial trusteeship back to tribes as private freehold land. However, title is assigned to the group rather than to leaders. Communities will decide how the land will be held: most will probably opt for some version of the communal/customary tenure systems now in place.

This approach has several weak points:

- With communal tenure systems under pressure and changing rapidly, the content of land rights in TA systems in now in confusion which is destabilising governance.
- There is no clear route to economic rights and economic empowerment.
- Communities may be defrauded of land as sophisticated outside interests move in on unsuspecting citizens.
- Most serious is the risk that tenure reform will never reach most former homelands, or will be shelved indefinitely. The process is time consuming and a 40 year horizon might be more realistic.

The new White Paper acknowledges that most communities will be relegated to a category labelled 'interim measures'. That is, they will not receive tenure reform in the foreseeable future, and perhaps never:

> *"The process of formalising and securing land rights...will happen slowly and on request by the affected rights holders...there is limited capacity within government to respond even in the areas where urgent requests for untangling and formalisation of rights are being made...There will be extensive areas where tenure reform does not take place for many years...To deal with this, [there are] interim measures..."*
> (White Paper on South African Land Policy 1997)

The thrust of the White Paper process is toward untangling claims to land rights where formal private ownership conflicts with informal claims based on long residence. These problems are mainly found in the former 'black spot' tenancy areas, and on farms where farmworkers or tenants have been living. These are not the characteristic problems of the former homelands.

The CPAA model

Although the new Communal Property Associations Act (28 of 1996) (CPAA) will not apply in former homelands, it serves as the current government model for rural tenure reform across the board. The CPAA provides for communities to do their own tenure, by writing community constitutions with government support.

The Act has several potential advantages: justice for the excluded, fair deals between communal holders and outside interests, and help in suppressing abuses. However, the CPAA is procedurally complicated. Delivery stretches government personpower: for the 300-plus TAs in KwaZulu-Natal alone, 20 to 40 years would not look unrealistic.

There is also targeting. Requests for constitutions are most likely to come via elites wanting private tenure. Most rural families' land anxieties and yearnings attach first to stability: fear of rising instability makes them reluctant to tamper with their land system even when it is coming apart.

In this framework, the Government approach is driven by legal and human rights. Economic issues are supposed to fall into place as the communities work out their concerns. But, facing the complexities of real-world tenure, there is reason to doubt that this will happen.

Groups will also need capacity and unity, but skills and education are scarce. Most long settled groups are too

Government may not be directing enough attention to critical tenure issues in the economy

The problems which the White Paper aims to address are not those characteristic of the former homelands

Most rural families' land anxieties and yearnings attach first to stability

DLA has to some extent inherited the caselist and goals of the service NGOs

large to handle the decision processes. Unlike newly formed groups, they are usually internally split. Recent research also suggests that groups may be unable to enforce agreed restrictions for unpopular issues like livestock limits.

Origins of DLA policy

Government's current approach to tenure reform has roots in the NGO experience under apartheid. After the 1994 elections, as DLA was being set up, service NGOs alone had experience of resolving land problems: they supplied a core of personnel and had a major input into DLA's working agenda.

DLA has to some extent inherited the caselist and goals of the service NGOs. The question is how far this government agenda has progressed to confront the needs of the rural economy in the 90s.

In divided communities outsiders offering payment for land may not need to satisfy transparency conditions

Kept out of TA areas under the last government, NGOs' work focused on land deprivations on farms and in 'black spot' tenancy communities. This is where tenure reform is focusing now. Importantly, this approach is process driven: it assumes that communities benefit as much from working through problems collectively as they do from the outcome.

A struggle process with outside help undoubtedly builds grassroots capacity. But there are real questions about time and resources: a typical NGO community process is intensive – taking at least two years.

Government has to tackle mass delivery of public service, as against the customised, donor supported, intensive NGO approach. In advance of the next elections, policy thinking is focusing on rapid delivery on scale.

In former homelands, the biggest areas of uncertainty are rights to trade land on the market, and gender rights

Reforming rural tenure needs mass delivery, but the tenure issue is not simple. There are questions about what reform needs to address, how it should be activated, and how much change can be accommodated without the system coming unglued.

Former homelands tenure

In the former homelands, institutions are failing and violence persists in many areas. Confusion over land rights lies at the root of much instability. Not all its knock-on effects are obvious.

Pressure factors for communal tenure in the former homelands also fuel the wider rural crisis. The limits for tenure and rural reform generally are strung between unprecedented unemployment and increasing population movement. Rapid migration destabilises institutions, and unravels social norms.

Economic differentiation is a second major destabilising factor. As incomes and education levels diverge, formerly isolated communities are opened to market forces and lose common interest. Communities then weaken and become vulnerable.

In divided communities where local politics have become opaque and self-interested, risk of shark attack rises: outsiders offering payment for land may not need to satisfy transparency conditions to get what they are after.

Meanwhile, on the ground, tenure rights are less secure than ever before. Local land authorities, chiefs and committees, are selling off commonage land to outsiders – alienating their constituencies with every transaction. As new needs emerge and practice shifts, landholder families are no longer sure what rights they can claim.

Even locally, the content of tenure rights is unclear. Demand for business sites and for the right to sell land are examples of new rights being claimed. The biggest areas of uncertainty are probably rights to trade land on the market, and gender rights. However, many areas of economic land use are now problematic.

Worldwide, traditional land systems are moving toward greater individualisation. In South Africa, informal land markets are now widespread in densely settled areas. In a recent survey of KwaZulu-Natal, 30% of African families said they could sell their land informally if they were to move. This market is unregulated and people in TA areas are still unable to access the national housing subsidy: no one is sure if they own their land or not.

On the gender front, whether or not women can inherit land, or dispose of it in their own right if they do inherit, varies from place to place – and also from neighbour to neighbour.

Communal tenure

Communal tenure requires that community members maintain respectable and caring behaviour as a condition of holding their land right. It gives the family certain claims on the community, and the community important rights of oversight, exercised through chiefs or committees.

The main difference from private tenure is the number of owners per parcel: one for private tenure, but one plus a number of lesser interests for communal. But fewer and fewer of these stakeholders are now consulted by a family wanting to dispose of land. As a result, the leadership responsibility of oversight becomes more important as it becomes less clear.

To keep a good moral climate, outsiders wanting entry have to go through a vetting process. In the former homelands, up to seven levels of approval slow things down, but give protection.

Communal systems also prioritise stability, and have historically discouraged individual economic initiative if it involved land deals. Tenure security is still assessed as very good, but nowhere near as good as in the recent past, and weaker where economic activity is involved. Where transfers are not public or witnessed, someone can renege.

In South Africa, this pressure toward stability in communal land systems has protected the poor by restraining ambitious elites who have elsewhere turned the poor into tenants. However, under present conditions it can also hold back development.

Communal tenure can reliably designate an agreed landholder and can resolve most disputes. The system is also decentralised, accessible and responsive to the ordinary citizen. With tenure in the former homelands largely free of conflictual group claims, and all families expected to hold land, it is not clear how far the White Paper's tenure reform would help. Instead, the main problems in TA areas are altogether different, and concern new kinds of rights struggling to meet the changing rural economy:

- Determining what can be done with family land: uncertainty blankets swap, sales and rental rights, as well as the right to transfer land outside the family or community, and the profit making land use.
- Ensuring Constitutional rights for disadvantaged categories of would-be landholders – usually single women.
- Providing acceptable conditions for land deals between people in communal systems and powerful outsider interests.
- Guaranteeing tenure security for economic land use.

What people on the ground want is scope to use their own resources to do something for themselves and their families.

Communal tenure can reliably designate an agreed landholder and can resolve most disputes

Risks for communal tenure

New forms of tenure abuse have been developing in the last five to 10 years. Homelands tenure systems that were recently reliable and solid have become doubtfully sustainable.

Homelands tenure systems that were recently reliable and solid have become doubtfully sustainable

The individualisation trend is both a risk and an opportunity. The opportunity is a greater chance for local economic activity; the risk is losing the last refuge of the poor while searching for economic empowerment.

There are also several specific risks:

- Formal privatisation: unsafe at low speed? Private tenure does not work in low income rural communities. Poor families are forced by emergencies to sell their land and become tenants. Inheritance claims proliferate into paralysis; pirate allocators can exploit lack of community oversight to pack in unvetted outsiders, promoting violence.
- Administrator privatisation: the invisible hand gets caught in the act. As soon as informal land markets open up, people with allocation authority can move in if rights are unclear. Administrators sell public land or claim the money from informal sales, and families lose control as the market principle is undercut.
- Risky hot development: fly-by-nights fly in? Fraud risk skyrockets as commercial development opens up. Unethical developers have already started to strip land and resources from unwary communities.

Private tenure does not work in low income rural communities

The chances of an active, open role for local government in tenure reform are dimming

- The Zimbabwe risk: surrounded by hungry allocators. Trying for more democratic allocation systems has left Zimbabwe facing land chaos as the old system hangs on and pirate allocators proliferate on top. Mass land reform seems to have been the first casualty as control of allocation has been lost.

Tenure risks also include use and transfer restrictions that are now being widely disregarded, unclear rights and informal privatisation of community resources. Communities no longer have control of these rules, and are baffled over what to do.

Tenure and governance

Rural tenure is tightly wound around rural governance, and there are some real problems here. Few rural government structures are working well and threats of civil violence force people to prioritise stability ahead of accountability. Many groups stubbornly tolerate bad structures because they are predictable, and out of the fear of worse.

Trying to substitute more democratic structures for traditional leaders is risky

Tribal Authority structures have been heavily criticised as puppets of apartheid, but the White Paper acknowledges that many still have popular support. Many democratically elected committees are also no more honest: they are just as likely to sell off community land, and otherwise often perform no better when faced with the same thankless tasks.

Beneath this tolerance for poor governance is a fear of social breakdown, which makes democracy difficult in rural areas. Since pre-colonial days, local grassroots leadership has routinely attracted the lightning of jealousy from disgruntled constituents. Chiefs and committees are both in a permanently embattled position, and feel the need to demand respect in order to maintain authority.

Traditional leaders are not the only ones accused of misusing tenure authority: committees seem to be no better

Corruption is a new danger. Opportunities for land related graft in former homelands areas have increased geometrically in the last five years, threatening to escape any community decision process. Given this, majority votes at public meetings may be a weak point for government tenure plans. This is not the system used on the ground: community meetings usually work on consensus, but are often stage-managed to prevent public dissent.

Local government has been billed as the institutional competition for chiefs if not for local committees, and should play some role in rural land relations. However, it is doubtful whether placing land allocation responsibility at local government level would succeed. Local government is currently placed too high up to be effectively 'local'.

The chances of an active, open role for local government in tenure reform are dimming. People in the former homelands see accessible, locally driven tenure as a basic need. There seems to be little chance that local government could realistically substitute for chiefs, headmen or committees at the grass roots.

Fast forward?

There are several serious limits on what can be done in the former homelands. And, while there is probably no substitute for communal tenure systems in these areas, these systems are becoming less and less workable. Competing systems look worse. Under poverty conditions, private tenure is justly famous for separating the poor from their land – sliding them into tenancy and paralysis.

Likewise, trying to substitute more democratic structures for traditional leaders is risky. It may be more likely to drop the community into the alligator pool, and attract shacklords and pirate allocators, than to give a new start. Nor are traditional leaders the only ones accused of misusing tenure authority: committees seem to be no better.

The White Paper tenure proposals are right in their basic principles, but do not amount to tenure reform yet: reform has to deal with the content of rights.

The other problem is access to tenure reform. Government's stress on free choice of tenure is a try for the highest and best. But in order to make those choices, an information and opinion testing process has to be laid on that is so time consuming and expensive that it can only reach a small minority.

It cannot be wrong to go first for the tenure systems that look to have the worst problems. But to the extent that the White Paper proposals come out of tenancy problems in private tenure areas, they may not be able to help the much larger former homelands.

For the communal areas, the critical question is not who should justly hold land rights – every family does – but what exactly it is that they hold, and what they can do with it.

These questions need viable policy answers. It will be impossible to hold policy space for government's justice based rural land policies – including tenure reform – unless they make sense in terms of its macro-economic goals. But land policy may be adrift regarding local economic development policies.

One way out is to clarify the content of economic rights and provide better land records, so as to close the main loopholes for temptation and abuse by any land administration. This would be in the long term interest of chiefs and committees as well.

What needs to happen

Economic empowerment must be delivered fast. For the unemployed, a 20 year wait is not an option. This probably means that rights based tenure reform needs to widen its scope, within the White Paper provisions, and within the limits of government and community capacity.

Individualisation is coming, in spite of conservative reluctance. But communal tenure is unlikely to change until the entire community has moved out of the poverty bracket. Individualised communal tenure is still communal at the root, with stakes in land for both family and community.

Individualising trends need to be accommodated in an orderly way, so that both community members and outsiders are familiar with their economic tenure rights. Piecemeal, case-by-case solutions are likely to make development more difficult, and reduce rural development policy to splinters. Established communities may not be able to go the constitutional route, and community constitutions may not stick for contentious issues.

Government needs to fill this gap. It is generally agreed that providing for the rules of economic transactions is government's responsibility. Along with intensive community participation approaches, this probably means considering legal change to apply in all the former homelands.

Doing this on a realistic basis, and avoiding imposition, means basing tenure reform on what is already emerging on the ground – that is, legalising changes that have already started to happen. But groups closer to town want more individualisation and new rights than the outer rural areas, and everyone wants stability.

To handle this, legislation needs to stay flexible, and should provide for the minimum needs only. Luckily, compared to the complex problems of tenancy, the main requirements for enabling economic land use in the former homelands are probably not very complicated.

Recommendations

Loosening up economic initiative while protecting security starts with separating the right to deal from the home right, and then individualising control of utility land down to family level. That is, informal market transactions need to become legal, with written security.

Communal tenure needs to control who joins the community, so that criminal behaviour, instability and violence are kept outside. So home right/residential land transactions that bring in outsiders should go the usual route with community vetting before they can be registered. Economic transactions, for utility land and between community members, need to be freed up and facilitated. Contracts with outside commercial interests should be transparent and accountable.

The right to deal then represents a universal right at family level to transact non-residential land inside the community, and with individual outsiders subject to their joining formally.

The home right is restricted, and only transfers according to normal communal practice, to new families or if the holder family is leaving the community.

The right to deal would then:

- Recognise the land parcel owned by the family, as secured by witness signatures

Rights based tenure reform needs to widen its scope, within the White Paper provisions

Individualisation is coming, in spite of conservative reluctance

Piecemeal, case-by-case solutions are likely to make development more difficult

Legislation needs to stay flexible, and should provide for the minimum needs only

Informal market transactions need to become legal, with written security

on standard forms, with copies to be signed and held locally by the family and the land authorities, and additional copies forwarded to the deeds registry.

- Recognise the right to buy or sell agricultural land and other non-residential land, openly and with registry.
- Recognise the right to swap, rent or sharecrop family utility land, with similar registry provisions.
- Recognise the right to subdivide residential land, with possible conversion to other uses, with similar registry.
- Recognise the right to establish private business sites on family land, or on any other land acquired for the purpose.
- Lay down disclosure requirements and veto rights for outside offers involving community land.
- Require that developers or other outsiders acquiring rights to community land pay for legal vetting of the proposed deal by an independent lawyer, who would be bound to a temporary trusteeship relation.

Gender rights may also need enforcement provisions attached to tenure rights. Other important tenure issues could be handled according to prevailing group practice, or in terms of a group constitution.

This kind of approach through national legislation would be close to instantaneous compared to process approaches, would contribute greatly to tenure security, and would cost government little or nothing. The benefits in terms of kick-starting local economic development could be large.

Whatever is done needs to break the logjam for delivery of tenure reform in the former homelands. Failing to meet this challenge will break the promises made before liberation to the marginalised and overcrowded rural people, and would help condemn them to an increasingly hopeless future. Some new agendas and a revitalised debate are needed, and these need to come from civil society widely. IPSA

Taxing Farm Land

Local Authority Options

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A land tax will probably soon be a reality, but will take years to be implemented in all rural local authorities. The main obstacles include opposition from traditional authorities, from farmers across the spectrum and from local authorities that lack capacity to levy the tax.

The question of taxing agricultural land has been part of the debates on restructuring agriculture, on land reform, and on the desired changes to the tax system for several years. The issue was formalised in 1995 by the appointment of a Sub-Committee on Land Tax, chaired by Professor Dennis Davis, as part of the Katz Commission of Inquiry into Certain Aspects of the Tax Structure of South Africa.

The Sub-Committee's initial findings were included in the *Third Interim Report* of the Commission, published in November 1995. The Sub-Committee recommended against implementing a national land tax, arguing that further investigation into introducing a local or provincial level rural land tax was required.

The Sub-Committee's recommendations were accepted by the Joint Standing Committee on Finance, and were taken up in the Department of Land Affairs' *Green Paper on South African Land Policy*.

Constitutional provisions

Since the publication of the interim report, various other measures that impact on the introduction of a land tax have been taken by Government. The Constitution mandates the creation of framework legislation at national level to determine appropriate fiscal powers and functions for each category of local government.

The effect is that rural local authorities will be able to levy 'rates on property'. Further, the guidelines of the Financial and Fiscal Commission provide an incentive to implement this tax, as any authority that does not fully exploit its tax base will receive smaller grants. Framework legislation is, therefore, required to ensure that economic dislocations are minimised and revenue optimised at rural local authority level.

The Sub-Committee did not agree with the draft framework published by the Department of Constitutional Development in June 1996. In a press release at the end of 1996, public views were requested on what should properly be included in such legislation.

In the process, the Sub-Committee also published its own views on what should constitute the framework. At the time of writing, the Sub-Committee has already taken oral evidence from among those who reacted to the public call for further

Any rural local authority that does not fully exploit its tax base will receive smaller grants

Land is a visible asset, and is easily taxed

views, and is now starting to prepare a final report.

This article presents the arguments for and against a land tax, as contained in the interim report of the Sub-Committee. This is followed by some thoughts on what should be contained in framework legislation.

Pro land tax

Proposals for a local land tax have to take into account the wider effects of a proliferation of taxes in South Africa when the revenue authorities are already under pressure. Taking a holistic view implies identifying the maximum tax burden on the economy and deciding, in terms of fiscal autonomy arguments, at what level of government a tax is best levied.

A broad tax base is possible if the tax is levied on all land

There could, therefore, be merit in arguing for a local land tax that displaces existing taxes at other levels, such as Regional Services Council (RSC) levies. The cost of administering taxes also has to be considered.

❑ Fiscal arguments

There are four fiscal objectives that can be pursued with a rural land tax levied at local level:

- *Raising revenue.* Land is a visible asset, and is easily taxed. This is even more apparent at the local authority level where land values, the acceptability of different tax rates and the potential benefits flowing from the revenue are more clearly known.

- *Curbing/correcting tax avoidance.* A broad tax base is possible if the tax is levied on all land. Land will always have a taxable value since it has an inherent value, even if communally held. It is also relatively easy to identify the tax object and taxpayer where records of transfers are held.

  Enforcement is uncomplicated, since immovable property may usually not be sold unless all taxes have been paid. Avoidance and evasion of the tax are also made more difficult, since it is not possible to move land from one jurisdiction to another.

A land tax will not distort resource allocation, as is the case with a tax on inputs or products such as fuel and import tax

- *Fiscal autonomy for local authorities.* Experience in other countries shows that farmers are often willing to accept a land tax if the *quid pro quo* is to get rid of a tax they like even less, such as RSC levies in the case of South Africa, possibly because the compliance costs are lower.

  If the revenue from a land tax is used to finance local activities, taxpayers will object if services are poor. The tax is highly visible, and in theory should support democratisation and accountability.

- *Improving equity.* Urban versus rural equity is also relevant. Urban dwellers see the benefits of rates, and therefore pay the tax: it could be described as a benefit tax. This raises several questions, such as whether farmers will also see these benefits, and if this is the best way of charging for benefits in rural areas.

  Experience shows that user charges are often a better way of collecting revenues. However, both social as well as private benefits must be considered. Social goods need to be financed – and for the poor they need to be subsidised – otherwise they will have no access to services.

❑ Other arguments

There are also some non-fiscal arguments in favour of the implementation of a local land tax:

- Land in proclaimed towns is already subject to rates. As the whole of the Republic now falls under the control of local authorities, there is no reason why certain land should fall outside the tax net.

- A land tax will not distort resource allocation, as is the case with a tax on inputs or products such as fuel and import tax.

- Although various differences exist between the taxability of land within towns and those outside, the knowledge and experience gained in respect of the former can be used to advantage in the application of a land tax.

Against land tax

Arguments against the imposition of a land tax include:

- A land tax is levied on only one form of wealth. Correct application of the ability-to-pay principle would mean that all assets, net of all liabilities, would have to be taxed. This criticism can be countered by two arguments, however.

- Land values must be assessed, and valuations rest on subjective judgement, which makes the land tax vulnerable to corruption and favouritism. The imposition of the tax will also be expensive, since each tax object has to be assessed, and reassessments have to take place regularly.

- Taxing communal land is problematic. Most of this land is not recorded, and such land is not a negotiable commodity. Enforcement of the tax by means of sale in execution and prohibition on transfer before all land taxes have been paid is, therefore, impractical.

- A land tax is highly visible and may be politically unpopular. Taxpayers' liability can be increased annually through regular revaluations and increased tax rates, while irregular revaluations can result in unacceptably sudden increases in liability.

- Many rural people engage in subsistence farming and will feel the effect of the tax more than commercial farmers. Some farmers may have to borrow at high interest rates to pay the taxes, while borrowing may induce small farmers to switch to producing cash crops, leading to environmental problems.

- A land tax increases the financial risk of agriculture, because the tax will not vary with variations in agricultural income due to variations in weather. It will be necessary to design schemes for granting relief to taxpayers as well as reimbursement to the local authority by higher levels of government.

- Effective operation of a new land revenue system will create additional strains on the overburdened tax administration. Equitable taxes usually require more elaborate administrative decisions and procedures, so that there will be pressure to assign the function to lower levels of authority where capacities are weaker.

- The large diversity in ecosystems in South Africa and the importance of underground water resources will make valuation of agricultural land expensive.

- In South Africa, it has been estimated that farm land prices could decline by as much as 6% to 12% with a land tax that is levied at a rate of between 1% and 2%, if all other factors are held constant (Van Schalkwyk *et al* 1994).

- Even if a land tax is to be designed within a central framework with local implementation, the questions about whether it is a good source of revenue, whether it is the best source of revenue, and whether it could bring in sufficient revenue still have to be asked.

Framework legislation

Framework legislation is prescribed by the Constitution. Section 155(1) reads:

> *"National legislation must determine-*
> *(a) the different categories of municipality that may be established;*
> *(b) appropriate fiscal powers and functions for each category; and*
> *(c) procedures and criteria for the demarcation of municipal boundaries by an independent authority."*

The framework legislation contained in the proposed draft amendments to the Local Government Transition Act is, however, inadequate in its current form. The Sub-Committee therefore proposed the following contents for such legislation, along with its own initial preferences.

❑ Local government structure

The first issue to be addressed is which local government structure(s) should levy a land tax. The Sub-Committee argues in favour of primary local authorities (Transitional Rural Councils and/or Transitional Representative Councils) for the following reasons:

- Property rates are levied at the primary level (Transitional Metropolitan Substructures and Transitional Local Councils).

- A sound structure of local government financing should be established if local government is to assume its rightful place in democratic society.

The imposition of the tax will also be expensive, since each tax object has to be assessed

Many rural people engage in subsistence farming and will feel the effect of the tax more than commercial farmers

A land tax increases the financial risk of agriculture

The tax base should be limited to surface rights only, in other words, mineral rights should be excluded

The Sub-Committee proposes that flat rating is preferable

The primary responsibility should vest in the owner of the land

- Primary local governments have no other tax base to exploit and they depend on a sustainable source of revenue to have some fiscal autonomy.
- The benefits will accrue to the local community, making acceptance and compliance higher and administrative costs lower.
- Since primary local governments may depend on this revenue, a healthy and growing local economy will be in their interest.
- If compensating measures (such as drought and hardship cases) are necessary, local governments are better situated to evaluate their validity.
- Interest groups are well represented on Transitional Rural Councils and Transitional Representative Councils, which should counter mismanagement of revenues.

The following aspects will have to be considered when drafting framework legislation.

❑ The tax base

An important aspect is whether the tax should be levied on the value of unimproved land (site rating), the improved value of land (flat or uniform rating) or separately on land value and the value of improvements (composite rating).

The Sub-Committee proposed that:

- All land, namely privately owned land, state owned land and tribal land, and land used for any purpose, such as residential, industrial or agricultural uses, must be included in the tax base.
- The tax base should be limited to surface rights only, in other words, mineral rights should be excluded.
- The treatment of water rights, which are currently part of the existing surface rights to land, may change as new policies are developed under the Water Law Review process.
- Of the three rating systems mentioned, the Sub-Committee proposes that flat rating is preferable. While taxing improvements can be a disincentive to investment, this could be countered by applying lower rates, capping and relief measures.

❑ Taxpayer

A land tax could be levied on the owner and/or the occupier of land. The Sub-Committee argues that the primary responsibility should vest in the owner of the land. Where there are limited real rights (usufruct, servitudes), the liability should be shared between the owner and the holder of the limited right. Present uncertainty concerning ownership and other tenure rights in some areas is a transitional problem.

❑ Methods and frequency of valuation

Four methods of valuation have been identified, namely the comparable sales or market value, income capitalisation, land quality resource index and lease value methods. The last three methods are collectively know as 'use value' methods. These use value methods are often preferred because they more readily apply with the ability to pay principle.

Although the benefits of use value methods are recognised, the comparable sales method is preferred, because:

- It is currently used in urban areas.
- The capacity exists to assess market value.
- All land is included in the base.
- Market values are more likely to reflect other factors such as security, risk, and future infrastructural developments.

Possible distortions caused by the use of market values of improved land will be addressed if this tax is levied at primary level. Revaluations should take place at least every five years. Hardship cases could be accommodated on an *ad hoc* basis.

❑ Tax rate and rate-capping

Any tax has an implicit minimum and maximum rate. Rate-capping may be necessary, as a land tax between 4% and 5% effectively nationalises agricultural land. Alternatively, if too low a rate is levied the administrative cost could overshadow the fiscal benefits.

The Sub-Committee tentatively suggested a 2% maximum tax rate for all land in all jurisdictions. It was argued that the cap should be substantially lower than a confiscatory 4%, but somewhat higher than 1% to still raise sufficient revenue.

☐ Tax relief measures

Various tax relief measures could be employed. Experience, however, has shown that exemptions, rebates and tax deferrals should be kept to an absolute minimum. The Sub-Committee proposes that no exemptions should be made, while the local authority is best positioned to decide on rebates and tax deferrals.

A further question is whether the tax should be regarded as a deduction, a rebate from income tax, or as a new tax. The Sub-Committee proposes that it be treated in the same manner as urban property rates – in other words, as a deduction.

☐ Assessment and collection

The capacity to assess and collect the land tax must be in place before its introduction. The Sub-Committee proposes that if the capacity to assess and collect a land tax does not exist in a particular jurisdiction, these functions should be performed by an agent. Further, the Sub-Committee recommends that the tax must be an annual tax, although – should the capacity exist – it could be collected at shorter intervals.

Prognosis

Is there a short answer to the question of whether South Africa will have a land tax, imposed by rural local authorities, in the short term? The pragmatic answer is probably yes, in the formal sense of complying with the constitutional right and the Financial and Fiscal Commission pressure. But it will take years, and possibly decades, to get it implemented in all rural local authorities throughout the country.

The main obstacles to its implementation include opposition from traditional authorities, from all farmers across the spectrum unless they are compensated – for example by replacing RSC levies – and from the majority of local authorities that will not have the capacity to levy the tax. IPSA

The Sub-Committee tentatively suggested a 2% maximum tax rate for all land in all jurisdictions

The Sub-Committee proposes that no exemptions should be made

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Great Expectations:

Land Reform and Rural Livelihoods

By Bill Freund
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Indicator Press recently published a two volume study **Land, Labour and Livelihoods in Rural South Africa**, *the first substantial consideration of land reform in the country. One conclusion of this critical review is that private deals between landowners and employees, rather than state intervention, might represent the most important change in the area of land reform.*

The political transition has been marked by the shift in social science from critiques of the old order, often led by historians, to projects aimed at agendas for change in which economists are often the dominant thinkers. Such projects, perhaps inevitably, rely on formulae from overseas gurus offering all-embracing analyses or easy solutions. Policy studies, once a term of abuse, have been dignified and indeed exalted as providing the rapid means to building a better society.

In 1993 the eminent British specialist in agrarian development, Michael Lipton, conceived of a major multi-author project on land reform in South Africa – a subject which has hitherto received little considered attention.

There are no easy solutions, but the research project has generated a body of important work that should sharpen our understanding of land issues

The result is a massive two volume study. The first is co-edited with Mike de Klerk, University of Cape Town economist and Michael Lipton's wife, Merle, originally trained as an historian in South Africa. The second is co-edited with Merle Lipton and the British agricultural economist Frank Ellis.

Having seen the processes at work in the Economic Trends Research Group which preceded this project, the Industrial Strategy Project and the Macro-Economic Research Group, it is not surprising that the well wrought theories of Lipton (Lipton henceforth refers to Michael Lipton), vary with the views of contributors who delved into aspects of the problems.

There are no easy solutions, but the research project has generated a body of important work that should sharpen our understanding of land issues. While Lipton's introduction is irrelevant and misleading, albeit intellectually stimulating in the abstract, all credit should nonetheless go to him and his co-editors for generating important research and provoking debate.

It is early days in the land reform debate and this volume was preceded by precious little. As such, the context for Rural Livelihoods explains and excuses its awkwardnesses and incoherences.

Small farmer model

In the first chapter, Lipton is engaged in a theoretical dispute which appears to be going on at a rather abstract level in the august corridors of the World Bank and other influential aid agencies as to whether big farms or small farms are more efficient and deserving of support in the development context; Lipton is the small farm champion.

It is curious that Lipton writes as though oblivious to a long and distinguished literature on this very subject in history and sociology. For instance, Africanists have at their disposal excellent and well known studies of land reform in both Kenya and Zimbabwe.

In fact, current literature is tending to show the growing power of big capital over small farmers whose autonomy is inexorably declining globally. Lipton's arguments would have been more incontrovertible and intellectually alive a generation ago.

Lipton's model of the efficient family farm is Asian in derivation. Intellectually this is unexceptionable; Asian policies in support of peasant agriculture have indeed been critical to the success of many rapidly growing economies of the late twentieth century – but is this model not too different from the South African context?

But there are other difficulties: Lipton emphasizes the importance of irrigation in his small farmer model, but does not consider that irrigation is simply not a possibility for much of the earth's surface. It has also been a problematic farming innovation in South Africa that cannot be expanded limitlessly for hydrological and environmental reasons. The agricultural economists, representing considerable accumulated South African wisdom, flatly disagree here with Lipton (see Vol I: 146 and Vol II: 304).

Perhaps even more crucially, Lipton does not really consider the most basic fact about rural South Africa: that most of its population practice agriculture only marginally. They not only rarely produce for a market, but are largely dependent on other sources of income for survival.

To describe the household space typically occupied in 'homeland' settings as 'farms', subsistence or otherwise, does some violence to reality. Can this process be reversed and where has such a reversal actually taken place successfully? This is the key question Lipton ignores.

Family farms

Another difficulty with Lipton is his choice of the vague concept of 'family farm'. Family farms cover many environments and allow for very different standards of living in different parts of the world – say Illinois, Jutland, Java and Mali.

Is an adult woman, with no capital and almost illiterate, trying to bring up small children with elderly parents around, the nucleus of a potentially effective farming family? What about the typical white family who are described as earning 'a fairly decent livelihood' by Kirsten in the Potgietersrus district, where the adults might have business skills and degrees (Vol II: 312)?

Are those with access to higher education and capital not the likely beneficiaries of a simple reversal to 'the bias against smallness and labour-intensity' requiring fairly high tech inputs?

Most striking is that despite the apparent emphasis on relevance, Lipton does not really say how a genuine South African land reform could work according to his own philosophy. His arguments have a detached quality to them despite being set against references to (uncontextualised) ANC political pronouncements.

Land the answer?

Lipton *et al* are absolutely right in one regard, however. It would be a great thing if South Africa's social and economic problems could be solved through a diffusion of land ownership. It is true that there is little reason to hope that industrial policies will lead to the creation of urban livelihoods on any significant scale in the future.

But the countryside does not in fact provide easy answers. The Lipton team's view that they hold no interest in critics who lack an alternative, wishes away this uncomfortable reality.

The most striking thing about this publication in fact, is that its large range of contributors are almost universally skeptical about Lipton and his approach. Indeed, the very introduction in the first volume is accompanied by a devastating critique called a 'qualifying perspective'

Irrigation has been a problematic farming innovation in South Africa that cannot be expanded limitlessly

Most of South Africa's rural population practice agriculture only marginally

Family farms cover many environments and allow for very different standards of living

Independent coloured farmers in the Western Cape hardly constitute a coherent bloc and do not find much interest in organising racially

by Mike de Klerk. At the same time, this volume makes available a superb and realistic assessment of South African agrarian history accompanied by a balanced, excellent account of current debates by Merle Lipton.

Western Cape

The first volume is dedicated to the possibilities of land reform in Western Cape. This is a region with many distinct characteristics. Agriculture forms a prosperous part of the regional economy with a large and gradually expanding workforce and many linkages to agro-industry.

One distinctive sector – wheat – is orientated only to the domestic market and has been propped up by state protection. Fruit, vegetables and wine, however, are export orientated and highly competitive internationally with virtually limitless potential foreign markets.

In KwaZulu-Natal bantustan land tends to be under farmed

Apart from some very small mission reserves for coloureds, there are no 'homelands' or non-private rural property in this territory although there is a sizeable coloured and African rural workforce. Some 9 000 well organised white farmers dominate this agrarian economy (Vol I: 159) which de Klerk estimates at providing employment for upwards of 200 000 people (Vol I: 201).

Some contributors hardly touch on the question of land reform and all assume that any reform must play second fiddle to the continued agricultural economic prosperity of the region. De Klerk advocates empowering those already in possession of agricultural expertise and in farm employment.

A couple of studies of uplift programmes aimed this way, indicate that independent coloured farmers, still a very small group, hardly constitute a coherent bloc and do not find much interest in organising racially. Their links to white neighbours and to agro-industry are far more significant.

In more prosperous areas of KwaZulu-Natal land tends to be left fallow and agriculture is least important

Any programme aimed at distributing land to individuals would tend to diminish the size of the workforce on the land. This might lead to better quality livelihoods in the rural Western Cape, but to a smaller overall number of them.

The political problems involved in Lipton's cavalier advocacy of large numbers of disinherited Xhosa peasants from Eastern Cape being handed land in the Boland (Vol I: 4) are mindboggling. Hamann in fact explores relevant social facets of the division of agricultural labour in the region in a fascinating chapter.

KwaZulu-Natal

Beyond a few pages by Julian May, there is no real consideration of the general agrarian environment in KwaZulu-Natal. This is a part of South Africa where fully 40% of the land is already in African hands as part of the former KwaZulu homeland – more than the ANC RDP directive demands. The analyses consist largely of excellent assessments of the livelihoods experienced by this huge rural population.

A brilliant essay by Cross *et al* is sensitive to the present political context of resettlement and its possibilities. In KwaZulu-Natal, agricultural activity is widely diffused and represents a part of the activities of most rural households, but it is also residual and only a minor contributor to income.

Indeed, bantustan land tends to be under-farmed. There is little to support the Lipton assertion that small farms inevitably substitute machines with labour and support large populations through intensified agriculture, as in fertile parts of lowland Asia (Vol I: x). It is telling to learn that, precisely in more prosperous areas, land tends to be left fallow and agriculture is least important.

The real context is one of migrancy (admittedly starting to decline), commuting (on the increase) and the dead hands of the chiefs who control land allocation and would probably oppose any development that took 'their' people out of 'their' control.

One of the few things KwaZulu-Natal has in common with Western Cape is the power of the opposition to the ANC. That creates a volatile and problematic political context for land reform and other social changes.

The one major piece which does not fit this schema for KwaZulu-Natal is by Vaughan and Mackintosh. In complete contrast to Lipton, they report on the reality of actual agrarian reform: the much heralded emergence of the small grower in sugar – and, more recently, timber.

Such small growers are largely able only to supplement a migrant or remittance income with this activity and often their role is limited to making access to communal land available for sugar or timber production. Mackintosh and Vaughan focus on the complex relationship of dominance exerted by the big companies which in fact fostered and nurtured this development with their own interests in mind.

Northern Province

The third section on Northern Province has elements of the two previous parts without their coherence. Probably the most distinctive essay is by Richard Levin. Levin is overtly political; he concerns himself with the fate of the ANC and its 'rural electorate' and treats land reform as a politically driven imperative, raising questions that are as applicable to the country as a whole as to the North.

Of course, Northern Province is a different proposition economically to KwaZulu-Natal or to Western Province. It is the poorest province and much of the land quality is bad. This is in large part 'semi-arid' Africa. Some one-third of the land is African owned but on this third live no less than 93% of the population.

The questions raised by land reform here are many, but do not include the viability of intensive agriculture. Kirsten agrees with the Western Cape studies that small farms would lead to a very limited increase at best in the number of livelihoods on offer. But he does point out that small farms would perhaps provide better linkages and opportunities for the rural economy as a whole.

Land demand?

Returning to the issue of land reform, this collection leads one to the view that it is essential to distinguish between an economic and a welfareist view of the subject. Lipton's categorisations tend to elide the two in a way that confuses the issue.

On the one hand, it is possible that many Africans living on what was reserve or bantustan land would like to extend their access to land, partly for agricultural activity, as part of a basket of survival strategies. This is, however, itself unresolved by a reading of *Land, Labour and Livelihoods*.

At one extreme, de Klerk insists that beyond access to a garden, interest in land reform in Western Cape is quite marginal. At the other, Ngqaleni and Makura – who studied the views of women involved in pilot schemes in Northern Province – are convinced that most of their subjects are anxious to get land to become commercial farmers.

Levin seems convinced too that there is massive demand for land. His evidence though also suggests that most of his subjects do not want to move to acquire land and may have a vague and variable sense of what they mean by land use.

Cross *et al* are in the middle on this. Looking at the Tugela valley, they point both to the general disinterest of rural KwaZulu-Natal people in intensive farming and in the particular disinterest in land reform of that favoured target – the really poor (ie. women and the elderly). It is difficult to reconcile these perspectives; more work will need to be done on ascertaining demand and assessing who is being realistic.

Cross *et al* are perhaps the most convincing with reference to the most typical areas that might be affected by land reform. Following their assessment, the government may well decide that it is worth the price of resettlement grants and buying out private landowners in order to accommodate land demand in the interests of boosting food security rather than attempting *a la* Lipton to reconstruct agriculture. Cross *et al* suggest that this is in fact the growing tendency in government perspectives.

Farmer support

A second and quite distinct trajectory that has been pursued by the state, however, (even before 1990 as Merle Lipton reminds us) is the creation of a market-orientated, business minded stratum of black farmers. Indeed the National African Farmers Union has expressed resentment at the idea of Africans being fobbed off with small farms (Vol I: 420).

Cross and Levin seem concerned with the prospects that small increments in land holding might offer poor people now on communal land. But others such as Eckert, de Klerk or Kirsten take for granted that

In KwaZulu-Natal, small growers are largely able only to supplement a migrant or remittance income with this activity

Small farms would lead to a very limited increase at best in the number of livelihoods on offer

Beyond access to a garden, interest in land reform in Western Cape is quite marginal

There is no such thing in a modern society as a free market agriculture operating outside an effective regulatory supportive framework

livelihood is about what middle class South Africans could consider a minimally decent living standard.

This too is a possible land reform strategy so long as it is borne in mind that it will benefit relatively few people and is apt to be quite costly. Virtually every contributor has pointed to the necessity for such farmers to receive constant support in extension work, education, institution building and probably subsidy, to remain viable.

At least one enthusiastically anti-statist contribution by Fenyes and Meyer advocates a ruthless reduction in market supports with the assumption that this would assist land reform. There is probably, however, no such thing in a modern society as a free market agriculture operating outside an effective regulatory supportive framework. The sustenance of small or medium farmers of this type would be no exception.

These studies indicate the poor quality of infrastructure and back-up the state is currently providing

Indeed Fenyes and Meyer's figures suggest that current support levels for agriculture in South Africa are not high by international standards. This makes one question whether they could be substantially reduced, as opposed to recalibrated.

A worrying aspect is the frequency with which these studies indicate the poor quality of infrastructure and back-up the state is currently providing. Is it realistic to assume that this will improve and if so, how? This may be as important a question as financial assistance for the viability of new types of rural settlement.

A further concern is the point on which Merle Lipton insists, that in the recent past, substantial agricultural budgets were simply swallowed up by bantustan bureaucracies (Vol I: 411). This trend could resume under slightly altered management. In the end, the decision to promote such settlements is a political, not an economic one.

There is consensus that if there is a strong political will, new livelihoods can be created successfully. However, an important caveat is that the absolute number of such livelihoods will not be large and, in fact, smaller than those created by big farms for workers.

Rural livelihoods prospects

A third approach is to consider the empowerment of the existing agricultural workforce on white farms. A number of writers consider this, seeing a possibility ultimately for the most skilled and appropriate of such workers acquiring full, or close to full, independence as farmers.

More certain is the potential for restructuring owner-worker relationships. But this, apart from doing nothing for many unskilled contract employees, can at best only have a beneficial effect on a minority of tenants. Most tenants are not skilled workers; they tend often to be female and elderly and not suitable for empowerment strategies.

In the end, the state has a variety of choices, none of which will provide large numbers of rural livelihoods in Lipton's sense, if the contributors to this volume are in general correct. The more attractive the livelihoods that are provided, the higher the level of quantitative and qualitative support the state will have to provide.

The ANC government has promised to take over privately held land only on a willing buyer-willing seller basis or to expropriate subject to legally negotiated compensation – a costly process. Ironically, as Merle Lipton notes, '...on redistribution, the ANC was more cautious than the World Bank or other foreign advisors' (Vol I: 423). This will substantially constrain choices.

It may be, as de Klerk and Hamman suggest for Western Cape, and Cross *et al* for KwaZulu-Natal, that private deals between landowners and employees in response to broad social pressures rather than any effective state intervention, will represent the most important real change in the area of land reform.

As Vaughan and Mackintosh suggest:

> *'if it is assumed that restructuring within the agricultural sector will have a broad poverty alleviating dimension, and/or if it is assumed that a large number of income generating opportunities can be generated through the implementation of policies to create and support a broadly based smallholder agriculture, then there is a danger that the social and poverty alleviating strategies which are really required to enhance livelihoods in South Africa's rural areas will be neglected'.* (Vol II: 91)

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NOTE

Land, Labour and Livelihoods in Rural South Africa, **Volumes I and II can be obtained from the Land and Agriculture Policy Centre in Johannesburg**

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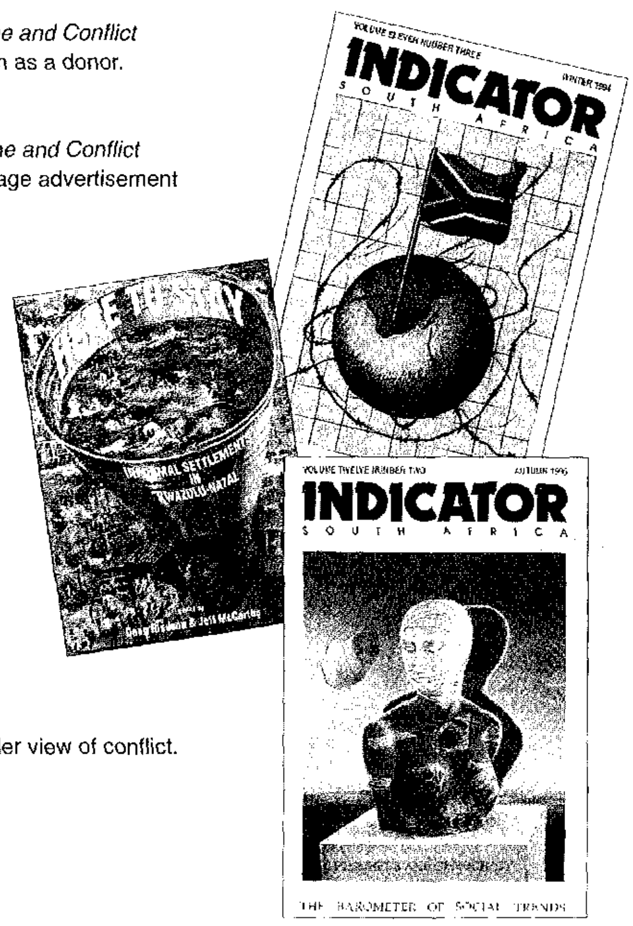

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