Dreams and deficits

After almost two years of planning, the Aspen Institute, based in the United States, and Idasa brought together 120 high-powered local and foreign economists to tackle the issue of South Africa's international economic relations in the 1990s. SUE VALENTINE reports on some of the discussions.

ANC economics head Trevor Manuel with Va Slabbert of Idasa and Sipho Shabalala of the P

FOR THREE days delegates grappled with a range of weighty issues relating to South Africa's reintegration into the world economy. Discussions on the implications of trade agreements, international loans, protective tariffs, debt crises, export-led growth and foreign investment hung heavily in the northern Transvaal air – almost as imposing as the sight of swollen rain clouds over the dry bushveld.

The opening address, due to have been delivered by ANC president Nelson Mandela, was read by ANC economics head Trevor Manuel.

Appropriately attired for the bushveld, Manuel began by saying that he had assumed that ties were unnecessary at such a 'bosberaad' or 'strategic safari'. He said he wondered what it implied about differences in economic policy that he was dressed more casually than both South African Communist Party economist Essop Pahad and director of the Institute for African Alternatives Ben Turok.

The ANC president's addresss began with the observation that it was obvious that South Africa would not attract foreign investment until there was both political stability and a climate free of violence. However, to consider international trade without ensuring that quality goods and services were available to all South Africans at affordable prices was wrong.

Mandela was critical of South Africa's economic management which he said 'remained premised on waiting for windfalls ... increases in the gold price and other commodity prices'. These windfalls had been used to pursue 'the dreams of autarchy without any consideration of the costs'.

Nowhere was this more aptly demonstrated than in the decision to proceed with the Mossgas project, which would become viable only if and when the oil price reached \$35 per barrel. Meanwhile, throughout the century, the oil price had remained fairly stable at around \$20 per barrel.

The keynote address to the conference was delivered by Norwegian Minister of Foreign Affairs Johan Jorgen Holst, the first Norwegian foreign minister to visit South Africa.

Reviewing why the struggle against apartheid in South Africa

Debates & speakers

Topics discussed at the conference included:

- Emerging trading patterns around the globe;
- The changing roles and functions of major international financial institutions, and their impact on developing countries;
- The implications for South Africa's domestic economic policy of using International Monetary Fund/World Bank resources;
- What South Africa's relationship with African regional organisations should be;
- The relationship between economic development in South Africa and the southern African region.
- What would make South Africa internationally competitive in the 1990s.

Speakers included Paul Krugman (Massachusetts Institute of Technology), John Williamson (Institute for International Economics, USA), Sanjaya Lall (Institute of Economics and Statistics, Oxford University), Raphael Kaplinsky (University of Sussex), Laurence Cockcroft (Oxford International Associates, UK), Duck-Woo Nam (former prime minister of Korea), Sipho Shabalala (PAC economics advisor), Benno Ndulu (African Economic Research Consortium, Kenya).

- Idasa, in conjunction with David Philip Publishers, will publish a book on the conference later in the year.

Stephen Lewis of Carleton College and Pauli of the Aspen Institute

Leslie Lipschitz (IMF), Peter Fallon (World I and André la Grange (Development Bank of Southern Africa).

had become such an important international issue, Holst said the irony was that apartheid had been conceived and implemented by settlers from Europe, where the concept of human rights had been the principal idea shaping modern open societies.

He said South Africa had not only been an 'historical aberration', but had also projected an alternative to integration and civic society – an exclusive laager, rather than an inclusive society.

'Apartheid and ethnic cleansing are products of the same distorting logic. The idea that societies must be based on "ethnic purity" conforms to notions of imagined communities which divide human beings into "we" and "they", and the "they" become dehumanised.'

Holst said that South Africa was both a threat and a promise to international society; a threat insofar as it could retreat into the 'sterile confrontation of the past', and a promise to the extent that 'so many of the trends which shape the future of international society intersect in South Africa'.

Holst said in conclusion that there was only one viable approach to the challenge facing the world: to work together nationally and internationally. However, he also noted that institutions were no substitute for human commitment.

To meet the challenge there needed to be:

- the political will and ability to co-operate across national frontiers;
- evidence that the benefits of co-operation outweighed the possible constraints on freedom of action;
- cultural diversity rather than closed, uniform societies – citizens needed to be assured that there was no contradiction between international integration/co-operation and the deepening of cultural and national identity;
- improved capacity to work together – strengthened institutions, better communication and more rational working methods;
- a capacity for preventative diplomacy, crisis management and peacekeeping – the creation of a 'security net' to stop disputes from becoming conflicts and conflicts from escalating into wars.

The highlights of the conference were sketched by the president of Carleton College, Stephen Lewis jun., who was economics adviser to Pakistan in the 1960s, to the Kenyan government in the early 1970s, and economics consultant to the Botswana government from 1975 to the mid-1980s.

Remarking on the diversity of opinion and backgrounds among conference delegates, Lewis said the world and South Africa should take note that, despite these differences, the conference had been free of rigid adherence to ideology and had suffered little posturing and position-taking. The ruling ideal had seemed to be the development and well-being of South Africa's citizens.

He said there had been a fair degree of consensus on the ills within the world economy, and on the view that growth should be export-oriented. However, there had been many differences over detail, including the question of how best to reduce protection and to organise an export economy.

Lewis stressed the importance of investment and that domestic saving was the key to growth. Foreign and domestic investment depended largely on certainty in the business climate. However, he warned against the tendency among developing nations to disguise oppressive policies by invoking economic development. 'All too often the motto is "Silence! Development is occurring".'

'Economists must understand the political realities, and political leaders must understand the restrictions under which they operate'

Noting the relative absence of discussion on fiscal issues during the conference, Lewis reminded delegates that the fiscal policies of a democratic government would be critical in maintaining macro balances.

Reflecting on the management of the South African economy over the past two decades, Lewis said a different handling of the economic boom of the 1970s would have given South Africa a very different economy from the one it had at present. 'You get out of trouble by staying out of trouble,' he added.

Warning against the myth that the 'magic of the market' would solve all problems, Lewis said government intervention in the economy was necessary. Tough decisions needed to be made in thrashing out the details of wage rates, exchange rates, and so on, in order to create a positive, win-win situation. A tripartite approach, involving business, labour and government, was a useful mechanism for forging policy, but how economists should work with politicians was an issue which deserved much consideration.

'Economists must understand the political realities, and political leaders must understand the restrictions under which they operate,' he said. 'Good policy and sustained good policy will come out of discussion.'

Sue Valentine is Idasa's media director.