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other negative factors militating against foreign investment, provoked some sharp discussion. Alan Hirsch said some of the conclusions drawn by the video were open to debate in terms of how certain data had been interpreted. Capital flight from South Africa during the 1980s was not due only to high inflation and low returns, but to specific political factors.

Suggestions in the video that tax holidays (not offered by the South African government) were an important incentive to foreign investors were also disputed by several delegates. General consensus during the course of discussions was that local and foreign investors should be treated equally.

According to Goodall, incentives should relate to the *nature* of the investment and not its source. Therefore they should be available to local and foreign investors.

Addressing the issue of overseas perceptions of investment opportunities in South Africa, World Bank consultant and policy analyst Witney Schneidman said the attitude of most potential investors was "let's wait and see".

"The key question is, will the South Africa of the 1990s be any more attractive to investors than other parts of the continent?" He said companies were looking first and foremost for predictability; even the advent of a socialist system would not be a turn-off to foreign companies so long as the situation in the country was stable.

He felt South Africa did not have much time in which to demonstrate its stability to investors. If the violence continued for another 24 months the window of opportunity that was now open would close.

He said the strongest allure for potential investors was the size of the South African consumer market which was likely to expand over the next decade and could become the largest in Africa.

The conclusions and way forward that emerged from the various presentations and small group discussions tended to coalesce around the need for greater research into the African debt problem, for ways to address the crisis in Africa and for a code clarifying the country's position regarding foreign investment.

In addition, the establishment of an interim government which signified a distinct break with the past could be of great importance for relations with the international community.

Sue Valentine is Media Co-ordinator with Idasa.

Malaysian miracle: is there a catch?

A fascinating guest at the investment forum was the deputy governor of the Malaysian reserve bank, Dr Lin See-Yan.

Dr Lin was at pains to tell delegates that the "rhetoric and emotions" he had witnessed during the forum were very similar to those in Malaysia in the late 1960s; and yet now, in 1992, Malaysia was into its sixth year of rapid growth, with no inflation.

"When we became independent in 1957 we were the world's largest exporter of rubber and tin. We had the most skewed economy ever seen – it had been completely controlled by the British who then left us with nothing except a fairly good civil service."

Malaysia's response to this situation – and to the question of how to ensure economic growth – was to diversify the economy. This meant moving away from rubber and tin and going into import substitution. In Malaysia's case, palm oil.

Deputy governor of the Malaysian reserve bank, Dr Lin See-Yan

However, despite the finely laid economic plans, in 1969 there were massive riots in reaction to racial discrimination and poverty.

Research at the time showed that the Malaysians owned less than one percent of corporate wealth in Malaysia. Half of the country's population was classified as poor, while two thirds of the economy was owned by foreigners.

By contrast, by the end of 1990, said Dr Lin, 30 percent of corporate wealth was owned by Malaysians.

Explaining how this came about, Dr Lin pointed to the launch of the new economic policy in 1969. It aimed to eliminate poverty, regardless of race, and to create a commercial sector among the poor. This required a break with old attitudes which associated certain categories of work with certain racial groups.

The policy was to promote economic growth with the government at the helm. The activities of the private sector were to be steered as carefully as possible, but without recourse to nationalisation.

However, despite wide diversification of the Malaysian economy, in 1982 the prices of all its main exports fell simultaneously. The Malaysian government decided to abandon redistribution in favour of economic growth and to surrender the control of the economy to the private sector.

"Although the government still controlled policy-making, we realised that the private sector only works when the private sector runs it," said Dr Lin.

He added, however, that "if you let them, the private sector will chase profits from here to infinity", and stressed the need for clear government policy and efficient civil service.

The present attitude among civil servants in Malaysia was that the private sector should be encouraged to make money, because for every dollar they make, the civil service re-ceives 35c.

Noticeably absent from Dr Lin's address was the role of the unions – or lack thereof – in his country. He gave little explanation of the tension, if any, between recognition of political and civic rights and the implementation of economic policies determined by the Malaysian government.

In response to questions, Dr Lin said Malaysia inherited Britain's unions after independence. "They were very vocal and no one wanted to antagonise them, but the unions were not compatible with what the government wanted – wages linked to productivity."

He said that a flexiwage system had been established whereby companies determine, on a yearly basis and depending on profits, what basic wage to pay. In good years big bonuses are paid out to staff, during recession wages come down, but unemployment is avoided.

Fundamental to Malaysia's success, said Dr Lin, was that its economy was reorganised in order to make it more competitive. This included a commitment by government to spending large sums of money on education and technical training.