

# THE ECONOMIC BASIS OF DE KLERK'S CONCESSIONS

One of the key reasons why the regime has had to make political concessions is because the economy could no longer underpin the existing political alignments. How has the economic situation helped to push De Klerk into these retreats?

The economic crisis has many faces. It has made it increasingly difficult for the rulers to guarantee the economic demands of its constituencies, whose demands differ and partly conflict. Let us look at some of these constituencies.

## Foreign Capitalists and Foreign Governments

Since 1985 the most immediate economic problem facing the government has been the money South Africa owes to foreign banks. The debt forces the regime to run the economy at a rate which saves enough foreign exchange to meet payments. In 1985 the foreign banks negotiated agreements (covering 1986 to 1987, and then 1987 to 1990) to repay \$1.4 billion and agreed the terms on the remainder. The government said it could only achieve this by keeping economic growth below two percent per year.

That was bad enough, but a more severe crisis was on the horizon for the regime; its agreement with the bankers was due to end in 1990. In October 1989 the foreign banks gave the government at least 3½ extra years for repayment (and other options) after the old agreement expires in 1990.

That surprise agreement showed the political weight of two constituencies: foreign capitalists and foreign governments. The regime announced the release of Comrade Sisulu and our other leaders just before the agreement was reached, and **there is no doubt they felt the bankers would be more pliable if they made a political move of that type.**

The timing of the releases was clearly designed to prevent the October Commonwealth Conference calling for financial and other sanctions. The

power of foreign governments had been demonstrated over a number of years through the sanctions some have imposed. And these have caused serious problems for South African capitalists.

## Afrikaans- and English-Speaking Capitalists in South Africa

They seek a growing economy where substantial profits can be made by investing capital and exploiting labour. But the debt crisis has closed that avenue. Any investment boom leads to imports of machinery which the regime cannot afford. It needs to conserve foreign exchange to meet its debt agreements. The new loans that would be needed to finance an investment boom are not on offer. And the problem is made worse by sanctions.

Many large capitalists also believe that the overall costs of apartheid are too high and impose a burden which prevents them making enough profits.

The overall effect of these problems is reflected in the slow growth of the South African economy. Output has been growing less than the population for several years and large capitalists feel none of the conditions are right for investments in new plant. They see the reform or even the ending of apartheid as a possible solution for them, but, of course, only if it protects 'free enterprise' from socialism. Their other solution, which the biggest monopolies are taking, is to transfer large parts of their wealth abroad which places further pressure on Pretoria.

## White Workers and Farmers

These have always been the backbone of the National Party's support. They have also been hurt by the economy's weakness. Unemployment has risen among white workers, and white farmers, particularly Transvaal maize farmers, have been forced out of business. The living standards of these groups have been damaged by inflation running at over 15 percent for

several years and by the high interest rates the government is forced to maintain. The political effect has been to push some of them towards the Conservative Party, but the impact is, too, to break up the old coalition backing the regime.

What are the prospects for the future? The government's change of image is unlikely to improve the economy, so economic problems will continue to create political cracks which will be points of pressure for the people's struggle.

The sharp, immediate economic problems such as the debt crisis will not disappear; although the new agreement with the bankers gave the regime a breathing space, it has had to agree to a schedule of repayments. It will have to restrict economic growth to achieve this and, in any case, it will not be able easily to raise the new foreign finance South African capitalism needs.

In South Africa's case the crisis conditions which 'normal' capitalism generates are especially sharp because **profitability cannot be restored under the old system.** The normal methods which capitalists usually use to overcome crises are to restructure whole industries while holding down the value of wages and creating unemployment. But in South Africa if those ways out of economic stagnation are tried they further disrupt the delicate balance of constituencies on which the regime's power has been based.

So the economy puts tremendous continuing pressures on the regime to retreat further in the face of people's struggle. As apartheid weakens, the profitability of South African capital will also suffer and it is unlikely that foreign finance and investment will return to repeat the profits boom of apartheid's heyday. **One of the key factors in ensuring this is to press for international economic isolation with greater vigour than ever before.**