

INTERDEPENDENCE — SOUTHERN AFRICA

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I am deeply honoured to have been included today with so many eminent personages to speak on this public platform about economic interdependence and world order. I am very grateful to the Institute that they have decided on this subject because I think time is catching up with us very rapidly. Where we, here as well as in the rest of the world, have happily been playing at politics, living off the fat built up by previous generations, this fat, I think, has now been consumed and we are approaching the time when we will have to battle for physical economic existence.

I have pondered seriously what to lay before you today under the title of my address, because you are all knowledgeable and experienced people. Because of that fact I decided that I should not prepare a document with many statistics to bore you. The statistics you will know where to gather yourself. I feel a great need for a change of approach to this subject which involves philosophies rather than figures, and would prefer, in a frank and open way, to place some thoughts before you for you to ponder on.

It has been pointed out to you that I wear a few hats, but I would appreciate it if today you would not see me here as representing any particular organization or company, but please accept me as a person sharing with you my practical experience of some 34 years, sharing my thoughts, and trying to go through these step by step in order to see where they may lead us.

Mr Chairman, I am going to make some very frank observations today and some people may be upset by them, apart from not agreeing with them. But then I believe that the time has come for frankness and that certain bare and unpalatable facts be laid on the table and taken note of, because in my view they are real and very pertinent and we can no longer afford the luxury of treating them as something that should not be raised in civilised conversation.

Now, if I ask you to accept my personal views based on my experience, you may like to know a little more about my own background and beliefs. I feel, therefore, that I should expand on this a bit before I come to the main theme.

Firstly, I grew up as an Afrikaner in a small country town and finished my schooling there. My father was a schoolteacher so we lived a fairly simple and frugal life. I am not saying this to bring tears to your eyes, but it does have a bearing on the views I will be expressing to you, namely on the following two counts :

Firstly, my father may have been an ordinary country schoolteacher, but I think he shared wisdom with Einstein because, like Einstein, he believed that nothing is created from nothing. This was impressed on me on every suitable occasion, namely that unless one hopes for Divine intervention, life will yield to one only as much as one is prepared to put into it. A happy and satisfied life will, in the long run, not be created for one by others and, if one decides to participate in the various activities of life, there are certain laws of nature that have to be observed. Nature, and especially the nature of man, has presented us with certain checks and balances and in the long run they cannot be avoided.

The second count where my background is pertinent to my discussion here today, is that it is, and I think you will agree with me, a long cultural jump from an innocent platteland schoolboy cycling to school, to someone who is trying to participate fully and effectively in such mystical concepts as free enterprise, international economic relations and international credits. Never in my life did I in my youth on our small farm ever think that this would happen to me, or did I have any concept of what all this involved. I knew what a doctor, or a schoolteacher or an engineer was supposed to be doing and had some idea what rules their science was governed by, but certainly nothing about the world we businessmen and economists are moving in now. Neither did I learn this fully at university. The theoretical framework was taught and explained, but meant nothing until one started to learn the disciplines of the concept one was dealing with. This, I am quite willing to admit, I got from working and rubbing shoulders with not only my fellow Afrikaner businessmen, but also the experienced English businessmen, especially here in Johannesburg.

I believe that when there is such a great cultural jump to make into the activities and disciplines of the free enterprise business system, it cannot be taught - it must be experienced and assimilated.

Now, Mr Chairman, you and your fellow audience may think that this is an inordinate build-up to come to the subject of my address, namely "Economic Interdependence in Southern Africa". However, as I go along and speak directly about things that to some may sound presumptuous and callous, I hope you will accept that I am trying to be open and fair, and that I am trying to avoid any racial, social or political bias.

Firstly, we have to talk about interdependence. This is a good word. "Dependence" has an emotional connotation of inferiority, especially for him who has to do the depending. "Independence", on the other hand, has the connotation that one can really draw the line in all respects and say: "Here I live and do my thing, and there you live and do your thing". Inexorably one will be drawn into the fate of one's neighbour, or it will spill across that line and interfere with one's own life, for better or for worse.

For that reason, interdependence is such a good concept. It includes the virtues of dependence, in the sense that one can obtain something from the other, without the negative impact of having to feel bad about it. It also includes the virtues of independence, in the sense that one can feel free, while at the same time admitting that there are advantages that one can obtain from one's neighbour.

When voicing these sentiments, I could have been talking also in the political sense. Unfortunately, people, black or white, become emotional in the political sense and it is sometimes difficult to convince them that they need not necessarily sacrifice anything by being interdependent. Surely we as businessmen know that and practice it every day. This is what we do when we see that somebody else, whether consumer or fellow businessman, has a need and that we can supply it, at a profit of course. That does not mean that we are sacrificing any of our freedom in the free enterprise system or that the buyer is sacrificing his. But, and this is a big "but", the disciplines of the capitalistic free enterprise system demand that each party shall be satisfied with that transaction and, what is more important, each one shall have gained from that transaction.

My theme also has a second part, namely "in Southern Africa". Southern Africa means the southern part of Africa, in which you also have the Republic of South Africa. Now we know that everybody sees South Africa as

white dominated, and the rest of Africa as black.

Unfortunately therefore, Mr Chairman, everything that I say from now on may be seen in the context of a particular political climate and may be discounted as coming from a white South African racist. So let it be. I hope there will be those who will not see it as such, for I do not intend it as such. I am trying to see a road on which we as white and black can walk as fellow interdependent creations of our Maker, and how we can learn from each other for the good of us all.

I have been doing business and travelling up and down black Africa now for 25 years. I have been involved with various international agencies, government departments, export credit agencies, international banks, both in official forum and over a glass of beer in the pub, for more than 30 years. What I see very clearly, and it would really be looking through a glass darkly if others don't see it as well, is that black Africa is slowly but very surely sinking into a quicksand of economic despair.

Debts are mounting up and are not and perhaps cannot ever be repaid, production is declining, export income is declining, food production is fast becoming non-existent, and people will now start dying of hunger in ever-increasing numbers if something isn't done about it. And what is the West, that is the developed, industrialised world, going to do about it? Give more aid and credits as it has been doing in the past and as the official Third World voice wants it to? If, as in the past, this aid will merely relieve the pain but not cure the disease of an inexorable spiral down the whirlpool, isn't this increasing strength of the whirlpool also going to give rise to a mounting whirlwind in the West which finally blows itself out and leaves nothing more to give, at least not in relation to what is demanded of it. In my opinion this vicious cycle has to be broken, and not much time is left.

I have personally been foreseeing this now for many years and have been making my own timetable forecast of what is going to happen in various countries. It is certainly happening according to that timetable. This is the reason why I get terribly depressed when I think that I may also be right about my further prognosis for the future, and which presents terrible spectres. Now please don't say : "Oh, you are so clever." I have been checking these prognoses and timetables over the years with my friends

in the West (over the glasses of beer in the pub) and they have made the same prognoses. Only, as I have said, they feel this is not a subject that is raised in civilised public discussion.

Now then, you may say to me, what is it that you think is wrong, what enables you to work out a timetable of how things are going to fall apart, what then is so different between the outlook of the Western developed world and that of the sinking black African country? Spell it out man!

Well then, I will put my views on the table.

Firstly, I want to state that unless one has created wealth, wealth cannot be distributed. I do believe that capitalism and the free enterprise system is the only way to create wealth in the long run. It is not perfect, just as socialism and communism might have been the best systems, had they been perfect. But they are not perfect, and never will be. What is more, they will never have the same in-built checks and balances that an ostensibly free enterprise system will have, to a greater or lesser degree, depending on the country in which it is practised. That is why I say that although imperfect, it has the best potential for the creation of wealth. I do not deny the role that government or public administration has to play in this; the question is, what is the point of departure?

That is then the reason why I think that, seen in the philosophical sense, the assistance that the West has been giving to black Africa over the years, has been wrong. It has been wrong because it has been the giving of wealth, primarily created by capitalist systems along private enterprise, profit motivated lines, to socialist, or perhaps a better word in the context of Africa, communalistic black states for distribution according to socialist administrative lines. What makes it worse is that underdeveloped countries invariably suffer from an administrative system that still lacks experience and sufficient skilled and trained manpower. Did they, therefore, ever have the machinery and expertise to perform this task of distribution properly?

Mr Chairman, it is one thing to distribute wealth, it is another to create it. Has the West really been doing its job properly? Has it not been in default in that, when it put wealth in the African's hands, it did not also give him the know-how, the understanding and the wherewith-all to procreate

that wealth? Weren't many of the aids that were given and credits granted, merely ways of ridding a conscience and getting rid of the problem?

Now please, do not accuse me of saying that the African is inferior intellectually. That's rubbish. I am not saying that. I am saying that I have met many black colleagues in Africa in my sojourns who have had the same University education as I have had, and with whom I could have the most stimulating intellectual discussions in a long evening, but when the chips are down it comes down to the disciplines that determine the creation of wealth, they are ignorant of, or choose to ignore, the simplest ground rules that you or I as businessmen would regard as crucial for the creation and procreation of wealth. Let me tell you, I also have white friends in that category!

I think the crucial difference is that we in the developed, capitalistic society, we Whites, live in a system which, however imperfect, manages to stumble along successfully and where there is opportunity for the individual to become exposed to that capitalistic, free enterprise, profit-motivated system, to learn from it and to accept it (as I experienced when I was finished with cycling to school). I do, however, believe that that system is not sufficiently evident and accessible for the black man, taking into account his culture, history and opportunities. There is still an additional factor of production in the capitalistic system and that is its culture and disciplined management.

I have been mentioning quite frequently the disciplines, the checks and balances, of the capitalistic system. Now what, in my view, are they? The prime discipline, and also the objective of the free enterprise system, is of course the bottom line. No matter how noble your intentions, how well the execution, how great the praise earned, if the bottom line shows a loss, the enterprise cannot, by the very laws of nature, continue its existence. Nothing is created from "nothing", and by the same token, "something" cannot be reduced ad infinitum. Sooner or later it becomes "nothing". It must show a reward or, in plainer terms, it must increase the value of the capital, expertise and labour that has gone into it. You may say this philosophy gives licence to the unscrupulous exploiter. It certainly can, but then you have the checks and balances. If there is reasonably free competition, one cannot make exorbitant profits for long before others join in. Also, and this is for me most crucial in this

system, business is a two-way affair. In order to get something, one must give something. It is always an action between at least two parties and each party must be satisfied and have gained something, otherwise it will not continue with that action.

Let me give you certain very mundane examples of this obvious non-adherence to certain basic free enterprise disciplines which I have personally experienced in black Africa :

- a) If a project is started and it will not create wealth, it is a negative factor and will destroy wealth. What is this so-called "wealth" that we talk about creating? It is not the picture of the man driving a Rolls Royce and eating caviar; it is the picture of something becoming more, greater than when you started - value added - a value-adder being supported by economical infrastructure. Certainly, you may say, all projects are not necessarily profit producing. A dam does not show a profit in itself, a road doesn't (unless it's a toll road!), a public hospital doesn't. But a dam can enable farmers to produce food at a profit; a road can enable farmers, industrialists, transporters, travellers to produce wealth; a hospital can keep people healthy so that they can go on producing wealth. I have, however, seen this reasoning, or perhaps better phrased, the acceptance and execution of this reasoning, fall apart in African countries. The discipline of the capitalistic system demands that even an infrastructural development must contribute to the creation of wealth, by being an economically viable cog of a greater, productive whole, not a loose-standing, sterile effort that was done because it was prestigious, or merely because someone gave the money for it.

- b) If a contractor enters into a contract with another party, it is a two-way affair. Each one commits himself to certain actions, and each one is dependent on the other. If the time comes for the other party to perform his part, he cannot decide to change the rules, or change the policy, or lose his documents. It doesn't matter whether a party is Black or White, if he lives under free enterprise disciplines and makes a loss, he will learn a lesson. Nothing is as nice as making a profit, but nothing

sticks in the memory so much as a loss. When next that losing party has to make a quote, he will either refuse, or charge double to make sure he won't be caught again. To sum up, if you want to get, you must be prepared to give.

- c) A supplier will not keep on supplying goods on credit if he does not get paid. Sound trade credit has been found by the free enterprise system as a productive contribution to that system. But then it must be based on confidence that it will be repaid on time and therefore also be reasonable in its cost. If the buyer does not pay his supplier, that credit will stop, no reason how good the excuse why the buyer cannot pay. I have heard the strange argument arising from some quarters of the Third World that if someone extends credit, it means he is rich and has more money than he needs. The borrower, by this definition, has less money than he requires. Therefore, if the borrower runs into trouble, the lender is in a better financial position than the borrower to suffer the consequences, i.e. he can wait for his payment. What a distorted picture of the role financing plays in the private enterprise system, and the disciplines of the bottom line. Somebody who destroys the confidence in his own credit rating, will pay the bitter price for it. It's no good either saying the credit is insured and the credit insurer has a lot of money. If he has money, it is because he also observes the discipline of the bottom line and takes steps to be able to meet his commitments when he is called upon to do so. Once the credit insurer starts applying controlling measures like raising the premium, reducing the insured percentage, extending the waiting period, in the end it will only be the defaulting buyer or country that lets his supplier wait 36 months for payment past due date and expects to keep on being supplied on credit. The supplier will merely load his price with the his insurance premium payable to conventional insurers for markets which usual credit insurers now refuse to cover, plus the exporter's own calculation of his risk and opportunity factor, plus the interest for 42 months, and that at today's high rates. That will surely only add to drag that country down even faster and raise the cost of living for its citizens. Again the lesson should be clear: You cannot expect the best deal if you do not play by the rules.

- d) Time is money, and for the proper result on the bottom line, the application one makes of available time, the opportunity cost, is as important as the other production factors employed. If somebody keeps the person he is to do business with waiting in the waiting room for hours, or in his hotel room for days without reasonable cause, and perhaps only for the reason of showing him who is supposed to be in charge, it is not only rude, but in the end the cost of such wasted time will revert back in the form of higher prices.

Mr Chairman, some people may say that these are rather petty arguments to put forward in order to illustrate a rather serious philosophical concept. But if these symptoms appear so easily, they are, to me, an indication that somewhere along the line sight is lost of what it takes to create wealth.

It is of course very easy to generalise. Certainly it cannot be said that the same behaviour pattern applies to every individual or country in Africa. Take Malawi for instance. When "uhuru" started, Malawi was looked upon as one of the most destitute countries in Africa. Today it has one of the most progressive economies. It can feed itself and more. It believes income comes from hard work, discipline and initiative and it is becoming richer.

I have also been rubbing shoulders with many a black businessman in Soweto and have been enriched spiritually as a result. Talk about initiative, and there will be some gentlemen in Soweto who can show us something, even with the odds sometimes stacked against them.

But this, to me, tends to reinforce my point rather than detract from it, because in the examples of Malawi and Soweto I have mentioned, I have detected this effort to understand and absorb the principles of the free enterprise system and the crucial discipline of the bottom line, and this has yielded wealth.

Ladies and gentlemen, this then brings one to the point of asking: to what conclusion are these arguments leading us? My submission is this: Africa only has a hope of surviving if it, in combination with assistance of the West, will admit that it has a benefit to gain from the creation of wealth through the mechanism of the free enterprise, profit-motivated system,

without sacrificing its political ideals of independence, and that Western assistance should be orientated towards giving that type of support, support which in reality, to be effective, should be in support of private enterprise.

I fully realise the magnitude of such a proposal, especially with so many ideologies, oratory and political posturing intervening to obscure the issue on a more global level. There have already been suggestions made by eminent world economic authorities that Third World countries would have done better to seek investments in their countries rather than to borrow at high interest rates. I gather these suggestions haven't found much favour, and in any event you are well aware of the large political hang-ups that accompany the activities of multi-nationals. I think that much of these hang-ups are misplaced, and that multi-nationals can do as much, if not more, for an LDC's economic development than international development agencies can, but that is another subject we cannot go into within our time limit.

The fact of the matter is that there is an unfortunate political divide between the wealthier developed countries and black Africa in this whole question of economic assistance and co-operation, which sometimes gets referred to as the North-South confrontation. There seems to be a great distance, not only geographically, but also philosophically, between the West and Africa which, unfortunately, would seem to spell that the present unfortunate situation, which to me has rather doomsday overtones, is bound to continue.

And that, Mr Chairman, brings me to Southern Africa and the extremely crucial opportunities and challenges which are presented to us, black and white, in this region.

I do feel, again from personal experience, that there is less of a distance between the inhabitants of this region than there is between Africa and the industrialised West. There certainly is a greater closeness geographically, and there is also one metaphorically. Firstly, we Whites in South Africa are sometimes too easily seen as being the "West", as I have been characterising the developed wealthy nations in this talk. But we are not really. We have also become Africans and tend to associate our thoughts and attitudes more closely with that of Africa than with far-away Western

countries. We are truly moving towards a blending of first and third world practices and cultures into a unique new creation. Secondly, there is a directness of speaking and action between the peoples of Southern Africa that is absent between Africa and the other continents, an absence sometimes not even understood by foreigners, but certainly recognised by Africans.

Interdependence between the countries in the Southern African region already exists, whether everybody likes it or not. How this interdependence can be further advanced for the benefit of everybody in the region is the question. In this address I have tried to spell out to you my views as to why things have happened as they have, and I have come out rather strongly on the premise that the black African will only find economic salvation if he can also become adept, as quickly as possible, in the forces of the free enterprise, profit-motivated system. But this cannot be taught only by universities or textbooks.

And here, ladies and gentlemen, we come to the crux of the point I wish to make to you today. South Africa is undoubtedly the economic leader in the Southern African region. We have created our wealth because I think we have allowed our western practices of the application of the free enterprise, profit-motivated system, to be exercised reasonably freely and so far this has principally been done by our white business community. If we want the rest of the region to prosper further with us by the procreation of wealth, and not be drawn down by the erosion of wealth in the rest of the region, we in the Republic will have to make specific and strenuous efforts to pass on the understanding and practice of that system to our black fellow-inhabitants of this region. This means that also in the Republic itself restraints which would inhibit the expression of the free enterprise profit-motivated spirit of the black entrepreneur should be seen and the removal thereof be treated sympathetically and positively.

The action between the regions will have to be not only between governments, but also between people. Despite all our political differences in the region, there is that closeness between us arising from our already existing interdependence which should make this feasible.

Firstly, the South African government must, and I think does, realise that its capacity to supply technical and financial assistance to the other

countries in the region is limited and should be applied judiciously, that it should encourage and provide incentives for South African private enterprise to seek and develop profit-yielding enterprises in the region, and that development aid and assistance should be co-ordinated with such profit-seeking enterprises.

The governments of the other territories should be made aware of these arguments and sentiments and should be persuaded that this is an honest attempt to increase the wealth of the whole region, including that of their own citizens. One could then see the emergence of a middle class, a more practical and self-imposed birth-control sentiment, and an ever-increasing tax base for their governments.

Finally, the biggest task of all lies with the private enterprise of South Africa and the emerging entrepreneurs of the adjacent territories. They must transcend geographic boundaries and seek business opportunities, always under the discipline of the bottom line. The more experienced white South African entrepreneur must take the black participant under his wing, or better still, place him alongside himself so that they can rub shoulders and the black man can learn the challenges, disciplines and rewards of this system and start exercising these himself. These actions could be directed firstly to areas which are more easily assimilable by the culture of the region, and here I think that the businesslike, profit-motivated development of agricultural resources in underdeveloped areas may be better appreciated by local regional interests.

This is not an easy task. After all, everything I have said is based on the principle that the entrepreneur is only guided by the fact that an opportunity should yield him profit. This, he might decide, is easier done across the street than across the border. But then he should be made to realise that the continuation of making profit is just as important as making it once, and that, as surely as we sit here today, will only happen if profit is made in the whole region, not only in part of it.

There are encouraging signs that this can happen. Certainly our own South African government has shown most commendable signs of recognising the crucial role of private enterprise in economic development and of providing support in encouraging it to move inter-regionally. Governments of neighbouring black states have already indicated their interest in this

concept. Some have made strides in this direction, and their economies have already shown healthy characteristics. Others are obviously pondering on it and I hope that success elsewhere can be shown fairly rapidly so that they can realise that the benefits to their people will transcend the political clouds which still obscure their view.

The most important participant in this will be the businessman, here and elsewhere, who will have to get up and go for this challenge. There are already encouraging signs that certain South African business interests have become aware of the import of what is happening and what is to be done, and have taken steps to co-ordinate their efforts towards the seeking of business opportunities in neighbouring states, with all the above objectives in mind.

Mr Chairman, ladies and gentlemen, you probably received an address from me that is somewhat different from what you expected, and I only hope you don't feel disappointed. If (and I fervently hope the operative word is when and not if), when we can achieve a situation in Southern Africa that is a spirit of interdependence and goodwill we have been able to create a growing spiral of profit-motivated, private enterprise, disciplined economic development, I hope that maybe, just maybe, we can show the rest of Africa and the West the way and perhaps help towards dispersing the clouds of economic despondency which are already building up so darkly.