



# PRIME MINISTER

CHECK AGAINST DELIVERY

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**SPEECH BY THE PRIME MINISTER  
LAUNCH OF APARTHEID AND INTERNATIONAL FINANCE  
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I'm not the first person to observe that success has many fathers while failure is an orphan.

Now I will not join the throng of people claiming paternity of this successful and significant publishing venture, Apartheid and International Finance.

But I will lay claim to being perhaps one of the grandfathers.

When the Commonwealth Heads of Government last met, in Vancouver in 1987, it was against an extraordinary backdrop of events in South Africa.

The mid 1980s had seen a dramatic sharpening of the courageous protests by the black people of South Africa seeking to gain fundamental political rights.

The response by the South African authorities had been violence, further repression, blanket censorship and, in June 1986, the declaration of a state of emergency that has been extended continuously to this date.

The period was also one of acute crisis for the finances of South Africa.

In late August 1985, South Africa came under such intense pressure from its creditors that it defaulted on a portion of its international debt and as a result, became, as Sonny Ramphal says in his foreword to this book, an unacceptable risk.

Facing a foreign exchange crisis, South Africa was forced to close its exchanges for four days while officials arranged not, it was understood, long term solutions, but short-term rescheduling.

Clearly, here was a weakness in the South African system that posed a very real threat to its very existence.

For the opponents of apartheid, the situation demanded closer scrutiny and, where possible, tighter pressure.

So at Vancouver, I proposed that the Commonwealth examine the links between South Africa and the international financial system.

The report that emerged was presented to the second meeting of the Commonwealth Foreign Ministers on Southern Africa in Toronto last year.

It was decided - and here Gareth Evans might like to claim a degree of paternity - that the report was so significant that it should be brought to the attention of a broader public through a revised and expanded text.

For the authors I have nothing but the highest praise.

Tony Cole, a deputy secretary in my Department, was the chairman of the committee of Commonwealth officials who did the primary research for the report.

Keith Ovenden, hand picked for the job by Gareth Evans, is one of those fortunate, and rare, writers who can with lucidity draw out and communicate the relevance of even an arcane matter like an intricate by-way of the international financial system.

I do not think it unnecessary to add that the complexity and confidentiality of the research they undertook required great diligence on the part of the researchers and considerable trust by their anonymous sources in the financial community.

Together, Ovenden and Cole worked at breakneck speed to finalise this text and Penguin Books have performed a minor miracle to produce and publish their text.

The result is a book incisive in its analysis and so up-to-date that it deals with developments that happened a mere ten weeks ago.

The story that Keith Ovenden and Tony Cole tell has three great themes.

First, they draw attention to the economic aspects of apartheid.

It is not difficult I think to comprehend the moral dimensions of the fight against apartheid, or to appreciate from our vantage point in a Western democratic nation the political outrage that is apartheid.

Without in any way downplaying the importance of those aspects, it is stimulating to read such an informed account of the economically offensive elements of apartheid.

Apartheid, as the authors say in their introduction, is synonymous with waste: the waste of human potential and human resources.

To illustrate this point, the authors tell the story of the "homeland" of KwaNdebele, which lies about 110 kilometres north-east of Pretoria and was created in the 1970s to prevent the large number of black people who were being forced off white-owned commercial farms from settling in the cities.

Its current population could be around half-a-million people, but in this artificially created entity few of them have jobs.

Its workers either take work contracts, which force them to live away from their families for months on end, or else they shuttle between KwaNdebele and Pretoria every day to go to work.

This second option means four hours of travel in the morning, out of the so-called homeland to the white city, and another four hours back again in the night.

They leave home at 3 am and return at 9 pm - a qualitatively different experience, you can imagine, from travelling 15 minutes by coach between a downtown luxury hotel and an international rugby or cricket ground.

This extraordinary daily movement of people requires buses, and in the 1988-89 South African budget the sum of 400 million Rand was appropriated to subsidise the buses that service these people.

In the same budget, the upgrading of residential housing in black areas received 106 million Rand - about one quarter of the bus funding.

So apartheid doesn't fund industrial development near major population centres, it doesn't care about social dislocation or even the standard of housing: it subsidises buses!

And just as strikingly, apartheid's priorities for providing for its people lie well below its priority to maintain its armed forces. The South African armed forces account for 20 per cent of the South African budget, or some 5 per cent of its GDP.

In the degree of Government intervention, in the stark inequalities between the living standards of the white elite and the black majority, in the distortions of its financial institutions, apartheid represents a fundamentally inefficient and internally contradictory system - one that is utterly incapable of meeting the demands of the post-industrial interdependent global economy.

As the authors put it in a masterful understatement, "the politics of race have introduced distortions and the misallocation of resources on a scale that is now making for most interesting developments."

This of course leads to the second great theme of this book.

Sanctions do work.

Keith Ovenden and Tony Cole demonstrate that the embargo on loans to South Africa that has been in place since the crisis of 1985 has been the most effective tool of international pressure in forcing the South African Government to consider reform.

It has, they argue, had the effect of restricting economic growth in South Africa by forcing a continuation of capital outflows, and compelling the regime to generate current account surpluses.

The follow-on is clear: with a desperate need for new employment opportunities for a rapidly expanding population, low rates of growth will mean declining standards of living.

And, as Ovenden and Cole put it, while South Africa clings to apartheid, and while financial sanctions persist, South Africa's freedom of financial and budgetary manoeuvre will be steadily reduced.

So internal pressure for reform by the oppressed black majority, the economic cost of maintaining apartheid's grotesque structures and the international credit squeeze have combined to bring about a fundamental economic instability - an instability which the South African Government is unlikely to rectify unless it commits itself to wholesale political reform.

For this assessment we have not only the evidence offered by the economic data and statistics produced in this book, but also the expressed views of white South African leaders themselves.

On 5 May this year, Finance Minister Barend Du Plessis said that austerity measures were necessary to enable the country's foreign exchange reserves to withstand what he called "the economic onslaught against South Africa".

A few days later, South African Reserve Bank Governor Gerhard de Kock acknowledged in a public speech that international pressures, particularly financial sanctions, had crippled South Africa's ability to deliver sustained economic growth.

This trend could not be reversed without "adequate progress in the field of political and constitutional reform".

"South Africa's economic future", said de Kock, "is inextricably entwined with its political future".

So the message is getting through.

The third theme of this book is that the world-wide revulsion against apartheid has been a vital source of this pressure for change in South Africa.

The authors argue that it has been the pressure of churches, shareholders, clients and customers, public and private bodies, indeed, ordinary citizens throughout the world which has persuaded, if not compelled, major financial institutions, multinational conglomerates and other companies to stop doing business with apartheid.

Theirs is a convincing argument and it is a welcome one.

Ladies and gentlemen,

I began by talking about how the Vancouver CHOGM took place against the backdrop of the 1985 financial embargo on South Africa.

It is clear the Kuala Lumpur CHOGM which takes place in October will have before it the next step in the playing out of South Africa's financial difficulties - the June 1990 crunch point when the current agreement for bank loans expires and when a number of bonds require repayment or rolling over.

It is my very strong hope that the financial community will maintain the pressure that has so far proved such a powerful force for change in South Africa - and that public opinion will continue to exert its constructive influence on this process.

I hope too that the Commonwealth will use all its influence to ensure that pressure is maintained.

We could have hardly hoped for more powerful ammunition. With this book, we can deliver even more confidently to the world our message about the efficacy of financial sanctions.

Economic and financial sanctions should not just be left to the judgement of the market place.

Government action has an important and legitimate role to play in this process.

As the Commonwealth has shown, governments can be effective in taking a lead - through regulating trade activities, through drafting codes of conduct for business, and through examining other sanctions - in driving home to white South Africa that while it practices the policies of apartheid, it will be at the margin of the international community.

In the end, what we want to see in South Africa is reform - real reform.

Nothing less than a complete and total abandonment of apartheid, nothing less than the full participation of all South Africans in every aspect of South African life, will fit the bill.

Recent signs that the South African Government may be willing to negotiate are encouraging, but as yet they have delivered nothing.

Certainly there are no indications that apartheid will be abolished.

Until a meaningful reform process is in place - a process based, for example, on the principles put forward three years ago by the Commonwealth Group of Eminent Persons - South Africa should expect the international community to condemn its behaviour and examine ways in which pressure may be brought to bear against it.

As I said in opening the current meeting of Commonwealth Foreign Ministers, sanctions are adopted with a sense of regret, with the aim of bringing South Africa to its senses, not to its knees.

They are not a form of punishment - rather, if carefully targetted, they are an effective way in which we as an international community can apply pressure to encourage change in South Africa.

Australia has adopted the full range of sanctions, including financial sanctions, agreed to by Commonwealth leaders at recent CHOGM meetings.

Obviously the impact of these measures on South Africa would be far greater if they were adopted also by South Africa's major trading partners, and in the past two years I have personally written to the leaders of those countries asking them to consider adopting that course.

Sanctions are supported by the leaders of black South Africa: Archbishop Tutu, Nelson Mandela and Oliver Tambo.

Yet despite this clear endorsement, despite the demonstrated effect of financial sanctions in particular, there is still frequent confusion surrounding the debate on their desirability.

This book will, I can confidently predict, help to disperse that confusion and will substantially increase public understanding about this important issue.

I am pleased that Gareth Evans took the initiative in encouraging this project, and I am proud of my Government's involvement.

This is a well-crafted book that represents an invaluable contribution to illuminating what is surely one of the most vital issues of our time.

It is fitting that it should be launched in such distinguished company today, among a group of people who through their work on the Commonwealth Committee of Foreign Ministers on Southern Africa have done so much to lead international debate on South Africa.

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