

PREM 19/3120

Prime Minister's meeting with
Mr JUSTICE STEYN on 14 September 1988
and 30 January 1989
+ subsequent meetings.

PRIME
MINISTER

May 1988.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.5.88							
8.9.88							
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15.7.88							
18.1.89							
23/2/89							
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GO,

THE STRUGGLE FOR GENUINE AND LASTING DEMOCRACY
IN SOUTH AFRICA

A SPEECH BY MR J H STEYN, CHAIRMAN OF THE URBAN FOUNDATION,
AT THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS, CHATHAM
HOUSE ON WEDNESDAY, 2 MAY, 1990

There has long been a debate inside and outside South Africa about the relative priorities of socio-economic and political reform. One viewpoint, reminiscent of the anti-colonial cry "give us first the political kingdom", is that political power to the majority in South Africa is the essential lever to pry loose the structures of political and economic privilege enjoyed by whites. Another view, equally firmly held but by different South Africans, is that a political settlement is well-nigh impossible before socio-economic inequalities have been reduced sufficiently to create a basis for some common political values. One of South Africa's famous economists, the late Professor Jill Nattrass, argued persuasively, for example, that the KwaZulu-Natal Indaba proposals for a reunited, non-racial Natal were severely prejudiced by the huge inequalities in educational provision, income, access to land and other resources in that region.

A different argument, and one made particularly persuasively by the well-known analyst and senior executive, Michael O'Dowd, was that a sufficient period of modern economic growth in South Africa would release pressure and forces leading to the emergence of political democracy, as it has done in so many democracies in the Western world. In a sense this view would also give priority to the socio-economic dimensions of change.

As with most debates in the social and economic sciences, all these views have merit. In the past these arguments were largely academic; neither political empowerment of the black majority nor massive socio-economic upliftment was on the agenda. Today, however, these theories are directly relevant to a very exciting but also very stressful new phase in our politics.

Since Mr F W de Klerk released Mr Nelson Mandela, unbanned the ANC, the PAC and the SA Communist Party, and in these and other ways initiated a climate for negotiation, the political dimensions and the economic implications of political change have dominated the minds of decision-makers. Academic theories about which should come first have been dramatically conflated. It has become clear that economic and political restructuring have to occur simultaneously. However, these two dimensions are complicating each other very significantly.

Political settlement, broadly defined, is our current national objective. However, the economic priorities of the major parties, as these are articulated, appear to be hugely polarised. They are, therefore, placing the prospect of a political settlement at risk.

To make matters worse, the conflicting economic objectives are all understandable. Indeed, they reflect valid viewpoints and are politically appropriate under the circumstances. Black political leadership is faced with the fact that the constituency it intends to represent is relatively very poor, has limited resources in land, is burdened by a massive housing shortage and is educationally disadvantaged. For them politics has to be about economics and wealth redistribution. Thus the ANC's insistence that nationalisation of the mines and major industry must remain on the agenda is one example. This call, which may well have shaken the confidence of some investors, is often interpreted as only being early rhetorical positioning. Yet it reflects the political pressures generated inside this organisation.

On the other side, the new economic policies of government, which for the first time in 40 years broadly coincide with growth needs in the private sector, are equally compelling. In order to lower taxes to stimulate investment and productivity, central government spending is being curbed. Money supply is on a tight rein, with high interest rates directed at combating inflation. Privatisation is planned for various state enterprises. Deregulation is proceeding. In these and various other ways, serious attempts are being made to create conditions under which the economy can return to rates of growth above 4 and 5 per cent - the minimum level needed to absorb new entrants into the labour market.

Business confidence, as a result, is fairly buoyant despite the present cyclical downswing. Indeed, in many ways South Africa is beginning to follow the figurative IMF handbook on how to re-stimulate development. The bitter irony, however, is the fact that immediate welfare needs among blacks cannot be assuaged by medium-term growth-orientated economics. Hence, we have calls from the trade unions and majority-based movements for more government intervention, possible nationalisation or even a command economy. Many South Africans who have agitated for fundamental change but who believe in economic freedom, are in a crisis of conscience. Worse still, the requirements of a political settlement are made hugely more complex by the economic conflict. Our lack of serious attention to black socio-economic development in the past has come home to roost with a vengeance.

The gravity of the situation is demonstrated by the arguments now heard. Some resurrect the contention that South Africa is not ready for a political settlement. Others, in defiance of the clear lessons from the Eastern European economic experience, still argue that only socialism, or a system like it, can achieve the required economic justice. This approach is unacceptable, indeed it is non-negotiable, not only for government, but for the overwhelming majority of haves - both black and white - in South Africa. It is becoming very clear how closely general welfare and democracy are interlinked. The failure of democracy in so many Third World countries is crystal clear testimony in this respect.

South Africa has the enormous benefit of the fact that despite the aspirations of some countries a solution cannot be imposed from outside. While I fully understand the motivations of Western governments in intervening to resolve the lingering crises in Zimbabwe and in Namibia, in both these cases there was a less fundamental accountability, albeit in differing degrees, for the quality of the outcome as far as development, welfare and the maintenance of democratic practices were concerned.

Let me add immediately that the situation in Namibia holds promise. Indeed, there appears to have been an excellent start with a democratic constitution accepted by all parties. Namibia, however, had the benefit of a buffer period of rule by a multi-racial internal coalition, the DTA, and the war was, in an immediate sense, external to the major developed areas of that country. Hence the population had not become radicalised by widespread internal struggle. SWAPO has not had to face highly mobilised internal civilian constituencies and respond to well rehearsed demands. The point is that the nature of the settlement and the arrangements made for the country's transition by the external powers did not have to exhibit scrupulous concern about the constitution and the orientations of the government which was to follow the constitution. The country's enormous dependency on South Africa has, of course, been another factor which has buffered the system against political and economic experimentation with policies with a high symbolic and radical appeal.

Zimbabwe and, much earlier, Zambia better illustrate the dangers of rapid crisis resolution by external powers. This statement does scant justice to the enormous commitment of the United Kingdom in particular, in seeing the Lancaster House Agreement through to a conclusion. I would nevertheless suggest that there is a lesson for us all to learn.

Zimbabwe emerged after Lancaster House with problems such as rural landlessness, a surplus of inappropriately prepared school-leavers and high expectations, which made a particular type of political articulation almost inevitable. The government had to talk of redress. It had to make some gestures towards nationalisation and it also found itself under threat of regional dissidence. Too many skilled whites left the country and regional constituency leadership in the West of the country initially had no role except that of spoiling tactics. Under these circumstances, who could expect investment capital to flow into the country? Worse still, will democracy survive? The unusually low poll for a young democracy - some 50 per cent in the recent elections - is not at all encouraging. Democracy requires so much more than giving everyone the vote. It is a necessary but insufficient condition.

I am convinced that we in South Africa, despite the fact that we have delayed the process far too long, can avoid some of the pitfalls. This is not to say that our problems are less complex. Indeed, they are not. One reason why we can do so is that our settlement will not be externally imposed. The major actors in South Africa are going to be involved in producing a settlement and we will have to live with it.

There is, however, a concern in South Africa that the negotiation process will lead to a political system, at least in the interim, in which the privileges of the white minority will be entrenched by group protection of a kind which will over-represent white interests as a race group. If this were to occur, it would indeed be a form of rearguard defence of political apartheid and it will certainly create as much conflict as it protects minority interests.

Happily, however, there are clear signs that there is a move away from thinking about race groups as the focus of protection in a new constitution. There is a new emphasis on quality of government as a goal. This is more important

than group protection in the narrow sense. This argument is expounding the need for what is termed "balance in government" without there having to be a racially segregated form of participation as the basis of the constitution. The often articulated commitment to non-racial democracy from leaders of the black communities is equally encouraging. However, the need to give content to the concepts comprising the phrases "protection of minorities" and "non-racial democracy" is urgently necessary.

A stage will nevertheless be reached, quite soon perhaps, at which constitutional proposals of government will be depicted by critics as political apartheid in a new form. The debate about this will be prominent in the United Kingdom, as it will be in the United States and Europe. Indeed, it has already started.

Because this debate will be emotional and the various viewpoints liable to misinterpretation, I would like to articulate an observer's objective viewpoint. I do so as much to encourage new thinking in government as I am responding to their opposition. This position is the following.

The new constitution should not be constructed so as to entrench the specific interests of whites. Neither should it protect any category of the population formally defined in racial terms. If, however, the constitution negotiated can, without reducing the impact of majority choice or the value of votes:

- (i) make provision for the effective participation of all significant interest groups irrespective of race; and
- (ii) create a situation in which all talent and leadership resources can work together in solving our problems of development; and
- (iii) effectively protect individual rights, eg through a bill of rights -

then we can have good government.

We can have good government because the essential checks and balances generated by such provisions will help to ensure that whatever leadership emerges in South Africa seeks creative compromises, compromises which will promote the interests of the disadvantaged, but without damaging the legitimate interests, economic confidence and willingness to co-operate of those who command the resources to invest and those who currently have the skills to contribute to a process of dynamic development.

These attributes are, after all, what Western European democracies have. No significant category of interests and commitment feels totally excluded. Even in opposition, leaders of interest groups feel that they have some purchase on, or input into, national policy at various levels of public life and government. Parties alternate in government. Politically there are no first and second class Europeans. In Europe you have achieved a political balance through development, social mobility and progress. This process has reduced gaps between haves and have nots and produced gradations of interests. You have in your basic demography that which is termed "cross-cutting lines of division" which produce dynamic balance.

We in South Africa do not yet have the demography and the development to secure this balance automatically. For this reason, any settlement of political disputes in South Africa has to attempt to build it in. However, we dare not use the offensive and conflict-generating criterion of race to do it. It is a difficult challenge, but we can succeed. Underlying the pre-negotiation rhetoric and verbal positioning, most leaders, black and white, are signalling that they want comprehensive participation in government.

Whatever the grounds for political optimism may be, we dare not leave it to the political processes only. We cannot place representatives of the disadvantaged communities in a position in which they feel obliged to challenge the interests of advantaged South Africans to seek redress.

Let me illustrate the problem. At the end of 1989, 42 per cent of Africans who wrote the secondary school-leaving examination passed. This compares with 94 per cent of Indians and 96 per cent of whites. In 1988, there was a massive shortage of African teachers and a pupil-teacher ratio of nearly twice as large as that among whites. Although the expenditure gap has narrowed very dramatically over the past years, expenditure per pupil in white versus African schools was 4,8 to 1 in 1988. There was a shortage of 6,200 classrooms for Africans in 1987 and 1988. Only 51 per cent of African high school teachers have senior school-leaving plus professional qualifications or degrees. These are qualifications considered normal in the profession.

Getting rid of race segregation will lessen the problems. But the population ratios are such that the vast majority of blacks will still be in black schools in black areas and will be subject to the same disadvantages.

Among the most important problems is that of unemployment. A minimum of some 16 to 17 per cent of Africans who are economically active are unemployed. (Most observers assume that the proportion is much higher and that in the school-leaver unemployment, it could well be in excess of 50 per cent.)

Housing is another problem area. On the Witwatersrand, the country's industrial heartland, The Urban Foundation calculates that nearly 50 per cent of African families are housed in shacks. As many as 127,000 houses have to be erected for Africans each year for the next 20 years to address their housing needs. The rate of housing provision at the moment is about one-third of this projected need. There is a current housing backlog of virtually 850,000 units.

These examples indicate that we face a challenge in the field of development equal to our political challenge. The challenge has to be faced and these needs addressed, otherwise the conflicting demands of politics and development will destroy each other.

It is a sign of hope that decision-makers also believe there is a solution. The recent announcement of a R2 billion independent development trust for disadvantaged South Africans is evidence of this fact. This trust is targeted at redressing areas of critical need in our society.

The model has to be one of massive state and private sector development funds which go directly to areas in which there is a need and also a market. These funds have to achieve their objective without creating or sustaining a bureaucracy whose middle class salaries will fuel inflation. One has to tackle the problem in such a way as to make the development process self-sustaining. This means one has to stimulate markets. The very poor and needy, however, often cannot afford market prices. Hence the funds have to be used as gearing finance, or leverage money, to lift the resources of the poor up to levels commensurate with minimum affordability at market rates, or reduce costs of provision with the same effect. In this way, the public and the private sector can work together with the disadvantaged communities to secure both basic needs, market expansion and employment growth.

Our task from now on is to formulate specific priorities in the areas of housing, community services and amenities, land acquisition, business development and community development. At each step of the way the private sector will have to be involved. I am pleased to say that the South African private sector has given real encouragement even beyond my expectations!

We can bridge the economic impasse which is threatening our brittle progress towards political peace. I leave you with just one question: What will the outside world do more than prescribe and propound? This issue is not one of charity or benevolence. The prospects not only of a successful transition, but the emergence of a democracy in one of the most beautiful and exciting countries in the world is at stake.

SUBJECT CC MASTER



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 May 1990

Dear Simon,

PRIME MINISTER'S MEETING WITH MR. JAN STEYN

The Prime Minister had a talk this afternoon with Mr. Jan Steyn, formerly Chairman of the Urban Foundation in South Africa, and now Administrator of the Trust Fund which the South African Government has established for development in black areas. Mr. Steyn was accompanied by Sir John Leahy.

The Prime Minister said that very considerable changes had taken place in South Africa since she and Mr. Steyn last met, just over a year ago. Mr. Steyn said they would not have happened had it not been for the Prime Minister. He had been told this by no less an authority than Nelson Mandela, who had added that it had been the Prime Minister and President Reagan who had given him the prospect of release. The Prime Minister said that, while grateful for the compliment, she had been a bit disappointed in some of the things which Mr. Mandela had said since leaving prison. She supposed that we had to write a lot of it down to ritual. But she hoped that we would soon see the real man. Mr. Steyn said that no-one should underestimate the feeling of disorientation after 26 years in prison. At least Mr. Mandela had come out with his dignity intact. The Prime Minister agreed: it was not just dignity but even nobility.

Mr. Steyn said that he was more concerned by the lack of any real heavyweights, apart from Mr. Mandela, in the ANC. The ANC's conversion from mass movement to internal political force would be very difficult. The Prime Minister said that it would be essential for Mandela to stop harping on nationalisation. While that went on, no-one would invest in South Africa. Mr. Steyn said he hoped the Prime Minister would make clear to Mr. Mandela that this was the key to a prosperous future. She should really press him on this, and try and get some commitment, not just to negotiations, but to a development process based on a free economy. It would be even more useful if she could indicate her support for the new Trust Fund and urge the ANC to work with it.

Mr. Steyn gave an account of the new Trust Fund and his intentions for it. It was already clear that the private sector

in South Africa was ready to come in with substantial support. The basic purpose was to open channels and sluices from the first world part of the South African economy to the third world sector. He hoped that Britain, together with the United States and the EEC, could coordinate their assistance so as to dovetail with the Trust Fund's efforts. The Prime Minister asked whether this meant that Mr. Steyn wanted us to channel our aid through his operations. Mr. Steyn did not reply directly but implied it was more a question of each side taking account of the others efforts. meanwhile, the Urban Foundation's Loan Guarantee Fund would very shortly be launched and he was confident it would have far reaching and positive effects. He handed over a letter (copy enclosed) from the South African Finance Minister, expressing his gratitude.

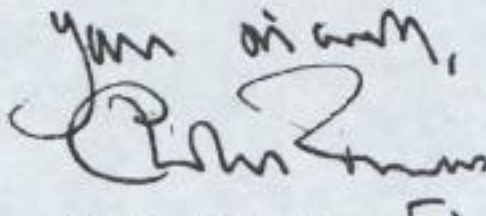
The Prime Minister explained the reasoning behind our decision to lift some of our voluntary measures against South Africa. Unfortunately we had not yet received any support from other European countries. Mr. Steyn said that he had seen the EC troika when they were in South Africa and had made the point to them very firmly that, if they kept financial constraints on South Africa in place, they would share responsibility for deterioration of the infrastructure, and would be playing politics with the future of black people.

The Prime Minister asked whether Mr. Steyn expected there to be a white back-lash against President de Klerk's policies. Mr. Steyn thought this unlikely, particularly since de Klerk had promised to give the white electorate a chance to express its view on any new constitution which emerged.

The Prime Minister asked about the violence in Natal between the ANC and Inkatha. Mr. Steyn said that, despite attempts in some quarters to portray it as all the fault of Inkatha, both sides were in practice to blame. If the violence could be halted, the Trust Fund would be ready to embark on major development work in the area.

The Prime Minister concluded that she believed there was a way through in South Africa provided all reasonable people were ready to join in actively.

I am copying this letter and enclosure to John Gieve (HM Treasury) and Myles Wickstead (Overseas Development Administration),

Yours sincerely,


(C. D. POWELL)

Simon Gass, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

MEETING WITH JUSTICE STEYN

Mr. Steyn is coming to see you tomorrow to discuss developments in South Africa. He will be accompanied by John Leahy, formerly our Ambassador in South Africa and now running the London office of the Urban Foundation.

Since you last met Mr. Steyn he has given up his position as Chairman of the Urban Foundation to take on the post of Administrator of the major new programme which the South African government has just announced for the development of black areas. They have created a trust fund of some £500 million for this purpose and Mr. Steyn's task is to attract some private finance as well. They are not at present seeking finance from abroad.

Meanwhile our contribution to the Urban Foundation's loan guarantee fund to promote black home ownership is being put to good use and should help in the building of at least 40,000 homes over the next five years.

When the Foreign Secretary was in South Africa he asked Mr. Steyn how we might develop our own aid programme for black Africans. He has responded with a memorandum making a number of recommendations in the field of education e.g. teacher training, core subject training, education for disadvantaged communities and so on. The only point on which we disagree is his suggestion that we should match funds raised by the Urban Foundation from British industry (probably £700-800,000 a year). This might upset the balance of our programme. You might suggest that he discuss details of the help we can give with Tim Lankester.

You will want to hear Mr. Steyn's views on the political situation in South Africa, which you most recently discussed with Mr. Viljoen. You might in particular ask his advice on how best to handle your meetings with President de Klerk and with Mr. Mandela, both of whom you will be seeing in the next few months.

You will find some fuller background from the Foreign Office in the folder together with a copy of Mr. Steyn's memorandum and a note of your last meeting (which was the dinner at RTZ in January last year).

C.D.P

(C. D. POWELL)

1 May 1990

a:\foreign\Steyn (srw)



Foreign and Commonwealth Office

London SW1A 2AH

30 April 1990

Dear Charles,

South Africa: Call on the Prime Minister by Mr Jan Steyn

Mr Jan Steyn will call on the Prime Minister on Wednesday 2 May. The Secretary of State is unable to see him on this occasion (they met during the Foreign Secretary's visit to South Africa last month). But Mr Steyn will call on Mr Waldegrave, and Mr Lankester (in Mrs Chalker's absence). I attach a personality note on Mr Steyn. The Prime Minister's last meeting with him was in January 1989. (Your letter of 31 January 1989 to Richard Gozney refers.)

in folder

The South African Development Fund

On 14 March the South African Government announced the creation of a 2 billion Rand (£500 million) trust for development in black areas, as part of the budget. Mr Steyn was appointed Administrator and he has now resigned his position as Chairman of the Urban Foundation to take on these duties (there is the possibility of confusion between these two roles). Mr Steyn has said that in his new capacity his priorities will be black education and improving conditions in the squatter areas (although, surprisingly, Dr Viljoen suggested at Chatham House last week that the fund was primarily aimed at helping small businessmen). Mr Steyn is seeking the views of the opposition groups and has invited both the ANC and Inkatha to nominate trustees. He hopes to attract private sector finance (Anglo American have already committed 250 million Rand) but is not seeking international support at this stage.

Taken together with other decisions announced in the budget (26% increase in funds for black education, fall of 11% in real terms in the defence budget) the new fund is a welcome indication that the SAG are prepared to devote more resources to tackling the country's socio-economic problems.

Against this background the Prime Minister may like to ask Mr Steyn:

- how soon he expects the Fund to be operational and what role he envisages for the opposition groups. How much impact can it make given the size of South Africa's problems in these areas?

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- how much further the South African Government is likely to reorder its priorities towards redressing the imbalances in South African society.

Mr Steyn's Memorandum

When they met in South Africa, the Foreign Secretary asked Mr Steyn for ideas about how we might develop our own aid programme. He has responded with a memorandum (copy attached) which commends warmly our political approach to South Africa, and the objectives of our aid programme. The memorandum concentrates on education and makes a number of recommendations for priorities (ie teacher training, core subject teaching, access to education by the disadvantaged communities, work training). Mr Steyn's proposals accord well with our own strategy; we are already assisting most of the organisations he commends to us.

The only area of difficulty is the final suggestion in Mr Steyn's memorandum that we should commit ourselves to match funds raised by the Urban Foundation from British industry (which Mr Steyn estimates will be about £700-800,000 per annum). We are not convinced that we should devote large sums to the Urban Foundation in general, rather than to specific projects; or that we should enter into a commitment which is financially open-ended. The Prime Minister might like to suggest that Mr Steyn should discuss the details of his memorandum with Mr Lankester.

Urban Foundation Loan Guarantee Scheme

Last year following an approach to the Prime Minister from Mr Steyn we agreed to contribute £500,000 to the Urban Foundation's Loan Guarantee Fund to promote home ownership by South Africans. The fund is likely to become operational very soon, once remaining legal problems have been resolved. It should facilitate the building of at least 40,000 homes over the next five years. We also provide smaller scale assistance to the Urban Foundation's community projects through funds managed by the Embassy.

In addition, before Steyn resigned, the Foundation told us that they were likely to seek funds later this year for cheaper housing addressed to the needs of poorer people (ie outside the scope of the low-cost housing guarantee scheme); this is a welcome initiative - we have encouraged them to submit a proposal.

UK and EC Aid

Our aid programme has expanded rapidly since it began in 1979; this year, including our share of European Community aid, it will exceed £10 million. In South Africa on 19 March

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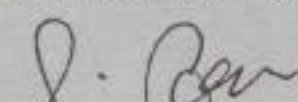
the Secretary of State announced an additional £10 million aid for commitment over the next 3 years to education, urban and rural projects, all priorities which match those suggested by Mr Steyn. Our programme is focussed heavily on education which is the key to preparing for a post-apartheid society; we expect to finance about 1,000 scholars in Britain and South Africa this year and we have several projects designed to improve teaching in black schools in the core areas of maths, science, English and basic literacy. We also provide support to almost 300 community groups through schemes administered by our Embassy in Cape Town, and assist Mozambican refugees in the "homeland" of Kangwane. A list of our projects is attached.

EC Ambassadors in Cape Town have produced a report on the EC Positive Measures Programme (currently running at some 30 million ECU per annum) suggesting that in the changing political circumstances of South Africa the programme should concentrate on humanitarian areas such as education, housing, and health. This is very much in line with Mr Steyn's thinking and we are encouraging the Community to move in the direction suggested by the Ambassadors.

Political Situation in South Africa

Following her meeting with Dr Viljoen on 20 April, the Prime Minister is up-to-date on developments in South Africa. She will see Mr Steyn on the day "talks about talks" are due to open between the ANC and the South African Government. These will address the "obstacles to negotiations" identified by the ANC: principally the lifting of the State of Emergency, the definition of a political prisoner and the terms under which exiles can return to South Africa. Mr Steyn met the EC Troika (led by the Irish Foreign Minister) during their recent visit to South Africa. He stressed South Africa's need for economic growth and suggested that the EC should consider investment in development. The Prime Minister may like to ask Mr Steyn:

- his views on likely constitutional developments in South Africa;
- the private sector's view of post-apartheid society. What can be done to influence Mandela and the ANC's economic policies? How does Steyn see the evident social and economic inequalities in South Africa being redressed (a theme developed by the Secretary of State in a speech to businessmen in Johannesburg).

Yours ever, 

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

STEYN, JAN HENDRIK

Formerly Executive Director of the Urban Foundation.

Born 1928 in Cape Town. Educated at Stellenbosch University. Began practice at the Cape Bar in 1950. Took silk in 1963. Appointed a judge of the Cape Supreme Court in 1964. Took leave of absence in 1977 to become director of the Urban Foundation. Retired from the bench in 1981 in order to devote himself entirely to the Foundation.

Outstanding Afrikaner personality. As a judge he played a national role in work connected with Prisoners Aid, the affairs of the Coloured Community and penal reform.

The Urban Foundation was formed in 1976 by a group of leading businessmen, led by Harry Oppenheimer, with the object of improving the quality of life in urban black communities. Steyn has had remarkable success in turning the Foundation into an effective organisation which is doing very good work in the townships and which, despite initial scepticism, has won considerable black support. an outstandingly able, enlightened and decent man.

Re-married in 1981 to a charming divorcee (Anne). Between them they have seven children.

CONFIDENTIAL

J H Steyn

Mr. Dale, SAID
Grateful for reply.

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17 April 1990

Mr Douglas Hurd
Secretary of State
GREAT BRITAIN

PS
PS/Mrs. Chalke
PS/Mr. Waldegrave
Mr. Fairweather
Mr. Hudson
APD
EC7 (E)

In Dale's -
What
do you make
of this?
(Let's speak)
PSF 20/4

J. H. Steyn
20/4

Dear Minister

I refer to your visit to the Urban Foundation's Masiphathisane centre on the Cape Flats and to our discussion at the Embassy on the evening of March 19.

You indicated to me that your government may wish to give consideration to increased support for the socio-economic advancement of disadvantaged South Africans. You requested me to motivate a request for such support and this letter and the annexed memorandum is my response.

Allow me to add however that in the many years I have been involved in housing, education and small business projects as well as the management of change, I have not encountered co-operation and informed involvement from the staff of a foreign embassy the likes of which we receive from yours.

I do believe that they have the capacity under Sir Robin Renwick's leadership to manage with both a qualitative and quantitative escalation in resources - should it be possible to make these available - the wide range of programmes identified in the memorandum.

Socio-economic advancement of the deprived communities - adversely as their quality of life has been impacted by apartheid - as well as the sanctions designed to end this system - is urgently necessary to defuse the high levels of tension and escalating violence South Africa is presently experiencing.

The memorandum may contain some suggestions that could be helpful in this respect.

Thank you for asking me to help. I appreciate the opportunity very much indeed.

Yours sincerely

J. H. Steyn
JAN STEYN

A MORE EXTENSIVE ROLE FOR THE BRITISH GOVERNMENT IN
THE PROMOTION OF SOCIO-ECONOMIC ADVANCEMENT OF
BLACK SOUTH AFRICANS

1. BACKGROUND

The British Government has developed an almost unique position among foreign governments in relation to South Africa. That position has been characterised by:

- i. A steadfastness in its determination to see an end to apartheid.
- ii. A commitment to encourage socio-economic development in parallel with its opposition to apartheid.
- iii. Consistent opposition to the notion that "worse is better" - that the way to achieve the first objective to end apartheid is by denying the second and inducing economic hardship.

Since 1980, the British Government has backed its diplomatic initiatives with practical actions. Starting with the provision of scholarships, the Government has gone on to support local projects, including support for the development of libraries, for teacher development programmes, self help projects and other initiatives in the fields of education and health care. The Government has worked with organisations such as Operation Hunger, the Red Cross, the Urban Foundation and trade unions. In 1989, the total value of the British Government's contribution to the promotion of positive progress in South Africa was about R45 million.

The British Government's portfolio of investment in development in South Africa covers a range of actions including relief and welfare work, the support of local development projects and, more recently, through its support of the Loan Guarantee Fund, a commitment to building institutions that will endure and provide the institutional capacity necessary to meet the needs of the majority.

2. APPROACH

Development requires sound policies, supportive institutions and self reliant people. As the British Government now seeks a more extensive role in promoting socio-economic development in South Africa (and bearing in mind the level of resource it now applies in South Africa) it is in the area of institutional development that this can be most appropriately pursued.

In housing, the Government has already supported the establishment of a Loan Guarantee Fund which has the potential to change the way South African financial institutions operate. The Group Credit Company is another institutional innovation worthy of support in that field.

3. EDUCATION

In education, South Africa faces a crisis of legitimacy, quantity and quality.

Under these circumstances it is important that attempts to promote socio-economic advancement should:

- i. Strengthen the hand of those who must participate in the process of educational reform.
- ii. Invest in areas that will have enduring impact.
- iii. Encourage actions that, while having immediate impact, have the capacity to promote long-term development.

The big debate in education is about the ownership and control of the system itself. This debate is not yet at a stage where it can be positively influenced by the British Government. The next level of concern is with the policies and structures that guide and direct education in South Africa. This area has not been up for serious

debate since the time of the De Lange Commission. While the Urban Foundation believes that opportunities are opening up in this field and has commissioned work to assess those opportunities, this too, is not yet susceptible to positive intervention. The third level is that of the system of provision of education to rapidly increasing numbers of people. Here concerns are with capital infrastructure, finance and teachers. The fourth level is that of the content of education - what is taught, how, by whom and to whom. Apart from the ideological questions that are raised at this level, there are also questions about the academic bias in the South African education system and the needs of a developing society for people with practical skills.

In addition to those four levels of concern, there are two critical interfaces. The first is between the education system and the community and the second between the education system and the world of work. Factors within the community that impinge on the education system, include the level of economic well-being within the community, the degree of security and stability and importantly, the general level of literacy and numeracy among parents. Similarly, the world of work is characterised by a number of factors, including the rate of growth in the economy, the rate at which jobs are generated, the nature of those jobs, the degree of labour or capital intensity in the development of the economy and so on.

What is crucial for these purposes is the bridge between the community and the education system which is the level of pre-school education that exists and the bridge between the education system and the world of work which is the nature of the abilities created by the education system and required by commerce and industry.

4. OPPORTUNITIES

A commitment of increased resources by the British Government presents it with the opportunity to facilitate the development of institutions

with the capacity to have a major long-term impact on education in South Africa.

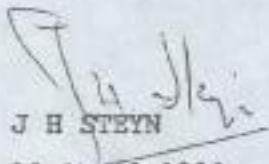
A strategy to do that could include the following:

- i. **A commitment to the development of the role of the teacher in the promotion of education development and change.** This can be done through support for the establishment of viable independent organisations that help to develop the competence of teachers and institutionalise their role in society. Projects that do that include the Teacher Opportunity Programme (a project significantly under the control of the teaching community); and Promat (which provides opportunities for teachers to secure a matric). **The Teacher Opportunity Programme** is currently committed to rapid expansion aimed at eliminating the problem of teacher under-qualification within the next five years. If successful, that will have a dramatic impact on the way in which the South African education system develops. The enclosed brochure describes some of the Teacher Development Programmes that the Urban Foundation is currently associated with.
- ii. **A commitment to the development of innovative approaches to the teaching of core subjects necessary for the creation of a modern industrial society (maths, science and English).** Projects that could be supported to do that are the Science Education Project, the Primary Science Programme, the University of the Western Cape Maths and Science Programme, the Molteno Project, and Easing Into English.
- iii. **A commitment to establishing a bridge between disadvantaged communities and the education system through the promotion of projects that expand access to early childhood educare.** The UF is working with the South African Association for Early Childhood Educare on the promotion of a new approach that will significantly expand access to disadvantaged communities. This

approach is also supported and followed by other agencies such as Grassroots and ELRU. The enclosed brochure describes the Urban Foundation's Pre-School Educare Programme and gives some information on the new approach.

- iv. **A commitment to bridging the gap between the education system and the world of work.** The Urban Foundation is currently investigating the possibility of bringing together community educationists and business concerns around this issue. The programme is at a preliminary stage. Other agencies committed to this type of work include the Education Information Centre (EIC), Careers Research and Information Centre (CRIC).

- v. **Supporting development institutions that have a track record and require support to be effective in the future.** Here support could be provided to some major national non-governmental institutions and a major local institution within the community. The current level of support by British industry for the Urban Foundation is some 700-800 000 Pounds per annum. A commitment by the British Government at least partially to match this contribution or otherwise to support the Foundation would enhance our ability to raise funds from the private sector. Other non-governmental organisations which have a proven track record include Operation Hunger in the rural areas and PROMAT in the field of education.


J H STEYN

12-April 1990

SOUTH AFRICA : MAJOR AID ACTIVITIES

Total Project Cost (£ million)

Current Projects

Primary Mathematics Project	1.0
Science Education Project	0.7
Alexander Health Clinic	0.75
Urban Foundation Loan Guarantee Scheme	0.5
Early Learning Centres	0.2
University of Western Cape (academic support for black students)	0.5
Molteno Literacy Project	0.7
READ	0.4

Projects Under Consideration

Promat (teacher training college)	?
Kangwane Literacy Project	0.3
English at Secondary Level Project	1.2
Get Ahead Foundation (small business development)	?

Scholarships Schemes

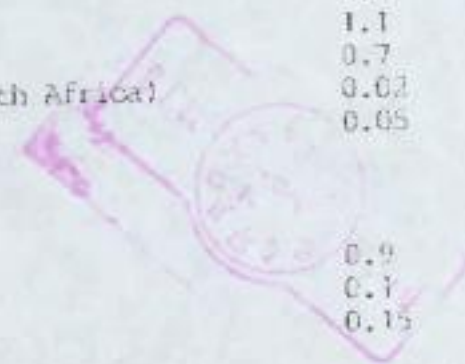
British Awards Scheme (for undergraduates in South Africa)	0.3
British Awards Scheme in South Africa (for undergraduates)	0.8
British Undergraduate Fellowships Scheme (for undergraduates in UK)	2.0
Technical Cooperation awards (mainly short awards in UK)	1.1
Nassau awards (one year postgraduate in UK)	0.7
British Awards at Technicians Scheme (pilot project in vocational training in South Africa)	0.03
Wits Alumni Trust (Helen Suzman's Scheme for black women)	0.05

Cost in 1990-91 £ million

Other Activities

Heads of Missions Gifts and Small projects Schemes (managed by Embassy)	0.9
TUC grant (assistance to black trades unions)	0.1
Assistance to Mozambican refugees	0.15

The UK also contributes approximately £3 million per year to the European Communities positive measures programme.



1990-91 SOUTH AFRICA MAJOR AID ACTIVITIES



Ref: M 5/3/3

Postbus 29
P.O. Box
8000

Ministerie van Finansië
Ministry of Finance
Hendrik Verwoerdbou
Hendrik Verwoerd Building
Kaapstad
Cape Town

1990-04-27

The Right Honourable Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON

Dear Prime Minister

I have availed myself of Mr Jan Steyn's good offices to address you a few lines on South African development issues - a subject with which he is closely involved.

Our latest Budget embodies a significant further shift in the allocation of resources, towards the better provision of social and physical infrastructure for less-advantaged groups. We have also created a special fund for the reduction of longstanding socio-economic backlogs, with an initial R1 000 million but a further R1 000 million pledged from envisaged privatisation. The fund will be at the disposal of a Board of Trustees headed by Mr Steyn, which will closely consult with those most immediately affected.

Much is already being done by the private sector, and by the Urban Foundation in particular, to promote urgently-needed socio-economic development. I am highly gratified that the imaginative Loan Guarantee Fund, with which your Government is associated and which provides access to home ownership for our lower-income groups, will be launched shortly.

We are squarely behind this initiative, but there has been a little delay involving the creation of an appropriate legal framework. This however has now been approved by Cabinet and will shortly be submitted to Parliament.

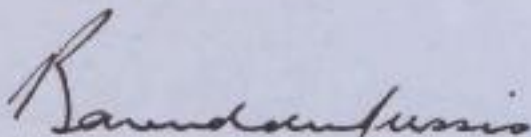
The bouts of public violence we have unhappily been experiencing stem largely from political factionalism, but it would be idle to deny the underlying role of economic factors and in particular of employment. It is, indeed, precisely the inability of our economy in present circumstances to meet the

burgeoning demands in the socio-economic sphere that is posing a potential obstacle to the transition to a new political and constitutional structure. In this light we naturally regret the continued existence of measures and attitudes overseas that inhibit progress in this field; and we therefore greatly value the support of your Government, and of the German and Swiss governments, for the Loan Guarantee Fund. Explicit support for initiatives of this nature in the socio-economic field is a great fillip to our hopes and endeavours for the peaceful transformation of South Africa, and will I am sure serve to encourage a more constructive and helpful approach in other quarters.

Please accept my thanks and gratitude for your personal part in supporting the Loan Guarantee initiative.

You will perhaps have seen the short article by my colleague the Minister of Foreign Affairs in "The House Magazine" of 16th April; but I take the liberty of mentioning it here, since it so clearly expresses our position on reform in South Africa.

Yours sincerely



B J DU PLESSIS
MINISTER OF FINANCE

0371H



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 March 1990

|| Thank you for your letter of 27 March about the visit of John Steyn. I am sure the Prime Minister would like to see him and could manage 1545 on Wednesday 2 May. I hope this is convenient.

CHARLES POWELL

Sir John Leahy, K.C.M.G.

RL



10 DOWNING STREET

Chatter

1545 on Wed
2 May

AP

29/3

THE URBAN FOUNDATION (LONDON)

(Company limited by guarantee)

R28/3



40 Holborn Viaduct, London EC1P 1AJ

Telephone: 01-936 4044

Fax: 01-583 2847

Telex: 264791

JHGL/BJM

Charles Powell, Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Dear Charles,

I am sure you will have already heard about Jan Steyn's new appointment to head the R2 billion Trust which has been established by the South African government "for the upliftment of disadvantaged South Africans". For ease of reference I enclose a copy of the announcement made by President De Klerk to this effect. Mr Steyn is obviously having to review his commitments to the Urban Foundation so as to give his full attention to this new responsibility, but it is certainly his intention to remain closely associated with its work. Indeed he is carrying on with a visit to the UK in early May which was planned for him in his capacity as Honorary Chairman of the Foundation.

Mr Steyn will be here from Monday, 30 April until Sunday, 6 May. Amongst other things he will be giving an address on the current South African scene at Chatham House. I am also trying to arrange for him to call on the Foreign Secretary and the Minister for Overseas Development. Do you think the Prime Minister might like to see him? I realise, of course, the demands on her time and Jan Steyn would certainly not wish to take up much of it. However it would provide him with an opportunity to tell her directly about the new Trust and to bring her up-to-date on the Loan Guarantee Fund which the Prime Minister herself did so much to promote before its establishment last year. Apart from the Chatham House engagement, which is at 5.30 pm on Wednesday, 2 May, the only other time during the week which would be difficult for Mr Steyn would be at 3.30 pm on Monday, 30 April, when he is due to chair a meeting of the Council of the Urban Foundation (London).

I look forward to hearing from you.

Yours wr,

John Leahy
John Leahy

Amadeo
I know the PM
would like
to see him, if we
can fit it in.
Can we manage 1/2 hr?
CH

COUNCIL OF MANAGEMENT: SIR MICHAEL COLMAN • J.N. CLARKE • SIR ALISTAIR FRAME • J.O. HAMBRO MC
SIR JOHN LEAHY KCMG • H.F. OPPENHEIMER • N.F. OPPENHEIMER • A.M. ROSHOLT • THE HON. J.H. STEYN

REGISTERED IN ENGLAND No. 1499601
REGISTERED CHARITY No. 280319

+ Sir Evelyn de Rothschild

EMBARGO: 18:00: 16-03-1990

MEDIA STATEMENT BY STATE PRESIDENT F. W. DE KLERK
ON SOCIO-ECONOMIC DEVELOPMENT IN SOUTH AFRICA
FRIDAY 16 MARCH 1990

Ladies and gentlemen

I am very pleased to announce that the Government has decided to augment the amount of R2 000 million committed in the main budget to socio-economic upliftment, by an additional R1 000 million. The additional sum is to be raised from the proceeds of privatising Government-controlled assets, which we hope to see materialising within the ensuing financial year. In the event of this not being possible because of market and other considerations, other steps will be taken to obtain such finance if need be at that stage, in anticipation of future proceeds from privatisation.

The total sum of R3 000 million will be used in two ways for the upliftment of disadvantaged South Africans. R1 000 million of the amount allocated in the budget is to be administered directly by the Government, mainly to eliminate backlogs of a capital nature in education. A portion of this money will also be used to acquire land for black urbanisation so that it may proceed in a well-ordered fashion wherever it takes place in South Africa.

Since these two basic functions fall directly within the responsibility of the Government, the departments concerned will be asked to determine priorities and procedures, and to formulate and submit to Cabinet a long-term plan, if necessary in consultation with other non-governmental institutions and advisory bodies. In the plan, account will also be taken of the implications for future budgets and the possibilities of augmenting the initial amount.

17-17-90 09:11

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TEL NO:

238030 EXT 203

#348 P05

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P. 3

-2-

The remaining R2 000 million, which includes the sum to be raised through privatisation, is to form the basis of a Trust to be administered outside the direct ambit of the Government, so that private sector and other institutions in South Africa as well as abroad may also contribute to it. The Trust is to be managed by Mr Jan Steyn, who is well-known for his leadership in the field of socio-economic development, particularly in the Urban Foundation, of which he is the Honorary Chairman.

Mr Steyn has been asked to formulate proposals for the practical working of the Trust. An appropriate Trust agreement will be drawn up in consultation with the Government and other potential participants. The composition of the Board of Trustees will follow consultation, inter alia, with community leaders and the private sector. Contributing participants will have a voice in determining the overall policy of the Trust. Since public money will form the basis of the Trust, its operation will be accountable to the Auditor-General and it will have to report annually to Parliament.

I am fully aware that R3 000 million will not suffice to eliminate all of South Africa's socio-economic problems. I must emphasise, however, that the provision of these funds is over and above both the normal budgetary allocations to departments such as Education and Training, and Government participation in development organisations such as the Development Bank of Southern Africa, the Small Business Development Corporation and the South African Housing Trust. I also wish to give the assurance that the Government's contribution to the Trust will be augmented as and when available resources permit; and I am confident that the Trust will grow apace through contributions from other sources.

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-3-

The sincerity of the Government's commitment to improving the quality of life of all South Africans is demonstrated further by the fact that some 40 per cent of the coming year's budget has been allocated to the socio-economic area. In spite of the many domestic and external constraints to which the South African economy is subjected, the important additional stimulus now being given, has been made possible by stringent controls on overall Government spending, the tight financial discipline now re-asserted, and the proceeds of privatisation.

The Government has consistently expressed the view that political and constitutional reform has to go hand in hand with socio-economic development. I am fully convinced that the key to upgrading the quality of life of all South Africans lies in the creation of wealth through economic growth based on private enterprise, the private ownership of property and productive employment. I reiterated this conviction in my opening address to Parliament on February the second this year, when I said that our aims for a new constitution include a sound economy based on proven economic principles and private enterprise; and dynamic programmes directed at better education, health services, housing and social conditions for all.

There is a compelling need to provide as many South Africans as possible with a better quality of life and with greater opportunity for individual advancement. It is thus my earnest hope that this initiative will receive the widest possible support from every quarter in South Africa as well as from abroad.

03-16 16:19

P.5

EMBARGO: 18:00

BACKGROUND DOCUMENT TO THE STATE PRESIDENT'S ANNOUNCEMENTS
ON SOCIO-ECONOMIC DEVELOPMENT AND UPLIFTMENT

The Budget presented to Parliament earlier this week by the Minister of Finance carried a clear message about the Government's economic objectives and strategies. It chose a supply-side approach towards the stimulation of growth, aimed at generating more job-opportunities and also new wealth to enhance the standard of living for everybody on the basis of equal opportunities. This latter objective necessitates, in our particular circumstances, a very substantial investment in social development, covering education and training, but also the provision of basic services supportive of rapid human development. It also calls for enhancing the capability of developing communities so as to facilitate their entrance into home ownership and business undertakings by providing affordable access to guarantees and back-up facilities for capital formation.

While recognising the need and desirability of such an effort and the very substantial proportions it should assume, the Government also clearly intends to base the development process on economic enablement and not on the handout-approach that has failed so dismally in similar circumstances elsewhere; nor will the Government shirk its clear duty in providing those primary services that constitute its basic responsibility. On the other hand, it firmly believes that the magnitude of the challenge is of such proportions that it is necessary to identify certain activities in which wider participation is imperative.

Mechanisms for addressing the backlogs should, therefore, be so structured as to enable the private sector and other caring entities, even from foreign countries, to participate and accept a share in this great effort.

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-2-

It is, therefore, necessary that a part of the overall structure and operation must be sufficiently removed from Government to allow it to assume a broader, more community-based public character.

The Budget has earmarked R2 000 million for the purpose of addressing backlogs in a variety of fields, and has also stated that this contribution will be augmented from time to time, over and above what is included in the normal budget. This will provide many less-privileged South Africans with the means to acquire private property, security of tenure and access to financial resources not otherwise available to them.

By way of example, certain possibilities may be mentioned in this context. Financial assistance could be given to people wishing to acquire houses of their own or to establish businesses but who cannot do so because they have no fixed property or other collateral for raising the necessary capital. Secondly, such funds could be used to stabilise and upgrade informal settlement by providing basic services so that the inhabitants may become property owners in the shortest possible time. It is also hoped that the resources will grow to the extent that the provision of supplementary services in the health, social welfare and other community services will become possible.

It should be emphasised that the Government has no intention of creating a new or a larger bureaucracy to administer these funds or to straddle the existing development organisations. It is, rather, the intention to make the fullest use of the expertise of existing organisations in the public and private sectors, such as the Development Bank of Southern Africa, the Small Business Development Corporation, the Urban Foundation and others, to ensure the most effective acquisition and utilisation of resources.

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PERSONAL



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 February 1989

Thank you for your letter of 24 February and its various enclosures which I have just received. I will discuss the proposals with the Prime Minister as soon as possible. But, realistically, it is likely to take a couple of weeks or so. I will be back in touch with you just as soon as possible. Meanwhile, may I thank you for your prompt action in following up the discussion on 30 January.

C. D. Powell

The Hon. Mr. Justice Steyn

The Urban Foundation

PERSONAL

KV

PER TELEFAX

Charles Powell

Here is an early warning of something you will be receiving from Jim Steyer tomorrow.

23 February 1989

The UF want to establish a guarantee fund which will assist the release of mortgage funds at the low end of the Black housing market.

TO : Mr George Gupte

Understand that it will be funded by private business but Steyer may ask that the PM's name be in some way associated with the fund. According to the letter, Robin R is in favour.

STRICTLY PRIVATE
&
CONFIDENTIAL

JR
23/2



The Urban Foundation

Incorporated association not for profit
Registration number 7600030106

Head Office

4th Floor, United Building
120 Fox Street, Johannesburg, 2001
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Telephone (011) 492-2020
Telefax (011) 834-1930
Telex 4-86110

Die Stedelike Stigting

Inkorporasiesonderwysingsvereniging
Registrasienommer 7600030106

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Postbus 1198, Johannesburg, 2000
Telefoon (011) 492-2020
Telefaks (011) 834-1930
Teleks 4-86110

23 February 1989

Mr George Guiso
10 Downing Street
London SW1A 2AA
England

Dear George,

Attached is a proposal for the creation of a guarantee fund to stimulate housing loans for low income blacks. It is self-explanatory, but I enlarge.

The History

We are encountering stern resistance from lending institutions to lend at the lower end of the market. They see it as a high-risk venture in which they have had little experience. Insuring this risk, we believe, would bring them in.

The Impact

The gearing is most exciting. For a small investment, we could free up substantial resources and direct them towards the provision of homes (on an ownership basis) for blacks.

Advantages

1. It does not require an investment of substantial resources.
2. It will be private sector and South African business-led.
3. It will involve blacks and will benefit them also through the development of skills and the growth of a black contractor class.
4. It extends private enterprise principles through the home-ownership process to a wider range of black South Africans.
5. It lends itself to joint action thus "spreading the risk".

Page 2 /

Board of Governors/Raad van Goewereens
11 F. Oppenheimer (Chairman), Dr. A. P. Mook (Vice-Chairman), All other members see listed in the annual report/Andere lede word vermeld in die Jaarverslag

Board of Directors/Raad van Direkteurs
The Hon. J. H. Sny (Executive Chairman/ uitvoerende Voorzitter), J. Ophie Thompson (Vice-Chairman/ Vice-Voorzitter), D. L. van Ceder (Managing Director/ Bestuurs Direkteur),
W. L. Barnes, D. E. Cooper, T. L. de Beer, M. H. W. Durkin, V. H. H. H. Durkin, D. A. Kinnear, Mrs. D. M. M. Kinnear, M. K. Kinnear, C. S. Mendi, M. A. J. Nel, M. T. P. Nel, A. N. B. Boshoff, P. A. Smit, F. Z. J. J. van der Riet, B. D. Whitaker

Page 2

Robin Renwick supports the proposal and I will be transmitting it tomorrow to Charles Powell.

I have also submitted education proposals but these should be dealt with separately and are not relevant for present purposes.

Your guidance is much appreciated.

Yours as ever.

Jan.
Jan Steyn

THE URBAN FOUNDATION

COLLATERAL GUARANTEES FOR HOME LOANS

It is of great importance for the future of South Africa and its peaceful evolution to ensure that all income groups in the population are given access to adequate housing.

It is also desirable for as high a proportion as possible of the housing to be supplied on a home ownership basis. Supplies of such housing for the upper and middle income groups are, generally, being attended to by the private sector at a reasonable rate.

The supply of housing for the lower income groups (comprising the majority of the population), however, is neither keeping pace with current needs nor making sufficient inroads into the huge backlog.

The most significant single factor currently affecting our effectiveness in this area, including enticing more private sector companies into the field, concerns the availability of lower income, smaller housing loans - that is, those under R30 000 (Sterling equivalent £7 500).

One of the factors inhibiting the freer supply of smaller home loans arises from the fact that the home loan institutions are extremely wary of the risks involved, given the relatively short term experience to date. Small loans are also less attractive because of high administrative costs and lower profitability.

Insurance companies which are either subsidiaries of or have close relationships with some building societies have been offering limited facilities furnishing a collateral guarantee to their own "in house" building society against payment of a premium. These facilities are not, however, available in any general sense. Guarantees have also been supplied by certain employers. The availability of a nationally structured insurance guarantee facility, either in whole or in part would clearly elicit a much larger volume of employer guarantees than is now available. Moreover, it would fulfil a vital role as an inducement for societies to lower their lending threshold.

It is proposed, therefore, that The Urban Foundation should establish a home loan guarantee fund which would issue collateral guarantees to home loan institutions. Such a fund would also negotiate the re-insurance of a proportion of its risks with the insurance industry. The hand of The Urban Foundation in taking these steps would be greatly strengthened if it had available an initial sum of money of, say, R10 million to act as a trigger for at least a similar amount of private sector investment in such an initiative.

The conceptual parameters envisaged for this instrument are:

- * It must be run on commercial lines, so as to ensure its economic viability and its growth. Premiums collected should be sufficient to ensure this. Notwithstanding this basic requirement, the company must be structured to be able to innovate and provide leadership to the Insurance Industry.
- * Its board of directors must include directors experienced in the field, in addition to subscribers' representatives and representative black leadership.

- * The company should be professionally managed.
- * Initial capital - in a minimum amount of R20 million - to be committed by various private sector institutions, with the subscriptions for shares drawn down from the subscribers, say, over a period of 2-3 years, as and when the funds are required.
- * Initial indications from industry sources are that the total guarantees which could be issued for R20 million of subscribed capital would be in the region of R400 million. However, since the field and market are not well established, it is suggested that we should budget more conservatively initially for a factor of 10 times capital - i.e. R20 million of subscribed capital would generate R200 million of guarantees in value.
- * The probable average guarantee amount would be for 20% of the home loans, and the average home loan would be in the region of R20 000.
- * Should demand exceed the capacity of the fund, it is anticipated that this would be the most significant signal of the success of the initiative. There is little doubt that in these circumstances the participants would be only too willing to top-up the capital requirements in order to match the demand.

The average amount of guarantee, therefore, would be R4 000 per loan, and R200 million of guarantees in value would thus be equivalent to 50 000 home loans. Black building contractors would benefit significantly from such an initiative, and this increase in home building, spread across South Africa, would create many thousands of jobs for blacks.

Moreover, if we can stimulate the supply of 50 000 such home loans we should be able to cope with the actual provision of homes to match this demand over a 3 year period, utilising our own utility companies* and outside contractors.

Our capacity to produce homes for the current financial year is budgeted at some 14 000 units. We shall not achieve this output principally because of the limited availability of smaller home loans. The effective provision of loan collateral guarantees would prove to be a material stimulus in solving the home loan supply problem.

* Utility companies are "corporations not for gain" in terms of the South African Companies Act. The Urban Foundation has 6 (six) such companies registered in the Republic of South Africa.

Charles Powell

PER TELEFAX

Here is an early warning of something you will be receiving from Jan Steyn tomorrow.

23 February 1989

The UF want to establish a guarantee fund which will assist the release of mortgage funds at the low end of the Black housing market. 1

TO : Mr George Gijze

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STRICTLY PRIVATE
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JR
23/2



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Incorporated association not for profit
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Page 2 /

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Board of Directors/Raad van Direkteure
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Jan Steyn

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COLLATERAL GUARANTEES FOR HOME LOANS

It is of great importance for the future of South Africa and its peaceful evolution to ensure that all income groups in the population are given access to adequate housing.

It is also desirable for as high a proportion as possible of the housing to be supplied on a home ownership basis. Supplies of such housing for the upper and middle income groups are, generally, being attended to by the private sector at a reasonable rate.

The supply of housing for the lower income groups (comprising the majority of the population), however, is neither keeping pace with current needs nor making sufficient inroads into the huge backlog.

The most significant single factor currently affecting our effectiveness in this area, including enticing more private sector companies into the field, concerns the availability of lower income, smaller housing loans - that is, those under R30 000 (Sterling equivalent £7 300).

One of the factors inhibiting the freer supply of smaller home loans arises from the fact that the home loan institutions are extremely wary of the risks involved, given the relatively short term experience to date. Small loans are also less attractive because of high administrative costs and lower profitability.

Insurance companies which are either subsidiaries of or have close relationships with some building societies have been offering limited facilities furnishing a collateral guarantee to their own "in house" building society against payment of a premium. These facilities are not, however, available in any general sense. Guarantees have also been supplied by certain employers. The availability of a nationally structured insurance guarantee facility, either in whole or in part would clearly elicit a much larger volume of employer guarantees than is now available. Moreover, it would fulfil a vital role as an inducement for societies to lower their lending threshold.

It is proposed, therefore, that The Urban Foundation should establish a home loan guarantee fund which would issue collateral guarantees to home loan institutions. Such a fund would also negotiate the re-insurance of a proportion of its risks with the insurance industry. The hand of The Urban Foundation in taking these steps would be greatly strengthened if it had available an initial sum of money of, say, R10 million to act as a trigger for at least a similar amount of private sector investment in such an initiative.

The conceptual parameters envisaged for this instrument are:

- * It must be run on commercial lines, so as to ensure its economic viability and its growth. Premiums collected should be sufficient to ensure this. Notwithstanding this basic requirement, the company must be structured to be able to innovate and provide leadership to the Insurance Industry.
- * Its board of directors must include directors experienced in the field, in addition to subscribers' representatives and representative black leadership.

- * The company should be professionally managed.
- * Initial capital - in a minimum amount of R20 million - to be committed by various private sector institutions, with the subscriptions for shares drawn down from the subscribers, say, over a period of 2-3 years, as and when the funds are required.
- * Initial indications from industry sources are that the total guarantees which could be issued for R20 million of subscribed capital would be in the region of R400 million. However, since the field and market are not well established, it is suggested that we should budget more conservatively initially for a factor of 10 times capital - i.e. R20 million of subscribed capital would generate R200 million of guarantees in value.
- * The probable average guarantee amount would be for 20% of the home loans, and the average home loan would be in the region of R20 000.
- * Should demand exceed the capacity of the fund, it is anticipated that this would be the most significant signal of the success of the initiative. There is little doubt that in these circumstances the participants would be only too willing to top-up the capital requirements in order to match the demand.

The average amount of guarantee, therefore, would be R4 000 per loan, and R200 million of guarantees in value would thus be equivalent to 50 000 home loans. Black building contractors would benefit significantly from such an initiative, and this increase in home building, spread across South Africa, would create many thousands of jobs for blacks.

Moreover, if we can stimulate the supply of 50 000 such home loans we should be able to cope with the actual provision of homes to match this demand over a 3 year period, utilising our own utility companies* and outside contractors.

Our capacity to produce homes for the current financial year is budgeted at some 14 000 units. We shall not achieve this output principally because of the limited availability of smaller home loans. The effective provision of loan collateral guarantees would prove to be a material stimulus in solving the home loan supply problem.

* Utility companies are "corporations not for gain" in terms of the South African Companies Act. The Urban Foundation has 6 (six) such companies registered in the Republic of South Africa.

BF 27.1.89

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THE URBAN FOUNDATION (LONDON)

(Company limited by guarantee)



40 Holborn Viaduct, London EC1P 1AJ
Telephone 01-353 1545
Fax: 01-583 2847
Telex 264791

Duty Clerk
A. remind
Oh

PALG/BJM

18 January 1989

Mr Charles Powell
Private Secretary to
The Prime Minister
10 Downing Street
LONDON

Dear Mr Powell

This is just to confirm our recent telephone conversation in which we arranged for Jan Steyn to come and see you on Friday 27 January at 9 am.

Yours sincerely,

Andrew Cadan

P A L Gordon
Director

COUNCIL OF MANAGEMENT: J.N. CLARKE • SIR ALISTAIR FRAME • J.O. HAMBRO MC • H.F. OPPENHEIMER
N.F. OPPENHEIMER • A.M. ROSHOLT • DR. N.B. SMITH CBE • THE HON. J.H. STEYN • J.H.A. WOOD

REGISTERED IN ENGLAND No. 1499601
REGISTERED CHARITY No. 280319

R24/11.

M. J. M.

27582 CABOFF G
27582 CABOFF G
L86110 UFHO SA

24 NOVEMBER 1988

CONFIDENTIAL
+++++

TO : MR CHARLES POWELL - 10 DOWNING STREET

|| ALL ARRANGEMENTS FOR 30 JANUARY NOW COMPLETE. AM ASKING ALISTAIR
FRAME TODAY TO CONTACT YOU TO FINALISE ARRANGEMENTS.

KINDEST REGARDS
JAN STEYN
CHAIRMAN
THE URBAN FOUNDATION

27582 CABOFF G
L86110 UFHO SA

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Amn

MRS. GAISMAN

Could we please discuss the attached letter.
The Prime Minister has agreed in principle
to this engagement.

C. D. POWELL

15 September 1988

020

THE URBAN FOUNDATION (LONDON)

(Company limited by guarantee)



cc [signature]

40 Holborn Viaduct, London EC1P 1AJ
Telephone 01-353 1545
Fax: 01-583 2847
Telex 264791

JHS/BJM

14 September 1988

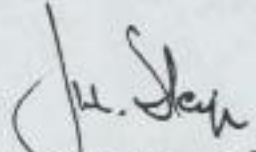
Mr C Powell
Private Secretary to
The Prime Minister
10 Downing Street
LONDON

Dear Mr. Powell

Thank you so much for having facilitated the meeting with the Hon Prime Minister today. I leave on an extended visit to West Germany and China tomorrow morning and will only be back in South Africa on the 19th October. However, in view of the Prime Minister's positive response to the suggestion of an informal dinner party with Mr Oppenheimer and with other South African business leaders including a prominent black businessman, may I ask you whether you could indicate whether an evening during the week commencing January 16, 1989 would be suitable. We will then reserve that date and extend invitations after consultation with you on my return to South Africa. I would be most appreciative if you would communicate with Brenda Maslyn at 353-1545 in this regard.

I will also follow up on my undertaking to develop more concrete proposals along the lines discussed when I return to office on the 19th October.

Yours sincerely,


J H Steyn

COUNCIL OF MANAGEMENT: I.N. CLARKE • SIR ALISTAIR FRAME • J.O. HAMBRO MC • H.F. OPPENHEIMER
N.F. OPPENHEIMER • A.M. ROSHOLT • DR N.B. SMITH CBE • THE HON. J.H. STEYN • J.H.A. WOOD

REGISTERED IN ENGLAND No. 1499601
REGISTERED CHARITY No. 100110

SUBJECT
cc MASTER

CONFIDENTIAL

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JPB BNP



bc. P.C.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 September, 1988.

PRIME MINISTER'S MEETING WITH MR. JUSTICE STEYN

The Prime Minister had a good talk this morning with Mr. Justice Steyn of the Urban Foundation in South Africa. I did not take notes, but the following is my recollection of the highlights.

Dr. Steyn described the work of the Urban Foundation. They were not a charity. Their aim was to promote the economic advancement of black South Africans by enabling them to help themselves and increase their independence. By improving economic conditions, they were helping to prepare black South Africans for eventual political responsibility. South Africa for all its faults was the one country in Africa with a successful programme of black enablement. He hoped that the Prime Minister would encourage British business to remain in South Africa and increase its support for the socio-economic advancement of blacks. South Africa would only rid itself of apartheid if it had a growing economy. This was why it was so vital to resist sanctions.

Commenting on the political situation in South Africa, Dr. Steyn suggested that President Botha had lost his nerve. There was great dissatisfaction with his performance within the South African Government, and the business community were dismayed by his lack of leadership. At the same time he faced a very serious problem from the right-wing. The unity of Afrikanerdom had been finally destroyed, and President Botha was having to develop a new power base involving Liberal Afrikaners, English-speaking South Africans and even the Coloureds. He was confident that the Foreign Funding Bill would never reach the Statute Book.

The Prime Minister said that it was not enough to work just for the economic advancement of blacks; there had to be parallel progress in removing discrimination. She would continue to oppose sanctions, but must be able to point to progress in dismantling apartheid. Instead the reform progress seemed virtually to have ground to a halt. The essential steps were the release of Mandela and the repeal

CONFIDENTIAL

of the Group Areas Act. Dr. Steyn said that he was certain Mandela would not return to prison. There was talk of release by instalments.

The Prime Minister asked Dr. Steyn to let her have a note of the steps taken to assist South African blacks. Dr. Steyn said that he would like to organise a discreet dinner in London involving top South African businessmen and British businessmen with major interests in South Africa. If the Prime Minister would attend, this would be a great encouragement to the whole business community to keep up their work for black economic advancement. The Prime Minister said that she was not sure that British businessmen would welcome having attention drawn to their role in South Africa. But she might be ready to attend a much smaller gathering in a private house, particularly if one or more black business leaders were included. It was left that Dr. Steyn would get in touch with me about this.

I am copying this letter to Neil Thornton (Department of Trade and Industry).

C.D. Powell

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

MEETING WITH MR. JUSTICE STEYN

You are to see Mr. Justice Steyn of the Urban Foundation of South Africa tomorrow. You read the main background papers in the folder during the weekend. You may like now just to glance at the letter from the FCO at the top of the folder which updates them in certain respects.

The points to make are:

- congratulate him on the work of the Urban Foundation. We shall go on doing what we can to support it, within all the other calls on our resources;
- unlike other governments, we do publicly acknowledge the considerable reforms already made by the South African Government. We welcome, too, the progress being made over Angola/Namibia. We shall continue to oppose sanctions. We want to see British business continuing to invest in South Africa because we believe their social and housing programmes can help in breaking down apartheid;
- but what has been done so far is not enough and that fact simply has to be faced. While economic progress is essential, it is not a substitute for political reform;
- the basic equation is that the South African economy will only grow at a satisfactory rate if it gets outside investment: and outside investment will only resume if there is political reform. The alternative is stagnation, and probably decline;
- the essential reforms are an end to the Group Areas Act and the release of Mandela. These are nettles which the South African Government really must grasp;

- if there is not progress soon, the international campaign for sanctions against South Africa is likely to resume and gather force, more particularly if the Democrats win the US Presidential Elections;
- we therefore hope that Mr. Steyn will convey your view on his return that earlier progress on internal reform must be resumed.

e.s.?

Charles Powell

13 September 1988



Foreign and Commonwealth Office

London SW1A 2AH

13 September 1988

Dear Charles

Call on the Prime Minister by the Chairman of the
Urban Foundation : 14 September

Thank you for your letter of 1 September, in which you asked for briefing for Judge Steyn's call on the Prime Minister on 14 September. I enclose a personality note about him.

The Urban Foundation was established in 1977, since when it has launched about 800 projects designed to upgrade the standard of living of urban blacks. Its projects include providing advice to self-help housing schemes; assistance with loans for house-building and purchase; and educational aid. The Foundation is supported by leading elements in the South African business community.

The Foundation's income in 1988 is likely to be about R260m (double that of 1987). We have supported its work directly (by a donation of £30,000 for building materials for low-cost housing in the squatter settlements where people had lost their homes in the Natal floods in October 1987. We are also contributing to further up-grading in Natal. Mr Renwick addressed the Foundation's AGM on 17 August (a copy of his speech is enclosed). If Judge Steyn asks for further funds, the Prime Minister might say that such funds as we have need to be spread among a variety of causes in South Africa, but that he should raise the subject with Mr Renwick. (For background, I enclose a note giving details of our aid programme to South Africa).

The memorandum enclosed with Judge Steyn's letter is a plea for the outside world to understand that change in South Africa is a slow process. We agree, but find the memorandum a touch complacent in tone. Notwithstanding the specific evidence cited at paragraph 4 of the memorandum, on which the Embassy have offered comment in Pretoria telno 234 (enclosed), the underlying problems in South Africa are accumulating rather than fading away. The key fact is that over the past decade the South African economy has failed to grow at a rate sufficient to keep abreast of the increase in the population (since 1980 economic growth has averaged 1.3% annually whilst population growth has averaged 2.4% a year). As Mr Renwick told the Foundation on 17 August, apartheid laws are inhibiting economic growth. Judge Steyn's belief that the West should expect and accept a period of administrative and political "consolidation" before "significant new reforms



emerge" is misplaced: fundamental political change is a pre-condition for sustained economic growth. The recent botched attempt to reform the Group Areas Act does not augur well; though the draft legislation incorporates proposed new "open" areas it also includes harsh new provision to enforce racial segregation in other areas. The decision to reconsider the draft bill to restrict foreign funding (the Promotion of Orderly Internal Politics Bill) is, however, welcome.

In his letter to you of 1 September, Judge Steyn indicates that he intends to raise a six point agenda with the Prime Minister. Mr Renwick advises that Mr Steyn is in fact unlikely to stick rigidly to it. Points to make are:-

- a) the work of the Urban Foundation is excellent, and we shall do what we can to support it;
- b) we shall keep up pressure on the South African Government for early and convincing progress towards fundamental change. We hope South African business will be as forceful;
- c) in particular, we hope to see the Group Areas Act removed, and a way found to release Mandela;
- d) whoever wins the Presidential election, there is bound to be a reassessment of US policy towards South Africa;
- e) we appreciate the problems inherent in re-distributing wealth in South Africa, especially if the economy is not growing, or growing only slowly. Key to adequate growth is political change;
- f) as we see the realities, time is a luxury South Africa cannot afford.

Yours ever

R N Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

STEYN, JAN HENDRIK


Executive Director of the Urban Foundation.

Born 1928 in Cape Town. Educated at Stellenbosch University. Commenced practice at the Cape Bar in 1950. Took silk in 1963. Appointed a judge of the Cape Supreme Court in 1964. Took leave of absence in 1977 to become director of the Urban Foundation. Retired from the bench in 1981 in order to devote himself entirely to the Foundation.

Outstanding Afrikaner personality. As a judge he played a national role in work connected with Prisoners Aid, the affairs of the Coloured Community and penal reform.

The Urban Foundation was formed in 1976 by a group of leading businessmen, led by Harry Oppenheimer (qv), with the object of improving the quality of life in urban black communities. Steyn has had remarkable success in turning the Foundation into an effective organisation which is doing very good work in the townships and which, despite initial scepticism, has won considerable black support. An outstandingly able, enlightened and decent man.

Re-married in 1981 to a charming divorcee (Anne). Between them they have seven children.



AID TO SOUTH AFRICA

BACKGROUND

1. UK bilateral aid programme started 1979. (Though British Council involvement in educational programme for black South Africans started in 1958). No government to government contact.

2. Rapidly expanded programme now consists of:

- scholarships both in UK and South Africa.
- education related technical assistance books, English Language training.
- grants for community development projects.
- grants to NGOs for social projects.
- grants for trades union training.

Costs

Programme running at £4.5 million annually (estimated £25 million over 5 year period 1987-92).

Scholarships

Funds provided annually for:

- 90 undergraduate awards in UK.
- 60 undergraduate awards in South Africa.



- 60 postgraduate Nassau (Commonwealth) fellowships in UK.
- 60 shorter postgraduate awards in UK.
- in total, 500 individual awards this year, rising to 650 by end 1989.

Community Self-Help Projects

£450,000 provided this year for wide variety of projects in the deprived urban and rural areas.

NGOs

£1 million allocated to NGOs for social welfare projects, eg the Alexandra Clinic and Operation Hunger.

Multilateral

UK's contribution to the EC positive measures programme running at £3 million a year. We also make grants to the United Nations Education and Training Programme and the Commonwealth multilateral scholarships scheme which provide awards to black South African refugees.

Prin' nkg with Justice Steyn May '89



cc Rep

PRIME MINISTER

MEETING WITH MR. JUSTICE STEYN: CHAIRMAN OF THE URBAN
FOUNDATION

You are to meet Mr. Jan Steyn, head of the Urban Foundation in South Africa on Wednesday. You may like to look before then at a paper which he has submitted, as well as a letter from Robin Renwick, both of which you will find in the folder. As you will see Robin thinks that Steyn has done more than anyone to work for positive change in South Africa, in particular by getting industry to raise money to provide housing for urban blacks. If you have time, you may also like to read the copy of Robin Renwick's speech which he has sent in. It is very good and has attracted a lot of favourable comment in South Africa.

CDP

C. D. POWELL

8 September 1988

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off



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 September 1988

Dear Mr. Gordon,

Thank you for your letter and I am sorry for making Mr. Steyn a Professor rather than a Judge. It is kind of you to invite me to the occasion on 12 September, but I am afraid that I already have engagements which make it impossible.

Yours sincerely,
Charles Powell

Charles Powell

P. A. L. Gordon, Esq.

off

THE URBAN FOUNDATION (LONDON)

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PALG/BJM

6 September 1988

Mr C D Powell
Private Secretary
10 Downing Street
LONDON

Dear Mr Powell

Thank you for your letter to Jan Steyn of 1 September which I have passed to him in Johannesburg. You may like to note that he is not Professor but a Judge. For your interest I enclose a short CV.

As I have just mentioned to your Duty Clerk, Sir Alistair Frame is giving a reception for Jan Steyn at Rio Tinto Zinc, 6 St James's Square on Monday 12 September at 5 pm. Jan Steyn will be talking about The Urban Foundation's current work in South Africa and the political background and prospects. I expect he will give some time to the Group Areas Act which is the subject of a major campaign by the Foundation at present. The talk will be followed by drinks and light buffet.

If you felt that it would be useful to listen to Jan Steyn in advance of the Wednesday meeting it would give us great pleasure if you could come. If you can, I would be grateful if you could let me know by telephone.

Yours sincerely,

Andrew Gordon

P A L Gordon
Director

COUNCIL OF MANAGEMENT: J.N. CLARKE • SIR ALISTAIR FRAME • J.O. HAMBRO MC • H.F. OPPENHEIMER
N.F. OPPENHEIMER • A.M. ROSHOLT • DR N.B. SMITH CBE • THE HON. J.H. STEYN • J.H.A. WOOD

REGISTERED IN ENGLAND No. 1499601
REGISTERED CHARITY No. 290319

THE HON J H STEYN, BA LLB SC LLD(HC) DPhil(HC)

Jan Hendrik Steyn was born in Cape Town in 1928 and graduated BA LLB from the University of Stellenbosch in 1949. He practised at the Cape Bar from 1950, took Silk in 1963 and in 1964 was appointed Justice of the Supreme Court, Cape Provincial Division, where he served continuously until 1977.

During the period 1950 to 1977 he lectured at the Universities of Cape Town and Stellenbosch in Company Law, Civil Procedure and Criminology. He established an Institute of Criminology at the University of Cape Town in 1976 to research and promote the reform of Criminal Justice in South Africa. He was an elected member of the Council of the University of Cape Town from 1974 to 1981.

In 1977 Mr Steyn was granted special leave from the Supreme Court Bench for a period of three years to take office as the first Executive Director of The Urban Foundation and in 1981 he retired from the Bench to devote himself to the Foundation on a permanent basis.

Mr Steyn holds honorary Doctorates of Law from the University of Witwatersrand (1981) and from the University of Cape Town (1985). In 1986 he received an honorary Doctorate of Philosophy from the University of Stellenbosch for his contribution to society through his work with The Urban Foundation.

Mr Steyn's awards from the business community include: the Johannesburg Sunday Times "Businessman of the Year" 1982; the Leon/Fox Foundation Community Services Award 1984; the Harvard Business School Club of South Africa "Business Statesman of the Year" Award 1985, for his contribution to the advancement of the economy of Southern Africa and the welfare of its people; and the Allied Building Society's "Visionary of the Year" Award 1986, for South Africans who have played a constructive and far-sighted role in the development of the country.

Jan Steyn is now Executive Chairman of The Urban Foundation, Chancellor of the Medical University of Southern Africa (Medunsa), a Director of Anglo American Corporation, Barlow Rand, First National Bank, the United Building Society and Metropolitan Life of South Africa Limited, and is on the Board of the University of South Africa.

pm: mtg with Steyn May 88.



cc PC
B4
BRITISH EMBASSY
PRETORIA

5 September 1988

C D Powell Esq
10 Downing Street

Dear Charles,

URBAN FOUNDATION

1. As Jan Steyn, head of the Urban Foundation, will be calling on the Prime Minister on 13 September, you may like to have the attached copy of the speech I made at their Annual General Meeting. This was covered throughout the South African press, including the Afrikaans and black press - notably the calls for the repeal of the Group Areas and Population Registration Acts etc. I enclose an editorial from the Cape Times. There were plenty of others in the same sense.
2. You will have few more worthwhile visitors than Jan Steyn. We concerted together our lobbying against the negative features of the Group Areas amendment acts and persuaded the editor of Beeld to join in the campaign. The Government is now re-considering the legislation, though it is too early to say whether it will really be improved.
3. We already are giving some help to the Urban Foundation (set out in the speech). I am hoping to extract from the ODA a grant of R500,000 (£125,000) for them next year.
4. Jan Steyn has done more than almost anyone to work for positive change here and will give you a very accurate analysis of the political situation.

Yours ever,

Robin

R W Renwick

Cape Times

THURSDAY, AUGUST 18, 1988

Message from Maggie

SOUTH Africans have been warned by the British Ambassador in the friendliest possible fashion that this country, on its present course, is heading for isolation and the dubious benefits of a siege economy.

This is the plain meaning of Mr Robin Renwick's remarks to the Urban Foundation yesterday. Not that the Thatcher government is ignoring the great strides in reform: There is high regard for the work of the Urban Foundation under Mr Jan Steyn. Britain has noted the government's realism in accepting black urbanization as a fact.

But the ambassador, in his carefully measured remarks, seemed also to detect a contrary trend, a developing fatalism.

Are South Africans becoming resigned to repression, with censorship and emergency rule as a permanent state of affairs?

With a candour appropriate between nations so closely linked by ties of kinship, trade and history, the ambassador called on South African businessmen to keep up the pressure to get rid of apartheid laws which are not only unjust, but are also inhibiting growth. The ambassador believes, for example, that the sooner the Group Areas Act is scrapped the better for the country. The timing of his statement was hardly accidental, just as the government is to enact ferocious new penalties to *entrench and enforce* group areas — and is taking new powers to bulldoze squatter settlements. There are some positive steps, but they are greatly outweighed by the negative.

Both business and government would do well to reflect. Read with Mr Jan Steyn's serious appeal to the State to reconsider the harshly repressive legislation which is pending, the ambassador's message is plain.

Mr Steyn believes this legislation will inflict deep hurt and, in so doing, will rekindle the sanctions campaign. Can the bills not be referred back to standing committees for further investigation?

To go ahead would be folly. To enact such laws at this point would be a huge step backwards, risking a renewed cycle of violence and repression in the cities and inviting the world to do its damndest, sanctions and all.



PRESS RELEASE

ISSUED BY THE BRITISH INFORMATION SERVICES

EMBARGOED UNTIL 1700HRS ON WEDNESDAY 17 AUGUST 1988

(check against delivery)

ADDRESS BY THE BRITISH AMBASSADOR AT THE ANNUAL GENERAL MEETING OF
THE URBAN FOUNDATION: JOHANNESBURG: WEDNESDAY AUGUST 17 1988

It is a privilege to be asked to address this, the eleventh Annual General Meeting of the Urban Foundation. I have long been a strong supporter and admirer of the work of the Foundation. It is an institution that has always seemed to me to epitomise the acceptable face of capitalism.

The Foundation was launched in difficult circumstances twelve years ago. Most of the founding fathers still are actively involved and some are here today. You will wish to join me in paying tribute to your President, Harry Oppenheimer, and Vice-President, Anton Rupert, who from the beginning were guiding spirits and remain so today.

THE ROLE OF THE FOUNDATION

I think it worth considering today why, at a time when many other well intentioned initiatives failed, the Foundation has made enormous strides and a real impact on South African society.

When the Foundation began its work, private housing was provided for whites and public housing for non-whites - resulting, inevitably, in a chronic and desperate under-supply of housing for the black community. The public housing units were more or less uniform. Those who had more resources and could afford better houses had few opportunities of improving their situation. They were of course prevented, and still are, from moving out of the townships into "white" areas.

Many Urban Foundation projects have helped to change that situation. The programmes in which you are engaged have undergone a remarkable expansion. This year alone the Urban Foundation will be helping to provide 12,900 developed sites and 8,800 houses - thereby contributing to housing facilities for over 100,000 people. Income from donations is expected to be R20 million. Total expected revenue, including housing sales, will be R260 million - nearly double last year's figure.

As these programmes developed, it became increasingly clear to Jan Steyn and his staff that the most critical needs are not in the formal housing sector at all and cannot be met by that route, because resources are simply not available to make formal housing available on a scale which would match the influx into the cities which is taking place now and is going to continue over the

Next decade. The response of the Foundation has been to devote increasing efforts to informal settlement schemes based on the up-grading of the shack and squatter settlements.

These schemes already have shown some remarkable results and it is in this area of the Foundation's activities that the British Government is taking a particular interest. Last October we made a contribution through the Urban Foundation to the provision of low-cost housing in the squatter settlements where people had lost their homes in the Natal floods. This year we are contributing to further shack up-grading in that area through the Foundation's Innova Informal Settlement Programme. We are looking also at the Foundation's plans to provide assistance with informal housing in the Western Cape and we intend to support that project too.

The great bulk of the Foundation's resources, however, come from private industry and must continue to do so. We have never sought to tell British companies whether they should or should not remain in South Africa. That is for them to decide on the basis of their commercial judgment and a judgment also, I hope, about their social responsibility. I shall have more to say about disinvestment. But what we certainly are doing is to urge those British companies - the great majority - who wish to stay here, to maintain and increase the contribution they make to the health, welfare, pensions, training, education and advancement of their non-white employees. And most of them, I am glad to say, are leaders in this field. British companies devoted well over Rand 140 million to their efforts in these fields in 1986 alone. As an illustration of the kind of efforts they are making, one British company alone has pledged the sum of Rand 3 million to the Urban Foundation this year and, I believe, is considering a similar contribution next year.

All those who feel strongly about the situation in South Africa, as I do, and all of you do, I would urge to show their commitment to improve the situation about which we are all concerned and about which we - rightly - complain by matching efforts of this kind.

Does this mean that the Urban Foundation has sought to operate in some kind of political vacuum or that it has neglected to use all the instruments at its disposal to help achieve political change?

It certainly does not. We all recall that at the time the Foundation was created official policy was not to recognise the permanence of the black urban population. They were supposed to be gastarbeiters to be lodged so far as possible without their families, and to return in due course to homelands most of them had never seen.

So far as the Foundation was concerned, there would have been no point in providing better housing without first establishing the right to permanent settlement. The Foundation fought successfully to secure the Government's agreement first to 99-year leases and then to freehold tenure in the urban areas. It then directed its energies to lobbying for the repeal of the pass laws, under which, not so long ago, a quarter of a million people were arrested every year. These reforms, which are of permanent value and have made a real and practical difference to peoples' lives, have owed a great deal to the efforts of Jan Steyn and pressure from the array of business leaders associated with the Foundation. Your record in this regard - that of achieving practical improvements in the circumstances under which the majority of people live - is second to no-one's.

This determined pressure to secure changes in the legislation must continue, for otherwise your other efforts would be in vain. The Group Areas Act, it has become fashionable to say, is not the central issue in South African politics. And indeed it is not. The central issue is the sharing of political power. But the Group Areas Act remains a fundamental source of alienation in this society. It is about to be amended. The Foundation has made clear its position, which is that the Act should be repealed. It may be thought by some impossible to repeal it now; but one day it will be thought impossible to continue with it. The sooner that day comes, the better it will be for South Africa.

The winning of full property rights for black people in the urban areas in turn has resulted in the sale of government housing and in the private sector financial institutions currently advancing over R100 million a month to black home buyers.

In recording these achievements I am not minimising the size of the mountain to be climbed. There are about 170,000 black home owners in the urban areas - an enormous advance on the situation a decade ago, but still a very modest figure. The size of the urban black population in 1980 was estimated to be about nine millions. By the end of this century those numbers will have more than doubled. The fact is that any government of South Africa is going to face the most formidable tasks. What we can reasonably ask of all our governments is that they should not spend their time making the problems harder to resolve.

● follows from everything I have said that the Foundation, working at the coal face of changing society, has to attempt a more difficult task than simply sending out more moral messages as to what should and should not be done. It has had to work for change by formulating projects which are workable, and which can be financed, and by working with determination to eliminate the impediments to their realisation - an approach which means eschewing heady rhetoric and the creation of expectations which cannot be fulfilled, but which has proven its practical worth and is currently the only way to succeed.

From time to time I am asked what business leaders can do to help change South Africa. Your influence with the Government, it often is pointed out, is limited. Many of your recommendations have been greeted with the response that businessmen should stick to making money. But you must maintain pressure on those who have the power to change laws which not only are unjust, but also are inhibiting economic growth. Most important of all, business leaders represented here control large empires of your own and whatever you can or cannot achieve vis a vis the government, you can succeed in breaking down apartheid within your own enterprises; and that process so far has brought about more fundamental changes than almost any other I can think of here.

FREE ENTERPRISE AND APARTHEID

How often have I heard it said that capitalism supports apartheid. It is, unfortunately, a myth that capitalism guides the key decisions of the State in South Africa. I only wish it did. In

fact the principles of free enterprise and of racial segregation are totally incompatible.

Some months ago I was asked to give a talk to the Institute of Directors about privatisation and de-regulation. What has that got to do with political reform? A great deal, obviously. For by modern standards this is a hopelessly over-regulated society, with one of the world's more cumbersome bureaucracies. And many if not most of those regulations, for instance the restrictions on land use, as well as a high proportion of those bureaucratic jobs, stem from the continued enforcement of aspects of the apartheid system.

But, we are told, you have moved away from apartheid. And in some important respects that is true. We are not among those who refuse to recognise the importance of the changes that have been made - the legalisation of black trade unions, the ending of job reservation, the scrapping of the pass laws. This is, gradually, becoming a more multi-racial society. But it is no use pretending that apartheid has been abolished, or is about to be. The cornerstone of the apartheid system is the Population Registration Act; and it remains very much in force.

UTOPIANISM

Since this country is in a state of arrested development politically, it is hardly surprising that among some of the protagonists here, economic thinking has not advanced much either.

There still is, on the one side, a continuing belief in the efficacy of state capitalism; and on the other an equally naive and utopian belief in an extreme form of socialism.

The fact is that both concepts are hopelessly out-moded.

When Krushchev told the West: "We will bury you", he claimed that he meant the economic performance of the socialist countries would so far out-strip that of the West that the Western economies soon would collapse under the weight of capitalism's own contradictions.

Well, what has happened since? What is the reason in the Soviet Union for the policy of perestroika? The main reason, according to the Soviet leaders themselves, is economic stagnation.

The Soviet Union alone, together with some parts of this continent, has contrived to defy the laws of economics as they have applied elsewhere in the world and actually to worsen its own problems while others have been solving theirs.

Hence the reforms that are now being introduced there, and in some of the countries on this continent which have tried, with an equal lack of success, to follow the same route.

The management of a socialist economy requires a hyper-efficient bureaucracy. And speaking as a bureaucrat, I can assure you that does not exist anywhere, least of all in Africa - including this part of Africa.

He can hardly fail to be struck by the extraordinary blindness displayed about the history of this continent. That, perhaps, is to be expected. "The one thing history and experience teaches is that no-one learns anything from history or experience." Thus, ignoring what has happened to other African economies, the cry goes up: "let's make all the same mistakes again."

What is needed here is to preserve the economy while changing the politics - not to destroy the economy while reinforcing the worst features of the political system.

In many parts of the developing world, democracy fails. One party systems encourage the centralisation of power. When change can take place only by violent means, one un-democratic system succeeds another. "Hence the dilemma: many societies cannot afford democracy but even less can they afford not to have it." Jan Steyn added that South Africa is a prime contender for this contradiction in terms of its future development. Is there not a danger here too of resigning yourselves to living permanently under censorship and states of emergency?

"WORSE IS BETTER"

I have spoken about the problems which would confront this country under any form of government. Operation Hunger at present is engaged in helping to feed 1.3 million black South Africans. There are very few cases of actual starvation in South Africa today. But there are hundreds of thousands of cases of malnutrition, including problems on a massive scale of the malnutrition of children. Tuberculosis is rampant in the squatter settlements of the Cape and

On the Rand. Because there is no starvation, there still is a large influx, legal or illegal, of people from the neighbouring countries seeking work here.

Against the background of the economic circumstances I have described, you will, I hope, begin to understand why we are so totally opposed to the absurd and pernicious doctrine that "worse is better". The idea that by meteing out more economic punishment we can hope to improve the situation here seems to us a pathetic illusion. On another occasion recently I pointed out that prosperity without freedom would be an unattractive prospect even if that were possible, which it is not; but that freedom amidst economic misery is a pure chimera. For amidst misery, there can be no freedom.

It has become a truism to say that South Africa is both a first and a third world society. Many of South Africa's problems are unique to this country and are a consequence of a system of government and of organising society which also is unique and not acceptable anywhere else in the world. But rather a lot of South Africa's problems, and some which are just as fundamental, are not different to but the same as those of other African countries and of developing countries anywhere. I use the word "developing" advisedly, because some countries are not developing at all; or rather their development is not keeping pace with the population increase and South Africa of late has fallen into that category too.

I have talked of the doubling of the size of the urban population. As a function of population increase and better health standards,

There are in this country going to be one million more people to feed every year. Of course the increase is cumulative. The rate of increase at present is about 700,000 people a year. Within a few years the million a year mark will be reached and then surpassed.

In few societies is it easier to understand the anger and frustration of those struggling for their political rights. But that does not mean we should applaud the intolerance which characterizes South African politics and which, unfortunately, is not manifested only on the Right. The call for sanctions is born not of malevolence or a desire to destroy, but of frustration. We should be ill-advised to question the bona fides of those who genuinely believe, albeit against most of the evidence so far, that somehow they might help. By the same token, I think, we are entitled ourselves to object to attempts at the "moral necklacing" of those who are just as adamantly opposed to apartheid, but who have the temerity to question whether further economic sanctions will have the miraculous effects which, apparently, are attributed to them.

The question is not an ideological, but a practical one. How can we seek best to overthrow apartheid without inflicting even greater misery on the people of South Africa, to say nothing of the neighbouring States? The reality is that more general sanctions might end up reducing the average income of white South Africans by, say, five per cent. But they would reduce the income of black South Africans thrown out of work by one hundred per cent and the consequences for their much larger number of dependents do not bear thinking about. Even sanctions advocates acknowledge that they

ould take a very long time to produce their effects. What we would like to know is: what is going to happen to all these people meanwhile?

As I try to spend a fair amount of my time visiting the townships, where invariably I have been greeted with courtesy by people struggling often in the most difficult circumstances, it is easy to understand the sentiments of frustration and desperation which in turn can lead to the advocacy of strategies which clearly make no sense at all. Of all the self-defeating doctrines or slogans I can think of none worse than: "Liberation before Education". Precisely because some other, more courageous and more serious "radicals" saw that as the worst policy of all, that battle cry now is generally discredited. For the truth of course is that without education there will be no liberation. The Urban Foundation has been making a major contribution to the expansion of educational opportunities for the black community. We have ourselves launched a Rand 90 million programme to contribute to that goal. Education is a crucial solvent of apartheid.

There is another doctrine which still seeks to create no less dangerous an illusion. This is the belief so ardently propagated that the outside world can solve South Africa's problems.

I also have found, however, another and far more serious intellectual current within the black community which has been reflected also in recent articles in the Sowetan and Weekly Mail. This is the belief that change is achievable. Indeed it is certain. But those who promise short-cuts are going to discredit themselves. It will be a long, hard road and what matters most at this stage is to develop self-help structures which increase the confidence and organisational strength of the communities. Many thousands of people in this country are working to do just that and if these organisations are to have any credibility they have to prove themselves by delivering practical benefits to those they are seeking to help. We in turn try to help them and we shall be supporting this year over a hundred community projects of this kind. That will not bring liberation tomorrow; but it certainly is going to help people today, and also create hope for the future.

DISENGAGEMENT

As we try to assist community groups in the townships, so we come across the practical effects of disinvestment. By numerous groups I have been told that they used to receive help from companies, usually US companies, that have left. When I visit the liberal universities, I hear of scholarships for black students that also have terminated when companies left.

When a company decides to leave this country, it does not continue to worry about South Africa. On the contrary, it writes that subject off its agenda. And, after all, we can hardly blame them. They are not asked by the apostles of disinvestment to go on doing anything positive here. All they are asked to do is leave.

These pressures to dis-engage apply not just to companies, but to countries as well. We are urged to cut off all economic contact with South Africa, to break off diplomatic relations, to engage in a cultural boycott, to maintain the sports boycott, to reinforce the academic boycott - in short to leave, and pretend that the place no longer exists. Of course we could go on voting for resolutions at the United Nations. It would not be clear what else we could do. And any country that takes that course is going to end up writing South Africa off its agenda too - except, of course, in the purely rhetorical sense. And if that kind of isolation were achieved how, I wonder, could that possibly help those struggling for change here?

So far as Britain is concerned, we do not believe in dis-engagement. We do not intend to walk off the pitch. We intend to stay on the pitch - to go on working for peace in Angola, an internationally recognised settlement in Namibia, a return to the Nkomati Accord with Mozambique, the repeal of all racially based legislation, the release of political leaders and negotiations in which all parties can participate on the basis of a cessation of violence on all sides. We do not expect instant transformations, or success on all fronts at once. But however long it takes, and however hard we have to struggle we will go on working to attain those objectives. We are determined to help to defeat apartheid. And we intend to demonstrate that we too do not lack staying power.

When there are positive developments, which we have encouraged, we will welcome them. We do welcome, and have worked hard to encourage the progress currently being made in the Angola/Namibia

negotiations. We strongly support also and have tried directly to contribute to the efforts currently underway to normalise relations with Mozambique.

FATALISM

The most dangerous and debilitating disease in politics is fatalism. I recall only too well how people in my own country started reconciling themselves to what was supposed to be our inevitable economic decline. It must be obvious to all of you that South Africa may be approaching a further turning point in its relations with the outside world. We do not believe in your isolation; but we cannot prevent you isolating yourselves. Whether you do end up more or less isolated will depend on what happens here. You will all, I think, be familiar with the old English saying: if you want to get out of a hole the first thing to do is to stop digging.

On the one side we hear demands for the intensification of boycotts, comprehensive mandatory sanctions, the breaking of air links, action against South African embassies abroad. On the other hand we hear talk of the supposed benefits of a siege economy.

But if you do end up heading for a siege economy it is rather like entering a funnel. The mouth of the funnel, of course, is quite wide. You do still have, or feel that you have, some freedom of manoeuvre. But as you go further into the funnel the walls start to narrow until, before long, they are very narrow indeed and there is no further room for manoeuvre. You can't go back up the funnel and you have to go on down it.

Of course it is always popular to pretend that whatever you do the outside world will take punitive action anyway. In other words: "It isn't our fault, it is theirs". This is convenient politically. What is the point of making an effort to preserve your relations with key Western countries if they are likely to be destroyed anyway? Well I hope I have made clear that the avoidance of further economic damage, of further sanctions and further disinvestment, will depend on you, not just on us.

Future historians will judge that apartheid was, just about, sustainable as a system of social organisation in a predominantly mining and agricultural economy. It is not compatible with a modern business economy and that has already been proven with the practical breakdown of apartheid in the business world - a breakdown which preceded the legislative changes which since have been made. In the 1950s and 1960s you still could have apartheid and economic growth. But that simply is not possible any longer. If you want to have economic growth, you will have to discard the remaining features of the apartheid system. If you do not discard them, you will not have sustainable growth.

With an expanding economy you can give to one side without taking from the other. With a contracting or stagnant economy, you cannot. That simple law of economics is a fact which does much to help explain the rise here of the right wing.

Few subjects in white South Africa excite as much emotion as the sports boycott. But that reveals one of the first laws of boycotts. It is much easier and much better to avoid them in the

first place. It is very much harder, when they are imposed, to get them undone.

This country has a unique combination of skills and resources. Of all developing countries, none should be developing faster than this one. Yet at present South Africa is not out-performing much of the rest of Africa. There is an increasing number of non-white "haves". There also is an even faster increasing number of non-white "have nots". And many of those "have nots" have simply nothing to lose. The external constraints already are placing definite limits on South Africa's growth.

The idea has gained ground that it may be possible to make progress by satisfying practical grievances rather than political demands. But you will not have the resources to satisfy the practical grievances if you do not make progress in meeting the political demands.

What is the relevance of all this to the work of the Urban Foundation? Well the Urban Foundation does not believe in dis-engagement, any more than we do. The Foundation does not believe in fatalism. Faced with an enormous task, the Foundation does not believe that the first thing to do is to give up.

I would like to pay a personal tribute to Jan Steyn, whom I am honoured to count a friend, and to the staff of the Urban Foundation, many of whom also are friends. It is a truly multi-racial association of people working with great dedication, often amidst great difficulties, to achieve positive results.

I have been enormously impressed by the consistently high quality of the work you have undertaken, not only in housing and education, but also in policy analysis and the efforts made to influence legislation.

The Foundation's work is based on treating all the people with whom they deal as economically intelligent persons - as people who want better housing, better opportunities to educate their children, better professional opportunities and indeed to improve their circumstances in all ways they can. That is a natural human drive and it is of course a capitalistic one and a basic reason why political philosophies that do not take account of that desire for betterment or which, effectively, choke it cannot succeed. Whatever the final outcome in this country it will have been made better or worse by what we do now, and by what is done over the next few years.

We cannot ask the Urban Foundation to solve this country's political problems. I wish that was in your power. But what is in your power is to help improve the circumstances for large numbers of people, to create better opportunities for them, and thereby contribute to the building of a better future. No-one can ask anyone in this country to do more than that, and if everyone committed themselves to that task rather than working so eagerly on left or right to try to make things worse, not better, the prospects for this country would be transformed.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 September 1988

Thank you for your letter of 1 September. I confirm that the Prime Minister is looking forward to seeing you on 14 September at 12 noon. I have no objection to the agenda which you propose, but time will be tight and we should not be too ambitious. The memorandum is very useful and I will show it to the Prime Minister before the meeting.

Charles Powell

Professor J H Steyn.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 September 1988

N The Prime Minister is to see Professor Steyn of the Urban Foundation in South Africa on 14 September. I enclose a copy of a letter he has sent me about the meeting and would be grateful if the points he mentioned could be covered in briefing.

Charles Powell

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

CCB/UP



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R1/a

1 September 1988

Mr C D Powell
Private Secretary
10 Downing Street
London SW1A 2AA
England

CONFIDENTIAL

Dear Mr Powell

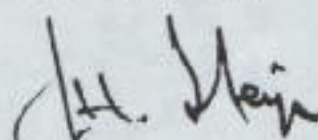
I would like to seek confirmation of the meeting with the Honourable the Prime Minister at 12 noon on Wednesday, 14th instant.

May I take the liberty of suggesting that we consider the inclusion of the following items on the agenda for discussion:

1. The present political climate in South Africa.
2. Prospects for change and the factors impacting on such a process, including the possible release of Mr Nelson Mandela.
3. Proposed legislation to control foreign funding.
4. Proposed legislation to amend laws affecting racial zoning of land and to control informal settlements.
4. The role of the South African and United Kingdom business communities.
5. The role of the United Kingdom government in respect of the South African political dynamic.

The attached memorandum could serve as a background document for the discussion. There are current developments taking place which could be relevant to our discussion. I will, therefore, further update the Prime Minister at our meeting.

Yours sincerely


J. H. Steyn
Chairman

Board of Governors/Raad van Gowerneurs

H F Oppenheim (President), Dr A F Napier (Vice-Vice-president). All other members are listed in the annual review/Andere lede word vermeld in die jaarverslag.

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STRICTLY CONFIDENTIAL

MEMORANDUM

South Africa is approaching a turning point, and this turn could either be in a positive or in a very negative direction. Action by the West could either facilitate the positive or precipitate the negative. The UK, as the external power with both the most influence on South Africa and the most thorough understanding of its problems, has a crucial role to play.

In more detail, the situation can be outlined as follows:

1. The leaders of commerce and industry, many of whom are to be found coalesced in The Urban Foundation are not, generally speaking, apologists for the South African government. There is today a virtual consensus among the leading voices of the private sector that the Group Areas Act must be abolished or rapidly phased out, that remaining direct or indirect inhibitions on the movement of blacks to the cities and their accommodation in urban areas must be eliminated, that statutory race classification (the Population Registration Act) must be removed and be replaced by voluntary group association. This consensus also believes in the need for government and legitimate black leadership to negotiate a new constitutional dispensation which allows for the equitable participation of all South Africans in the political system, including at the level of central government.

The leading private sector bodies are distressed at the slow progress towards these goals, and constantly strive to bring influence to bear to speed up the process of change. These attempts to have an effect are exercised up to the limits of the private sector's role and capacity to act in the political field.

The coherence of effort and consolidation of initiatives in the political field has most probably exceeded that achieved by private business in any other society in history. The benefits will not be immediate, however, but will most probably be significant in the medium term (up to 5 years), provided that South Africa's present direction of change is not aborted by events beyond the control of the private sector and government.

2. Notwithstanding the general agreement that change must proceed more rapidly, mature South African observers and analysts who wish to avoid confrontation realise that the government faces serious constraints, notably:
 - (a) The burgeoning right-wing opposition which, after the most recent by-elections, would be likely to gain between 33 and 36 percent of the white vote if an election were held today. (There are indications that this percentage could grow very rapidly in the short/medium term if circumstances conducive to this growth persist. Legislation regulating the racial zoning of land presently before parliament is evidence of government's concern.)
 - (b) A huge potential for instability exists in the black teenage and young adult population. While much of the unrest potential is based on legitimate grievances, and many black extra-parliamentary groupings would respond positively to serious attempts at negotiation, there is regrettably a substantial alienated fringe, often the product of poor

education and high unemployment, which has adopted revolutionary goals and is imbued with an almost romantic notion of sacrifice in the cause of superficial concepts of "liberation".

- (c) Much the same comments apply to a small but vocal section of the press. Just as is the case in much of the "progressive" media in the West, many younger journalists have adopted more than a social justice or anti-apartheid model for their analysis, but espouse an anti-capitalist, anti-establishment position which is highly partisan and which in South Africa can conceivably stimulate notions of total confrontation.
- (d) Some of the necessary reforms introduced by government in recent years have resulted in a range of problems of administration and social control for government. The extension of labour rights to Africans has contributed to a level of wage demands and strike action which are often counter-productive in a middle-range developing economy characterised by uncertain investor confidence. The lifting of influx control laws has made the effects of the housing backlog more visible in the form of a proliferation of informal settlements and squattling. Urban crime has also increased. A government decision some 3 years ago to prosecute in terms of Group Areas laws only where complaints were received, has led to some serious overcrowding and exploitation in areas which have recently become racially mixed.
- (e) The private sector has been justified in questioning the financial and administrative preparations of these vital reforms made by government, and continues to press for improvements in financing and administration of the rapidly growing cities as well as for an expansion of educational and residential opportunities for blacks in order to reduce these emerging problems. Nevertheless, the severe, immediate challenge to government is obvious. One must expect that government will wish to consolidate its administrative systems and resolve problems in the financing of development and resource allocation before launching major new initiatives, particularly in a situation in which it is attempting to curb inflation by reducing government spending.

3. Constructive and firm pressures and influence for further change in South Africa must be maintained but, given the constraints outlined above, it is unrealistic to expect the South African government to meet the many demands for rapid and unqualified change in the short term. The government would fear precipitating a crisis composed of reactionary responses, mounting inflation and spiralling black expectations.

Thus, any valid understanding of the way in which the South African government would view its present situation should incline the West to expect a period of administrative adjustment and political consolidation before significant new reforms emerge. If the constellations of internal constraints are taken account of, this may well be the time for a review of the approaches aimed at encouraging change in South Africa.

4. Judicious patience and a review of strategic action is not likely to be entertained by some agencies in the West. Indeed, sections of the churches, various voluntary organisations and some political leaders are mobilising very strongly for mounting pressure on the South African government.

This is substantially because a combination of the dedicated efforts of various voluntary organisations, assisted by the media, has created the impression that circumstances for blacks are deteriorating in South Africa. This is most definitely not the case. A few examples are apposite:

- Black wages are increasing more rapidly than white wages and have done so over the past decade. For example, between 1974 and 1984 black wages increased by a average of 19% per annum compared with an increase in white wages of 14% per annum. This difference in the rate of increase has subsequently been maintained: in 1985 black wages increased by 13% compared with an 11% increase in white wages, and in 1986 black wages increased by 17% compared with 13% for whites.
- In 1980, the number of Africans passing their Standard 10 (school-leaving exams) was less than half that among whites. In 1987, the number of Africans passing Standard 10 (school-leaving) exceed the number of white passes by 37 percent.
- Registered trade union membership has increased from 677 000 in 1977 to 1 866 000 in 1987.
- The financing and development of black urban infrastructure and basic services (while still grossly inadequate) has improved dramatically over the past 3 years.
- Today virtually all major central business districts and restaurants, hotels, cinemas and theatres are desegregated.
- Tertiary education in universities and technikons is desegregated, as are large numbers of private schools.

These examples should suffice to suggest that in significant ways the circumstances of blacks are improving. The pace is too slow, but the direction of change is generally positive. (A noteworthy exception in this regard are some of the Bills affecting racial zoning referred to above.)

5. Any responsible analyst would reach the conclusion that this is not the time for hasty action by the West formulated on the assumption that an emergency response is necessary to correct a deteriorating situation. Rather, this is the time for well-thought out and constructive strategies beyond the very short term.
6. Given the strength of reactionary forces in South Africa, and given government's perceived constraints, abrupt, coercive action emanating from Western quarters could, at "best", force the South African government into a position of vacillation, thereby strengthening the right-wing opposition due to rising insecurity among white voters. At worst, it will achieve a reaction of resentment in government and a mobilisation of political and economic resources to reject "interference" from abroad. Needless to say, coercive action would further reduce the capacity of the economy to support the development and reform needs of the society.
7. In October there will be nationwide municipal elections. The elections among blacks are expected to attract only minority participation. On the other hand, the right-wing opposition is poised to record significant gains (up to 70 percent of municipal seats in the Transvaal).

At this juncture, amidst the problems of administrative consolidation which the government is struggling to address, albeit with limitations, an additional burden of punitive action from the West could force an over-reaction in government. It is a crossroads from which the "low road" to a siege state could commence.

8. For these broad reasons, a positive medium term future for South Africa requires an exercise of wisdom and sophisticated judgement among Western

- countries. The United Kingdom, and possibly other countries within the European Economic Community, have the close interaction with South Africa and the international experience to take a lead in formulating a wiser and more positive strategy than some of the proposals currently being debated in the world media.
9. Some suggestions concerning the contents of such a strategy could form the subject matter of discussion and subsequent development into a strategic document.

J. H. Steyn

J H STEYN
1 September 1988

PM: Meeting with

Justice Steyn: May 82

M/F



14
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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 May 1988

Thank you for your letter. I too enjoyed our brief meeting. I have provisionally put you in the Prime Minister's diary at 1200 hours on Wednesday 14 September. I hope very much that this will be possible but would be grateful if you would check with me at the beginning of September to make sure that the appointment stands.

(C.D. POWELL)

The Hon. J.H. Steyn

dg

MR. GULSE
POLICY UNIT

Charles!
Thanks. Have
advised Steyn - f

MR. JUSTICE STEYN

I have put Mr. Justice Steyn in the Prime Minister's diary for half an hour on Wednesday 14 September. I should be grateful if you could tell him this but in doing so, make clear that it will depend very much on how things are at the time whether we are able to stick to the appointment. He might like to confirm with you in early September.

CDP

C. D. POWELL

13 May 1988

● THE URBAN FOUNDATION (LONDON)

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13 May 1988

C D Powell Esq
Private Secretary to
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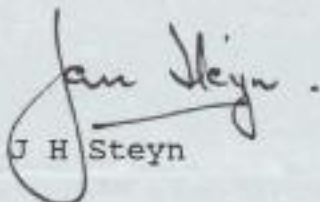
Dear Mr Powell

I was very pleased to see you yesterday and to have had the opportunity of a brief but nevertheless rewarding discussion.

I confirm that I will certainly be visiting London during the week September 12 to September 16. I will also be available during the preceding and following weekends if required.

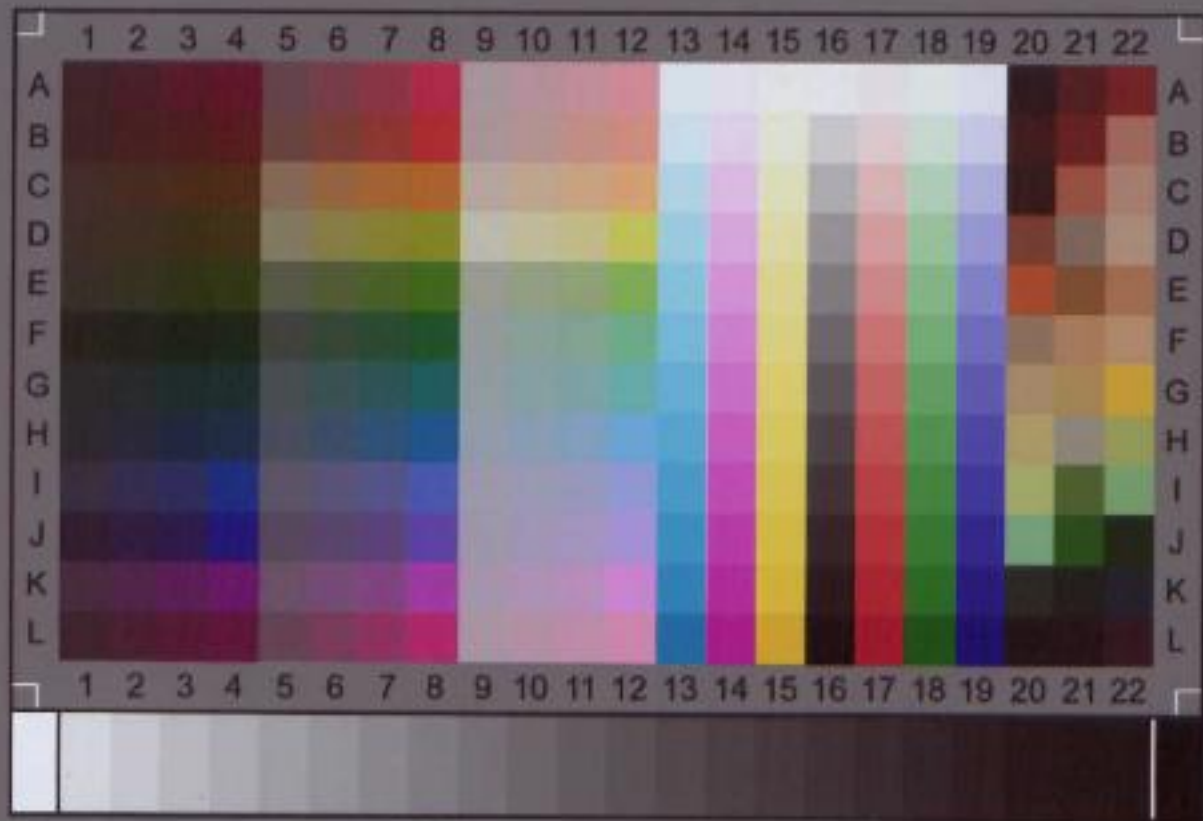
Should an appointment eventuate I would be pleased if you could inform me at P O Box 1198, Johannesburg for my personal and confidential attention. My telephone number at my Johannesburg office is 011 492 2020 and Cape Town office is 021 238 030. My private lines are Johannesburg 011 836 6935 and Cape Town 021 241 935.

Yours sincerely

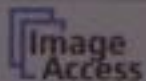

J H Steyn

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